



Trends in the Agriculture and Natural Resource Management Sectors of the Lao PDR

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The Swiss Agency for Development and Cooperation (SDC) is Switzerland's public agency for social and economic development in developing nations.

Active in Lao PDR since 2006, SDC manages and implements Swiss support in response to the needs of the marginalized rural poor and contributes to the country's efforts to graduate from the Least Developed Countries category, by 2020. We partner with local and international development organizations to empower both local government and Lao citizens to sustainably reduce poverty, promote gender and ethnic equity, good governance, and increase the food security of the nation. SDC values accountability and transparency, while promoting a more active civil society that fosters transition to democracy.

About the Author

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Preface



This working paper has been published as part of preparations for the SDC Mekong Strategy 2013-2017. In this framework, and in order to help define its Lao programme, SDC has carried out an independent Agriculture and Natural Resources analytical study.

This study has three main objectives of roughly equal importance:

- 1) To document developments in the agriculture and natural resources sector since 2007, taking stock of reforms, achievements, and blockages; to track trends in policies – the scope and pace of reform - and their impact on agricultural development and rural poverty, particularly on upland small-scale farmer communities.
- 2) To understand why and how things are happening in the agriculture and natural resources sector: who are the major actors and stakeholders in agricultural reforms (e.g. in the foreseen shift from subsistence to commercial agriculture); what are their stated and unstated objectives, their interests and power? Among these, who are the drivers and restrainers of change? How are they exercising their power and influence? What are the central-level decisions regarding the provincial agenda? What are the potential impacts of the resource-based economy model chosen by the government on rural society?
- 3) To assess the feasibility of current government strategies and plans and the significance of possible Swiss contribution to the implementation of these, taking into account SDC's mandate and values regarding fair and equitable rural development.

Executive Summary



This report provides a number of perspectives on how and why agriculture and the natural resource sectors are changing in Laos. These ideas should help donors like Swiss Agency for Development and Cooperation (SDC) in planning and managing their country strategies.

The Ministry of Agriculture and Forestry has explained the rapid transition of rural livelihoods and farming systems by referring to two main drivers: the push of government policy and the pull of the market. This reports outlines five other drivers that may contribute to a deeper understanding of what is happening:

- The unfinished revolution: the Lao People's Revolutionary Party (LPRP) still aims to achieve a 'transformation' of society that would replace traditional farming systems with modern and industrialised forms of production.
- Laos as a periphery country: from the perspective of world systems analysis, Laos is typical of a periphery country, having weak governance and being open to exploitation by more developed neighbours.
- Paternalism and patronage: patron-client relationships are central to Lao political culture.
- The resource curse: the World Bank has pointed to the dangers of a growing 'institutional gap' when too many projects start at the same time in a country with limited management and monitoring capacity.
- The networked society: Laos is becoming 'info-linked'. State control of communications is rapidly disappearing, the consequences of which are unpredictable.

Three specific policies are briefly examined: turning land into capital, the eradication of shifting cultivation and the promotion of large-scale agribusiness. Despite the differences in the way

these policies have emerged, they form an intelligible strategy of socio-economic restructuring that is largely explained by the drivers described above: these 'choices' are a central part of the on-going revolution taking place in a periphery country under the management of a paternalistic regime.

At face value, these policies appear to be symptomatic of a technocratic approach to national development (an approach favoured by Marxist governments and international financial institutions alike) that aims to improve productivity and economic growth regardless of social and environmental costs. If this were true, however, we might expect government planning to be more systematic, consistent or coherent than it actually is.

Behind the technocratic veneer in Laos is a cultural institution that could be called 'neopatrimonialism'. This involves the use of state authority and apparatus to sustain a system of patronage. The concept of neopatrimonialism helps to explain why organisational structures and strategies tend to change with senior appointments, and why so many development projects appear to be designed to benefit government officials as much as they benefit ordinary people.

This analysis throws light on what is happening in the agriculture sector of Laos, but does not provide many pointers for donor support. Consequently, the report goes on to identify a number of 'megatrends' taking place in Laos, which cut across society as a whole, with consequences for development programmes in all sectors. These megatrends are increasing dynamism, increasing inequality, increasing complexity, increasing connectedness, and increasing uncertainty.

A number of suggestions are made about how a development agency like SDC can adapt its strategy and portfolio in light of these megatrends.

- Intelligence: the challenge is not only to collect and store data, but to carry out analysis, develop scenarios and make projections.
- Goal-setting: some of the goals of the past are no longer relevant. Resilience and equity are becoming more important.
- Targeting: there needs to be a greater specificity with regard to location and clients. Some groups no longer need support.
- Responsiveness: donors may need to devote a greater portion of resources to emergency response and contingencies.
- Flexibility: implementation needs to be managed in an organic rather than mechanical manner.
- Pluralism: by supporting multiple groups and associations, programmes and projects can spread risk and promote innovation.
- Networks: help vulnerable groups to make connections and build alliances that enable them solve their own problems.

The report concludes by looking at the need for mitigation measures in the agriculture and natural resource sectors. Although aid projects are no longer a primary instigator of change in these sectors, donors can play an important role in helping rural people cope with the changes that are taking place. Although efforts to promote 'green' agriculture may still be worth supporting, more and more rural people have to deal with the inevitable consequences of 'brown' agriculture. Ten specific issues are identified that require attention from the donor community:

1. Occupational health, in particular exposure to toxic chemicals.
 2. Environmental pollution, including plastic film and animal waste.
 3. Epidemic diseases, for which Laos already has a poor reputation.
 4. Soil erosion, as a consequence of land clearance and monocultures.
 5. Food security - already a concern but is cash cropping making it worse?
 6. Indebtedness is emerging as another area of concern
 7. Rural unemployment, leading to out-migration from rural areas.
 8. Land conflicts have become violent in neighbouring countries: will this happen in Laos?
 9. Loss of biodiversity, in a country with globally important collections.
 10. The carbon footprint will also increase due to the expansion of industrial agriculture.
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1. Introduction

This report was prepared to support an internal review by the Swiss Agency for Development and Cooperation in the Lao PDR. The review is part of preparation for the SDC Mekong Regional Strategy 2013-2017. The consultant was specifically tasked with examining trends in the agriculture and natural resource management (NRM) sectors.

