Addressing the Environmental and Social Challenges Resulting from Large-Scale Agricultural Land Concessions in Cambodia and Lao PDR

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Background

WWF MPO's Trade & Agriculture Program has developed an approach to addressing interlinked agriculture, trade, poverty, and environment issues called "From Negotiations to Adjustment."[1] In the Greater Mekong, MPO tested this approach through an initial activity (2005-2007) with WWF Vietnam and partners which focused on addressing the social and environmental implications of expanding cocoa production in Vietnam.[2]

Based on this work and approach, and as part of a new project called "Maximizing Socio-Economic Benefits and Mitigating Environmental Effects Associated With Agricultural Development" (funded by the European Union and Sida), WWF MPO is now launching a collaboration with WWF Cambodia and Lao PDR (also part of the WWF Greater Mekong regional program) to address issues of export-linked agricultural expansion, land-use planning, and governance in WWF priority ecoregions within the two countries.

An export-oriented agricultural development model can generate positive results for poverty reduction, but it tends to create difficult tradeoffs with other societal objectives and carries a number of risks. It can exclude poor people in rural areas; favor those with existing access to land, capital, technology, infrastructure and markets; physically displace small-scale producers and exacerbate conflict over natural resources; and worsen environmental problems such as deforestation.

The overall goals of this project are to help more of the economic and environmental benefits associated with agricultural development to reach the rural poor, particularly smallholders; and to ensure that specific environmental and social issues related to the expansion of export agriculture are addressed more directly and proactively through the broader participation of stakeholders in policy, planning, and governance processes.

This project is being designed to explicitly link into the Greater Mekong Program's strategies for the Dry Forests and Greater Annamites ecoregions. It will help the GMP to begin to address agricultural expansion, one of the priority drivers of environmental

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[1] http://www.panda.org/about_wwf/what_we_do/policy/macro_economics/index.cfm?uNewsID=80380

[2] http://www.panda.org/about_wwf/what_we_do/policy/macro_economics/our_solutions/trade/nta/ntavietnam/index.cfm

change within these ecoregions. It will also help GMP to follow up some recommendations made in recent assessments by the WWF Forest Conversion Initiative.[3]

Problem Statement

The Greater Mekong Subregion (GMS) is an ambitious attempt at regional integration between Cambodia, Lao PDR, Thailand, Vietnam, Myanmar, as well as western China that was formally established with support from the Asian Development Bank.[4] The GMS is slowly emerging through the expansion of regional trade and investment linkages as well as the construction of infrastructure to physically tie countries together. But economic disparities between the GMS countries are also leading to new relationships. In recent years, Cambodia and Lao PDR are transforming themselves into providers of natural resources (timber, agricultural products, minerals and energy) for their wealthier, more populated neighbors. In particular, the explosive growth of China's export-oriented economy has created an enormous demand for raw materials within the GMS region.[5]

Partly due to their comparative advantage in low-cost labor and a relative abundance of land (because of lower demographic pressures), Cambodia and Lao PDR have emerged as bulk suppliers of agricultural commodities (cassava, feed corn) and industrial tree crops (rubber, eucalyptus, acacia). The past few years have seen a proliferation of large-scale land concessions, mostly to Chinese, Thai, and Vietnamese investors, to develop export-oriented agriculture and forestry projects in both countries.[6]

In Cambodia, concessions have been issued for thousands of acres of pulp, rubber, sugar, cassava, and palm oil plantations. In Lao PDR, the government has targeted a total area of 500,000 ha of industrial tree plantations by the year 2020. It has already handed out sizable concessions such as a US$30 million project by the Dac Lac Rubber Company for 10,000 ha of rubber trees in Champasak, Saravane, Sekong and Attapeu provinces; and a US$30 million project with Viet Nam-Laos Rubber Joint Stock Company for 10,000 ha of rubber trees in Champasak province.[7]

