Food and Agriculture
Organization of the
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Promoting responsible investment in agriculture and food systems in the Lao People's Democratic Republic:

Successful experiences and stories from government officials

Why is RAI important in the Lao People's Democratic Republic?

Agriculture and forestry are a cornerstone of the development strategy of the Lao People's Democratic Republic, employing over 60 percent of the population (ILO, 2022). Despite this, agriculture makes up just 16 percent of the country's GDP due to low productivity and lack of modernization (World Bank, 2022). The agriculture sector is characterised by an aging population as youth increasingly migrate in search of better prospects. Persistent poverty, food insecurity and a lack of opportunities in rural areas figure strongly in these decisions. To counter these trends, both private and public investments are needed to raise agricultural productivity and incomes. To achieve the first two Sustainable Development Goal's (SDGs) of ending poverty and hunger and improving food security and nutrition in the Lao People's Democratic Republic by 2030, additional investments of USD 34 million per year specifically targeting agriculture are required (FAO, IFAD and WFP, 2015).

The investment environment in the Lao People's Democratic Republic

Officially recognized land-based investments in the agriculture and forestry sectors in the Lao People's Democratic Republic accounted for 593 357 hectares, or 15.6 percent of arable land, in 2017 (Hett *et al.*, 2020). Investor-controlled land therefore represents a significant proportion of the country's productive capacity. With the Lao People's Democratic Republic's predominantly rural population, these investments have big ripples in communities, so there is a pressing need to increase both the quantity and quality of investments.

In the early 2000's it emerged that many large investments were non-compliant with the country's laws and regulations and were negatively impacting livelihoods, food security and the environment. With the policy arena increasingly focused on sustainable development, these trends were counterproductive to national development goals. Because there are many types of agriculture and forestry investments, spanning the mandates of multiple ministries, administrative levels and stakeholders, rectifying the situation was going to require a cohesive overarching framework.

What is responsible investment in agriculture and food systems (RAI)?

The Food and Agriculture Organization of the United Nations (FAO) activities in the Lao People's Democratic Republic are part of broader global efforts to align investments in agriculture, forestry and fisheries with the Principles for Responsible Investment in Agriculture and Food Systems (CFS-RAI Principles) endorsed by the Committee on World Food Security. The Association of Southeast Asian Nations Guidelines on Promoting Responsible Investment in Food, Agriculture and Forestry (ASEAN RAI) are grounded in the CFS-RAI Principles and reflect the specificities and characteristics of the ASEAN member states. The ten ASEAN RAI guidelines aim to promote increased investment in food, agriculture and forestry that is socially, economically, and environmentally sustainable and inclusive. "Responsible" investments should contribute to regional economic development, food and nutrition security, food safety and equitable benefits, as well as the sustainable use of natural resources.

The CFS-RAI Principles can be viewed as an extension of the Sustainable Development Goals (SDGs), and so the promotion of RAI in the Lao People's Democratic Republic is an inroad to also achieving the SDGs.

Creating an enabling environment for responsible investment in agriculture in the Lao People's Democratic Republic

The task of mainstreaming the RAI principles in the country has involved a dynamic collaboration with government, civil society organizations and development partners. The key areas of FAO's work to enhance the enabling environment for responsible investment in agriculture have been awareness raising, targeted training based on capacity needs and the promotion of multi-sectoral stakeholder engagement and dialogue.

The enabling environment -i.e., the combined institutional, legal, policy and incentive frameworks- is one of the main determinants of investment volumes and outcomes. It requires coherence, consistency and predictability among policies, laws and regulations in a range of areas related to agriculture and food systems. Each country requires a tailored approach; this is why activities in the Lao People's Democratic Republic started with a capacity assessment workshop aimed at understanding to what extent Lao policies, laws, plans and strategies- that foster an enabling environment for RAI are in place and are being implemented, and what were the main needs in terms of learning for government entities.

Based on the priorities identified, the learning programme titled "Involving local communities in agricultural investment" targeting representatives of district-level departments (working on planning, agriculture and forestry, industry and commerce, natural resource and environment, and justice) was designed and implemented in collaboration with Helvetas with the support of provincial officials.

