OUR LAND OUR BUSINESS

THE WORLD BANK'S BAD BUSINESS IN LAO PDR

LAND CONCESSIONS: CHAOTIC AND UNREGULATED

Laos, officially the Lao People's Democratic Republic is a mountainous, land-locked state, identified as one of the world's Least Developed Countries (LDC).[1] Since the year 2000, Laos has undergone an unprecedented transformation in rural land use, as government reforms facilitate growth through market-based economic strategies.[2] The goal of the Laotian government is to graduate from LDC country status by 2020.[3]

A conservative estimate of total land deals since 2000 amounts to 1.1 million hectares (ha)—or 5% of Laos' total territory—with 548,756 ha under mining concessions, 306,234 ha under forestry, 140,015 ha as agriculture concessions, and the remainder in secondary and tertiary sectors.[4] Only 7% of Lao PDR's total territory is considered arable land,[5] while 40% is forest.[6] In 2012, land deals accounted for more than 10% of the total agricultural area.[7]

Over 72% of land leases involve foreign investors, primarily Chinese, Vietnamese, and Thai companies. Most products from these operations are exported as raw material to the investor countries, leaving little to no room for added value domestically to benefit the Laotian economy.[8] Rubber is the largest single industry within land investment, making up 34% of all land concessions.[9] The two largest rubber investors are Vietnamese corporations, Hoang Anh Gia Lai (HAGL) and Vietnam Rubber Group (VRG). The International Finance Corporation (IFC), the private sector arm of the World Bank, has funded both companies.[10] In February 2014, ethnic minority families filed a complaint accusing the IFC of breaking its own safeguard policies by investing in HAGL. The families called for the company to return land taken from them.[11]

THE INTERNATIONAL FINANCE CORPORATION: REFORMER AND INVESTOR

Laos is currently straddled by the Bank's funding for large-scale land grabbers and its push for governmental tax liberalization programs.[12] Lao PDR moved from 163rd in 2013 to 159th in 2014 in the World Bank's Doing Business (DB) ranking,[13] due to reforms made around taxes and starting a business. While the IFC is funding two of the largest foreign plantation investors in Laos, it is also funding government reforms to cut corporate taxes and expedite the process of trading across borders.[14] The IFC has supported Laos in the Lao Business Forum and the Business Regulatory

DOING BUSINESS REFORMS

In recent years, Laos has made far more reforms in the area of paying taxes than in any other DB category.

- ✓ In 2014, Laos reduced the corporate income tax rate and also introduced a new property transfer tax favorable to investors and corporations.
- ✓ In 2013, Laos reduced the corporate income tax rate.
- ✓ In 2008, Laos took measures to further liberalize trade, including implementation ofnew regulations on government agencies involved in inspection of goods.
- ✓ In 2008, Laos made obtaining a license faster, removing the need to obtain approval from the ministry for registering a new company.

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Project, and backed Doing Business reforms such as the Investment Promotion Law, making investment in Laos more attractive and easy, and the General Tax Law, making paying taxes faster and less costly. Meanwhile the Bank has funded programs expediting trade and customs—all motions making business easier and more profitable for investors.[15]

WORLD BANK UNDERMINING THE STRUGGLE AGAINST LAND GRABS IN LAOS

Land investment in Laos is characterized by forced evictions and human rights violations, resulting in food insecurity and corporate seizure of natural resources with no legal accountability or compensation for the affected communities.[16] Meanwhile laws to restrict land grabbing, deforestation, and the use of violence on local communities have been consistently ignored.

The legal framework around land investment requires that only degraded forests be awarded as land concessions, that concerned communities be consulted, and that compensation and relocation ensures protection of livelihoods. However, these laws are seldom enforced.[17] Absence of formal land tenure means communities are unable to claim compensation, and it is common for HAGL, VRB, and local authorities to use violence to threaten local communities that oppose concessions.[18] In some cases, relocated families have been given as little as 0.75 ha of land, which is far from what would be required for traditional cultivation practices.[19]

Often land deals are authorized at the provincial level by local authorities, who agree to a certain quantity of land before establishing prior existence of any "vacant" or "degraded" land for concession.[20] The Laotian government acknowledged the need for protecting local populations and ecosystems from the negative impacts of foreign land investment and placed three caps on the maximum amount of land for investment in order to assess and respond to the current situation.[21] However these measures have been unsuccessful, as provincial authorities ignore the state decrees.[22]

By promoting deregulation and foreign investment, including deals by corporations grabbing land and natural resources from local communities, the World Bank is undermining the government's efforts to develop sustainably while protecting its local people and ecosystems from harm and exploitation.

ENDNOTES

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Photo: An indigenous woman and her son walk by a rubber concession belonging to a HAGL subsidiary company. © Global Witness, 2013

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