

(Draft) Country report of the Lao PDR on action plan for cooperative development (2013 /5/29)

I. Introduction

Lao PDR is a land locked country with 80% of its 6,7 million inhabitants work in rural areas of which 66% is engaged in subsistence agricultural practice. Its total area is 236,800 KM2 and around 70% is mountainous. The country enjoys a tropical monsoon climate with distinct season-the rainy season from the beginning of May to November and the dry season from December to April.

Agriculture remain the key mainstay to socio-economic development which contributing to GDP about 47 percent. Rice (sticky rice) is the main crop with the increasing production year by year. 3,2 tones of rice was produced in the year 2011. Self-reliance in rice is granted since the year 2000. Since the late eighties, Lao PDR has introduced market-based to an economy previously organized under a centrally planned model. As a result of this, socio-economic development has experienced a big change in many aspects such as drastic growth of GDP of 8.3 percent in 2011, industries (hydropower, mining) and service industries developed. Living standard of the people is improved. However, livelihood in the rural areas still remain hard, limited access to public services such as education, health, transport etc.. Rural development remains central to the government's development and poverty reduction efforts. The orientation of the country's new strategy for the period through 2020 includes a strong focus on modernization agricultural production and creating value-added food and agricultural products. The strategy aims to reduce poverty, maintain food security and apply science-based management to natural resources.

II. Cooperative development

2.1 Government policy and target for agriculture and cooperative development

- The government gives high priority on the development of rural areas and poverty reduction through shifting from the subsistence production to agricultural commodities production. Develop agriculture marketing cooperatives nationwide in order to absorb individual farmers/ producers undergoes collective production. The government sees cooperatives are the determinative tools to achieving the strategic goal.

The immediate directive strategy for cooperative development is to strengthen the existing farmer groups and farms in order to turn them into a new and effective cooperative.

2.2 Current issues and challenges of cooperative in Lao PDR

Laos formed its first agricultural cooperative in 1975 with the advent of the Lao People's Democratic Republic, by pooling together farmers' resources under a collective led by the state. The number of state-led cooperatives tripled between 1978 and 1985, with the aim of achieving food sufficiency nationwide. However, the cooperatives became too big to maintain efficiency resulting in a "top-down" approach, poor managerial skills of staff and loss of interest for cooperative members.

By the end of the 1980s, state cooperatives were dismantled and replaced with farmers' groups, which lacked legal structures. The donor community began pushing the government to provide the emerging market chains with better support to farmers' associations and cooperatives. This came to fruition with the March 2010 Decree on Cooperatives and, according to another [recent CIFOR study](#), the government is now treating cooperatives as a priority: with the Ministry of Agriculture and Forestry committing to a 2010-2020 strategy to accelerate the development of farmers' organizations. In spite of the efforts to revitalize the cooperatives, there still face some difficulties and obstacles.

A recent report by the [Center for International Forestry Research \(CIFOR\)](#) indicates that "Farmers' cooperatives are the missing link to enable family-based farming enterprises, which are active but not well organized, to respond to increasing market demand for quality products. In addition, legal framework is still

under-developed in combination with low support from the concerned parties because of financial problems and lacking skills and tools.

The study also says cooperatives would provide a framework to collectively pool resources, stimulate competition and bridge the gap between farmers and the government to avoid marginalization in the rapidly changing economy. It advises on measures to implement throughout the development process to mitigate challenges such as skills gaps.

Castella (2010) says there are three other central elements to building and sustaining cooperatives.

First is the proper and rigorous management of savings/credit schemes, and more generally, financial capital. “Credit access and mobilization of capital is key to business development and is the initial incentive for people to work together to make profits,”

Second is ensuring strong cohesion within farmers’ cooperatives through fair leadership and a regulatory system including social control and sanctions.

Third is striking a balance between internal cohesion and external relations. Castella said careful planning was integral to enable cooperatives to both foster their members and respond to new business opportunities.

Farmers’ skills also need to be improved. “Nowadays, the biggest challenge in creating cooperatives is building people’s capacity. This can be achieved through training and documenting the process of creating cooperatives and implementing institutions, such as a cooperative resource centre for people to share experiences and build knowledge, establishing national board to coach and direct cooperative movement.

2.3.Lessons learned from cooperative development in Korea

- Agriculture development is a long term development (take long time)
- Agriculture development was in charged by Agriculture Ministry...
- Related Ministries play a supportive function
- Agriculture Cooperative has a full function (Policy, Technical, Market, Consumer, Financial)
- Common and ownership understanding on Acs (Avoid free riding)
- Agriculture production was pulled by processing industry and marketing system
- Special incentives for strategic crop (rice)
- ACs has a specific organization in charge; as in case of NACF

It can be concluded that agricultural marketing development is the catalyst factor leading to success. Integrated all supportive sectors (production, consumer, finance, marketing etc...) in a single body. Human resource development and the sense of self-help spirit is critical role in developing the country.

2.4.Policy measures for the future plan

1. Improve policy and legislation
2. Govt. consider properly on subsidy to ACs. for food security/nutrition.
3. Govt. consider appropriate tax for ACs Inputs and electricity
4. Land tenure
5. Coordination among concerned Ministries/ stakeholders

In order to make cooperatives strengthened and improved. Action plan for the cooperation development is needed and outlined in different phases as the following:

2.5. Short term of action plan

1. Review/revise, improve the existing policy and legislation on ACs.
2. Develop ACs strategy development
3. Survey/research for the possibility to establish the coops in Laos
4. Training course/workshop/seminars for leaders and key staffs/leader of farmer group
5. Establish model of single agr. Coops. At least 1 model per each for 4 provinces. (Vientiane capital,
VTE province, champassak, khammouane)

2.6. Medium term of action plan

- Review/revise, improve policy and legislation on ACs.
- Develop ACs strategy development
- survey/research for the possibility to establish the coops. in Laos.
- Project proposal for agr. coops development in Laos (supported by Government of Korea)
- Institutional arrangement

2.7. Long term of action plan

- Strategy for ACs development
- Law on ACs
- Expand model of ACs cover whole country
- Specialize experts on ACs.
- Clear institutional arrangement

2.8. Roles and responsibilities

- Ministry of agriculture & forestry
- Department of agricultural Extension & cooperatives
- PAFO/DAFO/Village
- Ministry of industry & commerce
- Ministry of finance
- National Rural Development Committee
- Bank