

► **Selecting sectors for rural employment promotion in the Lao People's Democratic Republic**

Identifying and prioritizing potential
sectors for the REP Programme
in the Lao People's
Democratic Republic



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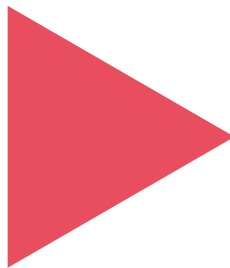
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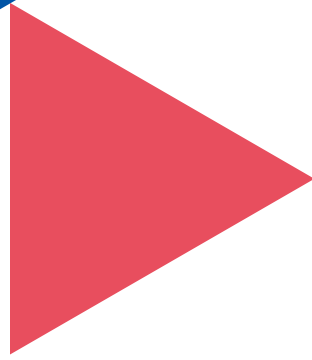
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► Abbreviations

ACIAR	Australian Centre for International Agricultural Research
ADB	Asian Development Bank
AEC	ASEAN Economic Community
AFD	Agence Française de Développement
AFTA	ASEAN Free Trade Area
ASF	African Swine Fever
CGIAR	Consultative Group on International Agricultural Research
CIAT	International Center for Tropical Agriculture
CP	Charoen Pokphand
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FFTWG	Food Fortification Technical Working Group
GDP	gross domestic product
IFAD	International Fund for Agricultural Development
ITC	International Trade Center
LFTU	Lao Federation of Trade Unions
LGBTQI	lesbian, gay, bisexual, transgender and queer people
LNCCI	Lao National Chamber of Commerce and Industry
LRC	Livestock Research Center
MAF	Ministry Agriculture and Forestry
MOLSW	Ministry of Labour and Social Welfare
MSA	Market Systems Analysis
MSD	market systems development
NRES	national rural employment strategy
NSEDP	national socio-economic development plan
PWD	persons with disabilities
REP	rural employment promotion
SBT	Thanh Thanh Cong - Bien Hoa Joint Stock Company
SDC	Swiss Agency for Development and Cooperation
SEA	South-East Asia
UNDP	United Nations Development Programme
UNODC	United Nations Office on Drugs and Crime
US	the United States of America the United States
USAID	United States Agency for International Development
VC	value chain
WTO	World Trade Organization
WWF	World Wildlife Fund



1



Introduction

1.1 The project: Rural employment promotion in the Lao People's Democratic Republic

This report serves as a sector selection study for the ILO Rural Employment Promotion Programme (REP) in Lao People's Democratic Republic, a project funded by the United States Agency for International Development (USAID). The project, which intends to run for nine years, will support skills development, strengthen market integration for rural workers and develop private-public capacities. This will all be done with the objective of trying to boost new and more productive rural employment opportunities.

To support its objective, the project will work to promote development within specific sectors. To do this, project implementation will be geared towards strengthening partnerships between the private sector in the value chain (including lead buyers, input and service providers, intermediaries), skills development providers, government programmes and other institutions in the region, business development and extension services, and financial institutions.

1.2 Study purpose and scope

To develop these value chains sufficiently, the project will focus implementation resources in one value chain in each of the three project regions: Champasak, Savannakhet and Luangprabang. This sector selection analysis has been conducted to tighten the focus of the project by identifying the highest potential sector in each province.

This initial analysis has a particular focus on Savannakhet and Champasak provinces as the project will first implement in those two provinces. Further analysis for high potential sectors in Luangprabang will be completed at a later, if/when the project obtains further funding to resource additional activities.

The target audience of the sector selection report is the ILO's constituents in the Lao People's Democratic Republic, particularly the Ministry of Labour and Social Welfare (MOLSW), the Lao Federation of Trade Unions (LFTU), the Lao National Chamber of Commerce and Industry (LNCCI), USAID, SDC, the REP team in the Lao People's Democratic Republic, the Country Office for Thailand, Cambodia and the Lao People's Democratic Republic, the Decent Work Team for East and South-East Asia and Pacific, and more broadly ILO colleagues.



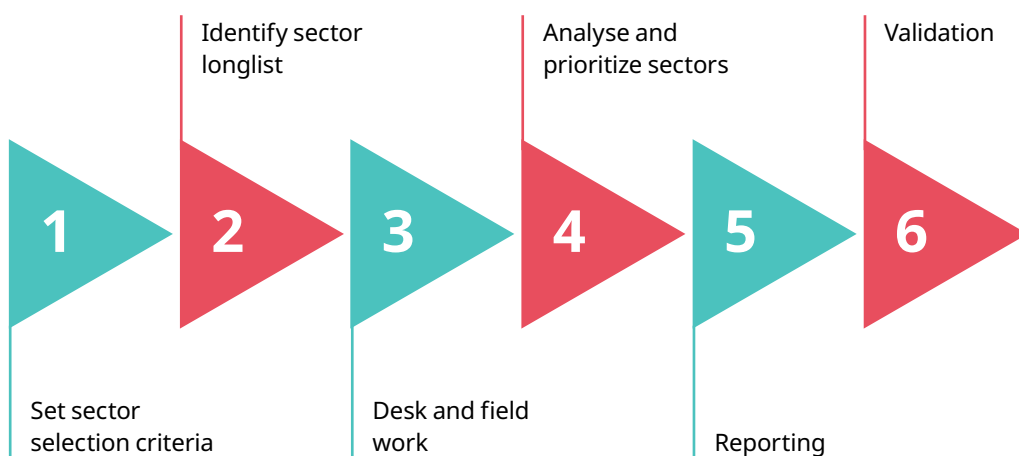
This analysis is the first step in narrowing the project scope. Following this study, the project will conduct a market system analysis on the selected sector to understand, in much further depth, the key constraints and opportunities within that sector. That market systems analysis will help the project understand which constraints it is best positioned to address as well as provide a basis for identifying and designing initial project interventions and key partners to work with.

The methods, analysis and recommendations in this study are detailed in the following three sections:

- Section 1 briefly introduces the project, study scope and methodology;
- Section 2 synthesizes the analysis for each sector; and
- Section 3 provides the report conclusion and recommendations.

1.3 Methodology

This study was delivered in line with the methodological guidance from chapter 2 of the ILO's Value Chain Guide for Decent Work.¹ The research and analysis process used during this study is set out in the figure below and with details following on.



1.3.1 Set sector selection criteria

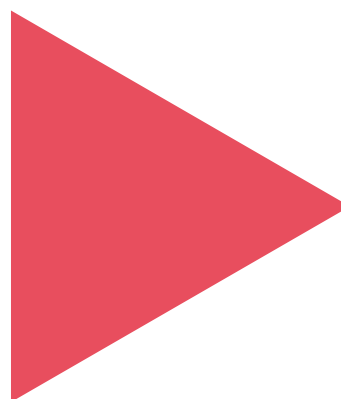
The research team developed sector selection criteria such that the project can objectively evaluate each sector and select the ones that have the most potential for REP in the Lao People's Democratic Republic. The overarching criteria for the sector selection exercise are **relevance** to the target group, **opportunity** for the sector to grow inclusively and **feasibility** for the project to drive change.

These three criteria were broken into sub-criteria based on the programme goals identified in the project document. They were reviewed by various ILO technical staff and are identified below. The growth potential criteria are weighted higher than relevance and feasibility in order to reflect the importance of selecting sectors that contribute to productive employment and market integration for target groups.

¹ ILO, *Value Chain Development for Decent Work: A systems approach to creating more and better jobs* - 3rd edition, 2021.

► Table 1. Sector selection criteria

Selection criteria	Criteria details	Weight (%)
Relevance for target group		
Current relevance of sector for women and men in rural areas, particularly ethnic minority groups, PWDs, youth, returned migrant workers, LGBTQI+	Current engagement of women and men in rural areas and potential to increase engagement of different target group segments (women, particularly those of ethnic minority groups, PWDs, youth, returned migrant workers, LGBTQI+).	30%
Potential future relevance of sector for target groups	Potential for a) value chain upgrading, (b) to enhance employability; (c) to improve job quality and/or d) to support resilience building against future shocks, including environmental changes. Where possible, identify potential for inclusion of ethnic minorities, PWDs, returned migrant workers, and LGBTQI+.	
Potential to address a skills gap	Feasibility and opportunity to address a skills gap, i.e. a sector in which are skills required by the market that the target group does not currently possess.	
Growth potential		
Projected product/service demand and demand growth potential	Identify (i) Current level of domestic and/or international demand for the products/services and (ii) history and outlook market demand growth (domestic and export).	40%
Potential for creation better and more productive employment	Potential for investment to improve productive employment/income generation opportunities and create new jobs - including off-farm opportunities. Productive employment can be created within the same sector, or by creating waged employment in a new, more productive sector.	
Potential to strengthen market integration and growth opportunities for primary producers, rural workers, and enterprises	Potential for sector to strengthen market integration, access to services and value addition for primary producers, rural workers, and enterprises.	
Feasibility of MSD approach		
Private sector presence and innovation	Identify the presence of private sector actors, the level of organization and collaboration between sector players and notable investments and/or innovations in the sector. Highlight investments in greener practices.	30%
Alignment with government priorities	Alignment with the priorities of the National Rural Employment Strategy (NRES) and other relevant policies and strategies. Regulations, policies, and services conducive to market growth or can enable rural employment and investment.	
Presence of market distortions	Identify presence of other donor funded programmes and government subsidies. Fewer other donor funded programmes can mean less market distortion due to donor dependency (especially programmes providing direct aid and that go against facilitation) and less risk of duplication. However, it can be a positive element when there are key achievements to build from/leverage.	



