

FROM 'GUIDELINES FOR THEM' TO 'GUIDELINES FROM THEM'

Exploring Local Understandings and Practices
of Sustainable or Responsible Agricultural
Investment



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Cover: Local farmers in Muang Houn (Oudomxay province) using small agricultural machinery to harvest rice (@yang bin)

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List of Abbreviations

CDE	Centre for Development and Environment
DAFO	District Agriculture and Forestry Office
DAEC	Department of Agriculture Extension and Cooperatives
DDG	Deputy Director General
DG	Director General
FAO	United Nations for Food and Agriculture Organization
FDI	Foreign Direct Investment
FPIC	Free, Prior, and Informed Consent
GIZ	German International Cooperation Society
GXCC	Guangxi Chamber of Commerce
ha	Hectare
HP	Houaphan
Lao PDR	Lao People's Democratic Republic
LCR	Laos-China Railway
LFP	Lao Farm Products
LPB	Luang Prabang
LE	Large Enterprises
LURAS	Lao Upland Rural Advisory Service
MAF	Ministry of Agriculture and Forestry
MRLG	Mekong Region Land Governance
NTFPs	Non-Timber Forest Products
ODX	Oudomxay
ORP	Opium Replacement Program
PAFO	Provincial Agriculture and Forestry Office
PICO	Provincial Industry and Commerce Office
RAI	Responsible Agricultural Investment
SALA	Sayaboury Alliance for Action and Learning
SBR	Sayaboury
SDC	Swiss Agency for Development and Cooperation
SME	Small and Medium-sized Enterprises
SSWGFA	Sub-Sector Working Groups of Forestry and Agribusiness
WA	Wyss Academy
XK	Xieng Khouang

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This study is a continuation of the 2023 study, “Changing Perspective: Understanding Chinese Agricultural Investors in Northern Laos,” supported by the Lao Upland Rural Advisory Service (LURAS) project. It was conducted and reported by Dr. Yang Bin, international specialist in Natural Resource Management and Rural Development, and Ms. Davone Bounphasouk, a Laotian consultant. LURAS Team Leader Ms. Marieke van Schie provided invaluable support and guidance—without her, this series of studies could not have continued. Additionally, our appreciation extends to the Swiss Agency for Development and Cooperation (SDC) for their financial support, which made this study possible.

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Executive Summary

Laos has transitioned from subsistence farming to large-scale commercial agriculture, driven by foreign investments, primarily from China, with the Laos-China Railway (LCR) accelerating this shift. Helvetas' Lao Upland Rural Advisory Service (LURAS) project has promoted sustainable agriculture in the region since 2014 with demonstrable successes. Better understanding of Chinese investor practices has been identified as important to improve efforts.

To address this need, LURAS commissioned a study by Dr. Yang Bin to explore the dynamics of Chinese agricultural investors in Northern Laos. The 2023 study, *Changing Perspectives: Understanding Chinese Agricultural Investors in Northern Laos*, reveals the complex relationships between investors, local communities, and sustainability—often more intricate than previously understood. It also highlights close collaboration between government, investors, and local communities, largely overlooked by international development agencies.

Despite ongoing collaboration, misunderstandings and mistrust persist among stakeholders, presenting challenges to scaling responsible partnerships. To address these issues, LURAS proposes creating a platform for dialogue to improve mutual understanding, share positive experiences, and promote sustainable investment. Rather than replicating existing Responsible Agricultural Investment (RAI) guidelines, LURAS is committed to deepening its understanding of stakeholders' practices and perspectives before initiating the dialogue.

The 2023 study also found significant gaps between existing guidelines and actual practices in RAI. Local practices, shaped by specific contexts, sometimes align with RAI principles but diverge from formal guidelines. By synthesizing local knowledge and integrating both scientific and indigenous knowledge systems, LURAS aims to transition from "guidelines for them" to "guidelines from them," developing more effective and contextually relevant policies for sustainable investment in Laos.

Key Findings

The stakeholder analysis in this report categorizes stakeholders' understanding and practices of RAI or sustainable investment into "Scientific Knowledge" and "Local Knowledge." Stakeholders are classified into four main groups: policymakers/influencers; policy implementers; investors; and local communities.

- 1) Policymakers/influencers, including central government agencies and international organizations, are familiar with policies but have limited involvement in investment processes.
- 2) Local governments and NGOs are more directly involved in investments but have less policy influence.
- 3) Investors and 4) local communities are the most directly engaged but have limited influence on policy and knowledge of existing guidelines.

These findings underscore the diverse perspectives and priorities among stakeholders in sustainable investment processes (see Table 1).

Stakeholder analysis reveals significant differences between stakeholders' practices in agricultural investments and existing guidelines. Most stakeholders make "appropriate adjustments" based on local realities. Through a comparative analysis of the differences between stakeholders' understandings and practices, and the existing guidelines and policies, the study categorizes four types of local practices (see Table 3):

- a. **Good awareness and good outcome:** local understanding and practices consciously follow existing guidelines and policies, and meet requirements
- b. **Good awareness but poor outcome:** local understanding and practices consciously follow existing guidelines and policies, but practice outcomes deviate
- c. **Poor awareness but good outcome:** local understanding and practices poorly consider existing guidelines and policies, but actually meet the requirements
- d. **Poor awareness and poor outcome:** local understanding and practices neither consider nor align with existing guidelines and policies

Types a and b are uncommon, as many stakeholders are unaware of the guidelines and policies. The practices of type c, the key focus of this study, align with guidelines despite a lack of awareness. Alignment is driven primarily by a combination of economic logic and dynamic interactions. Type d represents practices that deviate from the guidelines, often with negative impacts, often on the environment. This study examines the underlying reasons for these deviations.

After summarizing the stakeholder analysis and comparative analysis, this study suggests actionable steps to improve existing frameworks, outlined below, and recommends initiating dialogue to facilitate further collaboration and understanding. These suggestions are tailored to different stakeholders, and aim to improve their alignment with sustainable agricultural investment guidelines, and to foster better cooperation among stakeholders.

- a) Leverage Dynamic Interactions to Identify Stakeholder Comparative Advantages and Enhance Bargaining Power.
- b) Expand Market Access for Local Communities and Introduce Moderate Competition.
- c) Focus more on Agriculture-Related Services and Processing Industries to Create More Employment Opportunities Outside plantation.
- d) Policy Guidance Based on Market Resource Endowments.
- e) Collaborate with the Market Demand Side to Foster a Greener and More Inclusive Investment.
- f) Establish More Effective Multi-Stakeholder Dialogue and Information-Sharing Mechanisms by integrating local knowledge.

Table 1. Basic Information of Cases

Case¹	Originate	Start year and location	Business model	Engaged villages²	Labor
WR Mulberry and Silk	China	2023, Phonsavan	LE, with 210 ha land concession for a mulberry farm and a silk reeling factory	Phiengluang and Ban Xay	Prefer local young labor but only elders and migrant minority available
LP Tea	China	2019, Pek	SME, contract farming with small tea farmers	O-an.	Purchasing while training some local skilled labors
LT Arrowroot	Vietnam	2017, Kham	SME, with 300 ha contract farming on arrowroot in several districts	Phousan	-
M Coffee	US	2014, Khoun	SME, contract farming with small tea farmers	Piang.	Purchasing while training some local skilled labors
Y Citrus	China	2019, Phaxay	Family business, 3 ha own plantation	Horsim-Thamphouk.	-
YT Veg	China	2019, Xay and Beng	SME, leasing land during the dry season, planting area changes yearly	Pang Deau	Prefer women labor
J Rubber	China	2003, Houn and Beng	LE, with 6,000 ha contract farming;	Namyon, Phoukham	-
W Soybean	China	2014, Huay Xay 2023, Houn	LE, with 800 ha	Chantai	Prefer young labor but mainly elders available
LC NTFPs	China	2014, Houn	SME, purchasing only	-	-
H Watermelon	China	2006, Houn 2008, Beng	SME, leasing land during the dry season, planting area changes yearly	-	Prefer young labor but mainly elders available
X Rubber	Laos	2016, Xay	SME, contract farming with rubber farmers	Lak 4	-
Tobacco	Laos	2008, Xay	LE, contract farming with small farmers	Hom Xay	-

Source: Interviews in 2024 by LURAS consultants.

¹ The real name has been anonymized.² Only the villages that have been interviewed are listed.

Table 2. Stakeholder Analysis¹

Types	Understanding	Practices	Priorities	Concerns	Inv.	Inf.	Groups
Central Government	Economic development; Balancing its social and environmental impacts	Issuing policies and guidelines; Selected investment approval	Economic crucial but other aspects also essential.	Lack of youth labor; Environmental issues	M	H	Policymakers /Influencers
International Organization	Vulnerable groups' rights and well-being; Environment friendly; Transparent governance	Policy recommendations; Capacity building and training; Certifications; Dialogues	Green and Inclusive development	Environmental damage; Social Inequality;	L	H	
Research Institutions	Same as above	In-depth studies; Policy recommendations	Same as above	Same as above	L	H	
Individual	Same as above	Policy recommendations; Investment Involvement	Same as above	Environmental issues; Lack of youth labor	M	M	
NGOs	More options ² for small farmers	Link farmers to more markets and access financial support; Organize farmer groups	Small farmer's capacities	Market risks; Lack of youth labor	M	M	General actors and Policy Implementers
Local government	Stable investments and market demands; Local supply chain; Youth involvement	Feasibility assessment; Investments supervision; upgrading value chain and techs	Economic growth	Instable investments; Lack of youth labor	H	M	
Investors	Mutual trust and support with local communities; Win-win model; Products quality and market demands	"Mass line" such as donating infrastructure and public facilities and maintaining relationships; Upgrading local value chain	Stable investment environment and profits.	Infrastructure; Limited access to information and policies; Lack of labor	H	L	Investors
Local Communities	More options ² ; Mutual trust with investors or buyers	Diversify livelihoods; Accessing more information and markets	Livelihoods	Market and other risks	H	L	Local Communities

Source: Interviews in 2024 by LURAS consultants.

¹ "Understanding" and "Practices" refer to how stakeholders understand and practice RAI. "Priorities" and "concerns" relate to their stakes and worries regarding agricultural investments. "Inv." refers to "Involvement in Investment", and "Inf." refers to "Influence on Policy Making", categorized into three levels: high(H), medium(M), and low(L).

² "More options" mainly refer to more buyers and investors to choose, more market accesses, diversify livelihoods.

Table 3 Comparative Analysis

Local Understanding and Practices link to Guidelines and Policies (GP)	Awareness of GP	Following GP	Meeting GP	Type
Increase income and eradication of poverty; Local value chain upgrading; Land rights in some case, together with space technology using	Yes	Yes	Yes	a. Good awareness Good outcome
Technologies transfer and standards promotion in some case; Foster engagement for young people; Feasibility study for investments;	Yes	Yes	No	b. Good awareness Poor outcome
Inclusive collaboration; Safe and sustainable livelihoods; Market access; Quality and standard improving; Infrastructures; Land rights in some case; Foster engagement for women and other marginalized groups; Foreign technologies with local needs and constraints	Few or no	No	Yes	c. Poor awareness Good outcome
<i>Environment friendly in most case; Climate-smart practices; Knowledge transfer and sharing; Access to information; Stable, conducive regulatory environment</i>	<i>Few</i>	<i>no</i>	<i>no</i>	d. Poor awareness Poor outcome

Source: Interviews in 2024 by LURAS consultants. The author created the table.

