

Commercial investments in land in the Lao PDR: Enhancing wellbeing or entrenching poverty?

Rubber Plantations in Upland Landscapes, northern Lao PDR

Governments in the developing world often perceive potential spillovers from commercial investments in land (CILs), such as employment creation, improved infrastructure, and better market access, as a fast and efficient way of improving their citizens' wellbeing. CILs are also seen as the easiest way to drive development in rural areas^{1,2}. But do CILs really live up to these expectations, or are they rather increasing disparities and entrenching poverty? In this brief, we assess the effects of 176 agricultural CILs on human wellbeing in 294 villages in the Lao PDR, and we propose policy options and possible areas of intervention to prevent adverse impacts and maximize benefits for local communities.

Methods

This brief is based on an analysis of a national Land Concession Inventory (LCI) conducted between 2014 and 2016. The LCI includes spatial-temporal statistics for all 18 provinces of the Lao PDR and a qualitative assessment of CILs implementation and impacts in the nine provinces of Oudomxai, Luang Prabang, Xieng Khouang, Vientiane, Khammouan, Savannakhet, Saravan, Sekong, and Attapeu. Wellbeing was assessed at two levels: (1) monetary poverty (approximated from per-capita expenditure), based on assessments in 2005³ and 2015⁴, in 1402 villages, and (2) multi-dimensional poverty (considering food security, income, and resilience, using livestock as a proxy)⁵, based on a survey in 294 villages.

Key insights

- Large Commercial Investments in Land (CILs) cause more individual land loss than small ones. CILs in remote areas tend to lead to less land loss than in easily accessible and heavily occupied areas. Loss of land decreases when investors seek consent from concerned communities prior to implementing projects.
- Seeking consent by investors is common in some provinces, but not in others. Exchange of information and experiences among provinces may contribute to higher adherence to good practices and government regulations.
- CILs may help to reduce economic poverty, but the economic dimension of poverty alone is not a sufficient indicator to assess wellbeing. Food security, resilience, and access to land and natural resources should also be taken into consideration. This calls for integrated approaches and a better cross-sectoral integration and harmonization.
- Communities should not only be compensated for land; loss of access to other natural resources, including non-timber forest products, timber, firewood, and water, should be considered in the calculation of compensation.
- Pathways towards mitigating negative impacts of CILs and enhancing local communities' wellbeing include: protection of land rights; strengthening of local leadership; use of a multi-dimensional wellbeing perspective rather than a purely monetary approach to assess impacts; and integration of consent seeking, impact assessment, and monitoring processes into CILs' project design.

Challenges of commercial investments in land

Evidence from around the world shows that CILs often threaten the wellbeing of local communities by competing for land and resources⁶ and by degrading the environment⁷. At the same time, they provide only limited employment opportunities for expropriated communities⁸. Thus, international organizations and governments in host countries are looking for mechanisms to improve the sustainability of such investments⁹.

However, this is a complex task, since impacts of CILs are dynamic, depend on contexts, and affect various stakeholder groups in different ways. Codes of conduct for investors are usually put forward as solutions. They include the FAO Voluntary Guidelines (VGGT)¹⁰, Responsible Agriculture Investment (RAI) principles¹¹, and Free, Prior and Informed Consent (FPIC)¹². But the effectiveness of these tools in improving human wellbeing and reducing environmental impacts in the context of CILs is not always demonstrated.

Aware of these challenges, the Government of the Lao PDR introduced a moratorium for tree plantations and some mining activities in 2012¹³, and called for a systematic assessment of the economic performance and impacts of CILs on the environment and human wellbeing, and of their legal compliance¹⁴. This brief builds on the results of this government-initiated assessment to identify possible areas of intervention and policy options.

Loss of land

Loss of access to land is a key impact of CILs on local people. It is particularly strong on people who depend primarily on land and other natural resources for their livelihoods. Those who engage in non-farm activities tend to suffer less from the effects of displacement and land loss. Dispossession is a common problem; households lost land to CILs in half of the 294 sampled villages. In some villages, all the households experienced loss with little or no compensation. The assessment reveals three important aspects influencing the extent of households' land loss (vertical axis in Figure 1):

Size (size of circles in Figure 1): All CILs that caused land loss to more than 50% of the households of a particular village have a (granted area) size of 2,000 hectares or more. There are also quite a number of large CILs that did not lead to such severe land loss, but smaller investments clearly have less impacts overall. As obvious as this finding is, it raises the question of adequate dimensioning of CILs depending on the context (dependency of local communities on land and resources, existing pressure on land, etc.).