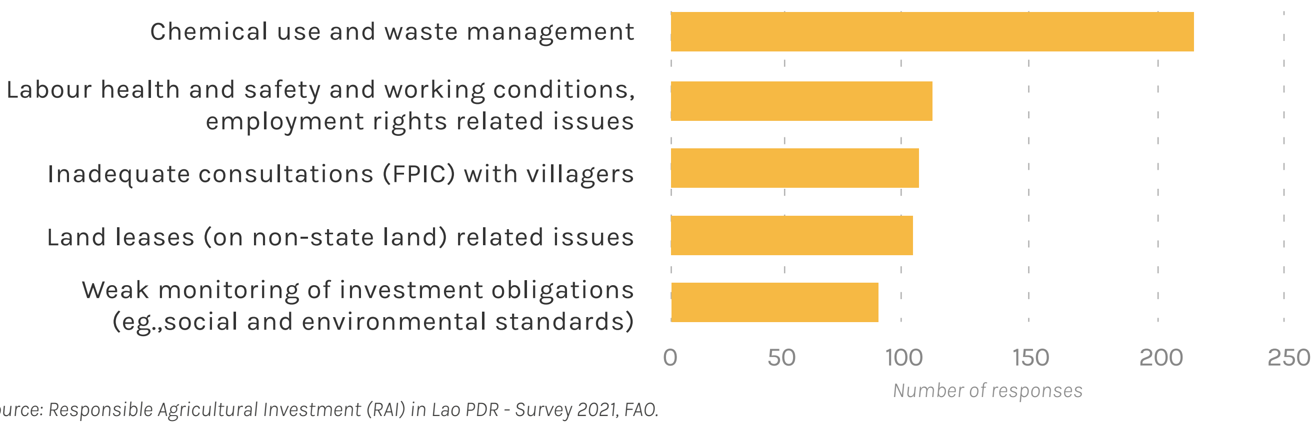
After the learning programme, an online workshop for civil society organizations was organized to discuss and agree on lessons learned, achievements, challenges and priorities for future work around RAI[1].

The outcomes of a 2021 survey to gauge the current perceptions on RAI in the Lao People's Democratic Republic were presented at the 2021 National Multi-Stakeholder Dialogue on RAI, which convened more than 150 stakeholders. The survey was organized by the country's Ministry of Agriculture and Forestry as well as the Ministry of Planning and Investment, and FAO, the German Agency for International Cooperation and the Mekong Region Land Governance project.

[1]Many civil society organizations participated, in particular the Sustainable Agriculture and Environment Development Association (SAEDA), the Lao Development of Human Resources in the Rural Areas Association (LaoDHRRA), the Rural Research and Development Promoting Knowledge Association (RRDPA), the Coalition for Lao Information, Communication and Knowledge (CLICK) and the Lao Farmer Network (LFN). Two international Non-Governmental Organizations, Village Focus International and Oxfam, have also been important actors in this process.

Results of the survey on stakeholder perceptions about RAI carried out in 2021 with 382 respondents

What are the five top issues or problems regarding RAI in the Lao People's Democratic Republic?



Source: Responsible Agricultural Investment (RAI) in Lao PDR - Survey 2021, FAO.

In his address at the 2021 National Multi-Stakeholder Dialogue, Mr Vilayhyak Chanthalath, deputy of the Department of Planning and Cooperation (DoPC) in the Ministry of Agriculture and Forestry, reiterated the importance of the work FAO and DoPC have been collaborating on. Namely, this is improving coordination between the central and local levels of government by raising awareness, and disseminating the relevant policies, laws and legislations to enable the cohesive implementation of the existing legal framework. He also talked about the importance of multi-sectoral coordination and cooperation within and between ministries and between the central and local levels.

Empowering key agents to work for change

FAO's approach to creating an enabling environment for responsible investment in agriculture and food systems focuses on strengthening the capacities of strategic actors. Given their roles in implementing policies and regulations, government officials and technical government staff are catalytic to accelerate commitment with RAI, and in spearheading transformative action. In the following pages, Mr Souvanthong Namvong and Ms Sengmalaiphone Phothisane, participants in FAO's Learning Programme, speak about their experience with RAI, including how the issue has evolved in recent years, the progress made and the challenges that still lay ahead.

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Introducing Mr Souvanthog Namvong, a RAI veteran in the Lao People's Democratic Republic

Mr Souvanthong Namvong has been engaged in several of the RAI activities under FAO support, as a co-facilitator and panellist. As the deputy director of the Extension Information and Market Engagement Division under the Ministry of Agriculture and Forestry's Department of Agricultural Extension and Cooperatives, he is a well-versed specialist in technical training, green extension, capacity-building, climate resilience and agribusiness.

Mr Namvong has been involved in RAI for over a decade and observes the importance of RAI principles daily, considering it an essential overarching element of sustainable rural development. For this reason, he is frustrated by the low level of awareness on relevant legislation and procedures among government staff engaged in agriculture investment processes.

"I hear that some provincial or district officials process investment documents in just a few days, but cross-checking all the details should take longer than that, especially by the land authority at the district level," he said.

Under the Learning Programme participants learn the procedures necessary to systematically locate and cross-check documentation with regulations and actual conditions on the ground. This includes conducting free, prior and informed consent (FPIC), a process that ensures affected communities take informed decisions on whether to provide or withhold consent on investment proposals.