The study, carried out in January and February 2012, included an examination of recent reports and discussions with key people in Vientiane. The report draws upon 30 years of experience working in Southeast Asia, and the author's role as moderator of the LaoFAB discussion forum.

The trends in the agricultural and NRM sectors in Laos have been the subject of a number of studies and reports. Consequently, it is not the intention of this report to give a detailed account of all the changes in policies, technologies, investments and production figures. Instead, this report attempts to explain **how and why things are happening in the agriculture and NRM** sectors, and to examine the implications for the SDC portfolio.



No single explanation for the on-going trends will suffice. Therefore a number of inter-related perspectives have been assembled, in the hope that these will provide food for thought. These are not conclusions, but pieces of an emerging picture.

2. An Overview of Change in Rural Laos

The changes that have been taking place in rural Laos over the past five to ten years are well documented. Among the most important developments are:

- Demographics: Although the growth rate may have fallen below 2% in the past year or so, the total population has already reached 6.5 million, with half under the age of 20. This puts pressure on natural resources, but there is also a high level of out-migration from rural areas, with at least 300,000 Lao people working in Thailand.
- Opening up of rural areas: This has led to improved access to markets and services, but also put pressure on resources. By the time of the 2005 census, the country had 33,000 km of roads. The number of mobile phones in Laos went from zero to over half a million in the ten years between 1995 and 2005. Clearly the numbers of roads and phones have increased greatly since 2005, but accurate statistics are hard to come by.
- Increase in paddy rice production: Due to expansion of irrigation and the adoption of new techniques, national rice production has risen from approximately one million



tonnes per annum at the beginning of the 1990s to over 3 million tonnes in 2010. Average rice yields in Laos – at just over 3 tonnes per hectare – are now higher than those in Thailand.

- Expansion of cash crops: By the end of 2010, more than half a million hectares were planted with maize, rubber, coffee, cassava and sugar. In upland areas these cash crops have often replaced the rice previously grown under shifting cultivation.
- Granting of land concessions: More than 2,000 agreements have been signed by the Government, covering at least 1.6 million ha. Although more than half of these agreements are non-agricultural, the local impact of large concessions for rubber or eucalyptus has been a cause of great concern.
- Climate change: In the north of Laos, rainfall has declined by 16 cm in the past 50 years and average temperature has increased by almost 1°C. There has been a noticeable increase in extreme weather events during the past decade, while farmers also report changes in rainfall patterns including - importantly - the start date for the rainy season.



These changes are bringing many benefits in addition to a wide range of problems. GDP growth has reached almost 8% and is expected to remain high over the next few years.

Growth in the agriculture sector has been lower, at around 4%, and has clearly led to improvements in the income of a large number of rural households. Across the country, the poverty rate has fallen from 46% in 1993 to 20.4% by 2010. The benefits of this growth are not spread equally. Qualitative poverty assessments show that in some regions poverty has not changed and may even have increased. Across the country the Gini coefficient has increased dramatically, and there is clear evidence that some ethnic groups are finding it more difficult to make the transition to sedentary commercial agriculture. Levels of malnutrition remain high. In short, while the Government is succeeding in reducing some forms of poverty, there is a danger that groups of 'new poor' may be emerging.

The report on Farmer's Voices (Arnst, 2010) gives a stark impression of how these changes are affecting rural livelihoods, creating both winners and losers:

“Earlier we had a lot of hardships but now we can sell corn for income”.

“Today we have the market near our village so we can see more foods and we can eat many kinds of foods”.

“Now we eat well, but we are in debt. Before we did not eat well, but we had no debt”.

“The future will be worse because nature is gone. We will just be labour for the foreign businesses”.

3. Looking for Explanations

The Ministry of Agriculture and Forestry (MAF) has explained the rapid transition of rural livelihoods and farming systems by referring to two main drivers: the push of government policy and the pull of the market. This distinction is a useful starting point. It is certainly the case that public investment in infrastructure, in addition to the policy of 'turning land into capital', has brought about massive changes in the ownership and utilization of land. It is also true that the shift from subsistence to commercial production has been made possible by the demands of the regional and global economy. But the push and pull analysis does not provide a deeper understanding of why and how the transition is taking place, nor does it throw any light on the issue of winners and losers.

A comprehensive study of the drivers of change (DoC) in Laos would be worthwhile. The DoC methods used by the UK Department for International Development and the Swedish International Development Agency in other countries give more attention to institutions and power than has been the case with many studies of change in Laos. A detailed analysis of this kind is not possible under this assignment. Nevertheless, it is possible to draw



attention to a number of perspectives that may contribute to a deeper understanding of what is happening in Laos.

3.1 The Unfinished Revolution

Laos is governed by the Lao People's Revolutionary Party (LPRP). The name of the Party is significant, indicating an ambition that goes far beyond the development agenda that underpins the work of donor agencies. While western donors wish to support incremental change and capacity-building, the LPRP wants to bring about nothing less than a restructuring of society and the economy, and the sooner the better! The donor concern for equity and human rights may be seen as a luxury by a revolutionary regime like the LPRP, which believes the ends justify the means. While continuity and consistency may be important to planners and managers of development programmes and projects, they can be a constraint to revolutionary leaders. Consequently, government departments and strategies come and go at a bewildering speed, but what is constant is the Party rhetoric of 'transformation' and 'renovation', with 8% growth and LDC graduation as the latest indicators of success.

