On the right path? Land concessions in Laos

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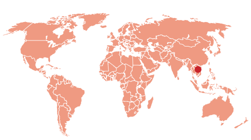
Smallholder rice cultivation and livestock keeping belong to the traditional image of Laos. But the country has recently granted more land to investors as concessions than is used to grow rice, its main staple crop. What will the future hold for small producers? Photo: Denis Rozan/Shutterstock.com

On the right path? Land concessions in Laos

Land investment is booming in Laos, driven especially by demand for natural resources among its rapidly developing neighbours. Yet Laos remains one of the poorest countries in Southeast Asia, with more than 33% of the population living on less than $1.25 per day (PPP$).[1] The government of Laos hopes that projects linked to land leases and concessions will boost local productivity, improve infrastructure, and alleviate poverty. But there are many risks to local livelihoods and the environment, and ensuring that land investment sustainably benefits the people of Laos requires effective regulation based on systematic monitoring and transparent data. This policy brief outlines some key insights from the national inventory of land concessions and leases, the most comprehensive accounting of such land deals to date for a single country.



The research featured here is focused on Laos.

How much land, and how fast?

Conducted between 2007 and 2011, the national inventory of land concessions and leases (see Box 1) lists over 2,640 leases and concessions covering 1.1 million hectares (ha) of land. This is equal to almost 5% of the country's territory and exceeds the amount of land used for rice production, the main staple crop. These estimates of land deals are conservative, as they exclude land granted for mining exploration (over 1 million additional ha) and use agreements for hydropower generation, logging, and contract farming, which were beyond the scope of the inventory. Nevertheless, the numbers indicate a sheer volume of land use change that is unprecedented in the country's recent history.

The pace of concession and lease granting is equally striking. The number of granted land concessions and leases in Laos has increased 50-fold in the last

KEY MESSAGES

- Since 2000, almost 5% of the territory of Laos has been leased out, mainly to foreign investors from Vietnam, China, and Thailand for mining (50% of the area leased), tree plantations, and agriculture.
- This investment creates a risky dependence on the export of raw materials, and may have limited benefits for local people: the concessions generate few secure jobs but trigger tenure conflicts.
- The concessions may result in environmental problems: pollution, forest loss, monocultures, and increased carbon emissions.
- Transparency, robust regulation, and the involvement of local people in negotiations are important to enable Laos to benefit from such investment, and minimize its negative consequences.

decade, accelerating especially after 2004 despite brief moratoriums on new concessions in 2007 and 2009.[2]

Impressive economic growth – but is it sustainable and broad-based?

The Lao government hopes that granting land concessions and leases, especially to foreign investors, will enable it to escape least developed country (LDC) status by 2020. Viewed nationally, the country's recent "open door" policy to foreign investment in land appears to be paying off economically: its gross domestic product (GDP) has been growing annually by an impressive 7–8%, with almost half that growth coming from the natural resource sector.[3] Nevertheless, CDE's maps and analyses of the land inventory data highlight some key economic concerns.

Projects reflect neighbours' demands and lack diversity: Examination of concession projects shows an overwhelming emphasis on a very narrow range of export commodities (Figure 1) in demand by the country's wealthier, rapidly developing neighbours: Vietnam, China, and Thailand, the main sources of foreign direct investments (Figure 2). According to the inventory, mining exploitation accounts for 21% of all investment projects and an astonishing 50% (approximately 550,000 ha) of the total land under investment. This is followed by tree plantations (14% of projects, covering 306,234 ha in total) and agriculture (14% of projects, covering 140,015 ha). A closer look reveals that tree plantations are dominated by rubber (129,614 ha) and eucalyptus tree (95,978 ha) production, while agriculture focuses overwhelmingly on cash crops, in particular biofuel or multiple-use crops such as sugarcane (34,969 ha) and jatropha (25,179 ha).

Risky dependence on raw exports: This increasing reliance on a small selection of commodities makes the Lao economy vulnerable to global price fluctuations. If the market for rubber were to contract abruptly, for instance, the economic consequences could be sudden and major. Further, unless expressly stipulated in contracts and consistently enforced, concession projects such as tree or sugarcane plantations do not guarantee secure, adequately paid jobs for local people, especially those (e.g. subsistence farmers) most endangered by concession-related losses of livelihood.[4,5] Finally, mining in particular does not present a long-term economic perspective – once the easily extractible zinc/tin and copper supplies are used up, investors will likely move elsewhere.