Three wins, three roles to play

Mr Namvong points out that "in the world of agriculture investments, investors focus on profits, so it is the role of government to oversee and ensure safeguards to benefit the public and the people.

"Since RAI is a new concept for local government, their understanding is limited and the same issues and challenges will continue to surface until their capacities to manage investment processes are enhanced."

He sees how building capacity and rolling out the RAI principles at local levels can have an impact on breaking the cycle of poor investment outcomes. He is striving for a "win-win-win" scenario, where the three main stakeholders – government, the private investor and communities – can all win from investments.

Speaking at the Learning Programme, Mr Namvong said: "Capacity-building, like we are doing now, is critical in helping the government perform its roles. This type of support from FAO and others helps to strengthen the government's ownership of the RAI principles." The Learning Programme engaged government officials from central to provincial to district levels in facilitating exchange and extension in the learning experience.

Bridging the gaps and connecting the dots

The Lao People's Democratic Republic's legal and policy framework on investment promotion has received much attention in recent years. While many agree that the framework includes various important elements, others also see that there is much work to be done in its dissemination and implementation on the ground. Mr Namvong cited an example of the legal framework around social and environmental safeguards, noting that while the legal framework is there, "safeguards are rarely implemented effectively, due to limited access to relevant information and limited understanding on the part of local government officers." Even when information on new legal frameworks is disseminated to the local levels through information campaigns orchestrated by the central government, a very common observation from investors is the inconsistency in interpretation of the same legal framework from one province or district to another. This often happens when the legal framework and implementation guidance does not contain enough practical information for implementation.

Mr Namvong laments the disconnect between local and central levels of government, where local levels deal with the everyday realities of problems rising from investments, but policies and legal frameworks issued by the central government do not practically address the local issues enough. The Learning Programme model contributes to addressing this disconnect by using practical, local RAI related cases to unpack the RAI principles together between different levels of government. With these processes in place, the gaps and inconsistencies can be plugged.

To achieve transformative change, Mr Namvong identifies the latent potential of youth. He advises RAI practitioners:

"Something very important in promoting RAI is training more young people. Youth can become agents of change. When they know what and how, they are likely to pass that knowledge on to others. I have been involved in many capacity-building programmes to help the younger generation to have a better understanding of RAI."

He agrees with the growing body of evidence that youth are more entrepreneurial and progressive in agricultural endeavours. These qualities are what is needed to modernize practices, improve sustainability and diversify the rural economy. In turn, these developments are what will incentivize youth to stay in rural communities and reverse rural-urban migration trends.

Guidance for moving forward

Mr Namvong highlights Instruction 0457/MPI, titled “The Instruction on Investment Approval and Land Management Mechanism for Leasing or Concession to Cultivate Crops.” It was introduced in 2019 to be an effective tool in bridging the gap between staff knowledge of regulatory frameworks and their responsibilities relating to land investments. “I really hope it continues to be implemented on the ground, as it gives practical instructions on the implementation of national laws and decrees related to agricultural investments. The ASEAN RAI, CFS-RAI Principles and VGGT (Voluntary Guidelines on the Responsible Governance of Tenure) are very useful references, but they are guidelines, not laws or policies. FAO should have more projects directly promoting RAI with government, especially at the implementation level,” he said.


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Positive impacts of improving the regulatory framework: a success story

One of the experiences shared at the 2021 National Multi-Stakeholder Dialogue was that of the Provincial Department of Planning and Investment (PPI) of Luang Prabang province. The PPI reported that the promulgation of the aforementioned Instruction 0457/MPI clarified the regulatory environment, providing the leverage and tools needed to more systematically manage investment processes. Importantly, Instruction 0457/MPI stipulates that guarantees for land rehabilitation, waste removal and monitoring are to be paid by investors. This, in combination with the tools and knowledge imparted by a growing awareness of RAI, has assisted PPI in improving the quality of investments in Luang Prabang.

Through negotiations with companies, the PPI developed project management agreements. These define responsibilities, monitoring and inspection fees per hectare, and natural resources and water use fees. However, these fees are divided between five government agencies that have responsibilities tied to monitoring and inspection, allowing for only two visits a year per plantation.

Although limited, this monitoring combined with policy implementation through the project management agreements have improved compliance with environmental and social impact standards, according to PPI. In particular, through these processes, some investors have put more emphasis on upgrading skills and providing employment contracts that comply with labour laws. Additionally, the dissemination of legislation to government officials, investors and landowners led to tri-partisan engagement, which has improved transparency and access to information and raised awareness about investment approvals processes. These developments provide examples of how a practical legal framework with monitoring and engagement has enabled more responsible management of agricultural investments.