The LPRP is overseeing accelerating transformation. Massive changes in land ownership and utilization have come with foreign investment as the Party pursues modernisation.

Some may doubt the relevance of this explanation with regards to recent change in the agriculture and natural resource sectors. After all, the revolution in Laos has been going on for more than 50 years, and has long been a justification for socially disruptive policies such as collectivization, resettlement and the eradication of shifting cultivation. What is different about recent years is that the Party has established new partnerships with foreign investors that allows them to greatly accelerate the process of transformation. Fullbrook has described the ongoing transformation as the '**Big Push**'.

“The Big Push for resource-intensive development extracted from the environment should generate substantial annual revenues for the government, something like \$1 billion per year, perhaps more, by 2010 if not earlier. This is the seductive promise of the Big Push that generates a logic and rationality accepting negative consequences, such as threats to food security, as necessary costs that will be exceeded by the promise of greater revenues. The Big Push has developed a momentum that only grows as more projects take shape, fattening the promise”.

There is no doubt that the Big Push provides enormous opportunities for personal gain among government officials, but the official justification for large investment projects, and the rationale for accepting (or denying) various negative impacts, is rooted in the obsessive drive for modernisation and industrialisation. With the LPRP firmly in control of the country for the foreseeable future, the push of government policy will continue to be guided by the idea of revolution as much as - or more than - it is by the idea of development.

3.2 Laos as a Periphery Country

Turning to the *pull* of the markets, it is important to recognise that market forces are not a neutral set of demands or opportunities that are applied equally to all countries in the region. Laos is a late-comer to globalization, and what it brings to the game is a large quantity of raw materials: timber, minerals, water that can be used to drive turbines, and soil that can be used to produce commodities such as rubber, maize, sugar and cassava. The country lacks a skilled work force, a domestic market, and any significant capacity for processing and manufacturing. This makes Laos very different from China, Vietnam and Thailand, but puts it in the same category as Cambodia.

From the perspective of world systems analysis, Laos is typical of a periphery country. It has weak governance and is open to

exploitation by more developed neighbours. As countries like China move up the international pecking order, their demands on countries like Laos and Cambodia become more acute.

Foreign experts working in Laos have often commented on the low concession rates and tax exemptions granted to overseas investors. It seems that resources are being given away when they could earn far more for the country; if individual dams, mines and plantations were earning a lot more, the country would not need so



many of them. Some of these giveaway deals may be explained by ignorance or corruption, but they are also consistent with the low bargaining power of Lao officials. Given that Chinese companies are willing to invest in mines and plantations in Africa and Latin America, they are clearly price-setters not price-takers when they negotiate deals in Laos. There is nothing unique about Lao copper or Lao rubber - these same commodities are being produced in dozens of other locations around the world. In some cases those other locations have ports, railways or processing capacity that give them a comparative advantage over Laos.

Laos is a late-comer to globalization, and what it brings to the game is a large quantity of raw materials. With weak governance, it is open to exploitation by more developed neighbours: resources could earn far more for the country but Lao officials have low bargaining power.



Barney has taken the idea that Laos is a periphery country and gone a step further, to examine what happens at the 'resource frontier', which he describes as those areas of the country "where new forms of social property relations and systems of legality are rapidly established in response to market imperatives". He finds that the processes are far more complex, and the outcomes far more diverse, than might have been assumed.

"There is no singular political-economic rationality or intentionality at work in the Lao uplands: neoliberal, clientist, bureaucratic and extractive-accumulation logics interact with provincial and district levels of the state and with local livelihood practices, to produce a complex and relational networking of the upland frontier in Laos".

If this analysis is correct, we may conclude that while the world systems model suggests it is the inescapable plight of Laos to be exploited by more developed countries, we should avoid making generalizations about the consequences at the local level.

3.3 Paternalism and Patronage

International observers often portray Laos as an authoritarian state. Strictly speaking this is true: the country is run by a self-appointed elite that continues to block the development of civil society. But there is an absence of overt oppression of the kind that exists in North Korea or - until recently - in Myanmar. In a message posted to LaoFAB in 2008, a commentator using the name Ralph Fitch suggested that it would be more useful to describe the Lao regime as 'paternalistic'. The message noted that...

"In the past week the "Vientiane Times" has reported on a meeting of agricultural experts who complained that 'farmers are not getting the message', while also telling its readers that a number of new land concessions have been granted that would force thousands of farmers to become labourers for foreign-owned rubber plantations. Clearly, the Government doesn't trust rural people to make sensible decisions for themselves."

"Also on the list of groups who need 'guidance' from the Government are academics, the business community and young people. Various excuses are offered for not allowing citizens to express their views – the farmers are uneducated, the women are shy, the students are inexperienced - but the outcome is the same: the Party has the first and last word on every issue"

"In his seminal work on Asian Power and Politics (1985), Lucian Pye wrote that 'in Asian political cultures the establishment of the nation state as the basic framework for politics and government has not weakened, and indeed in many cases has strengthened, the ideals of paternalistic authority."

While Laos may be portrayed as an authoritarian state, there is an absence of overt oppression and it may be more useful to describe the regime as 'paternalistic'. Patron-client relationships are central to the system, and the political culture is not conducive to some of the changes that donors support.

Paternalism exists in different forms across Southeast Asia. Every country in the region has experienced problems associated with a national 'father figure', a dominant individual or institution claiming to represent the interests of the people. Inevitably he becomes old and sick, but rarely will he prepare for his succession. The Lao People's Revolutionary Party is one such father figure. The Party may have the best interests of the people at heart, but citizens are treated like children who should be 'seen and not heard'. Like many old men, the Party is opinionated and unreasonable. It plays at favourites, is both stubborn and inconsistent, and seems to believe that it will live forever.