A tidal shift in land access with major social implications

Even without detailed data of specific populations affected, CDE's spatial analyses suggest a massive transfer of land access away from small-scale farmers and in favour of foreign investors.

Livelihoods and food security of smallholders jeopardized: Combining the inventory data with national land cover data (2002)[6] revealed that 45% of the areas under investment were once mainly small-scale agricultural landscapes. This resonates with widespread reports of land tenure conflicts in upland areas, and with case-based research showing harmful impacts of concessions on farming families. The affected landscapes – mosaics of cultivated land, bush fallows, and patches of forests – have been long used by families to grow crops and gather edible material for household consumption.[7] Thus,

Box 1. Land concession inventory and report

The insights discussed in this brief stem from CDE's analyses of the first-ever national inventory of land concessions and leases in Laos, conducted between 2007 and 2011 by the government of Laos, aided by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ). With funding from the Swiss Agency for Development and Cooperation (SDC), CDE mapped and investigated the inventory data and presented the results in *Concessions and Leases in the Lao PDR* (Schönweger et al. 2012), a joint report published with GIZ and the Lao Ministry of Natural Resources and Environment (MoNRE). The report includes a plethora of spatial data showing the scale, location, source, purpose, and patterns of land investments.

Case studies included in the report (see its annex) illustrate flaws in the country's system of planning land use, approving investments, and enforcing regulations. These range from lack of technical capacity (e.g. for surveying) to poor communication between authorities at different levels (district, provincial, national) and contract violations by investors.

CDE researchers are now helping implement a government-led follow-up survey – via Lao DECIDE Info (*www.decide.la*) – designed to reveal more about the quality of such investments, e.g. community consultation, compensation for losses, job creation, and ecological impacts.

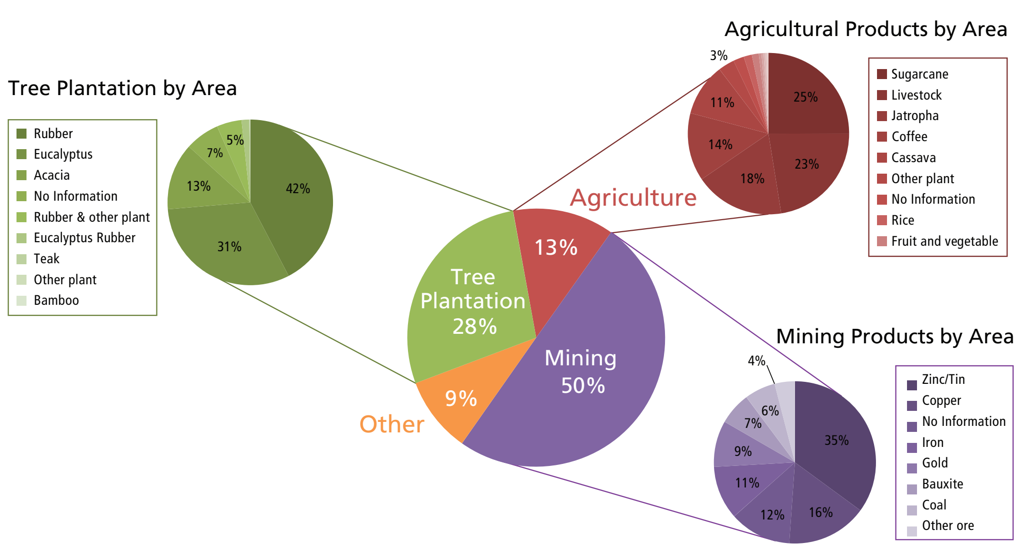


Figure 1. Concession-related subsectors and products by area (ha).

concession-related losses of land use rights present very real threats to local food security. This is particularly worrying in light of persistent malnutrition in Laos. Recent data show, for example, that almost half the country's children under the age of five suffer from stunting.[8]

Investment not necessarily benefiting poorest areas: Notably, most of the land granted to investors is located in areas that are relatively accessible (under one hour of travel time to the closest district capital) and comparatively well-off: the average poverty incidence in investment areas is 27%, which is significantly lower than the national village-level poverty estimate of 34.7% (2008).[9] Indeed, investors' demand for accessibility seems to outweigh the government's stated desire to use land acquisitions for regional development, especially in marginal areas with poor infrastructure.

