



Land concessions and leases

in the Lao PDR

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.

Xayabury Province: In 2008, a company was granted a 500 ha concession to plant rubber bordering a provincial protected forest area. After clearing the land and planting rubber trees for a period of time, the company also built a sawmill, which is not allowed under the concession agreement. It began logging both within the concession area and in the protected area. Despite site inspections by the provincial and district agencies and notifications to halt the sawmill operations, the company has continued cutting trees in the area.

Saravan Province: In 2005, a 284 ha concession was granted to a company for a cassava plantation. In a meeting with the District Governor, the company promised to build an access road, provide electricity, and to build a school and a health care centre in the affected villages. As of 2010 when the inventory team visited the village, none of the agreed upon facilities had been built. The company cited a lack of profits from the business as the reason it could not fulfil its obligations.

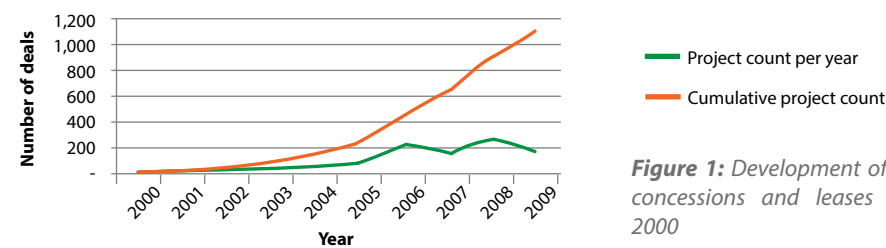
Luang Namtha Province: When a company requested a 300 ha concession for planting rubber, district government agencies surveyed the site and reported only fallow forest with no trees of economic value. But after a later inspection by the inventory team, the predominant land cover was found to be healthy secondary and primary forest (*pa yai, pa kae*). The village head confirmed that the land had not been used for shifting cultivation in over ten years.

Vientiane Province: In 2001, a company requested a 300 ha concession for a tree plantation – an area which exceeds the current regulatory granting power of provincial authorities. Instead the concession was divided into several parcels and approvals were made in separate documents, thus avoiding the ceilings on area granted at different levels of government.

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.

As shown in Figure 3, leases and concessions from neighbouring countries tend to be in the regions abutting those countries. Over half of Chinese investments (60%) occur in the northern provinces, while 84% of Vietnamese investments occur in the central and southern ones. Domestic and Thai investments are more evenly spread, although only 92% of Thai investments occur in the centre and the south.



crop under investment. Covering almost 130,000 ha – 42% of total tree plantation area and 61% of all tree plantation projects – rubber concessions outweigh eucalyptus by more area than 30,000 ha, and sugarcane (the top annual crop in the inventory) by nearly 100,000 ha. The heavy dependence on a small range of products potentially exposes the Lao PDR to a dangerous dependency on international markets and price fluctuations.

Location of land designated for investment

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 (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 projects is of crucial interest. Combining the inventory data with Laos's 2002 national land cover data, we found that 45% – almost half – of the area under investment

Investment by sector

Investment occurs in a range of economic sectors, but is overwhelmingly focused on primary production. Primary-sector projects – including agriculture, tree plantation 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%), followed by tree plantations (14% and 28%) and agriculture (14% and 13%) (Figure 4).

A closer look at investments in agriculture and tree plantation suggests that a substantial transition in agrarian production is under way. In contrast to traditional emphases 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. Although the inventory excluded contract farming (and thus does not include the substantial area under rubber contract farming, especially in the north), rubber is nonetheless the largest tree or agricultural

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 livelihood 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 average, 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. (Figure 5). 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.

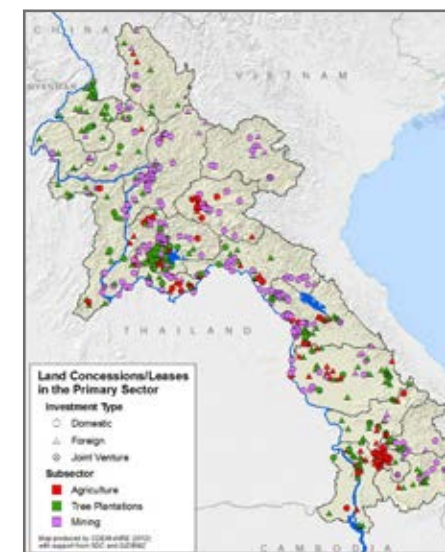


Figure 2: Investment projects in the three main subsectors: agriculture, tree plantation and mining.