1.3.2 Identify sector longlist and geographical scope

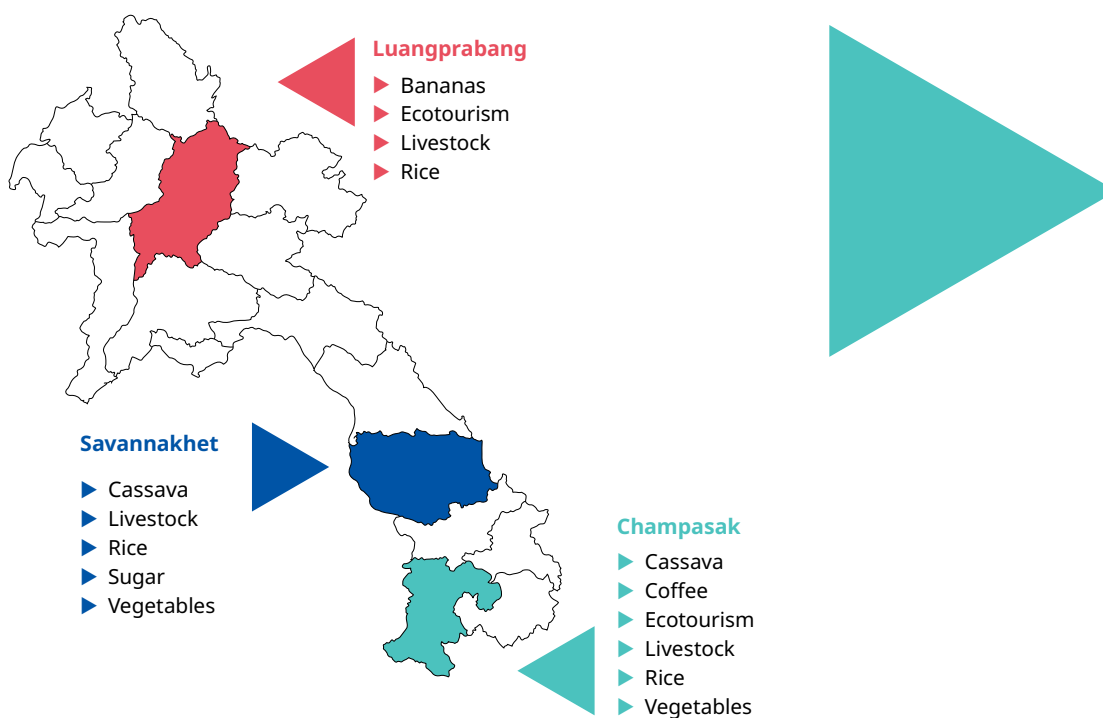
Through initial review of data, government priorities and strategies and existing value chain analyses, as well as export/import trends and changes in domestic consumer preferences, a longlist of eight sectors was identified to have potential across the three project provinces. This longlist was validated by key stakeholders and provides the initial sectoral scope for more in-depth research. The longlist of sectors and their relevance across provinces includes the following:

► **Table 2. Sector longlist and geographical scope**

Sector/crop	Relevant province(s)
Bananas	Luangprabang
Coffee	Champasak
Rice	Champasak, Luangprabang, and Savannakhet
Livestock	Champasak, Luangprabang, and Savannakhet
Sugar	Savannakhet
Cassava	Champasak and Savannakhet
Ecotourism	Champasak and Luangprabang
Vegetables	Champasak and Savannakhet

Figure 1 illustrates the shortlisted sectors across the three target provinces.

► **Figure 1. Shortlisted sectors across REP target provinces**



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1.3.3 Desk and field work

For each longlisted sector, field and desk research were conducted to highlight how the sector “performs” relative to each selection criterion. For the desk research, the research team reviewed the wealth of existing and relevant value chain and sectoral analyses – conducted by development and government actors – as well as government strategies and other available sectoral data. To both complement and triangulate this, the research team conducted 14 semi-structured interviews with development actors, local and national government institutions, businesses, and business associations who are pertinent to the longlisted sectors in Savannakhet and Champasak. These interviews focused on collecting more qualitative information from sector experts.

1.3.4 Analyse and prioritize sectors

Based on the research, each sector was evaluated with a score between 1 and 3 for each of the three overarching selection criteria: relevance, opportunity and feasibility. This evaluation and scoring is included in section 3. With regard to the scoring, a score of 1 means comparatively “low” relevance/ opportunity/ feasibility to other sectors, a score of 2 indicates “medium” and a score of 3 indicates “high”. This step is further articulated in section 3.

The scoring analysis has only been conducted on sectors relevant for Champasak and Savannakhet as this study only focused on collecting reasonable information on those.

1.3.5 Reporting

This report represents the reporting of the study and includes inputs from the validation workshop with ILO constituents and key stakeholders. It will be shared with ILO constituents, USAID and the ILO specialists.

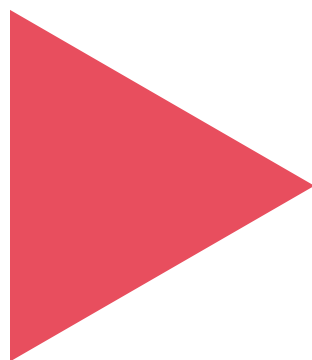
1.3.6 Validation

A half-day validation workshop was conducted on 18 October 2023 in Savannakhet province with ILO constituents and key stakeholders.

This section details out the analysis for each sector relative to the evaluation criteria and concludes with a summary table of the scoring per sector. In addition to the scoring, the regions with production and/ or value addition activities/potential have been identified.

This sector selection process is the first step of three in the inception phase of the project. Once the priority sector is selected for Savannakhet and Champasak, the next step is to conduct an MSA – including additional fieldwork – to further identify constraints and opportunities to promote skills development, market integration for rural workers and develop private-public capacities. The third step is to develop a series of systemic interventions to address these constraints, which will be the implementation focus of the project.





2



Sector analysis

2.1 Cassava (Champasak, Savannakhet)

The Lao People's Democratic Republic was the third largest exporter of cassava in the world in 2021. This crop is one of the top agriculture exports of the country, and an important cash income source for farmers. Smallholder farmers are shifting towards cassava production due to its lower labour intensity, and there is an opportunity to improve skills and modernize methods of cultivation. Cassava is one of the nine priority crops designated by the Government for commercial agriculture and has attracted private investors for processing, including in Champasak.

2.1.1 Analysis and score

► Table 3. Sector analysis: Cassava

Category	Selection criteria	Narrative	Score
Relevance for target group	Current relevance of sector for women and men in rural areas, particularly ethnic minority groups, PWDs, youth, returned migrant workers, LGBTQI+	► Contribution to rural livelihoods, especially the poorest households is high. Represents around 37% of total income for rural households.² ► Smallholder cassava production is an important cash income source of farmers producing high returns to both land and labour – enhancing livelihoods. ► Specific gender roles do not seem to exist in the production of cassava. The various tasks involved in cassava production show an even distribution of person-days per year across male and female agricultural workers.³	3
	Potential future relevance of sector for target groups	► Currently, many farmers are shifting to growing cassava due to the increased demand in export markets as well as a preference for shifting towards less labour-intensive crops. Rural southern farmers received higher farm income from shifting their production toward commercial crops such as cassava.⁴ ► Smallholders can be reliable producers of cassava leading to improved livelihoods, rural economic development, and national income. ► The dominance of smallholders and microlevel processors means it can prove sustained income generating activities for the rural, especially for rural women.⁵ However, domestic processors have recently been established and solely focus on starch processing.⁶	2
	Potential to address a skills gap	► Cassava yields are decreasing annually due to farmers' limited knowledge of modern cultivation techniques⁷ and lack of adoption of appropriate management practices. Long-term sustainability of cassava production can only be achieved by the maintenance of soil fertility and by adequate control of soil erosion. Investment in capacity development is essential to achieve this.	3

2 Newby Jonathan. (2021, July 1). Cassava: boom crop or sustainable livelihood?. Retrieved from [[Cassava: boom crop or sustainable livelihood? - PDF Free Download \(docplayer.net\)](#)]

3 Manivong et al. (2018, July). Value Chain Analysis, Household Survey and Agronomic Trial Results Lao People's Democratic Republic. Retrieved from [(PDF) [Value Chain Analysis, Household Survey and Agronomic Trial Results Lao PDR \(researchgate.net\)](#)]

4 The World Bank. (2020). Lao People's Democratic Republic Poverty Assessment 2020 Overview. Retrieved from [[Lao-PDR-Poverty-Assessment-2020-Overview.pdf \(worldbank.org\)](#)]

5 Newby, Jonathan. (2020). Cassava value chains and livelihoods in South-East Asia, a regional research symposium held at Pematang Siantar, North Sumatra, Indonesia, 1–5 July 2019, ACIAR Proceedings Series, No. 148, Australian Centre for International Agricultural Research, Canberra, 114 pp. Retrieved from [[Cassava value chains and livelihoods in South-East Asia \(aci-ar.gov.au\)](#)]

6 Souvannavong Phonpaseuth. (2021). Value Chain Analysis of Cassava in Lao People's Democratic Republic. [[Value Chain Analysis of Cassava in Lao PDR \(bpb-ap-se2.wpmucdn.com\)](#)].

7 Souvannavong Phonpaseuth. (2021). Value Chain Analysis of Cassava in Lao People's Democratic Republic. [[Value Chain Analysis of Cassava in Lao PDR \(bpb-ap-se2.wpmucdn.com\)](#)].

Category	Selection criteria	Narrative	Score
Growth potential	Projected product/service demand and demand growth potential	► In Lao People's Democratic Republic, cassava plantations cover more than 194,900 hectares (and growing steadily) bringing in more than US\$328 million for smallholders in 2022 alone.⁸ ► Lao People's Democratic Republic exported US\$270 million in cassava in 2021, making it the third largest exporter of cassava in the world. The same year, cassava was the 6th most exported product in Lao People's Democratic Republic.⁹ ► Estimated 99% of product is exported and external demand is strong. Prices have historically been steady, indicating that increases in demand can be absorbed by the global market. ► Improved farm productivity helped slash poverty in the south. Rural southern farmers received higher farm income from shifting their production toward commercial crops such as cassava.¹⁰ ► A key stakeholder indicated that Lao processed starch is of better quality than that of Thai, but price is still the same, perhaps an opportunity for adding a price premium for Lao starch.	3
	Potential for creation and expansion of productive employment	► While cassava yields are comparatively higher in Lao People's Democratic Republic, (roughly 50% higher than those in Viet Nam, Cambodia, Thailand)¹¹, the yields are decreasing due to poor management practices, which impacts incomes and employment. ► Crop season lasts 8-12 months, meaning land can only yield one crop cycle per year, reducing employment potential. ► Potential to expand employment in rural areas in off-grid electricity and development of biogas: feasibility study is conducted to develop cassava-extracted benzene in Vientiane Capital and Savannakhet province.¹²	2
	Potential to strengthen market integration and growth opportunities for primary producers, rural workers, and enterprises	► The regional value chain for cassava products involves large amounts of cross border trade¹³ – one stakeholder estimated that 99% of cassava is exported, principally to Thailand, Viet Nam, Taiwan (China) and now China. It is exported in raw form, meaning producers capture little value. Excellent opportunities for joint-venture investments in starch (and future ethanol) production within the country. Many industrial alternatives: cassava exports as dry chips as well as processing into value-added products at factories in Lao People's Democratic Republic.¹⁴ ► Market information (e.g., prices, available marketplace)¹⁵ and regulations information do not reach farmers on time. This has an impact on pricing as they are not aware about demand and pricing in overseas markets. ► Margins are relatively low. In 2021, it was estimated that the average net profit from one hectare of land was US\$690.¹⁶ Potential to increase margins through value addition.	2

8 Feed the Future. (2023). Determinant Factors of Lao Farmers' Engagement to Agricultural Value Chains: A Case Study of Cassava. Retrieved from [[Determinant Factors of Lao Farmers' Engagement to Agricultural Value Chains: A Case Study of Cassava \(msu.edu\)](#)].

9 OEC. (2021). Cassava in Lao. Retrieved from [[Cassava in Lao | OEC - The Observatory of Economic Complexity](#)].

10 The World Bank. (2020). Lao People's Democratic Republic Poverty Assessment 2020 Overview. Retrieved from [[Lao-PDR-Poverty-Assessment-2020-Overview.pdf \(worldbank.org\)](#)].

