



The Coffee Sector in Lao PDR – Background Information

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List of Abbreviations

ADB	Asian Development Bank
ASEAN	Association of South-East Asian Nations
BRI	Belt-and-Road Initiative
CHF	Swiss Franc(s)
FDFA	Federal Department of Foreign Affairs
GDP	Gross Domestic Product
GNI	Gross National Income
ICO	International Coffee Organization
INGO	International Non-Governmental Organization
LAK	Lao Kip(s)
Lao PDR	Lao People's Democratic Republic
LDC	Least Developed Country
LPRP	Lao People's Revolutionary Party
NEM	New Economic Mechanism
NGO	Non-Governmental Organization
PRC	People's Republic of China
SD	Sustainable Development
SDC	Swiss Agency for Development and Cooperation
SDG	Sustainable Development Goals
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNESCO	United Nations Educational, Scientific and Cultural Organization
USD	United States Dollar(s)
WTO	World Trade Organization

*The exchange rate between the Lao Kip and Swiss Francs are all based on the value of 16.03.22, and sits at 1 CHF = 12,152.6 LAK
(c.f. <https://www.xe.com/currencycharts/?from=CHF&to=LAK>)*

Coffee in Lao PDR - An Overview

The Lao People's Democratic Republic

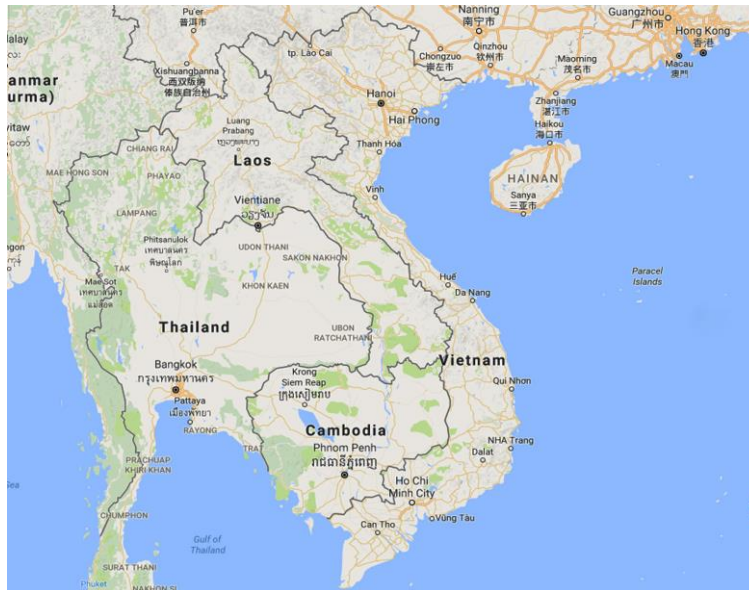


Figure 1: Map of Lao PDR, Source: Google Maps.

In May 1954, representatives of Cambodia, the Democratic Republic of Vietnam, France, Laos, the People's Republic of China (PRC), the State of Vietnam, the Union of Soviet Socialist Republics (USSR), the United Kingdom (UK), and the United States of America (USA) convened in Geneva for the “Conference on the Problem of Restoring Peace in Indo-China [sic]”. Out of these discussions came guidelines for a ceasefire in the region and the departure of foreign military forces from there, effectively putting an end to 60 years of French colonial rule over Cambodia, Vietnam, and Laos. Despite good intentions, the decades to follow would be marked by corruption, violence, and foreign interference, eventually culminating in a civil war, as Laos was torn apart by the ferocious currents of Cold War geopolitics. Concealed from the public for many years, the Pentagon Papers, a collection of confidential CIA files leaked in 1971, revealed the extent of USA intervention in Laos. For a decade, the US Air Force systematically bombed the positions of communist faction Pathet Lao, as well as supply routes to South Vietnam known as the Hồ Chí Minh Trail (c.f. Haney 1972). These bombings had a devastating effect on the population, killing 350'000 people, more than a tenth of the population (Saxon 1975). In 1975, the conflict ended with the victory of the Pathet Lao, which inherited a country ravaged by war and declared the Lao People's Democratic Republic (Lao PDR), but the plight of the Lao people was far from over. Indeed, it is estimated that 30% of the bombs did not explode on impact, resulting in 30% of the country's land contaminated with unexploded ordnances (UXO), according to USA-based NGO Legacies of War¹. Since the end of the conflict, these have been responsible for more than 25,000 civilian deaths. It took decades of activism for US authorities to recognize their deeds, with the 2019 UXO Removal Act, which states that “[f]rom 1964-1973 the United States dropped more than 2,000,000 tons of bombs on Laos.” It made Laos, “per person, the most heavily bombed country in history”, according to US President Barack Obama in an official visit to Vientiane in 2016.

