In the last decade, investment in land has boomed in the Lao PDR. This is grounded in the belief that land is currently underutilized, and that such investment can help develop infrastructure, contribute to poverty alleviation and boost productivity. But there is a lack of systematic, publicly available information about land concessions and leases on which to base analysis, debate, and action. This policy brief summarizes the results of the first national inventory of land concessions and leases. The inventory was conducted between 2007 and 2011 by the Government of Laos, with support from BMZ/GIZ. The data were analysed by CDE with support from Swiss Development Cooperation (SDC). (Schoenweger et al. 2012).

How much land?

The last decade has seen a dramatic expansion in the granting of land concessions and leases in the Lao PDR. Part of this has been driven by "open-door" policies aimed at attracting foreign direct investment to achieve economic development objectives. Another driver is growing global demand for land-based resources, amplified by the Lao PDR’s proximity to large and rapidly developing economies such as China, Vietnam and Thailand.

The inventory lists a total of 2,642 leases and concessions covering 1.1 million hectares – roughly 5% of the national land area, and more land than is devoted to rice production. These findings are fairly conservative, as they exclude over a million hectare granted for mining exploration, as well as agreements for hydropower, logging, and contract farming, which were beyond the scope of the inventory. These numbers nonetheless make it clear that granting such a significant portion of the country’s land is one of the most significant land transformations in the Lao PDR’s recent history.

Equally astounding is the pace of concession and lease granting in the last decade. The number of projects granted has expanded fifty-fold in the last ten years, gaining especially after 2004 (Figure 1) despite temporary moratoriums on new concessions in 2007 and 2009. This reveals an unflagging demand for Lao land and resources, and points to the need to establish a regulatory system capable of keeping up with investment.

Key Messages

- At least 1.1 million ha of land in the Lao PDR have been granted in land concessions and leases since 2000. This is more than the entire area devoted to rice production in the country (0.97 million ha).

- A considerable share of the land was formerly used for small-scale agriculture and is not “unused land” as frequently suggested. This potentially carries serious implications for the livelihoods of the rural people affected.

- The low diversity of products produced on concession land points to a high dependency on international markets and exposure to price fluctuations.

- Government aspirations to harness land for economic development, especially in marginal areas with poor infrastructure, appear to be outweighed by investors’ demand for more accessible land.

- Effective monitoring, clearly defined institutional roles, and stronger enforcement of existing regulations are vital to ensuring that the benefits of land investments outweigh their negative impacts, and to ensure that the benefits, risks and negative impacts are shared equitably.
Origin of the investors

Although domestic investors account for 65% of granted lease and concession projects (n=1,705), their projects are, on average, a tenth the size of foreign ones (117 ha versus 1,167 ha). Thus, domestic projects account for a far smaller total area (17%) than foreign investments (72%). The remaining 11% are joint ventures. Vietnam, China and Thailand all, of which share extensive borders with the Lao PDR, are the major foreign investors, suggesting that proximity to the Lao PDR remains a major factor in investors’ interest. Thai investments are focused on agriculture, whereas Vietnam and China both hold much more land in mining and tree-plantation projects. These emphases mirror the industries that are prominent in these countries, the majority of products are exported to the investing country.

Location of land designated for investment

The government’s policy of reducing pov- erty by targeting investments to poor areas has had mixed results. Investments tend to be located in fairly accessible areas (Figure 6). To some extent this reflects the accessibility of leases, many of which are urban or peri-urban. Nevertheless, the concession locations tend to be more accessible than might be expected.

Given the vast area involved, the type of land being replaced by investment proj- ects is of crucial interest. Combining the inventory data with Lao’s 2002 national land cover data, we found that 45% – almost half – of the area under investment was classified in 2002 as either current or recent small-scale upland agricultural land. While this highlights the need to compare the inventory data with more recent national land cover or even better land use data (currently not available), it suggests nonetheless that substantial areas of small scale rural agricultural production have been affected. These findings, in turn, resonate with widespread reports of land tenure conflicts in upland areas, and with case-based research which has analysed the impacts of concessions at a more local level (see box on page 2). Several of these local studies have reported negative live- lihood impacts of large scale investments especially on food and nutrition security of farmers that have lost access to their land. There, however, still is no systematic analysis of these impacts on higher level of aggregation existing, but the above described fact that the investments are to a considerable share in previously small scale agriculture regions, point towards the potential magnitude of the negative impacts on local communities.

