Investing in rural people in the Lao People’s Democratic Republic

In recent decades, the Lao People’s Democratic Republic has experienced rapid economic growth and poverty reduction. Although the national poverty rate declined steadily, an estimated 23 per cent of the population still live below the poverty line.

More than three quarters of the Lao people live in rural areas and depend on agriculture and natural resources for survival. Poverty and malnutrition are more prevalent in rural areas and among ethnic minority groups, who are concentrated in remote and mountainous areas adjacent to the north-eastern and eastern borders with Viet Nam. More than 80 per cent of the population depend on agriculture for their livelihoods, while more than half of households are subsistence farmers with annual incomes below US$300. Farmers struggle to meet their household food requirements. The country’s smallholder farmers face a range of constraints to engaging in market-oriented production, including poor infrastructure and limited access to technical support and financing. Most use traditional farming methods and lack knowledge of new technologies and skills to improve yields. Productivity is also affected by declining soil fertility and lack of access to irrigation.
The geography of the Lao People’s Democratic Republic lends itself to the development of high-value products and raw materials that can be sold for a profit in neighbouring countries. The country sees itself as a “land bridge”, providing the most direct overland transport routes between its seaboard neighbours. But playing this role requires improving and developing infrastructure to facilitate connections between rural areas and urban markets.

**Eradicating rural poverty in the Lao People’s Democratic Republic**

Rural development remains central to the Lao government’s development and poverty eradication efforts. The country’s new rural strategy, for the period through 2020, includes a strong focus on modernizing agricultural production and creating value-added food and agricultural products. The strategy aims to reduce rural poverty, maintain food security and apply science-based management to natural resources. Development of the agricultural and natural resources sector is aligned with the National Socio-Economic Development Plan and the Sustainable Development Goals, in addition to regional programmes, especially those of the Greater Mekong sub-region and the Economic Community of the Association of Southeast Asian Nations.

**IFAD’s strategy in the Lao People’s Democratic Republic**

IFAD began operations in the Lao People’s Democratic Republic in 1978. Our strategy is to ensure that poor rural people have more opportunities for sustainable food and nutrition security and improved livelihoods. Together with government agencies and development partners, IFAD has identified areas where it has a comparative advantage and complements other donors’ activities.

The IFAD results-based country strategic opportunities programme for the period 2018-2024 aims to support smallholders’ increased livelihoods, resilience to natural shocks and overall food security and nutrition. IFAD-supported investments will improve smallholders’ access to financial services and markets, climate-smart agricultural technologies and better nutrition.

To date, 15 projects have been conducted in the country, at a total cost of US$374 million, with IFAD financing amounting to US$148 million. An estimated 329,775 households have benefited directly.

**Ongoing operations**
Southern Laos Food and Nutrition Security and Market Linkages Programme

This programme operates in five districts across three southern provinces: Phouvong and Xansay in Attapeu Province, Dakcheung in Xekong Province, and Ta Oy and Samuay in Salavan Province. These are among the poorest districts in the country. People living here face particular constraints because of their remote location and isolation, and the households of ethnic groups – who make up most of the population – are among the most food-insecure.

The programme’s goal is to contribute to reducing extreme poverty and hunger, and focuses on:

• Food and nutrition security and pro-poor market access.
• Rural financial inclusion.
• Institutional support.
• Enabling environment for climate change adaptation; and
• Community-based adaptation investment plans.

The main target group is poor farmers in 175 upland villages identified as having improved agricultural production and market potential. The secondary target group is made up of private buyers of the target products who will receive incentives to enter into a business partnership agreement with smallholder farmers from the target group. Women are included in the main target group to ensure they have equal or priority access to programme services and benefits. The total cost of the project is US$18.85 million. It aims to reach 12,000 households over the period 2013-2019.

Northern Smallholder Livestock Commercialization Project: Rural Financial Services Programme

The government aims to increase the country’s livestock production dramatically by 2020, in response to rising demand for meat domestically and from neighbouring countries. This programme is scaling up commercially oriented livestock practices so that smallholder farmers can compete more effectively in regional markets and in import substitution. It aims to improve smallholders’ access to rural financial services and strengthen farmers’ groups. The Asian Development Bank is investing in critical infrastructure and technical support.

Focusing on 12 high-poverty districts, the programme establishes smallholder livestock production and marketing groups; village-based saving and credit schemes provide members with access to livestock production technology and sustainable and scalable rural financial services. Additionally, technical and financial support are tailored so that poor and marginalized villagers can take advantage of village funds and improved capacities, systems and technologies adopted within their communities, village clusters and districts. The programme also strengthens support for women and ethnic groups through intensive training.

The programme, which runs from 2017 through 2022, aims to reach 20,000 poor smallholder farming households in 200 villages. It will cost US$40.66 million, of which IFAD is providing a US$10 million loan.
Strategic Support for Food Security and Nutrition Project

In the Lao People’s Democratic Republic, undernutrition and food insecurity remain stubbornly high, with stunting levels in some provinces as high as 61 per cent for children under five years of age. Improving women’s nutrition is critical to breaking the intergenerational cycle.

Communities most prone to undernutrition live in upland areas where the dominant household economic activities – agriculture and non-timber forest product extraction – are increasingly constrained by unsustainable farming practices and natural resource use, large-scale land concessions and limited adaptation to climate change.

The project, also known as Agriculture for Nutrition, addresses food and nutrition security needs and includes investment in nutrient-sensitive, climate-adapted agricultural development.

Quality of life and health are expected to improve as agricultural production is increased and overall household nutrition and food security improve for 34,000 poor rural households in 400 villages of the four northern provinces of Oudomxai, Xiengkhuang, Huaphanh and Phongsaly.

The project focuses on strengthening public services; establishing community-driven, agriculture-based nutrition interventions; and creating sustainable and inclusive market-driven partnerships.

Project activities include:

- Empowering women to improve family diets, especially during the first 1,000 days of an infant’s life.
- Developing farmers’ organizations and linking small-scale farmers to markets.
- Supporting farmers to develop personalized solutions to profitable agricultural production, which may include working directly with other farmers or private enterprises.

The project is funded by a grant from the Global Agriculture and Food Security Program (GAFSP), with a total project cost of US$38.8 million. It runs from 2016 through 2021.

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IFAD invests in rural people, empowering them to reduce poverty, increase food security, improve nutrition and strengthen resilience. Since 1978, we have provided US$20.9 billion in grants and low-interest loans to projects that have reached about 483 million people. IFAD is an international financial institution and a United Nations specialized agency based in Rome – the United Nations’ food and agriculture hub.