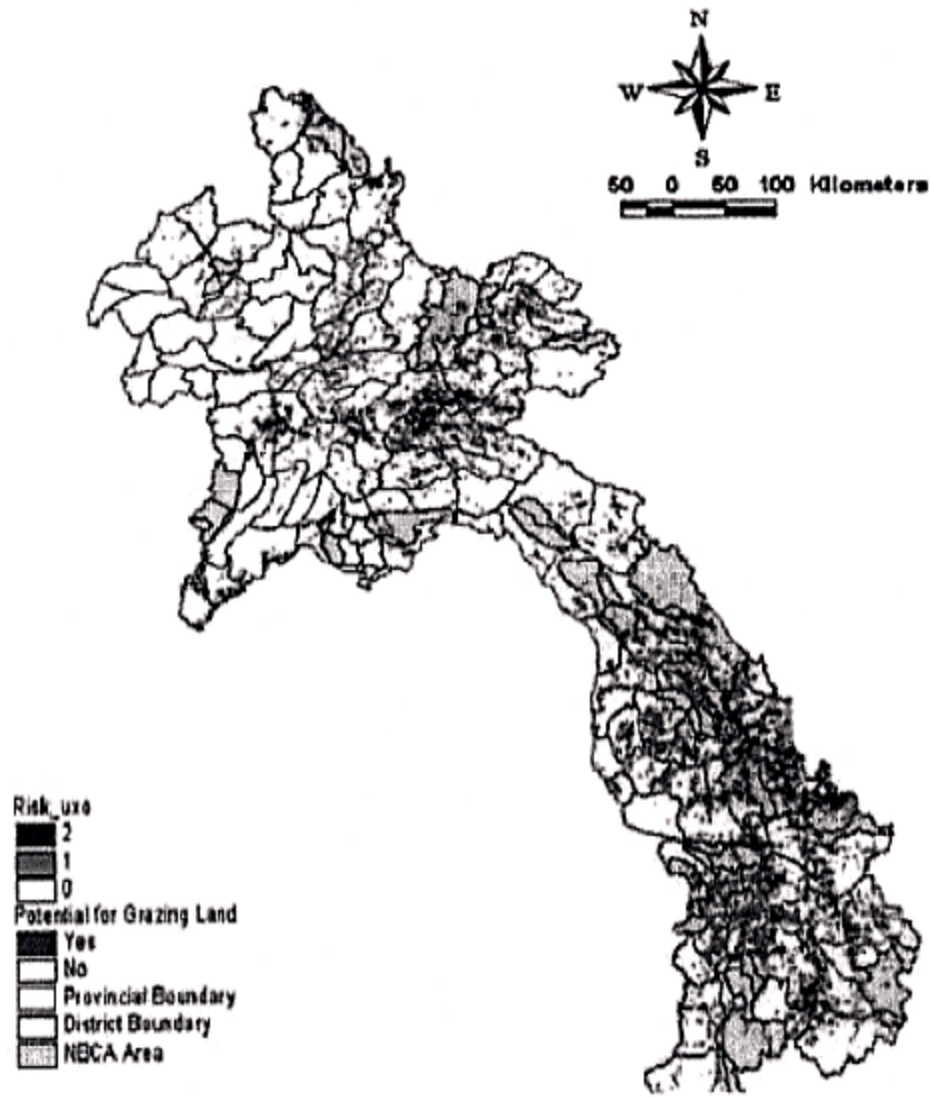


Potential for Grazing Land



Data Source : National Agriculture and Forest Research Institute
Lao National UXO Programme

Concept and Approach for Action Plan

1. Basic Concept for Action Plan

The conceptual framework underlying the Action Plan is in line with the overarc government policy pursued since 1988 of *moving to a market economy*. This means government provides an enabling environment for the private sector and progress removes all regulation and control so as to permit the free play of market forces in produ and consumption of goods and services. Under a market economy, the public sector doe involve itself in the production of goods and services. The government plays a facilit role in agriculture development while farmers, the agribusiness sector and consumers the investment, production and consumption decisions. In addition, the governme expected to regulate the market in situations where it is in the interest of the public e.g. inspection or regulation of the manufacture and sale of food products.