1. Introduction

Laos has transitioned in recent years from subsistence farming to large-scale commercial agriculture, heavily influenced by foreign investments, primarily Chinese. Commencement of operation of the Laos-China railway (LCR) in 2021 further fueled this dynamic. While these investments have spurred development, they also present socio-economic and environmental challenges, making sustainability a key issue. The Lao Upland Rural Advisory Service (LURAS), a collaborative project of the Lao and Swiss governments¹, has been promoting sustainable agriculture in Northern Laos since 2014. LURAS has shown that empowered farmer groups partnering with responsible companies yield better results.

However, better understanding of foreign investors, particularly China, is required to develop responsible partnerships on a broader scale. To address this, LURAS commissioned international consultant, Dr. Yang Bin, for a study on Chinese agricultural investors' processes and relationships. Findings from *Changing Perspectives: Understanding Chinese Agricultural Investors in Northern Laos*, study were presented at the Sub-Sector Working Groups on Forestry and Agri-Business (SSWGFAB) on 30 November 2023, along with presentations by scholars Juliet Lu and Ben Fan on Chinese agribusiness in Laos.

Despite the presentations' varied focuses, all three highlighted the complexity of Chinese investments in Laos and suggested comprehensive analysis of power dynamics in the investment process, and the underlying reasons for them, based on real-world conditions. LURAS's report specifically highlights two points: firstly, foreign agricultural investments in Laos are much more complex than previously portrayed, involving intricate dynamics between investors and local communities, as well as considerations of sustainability; secondly, the report identifies close collaboration between government, investors, and local communities, not fully understood by international development agencies in the past. However, despite this close collaboration, significant misunderstandings and mistrust persist for a variety of reasons.

Based on these findings, the LURAS project proposes establishing a platform for dialogue as a next step. This platform aims to: further understand the interests and demands of all parties involved; facilitate the sharing of positive experiences; mitigate misunderstandings to the extent possible; and, based on this better understanding, promote sustainable investment by maximizing benefits for all parties. Recognizing the extensive work of other development agencies in Responsible Agricultural Investment (RAI), LURAS will seek not to replicate efforts. Rather than organizing dialogues based on existing RAI guidelines, LURAS will seek to deepen its understanding of stakeholders' interpretations and practices of responsible investment and establish dialogue accordingly.

¹ Leading by the Department of Agriculture Extension and Cooperatives (DAEC), MAF on the Lao side, and the Swiss Agency for Development and Cooperation (SDC) on the Swiss side.

Extensive exchanges and interviews with diverse stakeholders revealed significant gaps between existing guidelines and policies¹, and actual practices in RAI or sustainable investment². Many local practices related to RAI emerged gradually, shaped by practical local contexts. Some local practices align closely with the principles of RAI but diverge from guidelines. Meanwhile, stakeholders hold diverse and unique understandings of RAI and sustainable investment. Therefore, the LURAS expert aims to compile and synthesize this local knowledge, drawing on scientific and indigenous knowledge frameworks and systems. Acknowledging real-world conditions, this approach aims to summarize and integrate insights and actions regarding responsible and sustainable investment from key stakeholders: local governments, investors and local communities. By synthesizing these insights and actions to transition from "GUIDELINES FOR THEM" to "GUIDELINES FROM THEM," LURAS aims to both constructively supplement existing guidelines and create the conditions necessary for more effective dialogue.

¹ The *existing guidelines and policies in RAI* primarily refer to the *ASEAN Guidelines on Promoting Responsible Investment in Food, Agriculture, and Forestry* (ASEAN, 2018) and relevant laws, regulations and other policies adopted within Laos (see referenced policies in References).

² During the interviews, the Study team found that many stakeholders had difficulty understanding the concept of RAI. In contrast, nearly everyone had a better grasp of sustainable investment. Therefore, this report treats RAI and sustainable investment as interchangeable concepts for the purpose of interviews with different ones.

2. Methodology and Study Sites

Previous efforts by a number of organizations to establish dialogue platforms were challenged by limited stakeholder participation and motivation beyond the government and international development agencies. With this in mind, LURAS initially planned a three- dialogue sessions, each in a different form. Xieng Khouang, where LURAS has long-standing relationships, was chosen as the location for the pilot session. The scope of the three session was broadened to cover all foreign investments, not just those from China.

However, the study team's field work in in Xieng Khouang revealed that few investors are willing to participate in the dialogue. To overcome this, the scope was expanded to include interviews and discussions with more stakeholders in Vientiane and Oudomxay. Based on the findings, the study team made appropriate adjustments to the original plan, inspiring from the theory of scientific knowledge and indigenous knowledge, to summarize and conduct comparative analysis between the current guidelines and policies and local understanding and practices.

2.1. Methodology

The original design of the dialogue mechanism was three interconnected phases:

Phase 1: Stakeholder Analysis lays the foundation by identifying main stakeholders and conducting semi-structured interviews to understand their concerns about and interests in investments. Insights are summarized to define themes for subsequent dialogues and documented as a "dialogue on paper."

Phase 2: Multi-Party Dialogue builds on phase 1 analysis, bringing stakeholders together in Xieng Khouang to discuss sustainable agricultural investment, facilitated by LURAS and local PAFO.

Phase 3: Establishing a Dialogue Mechanism explores creating a sustainable platform for sustained dialogue, potentially scaling to multiple provinces or nationally.

As phase 1 outcomes are foundational to the entire dialogue process, determining approach and process for Dialogues 2 and 3, the study team carefully planned this stage, beginning with identification of all relevant stakeholders. Semi-structured interviews were conducted with those identified, and included questions designed to both align with existing RAI guidelines and incorporate each stakeholder's practical experience. For more details, see Appendix 1: Guiding Questions.

Phase 1 revealed an unexpected significant gap between understanding and practices of stakeholders in Xieng Khouang regarding RAI or sustainable investment, and alignment with existing guidelines and policies. Few investors there were willing to participate in the initial dialogue, resulting in a small non-representative sample size. The team adapted by expanding interviews and discussions to stakeholders in Oudomxay for more representative and thorough analysis.

The stakeholder analysis applies the framework of Scientific Knowledge and Indigenous Knowledge (Watson-Verran et al., 2005), to examine stakeholders' understanding and practices. Existing guidelines and policies—with key references being the ASEAN Guidelines for Responsible Agricultural Investment (ASEAN RAI, 2018) and relevant Lao laws and regulations—were categorized as **Scientific Knowledge**. It is precisely the "scientific" nature and broad applicability that serves as the foundation for "**GUIDELINES FOR THEM.**" Local practices adapted to specific regional contexts, are categorized in academia as "Indigenous Knowledge." This report refers to them as "**Local Knowledge**" for simplicity. Due to their regional specificity, this report considers Local Knowledge as a valuable supplement to existing guidelines and policies, forming the basis of "**GUIDELINES FROM THEM.**"

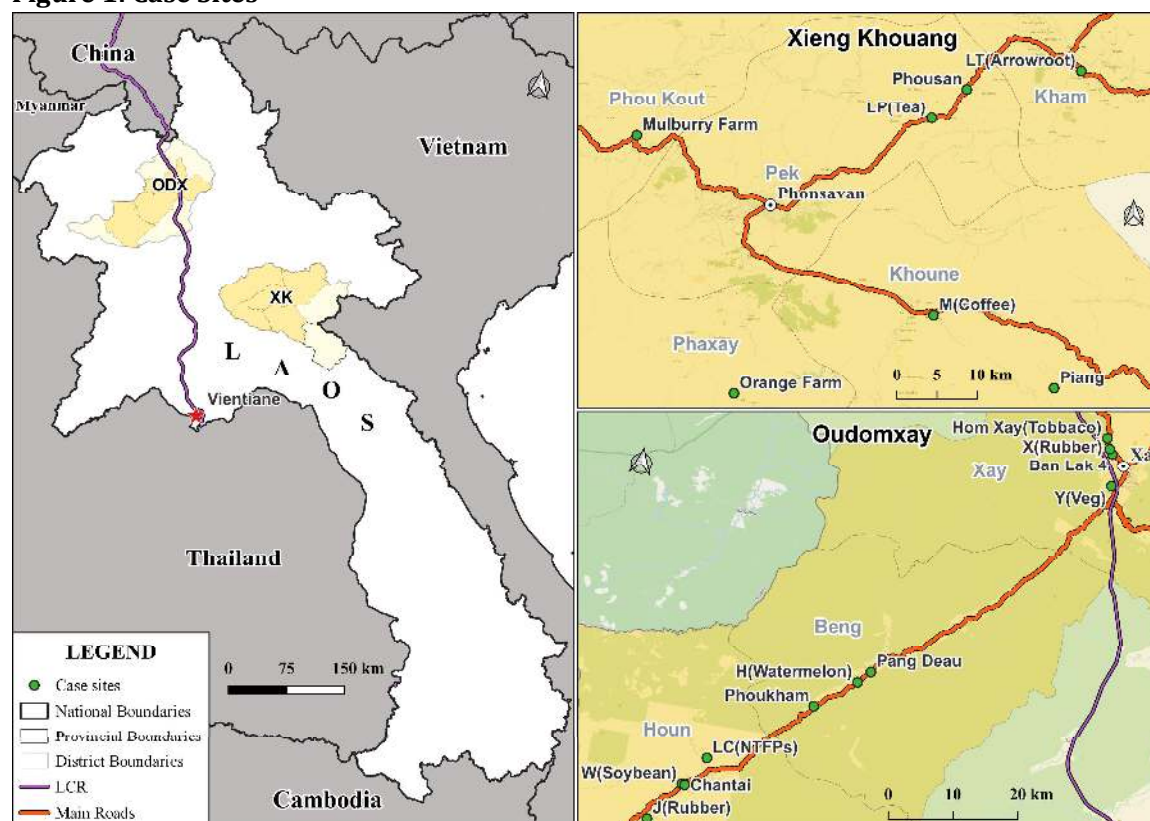
Finally, this report translates stakeholders' diverse understanding and practices into the terminology used in existing guidelines and policies. A **comparative analysis** is then conducted to assess their alignment with the guidelines, and whether they achieve the expected outcomes. This analysis ultimately leads to their classification.

2.2. Study Sites

The Study team conducted interviews in Vientiane capital, Xieng Khouang and Oudomxay. Xieng Khouang and Oudomxay were added for two reasons. First, the provinces have attracted a significant amount of foreign investment in recent years. Second LURAS has maintained close relationships with local government departments there, facilitating interviews with multiple and varied stakeholders. The study conducted interviews in two phases: one in May 2024, and the other in October 2024 (see Appendix 2)¹. Vientiane interviews were conducted with central government officials, international organizations, NGOs, independent consultants, and a representative from the Chinese Chamber of Commerce hailing from Guangxi. Interviews with the local stakeholders, officials, investors, and community representatives, were held in Xieng Khouang in May and Oudomxay in October. All case studies were from these two provinces: five in Xieng Khouang six in Oudomxay (see Figure 1).

¹ Some interviewed companies expressed reluctance about having their real names appear in the report. Therefore, all company names in this report have been anonymized.

Figure 1: Case Sites



Mapped by author, 2024.

The Xieng Khouang cases are all foreign investments engaged in mulberry, arrowroot, tea, coffee, and fruit. The Oudomxay cases included a vegetable company, two rubber companies, a green soybean company, a NTFPs company, a watermelon company, and a tobacco-growing village. The first six in Oudomxay were foreign investments, while the last involved a village growing tobacco for Lao Tobacco Company. The vegetable company, based in Xay with its main planting area in Beng, was interviewed in Vang Vieng as the owner was traveling there at the time. Most cases involved interviews with both the companies and their partner local communities. The tobacco-growing village was the only exception. There only the village was interviewed to provide a comparison with other cases of foreign investment.

2.3. Limitation of the Study

The team consulted local government agencies to help identify good examples of local knowledge accumulation and recommend cases. Therefore, the cases were not selected to represent the full scope of foreign investments nor to encompass all aspects of local knowledge. Rather than providing a comprehensive analysis, the study's qualitative approach is designed to broaden awareness of local knowledge.