Because the majority of leases and concessions are not as remote as is often thought, the question arises about their relationship with accessibility and poverty. On the one hand the largest share of investments are located in reasonably accessible regions (measured in terms of travel time to closest district capital). On the other hand on aver- age, the granted land for concessions and leases is located in regions with a poverty incidence around the national average and not in the poorest regions of the country. This suggests that investor prefer- ences, rather than government efforts to point investment to remoter areas, tend to determine project locations. The exception – mining, which must follow fixed mineral resources – proves the rule: mines tend to be more remote than tree plantations and agricultural projects, which tend to be in more accessible areas where transport and infrastructure costs are lower.

Investment by sector

Investment occurs in a range of economic sectors, but is overwhelmingly focused on primary production. Primary-sector pro- jects – including agriculture, tree planta- tion and mining – constitute 49% of all projects and 91% of the area inventoried. Mining accounts for the greatest number of deals (21%) and total area (50%), fol- lowed by tree plantations (14% and 28%) and agriculture (14% and 13%) (Figure 4). A closer look at investments in agricul- ture and tree plantation suggests that a substantial transition in agrarian produc- tion is under way. In contrast to traditional emphasis on rice, subsistence crops, and a diverse range of cash crops and forest products, the inventory reveals a heavy focus on a few export-oriented cash crops.

Perspectives and implications

The large-scale agricultural and tree plantation projects have a considerable share in previously small scale upland agricultural land. This is not seen as a problem, however, because they increase the productivity of the land. The government’s policy of reducing poverty by targeting investments to poor areas has had mixed results. Investments tend to be located in fairly accessible areas.

Because the majority of leases and conces- sions are not as remote as is often thought, the question arises about their relationship with accessibility and poverty. On the one hand, the largest share of investments are located in reasonably accessible regions (measured in terms of travel time to closest district capital). On the other hand, average concession and lease locations are located in regions with a poverty incidence around the national average and not in the poorest regions of the country. This suggests that investor preferences, rather than government efforts to point investment to remoter areas, tend to determine project locations. The exception—mining, which must follow fixed mineral resources—proves the rule: mines tend to be more remote than tree plantations and agricultural projects, which tend to be in more accessible areas where transport and infrastructure costs are lower.
Policy Implications

1. The strength of the Lao PDR’s regulatory institutions will determine the balance between potential economic and infrastructure benefits and negative impacts on local communities and the environment of land investments. Considering the rapid increase in land concessions and leases granted in the last decade, a stronger regulatory system across the relevant government institutions is highly desirable. Although considerable improvements have been made, the government’s ability to keep pace with expanded investment is crucial to national sovereignty and for sustained, equitable development.

2. Clarifying the mandates and increasing the capacity of government institutions responsible for regulating and monitoring these investments is a formidable task, but a crucial next step. Without a clear delineation of the responsibilities of government agencies, moratoriums on land investments can do little. The main beneficiaries of a weak regulatory regime are investors. Consequently, further improvements are needed in clarifying the mandates on monitoring investment in land among agencies and administrative levels.

3. Improved and transparent concession management also requires better data collection and information exchange. Integrating and analysing data from different sectors are vital to provide reliable evidence to policy makers. Furthermore, greater availability of information will lead to increased transparency in the land sector, making specific investors more accountable for their actions.

4. The Prime Minister’s Order No. 13 of June 2012 (“land concession moratorium”) offers a great opportunity for change, as it calls for both improved collaboration between key agencies involved in investment in land as well as for enhanced data and evidence on the quality of investments. The on-going process of developing a national land policy could encourage collaboration and data exchange across agencies and administrative levels as well as refine and clarify their mandates for monitoring land investments.

The Lao DECIDE info
is a collaborative initiative of the Governments of the Lao PDR and of Switzerland. The initiative is implemented with the technical support of the Centre for Development and Environment (CDE) of the University of Berne, Switzerland, in partnership with the participating institutions, and receives financial support of the Swiss Agency for Development and Cooperation (SDC).

The aim of Lao DECIDE info is to support and stimulate data and information availability and sharing among sectors and administrative levels to promote well-informed development planning and decision-making in the Lao PDR.

Further information at www.decide.la

Further reading