

Economic development and smallholder agency in Lao PDR



LAO PDR was relatively isolated from global markets as recently as the 1980s. Today, it is one of the world's fastest-growing economies. Over the years, it implemented various reforms aimed at opening up its state-run economy to private and foreign investment, in particular to exploit its vast natural resources – not least of all arable land.

A poverty eradication programme launched in the early 2000s¹ – including provisions meant to discourage “shifting cultivation” and instead promote cash cropping – enabled gains in rural areas, but also gave rise to new challenges.² Meanwhile, the 2004 Opium Replacement Programme incentivized Chinese investors to develop rubber cultivation and processing in Lao PDR.³ In 2014, increasing land conflicts and food-security concerns culminated in the government announcing a ban on conversion of wet rice-growing areas to cash-crop plantations, namely for bananas.⁴



Land uses in the mountainous landscape of Long District, Luang Namtha Province (2009).
Photo: Vong Nanhthavong

KEY MESSAGES

- In northern Lao PDR, government policy has encouraged a transition away from traditional shifting cultivation and towards more market-based agriculture.
- The rise in permanent agriculture has led to a decrease in forest ecosystem services for local farmers.
- Conversion of forested areas to cash-crop plantations has improved the incomes of better-off households, but it has reduced access to forest resources – especially among households that lack property rights.
- The concerns of smallholders demand greater consideration in land use policies, particularly in terms of reducing risks associated with cash-crop plantations. Concretely, authorities should establish a legal framework that holds foreign investors responsible for negative externalities they cause. Further, authorities should allow for and support areas under control of local communities that provide common-pool resources.

Drastically altered landscapes

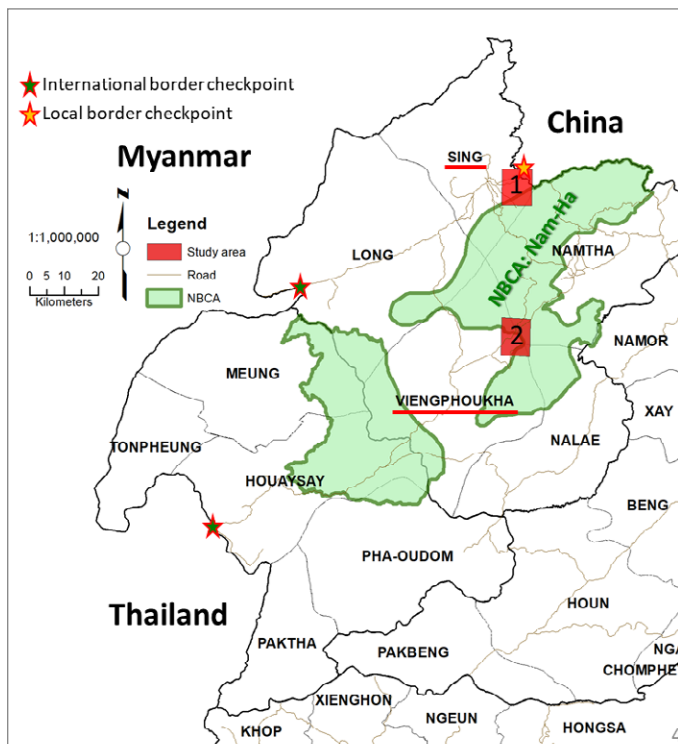
Located in the country's northwest, in Luang Namtha province (see Figure 1), the districts of Sing and Viengphoukha have seen their landscapes transformed by farm commodity-related demand for land. The commodities cultivated in these landscapes are usually destined for China and backed by Chinese investors. Between 2016 and 2019, we conducted case studies in both districts – in and around the villages of Oudomsin and Prang, respectively – to assess land use changes and their implications on the ground. Our observations confirm major market-oriented reshaping of local land and ecosystems. Parts of vast land areas – including some biodiverse forests – were converted to cash-crop plantations including sugarcane, banana, and especially rubber. Across the two villages, we observed decreasing shares of forest and increasing shares of rubber cultivation. In Oudomsin, shifting cultivation disappeared entirely from the landscape while rubber growing skyrocketed.