The Action Plan has therefore been drawn up in consultation with staff of MAF follo these underlying principles. In a few situations, there are exceptions to the above su when individual farmers are reluctant or slow to adopt new technology. In such situa there is a case under the "*infant industry argument*" for government to intervene thr introductory "learning by doing" or demonstration programs. Government interventi justified if it could be demonstrated that farmers are not adopting new technologie government withdraws as soon as the technology has gained wide acceptance. The A Plan includes several programs for fostering such technology acceptance such as introdu of improved seed and fish fingerlings. Secondly, government intervention through prog is justified where there is clear evidence of "*market failure*" when private compet markets tend to undersupply or do not provide for adequately. A case in point is remote isolated villages where traders may not sell fertilizer and other inputs in sufficient qua and in a timely manner due to lack of profit incentive. This is often due to the uncon volume of inputs required by the village or the high cost of transport. Thirdly, there is a of the need for government intervention with programs due to *externalities* such as in conservation or animal health where the actions of one farmer in not undertaking preve measures can have an adverse effect on other farmers or the society as a whole. In short Action Plan is drawn up to provide for government programs primarily to facilitate a regulate in the interests of the producers and consumers. The Action Plan also tak consideration the demand for programs for introduction of new cultivation techniques market failure and for externalities.

In a market economy, control of prices and subsidies on inputs or outputs are grad eliminated. Private enterprise is expected to provide for all farm input services as we produce, market and process all farm output as well as other agricultural services. O trade front, the market economy also implies a move towards freer trade within and ou national boundaries. AFTA accession and recent government initiatives in tariff reductio positive actions in this regard.

The conceptual framework of market economy is illustrated in the following file:

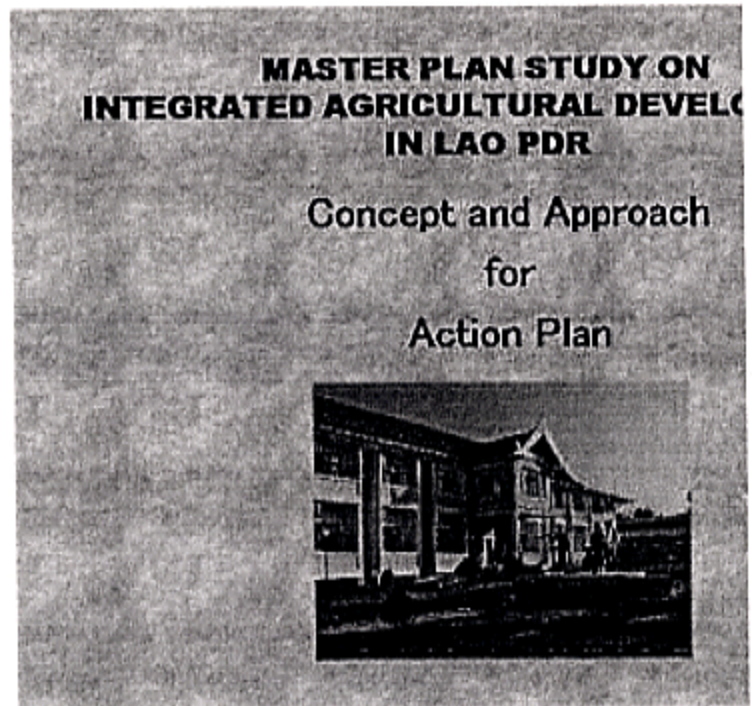
- Concept and Approach for Action Plan
- Market Economy in Context of Sustainable Resource Use

2. Approach to Project/Program Formulation in Action Plan

Within this overall market economy conceptual framework, the Action Plan also follows some approaches to (i) redress some public sector investment imbalances witnessed in recent years; and (ii) remedy some of the basic shortcomings in implementation capacity or clarify perceived priorities for achieving higher levels of returns on investment. The following guidelines were followed in formulation.

