

## **Meeting Minutes**

### **LBF 15**

**2<sup>nd</sup> April 2024**

The 15th Lao Business Forum (LBF), held on April 2, 2024, at 8:00 AM at the National Convention Center, was chaired by His Excellency Mr. Sonexay Siphandone, Prime Minister of the Lao PDR. The forum welcomed a diverse group of approximately 450 participants, including the LBF Steering Committee led by Mr. Malaithong Kommasith, Minister of Industry and Commerce (MOIC), Mr. Oudet Souvanavong, President of the Lao National Chamber of Commerce and Industry (LNCCI), representatives from government sectors, LNCCI, Foreign Chambers of Commerce in Lao PDR, embassies, development partners and international organizations in Lao PDR, associations, groups, and business units, as well as the LBF Secretariat, government focal point, and journalists.

#### **I. Purpose**

The 15<sup>th</sup> LBF convened with the dual purpose of evaluating progress made in resolving issues that affect business establishment, operation, and expansion. This included assessing the effectiveness of existing solutions and identifying areas where further efforts were needed. Additionally, the forum sought to determine priorities and establish clear directions for tackling remaining challenges, ensuring a more supportive environment for businesses in Lao PDR.

#### **II. Proceedings of the forum**

The LBF 15 opened with a welcome address by Prime Minister Sonexay Siphandone, who emphasized the importance of developing the service sector and export-oriented manufacturing. He highlighted the need for improvements in transportation infrastructure, logistics, and import/export procedures to enhance regional market connectivity and reduce business costs. Additionally, the Prime Minister acknowledged the valuable contributions of the LBF's consultation mechanism in addressing challenges faced by businesses. He encouraged both domestic and foreign businesses, along with the public

sector, to actively utilize this mechanism stipulated in Agreement No. 04/PM<sup>1</sup> to collaboratively resolve pressing trade and investment issues.

### III. The Forum

1. Following the opening remarks, the forum proceeded with presentations according to the agenda. The first presentation, delivered by Mr. Oudet Souvanavong, President of the LNCCI, focused on the implementation of LNCCI's initiatives to improve the business environment. Here's a summary of the key points:
  - Mr. Oudet Souvanavong highlighted the success of the LBF's consultation process since the 10th forum in 2017, emphasizing its role in resolving over 30 critical issues. These issues ranged from improving access to capital for small and medium enterprises to streamlining business startup procedures, facilitating trade, and promoting investment openness.
  - He further elaborated on LNCCI's active participation in the public-private dialogue mechanism at the provincial level (LPPD) alongside the MOIC. Additionally, Mr. Souvanavong introduced the ProFIT project, which aims to develop an index for gauging commercial and investment facilities at the provincial level. This project seeks to gather data on local businesses to inform improvements in public sector administration and services across various provinces.
  - The President of LNCCI expressed appreciation to the Prime Minister and the Cabinet for issuing Agreement No. 04/PM in January 2024. This agreement, proposed by the 14<sup>th</sup> LBF, elevates the status of the forum and establishes an official mechanism for its implementation, ensuring greater participation from relevant ministries, provinces, and government sectors.
  
2. The forum also featured a presentation by Ms. Keomanivone Phimmahasay, an economist from the World Bank in Lao PDR. Ms. Phimmahasay focused on economic trends in Lao PDR for 2024. Her presentation highlighted several key challenges:

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<sup>1</sup> PM - Prime Minister

- Internal and external uncertainties: These include factors like limited foreign currency liquidity, labor shortages, weak foundations in commercial banks, and slow progress on economic reforms. Additionally, the presentation noted concerns regarding global and regional economic slowdown, a strengthening US dollar, and rising fuel and food prices. These factors are expected to continue posing risks to Lao economic growth in 2024.
- Policy recommendations for economic growth: Ms. Phimmahasay outlined key reforms the government should consider stimulating economic recovery. These reforms include:
  - Negotiating and adjusting the public debt structure.
  - Improving public finances, such as revising tax exemptions under investment promotion laws, enhancing the consumption tax law, and strengthening tax management to mitigate financial risks.
  - Continued investment in human resource development.
  - Eliminating trade barriers through improved tariff structures, import/export management practices, and the removal of non-tariff barriers.
  - Reducing interventions that lead to inefficiencies in labor, capital, and land allocation.

3. Comments on the business environment in Lao PDR from the perspective of foreign investors.

In this agenda, Mr. Teruya Kawai, President of the Japan Chamber of Commerce and Industry in Lao PDR, Mr. Alistair Brown, President of the Australian Chamber of Commerce in Lao PDR, and Mr. Peter Fogde, President of the European Chamber of Commerce in Lao PDR, representing foreign investors in Lao PDR, presented comments on the business environment in Lao PDR, which can be summarized as follows:

3.1. Overall, the interest of foreign investors who want to invest in Lao PDR is still increasing, especially after Lao PDR has improved its transportation infrastructure to become a land-linked country.