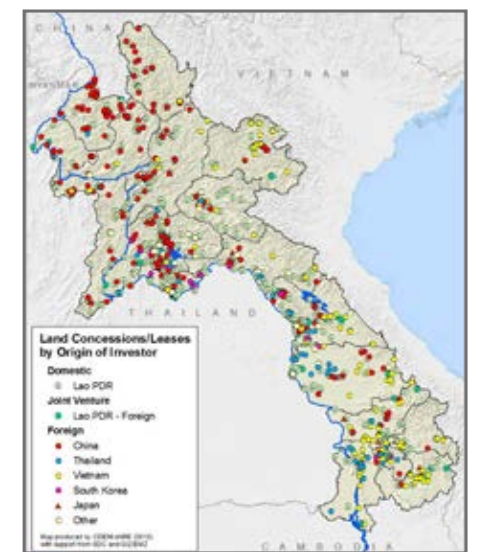
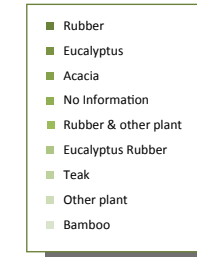
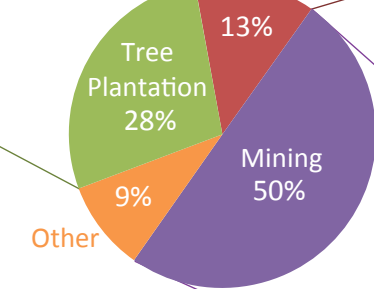


Figure 3: Investment project locations and investors' countries of origin.

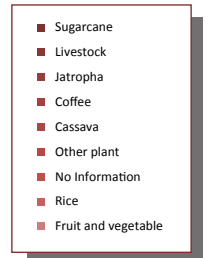
Tree Plantation by Area



Agriculture



Agricultural Products by Area



Mining Product by Area

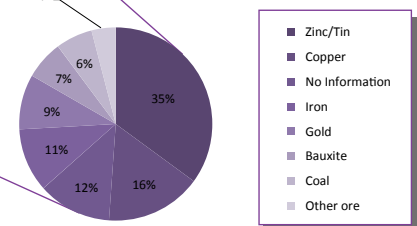


Figure 4: Area and products of concessions

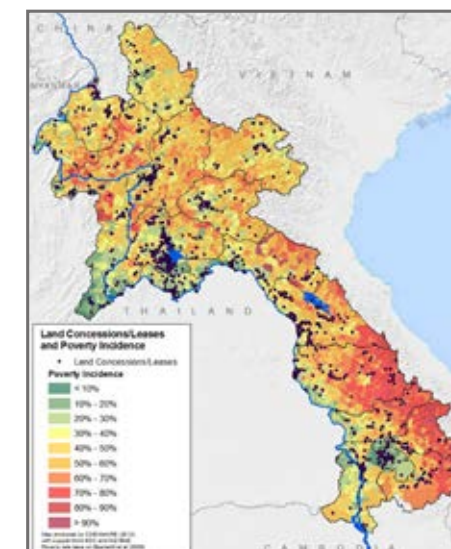


Figure 5: Poverty incidence map and investment projects: land is not granted primarily in poor areas.

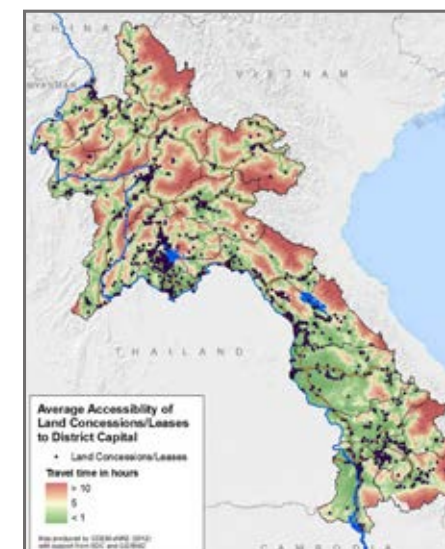


Figure 6: Accessibility (as measured by travel time to nearest district capital) and investment projects: land investments are not in the most remote areas.

Definitions

Leases and concessions are legal mechanisms for granting land for a limited amount of time and a particular activity. They have distinct legal definitions in the Lao PDR, though in practice the distinction often blurs. Leases are granted for developed land, both state and private, and tend to be smaller in area and contract length. Concessions, on the other hand, apply to state land only and are granted for natural resource development projects. They tend to be larger in size and impact than leases and are subject to concession charges and resource use-related royalties (Schumann et al. 2006).

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



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Further reading

Schönweger O., Heinimann A., Epprecht M., Lu J., Thalongsechanh P., 2012: **Concessions and Leases in the Lao PDR: Taking Stock of Land Investments**. Centre for Development and Environment (CDE), University of Bern, Bern and Vientiane: Geographica Bernensia.

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