In the Mid-1980s, Lao PDR launched a new policy framework, the New Economic Mechanism (NEM), characterized by trade liberalization and market-oriented solutions. Reforms included wider economic

¹ <http://legaciesofwar.org/about-laos/leftover-unexploded-ordnances-uxo/> accessed 12.01.22

cooperation with foreign countries and transnational institutions such as the World Trade Organization (WTO). To date, Lao PDR has a one-party system with Pathet Lao's political party, the Lao People's Revolutionary Party (LPRP) steering the country towards what could be called a compromise between capitalism and socialism.

Based on the three criteria (1) human assets, (2) economic vulnerability and (3) gross national income per capita, Lao PDR is classified as Least Developed Country (LDC) by the UN. However, in 2018, the country met the *graduation eligibility criteria* for the first time, leading the United Nations Conference on Trade and Development (UNCTAD) to recommend graduation to a higher level than LDC. Due to the Covid-19 pandemic, the transition period has been extended. Once re-classified, graduation might have a significant impact on the countries' exports of labour-intensive manufacturing, since leaving the LDC category will mean that the country no longer benefits from LDC-specific special and differential treatment, such as preferential access to markets. (UN DESA 2018; Tavares 2021).

The development of the Lao coffee sector

Coffee with its many varieties (e.g. Arabica, Robusta, and Excelsa) was first introduced to Laos by French colonists almost a century ago (1920). The introduction of the New Economic Mechanism (NEM) in 1986 has propelled the growth of coffee production and export and has fuelled a transformation of the agricultural sector in Southern Laos. In the course of this transformation, coffee has become one of Laos's most important agricultural export commodities and contributes significantly to the value-added of the overall agriculture sector (Rigg 2005; MPI 2016). The export-led growth of coffee has changed local farmers' livelihoods and income sources. The coffee sector is expected to contribute to regional development through two mechanisms. First, by generating income and employment, coffee can be a catalyst for economic development. Secondly, coffee exports increase tax revenues, which allow for public investment, and foreign currency reserves, which are vital to financial stability and exchange rate management (Phommavong 2015).

Making a living from coffee - involved actors

Different actors are part of the globalized Lao coffee value chain:

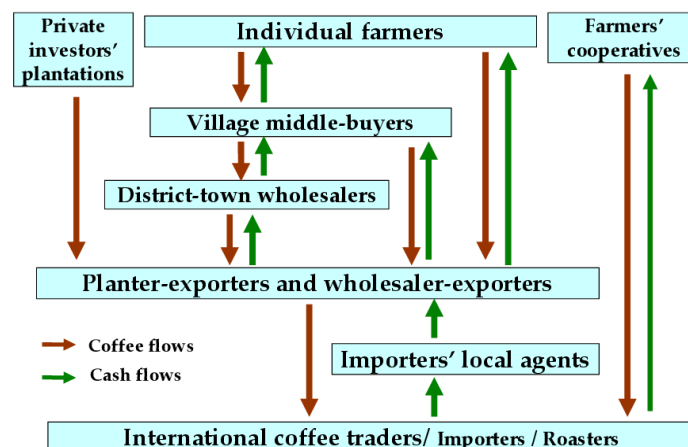


Figure 2: Coffee value chain and their stakeholders.
Source: Galindo and Sallée 2008

A closer look at the production level reveals that coffee producers can be further distinguished into different groups:

1. **Individual farmers** are the primary coffee producers. However, they rely on professional traders, namely village buyers, district wholesalers, and companies, to reach global markets.
2. **(Migrant) wage workers** work for other farmers or on larger coffee plantations. During harvesting season, the peak of labour demand, migrant workers play an important role in addition to local villagers. They mainly come from the neighbouring provinces to Bolaven Plateau to work there in the coffee sector.
3. **Farmers' groups (also known as cooperatives)** supply coffee to the domestic market and export coffee directly to niche markets or fair trade. They will be presented in more detail below.
4. **Private investors** produce coffee on larger plantations. They are mostly foreign companies and only a local private company.

Many local coffee producers combine diverse livelihood strategies. For example, they produce some coffee on their small piece of land and work in the peak time of harvesting for larger farmers or companies, while also keeping some livestock and vegetables for subsistence. Depending on how these coffee producers take part in coffee production, they face different advantages and challenges.

