About the Joint Programme “High-Frequency Data”

The global COVID-19 pandemic, coupled with the food, energy, and financial crisis has exacerbated the vulnerability of households and increased poverty. According to the UN Global Crisis Response Group, the world has not been in this state in recent history; ‘60 per cent of workers have lower real incomes than before the pandemic; 60 per cent of the poorest countries are in or at high risk of debt distress; developing countries lack USD1.2 trillion per year to fill the social protection gap, and USD4.3 trillion will be needed annually - more money than ever before - to meet the Sustainable Development Goals (SDGs).’

Lao PDR is no exception. The inflation rate in Lao PDR hit 34.1 per cent in September 2022, the highest since May 2000, amid a surge in energy and consumer goods prices. According to the latest numbers of the Lao Statistics Bureau of September 2022, the price of food rose by 35.54 per cent, while transport costs recorded an increase by 55.89 per cent and healthcare products including medicine increased by 44.5 per cent. Driven by the global energy market, in combination with the shortage of foreign currency reserves, the price of fuel has also increased substantially, and the risk of further fuel shortages such as that faced earlier this year is not over. Owing to macroeconomic structural imbalances, the value of the country’s national currency – the Lao Kip – has depreciated.

Existing regular data monitoring systems provide information only with a time-lag, and often in an aggregate form. In a context where substantial shifts occur within days and weeks, there is a need for higher-frequency data. To better understand the impact of the fast-evolving food, energy and financial crisis on the nation’s fiscal capacity and on individual households, in collaboration with the Lao Academy for Social and Economic Sciences / MRI, the UN in Lao PDR prepared a Joint Programme on ‘High-Frequency Data’ with the aim to provide targeted, disaggregated, and timely data to inform efficient policy responses and potential course correction.

The Joint Programme aims at issuing three bulletins and one Policy Brief to policymakers at all levels. The first issue (access here) focused on understanding and identifying vulnerable groups impacted by the crisis; this second bulletin focuses on ‘Food Security and Livelihoods’; and the third and final bulletin will address a ‘Macroeconomic analysis of the country’s economy.’ A final summative policy dialogue workshop will bring together concerned Government sector ministers, United Nations agencies, and other development partners to deliberate on the key findings and chart the way forward.

The Joint Programme is supported by the Joint SDG Fund – Development Emergency Modality Response to the Global Crisis on Food, Energy, and Finance.

FOOD SECURITY AND LIVELIHOODS

EXECUTIVE SUMMARY

- Lao PDR is being hit by the global food, fertilizer, energy, and financial crisis leading to a rapid increase in the cost of living. Apart from the impact of price hikes in each of these areas alone, they also have combined the potential to create compounded shocks to an already challenging food security and livelihoods situation for households in Lao PDR. An estimated 20 per cent of female-headed households and 17 per cent of rural households are food insecure in Lao PDR as of October 2022.

- The rapid increase in the price of agricultural inputs has led to reduced use and is expected to lower agricultural production, especially among small-scale farmers, who are mostly cultivating rice for subsistence this year. Fertilizer sales have declined as much as 20 times, and the use of crop supplements has halted altogether as farmers lack the financial capacity to access them. A decline in the production of staple foods is anticipated. Distress sales of livestock and poultry assets have been observed, with short – to medium-term implications for small-scale farmers’ food insecurity and poverty.

INTRODUCTION

- This bulletin explores the state of food security and livelihoods in Lao PDR, using the most recent data sources available. Using focus group discussion (FGD), carried out in October 2022, the “Rapid assessment of the Impact of the 2022 Financial Crisis on Food Security and Livelihoods in Lao PDR” undertaken by the UN Food and Agriculture Organisation (FAO) has generated insights into the impact of the crisis. The assessment was carried out in five provinces (Champassak, Luangnamtha, Savannakhet, Vientiane Province, and Vientiane Capital).

- A second FAO study, “Lao PDR 5 F Households Survey”, carried out jointly by FAO/IFAD and WFP in August – September 2022, covering 1,538 households across five agroecological zones and two economic corridors, used randomised digital dialing. The most recent WFP ‘Food Security Monitoring Surveys’ of September and October 2022 editions have also been used.

- Analyzing the intercept between livelihood and food security, this bulletin summarizes key vulnerabilities of different population segments with a view to supporting more appropriate and differentiated policies and actions.

