

## **PART 2**

### **RISK FACTORS**

*The Issuer believes that the following factors may affect its ability to fulfil obligations under the Bonds. Many of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

*In addition, factors which are material for the purpose of assessing the market risks associated with the Bonds are also described below.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in the Bonds, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Bonds may occur for other reasons: (i) which may not be considered significant risks by the Issuer based on information currently available to it; or (ii) which they may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.*

#### **Risks Relating to the Issuer and the Lao People's Democratic Republic**

##### ***Essential characteristics of the Issuer***

The Ministry of Finance (“**MOFL**” or the “**Issuer**”) of the Lao People's Democratic Republic (“**Lao PDR**”) is a central state management organisation in the government apparatus structure. It is acting as a government secretariat for the management of the nationwide financial sector and state budget. In relation to public finance management of the country, the Issuer's duties include: (i) to study, draft strategic plans, programmes and projects based on the party's policy, strategy programmes and government decisions; (ii) to manage and maintain state debts at the level approved by the National Assembly of Lao PDR (the “**National Assembly**”), to ensure economic stability and to report debts to the Government of Lao PDR and the National Assembly as prescribed by laws; and (iii) to manage national reserves, state assets, and state precious metals.

##### ***Lao PDR is an emerging market economy and may be subject to economic instability caused by internal and external factors***

Lao PDR is an emerging market economy and investing in securities of emerging markets issuers may involve special risks such as:

- high international interest rates;
- macroeconomic instability and volatility in general economic and business conditions;
- adverse changes in currency exchange rates;
- adverse changes in foreign currency reserves;
- changes in governmental, economic, tax or other policies;
- economic and instability in its trading partners or neighbouring countries and regions;
- unexpected changes in foreign laws and regulations or in trade, monetary or fiscal policies;
- high inflation, deflation or monetary fluctuations;
- exchange controls;
- wage and price controls;

- internal security issues;
- the imposition of trade barriers;
- poor growth rates; and
- the evolution of Lao PDR democratic system and institutions.

An investment in Lao PDR is subject to substantially greater risk than an investment in a more developed country and any of the factors set out above, as well as volatility in the markets for securities similar to the Bonds, may adversely affect the liquidity of and trading market for the Bonds.

***Unfavourable financial and economic developments in Lao PDR may have an adverse effect on the Issuer***

The Issuer, as a central state management organisation acting as a government secretariat for the management of the nationwide financial sector and state budget, is subject to political, economic, legal and regulatory risks specific to Lao PDR. Although the economic indicators in Lao PDR in the past decade before the spread of Coronavirus Disease 2019 (“COVID-19”) pandemic have shown strong signs of growth, the future growth of the economy is subject to many factors beyond the Issuer’s control.

Even before COVID-19 pandemic, adverse conditions and volatility in the global financial markets, fluctuations in oil and commodity prices, and the general weakness of the U.S., European and global economies have contributed to uncertainty of global economic prospects in general and have negatively affected, and may continue to negatively affect, Lao PDR’s economy.

From mid-2013 to the present, the value of the LAK relative to major foreign currencies in general and in particular, the U.S. dollar has depreciated significantly. There is no assurance that the exchange rate fluctuation – either appreciation or depreciation – will not occur again in the future. See – *Exchange Rates*. A depreciation of the LAK increases the cost of imported goods and services, the LAK revenue needed by Lao PDR to service foreign currency-denominated debts, and the value of the external debt in LAK terms. An appreciation of the LAK, on the other hand, causes export products of Lao PDR to be less competitive by raising their prices in terms of the relevant foreign currency and reducing the LAK value of such export sales.

Developments that could hurt Lao PDR’s economy in the future include:

- difficulties in the financial sector in the U.S., Europe and elsewhere which result in adverse effects on global financial markets;
- adverse changes or volatility in foreign currency reserve levels, commodity prices (including oil, gold and copper prices), exchange rates of the LAK against major currencies (including fluctuation of the U.S. dollar or Japanese yen exchange rates or revaluation of the Chinese Renminbi), interest rates and stock markets;
- continuing adverse conditions in key trading partners’ economies, such as China, Thailand and Korea, or in emerging market economies in Asia or elsewhere;
- a decrease in tax revenues and a substantial increase in the government’s expenditures that, together, would lead to an increased government budget deficit beyond the committed level of 2% of GDP in accordance with the Ninth National Socio-Economic Development Plan;

- natural disasters that may have a significant adverse economic or other impact on Lao PDR or its major trading partners;
- deterioration in economic or diplomatic relations between Lao PDR and its trading partners or allies, including deterioration resulting from trade disputes or disagreements in foreign policies;
- uncertainty of the global economy, fears of a slowdown in the People’s Republic of China’s economy, speculation over timing and pace of interest rate hikes in the U.S. and possibility of a higher interest environment and a threat of escalating trade disputes;
- increasing delinquencies and credit defaults by small and medium-sized enterprises and consumer borrowers;
- declines in consumer confidence and a slowdown in consumer spending;
- financial problems of companies in Lao PDR, their customers, their suppliers or financial sectors;
- loss of investor confidence arising from corporate accounting irregularities and corporate governance issues at certain companies in Lao PDR;
- economic impact of any pending or future free trade agreements; and
- hostilities or political and social unrest involving oil producing countries in the Middle East or North Africa, and any material disruption in the supply of oil or increase in the price of oil.

***Certain shortcomings of government finance and macroeconomic statistics may hamper credit monitoring of Lao PDR by the Bondholders***

In the IMF’s Staff Report for the 2019 Article IV Consultation in respect of the Lao PDR dated August 2019, the IMF noted that there is a lack of consistency and coverage with financial soundness indicators data in the Lao PDR’s compiling of monetary and financial statistics. In addition, the IMF noted that, while the Lao PDR’s macroeconomic statistics have improved, more remains to be done to strengthen their quality and timely dissemination while building staff capacity. In certain cases, such shortcomings in the quality and timely dissemination of data may contribute to discrepancies between statistical information and forecasts provided by multilateral sources and information provided by the Lao PDR. The Government of the Lao PDR has been working to improve such shortcomings with assistance from certain development agencies. Specifically, the Lao PDR has participated in the IMF’s Statistics Department project to implement the System of National Accounts and International Comparison Project, funded by the government of Japan, and has received technical assistance from the IMF to improve its national accounts and develop quarterly national accounts, to improve CPI statistics and to improve external sector statistics. Notwithstanding these efforts, there can be no assurance as to the timing and extent of improvements that will be made and their effect on the ability of Noteholders to adequately monitor the Lao PDR.

As Lao PDR is a developing country, the government has obtained myriads of long-term debt financing transactions over the years with concessional and commercial terms from various development financial institutions and commercial creditors. In light of the government’s continued effort to improve its public finance and strong intention to adhere to international standards and practices, the government has committed to conduct extensive review of its existing financing documents, some of which were originated more than 30 years ago, and to make its best effort to streamline, align, or resolve matters in these existing financing documents in due course.

***Recently announced large projects may have an adverse effect on the country's debt sustainability and serviceability***

Recently announced large projects and the government's commitment to finance these projects may raise concerns over public debt sustainability and over Lao PDR's capacity to absorb the announced new financial commitments. In this context, enhancing capacity in debt management, debt sustainability analysis, and project viability appraisal is of crucial importance and long-term off-take contracts will significantly reduce these risks. The authorities are taking steps to encourage a transparent public debate over these mega-scale projects by publishing information in the media and on the National Assembly website. The Government of Lao PDR has also now deployed a debt monitoring system, namely the Debt Management and Financial Analysis System, and has developed the Presidential Decree on Public Debt Management. All these efforts are steps in the right direction and should be sustained together with the development of a debt management strategy.

***Lao PDR has some degree of dependency on foreign resources and imports to satisfy local demand for general necessities***

As a country with natural resources that do not satisfy all of its industrial or consumer needs, Lao PDR is heavily dependent on foreign resources. This makes the country's economy vulnerable to developments in the external environment that can impact a country of its location, size and geography.

Lao PDR is also dependent on imports of fuel for transport purposes and industrial supplies, capital goods and transport equipment, as well as consumer goods. Changes in commodity prices such as oil and foreign exchange movements are able to affect the economy's resource allocation and consequently its performance.

***Enforcement of Foreign Court Judgments in Lao PDR***

The Issuer is the Ministry of Finance of Lao PDR acting on behalf of the Government of Lao PDR established under the laws of Lao PDR. All of the ministers and officers of the Issuer are citizens and residents of Lao PDR, and substantially all of the assets of the Issuer and such persons are located in Lao PDR. As a result, it may be difficult for Thai or other foreign investors to effect service of process upon the Issuer or such persons inside or outside Lao PDR or to enforce against them judgments obtained in courts outside Lao PDR.

Pursuant to the Law on Civil Procedures (Amended) No. 13/NA dated 4 July 2012 (the "**Law on Civil Procedures**"), Lao PDR acknowledges and executes the decisions of foreign courts through its embassy, or the consular or representative offices of Lao PDR in such foreign country. In order to be recognised by Lao PDR's courts, a foreign judgment must:

- be translated into Lao language;
- be from a country which is a signatory to a treaty to which Lao PDR is also a signatory or party;
- not impact adversely on the sovereignty of Lao PDR nor contradict Lao laws; and
- not violate the social peace and order of Lao PDR.

Moreover, Lao PDR courts may decide not to recognise a foreign court's judgment if:

- such judgment is subject to continuing proceedings which is not yet a final decision;
- the losing party in the foreign judgment did not participate in the proceeding and the judgment was made in default;

- the matter considered by the foreign court should have been considered under the jurisdiction of Lao PDR courts;
- such judgement conflicts with the Constitution or Lao laws; or
- other non-specified issues relating to the foreign judgment.

The Law on the Resolution of Economic Disputes (Amended) No. 51/NA dated 22 June 2018 provides for the recognition and enforcement of foreign or international arbitral awards provided that the same conditions as specified above for the Lao People's court to executes the decisions of foreign courts under the Law on Civil Procedures shall be met. Therefore the enforcement of the foreign or international arbitral awards by the Lao People's court shall be possible as long as the awards adheres to the aforementioned conditions.

In addition, the Bondholders' Representative and/or the Bondholders may bring legal actions to the courts of Thailand. However, since Thailand and Lao PDR do not have any agreement or treaty regarding the judicial cooperation, judgments made by Thai courts will not be enforced in Lao PDR courts. The plaintiff, e.g., the Bondholders' Representative and/or the Bondholders, thus, will have to file a new suit in Lao PDR courts and the judgment made by Thai courts will be recognised can only be presented as evidence. In this connection, when a lawsuit is brought against the Issuer in Lao PDR, the plaintiff must file such suit to a Lao PDR people's court which has the jurisdiction over this matter. Nevertheless, since the Conditions are governed by and must be construed in accordance with the laws of Thailand, Thai lawyer(s) have to be called as witness for interpretation of the Conditions. But the adjective law in relation to such procedures will be the laws of Lao PDR.

In addition, if such event is occurred, the Bondholders' Representative will practically act for the best interest of the Bondholders. The Bondholders' Representative has the right to bring legal actions to both the courts of Thailand and Lao PDR, whereby the sequence of which will be made upon the discretion of the Bondholders' Representative. The Bondholders' Representative for the Bonds No. 1/2565 is Asia Plus Securities Company Limited, whose office is not located in Lao PDR.

***General limitations on enforceability of agreements or documents in Lao PDR by Lao PDR courts***

Enforceability of agreements or any documents (including the Bond transaction documents) in Lao PDR by Lao PDR courts is generally subject to certain limitations under Lao laws and Lao PDR courts' consideration. Such limitations include (but are not limited to) the following:

- the enforceability of any agreements or documents in Lao PDR may be limited by the application of Lao laws relating to bankruptcy and otherwise of general application relating to or affecting the rights of creditors. Under Article 512 of the Civil Code no. 55/NA dated 6 December 2018 and Article 84 of the Law on Rehabilitation and Bankruptcy of Enterprises (Amended) No 75/NA, dated 26 December 2019, a security interest created by law, such as the right of labourers to compensation, may take payment priority to a contractual security interest;
- under Article 14 of the Law on Civil Procedures, all civil proceedings shall be in Lao language. With respect to documents in foreign languages, the relevant parties must submit Lao translation which has been notarized with the Notary Office for submitting to Lao PDR courts' consideration as evidence pursuant to Article 103 of the Law on Civil Procedures; and

- the enforceability of any agreement or document is subject to the interest of the state or the society of Lao PDR. Lao PDR courts will not enforce an agreement which is considered to be contrary to the interests of the state or the society of Lao PDR.

### ***Non-exclusive jurisdiction***

Any legal action arising out of or relating to the Bonds or the Conditions may be brought in the courts of Thailand and the Issuer submits to the non-exclusive jurisdiction of such courts. Under the Conditions, nothing shall limit the right of the Bondholders' Representative and/or the Bondholders to commence any legal action against the Issuer and/or its assets in any other jurisdictions or to serve process in any manner permitted by law, and the taking of proceedings in any jurisdiction shall, to the full extent permitted by applicable laws of the relevant jurisdictions, not preclude the Bondholder's Representative and/or the Bondholders from taking proceedings in any other jurisdictions whether concurrently or not.

### ***Recognition of Lao law***

The Issuer is a government entity of Lao PDR. The substance of such laws of Lao PDR governing the Issuer may differ from Thai laws which Thai investors are more familiar with.

### ***The legal system of Lao PDR continues to develop and this may create an uncertain environment for investment and business activity***

Lao PDR is in the process of developing its legal and regulatory institutions. As a result, procedural safeguards as well as formal regulations and laws may not be applied consistently. In some circumstances, it may not be possible to obtain the legal remedies provided under Lao laws and regulations in a timely manner.

Any unexpected changes in Lao PDR legal system may have a material adverse effect on the rights of the Bondholders.

### ***Principal and interest payments on the Bonds may be subject to exchange control and restriction and control of inward and/or outward remittance of funds of Lao PDR***

The Issuer will pay principal and interest on the Bonds in Baht to the Bondholders. The Government of Lao PDR and monetary authorities in Lao PDR may impose exchange control, including certain restrictions and controls on inward and/or outward remittance of funds into Thailand. The Bondholders could be adversely affected by delay in, or a refusal to grant, any required government approval for repatriation of principal or interest payment to be paid by the Issuer. There can be no assurance that the Issuer will be permitted to inject or repatriate funds into Thailand for principal and interest payment on the Bonds throughout the term of the Bonds.

### ***Previous, current, and any future, outbreaks of avian influenza or other contagious diseases may adversely affect Lao PDR economy***

Since late 2003, a number of countries in Asia, including Lao PDR, as well as countries in other parts of the world, have had confirmed cases of the highly pathogenic H5N1 strain of the avian influenza virus in birds. These cases severely affected the poultry and related industries and resulted in death or culling of large stocks of poultry. In addition, certain countries in South-East Asia have reported cases of bird-to-human transmission of avian influenza, resulting in numerous human deaths. Investigations into the possibility of human-to-human transmission in Thailand, Vietnam and Indonesia are continuing. The World Health Organization and other agencies continue to issue warnings on a potential avian influenza pandemic if there is sustained human-to-human transmission. In 2009, a new strain of the H1N1 influenza virus, known as swine flu, was found to have been transmitted to humans. Following an initial outbreak in Mexico, swine flu was contracted by humans around the world, including South-East Asia, causing death in some instances. The contagious nature of this disease and global reach has led the World Health

Organization to describe the outbreak as a pandemic. In addition, since May 2015, there have been a number of confirmed cases of Middle East Respiratory Syndrome (“MERS”) and several related deaths in South Korea.

At the end of 2019, cases of COVID-19, an infectious disease caused by the SARS-CoV-2 virus, first appeared, rapidly spread in many parts of the world, and subsequently becomes an ongoing global pandemic. Even though in 2020, the Government of Lao PDR has efficiently controlled the spread of COVID-19, the pandemic has inevitably affected Lao PDR’s economy and financial system. The border closures, mobility restrictions, and quarantines started around the end of the first quarter of 2020 to mitigate the impact of COVID-19 the contagion, coupled with the ongoing outbreak of COVID-19 in neighbouring countries and the rest of the world have led to sharp income contractions, especially in tourism, transportation, retail sales, housing services, and manufacturing sector; along with a fall in fiscal revenues, and a rise in financial pressures. Under the aforementioned conditions, the economy of Lao PDR grew only 3.3 percent, recording the lowest growth rate since 1990.

COVID-19 pandemic is continuing to spread worldwide, with more than 350 million confirmed cases and more than five million deaths reported as of the end of January 2022. Consequently, the economy of Lao PDR may not be achieved the sustained revival as desired and could continue to be adversely affected by the unpredictable situation of the spread of COVID-19. However, the Government of Lao PDR will continue to closely monitor COVID-19 situation and future implications for financial sectors as well as socio-economic performances and stand ready to deploy additional measures to mitigate risks and to ensure financial and price stability, as well as to further support economic resilience.

Nevertheless, any future outbreaks of avian influenza, swine flu, SARS, MERS, the Zika virus or other contagious diseases could adversely affect Lao PDR’s economy and economic activities in the region.

### **Risks Associated with the Bonds**

*Factors which are material for the purpose of assessing the market risks associated with the Bonds*

#### ***The Bonds may not be a suitable investment for all investors***

The purchase of the Bonds involves some risks and is suitable for investors who can evaluate the risks and the merits of an investment in the Bonds. Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio (if any);
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, or where the currency for principal or interest payments is different from the potential investor’s currency;
- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rates and other factors that may affect its investment and its ability to bear the applicable risks.

### ***Risks related to Bonds generally***

Set out below is a brief description of certain risks relating to the Bonds generally:

*Bondholders are bound by decisions of defined majorities in respect of any modifications and waivers*

The terms and conditions of the Bonds (the “**Conditions**”) contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including the Bondholders who did not attend and vote at the relevant meeting (or did not execute a resolution in case of a circular meeting pursuant to Condition 14.2 of the Conditions) and the Bondholders who voted in a manner contrary to the majority.

The Conditions also provide that the Bondholders’ Representative may, without the consent of the Bondholders’ meeting, agree with the Issuer to:

- any amendment or modification of the Conditions and/or any agreement relating to the Bonds in any respect that the Bondholders’ Representative considers to be beneficial to the Bondholders or in the manner that would not materially prejudice the Bondholders’ rights;
- any amendment or modification of the Conditions and/or any agreement relating to the Bonds in order to correct any manifest error or to ensure they are in compliance with any mandatory provision of applicable laws or any applicable guideline of the supervisory authorities including the Thai Bond Market Association, or the ThaiBMA; and
- grant of a waiver or exemption in respect of any event of default pursuant to the and Conditions at any time which must proceed in accordance with Condition 13.2, 13.3 and 13.4 of the Terms and Conditions that is in the opinion of the Bondholders’ Representative appropriate, taking into account the interests of the Bondholders.

*The Bonds are subject to transfer restrictions.*

The Issuer has registered a transfer restriction of the Bonds with the Office of the Securities and Exchange Commission of Thailand and the Issuer is bound by such transfer restriction to procure that no Bond will be transferred to any person other than the “**Institutional Investors**” and/or “**High Net Worth Investors**”, respectively, as defined in Clause 3(2)(a) and Clause 3(2)(b) of the Notification of the Securities and Exchange Commission No. KorChor.5/2552 Re: Determination of Definitions Used in the Notifications relating to Issuance and Offer for Sale of Debt Securities dated 13 March 2009 (as amended or supplemented) and in Clause 4 and Clause 6 of the Notification of the Securities and Exchange Commission No. KorChor. 4/2560 Re: Determination of Definitions of Institutional Investors, Ultra High Net Worth Investors and High Net Worth Investors dated 8 February 2017 (as amended or supplemented), and the Notification of the Office of the SEC No. SorChor. 66/2563 Re: Additional Determination of Definitions of Institutional Investors dated 15 October 2020 (as may be amended or supplemented). As a result, the Issuer and/or the Registrar reserve the right not to accept the registration of the transfer of the Bonds to any person who is not qualified as such Institutional Investor or High Net Worth Investor referred to above, except for a transfer by way of inheritance.

### *Financial Risks*

Bondholders are generally exposed to the risk of not receiving payments of interest or principal in respect of the Bonds due to the Issuer's unexpected results of its business operations and unexpected performance outcomes or the Issuer having insufficient cash flows, assets or proceeds to perform its payment obligations under the Bonds or the Issuer's inability to find sufficient funding for the purpose of their payment obligations under the Bonds. Even if the Issuer could obtain alternative funding, there can be no assurance that it would be on terms that are favourable or acceptable to them. Before making an investment decision, investors should consider the Issuer's financial conditions and debt service capacity from the information contained in the Prospectus.

Although these risks are monitored, reported on and managed within a strict framework of controls and procedures whenever possible, adverse market, political, or legislative development or a failure to meet the Issuer's funding requirements and obligations could have a materially adverse effect on the Issuer's financial position.

### *Restrictions and Covenants Compliance*

If the Issuer is unable to comply with their respective current or future debt obligations and other agreements (if any), there could be a default under the terms of these agreements. In the event of a default under such agreements, the creditors or holders of the debts could terminate their commitments to lend to the Issuer, accelerate repayment of the debts, declare all outstanding amounts due and payable, or terminate the agreements, as the case may be. Furthermore, some debt agreements of the Issuer may contain cross-acceleration or cross-default provisions. As a result, a default under one debt agreement of the Issuer may cause the acceleration of repayment of not only such debt but also other debts, including the Bonds, or result in a default under other debt agreements of the Issuer. If any of these events occur, the Issuer cannot assure holders that their respective assets and cash flows would be sufficient to repay in full for all of their respective indebtedness, or that they would be able to find alternative financing. Even if they could obtain alternative financing, there is no assurance that it would be on terms that are favourable or acceptable to them.

### *Taxation*

Potential purchasers and sellers of the Bonds should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Bonds are transferred or other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available for financial instruments such as the Bonds. Potential investors cannot rely upon the tax summary contained in this Prospectus but should ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, holding, sale and redemption of the Bonds. Only these advisers are in a position to duly consider the specific situation of the potential investor. This risk factor has to be read in connection with the taxation sections of this Prospectus.

According to the current Thai tax law, a bond certificate is subject to a significant amount of stamp duty. Currently, stamp duty imposed by Thai tax law on each bond certificate is at the rate of Baht 1 for every Baht 100 or a fraction thereof of the total principal amount of the Bonds specified in such bond certificate.

### *Change of law*

The conditions of the Bonds are based on Thai laws in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to Thai laws or administrative practices after the date of this Prospectus.

### ***Risks related to the market generally***

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

#### *The Bonds may have limited liquidity*

The Bonds will not be listed on any exchange. In addition, transfers of the Bonds will be limited to Institutional Investors and/or High Net Worth Investors (each as defined herein). Bondholders thus will not be able to sell or transfer the Bonds to any person other than those qualified as Institutional Investors or High Net Worth Investors. Such transfer restrictions may also have an impact on the liquidity of the Bonds. The Issuer cannot assure Bondholders that a market for the Bonds will develop in the future. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the offering price depending on many factors, including, among others:

- the complexity and volatility of the bases of reference applicable to the Bonds;
- the method of calculating amounts payable, or other consideration, if any, in respect of the Bonds;
- the time remaining to the redemption of the Bonds;
- the number of Bonds outstanding;
- the settlement features of the Bonds;
- the amount of other securities linked to the bases of reference applicable to the Bonds;
- prevailing interest rates;
- political and economic developments in Lao PDR;
- financial, economic, political or other conditions, performance and prospects of Lao PDR; and
- the market conditions for similar securities.

Investors may not be able to sell the Bonds readily or at prices that will enable them to realise their anticipated yield. Investors should not purchase the Bonds unless they understand and can bear the risk that such Bonds may not be readily saleable, that the value of such Bonds will fluctuate over time, that such fluctuations may be significant and that they may lose all or a substantial portion of the purchase price of the Bonds.

#### *Interest rate risks*

Investment in fixed rate Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the fixed rate Bonds.

#### *Exchange rate risks and exchange controls*

The Issuer will pay principal and interest on the Bonds in Baht. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or a currency unit (the "**Investor's Currency**") other than Baht. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Baht or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Baht would decrease: (i) the Investor's Currency-equivalent yield on the Bonds; (ii) the Investor's Currency-equivalent value of the principal payable on the Bonds; and (iii) the Investor's Currency-equivalent market value of the Bonds.

The Government of Lao PDR and monetary authorities may impose exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

#### *Market Value of the Bonds*

The market value of the Bonds will be affected by the creditworthiness of the Issuer and a number of additional factors, including, but not limited to, market interest and yield rates and the time remaining to the maturity date.

The value of the Bonds depends on a number of interrelated factors, including economic, financial and political events in Lao PDR or elsewhere, and factors affecting capital markets generally. The price at which a Bondholder will be able to sell the Bonds prior to maturity may be at a discount, which could be substantial, from the issue price or the purchase price paid by such purchaser.

#### *Credit ratings may not reflect all risks relating to an investment in the Bonds*

The ratings of the Bonds may not reflect the potential impact of all risks related to the structure, market, additional factors discussed above, and other factors that may affect the value of the Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

#### *Sovereign & issue ratings may be lowered or withdrawn entirely in the future*

Sovereign & issue ratings tend to be lowered. That is to say, in 2016, sovereign & issue were rated “**BBB+**” with a “**Stable**” outlook by TRIS Rating Co., Ltd. Subsequently, the ratings in 2017 affirmed at “**BBB+**” but the outlook was changed to “**Negative**” from “**Stable**”. Later in 2019, sovereign & issue ratings were downgraded to “**BBB/Stable**” from “**BBB+/Negative**”, and then the outlook was changed to “**Negative**” in 2020.

In 2021, sovereign & issue ratings were downgraded to “**BBB-**” from “**BBB**”, with a “**Negative**” outlook. According to TRIS Rating, the downgrade in 2021 reflects the deepening deterioration in the country’s fiscal position and the execution risks of Lao government’s liquidity management plan over the next 18 months. The “**Negative**” outlook reflects the uncertainty of the country’s recovery prospects given the potential impact of the resurgence of COVID-19 infections in the region, which could hamper the country’s ability in addressing the challenges of liquidity management, fiscal, and external vulnerabilities.