3. Stakeholder Analysis

As stated above, this report categorizes stakeholders' understanding and practices of RAI and sustainable investment into Scientific Knowledge and Local Knowledge. This distinction arises because the content discussed in Vientiane and investment locations (provinces and districts) differed significantly, even under the same guiding questions framework. In Vientiane, discussions focused primarily on existing RAI guidelines, reflecting the city's role in policymaking. In contrast, other on-the-ground discussions were rooted more in local practical experience.

However, stakeholders were not strictly dichotomized in the two categories and often overlapped. For example, international organizations and Lao central government officials tended to think and act based more on existing guidelines and policies, but they also took local realities into account. At the same time, some local officials, and even businesspeople, considered existing guidelines and policies, even if driven primarily by local investment practices and on the ground practicalities.

Leveraging these two knowledge systems is vital to the nature and interests of the work done by different stakeholders. Stakeholders within the same category often share significant similarities. Therefore, this section first analyzes the understanding and practices of different stakeholder types regarding RAI or sustainable investment, along with their investment concerns and challenges. Based on this analysis, stakeholders are classified into different groups, forming the first subsection. As stakeholders within the same group are similar, the report will not present detailed individual case studies but will highlight representative cases from four main groups: policymakers/influencers in Vientiane, policy implementers and general actors, investors, and local communities. These will be discussed in the following four subsections.

3.1. Stakeholder Types and Groups

Stakeholders were categorized into six types: government, international organizations and NGOs, research institutions, investors, local communities, and individuals such as independent consultants and experts. However, this study found that stakeholders within the same type often have very different understanding and practices regarding RAI, sometimes aligning more closely with stakeholders from other types.

For example, in the *government* category, central governments as policymakers often differ significantly from local governments as implementers. Local governments, being directly involved in investments, sometimes share more common ground with investors due to common interests. Similarly, independent consultants who critique international organizations may still share comparable views on RAI. Their work influences policymaking and therefore leads to shared understanding despite their different methods and methodologies.

Using the stakeholder analysis framework (Kimmich et al., 2012) and the Scientific Knowledge and Local Knowledge concepts from this report, this subsection analyzes stakeholders based on six aspects: their understanding of RAI, practices, interests, concerns, involvement in investments, and

influence on policy. Based on differences across these six aspects, stakeholders are further divided into eight types. Finally, all stakeholders are then reclassified into four new groups based on this analysis (see Table 1).

Stakeholder analysis reveals significant differences in how various stakeholders understand RAI or sustainable investment, and that these differences strongly correlate with their jobs and investment priorities. Overall, central government agencies, international organizations, research institutions, and individual consultants or experts have many similarities. They all influence policymaking significantly, are familiar with current guidelines and policies, and base their thinking on these frameworks. They also have relatively low direct involvement in the investment process. These groups are categorized as the policymakers/influencers group in this report.

Local NGOs and local governments are more directly involved in the investment process, though in different ways. Their concerns are mostly economic, with varying priorities. They have some influence on policymaking and some understanding of current guidelines and policies, but not as much as the first group. The report categorizes these two types as general actors and policy implementors.

Investors and local communities have a different understanding, practice, and set of concerns regarding RAI compared to other stakeholders, and there are differences between them as well. Their commonality is that they are the most direct participants in investments but have minimal influence on policymaking and limited knowledge of current policies. These two groups are categorized separately. The following four sections will provide a detailed introduction to these categories, with typical case studies for investors and local communities.

3.2. Policymakers/Influencers

International organizations, research institutions, and individual experts provide policy recommendations using existing frameworks. They primarily view RAI as ensuring the rights and well-being of vulnerable groups, promoting environmentally friendly practices, and maintaining investment transparency. Predictably, their priorities and main areas of concern are the potential environmental and social impacts of investments. All are involved in RAI practices, although their focus and accumulated experiences vary. Some, like Mekong Region Land Governance (MRLG), research the implementation of RAI-related guidelines and policies, and provide policy recommendations based on this research. Others, like the German International Cooperation Society (GIZ), implement projects within the framework of existing RAI guidelines and policies, promoting RAI to stakeholders. Some organizations, like FAO, do both.

All of these stakeholders have made significant efforts in promoting RAI. MRLG, for example, has a dedicated team for RAI and promotes sustainable agro-investments in the Mekong region, guided by ASEAN-RAI Guidelines. The MRLG team also facilitates knowledge exchange through multi-stakeholder dialogues. GIZ has been working with local governments for decades, promoting existing RAI guidelines and policies in multiple provinces of Laos. The United Nations Food and Agriculture

Organization (FAO) promotes RAI by incentivizing investors to enter responsible product certification systems for better returns. The Centre for Development and Environment (CDE) promotes responsible investments and improves land governance and agricultural practices through empirical research and case data collection.

Central government departments' main role is issuing policies to guide investment. Naturally, they see RAI as balancing economic development with social and environmental impacts. They tend to prioritize economic factors slightly more than others, with the main concern being Laos' young labor force. They believe that without the younger generation, agricultural development is unsustainable. They are also worried about environmental issues resulting from investments, such as deforestation, biodiversity loss, and soil degradation.

Despite stakeholder efforts, implementation of existing RAI guidelines and policies in Laos faces many challenges. As one independent expert noted, there are significant "Policy Implementation Gaps" (PIGs)¹. Organizations like FAO have also highlighted these "PIGs in the room."² For instance, the ASEAN RAI Guidelines, developed through collaboration between Southeast Asian countries and other relevant nations, is comprehensive and reflects regional consensus on RAI. However, turning these idealistic visions into reality to regulate the investments, or specifically the **GUIDELINES FOR THEM**, is difficult. Therefore, this study focuses more on stakeholders directly involved in the investment process, aiming to learn more from their understanding and practical experience.

3.3. General Actors and Policy Implementors

The NGO interviewed for this study is Lao Farmer Products (LFP), which is directly involved in the agricultural investment process. One of their primary roles is organizing farmers into different farm groups and connecting these groups with market opportunities by partnering with traders. This positions LFP as a bridge between farmers and agricultural investors. Due to their hands-on involvement in investments, their concerns are more practice-oriented than policy-focused, which is why this report classifies them as *general actors*. LFP emphasizes that small farmers having more options is crucial for sustainable investments.

Small farmers need to diversify their own products and more access to markets, as relying on a single market poses significant risks. While investments and market-oriented agriculture does offer opportunities and increase income level, they also expose small farmers to market risks, raising their vulnerability.

— Quoted from the interview transcript with team leader of LFP, conducted on 29 May 2024, in Vientiane Capital.

¹ Quoted from the exchange with an individual expert, conducted on 14 May, 2024, in Vientiane Capital.

² Quoted from the interview transcript with the forestry officer, FAO Lao PDR, conducted on 13 May, 2024, in Vientiane Capital.

This quote from the LFP advocate aligns with the perspective of local communities, which will be discussed later. Community-focused LFP invests heavily in strengthening the organizational capacity of farm groups and supporting them in accessing financial resources. Similar to government departments, LFP also views youth outmigration as a major challenge to sustainable investment and rural development.

The Study team interviewed local government departments, specifically the Provincial Agriculture and Forestry Office (PAFO) and the Provincial Industry and Commerce Office (PICO) in Xieng Khouang and Oudomxay. As policy implementors, PAFO oversees agricultural investment approvals, while PICO manages all provincial investment activities. Both departments handle investment registration and address issues during the investment process, making them directly involved. However, like LFP, they primarily act as coordinators. The key difference is that local governments can also benefit directly from investments.

The PICO in both provinces demonstrate remarkable similarity in their understanding of RAI. Xieng Khouang PICO was straightforward:

Whether it's RAI or sustainable investment, investment must come first—without investment, how can there be sustainable investment? For an investment-hungry province like Xieng Khouang, the key challenge is how to bring in and stabilize investments, as many businesses leave after just a few years for various reasons.

- Quoted from the interview transcript with Mr. Thongsavath Mangnomek, DDG of XK PICO, conducted on 17 May, 2024 in Phonsavan.

Oudomxay PICO echoed this sentiment, stating:

Investment itself is crucial, as long as it's mutually beneficial. But of course, we can place greater emphasis on environment-friendly investments.

- Quoted from the interview transcript with Mr. Xaykham Phombouathong, DDG of ODX PICO, conducted on 16 October 2024, in Xay.

The perspectives of the PAFO offices in both provinces are similar, though more diplomatically expressed. While their responsibilities require consideration of a broader range of factors, their priority remains economic considerations. Xieng Khouang PAFO's understanding of RAI focuses on three key points:

First, there must be market demand to attract investment. Second, product quality must be reliable—this ensures accountability to both the producers and the market, enhancing competitiveness. Last, young people should be encouraged to participate in agriculture.

- Quoted from the interview transcript with Mr. Somsamone Phalichan, Acting DG of XK PAFO, conducted on 17 May 2024 in Phonsavan.

The Oudomxay PAFO interviewee did not define his understanding of RAI, but identified four challenges that could affect sustainable investment:

1. Labor shortages, as many young people are leaving agriculture for other industries, creating a trend of insufficient successors. 2. A low-end value chain dominated by primary agricultural products. 3. Limited export commodity list, which restricts investment opportunities. 4. Potential soil quality issues caused by long-term intensive land use.

— Quoted from the interview transcript with Mr. Phimmasean Khounsilivong, DG of ODX PAFO, conducted on 16 October 2024 in Xay.

Local governments in Xieng Khouang and Oudomxay clearly prioritize economic development with less focus on the potential negative impacts of investment. This doesn't mean, however, that they are unaware of existing RAI Guidelines and policies or are inactive in RAI-related activities. The Acting Director General of Xieng Khouang PAFO acknowledged the importance of a feasibility study for RAI, though does not see it as the highest priority.

A feasibility study helps businesses and local communities engage early and assess social and environmental impacts, which aids in better planning and prevents potential issues. However, Xieng Khouang faces challenges due to its underdeveloped economy and lack of experience with commercial farming. Local farmers should learn more from experience rather than just instruction. Even with feasibility studies, there are often gaps between plans and reality, with problems emerging during implementation. Similarly, environmental issues in agriculture, despite early planning, are inevitable at the start and must be addressed gradually.

— Quoted from the interview transcript with Mr. Somsamone Phalichan, Acting DG of XK PAFO, conducted on 17 May 2024 in Phonsavan.

At the same time, Oudomxay PAFO has initiated several RAI-related projects. The DG highlighted the promotion of organic fertilizers, which benefits future generations. They also focus on promoting more scientific and sustainable farming methods to better protect the environment. Additionally, they are exploring participation in carbon credit trading and guiding the upgrade of the industry value chain. The DDG of Xieng Khouang PICO is familiar with RAI processes such as FPIC, and they somewhat follow this process when approving investments. However, he shared an experience to express his perspective:

Our office has many knowledgeable young people who have returned from abroad with great ideas and are trying to make changes. But they've found it difficult. The issues they face are not something that can be solved overnight, and many problems cannot be addressed by just one department. It's a system, and changing a system is not easy.

— Quoted from the interview transcript with Mr. Xaykham Phombouathong, DDG of ODX PICO, conducted on 16 October 2024 in Xay.

This viewpoint is common among local governments, where economic growth is seen as the top priority in the early stages of development. Other factors, like RAI, can only be gradually improved over time. If too much focus is placed on these from the start, it may hinder progress. This is especially clear in the Study team's questions about negative environmental impacts of investment like deforestation. A deeper analysis of this follows in the comparative study section of the report.

As direct participants in the investment process, NGOs and local government departments have significantly different understanding and practices compared to the first group. The next two groups discussed are the key players in the investment process, with even more distinctive understanding and practices of RAI, but their influence on policymaking is minimal. Thus, these two are the main focus of this report.