Martin Stuart-Fox has been a critical observer of Laos for many years. His latest report (2011) describes how - despite the material and economic changes of recent years - the political system remains unchanged.

"Patron-client relationships are central to Lao political culture, and they function in communist Laos as traditionally they have always done."



Clients include, first and foremost, members of the patron's extended family. They also include personal friends and the relations from the patron's region of origin (still very important in regionally divided Laos), from school and university, and through party connections and business interests. At the higher levels, patron-client networks may be cemented by intermarriage between families."

Stuart-Fox also writes about civil society, the media, corruption and the legal system. Not everybody will agree with his bleak assessment of the current situation in Laos, but it is clear that the political culture is not conducive to some of the changes that donors wish to support.

3.4 The Resource Curse

In December 2011, Oxford Policy Management released a report called "Blessing or curse?" According to this report, Laos has now joined the club of mineral-dependent countries.

The danger of the resource curse has been recognised in Laos for some years. In October 2007, Joseph Stiglitz, the Nobel-Prize winning economist who has written widely on the topic, visited Laos and made a presentation to the Ministry of Planning and Investment (MPI). His visit was reported in the *Vientiane Times* (31 October 2007):

"Laos has approved a raft of resource-based investment projects, mainly in mining and hydropower, and some concerns have been raised over issues of natural resource management and income generation."

"The professor suggested that the country focus on better management of these resources and seek ways to maximise revenue from them."

"If you want to maximise revenue, you need to be transparent," he said.

“Prof Stiglitz agreed that the media had an important role to play in country development as freedom of information could weaken the growth of corruption and force better development.”

There is little evidence to suggest that the visit of Stiglitz had any affect on the behaviour of the MPI or the Government in general. Transparency in decision-making has not improved. Laos has yet to join the Extractive Industries Transparency Initiative, and there continue to be delays in releasing land concessions data that has been collected and analysed with the support of a bilateral donor.

The most notorious example of opaque decision-making in the past few years has been the Xayabury dam. Laos has declined to organise any public consultations on this issue and statements made by government representatives at international meetings have been ambiguous or contradictory.

Although the danger of ‘resource curse’ has been recognised in Laos for some years, transparency in decision-making has not improved. Revenues from extractive industries are highly concentrated, helping reinforce the political status quo. The situation is similar for the agriculture sector, to which investors are now bringing more funds than development projects do. Consequently, the influence of donor agencies is declining.

This brings us to one of the key mechanisms of the resource curse: the revenue stream from extractive industries is highly concentrated, which helps reinforce the political status quo. If this is correct, the likelihood of improvements in governance in Laos suffered a major setback as soon as money started to flow from the Sepon gold and copper mine and from the Nam Theun 2 dam.

Perhaps with this in mind, the World Bank made the resource curse the main theme for the Lao PDR Development Report in 2010. Although the words 'curse' and 'corruption' are not mentioned until page 42, the theme is clear from the title of chapters 1 and 2: 'Natural resource wealth does not imply automatic gains from its exploitation' and 'Strengthening governance in the natural resource sector is a key determinant of sustainable, inclusive growth'.

The World Bank report focuses on mining and hydropower, but similar dynamics are at work in the agriculture sector. The World Bank's observations are equally valid for agricultural concessions as they are for mining concessions:

“Good governance is key to ensuring that a country's resource wealth translates into sustainable economic growth. International experience suggests that governance tends to deteriorate when a country receives large natural resource rents. In particular, the institutional gap can grow when too many projects are starting at the same time in a country where



capacity to manage and monitor projects is limited. As a result, the government may not implement projects with high financial and economic returns, or with the appropriate environmental and social infrastructure. This could undermine the sustainable natural resource development needed to reduce poverty and enhance growth over the long run”.

Chinese and Vietnamese investment projects are now bringing more funds into the agriculture sector than western development projects. This is particularly true at provincial and district levels, where the real impacts on livelihoods and the environment will occur. Consequently, the influence of the donor agencies in this sector is declining. It is quite possible that within a few years donors could be pushed to the margins, both at the national level and in the field. Increasingly, the real business of agriculture will be managed by the private sector, with government officials playing the role of rent collectors and with donor partners reduced to frustrated observers.

3.5 The Networked Society

It has become something of a cliché in recent years to say that Laos is now a ‘land-linked country’. In contrast to the land-locked status that was mentioned in the opening paragraph of hundreds of earlier reports, the country is now being celebrated for being at the ‘crossroads’ of the region.

The connections being made between Laos and its neighbours take many forms, not just roads and bridges but also the transmission lines from a growing number of hydropower dams, and the market chains that connect small farmers with consumers who are hundreds or thousands of kilometres away.

Some connections are less likely to be celebrated: migrant workers, livestock diseases, pirated goods and amphetamines. All of these are crossing borders, coming and going with limited controls.

One connection that is given even less attention, yet could bring about even greater changes, is information. Roads are carrying ideas as well as commodities, and the remittances of migrant workers include knowledge as well as money. As more and more farmers start to use mobile phones, their understanding of markets is racing ahead of the local officials who are trying to advise them. As satellite dishes appear in more and more villages, the citizens of Laos often have a better idea of what is happening in Thailand or Vietnam than the events taking place in their own country.

The connections being made between Laos and its neighbours include the arrival of new avenues of information. As a consequence of Laos becoming an 'info-linked' country, people will be making different decisions and asking questions that will not be welcomed by those in power. To avoid frustration and realise rights, there must be more open dialogue.



The consequences of Laos becoming an 'info-linked' country are hard to predict, but we can be sure that this knowledge is affecting the hopes and fears of people across the country. Farmers will be making a different assessment of their opportunities and constraints. Business managers will make different decisions. Students will have different aspirations. Many people will be asking questions that were previously unthinkable.

