

Encouraging better land use practices among agricultural businesses in Laos:

A Story of Change about a Chinese banana company in Sayabouri District, Lao PDR

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Registered offices

Bonn and Eschborn, Germany

Friedrich-Ebert-Allee 32 + 36

53113 Bonn, Germany

T +49 228 44 60-0

F +49 228 44 60-17 66

E info@giz.de

I www.giz.de

Programme/project description:

GIZ Land Programme

247/19 Watnak Nyai Road Thaphalanxay Village Sisattanak District,

Vientiane Capital, Lao PDR

Author:

Information and Knowledge Management Unit, Land Programme

Responsible:

Dr. Thomas Taraschewski

Design/layout:

Jeanette Geppert pixelundpunkt kommunikation, Frankfurt

Photo credits/sources:

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A Story of Change about a Chinese banana company in Sayabouri District, Lao PDR

For more than a decade, the government of Lao PDR has promoted commercial uses of agricultural land by private investors. While investment in land has enormous potential to promote Laos' economic development, benefits have been unevenly distributed across society*. Some business practices affecting land use have also been associated with displacement, environmental degradation and land disputes.

Since 2015, the GIZ Land Programme in Laos has supported the Ministry of Planning and Investment and local authorities in better managing agricultural investments, as part of its bilateral project *Land Management and Decentralised Planning* (LMDP) and since 2017 as part of the *Global Project on Responsible Land Policy*. The programme supports

authorities in systematically monitoring investments and following up on commitments that all sides agree on. For this, the government uses digital rating tools and a list of quality criteria developed with the support of the programme. The aim is to create a more regular exchange of feedback between investors, involved communities and local authorities and improve oversight. These are expected to lead to investments that benefit local development more.

The Land Programme has developed three Stories of Change to illustrate how effective its support has been in the area of Quality Investment Promotion, the other complex factors influencing land-based investments and the challenges encountered.

Nudging a foreign-owned plantation to meet communities and authorities halfway on the path towards good land management

In the case this company in Sayabouri District in Northern Laos, regular monitoring has indicated that the company made significant improvements to its compliance with quality criteria in just a few years. However, while GIZ support has laid the foundation for better business practices, challenges remain.

Business location	Namliap Village, Sayabouri District, Sayabouri Province
Product	Bananas designated for export to China
Ownership	100% Chinese
Area used	120 ha



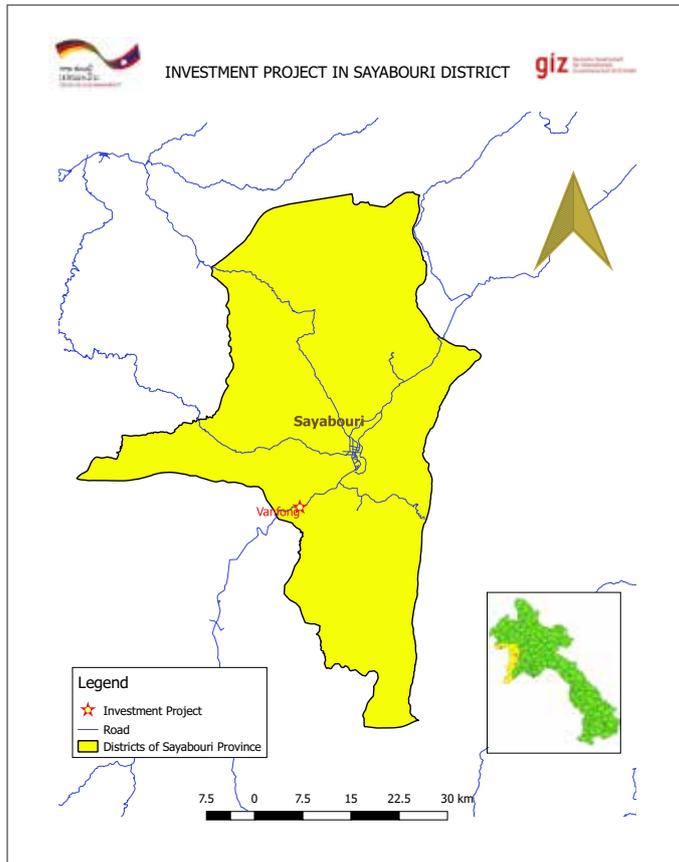
Bananas are usually harvested three times in a two-year period. However, droughts and heatwaves are disrupting the natural crop cycle.