Currently, the Bonds are rated “**BBB-**” with a “**Negative**” outlook by TRIS Rating Co., Ltd on 17 February 2022. The rating addresses the Issuer’s ability to perform its obligations under the terms of the Bonds and credit risks in determining the likelihood that payments will be made when due under the Bonds which **BBB-** rating indicates the Issuer or a debt instrument with moderate credit risk. The Issuer has an adequate capacity to pay interest and repay principal on time, but is more vulnerable to adverse changes in business, economic, or other external conditions and is more likely to have a weakened capacity to pay interest and repay principal than higher-rated categories. However, a credit rating is not a recommendation to purchase, hold or sell securities and may be subject to suspension, change or withdrawal at any time. There can be no assurance that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgement circumstances in the future so warrant. A suspension, revision, downgrade or withdrawal at any time of the rating assigned to the Bonds may adversely affect the market price of the Bonds.

#### *Performance of contractual obligations*

The ability of the Issuer to make payments in respect of the Bonds may depend upon the due performance by the other parties to the transaction documents of the obligations thereunder

including the performance by the Bondholders' Representative, the Registrar and the Paying Agent of their respective obligations. While the non-performance of any relevant parties will not relieve the Issuer of its obligations to make payments in respect of the Bonds, the Issuer may not, in such circumstances, be able to fulfil its obligations to the Bondholders.

***Legal risk factors may restrict certain investments***

***Independent Review and Advice***

In particular, each prospective purchaser of Bonds must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Bonds: (i) is fully consistent with its (or if it is acquiring the Bonds in a fiduciary capacity, the beneficiary's) financial needs, objectives and conditions; (ii) complies and is fully consistent with all investment policies, guidelines, restrictions, regulations, regulatory policies, and laws applicable to it whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different) (whether acquiring the Bonds as principal or in a fiduciary capacity); and (iii) is a fit, proper and suitable investment for it (or if it is acquiring the Bonds in a fiduciary capacity, for the beneficiary), notwithstanding the clear and substantial risks inherent in investing in or holding the Bonds. Potential investors should consult with their own tax, legal, accounting and/or financial advisers before considering investing in the Bonds.

The investment activities of certain investors are subject to legal investment laws and regulations, or reviews or regulations by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (i) the Bonds are legal investments for it; (ii) the Bonds can be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase or pledge of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

***Risks related to the rights and investor protection from investing in the Bonds***

Rights and investor protection under the laws of Lao PDR, which investors will be entitled to in respect of their investment in the Bonds or other bonds of similar nature issued by the Issuer, will be the same as the rights and investor protection. The investors will be entitled to through making direct investment in such bonds overseas. Therefore, investors should consider and make its own investigation and study of applicable laws and regulations of the jurisdiction in which the Issuer is incorporated.

***Risks and restrictions related to the subscription process and payment, exchange rate and delivery and transfer of the Bonds***

Except as otherwise specified elsewhere in the Prospectus, as at the date hereof, there is no other specific risk in relation to the subscription process and payment, exchange rate or any other restriction which may prohibit, delay or impact the issuance, delivery and transfer of the Bonds.

# LAO PEOPLE'S DEMOCRATIC REPUBLIC

## Country Overview

The Lao People's Democratic Republic (the **Lao PDR**) is a country situated in South-East Asia, with a population of 7.44 million as of January 2022, and a total area of 236,800 square kilometres. The Lao PDR is a land-locked country sharing borders with five countries, namely the People's Republic of China to the north, the Kingdom of Cambodia to the south, the Socialist Republic of Vietnam to the east, the Kingdom of Thailand to the west, and the Republic of the Union of Myanmar to the north-west.

## Map of the Lao PDR and neighbouring countries



Source: United Nations

The population of the Lao PDR consists of 49 ethnic groups, scattered from the north to the south, and can be divided into four ethno-linguistic groups, namely Lao-Tai, Mon-Khmer, Hmong-Imien, and Sino-Tibetan. The multi-ethnic population of the Lao PDR co-exists peacefully and enjoys equal rights before the law.

The Lao PDR is characterised by two main geographical zones: the central plains along the Mekong River and the mountainous regions to the north, east and south. The Lao PDR has an abundance of natural resources, including coal, hardwood timber, hydropower, gypsum, tin, gold and gemstones. There are also various rivers, including a 1,865-kilometre section of the Mekong River. The terrain is mostly rugged mountains, with the highest point reaching 2,820 metres above sea level, which gives the country tremendous hydroelectric potential. Forest and woodland cover 47.0% of the country's land area. These resources all play a significant part in encouraging foreign investment in the country.

The Lao PDR generally enjoys a tropical climate with two distinct seasons: the rainy season (running from May to October) and the dry season (running from November to April). The yearly average temperature is about 28 degrees Celsius, rising to a maximum of about 38 degrees Celsius during the months of April and May. The highest average rainfall occurs in the southern part of the Lao PDR (with an average of 3,700 millimetres per annum). In Vientiane, average annual rainfall is about 1,500-2,000 millimetres, while in the northern provinces average annual rainfall is only 1,000-1,500 millimetres.

The Lao PDR is divided into 17 provinces and one prefecture (which includes the capital city Vientiane) details of which (as of 2020) can be found in the following table.

<b>Number</b>	<b>Province</b>	<b>Capital</b>	<b>Area (km<sup>2</sup>)</b>	<b>Population</b>
1	Attapeu	Attapeu	10,320	160,000
2	Bokeo	Ban Houayxay	6,196	203,000
3	Bolikhamsai	Paksan	14,863	315,000
4	Champasak	Pakse	15,415	753,000
5	HuaPhan	XamNeua	16,500	311,000
6	Khammouane	Thakhek	16,315	434,000
7	Luang Namtha	Luang Namtha	9,325	199,000
8	Luang Prabang	Luang Prabang	16,875	467,000
9	Oudomxay	MuangXay	15,370	345,000
10	Phongsali	Phongsali	16,270	193,000
11	Sayabouly	Sayabouly	16,389	423,000
12	Salavan	Salavan	10,691	442,000
13	Savannakhet	Savannakhet	21,774	1,070,000
14	Sekong	Sekong	7,665	129,000
15	Vientiane Prefecture	Vientiane	3,920	948,000

Number	Province	Capital	Area (km <sup>2</sup> )	Population
16	Vientiane Province	MuangPhon-Hong	22,554	462,000
17	XiengKhouang	Phonsavan	16,358	267,000
18	Xaysomboun	Anouvong	8,300	108,000

Source: Lao Statistics Bureau, Ministry of Planning and Investment

## Culture and Religion

The Lao PDR has officially 49 ethnic groups and each preserves its own dialect, customs, culture and tradition. The rich culture of the Lao PDR is rooted in immense spirituality, as the main religion, Theravada Buddhism, has influences that extend from lifestyle to art and architecture. Most villages have at least one temple. These temples are not only places for monks to live and pray, but are also the main centre for social and recreational activities in the community, such as village meetings, religious ceremonies and festivals.

Buddhism first appeared in the Lao PDR during the eighth century A.D., as indicated by the Buddha image and the stone inscription found at Ban Talat near Vientiane. Following the founding of the unified kingdom of Lane Xang in the 14th century, King Fagnum declared Buddhism as the state religion and urged people to abandon Animism or other beliefs such as the cult of spirits. This policy was aimed at developing a culture based on a single common faith: Theravada Buddhism. Today, Theravada Buddhism is the predominant religion of the Lao PDR and exerts a significant influence on Lao society.

## Language

The official language of the Lao PDR is Lao, but English is commonly used in all major tourist centres. Chinese, Vietnamese and Thai are widely understood. French, German, Russian and a number of other European languages are also spoken by many educated Laos, as many students received scholarships to study in Europe during the 1970s to 1990s.

## History

From 1353 to 1828, the Lao PDR was unified as Lane Xang – The Kingdom of a Million Elephants – with its capital in the northern town of Luang Prabang. In the 19th century, Thailand took control of most of the Kingdom, until the French annexed it into French Indochina, along with Vietnam and Cambodia, in 1893.

From 1893 until 1949, the Lao PDR was a French colony, apart from a brief period of Japanese occupation in the 1940s. The Lao PDR gained formal independence from France in 1953. This was ratified under the Geneva Convention in 1954, and the year is normally referred to as the “Independence Year”.

Although the Lao Patriotic Front gained 13 seats in the free elections in 1958 and formed a coalition government, conflict persisted between the various factions. The U.S. supported the right wing faction as part of its efforts to contain Communism in South-East Asia; this exaggerated the Lao PDR’s geopolitical prominence and it suffered heavy bombing as a result, particularly in the eastern part of the country.

In December 1975, the Lao People's Democratic Republic was proclaimed and officially declared a Marxist-Leninist government. By 1986, the Lao PDR was a country without a constitution and with hardly any legislation. The economy was centrally controlled and private ownership was limited. These circumstances brought about a general decrease in production activity resulting in food shortages.

In 1986, the Lao Government launched the New Economic Mechanism, with the ultimate aim of turning the Lao PDR into an open-market economy. Initial progress was rapid, aided by one of the most liberal foreign investment packages in the region. This integration into the region's political and economic structures led to the Lao PDR being accepted as a member of the Association of South East Asian Nations (**ASEAN**) in July 1997. As part of this integration process, the Lao PDR has gradually lowered its tariff barriers in order to comply with the tariff reduction schedule of the ASEAN Free Trade Area (**AFTA**) by 2008.

### **The Constitution and Political Structure**

The Lao PDR adopted its first constitution in 1991 (the **Constitution**). The Constitution was subsequently amended in 2003 in the interests of socio-economic development, as well as to support regional and international cooperation and integration. The Constitution clearly established the Lao PDR as a people's democratic state based on the principle that all powers belong to the people, and are exercised by the people, in the interests of the ethnically diverse Lao population as a whole. The Lao people's rights and interests are represented via a democratically-elected body called the National Assembly.

The administrative system of the Lao PDR comprises four organs of state: the National Assembly, the Government, the People's Courts and the Offices of the People's Prosecutor. In addition to the four organs of state power, a number of social and professional organisations, such as the Lao Front for National Construction, the Lao Federation of Trade Unions, the Lao People's Revolutionary Youth Union, the Lao Women's Union and the Federation of Military Veterans, operate in the country to encourage Lao people of all social backgrounds to become more actively involved in developing the country and protecting the rights and legitimate interests of the relevant groups.

The National Assembly is a state organ representing the rights and interests of the Lao people. The National Assembly is the supreme organ of state power and the legislative branch with the power to (i) make decisions on issues fundamental to the country; and (ii) oversee the activities of the Government, the People's Courts and the Offices of the People's Prosecutor. The election of the National Assembly members is carried out democratically, based on the principles of universality, equality, direct suffrage and secret ballot; and each term of the National Assembly lasts five years.

The Head of State is the President, who is elected by the National Assembly with two-thirds of the votes of all members of the National Assembly attending the session. Each presidential term lasts for a period of five years.

### **Presidents of the Lao PDR**

<b>Period</b>	<b>Name</b>
1975 to 1991	Prince Souphanouvong
1991 to 1992	Kaysone Phomvihane
1992 to 1998	Nouhak Phoumsavanh

Period	Name
1998 to 2006	Khamtai Siphandon
2006 to 2016	Choummaly Sayasone
2016 to 2021	Bounnhang Vorachith
2021 to Present	Thongloun Sisoulith

Source: Ministry of Finance of the Lao PDR

The Government is the executive branch of state power. The Government centrally administers the State's duties and implements policies in relation to matters such as politics, economics, culture, social welfare, national defence and security, and foreign affairs. The local administration is divided into 17 provinces and the Capital of Vientiane.

The Head of the Government is the Prime Minister, who is appointed by the President after the approval of the National Assembly. The Prime Minister leads and manages the work of the government, ministries, ministry-equivalent organisations and any other organisations related to the government, as well as the work of the provinces and the capital.

### Prime Ministers of the Lao PDR

Period	Name
1991 to 1998	General KhamtaiSiphandon
1998 to 2001	Sisavath Keobounphanh
2001 to 2006	Bounnhang Vorachith
2006 to 2010	Bouasone Bouphavanh
2010 to 2016	Thongsing Thammavong
2016 to 2021	Thongloun Sisoulith
2021 to Present	Phankham Viphavanh

Source: Ministry of Finance of the Lao PDR

The Government of the Lao PDR consists of 18 Ministries and three ministry-equivalent organisations as illustrated in the following table.

### The Government of the Lao PDR (As of 2021)

No.	Ministry / Ministry-equivalent Organisation	Minister
1	Head of the Prime Minister's Office	Alounxay Sounnalath
2	Ministry of National Defence	Maj. Gen. Chansamone Chanyalath
3	Ministry of Public Security	Maj. Gen. Vilay Larkhamfong
4	Ministry of Foreign Affairs	Saleumxay Kommasith
5	Ministry of Justice	XPhaivy Siboualipha
6	Ministry of Home Affairs	Khammanh Sounvileuth
7	Government Inspection Authority	Malaythong Kommasith
8	Ministry of Education and Sports	Dr. Phout Simmalavong
9	Ministry of Health	Dr. Bounfaeng Phoummalaysit

No.	Ministry / Ministry-equivalent Organisation	Minister
10	Ministry of Information, Culture and Tourism	Pr.Dr. Bosengkham Vongdara
11	Ministry of Labour and Social Welfare	Baikham Khattiya
12	Ministry of Planning and Investment	Khamchen Vongphosy
13	Ministry of Finance	Bounchom Oubonpaseuth
14	Ministry of Agriculture and Forestry	Dr. Phet Phomphithuk
15	Ministry of Natural Resources and Environment	Bounkham Vorachit
16	Ministry of Energy and Mines	Daovong Phonekeo
17	Ministry of Industry and Commerce	Khamphaeng Saysomphaeng
18	Ministry of Public Works and Transport	Viengsavath Siphandone
19	Ministry of Post, Telecoms and Communication	Pr. Dr. Boviengkham Vongdara
20	The Bank of Lao PDR	Sonexay Sithphaxay (Acting)

Source: Ministry of Finance of the Lao PDR

The People's Courts constitute the judicial branch of the state, consisting of the People's Supreme Court, the regional courts, the provincial courts, the district courts, and the military courts. The People's Supreme Court is the highest judicial organ of the State. The People's Courts make decisions unanimously. Judges must be independent, impartial and strictly observe the law. Final court judgments are binding on all parties concerned and must be observed.

The Offices of the People's Prosecutor have the duty to monitor the implementation of the law. The Offices of the People's Prosecutor consists of the Offices of the Supreme People's Prosecutor, regional prosecutors, provincial prosecutors, district prosecutors and military prosecutors. It has the rights and duty to monitor and to supervise the correct and consistent implementation of the law by all parties concerned and to exercise the right of public prosecution.

## **Foreign Relations and International Organisation**

### **General**

#### *Regional and international economic integration*

Integration of the Lao PDR's economy at the regional and international levels, through the implementation of mutually-beneficial open-door economic policies, has progressively increased economic and trade cooperation and trade negotiations at the bilateral, regional, sub-regional and multilateral levels. Multilateral trade cooperation, economic cooperation with ASEAN and the wider Asian continent, and cooperation with ASEAN's dialogue partners and the signatories to the Asia-Pacific Trade Agreement (APTA) have been highly successful, some examples of which can be found below:

#### **Economic cooperation with ASEAN and the region**

The Lao PDR has signed the ASEAN Trade in Goods Agreement and the ASEAN Comprehensive Investment Agreement, both of which are pre-conditions to joining the AFTA. Agreement has been made with the ASEAN Service Trade Agreement under the ASEAN Agreement on Services for eleven out of twelve categories of services.

## **Cooperation on the scope of ASEAN and its dialogue partners**

In the interests of furthering free trade, ASEAN-China negotiations were completed and came into force on 1 January 2010 (between ASEAN+6 and China). An Agreement of Economic Cooperation between ASEAN and Japan was concluded earlier in relation to trade in goods, trade in services, investment and economic cooperation, and the implementation process began on 1 December 2008. In 2009, an agreement to establish free trade between ASEAN, Australia and New Zealand was signed. Additionally, the Products of ASEAN and India agreement was signed, an agreement on investment between ASEAN and the Republic of Korea was made, and a feasibility study was carried out in relation to the establishment of free trade area between ASEAN+3 and ASEAN+6. These agreements should form the basis for furthering economic cooperation within ASEAN and the wider Asian continent in general.

## **Implementation of APTA**

The Lao PDR is a member of APTA and, as a result, has continuously participated in negotiations on trade agreements, tax reduction plans, and trade and service facilitation arrangements (amongst other things) in the Asia-Pacific region.

## **Bilateral trade cooperation**

Bilateral trade cooperation, particularly with nearby countries, has recently increased. Some recent examples include improvements in Lao- Vietnam trade relations, Lao- China trade relations, and Lao- Thailand trade relations. As of now, the Lao PDR has signed bilateral agreements relating to trade and economy with 15 countries, namely, Argentina, Belarus, Cambodia, China, India, Kuwait, Malaysia, Mongolia, Myanmar, North Korea, Russia, Thailand, Turkey , U.S. and Vietnam. Efforts aimed at generating support for the Lao PDR's aspirations to join the WTO, and open its economy, have made significant progress. In the last five years, there has been significant economic cooperation within ASEAN. In addition, the Lao PDR has jointly signed an agreement on ASEAN- Korean economic cooperation, as well as seven agreements in relation to ASEAN and ASEAN-China Economic Cooperation. These agreements aim to gradually enhance cooperation between ASEAN and its negotiation partner countries, with a view to establishing ASEAN Economic Cooperation, and ultimately collective markets, in the future. For the purposes of implementing APTA, the Lao PDR has reduced the import tariff on 1,803 items (within the scope of APTA), and as a result other countries have shown their support to expand free trade within the APTA framework.

## **The Asian Development Bank (ADB)**

The ADB has partnered with the government of the Lao PDR since the country joined the ADB as a founding member in 1966. Other development partners include the Agence Française de Développement, the Australian Agency for International Development, the German Society for International Cooperation, the International Fund for Agricultural Development, the Japan International Cooperation Agency, the Organisation of the Petroleum Exporting Countries Fund for International Development, the Nordic Development Fund, the World Bank, as well as the governments of the People's Republic of China, the Republic of Korea, Thailand, and Vietnam. The ADB's Lao Resident Mission actively coordinates with key development partners for cofinancing and collaboration and plays significant roles in the national roundtable meeting process, where it co-chairs the macro sector, infrastructure sector, and natural resources and environment sector working groups. The resident mission also actively engages non-governmental organisations on natural resources management and safeguarding issues relating

to hydropower development. The ADB also cooperates extensively with civil society organisations to strengthen the effectiveness, quality, and sustainability of the services it provides.

ADB operations in the Lao PDR focus on: (i) improving physical connectivity to catalyse private sector investment, generate employment and boost incomes; (ii) developing skills that will promote non-resource sectors; and (iii) expanding access to health services to enhance labour productivity. In 2018, the ADB committed to provide technical assistance of US\$3.3 million and grants of US\$196.0 million to the Lao PDR. In 2019, the ADB committed to provide sovereign loans of US\$135.0 million and grants of US\$9.5 million to the Lao PDR. The ADB's cumulative lending, grant and technical assistance commitments to the Lao PDR amounted to US\$2,912.2 million as of 31 December 2019.

As of 31 December 2020, the ADB has provided approximately 16 active loans and grants, as well as technical assistance, to the Lao PDR. The total outstanding amount of ADB loans was USD 904.17 million as of 31 December 2020. The ADB has extended development assistance to the Lao PDR since 1968 and remains one of the largest multilateral financiers of the country.

**Cumulative ADB Lending by sector as of 31 December 2020 (includes sovereign and non-sovereign loans and technical assistance)**

Sector	Loans (no.)	Total Amount (USD million)*	%*	Covid-19 Response (USD million)*
Agriculture and Natural Resources, and Rural Development	99	571.44	19.1	-
Education	39	314.51	10.51	-
Energy	50	558.74	18.68	-
Finance	35	97.07	3.25	-
Health	30	181.23	6.06	21.54
Industry and Trade	21	110.58	3.7	-
Information and Communication Technology	-	0.51	0.02	-
Multisector	7	24.87	0.83	-
Public Sector Management	57	133.36	4.46	0.05
Transport	54	569.76	19.05	-
Water and Other Urban Infrastructure and Services	44	429.11	14.35	-
<b>Total</b>	<b>436</b>	<b>2,991.16</b>	<b>100</b>	<b>21.59</b>
<b>Total Disbursement</b>				<b>USD2.24 billion</b>

Source: 2020 Fact sheet, Asian Development Bank and Lao People's Democratic Republic

Note: \* Total may not add up because of rounding

**World Bank**

In 1961, the Lao PDR joined the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development, also known as the World Bank. A year later, the World Bank conducted its official visit to the Lao PDR to assess the country's economic situation and prospects.

In subsequent years, the Lao PDR- World Bank partnership evolved with wider global developments in best practice and knowledge. In the 1970s, the World Bank assisted the Lao PDR in relation to matters such as reconstruction needs and food security. Later, its focus shifted to expanding access to social services and infrastructure improvements, and then to developing the institutions and policy frameworks required for strong economic management. Over the past decade, the Lao economy has exhibited strong growth with considerable poverty reduction. The government has made steady progress, with an impressive reform agenda, as outlined in the Seventh NSEDP and expressing the country's aim to shed its Least Developed Country (**LDC**) status by 2020.

The World Bank Group has finalised its new Country Partnership Strategy for the Lao PDR, which supports the government's Eighth NSEDP for 2016-2020. The Lao PDR's engagement with the international community, including its development partners, has strengthened, particularly over the past decade, and the country is successfully integrating into the regional and global economy.

### List of Projects to be financed by the World Bank as of 30 April 2021

No.	Project Name	Amount of Financing (in USD million)
1	Micro, Small, and Medium Enterprise Access to Finance Emergency Support & Recovery Project	40.0
2	Lao PDR Competitiveness and Trade Project	13.0
3	Road Sector Project II	50.0
4	Poverty Reduction Fund III	52.5
5	Agriculture Competitiveness Project	25.0
6	National Road 13 Improvement and Maintenance Project	40.0
7	Enhancing PFM through Information and Communication Technology and Skills	20.0
8	Financial Sector Safety Net Strengthening	35.0
9	Public Finance Management Reform Project (Small Recipient Executed Trust Fund)	1.7
10	Second Global Partnership for Education	16.8
11	Global Partnership for Education III: Learning and Equity Acceleration	30.0
12	Scaling-Up Water Supply, Sanitation, and Hygiene Project	25.0
13	Lao PDR's Civil Registration and Vital Statistics Project	25.0
14	Health Governance and Nutrition Development Project	41.4
15	Early Childhood Education Project	28.0
16	Reducing Rural Poverty and Malnutrition Project	27.0
17	Health and Nutrition Service Access Project	26.0
18	Lao PDR COVID-19	18.0
19	Second Lao Environment and Social Project	38.8
20	Scaling-Up Participatory Sustainable Forest Management	36.8
21	Mekong Integrated Water Resources Management	52.1
22	Lao Landscapes and Livelihoods Project	41.4
23	Lao PDR Southeast Asia Disaster Risk Management Project	56.0
24	Lao PDR Clean Cook Stove Initiative (Small Recipient Executed Trust Fund)	3.2
25	FCPF Carbon Fund: Northern Laos Emission Reductions Payments	42.0
<b>Total</b>		<b>784.7</b>

Source: April 2021 World Bank Portfolio in Lao PDR

## World Trade Organization (WTO)

The Lao PDR's WTO Working Party was established on 19 February 1998 and the Memorandum on the Foreign Trade Regime was circulated in March 2001. Bilateral market access negotiations are underway on the basis of revised offers on goods and services. Multilateral work proceeded on the basis of a Draft Working Party Report, which was circulated in February 2012. The Working Party held its seventh meeting in June 2011 to continue the examination of the Lao PDR's foreign trade regime. The General Council formally approved the Accession Package of Laos on 26 October 2012. On 3 January 2013, Laos informed the WTO that it has ratified its membership agreement under WTO procedures; as a result, Laos officially became the WTO's 158th member on 2 February 2013. It is expected that the accession to the WTO will positively affect the Lao PDR's trade activities by increasing trade volumes, bringing in new trade partners and attracting new investment to the country.

## International Monetary Fund (IMF)

The IMF is an organisation of 189 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world. The Lao PDR has been a member since 5 July 1961.

From 1 May 1984 to 31 October 2014, the IMF granted lending arrangements, which are similar to a line of credit to support a country's adjustment programme. The arrangement requires the member to observe certain specific terms in order to be eligible to receive disbursements. The IMF lends under stand-by, extended and precautionary and liquidity line arrangements, and, at reduced rates, under poverty reduction and growth trust arrangements.

The outstanding credit facilities granted from the IMF to the Lao PDR as of 31 May 2019 are detailed below.

### Lao PDR's IMF Credit Facilities as of 31 May 2019 (SDRs Thousands)

Facility	Date of Arrangement	Date of Expiration of Cancellation	Amount Agreed	Amount Drawn
Extended Credit Facility.....	25 Apr 2001	24 Apr 2005	31,700	18,120
Extended Credit Facility.....	4 Jun 1993	7 May 1997	35,190	35,190
Structural Adjustment Facility Commitment.....	18 Sep 1989	17 Sep 1992	20,510	20,510
<b>Total .....</b>			<b>87,400</b>	<b>73,820</b>

Source: International Monetary Fund Staff Report 2019

## **The Five-year National Socio-Economic Development Plans**

### **The Eighth National Socio-Economic Development Plan (2016-2020)**

#### **Objectives of the Plan**

Similarly to the preceding plans, the eighth national Socio-Economic Development Plan (2016-2020) (the **Eighth NSEDP**) looks to achieve political stability, peace and order in society; reduce poverty significantly in all areas; allow the country to shed its LDC status by 2020; achieve inclusive and sustainable growth; ensure effective management and utilisation of natural resources; enhance development through harnessing national potential; and encourage regional and international integration while maintaining sovereignty.

#### **Key Targets of the Plan**

The main targets and overall goals of the Eighth NSEDP were divided into 16 performance indicators:

1. poverty rate of 10% by 2020;
2. composite score rendering the Lao PDR eligible for graduation from LDC status (as advised by UNCTAD);
3. Gross national income (**GNI**) per capita higher than USD1,574 by 2018 and at or higher than USD1,810 by 2021;
4. GDP per capita of USD3,190 and GNI per capita of USD2,520 (Atlas) by 2020 (using an exchange rate of 8,300 LAK/USD);
5. real GDP growth of not less than 7.5% per annum on average;
6. agricultural growth of 3.2% per annum, forming 19.0% of total GDP;
7. industry growth of 9.3% per annum, forming 32.0% of total GDP;
8. services growth of 8.9% per annum, forming 41.0% of total GDP (excluding import tariffs);
9. by 2020, non-resource sector contribution to GDP to increase to more than its average contribution in the GDP during the Seventh NSEDP;
10. government budget revenue of 16.0-17.0% of GDP;
11. expenditure equal to or less than 25.0% of GDP;
12. budget deficit not to exceed 5.0% of GDP;
13. exports of goods and services of 15.0% of GDP per year; and

14. maintaining the trade deficit at a controllable level.

