

On the learning curve: sustainability in the making in the Laotian coffee sector

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Introduction

A small, poor and landlocked country of Southeast Asia, the Lao PDR has experienced rapid economic growth over the past 15 years, part of which is related to large inflows of foreign direct investment (FDI) into the country. As a result of the new policies implemented by the government of Lao PDR, FDI in the country grew from USD 31 million to US\$350 million between 2000 and 2010 (IIED, 2012), while its share in total GDP more than quadrupled from 3.3% in 2001 to 15.9% by 2008 (World Bank, 2010). With 360 investment projects over a total area of 140,015 hectares, the agricultural sector represented in 2011 approximately 14% of all investment projects and covered 13% of the total area under investment (Schönweger *et al.*, 2012). 60% of these investment projects –and almost 80% of the total area concerned– were made by foreign investors. Closely related to the surge in FDI, the allocation of land concessions by the government of Lao PDR is a recent but rapidly expanding phenomenon. Through the concession system, the government of Lao PDR allocates land to local or foreign enterprises to invest and organize production. This enables the government of Lao PDR to reach a variety of policy objectives (*e.g.*, increase farm land productivity; eliminate swidden agriculture; develop rural employment, infrastructures and the local economy; increase its incomes). Foreign investors benefit from cheap access to available land and labor and from the close proximity to major markets.

Land concessions are a matter of heated debate in Lao PDR, due to their potentially negative impacts on local livelihoods and the environment. Potentially positive impacts of concessions include the creation of jobs and incomes, the contribution of large enterprises to local community development (*e.g.* through electrification projects or investment in infrastructure) and the diffusion of new production techniques/innovation, possibly through the development of out-grower schemes (provision of technical training, high quality inputs and equipment to the farmers located at the periphery of the plantation). In a context of insecure rights and weak land governance, negative impacts of concessions include: deforestation and loss of biodiversity; loss of access to land; threat to local livelihoods; eviction of other potential investors; and adverse impacts on employment. In 2007, land conflicts following the establishment of large industrial plantations in the South of Lao PDR resulted in the Prime Minister Bouasone Bouphavanh announcing a moratorium on the allocation of new plantations of over 150 hectares for industrial trees, perennial plants, and mining (Baird, 2010a, 2012; High, 2010; Kenney-Lazar, 2010). The allocation of concessions over 150 hectares resumed in May 2009 before being suspended again in July 2009¹. On June 2012, the government of Lao PDR announced its decision not to allow any new investments in mining or grant further land concessions for rubber and eucalyptus plantations until 2015, and to undertake an evaluation of all approved investment projects. These moratoria responded to growing concern over the impacts of concessions on local livelihoods and the environment, and over the lack of clarity of land allocation procedures.

Rationale and implication

The above-mentioned pressures on land are particularly manifest on the Bolaven Plateau (Southern Laos) where coffee is traditionally grown by thousands of smallholder coffee growers, and where a large number concessions of various kinds (*e.g.*, hydro-electric, mining and large plantations) have been granted. Located some 700 km south of Vientiane, the Bolaven Plateau is typically located “*on the edges of state authority*” (Das & Poole, 2004). As a locus of the aggressive expansion of market capitalism

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located at the margins of the State, the Bolaven Plateau can be simultaneously interpreted as a space of exclusion/inclusion and as a transition space where new ways of doing things and new relations between people are being invented and tested – this includes new production processes, labor relations, land uses, etc.–, within the boundaries of pre-existing social networks, and new relations of power and authority. The downside is that the margins are often areas of great vulnerability for those who cannot make their voices heard (*e.g.*, local communities, migrant workers, smallholder farmers) as they may be made invisible to public policies if they are muffled by more powerful voices. Ultimately, what happens in the margins depends on how individuals (from within the area and from outside), endowed with different types and levels of capital (cultural, economic, social and symbolic), are able to negotiate and re-imagine the web of relationships within which they live and work.

This paper aims to assess changes in current land allocation practices on the Bolaven Plateau, and in the perception that coffee stakeholders have of the evolutions that are currently taking place. Namely, we focus on the learning process through which new models of corporate social responsibility can emerge in association with FDI investments. In this process, we question the role and responsibilities of transnational corporations operating at the margins of weak States.

Materials and methods

This article is based on qualitative and quantitative fieldwork carried out in 2014–2015 in the Lao coffee sector. Qualitative surveys enabled us to document: 1/ the detailed procedures for land acquisition on the plateau, and showed how these procedures were progressively strengthened following a land conflict that opposed in 2010 Outspan Bolovens Limited (OBL, a subsidiary of the Singaporean trading company Olam) to local communities; 2/ the efforts subsequently made by OBL to better interact with smallholder farmers (*e.g.* through contract farming agreements and certification schemes), mainly to protect their reputation on global markets, but also because they needed the coffee that their plantations were unable to produce to feed their factories; 3/ the perceptions of smallholder coffee farmers, who mainly viewed these large plantations as new potential buyers for their coffee, and as providers of new job opportunities.