11 Souvannavong Phonepaseuth. (2021). Value Chain Analysis of Cassava in Lao PDR (bpb-ap-se2.wpmucdn.com). Retrieved from [[Value Chain Analysis of Cassava in Lao PDR \(bpb-ap-se2.wpmucdn.com\)](#)].

12 WTO. (2019). Trade Policy Review Body – Lao People's Democratic Republic. Retrieved from [[s394_e.pdf \(wto.org\)](#)]. Lao's Ministry of Planning and Investment. (2016). 8th Five-year national socio-economic development plan (2016-2020). Retrieved from [[2016_8th_NSEDP_2016-2020_English.pdf \(un.org\)](#)].

13 Newby Johnatan. (2019). Cassava markets, value chains and livelihoods in Asia: implications for Lao People's Democratic Republic. Retrieved from [[Cassava markets, value chains and livelihoods in Asia: when uncertain is the only certainty \(aci-ar.gov.au\)](#)].

14 Aye, Maung & Howeler, Reinhardt. (2022). CURRENT SITUATION AND FUTURE PROSPECTS OF CASSAVA IN Lao People's Democratic Republic. Retrieved from [[\(PDF\) CURRENT SITUATION AND FUTURE PROSPECTS OF CASSAVA IN LAO PDR \(researchgate.net\)](#)].

15 FAO. (2022). Exploring Cassava Futures: Building Cassava Climate Resilient Pathways in Lao People's Democratic Republic. Retrieved from [[Exploring cassava futures \(fao.org\)](#)].

16 Souvannavong Phonepaseuth. (2021). Value Chain Analysis of Cassava in Lao People's Democratic Republic. Retrieved from [[Value Chain Analysis of Cassava in Lao PDR \(bpb-ap-se2.wpmucdn.com\)](#)].

Category	Selection criteria	Narrative	Score
Feasibility of MSD approach	Private sector presence and innovation	▶ Lao People's Democratic Republic has attracted investment in starch processing. Two large new processors located in Champasak are scheduled to start operations in 2024 and 2025, indicating continuous investment increasing production capacity. ▶ Market demand is high from investors of both domestic and foreign parties such as China, Viet Nam and Thailand.¹⁷	2
	Alignment with government priorities	▶ Cassava is included in the 7th National Socio-economic development Plan (NSED) Lao Agriculture Development Strategy, 2020, 9th national socio-economic development plan of the government for the years 2021-2025 and Agriculture Development Strategy to 2025 and vision to the year 2030.¹⁸ ▶ National Government of Lao People's Democratic Republic promotes farmers for commodity production to eradicate the poverty of people. ▶ Government has introduced low interest loans for farmers and processing factories for agricultural produce to promote exports.¹⁹ ▶ Government representatives mentioned that investments in cassava constitute a short term strategy, because the long-term risks on soil fertility and slash and burn agriculture are too high.	2
	Presence of development projects	▶ Multiple research projects and initiatives on Cassava regarding the production value chain, such as FAO, CGIAR, ACIAR. However, none were identified as actively implementing in Savannakhet or Champasak. ▶ The Alliance Bioversity and CIAT, have launched the first stem multiplication centre in Vientiane to protect the cassava industry by fighting pests and diseases. The goal is to produce and distribute disease-free planting materials and new varieties to stem multipliers and farmers. This could complement and strengthen REP interventions.	2
		Total points for the market system (out of 27, no weighting)	21
		Total percentage for the market system (includes weighting)	78%

2.1.2 Conclusions

The cassava sector scored a total of **21/27 points and scored 78/100 including weighting**.

In summarizing and rating the three criteria:

- ▶ **Relevance – 7/9:** The sector becoming increasingly more relevant given that numerous stakeholders confirmed that farmers have begun to shift production to cassava as it is less labour intensive than, for example, rice and coffee – indicating future relevance.
- ▶ **Opportunity – 8/9:** The sector has a growing export market, especially for processed products, and few entry barriers for producers. While the sector is growing at both the production and processing level, crop production is not necessarily all that profitable and as productivity can reduce over time without proper land management and pest control processes, many farmers may be losing income every year.
- ▶ **Feasibility – 6/9:** Recent investments into processing capacity, particularly in Champasak province, are indicative of a more vibrant private sector. Furthermore, development projects working on research and input quality which could complement the project's work. However, government representatives mentioned that investments in cassava constitute a short term strategy, because the long-term risks on soil fertility and slash and burn agriculture are too high.

17 FAO. (2022). Exploring Cassava Futures: Building Cassava Climate Resilient Pathways in Lao People's Democratic Republic. Retrieved from [[Exploring cassava futures \(fao.org\)](#)].

18 FAO, Exploring Cassava Futures, 2022

19 Asian Development Bank. (2023). Economic trends and prospects in developing Asia. Retrieved from [[Lao PDR, Asian Development Bank, April 2023](#)].

2.2 Coffee (Champasak)

Coffee is a high potential, growing sector in the Lao People's Democratic Republic. Coffee harvested areas expanded from 20,000 hectares in 1990 to 88,000 hectares in 2020. Despite a general slowdown of the global coffee market, Lao saw a 22 per cent increase in export volume from 2016 to 2018.²⁰ However, plantations are concentrated in the southern province of Champasak, isolated in one district of the province. While the sector can produce productive incomes to farmers and is also labour intensive at harvest, it is now difficult for producers to find workers during harvest given the considerable immigration.

2.2.1 Analysis and score

► Table 4. Sector analysis: Coffee

Category	Selection criteria	Narrative	Score
Relevance for target group	Current relevance of sector for women and men in rural areas, particularly ethnic minority groups, PWDs, youth, returned migrant workers, LGBTQI+	► Estimated 24,000 families involved in coffee farming with tasks shared between women and men. Women are more active in harvesting activities.²¹ ► In southern Lao People's Democratic Republic, women coffee farmers are taking leadership positions and are involved in production and commercialization (less so for women in the north).²² ► In Champasak province, plantations account for about 30% of the land under coffee cultivation.²³ ► Coffee farmed in a comparatively wealthier district (Paksong) within Champasak. This district is wealthier thanks to the production of coffee. At the same time, coffee production does require special cold weather and land, which is a particularity in the Paksong district (Bolaven Plateau). ► Farmers plant coffee as it has been the tradition for years now, and those who are not wealthy enough to do so, are given money by investors to produce coffee for them.	1
	Potential future relevance of sector for target groups	► Potential to support income-generation and better integration in the VC for women and men in rural areas, especially in speciality coffee.	1
	Potential to address a skills gap	► Potential to support coffee farmers/cooperatives to strengthen entrepreneurial and management skills, many of which are women. ► Potential to develop climate-change resilience skills in the agriculture sector. ► Need of more advanced processing methods and knowledge.	2

20 ILO. (Na) sengchanh is improving OSH on Lao coffee plantations. Retrieved from [[Sengchanh is improving OSH on Lao coffee plantations – Vision Zero Fund\(iilo.org\)](#)].

21 ILO. (Na) sengchanh is improving OSH on Lao coffee plantations. Retrieved from [[Sengchanh is improving OSH on Lao coffee plantations – Vision Zero Fund\(iilo.org\)](#)].

22 Yomna Gaafar et al. (2022). Agricultural Value Chain Upgrading in Northern Lao People's Democratic Republic. Retrieved from [[Agricultural Value Chain Upgrading in Northern Lao PDR | Columbia SIPA](#)].

23 ILO. (Na) sengchanh is improving OSH on Lao coffee plantations. Retrieved from [[Sengchanh is improving OSH on Lao coffee plantations – Vision Zero Fund\(iilo.org\)](#)].

Category	Selection criteria	Narrative	Score
Growth potential	Projected product/service demand and demand growth potential	▶ In 2021, Lao People's Democratic Republic exported US\$119 million in coffee, making it the 33rd largest exporter of coffee in the world. The same year, coffee was the 14th most exported product in Lao People's Democratic Republic.²⁴ ▶ Despite a general slowdown of the global coffee market, Lao People's Democratic Republic saw a 22% increase in export volume from 2016 to 2018.²⁵ ▶ Coffee production is mainly for international consumption, with 99% exported according to one respondent and a very small domestic market.²⁶ ▶ Arabica has higher profit margins than Robusta in all value chains segments. ▶ Organic coffee is a major niche product, accounts for 71.8% of certified organic land.²⁷	3
	Potential for creation and expansion of productive employment	▶ Studies show potential of coffee plantation to offer job opportunities and help farmers earn more income, particularly farmers who planted organic coffee.²⁸ ▶ Shortage of labour during the coffee harvest season²⁹ which is pushing farmers to de-risk production to less labour-intensive production. ▶ Farm productivity is hindered by traditional practices.	2
	Potential to strengthen market integration and growth opportunities for primary producers, rural workers, and enterprises	▶ Coffee harvested areas expanded over the years: 20,000 hectares in 1990 to 88,000 hectares in 2020.³⁰ Young coffee plants coming to production. ▶ Potential to strengthen market integration for producers who obtain premium prices for specialty coffee.	2

24 OEC. (2021). Coffee in Lao. Retrieved from [\[Coffee in Lao | OEC - The Observatory of Economic Complexity\]](#).

25 ILO. (Na) sengchanh is improving OSH on Lao coffee plantations. Retrieved from [\[Sengchanh is improving OSH on Lao coffee plantations – Vision Zero Fund\(ilo.org\)\]](#).

26 International Bank for Reconstruction and Development / The World Bank. (2022). Developing the agribusiness potential in the Lao-China railway corridor: Opportunities and Challenges. Retrieved from [\[16248-WB-WB-Lao-PDR-Agribusiness-WEB.pdf\(worldbank.org\)\]](#).

27 International Bank for Reconstruction and Development / The World Bank. (2022). Developing the agribusiness potential in the Lao-China railway corridor: Opportunities and Challenges. Retrieved from [\[16248-WB-WB-Lao-PDR-Agribusiness-WEB.pdf\(worldbank.org\)\]](#).

28 FFTC-AP. (2022). Is Lao Coffee Sector at Its Crossroad? An analysis of Coffee Market and Coffee Producers. Retrieved from [\[Is Lao Coffee Sector at Its Crossroad? An Analysis of Coffee Market and Coffee Producers | FFTC Agricultural Policy Platform \(FFTC-AP\)\]](#).

29 FAO. (2022). Exploring Coffee Futures: Building coffee climate resilient pathways in Lao People's Democratic Republic. Retrieved from [\[Exploring coffee futures \(fao.org\)\]](#).