## **Achievements**

1. Our country continues to have political stability, and peace and order in society. The public administrative system has become more integrated with the rule of law, modernised, and society is becoming increasingly equitable and fair.

2. Significant milestone in leading the country towards graduation from Least Developed Country status (meeting two of the three LDC graduation criteria: per capita GNI of USD 1,996 and the Human Asset Index value of 72.8).

3. The implementation of the SDGs and the Government's Green Growth Strategy has been translated into concrete practice and received active international support, with many countries continuing to maintain their level of development assistance to Lao PDR, and some increasing their level of support.

4. The development of infrastructure and economic corridors for regional and international connectivity has yielded more tangible results, such as the Laos-China railway project and the Vientiane-Vang Vieng expressway, with satisfactory progress, which has become a fundamental factor in the production of goods and services along these corridors.

5. There has been improvement in the promotion and attraction of private investment. Many large-scale projects in the power and mining sectors have moved into production for export. Strengthening micro, small, and medium sized enterprises (MSMEs) has taken a step forward, and the processing industry has grown to include the production of construction materials, textiles, beverages, mineral products, and wood products.

6. People's living standards have improved, while poverty has steadily declined. Attention has been given to the development of the material and technical foundations in the cultural and social fields, such as the construction and equipping of major hospital buildings, construction of schools and vocational training centres to develop human resources to a higher quality, and the promotion of gender equality have made good progress.

7. The state's organisational structure has been streamlined, in line with the actual roles and responsibilities as well as the personnel reorganisation plans of each sector.

8. The application of technological achievements to social services, and the modernisation of certain sectors of industrial production, banking and financial services and public administration services have been proactively and extensively implemented.

9. Cooperation with strategic partner countries has deepened, and at the same time regional and international cooperation has broadened and expanded in many forms and at many levels, which is an important contribution to the realisation of the SDGs and the National Green Growth Strategy.

10. Meteorological, hydrological, and agrometeorological work and activities have been developed and improved throughout the country. The climate change forecasting system and drought and flood monitoring have enabled timely reporting and response preparation. Planning

has also been conducted to pilot the information system and prepare for seasonal animal and plant disease prevention.

## **The Ninth National Socio-Economic Development Plan (2021-2025)**

### **Overall Directions**

- 1) Continue to make comprehensive preparations to lead the country out of the Least Developed Country status, ensuring employment and improved living standards of the people with inclusive, equal and fair access to benefits, ensuring political stability, building a peaceful, united, democratic, just, civilised and orderly society, achieving socio-economic development by ensuring a balance between economic, social and environmental development, and effectively implementing the National Green Growth Strategy and the Sustainable Development Goals 2030;
- 2) Achieve breakthroughs in overcoming weaknesses, shortcomings, and obstacles to development, addressing financial and monetary difficulties effectively, and increasing preparedness to deal with emerging challenges, such as the impact of COVID-19, climate change, and regional and international uncertainties;
- 3) Develop quality human resources as an important factor in promoting socio-economic development, create quality economic growth by reforming the economic structure in each sector and locality, enhance the factors that promote national potentials by using appropriate information and communication technologies (ICT) to create opportunities and to lead production of goods and services, as well as the engine for growth to step by step build a strong foundation for economic strength and self-sufficiency.

### **Main Outcomes**

In order to achieve the overall directions of the 9th Five-Year Plan, efforts must be focused on implementing the following six main Outcomes:

- 1) Continuous quality, stable and sustainable economic growth achieved;
- 2) Improved quality of human resources to meet development, research capacity, science and technology needs, and create value-added production and services;
- 3) Enhanced well-being of the people;
- 4) Environmental protection enhanced and disaster risks reduced;
- 5) Engagement in regional and international cooperation and integration is enhanced with robust infrastructure and effective utilisation of national potentials and geographical advantages;
- 6) Public governance and administration is improved, and society is equal, fair and protected by effective rule of law.

## **Issuer Information**

### **Position and Role**

The Ministry of Finance is an agency of the Government of the Lao DDR, having the role to act as the secretariat of the Government to administrate State finance-budget: including State budget, custom duties, taxes, others State income, public assets and debts, state owned enterprises-insurance, accounting and independent audit, financial inspection, national treasury, human resources development and to modernize the financial sectors pursuant to the laws on the Government and local governments.

### **Duties of the Ministry of Finance**

The Ministry of Finance, acting in accordance with financial sector legislation, has the following duties:

1. Applying and implementing the guidelines, policies of the Party, constitution, laws, resolutions of the National Assembly, ordinances of the President, decrees, decisions and orders of the Government, national economic-social development plans, state budget plans into plans, programmes and detailed projects;
2. Studying, analyzing, conducting research on the status of state finance-budget in each period in order to draft and improve laws, policies, financial-budgetary measures, custom duties, taxes, assets, debts, state owned enterprise-insurance and other policies governing the state financial sectors and conducting research on financial science for the Government's consideration;
3. Conducting research, drafting, improving laws, legislation under the laws, including disseminating, monitoring, evaluating the outcomes of law enforcement;
4. Building and improving visions, strategies, state budget plans, long-term financial sectors development plans; building, organising, amending, adjusting, administrating, monitoring, inspecting and summarizing the implementation of the medium-term (1+2 years) state financial budget plans on annual basis throughout the country and the budget of the Ministry of Finance, including other financial expenses which is under the responsibility of the Government pursuant to laws and regulations;
5. Administering, monitoring, inspecting the implementation of custom duties and taxes payment, non-custom duties/taxes income, and other income pursuant to laws and regulations;
6. Administering, monitoring, inspecting the procurement conducted with state funds, aid funds for development, deposit fund, security fund, fund raising, for balancing the budget and managing the funding sources pursuant to laws and regulations;
7. Conducting research on and proposing the price of movable assets and immovable assets for the Government to enforce, administrating state movable assets and immovable assets throughout the country;
8. Analyzing, conducting research, and estimating the financial and budgetary status in each period, the financial development and accumulation, to be a fundament for transformation of financial operation to meet the international standard;
9. Creating accounting regulations, accounting and independent audit standards, financial inspection, content of the budget, closing budgetary account and disclosing the budget for the Government's consideration;

10. Conducting research on proposal, establishment or liquidation of secondary-level state budgetary units that report to the primary budgetary units of different sectors at central and local level;
11. Administering, monitoring, inspecting the state assets throughout the country pursuant to laws and regulations;
12. Conducting research, and applying the legislation governing the saving and anti-wastefulness, cars used in State administration business pursuant to the Government's decisions;
13. Creating strategy plans to reform the state owned enterprises and insurance administration for the Government's consideration and decision from time to time;
14. Draft legislation for the administration, monitoring, inspection, and evaluation of business operation, board of executives, and board of directors of the state owned enterprise, from time to time;
15. Conducting research, proposing, appointing, rotating, dismissing the representatives of the Government shareholder, president, vice president, executives, director, deputy director, in any state-owned enterprise pursuant to the regulations;
16. Conducting research, and considering to issue, suspend, withdraw, or revoke business operating license for conducting insurance, re-insurance, accounting and auditing business, lottery business, casino, warehouse system, duty-free zones, duty-free shops, financial advisor, and other business which is supervised by Ministry of Finance pursuant to laws and regulations;
17. Creating urgent plans, medium-term, and long-term strategy plans, for public debts administration and management in accordance with international standard;
18. Supervising, monitoring, inspecting, evaluating the outcomes of financial loan and financial aid project to ensure that they are used for ultimate efficiency;
19. Acting as the accountant of the State who monitors, inspects, researches accounting activities, and compile the sources of State funding to be in the treasury accounting system via up-to-date tools system;
20. Administering, encouraging, monitoring and inspecting individuals, legal entities and organizations conducting accounting and independent audit business including the targets to be audited, to strictly observe the accounting law and independent audit;
21. Monitoring, inspecting, examining, suppressing corruptions in financial sectors pursuant to laws and regulations;
22. Building, administering, and developing financial data and information system to be up-to-date and in digital forms in accordance with the digitalization strategy plans of the Government;
23. Researching, establishing strategy plans for administering and developing organizational structure and personnel of the finance sector in accordance with development strategy plans of the State financial sector from time to time;
24. Improving organizational structure, establishing plans to build leaders and administration officials, and researching for recruitment, assignment, appointment, removal, evaluation, training, implementing policies and disciplinary measure toward the officials of finance sector, applauding or propose to applause for individuals, legal entity, and organization in accordance with laws and regulations, vertically administering the organizational structure, personnel, technical professionals, budget,

- work places, vehicles and equipment of custom, tax and national treasury sectors pursuant to laws and regulations;
25. Collecting, analyzing, researching, projecting domestic, regional and international economic-financial situations, for reporting to the Government from time to time;
  26. Researching, establishing, and improving curriculum, studying-teaching manual; building and developing economic-finances human resources;
  27. Researching, collecting, establishing, administering and using budget, vehicles, buildings, lands, equipment and other assets of Ministry of Finance in accordance with the regulations;
  28. Initiating financial data and information dissemination, coordinating with central and local sectors to implement State financial-budgetary actions;
  29. Conducting bilateral and multilateral coordination and cooperation in connection with international financial works, acting as a center for cooperation, experience exchange, and negotiation of contracts, treaties to be entered into with foreign countries, international and regional organization in accordance with regulations;
  30. Representing Lao PDR in financial committees of international financial institutions in accordance with regulations;
  31. Summarizing report activities of Ministry of Finance in all aspects throughout the country;
  32. Performing other duties in accordance with laws, regulations, and the Government's assignments;

### **Authorities of the Ministry of Finance**

The Ministry of Finance, acting in accordance with financial sector legislation, has the following authorities:

1. Making proposal to the Government for drafting and amending laws, legislations and measures relating to the finance sectors;
2. Issuing orders, decisions, instructions and notifications in order to administer the finance sectors as prescribed by laws and regulations;
3. Proposing plans, measures, methods for solving public debts to the Government, from time to time;
4. Making decision on adjusting State budget expenses from one part to another part within the annual State budget plan of first level budgetary units;
5. Ordering the State's organization and other related organization at central and local levels to solve, suspend or cancel any bidding for procurement with State's fund which have been made in violation of laws and regulations, agreeing, approving, suspending, monitoring and inspecting implementation of self-funded budgetary units;
6. Demanding, collecting money, assets per the outcome of inspection certified by the inspection units in different levels, and move them into State's budget in accordance with laws and regulations;
7. Considering to issue an order to suspend, to permanently dissolve any enterprises which Ministry of Finance or other sectors have approved their establishment, when such enterprises conduct business in a violation of the scope of their authorization as

- prescribed by laws and regulations;
8. Approving the opening and cancellation of account of budgetary units of the finance sector and other sectors at central and local levels as prescribed by laws and regulations;
  9. Approving the use, transfer-assignment, change of administrative rights, dissolution, rental or concession of State's assets or using State assets as an in-kind contribution, or for joint venture investment as prescribed by laws and regulations;
  10. Suspending saving accounts of budgetary units, technical administration organization and State funds which have been incorrectly opened and operated; clearing the balance in the saving accounts in treasury system as prescribed by laws and regulations;
  11. Ordering to suspend or cancel the use of State's budget in any procurement by State's organization at central and local levels, which have been made in violation of laws and regulations;
  12. Write off any debts in connection with State's budget which cannot be collected in accordance with court's judgment or decision of competent organizations;
  13. Ordering to start any investigation-interrogation of corruption cases in accordance with laws and regulations;
  14. Confiscating goods, objects which the owners have not appeared within the specified period of time, or the owners have given up the ownership, or being the exhibits in wrongful acts to become State's assets as prescribed by laws and regulations;
  15. Pursuing, inspecting, demanding, and transferring income from all sources to the State's budget;
  16. Approving and ordering to expense annual budget in accordance with National Assembly approved plan and ordering to move money in the national treasury system;
  17. Making decision on establishment or dissolution of the secondary level State budgetary units that are belonging to first budgetary units of the State organizations at central and local levels;
  18. Issuing permits for the establishment of customs warehouses, duty-free zones, duty-free shops, transport's service areas and insurance business operation, insurance brokers, issuing insurance broker license, and other business license which is supervised by the Ministry of Finance;
  19. Executing any contracts, treaties, memorandum of understanding with foreign countries, international financial organization in relation to finance work, as assigned by the Government;
  20. Executing any joint venture agreements with domestic and foreign investors, being a shareholder, president, vice president, board of executives, directors, deputy directors, of state-owned enterprises as prescribed by the regulations;
  21. Appointing, assigning, rotating, removing or dismissing, imposing policies and disciplines toward the employee and government officials of financial sectors throughout the country;
  22. Researching, and giving opinion toward appointment, assignment, rotation, removal or dismissal of the chief financial officers of any central or local - level sectors;
  23. Appointing, assigning, rotating, removing or dismissing the representatives acting for the Government as a shareholder, president, vice president, executives, directors, deputy directors, in any state-owned enterprise pursuant to the regulations;

24. Inspecting, suppressing corruption in financial sectors pursuant to the laws and regulations;
25. Using budget, vehicles, buildings, lands, equipment and other assets of the Ministry of Finance in accordance with the regulations;
26. Exercising any rights as specified in the laws, regulations, and the assignment of the Government.

### **Organisational Structure of the Ministry of Finance**

The Ministry of Finance comprises 15 centralised operational departments. Besides these departments, there are other technical and vertical administration bodies which are as follows:

#### **1. Central Level**

1. Cabinet;
2. Department of Organization and Personnel;
3. Department of Inspection;
4. Department of State budget;
5. Department of Tax;
6. Department of Customs;
7. National Treasury;
8. Department of State Assets Management;
9. Department of Reform of State-Owned Enterprises and Insurance;
10. Department Monetary Policies;
11. Department of Public Debts Management;
12. Department of External Finance;
13. Department of Accounting;
14. Department of Financial Information Technology;
15. Financial-Accounting Institution;

#### **2. Technical units of secondary level belonging to the Ministry of Finance which consists of:**

1. Northern Finance College;
2. Southern Finance College.

#### **3. Vertical administration organizations which consist of;**

1. Provincial, Vientiane Capital tax office; district tax office, municipal tax office, city tax offices and district tax units belonging to provincial, and Vientiane Capital tax office;  
 Provincial, Vientiane Capital custom, international custom check points, local custom check points, customary custom check points, custom offices at warehouse system, special economic zones and other economic zones;
2. Provincial, Vientiane Capital treasury, district treasury, municipal treasury, city

treasury and district treasury units belonging to provincial, and Vientiane Capital treasury;

The Ministry of Finance has its technical organizational bodies at local level per the actual conditions at different levels in accordance with the mutual agreements between local government organizations and Ministry of Finance and Ministry of Home Affairs.

### **Personnel Organisational Structure**

The personnel of the Ministry of Finance consists of:

1. One Minister of Finance who is a member of Government, being responsible to the Government, to duly perform his duties, as specified by the constitution and laws and in accordance with the Government's plans established from time to time, in connection with the financial administration, implementation of the roles, the duties, the scope of authorization granted by the Government and prescribed under this Decree. When the Minister is away for foreign or domestic official business, he shall delegate one of the Vice Ministers to be in office to act in place of him.
2. Vice Ministers who assist the Minister in guiding specific work in accordance with the division of work ordered or work assigned by the Minister. A Vice Minister shall be delegated in writing to act as the Minister when the Minister is away for foreign or domestic official business.
3. Directors of departments or equivalent positions who perform the roles, the duties, the scope of authorization which the Ministry of Finance assigned, are directly responsible for the achievement and weaknesses in their performance to the Minister.
4. Deputy Directors of departments and equivalent positions, Heads of Divisions, Deputy-Head of Division who are responsible for specific work, and responsible for the achievement and weaknesses in the performance of work assigned to them.
5. Technical officials who are responsible for the achievement and weaknesses of their performance in accordance with the job descriptions;

The recruitment, assignment, appointment, rotation, promotion, policies and disciplinary measures shall be in a compliance with the laws and regulations specified.

### **Recent Material Developments**

#### **Public Expenditure Policy and Management Reforms**

The Public Finance Management Modernisation Programme (**PFMMP**) provided the Lao PDR with technical, analytical, and advisory assistance to strengthen its public financial management (PFM). The PFMMP was implemented from January 2016 to July 2018 by the World Bank and financed by the European Union.

Between 2003 and 2012, the government had undertaken reforms to strengthen the public sector and its PFM system. Backed by broad donor support, reform focused on putting in place regulations, processes, and procedures required for a basic PFM framework. This was accompanied by strengthening human capital and notable progress was achieved, such as the centralisation of the treasury, customs, and tax functions, and the upgrade and rollout of the Government Financial Information System (**GFIS**) to the provincial level.

However, in 2012, a change in the government's donor cooperation policy affected further reform implementation, leading to a stalling of PFM reforms until 2016. The Ministry of Finance's decision to move away from a broad donor-funded PFM program halted the reform progress.

A turning point came in 2016 with the appointment of the current government, which revived commitment to PFM reforms and reengagement with the donor community and initiated the preparation of "second generation reforms". Part of this renewed dialogue was the PFMMP, which focused on technical assistance and capacity building as well as taking stock of current PFM practices.

On the revenue side, a fully Automated System for Custom Data (**ASYCUDA**) is now operating and deployment in the Lao PDR's major checkpoints was automated in 2012. ASYCUDA has now been rolled out to all other border posts nation-wide.

Following its implementation, the State Budget Law required amending to cope with recent developments. The first minor revision was made to Article 54 in December 2011. The revision allows the state budget to be revised at any time during the fiscal year in the event of a shortfall in revenue collection. A major revision to the Budget Law got approved from the National Assembly in December 2015. The Budget Law 2015 gives guidance on the budget cycle and the preparation of budget documents.

To improve oversight capacity, the State Audit Organisation (**SAO**) has a 10-year action plan for capacity development. The implementation plan has been updated to take into account its recent progress. Additionally, further needs for the plan were identified and incorporated into the updated version. SAO aims to comply with international standards on auditing, and to incrementally develop performance audit capacity.

The Eighth Five-Year Plan and the Ninth Five-Year Plan continue to focus on strengthening the governance of public finances for improved service delivery. The new fiscal strategy, implements this governance process and is consistent with the objectives of macroeconomic stability, public sector sustainability and efficient management of revenues and expenditure. In order to fully implement the fiscal strategy, the government will require significant capacity enhancement, and continued political commitment. Technical assistance from the World Bank was provided in January 2016.

### **Current Status of the PFM System in the Lao PDR**

- The Budget Law 2015 gives guidance on the budget cycle and the preparation of budget documents, but is yet to be implemented. In the absence of secondary legislation and relevant budget documents, proper costing of expenditures or ceilings have not been introduced, which has made creating affordable and realistic budget plans challenging. While a medium-term expenditure framework exists, the budget is currently prepared based on the previous year's budget plan, resulting in a weak medium-term budget perspective and a missing link to policy priorities.
- The general tax law has been revised while the implementation decree and other related regulations are still in progress. In 2011, the National Assembly approved the revised

general tax law, introducing a transparent, turnover-based presumptive tax regime for businesses with a turnover below the VAT registration threshold. This revision eliminated minimum business tax. The implementation decree and other regulations were approved by the end of 2016.

- Taking initial steps to follow international practice, the Tax Department has established a Revenue Collection Division (**RCD**) for large business tax compliance management. The large taxpayers overseen by the RCD currently contribute about 40 percent of total tax revenues, which is relatively low ratio by international standards. This indicates that through more targeted and improved compliance monitoring, the tax collection of this segment could be increased. Compliance management is often retroactive, often desk-based, audit and enforcement, and sector-specific knowledge, and analytical capacity by tax officials has so far been limited to the mining and hydropower sectors.
- Past reforms led by the National Treasury (**NT**) to introduce a Treasury Single Account (**TSA**) and bank consolidation remain incomplete. While BOL and commercial banks provide daily information on the balances and daily transactions of all accounts under the control of the NT, account balances are not being consolidated in a single account at the end of each day. In addition, some earmarked fund accounts and all donor fund accounts are kept outside of the TSA or the BOL in commercial banks.
- Progress has been made in updating the Chart of Accounts (**CoA**). The update of the CoA is designed to enable adoption of the double-entry accounting system, which will allow the production of financial statements compliant with the International Public Sector Accounting Standards. A main outstanding issue is the absence of a comprehensive integrated organisation classification system, including district codes in the CoA. As a result, budgets cannot be allocated to the various sector budget units at the district level and that expenditure cannot be checked against budgets before execution. This hinders the decentralisation of transaction entry and budget controls to the district level.
- The NT is currently experiencing difficulties meeting the increased demand for comprehensive and timely budget execution information. The existing information is not sufficient for many counterparties (within the Ministry of Finance, other ministries, and donors), which has caused attempts to build parallel data collection and reporting systems for tracking budget management at both the district level and at the ministry level.
- Cash management and forecasting capabilities are still in the initial stages. While the monitoring of the actual cash flows is based on daily bank statements from BOL and commercial banks, the NT has limited information on the forthcoming payment requirements and revenue forecasts. Consequently, the NT is working on a weekly cash cycle, resulting in cash rationing (including delay in salary payments), and taking on more costly short-term borrowing. In the absence of commitment controls, the government entities managing commitments without confirmation of budget availability can result in payment arrears being discovered by the Ministry of Finance significantly after the event.
- The current GFIS currently only covers a subset of functionalities required for a full functioning budget execution system. Certain core functionalities related to commitment controls and bank reconciliation are not yet in place, and district offices are not included in the GFIS coverage. The technical ability of the GFIS to include the required updates for full functionality is limited as the technology used for system development is becoming obsolete, and the technical architecture and documentation is poor. There are also certain

security concerns, which have been identified through a cyber-security assessment. The Ministry of Finance has prepared an information and communication technology (ICT) strategy which comprehensively assesses the current status of the Ministry of Finance's ICT environment and architecture and proposes using modern processes and ICT applications, upgrading the technology and infrastructure, and scaling up ICT capacity.

- With the passing of a Public Procurement Law by the National Assembly (NA) in November 2017, the government has embarked on creating a more robust procurement regulatory and legal framework. The Public Debt Management Law was enacted in August 2018 to refine the procedure for approval of public borrowing and to optimise public debt management. These laws limit the country's annual borrowings and consolidate the Ministry of Finance's oversight powers over debt through defined budgeting and project approval processes. Specifically, the laws provide the following:
  - State departments are prohibited from pursuing unapproved projects or creating debts in the name of the Government;
  - The National Assembly is required to approve all investment projects with a value exceeding US\$50 million;
  - The external public debt ceiling is to be capped at 55% of GDP by 2025
  - A feasibility study must be conducted for every new borrowing. Projects must be aligned with social economic plans of the country and the priority sectors;
  - Financing at concessional terms are for infrastructure project and social development project which may not generate high revenue (such as those aimed at poverty eradication);
  - The Government's borrowings under general market terms are allowed for projects which generate high revenue or sufficient revenue to finance the projects' own repayments.
- Cross-cutting challenges to the improvement of the PFM system are capacity constraints and the availability and reliability of data for informed monitoring, policy analysis, and decision making. Most training and capacity-building happens on the job; however, frequent staff rotations can result in knowledge leakage and the continuous need for training new staff. While data (both financial and non-financial) is collected by government staff, it often is kept in siloed systems of different government departments, with no clear protocol or process for data exchange or consolidation. Records are also often kept as hard copy only and by a single department or even a single person. Similarly, ministries and departments develop their own systems, resulting in missed opportunities and inefficient public investments in silo information technology systems. As a result, policy analysis, decision making, and prioritisation are sometimes under-informed, which affects the Government's ability to properly identify and target areas of concern.

### **Value Added Tax Introduction**

In recent years, the Government has implemented various measures to improve revenue administration. These measures include:

- An on-going rollout of the electronic tax payment systems for VAT, income, road, and

land taxes, strengthening tax-payer registration and risk-based management systems and improving organisational structure at provincial and central levels. These initiatives are expected to result in greater accuracy and increased transparency in tax collection.

- For border and customs tax, ASYCUDA is now operating in all border posts nation-wide. “Smart Tax”, an electronic tax collection system, was introduced at eight international customs checkpoints. Since October 2018, the electronic system was also implemented on fees for entry-exit and transit of vehicles at border-crossing points. Passengers bringing over US\$50 worth of goods into the Lao PDR will also be required to pay 10% VAT
- For excise tax, the Government raised excise taxes on certain goods and services in 2018 as follows: alcoholic beverages from 25-30% to 45-50%, depending on alcohol volume, cigarettes from 30% to 45%, gasoline and diesel from 20% and 30% to 24% and 34%, respectively, and entertainment establishments from 10% to 20%.
- For road tax, in partnership with the BCEL, the Government introduced a mobile application in November 2017 to facilitate vehicle registration and tax payment. The initiative was highly successful with over LAK60 billion collected in 2018, compared to the annual average amount of LAK10 billion collected in the past five years.
- For tourist tax, the Government imposed a US\$2 tourist tax on all foreigners arriving into the Lao PDR to fund tourism development and marketing.
- Additional revenues may become available through automation efforts and the review of tax laws could further support fiscal consolidation.

### **Recent Agreement to Resume Servicing Debts of Former Soviet Union**

The Union of Soviet Socialist Republics (**USSR**) provided an aggregate of approximately Soviet Ruble (**SUR**) 772 million and USD0.4 million, resulting from interest-free loans contracted during 1975 to 1989, to the government of the Lao PDR prior to the USSR’s dissolution in 1991. These loans arose mainly from the large value of Soviet net exports and project assistance to the Lao PDR. Following the dissolution of the USSR, all 15 republics of the USSR gained independence and the Russian Federation succeeded to all external claims as well as external debts of the USSR.

The original debts were mostly denominated in SUR; with a contractually agreed exchange rate of 0.6 SUR per USD. As such, the SUR-denominated debt burden (as converted into USD using this exchange rate) would have been significant, amounting to claims against the government of the Lao PDR of approximately USD1,287 million.

