

Implementing SPS measures to facilitate safe trade in Lao PDR

Study conducted for the
Standards and Trade Development Facility (STDF)*

by

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Acronyms and abbreviations

CCIC	China Certification and Inspection Group
CO	Certificate of origin
Codex	Codex Alimentarius Commission
FDD	Food and Drug Department
DOA	Department of Agriculture
DOLF	Department of Livestock and Fisheries
DOP	Department of Planning and Coordination
DTIS	Diagnostic Trade Integration Study
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
GAP	Good agricultural practices
GHP	Good hygiene practices
GMP	Good manufacturing practices
HACCP	Hazard Analysis and Critical Control Points
HQ	Head Quarters
IPPC	International Plant Protection Convention
ISPM	International Standards For Phytosanitary Measures
ISSB	International standard setting bodies
LNCCI	Lao National Chamber of Industry and Commerce
LC	Letter of credit
MAF	Ministry of Agriculture and Forestry
MOIC	Ministry of Industry and Commerce
MRL	Maximum residue level
NPPO	National Plant Protection Organization
NSW	National single window
OIE	World Organisation for Animal Health
PC	Phytosanitary certificate
SOP	Standard operating procedures
SPS	Sanitary and Phytosanitary
STDF	Standards and Trade Development Facility
WHO	World Health Organization
WTO	World Trade Organization

I. Introduction

This document is one of four country studies conducted in Southeast Asia (Cambodia, Lao PDR, Philippines and Thailand) as part of STDF regional research on the implementation of SPS measures to facilitate safe trade.¹ Parallel regional research was carried out in Africa by the STDF, in collaboration with Trade Mark Southern Africa, and in Latin America by the Inter-American Development Bank (IDB). The preliminary findings of the regional research were presented at an STDF thematic session in Geneva on 26 March 2014.

The inspiration for the STDF research is the increased interest in developing countries and the trade and development community in trade facilitation, which is also evidenced by the adoption of a new WTO Agreement on Trade Facilitation in December 2013.² It is based on the common understanding that trade can be an important tool for economic growth and the reduction of poverty. The objectives of the STDF regional research are: (i) to draw attention to the synergies between the implementation of SPS measures and trade facilitation; (ii) to identify key needs, opportunities and good practices to improve the implementation of SPS measures in a way that ensures an appropriate level of health protection while minimizing trade transaction costs; and (iii) to make recommendations to enhance future work and technical cooperation focused on SPS and trade facilitation.

Members of the WTO have the sovereign right to restrict trade for the protection of human, plant and animal life or health against trade-related risks, provided that they follow the relevant principles of the WTO and, in particular, the Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement).³ The main principles of the WTO framework are that SPS measures should be non-discriminatory, transparent, science-based and not more trade-restrictive than required to achieve the appropriate level of protection. SPS measures that meet these principles are considered as legitimate non-tariff measures.

The SPS Agreement requires WTO Members to accept measures of other Members that are equivalent in providing the appropriate level of protection. It also strongly encourages Members to harmonize their measures by adopting international standards, guidelines and recommendations developed by three international standard setting bodies (ISSBs), notably the Codex Alimentarius Commission (Codex), the International Plant Protection Convention (IPPC), and the World Organisation for Animal Health (OIE). However, countries are allowed to apply stricter requirements as long as these measures are based on scientific justification, which includes an assessment of risks. Countries may also apply fewer and less stringent standards, or opt not to apply international SPS standards, provided that this does not affect the rights of other countries under the multilateral trade rules.

¹ For more information, see: <http://www.standardsfacility.org/facilitating-safe-trade>

² WT/MIN(13)/36, WT/L/911, WTO, Ministerial Conference, Ninth Session, Bali, 3-6 December 2013. Annexes to the Agreement are being prepared, with full acceptance planned by 31 July 2015. Much work will be required on implementation of the Trade Facilitation Agreement and on alignment with the SPS Agreement. The STDF research focuses on the general broad concept of trade facilitation, and not on the new Trade Facilitation Agreement.

³ The text of the SPS Agreement is included in the Final Act of the Uruguay Round of Multilateral Trade Negotiations, signed in Marrakesh on 15 April 1994, and is available on the WTO website http://www.wto.org/english/tratop_e/sps_e/spsagr_e.htm#fnt5

Trade facilitation refers to the simplification and harmonization of required processes, procedures and information flows for border clearance. Trade facilitation is optimal if transaction costs for legitimate trade are as low as possible.⁴ If SPS measures do not disrupt trade more than necessary to achieve the appropriate level of protection, then they are in harmony with trade facilitation. If the transaction costs of SPS measures to traders are higher than necessary to achieve the appropriate level of protection, they should be considered as trade-disruptive.

The SPS Agreement focuses mainly on principles to observe in protecting human, animal or plant life or health and less on practical implementation modalities. Nevertheless, the Agreement also provides guidance in several articles, and in particular in Annex C, on control, inspection and approval procedures, and on avoiding unnecessary trade disruption and transaction costs for traders. The ISSBs referenced in the SPS Agreement (i.e. Codex, IPPC and OIE) focus on the development of international standards for health protection, some of which provide guidance for good practice on topics referred to in Annex C and related to trade facilitation. However, a comprehensive compilation of good practice guidance for the implementation of SPS measures does not exist.

Most WTO Members are still in the process of incrementally applying WTO principles correctly. As a result, in many countries, SPS measures deliver less health protection than desirable and disrupt trade more than necessary. The reasons for non-compliance variously include lack of awareness, limited capacity in SPS management, weak governance, health protection measures that are unnecessarily costly, insufficient funding of SPS operational costs, and use of SPS measures for purposes other than health protection (e.g. protection of domestic production/industry or rent-seeking). Complexities and inefficiencies in SPS control processes may also cause extra administrative and internal business costs to traders.

The research in Lao PDR collected and analyzed information on how selected SPS measures are implemented in practice for specific product groups based on the provisions of the SPS Agreement and selected texts of Codex, IPPC and OIE. It explored the transaction costs of SPS measures for selected product groups, and considered how improving compliance with WTO principles can facilitate trade and contribute to better health protection. This report presents the findings of this country-level research. It is structured as follows. Section II outlines the methodology for the research in Lao PDR, which reflects the approach taken in all the countries included in the research in Southeast Asia. Section III presents the key findings, followed by an analysis in Section IV. The final section offers recommendations for improved implementation of SPS measures in Lao PDR.