3.4. Investors

The 2023 LURAS policy study (Yang, 2023) highlights the diversity of foreign investors in Laos, with Chinese investors as a key example. Investors vary in scale and type of investment, model of operation, and relationship with local communities. Investors who've established long-term operations in Laos have developed comprehensive strategies for building lasting relationships with local communities. These strategies are the result of years of investment activity and adaptation, and are a key focus of this study. This subsection provides an overview analysis of this stakeholder type and provides several typical case studies to examine how these investors understand and practice RAI or sustainable investment.

3.4.1. Overview Analysis of Investors

Foreign investors undoubtedly come to Laos in pursuit of profit, but their approaches differ. Long-established investors often take a long-term perspective, recognizing the importance of strong relationships with local stakeholders, especially at the community level. Among the 10 company cases collected for this study, all but one—a newcomer—emphasized the importance of maintaining friendly cooperation with local communities. Even a company leader who had just inherited the business, was unfamiliar with the country, and initially held some biases, acknowledged the need to foster good relations with the local community. Building strong ties with local communities is almost unanimously regarded by these investors as the core of their understanding of RAI.¹ *"We follow the mass line."* However, investors' approaches to practice varies. Detailed examples will be presented through typical case studies in following sections.

Building strong ties to communities has additional importance: nearly all investors interviewed emphasize that everyone, especially their partners, should share in the profits in what the development world refers to as a "win-win" model.

¹ Quoted from the interview transcript with the owner of LP Tea, conducted on 19 May, 2024, in Pek, XK. This investor, born in late 1960s China, his language reflects that era, such as using *"mass line."* The author considers this term effectively summarizes the investor's focus on "building strong ties with local communities," which is why it's quoted here. (Editor's note)

-- *"You need to ensure that everyone makes money, especially your collaborators. If you try to take it all, the business will fail quickly. Good relations with local communities start with helping them earn money."*

— Quoted from an interview¹ with J Rubber, representing the perspective of long-term, locally rooted investors.

In addition to building strong relationships with local communities, investors generally view market demand and product quality as key factors for sustainable investment. China is currently the largest market for Laos's agricultural products and one of the largest single markets in the world. While market demand may seem like a non-issue, this study reveals that the increasing number of investors in Laos has led to fierce competition. At the same time, Chinese market standards are rising, placing higher demand on product quality. As a result, many investors are forced to find ways to improve product quality or upgrade local value chains, as the competitiveness of simple, low-quality products weakens.

Following are concerns that investors believe affect investment sustainability. Many have cited poor infrastructure and a lack of understanding of policies as major challenges, though these are not the focus of this subsection. Many investors worry that the growing labor shortage, worsened by the pandemic, could become one of the biggest obstacles to the sustainability of investments. The labor shortage has led to many investors to increase the use of agricultural machinery, which has encouraged local farmers to adopt small-scale mechanization. This shift could have long-term implications for Laos and will be further analyzed in following sections of the report.

Unexpectedly some companies proactively mentioned environmental impact caused by their investments. While not a widespread concern, investors are not unaware of the issue and recognize that it is often tied to their own interests. An LP company located in Pek, for example, share that they believe that the environment in XK was initially very good, but the recent expansion of large-scale plantations has caused environmental degradation. They are somewhat concerned about the quality of their tea as a result. An LC company in Houn, initially engaged in NTFP trade but now finds that the proportion of NTFPs has been steadily decreasing.

*"Look around, there's hardly any forest left—it's all been cleared for corn cultivation. So, we need to switch to other businesses."*²

-- LC company representative in Houn

Additionally, W company claims that soybean cultivation is more environmentally friendly than banana farming because the land they lease was previously used for banana cultivation, so they are able to compare. J company believes that rubber plantations have, to some extent, helped prevent more severe deforestation, a view shared by many local communities. In the author's opinion, this is

¹ Quoted from the interview transcript with the manager H of J Rubber, conducted on 14 October, 2024, in Houn, ODX.

² Quoted from the interview transcript with the manager of LC company, conducted on 15 October, 2024, in Houn, ODX.

a case of choosing the lesser evil, but it is a typical example. Still, it demonstrates that the companies mentioned do have some environmental awareness. The following section will further analyze this. Relative to environmental considerations and other issues, investors' understanding of RAI is more focused on the *mass line*, with each company adopting its own approach. Below, a few typical cases illustrate these *mass lines*.

3.4.2. A Tea Merchant "Following the Mass Line"¹

The owner of Liao Pu Tea has a typical Laotian name on his business license, but his strong accent when speaking Lao reveals that he is originally from China. He is from Fujian, , with the surname Bai, and has since acquired Laotian citizenship. Bai came to Laos 12 years ago to start a business and five years ago settled in O'an village in the Phousane area of Pek District, known for its tea production. According to the local District Agriculture and Forestry Office (DAFO), Bai's business has been successful. Unlike many other Chinese businesspeople who prefer to remain low-profile, Bai openly stated that he is the largest tea merchant in O'an.

Bai said that area's rich tea resources attract many Chinese tea traders. However, most come for a few visits and then leave as they are unable to establish long-term partnerships with local farmers. He believes this happens because these traders view themselves purely as businesspeople and treat local farmers as simple business entities, even poor ones. They determine that local farmers lack experience in tea cultivation and trade, making collaboration difficult. In Bai's view, this kind of tea business is unsustainable. He shared his perspective on sustainable and responsible investment:

"For a business to be sustainable, it must follow the 'mass line.' In tea culture, the relationship between tea merchants and tea farmers cannot be purely market-driven; we must fully understand local customs and culture, and learn to get along with the local people. This requires starting with in-depth engagement with the villagers to understand their situation, followed by making agreements. Keeping those promises is crucial—not just about signing a contract, but being sincere and adaptable.; it's a sign of responsibility. Only through this sense of responsibility can we gain the trust of the local community."

— Quoted from an interview with the owner of Liao Pu Tea.

As someone born in the late 1960s in China, Bai is very familiar with the concept of "mass line," a political philosophy widely applied by left-wing movements worldwide. Using it as more than a political slogan or for political show, Bai incorporates it as a method to run his business. Bai emphasized that he has never broken a cooperation agreement with the villagers. Since 2022, a combination of the pandemic and a slowdown in China's economy has caused poor sales of tea in China, and an accumulation of a large stockpile that he can't sell. Yet, he still honors his agreements with the villagers, purchasing tea from them as promised.

¹ All the statements in this section are quoted from the interview transcript with the owner of LP Tea the DG of Pek DAFO, and village head of O-an, conducted on May 19, 2024, at the LP Tea company.

During the conversation, a villager came to deliver freshly picked tea, and the Study team witnessed the transaction. The villager had spent few hours in the morning working to earn about 100,000 kip—Bai bought at the agreed-upon price, even slightly adjusting it for inflation. The DAFO director of Pek mentioned that tea is now the most important cash crop for local people, whereas before they mainly grew dry rice and opium.

The village chief of O'an also shared how Bai has provided many tea planting and processing techniques to the local villagers. The village chief expressed his thoughts on responsible investment:

"First, we welcome investment; it has changed our lives. However, before any investment starts, it would be best if the investor, like Bai, first consults with the local villagers about how to cooperate. Some Chinese businessmen don't do this—they just go through a government official, and the local people are not even allowed into their processing plants and are given no technical support. We don't like this approach, but it's just something imposed from above, and we have no power to change it."

— Quoted from an interview with the village chief of O'an.

3.4.3. J Rubber Company Continuously Exploring Partnerships¹

J Rubber entered Laos in 2003 as one of the earliest Chinese private enterprises to establish a foothold in the country. It was also among the first private companies to participate in the Opium Replacement Program (ORP). The company's founder and key management personnel hail from Hunan province.

When the company first arrived in Houn and Beng, transportation infrastructure was extremely poor, and there was no electricity supply. They signed a 30-year agreement with the provincial government, adopting a 3+2 Contract Farming model. Under this model, the company provided inputs, technical support, and market access, while farmers contributed land and labor. Initially, the rubber tapping revenue was split 60% for the company and 40% for the farmers. Rubber was planted in 2004, and the first tapping occurred in 2011. Yields were low initially, and rubber price crashed, making it impossible for farmers to sustain themselves. As a result, the company adjusted the revenue-sharing ratio to 20% for itself and 80% for the farmers, a change confirmed in later interviews with local communities.

Rubber prices remained low for years, with only a brief recovery in 2016–2017, and improvement only after the COVID-19 pandemic began. Despite increased revenue, the 20-80 revenue-sharing ratio, initially a temporary solution, became permanent. The company's earnings from rubber latex have been minimal since. Now that production and prices have stabilized, farmers' incomes are more secure. The company has tried to renegotiate the revenue-sharing ratio, but the manager, Mr. H, acknowledged the difficulties:

¹ All the statements in this section are quoted from the interview transcript with the manager H of J Rubber, conducted on 14 October, 2024, in Houn, ODX.

“At the time, we had no choice but to let the farmers take the larger share. With prices so low, how could we take 60% as per the agreement and watch people starve? But now the situation has improved, and yet reverting to the original agreement is almost impossible. We don’t hold much hope that everything will strictly follow the contract—that’s the case in developed market. In our experience, deviations from contracts are part of the cost. However, the current ratio is indeed too low for us. We’re also exploring other solutions.”

— Quoted from an interview with the Manager of J Rubber

"Other solutions" mentioned by Mr. H involve the company upgrading its value chain by investing in a rubber processing plant. This move aims to increase profits through product processing and development, reducing dependence on raw material revenues if the revenue-sharing ratio cannot be changed. At the same time, J Rubber faces significant competition from peers, compelling them to maintain good relationships with local communities while striving to upgrade their value chain.

“Both China and Laos now encourage local processing of products rather than just exporting raw materials like rubber sheets. If we succeed in developing value-added products, we won’t have to compete with local farmers for profits from raw materials nor our peers here. While building the plant, we’ve also helped the village by constructing roads and a community activity center, which has helped them see us as a good partner. We’ve been collaborating with the local community for 20 years, and we intend to continue. Such partnerships are never straightforward and always evolving, so we must keep exploring the partnerships.”

— Quoted from an interview with the Manager of J Rubber.

The company admits its finances are currently very tight. Although they benefit from import-export tax incentives under the ORP, they have never received additional financial support. The significant investment in the processing plant has further extended their payback period. However, Mr. H emphasized that this approach is necessary for sustainable development:

“We consider three factors critical for sustainable investment: 1. Stable and adaptive political and policy environments in the host country. Policies must evolve to address current needs; 2. Integration with local communities to ensure a deep-rooted presence and access to local information advantages. 3. Expanding and upgrading the value chain to minimize competition with local farmers. By earning profits from different segments, both parties can benefit without direct conflict.”

3.4.4. M Coffee Adapting to What Cannot be Changed¹

Another example of adaptability and flexibility is M Coffee, a company established by an American investor that started its coffee business in Xieng Khouang 10 years ago. The company has worked with nearby villages for many years, providing coffee seedlings and planting techniques, then

¹ All the statements in this section are quoted from the interview transcript with the manager S of M coffee, conducted on 22 May, 2024, in Khoue, XK.

purchasing the farmers' coffee harvests. However, M Coffee's operations manager in Xieng Khouang, Ms. S, noted that farmers don't sell exclusively to them.

"We hope farmers will focus on supplying coffee beans to us. But we also understand they have their own plans and priorities. Coffee cultivation, processing, and contract farming, are all new to both the local farmers in Xieng Khouang and us. So we're learning and growing together. As a company, we naturally hope to earn the loyalty of the coffee farmers, but they also have their own perspectives and priorities. The best approach is to collaborate and find ways to adapt to each other through the process of working together. The local farmers have lived here for generations, with their own experiences and traditions. Our role is to make changes where possible and adapt to what cannot be changed."