Beyond directly involved actors, there are actors who support and/or regulate the sector, such as **governmental authorities** on different levels and **international development agencies** and NGOs.

Main activities of coffee production



Figure 3: Coffee plantation in Laos, Photo by Stephanie Jaquet.

The Coffee plant is the central element to the whole sector and its stakeholders and takes much effort to treat. In order to gain high quantity and quality products, different factors in all stages must be kept in mind.

The most important coffee production stages are:

1. **Planting:** Preparing the soil and plant the seedlings
2. **Nursery:** Weeding and fertilizing the plants, and pruning the bushes after harvesting Nurse seedlings
3. **Harvesting**
4. **Processing** the coffee after the harvest (mainly peeling and washing). Different methods exist for these processes.
5. **Roasting** the washed coffee

Processing of coffee

In Laos, two main varieties of coffee are grown: *Robusta* and *Arabica*. Depending on the variety, the required inputs in labour, fertilizer and pesticides, the harvesting time, the processing method, and the quality (and thus the price) differ. The *Arabica* variety is of higher quality and, accordingly also achieves a higher price than the *Robusta* variety. However, it is also more complicated to produce and process and needs more inputs in labour and fertilizer. The value chain process requires a pulping machine, a milling machine, and a roasting machine. *Robusta* coffee is processed with the *dry method*, which is not a very complicated procedure. The coffee variety needs simply a milling machine to proceed the green beans as well as a roasting machine to refine the final product. In contrast, *Arabica* coffee is processed with the *wet method*, which consists of more steps than *Robusta* coffee. For the wet processing in particular, it needs a pulping machine that is used to peel the skin of the red coffee cherries while the milling machine proceeds for green beans.

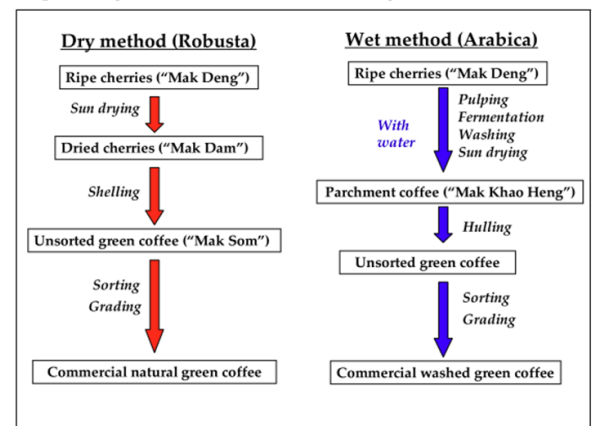


Figure 4: Different stages of each processing method.
Source: Galindo and Sallée 2008.



Figure 8: Sun drying of Robusta coffee.
Source: Galindo and Sallée 2008



Figure 7: Pulping Arabica Coffee. Source: Galindo and Sallée 2008



Figure 9: Arabica Coffee Fermentation: Fieldwork on 22 November 2016.
Photo by Maliphone Douangphachah



Figure 6: Washing Fermented Arabica Coffee. Source: Fieldwork on 21 December 2020, Photo by Maliphone Douangphachah



Figure 5: Sun Drying of washed Arabica Coffee. Source Fieldwork on 21 December 2020, Photo by Maliphone Douangphachah

Sustainable Development

Globally, production and consumption patterns endanger human well-being and prosperity as well as nature and climate. To embed and understand the coffee sector in Laos in the context of (un)sustainable dynamics and (potential) transformations towards more sustainability, some preliminary remarks follow on Sustainable Development (SD). There exist different concepts and definitions of SD, each with their own advantages and limitations. In 1987, the United Nations have defined SD in the Brundtland report as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” (United Nations 1987). In 2015, the United Nations have adopted the Agenda 2030, which identifies 17 Sustainable Development Goals (SDGs) (United Nations 2015).



Figure 10: Sustainable Development Goals. Source: UNESCO 2015

The different goals highlight that SD is a multi-dimensional process that is interwoven in complex system dynamics (Leach et al. 2018; Pham-Truffert et al. 2020). SD can be contradictory and, thus, conflictual; it is context sensitive and is characterized by power relations. In that sense, SD inherently includes negotiations and conflict of interests. While it can generate opportunities for one sector or one group of stakeholders, it can also bear risks for another. Therefore, it makes sense to understand SD as producing trade-offs and co-benefits as well as creating winners and losers.