II. Methodology

The following paragraphs discuss key terms used during this research and delineate the parameters and scope of the data collection, analysis and findings.

Definition of costs The SPS Agreement does not define transaction costs. Since it refers in principle to all costs that may affect trade, this study recognizes the following four kinds of costs incurred by traders.

⁴ From economic growth and poverty reduction points of view, unnecessary transaction costs on imports and exports are undesirable because they reduce purchasing power of consumers, waste public and private resources and undermine competitiveness.

1. Official fees and charges for services based on regulation and imposed by SPS measures, including the cost of application forms, service charges, inspections, sampling, testing and diagnostics, treatment and quarantine cost, issuance of certificates, etc.
2. Informal payments, not based on regulation, under many different names, including tea money, under the table payment, payment for entertainment, meals, transport, speeding up service provision, overtime fees, special presents, gratitude, services for which no formal fees apply, etc.
3. Administrative costs for enterprises, including cost and staff time for preparation of documents, submission, consultation with officers, tracking the status of decision making, reminders by phone, actions to speed up the process, and contingency planning.
4. Internal business costs, including long lead-time from planning to sale, extra storage and interest cost, spoilage of goods, missed orders, uncertainty.

Product selection SPS measures can vary widely for products because of their risks as carriers of pests, diseases and food safety hazards, their physical characteristics, origin, and intended use. For this reason, the regional research focused on four groups of products:

- 1) rice and other field crops
- 2) fruit and vegetables
- 3) shrimp and other fisheries products
- 4) chicken and other meat products

Obviously, not all of the four countries covered in the regional research have exports and imports of each of these product groups. But, in most cases there are proxy products subject to similar SPS requirements. The research did not address products with special risks such as seed and propagation materials, and live animals.

Imports and exports This research focused on exports and imports of the above mentioned product groups. It is important to note that WTO SPS disciplines apply to imports, and therefore even exports of a country are largely regulated from the perspective of the SPS requirements of importing countries. The general thrust of the WTO disciplines is that if all Members comply with WTO principles, including the principle that SPS measures should be least restrictive to trade, then trade opportunities will be optimal from the WTO SPS perspective.⁵ The SPS Agreement does not impose similar disciplines on exports; however, it defines obligations of exporting countries to provide information about their pest and disease situation and food safety hazards at the request of importers. The ISSB provide guidance on export- and import-related procedures such as inspections, conformity assessment and certification.

The SPS Agreement is not concerned directly with the possible unnecessary costs to exporting countries stemming from their own costly and unnecessary measures. By contrast, trade policy departments in most countries and the development community place much emphasis on promoting exports through trade facilitation because of its expected impact on growth, employment and poverty reduction.

⁵ The SPS Agreement in a footnote to paragraph 6 of Article 5, states that a measure is not more trade-restrictive than required unless there is another measure, reasonably available taking into account technical and economic feasibility, that achieves the appropriate level of sanitary or phytosanitary protection and is significantly less restrictive to trade.

This research could not cover transit trade, because regional agreements for goods in transit are still deficient, only partly implemented and not fully clear on SPS requirements.⁶

Sources of information The Government and the private sector were both important sources of information for this research. This survey started by interviewing staff of the competent authorities responsible for food safety, animal and plant health to collect information about the applicable legal framework, the mandates, procedures for application of export and import release, number of documents required, fees that apply, official waiting time, ICT application and sources of information for traders. This was followed by interviews with traders in order to collect information on how the procedures are actually implemented in practice.

Use of questionnaires Detailed questionnaires addressing many relevant items of transaction costs associated with SPS measures were designed and used as a general guide for interviews with government officials. Shorter questionnaires were used with the private sector based on the business processes for SPS clearance of goods (see Box 1). Most private enterprises did not have more than an hour to be interviewed, which put limits on the details that could be collected. Sometimes, some issues that were not very relevant for the overall picture had to be ignored. More importantly, some important country-specific issues, such as institutional and policy issues, had to be captured by expanding information gathering beyond the questionnaire.

Box 1 Questions for interviews with private traders

For imports, questions included:

- 1) Describe the steps required for SPS clearance for import of [product], agencies involved, pre-requirements of foreign producers/traders, foreign product safety assurances etc., requirements of importer/buyer, warehouse/cold storage, licenses, import permits, traceability requirements, if any.
- 2) Document requirements at the border, fees, waiting times, standards to comply with, testing and quarantine requirements, etc.
- 3) Is information about SPS import requirements readily available? What are main sources of information? Websites, printed material, information from officers, legislation, trade associations, broker/trade forwarder? Is information fully available and reliable?
- 4) Availability of IT for submitting applications. Can applications be submitted online? Can forms be downloaded?
- 5) Closing questions: Describe any bottlenecks in the SPS release process from the perspective of the importer. Recommendations?

For exports, questions included:

- 1) Describe the steps required for SPS clearance for export of [product], agencies involved, pre-requirements of foreign producers/traders, foreign product safety assurances etc., requirements of importer/buyer, warehouse/cold storage, licenses, export permits, foreign import permit, traceability requirements, if any.
- 2) Document requirements at the border, fees, waiting times, standards to comply with, testing requirements, etc.
- 3) Is information about SPS export requirements readily available? What are main sources of information? Websites, printed material, information from officers, legislation, trade associations, broker/trade forwarder? Is information fully available and reliable?
- 4) Availability of IT for submitting applications. Can applications be submitted online? Can forms be downloaded?

⁶ Inclusion of transit trade in this study would have required significant additional data collection and travel.

5) Closing questions: Describe any bottlenecks in the SPS release process from the perspective of the exporter. Recommendations?

Source: the authors

Field work and confirmation workshops Field work in Lao PDR was carried out from 9 to 31 October 2013. It included interviews with SPS competent authorities, trade policy departments and the Lao National Chamber of Commerce and Industry (LNCCI), a study of the legal and institutional framework, and interviews with about 15 specialists in exporting and importing private enterprises, freight forwarding and other private institutions. Private sector information is based on a number of confidential individual interviews and reported only if the answers were largely in agreement or could be verified in other ways.

Draft findings from the field work were presented at confirmation workshops for stakeholders, which took place on 11 November 2013 for Government officers and on 12 November 2013 for private sector representatives. Government agencies were asked to comment on drafts of the country report in late December 2013 and March 2014 prior to its finalization.