According to a Memorandum of Understanding (**MOU**) between the Russian Federation and the Paris Club member countries signed on 17 September 1997, the Russian Federation (as a new member of the Club) agreed to give an upfront discount of approximately 70.0% of all Soviet-era SUR-denominated claims to developing countries, including interest arrears, before applying the standard terms of debt treatment, in the context of the Paris Club debt restructuring.

In 2003, the government of the Lao PDR and the government of the Russian Federation reached a bilateral agreement to restructure the Soviet-era debt, consistent with the key terms of the MOU between the Russian Federation and the Paris Club member countries. Taking into account the

original exchange rate of 0.6 SUR per USD and the upfront discount of 70.0%, this restructuring resulted in a new total debt face-value of USD387 million, including concessional terms.

After the Russian debt was restructured, the government of the Lao PDR continued servicing the debt from 2003 onwards. Currently, the outstanding debts to the Russian Federation amount to USD261 million as of 31 December 2020 or 2.5% of the total external debts of the Lao PDR. Consequently, this amount does not have any significant effect on the fiscal position of the government of the Lao PDR.

### **The Vientiane–Boten Railway**

The Vientiane-Boten railway will run for 414 kilometers between Vientiane and Boten on the border between China and the Lao PDR. The railway will be connected to the Chinese rail system by the Yuxi-Mohan railway. Construction on the railway began on 25 December 2016, and open to traffic on 2 December 2021 (Laos National Day).

The railway is expected to reduce the time one takes to travel from Mohan-Boten to Vientiane from three days to less than three hours. The railway will be majority-owned by China, and is financed by Chinese funds and built by China Railway Group Limited.

the Laos-China Railway is expected to provide multiple benefits, including the following benefits that the World Bank forecasted:

- Reduction of transportation cost
  - With efficient cross-border processes, the railway is expected to decrease transportation costs between Kunming and Vientiane by 40% to 50% or approximately US\$30 per tonne;
  - Costs of transportation within the Lao PDR is expected to decrease by 20% to 40%; and
  - Cost of transportation between Kunming and the Port of Laem Cha Bang, Thailand is expected to decrease by approximately 32% to 50%.
- Reduction of travel time
  - The railway is expected to reduce the travel time from Mohan-Boten to Vientiane from three days to less than three hours.
- Increase in exports and trade with China
  - The railway is expected to increase trade flows with between the Lao PDR and China to 3.7 million tonnes by 2030 (compared to 1.2 million tonnes in 2016), of which 2 million tonnes is expected to utilise the railway instead of maritime transport;
  - Cheaper and faster movement of goods is expected to benefit the Lao PDR's exports. Exports to China amounted to US\$1.7 billion in 2019, including base metal ores, semi-processed wood and agricultural products
- Logistics hub potential
  - The railway has potential to capture a portion of transit trade between China and Thailand, Malaysia and Singapore which are transported on land through the Laos PDR. The transit trade between these countries totalled 40.4 million tonnes in 2016, of which 2 million tonnes, or 5%, were transported through the Lao PDR. By 2030, the railway could potentially capture an estimated 3.9 million tonnes of the transit trade per year, which includes a shift of an estimated 1.5 million tonnes

of trade from maritime transport to the railway. This would substantiate the Lao PDR's potential to develop itself as a logistics hub.

- Increase in tourism
  - The railway is likely to increase tourism, particularly from China.

Source: Ministry of Finance of the Lao PDR and World Bank Report

## THE LAOTIAN ECONOMY

### Economic Overview

Over the years, Lao PDR has maintained strong economic growth, but the pandemic led to a sharp decline in economic activities, the growth fell to 3.3 percent in 2020 from 5.46 percent growth in the previous year. The drop was attributed to a slower pace of growth in services. Meanwhile, hydropower remains a key driver of growth. In 2020, nominal GDP increased from LAK 162,657 billion in 2019 to LAK 172,612 billion, while GDP per capita recorded at LAK 24 million or approximately USD 2,642 in 2020.

The largest contributor to the economic growth of the Lao PDR economy was the expansion of the industrial sectors which accounted for 33.3 percent of GDP. Key industrial sub-sectors include electricity and construction, which grew by 20.5 percent and 14.5 percent, respectively. The expansion of electricity production has been supported by large-scale turbines. The development of the construction sub-sector has been supported by the ongoing construction of the Laos-China railway, which is now completed and open to traffic on 2 December 2021. The manufacturing sub-sector grew by 23.4 percent. However, the mining and quarrying sub-sector contracted by -16.7 percent.

### Gross Domestic Product

The table below sets out the GDP of the Lao PDR (in billion LAK) for the years indicated:

Items	2016	2017	2018	2019	2020 <sup>(P)</sup>
<b>Nominal GDP</b>	129,279	140,698	152,414	162,657	172,612
<b>GDP Per capita (USD)</b>	2,343	2,472	2,585	2,632	2,642
<b>Real GDP Growth*</b>	<b>7.02%</b>	<b>6.85%</b>	<b>6.29%</b>	<b>5.46%</b>	<b>3.28%</b>
<b>Real GDP*</b>	108,916	116,377	123,696	130,447	<b>134,720</b>
<b>Agriculture</b>	<b>17,254</b>	<b>17,750</b>	<b>17,974</b>	<b>18,194</b>	<b>18,404</b>
Agricultural cropping	11,289	11,710	11,767	11,686	11,584
Livestock and livestock products	2,301	2,437	2,510	2,637	2,772
Forestry and logging	1,229	1,090	1,066	1,111	1,154
Fishing	2,435	2,513	2,631	2,761	2,894
<b>Industry</b>	<b>36,667</b>	<b>40,923</b>	<b>44,119</b>	<b>46,591</b>	<b>50,880</b>
Mining and quarrying	11,052	10,579	9,891	9,885	8,233
Manufacture of food products	1,645	1,721	1,792	1,902	1,928
Manufacture of beverages and tobacco	1,627	1,627	1,703	1,814	1,870
Footwear and leather goods	1,368	1,378	1,413	1,457	1,464
Other manufacturing	4,331	4,642	5,044	5,449	6,724
Electricity	9,539	12,629	14,089	13,808	16,640
Water supply, sewerage, waste management and remediation activities	285	301	322	342	360
Construction	6,820	8,046	9,864	11,936	13,661
<b>Services</b>	<b>43,943</b>	<b>45,882</b>	<b>49,044</b>	<b>52,409</b>	<b>51,783</b>
Wholesale and retail trade, repairs	14,516	15,566	17,231	18,658	18,899

Items	2016	2017	2018	2019	2020 <sup>(P)</sup>
Transport and storage	1,606	1,715	1,798	1,944	1,888
Accommodation and food service activities	3,162	3,010	3,242	3,502	1,574
Information and communications	2,013	2,100	2,304	2,466	2,678
Financial and insurance activities	2,466	2,704	2,970	3,217	3,257
Real estate activities	7,401	7,660	8,031	8,660	8,869
Professional, Scientific & Technical Activities	1,518	1,564	1,677	1,827	1,904
Public administration and defense; compulsory social security	7,128	7,331	7,480	7,695	8,133
Education	1,892	1,931	1,963	2,004	2,048
Human health and social work activities	519	522	526	546	571
Other services	1,723	1,777	1,823	1,888	1,962
<b>All industries at basic prices</b>	<b>97,865</b>	<b>104,555</b>	<b>111,138</b>	<b>117,194</b>	<b>121,067</b>
Taxes on products and Import duties, net**	11,051	11,822	12,558	13,253	13,653

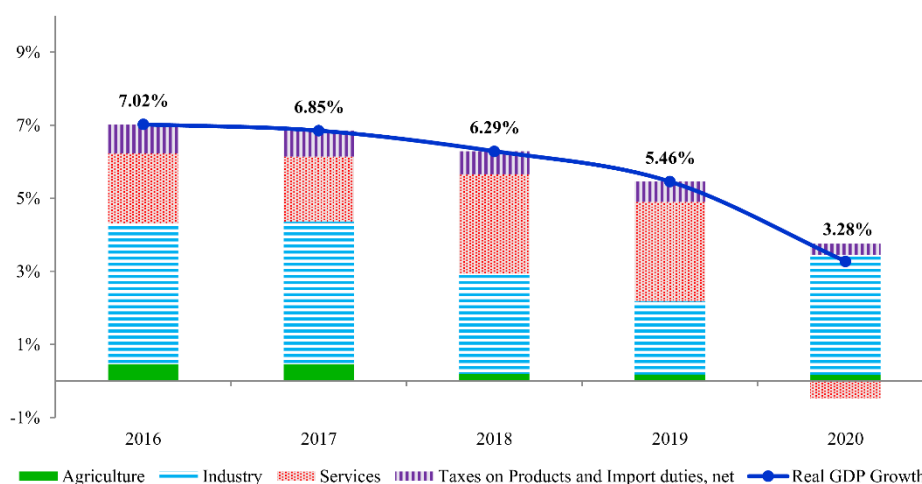
**Remark:** P: Preliminary Data

\*: At 2012 Price

\*\* : Minimum Tax, Turnover Tax, Value Added Tax, Excise Tax and Customs Duties

**Source:** Lao Statistics Bureau, Ministry of Planning and Investment

The figure below sets out the GDP growth rate during the past five years:



**Source:** Lao National Statistics Bureau, Ministry of Planning and Investment.

Over the past decade, the economic structure of the Lao PDR has seen a gradual increase in the contribution of the industry and services sectors driven by inflows of FDI. The combined contribution to GDP of industry and services increased significantly from 2013 to 2019 primarily due to the Government policy of promoting commercialisation aimed at gradually transforming the Lao PDR from an agricultural-based economy into an industrial-based economy

In 2014, the service sector was a major contributor to GDP and accounted for 40.97% of GDP (40.79% in 2013). This was followed by the industry sector with a share of 32.25% of GDP (32.35% in 2013), while the agricultural sector accounted for 17.09% of GDP (17.66% in 2013).

In 2015, real GDP grew by 7.27%, which was mainly driven by the growth in the services, industry and agricultural sectors of 8.02%, 7.01% and 3.56%, respectively. The main factor supporting the economic growth was FDI inflows, which were concentrated in the construction, hydropower and service sectors. In 2015, GDP per capita was recorded at USD2,226.

In terms of GDP contribution by industry in 2015, the service sector accounted for a major share

of GDP of 41.26% (40.97% in 2014), followed by the industrial sector with a share of 32.17% (32.25% in 2014), while the agricultural sector accounted for 16.50% (17.09% in 2014).

In 2016, real GDP grew by 7.02% which was mainly driven by growth in the industrial, service and agricultural sectors of 12.00%, 4.65%, and 2.76%, respectively. The main factor supporting the economic growth remained as FDI inflows, which were concentrated in the construction, hydropower and service sectors. In 2016, GDP per capita was recorded at USD2,408.

In 2017, real GDP grew by 6.85%, which was mainly supported by the expansion of the industrial, service, and agricultural sectors at 11.61%, 4.51% and 2.87%, respectively. The main factor supporting the economic growth remained as FDI inflows, which were concentrated in the construction, hydropower, manufacturing and mining sectors. In 2017, GDP per capita was recorded at USD2,472.

In 2018, real GDP grew by 6.29%, which was mainly supported by the expansion of the industrial, service, and agricultural sectors at 7.81%, 6.89%, and 1.26%, respectively. The economic growth was slightly weaker than the previous year, resulting from the decline of domestic production in mining-quarrying activities and agriculture, and slower economic growth of trading partners or investment partners of Lao PDR. Moreover, Lao PDR was faced with flooding across the country and difficulty in the government budget. In 2018, GDP per capita was recorded at USD2,585.

In 2019, real GDP grew by 5.46%, which was mainly supported by the expansion of the service, industrial, and agricultural sectors at 6.86%, 5.60%, and 1.22%, respectively. Economic growth in 2019 was at a slower pace than the previous years, resulting from the decline in mining and quarrying activities, and slower economic growth of the trading partners or investment partners of the Lao P.D.R. Moreover, the Lao P.D.R confronted natural disasters across the country and the government budget difficulty. In 2019, GDP per capita was recorded at USD2,632.

In 2020, real GDP grew by 3.28%, which was mainly supported by the expansion of the industrial, and agricultural sectors at 9.21%, and 1.15%, respectively. However, the 3.3 percent growth was recorded as the lowest growth rate since 1990. The decrease was a consequence of a slower pace of growth in services. Meanwhile, hydropower is still a major driver of growth. In 2020, nominal GDP increased from LAK 162,657 billion in 2019 to LAK 172,612 billion, while GDP per capita recorded at LAK 24 million or approximately USD 2,642 in 2020.

## **Principal Economic Sectors**

### ***The Power Sector***

#### *Overview*

The Lao PDR is well-endowed with water resources and enjoys a strategically advantageous location within the Greater Mekong Sub-region (**GMS**), surrounded by neighbouring countries requiring energy, including Thailand, Vietnam, Cambodia and China. The long-term management of its 23,000 megawatts (**MW**) of exploitable potential hydropower is critical to meeting the country's development goals. Hydropower investments have increased significantly in recent years, making important contributions to economic growth. Hydropower installed capacity is 10,438 MW as of December 2020. The strategy of the government is to develop its hydropower resources to earn export revenues as well as to meet domestic needs.

The Ninth Five-Year National Socio-Economic Development Plan (**NSEDP**) focuses on the promotion of the power sector, particularly ensuring the commencement of the construction of

the Luang Prabang hydropower dam, the development of solar energy and waste-to-energy technologies. The targets for the energy sector are to encourage electricity generation from natural resources according to local potential to reduce poverty and improve people's livelihoods; promote green infrastructure development and improve energy efficiency in households and other places; encourage the development of the renewable energy industry by focusing selectively on public, private, domestic and foreign investment in the production of hydropower, solar and wind power to maximise the benefit by creating financial incentives such as tax incentives for investment in renewable energy technologies for both domestic and foreign investors. Develop regulations and guidelines on the implementation of energy-saving and conservation for industrial plants, office buildings, electrical equipment, and energy equipment; and promote energy management systems in buildings and industrial plants.

The following tables set out information on IPP power projects under construction, under development and undergoing feasibility studies, in each case as of December 2019

*IPP Power Projects Under Construction in Lao PDR (as of December 2019)*

No.	Name of Project	Location (Province)	Installed Capacity (MW)	Electricity Output (GWh/year)	Owner/Operator	Year
1	Xekaman	Attapeu	250	982	EDL 15%; LPC (Vietnam) 85%	2013
2	Nam Sim	Houaphan	8	30	ECI (Laos) 25%; Energy Development a.s. (Norway) 75%	2020
3	Nam Phak	Champasak	150	498	ECI (Laos) 25%; Energy Development a.s. (Norway) 75%	2021
4	Nam Ou 1	Luangprabang	180	710	Sinohydro (China) 100%	2021
	Nam Ou 3	Luangprabang & Phongsaly	210	826		2021
	Nam Ou 4	Phongsaly	132	519		2020
	Nam Ou 7	Phongsaly	210	838		2021
5	Don Sahong (Extension)	Champasak	65	507	EDL 20%; Mega First (Malaysia) 80%	
6	Nam Kong 1	Attapeu	160	649	EDL 20%; CWE 65%; IHC 15%	2021
7	Thermal Energy Houaphan	Houaphan	600	3,600	EDL 15%; CWE 75%; IHC 10%	2020
8	Nam Theun 1	Bolikhamsai	650	2561	EDL-Gen 15%; PSG 60%; EGCO 55%	2022
9	Nam Kong 3	Attapeu	54	198.2	Chaleunsekong Group 100%	2021
10	Nam Mo 2	Xiengkhouang	120	484	Viet-Lao Economical Cooperative General Company 35%; HANOI Investment 65%	2021
11	Selanong 1	Savannakhet	70	286.3	YEIG International Energy Development 70%; Daosavan Investment and Construction Group Ltd. 15%; EDL 5% Lao Sun Paper Holding Ltd. 5%	2020
12	Nam Bi 1,2,3	Sekong	52	210	EDL-Gen 80%; Chanthavone Construction Company 20 %	2022
			71	292		
			12	51		
13	Nam Phoun	Xayabouly	45	245	SOK Corporation Ltd. 49%; EDL-Gen 51%	2023
14	TadSakhoi	Savannakhet	31,2	115	EDL 15%; CWE 75%; IHC 10%	2023
15	Fossil Fuel (Coal) Energy - Kaleum	Sekong	900	5,679	EDL 15%; CWE 75%; IHC 10%	2022
<b>Total</b>			<b>3,970</b>	<b>19,281</b>		

IPP Power Projects Under Development in Lao PDR (as of December 2019)

No.	Name of Project	Location (Province)	Installed Capacity (MW)	Electricity Output (GWh/year)	Owner/Operator
1	Sekatam	Champasak	61	380	EDL 25%; Kansai (Japan) 55%; other investors 25%
2	Nam Pha	Luangnamtha	180	760	AP Bizlink Group (Malaysia) 100%
3	Phou Ngoy (Mekong River)	Champasak	728	3,433	EDL 50%; Charoen Energy and Water Asia Co., Ltd. 50%
4	Pak Beng (Mekong River)	Oudomsay-Xayabouly	912	4,846	EDL 19%; Datang International Power Generation Co., Ltd., 81%
5	Sanakham (Mekong River)	Xayabouly	660	6,697	EDL 19%; Datang International Power Generation Co., Ltd., 81%
6	Xekaman 3	Sekong	70	287	Viet-Lao power company
7	Selanong 3	Savannakhet	60	244	Simeuang Group 100%
8	Namseuang 1 & 2	Luangprabang	138	433	Xexuan Group Gurong Group Co.,Ltd
9	Nam Ang Tabaeng	Attapeu	55	163	Chaloeun Sekong Co., Ltd
10	NamPhouan	Xaysomboun	51.8	158	Asian Investment Co., Ltd
11	NamLaeng	Phongsaly	60	227	Venture Capital and Equity Investment Inc
12	Sekong (Lower Point)	Attapeu	86	335	V&H corporation
13	Houay LaNgae	Sekong	60	297	Jean Tou (China)
14	Nam Imoun	Sekong	129	496	Chaleunsekong Group
15	Wind Energy Sekong	Sekong	600	2,383	Impacted Energy Asia Limited
16	Nam Phak 1,2,3	Oudomsay	96	365	Sahamith Company
17	Nam Mo 1 (Nam Kan)	Xiengkhuang	60	223	Sahamith Company
18	Nam Neun 1	Xiengkhuang	124	576	Indochina Consulting Co., Ltd (Korea)
	Nam Neun 3	Houaphan	60	251	
19	Xe	Saravane	47.7	161	Korea Water Resources Corporation
20	NamPui	Xayabouly	50	161	Mudajaya Corporation Berhad (Malaysia)
21	Nam Hong	Bolikhamsai	32	132	GuangDong Construction Engineering Hydroelectric Power Route No. 3 CO., LTD
22	Nam Nga	Luangprabang	62	266	Duangchalern Construction Company 100%
23	Nam Sam 4	Houaphan	150	343	Simon Consulting Co., Ltd 100%
24	Pak Ngum	Vientiane	84	351	Vientiane Auto Mation and Solution Engineering Co., Ltd.
25	Sekong 5	Sekong	330	1,613	Inter RAO-Engineering (Russia)
26	Pak Lay (Makong River)	Xayabouly	770	4,128	CIEC+Sinohydro
27	Nam Sam 1A	Sekong	50	175	Phongxubthavi bridge-road construction company
28	Nam Sam 3	Sekong	156	626	Phongxubthavi bridge-road construction company
29	Nam Ngum Xayabouly	Xayabouly	44	178	Silversand Group Co., LTD * Banpu
30	Sekong 4A&4B	Sekong	175	782	Lao World Engineering & Construction Co.,Ltd
			165	750	
31	Sekong 3A&3B	Sekong	139.6	433	Asia Investment & Development Co., Ltd
		Attapeu	146.7	418	
32	Xebungfai KaengKeo	Savannakhet	110	489	Lao Samai & Nara Clean Energy Co., Ltd
33	Luangprabang (Mekong River)	Luangprabang	1,460	6,426	Luangphabang power Co., LTD
34	Sekong B (Lower Point)	Attapeu	50.00	206	VLS corporation 100%
35	Fossil Fuel (Coals) Energy Bualapha	Khammuane	2,000	12,334	Langxang Property & power Development Co.,LTD
36	Selanong (Kaeng Axing)	ສະຫວັນນະເຂດ Savannakhet	60	318	Pachit Viengkham Co., Ltd

No.	Name of Project	Location (Province)	Installed Capacity (MW)	Electricity Output (GWh/year)	Owner/Operator
37	Fossil Fuel (Coals) Energy Laman	Sekong	700	4,550	TSBP
38	Solar Energy Namnguem Dam (Front 1)	Vientiane	1,200	1,514	Hnagzhou & Lao-PPA
<b>Total</b>			<b>12,112</b>	<b>58,527</b>	

*IPP Power Projects Undergoing Feasibility Studies in Lao PDR (as of December 2019)*

No.	Name of Project	Location (Province)	Installed Capacity (MW)	Average Production per Year (GWh)	Owner / Operator
1	Nam Ma 1	Houaphan	54	206	Guangdong Electric Company
	Nam Ma 1A	Houaphan	32	122	
	Nam Ma 2	Houaphan	48	183	
	Nam Ma 2A	Houaphan	20	76	
	Nam Ma 3	Houaphan	25	95	
2	Nam Mo – Nam My Ly	Xiengkhuang	90	327	TPC Power Holding Public Co, Ltd
		Houaphan	180	660	
3	Nam Khan 4	Luangprabang	47		Douangpasert road and bridge construction 100%
4	Xe Pian - HouaySoi	Attapeu	45	171	DMD 100%
5	Nam Muan	Bolikhamsai	100	421	Asia & Company 100%
6	Wind Energy Bolikhamsai	Bolikhamsai	n.a.	n.a.	Phongsaphavy Co., Ltd
7	Wind Energy Khammouane	Khammouane	45	298	Phongsaphavy Co., Ltd
8	Wind Energy Savannakhet	Savannakhet	n.a.	n.a.	Asia Investment & Development Co., Ltd
9	Wind Energy Salavan	Salavan	n.a.	n.a.	Asia Investment & Development Co., Ltd
10	Nam Bak 2	Xaisomboun	120	502	Nam Tha Bridge & Construction company 100%
11	Solar Energy – Khoun District Nonghad District	Xiengkhuang	220	1,430	Phongsaphavy Co., Ltd
12	NamNgon 1,2	Attapeu	40	169	Phongsaphavy Co., Ltd
13	Nam Pha 2	Luang Namtha	25		Xayphachanh Construction Co., Ltd
14	Wind Energy Sekong	Sekong	n.a.		Sahamith Company
15	Solar Energy Laman	Sekong	200	n.a.	National Construction Group Co., Ltd
16	Solar Energy Bolikhamsai and Attapeu	Bolikhamsai and Attapeu	400	n.a.	Convalt Energy LLC
17	Solar Energy	Attapeu	250		Convalt Energy LLC
18	Nam San 1	Bolikhamsai	70	n.a.	Langxang Property & power Development Co., LTD
19	Nam Theun 4	Bolikhamsai	40	n.a.	Theun-Hinboun
20	Solar Energy	Attapeu	n.a.	n.a.	PT Co., Ltd
21	Nam Tha (Hat Muak)	Bokeo	37.5	102	Bokeo-Nang Young Co., Ltd
22	Solar Energy	Champasak	769	1,377	M khong green energy Co., Ltd
23	Nam Bak 1	Xaisomboun	160	744	Duangchalern company 100%
24	Thermal Energy Kaleum	Sekong	n.a.		Phongsaphavy Co., Ltd
25	Solar Energy	Champasak	90	n.a.	National Construction Group Co., Ltd & Khoun construction Co., Ltd
26	Namngum Nalin	Vientiane	29	195	Khamphay Sana Group Co. LTD
27	Solar Energy	Savannakhet	450	n.a.	Nine Biomass Savan Company Limited

No.	Name of Project	Location (Province)	Installed Capacity (MW)	Average Production per Year (GWh)	Owner / Operator
28	Solar Energy	Savannakhet	450	n.a.	BS Solar & Wind Power CO., Ltd and Jingyi Yunnan Energy New Material CO., LTD
<b>Total</b>			<b>3,267.50</b>	<b>7,078.68</b>	

Source: Ministry of Finance

## Government Plan and Policy

The Government's plans and policies for the electricity sector involve rapid and simultaneous development on several fronts with a view to (i) expanding the generation, transmission, distribution and off-grid development to increase the domestic electrification ratio for the country to a target of above 90%; (ii) increasing Government revenues from independent power producer ("IPP") export investments and honouring power export commitments with neighbouring countries by promoting IPP and small power producer hydropower plant developments carried out by the private sector and (iii) promoting a 500kV grid development within the GMS to integrate the power systems of the Lao PDR and its neighbours.

In July 2020, the Government announced that it will continue with its plan to build a dam on the Mekong River for a 1,400 MW hydropower project. This would be Lao PDR's third and largest dam on the river. Construction is scheduled to start in 2020. In addition, the Government has submitted its plan to construct a 684 MW hydropower plant to the Mekong River Commission. The Government has also announced plans to finance small- and medium-sized hydropower plants and to study off-grid electrification through renewable energy sources.

The export of electrical power is a relatively recent development in the Lao PDR. The country is poised to export excess electricity due to its small population size and sizeable hydropower potential. It aims to become a major exporter of electricity with the existing and pipeline capacity.

The Lao PDR now has MOUs signed with both Thailand and Vietnam, and it is also cooperating with Cambodia, Malaysia and Myanmar on the supply of power through IPPs based in the Lao PDR. The Lao PDR currently plans to increase exports to 20,000 MW by 2030. This is expected to comprise of 9,000 MW of export to Thailand, 6,000 MW to Cambodia, 5,000 MW to Vietnam and 300 MW to each of Myanmar and Malaysia.

Revenues to the Lao PDR Government from the hydropower sector come from many different sources, including land fees, royalties, profit tax, turnover tax, personal income tax, dividend withholding tax, import and export duties, fees (buying and selling of shares, license fee, and technical service fee), contributions to funds (environmental protection fund, community development, human resources, sustainable development and project monitoring fund). In addition to taxes and royalties, the Government also receives dividend payments from those hydropower operations in which it holds an equity stake.

