

Vientiane, April 2010

SUBMISSION FOR THE 7TH NATIONAL SOCIO-ECONOMIC DEVELOPMENT PLAN (2011-2015)
ON THE "MOST APPROPRIATE WAYS TO ACHIEVE ROBUST GROWTH WITH INCLUSIVENESS AND
EQUITY IN THE LAO CONTEXT"

TO WHOM IT MAY CONCERN,

The Committee thanks the Ministry of Planning and Investment for the opportunity to offer counsel for the 7th Plan and applauds the Government's efforts to explore multiple contributions on major policy challenges ahead. The Committee and the Network stand ready to cooperate and assist the Government in matters of equitable and sustainable development to achieve robust social and economic progress with inclusiveness, equity and well-being for all in the Lao PDR.

The Lao PDR is experiencing rapid changes and is at cross-roads in laying foundations for its future. Policy decisions made at this point in time will carry long term impacts. The INGO Network recognizes that the 7th 5 year National Socio-economic development plan (2011-2015), will be of crucial importance in managing the current change process. The INGO Network congratulates the Government of Lao PDR with the stable and impressive economic growth realized in the last decade. However, we also realize that social development is lagging behind and disparities in society, particularly between the urban and rural parts of society are rapidly increasing.

In this rapidly changing context, a few inter-related issues seem to be determining: an influx of large natural resource based FDI projects, competing claims on natural resources particularly land, forest and rivers and increasing food and livelihood insecurity for substantial parts of society. Access to and ownership of land, and the sustainable management of natural resources seem to be at the core of policy and strategy choices the Government of Lao PDR will have to make.

The INGO Network thanks the Government of Lao PDR and the Ministry of Planning and Investment for this opportunity to share thoughts concerning major policy challenges. We are therefore very pleased to respectfully submit a joint contribution on behalf of the INGO Network and its members, which will hopefully be valuable in the further process of formulating the 7th National Social Economic Development Plan.

Sincerely



Luke Stephens,
Chair of the INGO Network
Country Director Concern

The INGO Committee:

Mr. Matthew Pickard - Save the Children Australia, Ms Nicolette Matthijsen - SNV, Ms. Anne-Sophie Gindroz - Helvetas,
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How to achieve robust growth and inclusiveness

GDP growth as main indicator of Development

"The government has to take measures to prevent the creation of rich and poor poles, like the development gap between urban and rural areas".

The INGO Network fully endorses these words expressed by the President of the Lao PDR, Mr. Choummaly Sayasone, during a high level political meeting on 25th of January 2010. These important words indicate that the Government of Lao PDR (GoL) acknowledges that the drive for growth and equity should go hand-in-hand. The focus on GDP growth as sole indicator for development is therefore too limited. Income disparities and translation of GDP growth into social development should be integrated in the GoL targets and consequently in its policies, programmes and monitoring systems.

There is a substantial accumulation of wealth in urban areas, particularly in Vientiane city, whilst (re-)distribution or trickle down to rural areas is limited. The well-being and best interest of all Lao people is the ultimate end of the National Social Economic Development Plan (NSEDP), and all development efforts should be geared towards this aim.

In the light of the above the INGO Network respectfully recommends the Government of Lao PDR to kindly consider:

- Taking a stronger stand in the NSEDP on policies, programs and M&E systems assuring progress in social development fields and on closing disparities in terms of income and access to services (health, education etc.).
- Developing clear policy frameworks including establishing benchmarks and checks and balances, assuring that the overall growth in GNP leads to pro-poor and inclusive growth.
- Increase overall investments in social development, broadening quantitative targets with qualitative objectives like, for example, quality education for all, which needs to include curriculum development responsive to local needs.
- Increasing targeted investments in raising capacities of sub-national (Provincial and District) Government staff will be essential to reach goals as strived for in the 7th NSEDP. Inclusive leadership development at sub-national level is an important capacity need.