III. Findings

Description of Lao PDR's SPS system

Lao PDR became a WTO Member in 2013. In preparation of its membership, the country improved its legislation, established an SPS Enquiry Point and Notification Authority, and set up the Lao PDR Trade Portal⁷ where all trade-related legislation is published. Lao PDR has a list of commitments to comply with under the WTO framework. One area of continued effort is the upgrading of SPS legislation through an ongoing project aimed at enhanced legal quality and improved compliance with WTO principles. This is related to the fact that to date the country has only a few national standards and MRLs adopted through national legislation. Another area of continued effort is improved implementation of legislation in import and export procedures, which is likely to lead to modifications of the border release practices reported in this study.

Three departments have basic responsibility for SPS measures: (i) the Department of Agriculture (DOA) of the Ministry of Agriculture and Forestry (MAF) is responsible for plant quarantine and control of pesticides use; (ii) the Department of Livestock and Fisheries (DOLF) of MAF has the mandate for animal quarantine and safety of animal and fisheries products; and (iii) the Food and Drug Department (FDD) of the Ministry of Health (MOH) has the mandate for food safety. These three departments lead in national legislation and policy setting, whereas much of implementation is the responsibility of the provinces.

SPS border checkpoint officials fall under the provinces and districts. Provinces used to have some autonomy in establishing SPS measures, as well as discretionary powers to implement measures. Following WTO accession and under the Constitution, the role of the provinces will remain to develop administrative decisions for implementation within the parameters set by Ministries at the central level, and to implement the requirements of legislation issued by such central level authorities. It is understood that on technical matters, officers from the provincial and district offices of agriculture and health are required to seek guidance from, or comply with the guidance issued

⁷ <http://www.laotradeportal.gov.la/>

by, the MAF and MoH. The Department of Planning and Coordination (DOP) of MAF has a coordinating role in SPS and houses the Enquiry Point but it is not involved in import and export controls. The National Notification Authority is in the Foreign Trade Policy Department of MOIC.

Analytic and diagnostic capacity is still insufficient to conduct basic functions. The Plant Protection Center and the Animal Health Laboratory have basic capacity for diagnostics of plant pests and animal diseases respectively. The Food and Drug Control Center has very limited capacity for food analysis. No laboratory has ISO 17025 accreditation. Capacity for chemical analysis of food and agrochemicals still has to be developed. Lack of staff and operational funding is a key constraint for the operation of laboratories and development of testing and analytical skills.

Import and export control system

It is important to explain at the outset that SPS controls only apply to part of imports and exports, which in this report is called “formal trade”. There is also substantial “informal trade” which escapes from SPS controls. It includes nearly all trade of animals, probably most imports of animal and fisheries products, nearly all imports of fruit and vegetables, significant parts of import of consumer goods and important parts of exports of commodities. This section describes the roles and mandates of Ministries responsible for SPS measures with regard to formal trade. It is mainly based on information they provided. SPS authorities in the provinces were not interviewed; it is possible that to some extent they base implementation of SPS measures on older versions of provincial and national legislation or follow established practices without a clear legal base.

DOA

DOA has the mandate for plant quarantine, pesticide use and good agricultural practices (GAP). The mandate/responsibility for food safety of exported fresh plant food products is not sufficiently clear.

The main legislation for SPS border release for plant products consists of the Law on Agriculture (soon to be revised), the Law on Plant Protection, the Plant Protection Decree, Ministry-level regulations and a Decision on GAP (food safety part). At the provincial level, regulations followed may still be insufficiently harmonized with national legislation.

The country has 81 national, provincial and local border crossings, 26 of which have plant quarantine officers (of these, 15 are international border checkpoints, in addition to the 3 international airports). For each shipment, plant quarantine officers are required to check the integrity and identity of the shipment, and to collect statistics. No tasks have been delegated to other agencies, but a Government Decree stipulates that if there is no plant quarantine officer, Customs has to check, inform a plant quarantine officer or take a sample.

MAF has a general requirement for agricultural and forestry enterprises to register with the Office of the Permanent Secretary. The registration can be used to get loans or tax reduction. DOA does not use it for SPS controls. It requires registration only for some risky products such as pesticides and seed. There are protocols with China and, in the future, probably also with Thailand, which may specify that for agreed products registration of traders, producers and producing areas is required.

Export All plant products can be freely exported, but for rice, permits are needed from MOIC because of food security considerations. Although DOA does not have any restrictions as to which border posts goods must be exported through, neighboring countries do have some restrictions.

In order to export maize, fruit or vegetables, the exporter has to come to the office of MAF or a Provincial Agriculture and Forest Office (PAFO) to request a phytosanitary certificate. The request form should be accompanied by an invoice, packing list and a phytosanitary import permit of the country of destination. According to the old Presidential decree, the fee is K15,000 (US\$2) plus an inspection cost not specified in the decree. The Minister has appointed 35 authorized plant quarantine officers, located at DOA and in 9 provinces, who can issue phytosanitary certificates anywhere, including at 9 of the 15 international border posts. In principle, the certificate can be obtained within one day of making the request, or the next day. The other provinces can do the inspection and forward the inspection report to one of the places that is authorized to issue certificates. In cases of less traded products or special destinations, it may take time to find information on the requirements of the importing country. The distance between offices and inspection sites also affects waiting time for issuance of phytosanitary certificates. The content of the phytosanitary certificate depends on the requirements of the importing country. Lao PDR has no facilities for fumigation and other treatment, except wood treatment for ISPM 15. DOA has no sanitary requirements on exports.

Fraud is a problem for phytosanitary certificates and certificates of origin (CO). For the period from January to November 2013, 10 notifications on fraudulent documents were received from EU countries.

Import An import permit may be required for each shipment of fresh plant products.⁸ DOA and provincial authorities have responsibility for phytosanitary import permits.⁹ DOA only gives permits for entry at international border posts. At present, no one checks food safety on imports of plant products. At present, most vegetables and fruits are imported informally through provincial and local border crossings.

For example, the process of import of each shipment of corn is as follows. The importer goes to the provincial office and makes a request accompanied by a copy of the registration of the enterprise with MOIC, the invoice and the packing list. Usually, the next day, the importer receives a Phytosanitary Import Permit, which specifies phytosanitary requirements. It can include requirements for treatment and it can also indicate imports through a designated point of entry and that further checking of the shipment is required on imports (such as for seed). The permit costs 15,000K (the same as a phytosanitary certificate) and it can be issued in one day. The importer takes the Phytosanitary Import Permit to the phytosanitary authority of the exporting country and asks for a phytosanitary certificate. At import, the shipment needs to be accompanied by the permit, the phytosanitary certificate, the invoice and the packing list. The SPS import process at the border itself has no document fee, only inspection of integrity and consistency and, probably, an inspection charge by the plant quarantine inspector. At the moment, there is no capacity for treatment and no testing.