In September 2020, EDL and China Southern Power Grid ("CSG") signed a shareholder agreement to establish a joint venture, EDL-T. The partnership is an extension of the existing economic cooperation between the Lao PDR and China. Under the build-operate-transfer arrangement, EDL-T is expected to invest approximately US\$2 billion to purchase assets and liabilities, including transmission lines and power grids, from EDL in order to further develop a high-voltage transmission line and build Lao PDR's national backbone power grid and cross-border power grid interconnection for the Laos PDR and its neighbouring countries. This will strengthen the Lao PDR's capacity to meet the growing demand for electricity within the country and for its exports. It is expected that EDL will benefit from CSG's technical expertise and financial assistance. The partnership is also expected to increase marketing opportunities by

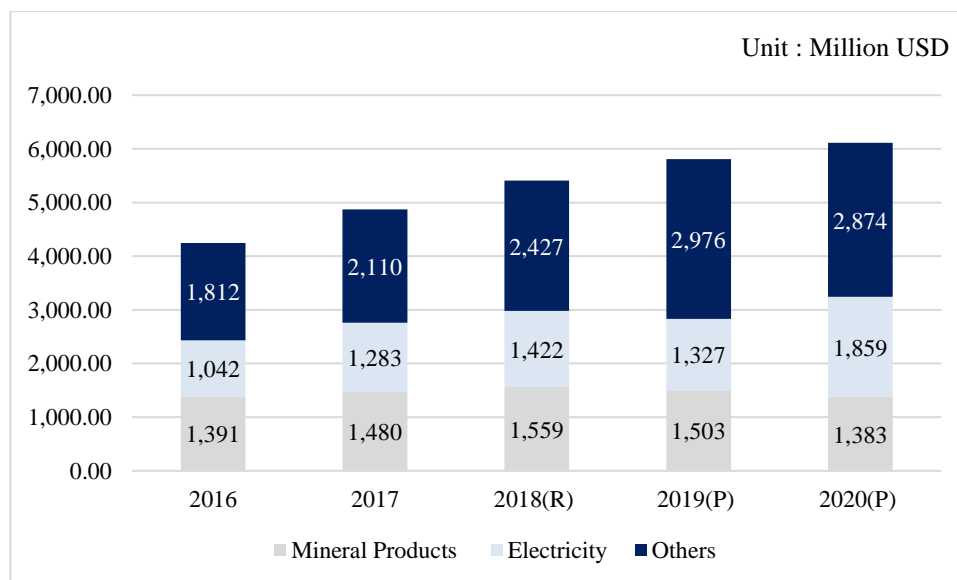
expanding electricity grid into Cambodia, Myanmar and Vietnam. All concessional hydropower plants and transmission lines that EDL-T develops will be transferred back to the Lao PDR when the cooperation ends.

### *The Mining Sector*

The Lao PDR enjoys a strategically advantageous location to further develop its mining industry which has thrived over the past decade. With its location in the GMS with numerous geological belts, the Lao PDR has a promising mineral potential for commercial extraction. A number of these discoveries have been developed to become successful international industrial-scale mine operations, thus confirming the potential for broad-scale commercial extraction.

The Lao PDR has experienced a short but eventful history of industrial mining, as production value has increased, with export value increasing from USD562 million in 2008 to USD1,382.50 million in 2020. This has also improved government revenue from taxes, royalties and fees related to the mining sector.

### *Exports by Product*



Source: Bank of the Lao PDR

According to the report commissioned by the International Copper Association, the increasing demand for efficient building systems and electrical equipment, electric vehicles and renewables generation could add more than four million tonnes of annual copper use by 2030.

China currently utilises about 54% of the world's copper production. A sharp slowdown in China's economy might impact commodity and agricultural exports and tourist arrivals in the Lao PDR.

### *Estimated Mineral Reserves as of October 2020*

<b>Mineral</b>	<b>Reserves (Tonnes)</b>
Potash	488,773,000
Bauxite	83,848,000
Lignite	420,907,000
Copper ore	3,139,000
Gold ore	9,041,000
Limestone	589,835,000
Tin ore	36,238,000

Source: Department of Mines, Ministry of Energy and Mines, Lao PDR

The mining industry in the Lao PDR remains segmented in three groups which operate more or less independently of each other:

1. small-scale, domestic operators (private and state-owned enterprises) active in quarrying as well as small-scale and artisanal and/or small-scale mining;
2. small to medium-scale operators which tend to be partnerships of national and regional companies targeting exploitation of already confirmed deposits which require minimum capital injections and geo-scientific analysis; and
3. industrial/large-scale, international mine operators dominated by smaller (junior) and mid-size companies from Australia, Europe and North America, and also increasingly, regional corporations which have already gained a foothold in the construction and hydropower sector.

### ***Tourism Sector***

The Lao PDR has experienced high growth in the tourism sector in recent years, with more than a 549.89% increase in annual tourist arrivals in 2019 compared to 2000. The Lao PDR Government, realising the potential of this sector, has been devoting considerable efforts in promoting the country as a tourist destination and is determined to sustain growth in the tourism sector through the implementation of the National Tourism Development Strategy 2006-2020. Under this policy, three main areas of the country have been identified for development: Luang Prabang, Luang Namtha, Xieng Khouang and Bokeo in the north; Vientiane Capital City, Khammuane, Savannakhet in the central region; and Champasak, Attapeu and Salavan in the south.

### *Tourist Arrivals and Revenue from Tourism*

<b>Year</b>	<b>Number of Tourist Arrivals</b>	<b>Revenue from Tourism (US Dollar)</b>
2000	737,208	113,898,285
2001	673,823	103,786,323
2002	735,662	113,409,883
2003	636,361	87,302,412
2004	894,806	118,947,707
2005	1,095,321	146,770,074
2006	1,215,112	173,249,896
2007	1,623,943	233,304,695
2008	1,736,790	275,515,758
2009	2,008,363	267,700,224
2010	2,513,028	381,669,031
2011	2,723,563	406,184,842
2012	3,212,916	513,576,784
2013	3,779,490	595,909,127
2014	4,158,719	641,636,543
2015	4,684,429	724,832,231
2016 <sup>(R)</sup>	4,239,047	716,121,209
2017 <sup>(P)</sup>	4,535,780	760,820,818
2018 <sup>(R)</sup>	4,186,432	811,010,661
2019 <sup>(P)</sup>	4,791,065	934,710,409
2020 <sup>(P)</sup>	886,447	213,367,141

Source: Tourism Development Department, Ministry of Information, Culture and Tourism

Remark: P: Preliminary Data, R: Revised Data

The table below sets out the top 10 nations by the number of tourist arrivals (as of 2020):

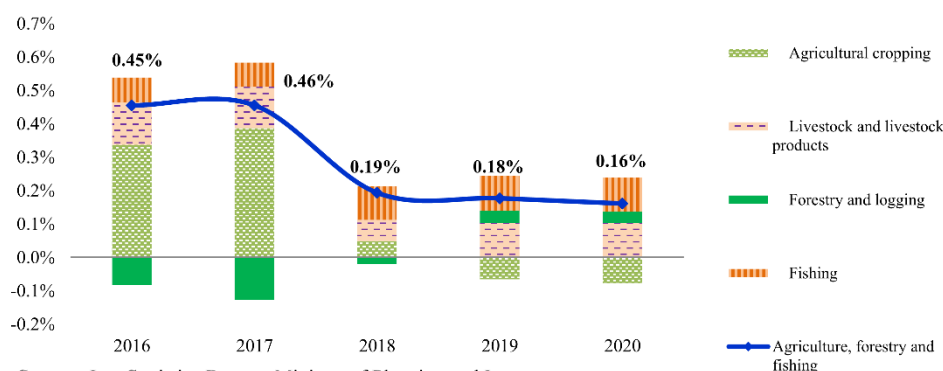
<b>Country</b>	<b>Number of Arrivals</b>	<b>Share (%)</b>
Thailand	350,103	39.50%
Vietnam	186,180	21.00%
China	138,466	15.62%
Korea	40,210	4.54%
USA	18,116	2.04%
France	15,509	1.75%
UK	11,592	1.31%
Japan	11,085	1.25%
Germany	8,632	0.97%
Australia	7,271	0.82%
Other	99,283	11.20%

Source: Tourism Development Department, Ministry of Information, Culture and Tourism

## Agricultural Sector

The contribution of the agricultural sector (which includes crops and livestock, forestry and fisheries sub-sectors) to the GDP of the Lao PDR still remains very important, even though it has fallen from more than 60% of GDP in the early 1990s. Agriculture and forestry are mainly subsistence-based, with some emerging plantation and contract farming. The principal products are coffee, rice, maize, other crops, medicinal herbs, livestock, fishery, emerging industrial tree plantations (rubber, pulp trees, palm oil and jatropa) and logging.

### Agricultural Sector



Source: Lao Statistics Bureau, Ministry of Planning and Investment.

The Lao PDR's agricultural exports (mainly crops) are small, accounting for about one-third of manufacturing exports. Traditionally, coffee is the largest export, but rice production for sale has also been growing. Recently, cross-border trade in rice, maize, cassava and other crops has also increased due to improved road infrastructure that links border provinces to the country's key neighbours (China, Thailand and Vietnam). Rice is the main crop in the Lao PDR agricultural sector. Rice cultivation grew fairly rapidly in the past decade and contributes more than half of the agricultural sector's output in value terms.

The other main agricultural sub-sectors in the Lao PDR include livestock, fisheries, and forestry. Livestock and fish farming in the country have largely been subsistent and fragile, but the trend has now shifted toward commercial farming, especially in pre-urban areas, to meet increased demand from tourism and major cities. There has been a rise in exports of livestock and fish, although this is still very small in terms of value. Forestry consists mainly of logging, the harvest of forest products and herbs and, recently, plantations of various industrial trees (rubber, pulp and others).

In 2016, the agricultural sector grew by 2.76% as compared to 2015, which accounted for 17.20% of GDP. The crops, livestock and fisheries sub-sectors grew by 3.13%, 5.99% and 3.18% respectively, while the forestry sub-sector declined by 6.47%.

In 2017, the agricultural sector grew by 2.87% as compared to 2016, which accounted for 16.20% of GDP. The crops, livestock and fisheries sub-sectors grew by 3.73%, 5.91% and 3.20% respectively, while the forestry sub-sector declined by 11.31%.

In 2018, agricultural products grew by 2.51 percent (decreased from 2.87 percent compared to the previous year), which was equivalent to 15.70 percent of GDP and contributed to the overall economic growth rate by 0.38 percent. Of which, fishery subsector expanded by 3.14 percent compared to the previous year, livestock subsector grew by 3.08 percent, agricultural products,

and copping subsector expanded by 2.51 percent, while forest and logging subsector decreased by 0.37 percent.

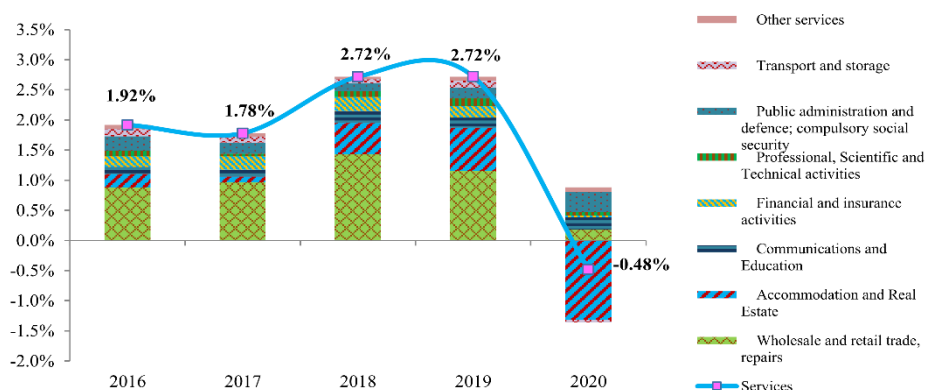
In 2019, the agriculture sector rose by 1.22 percent, dropping from 1.27 percent expansion in 2018. The sector represented a 13.95 percent coverage of total GDP and added to the overall economic growth rate by 0.18 percent. The main driving factors to the growth included a 0.11 percent rise in the fishery subsector, a 0.10 percent expansion of the livestock subsector, and a 0.04 percent increase in the forest and logging subsector. However, agricultural products and copping subsector decreased by 0.07 percent as agricultural areas and products were adversely affected by natural disasters and pest outbreaks.

In 2020, the value-added of the agriculture products grew by 1.2 percent, the same as in 2019. It accounted for 16.5 percent of GDP and was the second contributor to economic growth. Key drivers of agricultural production include livestock, fishing, forestry, and logging. In contrast, crop production has been affected by flooding in the last quarter of the year and contracted since 2019

### Service Sector

In 2020, value-added of the service sector contracted by -1.2 percent, dramatically declined from 6.9 percent growth in the previous year. It accounted for 39.6 percent of GDP and reduced the growth rate of GDP by -0.5 percentage points. Service sub-sectors with dramatic fall in their value-added include accommodation and food services, and transport and storage. Value-added in the accommodation and food sub-sectors fell by 55 percent; transport and storage sector fell by 2.9 percent. Key drivers of growth in services include public administration and defence, wholesale and retail trade, and communication and education.

### Service Sector



Source: Lao Statistics Bureau, Ministry of Planning and Investment.

## Macroeconomic Conditions

The Lao PDR government has made efforts to ensure macroeconomic stability since the Asian financial crisis. Annual inflation peaked at 134.03% in 1999, but dropped to 7.16% in 2005 and has remained at a single digit level since and has been maintained at a lower rate than the GDP growth rate.

## Key Economic Indicators

Items	2016	2017	2018	2019	2020 <sup>(P)</sup>
<b>Real Sector (Percentage Change)</b>					
Real GDP Growth*	7.02	6.85	6.29	5.46	3.28
Inflation (End of Period)	2.49	0.15	1.48	6.28	3.19
Inflation	1.60	0.83	2.04	3.32	5.07
<b>Public Finance (In percent of GDP)</b>					
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019<sup>(R)</sup></b>	<b>2020<sup>(P)</sup></b>
Total Revenue	16.37	16.28	15.71	15.58	12.66
Revenue	15.02	14.62	14.30	13.84	11.13
Grants	1.35	1.67	1.41	1.74	1.49
Donations/Social contribution	-	-	-	0.12	0.04
Total Expenditure	21.52	21.83	20.34	18.83	17.88
Current Expenditure	15.46	12.55	12.09	12.63	11.43
Capital Expenditure	6.07	9.29	8.25	6.19	6.44
Budget Deficits	-5.15	-5.55	-4.63	-3.25	-5.22
Budget Deficits (Excluding Grants)	-6.51	-7.21	-6.04	-4.99	-6.74
<b>Monetary Sector (Percentage Change)</b>					
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020<sup>(P)</sup></b>
Money Supply (M2)	10.90	12.23	8.37	18.85	16.33
<b>External Sector (In percent of GDP)</b>					
	<b>2016<sup>(R)</sup></b>	<b>2017<sup>(R)</sup></b>	<b>2018<sup>(R)</sup></b>	<b>2019<sup>(P)</sup></b>	<b>2020<sup>(P)</sup></b>
Overall Balance	-1.08	1.18	-0.79	0.66	1.68
Current Account	-8.71	-7.38	-9.10	-6.99	-0.60
Trade Balance	-7.09	-4.65	-5.00	-2.47	-3.89
Financial Account	-15.93	-12.73	-12.09	-10.30	-6.10
External Debt Outstanding	46.42	51.16	52.67	52.64	55.66
<b>Gross Official Reserves (In millions of U.S. dollars)</b>					
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020<sup>(P)</sup></b>
In months of prospective goods and services imports (Excluding imports associated with large resource projects)	5.26	4.39	3.23	3.59	4.81

**Remark:** P: Preliminary Data, R: Revised Data

\*: At 2012 Prices

**Sources:** Lao Statistics Bureau, Ministry of Planning and Investment; Ministry of Finance and Bank of the Lao PDR

In 2014, the average annual inflation rate declined to 4.13% from 6.37% in 2013 and remaining stable as targeted (average annual rate at a single digit and lower than GDP growth rate). A rise in domestic demand caused by the shortage of livestock and the effects of flooding on agricultural products, accelerated rising price pressures, mainly on food prices, in particular, vegetable and meat price, which picked up by 20.38% year-on-year and 17.19% year-on-year respectively. Consequently, overall inflation has decreased to 4.13% in 2014 from 6.37% in the previous year. In particular, the increase in food and non-alcoholic beverage prices was double what it was in 2012, while the change in other prices was broadly in line with the levels in 2012, whereas transportation price inflation decelerated slightly due to the decline in domestic oil prices along with the descending trend of global prices.

In 2015, the average annual headline inflation rate declined to 1.28%, the lowest level in five years, down from 4.13% in 2014 due to fall in commodity prices especially the fuel, sticky rice paddy and vegetable prices. As a result, transportation and shipping prices declined by 7.34% and food and non-alcoholic beverages prices decreased by 2.33%.

In 2016, headline inflation rate was at 1.60%, a 0.32% increase from the previous year due to a rise in domestic fuel prices. However, the inflation rate remained at a lower level than GDP growth rate. The contribution of the 12 categories of commodities in the composite basket to headline inflation composed of the following: food and non-alcoholic beverages accounted for 1.98%, restaurant and hotels accounted for 0.12%, clothing and footwear accounted for 0.11%, housing accounted for 0.08%, transportation and shipping accounted for -0.55% and others accounted for -0.13%.

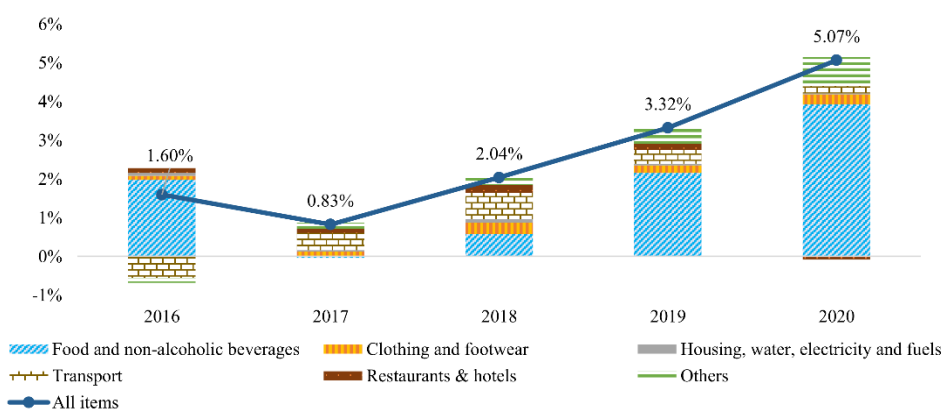
In 2017, the average annual headline inflation rate declined to 0.83%, a 0.77% decrease from the previous year due to the low prices of imported goods and food. The fuel prices in the country showed an upward trend which was in line with the increasing global oil prices. The contribution of the 12 categories of commodities in the composite basket to headline inflation was composed of the following: transportation and shipping accounted for 0.45%, clothing and footwear accounted for 0.13%, restaurant and hotels accounted for 0.10%, housing accounted for 0.03%, food and non-alcoholic beverages accounted for -0.04% and others accounted for 0.16%.

In 2018, headline inflation recorded at 2.04 percent, increased from 0.83 percent compared to the previous year. In comparison to the previous year, inflation slightly picked up but still less than the GDP growth rate. The domestic price trended to be increasing especially in imported commodities and foodstuffs, compared to several years.

In 2019, there was a pick-up trend for inflation yet the rate remained below the GDP growth rate when compared to the last year. Headline inflation averaged at 3.32 percent, increased from 2.04 percent in the year 2018. The domestic prices showed an upward trend, especially food and non-alcohol beverages. Moreover, non-core inflation such as fuel and gold prices in the nation picked up along with an increase in commodity prices in the global market.

In 2020, inflation maintains an upward trend. Headline inflation increased from 3.32 percent in the previous year to 5.07 percent, reflecting demand-pull pressure under a weakness of domestic production and lockdown restrictions against the COVID-19 across countries, which have put high pressure on domestic demand especially food, basic consumer goods, medicines, and medical products and supplies while supply chain was affected by the pandemic. In addition, a rise in import prices pushed up by the COVID-19 and exchange rate depreciation has increased production costs which imports play a pivotal role in the production process. Moreover, inflation was also pushed up by psychological factors affected by the pandemic fear and limited domestic production, which demonstrated unnecessary stock up on consumer goods.

### *Inflation Composite during the Past Five Years*



Source: Lao Statistics Bureau, Ministry of Planning and Investment.

## Monetary and Fiscal Policy

### *Monetary Policy*

The Lao PDR faced numerous challenges to maintain monetary stability. This included the debt crisis in Europe, unemployment, natural calamities, and the increase in oil, gold and foodstuff prices, which resulted in rising inflation rates in many countries. In addition, the domestic environment faced challenges such as natural calamities and the outbreak of animal disease.

In order to support long-term fund mobilisation, Bank of the Lao PDR (**BOL**) paid special attention to create the necessary conditions conducive to the timely launch of the stock market. The stock market officially began trading of listed companies in January 2011, with two companies listed on the Lao securities exchange (compared to the current eleven listed companies). The trading of securities was launched smoothly, drawing a lot of interest from both domestic and foreign investors.

In 2012, BOL continued to utilise a combined monetary policy framework with an objective to maintain national monetary stability and to contribute to socio-economic development. In order to achieve such targets, BOL used indirect monetary tools such as BOL short-term lending rate with a maturity of less than seven days at 5.00%, a reserve requirement ratio at 5.00% for LAK and 10.00% for foreign currency, continuing to actively promote the open market operations by issuing BOL bills as planned, continuing to promote an active interbank market operation and performing the role as the lender of last resort and frequently conducted repo and outright operations for the banking system for the purpose of liquidity.

In 2013, monetary policy was implemented under the combined policy framework, in order to maintain price stability and support economic growth through measures taken as follows: maintaining BOL short-term lending rate with a maturity of less than seven days at 5.00%, maintaining reserve requirement ratio on LAK deposits at 5.00% and on foreign currency deposits at 10.00%, regularly issuing BOL's bonds as planned to ensure active open market operation, replenishing liquidity in the banking system through repurchasing agreements (repo and outright) where the rates were adjusted to be more proper and developing a more active interbank market as the lender of last resort. As the result of the aforementioned implementation, controlled growth in money base and money supply, which was in line with economic growth, was attained.

In 2014, BOL continued to maintain a policy rate at 5.00% for loans less than one week, and a reserve requirement ratio at 5.00% for LAK and 10.00% for foreign currency deposits. In addition, BOL regularly conducted open market operations as well as acted as the lender of last resort for commercial banks.

In 2015, BOL reduced the policy rate from 5.00% to 4.50% for loans with a term of less than one week, from 6.25% to 5.625% for loans with a term of less than two weeks and from 12.5% to 11.25% for loans with a term of less than one year. BOL also maintained the reserve requirement ratio at 5.00% for LAK and 10.00% for foreign currency deposits. In addition, BOL regularly conducted open market operations as well as acted as the lender of last resort for commercial banks.

In 2017, BOL reduced the loan policy rate from 4.25% to 4.00% for loans with a term of less than one week. In addition, BOL maintained the spread between deposits and lending weighted average rate within 4.00% for LAK and 3.00% for foreign currencies. Reserve requirement ratios were maintained at 5.00% for LAK and at 10.00% for foreign currency deposits. BOL also set a

daily reference rate for the commercial banks and exchange rate bureaus to determine their own exchange rate within +/-0.25% against the USD.

BOL has continued to implement expansionary monetary policies and pursues a managed floating exchange rate regime in order to ensure economic stability and sustainable growth. In 2020, BOL reduced the loan policy rate from 4.00% to 3.00% for loans with a term of less than one week. In addition, reserve requirement ratios were decreased to 4.00% for LAK and at 8.00% for foreign currency deposits.

According to the Ninth NSEDP (2021-2025), the government aims to ensure the stability of the national currency, the average inflation rate should not exceed 6%, the exchange rate against the USD should be stable within the defined band of  $\pm 5\%$  per year, foreign exchange reserves should be maintained to cover at least three months of imports, and manage M2 money supply growth at an average of no more than 20% per year.

### *Fiscal Policy*

Due to an increase in resource and non-resource revenues, the Lao PDR Government has been running a moderate and decreasing fiscal deficit in recent years.

In accordance with the Ninth NSEDP (2021-2025), the Lao PDR Government commits to have a deficit not exceeding 2.00% of GDP. Additionally, the government continues to comprehensively reform the financial sector to be sound and sustainable by improving the efficiency of revenue management and budget expenditure implementation, establishing legislation that sets the framework for financial security; establish a system of mechanisms, regulations and the use of modern tools for revenue collection and expenditure through the banking system; and strictly implement financial discipline by enforcing the financial sector laws in order to fully collect revenue and implement expenditures in accordance with the law.

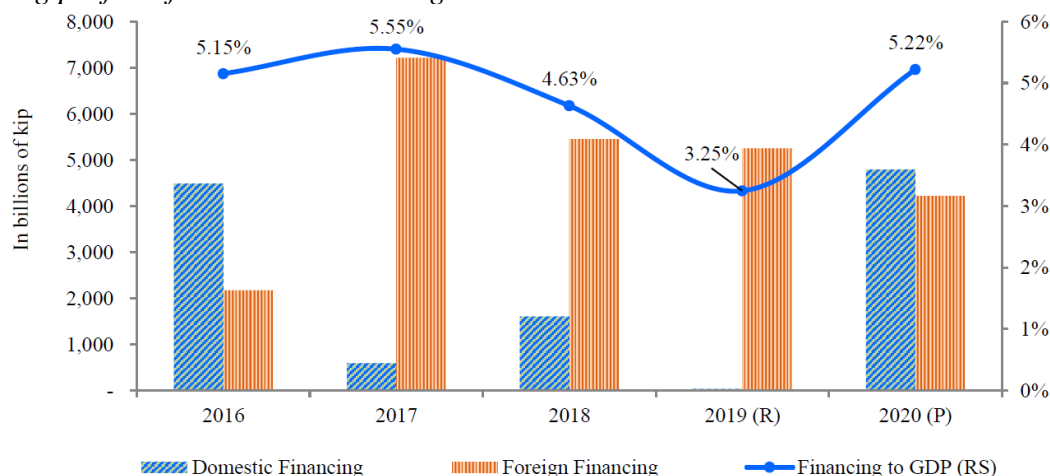
As the end of 2020, total government external debt outstanding recorded at USD 10,610.34 million which increased by 6.79 percent compared to the previous year and represented for 55.66 percent of GDP. As a result, the government external debt remains high and in a fragile position over the years. To this regard, government bond registered at USD 1,387.25 million which decreased by 13.76 percent compared to the previous year and covered 13.07 percent to total debt outstanding. Furthermore, Loan registered at USD 9,223.09 million and increased by 10.75 percent compared to last year. Besides, the component of loan consists of 3 elements in such:

(1) bilateral loan recorded at USD 6,671.38 million which increased by 10.12 percent and covered the largest portion at 62.88 percent to total debt outstanding.