— Quoted from an interview with M Coffee's operations manager in Xieng Khouang.

Mr. J, an employee at M Coffee's local processing plant, is an example of what they can change. He was previously a truck driver but has now been trained to become a highly skilled coffee bean quality assessor. Many aspects of the collaboration with farmers in Piang village require adaptation. These are areas where flexibility and mutual understanding are key.

Piang village, one of the earliest coffee-growing areas in Xieng Khouang with nearly 20 years of history, is also one of M Coffee's main partner villages. Before 2016, coffee was the primary cash crop for many smallholder farmers in the village. However, an extreme snowstorm at the beginning of 2016 changed everything. The cold killed most of the coffee trees, leaving small farmers without a source of income. This disaster taught them the importance of diversifying both their livelihoods and partnerships. As a result, while they continue to prioritize supplying coffee beans to M Coffee, they also collaborate with other coffee buyers. However, their decision isn't based solely on who offers the highest price. This reflects the local communities' emphasis on having **more options** and **mutual trust**, which aligns with the principles of RAI. The following subsection will explain this in more detail.

3.5. Local Communities

For the local community, their understanding, practice, and concerns regarding RAI are deeply rooted in what matters most to them: their livelihoods and the risks involved in sustaining them. As a result, local communities consistently emphasize the importance of having **more options**—though this concept is quite broad. Another key point that local communities understandably stress, is the importance of **mutual trust** with investors. These insights reflect hard-learned lessons from their transition to market-oriented agriculture, where they have faced challenges and gradually developed strategies for navigating agricultural investments. Given this context, this subsection will skip a general overview of investors and instead focus on a typical case to provide a more detailed analysis

3.5.1. The 7-Kilometre Path: A Coffee Village with Diversified Livelihoods¹

Piang village, mentioned in the M coffee case, is the most typical example of a community embracing diverse livelihoods. Located in a small flatland area within the Keoset mountains, Piang village has undergone significant changes over the years. From 2000 to 2008, the local government introduced several coffee cultivation and processing projects, encouraging villagers to grow forest coffee. By 2010, coffee-growing groups had been established in the area, and external coffee traders began entering the remote village. Coffee gradually became an important source of cash income for the local community.

However, in late 2015 and early 2016, an extreme snowstorm devastated the village's coffee crops, nearly killing all the coffee trees. This disaster prompted villagers to reconsider their reliance on a single crop for income. They also began to question the risks of working with just one investor. Instead of waiting for external help, the villagers actively sought solutions. Today, Piang village has developed three main industries: rice cultivation, cattle farming, and coffee production. Many farmers also rent land in nearby villages to grow other cash crops, such as cassava, based on market demand.

The Study team praised the Piang villagers for their diversified livelihoods and hardworking nature. However, Mrs. C, a leader of one of Piang village's coffee groups, mentioned that the villagers only started being diligent about five years ago.

"Through commercial planting, we realized the importance of market access, and to access the market, we first needed to access roads. Five years ago, the villagers themselves upgraded the 7-kilometre mountain road connecting the village to Highway. Since then, opportunities have increased, and ways to make money have multiplied, making most villagers industrious."

— Quoted from an interview with the leader of one Piang village's coffee groups.

While coffee is currently one of Piang village's three main industries, Mrs. C believes that in the next few years, coffee will become the village's most important source of income. This makes cooperation with coffee traders essential, but it must be done with a focus on diversification. As mentioned in the earlier M Coffee case, Piang village does not rely solely on M Coffee, instead working with multiple buyers. But their decisions are based on more than just the price offered, Mrs. C explained:

"We have a great relationship with M Coffee, so we prioritize their product needs. But since M Coffee has its own taste preferences, we can't limit ourselves to just a few types. What if M Coffee suddenly decides to stop their business? That's why we also work with other coffee traders to develop different products... We do not have much information; we couldn't foresee everything when the contract was signed. So adjustments are needed later, but of course it should be fair and reasonable. Having more options, is crucial for our sustainable growth."

¹ All the statements in this section are quoted from the interview transcript with the leader C of a coffee group in Piang, conducted on 22 May, 2024, in Piang village, Khoun, XK.

— Quoted from an interview with the leader of one Piang village's coffee groups.

Today, Piang village is working with three coffee buyers. The logos of these three companies are displayed in the office of the village's small coffee processing facility. The village has managed its relationships with all three buyers well, meeting their diverse needs by providing different products for each. The 71 coffee-growing families in the village collectively earn over 1 billion LAK annually by selling to these buyers.

M Coffee, having adapted to the local practicalities, does not feel that their contract with Piang village has deviated significantly from the initial agreement. The mutual trust between them remains strong. A case from another village engaged arrowroot cultivation offers a richer perspective on mutual trust. This village also emphasizes diversified livelihoods and options, but unlike Piang, where diversification was influenced by natural disasters, their approach to diversification stems from lessons learned through market risks.

3.5.2. Trust and Distrust: Investment Choices of Phousan Village

Along Highway 7 from Kham to the village of Phonsavan, vast fields of arrowroot cultivated by local farmers stretch into the distance. Phousan village is surrounded by these fields. Large-scale arrowroot farming began here seven years ago when the Vietnamese company LT partnered with local farmers to grow arrowroot for starch production, exporting back to Vietnam. LT currently operates a starch processing plant and a fertilizer factory on the outskirts of Kham's district town. They partner with farmers in the surrounding areas of Xieng Khouang and Houaphan, managing contract farming operations that cover 300 hectares. Before establishing operations here, LT had been cultivating cassava for several years in Bolikhamxai.

Before visiting Phousan, the Study team met briefly with the owner of LT Company, and he complained about the local community and investment environment, "The farmers are lazy, they don't follow our technical standards, their management is poor, and yields are low. The roads are bad, and transportation costs are high."¹ This view fits the common stereotype held by foreign agricultural investors in Laos.

However, the Study team believed there must be reasons why LT had managed to stay in the area for over seven years. Rather than a standalone investor case, LT is referenced as part of the Phousan case. In ensuing conversations with Phousan farmers working with LT, the Study team began to understand why the company remained rooted in the region.

Phousan is one of many villages where LT collaborates, and local farmers began planting arrowroot five years ago. The Study team, arriving with negative feedback from LT, expected the villagers to share similar complaints. However, most interviewees had a positive impression of LT. They recalled how the owner of LT came alone to the village a few years ago to discuss growing arrowroot. At first, the villagers thought he was a scammer. Even when he was accompanied by local officials or

¹ Quoted from the interview transcript with the owner of LT company, conducted on 21 May, 2024, in Kham, XK.

intermediaries, villagers remained skeptical. Their distrust was the result of a previous experience with maize investment.

Years earlier, a maize investor, backed by the local government, promised villagers they could make a fortune from maize farming. At the time, villagers had heard some success stories and, with no experience in commercial farming, some invested heavily in switching to maize. However, when harvest time came, the market price dropped, and the investor failed to buy the maize as promised, leaving villagers with significant losses. This was their first experience with commercial farming, and it ended badly.

In contrast, the Vietnamese investor from LT promised free seedlings, fertilizer, and technical support, along with a guarantee to buy the harvest. The villagers only had to invest their labor and a small piece of land, which was more attractive than having to buy seeds and farming inputs themselves as they had done with maize. A few villagers decided to try, planting small amounts of arrowroot. The harvest turned out well, and the investor kept his promises. By the second year, 10 more households joined, and today, 20 households are involved. One of them cultivated 2 ha and earned 80 million LAK last year—a significant income. The villagers felt that the investor kept his word, which built mutual trust and made their cooperation sustainable.

The villagers did not deny the company's complaints about villagers not following the technical standards, resulting in lower yields. However, the village head explained that the villagers had their reasons:

"We know that not following their methods would result in lower yields. Our experience already shows this happening each year, and if we continue this way, there may be hardly any yield left in a few years. However, the problem with their standards is too costly, and most villagers are unwilling to commit so many resources. First, our past experience with maize has made us cautious. Second, while we have enough land, each family only grows arrowroot on a small plot. We also depend on other sources of income, like raising cattle and growing rice, so we can't dedicate all our resources to arrowroot. We trust this investor, but the market doesn't care about our trust. So, if we follow their requirements exactly without making our own adjustments, who knows what challenges we might face in the future?"

— Quoted from the interview transcript with the village head of Phousan, conducted on 21 May 2024 in Phousan village, Pek.

3.6. Section Summary

J Rubber's quote captures a successful approach: *"We don't hold much hope that everything will strictly follow the contract—that's the case in developed markets."* Their statement that *"deviations from contracts are part of the cost,"* along with M Coffee's comment on adapting to what cannot be changed, as well as the villagers' idea of *"appropriate adjustments"* in the two local community cases, all resonate. These reflections are the result of long-term investment practices and negotiations between investors and local communities, gradually forming shared experiences and understanding.

In economic theory, there is a well-known model called the GHM Model, more widely recognized as the "Incomplete Contract Theory" or the "Hold-on Problem" (Schmitz, 2001). These stakeholders' understanding of contracts in practice provides a clear explanation of this complex model.

This theory suggests that due to limited rationality, incomplete information, and uncertainty in transactions, the cost of clearly defining all rights in a contract is too high, making a complete contract impossible. Incomplete contracts are common and inevitable. Attempting to define every detail of rights and obligations at the outset is unrealistic, as many factors are unforeseeable and many events are beyond control. Even if it were possible, the cost would be exorbitant. It is more cost-effective to plan and negotiate during the process, a principle clearly understood by J Rubber. For the villagers, who have less experience and weaker information, many issues were unanticipated when the investment started. This required *appropriate adjustments*, reflecting the need for renegotiation of the *hold-on problems*. How these *appropriate adjustments* are made in practice is the focus of this study.

The same logic applies to RAI guidelines and policies. As mentioned above, these guidelines and policies are derived from global lessons and experiences, but they are also clearly "incomplete." Too many local circumstances cannot be anticipated. Therefore, making *appropriate adjustments* based on local realities becomes essential. The following section presents a comparative analysis of local practices and existing guidelines and policies, highlighting areas of alignment as well as what necessary *appropriate adjustments* have been made in response to local conditions.

4. Comparative Analysis

Stakeholder analysis reveals significant differences between the understanding and practices of key stakeholders¹ in agricultural investments, and the existing guidelines and policies. In most cases, stakeholders have made *appropriate adjustments* based on local realities. This section uses a comparative matrix to analyze how stakeholders' understandings and practices align with existing guidelines and policies. The report first translates the local understanding and practices into the terminology used in these guidelines and policies, and then classified them for a comparative analysis, as listed in table 2. The analysis assesses the alignment of local understandings and practices with the guidelines, and whether they achieve the expected outcomes, categorizing them into four types:

- a. **Good awareness and good outcome**, local understanding and practices consciously follow existing guidelines and policies and meet the requirements;
- b. **Good awareness but poor outcome**, local understanding and practices consciously follow existing ones but practice outcomes deviate;
- c. **Poor awareness but good outcome**, local understanding and practices poorly consider existing ones but actually meet the requirements;
- d. **Poor awareness and poor outcome**, local understanding and practices neither consider nor align with existing guidelines and policies.