⁸ It is not clear who has the mandate for frozen and fresh food, including frozen and fresh vegetables which are imported from New Zealand for foreign residents.

⁹ Seed and seedlings can only be approved and imported centrally; import of common products is handled by the provinces.

DOLF

The mandate of DOLF is animal health, food safety of animal products, meat inspection, fisheries products, feed control and use of veterinary drugs and growth enhancers. The main legislation is the Law on Agriculture (soon to be revised), the Law on Livestock Production and Veterinary Matters (2008), the Decree on the Control of the Movement of Animals and Animal Products (2012), the Decree on Animal Disease Control (2012) and the Fisheries Law (2009).

The trade of animal products has more developed legislation (law, decrees, regulations and standard operating procedures (SOP)) than fisheries, which only has a law and still no regulations on import / export product control. Therefore, the control system for animal products is also used for fisheries products. The movement control decree is most important. There is some potential limited overlap with food safety controls by MOH (FDD), mainly because legislation and its implementation are still incomplete.

Information on SPS import requirements can be obtained from the Lao Trade Portal¹⁰, where all legislation is published. However, a step-by-step description of the SPS clearance process is not available. For the implementation of animal product controls, a PowerPoint presentation was developed to brief inspectors in the provinces. Most often, importers visit the offices to receive information about requirements.

The import process is as follows. The importer should consult with the officer on all requirements and make the proper preparations so that the risk of wrong / insufficient applications is minimized. The approval process at DOLF requires not more than 15 days, no fee, and usually three visits (getting information, making the application, getting the import permit).¹¹ The import permit is valid for one month only. The permit can indicate staggered import of the goods, for example for restaurants that need certain meat and fisheries products regularly. The importer has to use the import permit to obtain a health certificate (or a veterinary certificate in case of animals and risky products) from the exporting country.

Three days before arrival of the goods, the importer has to inform the check post. The goods have to be accompanied by the import permit and a health / veterinary certificate from the exporting country. No fee is required for the permit and for the entry of the goods, but at entry payment for veterinary inspection will be charged. The inspectors will always visit the warehouse after import.

FDD

FDD has the main responsibility for food safety in the country. In 2013 the Law on Food was revised to bring it more in compliance with WTO principles. Other important legislation is the Regulation 856/MOH of 2006 on the Control on Production, Exported-Imported Safe Food (to be updated), and Decision 297/MOH of 2012 on Food Inspection. There is an ongoing program to formulate additional legislation to implement the law, including revision of the present import and export regulation. FDD has no bilateral protocols.

Enterprises can, according to FDD, get all necessary information at the reception of the offices. FDD has developed two standard operating procedures (SOP), one for handling import permits and one for issuing certificates indicating "fit for consumption". If all documents required to make a

¹⁰ <http://laotradeportal.gov.la/index.php?r=site/index>

¹¹ For risky products applications can only be made at DOLF, for other products provinces can handle the process.

request are correct, it does not take more than 3 to 4 working days for issuing the permit or certificates. During this time, the application goes to different divisions for decision making. The Director General or acting Deputy Director General signs it.

Frozen meat and fisheries products are understood to be the competence of FDD, while fresh products are under DOLF, although the legislation is not specific in this regard. For import release, the import permit has to be accompanied by a health certificate of the country of origin. However, FDD will in all cases order inspection of imported goods and do certain tests, regardless of the health certificate unless there is a testing report.

All processed and packaged food is the responsibility of FDD. For example, roasted coffee is processed and needs a “fit for consumption” certificate for both export and domestic use, while this requirement does not apply to green coffee. All companies that trade in final processed and packaged food, except for those importing unpackaged frozen fish and meat, need a license.

Transparency and awareness

Trade-related legislation is, as already indicated, available on the Lao Trade Portal. The website of the Enquiry Point is linked to it. Most traders could not answer important questions about the legislative framework. Traders marked the portal as an improvement, even those who reported that they do not read legislation. However, traders claim that regulations are too complex and difficult to read. In general they feel uncertain about which regulations actually apply. The SPS agencies agree that the website still needs additional information that explains step-by-step what has to be done and also provides details on the waiting times and fees/charges, most importantly, and the SPS requirements. The SPS agencies have no requirements for SPS release processes on their own websites, and pamphlets are not available. Traders generally have no knowledge about the legislation that applies. Therefore, verbal information from SPS officers is virtually the only source of information for traders about procedures, forms to be used, sanitary and phytosanitary requirements, waiting time, and fees. Obviously, verbal information given can vary among officers and among private traders.

Limitations in coverage

As indicated already, there is much informal trade in several market segments that is not subject to SPS controls. This provided limitations for this research to collect SPS transaction costs for release of products in market segments dominated by informal trade.

Given time and budget constraints, interviews took place only with SPS authorities in the Ministries and not with provincial administrations. With a few exceptions, all interviewed traders used the Thanalaeng international border post of Vientiane Capital.

Document requirements and controls

Tables 1 to 4 provide overviews of document requirements for SPS applications as reported by the three competent authorities and verified with information from traders.

For **imports of processed products**, FDD requires enterprises to apply for an import permit for each shipment. Only enterprises with business registration at MOIC can apply (Table 1). In case of packaged food, enterprises need to request for a license first. At import, the import permit and the invoice are required and for each shipment, documents will be inspected. For packaged food, labeling is required.

Table 1 Document requirements by FDD for imports of processed food products

Documents required for requesting import permit	
	<i>pre-requirements</i>
1.	MOH license to trade (packaged food only)
2.	Business registration MOIC (2 copies)
	<i>requirements</i>
1.	Certificate of food quality (2 copies)
2.	Packing list with product sample (2 copies)
3.	CO
Documents required at import	
1.	Import permit
2.	Invoice
3.	Label (packaged food only)

Source: Competent authority and interviews

The requirements by the National Plant Protection Organization (NPPO) **for import of plant products** are not clear. They differ between DOA and the Division of Agriculture of Vientiane Capital¹² (Table 2). The Division requires an import permit for each product, whereas the DOA claims that according to the Plant Quarantine Decree (Art 18) this is only required for special products and special conditions. It is noteworthy that the Division requires a certificate of origin for all imports. The issued import permit describes the phytosanitary requirements for which the phytosanitary certificate should provide assurances.