Many of those questions will not be welcomed by those in power. The hegemony over thinking about 'development' in Laos, long held by the Government and the donor-partners, is now eroding. The paternalism of the past will not satisfy the expectations that emerge from this enlightenment. Instead, if frustration is to be avoided and rights are to be realised, there must be a more open and candid dialogue about what is happening in the country.

Since history began, there has been a close relationship between power structures and available forms of communication. In recent years, the mobile phone and the internet have made a significant contribution to the downfall of authoritarian regimes in various parts of the world, as documented in Paul Mason's latest book *Why It's Kicking Off Everywhere*. It is not the communication technology *per se* that causes these revolutions, it is the networks that become possible when the flow of information is no longer controlled by the State.

Myanmar is one country where social networks backed by new forms of communication have contributed to the reform process. *There are strong reasons*, summarised by Michael Vatikiotis in *Asia Times* last year, for doubting that recent developments in Myanmar will lead to any kind of Asian Spring. At the same time, however, there are few reasons for thinking that Laos will be immune from the kind of 'rightful resistance' that can be seen in every other country in the region. Interesting times lie ahead.

4. Pieces in the Policy Puzzle

The Terms of Reference for this report mentioned three 'choices' for the Government, namely:

- Turning land into capital and people into labour
- Eradicating upland rice cultivation
- Promoting large-scale agribusiness at the expense of small-scale commercial production

These are not choices made by a single entity, nor have they been made in a common manner according to linear process. They represent the outcome of complex interactions among many groups of people over a long period of time. Nevertheless, these choices all point in the same direction.

4.1 Turning Land into Capital

Foreign investment in agricultural land started in the early 1990s but did not become a significant feature of the Lao economy until the following decade. Although this investment is broadly in line with the renovation process launched in 1986, it is hard to point to a specific law or decree that is responsible for the



boom in land concessions. Like many other policies in Laos, the practice of 'turning land into capital' appears to have started as a localised experiment that was subsequently adopted as a national strategy. The first significant land concession was granted in 1990 to a Thai company, Asia Tech, for a eucalyptus plantation of 16,000 ha on the Bolavens Plateau. The Asia Tech experiment was a failure, and the company withdrew from Laos during the Asian financial crisis of 1997-98. However, a precedent had been established and once the crisis was over, other companies came looking for land. By 2003, the Government was approving more than 100 projects per year and it has never looked back.

Granting of land concessions began in 1990 but the process was interrupted by the 1997-98 Asian financial crisis. Foreign investors looking for land came back after the crisis, and by 2003 the Government was approving more than 100 projects per year.

It may be more accurate to say the Government has *almost* never looked back. In May 2007, following reports of encroachment on protected areas by investors, the Prime Minister called for an indefinite moratorium on land concessions. Officials at all levels of government ignored the call, and the Prime Minister was replaced before the end of his expected term in office.

4.2 Eradicating Shifting Cultivation

The policy of eradicating shifting cultivation has a longer history than the policy of turning land into capital and has been supported in various ways by some donor agencies. For many years there has been an organisational unit within the Ministry of Agriculture and Forestry tasked with achieving this policy (most recently a division within the National Agriculture and Forestry Extension Service), and field staff have been provided with detailed

guidelines (e.g. MAF Instruction 22 'to prepare for complete stopping of slash and burn and shifting cultivation', February 2010).

MAF is not officially trying to eradicate upland rice production: rather the aim is to transform shifting production to a sedentary system. However, at district level the policy is to eradicate swidden and replace it with maize or rubber, while the media continues to demonize "slash-and-burn".

Despite the institutionalisation of this policy, there are serious ambiguities and contradictions associated with its implementation. Officially, it is not the goal of the MAF to eradicate upland rice production: rather the aim is to bring about a transition from a shifting to a sedentary system of production. Furthermore, some agriculture officials at national level make a distinction between pioneering and rotational forms of shifting cultivation, and assert that only the former needs to be eradicated. These distinctions are rarely made at district level, where the eradication policy is used as a justification for converting rice swidden into maize fields or rubber plantations. Any nuances are lost in the media, where "slash-and-burn" continues to be demonised as a backward and destructive practice.



4.3 Promotion of Large-Scale Agribusiness

The promotion of large-scale agribusiness at the expense of small-scale production is not reflected in government policy documents. On the contrary, MAF strategies published in 1999 and 2010 emphasise the importance of small-scale farming. The latest strategy does make passing mention of “mega-projects”, but the overwhelming impression given by these documents is that the Ministry wishes to support pro-poor and green value chains, with smallholders as the key actors. A different impression is gained from reading the *Vientiane Times*, in which the approval of large-scale projects is reported every week. Perhaps the most egregious case involves the Vietnamese company HAGL, which – according to Kenney-Lazar – is bringing about “dispossession, semi-proletarianization, and enclosure” on a massive scale.

While in theory MAF strategies emphasise the importance of small-scale farming, the de facto policy seen in the field shows a clear disconnect.

How can the clear disconnect between the policy *de jure* and the *de facto* policy seen in the field be explained? The cynical view is that the MAF strategy was written by foreigner advisers for a foreign audience as part of the ‘aid game’. A more generous explanation is



that MAF is home to a group of enlightened and progressive officials who are fighting a losing battle with other ministries (most notably Planning and Investment, Industry and Commerce, and Natural Resources and the Environment), and who have very little control over the activities of field staff. In support of the latter explanation, a recent article in the *Vientiane Times* (18 January 2012), reported how Deputy Prime Minister Somsavat Lengsavad had advised the Ministry to ‘improve its contribution to the country’s growth’. The *Vientiane Times* frequently reports on the Deputy Prime Minister presiding over signing ceremonies for big contracts, which leaves little doubt that he would like to see MAF involved in more mega-projects, regardless of the strategy they have crafted.