Growth strategy and Foreign Direct Investment

Development in Lao PDR is underpinned by a growth strategy focused on 'robust growth and industrialization' through attracting large foreign investment projects.

The Lao PDR is blessed with a broad and rich range of natural resources and is increasingly attracting foreign investors to extract these resources. Massive investments have been made in extractive industries: mining, hydropower and industrial plantations (rubber, eucalyptus, cassava etc.). These investments bring in significant revenues which contribute to the overall budget of the Government of Lao PDR. However, many investments are characterized by the fact that: they are land-intensive, there is little value added in Laos, the labor force is often foreign, and there are high and potentially negative impacts on the environment and socio-economic development.

As a result, there are competing claims and conflicts over natural resources since the same natural resources (land, forest, water) are essential to the livelihood of rural communities and particularly for the rural poor. The imbalance of power and the lack of voice of those affected, lead to top-down, non-participatory and exclusive decision making.

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The INGO Network respectfully recommends the Government of Lao PDR to kindly consider:

- Slowing down the pace and scale of incoming FDI projects, enabling the Government of Lao PDR to build the capacity required to manage, monitor and control FDI, as well as building the absorption capacity of communities, in order to maximize the positive impact on pro-poor economic growth. There is in fact no reason to hurry ensuring all FDI shortly.
- Focusing on quality investment, bringing both revenues and job opportunities for local people and leveraging impact to local economic development.
- Negotiate clear conditions in respect to the long term interest of Lao people with foreign investors and apply stronger mechanisms to ensure compliance with commitments made by foreign companies (for example commitments to compensation schemes, provision of development assistance for affected communities, the creation of employment opportunities offer, labor conditions and compulsory minimum wage standards). Sincere impact assessment and subsequent measures for due monitoring should be part of the negotiation.
- Providing advantages for FDI projects adhering to clear and verifiable Corporate Social Responsibility policies and targets in both socio-economic and environmental fields.
- Actively exploring how to mobilize the private sector to play an active role in distributing urgently needed health products and services to Lao people, especially on priority health issues such as diarrhea prevention and treatment, reducing anemia, and provision of family planning products.
- Focusing on vocational training for local people which is responsive to new realities, so in line with requirements of FDI projects
- Ensuring local peoples participation and rights in case their livelihoods are affected by FDI projects.
- Putting a stronger focus on the importance of local SMEs in the country's development and consequently ensure a supportive / enabling environment for local SME development
- Assessing the feasibility to invest in small scale decentralized power generation as a viable alternative to large scale dams as to reduce environmental and social impacts as compared to large scale hydro-power projects.

Agribusiness and market-oriented agriculture

In agriculture sector, strong orientation for agribusiness is creating a favorable environment for industrial plantations. Many small, self-sufficient farmers in remote areas will not be able to adjust to this change, since they lack suitable land, skills, access to markets and resources needed to produce commercial crops. To reduce poverty in these areas, other strategies are needed.

These challenges were presented by Dr Ty Phommasack, Vice-Minister of Agriculture and Forestry, when he attended the World Summit on Food Security in Italy last year:

"Many people benefited from investment in agriculture and natural resources development, but there are concerns about social and environmental impact. Concerns are bigger with commodity prices going down and food prices going up. Regional and global integration can bring cost and vulnerability, not just benefits"

In this regard the INGO Network supports the strategic plan of the Ministry of Agriculture and Forestry (MAF) which recognizes the distinct approach and needs of commercial farmers versus subsistence oriented farmers and puts high emphasis on the role of farmer groups. In line with the policy of MAF the INGO Network is encouraging a careful balance between support to subsistence vis-à-vis commercial agricultural and placing resilience of livelihoods centrally.