Based on the results of the comparative analysis, **Type a** and **Type b** are relatively uncommon. This study focuses on *local understanding and practices*, and most key stakeholders are not fully aware of the existing guidelines and policies, making conscious alignment unlikely. **Type c**, a key focus of this study, comprises stakeholders who are poorly aware of the RAI-related guidelines and policies but whose practices often align with them. **Type d** is also significant, including practices that neither consider nor align with existing ones. These cases often reflect the negative impacts of foreign agricultural investment in Laos as highlighted by existing studies. Rather than repeating these critiques, this study explores the local reasons behind these deviations. These four types form the structure of the study's four subsections. The latter two types, in particular, are central to the study's focus and serve as the basis for GUIDELINES FROM THEM

4.1. Type a: A Few Consensuses Among All Stakeholders

Although key stakeholders have limited knowledge of existing guidelines and policies, three key requirements are widely recognized and supported by all parties: investments should 1) increase local residents' incomes to reduce poverty, 2) enhance local industrial value chains, and 3) facilitate technology transfer to the local area. The first two points are the core of Type a, and represent a rare consensus that all stakeholders are aware of and willing to act on.

The stakeholder analysis highlights that key stakeholders prioritize economic factors, often focusing on their own interests. However, even profit-driven investors understand that a major purpose of

¹ Mainly refers to local government, investors and local communities.

investment is to increase local incomes and reduce poverty, achieving the "everyone makes money" ideal that investors try to uphold. While issues like unequal distribution across regions and groups may arise during implementation, all direct stakeholders acknowledge that investments generally lead to overall income growth and poverty reduction. This is also supported by rigorous empirical study (Nanhthavong et al., 2020).

The stakeholder analysis also notes that, compared to guidelines, achieving the "everyone makes money" principle is primarily driven by self-interest, as investors aim to ensure the sustainability of their own investments. Similarly, improving local value chains is motivated by competition among investors, even though other local stakeholders may demand it. One Type a aspect that differs from these two is implementation of new technologies to protect local community land rights. Efforts by development agencies and relevant government departments have resulted in training for many local governments, and even local communities, in spatial and geographic information systems. Widespread use of this technology has made land boundary management clearer and more transparent, reducing land conflicts.

4.2. Type b: One Man's Meat is Another's Poison

In contrast to Type a, some guidelines and policies investors follow still fail to achieve their intended goals, which is the focus of Type b. The English proverb "One man's meat is another man's poison" illustrates this situation well. The transfer of technology and the promotion of standards, emphasized by both local governments and investors, is a prime example. For governments, these can boost local industry, and for investors, they can improve yields. However, as seen in the arrowroot case above, while local governments and investors see the value of advanced techniques and standards, villagers reject them as risky and high cost. Villagers are willing to invest in new technologies if they believe the risk-to-reward ratio is manageable, but this willingness is not the result of deliberate efforts from all parties. This will be further discussed in Type c.

Local governments and investors seeking to foster youth engagement in the agricultural sector have had limited success, because young people lack interest in it. The stakeholder analysis reveals that while almost all other stakeholders see the lack of youth as a major concern for sustainable investment, local communities do not share this view. This is because the former stakeholders see young people merely as a labor resource, while local communities know them as family members.

In interviews with different communities in ODX, the Study team repeatedly asked whether there was a loss of young people in the village, and, if so, whether it was a major concern. Indeed, many local communities are experiencing youth outmigration, but many locals do not see it as a problem:

"We don't worry about young people leaving. It's great if they stay at home, but if they go, they'll have more options. The outside world is more exciting, and farm work is too dull. As for labor, they usually come back to help during busy seasons.¹"

Even when there is concern about outmigration, it is very different from how other stakeholders perceive it. *"We may worry a little when they're away for long periods, worried they might go astray."²* Regarding the serious issue of young people dropping out of school to work, villagers mostly express resignation: *"What can we do? Even if they finish school, there are no good jobs, so they have no choice but to go."³* This highlights the real issue of how to view young people's participation in agriculture as more than just a workforce. Finding ways for them to gain more than just labor or even technical skills, and to feel a deeper sense of fulfillment in the farming process, is a more important and complex question to consider.

One aspect of Type b that differs from the previous two is the feasibility study for investments. This is the task that local government needs to conduct with investors before investment begins, as mentioned by the acting DG of XK PAFO. However, as he pointed out, while it is a standard procedure, its effectiveness is limited. After the investment is implemented, there is often a significant gap between the initial plans and the actual outcomes. Many issues emerge gradually during the process and can only be addressed as they arise.

4.3. Type c: Achievements Through Dynamic Games

In the case of failed technology transfer and standard promotion in Type b, some local communities said they are willing to invest in new technologies, but this is not the result of intentional policy or guideline promotion. Often, through the dynamic games between investors and local communities, they unintentionally align with existing guidelines and policies. This is the main component of Type c, as well as the key point of this study. Thus, this subsection will present several typical cases to illustrate Type c in detail.

4.3.1 Unintended Technological Upgrading

The Study team's schedule on the first day of fieldwork in ODX was tight. Following a brief morning meeting at PAFO, the team drove for over three hours from the provincial capital, Xay, to Houn to begin interviews which did not finish before dark. On the return from the field site to the county town, a long procession of large plowing vehicles resembling a convoy approached us. When the author asked a local DAFO official in the car whether the vehicles were owned by a large foreign company, he replied that this is not always the case. He said many local farmers had purchased these vehicles and become professional operators providing services to others.

¹ Quoted from the interview transcript with two small farmers in Chantai village, conducted on 15 October, 2024, in Chantai village, Houn, ODX.

² Quoted from the interview transcript with village head of Ban Lak 4, conducted on 16 October, 2024, in Lak 4 village, Xay, ODX.

³ Quoted from the interview transcript with a group discussion in Phoukham village, conducted on 15 October, 2024, in Phoukham village, Beng, ODX.

On the second day, the team saw more examples of agricultural machinery use in Houn and Beng. In addition to the large plowing vehicles, small tractors were more commonly seen in the area. Farmers use them not only for plowing but also for transportation. Moreover, since it was the rice harvest season, many threshers and other small farming machines were visible in the fields. Of course, there were many farmers still using the traditional "khap"¹ method to harvest rice. There was a clear division: those using *khap* were mostly older individuals, while those using the threshers were younger. Ironically, the absence of young people is one of the main reasons for the widespread use of agricultural machinery in the area.

According to local DAFO official, the government has been promoting the use of small agricultural machinery in the area for many years, but initial results were less than ideal. Initially sales and supporting services were inadequate, but prices were high. In recent years, however, as villagers' incomes have increased more people can afford to use agricultural machinery. There's another factor he didn't mention: the rapid growth of agricultural machinery sales and support services in the area is closely tied to the presence of Chinese agricultural investors. A Chinese investor made this point,

"Our planting area has continuously shrunk, mainly due to a labor shortage. At our peak, we managed over a thousand ha a year and never lacked workers, so we didn't need machinery. Since the pandemic, our area has decreased to a tenth of the peak size, and we still face labor shortages. While machinery can't solve everything, it's necessary in this situation."

— Quoted from the interview transcript with the owner of H watermelon, conducted on 15 October 2024 in Beng, ODX

Driven by demand from investors, local sales of agricultural machinery and supporting services have grown rapidly. This has made it easier for local communities as well, whose incomes have risen, to purchase and use agricultural machinery. Some local farmers have even become professional operators, offering services to numerous companies and individuals, as the Study team witnessed with the long convoy of agricultural vehicles. Although the local government has played a role in promoting this, the main driving force behind the technological upgrading comes not from this, but from the dynamic interactions between investors and the local communities.

Dynamic interactions between investors and local communities have developed into a relatively inclusive collaboration, allowing for *appropriate adjustments* and a respect for local land and other rights. It has also encouraged investors to maintain positive relationships with the community, including supporting infrastructure like roads and bridges. Due to fierce competition among investors, the quality and standards of locally produced goods have steadily improved. Additionally, villagers have gained experience and knowledge throughout the investment, which has helped them

¹ "Khap" is a traditional method of rice harvesting by using human labor to grab a bundle of rice and beat it forcefully on a wooden board to thresh the grains.

diversify their livelihoods and improve market and information access, leading to safer and more stable incomes.

These outcomes are previously discussed in the stakeholder analysis, so will not be repeated here. In summary, none of these achievements were consciously driven by efforts to follow existing guidelines and policies. Rarely did the key stakeholders know these guidelines and policies included such content, making these achievements largely unintended. However, if key stakeholders were only rarely aware of the above points, they are even less conscious of another focus area: gender and marginalized groups—despite its frequent mention in guidelines and policies. Nevertheless, some unintended progress has been made.

4.3.2. Unintended Engagement with Women and Marginalized Groups

Unintended progress is evident even in one of the most problematic cases documented during this study. Along the highway from Phonsavan to Phou Kout lies a large mulberry farm, that along with the silk-reeling factory on the outskirts of Phonsavan, represents the largest single agricultural investment in Xieng Khouang's history. Similar to many other large-scale agricultural investments, it has created many local issues such as land grabs, blockage of farm roads, labor disputes, etc. However, while investigating the labor disputes, the Study team uncovered some unexpected insights in interviews with the company and nearby communities.

The author first heard about this case in Vientiane, where, the team were told, the company doesn't hire local workers. However, field work revealed a different story: the company actually struggles to hire locals, a fact confirmed by both the company and local communities. The manager of the mulberry farm explained that nearby villagers are unwilling to take long-term jobs, even though wages have been raised to 150,000-200,000 LAK per day. Most of the farm's long-term workers are now hired from outside.

Two villages surround the farm. In Xay, a higher-altitude village, the village head stated that no residents work at the farm long-term¹. In Phiengluang, a riverside village, the deputy village head reported that only seven out of 192 households have someone working long-term on the farm². Most villagers feel the wages are too low. When the author reflected that a daily wage of 150,000-200,000 LAK isn't particularly low for the area, a former farmer worker in Phiengluang village shared a story³. Wages were initially much lower, just 80,000 LAK per day, but inflation wasn't as bad at that time, so some villagers chose to work there. Now, the main reason locals avoid these jobs isn't the wage but the availability of better alternatives. They realized that giving up other livelihoods to work full-time at the plantation doesn't make financial sense.

¹ Quoted from a phone interview with the Xay village head. Although this study did not meet him in person, the team obtained his contact number and conducted the phone interview on the evening of 18 May, 2024.

² Quoted from the interview transcript with deputy village head of Phiengluang village, conducted on 18 May, 2024, in Phiengluang village, Phou Kout, XK.

³ Quoted from the interview transcript with a small farmer in Phiengluang village, conducted on 18 May, 2024, in Phiengluang village, Phou Kout, XK.

As a result, even with higher wages, most local farmers only take on temporary jobs at the farm, resulting in opportunities for more marginalized groups. Among the seven local villagers working long-term at the mulberry farm, most are women, many of whom face financial difficulties. One such woman worker interviewed by the team explained that her husband passed away, and she took the job at the farm because it was close to her home, making it convenient, and because she had no other options. While she felt the work wasn't ideal, it provided a source of income close to home, so she didn't feel it was too bad.

Similarly, many of the non-local workers at the farm come from surrounding mountainous ethnic minority communities, which are generally marginalized and disadvantaged groups. This situation is not unique to this mulberry farm; it's common among many investors who hire women and people from impoverished areas. While research shows that agricultural investments often provide more job opportunities for men (Zhan et al., 2015), the conclusion that these investments increase gender inequality based solely on statistical data is a typical **causal fallacy**. It overlooks other variables, such as cultural or structural issues that affect women's employment opportunities, and the fact that industries like heavy labor have traditionally been male-dominated.

In this study, some investors even demonstrated a preference for hiring women. For example, Company Y, which grows vegetables, stated that their team favors female workers, with more than half of their staff being women. This preference isn't driven by gender awareness but by economic logic: *"Women are more meticulous and efficient in planting, managing, and harvesting vegetables, especially since machines now handle most of the heavy physical labor. Women are also less likely to be absent from work, making their working hours more stable."*¹ Due to the **causal fallacy**, this study cannot conclude that the cases interviewed favor women or other marginalized groups. However, it's clear that these investments are intentionally engaging more women and marginalized populations, providing them more opportunities than before.