Remoteness (horizontal axis in Figure 1): CILs in accessible areas lead to more land loss than CILs in remote areas. This is particularly true for those located between 0.5 and 2.5 hours from provincial capitals. Easily accessible areas are more densely occupied. Thus, land claims from CILs are more likely to impact other users, including local households. Areas very close to provincial capitals (0 to 0.5 hours) had very few CILs and are less impacted by land loss. High density of other uses and widespread land titling in periurban areas are likely reasons for the absence of CILs.

Consent (colour of circles in Figure 1): The consent seeking behavior of CILs varies greatly; while some conduct a FPIC process, others do not request consent from local communities. Figure 1 shows that most CILs who conducted an FPIC caused less dispossession. Furthermore, community members reported that these CILs were more likely to offer compensation in case of dispossession. Inversely, almost all CILs that caused land loss to more than 50% of a village's households either did not ask for consent or did not conduct a proper FPIC process.



Figure 1: Share of households who incurred land loss in relation to size, remoteness, and consent seeking behavior of CILs. The same CIL can appear more than one time, as data was collected at village level and some CILs affect more than one village.

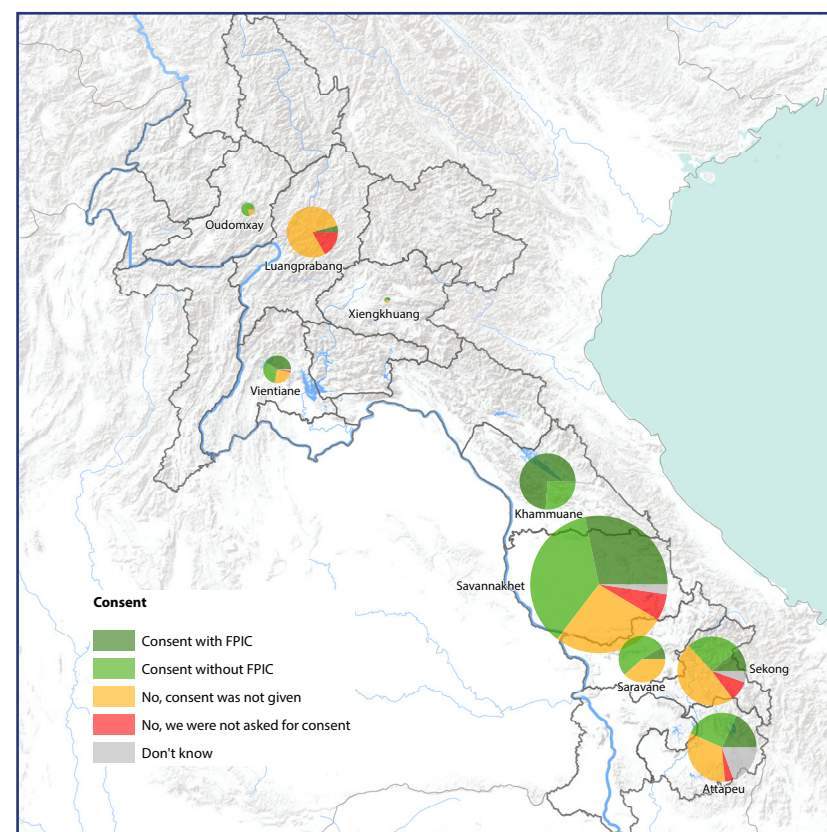


Figure 2: Consent seeking behavior in different provinces. The size of circles represents the total area of granted CILs in the province.

Regional differences in consent seeking

The consent seeking behavior of CILs varies from one province to another (Figure 2). In some provinces, such as Khammuane, all investors sought consent from local communities, either through FPIC or other mechanisms. In other provinces, such as Luang Prabang, Sekong, and Attapeu, the majority did not seek or obtain consent. The reasons for these differences are unknown, but they raise the question of the role of local to provincial leadership, particularly the ability of local authorities to negotiate with investors and ensure compliance with good practices and government regulations. In a few villages with land titles, villagers were able to negotiate with the investors over land allocation and economic benefits, which resulted in no individual land loss. This shows the importance of a strong local leadership and existing land rights. Exchange of information and experience among provinces may contribute to better compliance and consent seeking behavior of CILs.