Areas of Impact

The following part addresses different dimensions of the Lao coffee value chain. It is divided into five sections: (1) Economy of the Lao coffee sector, (2) Environment – Social-ecological interactions, (3) Livelihood situation of local coffee producers, (4) Governance and (5) Interconnectedness with global community. The sections will shed light on different aspects and features of the topic and will help to analyse the circumstances of the Lao PDR coffee sector. Needless to say, these sections overlap, and some issues can and do touch on all dimensions at the same time, which reflects how complex and all-encompassing a topic such as a global agricultural commodity value chain can be.

The economy of the Lao coffee sector

Lao PDR Economy

Lao PDR has a Gross National Income (GNI) of US\$ 2'480, as of 2020, which ranks it amongst the lower middle-income countries, according to the World Bank (2021). As a comparison, Switzerland, a high-income country has a GNI per capita of US\$ 84'310, The Lao economy is one of the fastest growing in East Asia. A booming industrial sector, electricity production and water supply and management are major drivers of this steady growth (Bank of Laos 2021). Although estimates diverge, it seems safe to say that the agriculture sector offers the

most employment, with figures ranging between 73% (Central Intelligence Agency 2021) and 31% (Ministry of Planning and Investment 2017) of total employment. The wide gap between these estimates probably owes to the informal nature of most of this work. In terms of GDP however, the agricultural sector only accounts for 16.5% of the total, with industry and services accounting for 33.3% and 39.6% respectively (Bank of Laos 2021). Nevertheless, agricultural products are important for Lao PDR's trade balance. After electricity and mineral resources, they rank third in the most important exports, in terms of commercial value. When it comes to trading partners, 64.81% of exports go to fellow ASEAN countries, most notably to Thailand and Vietnam. Outside of ASEAN, the most important importer of Lao goods is the PRC, with 23.9% of the total. These three countries also happen to be Laos's main import sources, Thailand being in the lead with almost half of all imports (49.66%, for all of these figures and more regarding trade accounts c.f. Lao Statistics Bureau 2021, pp. 149-154).

LAO PDR GDP (2020)

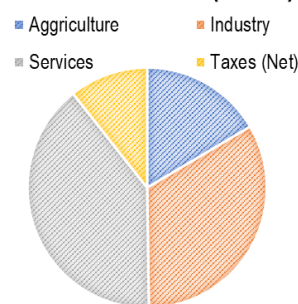


Figure 11: Decomposition of Lao GDP in main sectors. Source: Bank of Laos 2001

Coffee Production

In the context of the introduction of the New Economic Mechanism (NEM) policy programme in 1986, the new variety of *Arabica* coffee was introduced and distributed in the Bolaven Plateau region at the end of the 1990. Since the early 2000s, many local farmers have shifted to the new variety of coffee and have given up rice production, as the new *Arabica* coffee variety has been very labour intensive. In the course of these developments, the total harvested area for coffee increased from 50'600 hectares in 2010 to 93'300 hectares in 2017, while the total production has tripled from 46'300 tons to 150'800 tons (Lao Statistics Bureau 2018; 2011).

In coffee production, different patterns of labour exist (Seneduangdeth et al. 2018): self-employment, seasonal employment, daily paid employment, monthly paid employment, payment as aggregate for the

work performed (that is the worker is remunerated according to the weight of picked coffee cherries), contracting employment and permanent employment. In addition to self-employment in coffee farming, that is farmers who produce their own coffee, coffee production creates employment opportunities for local people and migrants from neighbouring provinces. Large coffee farmers and companies hire people for harvesting, weeding, and fertilizing tasks in the coffee gardens and plantations. While these jobs create an important source of income, working conditions vary greatly.

Global coffee market dynamics

Lao coffee traders sell their coffee on international markets, where its price is denominated in US Dollars (USD). Since they are only a minor actor on the world stage, Lao producers have little negotiation power. Historically, coffee price volatility has always been part of the game, for example because of weather shocks. Since the beginning of the 21st century, however, a few changes in the structure of the global coffee market have occurred. The quality and the quantity of coffee (particularly from Brazil and Vietnam, which are two of the biggest coffee exporters) increased, leading to a market oversupply, which in turn resulted in a decline of the global coffee prices. A consequence of the decline in coffee prices has been a smaller share of the final retail price that is received by producing countries. This has been caused by two factors: First, the coffee roasting and retail industries have made profits by developing new products and by taking advantage of various value-adding activities, such as marketing, branding, differentiation, and flavouring. Second, the non-coffee components included in the retail price of coffee, such as wages, packaging, and marketing, have grown and now represent a much more significant share of the total retail price than the actual coffee itself. Interestingly, a number of countries that import coffee earn billions of dollars annually in taxes from it. In some of these countries, these taxes alone are approximately equivalent to the coffee revenue earned by the producing countries.