30 FFTC-AP, "Is Lao Coffee", 2022.

Category	Selection criteria	Narrative	Score
Feasibility of MSD approach	Private sector presence and innovation	► A foreign buyer/trader has recently moved into the sector, offering above market prices – which has benefited farmers. However, this has had the effect of killing off the aggregation and trading function within the sector. While the intent of such buying practices is unclear, they ultimately are reducing competitors, which could set-up a monopolistic buying market, which would have an adverse impact on farmers. ► As this foreign buyer is paying a premium on conventional production it has reduced the price gap between conventional and organic coffee (which had been US\$ 1.00 per processed kg of coffee), creating a disincentive for farmers to move into or continue organic farming. ► In 2021, farmers from the Vanmai Coffee Cooperative signed a long-term commercial partnership agreement with the renowned French coffee roaster, Malongo. This agreement secures a ready market for the cooperative's crop over the next five years, as well as a strong foundation to build a sustainable alternative to the cultivation of opium.³¹	1
	Alignment with government priorities	► Government of the Lao People's Democratic Republic has issued the Lao Coffee Sector Development Strategy by 2025, promoting the widespread planting of higher value arabica varieties to meet the global demand for specialty coffee. ► To improve its business environment, the Government has specified developing a credit mechanism for coffee farmers and reducing exporting costs.³²	3
	Presence of development projects	► Stakeholders indicated that the sector had a range of coffee projects concentrated in the coffee producing region, including from Winrock, WWE, UNODC, ITC, AFD, FAO, Switch Asia (EU), and Uplao Foundation. This increases the risk of market distortion and could negatively affect the added value of REP. ► The ILO's Vision Zero Fund – a project focused on improving occupational safety and health – had a multi-year project in coffee which ended in 2021. This may represent easier entry points for the ILO.	1
		Total points for the market system (out of 27, no weighting)	16
		Total percentage for the market system (includes weighting)	61%

2.2.2 Conclusions

The coffee sector scored a total of **16/27 points and scored 61/100 including weighting**.

In summarizing and rating the three criteria:

- **Relevance – 4/9:** While the sector can produce productive incomes to farmers and is also labour intensive at harvest, those incomes are isolated to one, comparatively wealthier district in Champasak province. The sector is not relevant for the project's other targeted provinces. Furthermore, it is now difficult for producers to find workers during harvest given the considerable immigration.
- **Opportunity – 7/9:** The sector has a solid export market and currently farmers make solid incomes – this is indicative of a 350 per cent increase in lands producing coffee in the 30 years since 1990. While this demonstrates solid market demand and a strong growth track record, stakeholders indicated that some farmers were moving to less labour-intensive crops like cassava and that existing organic producers may shift to conventional production. This may signal a potential plateau in production growth or even decline in the near future.
- **Feasibility – 5/9:** The very recent consolidation of coffee buyers reduces the number of project entry points and the competition for buying coffee. The sector has also been well served by prior and existing development projects, meaning that it may be harder for REP to find its niche.

³¹ UNODC. (2021). UNODC empowers coffee growing communities in Lao People's Democratic Republic. Retrieved from [\[UNODC empowers coffee growing communities in Lao PDR\]](#)

³² Yomna Gaafar et al. (2022). Agricultural Value Chain Upgrading in Northern Lao People's Democratic Republic. Retrieved from [\[Agricultural Value Chain Upgrading in Northern Lao People's Democratic Republic | Columbia SIPA\]](#).

2.3 Rice (Savannakhet, Champasak, Luangprabang)

Rice is the Lao People's Democratic Republic's staple crop, cultivated on over 80 per cent of agricultural land, primarily by smallholder producers. Savannakhet province has the largest output of rice in the Lao People's Democratic Republic and is an important conduit for trade with Thailand and Viet Nam. Champasak and Luangprabang are also important provinces for rice production.

2.3.1 Analysis and score

► Table 5. Sector analysis: Rice

Category	Selection criteria	Narrative	Score
Relevance for target group	Current relevance of sector for women and men in rural areas, particularly ethnic minority groups, PWDs, youth, returned migrant workers, LGBTQI+	► Rice is Lao People's Democratic Republic's staple crop, cultivated on over 80% of agricultural land, primarily by smallholder producers. ► Rice is highly relevant for target provinces: Savannakhet share of total rice production on a 3-year average (2017-2019) is the highest among all provinces (24%), followed by Champasak (13%) and Vientiane 8%.³³ ► Most smallholder farmers use production - at least partially - as subsistence.	3
	Potential future relevance of sector for target groups	► Highly relevant for food security as rice is used as subsistence by most households. ► As processed rice can be stored for extended periods of time, producers can sell it off as needed to have more steady incomes which provide some form of savings that is resistant to inflation and a devaluing currency. ► Potential to support income increases for producers across the country.	3
	Potential to address a skills gap	► Lao production of rice lacking in quality for non-sticky rice varieties when compared to Cambodia, Thailand, and Viet Nam. ► Production management in farming and immediate post-harvest. Insects and excessive flooding identified as two key production issues. ► Skills at the miller/processing level identified as lacking. Most rice millers are not aware of the production techniques, raw materials, and machinery required to fortify rice. There is a lack of knowledge about costs involved and the possible channels to procure inputs.³⁴	3

33 USDA. (Na). Lao: Rice Production. Retrieved from [[Lao_Rice.png \(2550×3300\) \(usda.gov\)](#)].

34 World Food Programme. (2023). Understanding the Rice Value Chain in Lao People's Democratic Republic: Defining the Way Forward for Rice Fortification. Retrieved from [[docs.wfp.org/api/documents/WFP-0000148857/download/?_ga=2.183296675.466930316.1696411085-2126745848.1696411085](#)].

Category	Selection criteria	Narrative	Score
Growth potential	Projected product/service demand and demand growth potential	► In 2021, Lao People's Democratic Republic exported US\$32.2 million in rice, making it the 40th largest exporter of rice in the world. The same year, rice was the 31st most exported product in Lao People's Democratic Republic.³⁵ But Lao People's Democratic Republic also imported around US\$30 million of rice, pointing to gaps in the production of non-sticky rice, and import substitution potential. ► The worldwide organic rice market was valued at US\$1.918 billion in 2020, and it is predicted to reach US\$3.287 billion by the end of 2027, increasing at a compounded annual growth rate of 8% between 2021 and 2027. This means that demand and export of organic rice will increase and potentially open more markets for Lao rice.³⁶ ► Stakeholders indicated a healthy and consistent market for export; however, the picture is more mixed on production growth. One stakeholder indicated that due to its labour-intensive nature and the corresponding labour shortage, many farmers were shifting into cassava. ► Lao People's Democratic Republic has comparatively better sticky rice quality than neighbouring countries, though otherwise is generally lacking in quality for other varieties when compared to Cambodia, Thailand, and Viet Nam. Perhaps some opportunity to exploit where it is a leader in quality (ramp up production) and to improve quality for other varieties. ► Lao rice is regionally competitive in terms of cost of production. ► Poor production quality has an impact on price. Better quality rice has a 40% premium in the Thai market.	2
	Potential for creation and expansion of productive employment	► Production is dominated by micro and small-scale production, decreasing potential for job creation at the production level. Job creation potential is higher at processing level.	2
	Potential to strengthen market integration and growth opportunities for primary producers, rural workers, and enterprises.	► Savannakhet is an important conduit for trade with Thailand and Viet Nam, providing an entry point to strengthen local actors' market integration. ► Low value addition potential as rice is sold unprocessed. However, high income potential for rice farmers by adopting organic rice farming and organic certification. ► There is some processing of rice milk, though unclear how large this market is or could be in the future.	2
Feasibility of MSD approach	Private sector presence and innovation	► There are more than 35,000 rice millers in the country, mostly operated by the private sector.³⁷ Stakeholders indicated that there are small processors in every village with electricity, a series of medium scale processors and about 400 large scale processors with processing capacity of more than 10 tonnes per day. ► Many small-scale processors work informally and use old technology. Some of the most formal larger millers, package and formally sell to internal and external markets. ► A rice processing association is in the process of being set up to support collective lobbying and action, though unclear when it will be set-up or how, and potential members identified that they had issues setting this up. ► Governments, the private sector, and technical partners in Asia to improve the quality of rice through post-harvest fortification within school feeding and social protection programmes.	2

35 OEC. (2021) Rice in Lao. Retrieved from [[Rice in Lao | OEC - The Observatory of Economic Complexity](#)].

36 Yomna Gaafar et al. (2022). Agricultural Value Chain Upgrading in Northern Lao People's Democratic Republic. Retrieved from [[Agricultural Value Chain Upgrading in Northern Lao People's Democratic Republic | Columbia SIPA](#)].

37 WFP. (2023). Understanding the Rice Value Chain in Lao People's Democratic Republic: Defining the Way Forward for Rice Fortification. Retrieved from [[docs.wfp.org/api/documents/WFP-0000148857/download/?ga=2.235816897.1922019078.1695373141-1935521587.1695373141](#)].

Category	Selection criteria	Narrative	Score
Feasibility of MSD approach	Alignment with government priorities	▶ Government entities involved in scaling up rice fortification in Lao People's Democratic Republic: National Food Fortification Technical Working Group (FFTWG), Steering committee, technical committee, secretariat committee, ministry of industry and commerce, ministry of finance, food and drug administration, national food safety laboratory.³⁸ ▶ High government support for rice, improved rice production. ▶ According to the agricultural commercialization plan, MAF has regulated nine commercial priority crops, including rice, to promote commercial agriculture throughout the country.³⁹	3
	Presence of development projects	▶ No considerable development programmes were identified during the initial research, which could provide a larger scope for REP to operate.	2
		Total points for the market system (out of 27, no weighting)	22
		Total percentage for the market system (includes weighting)	80%

2.3.2 Conclusions

The rice sector scored a total of **22/27 points** and scored **81/100 including weighting**.

In summarizing and rating the three criteria:

- ▶ **Relevance – 9/9:** Savannakhet and Champasak are top rice producing provinces and about 80 per cent of farmers nationally produce rice. While many produce rice for subsistence, its ability to retain has “store value” can provide farmers a steady income while protecting against currency devaluation.
- ▶ **Opportunity – 6/9:** Lao sticky rice has solid reputation for quality and strong niche compared to neighbouring rice producing countries. However, it lacks quality for other varieties when compared to Cambodia, Thailand and Viet Nam. Some indicated that the prices could increase by 40 per cent with production quality improvements. Despite its potential, a lack of available labour is pushing producers into less labour-intensive crops like cassava.
- ▶ **Feasibility – 7/9:** Rice has a robust milling, with primary processors located in every village and considerable number of larger, commercial millers. However, a majority are small scale, informal and poorly coordinated (although an association is being created). Given the size of the sector and the number of actors, the lack of other development projects within the sector, and range of potential challenges which could be addressed (rice quality/production practices, water usage, milling certifications, miller/trader licencing for export, buying/selling practices), there is much space for REP to implement.

2.4 Ecotourism (Luangprabang, Champasak)

Tourism and more precisely ecotourism demonstrate strong potential for growth and job creation. In 2019, tourism ranked fourth in terms of national revenue generation.⁴⁰ It was, however, considerably affected by the COVID-19 pandemic and has not fully recovered. The Lao People's Democratic Republic's biodiversity and natural reserves enables the development of ecotourism structures, which is also in line with the Government's vision. In the next decade, nature-based tourism, which is currently untapped, could grow from 4.3 per cent of 2019 GDP and 3.5 per cent of jobs to the global average of 10 per cent of GDP and 10 per cent of jobs⁴¹, becoming the main employer in rural areas. It is also an important foreign exchange earner. The targeted provinces are Luangprabang and Champasak.