4.4 Three Pieces, One Picture

Despite the differences in the way these policies have emerged, they form an intelligible strategy of socio-economic restructuring that is largely explained by the perspectives outlined above. These ‘choices’ are a central part of the ongoing revolution taking place in a periphery country under the management of a paternalistic regime. Statements made by government officials provide a number of reasons why these choices are necessary. These include:

- The security of the country requires the reorganisation of the rural population so that they can be more easily protected and guided;
- Land is currently unproductive, methods are inefficient, and both need to be changed;
- Industrialisation requires both labour and raw materials, which need to come from rural areas;
- Farmers are uneducated and therefore need to be told what to do;
- It is impossible to collect revenue from thousands of small farmers, but much easier to tax a handful of companies.

If we take these reasons at face value, they appear to be symptomatic of a technocratic regime of the type described by Scott in *Thinking like a State* (1998).

“The unspoken logic behind most of the state projects for agricultural modernization was one of consolidating the power of central institutions and diminishing the autonomy of cultivators and their communities”.

Modernisation has always been a central goal of the LPRP, and the reasons listed above are typical of the thinking in a bureaucratic communist regime. As Baird (2011) has recently explained, land concessions fit well with the Marxist theory of ‘primitive accumulation’:

“... one of the main motivations of the government of Laos in granting large-scale land concessions is to remove peasants, and particularly indigenous peoples, from their conditions of production because they are seen as making unproductive use of resources and as being resistant to fully integrating into the market economy”.



From a Marxist point of view, primitive accumulation is an essential step in the historical process that will lead – via the inherent contradictions in the capitalist mode of production - to socialism. That process appears to be happening at breakneck speed in Laos, bringing together the interests of communists, capitalists and – as pointed out by Cornford (2006) – international development banks.

“IFIs such as the World Bank and ADB have a clear agenda to build a particular sort of global economic order...”

Technocratic decisions about transforming a rural labour force into an urban labour force are made without any consideration of the enormous implications that this has for people’s lives. Although the mechanism [of globalization] is different, this equates to social engineering on a scale similar to that attempted by the Communists”.

Although this technocratic logic may appeal to Marxist leaders and ADB economists alike, it is not a completely convincing rationale or explanation for the ongoing transformation of the rural economy in Laos.

Proletarianization is undoubtedly taking place, but it is unlikely this is being engineered as part of a grand plan.

The term ‘engineering’ implies a strong element of design, yet the Government of Laos is not known for planning in a systematic, consistent or coherent way. While many policies emerge from local experimentation, the lack of accurate data and scientific analysis puts decisions in the category of ‘opinion-based’ rather than ‘evidence-based’. Where analyses have been carried out, often with the support of donor partners, the evidence may point in a different direction to that being taken by the Government. Ambitious targets are designed to ‘motivate’ rather than

act as a serious guide for action, and many officials are unable to provide a sound explanation for what they are doing. The vacuous claim that a project will 'help eliminate poverty' is almost synonymous with 'don't ask questions, just get on with it'.

Another reason for doubting that the Government is deliberately dispossessing peasants in order to create an industrial working class, whether as part of an unfinished Marxist revolution or as part of a neoliberal conspiracy led by the World Bank, is the simple fact that it is not working. A lot of foreign investment is stifling the development of local industry, and many of the farmers who lost their livelihoods have become migrant workers in Thailand. While proletarianization is undoubtedly taking place in Laos, it does not appear to be part of a grand plan.

4.5 The Name of the Beast

What economic or political mechanism is hiding behind the technocratic veneer?

Andreisse (2011) suggests that the answer is a variety of capitalism he calls "State Coordinated Frontier Economy"

"...in which elites and foreign investors accumulate wealth at the expense of small firms, villagers and the natural environment. The government is particularly present in the spheres of finance and inter-company relations. A continuation of this variety of capitalism is likely to result in excessive inequality and severe environmental degradation".

The concept of a "frontier economy" is consistent with the perspective of Laos as a periphery country suffering from the resource curse. Andrieuse convincingly argues that this economy is not "unregulated", as claimed by Cohen (2009). On the contrary, "the Lao government has enabled frontier capitalism

through deliberate facilitation and intervention in markets". Andreisse also notes that there are "historically informed cultural institutions" that are preventing "ameliorative policy initiatives", but what is he talking about? What are the cultural institutions that sustain this variety of capitalism?

As a periphery country suffering from the resource curse, Laos presents a "frontier economy". This frontier capitalism has been deliberately facilitated through neopatrimonialism - the use of state authority to sustain a system of patronage.

The best available term may be 'neopatrimonialism'. A recent paper by von Soest (2010) provides a good introduction to this concept:

"...neopatrimonialism denotes the simultaneous operation of patrimonialism and legal-rational domination. Specifically, the ideal type of patrimonialism connotes that a patron in a certain social and political order bestows gifts from private resources on followers to obtain and strengthen their loyalty ...

The "neo" in neopatrimonialism stands for the formal institutions and rational-legal rule of the state, which coexist along with patrimonial relations. Patrons typically are office-holders who use public funds or the power of being in office to build a personal following allowing them to stay in power."

In short, neopatrimonialism involves the use of state authority and apparatus to sustain a system of patronage. In the Lao system, many of the 'gifts' bestowed by party leaders take the form of trading concessions (i.e. monopsonies), approval for lucrative deals with foreign investors, and official positions that bring rent-seeking opportunities. We could add the management of development projects to this list of patrimony, although this gift is probably less attractive than being the local partner for a Special Economic Zone.