Table 2 Document requirements by the NPPO for imports of plant products

Documents required for requesting an import permit	
1.	DOA requires a permit only for special products and conditions (Plant Quarantine decree Art 18)
2.	Vientiane Division of Agriculture appears to require a permit for all plant products
	<i>pre-requirements</i>
1.	Business registration MOIC
	<i>requirements</i>
1.	Certificate of registration of plant / seed from origin country (for seed only)
2.	Certificate of plant/seed quality test / assurance (for seed only)
3.	Certificate of Origin
4.	Certificate of Genetically Modified Organism (GMO)
5.	Description of plant / seed product description
6.	Copy of ID card / passport
	The import permit describes the phytosanitary requirements
Documents required at import	
1.	The permit
2.	Phytosanitary certificate
3.	Invoice
4.	Packing list

Source: Competent authority and interviews

For **imports of animal and fisheries products**, DOLF requires an import permit for each shipment (Table 3). In addition to business registration with MOIC, DOLF requires enterprises to be registered with the Permanent Secretary of MAF (not required by DOA). The import permit

¹² The difference became clear from interviews with importers and was verified subsequently with the agencies.

indicates the requirements for the health/veterinary certificate. The required annual plan of import seems to be a remnant of the period of state trading and may be used to control volume of import.

Table 3 Document requirements by DOLF for import of animals and animal and fisheries products

Documents required for requesting an import permit	
	<i>pre-requirements</i>
1.	Business registration at MOIC
2.	Registration at Permanent Secretary Office MAF
	<i>requirements</i>
1.	Application form with product description, quantity, proposed date(s) of entry, proposed port of entry, the means of transportation, and final destination (warehouse, etc.) of the product
2.	Proof of ownership or custodianship of animals
3.	Annual plan to import
4.	Invoice
5.	Packing list
6.	Import permit for obtaining health/veterinary certificate in country of origin.
documents required at import	
1.	Import permit
2.	International veterinary certificate
3.	Relevant documents in case live animals for breeding

Source: Competent authority and interviews

The number of documents required by the NPPO for requesting a phytosanitary certificate for **export of plant products** is only 4; however, this includes a phytosanitary import permit of the country of destination, which requires time to obtain (Table 4).

Table 4 Document requirements by NPPO for export of plant products

Request phytosanitary certificate (PC) from DOA or PAFO	
1)	Invoice
2)	Packing list
3)	Phytosanitary import permit of country of destination
4)	Certificate of origin (CO)

Source: Competent authority and interviews

Waiting time

Competent authorities do not have official lists of standard or target waiting times. Some Government officers provided *ad hoc* estimates for selected services of what they consider reasonable, but given decentralized implementation and major geographic differences these are not based on operational practice. Some legislation includes maximum waiting time for some services, which cannot be used as target. Reported waiting times by traders for obtaining SPS services¹³ are provided in Table 5. In most cases, waiting times are long. In case of obtaining a phytosanitary certificate at the Division of Agriculture of Vientiane Capital, the time reported by exporters is much longer than anticipated, compared to the time indicated by MAF (one or two days). It appeared that the Division of Agriculture of Vientiane Capital still follows old procedures involving several units that no longer have a mandate in the decision making process nor the new

¹³ The collected information generally does not indicate the total export or import release time. For making such estimates time taken by all border agencies and waiting time between actions of the border agencies should be estimated. This would require significantly more interviews and detailed time release studies on the border.

procedures. Moreover, issuance of a CO appears to be mandatory for export of plant products and can only be requested after the phytosanitary certificate has been issued, hence, a phytosanitary certificate is also required for all exports. Traders point out that issuance of CO by LNCCI generally takes only one day and three days by MOIC. Requiring permits for exports (to be obtained from the country of destination) and imports adds to the total waiting time.

Table 5 Reported waiting time for selected SPS services

Import permits (consumer goods, meats, fish, malt, etc.)	2-3 days, occasionally 1 or 4+ days.
Issuance of phytosanitary certificate	3-5 days
Health certificate for export of foods (at request buyer)	1 week
Import permit processed food	3-4 days
Issuance of CO	1 day at LNCCI; 3 days at MOIC
Mandatory sequence phytosanitary certificate and CO; cannot be done in parallel	4-7 days together
Total lead time for exports of rice - if testing in country of destination is required first	5-14 days up to 4 weeks
Total lead time imports	7-14 days
Notification border post	3 days ahead of arrival of the shipment

Source: Competent authority and interviews

Reported cost

Information from Government staff about costs caused by SPS measures was generally incomplete and comes mainly from traders. Most traders were forthcoming with information about payments made; some were reluctant to speak. Some traders had insufficient information because they contract service providers (freight forwarders or customs brokers) to do all paperwork and payments for border release, in which cases payments for SPS service are usually absorbed in the total fee. Some service providers provided information. The use of experienced and well-connected service providers can have clear advantages for traders but it reduces transparency of the border release processes.

Below the different cost categories that make up transaction costs are discussed.

Formal fees and charges Traders do not often get receipts for the fees they pay, or are issued receipts only for part of the payments. There is no transparency about fees that apply. SPS agencies said they were using the pending Presidential Decree¹⁴ for fees, not the one that still applies. Table 6 contains fees prescribed in the old and new Presidential Decrees. The proposed new rates cover more items than were mentioned in the old decree and most of the fee levels are higher, but still relatively low.

Table 6 Fees prescribed in the Presidential Decrees of 2008 and 2012

Kind of Fee	2008 Presidential Decree (in KIP)	2012 Presidential Decree (in KIP)	Note
1. application document	does not mention	15,000	per document
2. phytosanitary import permit	25,000	25,000	per permit
3. import permit for plant & seed	25,000	25,000	per permit
4. veterinary import permit	does not mention	25,000	per permit
5. food safety import permit	50,000	50,000	per invoice/permit
6. phytosanitary certificate	15,000	25,000	per certificate
7. veterinary certificate			

¹⁴ <http://www.tax.gov.la/WebPages/PDF%20Files/Degree%20of%20LaoPDR%20President%20003.pdf>

buffalo, cattle, horse	10,000	50,000	per head
pig, goat, lamb	5,000	10,000	per head
poultry	100	100	per head
8. sanitary certificate	5,000	10,000 20,000	in Lao language in English language
9. rates / charges for inspection (travel, food, fee if any)	20,000	50,000	per invoice/each time
10. license for food enterprise	100,000	100,000	valid for two-year duration; per license
11. certificate of origin export value			
up to 10,000 USD	40,000	40,000	
10,001--30,000 USD	60,000	60,000	
30,001--60,000 USD	80,000	80,000	
more than 60,000	100,000	100,000	

Source: Compiled by the authors from the Decrees

Note: 1 US\$ is about 7,500 KIP

Informal fees and charges All respondents reported informal payments (tea money and payment under the table).¹⁵ In many cases informal payments are said to be higher than formal fees, although lack of receipts for formal payments blurs the evidence.