Both countries have adopted PRSP equivalents and related economic policy frameworks that rely heavily on increased agricultural exports and foreign investment. They hope to emulate the successful development strategies of their neighbors (especially Vietnam) in terms of reducing poverty through increased production and export of agricultural

[3] "Forest conversion in Lao PDR: Assessment of threats and opportunities" (Technical Paper Series No. 6, WWF Lao Program, June 2005) and "Forest conversion in Cambodia: Assessment of threats and opportunities posed by palm oil and soy cultivation" (WWF Cambodia Program, October 2005).
[4] www.adb.org/GMS/
[5] H. Beech, "Deals and Diplomacy," *Time* May 23, 2005, (http://www.time.com/time/asia/2005/china_resource/story.html).
[6] K. Barney, "Overview of Forest-Land Concessions and Social Conflicts in the Mekong Region," April 24, 2007; C. Lang, "The expansion of industrial tree plantations in Cambodia and Lao PDR," December 26, 2006 (http://chrislang.org/2006/12/26/the-expansion-of-industrial-tree-plantations-in-cambodia-and-laos/).
[7] Various VT articles

products and natural resources. Another key component of this strategy has been to attract foreign direct investment to develop various economic sectors.[8]

However, there are major legal and administrative failings in the current concessions process. As one commentator has written, "the current process for allocation of concessions in Lao PDR is far from clear and administrative responsibilities are ambiguous."[9] According to critics, concessions have been awarded in both countries through an untransparent process; without environmental and social impact studies; and without consultations with local people. Often, they contradict or violate existing land laws, such as a blanket prohibition of all concessions larger than 10,000 ha in Cambodia.

There are a number of other factors contributing to the proliferation of poorly planned large-scale land concessions in both countries. They include a recent trend towards decentralization which has given provincial authorities significant autonomy and greater financial incentives to offer concessions and sign contracts directly with foreign investors;[10] an unclear division of responsibilities between national and provincial authorities; a lack of adequate land-use planning at a landscape level and a disregard for the results of land-use planning processes at the local level; the absence of formal review processes for large-scale concessions (or their ineffective implementation); and a lack of cooperation between agencies with overlapping responsibilities.[11]

The proliferation of industrial plantations is creating a number of environmental and social consequences of great concern to WWF. In terms of *environmental issues*, this includes increased threats to already-under-funded protected areas due to direct encroachment and the displacement of lowland farming communities by plantations; the fragmentation of ecologically important areas that lack formal protection; greater risks to connective corridors between protected and unprotected areas which provide valuable habitat for wildlife species; and potential risks for watersheds and river systems.

In terms of *social issues*, there has already been a significant increase in conflicts between concessionaires and local communities over land and natural resources.[12] Another problem is the tendency towards policies that favor large-scale export agriculture (including industrial tree crops) over high-value smallholder crops, NTFPs, and other more sustainable options for rural development. Indeed, broader goals of poverty reduction through rural development, promoted by both governments, may be undercut by the resultant surge in land conflict and the scramble for natural resources.

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[8] U. Pandey, "Laos opening its doors to investors", *Bangkok Post* 16 June 2007; "Foreign investment exceeds expectations," *Vientiane Times* 10 May 2007.

[9] S. Midgley, "Position Paper on Tree Plantation Sector Development in Lao PDR", Department of Forestry, 2006.

[10] M. Dupar and N. Badenoch, *Environment, Livelihoods and Local Institutions: Decentralization in Mainland Southeast Asia*, World Resources Institute, 2002.

[11] G. Schumann et al, 2006, "Study on State Land Leases and Concessions in Lao PDR." *Land Policy Study No. 4*. Lao- German Land Policy Development Project.

[12] Seth Meixner, "Land concessions leave thousands destitute in Cambodia's heartland," *Cambodia Daily* 20 May 2007.

There is a growing perception that both countries are trading off some of their ecological assets (forests, minerals, water) in return for supposed benefits in terms of poverty reduction. Yet given the negative impacts of plantations on rural communities which also depend on access to land and natural resources, as well as their mostly foreign ownership and external value chains, it is not clear whether a plantation strategy will help to alleviate poverty in rural areas. Indeed, it may worsen poverty further.