The cases above reveal that, in a dynamic game, even if key stakeholders are unaware of existing guidelines and policies, their actions still often intentionally align with many of the requirements. Through this analysis, the study suggests that valuable lessons can be learned for improving current guidelines and policies. One important lesson is the need to align the interests of key stakeholders, which may be more effective than simply setting guidelines and offering rewards for meeting a few criteria as incentives. This will be discussed further in the final suggestions. However, the actions of key stakeholders in this dynamic context also raise significant concerns.

4.4. Type d: Smells Bad But Also Like Cash

As mentioned earlier, key stakeholders focus primarily on economic factors in their dynamic interactions, resulting in practices that prioritize economic interests. While economic development is crucial for Laos at this stage, the environmental problems it causes are worse than expected.

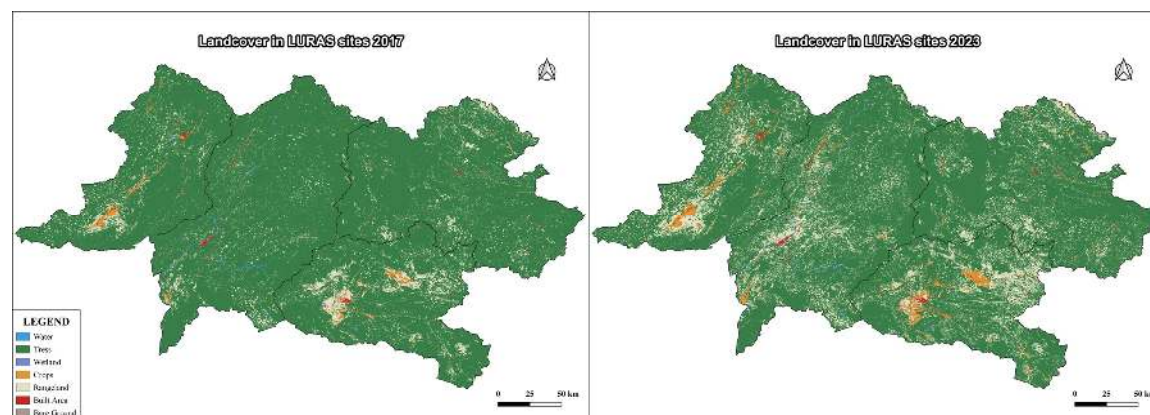
¹ Quoted from the interview transcript with owner of Y company, conducted on 11 October, 2024, in Vang Vieng, Vientiane province.

Environmental problems are not limited to the scientific results of deforestation, for example, but include. Awareness of key stakeholders. For example, when the Study team asked rubber farmers about the environmental impact of rubber cultivation that directly affect their lives, they replied that *"the smell of latex was bad, but it smelled like cash."*¹ The environmental issues mentioned here represent the most significant aspect of Type d.

This study is not meant to further criticize these already heavily criticized issues. Rather this analysis may even offer a slight "defense," that simply reflects the views of local stakeholders. The author found in previous studies that, unless specifically asked, investors and local communities rarely mention environmental problems caused by investments. This was particularly evident in the fieldwork in Xieng Khouang, where almost no stakeholder voluntarily brought up environmental problems. As a result, some related guiding questions were added in Oudomxay interviews. But while environmental issues were rarely mentioned, they are serious.

Deforestation, one of the most direct scientific indicators, has worsened significantly. Satellite data comparing forest cover² in the four provinces of northern Laos where the LURAS project is located³ shows a decrease from 90.7% in 2017 to 81.4% in 2023, a nearly 10% drop (see figure 2). In contrast, agricultural land (mainly for crops and livestock) has more than doubled, nearly all of which has been converted from forests (see figure 3). At the provincial level, LPB and ODX have seen the fastest loss of forest cover, while XK is still relatively slow, though the trend is clearly visible (see figure 4).

Figure 2. Landcover in LURAS sites, 2017 and 2023



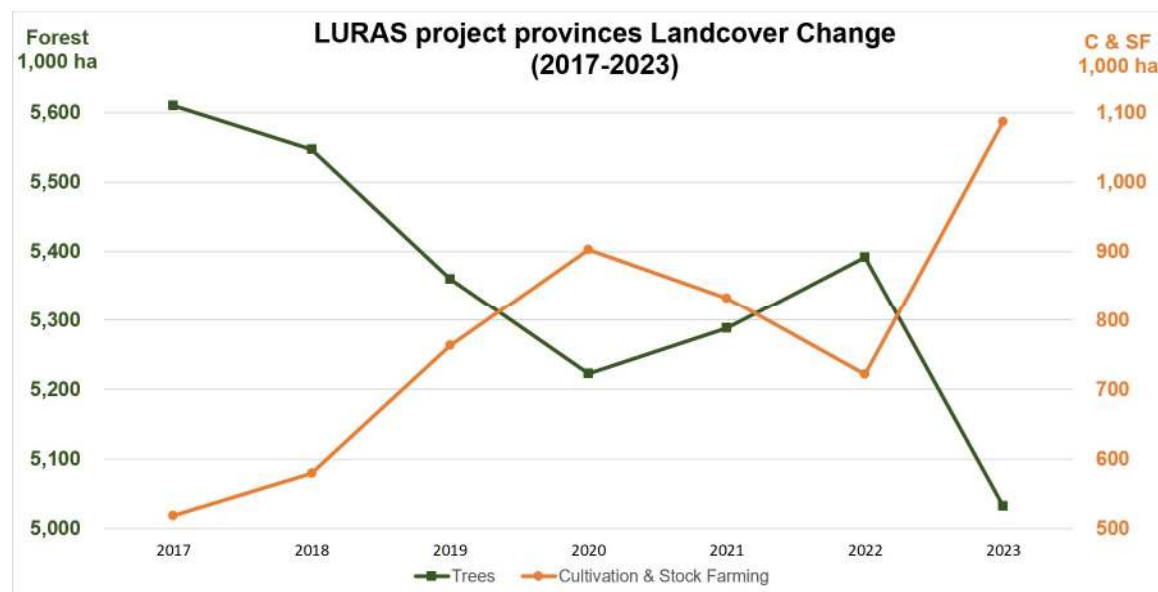
Source: Sentinel-2, map by author.

¹ This view was expressed by the village head of Namyon in Houn and a rubber farmer from Phoukham in Beng. Their words differed slightly, but the meaning was the same. Conducted on October 14 and 15, respectively.

² It includes rubber forest.

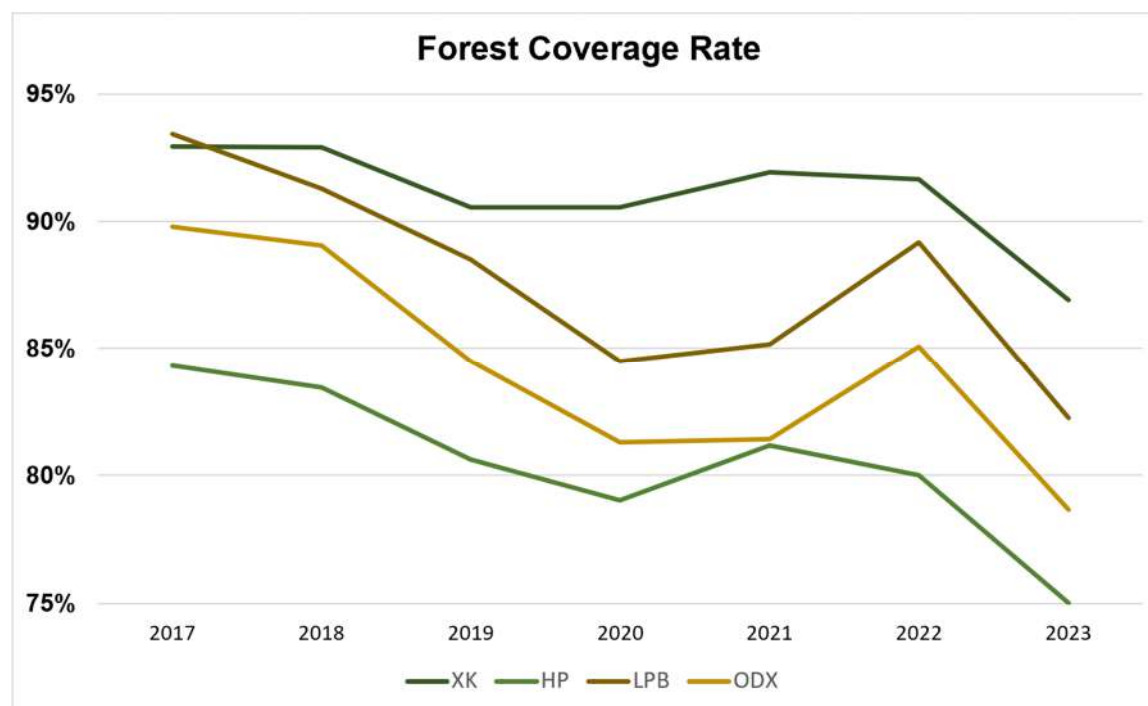
³ The four provinces are HP, XK, LPB and ODX.

Figure 3. Forest land and agricultural land Changes in LURAS sites from 2017 to 2023



Source: Sentinel-2, chart by author.

Figure 4. Forest coverage rate changes in four provinces from 2017 to 2023



Source: Sentinel-2, chart by author.

The forest change data was shared during the interview with the DG of Oudomxay PAFO. He acknowledged that this issue does exist and said that the government has been paying close attention.

However, he also pointed out that Laos has very rich forest resources, which is why the country has classified its forest land into three categories, one of which allows for cultivation (Forestry Law Lao PDR, 2019). *“Given that Laos has few other resources, land is used as a primary resource for development. Of course, there need for protective measures, such as using rubber cultivation to curb further forest degradation.”*¹ Some farmers also view rubber as part of the forest. The village head of Namyon believes rubber provides “green income” because, compared to burning forests to grow maize and other crops, rubber at least keeps trees on the mountains instead of leaving them barren². The villagers of Phoukham have noticed that large-scale rubber plantations have led to reduced water resources but still consider it a better option than burning forests for other cultivation³.

Given the increased frequency of extreme weather events in recent years, the Study team made it a point to ask about water availability in every community interview. Nearly all communities reported that droughts and floods have become more frequent but believe water shortages are unlikely. This was the case even in Piang village, which had experienced severe snow damage. Perhaps these communities have sufficient water resources, but this contributes to their lack of awareness about climate risks. Beyond diversifying their livelihoods, they have not adopted any climate-smart practices.

Finally, issues with knowledge transfer and sharing are particularly evident in Type d cases. Stakeholders primarily learn from dynamic interactions, but there are few channels for communication. This lack of connection means that even if one party accumulates valuable experience or information, it is difficult to share it with others, leaving them to rely solely on dynamic interactions. It’s a case of “You reap what you sow.”

The richness of Type c and Type d issues reveals a fundamental problem: many key stakeholders lack access to relevant information and are left to figure out things on their own. Many investors expressed a willingness to learn more about policies but complained about the lack of accessible channels. Moreover, government-provided information is often unclear, inconsistent, or subject to frequent changes, leaving investors confused. As one remarked, *“Some just end up taking shortcuts—you know the kind I mean.”*⁴

¹ Quoted from the interview transcript with Mr. Phimmasean Khounsivong, DG of ODX PAFO, conducted on 16 October, 2024, in Xay

² Quoted from the interview transcript the village head of Namyon in Houn, conducted on 14 October, 2024.

³ Quoted from the interview transcript a rubber farmer from Phoukham in Beng, conducted on 15 October, 2024.

⁴ Quoted from the interview transcript the acting president of GXCC, conducted on 9 October, in Vientiane Capital.