(2) Multilateral loan recorded at USD 1,763.89 million which increased by 4.48 percent and covered 16.62 percent to total debt outstanding.

(3) commercial bank loan recorded at USD 787.81 million which increased by 35.57 percent and covered 7.42 percent to total debt outstanding.

### Financing profile of the Lao PDR during the Past Five Years:



### Exchange Rates

BOL pursues a managed floating exchange rate regime as the main instrument to maintain its monetary stability. BOL keeps a close watch on exchange operations in both domestic and international financial markets as a basis to set a daily reference rate of LAK/USD, maintaining the spread between the buying and selling rate within the range set by BOL. In addition, BOL continues to promote active interbank market operations and implements an open foreign exchange market by allowing the public to buy foreign currencies without any documentary requirements or quantum restrictions. BOL encourages the exchange bureaus of commercial banks and private exchange bureaus to operate widely and only intervenes in the foreign exchange markets as it deems necessary. BOL also performs the role as a lender of last resort, aimed at supplying sufficient foreign currencies to meet the demands of society and gradually reduce illegal foreign exchange trades.

### Historical Exchange Rates 2003–2021

Year	LAK/USD		LAK/THB	
	Average	End of Period	Average	End of Period
2003	10,607	10,473	257	265
2004	10,647	10,382	266	267
2005	10,673	10,811	267	266
2006	10,149	9,725	269	271
2007	9,605	9,380	279	281
2008	8,751	8,481	264	244
2009	8,516	8,489	249	255
2010	8,259	8,058	261	268
2011	8,030	8,017	264	259
2012	8,007	7,993	258	261
2013	7,861	8,017	257	250
2014	8,057	8,095	250	250
2015	8,131	8,153	241	228
2016	8,126	8,195	232	231
2017	8,246	8,300	245	256
2018	8,401	8,530	264	267
2019	8,679	8,861	286	306
2020	9,046	9,274	312	339
2021*	9,588	10,697	338	349

Remark: The 2021 period is from 1 January 2021 to 30 November 2021

Source: Bank of the Lao PDR

## Trade and Investment

### Trade

Recent growth in trade and investment has been fueled by the reduction of trade barriers, such as the integration of the Lao PDR into the ASEAN region. In addition to being part of the ASEAN Free Trade area, the Lao PDR has signed bilateral trade agreements with 18 countries and has been granted Generalised System of Preferences status in 36 countries. The Lao PDR's accession to the WTO on 2 February 2013 has also fueled trade growth in the country.

The following table shows the trade statistics (in USD millions) of the Lao PDR for the periods indicated:

Items	2016	2017	2018 <sup>(R)</sup>	2019 <sup>(P)</sup>	2020 <sup>(P)</sup>
<b>Trade Balance</b>	<b>-1,127.60</b>	<b>-794.16</b>	<b>-906.83</b>	<b>-465.97</b>	<b>744.54</b>
<b>Exports (f.o.b.)</b>	<b>4,244.77</b>	<b>4,873.16</b>	<b>5,407.81</b>	<b>5,805.95</b>	<b>6,114.93</b>
(Annual percent change)	16.19%	13.61%	10.97%	7.36%	5.32%
1.Mineral Products	1,391.10	1,479.74	1,558.89	1,502.73	1,382.50
2.Electricity	1,041.87	1,283.19	1,422.42	1,326.86	1,858.56
3.Agricultural Products	542.43	582.25	485.37	636.25	779.47
4.Animnal Products	48.89	41.41	94.71	234.65	300.35
5.Prepared foodstuff, Beverages and Tobacco	340.28	415.88	434.52	473.73	370.82
6.Wood products, Pulp of wood and paper	38.70	54.71	233.48	392.70	342.42
7.Garments and Handicraft	253.14	185.30	199.28	219.53	196.17
8.Plastic and rubber products	82.15	156.57	180.57	279.52	254.18
9.Electrical machinery and equipment	353.02	430.16	504.79	410.99	287.50
10.Others Export	153.20	243.94	293.78	329.00	342.97
<b>Imports (c.i.f.)</b>	<b>5,372.37</b>	<b>5,667.32</b>	<b>6,314.64</b>	<b>6,271.92</b>	<b>5,370.40</b>
<b>(Annual percent change)</b>	<b>-5.34%</b>	<b>5.49%</b>	<b>11.42%</b>	<b>-0.68%</b>	<b>-11.77%</b>
1.Crude oil, Fuel, lubricant and others	693.62	808.73	1,001.36	827.76	632.01
2.Electrical machinery and equipment	444.53	589.93	653.07	559.74	575.53
3.Iron, steel and others metals products	481.29	529.27	671.39	791.82	526.71
4.Vehicals and vehicle equipment	911.17	660.68	695.47	590.03	463.14
5.Machinery and mechanical equipment	825.01	810.26	1,079.86	848.67	615.06
6.Food, beverages, pharmaceutical products and other consumer goods	691.82	791.50	772.25	869.78	778.64
7.Live animal	154.11	125.04	170.07	271.29	325.27
8.Textiles and textile articles	116.68	124.68	151.04	204.87	183.58
9.Plastic and rubber products	179.10	217.48	215.09	248.51	266.47
10.Cement, lime and natural crude materials	105.94	87.33	131.68	79.16	46.00
11.Wood products, pulp of wood and paper	76.08	86.41	132.18	219.02	221.24
12.Electricity	48.58	29.27	15.39	78.96	91.43
13.Gold, Copper, Precious stones and jewelry	68.33	51.85	79.22	25.46	14.48
14.Others import	576.12	754.88	546.58	656.86	630.84

**Remark:** P: Preliminary Data

R: Revised Data

**Source:** Bank of the Lao PDR

In 2020, trade balance recorded surplus of USD 744.54 million regarded to an increase of an export which related with the remain robust of an electricity export and decrease of an import associated with slowing domestic demand. To this regard, the export of goods recorded USD 6,114.93 million, increased by 5.32 percent led by electricity covered 30.39 percent of total export; followed by mineral products 22.61 percent; agricultural product 12.75 percent; prepared foodstuff, beverages and tobacco 6.06 percent; wood products, pulp of wood and paper

5.60 percent; 4.91 percent of animal products; electricity machinery and equipment 4.70 percent of total export.

## **Foreign Direct Investment**

FDI plays an important role in the Lao PDR economy. In 2020, the COVID-19 pandemic in some way has impacts on inward FDI referred to the limit of many cross-border business travel is likely to hold up the progress of foreign investment projects, also hold up FDI to Laos. The FDI recorded net inflows at USD 967.71 million. The major FDI breakdown by countries were China which covered 87.65 percent, followed by Thailand covered 4.99 percent, and Vietnam covered 2.52 percent. Regarding to major FDI net inflows breakdown by sectors were Construction which covered 49.07 percent; agriculture, forest and fishery covered 18.50 percent; financial service covered 15.45 percent; hydro-power-electricity supply covered 7.73 percent of total FDI net inflows.

Net FDI in 2016 was US\$935.3 million, of which China was the largest FDI investor, representing 67.05% of total FDI inflows, followed by Thailand at 13.75% and South Korea at 5.36%. Of the total FDI inflows in 2016, the hydropower sector represented 41.84%, manufacturing represented 15.66%, the construction sector represented 14.16%, mining and quarrying represented 12.11% and other sectors collectively represented 16.23%.

Net FDI in 2017 was US\$1,686.3 million, of which China was the largest FDI investor, representing 78% of total FDI inflows, followed by Thailand at 10% and South Korea at 6%. Of the total FDI inflows in 2017, the hydropower sector represented 38%, the construction sector represented 32%, agriculture represented 12%, manufacturing represented 9% and mining and quarrying represented 9%.

Net FDI in 2018 was US\$1,358.0 million, of which China was the largest FDI investor, representing 79.18% of total FDI inflows, followed by Vietnam at 7.51%, Thailand at 6.25%, Japan at 3.61% and South Korea at 1.88%. Of the total FDI inflows in 2018, the construction sector represented 54.03%, hydropower, gas and conditioner supply represented 15.29%, agriculture, forest and fishery represented 10.21%, financial and insurance activities represented 8.29% and mining and quarrying represented 4.44%. According to the IMF, FDI inflows represented 7.7% of the Lao PDR's GDP in 2018.

Net FDI in 2019 was US\$755.5 million. In 2020, the COVID-19 pandemic had an adverse effect on inbound FDI due to restrictions on cross-border business travel affecting the progress of foreign investment projects. However, ongoing projects related to construction (particularly the Laos-China Railway and the Vientiane to Vang Vieng Expressway) continued to generate capital inflow to the economy. In 2020, FDI recorded a net inflow of US\$967.71 million, and other investment recorded a net inflow of US\$456.15 million. In 2020, the countries contributing the most to FDI were China, accounting for 87.65%, Thailand, accounting for 4.99%, and Vietnam, accounting for 2.52%. The most important sectors for FDI in 2020 were construction which accounted for 49.07% of total FDI inflows; agriculture, forest and fishery which accounted for 18.50%; financial services which accounted for 15.45%; and hydro-power which accounted for 7.73%.

According to the 2021 World Bank Report, FDI inflows declined by 7.9% in the first quarter of 2021 as compared with the first quarter of 2020, partly due to the completion of the Vientiane to Vang Vieng Expressway and the near-completion of the Laos-China Railway project. According to the World Bank, the overall level of FDI has declined from 2019 due to the conclusion of various large hydropower projects, postponement of new projects, and the impacts from the COVID-19 pandemic. Improved connectivity after the Laos-China Railway and highway

completion and progress on investment climate reforms are expected to help attract domestic and foreign investment in the future.

According to the Ninth NSEDP, the government aims to mobilise resources for development in the next five years to reach LAK 204,599 billion or 19.4% of GDP, of which:

- Investment from the national budget should reach LAK 22,950 billion or 11% of total investment;
- Official Development Assistance should reach LAK 37,344 billion or 18% of total investment;
- Domestic and foreign private investment should reach LAK 100,000 billion or 49% of total investment;
- Other investments should reach LAK 44,305 billion or about 22% of total investment.

The following table sets out approved foreign investment projects by country of origin.

*Approved Foreign Investment Projects by Country of Origin (in USD millions)*

Source Countries	No. of project	Value of Investment
Lao <sup>(1)</sup>	2,795	14,740.39
China	908	13,181.84
Thailand	764	4,728.45
Vietnam	426	4,323.59
Malaysia	101	767.13
South Korea	307	758.65
Hongkong	52	644.46
France	227	558.35
Netherlands	15	399.37
Singapore	83	362.35
Norway	6	346.44
UK	56	277.03
Australia	90	194.66
USA	119	150.95
Japan	105	121.13
Taiwan	76	120.54
Sweden	14	79.02
Canada	43	69.18
Switzerland	15	44.49
Mali	1	40.00
Russia	25	39.49
Angola	1	37.50
India	22	23.88
Cambodia	11	8.36
Germany	31	7.83
Italy	9	4.48
Belgium	13	3.69
Peru	1	3.00
Israel	5	2.69
Panama	1	1.75

Source Countries	No. of project	Value of Investment
Indonesia	3	1.72
North Korea	4	1.65
New Zealand	6	1.59
Interna	1	1.59
Burkins Faso	1	1.53
Finland	3	1.25
Myanmar	5	1.23
Sri Lanka	7	1.04
Tajikistan	1	1.00
Denmark	8	0.61
Pakistan	3	0.49
Nepal	2	0.40
Austria	2	0.39
Hungary	3	0.38
Bangladesh	3	0.25
Bolivia	2	0.23
Philippines	3	0.22
Spain	2	0.20
Luxembourg	1	0.20
Ukraine	1	0.20
Cuba	1	0.19
Iceland	2	0.16
Turkey	1	0.10
<b>Total foreign investment projects<sup>(2)</sup></b>	<b>6,387</b>	<b>42,057.32</b>

Note: As of 22 February 2022

(1) Represents local share of FDI projects.

(2) Value of investment. Total foreign investment projects includes local share and foreign share.

Source: Ministry of Finance of the Lao PDR

The following table sets out information on approved financial projects by sector.

*Approved Foreign Investment Projects by Sector (in USD millions)*

Sector	Value of Investment
Mining	6,560.09
Electricity generation	9,508.92
Services	3,762.22
Agriculture	3,051.62
Industry and handicraft	1,451.96
Hotel and restaurant	670.05
Health Care	73.23
Construction	632.94
Telecommunication	444.42
Banking	477.52
Wood Industry	298.76
Trade	208.16
Garment / Textile Industry	85.79
Consultation	68.39
Education	22.88

Note: As of 22 February 2022

Source: Ministry of Finance of the Lao PDR

## **Investment Promotion and Protection Laws**

A goal of the Government's FDI policy is to make the Lao PDR economy significantly more competitive and the overall business environment friendlier to the private sector. According to the World Bank's Doing Business Report 2019, the Lao PDR ranked 154 out of 190 countries for overall ease of doing business. By category, the Lao PDR ranked 181 for starting a business, 99 for dealing with construction permits, 144 for getting electricity, 88 for registering a property, 80 for getting credit, 179 for protecting minority investors, 157 for paying taxes, 78 for trading across borders, 161 for enforcing contracts and 168 for resolving insolvency. The Government recognizes that structural reforms are needed for Lao entrepreneurs to conduct their business activities more efficiently and compete with other countries.

## **Balance of Payments**

In 2014, overall balance recorded a surplus of USD 153.78 million, of which the current account recorded a deficit of USD 1,178 million which covered 10.00% of GDP due to a deficit of USD1,609 million in the trade balance. The main causal factor was the increase by 39.00% of imports, particularly the import of intermediate goods and capital goods. Exports also increased by 18.00% driven by mineral products, garments and prepared foodstuffs, beverage and tobacco and USD 125 million in net factor income due to declines in remittance from labour working abroad especially illegal labour from Thailand and increases in government interest payment, with an offset of a surplus of USD 267 million in services, which represented approximately 2.00% of GDP. The increase in services was due to an increase in Thai, Vietnamese, Chinese and South Korean tourists. USD 288 million in transfers due to private transfers and grants to the government also increased by 37% and 11%, respectively.

In 2015, overall balance marked a surplus of USD 171.00 million as a consequence of the capital and financial account recording a surplus of USD 2,816.00 million, while the current account recorded a deficit of USD 2,265.00 million. As a result, gross international reserves covered 6.37 months of prospective imports.

In 2016, overall balance marked a deficit of USD 171.92 million as a consequence of the capital and financial account recording a surplus of USD 2,529.70 million, while the current account recorded a deficit of USD 1,233.70 million. As a result, gross international reserves covered 5.26 months of prospective imports and official gross reserves decreased from USD 986.85 million in 2015 to USD 814.93 million.

In 2017, the overall balance marked a surplus of USD 201.02 million as a consequence of the capital account recording a surplus of USD 21.84 million, and the financial account (net) marking inflows of USD 2,155.58 million, while the current account recorded a deficit of USD 1,193.17 million. As a result, foreign reserves increased from USD 814.93 million in 2016 to USD 1,016 million in 2017, which could cover up to 4.39 months of prospective imports.

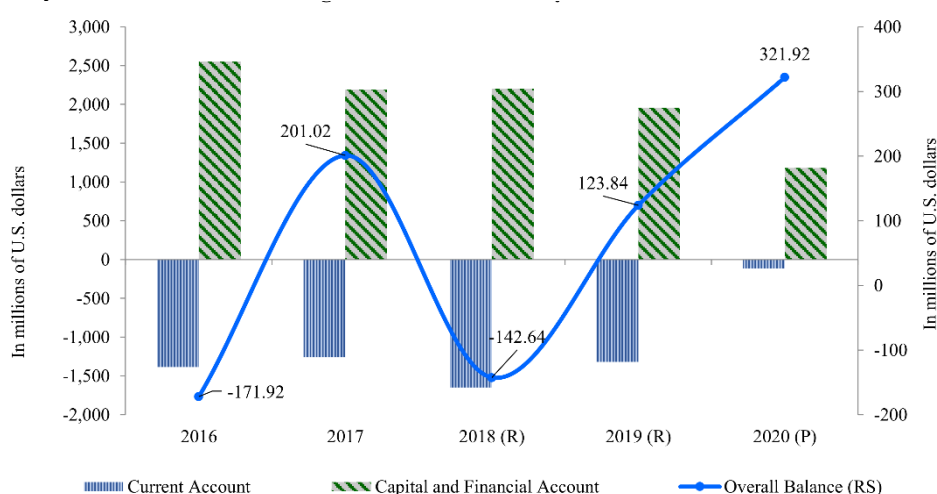
In 2018, the current account recorded a deficit of USD 1,430.17 million, while the capital account recorded a surplus of USD 12.46 million, and the financial account (net) marked an inflow of USD 2,206.25 million. As a result, the overall balance registered a deficit of USD 142.87 million and foreign reserve declined from USD 1,016 million in 2017 to USD 873.13 million in 2018, equivalent to 3.23 months of imports.

In 2019, the overall balance registered a surplus of USD 123.84 million. Besides, the current account recorded a deficit of USD 947.27 million and covered 5.02 percent of GDP. Although,

capital and financial account recorded a net inflow of USD 2.036,81 million and covered 10.79 percent of GDP. Consequently, foreign reserve in 2019 was USD 997.25 million and covered 3.6 months of imports.

In 2020, the COVID-19 pandemic affects different components of the BOP as the overall balance registered a surplus of USD 321.92 million covering 1.69 percent of GDP. Besides, the current account recorded a deficit of USD 115.23 million and covered 0.6 percent of GDP. Meanwhile, capital and financial account recorded a net inflow of USD 1,179.96 million and covered 6.19 percent of GDP. Consequently, at the end of 2020, the gross international reserves amounted to USD 1,319.17 million and covered 4.81 months of non-FDI imports.

### Balance of Payments



The following table shows the Balance of Payment statistics (in USD millions) of the Lao PDR for the periods indicated:

Items	2016	2017	2018 <sup>(R)</sup>	2019 <sup>(P)</sup>	2020 <sup>(P)</sup>
<b>A. Current Account</b>	<b>-1,384.96</b>	<b>-1,259.80</b>	<b>-1,648.94</b>	<b>-1,319.56</b>	<b>-115.23</b>
<b>Trade Balance</b>	<b>-1,127.59</b>	<b>-794.16</b>	<b>-906.82</b>	<b>-465.97</b>	<b>744.54</b>
Goods: exports	4,244.77	4,873.16	5,407.82	5,805.95	6,114.93
Goods: imports	5,372.37	5,667.32	6,314.64	6,271.92	5,370.40
<b>Service Balance</b>	<b>-187.77</b>	<b>-335.79</b>	<b>-264.03</b>	<b>-67.01</b>	<b>-99.28</b>
Services: credit	834.65	780.56	985.35	1,179.24	346.19
Services: debit	1,022.42	1,116.35	1,249.38	1,246.25	445.48
<b>Balance on goods and services</b>	<b>-1,315.37</b>	<b>-1,129.95</b>	<b>-1,170.85</b>	<b>-532.98</b>	<b>645.25</b>
<b>Primary income: net</b>	<b>-324.73</b>	<b>-446.44</b>	<b>-785.73</b>	<b>-1,084.45</b>	<b>-1,012.41</b>
Primary income: credit	129.37	124.58	71.34	94.28	82.91
Primary income: debit	454.09	571.02	857.07	1,178.73	1,095.32
<b>Balance on goods, services, and primary income</b>	<b>-1,640.09</b>	<b>-1,576.39</b>	<b>-1,956.58</b>	<b>-1,617.44</b>	<b>-367.16</b>
<b>Secondary income: net</b>	<b>255.13</b>	<b>316.59</b>	<b>307.65</b>	<b>297.87</b>	<b>251.93</b>
Secondary income: credit	355.68	428.14	470.33	419.12	379.53
Secondary income: debit	100.55	111.56	162.69	121.25	127.60
<b>B. Capital Account</b>	<b>21.95</b>	<b>21.84</b>	<b>12.46</b>	<b>14.86</b>	<b>12.62</b>
Capital account: credit	21.95	21.84	12.46	14.86	12.62
Capital account: debit	-	-	-	-	-
<b>C. Financial Account</b>	<b>-2,533.81</b>	<b>-2,172.53</b>	<b>-2,192.00</b>	<b>-1,943.43</b>	<b>-1,167.34</b>
<b>Direct investment</b>	<b>-920.11</b>	<b>-1,676.57</b>	<b>-1,358.02</b>	<b>-755.52</b>	<b>-967.71</b>
Direct investment: assets	15.18	9.70	0.00	0.00	0.00
Direct investment: liabilities	935.30	1,686.28	1,358.02	755.52	967.71
<b>Portfolio investment</b>	<b>-513.87</b>	<b>-326.10</b>	<b>-521.91</b>	<b>41.28</b>	<b>265.51</b>

Items	2016	2017	2018 <sup>(R)</sup>	2019 <sup>(P)</sup>	2020 <sup>(P)</sup>
Portfolio investment: assets	10.12	0.42	16.68	40.55	18.72
Equity and investment fund shares	-	-	-	-	42.50
Debt securities	10.12	0.42	16.68	40.55	-23.78
Portfolio investment: liabilities	523.99	326.52	538.59	-0.73	-237.79
Equity and investment fund shares	-4.63	-34.48	1.39	-0.12	-0.92
Debt securities	528.62	361.00	537.20	-0.60	-236.88
Financial derivatives (other than reserves) and employee stock options: net	-	-	-	-	-
Financial derivatives (other than reserves) and employee stock options: assets	-	-	-	-	-
Financial derivatives (other than reserves) and employee stock options: liabilities	-	-	-	-	-
<b>Other investment</b>	<b>-1,099.82</b>	<b>-169.85</b>	<b>-312.07</b>	<b>-1,229.18</b>	<b>-456.15</b>
Other investment: assets	198.74	497.85	434.76	-5.66	407.59
Other equity	-	-	-	-	-
Other debt instruments	198.74	497.85	434.76	-5.66	407.59
Central bank	-	-	-	-	-
Deposit-taking corporations (except the central bank)	-13.55	117.15	246.99	166.88	286.89
General government	0.00	0.00	0.00	0.00	0.00
Other sectors	212.29	380.71	187.77	-172.55	120.70
Other financial corporations	-	-	-	-	-
Nonfinancial corporations, households, and NPISHs	212.29	380.71	187.77	-172.55	120.70
Other investment: liabilities	1,298.56	667.71	746.84	1,223.52	863.73
Other equity	-	-	-	-	-
SDR allocation	-	-	-	-	-
Other debt instruments	1,298.56	667.71	746.84	1,223.52	863.73
Central bank	-2.67	2.37	-1.52	-0.41	2.95
Deposit-taking corporations (except the central bank)	809.51	-124.68	-80.15	67.55	-103.22
General government	198.02	342.94	693.04	609.36	464.38
Other sectors	293.70	447.07	135.46	547.03	499.62
Other financial corporations	-	-	-	-	-
Nonfinancial corporations, households, and NPISHs	293.70	447.07	135.46	547.03	499.62
Other debt instruments	1,298.56	667.71	746.84	1,223.52	863.73
<b>D. Net Errors and Omissions</b>	<b>-1,342.72</b>	<b>-733.55</b>	<b>-698.16</b>	<b>-514.88</b>	<b>-742.81</b>
<b>E. Overall Balance</b>	<b>-171.92</b>	<b>201.02</b>	<b>-142.64</b>	<b>123.84</b>	<b>321.92</b>
<b>F. Reserves and Related Items</b>	<b>-171.92</b>	<b>201.02</b>	<b>-142.64</b>	<b>123.84</b>	<b>321.92</b>
Reserve assets	-171.92	201.02	-142.64	123.84	321.92

**Remark:** From 2017, Balance of Payments statistics compilation was classified from BPM5 to BPM6.

P: Preliminary Data

R: Revised Data

**Source:** Bank of the Lao PDR

## The Financial and Banking System

### Money Supply

The following table shows the money supply of the Lao PDR for the periods indicated (in billion LAK):

Items	2016	2017	2018	2019	2020 <sup>(P)</sup>
<b>Net Foreign Assets</b>	<b>-11,268.33</b>	<b>-7,769.30</b>	<b>-9,248.29</b>	<b>-7,260.38</b>	<b>-2,051.35</b>
Foreign Assets	15,580.45	18,437.78	17,159.22	20,769.00	26,404.34
Foreign Liabilities	-26,848.78	-26,207.08	-26,407.51	-28,029.38	-28,455.69
<b>Net Domestic Assets</b>	<b>77,807.84</b>	<b>82,447.46</b>	<b>90,178.57</b>	<b>103,446.72</b>	<b>113,946.36</b>
<b>Domestic Credit</b>	<b>70,572.62</b>	<b>75,087.57</b>	<b>81,984.08</b>	<b>85,594.31</b>	<b>92,110.46</b>
Net Claims on Government	4,373.17	1,722.84	6,588.01	4,587.00	7,629.69
Claims on Government	8,453.24	6,778.90	9,125.48	8,799.27	11,270.65
Deposits of Government	-4,080.07	-5,056.06	-2,537.47	-4,212.27	-3,640.96
Credit to the Economy	66,199.45	73,364.73	75,396.07	81,007.30	84,480.76
Credit to State-Owned Enterprises	13,171.55	12,825.30	12,198.89	12,463.67	12,179.44
Credit to Private Sector	53,027.90	60,539.43	63,197.18	68,543.63	72,301.32
<b>Other Items (Net)</b>	<b>7,235.22</b>	<b>7,359.89</b>	<b>8,194.49</b>	<b>17,852.41</b>	<b>21,835.91</b>
<b>Money Supply (M2)</b>	<b>66,539.51</b>	<b>74,678.18</b>	<b>80,930.28</b>	<b>96,186.33</b>	<b>111,895.01</b>
<b>Money</b>	<b>9,006.31</b>	<b>10,741.82</b>	<b>11,327.12</b>	<b>13,785.64</b>	<b>15,310.12</b>
Currency Outside Banks	5,534.29	6,638.18	7,148.86	8,581.37	9,312.24
Demand Deposits	3,472.02	4,103.64	4,178.26	5,204.28	5,997.88
<b>Quasi Money</b>	<b>57,533.20</b>	<b>63,936.36</b>	<b>69,603.16</b>	<b>82,400.69</b>	<b>96,584.90</b>
Time and Savings Deposits	25,830.80	27,382.84	29,709.17	34,930.78	39,867.39
Foreign Currency Deposits	31,702.40	36,553.52	39,893.99	47,469.91	56,717.50

Source: Bank of the Lao PDR

### The Bank of the Lao PDR

In order to maintain long-term monetary stability, including a stabilised exchange rate, an inflation rate below economic growth rate, a safe and sound banking system to support socio-economic development and to achieve the target of poverty alleviation, BOL has utilised an exchange rate policy as the main instrument to maintain monetary stability by setting a daily reference rate of LAK vis-à-vis USD for commercial banks to determine their own exchange rates and to intervene in the foreign exchange market to ensure the supply of foreign exchanges meets with social demand. BOL has also implemented a combined monetary policy framework by using indirect monetary instruments such as maintaining BOL lending rates and the reserve requirement ratios, issuing BOL bills, encouraging the use of LAK and promoting domestic payments in LAK and continuing to supervise over import-export of foreign currencies and precious metals.