Respondents dislike informal payments much more than formal payments. The main problems with informal payments and lack of receipts are that companies cannot control their own staff, cannot prove that they paid taxes (this applies to payments made to Customs), and cannot deduct costs for tax declaration. Related problems are unpredictability of release processes.

Most traders say that individually they cannot do much about informal payments because of the possible negative consequences of conflict. Given the commercial costs of possible delays (missing shipment dates, extra storage cost, not being able to serve customers in time) and the dependence on the agencies, maintaining good contacts and making payments is often the only option.

Administrative and internal business costs Administrative costs include: cost and staff time for preparation of documents, submission, consulting with officers, tracking the status of decision making, reminders by phone, actions to speed up the process, and cost of contingency planning (and implementation). Internal business costs include: long lead-time from planning to sale, extra storage and interest cost, spoilage of goods, missed orders, and uncertainty. Inefficiencies in the SPS border release processes cause extra administrative and internal business costs to traders. Rent-seeking by SPS agencies and officers contributes to inefficiencies and complexity in processes, because it results in extra steps and unproductive use of staff time. Inefficiencies can also be the result of poor coordination between border agencies, or collision between border agencies in rent-seeking practices.

Table 7 presents payments reported by the private sector. The reported payments are, except for the fees for forms, many times higher than the official fees described in Table 6.

¹⁵ These payments can take many forms and can include money payment per transaction, extra payments to speed up services, payment for entertainment, for lunches, transport, special presents, gratitude, product samples to be provided which are not tested, services for which no formal fees apply, etc.

Table 7 List of selected reported payments by traders

SPS service	Formal and informal payments#
Application form for a phytosanitary certificate, import permit fish/meat	\$1.25
Print phytosanitary certificate	\$15
Tea money for phytosanitary certificate	\$12.50
Import permit bulk product	\$0.25/ton
Phytosanitary certificate including tea money	\$25
Phytosanitary certificate for container of green coffee, including tea money	\$65
Application forms import permit processed food	\$1.00
Fee for import permit processed food	\$65
Informal payment import permit processed food	\$65
Export permit for wood products	\$50
Tea money for export permit wood products	\$75
Total cost import permit + payment at border for import	\$50-75
Import permit	\$6.25-7.50; \$25-37.50
Tea money for speeding up processing	\$25-37.50; \$12.50-25
CO from LNCCI	\$20
CO from MOIC	\$40
Import permit frozen beef	\$25/ton

Source: based on interviews

Notes: # There appear to be cases of imports where no SPS officer is present and where relatively high informal payment to Customs was reported for SPS release.

General impression on costs Most traders generally perceive administrative and internal business costs as a greater burden than formal and informal payments. An example of a high cost for enterprises is the practice of obtaining a phytosanitary certificate. As reported above, according to DOA, a phytosanitary certificate can in principle be issued by an authorized officer within one day, even over the weekend. However, the implementation practice in Vientiane Capital reported by several enterprises is different. An application has to be made with the director of the Division of Agriculture of Vientiane Capital. After internal administrative steps, the director allows, usually the next day, the enterprise to collect the application documents and bring them to a technical unit at the Plant Protection Center, some 8 km away, for consideration. The staff of the Center may decide to visit the premises of the requesting enterprise for inspection, in which case the enterprise has to provide transport (and usually lunch) for the inspectors who take a sample for analysis. The alternative is that the technical unit asks the enterprise to bring a self-taken sample. After the technical unit has examined and completed its remarks, the enterprise has to collect the documents and bring them back to the director of the Division for review. Usually the next day, the enterprise can collect the documents again and proceed with the cargo to the border post where the officer is stationed who has authorization to issue the phytosanitary certificate. All others, including the director have no legal authority to grant or deny the phytosanitary certificate. The implication for the exporter is that it does not take one or two days to get the phytosanitary certificate as per the recommended procedure, but 4-5 days, much time, transport cost and continuous uncertainty about the timing, because the director and other staff involved may be away from their office or work on other assignments.

Sometimes high costs have to do directly with interagency inefficiencies. For example, although MAF assigned the authority to issue a phytosanitary certificate for corn to an officer stationed at a

border crossing close to a main production area, this did not lead to much improved efficiency, because a CO is also required and only issued in the distant provincial capital after the issuance of the phytosanitary certificate. This means additional travel costs and 2-3 days delay before the shipment can cross the border.

IV. Analysis

The interpretation and analysis of the findings focuses on four aspects.

1. What are the consequences of high costs of SPS measures?
2. What is the effectiveness of the controls in terms of health protection and trade promotion?
3. How efficient is the SPS system?
4. What are the points of weak compliance with the SPS Agreement?

Cost and consequences

Lao PDR exporters and importers face high logistic and regulatory costs. SPS costs are part of these, but not generally the highest part. Yet, total costs of SPS measures form a relatively high burden for traders. High costs of formal trade erode profitability and competitiveness and form an incentive for informal trade. The large amounts of informal trade in Lao PDR are at least in part the result of the high transaction cost of formal trade. Informal exports go generally to neighboring countries at low prices and without value added. Informal imports and exports contribute little to tax revenue and escape from health controls. Therefore, it is important for the Government to keep transaction costs of SPS measures as low as possible.

Effectiveness of controls

Border release processes are in essence based on document controls, and not on hazard prevention and substantive inspections backed up by testing and diagnostics. Traders confirm that while document controls are always carried out, physical inspections are generally not done. Lao PDR has phytosanitary market access protocols with China for corn and a number of other products, but it still lacks the capacity to meet the agreed requirements; therefore informal trade remains the only option for export to China.

Market access The issuance of phytosanitary certificates for plant products is necessary for access to formal export markets. Most other export release controls do not contribute to export market access.

