

Partnership Increases Productivity and Profits in the Lao PDR

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BACKGROUND

The Lao People's Democratic Republic (Lao PDR) is a landlocked country blessed with abundant natural resources. Yet, as of 2012, roughly a third of its 6.5 million populace lives below the international poverty line.¹

Indigenous people comprise a significant portion of those living in upland areas to the north and south of the country. They forge their livelihoods from extremely small-scale farming and livestock production that are highly dependent on forest and water resources. With virtually no access to financing to purchase inputs, no machineries to scale up production, and no market orientation to match demand and supply of produce, these farmers face the daily realities of subsistence farming.

The recent years have brought in more threats to their survival. Heavy foreign investments on trades reliant on agriculture and natural resources—such as rubber, sugar, and other agricultural commodities—meant lopsided competition from bigger players. Unsustainable traditional farming practices meant straining further the Lao PDR's already strained natural resources. The weak institutional and legal framework for sustainable and equitable management of agriculture and natural resources aggravated matters.

APPROACH

Transforming the Agriculture Sector. In 2009, the Government of the Lao PDR and the Asian Development Bank (ADB) initiated the Sustainable Natural Resource Management and Productivity Enhancement Project (SNRMPEP) to transform the country's agriculture sector into a more diversified, commercially oriented and environmentally sustainable sector. The project aimed to protect the Lao PDR's natural resources, enhance the capacity of the state and its provinces to do so, and increase farmer incomes and agricultural productivity. It was implemented in 19 districts—12 of which are very poor and 7 poor—in 5 provinces in the Lao PDR. It covered 1,044 villages with a total household population reaching 56,000.

Win-Win Partnership. Public-private-community partnership (PPCP) was the principal strategy adopted by the project to encourage grassroots to set up farmer production groups in the Lao PDR. Its overall goals were to reduce poverty and contribute to economic development.²

Each partner in the PPCP took its role seriously. The government—comprising entities from the village up to the provincial levels—set up regulations for sustainability and equitable distribution and

Highlights

- The natural resources of the Lao People's Democratic Republic (Lao PDR), already strained by a weak agriculture and natural resource management framework, faced added pressure from the rise in foreign agriculture investments and unsustainable farming practices.
- The Government of the Lao PDR, private sector, and local communities partnered together—with assistance from the Asian Development Bank and the International Fund for Agriculture Development—to protect the country's natural resources, increase farmer incomes, and enhance agricultural productivity.
- The success of these public-private-community partnerships, as initially implemented in 5 pilot sites, has spawned 71 more subprojects, now benefitting 230,000 households in 1,895 villages in 42 districts in the Lao PDR.



Photo: SNRMPEP
A farmer group in Savanakheth discusses their project under the SNRMPEP.

provided tax breaks to entice the private sector. Key players were the village development committees (VDCs), provincial vice-governors and district governors, the District Agriculture and Forestry Office (DAFO) and its provincial counterpart (PAFO), and other line departments.

The private sector—comprising local entrepreneurs—promoted commercialization by building the supply chain from raw materials to final products.

Finally, the farmer communities banded together to produce a single product, thereby increasing production efficiencies.

Pilot Implementation. The PPCP was piloted in five areas—Attapeu, Champasak, Salavan, Savanakheth, and Sekong. The project assisted these pilot areas to set up farmer production groups and provided each group with their respective revolving funds, raw materials, technical support, and support for infrastructure development. Each group focused on a single product.

The pilot in Attapeu worked on rice and livestock, the pilot in Champasak focused on cashew production, and the pilot in Salavan cultivated Bong trees. Meanwhile, the farmer groups in Savanakheth and Sekong zeroed in on upland agriculture and rice cultivation, respectively.

¹ ADB. 2012. *Asian Development Bank and the Lao People's Democratic Republic Fact Sheet*. www.adb.org/sites/default/files/pub/2014/LAO.pdf

² Vansy, Vinoth. 2013. *PPCP Model for Poverty Reduction & Commercialization of Agriculture in the Lao PDR*. Lao PDR.

The private sector entities agreed to buy back in advance some of the farmers' produce. The government provided training and facilitated exposure visits so that farmers can appreciate and understand sustainable farming practices.

The Partnership at Work. In Attapeu, farmers banded together into seven production groups to produce a uniform type of rice. A private company—Somphonexay Agriculture Development Company—agreed to buy their produce at 2,500 kip per kilogram, and also provided on-the-job training courses to farmers. After one cropping season, productivity increased from 2 tons to 5 tons per hectare. Net income from 1 hectare of rice reached more than 9 million kip, while farmer input cost was only at 2.9 million kip.

The pilot project in Savanakhet introduced crop rotation by initiating peanut planting during dry season and rice planting during the wet season. Farmers were also taught natural soil fertility management. As a result, in 2012, incomes per family increased from 2 million kip to 13 million kip per hectare. In addition, the farmers signed an agreement with local companies for peanut trading. Due to crop rotation, rice productivity also increased from 2.4 tons to 5 tons per hectare. The other three pilot projects also reported increased incomes for the participating households.

Building the Government's Capability. To prepare the government for its critical role in the PPCP, the project also delivered training courses to assist the village, district, and provincial government entities to formulate and enact policies for effective agriculture and natural resources management. These courses focused on land suitability assessment and participatory land use mapping, compliance with ADB's social and environmental safeguards and social and gender development aspects, investment appraisal, producer association sustainability, and policy development.

RESULTS

The success of the pilot projects spawned 71 more subprojects that aimed to replicate their success. Community-based and nongovernment organizations, line agencies, existing rural development projects and rural businesspersons engaged in agricultural development answered the government's call for subprojects that can scale up the pilot projects implemented, and which will focus on three categories—poverty reduction, commercialization of agriculture, and natural resource management.

Replication. In 2012, 33 subprojects on poverty reduction were launched in the provinces of Attapeu, Champasak, Salavanh, Savanakhet, and Sekong. It targeted 189,000 poor and very poor households. Thirty subprojects on agriculture were initiated in 724 villages, benefitting 76,000 households. Another 8 projects on sustainable natural resource management were implemented in 83 villages in 2012, which benefitted 6,000 households. All 71 subprojects currently engage and benefit 230,000 households in 1,895 villages in 42 districts in the Lao PDR.³

³ Government of Lao, PDR, Ministry of Agriculture and Forestry, and Department of Planning. 2012. *Subproject Launch*. www.snrmpop.gov.la/index.php/en/component/content/article/78-subproject/72-sub-project-launch

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Photo: SNRMPEP
A farmer raises native chickens in Sekong Province.

Ownership and Partnership. The pilot projects and the subsequent rollout of subprojects under the SNRMPEP promoted the value of ownership and partnership among the grassroots, private sector, and the government. This, in turn, has improved farming and natural resource management practices, as well as incomes in the Lao PDR. The capacity building activities for the VDC, PAFO, DAFO, and the villages enhanced the government's capacity to protect its own natural resources, and has enabled these groups to develop their own plans and visions for sustainability. The project has also empowered farmer groups to band together as a set of producers which rally around a single product, using improved and sustainable farming practices. The project also supported the private sector in expanding its own supply by linking them up with the farmer groups.

The way the project has enhanced each of these sectors' capacity has allowed them not only to value their own tasks and businesses, but their natural resources as well. By banding together for a win-win partnership, each partner grew stronger through increased capacities, efficiency, and incomes.

Related Link

- ADB. 2009. ADB, Japan to Help the Lao PDR Strengthen Natural Resources Management. News release. 24 February. www.adb.org/news/adb-japan-help-lao-pdr-strengthen-natural-resources-management