*Centre for Development and Environment (CDE) (2018): State of Land Report. https://boris.unibe.ch/120285/1/Ingalls_2018_State_of_Land.pdf



The plantation after harvest season

The company in question is a major banana-growing business in Sayabouri Province, in the North of Laos. Banana plantations producing for markets in China and Vietnam have become a widespread phenomenon in Laos. For years research has found significant risks to workers' and communities' health and damaging environmental effects associated with the heavy use of agro-chemicals. The Lao government responded to this emerging information on negative impacts and recently restricted the expansion of banana plantations. Still, despite their tarnished reputation, existing banana plantations continue to attract workers looking for income opportunities, particularly from ethnic minorities. Workers on the plantation come from several Lao PDR provinces, but the majority are from the North of Laos, the provinces of Sayabouri, Huaphan, and Xiengkhuang.



The company is located close to the urban and administrative hub of Sayabouri Town.

DEVELOPMENTS IN THE BANANA SECTOR

The MPI has implemented an Instruction for Leasing or Concession to Cultivate Crops since February 2019, which restricts the development of new banana plantations. This follows emerging information about adverse effects on people and the environment. This has resulted in the government ensuring that companies pay into a rehabilitation fund, so that if they were to leave the area abruptly, the government will use the money to improve the return the land to its natural state.

The company in Sayabouri District is owned and run by a Chinese investor and his family. The company has a 20-year track record of commercially cultivating bananas in China but has decided to invest in Sayabouri Province because of the location's ideal weather conditions for planting bananas and the availability of electricity and irrigation water. The company used a middleman who surveyed the available land in Namliap Village on their behalf and the Lao government granted the company a ten-year land lease.

The company currently employs about 300 permanent workers, though this number increases by roughly a hundred additional people during harvest season. Bananas can usually be harvested about three times in a two-year window. However, intensifying heatwaves and longer drought spells are making it harder to predict crop yields in advance.

The plantation's green expanse made up of row upon row of banana trees is bordering a village called Namliap. People living in Namliap Village make a living mainly from farming, cattle rearing and work at the local wood furniture factory. A relatively small share of the overall land in the village – about 20% – has been leased to the company.

District officials from the three Departments of Natural Resources and Environment, Planning and Investment and Agriculture and Forestry see the company as a responsive adopter of good practices. The banana plantation compares favourably particularly to other Chinese-run companies operating in the province. However, there were some stops and starts to the improvements made by the company that are evident today. Some of the improvements were brought about by GIZ's support to the monitoring capacity of district officials – others would have likely happened even without GIZ's efforts.



Chemicals are often use to protect bananas from pests.

The company is one of about 169 investors that the GIZ Land Programme has so far worked with. Since 2017, the GIZ Land Programme has supported Sayabouri District officials from four line agencies in systematically monitoring how companies comply with legal requirements and good business practice. This monitoring process includes annual checks on whether the company adheres to environmental regulations, whether it respects land tenure and land-related

agreements, how it treats its workers and what relations with local communities are like. District officials also systematically capture recommendations made by affected communities and follow up on commitments made by the company and district officials, as part of the so-called *Minutes of Monitoring* process. This approach acknowledges that all three parties play a big role in turning an investment into a mutually beneficial endeavour.

USING DIGITAL TECHNOLOGY TO SUPPORT A PROCESS OF MONITORING

During annual monitoring visits to the investor, local government officials will enter their observations on a list of criteria, using a mobile app that calculates a weighted total score for each investment. Involved officials are able to access the list of identified issues and areas not in compliance with government standards at the click of a button on a mobile device, from anywhere. In-between monitoring visits, they can continue to feed new information into the system. In a similar vein, there is another app that captures the commitments resulting from both informal and formal exchanges. One such occasion is the Exchange Day, bringing together communities, local government and investors, supported by the GIZ Land Programme in situations where the need for additional dialogue arises.

The mobile apps were designed by Land Programme staff, using the software Appsheet, which provides a convenient interface for displaying and keeping track of monitoring data. The programme has gradually reduced its direct support and handed over the process to the authorities.

The six dimensions used in investment quality monitoring.





District staff are being trained in how to use the digital monitoring tool.

According to the monitoring process, the company improved its business practices significantly from 2017 to 2019.