Main results and findings

The paper provides a detailed account the slow but genuine changes in how stakeholders (smallholders, plantations and government agencies) interact together towards sustainability. Namely, we document the evolution of the conflict that opposed OBL to smallholder farmers on the Bolaven Plateau and analyse how, several years after the confrontation, the various stakeholders look back at the unfolding of events. We show how following the adverse publicity triggered by its poor interaction with neighboring smallholders, OBL progressively modified its approach to negotiating and interacting with neighboring farmers, and how government agencies improved their procedures to screen foreign investment demands for land. We show how smallholder coffee farmers interacted with and perceived large coffee investors operating in their neighborhood. In a highly contested space, we show that for genuine social and economic development to emerge from current practices will require that new contractual arrangements between the farmers and the companies be closely monitored to ensure that they do not lock producers into unfair relations, and that future land deals involve a much higher and earlier participation of local communities than is currently the case.

Conclusion

CSR has been rapidly developing in Asia since the 2000s for a variety of reasons, including: economic development has brought new challenges (*e.g.*, pollution, inequalities); a better-educated and informed population that is more able to express its concerns on a variety of issues; the increasing pressure from civil society organizations; and the internationalization of supply chains, which has spread the use of responsible business practices and rules (Chapple & Moon, 2005). There are however important dispar-

ities between Asian countries, with a high level of CSR adoption in Japan, Korea, or Taiwan, dynamic trends in China, Vietnam and Thailand, and a low level of adoption in the Lao PDR and Cambodia.

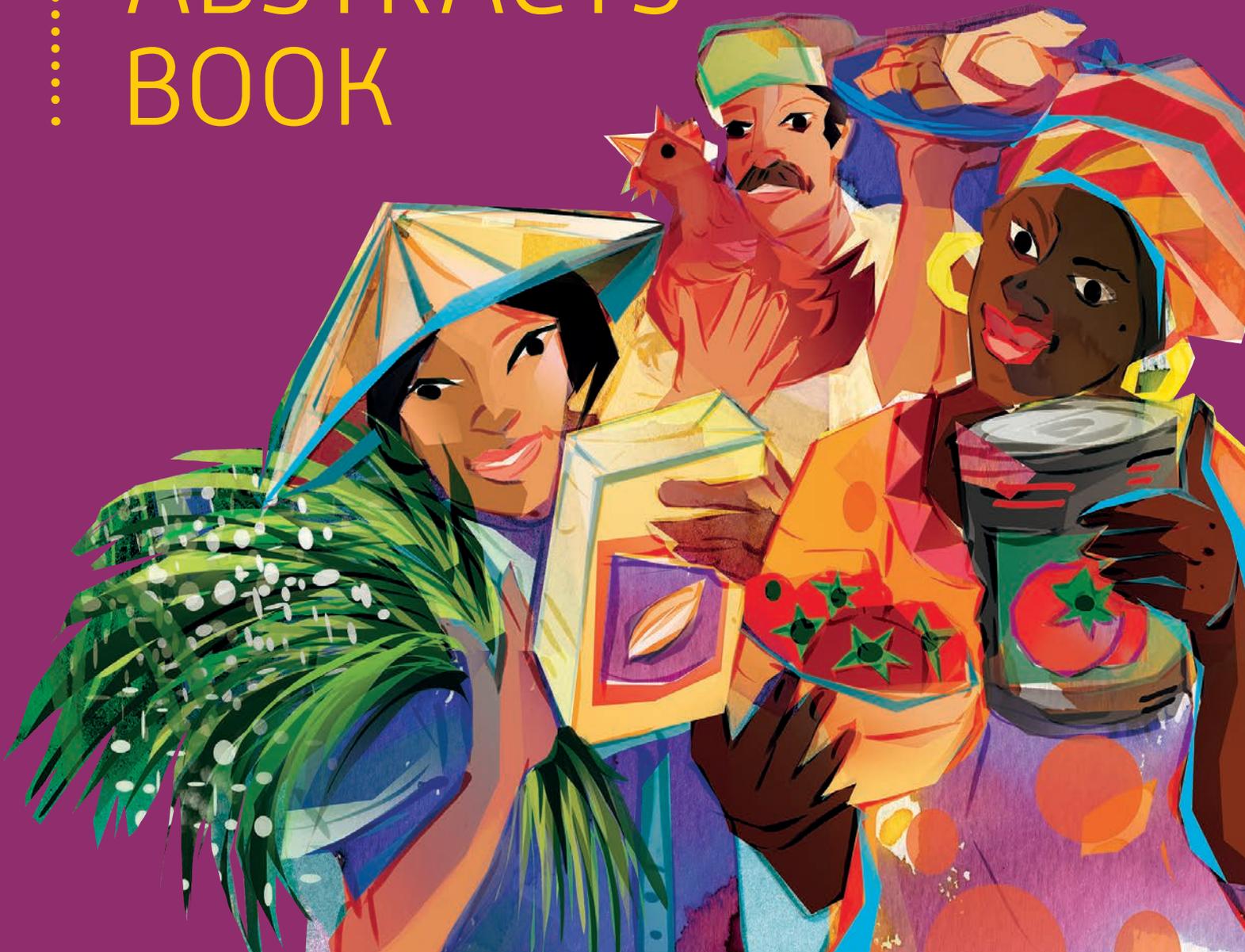
CSR is a new concept in the Lao PDR. While a few examples of CSR initiatives are piloted by large international companies –especially in the mining, hydropower, forestry and agro-industrial sectors– the overall level of CSR awareness by local companies and government actors is quite low (GIZ, 2014). Challenges to the implementation of CSR in Lao PDR include: a lack of stakeholder involvement in and understanding of CSR; a low level of adoption of CSR practices, which provides little incentives to improve performance; a weak policy environment (lack of policies, weak enforcement of existing regulations); a relative lack of linkages between buyers, supply chains and markets in destinations sensitive to CSR; a weak civil society (Hicks, 2009). Although there is still little space within the Lao PDR’s one-party State for policy advocacy over land issues (*let al.*ne popular contestation or resistance), recent initiatives have emerged to promote sustainability in agribusiness deals. A workshop on “*Corporate Social Responsibility for Sustainable Development in Lao PDR across the Land Sector*” was organized in November 2015 by the Ministry of Planning and Investment, the Mekong Region Land Governance Project, and local and international NGOs with the support from international donors and the ASEAN CSR Network. OBL and Stora Enso (Finnish pulp and paper company that owns several eucalyptus plantations in the Lao PDR) shared their experiences during this event. A “Corporate Social Responsibility Study Tour” was subsequently organized in Southern Laos to document best practices and to identify company needs in implementing CSR. In the absence of a broad public debate on how to make foreign direct investment more sustainable, leveraging large companies that are sensitive to any risk to their reputation might be an efficient way to foster dialogue and social engagement among local actors, to fight poverty and to improve living conditions. These efforts might coincide with those of the government (if it decides that foreign companies should contribute more to economic growth, social welfare and environmental sustainability within the country) for whom graduating from LDC status by 2020 is a priority.