Access to livelihood resources

Even though access to land is probably the most serious impact of CILs, access to livelihood resources is also a major issue (Figure 3). Often, CILs have a strong, negative impact on access to farmland, non-timber forest products (NTFPs, which include plants, fungi and animals), timber, firewood, and water for farming. The largest decreases were seen in NTFPs, timber, and firewood resources. It is clearly visible in Figure 3, that there are very few cases in which access to these various resources increased.

At the same time, most villagers reported that CILs failed to transfer new technologies and skills, or to improve local infrastructure to compensate for loss of access to land and resources. New cash crops, farming techniques, and other technologies were available in only 18 villages, and new road access in only 26 villages.

Monetary and multi-dimensional poverty

Analysis of national census and sample household survey data shows that overall monetary poverty decreased in the Lao PDR from 2005 to 2015. The same is true in the 1402 villages affected by a CIL; monetary poverty decreased in 77% and increased in 16% of them (data was unavailable in 7% of the villages). Wage labor opportunities offered by CILs may be one of the factors for the decrease in monetary poverty. Among the 294 surveyed villages, 60% experienced a strong or moderate increase of income (Figure 3).

However, monetary poverty is insufficient in providing an accurate assessment of wellbeing. Other elements must be taken into consideration such as food security, livelihood resilience, and access to resources. These indicators did not perform as well as monetary indicators in the surveyed villages (Figure 3). Wellbeing indicators improved in only 25% of villages, remained unchanged in 7%, and in 68% of villages, they either worsened or improvements of some were associated with worsening of others. For example, the food security status improved in only 20% of the villages. It remained the same in around 40% and decreased in another 40% of them. The ownership of livestock decreased in almost 60% of the villages.

Options for policy and implementation

Based on the above results, we propose a series of policy options and areas of intervention for decision-makers and development partners who are concerned with improving the sustainability performance of CILs. The proposed options should be carefully selected depending on the particular context in which they are implemented.

Use integrated approaches: CILs take place in areas in which various development and management plans are already being enacted. Therefore, they should not be treated in isolation but integrated into existing sustainable rural development programs that include infrastructure development, technical extension, and environmental protection. A better cross-sectoral integration and harmonization is needed to avoid duplicating efforts and to achieve better handling of development trade-offs.

Enhance tenure security: CILs are often implemented in areas with low land tenure security, where they lead to loss of land and the subsequent impoverishment of local communities. This is contrary to the government's poverty reduction strategy. Hence, recognition and protection of land use and tenure rights, including access to communal resources, is crucial to enhance the bargaining power of local communities. Expanding land titling programs to particularly vulnerable rural areas could contribute to achieving this aim.

Prioritize wellbeing: Monetary poverty is not a sufficient indicator to assess the impacts of CILs on peoples' livelihoods. Therefore, we recommend that government regulations for the mitigation of negative impacts from CILs on local communities utilise multi-dimensional wellbeing criteria as assessment standards. These criteria should particularly pay attention to food security status and to the access by local communities to various types of resources.

Look beyond plot boundaries: CILs negatively impact the access to NTFPs, timber, firewood and water. Therefore, impact assessments focusing only on farmland turn a blind eye on crucial components of rural people's livelihood base. We suggest working towards a better integration of all types of resources that are relevant for local communities in compensation mechanisms.

Strengthen local leadership: Meaningful negotiations with investors on land allocations, compensation, and benefits require a strong and accountable community leadership with a good understanding of land rights and of the risks and benefits of CILs. Thus, it is key for policy-makers and development practitioners to help strengthen local leadership through training, exchange of experiences, institutional arrangements, and other support.

Contextualize FPIC: In places where community leadership is strong, consultation can lead to successful negotiations on land allocation and economic benefits. FPIC supports reduction of land loss and dispossession of local households, but a better integration of local realities would help to enhance the effectiveness of this mechanism. Hence, we recommend to support processes through which government, investors, and representatives of local communities are given the possibility to frame FPIC jointly by adapting it to local realities and translating it into grounded practices.