If there is a flaw with the neopatrimonial tag, it is perhaps that this is a generalisation with negative connotations. Undoubtedly the Lao system includes benevolent patrons as well as reluctant clients, plus many officials who are trying to get on with a job for its own sake rather than as a means for ingratiating themselves with their benefactors. Nevertheless, patrimonialism is widespread in the Lao government system. It helps to explain why organisational structures and strategies tend to change with senior appointments. It also explains why junior staff often have no formal job description or, if they do, it can be disregarded by their bosses.

Above all else, neopatrimonialism helps to explain why so many development projects appear to be designed to benefit government officials as much as they benefit ordinary people. Whether we see this system as a continuation of pre-colonial feudalism, or a more recent outcome of revolutionary elitism, it does not place any importance on smallholders. The appointment of Village Heads represents the furthest reach of the patronage system, beyond which there is nothing to be gained from farmers who want to manage their land in a self-sufficient manner.



5. Megatrends

The above analysis helps to explain why many development projects do not have the impacts desired by the donors. However, additional perspectives are needed to identify how a bilateral donor like SDC can optimise its support to the sector.

5.1 Looking Beyond Specifics

It may be useful to move the level of analysis upward, beyond a concern for rubber plantations and the Xayabury dam, to look at the megatrends taking place in Laos.

Megatrends are large-scale changes in circumstances. They are broader than changes in the area or yield of specific crops, and they encompass multiple behaviours and diverse impacts. Megatrends are changes of profound and lasting significance. They are part of the history of the country, not a statistical blip.

Donor agencies have moved from trying to make development happen under difficult circumstances to needing to help protect the vulnerable. Poverty alleviation is no longer a general challenge, but increasingly one that affects pockets of society. Lao society is becoming more complex as isolation disappears. Increasing connectedness, climate change and the world economic crisis are making it difficult to plan ahead.

Here are some of the broad trends taking place in Laos, which cut across society as a whole, with consequences for development programmes in all sectors.

Increasing dynamism: Laos is no longer 'left out' or 'left behind' from regional and global developments, but racing along while the donor partners struggle to figure out how to respond. Donor agencies have moved from a time when they were trying to make development happen under difficult circumstances (e.g. by

encouraging investment, introducing new technology, linking farmers to market) to a time when they need to help protect the vulnerable from the negative impacts of development (e.g. by addressing problems of landlessness, occupational health problems etc). Further ideas about mitigation are given in section 6 below.

Increasing inequality: If the key goal of the government and the donors is poverty alleviation, then this is no longer a general challenge for Laos, but increasingly one that affects pockets of society. Many people are benefiting from the rapid growth of the economy, and many problems are now being addressed by investment and services provided by both the public and private sectors. Some groups, however, are being left out and left behind, suggesting that programmes and projects should have a more specific focus.

Increasing complexity: Lao society has never been homogenous, but circumstances have become even more diverse as change affects different people in different ways. This complexity has a fractal nature, with variation in conditions and behaviours occurring at the provincial, district, village and household levels. Generalisations and averages are becoming meaningless.



Increasing connectedness: This has been already been touched upon. The connections that hold society together, and which determine how people interact are changing in a profound manner. The isolation and remoteness of the past is rapidly disappearing, and national borders are declining in significance as a boundary for social and economic behaviour.

Increasing uncertainty: As dynamism and complexity increase, there is an inevitable decline in our ability to predict what might happen in the future. Increasing connectedness also means that the behaviour of 'beneficiary' groups is less dependent on the interventions of any particular development patron. Meanwhile, climate change and the crisis in the world economy are making it difficult for everybody to plan ahead.

5.2 Broad Responses

How might a development agency like SDC adapt its strategy and portfolio in light of these megatrends? Here are some broad ideas for consideration:

Intelligence: An organisation like SDC cannot make appropriate decisions unless it knows what is happening. The dynamic and complex situation in Laos, combined with the dearth of accurate statistics, makes it necessary to invest in information gathering and research within the agency. The challenge is not only to collect and store data, but to carry out analysis, develop scenarios and make projections. Clearly the agency needs an efficient knowledge management system, needs to commission studies, and needs to liaise with organisations with recognised expertise in Southeast Asian affairs.

Goal-setting: Some of the goals of the past are no longer relevant. Adoption of new technologies, increases in yields, market engagement and economic growth are going to take place with or without

help from SDC. Other goals such as resilience and equity are becoming more important in view of ongoing trends and the challenges ahead.

Targeting: Assuming that poverty eradication remains a goal, there may need to be a greater specificity with regard to location and clients. The idea of working with farmers in general no longer makes sense, and the characterisation of the uplands as “poor and remote” is rapidly becoming redundant. The process of establishing targets could involve some form of ‘triage’: not only would the process recognise that some locations/groups no longer need support, but it would also recognise that effective support for some other groups/locations is not possible due to institutional constraints.

Donors need to gather and analyse data to develop scenarios and make projections. As the characterisation of the uplands as “poor and remote” rapidly becomes redundant, goals need to be reset. Agencies may need to be more flexible, with greater focus on emergency response and contingencies, and making use of diverse approaches and cross-border networks to support multiple groups.

Responsiveness: Given the uncertainty that exists about the future situation in Laos, SDC may need to devote a greater portion of resources to emergency response and contingencies. Experience of recent years suggests that floods, epidemics, and food shortages will be continue to be a threat, but many other threats and opportunities are likely to emerge at short notice.

Flexibility: Not only does the country programme need to be responsive, so do individual projects. Implementation needs to be managed in an organic rather than mechanical manner. Monitoring should look at context and impacts, not just activities and outputs, and logframes may need to be revised during the course of implementation.

Pluralism: In view of the context and trends that have been described above, a pluralistic approach that would spread risk and promote innovation is desirable. The programme and individual projects should provide support to multiple groups and associations, making use of diverse channels and approaches, while accepting that some interventions will succeed and others may fail.