38 WFP. (2023). Understanding the Rice Value Chain in Lao People's Democratic Republic: Defining the Way Forward for Rice Fortification. Retrieved from [docs.wfp.org/api/documents/WFP-0000148857/download/?ga=2.235816897.1922019078.1695373141-1935521587.1695373141].

39 Souvannavong Phonepaseuth. (2021). Value Chain Analysis of Cassava in Lao People's Democratic Republic. [[Value Chain Analysis of Cassava in Lao PDR \(bpb-ap-se2.wpmucdn.com\)](https://valuechainanalysisofcassava.in.lao.pdr/bpb-ap-se2.wpmucdn.com)].

40 Ministry of Information, Culture and Tourism, Tourism Development Department. (2019). Statistical Report on tourism in Lao 2019. Retrieved from [[Statistical-Report-on-Tourism-2019.pdf\(wearelao.com\)](https://statistical-report-on-tourism-2019.pdf(wearelao.com))].

41 The World Bank. (2020). Developing Nature-Based Tourism as a Strategic Sector for Green Growth in Lao People's Democratic Republic. Retrieved from [[Developing Nature-Based Tourism as a Strategic Sector for Green Growth in Lao PDR\(worldbank.org\)](https://developing-nature-based-tourism-as-a-strategic-sector-for-green-growth-in-lao-pdr(worldbank.org))].

2.4.1 Analysis and score

► Table 6. Sector analysis: Ecotourism

Category	Selection criteria	Narrative	Score
Relevance for target group	Current relevance of sector for women and men in rural areas, particularly ethnic minority groups, PWDs, youth, returned migrant workers, LGBTQI+	► The sector is highly relevant for target groups, although data speaks to mainstream tourism, with no available data on ecotourism specifically. For example: ► 42,000 people were employed in tourism before COVID-19⁴², 62% of whom are women. ► Vulnerable workers⁴³ represented 8.6% of tourism employment in 2018.⁴⁴ ► Tourism activities are very limited in Savannakhet, and much more developed in Luangprabang and Champasak.	2
	Potential future relevance of sector for target groups	► Potential to enhance employability (women and ethnic minorities) and improve job quality. ► Increase the number of female entrepreneurs managing ecotourism.⁴⁵ ► Increase overall income, poverty reduction, green growth, and green job creation.⁴⁶ ► Reduce inequalities between men and women in the division of tourism work, so that marginalized women can benefit from tourism initiatives (poverty reduction).⁴⁷ ► Climate change resilience potential: Achieve sustainable natural resource management through ecotourism.	2
	Potential to address a skills gap	► Need for capacity building of rural communities for tourism development and improvement of livelihoods to achieve sustainable natural resource management. ► Provide vocational training on nature-based tourism innovation, market development, and hospitality, including training for local guides and accommodation providers.⁴⁸ ► Skills for tourism – potential for skills development to bridge the gap between the number of jobseekers and the employment opportunities in the tourism and hospitality sector.⁴⁹	2

42 Asiand Development Bank. (2021). Agriculture and Tourism Key to Lao People's Democratic Republic's Sustainable and Shared Prosperity. Retrieved from [[Agriculture and Tourism Key to Lao PDR's Sustainable and Shared Prosperity — ADB | Asian Development Bank](#)].

43 Workers categorized as vulnerable met at least one of the following criteria: member of a poor household; live in rural/ remote area; lack basic education; ethnic minority; orphan, survivor of human trafficking, sexual crimes, or violence; disabled, affected by chronic illness, or recovering from drug addiction.

44 Asiand Development Bank. (2021). Agriculture and Tourism Key to Lao People's Democratic Republic's Sustainable and Shared Prosperity. Retrieved from [[Agriculture and Tourism Key to Lao PDR's Sustainable and Shared Prosperity — ADB | Asian Development Bank](#)].

45 UNDP. (2019). Strategic support to achieve SDG 5 in Lao People's Democratic Republic. Retrieved from [[ISSUE BRIEF TITLE \(undp.org\)](#)].

46 The World Bank. (2020). Developing Nature-Based Tourism as a Strategic Sector for Green Growth in Lao People's Democratic Republic. Retrieved from [[Developing Nature-Based Tourism as a Strategic Sector for Green Growth in Lao PDR \(worldbank.org\)](#)].

47 Buaxaiya Soneteng et al. (2021). Journal of Service Science and Management. Retrieved from [[Ethnic tourism in Lao PDR: gendered divisions of labour in community-based tourism for poverty reduction: Current Issues in Tourism: Vol 17, No 4 \(tandfonline.com\)](#)].

48 The World Bank. (2020). Developing Nature-Based Tourism as a Strategic Sector for Green Growth in Lao People's Democratic Republic. Retrieved from [[Developing Nature-Based Tourism as a Strategic Sector for Green Growth in Lao PDR \(worldbank.org\)](#)].

49 Lux Dev. (Na). Skills for Tourism – Human Resources Development in the Tourism and Hospitality Sector. Retrieved from [[LuxDev - LAO/029](#)].

Category	Selection criteria	Narrative	Score
Growth potential	Projected product/service demand and demand growth potential	▶ In 2019, national tourism ranked 4th sector in terms of revenue⁵⁰, accounting for US\$ 934.7 million. Of this, international tourism receipts accounted for US\$ 974 million⁵¹ and 13.9% of total exports in 2019.⁵² ▶ Number of travel agents increased from 368 (in 2015) to 539 (in 2019).⁵³ ▶ However, the sector has still not recovered from COVID-19. For example, the number of tourism companies operating in Champasak has decreased from 46 to 13; however, this might also indicate future growth potential. ▶ Lao People's Democratic Republic's comparative advantage is its natural wealth.⁵⁴ ▶ Increasing demands for skilled labour in the tourism and hospitality sector.⁵⁵	2
	Potential for creation and expansion of productive employment	▶ Strong induced job creation potential – one new tourism job creates an additional 1.5 jobs in the broader economy. ▶ Ecotourism is a new and growing industry in the Lao People's Democratic Republic and there are many good investment opportunities for ecolodges and tour services⁵⁶ such as restaurants, eco-lodges, canopy walks, tourism welcome centres, waterfalls, hot springs, among other attractions. ▶ In the next decade, nature-based tourism could grow from 4.3% of 2019 GDP and 3.5% of jobs to the global average of about 10% of GDP and 10% of jobs.⁵⁷ ▶ Potential to become the main foreign exchange earner, with nature-based tourism potential to become the biggest rural employer in the country.	2
	Potential to strengthen market integration and growth opportunities for primary producers, rural workers, and enterprises	▶ Ecotourism is expected to be one of alternative solutions to sustain the nation's natural forest resources and improve local livelihoods.⁵⁸ ▶ Transformative and alternative jobs: Former hunters are now employed as guides leading tourists to birds and wildlife. ▶ Nature-based tourism development can lead to significant increases in overall income and poverty reduction in communities near or in protected areas. Rural enterprises, workers, and communities can benefit by offering local tours, excursions, and homestays. ▶ It can also lead to reduced unsustainable use and harvesting of natural resources.⁵⁹	2

50 Table 29, p.33 [Statistical-Report-on-Tourism-2019.pdf \(wearelao.com\)](#)

51 The World Bank. (2019). International Tourism Receipts in Lao, Current USD. Retrieved from [\[International tourism, receipts \(current US\\$\) - Lao PDR | Data \(worldbank.org\)\]](#).

52 The World Bank. (2019). International Tourism Receipts in Lao, Percentage of Total Exports. Retrieved from [\[International tourism, receipts \(% of total exports\) - Lao PDR | Data \(worldbank.org\)\]](#).

53 Table 26, p.32 (total and by province) [Statistical-Report-on-Tourism-2019.pdf \(wearelao.com\)](#)

54 The World Bank. (2020). Developing Nature-Based Tourism as a Strategic Sector for Green Growth in Lao People's Democratic Republic. Retrieved from [\[Developing Nature-Based Tourism as a Strategic Sector for Green Growth in Lao PDR \(worldbank.org\)\]](#).

55 Lux Dev. (Na). Skills for Tourism – Human Resources Development in the Tourism and Hospitality Sector. Retrieved from [\[LuxDev - LAO/029\].https://luxdev.lu/en/activities/project/LAO/029](#)

56 Ecotourism Lao. (Na). Investing in Lao Ecotourism. Retrieved from [\[Resources \(ecotourismLao.com\)\]](#).

57 The World Bank. (2020). Developing Nature-Based Tourism as a Strategic Sector for Green Growth in Lao People's Democratic Republic. Retrieved from [\[Developing Nature-Based Tourism as a Strategic Sector for Green Growth in Lao PDR \(worldbank.org\)\]](#).

58 [Assessment of Potential Ecotourism Site in Xaisomboun, Central Lao \(scirp.org\)](#)

59 UNDP. (2012). Nam Ha Ecotourism project. Retrieved from [\[case_1348163487.pdf \(equatorinitiative.org\)\]](#).

Category	Selection criteria	Narrative	Score
Feasibility of MSD approach	Private sector presence and innovation	► A US\$ 1 billion Chinese investment in large-scale casino/resort is currently under construction in Champasak and is scheduled to be open in 5 years. It is unclear what impact this will have on the sector, and existing businesses seemed to be unsure how this would impact the sector. ► Savannakhet Province held a Responsible Business Forum to promote investment in ecotourism and corporate social responsibility in the tourism service sector, highlighting interest⁶⁰. ► Respondents state that barriers to investment include a lack of basic services, weak legal frameworks and transparency, weak management and financing of protected areas, institutional capacity, and tourism products that do not always respond to demand. ► Investment in tourism is unlikely to increase unless the business environment is simplified.	2
	Alignment with government priorities	► Lao People's Democratic Republic's National Tourism Development Plan 2021–2025 aligns with regional objectives to promote green and sustainable high-quality nature and culture-based tourism that contributes to poverty reduction and inclusive economic growth⁶¹. This complements the 8th National Socio-Economic Development Plan⁶² which ensures fostering green development and sustainable use of natural resources. ► One stakeholder indicated that key eco/nature-based tourism assets (waterfalls and forests) are not being protected in Champasak and road access to some key sites not maintained. Over time, this has reduced the quality of destination offer, and has already had a negative impact on tourist arrivals to the region. ► One stakeholder indicated little government support for marketing Lao as a destination and thus, marketing is ad-hoc and left to individual businesses. ► The Greater Mekong Subregion Tourism Sector Strategy targets 95 million international visitors, US\$ 130 billion annual international visitor expenditure, and 15 million tourism workers (50% women) by 2025.	1
	Presence of development projects	► The USAID-funded Business Environment project operates within Champasak and Vientiane, providing quite sufficient support to the relatively small sector. This is following an extended project by SwissContact project (2013–2020). ► Projects have been implemented by USAID, Lux Dev, UNDP, ADB.	1
		Total points for the market system (out of 27, no weighting)	16
		Total percentage for the market system (includes weighting)	60%

60 UNDP. (2018). Investing in ecotourism in Savannakhet Province to promote sustainable development and reduce poverty. Retrieved from [\[Investing in ecotourism in Savannakhet Province to promote sustainable development and reduce poverty | United Nations Development Programme \(undp.org\)\]](#).