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AC&SD 2016

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> *Linking local and global dynamics*

ABSTRACTS BOOK



WELCOME ADDRESS



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Welcome to AC&SD 2016

On behalf of the Scientific and Organizing Committees, it is a great pleasure to welcome you to the International Conference on Agri-chains and Sustainable Development (AC&SD 2016). This conference aspires to widen the debate about the role of agricultural value chains towards sustainable development. Year 2015 was a critical political and diplomatic milestone: the member states of the United Nations signed a new agenda for development, with the 17 Sustainable Development Goals (SDGs) placing sustainability at the core of international efforts. Development and academic actors are since then exploring new avenues for translating the SDGs into reality and implementing global and local frameworks and partnerships. Our conference aims at joining these efforts, with the consideration that agricultural value chains form spaces where local and global challenges to sustainability connect and within which local and global actors experiment and negotiate innovative solutions.

The scientific committee has assembled a very attractive program for AC&SD 2016 that seeks to cover and confront the diversity of realities behind agri-chains, from localized chains, embedded in specific places, to global value chains. In the parallel sessions, transformations of these agri-chains and their connections to sustainable development will be discussed by speakers from the academia, the civil society, the private sector and decision makers. This multi-stakeholder perspective will also be brought about in the plenary sessions. Here, world renowned keynotes and panelists to three high level round tables will discuss about the role and importance of evaluation, public and private institutions and innovations at different scales for transforming agri-chains towards sustainability transitions.

This edition gathers about 250 participants from 39 countries. AC&SD 2016 owes a lot to the scientific and organizing committees for preparing the program, and particularly to Brigitte Cabantous, Chantal Carrasco and Nathalie Curiallet for all the logistics, as well as to our support team of Alpha Visa that we warmly thank for their help.

We wish us all a fascinating, successful, inspiring and enjoyable AC&SD 2016 and we very much look forward to its result and to the strengthening of both a scientific community and a community of practice to implement the outcome!!

Estelle Biénabe, Patrick Caron and Flavia Fabiano,
Cirad Co-chairs AC&SD 2016

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