Rubber price signals were not the sole or main driver of the rubber boom. Our research showed that farmer *imitation* and land *accessibility* also drove increased rubber cultivation. Here, farmers' access to market information and contacts with people working on existing rubber plantations were crucial. Interestingly, some of these contacts stemmed from the Opium Replacement Programme. Additionally, land use planning and allocation activities encouraged conversion of fallows to plantations, also fuelling the boom.⁵

Notably, besides open tracts of land, official *protected areas* were also encroached upon by the new commodity plantations. But more stringently enforced areas (e.g. boundaries of national protected areas) fared better than elsewhere (e.g. conservation buffer zones).⁶ Overall, various environmental harms of recent land investments – such as pesticide pollution – appear largely irreversible given the likely costs of restoration, at least in the short term.⁷

Livelihood impacts

A crucial question is whether local gains in people's well-being outweigh the costs to nature. The picture appears mixed. Many villagers in our study areas reported having more income and increased



Location of case study areas: Oudomsin in Sing district (1), and Prang in Viengphoukha district (2). © Phokham Latthachack

leisure time due to new agricultural activities, and improved public services thanks to government investment. But some families still depend on subsistence farming and common-pool resources to secure their livelihoods.⁸ For them, the consequences of lost common forested areas and ecosystem degradation can be dire. Overall, the emphasis of state-led land policy in our study areas, and the region, has long been that of *poverty reduction*, measured primarily in economic terms. This emphasis can overlook the risks of lost biodiversity and village farmland. It can also lead to misleading signals, like the appearance of declining poverty in rural areas where, in fact, the poor are simply being pushed to out-migrate due to lack of economic opportunities.⁹

Policy implications

Our findings lead us to several policy-relevant conclusions, mainly promoting a local smallholder perspective. Firstly, the rights of local land users – especially the most vulnerable – need to be clarified and properly enforced. Often, official rules already exist to protect nature and people’s customary access rights (e.g. Forestry Law Version 2019). Yet these rights are frequently neglected in practice. Reasons include the power of wealthy, well-connected investors and an overemphasis on market-oriented benchmarks.¹² Additionally, the successive decisions of individual households sometimes cause unintended effects. For example, halting shifting cultivation and assigning protected status to non-primary forests may be intended to benefit the environment, but these policies can also trigger households to convert shifting cultivation areas (incl. old fallows) into intensive, ecology-poor cash-crop areas. Overall, there is a need to better regulate and coordinate external investments across the different state agencies of Lao PDR, so as to ensure that investments adhere to existing rules. More specif-

ically, policies are needed that explicitly strengthen and protect the land and resource access of local people who have not benefited from cash-crop markets and contracts. And there is a need for stronger enforcement of restrictions on environmental pollution related to commodity growing.

We recommend that poor farmers be supported in keeping enough land for household food provision, particularly to buffer against economic downturns and environmental impacts associated with health risks. Further, aid in constructing irrigation systems could be provided to help existing paddy rice farmers increase their household self-sufficiency and sales of surplus rice. Additional loss of smallholder farmland should be avoided at all costs. Another key measure could involve provision of aid for community-led maintenance of common-pool resource areas. These community-led initiatives could focus on protecting bundles of ecosystem services, including non-timber forest products (e.g. medicinal plants), clean water, and beneficial microclimates.

Finally, we recommend that decision-makers in Lao PDR look for ways of promoting and administering agricultural contracts between investors and smallholders that strengthen the rights and agency of the latter. With proper profit-sharing arrangements and a legal framework that holds investors accountable, future agricultural contracts could enable smallholders to keep their land while profiting from larger-scale cash-crop markets.

Telecoupling: A new perspective on land use governance

The term “**telecoupling**” refers to networked connections between geographically distant social-ecological systems.¹⁰ It emphasizes how faraway ecosystems, actors, and institutions in one place are linked with local ecosystems, actors, and institutions in another. These links shape land use change and governance.¹¹ Telecoupling can cause land competition when local and distant actors try to exercise claims over the same land.

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