61 ADB. (2021). Developing Agriculture and Tourism for Inclusive Growth in the Lao People's Democratic Republic. Retrieved from [\[Developing Agriculture and Tourism for Inclusive Growth in the Lao People's Democratic Republic \(adb.org\)\]](#).

62 UNDP. (2018). Investing in ecotourism in Savannakhet Province to promote sustainable development and reduce poverty. Retrieved from [\[Investing in ecotourism in Savannakhet Province to promote sustainable development and reduce poverty | United Nations Development Programme \(undp.org\)\]](#).

2.4.2 Conclusions

The ecotourism sector scored a total of **15/27 points and scored 57/100 including weighting**.

In summarizing and rating the three criteria:

- ▶ **Relevance – 5/9:** While the sector targets women and can provide skilled employment to individuals in rural settings, the sector is only relevant in Champasak as there is comparatively little tourism offer in Savannakhet.
- ▶ **Opportunity – 6/9:** The sector has strong job creation potential, given that one new job created creates an additional 1.5 induced jobs. However, the sector has been in sharp decline since COVID-19, and unlike many other destinations across the world, tourism in Champasak has not yet experienced recovery. Ecotourism has huge potential nationally, as it could grow from 4.3 per cent of 2019 GDP and 3.5 per cent of jobs to the global average of 10 per cent of GDP and 10 per cent of jobs.⁶³ It is also an important foreign exchange earner. However, given the lack of protection of key resources, the value of the offer in Champasak has declined in recent years.
- ▶ **Feasibility – 4/9:** Ecotourism is aligned with regional and national priorities to promote green and sustainable high-quality nature and culture-based tourism. While a new US\$1 billion Chinese development in southern Champasak will certainly bring new jobs to the province in five years, it is unclear how much impact this project could have on employment within such a development. Furthermore, this development may reduce the value of the ecotourism offer, casting a shadow of uncertainty on businesses that otherwise might be willing to invest in the sector. Lastly, tourism in Champasak is well served by an existing USAID project, questioning REP's additionality in the sector.

⁶³ The World Bank. (2020). Developing Nature-Based Tourism as a Strategic Sector for Green Growth in Lao People's Democratic Republic. Retrieved from [[Developing Nature-Based Tourism as a Strategic Sector for Green Growth in Lao PDR \(worldbank.org\)](#)].



2.5 Livestock – cattle, pigs and poultry (Savannakhet, Champasak and Luangprabang)

The livestock sector is the sector that has seen the highest growth in recent years, driven by both domestic and international demand. Almost all farm households (89 per cent) own live animals for personal consumption and as a source of revenue, and there are some well-established lead commercial actors. This sector is relevant for the three target provinces. Cattle and small-scale pig production are predominant in the north, while commercial pig and poultry farms are more common in Savannakhet and Champasak.

2.5.1 Analysis and score

► Table 7. Sector analysis: Livestock

Category	Selection criteria	Narrative	Score
Relevance for target group	Current relevance of sector for women and men in rural areas, particularly ethnic minority groups, PWDs, youth, returned migrant workers, LGBTQI+	The livestock sector is highly relevant for target groups as 90% of households own livestock, including native cattle, pigs, and chicken. ► Livestock rearing is well developed in Savannakhet, and it is one of the country's top pig producers. ► Women are heavily engaged in livestock production at different steps of the value chain (farmers to traders, retailers and input suppliers) ► Ethnic minorities engage in in the VC as well, notably pig production.⁶⁴ ► After land and a harvested crop, accumulating livestock is a priority for rural households.⁶⁵ ► Livestock are particularly important in the more poverty-prone northern provinces, where there is less land available for cropping due to the mountainous terrain. ► Households typically own native cattle, pigs, and chicken. ► Chicken rearing is particularly relevant for poor rural communities, who do backyard chicken rearing for subsistence and, to a lesser extent, income generation (eggs, meat).	3
	Potential future relevance of sector for target groups	The sector will continue to be highly relevant for target groups as livestock is used for subsistence, income generation, and as a form of savings. ► Owning livestock, particularly cattle, can be a form of rural savings which can protect against inflation and secure rural incomes. ► Native chickens are highly relevant for food security, as a form of savings (chicken sold in time of need), and are a quick source of income.	3
	Potential to address a skills gap	There is a need for skills development in production practices as a majority of farmers use traditional practices and have low productivity. ► Farmers also typically breed native varieties of livestock, meaning they have the skills and knowledge (research on high nutrients, low cost, and homemade feed alternative) for these breeds. However, they lack the skills to rear cross-breed or foreign animals, which are more suited to commercial production. ► One processor indicated skills gap at each step of the value chain from feed to production management (business skills) to processing. ► Lack of animal health management skills particularly risky for chicken rearing, which require close management (prevention and treatment techniques).	3

64 Epprecht Michael et al. (2018). Atlas of agriculture in the Lao People's Democratic Republic: Patterns and trends between 1999 & 2011. Bern, Switzerland and Vientiane, Lao People's Democratic Republic: Centre for Development and Environment, University of Bern, and Ministry of Agriculture, Lao People's Democratic Republic, with Bern Open Publishing. 164 pp. Retrieved from [\[Atlas of Agriculture Book.pdf \(unibe.ch\)\]](#).

65 WTO. (2019). Trade Policy Review Body – Lao People's Democratic Republic. Retrieved from [\[s394_e.pdf \(wto.org\)\]](#).

Category	Selection criteria	Narrative	Score
Growth potential	Projected product/service demand and demand growth potential	The livestock sector is one of the fastest growing agricultural subsectors in Lao People's Democratic Republic,⁶⁶ with differences in cattle, pigs and chicken. ▶ Livestock production accounts for 18% of agriculture gross domestic product (GDP).⁶⁷ ▶ Live animals have become a major export commodity, increasing fivefold between 2006-2020. In 2020, animal exports accounted for 21% (US\$ 247 million) of the total agricultural exports. Viet Nam accounts for about 75% of total animal exports. ▶ The domestic demand for meat has not been as high as anticipated following the opening of the railway from China. For example, CP expected a 10% growth v. the current 5% growth. Market traders also mentioned reduced demand since COVID-19. ▶ The livestock department reports 426,436 cows, 344,913 pigs and 4,267,000 chickens across Savannakhet province in 2023. ▶ 85% livestock production is small-scale. This is even more pronounced for cattle (98%).⁶⁸ Cattle: high export growth potential, lower domestic growth potential ▶ The most promising market for cattle is the export market. A bilateral export agreement was signed with China in 2017 for 500,000 heads of cattle per year. Currently, supply is far from meeting demand: 2009 cows were exported in 2018 and 160 in 2023 (Department of Commerce and Industry). This is due to producers' inability to meet export requirements (such as minimum weight⁶⁹, standardized slaughterhouses, 45-day fattening and 30-day quarantine requirements, etc.). ▶ Lao People's Democratic Republic and China are about to sign a new agreement on the export processed meats, and China has already started investing in processing plants. ▶ Through these agreements, cattle is the only live animal that can be legally exported. ▶ However, domestic demand for beef is low, and has been decreasing in the past few years due to price increases from 90,000 to 120,000 kip per kilo – which almost double that of pork (65,000–75,000 kip per kilo). ▶ According to respondents, selling live cows domestically is also less profitable than selling for export.	3

66 Napasirth P, Napasirth V. Current situation and future prospects for beef production in Lao People's Democratic Republic - A review. Asian-Australas J Anim Sci. 2018 Jul;31(7):961-967. doi: 10.5713/ajas.18.0206. Epub 2018 May 24. PMID: 29807415; PMCID: PMC6039329. Retrieved from [[Current situation and future prospects for beef production in Lao People's Democratic Republic — A review - PMC \(nih.gov\)](#)].

67 Sector assessment, strategy, and road map, Asian Development Bank, December 2018

68 Napasirth P, Napasirth V. Current situation and future prospects for beef production in Lao People's Democratic Republic - A review. Asian-Australas J Anim Sci. 2018 Jul;31(7):961-967. doi: 10.5713/ajas.18.0206. Epub 2018 May 24. PMID: 29807415; PMCID: PMC6039329. Retrieved from [[Current situation and future prospects for beef production in Lao People's Democratic Republic - A review - PubMed \(nih.gov\)](#)].

69 According to the livestock department, although there is no legal minimum weight, it is expected for cows to weigh 300-350 kg for export, whereas native cows are 200kg on average.

Category	Selection criteria	Narrative	Score
Growth potential	Projected product/service demand and demand growth potential	Pig: growing domestic market but an unclear business case for commercialization ► Domestic demand for pork in Lao is increasing, as demonstrated by the expansion of INTECQ Swine Farm, and inputs from traders and butchers in the local market. ► Pig production is widespread, but small-scale producers farm native pigs (bought for household consumption during celebrations, festivals), whereas commercial market is for cross-breed, fattened pigs (for restaurants, traders, export). ► The business case for raising cross-breed pigs at small-medium scale is unclear. Respondents highlighted issues with profitability in raising cross-breed pigs, due to cost of piglets, animal feed and animal health services. ► Live animal exports have been banned since 2013 although high volumes of trade still take place in a semi-formal manner. The demand from Viet Nam has also been decreasing as they have started their own pig farms. ► The outbreak of African Swine Fever (ASF) in 2019 had a significant impact on pig production – some farms reportedly lost all their stock. This perhaps presents an opportunity to rebuild sector production. Chickens: growing demand but challenges regarding commercial production ► Poultry populations are highest in Champasack, Saravane and Savannakhet ► Both domestic and international demand (from Vietnamese traders) for chicken is very high, especially for native chicken, but it is seasonal (October–April, after Buddhist Lent until Lao New Year). ► There is some growth, but gaps in supply are covered by imports from Thailand (broilers), including frozen chicken. This discourages producers from increasing production of chicken. ► Currently, most households rear native chickens (20-50 per household), which requires very little financial and human resources. Commercializing chicken production requires changing practices into cross-breed production. This requires investments in infrastructure (e.g. chicken coops), inputs (feed, vaccines) and animal health services. ► Discussions with Naka Chicken Farm confirmed that commercial farms have to produce 500+ cross-breed chickens to become profitable. It is therefore not suitable for backyard rearing. ► Evaluations from previous poultry projects indicated that the pig enterprises they supported was 2.5 times higher than profit from poultry enterprises. ► Additional information is required to identify potential for the commercialization of native chicken.	
	Potential for creation and expansion of productive employment	There is potential to support production employment creation, especially in meat processing. ► REP could work to improve productivity, such as improving use/ accessibility of improved breeds, better feed, animal health services and production practices. This will impact increases in income and job creation, including in support services. ► The investments into meat processing are an entry point to support structural transformation from agriculture to productive manufacturing and service jobs. One stakeholder mentioned that the US\$16 million processing facility investment would not include extension services, providing an entry point for REP. ► However, there is less potential for the expansion of productive employment in small-scale live animal production.	2