Massive investments may make conflict inevitable: Of the 2,642 leases and concessions inventoried in total, 135 (all of them concessions) are over 1,000 ha in size. Remarkably, these 135 large concessions comprise the vast majority (89%) of the total area under investment. Moreover, the very few (only nine) concessions over 10,000 ha comprise 59% of the total area under investment. As others have noted, granting concessions for such massive swathes of contiguous land is likely to make conflict with local land users inescapable.[10]

Environmental causes for concern

The long-term prosperity of Laos depends on sustainable use of its natural resources. But CDE's analyses raise concerns about the environmental impact of land investments at their current intensity.

Monocultures replacing multifunctional landscapes: The plantations introduced on concession land are replacing landscapes that used to do more than merely produce commodities, such as preserving biodiversity and sequestering carbon. Loss of these valuable ecosystem services should be weighed carefully against economic gains. Already, Laos has gone from being a net sequesterer of CO_2 as recently as 1990 to being a net emitter since 2000.[11]

Forest loss and degradation: Comparison of inventory data with forest cover data[12] showed that forests account for nearly 30% of the land under foreign investment. The main economic activities pursued in forests – mining (51% share of forestland under investment), forestry (35%), and agriculture (9%) – pose clear threats of deforestation and degradation. Alarmingly, a considerable share of the granted land is located in areas zoned as "conservation forest" (almost 25,000 ha). This casts serious doubt on forest authorities' current regulatory strength.

Inherent environmental risks of specific investment activities: Nationally, mining deals were found to comprise 21% of all investment projects and a remarkable 50% of the total land area under investment. Without proper safeguards, mining activities may entail significant water pollution and other environmental damage. Further, tree plantations – the second-biggest land-investment subsector – may deplete water resources and are vulnerable to plant-disease outbreaks.[13] Jatropha and other concession crops also consume lots of water.

Box 2. Understanding land concessions and leases in Laos

Land concessions and leases are legal mechanisms for granting land to investors for specific activities and timeframes. In Laos, leases are granted for developed land and mainly cover small areas (average: 3 ha). Concessions, by contrast, are typically granted for natural resource development projects and cover large areas (average: 823 ha). They are subject to concession charges, resource use-related royalties, and other fees paid to the state. They usually range between 25 and 50 years. The main state bodies involved in granting land are the Ministry of Agriculture and Forestry (MAF), the Ministry of Planning and Investment (MPI), the Ministry of Natural Resources and Environment (MoNRE), and the Ministry of Energy and Mines (MEM).