- Approach to the Action Plan
- Phasing of Investments
- Policy Framework for Agriculture
- Capital Expenditure in PIP
- Sub-sector Budgetary Allocation Pattern
- High Return - Quick Yielding Activities
- Project Implementation Capacity
- Central - Provincial Revenue Sharing Arrangements
- Organizational and Administrative Capacity of MAF
- Extension Services
- Infrastructure Facilities Improvement
- Emphasis on Irrigation Management

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- Phasing of Investments
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- Emphasis on Irrigation Management
- Rural Finance and Credit
- Commodity Crops
- Trade Liberalization

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Sub-sector Based Agricultural Development Plan

All the description herein are summarized in the following files

Title	No.	Title
Development Target and Priority	14	Reduction of Shifting Cultivation (1)
Criteria for Prioritization	15	Reduction of Shifting Cultivation (2)
Formulation of Sub-sectral Development Plan	16	Marketing and Processing (1/2)
Land & Water Resources Management (1/2)	17	Marketing and Processing (2/2)
Land & Water Resources Management (2/2)	18	Rural Finance (1/2)
Institution and Organization (1/2)	19	Rural Finance (2/2)
Institution and Organization (2/2)	20	Rural Development (1/2)
Human Resources Development (1/2)	21	Rural Development (2/2)
Human Resources Development (2/2)	22	Irrigation (1/2)
Crop Agriculture (1/2)	23	Irrigation (2/2)
Crop Agriculture (2/2)	24	Proposed Projects/Programs
Livestock and Fisheries (1/2)	25	Inter Agency Coordination Mechan
Livestock and Fisheries (2/2)	26	Coordination of Donor Assistance Projects

I. Criteria for Priority and Sequencing of Projects and Programs

In the light of the several criteria that could be considered, the approach taken is to examine the overall long and short - term objectives of the Action Plan. The overarching development goal of the Action Plan is to increase per capita income to move out of the least developed country status by 2020.

Given this goal, the criteria selected were for obtaining maximum positive impact on added (GDP) at low cost, with consideration of the implementation capacity to ensure successful implementation, while at the same time laying the foundation for further growth.

On this basis, the first consideration was to assess what projects impacted directly on added (GDP). The Economic rate of return is normally a good indicator of the contribution to the economy. However, as the Action Plan is targeted to meet a goal by 2020, the ERR does not directly account for the timing of the returns as a program or project could have a return but due to the gestation period the returns could be delayed depending on the nature of the project. It was therefore also important to consider including quick yielding low cost programs and projects with a high return. For example, an aquaculture project or fish multiplication project could realize returns in two years but an agro-forestry tree plantation project or new irrigation project could take up to 10 years to realize initial returns.

Another important consideration was whether there was adequate implementation capacity at the provincial and district level. In view of the recent government moves to decentralize and with arrangements now made for a greater part of budgetary funds being made available to provinces for implementing projects and programs, it was necessary to rank these

important criteria to ensure that the projects are implemented in a timely and efficient manner. This consideration was also considered important by the Study Team as witnessed several donor-assisted projects that on completion were not adequately staffed, equipment not fully utilized. Discussions at Provincial and Central Workshops with various government and donor agencies and multi-national organizations indicated that the single most important consideration in implementing a large number of projects and programs concurrently was the capacity of the provincial and district implementing agencies.

An important consideration was that past government budgetary expenditure patterns indicated that there was an increased emphasis on capital works. For example, in 1997 and 1998-99 the ratio of capital works to recurrent expenditure was 94:6. Government presented to the Seventh Roundtable Meeting (November, 2000) observed this anomaly and indicated that this ratio would change progressively to 50:50 by 2004. Account had to be taken of this change and the priority of projects and programs should therefore give weight to recurrent expenditure activities.