Substantive controls Often samples are taken, but it is likely that in most cases no testing is being done. In several cases traders report that they have to take samples themselves and bring them to the inspectors at the office, which undermines the basic purpose of sampling and testing. Laboratory capacity in the country is limited; but more importantly, there are hardly budgets and skilled staff available for testing.

Major gaps in controls Major imports of food and agricultural products enter the country uncontrolled. This jeopardizes the effectiveness of health protection of the whole SPS system. Large amounts of commodities are exported informally to low-price markets in neighboring countries. These informal exports are vulnerable to change in policies of the neighboring countries, because they may not meet formal requirements and Lao PDR does not have capacity to expand effective controls at short notice over such large amounts of product.

No risk-based management Fisheries and animal products imported formally mainly originate from safe sources and, therefore, controls on these imports have limited impact on food safety. By contrast, controls do not cover the extensive informal imports of animal, fisheries and many other products that are likely to create higher risks for import of unsafe food and the entry of pests and diseases. Import permits are required for all products regardless of the health risks they pose as illustrated with the requirement of import permits for malt for the breweries.¹⁶

General status The SPS system functions too much as a source of fiscal revenue for the provinces and additional income – which hampers trade – and still insufficiently as an effective system to control against health risks and tool to promote access to export markets.

Efficiency of controls

Efficiency of SPS measures in terms of health protection seems to be low. Lao PDR gets limited health protection for relatively high transaction costs. Waiting times are generally long and add unnecessarily to higher transaction cost.

Efficiency of SPS measures in terms of market access is mixed. Many of the controls do not add to market access and some controls are too costly to the private sector and, hence, erode competitiveness of exporters.

Points of weak compliance with the SPS Agreement

Transparency and risk-based management The weakest points of compliance with the SPS Agreement are transparency and application of risk-based management. Progress has been made by establishing the Lao PDR trade portal, a Government Gazette and an SPS Enquiry Point. Remaining transparency issues are directly related to the remaining weaknesses in the legal system, weaknesses in implementation and the lack of written information for traders about sanitary and phytosanitary requirements, procedures to be followed, criteria for obtaining licenses, standard waiting times, and fees that apply. Both in import and export release procedures hardly any start has been made to adopt risk-based management. This constraint was indicated in the WTO Accession SPS Action Plan as a key challenge for Lao PDR.

Costs that may not be justifiable The following observations are made:

The requirement of registration or licensing of traders for import of processed food and animal products is costly to traders and needs to be justified as necessary for achieving the appropriate level of protection. There should be reluctance to apply mandatory import and export registration. In general, registration for export should be done only in case the importing country requires it, as may be the case for export to China.

The requirement of import and export permits is also costly and trade disruptive and needs justification as necessary for achieving the appropriate level of protection. Import permits should preferably be avoided for common low- and medium risk products. Publication of SPS requirements for imports is a less costly alternative that will for most products provide the same appropriate level of protection. The requirement of obtaining an import permit from the country of destination as a requirement for issuing a phytosanitary certificate may be an unnecessary burden

¹⁶ ISPM 32 lists brewer's malt as a product that has been processed to the point that they should not be regulated for phytosanitary purposes. https://www.ippc.int/sites/default/files/documents//1345115695_ISPM_32_2009_En_2012-08-16.pdf accessed 07-01-2013.

for exports of common products to well-known markets. In any case, the competent authorities should make efforts to collect information about import requirements of regular trading partners.

The use of quota in import permits does not contribute to protection of health and is therefore not justified under the principles of the SPS Agreement.

Multiple controls of documents by SPS agencies and Customs results in duplication of tasks and do not contribute to the protection of health, and as such form an unjustifiable cost of SPS measures for enterprises. Therefore, document requirements should not be more than necessary to identify the product and define risks. Duplication not only adds to SPS costs for traders, but also to costs for authorities of running the SPS system.

No consideration is given in the import of fisheries and meat products to the safety of the source, and the reputation of traders. Under the SPS Agreement's equivalence principle, Lao PDR should accept safety assurances from reputable foreign sources if they objectively demonstrate that they meet the country's appropriate level of protection. Since control capacity in these countries is generally much better than in Lao PDR, the controls carried out by Lao authorities add to costs and generally not to safety. With the application of risk-based management, there should be differentiation in inspection between high, medium and low-risk products.

The actual fees/payments required should not be higher than the actual costs of the controls, however, some are likely to be higher and represent a disguised taxation by SPS agencies.

Waiting times are generally high for several services compared to other countries. Since waiting times are costly to traders, they should be reduced as much as possible to avoid unnecessary costs.

Informal payment requirements violate several principles of the SPS Agreement.

Mandatory issuance of phytosanitary certificates for products or markets where they are not required, and the requirement to have a phytosanitary certificate to obtain a certificate of origin or a letter of credit, is not good practice and is not in line with international standards.

Issuance of COs for exports to many countries has no function because there is no tax benefit. Unless required by trading partners, COs should be voluntary.

Unless there is tax benefit, the requirement of COs for import into Lao PDR has no value. Moreover, a CO contains the same information as a phytosanitary certificate or health certificate.

V. Points for consideration

Based on the findings of this research, in order to improve the implementation of SPS measures and facilitate trade, the Government of Lao PDR is recommended to take into consideration:

- (i) SPS institutional improvements;
- (ii) improvements to increase effectiveness of SPS measures;
- (iii) improvements to increase efficiency of SPS measures by reducing costs; and
- (iv) building capacities to strengthen the performance of the SPS system.

Institutional issues

In order to comply with the requirement in the SPS Agreement, that SPS measures should not be more restrictive than required, SPS agencies should not raise costs to traders by duplicating controls with Customs. Only Customs has the mandate to perform fiscal duties. Fee lists for SPS services should be based on the principle that fees are not higher than the actual costs of controls.

Fee levels should not provide an incentive to be present on the border for fiscal purposes, nor to conduct controls that are not necessary. General business controls and collection of statistics are not a primary task of SPS agencies. Only to the extent that this information is necessary for risk management should SPS agencies engage in collection of such information.

With the adoption of automated border management through ASYCUDA, all information on exported and imported goods classified by HS codes is in principle available electronically, and such information need not be collected separately by each agency, but should be provided by Customs to SPS agencies based on standard operating procedures (SOP). With the development of the national single window (NSW), all documents required for border release processes, including those for SPS release, will be submitted electronically at the designated electronic portal and unnecessary duplication can and should be removed.