Environment – Social-ecological interactions

Land – a resource in demand

Land in Laos belongs to all Lao people as national heritage, according to the state (Law on Land Lao PDR, 2018). However, land is under pressure: it is a highly demanded resource on which various domestic and international stakeholders have their eyes. In this context, land acquisition deals through which land-use rights are transferred to domestic or foreign investors have become an important issue (Nanthavong et al. 2021). Over the last two decades, the Government of Lao PDR has strongly promoted such land deals and issued many concessions. The primary goals have been to attract investors and generate economic value from “turning land into capital” (Kenney-Lazar, Dwyer, and Hett 2018). Proponents of the policy have expected the deals to stimulate job creation and to establish new markets and infrastructure that will result in increased revenues for the state (Nanthavong et al. 2021; Hett et al. 2020). However, more recently, the awareness of negative consequences has increased, and the government has started to regulate and limit at least certain types of land deals (Nanthavong et al. 2021; Hett et al. 2020). The impacts of these land deals are controversial: On the one hand, they create new employment opportunities and therefore provide a source of income for the villagers. On the other hand, the working conditions of these oftentimes seasonal and temporal employments are poor and conflicts due to delayed payments and violations of payment agreements are not unusual (Hett et al. 2020). Furthermore, the income from these salaried engagements is not enough, especially when other sources of income, such as firewood and subsistence farming become unavailable, as a consequence of unsustainable handling of privatized land. This is an issue, because large land acquisitions often entail intense land use management practices, which in turn

lead to environmental pollution from agrochemicals such as fertilizers, pesticides or herbicides. Additionally, they create a negative impact on the already decreased water levels and quality in rivers and streams (Nanhthavong et al. 2021). One of the most severe adverse impacts of these deals, however, is conflicts about land. Land deals often take place in areas where local land users do not have formal land titles but use the land based on local customs. In the worst cases, land deals then lead to displacement and dispossession of local villagers. Needless to say, this has severe impacts on villagers' wellbeing as their livelihoods rely largely on land and natural resources (Nanhthavong et al. 2021).

Tourism

Tourism in Laos has been steadily rising over the past decades, until the global shock of the Covid-19 Pandemic. The biggest market by far is Southeast Asia, from which 67% of tourists come. Even still, Lao PDR earns the highest amount in the tourism sector with visitors from the People's Republic of China (PRC). This is not only based on the sheer number of people coming over, but also on infrastructure projects by the PRC in the context of the Belt-and-Road-Initiative, connecting the two countries with a more-than-400km-long train track. The number of tourists and their *per capita* expenditures are highly dependent on the monsoon weather, when tourists tend to stay away. This is where the coffee sector comes in again: some established coffee brands are marketed locally, hoping that the booming tourism can boost their sales. Certain players, such as the Asian Development Bank (ADB), have argued for the advantages of a transition into more environmentally friendly forms of tourism like agrotourism, with the argument of such a shift leading to an increase in the livelihood outcomes of involved actors (Anderson et al. 2021).

Organic Certificate

Since the 1990's, when international NGOs such as Helvetas started pushing the issue, organic coffee production has gone from strength to strength. In 2005, the Department of Agriculture created the Lao Organic Standard, which sets out the guidelines to receive certification. They cover issues including organic production, land preservation, evaluation, inspection, management, transportation, and labelling requirements. While the extra effort required from producers to comply with the certification guidelines leads to higher costs, certified coffee bags command a premium on international markets, making it a financially viable option. However, for producers there are many barriers to entry. Recently, UNCTAD(2020) conducted a survey asking Lao coffee producers about barriers both in taking the decision to apply for the label and in the implementation. Results are shown in figures 13 and 14.