Despite 0457/MPI being a major step forward, there is room for better enabling the operation of the guarantee system, such as around coordination of mandates, the stablishment of collaborative mechanisms for sharing information, and the arrangement of financing for monitoring and enforcement. This demonstrates how revision of the existing legal and regulatory framework can further improve outcomes. PPI has dealt with this ambiguity by developing their own systems for financing monitoring and enforcement in a show of institutional initiative, informed by a growing familiarity with RAI.

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Introducing Ms Sengmalaiphone Phothisane, a RAI new comer

Despite working seven years as an agriculture officer at the Provincial Agriculture Investment Department in Vientiane province and being actively engaged in investment processes daily, Ms Sengmalaiphone Phothisane had only heard about RAI briefly while at university. Since participating in the Learning Programme, she has been drawing parallels between environmental sustainability, her work in investment processes and the cross-cutting nature of RAI.

"RAI may be applicable to what we're currently doing, but we don't use the term RAI. The term we use is sustainable development," she said.

This provides reassurance that the Learning Programme is building the capacity of government staff to grasp the integrated nature of sustainability, food security and human rights at the policy implementation level. "The training helped me gain a better understanding of agricultural investment and broadened my perspectives. Now I look for the "win-win-win" scenario more," Ms Phothisane said, alluding to the scenario that Mr Namvong of the Ministry of Agriculture and Forestry had referred to.

Solutions-based training

Ms Phothisane identified compensation of communities when their land is requisitioned for development purposes to be one of the biggest challenges surrounding land investments that she faces in her work. "Often, people are not happy with the proposed

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rate for compensation," she lamented. "The issue is very complex, and involves many stakeholders, but a better process to ensure fair benefits to the three main stakeholder groups needs to be sought."

She said: "The Learning Programme helped me realize the importance of checking what exactly farmers have agreed on. Issues often arise when farmers and investors sign agreements without fully understanding the content. Farmers also often do not understand government development policy, partly due to a lack of communication from the government side, so awareness raising for farmers in particular should be a priority."

She now sees that government has the greatest weight of responsibility in investment scenarios to bring about a "win-win-win scenario" for government, investors and communities. "Government is the mediator in investment processes." Understanding RAI is crucial, especially during negotiations," she said.

Small changes that make a big difference

From the Learning Programme, Ms Phothisane identified one tool in particular as something she could immediately implement to improve the outcomes of her work. She observed that focus group discussions could be effective in compensation disputes where it is primarily women who have grievances. "Women often deal with household issues, including expenses for health and education," she said. Segregating the men and women in focus group discussions allows the women to more freely express their concerns about how investments might affect their livelihoods. "This is a better method for getting different types of feedbac," she acknowledged. This process enhances efforts to mitigate potential negative impacts on households by investments.

The issue of consent is another challenge Ms Phothisane encounters frequently in her work. "When the government reallocates land to investors, I see that there are challenges obtaining consent from the people. I think it is a good idea to get people to agree and be involved in all processes of development. The main objective of development is to help the people. To do this, the government and the people have to be moving in the same direction," she said.

This realisation was triggered as she was introduced to the principle of free, prior and informed consent. This a bottom-up participatory process to engage communities in dialogue prior to a project's commencement to give or withhold consent for it to proceed. While not new in the civil society world, this is a relatively underutilized approach in government processes, as Ms Phothisane relates.

"The investment steps are: a feasibility study is conducted by the investors, the government reviews it. If acceptable, the government presents it to the affected people. But how can a feasibility study be done if a community hasn't agreed to the land being reallocated in the first place?."

FPIC approaches are undertaken in reverse: The feasibility study is conducted *with* the affected stakeholders.

Since the Learning Programme, Ms Phothisane sees how tools such as focus group discussions and FPIC can be used to achieve the three wins: "If the people oppose the investment, it is the government's role to encourage the people. Not force them, but work with them." Change is a stepwise process, and with the right tools and knowledge it is evident that every step comes closer to realizing more responsible investments. To further operationalize FPIC, stakeholders need transparency in investment processes, particularly the application process. This discussion also featured prominently in the 2021 National Multi-Stakeholder Dialogue.

Looking ahead to continue learning

Ms Phothisane sees that positive developments are occurring due to the collaborative relationships between government, development partners, the private sector and communities. The appetite to build on these gains is also strong, but she said: “The course is too short. We need more training. My boss also expressed interest in joining after I informed him of what the topic was about. I want to learn more and I think people from my office should also know and learn more about RAI.”

Ms Phothisane’s outlook regarding developments in the agricultural investment realm in the Lao People’s Democratic Republic is positive. “The policy arena is evolving and slowly filling gaps. The capacities of government staff are improving through trainings, workshops and study tours, which is improving governance. Along with practical experience, this is enabling them to better implement a more stringent regulatory environment,” she said.

This sentiment was also mirrored by Mr Namvong, who conclude: “If I can, I would ask for many more dialogues on RAI, land and forests. They are needed at all levels.”

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