Category	Selection criteria	Narrative	Score
Growth potential	Potential to strengthen market integration and growth opportunities for primary producers, rural workers, and enterprises	There is strong potential to strengthen market integration through commercialization of production. ▶ Potential to support primary producers to commercialize production, especially in cattle where is a significant export market. ▶ Potential to capture additional value in Lao People's Democratic Republic by investing in meat processing, especially for Chinese market. Most production is currently with live animals with little value addition. However, a few lead firms such as CP work in meat processing for the domestic market. ▶ Feed is a key input and currently only 60% of feed is produced domestically. There may be potential to enhance local production through the uptake of using agriculture biproducts as inputs (like sugar cane stalks). ▶ Trade liberalization (AFTA, AEC, WTO) expected to enable the entrance of skilled labour in Lao People's Democratic Republic to boost agricultural productivity and especially within the livestock sector.	2
Feasibility of MSD approach	Private sector presence and innovation	The private sector is dominated micro and small-scale household producers who sell very little commercially. However, there are a limited number of lead firms and some commercial actors. According to the livestock department, the numbers for 2023 in Savannakhet are: ▶ 19 active cattle commercial farms in 71 cattle production groups and cooperatives (<i>highest number of production groups</i>). ▶ 21 active chicken farms 25 chicken producer groups and cooperatives. ▶ 113 active pig farms across 9 districts and 15 pig production groups and cooperatives. ▶ Enterprises in cattle are at the early stages of development of upstream farms, whereas pig production is more mature, notably thanks to investment from CP (joint venture with state company) which has been growing steadily. ▶ The Livestock Research Center (LRC) is working on improving local breeds of pigs and cows by investing in crossbreeds to enhance their productive and reproductive performance⁷⁰, though some stakeholders mentioned that piglets were still imported, increasing production costs. ▶ Two slaughterhouses are reported Savannakhet, which do not respect international sanitary standards. ▶ While estimates are not available, much of the livestock cross-border trade with Thailand and Viet Nam is informal, as it is prohibited by the Government. Cattle exports to China are the only legal form of exports.	2
	Alignment with government priorities	The promotion of livestock is one of the Government's top priorities. ▶ Livestock is a priority in the Government's 9th Five-Year National Socio-Economic Development Plan (2021-2025). It specifies that livestock growth aims to reach 3-4% per year, of which buffalo growth should be at 1% per year, cattle 3% per year, pigs 4% per year, sheep/goats 5% per year and poultry 5% per year. It also mentions the export of 200,000 cows by 2025 and the supply 340,000 tonnes of meat and eggs, an increase of 7.8% compared to 2020. ▶ Support from national and provincial government strategies and programmes includes the introduction of crossbreeds, the establishment of artificial insemination services (research centre, DAFO staff), the establishment of producer group with capacity development initiatives, and a plan to establish slaughterhouses that meet international standards. ▶ Government wants 70% of animal feed to be produced within Lao People's Democratic Republic by 2025. There is also a policy in place to introduce/use cash crop biproducts as a key feed ingredient.	3

70 Yomna Gaafar et al. (2022). Agricultural Value Chain Upgrading in Northern Lao People's Democratic Republic. Retrieved from [\[Agricultural Value Chain Upgrading in Northern Lao PDR | Columbia SIPA\]](#).

Category	Selection criteria	Narrative	Score
Feasibility of MSD approach	Presence of development projects	There are few active projects in livestock, but learnings from those that have ended recently can be leveraged for REP. ► Lao Beef Quality Initiative (2017-2022) funded by New Zealand, supported cattle fattening production through feed production and good management practices. These learnings could be used if REP were to focus on feed production. ► FAO operating a direct training programme for government extension officers on animal health services that runs until close of 2024. ► A US\$30 million ADB and IFAD project on commercializing livestock in the north of Lao People's Democratic Republic closed in 2021.⁷¹ ► Chicken: In collaboration with farmers and local authorities, the Department of Livestock and Fisheries (DLF) established provincial native livestock conservation areas in three provinces (Xiang Khouang, Savannakhet and Salavan). ► A range of small-scale community led poultry projects were supported, including FAO in Luangprabang, and the Resilient Livelihoods for the Poor project implemented by a range of partners including CARE. This included asset transfer and livelihoods support for livestock production (pigs and poultry).	2
		Total points for the market system (out of 27, no weighting)	23
		Total percentage for the market system (includes weighting)	84%

2.5.2 Conclusions

The livestock sector scored a total of **23/27 points and scored 84/100 including weighting.**

In summarizing and rating the three criteria:

- **Relevance – 9/9:** The sector is relevant for 90 per cent of farming households and minor improvements can have a considerable impact. Stakeholders indicated a high need for skills development throughout the chain. While highly relevant, there is currently limited value addition as most animals are traded as live and informally.
- **Opportunity – 7/9:** Export growth to neighbouring markets has been considerable and traders indicated that they could not source enough locally produced livestock to meet orders and demand. There is also much room for quality productivity improvement in cattle/beef production, through the adoption of more commercial practices, which can not only increase incomes, but increase savings that protect against inflation. There is limited potential for growth of processed products as the market focuses on live animals; however, this is changing with foreign investments in processing facilities.
- **Feasibility – 7/9:** Livestock has many entry points for REP – breeding, animal health services, skills, feed, processing, commercialization and informal trading. Furthermore, national government policy supports sector commercialization and innovation in feed production. This all presents the project with a potentially very broad enough space to operate where it could make meaningful and incremental productivity increases.

⁷¹ Asian Development Bank. (2021/2022). Lao People's Democratic Republic: Northern Smallholder Livestock Commercialization Project. Retrieved from <https://www.adb.org/projects/47300-002/main>.

2.6 Vegetables (Savannakhet)

Although the Lao People's Democratic Republic produces vegetables, the sector only accounts for about 2 per cent of the total agricultural exports in 2020. While the domestic demand for vegetables, including organic vegetables, seems to be increasing, some respondents mentioned the sector has been declining, with fewer exports to Thailand. Lack of labour had been a common in vegetable production, and this is only being exacerbated by recent Lao labour migration to Thailand. However, a high share of women is involved in the vegetables production.

2.6.1 Analysis and score

► Table 8. Sector analysis: Vegetables

Category	Selection criteria	Narrative	Score
Relevance for target group	Current relevance of sector for women and men in rural areas, particularly ethnic minority groups, PWDs, youth, returned migrant workers, LGBTQI+	► High share of women in vegetables production⁷². ► Lack of labour in its production. ► The research team saw very few vegetables being produced on farms, indicative of less market presence.	1
	Potential future relevance of sector for target groups	► Potential to improve incomes for rural women and men. ► Potential to improve food security for rural women and men.	1
	Potential to address a skills gap	► Processing skills needed: processing is limited due to lack of technical knowledge and access to finance.⁷³ ► Inadequate knowledge of food safety regulations among farmers.	2
Growth potential	Projected product/service demand and demand growth potential	► Vegetables (including beans) exports accounted for about 2% of the total agricultural exports in 2020.⁷⁴ ► Per capita consumption of vegetables increased by 8% over the 2015-2019 period.⁷⁵ ► Production has increased steadily since 2005, peaking in 2015-2016 with output reaching 1.6 million tons and cultivated area reached more than 160,000 hectares in 2019.⁷⁶ ► Gaps in domestic supply are met by Thai imports at very competitive prices.	2
	Potential for creation and expansion of productive employment	► Lack of labour had been a common constraint in vegetable production, and this is only being exacerbated by recent Lao labour migration to Thailand. Farmers have been switching to less labour-intensive crops such as cassava.	1

72 International Bank for Reconstruction and Development / The World Bank. (2022). Developing the agribusiness potential in the Lao-China railway corridor: Opportunities and Challenges. Retrieved from [\[16248-WB-WB-Lao-PDR-Agribusiness-WEB.pdf \(worldbank.org\)\]](#).

73 International Bank for Reconstruction and Development / The World Bank. (2022). Developing the agribusiness potential in the Lao-China railway corridor: Opportunities and Challenges. Retrieved from [\[16248-WB-WB-Lao-PDR-Agribusiness-WEB.pdf \(worldbank.org\)\]](#).

74 International Bank for Reconstruction and Development / The World Bank. (2022). Developing the agribusiness potential in the Lao-China railway corridor: Opportunities and Challenges. Retrieved from [\[16248-WB-WB-Lao-PDR-Agribusiness-WEB.pdf \(worldbank.org\)\]](#).

75 International Bank for Reconstruction and Development / The World Bank. (2022). Developing the agribusiness potential in the Lao-China railway corridor: Opportunities and Challenges. Retrieved from [\[16248-WB-WB-Lao-PDR-Agribusiness-WEB.pdf \(worldbank.org\)\]](#).

76 International Bank for Reconstruction and Development / The World Bank. (2022). Developing the agribusiness potential in the Lao-China railway corridor: Opportunities and Challenges. Retrieved from [\[16248-WB-WB-Lao-PDR-Agribusiness-WEB.pdf \(worldbank.org\)\]](#).

Category	Selection criteria	Narrative	Score
Growth potential	Potential to strengthen market integration and growth opportunities for primary producers, rural workers, and enterprises	► Movement to grow organic produce for the local and tourist markets is emerging. ► In Vientiane, consumers with higher incomes and education levels are willing to pay more for quality food compliant with sanitary standards and meeting their expectations in terms of taste, packaging, and appearance. Furthermore, an adjacent US\$ 1 billion Chinese tourism/resort development, could bring a new market for better quality, higher value produce, however, this is still five years away from opening and is not quite ready for development. ► New patterns are driving innovation in processing, packaging, and branding in micro, small and medium-sized processing enterprises. ► Some key informants mentioned that the sector had declined in prominence in recent years. While farmers used to export to Thailand, this had declined substantially as farmers switched into cassava. ► Poor transport infrastructure, high temperature, lack of cold storage and high perishability can incur losses when supplying to markets at a distance (i.e. Vientiane)	2
Feasibility of MSD approach	Private sector presence and innovation	► Some reported growth in contract farming by foreign companies that support farmers with seeds, fertilizers, plastic sheeting, and drip irrigation ⁷⁷ , though it is largely unclear how thick the private sector is.	1
	Alignment with government priorities	► Agricultural Development Strategy to 2025 and Vision to 2030 Goal (Program) (1) ensure food production to guarantee nutrition of people including vegetables; and (2) improve agriculture commodity production. ⁷⁸	2
	Presence of development projects	► No development projects were identified working in Savannakhet and Champasak provinces.	3
		Total points for the market system (out of 27, no weighting)	15
		Total percentage for the market system (includes weighting)	56%

2.6.2 Conclusions

It proved difficult to find key stakeholders with knowledge of the vegetable sector during the field research. Thus, the knowledge articulated below is has principally been gathered through secondary sources. This is a somewhat incomplete picture of the sector but is considered sufficient for initial evaluation.