[4] Vulnerable-groups
Lao PDR has recorded remarkable economic progress, with improving livelihoods and poverty reduction, paving the way for graduation from the list of Least Developed Countries expected in 2026. The national poverty rate dropped from 24.6 per cent in 2012 to 18.3 per cent in 2018.

Structurally, however, the livelihood of people in Lao PDR significantly depends on agriculture. More than 63 per cent of people in Lao PDR live in rural areas and are subsistence farmers who depend heavily on rain-fed rice-based agriculture and livestock rearing. The poverty rate in rural areas is four times higher than in urban, and some ethnic groups lag behind on economic indicators.

Two decades ago, Lao PDR moved from a rice deficit to a sizable surplus and since then rice shortages have become more of a localized phenomenon. The increase in food production was mainly driven by area expansion and yield improvement. Consequently, the focus on food security in Lao PDR has shifted to addressing nutritional benefits.

Livestock production has become increasingly commercialized in recent years, reinforced by a rising regional demand projected to further grow at 3.5 - 4 per cent annually. Nearly all farmers rear livestock (cattle, goats, buffaloes, and pigs). Poultry is also integral to household productive assets and income.

Despite the toll of the pandemic, the agriculture sector has been relatively resilient at an aggregate level, supported by strong export demand for essential products. Agriculture as a sector helped absorb returning migrants and many workers who lost their jobs in the other sectors during the pandemic.

The World Bank projects that GDP is expected to show improvement in 2023 owing partly to “expanded production and exports of key agricultural products such as cassava, rubber, bananas and coffee beans, offsetting a contraction in other fruit, corn, and live animal exports.”

Emerging Issue 1: Threat to food security

One in seven households (14 per cent) in Lao PDR are now food insecure and unlikely to meet required food needs without resorting to negative coping strategies. This has led to increasing use of coping strategies as households try to meet food or other essential needs. Some 35 and 43 per cent of households reported relying on food-based coping strategies in September and October, respectively. Similarly, the trend for relying on livelihood-based coping strategies increased from 58 to 63 per cent during the two months surveyed.

Due to the high cost of agricultural inputs, rural households’ food security is expected to deteriorate further in coming months. Some 15-20 per cent of smallholder farmers living in remote areas could not plant rice at all due to fuel and supply shortages at the peak sowing time of paddy crop this year. The increase in the cost of fertilizers has led to a reduction in their use and application. In turn, this is expected to compromise agricultural production, even own-production, and income in the medium term.

Figure 1: Food Insecurity by province

Provincial Distribution of Food Insecurity Across Lao PDR

<table>
<thead>
<tr>
<th>Province</th>
<th>Food Insecurity (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sekong</td>
<td>30%</td>
</tr>
<tr>
<td>Luang Prabang</td>
<td>29%</td>
</tr>
<tr>
<td>Phongsaly</td>
<td>28%</td>
</tr>
<tr>
<td>Sayabour</td>
<td>27%</td>
</tr>
<tr>
<td>Savannakhet</td>
<td>26%</td>
</tr>
<tr>
<td>Khonamouang</td>
<td>25%</td>
</tr>
<tr>
<td>Huaphan</td>
<td>24%</td>
</tr>
<tr>
<td>Attapeu</td>
<td>23%</td>
</tr>
<tr>
<td>Bokeo</td>
<td>22%</td>
</tr>
<tr>
<td>Champasak</td>
<td>21%</td>
</tr>
<tr>
<td>Viethiane Pho.</td>
<td>20%</td>
</tr>
<tr>
<td>Bolikhamsay</td>
<td>20%</td>
</tr>
<tr>
<td>Oudomxay</td>
<td>19%</td>
</tr>
<tr>
<td>Sayabour</td>
<td>18%</td>
</tr>
<tr>
<td>Luang Namtha</td>
<td>17%</td>
</tr>
<tr>
<td>Viethiane Cap.</td>
<td>16%</td>
</tr>
<tr>
<td>Xieng Khuan</td>
<td>15%</td>
</tr>
</tbody>
</table>

Source: WFP, Food Security Monitoring, September 2022
The 2022 May to September rainy season was generally favorable over the key rice-producing central and southern provinces benefitting crop development; however, the floods in both northern and southern parts of the country have damaged standing rice and other crops. Households that were already moderately food insecure face the greatest risks, with any further shocks throughout this or the subsequent harvesting period likely to tip them into the severely food-insecure category. This can potentially have catastrophic implications on both people’s livelihoods and food security.