The recent budget allocations also reflect an anomaly in that some important sub sectors such as livestock and fisheries did not receive sufficient budgetary allocations while others such as irrigation and forestry were allocated a greater portion of the agricultural budget. Livestock that accounts for about 35% of agricultural GDP obtained only 4% of the agricultural budget. In terms of priority selection of projects, greater emphasis should be given to sectors that have potential for development such as livestock.

Finally in the list are several programs and activities that are necessary for building a base for further development. This group of activities is relatively low cost but is foundation building and is necessary for the further development of the sector. Under this group are training of trainers, extension training, foundation paddy seed production and multiplication.

The criteria for prioritization and sequencing are as follows:

- Projects/Programs directly impacting on value added (GDP);
- Projects/Programs that currently have the Provincial and District implementation capacity;
- Projects/Programs that are low cost and quick yielding;
- Projects involving 'foundation investment' e.g. training of trainers, extension training, foundation seed production and multiplication; and
- Projects/programs to restore sub-sectoral balance and increase budgetary allocation to recurrent expenditure.

2. Formulation of Sub-sector Based Agricultural Development Plan

An Action Plan towards the Year 2020 for the Integrated Agriculture Development was formulated for the following 10 sub-sectors:

- (1) Institution and Organization;
- (2) Marketing;
- (3) Rural Finance;
- (4) Land and Water Resource Development;
- (5) Human Resource Development;
- (6) Crops;

- (7) Livestock and Fisheries;
- (8) Stabilization of Shifting Cultivation;
- (9) Rural Development; and
- (10) Irrigation.

The Action Plan consists of several sub-components within each sub-sector. It disc constraints & potential, objectives, required action, target & goals, responsible agencies proposed projects. For the formulation of the proposed projects, the constraints and pote of sub-component are assessed and its objective is set out as the first step. Based on assessment, required actions and target/goals are proposed as the second step. Final proposed projects to be implemented are identified specifying the required actions methods to achieve the target/goals. In total, 127 projects have been identified with det information including the project title, executing agencies, phasing, location, objectives components. The number of proposed project for each sub-sector is shown below:

Sub-Sector	Number of Project
1. Institution and Organization	15 Projects
2. Marketing	9 Projects
3. Rural Finance	14 Projects
4. Land and Water Resource Development	13 Projects
5. Human Resource Development	10 Projects
6. Crops	25 Projects
7. Livestock and Fisheries	15 Projects
8. Stabilization of Shifting Cultivation	8 Projects
9. Rural Development	5 Projects
10. Irrigation	11 Projects
Total	127 Projects

3. Implementation Issues

3.1 Inter Agency Coordination Mechanism

The Action Plan requires concerted action on implementation of the projects and prog However, several of the programs are the responsibility of agencies outside MAF. example, rural roads, agro-processing, cottage industries and trade initiatives are unde responsibility of other agencies. It is therefore essential that all programs and pro

irrespective of implementing agency, are sequenced and dovetailed. It is also essential budgetary allocations in agencies outside MAF are secured. In order to ensure coordination, it is necessary to set up a working unit to coordinate activities of all agencies responsible for implementation. Such a unit should have permanent staff due to the long horizon of the Action Plan. Such a unit should be above Ministry level and should be responsible for coordination, including donor inputs, securing of budget allocations and overall implementation issues including implementation at the provincial level.

3.2 Coordination of Donor Assisted Projects

Conflicting policies and procedures have been pursued in donor-assisted projects in districts and provinces. For example, the study team found that fertilizer was made available through different projects at different subsidized prices. The same was true of the seedlings and fish fingerling distribution. At the same time, the private sector was also selling seedlings and fish fingerlings in competition at higher market prices. This situation not only distorts market signals but also kills private sector initiatives. There is a need to coordinate all donor assisted projects and enforce guidelines to ensure that donor assisted project components are in conformity with government policies.

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