In Lao PDR, rubber cultivation reached about 12,000 ha in 2006 with plans for nearly 200,000 ha by 2010.[13] There has been considerable discussion in the development literature of how small-scale rubber production in northern Laos (especially Luang Namtha province) has helped to reduce rural poverty, though at some environmental cost.[14] This example is frequently cited by international donors and development organizations as a positive example of smallholder-led export agriculture. Yet it does not represent the kind of rubber (or plantation) development occurring in southern Laos and northeastern Cambodia -- most of which is large-scale, foreign-owned, and in direct conflict with other land uses and users.

In short, rapid plantation development is generating serious environmental problems and considerable social friction, particularly due to competition with small-scale agricultural producers and rural communities that are directly dependent on forest and aquatic resources but whose land tenure and resource rights are insecure. In addition, it is leading to increased policy incoherence and conflict between national and provincial governments and even within the national governments themselves; and it is posing difficult questions about the development pathways being followed by these countries.

Description of Long-Term Desired Situation

In both countries, WWF is seeking to respond to these challenges to its conservation agenda by promoting the following goals through this project and related activities:

1. More integrated land-use planning at a landscape level to ensure that agricultural expansion and plantation conversion takes place in a more planned, coordinated, and structured fashion; does not take place in ecologically important areas; does not negatively impact the ecological viability of WWF's priority landscapes; and does not create or exacerbate conflict with small farmers, communities, and other resource users.

2. Expanded provincial capacity for land-use planning. "As long as … provincial governments lack comprehensive landscape/land use strategies, development, including uncontrolled development and unplanned agricultural development, will continue to

[13] Qtd in S. Ketphanh, K. Mounlamai and P. Siksidao, "Rubber Planting Status in Lao PDR," undated.
[14] C. Alton, D. Bluhm, and S. Sananikone, 2005, *Para Rubber in Northern Laos: The Case of Luang Namtha,* Muang Sing: Lao-German Technical Cooperation; V. Manivong and R.A. Cramb, "Economics of Smallholder Rubber Production in Northern Laos", paper for Australian Agricultural & Resource Economics Society, 51st Annual Conference, 13-16 February 2007, Queenstown, New Zealand; and S. Schipani, "Ecotourism as an Alternative to Upland Rubber Cultivation in the Nam Ha National Protected Area, Luang Namtha," *Juth Pakai April 2007, 5-18.*

threaten the ecological integrity of the landscape," WWF Cambodia has written.[15] Land-use planning processes are important but their longer-term viability and effectiveness depends on the ability of partners like WWF to support provincial governments which currently lack the technical capacity and resources to carry out these approaches.

3. Greater participation of affected stakeholders in land management and policy processes. Local communities have been excluded from many of the land-planning decisions related to plantation development and land concessions due to uncertainty of tenure; direct competition for resources; general exclusion from the political process; etc. WWF can support the greater participation of these groups in new or existing multi-stakeholder processes as a way to achieve improved governance of natural resources and a more equitable distribution of development costs and benefits.

4. *More coherent and consistent national policies* related to land use, agricultural development, and environmental protection, based on a greater understanding of the implicit environmental and social trade-offs. A major root cause of poorly planned plantations in both countries relates to "policy incoherence" and conflicts (direct or indirect) between different sets of laws, policies, and institutions.