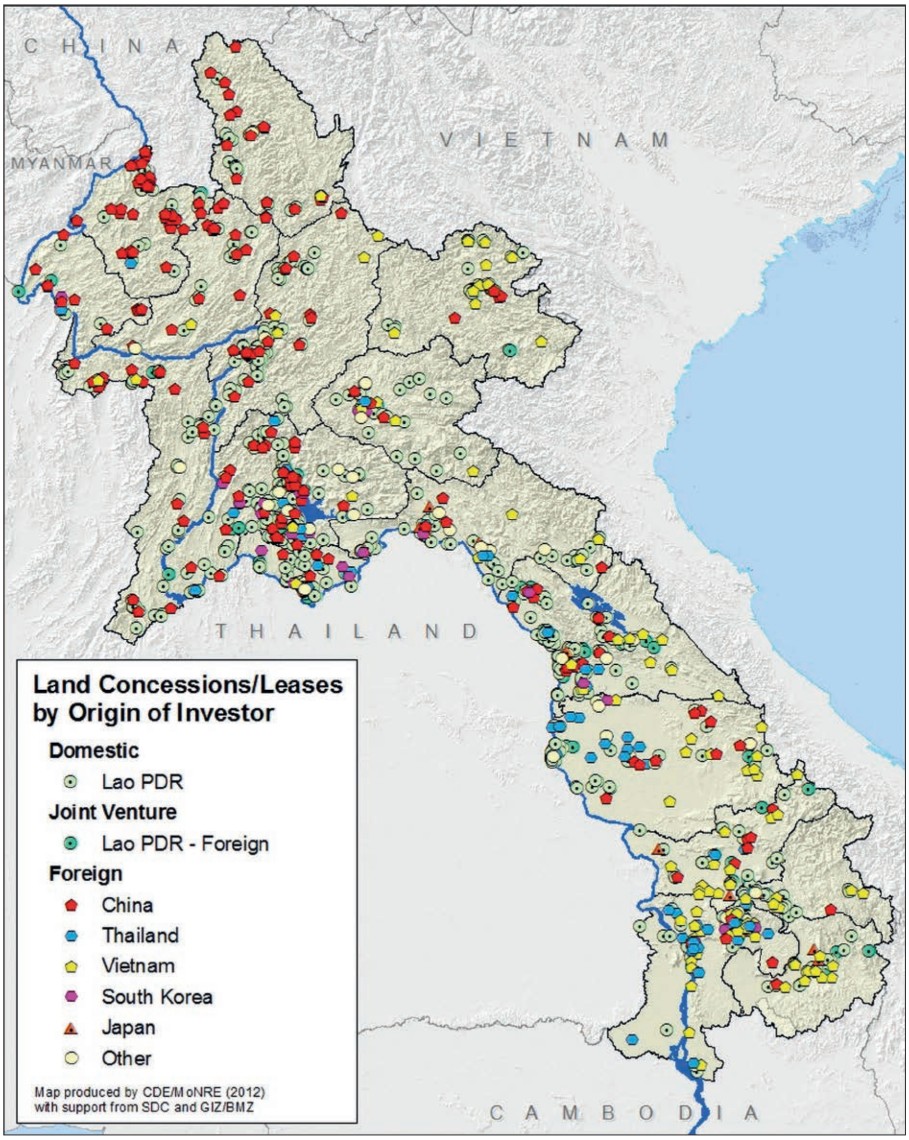


Figure 2. Investment project locations and investors' countries of origin: domestic projects account for a far smaller total area (181,477 ha) than foreign investments (794,383 ha). Vietnam, China, and Thailand are the key foreign investors. Their large leases and concessions tend to be in the regions abutting them. This fact raises concern about a possible loss of sovereign control over border areas.

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Policy implications of research

Precise data and greater transparency are fundamental

When it comes to curing the ills of land concessions, sunlight is the best medicine. Until recently, debate and policy responses were hampered by a lack of data. The concession inventory and report are steps in the right direction – Lao authorities deserve credit for supporting greater knowledge and transparency on land concessions, even (or especially) when it exposes flaws. Nevertheless, continuous efforts towards more transparency are imperative.

A robust regulatory framework is urgently needed

Laos requires a stronger regulatory framework capable of better monitoring and steering investments and enforcing agreements. Some of its weaknesses are administrative, some are procedural, some technical, etc. – but all can be solved. Main priorities include: clarifying the mandates (i.e. who does what) of the four ministries involved in granting concessions (MPI, MoNRE, MAF, MEM); making sure these ministries and other relevant bodies *can* and *do* share their data; and ensuring that authorities at every level – national, provincial, district, village – have a common interest in enforcing regulations.

To address risks of land deals: negotiate, diversify, go small, and invest in people

Four simple ideas could help decision-makers address the concerns we have identified. First, *negotiation is essential*: before investments are approved, local people should be consulted in line with the principle of Free, Prior and Informed Consent (FPIC), and development goals should be made explicit in contracts. Second, *small is beautiful*: deals that are shorter-term (but renewable), smaller in size, and more carefully geographically composed are less likely to harm ecosystems or cause intractable conflicts with existing land users. Third, *diversity is stability*: diversifying what is produced on investment land and adding value locally (e.g. by establishing local processing and manufacturing) can enable Laos to respond to changing market conditions over the long term. Fourth, *invest in tomorrow today*: the revenues from concession projects like mining would be well spent if used to educate the people of Laos and create new jobs unrelated to commodity exports.

Suggested further reading

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