Networks: Poverty and vulnerability is usually correlated with position in the social network. As Laos citizens become more connected, some are consolidating their wealth and power while others continue to be excluded. Opportunities for helping vulnerable and disadvantaged groups to make connections and build alliances that enable them solve their own problems should be considered as an alternative to patronage. Agencies like SDC could play a particularly important role in supporting cross-border networking; consequently, better analysis of what is happening across the region should be part of the agency's intelligence.

6. A Mitigation Strategy: 10 Issues to be Addressed

In response to the trends outlined above, donors may want to shift emphasis from a proactive to a reactive development strategy in Laos. Although aid projects are no longer a primary instigator of change in the agriculture sector, the donor partners can play an important role in helping rural people cope with the changes that are taking place.

A number of current projects are promoting 'green' farming systems. These involve groups of small farmers who are producing food – primarily for local consumption - using techniques that require few external inputs. Meanwhile, the private sector is promoting 'brown' farming systems, involving the large-scale use of agro-chemicals to produce commodities for export.

The global food industry depends on brown farming systems, and this industry provides employment and income for a large number of people. Nevertheless, the transition from green/subsistence farming to brown/commercial agriculture has a number of negative impacts, especially in a country where governance is weak.

Improvements in rural livelihoods in Laos can no longer be achieved solely through projects of the kind that have been funded in the past. Improvements in smallholder productivity and the creation of organic/fair trade value chains are undoubtedly useful, but the number of farmers who can benefit from these interventions is shrinking. Donor support is also required to mitigate the negative impacts of industrial agriculture on a growing number of households.

Here are ten issues that need to be addressed:

1. Occupational health. The use of pesticides is on the increase in Laos and there is a particular danger to plantation workers, who are expected to use large quantities every day. Chemicals classified by the

World Health Organisation as 'extremely hazardous' or 'highly hazardous' (toxicity class 1a and 1b) are widely available despite being officially banned. Enforcement of regulations, farmer awareness of the dangers, and the use of protective measure are almost non-existent. Experience in neighbouring countries suggests that there will be significant levels of chronic illness and fatality as a consequence of this situation.

2. Environmental pollution. Pesticides are not the only input that is on the increase. Plastic film is also being used on a large scale under contract farming in the north of the country. This will inevitably lead to 'white pollution' of the kind experienced in China. Intensification of livestock production is also creating a problem of waste disposal. Animal slurry can be used as fertilizer, but is often left to contaminate the local environment.

3. Epidemic diseases. Intensive livestock production also increases the risk of epidemic diseases. Laos has a poor reputation for animal health, with repeated outbreaks of swine fever, foot and mouth and hemorrhagic septicaemia. Anthrax was reported as recently at 2008. The proximity to Southern China, where new diseases such as SARS have emerged in recent years, makes the weak capacity in Laos particularly worrying.



4. Soil erosion. Severe erosion has already been documented as a consequence of the 'maize boom' in provinces such as Xayabury. Agence Française de Développement has invested heavily in efforts to promote soil conservation, but with limited impact outside the project area. The Government recognises that watershed management is needed to maximise returns from hydropower, but secondary forest continues to give way to plantations that are prone to run-off.

5. Food security and nutrition. Laos already has unacceptable levels of malnutrition; will commercial agriculture make the situation better or worse? Reports published by the World Food Programme and SDC suggest there are strong reasons for concern. While some officials posit that producers of non-food commodities such as rubber will be able to buy sufficient rice, communities such as those studied by TERRA in Bachieng show a decline in food security following the establishment of plantation crops.

6. Indebtedness. The report on 'Farmers Voices' suggests that indebtedness is a widespread consequence of commercialisation. This issue will soon be the subject of a follow-up study organised by the Lao Extension Agriculture Project for the Sub-Working Group on Agribusiness. The need for a reliable system of rural credit has long been recognised in Laos, but projects that provide financial grants and free inputs have not always helped create the foundation for such a system.

7. Rural unemployment. Farm labour requirements have always been seasonal, and for many years people have migrated from rural areas of Laos to seek work in Thailand. It is difficult to get an accurate picture of how this situation is changing, but it seems that the number of Lao labourers working in Thailand is rising. Remittances are precarious given that many – if not most – of the Lao migrants are working without legal protection. While brown

agriculture provides some opportunities for semi-skilled labour in Laos, many of these new jobs are going to workers from China and Vietnam.

8. Land conflicts. In recent years, all of the countries surrounding Laos have witnessed protests, violent clashes and arrests involving farmers who are losing their land. Some of these land grabs are associated with plantation agriculture, while others relate to dams, mines, golf courses and housing. It seems unlikely that Laos will be immune from such conflicts. Improvements in education and communication and a greater awareness of rights may mean that rural people are less willing to tolerate the type of resettlement that has been so common in the past.

9. Loss of biodiversity. Laos is a biodiversity hotspot, with new species being discovered every year. Not only does this diversity include weird insects and bizarre amphibians, it also includes a globally important collection of crop varieties. Second only to India in terms of the number of rice strains, the country also has hundreds of types of vegetable. Much of this diversity has evolved and been sustained as part of swidden agriculture that is now being eradicated to make way for cash crops such as rubber, sugar, cassava, and maize.

10. The carbon footprint. Climate change is not a problem that can be solved by any one country. It requires the collective efforts of all governments, all donor organisations, and – ultimately – all producers and consumers. Industrial agriculture is a major contributor of greenhouse gasses. Production of nitrogen fertilizers and plastic film, intensification of livestock production, mechanisation and transportation all add to the carbon footprint of agriculture. The consequences of this are already being felt by farmers in the uplands of Laos.

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