5. More effective decision making processes and institutions to address these problems. In recent years NGOs and other development partners have made various efforts to support governments, communities, and other stakeholders in their efforts to improve land allocation and land management processes. WWF can support these efforts by expanding its collaboration with other environmental and social groups; participating in umbrella organizations such as the INGO Working Group in Lao PDR that are trying to improve the coordination of activities; and by strengthening key government partners like the Land Management Authority (LMA) in Lao PDR or the new Provincial Conservation Planning Unit (PCPU) in Mondulkiri province, Cambodia.[16]

Goals and Activities of Phase I

The major objectives of Phase I of the project in both countries are to conduct preliminary analysis; engage key stakeholders; launch provincial land-use planning initiatives; and support opportunities for greater participation of affected stakeholders in planning and policymaking processes. More specifically, the goals of this Phase are to:

1. Better understand the extent of planned and future expansion of plantations by collaborating with partners to inventory and map large-scale land concessions in

[15] In a recent update on the Srepok (SWA) project.

[16] The Land Management Authority is a relatively new Lao agency charged with overall land use policy that is now working to improve the process of granting land concessions following a promising decision by the Lao government in May 2007 to implement a moratorium on all land concessions until the process is improved. WWF Cambodia helped Mondulkiri province to develop the PCPU, a multi-stakeholder platform that seeks to improve the coordination between conservation and development objectives; support the provincial government; and encourage greater participation by NGOs in regional planning processes.

provinces within GMP priority ecoregions; as well as to analyze the status and significance of land laws, institutions, policies, and processes
2. Develop and strengthen relationships with provincial and national government agencies, local communities, development agencies, and other stakeholders
3. Organize initial workshops on land concessions issues and landscape-level land-use planning approaches with provincial governments and other stakeholders
4. Increase understanding among all stakeholders of the relationship between land concessions, agricultural development, and environmental challenges; and the tradeoffs associated with export-led agricultural growth programs that are being supported by development frameworks, government policies and donor support
5. Support the development of formal platforms and processes that promote the longer-term and broader participation of affected stakeholders in land-use planning and policymaking processes
6. Improve WWF's visibility in discussions with other stakeholders (e.g. government, donors) around relevant agriculture and development policy issues
7. Strengthen linkages with the agricultural research community and other civil society organizations working on related issues

Specific project activities in each country are more thoroughly described in *Appendix A*.

Activities for Phase II of the project (which will begin in January 2009) will be defined later in 2007 but are likely to include deeper stakeholder engagement; scaling up of land-use planning processes from pilot provinces to larger landscapes; greater linkages to relevant policy and development issues; and efforts to promote inter-regional sharing of experiences and recommendations through institutions like the GMS Working Group on Agriculture, Global Donor Platform on Rural Development, and ASEAN Secretariat.

<u>Expected Outputs of Phase I</u>

Cambodia

- A detailed report (with maps) on the status of agro-industry plantations in Mondulkiri province and relevant policy/institutional issues
- Stronger relationships and a formal process to engage provincial government and other stakeholders on agriculture and land use issues
- A draft agriculture strategy for WWF Cambodia including a detailed work plan, log frame, and budget for Phase II of the project (2008-2009)

Laos

- A rapid situation assessment of land use planning in Laos
- An inventory of large-scale agricultural concessions in southern Laos
- Formal dialogue with the Land Management Authority and the Ministry of Agriculture and Forestry's Department of Planning on agricultural land concessions and land use planning issues in Laos

- A pilot workshop on land use planning at the provincial level in southern Laos, with lessons learned and methodology development
- A detailed work plan, log frame, and budget for Phase II of the project (2008-2009)

Partners in the Project

WWF Cambodia and *WWF Laos* will hire new staff; conduct project activities; and coordinate day-to-day management, monitoring, and communication of these activities..

WWF MPO will provide technical and management support, help to train new staff, assist with policy engagement component of project, conduct outreach related to "lessons learned," and provide direct personnel support (through secondment) until April 2008.

The *National Land Management Authority* and *Ministry of Agriculture and Forestry* are likely partners for project activities in Lao PDR. The *government of Mondulkiri Province* is a likely partner for project activities in Cambodia.

Provincial governments, *local communities*, and *other NGOs* as well as inter-NGO platforms (e.g. INGO working group in Lao PDR; NGO Forum in Cambodia) are likely partners in the activities which will be developed over the coming six months.