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The INGO Network respectfully recommends the Government of Lao PDR to kindly consider the following issues:

- The INGO Network is concerned that a focus on industrial agriculture without sufficient production for own consumption may increase food-insecurity. This would result from exposure to volatile markets and because of an increasing portion of land will be used for growing non-food products.
- The INGO Network is concerned that increasing rubber plantation is being considered as compensation for the loss of areas under natural forests.
- The INGO network recommends integrating food sovereignty at country level and food security at household level as leading policy principles as to countervail the attention for, and drive towards, commercial agriculture.

Land issues and resettlement policies

As part of the strategy to encourage growth, land is often turned into capital through allocation of large concessions and authorization of large development projects. Research shows that there are contradictions concerning the availability of land; whilst the Lao Government regards land availability as abundant, households indicate in-sufficient access to land as the number one cause of poverty and endangered livelihood¹.

The INGO understanding of the GoL resettlement strategy is to eradicate shifting practices and reduce poverty by increasing people's access to basic services like health and education. However, it appears that the current resettlement policy often leads to increased land pressure in the resettlement areas where most available and suitable land is already in production by the established residents. Moreover, the lack of social cohesion between and within different ethnic groups making up the Kumban, can decrease social stability.

In the light of the above the INGO Network respectfully recommends the Government of Lao PDR to kindly consider the following issues:

- The INGO Network encourages a more cautious policy in respect to land concessions based upon informed decision on factual land availability. Moreover, the INGO Network suggest that systematic land survey, evaluation of potential impact on environment and society and consultations with local communities need to be conducted prior to any decision on the granting of land concessions.
- In particular, the INGO Network expresses concerns and suggests that the GoL reviews the process of granting of large scale land concessions to foreign investors for commercial crops over the long term.
- The INGO Network encourages a more cautious and studied implementation of the resettlement / village grouping policy to ensure the continuation of the rich and diverse ethnic culture for which the Lao PDR is well recognized.
- The INGO Network recommends that all necessary steps be taken in order to avoid resettlement policy being used as a strategy to free land to be part of large concessions.
- The INGO Network encourages special policy attention to ensure that a new category of land-less and/or land-poor households do not fall into absolute poverty.

¹ Chamberlain, Participatory Poverty Assessment, ADB, 2007

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Role of civil society

As part of the International Aid Effectiveness agenda, commitments have been established to build an inclusive partnership enabling civil society to contribute effectively to development efforts. The INGO Network encourages all partners to turn these commitments into practice. The INGO Network recognizes that civil society can be beneficial to the long term development goals of the Government of Lao PDR since they can; i) actively contribute to pro-poor development and poverty alleviation in the Lao PDR by complementary service delivery, particularly in remote areas ii) contribute to increased equity in society, iii) improve on general governance issues, iv) foster dialogue between government and society, v) play a role in the mitigation of undesired outcomes and impacts of the current rapid (economic) developments.

Civil Society development holds the potential to transform citizens from development beneficiaries into development actors, taking development and livelihood improvement in their own hands.

The INGO Network supports the Government of Lao PDR with regards to the registration and official recognition of Non Profit Associations (NPAs) and the Government's commitment to further diversify civil society through the approval of the decree on cooperatives and the development of a decree on foundations.

In conclusion the INGO Network kindly recommends the Government of Lao PDR to consider the following points in finalizing the 7th NSEDP:

- The government policy call for increasing active engagement of citizens should be included in the development of sector specific strategies and plans. The INGO Network sees great potential in fostering active citizenship through promotion of functional community groups and associations engaging in health, education, agriculture and forestry. Such community based and owned entities could play additional roles in conflict management committees and other governance and accountability mechanisms at local level.
- Civil society groups could assist the Government of Lao PDR in monitoring FDI performance and impact and provide evidence based feed-back to policy level.
- Effective and timely access to public information about policies, rights, duties and developments (including FDI projects) is essential to foster active citizenship.
- Civil society can be an effective ally in contributing to inclusive development and poverty alleviation. The INGO Network stands ready to support these efforts.

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5. "Agriculture, Natural Resources and Rural Development Sector Strategy2." Ministry of Agriculture and Forestry, March 2010b.
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