Figure 12: Laos organic label logo



Figure 13: Barriers in Attitude and Decision-Making, Source: UNCTAD 2020

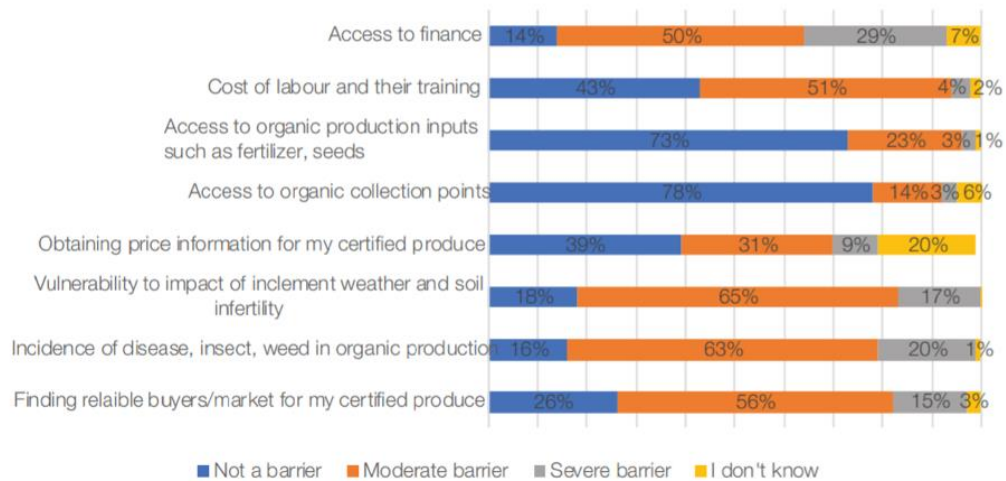


Figure 14: Barriers in the Implementation Stage, Source: UNCTAD 2020

Livelihood situation of local coffee producers

Wage situation

The minimum wage in the Lao PDR stands at LAK 1.1 million per month (Falak 2021). The wage earned for Coffee production in Lao farms is modest, with an average salary of LAK 50'000 /day or LAK 1000/kilogram of coffee harvested, amounting to CHF 4.11 and CHF 0.08 respectively. If we wish to make meaningful comparisons, in terms of purchasing power, however, we must factor in the differences in price levels. According to the World Bank (2020, table 2.1), prices in Switzerland outweigh those in Laos by a factor of 3.589². Therefore, for a day's work, a Lao coffee worker's pay equates on average a purchasing power equivalent to that of 14.75 CHF in Switzerland. Assuming 20 working days in a month, that makes CHF 295 over the same period. This indicative number does of course not apply to all wage workers similarly. The situation for temporary and seasonal workers is oftentimes worse, with employers frequently offering them no more than room and board.

Gender relations in coffee production

Women are an integral part of the agriculture sector in Lao PDR, comprising over 50 percent of the agricultural workforce and contributing significantly to all parts of agricultural production. Despite women's heavy involvement in agricultural work, however, women face significant and persistent barriers to participating fully in the rural sector (FAO 2018). In general, Lao women struggle with lower literacy and education levels than their male counterparts. They face constraints in their mobility as well as difficulties in accessing relevant information for their agricultural activities, agricultural inputs, and financial resources, such as loans. Further, Lao women usually bear the double burden of work on the farms and reproductive work on daily activities. In addition to farming activities the society still assigns work in the reproductive domain such as care and domestic work to women's area of responsibility. Regarding the division of labour and decision-making, women's high levels of participation in the productive and reproductive domains have not led to women's empowerment. The double work burden reinforces unequal gender relations and is an obstacle for women's empowerment as it imposes serious restrictions on women's time and their capabilities to organize their lives and to be active outside the home. While women have a higher decision-making level on daily expenses for household and family, in the farm domain, it is mostly men who decide on agricultural inputs, crop growing, and financial money lending. (Douangphachanh et al. 2021)

Cooperatives

Coffee Cooperatives in the South of Laos are officially certified organic associations, encompassing associations such as the Bolaven Plateau Coffee Producer Cooperative, Jingjhai Coffee cooperative, and Jhai coffee cooperative. Marketing and exporting organic coffee, these cooperatives relate local farmers on the village level with the global market. To access the global markets, cooperatives often collaborate with international NGOs (INGOs). The cooperatives are constituted by their farmer members whom they represent not only in international market channels but also at the government level within coordinative bodies of the Lao coffee sector. The cooperatives provide their members a guaranteed purchase price that results from average world market prices, including the price fluctuation. They pay the farmers once or twice a year. To promote organic production, the cooperatives have high and strict standards that farmers must

² $179.8/50.1 = 3.58882236$

produce free from chemicals and synthetic fertilizer, herbicides, and pesticides. Regularly, the cooperatives check that their members comply with the requirements.

Cooperative members appreciate the stable prices and the solidarity and coordination amongst the villagers that the cooperative model fosters. However, being a member is time consuming as the members need to invest extra work to keep the organizations running. Furthermore, though the payment mechanisms ensure stability, they have some challenging consequences: Firstly, it may happen that the coffee fetches a higher price on the world market than the price offered by the cooperative. Secondly, receiving payment only one or two times per year can be difficult. Therefore, some farmers choose to sell their coffee to middlemen instead of to the cooperative, even if the cooperative offers a higher price, because they need to receive the money immediately (Minoo 2017).