5. Conclusions and Suggestions

Through stakeholder analysis and a comparative review of the alignment of existing guidelines and policies with practices of key stakeholders, this study provides a comprehensive understanding of how stakeholders perceive responsible or sustainable investment. It also uncovers the reasoning behind their actions. Based on this analysis, the study summarizes the conclusion and offers corresponding recommendations.

5.1. Conclusion

Generally, most understandings and practices have emerged through gradual exploration during dynamic interactions, often without clear guidance or familiarity with existing guidelines and policies. This organic learning process is central to the study's purpose of presenting and learning from these insights aligning with the concept expressed in the title "From Guidelines for Them to Guidelines from Them." These understandings and practices also highlight several facts on the ground, with specific conclusions as follows:

- 1) Different stakeholders have vastly different understanding and practices on responsible or sustainable investment. Their priorities and concerns during investment also vary significantly.
- 2) Key stakeholders directly involved in investment have limited knowledge of existing guidelines and policies but have developed practices that align with them through market-driven interactions rather than personal intent.
- 3) Key stakeholders' priorities are centered on economic gains, leading to the neglect of environmental issues. They have developed their own narratives to justify their actions, making the promotion of environmentally friendly investment highly challenging.
- 4) As previously mentioned, this study focuses primarily on relatively positive cases that follow the contract farming model. This, to some extent, highlights some of the advantages of contract farming.

5.2. Actionable Suggestions

Since most practices are shaped by market-driven logic and dynamic interactions, this study recommends formulating suggestions from the perspective of markets and such interactions. As the study was commissioned by LURAS, a development project committed to learning from practice, suggestions focus on action-oriented approaches.

- a) **Leverage Dynamic Interactions to Identify Stakeholder Comparative Advantages and Enhance Bargaining Power:** Key stakeholders' actions often align with existing guidelines and policies not due to awareness or deliberate compliance but because these actions share comparative advantages and mutual interests, benefiting most parties (e.g., preference of women labor). It is worth identifying and amplifying the comparative advantages of different stakeholders to improve their bargaining power beyond traditional empowerment efforts. Local government agencies and communities, along with development agencies, can play a key role in this process.

- b) **Expand Market Access for Local Communities and Introduce Moderate Competition:** Due to information asymmetry, local communities face limited market access for their products. Expanding market access aligns with their desire for more options while enhancing their bargaining power. Similarly, introducing moderate competition of investors can foster a more balanced and equitable environment. This effort mainly relies on the support and interventions of government agencies at various levels, along with development institutions.
- c) **Focus More on Agriculture-Related Services and Processing Industries to Create More Employment Opportunities Outside Planting:** Farmers view diversified livelihoods as a key strategy for risk management and sustainable development. Therefore, it's important not to focus solely on planting but to create more employment opportunities related to agriculture, such as logistics, machinery services, and processing industries. This approach not only diversifies livelihoods but also promotes upgrading of the entire industry chain. Achieving this requires efforts from the Lao government at various levels.
- d) **Base Policy Guidance on Market Resource Endowments:** Policies should consider local realities of resource endowments, leveraging not only strengths but also mitigating, or even utilizing, weaknesses. The shortage of young labor, for example, should not just be seen as a risk, but an opportunity to promote the use of agricultural machinery, which can drive technological upgrades. This approach requires efforts from the Lao government at various levels, along with international development agencies.
- e) **Collaborate With the Market Demand Side to Foster a Greener and More Inclusive Investment:** In the current context, it is challenging for Laos to promote environmentally friendly investments on a large scale solely through its own efforts. Laos' largest market, China, is exploring green investment practices abroad, creating an opportunity to regulate investments from the demand side, and potentially create standards and norms that drive sustainable practices. This initiative can be driven by various levels of the government, development agencies, and research institutions. To facilitate this, the study has already begun establishing contacts with relevant Chinese institutions to promote cooperation in this area.
- f) **Establish More Effective Multi-Stakeholder Dialogue and Information-Sharing Mechanisms by integrating Local Knowledge:** A key gap identified in this study is that key stakeholders are often unaware of existing guidelines and policies, while policymakers are not fully familiar with the local practices of key stakeholders. To bridge this gap, it is essential to establish dialogue mechanisms that incorporate local knowledge. Such multi-stakeholder platforms, which consider local expertise, could prove more effective in creating policies that are both context-sensitive and actionable. This recommendation is primarily for various levels of government, international development agencies, and research institutions to promote the integration of local knowledge into policy-making processes.

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Policy frameworks

9th Five Years National Social Economic Development Plan 2021-2025

The 17 Agriculture Development Strategy to 2025 and Vision 2030

National Resources and Environmental strategy 2016-2025

National Green Growth Strategy of the Lao PDR till 2030

The Resolution of the Party's Central Committee on the Enhancement of Land Management and Development in New Period, 3 August 2017

Regulations

Instructions on the registration of movements and changes of land-rights No. 0564, 28 March 2024

Order on intensifying the protection, preservation, development and use of forests, forest land, resisting and deterring encroachment, destruction of forests, forest land and forest fires No. 11/PM, 21 July 2023

Law on Land No. 70/NA, 21 June 2019

Law on Forestry No. 08/NA, 13 June 2019

The Instruction on investment approval and land management mechanism for leasing or concession to cultivate crops No. 0457/MPI, 27 February 2019

Decree on Environmental Impact Assessment No. 21/GOL, 31 January 2019

Decision on enterprise registration No. 0023/MOIC.DORM, 9 January 2019

Law on Investment Promotion No. 14/NA, 17 November 2016

Decree on Compensation and Resettlement Management in Development Project No. 84/Gov, 5 April 2016

Ministerial Instruction on Environmental and Social Impact Assessment Process of the Investment Projects and Activities. No. 8030/MoNRE, 17 December 2013

Law on Environment Protection No. 041/NA, 18 December 2012

Appendix 1: Guiding Questions

This guiding question design serves the LURAS 2024 Responsible Relationship project, focusing primarily on pre-project interviews with various stakeholders. It is important to note that interviews with different stakeholders are conducted in a semi-structured manner. These questions provide a general framework and structure, but the actual interviews may not strictly follow the designed questions. The interviewer can add, delete, or combine various questions as needed during the interview.

The design of these guiding questions follows three principles:

1. **Principle 1:** Since the project is being carried out in Xieng Khouang, northern Laos, the guiding questions are designed based on the ASEAN Guidelines for Responsible Agricultural Investment (RAI), which are followed by Laos and other ASEAN member countries. Additionally, methods from relatively mature international responsible relationship projects are referenced.
2. **Principle 2:** Through prior exchanges with institutions involved in RAI in Laos, the design of these questions aims to learn from efforts made by other organizations and to draw on their successful experiences.
3. **Principle 3:** Following the principle that the guiding questions ultimately serve the project's objectives; the design will incorporate appropriate innovations based on the actual situation of the project location. The biggest innovation is that the study not only follow the existing RAI guidelines but also learn from all relevant RAI practices involving the three main parties in the actual business.

Under these guiding principles, this set of guiding questions involves focusing on the following three main processes:

1. First, the study learns from other stakeholders about their perspectives or definitions on RAI, specifically how different stakeholders understand RAI in their own terms.
2. Next, by asking specific questions, the study gathers information on the practices of other stakeholders within the existing RAI framework. This also indirectly communicates our understanding of the current RAI guidelines.
3. Finally, the study returns to learning from the other parties, gaining insights into their experiences and lessons learned in RAI-related practices, as well as their mechanisms for sharing these experiences and lessons.

Based on these processes, along with some basic information, specific questions are categorized into four major sections.

1. Basic Information

- a. Basic personal information of the interviewee.
- b. Types of agricultural investment and the role played in them.

2. Other Stakeholders' Definition or View of RAI

- c. For professionals such as international agencies and government officials: In your view, what kind of agricultural investment can be defined as RAI?
- d. For direct producers such as investors and local communities: In your opinion, what conditions are necessary for the investment to be sustainable or long-term, and beneficial to all parties?

3. Specific Questions to Understand the Practices Within the Existing RAI Framework

- e. What social, economic, and environmental impact does the current investment have on you and others in your area?
- f. What do you think the future trend of investment development will be?
- g. For international agencies: What aspects do you think need transparency in the investment process?
- h. For government agencies: What information-sharing mechanisms do you have during the investment process? What are the specific implementation methods? Does it include Free, Prior, and Informed Consent (FPIC)? Do you know any NGOs working on this?
- i. For investors: What aspects of the investment process are you reluctant to disclose to the government, villagers, or other investors?
- j. For local communities: What do you think has been concealed or what do you feel deceived about during the investment process?

4. Experiences, lessons and mechanism during the RAI-related practices

- k. What is the most important interest or concern for you in the investment process? (For local communities, this can include earning money, learning technology, etc.)
- l. What efforts have you made to safeguard your interests (including dealing with different stakeholders)?
- m. What is the biggest challenge in protecting your interests?
- n. Can you share some outcomes and lessons from these efforts?
- o. Do you have channels to share your experiences and methods with others?

Appendix 2: List of Stakeholder Interviews

Stakeholder type	Location	Position and organization
International Organization	Vientiane capital	Forrest Officer, FAO Lao PDR
Research Institution	Vientiane capital	Researchers, CDE Lao office
Government	Vientiane capital	DG, DAEC
Government	Phonsavan, XK	Acting Director, XK PAFO
Government	Phonsavan, XK	DDG, XK PICO
Foreign Investor	Phou Kout, XK	Technical manager of Mulberry Farm
Foreign Investor	Pek, XK	Legal representative of LP Tea
Government	Pek, XK	DG, Pek DAFO
Local Community	Pek, XK	Village Head, Ban O-an
Foreign Investor	Kham, XK	Legal representative of LT Arrowroot
Local Community	Phonsan, XK	Villager, Ban Phousan
Local Community	Phonsan, XK	Village Head, Ban Phousan
Foreign Investor	Khoune, XK	Manager of X coffee
Local Community	Khoune, XK	Local employee of X coffee
Local Community	Piang, XK	Coffee Group Leader of Ban Piang
Foreign Investor	Phaxay, XK	Owner of Orange Farm
Local Community	Phaxay, XK	Deputy, Ban Horsim-Thamphouk
Individual	Vientiane capital	Independent Consultant
International Organization	Vientiane capital	Team Leader, GIZ Lao office
International Organization	Vientiane capital	Team Leader, MRLG
NGO	Vientiane capital	Team Leader, LFP
Foreign Investor	Vientiane capital	Acting Director, GXCC
Foreign Investor	Vang Vieng	Legal representative of Y Veg.
Foreign Investor	Houn, ODX	Legal representative of J Rubber
Foreign Investor	Houn, ODX	Manager of J Rubber
Local Community	Houn, ODX	Village Head, Ban Namyon
Foreign Investor	Houn, ODX	Legal representative of W Green Soybean
Local Community	Houn, ODX	Village Head, Ban Chantai
Local Community	Houn, ODX	Deputy, Ban Chantai
Local Community	Houn, ODX	Villagers, Ban Chantai
Foreign Investor	Houn, ODX	Manager of LC NTFPs
Local Community	Beng, ODX	Village head of Ban Phoukham
Local Community	Beng, ODX	Villagers, Ban Phoukham
Local Community	Beng, ODX	Villagers, Ban Pang Deau
Foreign Investor	Beng, ODX	Legal representative of H Watermelon
Government	Xay, ODX	DG, ODX PAFO
Government	Xay, ODX	DDG, ODX PICO
Government	Xay, ODX	Directors of Sections in ODX PICO
Local Community	Xay, ODX	Unit Head, Ban Hom Xay

Local Businessman	Xay, ODX	Legal representative of X Rubber
Local Community	Xay, ODX	Villager Head, Ban Lak 4