### Balance Sheet of BOL (in billion LAK)

Items	2016	2017	2018	2019	2020 <sup>(P)</sup>
<b>Net Foreign Assets</b>	<b>6,119.57</b>	<b>7,838.78</b>	<b>6,853.36</b>	<b>8,224.86</b>	<b>11,575.93</b>
Foreign Assets	6,682.35	8,443.34	7,462.12	8,853.58	12,261.64
Foreign Liabilities	-562.78	-604.56	-608.76	-628.72	-685.71
<b>Net Domestic Assets</b>	<b>14,715.58</b>	<b>14,973.61</b>	<b>17,019.26</b>	<b>19,100.40</b>	<b>20,893.24</b>
<b>Domestic Credits</b>	<b>12,916.96</b>	<b>12,439.36</b>	<b>13,789.79</b>	<b>14,199.58</b>	<b>16,969.79</b>
Net Claims on Government	-4.63	-743.44	406.31	839.17	1,173.38
Claims on Government	1,094.64	1,346.64	1,344.01	2,746.82	2,509.49
Deposits of Government	-1,099.27	-2,090.08	-937.70	-1,907.65	-1,336.11

Items	2016	2017	2018	2019	2020 <sup>(P)</sup>
Credit to the Economy	6,454.05	6,425.42	6,343.44	6,379.03	6,242.90
Credit to State enterprises	6,454.05	6,425.42	6,343.44	6,379.03	6,242.90
Credit to Private sector	-	-	-	-	-
Credit to Banks	6,467.54	6,757.38	7,040.04	6,981.39	9,553.51
<b>BOL Securities</b>	<b>-2,902.80</b>	<b>-3,357.24</b>	<b>-3,452.58</b>	<b>-2,886.41</b>	<b>-2,192.76</b>
<b>Other Items (Net)</b>	<b>4,701.42</b>	<b>5,891.49</b>	<b>6,682.05</b>	<b>7,787.22</b>	<b>6,116.22</b>
<b>Monetary Base</b>	<b>20,835.15</b>	<b>22,812.38</b>	<b>23,872.62</b>	<b>27,325.26</b>	<b>32,469.17</b>
Cash in Circulation	7,836.89	8,823.22	9,200.23	10,990.13	12,195.01
Deposits	12,998.26	13,989.16	14,672.39	16,335.13	20,274.16
Clearing Deposits	9,051.13	9,941.68	10,694.05	11,895.26	15,714.99
Required Reserves	3,471.58	3,714.24	3,624.76	3,860.49	4,093.95
Capital Deposits	463.42	325.73	245.01	534.53	403.24
Other Deposits	12.13	7.51	108.57	44.85	61.98

Source: Bank of the Lao PDR

### *Commercial Banks*

Macroeconomic stability over the past few years, coupled with cautious policies, has substantially improved the Lao PDR's financial and banking system. The government has made an effort to undertake two reforms in the banking sector. Firstly, the restructuring of State-Owned Commercial Banks (**SOCBs**) has resulted in reduction of non-performing loans at SOCBs and improvement in SOCBs' capital positions. The SOCBs have become modernised with improved efficiency. Secondly, the Law on Commercial Banks, approved in 2007, was key to level the playing fields for all commercial banks – whether private, foreign or state-owned. The new legislation has attracted new players to the market, creating more competition which would result in improved services and increased access to finance for Lao businesses and individuals.

In addition, BOL continued to encourage commercial banks to increase their deposit mobilisation by improving their services mechanism and by modernising the IT infrastructure gradually, to improve and expand commercial banks' networks to provide greater access to district levels together with the use of available mobile deposit units to get access to customers, to provide more diversified deposit account types to attract more customers such as prize draw deposits, advanced interest payment deposits, making deposits via ATM etc., improving customer services mechanisms and ensuring prompt response, streamlining service processes in order for commercial banks to be able to mobilise funds from society more broadly, generate a more favourable business climate for commercial banks to provide credit to those viable companies and projects by focusing on the improvement of the regulatory framework and loan approval mechanism to allow better access for entrepreneurs, and introduced a scheme of using productive projects as loan collateral. In addition, BOL paid more attention to transactions of both commercial banks and financial institutions and ensured that entire operations were under BOL's supervision.

In 2014, BOL continuously supervised the commercial banks in accordance with CAMELs and Basel I principles to ensure an ongoing safe and sound banking system. During the year, BOL adjusted a number of regulations, namely cancelling the limitation on loan to collateral ratio (60-80%), and lowering the cash-to-deposit ratio from 4.0% to 2.0%, allowing commercial banks to provide lending in foreign currencies to customers who have income in foreign currencies, strictly monitored the implementation of regulations, in particular, the regulation on the maintenance of net open position and the decree on anti-money laundering and anti-terrorism financing, pushed commercial banks to have off-site auditing regularly and to publish their quarter and annual financial statements, constantly developed IT systems to secure the data transfers from commercial banks to BOL and encouraged banks to develop a

variety of products and expand service networks together with quality improvement.

In 2015, to ensure a safe and sound banking system, BOL closely monitored and supervised the commercial banks under the supervisory framework of CAMELs and Basel I principles. It is also preparing for the transition from Basel I to the Basel II principle. In parallel with regulatory reforms, BOL encouraged commercial banks to improve their banking services and to promote the expansion of microfinance institutions.

Currently, due to the adverse disruptions by the pandemic, financial stability was one of the primary objectives for BOL to be achieved. In order to mitigate the increasing pressure on household debt, BOL issued new decisions on loan programs to promote national production and to address the negative impacts of the COVID-19. The objective was to facilitate access to credit capital to individuals and SMEs to carry out their activities during the COVID-19 mitigation measures of the Government. In addition, BOL issued an announcement for banking institutions to ensure their liquidity under unprecedented circumstances by reconsidering and reevaluating their regulations. Apart from the public relief program, BOL continually implemented banking supervision in compliance with banking regulations in parallel with the development toward Basel II and partial Basel III by issuing the Master Plan and Implementation Plan on Bank Supervision Development toward Basel Standards from 2017-2025. Additionally, BOL advocated conducting external audits by commercial banks and publicly disseminating their financial positions in various forms, such as annual reports through their websites, brochures, and print media, in order to uplift the transparency and confidence of the public. Several legislations had been developed and improved as managing tools for the security of the banking system to integrate the banking sector with regional nations. Although movement restrictions as ordered in the COVID-19 mitigation measures, BOL ensured the least interruption on financial services by requiring the adaptation of working arrangements. Simultaneously, banking institutions were encouraged to develop their financial services through utilizing internet and mobile systems for and secured modern, prompt and secure public payment services via internet banking, mobile banking, SMS banking, and QR Code.

In 2020, there were 44 commercial banks<sup>1/</sup>, 115 branches of commercial bank, 538 service units, 42 exchange bureaus, 1,336 ATM machines, 4,578 EDC countrywide and 1,629,448 ATM cards. There were 191 non-banks<sup>2/</sup>, increased by eight non-banks from last year, and total assets accumulated to LAK 2,119.83 billion<sup>3/</sup>, increased by 2.93 percent compared to the previous year, which had a total deposit of LAK 1,411.68 billion<sup>4/</sup>, dropped by -4.54 percent while credit to the economy was LAK 1,388.82 billion<sup>7</sup>, rose to 9.72 percent compared to the previous year.

Type of Bank	Number of Banks
Stated-Owned Commercial Bank	3
Specialised Bank	1
Joint State Commercial Bank	3
Private Bank	8
Subsidiary Bank	8
Foreign Branch	21
Total	44

Remark:

1) Of which, there were three state-owned banks, a specialized bank, three joint-venture banks, eight private banks, eight subsidiary banks, and 21 foreign branch banks.

- 2) Of which, there were 21 deposit-taking microfinance institutions, 83 non-deposit-taking MFIs, 30 savings and credit unions, 29 leasing companies, 27 pawn shops, and five transfer agencies.
- 3) Including assets of deposit-taking microfinance institutions, non-deposit-taking MFIs and savings and credit unions.
- 4) Including deposits of deposit-taking microfinance institutions, non-deposit-taking MFIs and savings and credit unions.
- 5) Including credits of deposit-taking microfinance institutions, non-deposit-taking MFIs and savings and credit unions.

Source: Bank of the Lao PDR

### *Commercial bank's Credits (in billion LAK)*

<b>Credit by Sectors</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020<sup>(P)</sup></b>
Industry	14,641.73	16,762.76	19,313.88	20,714.50	21,441.51
Construction	7,454.33	9,110.44	8,601.70	10,686.51	11,197.66
Materials and Technical Supplies	1,202.19	476.64	585.84	942.08	883.46
Agriculture	4,608.54	5,741.75	5,967.48	6,088.89	6,041.94
Commerce	10,043.23	12,968.90	13,644.21	15,000.37	14,951.56
Transportation	1,368.39	1,086.02	1,083.13	1,102.54	1,461.46
Services	5,714.46	6,745.37	6,926.44	8,444.79	10,367.72
Handicraft	4,919.44	2,595.99	1,195.49	1,130.93	1,051.59
Other Sectors	9,793.00	11,451.44	11,734.46	10,517.65	10,840.96
<b>Total Credit Outstanding</b>	<b>59,745.31</b>	<b>66,939.31</b>	<b>69,052.63</b>	<b>74,628.28</b>	<b>78,237.87</b>
<b>Contribution to Credit Growth</b>	<b>(Sectorial Contribution to total credit growth)</b>				
Industry	15.17%	3.55%	3.81%	2.03%	0.97%
Construction	-1.66%	2.77%	-0.76%	3.02%	0.68%
Materials and Technical Supplies	-0.10%	-1.21%	0.16%	0.52%	-0.08%
Agriculture	0.38%	1.90%	0.34%	0.18%	-0.06%
Commerce	3.03%	4.90%	1.01%	1.96%	-0.07%
Transportation	0.47%	-0.47%	0.00%	0.03%	0.48%
Services	1.58%	1.73%	0.27%	2.20%	2.58%
Handicraft	1.18%	-3.89%	-2.09%	-0.09%	-0.11%
Other Sectors	3.68%	2.78%	0.42%	-1.76%	0.43%
<b>Total Credit Outstanding</b>	<b>23.72%</b>	<b>12.04%</b>	<b>3.16%</b>	<b>8.07%</b>	<b>4.84%</b>
<b>Total Credit Outstanding ratio to GDP</b>	<b>46.21%</b>	<b>47.58%</b>	<b>45.31%</b>	<b>45.88%</b>	<b>45.33%</b>

Source: Bank of the Lao PDR

### *Other Financial Institutions (Non-Bank) Supervision*

Microfinance plays an increasingly important role in the Lao PDR's economy. There are various forms of microfinance institutions, such as deposit-taking microfinance institutions, non-deposit-taking microfinance institutions, credit cooperatives and saving deposits institutions, pawn shops, financial leasing companies and Western Union. All of these institutions play an important role to provide better access to financial services for the people of the Lao PDR, since 90.00% of the population has no access to banking services due to the concentration of banks being mainly in the capital. In the wake of the growing number of microfinance institutions operating in the country, BOL pays attention in monitoring, examining and supervising these financial institutions, which are all under the jurisdiction of BOL. In addition, BOL organises seminars to disseminate the regulations.

In 2013, the non-bank financial institutions showed rapid growth nation-wide, offering a variety of products and increasing accessibility to finance. Seventeen non-bank financial institutions obtained business licences, which included seven permanent licences for deposit-taking and non-

deposit-taking microfinance institutions, four permanent licences for leasing companies, five permanent licences for pawn shops and one temporary licence for leasing companies. Other financial institutions (non-bank) consisted of 123 microfinance institutions, five express money transfer companies, one postal depository, one development fund for the Boungkhouang Economic Zone IV and two saving unions. According to the financial statement reports from 74 institutions in total, these showed remarkable performance as profits rose by 111% (year-on-year) to LAK 8.21 billion, total assets increased 54% (year-on-year) to LAK 236.66 billion, total deposits widened by 64% to LAK 145.12 billion, total credit expanded by 56% (year-on-year) to LAK 161.09 billion, the number of depositors increased by 55% to 80,669 members and borrowers increased by 45% to 30,372 members.

At the same time, BOL also completed the upgrading of three provisions in relation to MFIs, supervision of the Decree on Microfinance Institutions No. 460/G, which was endorsed by the government, dated 3 October 2012. BOL has disseminated this Decree to BOL staff (in both BOL's headquarters and branches), line-ministries, microfinance institutions situated in Vientiane and other provinces. Furthermore, BOL also issued the regulation on registered capital withdrawal and the use of registered capital for financial institutions, No. 01/BOL, dated 23 October 2012, and completed other associated regulation regarding financial institution supervision.

## **Laos Securities Market**

### *Lao Securities Exchange*

Following the 2007 signing of a memorandum of understanding between BOL and the Republic of Korea Exchange Inc., the Lao Securities Exchange was launched on 11 January 2011 to further facilitate investment in the country. Signed in July 2009, the joint venture agreement, with cooperation from the Stock Exchange of Thailand and the Vietnam Stock Exchange, involves training programmes on securities regulation, building market expertise and assistance for the listing of major Lao companies. The first two companies, namely, Banque Pour Le Commerce Exterieur Lao Public (BCEL) and EDL Generation Public, were listed on the Lao Securities Exchange in 2011.

After the enactment of the new law on securities no.21/NA dated on 10 December 2012, portfolio investment in Lao PDR was liberalised to include foreign market participants, since domestic listed companies were now able to access foreign stock exchange markets and foreign companies were able to access the domestic capital market through listing on the Lao Securities Exchange. During 2015, a newly listed company participated in the Lao Stock Exchange (Souvanny Home Center Public Company: SVN), bringing the total number of listed companies to five companies: BCEL, EDL Generation Public, Lao World Public Company, Petroleum Trading Lao Public Company and Souvanny Home Center Public Company.

In 2016, there were 670 securities trading accounts in total. The total trading values stood at LAK 113.52 billion, a decrease of 43.29% from the previous year. The total amount of trading shares was 22.49 million shares, a decrease of 28.05% compared to the previous year. The trading value by foreign investors accounted for 57.28% of total trading values.

In 2017, there were 13,190 securities trading accounts in total. The total trading values stood at LAK 343.73 billion, an increase of 202.76% from the previous year. The total amount of trading shares was 51.03 billion shares, an increase of 126.90% compared to the previous year. The trading value by foreign investors accounted for 49.52% of total trading values.

In 2018, the Lao securities exchange index closed at 823.65 points, decreased by 16.42 percent compared to the previous year (at 998.39 points); securities trading had a total value of LAK 90.18 billion, declined by 70.75 percent, and total volume of 19.13 million shares, accelerated by 62.43 percent compared to the previous year. Of which, the trading value of foreign investors represented 51.57 percent of total trading value. In parallel, the BOL continues to mobilize capital market in order to become a long-term investment, to practice enterprises to be strong and enable to be in the international stage as well as to support capital market to go together money market with sustainability.

In 2019, the Lao Securities Exchange index closed at 742.63 points, decreased by 6.44 percent compared to the previous year (at 793.75 points); securities trading had a total value of LAK 78.89 billion, declined by 15.84 percent, and total volume of 19.33 million shares, increased by 1.05 percent. Of which, the trading value of foreign investors represented 48.40 percent of total trading value. In this context, BOL has mobilized the capital market in order to become a long-term investment, while encouraging strong enterprises in order to compete with the international level, the capital market could be developed as a money market with sustainability way.

In 2020, the Lao Securities Exchange index closed at 598.70 points, decreased by -17.77 percent; securities trading had a total value of LAK 72.89 billion, declined by -1.52 percent compared to the year of 2019. Of which, the trading value of foreign investors accounted for 58.67 percent of total trading value. In this context, BOL would continue implementing the domestic capital market development to be the place for long-term secured capital-raising, to build investors' trust to reinvest in the Lao capital market after the relief of the COVID-19 pandemic, and to develop alongside with money market in a sustainable way.

The following chart shows the historical performance of the Lao Securities Exchange index.

**Daily Closing of Lao Securities Exchange Index (1 January 2015 – 28 January 2022)**



Source: Lao Securities Exchange

## Public Finance

The table below sets out the government budget (in billion LAK) for the years indicated:

Items (In billion of LAK)	2016	2017	2018	2019 <sup>(R)</sup>	2020 <sup>(P)</sup>
<b>Total Revenue</b>	21,162.83	22,925.01	23,943.78	25,340.53	21,845.75
<b>Revenue</b>	19,413.88	20,579.48	21,795.66	22,511.34	19,215.59
Tax Revenues	16,426.64	16,918.44	17,032.24	17,747.94	15,764.60
Non-tax Revenues	2,987.24	3,661.04	4,763.42	4,763.40	3,450.99
<b>Grants</b>	1,748.95	2,345.53	2,148.12	2,632.19	2,565.28
Project Grants	774.27	876.91	684.57	711.29	841.24
Non-Project Grants (Donors)	974.68	1,360.01	1,142.00	1,736.00	1,724.04
Non-Project Grants (Japan)	-	-	-	-	-
Program Grants	-	108.62	321.55	184.90	-
<b>Social Contribution</b>	-	-	-	197.00	64.88
<b>Total Expenditure</b>	27,824.77	30,736.00	31,002.85	30,623.68	30,858.17
<b>Current Expenditure</b>	19,981.34	17,662.14	18,430.24	20,547.31	19,735.62
Current non-interest expenditures	18,397.15	15,751.35	15,841.91	17,678.99	17,126.14
Interest Payments	1,584.19	1,910.80	2,588.33	2,868.32	2,609.48
External	1,237.53	1,490.84	2,084.40	2,428.21	2,100.26
Capital expenditure	7,843.42	13,073.86	12,572.61	10,076.37	11,122.56
<b>Current Cash Balance</b>	-567.47	2,917.34	3,365.42	1,964.03	-520.03
<b>Overall Balance</b>	-6,661.94	-7,810.99	-7,059.06	-5,283.15	-9,012.42
(Excluding grants)	-8,410.89	-	-9,207.19	-8,112.34	-
		10,156.52			11,642.58
<b>Financing</b>	6,661.95	7,810.99	7,059.06	5,283.15	9,012.42
Domestic Financing	4,491.18	595.25	1,608.05	33.53	4,792.16
Bank Financing	3,803.74	351.31	916.65	-863.56	3,884.50
Government deposit (transaction)	-	-	-	-	507.11
Bank financing credit	2,404.32	-975.98	2,295.39	-915.72	1,200.00
Repay advance to BOL	-	-	-	1,000.00	-2,200.00
Treasury Bills (Issued)	-	-	2,528.70	3,752.25	6,916.61
Treasury Bills (Repayment)	-1,510.58	-2,856.01	-3,628.32	-4,700.09	-2,539.22
Government Bonds (Issued)	2,910.00	4,183.30	617.18	-	-
Government Bonds (Repayment)	-	-64.00	-896.30	-	-
<b>Non-Bank Financing</b>	<b>687.44</b>	<b>243.94</b>	<b>691.41</b>	<b>897.10</b>	<b>907.66</b>
Treasury Bills (Issued)	-	-	-	-	-
Treasury Bills (Repayment)	-	-	-	-	-
Assets Sales + pump amortization	387.35	60.41	383.27	257.28	61.09
Arrear's clearance bonds	-	-	-	144.47	-
Exceeding plan	-	-	-	-	249.32
Previous Year Balance Sheet	-	-	-	363.42	274.27
Differences	300.09	183.53	308.14	131.93	322.98
Foreign Financing (Net)	2,170.77	7,215.74	5,451.01	5,249.62	4,220.26
Government Bonds (issued)	-	3,500.11	1,822.56	1,350.00	-
Budget support from ADB, EU (loans)	-	-	-	3,606.55	-
Program Loans	136.03	327.71	-	-	3,852.16
Project Loans	3,122.31	5,647.52	6,444.03	3,381.57	5,167.75
Amortization (Repayment)	-1,837.71	-2,285.66	-3,427.58	-4,127.93	-5,868.69
Non-project grants (Japan)	-	-	-	-	-
On-Lending Net	750.15	26.07	612.00	1,039.42	1,069.04

Remark: From 2017, Government statistics compilation was classified from fiscal year to calendar year.

P: Preliminary Data

R: Revised Data

Source: Ministry of Finance

## Revenue Performance

The table below sets forth the government revenue (in billion LAK) for the years indicated:

Items (In billion of LAK)	2016	2017	2018	2019 <sup>(R)</sup>	2020 <sup>(P)</sup>
<b>1. Tax Revenues</b>	<b>16,426.63</b>	<b>16,918.44</b>	<b>17,032.24</b>	<b>17,747.94</b>	<b>15,764.60</b>
Profits Taxes	1,750.85	1,979.66	2,073.34	2,209.25	1,727.75
Income Taxes	1,623.84	1,602.58	1,619.01	1,646.45	1,450.88
Land Taxes	105.33	113.15	188.12	201.32	188.37
Business Licenses	-	-	-	-	-
Minimum Taxes	-	-	-	-	-
Turnover Taxes	-	-	-	-	-
VAT	4,688.01	4,934.30	5,201.47	5,412.97	4,720.51
Excise Taxes	4,124.31	4,233.96	4,742.82	4,971.97	3,601.52
Import Duties	1,655.01	970.57	1,059.23	978.84	1,070.01
Export Duties	49.45	28.99	37.82	45.05	14.84
Registration Fees	69.47	74.46	46.55	33.58	55.23
Other Fees	1,389.47	1,664.72	966.48	1,068.46	2,009.46
Natural Resources Taxes	474.11	609.71	641.23	620.46	562.72
Timber Royalties	127.44	335.45	37.96	21.86	44.17
Hydropower Royalties	369.35	370.88	418.21	537.71	319.15
<b>2. Non-Tax Revenues</b>	<b>2,987.24</b>	<b>3,661.04</b>	<b>4,763.42</b>	<b>4,763.40</b>	<b>3,450.99</b>
Leasing Fees	69.39	69.96	44.51	54.62	44.78
Concessions	85.02	61.25	90.00	114.37	79.76
Penalties (Fine)	179.64	83.30	49.93	34.66	36.02
Administration Fees	981.03	881.45	805.75	926.03	931.61
Depreciation and Dividends	623.94	934.09	1,249.31	975.81	656.03
Interest	423.83	838.88	830.82	702.26	402.39
Over-Flight	594.91	656.95	826.17	842.66	413.46
Forest Preservation Funds	6.80	4.28	676.42	685.78	608.41
Others	22.69	130.88	190.51	427.21	278.53
<b>Total Tax and Non-Tax Revenue</b>	<b>19,413.87</b>	<b>20,579.48</b>	<b>21,795.66</b>	<b>22,511.34</b>	<b>19,215.59</b>
Assets Sales	387.35	87.44	383.27	257.28	61.09
Capital Return	750.15	259.39	612.00	1,039.42	1,069.04

Remark: From 2017, Government statistics compilation was classified from fiscal year to calendar year.

P: Preliminary Data

R: Revised Data

Source: Ministry of Finance

### *Tax Revenue*

Tax revenue has been steadily increasing since 2008 and reached 19.02% of GDP in 2014, which was higher than 2013 by 17.71%. The strong tax revenue performance in 2014 was driven by excise taxes, VAT which was introduced in January 2010 and profit tax and import duties.

With regard to tax revenue performance in LAK terms, tax revenue increased by two digits in percentage terms in the past years. However, tax revenue growth decelerated to about 10.32% in 2009 due to the effect of the global recession. Nevertheless, tax revenue recorded a strong increase of 11.59% in 2013 and 11.30% in 2014 compared to the previous years, respectively. In 2015, tax revenue continued to grow, with growth of 10.96% from the previous year.

Regarding the revenue performance of each tax item in recent years, VAT, excise tax, import duties and income tax continued to grow and recorded an increase of 11.35%, 22.79%, 25.86%, and 14.29%, respectively in 2014 in comparison to 2013. In 2015, excise tax decreased by 1.57%. Nonetheless VAT, import duties and income tax continued to grow and recorded an increase of 11.80%, 1.02% and 1.11%, respectively compared to 2014.

Large tax revenue items such as excise tax, income tax, VAT, profit tax and import duties accounted for about 77.02% of the total tax revenue in 2014, 77.87% for 2015, and 77.87% for 2015. On the other hand, turnover tax, which occupied a big revenue share every year, decreased substantially in 2011 since part of the taxpayers subject to turnover tax were subject instead to VAT as a result of an introduction of VAT in January in 2010.

VAT was introduced in January 2010 and was published from 2011 as one of the tax revenue items. VAT made a strong revenue performance from 2011 to 2014 due to the effect of public awareness activities by tax authorities targeted at large enterprises subject to VAT and partly due to continued economic activities.

Import duties continued to increase in the past years reflecting the continued expansion of economic activities as well as an increase in imports reflecting strong demand.

In 2017, tax revenue amounted to LAK 16,920 billion, an increase of 2.65% from the previous year and which accounted for 12.00% of GDP.

In 2018, tax revenue amounted to LAK 17,032 billion, an increase of 0.66% from the previous year and which accounted for 11.17% of GDP. There was mainly due to an increase in excise taxes and VAT.

In 2019, tax revenue amounted to LAK 17,748 billion, an increase of 4.20% from the previous year and which accounted for 10.91% of GDP. There was mainly due to an increase in excise taxes and VAT.