Licenses, permits and quota For commonly traded products with low and medium risk, licenses and permits are tools that are difficult to justify as necessary for achieving the appropriate level of protection.

SPS import permits for fisheries and animal products with quota are not good SPS practice and possibly even non-compliant with WTO principles. Abolition of quota deserves priority.

Alignment of institutional responsibilities The SPS agencies should make efforts, where possible, to further clarify and define mandates for control, such as for the import of fresh fruit and vegetables. In some cases, duplicate mandates can be unavoidable, such as for animal products where the veterinary authority should be able to control for animal diseases and zoonoses, and the food authority for general food safety requirements. In such cases, agreements between the competent authorities about delegation of tasks and providing information or training on what to look out for can help to enhance the use of limited resources/staff at the border and avoid undesirable duplications (or gaps) in control. For food safety controls of imported fresh produce, delegation of controls can be cost-efficient for both the Government and for traders.

Uniform implementation of SPS measures by the provinces, as required by WTO membership, remains a challenge. The role of the provinces is to implement SPS measures as defined by legislation. The role of ministries responsible for SPS measures is to further develop regulations for implementation, which clarify procedures and parameters to be observed and thus prevent the use of undesirable discretionary powers by the provinces. Compliance with the national legal framework by the implementing provinces also needs supervision and formal inspection.

Improve transparency Four priorities are recommended for improving transparency:

1. There is a need to publish all SPS legislation on the trade portal, and add information for SPS release, including general sanitary and phytosanitary requirements, procedural steps to be followed, forms to be used, list of fees and charges, and time targets to be followed by officers.
2. It is recommended to publish official fee lists for SPS services at main offices and border offices.
3. Issuance of receipts for payments related to border release procedures should be enforced.
4. New or modified SPS measures need to be notified to the WTO.

Implement risk-based controls Decisions are needed to make a start with implementing risk-based controls and further strengthen capacities for risk-management. Risk-based management

applies to many aspects of implementing SPS measures. Some are easy to do and others need much capacity. Adoption of risk-based SPS management is an evolving process, which requires significant learning by doing.

Improve effectiveness of SPS measures

The present SPS control system is unbalanced. It imposes costly controls on some parts of trade (i.e. trade from formal sources which is generally not the most risky part) and leaves important parts of trade (the informal part) uncontrolled. It is recommended to rebalance the SPS control system with the following actions:

1. bring informal trade gradually under control – for many products these controls can be light;
2. focus human and budgetary resources more on facilitating exports and protecting health, and less on administration and document control – this will focus the SPS system more on outcomes;
3. adopt risk-based controls – this means reduction of controls on low-risk products and freeing resources for high-risk products;
4. make use of safety assurances (GMP, HACCP, veterinary / sanitary certificates, phytosanitary certificates) from safe producers and countries with good systems – there is no need to duplicate controls on safe products.

Improve efficiency of SPS measures by reducing unnecessary costs

Improvements to consider are:

1. Reduce the burden of regulatory controls on formal trade by simplifying procedures and requirements:
 - a) documentary requirements might be reduced;
 - b) eliminate duplication in controls among SPS agencies and with Customs;
 - c) allow application forms to be downloading electronically;
 - d) publish general sanitary and phytosanitary criteria for release of imports and limit the use of import and export licenses and permits for implementing SPS measures, focusing on high risk products if deemed necessary;
 - e) do not require import permits of countries of destination as a condition for the issuance of a phytosanitary certificate, except for products and countries for which phytosanitary requirements are not clear;
 - f) do not perform tasks that are not required by foreign countries (e.g. do not require mandatory certifications in cases where they are not required by the foreign buyer);
 - g) reduce waiting times for release processes by setting sharp time targets for issuance of documents (e.g. phytosanitary certificates should, as in many other countries, normally be issued within 1-2 days);
 - h) delink the issuance of Certificates of Origin from the issuance of phytosanitary certificates.
2. Do not require Certificates of Origin for imports if there is no tax benefit.
3. Do not base the issuance of Certificates of Origin on phytosanitary certificates.

Medium/long-term strategies for reducing transaction costs

For the medium to long-term, a number of directions are recommended for improving performance in border handling.

1. A general good practice recommendation for border handling by Customs and SPS agencies is to reduce personal contacts between traders and control officers since each personal contact requires time and provides opportunities for rent seeking. This can be pursued by designing efficient release processes, providing much better transparency about requirements and adopting one-stop services. With the putting in place of the NSW much of this needs to be solved.
2. A way to reduce personal contacts is by adopting automation. For Lao PDR, priority should be to allow downloading forms and electronic issuance of phytosanitary certificates.
3. Most agricultural trade of Lao PDR is with Thailand, Viet Nam and China. A good way to improve SPS management for this part of the trade is to engage in bilateral SPS agreements (protocols) with these countries. The aim should be to clarify and simplify requirements and, where useful, to engage in mutual recognition agreements (MRA).
4. For Lao PDR, being a land-locked country, much trade goes in transit through Thailand and Viet Nam. However without a transit agreement, including an agreement on SPS requirements, costs may be high because of unnecessary controls and waiting time. Therefore, it is recommended to explore possibilities of developing SPS bilateral transit agreements with Thailand and Viet Nam.
5. Since there is not yet adequate funding for the SPS system, it is recommended to review funding of SPS management tasks and controls. Public goods need to have public funding and related services should preferably be funded through fees that are not higher than their actual cost (as is required by the SPS Agreement). Dysfunctional incentives for using SPS measures for fiscal purposes should be addressed.

Priorities for SPS capacity building in the context of trade facilitation

SPS capacity building should focus on capacity for substantive control tasks.

1. The most urgent for export promotion are:
 - 1) conducting active and passive pest and disease surveillance of products for export, surveillance of the use of agrochemicals, and promoting GMP, HACCP, and (selectively) GAP, prioritized for export products and markets;
 - 2) issuance of phytosanitary and health certificates, if demanded by importing countries.
2. Most urgent for the protection of the health of crops, livestock and consumers are:
 - 1) conducting active and passive surveillance of pests and diseases, food products, and agrochemicals, with prioritization based on health risks and cost-effectiveness;
 - 2) selectively promoting GAP, GHP and GMP in production and trade.
3. While border controls are a necessary component of SPS management, they generally make a relatively small/modest contribution to health protection and export promotion. In particular, the effectiveness of border controls is often low in countries with porous borders. Therefore, capacity for border controls should be proportionate to the expected results and balanced with capacity for controls behind the border.