**Emerging Issue 2: Cost of living crisis**

Lao PDR is experiencing very high inflation, including in the price of food items. In November 2022, headline inflation reached 38.5 per cent, a 23-year record. The price increase in food items was associated with high transportation and input costs, coupled with expectations of reduced production of the 2022 main paddy crops. Rice prices have increased in most markets since the beginning of 2022 were at all time high levels in September 2022. With the inflationary trend reducing the purchasing power of households, UNCTAD has estimated that a 10 per cent increase in food prices will trigger a five per cent decrease in the incomes of the poorest families, roughly equivalent to the amount those families would normally spend on healthcare.

**Figure 2: Inflation - Food and Non-Food**

[Graph showing inflation trends for food and non-food items]

Source: Real Sector Division, MRI, LASES / data from Lao PDR Statistics Bureau, MPI

Households already at the bottom of the income stratum, with limited capacity to cope are those most at risk. Nearly six in ten households are now relying on livelihood-based coping strategies such as spending savings, cutting health expenditures or borrowing to buy food or meet other essential needs.

**Figure 3: Household response to shocks**

Most Household responses to shocks involved expenditures: reducing expenses and mobilising savings. In some cases (particularly against the business constraints and higher food prices), the response was food consumption based.

[Bar chart showing household responses to shocks]

Source: FAO
Emerging Issue 3: Cascading effect of the increasing agricultural input prices

Smallholders have reduced fertilizer use and expected to have lowered production. Furthermore, while animal feed, vaccines, and medication have become more expensive, the prices of live animals and poultry have mostly stayed the same. The combination of the increase in the cost of rearing animals and lower-than-usual market prices has led to distressed sales of livestock and poultry assets.

Over a third of households reported a decrease in poultry stock, while slightly less than a third reported a reduction in cattle possessions. As animals and poultry constitute a significant part of smallholders assets and are savings for lean periods, the depletion of their stock indicates a deterioration in ability to cope with future shocks or extended challenges.

The increase in the price of fertilizer and fuel have impacted staple crops, and especially rice, more than the other crops. Farmers reported a declining tendency to cultivate rice and other staple cereals in the area. As rice is the country’s leading staple and source of food security, accounting for 72 per cent of the country’s agricultural land area, with 3.8 million metric tons of rice produced annually, any movement against the production and productivity will have significant implications. The supply and availability of agricultural inputs – rain, seeds, and fertilizer are the most frequent reasons for the drop in the size of area of land cultivated.

Source: FAO

[28] FAO, Lao PDR 5 F Household Survey, Round 1, 2022, Preliminary Result
In Lao PDR, as in other parts of the world, the outlook for food security is concerning. Potential policy responses include:

- Giving particular attention to and strengthening the production of the upcoming winter (dry) season – January – May 2023 to address potential deficits in the national rice and other staple cereals yield by providing critical agricultural inputs and credit.
- Devising a mechanism to protect productive livestock and poultry assets from potential distress sales for the most vulnerable households through targeted subsidies for livestock concentrated feed, veterinary services, vaccines, and medication. This can include measures to support financial stability and incomes for the most vulnerable farming households to cover urgent cash needs.
- In addition to the current global crisis, there is need for further analysis of the drivers and root causes of food insecurity in Lao PDR, which can help design better responses also in the medium to long term and increase resilience against future shocks. Food security is complex and hence the need to have a multisectoral approach to address food insecurity. Follow-up by relevant stakeholders on the approaches and objectives outlined in the ‘Pathways to Sustainable Food Systems in Lao PDR’ report, which emerged from the National Food Systems Dialogue in June 2021, would be beneficial for Government and development partners to coordinate current and future multisectoral activities on food systems under a joint national action plan.
- Most of the challenges, particularly to those most vulnerable, could be addressed through social protection floors. Now more than ever, there is therefore a need for follow-up of the social protection strategy. Further work on setting up the coordination structures, purchasing equipment and putting infrastructure in place, training staff and volunteers, and perhaps most crucially, encouraging a shift in mindset from seeing social protection as an externally funded handout for the poor to an intrinsic element of a nationally-funded and nationally-owned system that contributes to socio-economic development, was suggested following the pilot UN Joint Programme “Leaving No One Behind: Establishing the Basis for Social Protection Floors in Lao PDR”[39] led and implemented by the Ministry of Labour and Social Welfare under the National Social Protection Strategy.[39]


**Figure 6: Coping Strategies**

![Coping Strategies Diagram](https://example.com/copingstrategies.png)

Source: FAO

**POLICY RESPONSES**

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