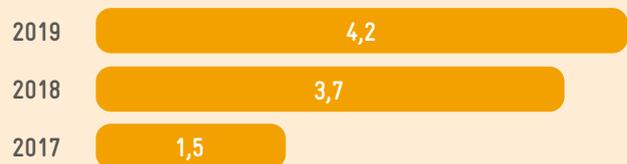
Overall score: In 2017, when monitoring had just begun, the company achieved a relatively low overall score of 1.5 out of 5, indicating rather weak overall investment compliance. It performed especially poorly in environmental practices and accounting. Another issue that was identified early was the violation of agreed land boundaries within their approved land lease area.

By 2019, however, the company had increased its overall rating to 4.2. According to the supported monitoring process, the company has made the biggest improvements in (1) environmental compliance and practices, (2) how it adheres to agreed land boundaries, (3) the quality of its accounting system and (4) the way it treats its workers and nurtures better relationships with neighbouring Namliap Village. Officials now perceive the company to be one of the local top performers in sustainability.

Environmental practices: At the start of the investment in 2016, district officials observed that the company did not manage their waste, including chemically contaminated water, properly. The company owner refers to how officials from the Provincial Natural Resources and Environment

Department advised him to build a waste water pond as early as 2016. It appears that even before GIZ started supporting district officials, they frequently visited the plantation to convey governmental priorities and expectations to the company. However, district officials say that prior to GIZ support improvements such as plastic recycling were slow, but picked up when regular monitoring supported by the Land Programme was instituted.

The company overall rating improved significantly over time



Timeline of how the company was monitored and supported by local authorities

2016	2017	2018	2019
» Local government advises companies to improve waste treatment	» GIZ support kicks off with a first round of annual quality monitoring and Minutes of Monitoring	» Second round of annual quality monitoring Village authorities attend first round of awareness raising » District Forum on regulations takes place » 2 nd round of annual monitoring	» Third round of annual quality monitoring » Another round of awareness raising for village authorities, on grievance resolution processes, contracts » 3 rd round of annual monitoring

Worker and community relations: When the company started operating in the village, members of Namliap community did not have much experience of growing bananas, so the company recruited workers from other provinces. Recently, the company started providing safety gear to workers spraying pesticides and has built proper wash-rooms for workers. The company confirms that government officials had advised them to notify surrounding villages before spraying pesticides but also said they had not yet used chemicals. Residents of Namliap Village, however, remain distrustful of the company, wishing for more regular updates on company activities and plans.

The company owner emphasises the precautionary measures the business has taken to safeguard the environment and people working and living near the plantation, such as an operational system of waste water treatment. The company also provides financial support to the neighbouring village, for instance, financial contributions to the construction of a local village office, the paving of roads and the construction of a bridge leading to the production area.

Land boundaries and land use: According to the company, they initially tried to cultivate additional land within their land lease boundaries. However, they had no permission from the government to keep planting banana trees and were subsequently fined.

The investor and the neighbouring community of Namliap Village have agreed on the fundamentals of their relationship, but community members continue to harbor unresolved concerns mostly related to wellbeing and land lease.

Regular land lease payments: Members of Namliap community who owned land received – as they themselves put it – “a good amount of money” by leasing land to the company, about 4 million Lao Kip per year (about 400 EUR per hectare). They leased mainly land that was not prime farming land and therefore had not been in active use to begin with.

The villagers argue that the contracts initially signed said the company would pay land lease fees two years in advance, though they have proceeded to only pay on a year by year basis. While these payments can be slow or delayed, the villagers have so far eventually received the payments they were owed. There have been requests by the company for the villagers to lower the agreed price, from 4 million LAK per year per hectare to 3 million LAK (about 300 EUR), with no firm agreement yet.



Cash crops such as bananas can provide economic opportunities to workers and those leasing land but need to be managed well in order to be sustainable.

Environmental and health practices: The company says it uses only fertiliser approved by the Provincial Office of the Ministry of Agriculture and Forestry (PAFO), though community members continue to suspect “hidden” environmental practices inside the plantation. Even though they have perceived an improvement, some people also complain about the company’s continuing practice of burning plastic. What is more, even though communities have raised concerns about the road the company has built for its trucks, the latter’s speeding lorries continue to disrupt life in the village and pose a safety risk to children and others.

Workers’ welfare: The company does not always follow directives of the health department to get workers’ children vaccinated and to ensure they attend school. Local officials also urge the company to check up on their workers’ health every three to six months and not just rely on sick workers leaving the company and healthy workers joining regularly.