The vegetable sector scored a total of **15/27 points and scored 56/100 including weighting**. In summarizing and rating the three criteria:

- **Relevance – 4/9:** Through interviews and observation, appeared to be the least commonly farmed crop on the shortlist in Savannakhet and Champasak during rainy season.
- **Opportunity – 5/9:** Key informants indicated that the sector had been in decline and exports to neighbouring Thailand had reduced in recent years. Emerging demands for better quality vegetables in Vientiane and supply to the large-scale Chinese tourism/casino development in Champasak (in five years' time) present market opportunities, however, each opportunity comes with a challenge: perishability to Vientiane and market readiness to the Chinese development.

⁷⁷ International Bank for Reconstruction and Development / The World Bank. (2022). Developing the agribusiness potential in the Lao-China railway corridor: Opportunities and Challenges. Retrieved from [[16248-WB-WB-Lao-PDR-Agribusiness-WEB.pdf \(worldbank.org\)](#)].

⁷⁸ Ministry of Agriculture and Forestry. (2015). Agriculture Development Strategy to 2025 and Vision to the year 2030. Retrieved from [[maf.gov.la/wp-content/uploads/2016/01/MDS-2025-and-Vision-to-2030-Eng.pdf](#)].

- **Feasibility – 6/9:** While the project may have reasonable entry points to work on vegetable quality, market access, inputs, and standards, it is unclear how “thick” private sector is, particularly for any specific subsector, where a project could reach significant scale.

2.7 Sugar/sugarcane (Savannakhet)

Sugarcane exports in the Lao People’s Democratic Republic increased by 32 per cent in 2022, and its consumption has increased both domestically and internationally. Sugar is primarily produced in Savannakhet. High input costs (machinery and fertilizers) reduce farmers’ margins and has caused some to go into long-term debt.

2.7.1 Analysis and score

► Table 9. Sector analysis: Sugar/sugarcane

Category	Selection criteria	Narrative	Score
Relevance for target group	Current relevance of sector for women and men in rural areas, particularly ethnic minority groups, PWDs, youth, returned migrant workers, LGBTQI+	► Sugar is principally produced in Savannakhet and is worked by farming families, with some minor requirements for sourcing additional labour throughout the production cycle.	1
	Potential future relevance of sector for target groups	► Potential to improve incomes for rural women and men. ► Some farmers reported going into long-term debt to buyers by accepting inputs on credit. This debt took years to payoff and in some cases, farmers reported that even though they had funds to clear their debt, buyers wanted them to remain in debt to potentially keep supplier loyalty. ► Input costs (fertilizer and machinery) were reported both as necessary and costly, reducing farmer margins.	1
	Potential to address a skills gap	► Inappropriate use of inputs and pesticides use. ► Mitr Lao Sugar already supports human resource development, especially, via upskilling programmes to allow Lao workers to be in charge of higher positions in the factory	2
Growth potential	Projected product/service demand and demand growth potential	► Lao sugarcane exports rose by 32% in 2022. ⁷⁹ ► Up to 80% of sugar production in Lao People’s Democratic Republic is exported, while the rest is for domestic consumption. ⁸⁰ ► One major factory had increased its amount of processed sugar by 80% over the last 10 years. ► Some organic sugar is exported - roughly 1% at one factory. While this was reported to be a potential growth area, foreign buyers were reportedly difficult to find. ► Sugar consumption was reportedly increasing in Lao People’s Democratic Republic. ► White leaf disease reportedly used to damage about 20-30% of crop, however, privately driven advances in seed research has reduced this to about 2-3%.	2

⁷⁹ [lao-ado-april-2023.pdf](#)

⁸⁰ Farmlandgrab. (2015). Mitr Phol growing in Lao People’s Democratic Republic. Retrieved from [\[farmlandgrab.org | Mitr Phol growing in Lao\]](#).

Category	Selection criteria	Narrative	Score
Growth potential	Potential for creation and expansion of productive employment	► Processors employ few workers relative to the processing size. One processor had fewer than one employee for every 1,000 tons of sugar processed.	1
	Potential to strengthen market integration and growth opportunities for primary producers, rural workers, and enterprises	► European Union has an unmet need for sugar produced in Lao People's Democratic Republic ⁸¹ which provides opportunities to strengthen primary producers' integration in the value chain. ► Farmers indicated that cultivating sugar could be done on adjacent plots at different times of the year such that farmers could have two harvests per year and a steadier income stream.	2
Feasibility of MSD approach	Private sector presence and innovation	► The sector is dominated by three highly sophisticated sugar processors in country – two of which are located in Savannakhet (Thai companies — Mitr Phol and Khon Kaen Sugar Industry plc) and another in southern Lao (a Vietnamese company, Hoang Anh Gia Lai). ⁸² These companies already have strong outreach to farmers in their surrounding area – for example through their own extension officers – to provide technical advice, inputs (including tractors on rent). These companies have also agreed boundaries for production sourcing to avoid competition with farmers. ► As sugar buyers are quite specific about the type of crop they want, farmers indicated that they needed to buy their inputs from the processor or could do so through other input suppliers as long as the processor approved of the variety. ► “Opening the way to agribusiness” is a programme organized for Vietnamese farmers to come to Attapeu province (Lao People's Democratic Republic) to cultivate sugarcane, launched by Thanh Thanh Cong - Bien Hoa Joint Stock Company (SBT). It means that every farmer is an entrepreneur, thinking and acting like a business owner, and the main field of activity is agriculture. ⁸³	1
	Alignment with government priorities	► Government reported to be supportive of sector development. ► They also support price setting in light of an oligopoly buyer structure.	2
	Presence of development projects	► No donor-funded programmes were identified as active in sugar in Champasak or Savannakhet.	3
		Total points for the market system (out of 27, no weighting)	15
		Total percentage for the market system (includes weighting)	56%

2.7.2 Conclusions

The sugar sector scored a total of **15/27 points** and scored **56/100 including weighting**.

In summarizing and rating the three criteria:

- **Relevance – 4/9:** Sugar is only farmed Savannakhet province, and its cultivation was reportedly not as widespread as other crops like rice and cassava or livestock.

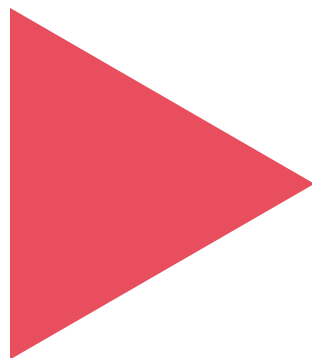
81 Greater Mekong Agriculture. (2012). SAVANNAKHET FACTORY HOPES TO SATISFY EU'S SWEET TOOTH. Retrieved from [\[Savannakhet Factory Hopes to Satisfy EU's Sweet Tooth | Greater Mekong Agriculture \(wordpress.com\)\]](#).

82 Farmlandgrab. (2015). Mitr Phol growing in Lao. Retrieved from [\[farmlandgrab.org | Mitr Phol growing in Lao\]](#).

83 Nongnghiep. (2023). Growing sugarcane in Lao: An attractive opportunity for Vietnamese farmers. Retrieved from [\[SBT brings opportunity for farmers to grow sugarcane in Lao \(nongnghiep.vn\)\]](#).

- ▶ **Opportunity – 5/9:** The market shows both growth domestically and internationally with a nascent organic market growing. However, that growth may not translate into new or more productive jobs as small-scale producers – some of whom remain in debt due to sugar production – may not find a productive incomes and processors create few jobs relative to the amount they process.
- ▶ **Feasibility – 6/9:** The private sector is relatively well developed. However, as sugar buying/processing is dominated by just three large-scale businesses who already have significant outreach to farmers and provide critical knowledge, support and inputs, it is unclear what additional value REP could add to the sector.





3



Summary and conclusions

3.1 Summary of shortlisted sectors and geographical scope

► Table 10. Summary of shortlisted sectors and geographical scope

Sector	Total score including weighting	Total points (max=27)	Relevance	Growth	Feasibility	Ranking
Livestock	84%	23	9	7	7	1
Rice	80%	22	9	6	7	2
Cassava	78%	21	8	7	6	3
Coffee	61%	16	4	7	5	4
Ecotourism	60%	16	6	6	4	5
Vegetables	56%	15	4	5	6	6
Sugar	56%	15	4	5	6	6

In summarizing the above analysis with pertinence to Savannakhet and Champasak, the sectors can be broken into two tiers. The high potential tier includes cassava, rice and livestock and the lower potential tier includes coffee, sugar, vegetables and ecotourism.

3.2 Consultation with ILO constituents/ key stakeholders and next steps

A consultative workshop with the ILO tripartite Constituents was held to discuss and agree which of the three high-tier sectors – cassava, rice and livestock – will be selected by REP for a detailed MSA. The workshop included representatives from the provincial key stakeholders who are also members of Provincial Project Advisory Committee.

The consultation workshop engaged ILO constituents and key stakeholders in the decision-making process and ensured that the project's direction aligns with the needs and priorities of the stakeholders. The upcoming milestones and activities were discussed, focusing on sector selection and evaluation criteria, fieldwork, the co-creation process for subsequent project intervention design. The workshop facilitated a collaborative environment, where participants actively engaged in discussions and provided valuable input, allowing diverse perspectives to be heard and considered. Below is a summary of the discussions and inputs received.

After a presentation by REP national project coordinator on the proposed ranking of sectors in relation to the criteria, participants shared their insights on the various sectors and their potential for skills development, strengthening market integration for rural workers and developing private-public capacities.

There was consensus among participants to focus on the livestock sector, specifically poultry and cattle. The stakeholders emphasized a preference for short cycle livestock, particularly chickens, due to the quick results they offer. While acknowledging the longer-term nature of cattle farming (2–3 years), they

proposed a combined approach to address both short and longer-term cycles.

The choice of livestock was reinforced by the high demand for chicken, with a major company, Naka Service Farm, highlighting its inability to meet the current market demand. Interestingly, there was no discussion about pigs, despite their shorter life cycles and high demand, as the stakeholders appeared more inclined towards chicken farming.

Additionally, the stakeholders suggested exploring off-farm activities to support poor households in achieving self-reliance and self-subsistence, even if not necessarily for commercial purposes.

There was also consensus among participants to dismiss cassava as a viable option due to feasibility concerns. Stakeholders expressed worries about the negative environmental impact of cassava cultivation, citing soil and forest destruction due to slash and burn practices in natural forests. This approach contradicts government policies on reforestation. The practicality of promoting more sustainable cassava production is questioned, as there are doubts over whether farmers would invest resources in restoring plots and improving soils. Participants did not go into detailed discussions about rice, reiterating their preference for the livestock sector.

3.3 Next steps

The project will finalise this report and share with key stakeholders.

The project will begin the market systems analysis for the livestock sector in Savannakhet. It was agreed that the MSA would look at the wider livestock sector, including cattle, poultry, and pigs, in order to identify the subsectors with the most potential for REP in Lao PDR.

Based on the results of the MSA, the ILO will develop project interventions in collaboration with ILO constituents and sector actors and establish a monitoring and results measurement framework.

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