Social and financial security: Micro Financing

Smallholder coffee farmers, self-producing and/or employed on larger coffee farms, must make a living based on low, irregular, and unpredictable incomes from multiple sources of occupation. In this context, money management and financial transactions are essential: These transactions are needed for the management of daily cash flows, for dealing with risks, such as accidents, and for saving up in order to mobilize larger amounts of money if needed, for example for investments in agricultural machines. In this context, microfinance institutions provide important services (Collins et al. 2009).

The development of microfinance in Laos started in the 1990s with multilateral and bilateral development agencies supporting the establishment of village-based credit schemes and revolving funds. Four types of institutions are instrumental in that process: the central bank as regulatory authority with overall responsibility for the development of microfinance; the state commercial banks as retailers and wholesalers of microfinance; the Lao Women's Union in cooperation with international NGOs and donors and informal savings and credit groups (Seibel and Kunkel 1999).

Recently, there has been a boom in microfinance institutions (MFIs) (LMFA n.d.). For example, GIZ's project 'Microfinance in Rural Areas – Access to Finance for the Poor V' has achieved that women and men in rural areas have increasingly benefited from financial services through more stable institutions, better financial education, and an improved legal framework. By January 2019, the 670 village banks have reached more than 153,000 members, including 79,000 women.

Governance

Institutions of the Lao government

In the first 15 years after its establishment, the Lao PDR suffered from a lack of central government capacity. The country was ruled without constitution or legal system. The NEM, introduced in 1986, gave impetus to a reform movement, which culminated in the promulgation of a constitution in 1991. The constitution defined the institutions of the Republic including a legislature, as well as executive and legislative bodies. The National Assembly (NA) represents the legislative power. The executive power lies in the hands of the Government, which is headed by the Prime Minister, leading the Council of Ministers. The judiciary power is held by a court system, thanks to which the Government seeks to transform the Lao PDR into a "Rule of Law State".

Social security system

The system is led by the Ministry of Labour and Social Welfare. It guarantees that the insured person and family members receive financial resources to cover basic needs when it comes to health care, employment injury, occupational diseases, maternity leave and other similar ailments. The target groups of social security benefits are civil servants, military, and police officers and employees working in the labour unions. Limited services are available for voluntary insured persons, who have to cover the expenses with their wages.

Farmers and wage-workers can be voluntary insured persons who benefit from the social security system; however, they must contribute 9% of their monthly salary, which is between LAK 1,100,000 (minimum salary) and LAK 2,700,000, to the social security fund for at least three months. That means they must pay at least LAK 99,000 per month to the social security fund. Once they paid their contribution to the social security fund, their family members could benefit from social security, especially health care. At the moment, there are no policies that oblige employers, especially coffee plantation companies, to provide their short-term, temporarily employed migrant workers with insurance for accidents during work or work-related traveling.

Governance Challenges

Laos has solid governmental regulations, but there are challenges in terms of their effective implementation. There is little cooperation between concerned divisions or sectors at central and local levels, particularly in arriving at unified policy support along with budgetary and human resource allocations in the coffee sector. This remains a major disincentive to investment. The result of low or non-existent investment and low resources for the execution of governance functions in general leads to a low rate of policy implementation (Lao Coffee Board 2014).

Investment in the coffee sector has been accompanied by the promotion of Government policies geared to attract both domestic and international capital to the sector. In order to develop and improve the strength of producer groups, there is need for more practical support, personal skills training such as negotiating, and available expertise to improve productivity and to enable producer to be more organized, so that they benefit from consolidated production and access to credit (Lao Coffee Board 2014).

Corruption constitutes a major roadblock for good governance and law enforcement and has crucial social drawbacks. The Lao government has prioritized this issue in its five-year national plan by setting regulations, laws and Party Government's policies promoting anti-corruption. In the plan, the government strives for increasing the effectiveness of public administration through the rule of law and the prevention of corruption. To close the implementation gap, the government seeks to monitor and evaluate the implementation of laws in each period, such as the anti-corruption law. However, the government still faces many challenges to achieve the goal (Ministry of Planning and Investment 2016).

When it comes to the coffee sector, another important challenge that governing institutions face is tax-evasion through mispricing of coffee exports. A research team has recently found a sizable undervaluation of coffee beans exports, equivalent to 260 million US\$ or 77.1% of total coffee exports during the period 2012-2017 (Mehrotra, Nolintha, and Sayavong 2020). The foregone tax returns resulting from these manipulations is a serious threat to the Lao PDR's development model.