Contextualize approval policy: We have shown that in areas where livelihoods are highly dependent on land and natural resources, CILs tend to have a stronger impact on rural livelihoods. Therefore, approval processes of CILs should be contextualized to land and resource dependency. We suggest updating village-level land and resource dependency data for the Lao PDR as an input for CIL planning.

Adequate dimensioning of CILs: We detected an association between investment size and degree of adverse impacts. Thus, we suggest that decision-makers support the development of new tools that allow to better assess the correlations between CIL size and impact and subsequently use these tools for adequate dimensioning of new CILs.

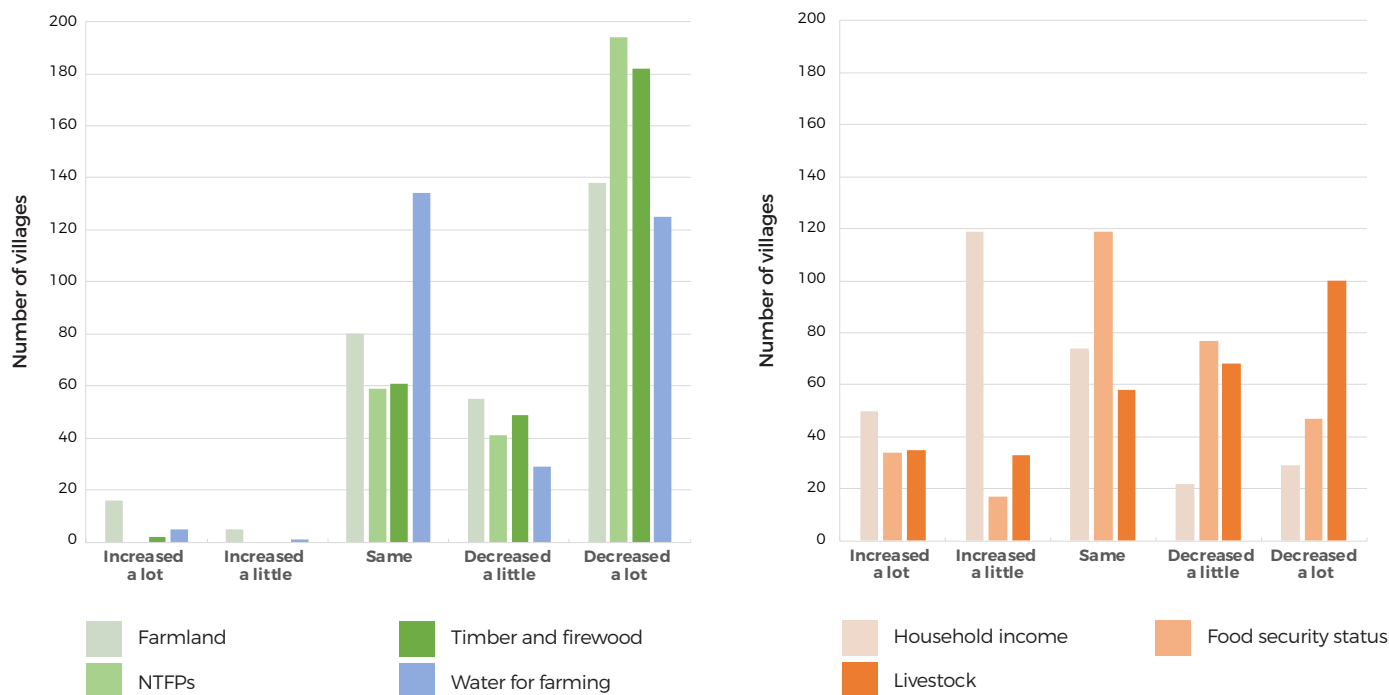


Figure 3: Changes in access to livelihood resources and wellbeing after the establishment of land deals

Knowledge for Development (K4D)

The K4D project is a collaborative initiative of the governments of the Lao PDR and Switzerland, implemented with the technical support of the Centre for Development and Environment (CDE) of the University of Bern, Switzerland and with financial support from the Swiss Agency for Development Cooperation (SDC). K4D promotes data and information availability and sharing among sectors and administrative levels to foster evidence-based planning and decision-making for sustainable development (www.decide.la).

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Further reading

Nanhthavong et al. (2020). Poverty trends in villages affected by land-based investments in rural Laos. Vol. 124, 102298. Applied Geography. DOI: <https://doi.org/10.1016/j.apgeog.2020.102298>

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