According to local authorities, the suggestions have been shared with the company numerous times, but action has not been taken in all areas yet.

AWARENESS RAISING SESSIONS in 2018 and 2019 were open to anyone from surrounding communities, especially those leasing out land, but in practice only village authorities from the two affected communities joined. At the meeting, they learned more about good environmental practices and created a map to identify weaknesses and strengths of each village in this regard.

District officials highlighted that disseminating information on contractual issues such as rehabilitation of land by investors was crucial. However, it was clear this should be done through a continuous and not a one-off activity. People from the communities bordering the investment area, on the other hand, emphasised the importance of enabling more villagers to attend these kinds of meetings, and to invite the company as well. Direct dialogue is seen as essential for a more balanced relationship.

The company is encountering other challenges in their operations.

Dealing with official requirements at the local level:

The company representatives voice concerns that their trucks transporting goods to China are at times stopped by the police and required to pay fines even when all documentation is in order. The company owner also thinks local government officials visit the company too often and disrupt their work that way.

Administrative hurdles: Work permits for Chinese workers and permit papers for the export of bananas take a long time to be issued. In the company’s view, they have been fined without justification. When they tried to cultivate additional land within their land lease area, they report having received a fine amounting to 270 million LAK (approx. 2700 EUR), payable to the province government.

To improve the communication between investors and the district government, the Land Programme supported an Investment Forum inviting all relevant government offices and investors for a meeting to discuss needed improvements on both sides. In the case of this company, the forum clarified some administrative issues related to tax billing.



Signposting the way from the main road towards the banana plantation

Overall, what difference did GIZ support make?

Even before GIZ got involved in 2017, the government had already been monitoring the company and making suggestions for improvements that were followed through by the company, using notes on paper to capture observations. Having supported the district officials since 2017, GIZ’s contribution appears to have been to make the existing ad-hoc monitoring by the government more systematic, participatory and transparent. Using a digitally supported process helps government officials refer back to monitoring data collected in the past during on-site conversations with investors. This in turn has ensured that no agreements on planned improvements get lost over time, even with government staff turnover. Government officials have observed that as a consequence of this kind of close monitoring, improvements were made much faster.

Even before GIZ systematised the process with the introduction of regular monitoring and follow-up of commitments, district officials would monitor investments and capture information on paper. However, this method of data collection made it difficult to reconcile current and past information as well as agreements made between investors and officials, which slowed down the rate of improvement. According to the involved officials, having all this data digitalised in a one-stop app makes it easier for them to refer to them at a moment’s notice.

While the company’s score has improved significantly over time, this to some degree reflects compliance pressure resulting from the physical proximity of the company to the administrative capital of Sayaboury Province and therefore a by-default more hands-on approach by the local authorities.

Estimated extent of progress made by the company and GIZ's contribution

EXTENT OF QUALITY IMPROVEMENTS MADE BY THE COMPANY TO DATE	1 NONE	2 SMALL	3 MEDIUM	4 LARGE	5 COMPLETE

SIZE OF OVERALL GIZ CONTRIBUTION TO IMPROVEMENTS	1 NONE	2 SMALL	3 MEDIUM	4 LARGE	5 CRUCIAL

The company and the investor have their own ideas about future steps.

Staff from the District Planning Office confirm they would like to continue using the tool after the project ends. However, they worry they will not be able to update the form or continue to run the app on their own. These considerations also inform the Land Programme's thinking about exit and transition strategies, which are centered around building the technical capacity of government partners.

Both the community and the local government feel that further improvements are necessary whereas the company owner does not have any specific plans to further improve their practices. However, having been barred by the local authorities to cultivate more land, they are looking for new locations in other Lao provinces and even further afield in Vietnam or Myanmar.

If the company were to leave the area, villagers think life would continue as before. Some community members would lose their income from leasing their land to the company, but the involved communities do not expect this to significantly impact the surrounding villages.



The plantation covers 120 hectares of land in Sayaboury Province.

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Internationale Zusammenarbeit (GIZ) GmbH

Registered offices
Bonn and Eschborn

Friedrich-Ebert-Allee 32 + 36
53113 Bonn, Germany
T +49 228 44 60-0
F +49 228 44 60-17 66

Dag-Hammarskjöld-Weg 1 - 5
65760 Eschborn, Germany
T +49 61 96 79-0
F +49 61 96 79-11 15

E info@giz.de
I www.giz.de

On behalf of



Federal Ministry
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