Road and Transportation infrastructure



Figure 15: Process of Road building, Photo by Eva Ming

Although Laos is experiencing a huge economic boom, it still struggles with poor road and transportation infrastructure, leaving some rural areas hardly accessible. These large differences in quantity and quality of road and transportation infrastructure have major consequences for market access and prices. For example, there is a 50% difference in the average price per beer bottle between the provincial capitals of Xayabury and Luangaphrabang, which are located only 111 km apart: this large price gap probably reflects high transaction costs due to difficult transport conditions. It is necessary to account for differences in transport costs emanating from uneven road quality, as well as differences related to the degree of competition (or the number of traders) in each location. Looking first at the pattern at the national level, the results are as expected, with the lowest prices in urban villages and the highest prices in rural villages without road access (Andersson et al. 2007).

In recent years, the development of road and transportation infrastructure has picked up speed. Laos has become a part of China's Belt and Road Initiative (BRI). The Lao-China Railway built under the umbrella of this initiative will connect Lao PDR (and later Thailand, Malaysia, and Singapore) to the vast BRI network. Designed as a high-speed railway, the 414-km section connecting the capital city of Vientiane and Boten (at the northern border with China) could provide Lao PDR with a land link to global and regional supply chains, which could make the country more attractive to investors, create new jobs, and accelerate economic growth and increase aggregate income. If Laos implements complementary logistics and trade facilitation reforms, the railway could attract traffic that is currently using maritime and air transport routes and significantly reduce land transport prices by 40-50 percent between Vientiane and Kunming, China and by 32 percent between Kunming and the Port of Laem Chabang in Thailand, thus transforming Lao PDR from a Land-locked to a Land-linked Economy (World Bank 2020a).

Interconnectedness with global community

International organizations

Lao PDR is a member of the ASEAN economic union, which comprises 9 other Southeast Asian nations: Myanmar, Thailand, Cambodia, Vietnam, Malaysia, Singapore, Indonesia, Brunei, and the Philippines. The ASEAN promotes cooperation between its members, as well as economic development and social

progress. Further, Lao PDR is part of the WTO, numerous UN agencies and the International Monetary Fund (IMF) and the World Bank.

Development cooperation

Development cooperation forms an integral part of foreign policy, since at least the end of World War II and the Marshall Plan. In the case of Switzerland, the Swiss Agency for Development and Cooperation (SDC), under supervision of the Federal Department of Foreign Affairs (FDFA) is the main office in charge of this aspect of diplomacy. It will be allocated 84.1% of the total funding for international cooperation over 2021-24 and it is responsible for coordinating the Confederation's efforts regarding development cooperation and humanitarian aid. In Switzerland's International Cooperation Strategy 2021-24, three objectives are given top priority in Central, South and Southeast Asia: climate change mitigation and adaptation, good governance promotion, and economic development (FDFA 2020).

Lao Coffee Board

Locally, the Lao Coffee Board (LCB) coordinates the development of the coffee sector. In its 2025 Strategy (2014), it spells out its vision: "An expanding coffee sector, oriented toward quality and respect for the environment, providing sustainable and decent incomes for smallholder producers, as well as viable business conditions for private sector partners" (p. 11). However, they identify serious challenges for achieving these goals: a lack of investment in research and development, as well as technical promotion, outdated storage methods and the absence of producer groups in decision-making regarding value-chain development programmes (pp.7-8).

Foreign NGOs

Historically, Lao civil society has been subject to substantial restrictions. Until recently it mainly took the form of mass organizations, which the ABD (2011) describes as "quasi-governmental party organizations" (p.2). The right of association has only been guaranteed since 1991. In 2009 and 2010, ministerial decrees enshrined the rights and obligations of civil society and INGOs, respectively. As a result, INGO involvement has considerably increased over the last decade (ABD 2011).

Epilogue

This short introduction intends to give readers an entry point into the vast web of actors, challenges, perspectives, and interests to which the Lao coffee sector gives rise. We started by painting a picture of sustained economic growth, global integration, and technological progress, but as we saw in the "livelihood" section, the fruits from these positive developments did not fall in all actors' hands in equal proportion. Regarding the environment, we saw that serious challenges remain. This background dossier then informed about the roles, rights, and responsibilities of powerful actors, both in government and in a burgeoning civil society. To conclude, despite its past, Laos seems to offer opportunity and, in a global context where challenges are ever more daunting, many actors are queuing up to benefit from it. Amid these struggles, different interests must be traded off, compromises struck, and decisions taken.

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