In 2020, tax revenue amounted to LAK 15,765 billion, a decrease of 13.75% from the previous year and which accounted for 9.13% of GDP. The main reasons for a decrease in domestic revenue collection were lower revenues from export duties, hydropower royalties, excise taxes, value-added tax (VAT), natural resource taxes, and land taxes. In addition to these, the COVID-19 mitigation policies, in particular, income tax exemption for both civil servants and employees of the private sector for months, introduction of electricity discounted rate for certain months, profit tax exemption for microenterprises, have caused further losses in public revenues.

#### *Non-tax Revenue*

From 2012 to 2016, non-tax revenue in terms of percentage of GDP ranged from 1.85% to 3.05%. Nevertheless, non-tax revenue in LAK terms has generally been on the rise, driven by dividends and interests stemming from state-owned enterprises, over flights paid by foreign air carriers and administration fees. Non-tax revenue increased greatly by 42.87% in 2014, and dropped 13.55% in 2015 compared to the previous year. This was the result of the on-going reforms of the tax system and administration, mainly, revenue collection through the banking system and the requirement for the use of tax invoices. Over flights increased by 99.94% in 2014, but decreased by 20.09% in 2015.

In 2016, non-tax revenue was LAK 2,977 billion, an increase of 7.86% from the previous year. There was mainly due to increases in administration fees, interest revenue interest, and the Forest Preservation Fund.

In 2017, non-tax revenue was LAK 3,499 billion, an increase of 17.53% from the previous year. There was mainly due to an increase in depreciation, dividends, and interest.

In 2018 and 2019, non-tax revenue was LAK 4,763 billion, an increase of 36.12% from 2017. There was mainly due to increases in depreciation, dividends, and over-flight.

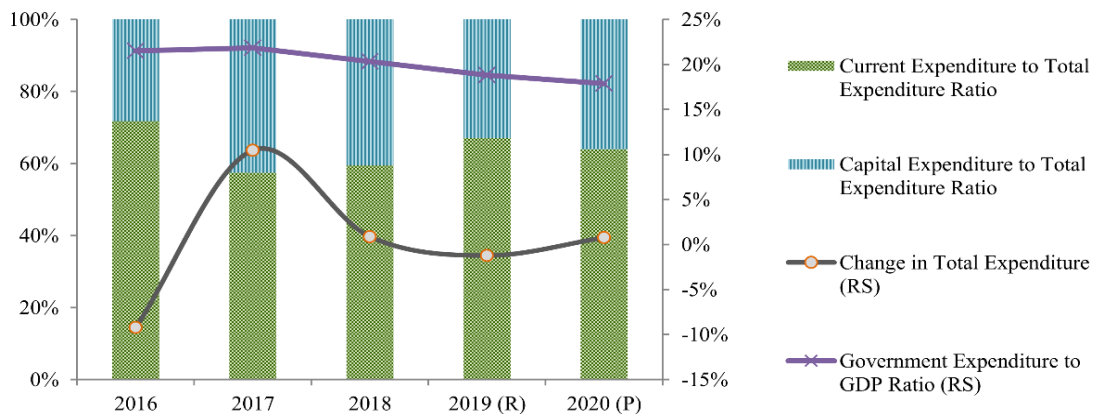
In 2020, non-tax revenue was LAK 3,451 billion, a decrease of 27.55% from the previous year. This was mainly due to decreases in interest and over-flight.

### Grants

Grants leveled off around approximately 3.93%, 5.57%, 3.94%, 1.35%, 1.56%, 1.41%, 1.62% and 1.49% of GDP in 2013-2020 respectively. The grant revenue in 2016 declined sharply and has remained at the lower level as the Lao PDR graduated from a low-income country to a lower-middle-income country and grants became more expensive.

### Expenditure

Expenditure implementation in the past years has been approximately in line with the budget plan approved by the national assembly of the Lao PDR each year.



Source: Ministry of Finance.

### Current Expenditure Implementation

In 2020 current expenditure held 63.96% of total expenditure and decreased 3.95% from the previous year. Current expenditure decreased slightly from 12.63% of GDP in 2019 to 11.43% of GDP in 2020. Current non-interest expenditures amounted to 83.78% and interest payments amounted to 13.22% of the total current expenditure in 2020.

### Capital Expenditure Implementation

Capital expenditure continued to decrease until FY2003/04 after it contributed to 13.9% of GDP in 2001 at its highest in the past 10 years. Capital expenditure per GDP remained relatively stable

in the range of 7-9% of GDP for several years until 2009.

Capital expenditure increased to 11.82% of GDP in 2010 from 7.04% in 2009, mainly due to development needs in provinces as well as an increase in spending on the South-East Asian Games which was held in December 2009 and the celebration of the 450th anniversary of Vientiane. It also remained at a similar level of 11.56% of GDP in 2011. Capital expenditure in LAK terms also increased substantially by 92.93% in 2010 and 20.27% in 2011 compared to the previous years. Capital expenditure also increased by 8.36% in 2015 from the previous year.

In 2012, the capital expenditure (for investment in the infrastructure sector) amounted to LAK 8,656.15 billion, representing 12.25% of GDP or 35.58% of total expenditure, representing an increase of 13.92% compared to 2011. In 2013 the capital expenditure amounted to LAK 8,776.62 billion, representing 10.94% of GDP or 49.73% of total expenditure representing an increase of 1.39% compared to 2012. Funds from abroad have contributed the largest proportion of 71.02% of the total expenditure on infrastructure, which came from grants for non-project loans, project loans and project grants which covered 35.70%, 19.67% and 15.65%, respectively, with the rest being derived from local finance that amounted to LAK 2,567.34 billion and covered 28.98% of the total expenditure on infrastructure investment.

In 2017, capital expenditure amounted to LAK 12,892.45 billion, a 64.37% increase from 2016, representing 9.16% of GDP and 42.37% of total expenditure, mainly due to an increase of 74.6% in domestic financing

In 2018, capital expenditure amounted to LAK 12,572.61 billion, a 2.48% decrease from 2017, representing 8.25% of GDP and 40.55% of total expenditure, mainly due to a decrease of 15.9% in domestic financing.

In 2019, capital expenditure amounted to LAK 10,076.37 billion, a 19.85% decrease from 2018, representing 6.19% of GDP and 32.90% of total expenditure, mainly due to tighten fiscal policy to limit expenditures

In 2020, capital expenditure amounted to LAK 11,122.56 billion, a 10.38% increase from 2019, representing 6.44% of GDP and 36.04 of total expenditure.

### *Overall Expenditure*

In 2020, total expenditure was LAK 30,858.17 billion, an increase of 0.77% as compared to the previous year and accounting for 17.88% of GDP. The main reason for the increase in expenditure was a 10.38% increase in capital expenditure compared to the previous year.

### **Financing**

Fiscal deficit (overall cash balance) has been financed from foreign assistance and from domestic financing (bank financing and non-bank financing) to a smaller extent. The Lao PDR has become less reliant on foreign financing through project loans in terms of GDP since 2006 in parallel with the improvement in overall balance. On the other hand, domestic financing in relation to GDP was negative from 2006 in parallel with the improvement in overall balance. Domestic financing in relation to GDP was negative from 2006 (-0.8% of GDP) to 2008 (-0.3% of GDP) due to the repayment of treasury bills and bank loans. Reflecting those developments, overall

cash balance deficit has been improving gradually since 2005, and recorded -2.3% of GDP in 2010 and -2.0% of GDP in 2011. The share of foreign financing in total financing has been decreasing in parallel with the improvement in fiscal deficit. Overall fiscal deficit in 2011 was financed by foreign financing, which accounted for 2.26% of GDP, and domestic financing which accounted for 0.32% of GDP.

The fiscal management in 2012 has improved compared to the previous year, since the Government was able to collect higher revenue than the initial expectations set by the Government, which resulted to a decrease of two digits of fiscal deficit. However, fiscal deficit accounted for LAK 1,028.63 billion in 2012, which was a decrease of 15.19% from LAK 1,212.84 billion in 2011, or 14.56% of GDP, due to an increase in the sources of grants, which amounted to LAK 4,564.65 billion. Most of the grants came from a supported fund for the preparation of the 7th ASEP Meeting, the 9th ASEM Meeting, and from banking sector which amounted to LAK 1,534.91 billion and accounted for 2.18% of GDP.

In 2013, the fiscal deficit amounted to LAK 4028.49 billion, accounting for 4.29% of GDP. LAK 2,504.52 billion was financed by domestic sources and LAK 1,523.97 billion was financed by external sources. Major financing done in 2013 was from bank financing credit and government bond issuances.

In 2016, the fiscal deficit amounted to LAK 6,711.98 billion, which was equivalent to 5.19% of GDP. LAK 4,541.21 billion was financed by domestic sources and LAK 2,170.77 billion was financed by external sources.

In 2017, the fiscal deficit amounted to LAK 7,810.99 billion, which was equivalent to 5.55% of GDP. LAK 361.93 billion was financed by domestic sources and LAK 7449.06 billion was financed by external sources.

In 2018, the fiscal budget deficit amounted to LAK 7,059.06 billion, accounting for 4.63 percent of GDP. Of which, total revenue reached LAK 23,943.79 billion, which covered 15.70 percent of GDP, while total expenditure reached LAK 31,002.24 billion, accounting for 20.34 percent of GDP. Fiscal financing consisted of LAK 1,608.03 billion of domestic financing and LAK 5,451.01 billion of foreign financing, of which, government bonds issued abroad were recorded at LAK 1,822.56 billion.

In 2019, with a steady increase in government revenues amid declining expenditures, the fiscal balance has improved. The fiscal deficit dropped to LAK 5,295 billion, attained to 3.23 percent of GDP. A rising in total revenue that reached LAK 25,328.67 billion, amounted to 15.44 percent of GDP, while total expenditure was slowing down to LAK 30,623.68 billion, equivalent to 18.67 percent of GDP, led to an improvement in fiscal balance. The deficit was financed by net domestic financing of LAK 45.38 billion and net foreign financing of LAK 5,249.62 billion. The majority of the balanced budget was achieved by new government bond issues, including LAK 3,752.25 billion of treasury bills and LAK 1,350 billion of which was issued abroad.

In 2020, slower economic growth along with losses of tax revenues have significantly reduced public revenues, widened the fiscal deficit. In this context, the need of implementing COVID-19 mitigation policies such as exemption of income and profit taxes resulted in substantial losses in public revenues, and undoubtedly in fiscal deficit which amounted to LAK 9,012.42 billion, which was equivalent to 5.22% of GDP. The fiscal deficit was financed by net foreign financing of LAK 4,220.26 billion and net domestic financing of LAK 4,792.16 billion. The majority of

the balanced budget was achieved by issuing treasury bills, which amounted to LAK 6,916.61 billion.

The outstanding amounts of treasury bills as of 31 December 2021 are as follows:

Treasury Bills/ Bonds	Currency	Amount (million)	Tenor
<b>Domestic</b>			
Treasury Bills/Bonds	LAK	887,109.2	1 year
Treasury Bills/Bonds	LAK	2,608,708.3	3 years
Treasury Bills/Bonds	LAK	42,192.5	5 years
Treasury Bills/Bonds	LAK	962.0	7 years
Treasury Bills/Bonds	LAK	4,485.0	10 years
Treasury Bills/Bonds	LAK	402	15 years
Treasury Bills/Bonds	LAK	2,194.5	20 years
<b>Foreign</b>			
Treasury Bills/Bonds	USD	1.6	1 years
Treasury Bills/Bonds	USD	12.9	2 years
Treasury Bills/Bonds	USD	4.1	3 years
Treasury Bills/Bonds	USD	11.9	5 years
Treasury Bills/Bonds	USD	2.0	7 years
Treasury Bills/Bonds	USD	25.4	10 years

The outstanding amounts of bonds as of 31 December 2021 are as follows:

Bonds	Issue Date	Currency	Amount (million)	Maturity Date
<b>Foreign</b>				
Baht Denominated Bond	25 June 2015	THB	6,000.0	25 June 2025
USD Denominated Bond	18 December 2015	USD	162.0	18 December 2025
USD Denominated Bond	18 December 2015	USD	20.0	18 December 2027
Baht Denominated Bond	18 November 2016	THB	1,063.8	18 November 2023
Baht Denominated Bond	18 November 2016	THB	1,371.5	18 November 2026
Baht Denominated Bond	18 November 2016	THB	1,891.3	18 November 2028
Baht Denominated Bond	5 October 2017	THB	1,019.8	5 October 2022
Baht Denominated Bond	5 October 2017	THB	340.9	5 October 2024
Baht Denominated Bond	5 October 2017	THB	2,967.0	5 October 2027
Baht Denominated Bond	5 October 2017	THB	1,505.5	5 October 2029
Baht Denominated Bond	5 October 2017	THB	5,375.5	5 October 2032
Baht Denominated Bond	29 November 2018	THB	2,544.5	29 November 2023
Baht Denominated Bond	29 November 2018	THB	532.5	29 November 2028
Baht Denominated Bond	29 November 2018	THB	2,154.2	29 November 2030

Source: Ministry of Finance

### *External Debt*

At the end of December 2000, public and publicly guaranteed external debt amounted to 161.7% of the GDP, although this debt was and is almost entirely concessional. The Government of the Lao PDR was a candidate for participation in the highly indebted poorest countries debt-reduction initiative, but the government declined to participate, because the debt service flow of just over 2.00% of GDP was low and there was a risk that participation in the initiative would affect the nation's credit reputation. Since then, public and publicly guaranteed debt has declined as a percentage of GDP, primarily because of the economy's high real growth rate and the local currency appreciation against the USD.

At the end of 2016, total outstanding external debts of the Lao PDR amounted to USD7,203 million, an increase of 18.17% as compared to the previous year, accounting for 48.51% of GDP.

At the end of 2017, total outstanding external debts of the Lao PDR amounted to USD8,538

million, an increase of 10.64% as compared to the previous year, accounting for 50.03% of GDP.

At the end of 2018, the total outstanding external debts of the Lao PDR amounted to USD 9,761.50 million, an increase of 14.02 % as compared to the previous year, accounting for 53.34 % of GDP.

At the end of 2019, the total outstanding external debts of the Lao PDR amounted to USD 9,935.62 million, an increase of 6.60% as compared to the previous year, accounting for 52.64% of GDP.

At the end of 2020, the total outstanding external debts of the Lao PDR amounted to USD 10,610.34 million, an increase of 6.79 % as compared to the previous year, recording at USD 10,610.34 million or accounting for 55.66 % of GDP. Consequently, the government's external debt remains high and in a fragile position over the years. In this regard, government bonds registered at USD 1,387.25 million which decreased by 13.76 percent compared to the previous year and covered 13.07 percent of total debt outstanding. Moreover, the loan registered at USD 9,223.09 million and increased by 10.75 percent compared to the last year. Besides, the loan consists of 3 elements in such:

(1) bilateral loan recorded at USD 6,671.38 million which increased by 10.12 percent and covered the largest portion at 62.88 percent to total debt outstanding.

(2) Multilateral loan recorded at USD 1,763.89 million which increased by 4.48 percent and covered 16.62 percent to total debt outstanding.

(3) commercial bank loan recorded at USD 787.81 million which increased by 35.57 percent and covered 7.42 percent to total debt outstanding.

*External Debt Stock (in USD million)*

The tables below show the projected scheduled repayment of external debt of the Government from 2022 to 2025.

*Scheduled Repayment of External Debt (in USD) 2022-2023*

Creditor (In million USD)	2022			2023		
	Principal	Interest	Total	Principal	Interest	Total
<b>CONCESSIONAL</b>	<b>391.2</b>	<b>116.2</b>	<b>507.4</b>	<b>429.3</b>	<b>116.9</b>	<b>546.3</b>
<b>LOAN</b>	<b>391.2</b>	<b>116.2</b>	<b>507.4</b>	<b>429.3</b>	<b>116.9</b>	<b>546.3</b>
<b>BILATERAL</b>	<b>294.2</b>	<b>92.7</b>	<b>386.9</b>	<b>323.9</b>	<b>92.4</b>	<b>416.3</b>
AUSTRIA	1.3	0.1	1.4	1.5	0.1	1.6
CHINA	257	83.8	340.8	276.9	83.7	360.6
HUNGARY	4.3	0	4.3	7.7	0	7.7
INDIA	6.7	1.3	8	6.7	1.2	7.9
JAPAN	7.3	1.6	8.9	11.3	1.6	12.9
KOREA	4.7	0.5	5.1	4.7	0.5	5.1
KUWAIT	1.2	0.9	2.1	1.2	0.9	2.1
SWEDEN	0.6	0	0.6	0.6	0	0.6
THAILAND	11.1	4.5	15.7	13.4	4.5	17.9
<b>MULTILATERAL</b>	<b>97</b>	<b>23.5</b>	<b>120.5</b>	<b>105.4</b>	<b>24.5</b>	<b>129.9</b>
ADB	56	11.8	67.8	59.7	12	71.7

Creditor (In million USD)	2022			2023		
	Principal	Interest	Total	Principal	Interest	Total
AIB	0	0.5	0.5	0.6	0.6	1.3
EEC	0.1	0	0.1	0.1	0	0.1
IDA	32.6	9.7	42.3	36.7	10.4	47.2
IFAD	2.2	0.4	2.5	2.2	0.4	2.5
NDF	2.6	0.4	3	2.6	0.4	3
OPEC	3.5	0.7	4.2	3.5	0.6	4.2
<b>MARKET TERMS</b>	<b>403.2</b>	<b>228.9</b>	<b>632.2</b>	<b>632.7</b>	<b>210.3</b>	<b>842.9</b>
<b>BOND</b>	<b>33.8</b>	<b>62.4</b>	<b>96.2</b>	<b>119.7</b>	<b>61</b>	<b>180.7</b>
<b>LOAN</b>	<b>369.4</b>	<b>166.5</b>	<b>536</b>	<b>513</b>	<b>149.2</b>	<b>662.2</b>
<b>BILATERAL</b>	<b>230.7</b>	<b>128.2</b>	<b>358.9</b>	<b>246.5</b>	<b>121.1</b>	<b>367.6</b>
AUSTRIA	17.1	3.2	20.3	17.1	2.6	19.7
CHINA	160	104.6	264.6	178.1	101.6	279.7
MALAYSIA	13.5	2.9	16.4	13.5	2.3	15.8
RUSSIA	14	11	25	14.5	10.4	24.9
THAILAND	26.1	6.5	32.6	23.3	4.3	27.6
<b>MULTILATERAL</b>	<b>2.3</b>	<b>2.5</b>	<b>4.8</b>	<b>2.4</b>	<b>2.4</b>	<b>4.8</b>
EIB	1.7	2.3	4	1.8	2.2	4.1
OPEC	0.6	0.2	0.8	0.6	0.2	0.8
<b>COMMERCIAL BANKS</b>	<b>136.5</b>	<b>35.8</b>	<b>172.3</b>	<b>264.1</b>	<b>25.7</b>	<b>289.8</b>
<b>Grand</b>	<b>794.4</b>	<b>345.1</b>	<b>1,139.50</b>	<b>1,062.00</b>	<b>327.2</b>	<b>1,389.20</b>

Source: Ministry of Finance, Lao PDR, Department of External Finance and Debt Management, Debt Management Division

*Scheduled Repayment of External Debt (in USD) 2024-2025*

Creditor (In million USD)	2024			2025		
	Principal	Interest	Total	Principal	Interest	Total
<b>CONCESSIONAL</b>	<b>491.7</b>	<b>113</b>	<b>604.7</b>	<b>520.3</b>	<b>102.4</b>	<b>622.7</b>
<b>LOAN</b>	<b>491.7</b>	<b>113</b>	<b>604.7</b>	<b>520.3</b>	<b>102.4</b>	<b>622.7</b>
<b>BILATERAL</b>	<b>376.3</b>	<b>88.7</b>	<b>465.1</b>	<b>400</b>	<b>79.1</b>	<b>479.1</b>
AUSTRIA	1.8	0.1	1.8	1.8	0	1.8
CHINA	323.2	80.4	403.7	341.6	71.5	413.1
HUNGARY	10.4	0	10.4	10.4	0	10.4
INDIA	6.7	0.9	7.6	6.7	0.6	7.3
JAPAN	13.5	1.7	15.2	13.5	1.7	15.2
KOREA	4.7	0.4	5.1	5.6	0.4	6
KUWAIT	1.2	0.8	2	1.2	0.8	2
SWEDEN	0.6	0	0.6	0.6	0	0.6
THAILAND	14.3	4.4	18.7	18.6	4.2	22.8
<b>MULTILATERAL</b>	<b>115.4</b>	<b>24.2</b>	<b>139.6</b>	<b>120.3</b>	<b>23.3</b>	<b>143.6</b>
ADB	62.9	11.6	74.5	64.3	11	75.3
AIB	1.3	0.7	2	1.3	0.6	1.9
EEC	0.1	0	0.1	0.1	0	0.1
IDA	42.6	10.6	53.2	46.4	10.4	56.8
IFAD	2.2	0.4	2.5	2.2	0.3	2.5
NDF	2.9	0.4	3.3	3.1	0.4	3.5

Creditor (In million USD)	2024			2025		
	Principal	Interest	Total	Principal	Interest	Total
OPEC	3.5	0.5	4.1	3.1	0.5	3.6
<b>MARKET TERMS</b>	<b>438.6</b>	<b>185.7</b>	<b>624.3</b>	<b>595.3</b>	<b>157</b>	<b>752.3</b>
<b>BOND</b>	<b>11.3</b>	<b>55.3</b>	<b>66.6</b>	<b>340.1</b>	<b>48.4</b>	<b>388.5</b>
<b>LOAN</b>	<b>427.3</b>	<b>130.4</b>	<b>557.7</b>	<b>255.2</b>	<b>108.6</b>	<b>363.8</b>
<b>BILATERAL</b>	<b>245.4</b>	<b>115.5</b>	<b>360.9</b>	<b>224.8</b>	<b>100.5</b>	<b>325.3</b>
AUSTRIA	17.1	2.1	19.2	17.1	1.6	18.7
CHINA	199.7	95.5	295.2	178.5	82.5	261
MALAYSIA	7	1.9	8.9	7	1.6	8.6
RUSSIA	16	12.6	28.6	16	11.7	27.7
THAILAND	5.7	3.4	9.1	6.2	3.1	9.3
<b>MULTILATERAL</b>	<b>2.6</b>	<b>2.3</b>	<b>4.9</b>	<b>2.8</b>	<b>2.2</b>	<b>5</b>
EIB	2	2.1	4.1	2.2	2	4.2
OPEC	0.6	0.2	0.8	0.6	0.2	0.8
<b>COMMERCIAL BANKS</b>	<b>179.2</b>	<b>12.7</b>	<b>191.9</b>	<b>27.6</b>	<b>6</b>	<b>33.6</b>
<b>Grand</b>	<b>930.3</b>	<b>298.7</b>	<b>1,229.00</b>	<b>1,115.60</b>	<b>259.4</b>	<b>1,375.00</b>

Source: Ministry of Finance, Lao PDR, Department of External Finance and Debt Management, Debt Management Division

#### *External Debt Outstanding as at 2020 (in USD)*

Items (In million of U.S. dollars)	2016	2017	2018 <sup>(R)</sup>	2019 <sup>(P)</sup>	2020 <sup>(P)</sup>
<b>Total Debt Outstanding</b>	<b>7,380.72</b>	<b>8,727.68</b>	<b>9,549.17</b>	<b>9,936.28</b>	<b>10,610.34</b>
Bond	1,081.21	1,481.88	1,590.49	1,608.67	1,387.25
Loan	6,299.51	7,245.81	7,958.68	8,327.61	9,223.09
Bilateral	4,368.87	5,204.06	5,981.96	6,058.18	6,671.38
Multilateral	1,479.61	1,603.45	1,586.75	1,688.30	1,763.89
Commercial bank	451.02	438.30	389.96	581.13	787.81
<b>Total Debt Outstanding to GDP (%)</b>	<b>46.42</b>	<b>51.16</b>	<b>52.67</b>	<b>53.08</b>	<b>55.66</b>

Source: Ministry of Finance, Lao PDR

#### **Litigation and Disputes**

As of 31 December 2021, the Government has no legal dispute issue.

#### **General Information of the Issuer**

- Regularly used financial institutions of the Issuer** : None
- Issuer's Representative in Thailand** : **Lao PDR Embassy in Thailand**  
520, 502/1-3 Soi Sahakanpamun,  
Pracha-Uthit Road, Wangthonglang  
Bangkok 10310, Thailand  
Telephone: 02-539-6667
- Sole Advisor:** : **Twin Pine Group Company Limited**  
689 Bhiraj Tower at EmQuartier,  
27<sup>th</sup> Floor, Room no. 2703,  
Sukhumvit Road,

North Klongton, Vadhana,  
Bangkok 10110, Thailand  
Telephone: 0-2261-4144

**Legal Advisor:**

: **LS Horizon Limited**  
14<sup>th</sup> Floor, GPF Witthayu Tower A,  
93/1 Wireless Road,  
Lumpini, Pathumwan,  
Bangkok 10330, Thailand

**Financial Advisor**

: **None**

**Duty on Submission of the Bank of Lao PDR's Annual Economic Report**

- : 1) Every year, the Bank of Lao PDR has to prepare and publish its Annual Economic Report in respect of each financial year (financial period currently being from 1 January to 31 December).
- 2) Under the Terms and Conditions of the Bonds, the Issuer will supply to the Office of the SEC and the Bondholders' Representative or publish the English version of the Bank of Lao PDR's Annual Economic Report on the Bank of Lao PDR's official website within 180 (one hundred and eighty) days from the end of each relevant financial period (financial period currently being from 1 January to 31 December) unless a waiver or an extension is granted by any relevant governmental authority. Details of which are specified in Condition 7.2.5 of the Terms and Conditions.

The Investors may find the Bank of Lao PDR's Annual Economic Report on the following websites:

<https://www.mof.gov.la>

<https://www.bol.gov.la>

**Key financial ratios**

: No financial ratio of the Issuer is provided in this document. This is because the Issuer is not a corporate entity and, therefore, its financial status cannot be measured by financial ratios. However, the financial status of the Issuer can be illustrated by other data regarding economic, monetary and fiscal conditions of the Lao PDR as disclosed in this document.

**In the past 3 years, the Issuer has not been in default on payments of principal, interest or any debt under its debt instruments or loans granted by commercial banks, finance companies, credit foncier or financial institutions**

: No

**established by virtue of specific  
law**

**In the past 3 years, the Issuer has : No  
not been in breach of any terms  
and conditions of its bonds, notes  
or debentures:**