3.2. However, foreign investors see many challenges and concerns such as:

- Uncertainty of the legal and regulatory environment related to the creation process with the limited participation of the business sector, the promulgation of new regulations that give the business sector insufficient time and the lack of effective implementation;
- The cost of transportation and logistics costs increased especially after there was a restriction not to allow foreign vehicles to send or receive goods in Lao PDR (Notice No. 04718/MPWT) and the service fees of the dry port were high;
- The rapid decline in the value of the Lao Kip and the difficulties in foreign exchange have a high impact on financial management and business activities. At the same time, the currency requirements (especially according to the notification of the Bank of the Lao PDR No. 333/BOL), there is a risk of creating a shortage of foreign currency;
- Lack of human resources. While unskilled workers are leaving to work abroad more and more, there are still few workers who have received education and skill training, which causes investors to experience labor shortage problems;
- Selection of quality investments: There should be selection of foreign investments that pay attention to the environment and society and have good management. These quality investments should be supported and given appropriate promotion policies.

3.3. The Foreign Chamber of Commerce is happy to continue supporting the Lao PDR government to achieve the goals set in the 5-year economic and social development plan IX, to escape from underdeveloped countries, and to promote sustainable development according to its role.

4. Report the results of the discussion under the mechanism of the LBF and the opinions of the private sector on the priorities for reforming the business environment for the year 2024

Ph.D. Valy Vetsphong, Vice President of LNCCI, representing the Secretariat of the LBF, reported the progress of the public-private dialogue under the mechanism of the LBF over the past year, which can be summarized as follows:

4.1 The Secretariat and Government Focal Point presented an evaluation of progress on the 20 pending proposals submitted during the 14<sup>th</sup> LBF. Their assessment revealed the following:

- Proposals Resolved in Principle: 6 proposals have been resolved in principle. The Secretariat will conduct follow-up surveys with relevant business sectors to gauge their perspectives on implementation.
- Proposals with Alternative Solutions: 3 proposals were deemed infeasible in their original form. However, further discussions are planned to reach agreements on alternative solutions.
- Agreed-Upon Resolutions: 11 proposals have been successfully agreed upon by stakeholders for resolution.

4.2 The The LBF identified 12 priority proposals for 2024, categorized into 7 distinct issue groups. These proposals aim to address various challenges faced by businesses in Lao PDR and are expected to be resolved within the year. The focus areas include:

1. Improving business establishment and investment procedures.
2. Enhancing trade facilitation efforts.
3. Implementing tax improvements.
4. Promoting the sustainable development and quality of supply in the electricity sector.
5. Developing better policies and measures to boost tourism.
6. Improving access to labor for the private sector.
7. Enhancing the stability of the banking and financial sector.

For a more detailed breakdown of outstanding proposals from the 14<sup>th</sup> LBF, their progress, and the priority proposals for 2024, please refer to Annexes 1 and 2.

#### **IV. Comment section**

The relevant public sector have commented on the proposals of the private sector as below:

1. Dr. Manothong Vongsay, Deputy Minister of the Ministry of Industry and Commerce (MOIC), provided the following updates:

- The Deputy Minister confirmed the resolution of two proposals raised by the private sector during the 14<sup>th</sup> LBF. These proposals sought improvements to 10 business licenses across 6 priority sectors, as reported by the Secretariat earlier in the meeting.
  - Dr. Vongsay addressed the remaining proposal concerning the issuance of specific legislation by MOIC to govern the establishment and activities of business associations. This legislation is intended to expand upon Article 22 of Decree 238/GOV<sup>2</sup> regarding the establishment of business associations. He informed the audience that MOIC's Department of Internal Trade is currently developing recommendations for this legislation, with an anticipated completion date within June 2024.
2. Ms. Litta Khattiya, Deputy Minister of the Ministry of Public Works and Transport (MPWT), provided an update on the following:
- Ms. Litta Khattiya, Deputy Minister of the MPWT, provided updates on the Dry Port Decree. The revised draft was approved by the government meeting on March 26, 2024, and is currently undergoing finalization. Regarding service charges, MPWT has already established fees for seven key services impacting dry port users, with agreements reached with all three port developers. The Ministry will hold further consultations with users soon to seek government approval for these service prices. For other service charges outlined in the Dry Port Decree, MPWT is collaborating with experts to calculate pricing based on average costs. This process is expected to be completed by June 2024.
  - The enforcement of Notice No. 04718/MPWT, which restricted foreign cargo vehicles from receiving goods within Lao PDR, revealed challenges related to the insufficient quantity, quality, and variety of domestic cargo trucks. In response, the MPWT collaborated with relevant ministries to implement a relaxed policy. This policy allows empty foreign trucks or containers to receive goods on a case-by-case basis, subject to exporter

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<sup>2</sup> GOV - Government

proposals and approval processes. These processes involve certification from provincial MPWT departments, transport truck associations, and MPWT consideration. Previously, Notice No. 09711/DoT<sup>3</sup>, issued in April 2023, provided implementation details. To address these challenges more comprehensively, MPWT will undertake two actions:

- Convene a broad meeting with all central and local stakeholders by the end of April 2024 to discuss and agree on improved implementation procedures related to the entry and exit of Lao PDR and foreign cargo vehicles.
- Collaborate with neighboring countries to revise existing transport contracts. The goal is to establish detailed and mutually beneficial agreements regarding cargo vehicle operations.

3. Mrs. Thavichanh Thiengthepvongsa, Deputy Director of Investment Promotion Department, Ministry of Planning and Investment (MPI), made the following comments:

- In response to the proposal for minimizing the list of controlled activities, MPI has taken action. The list has been reduced from 44 items to 19 items, and the concession activity list has been reduced from 23 items to 22 items. Government approval for these changes is expected soon.
- Regarding the proposal by the Japanese Chamber of Commerce and Industry in Lao PDR to improve regulations related to establishing representative offices, revisions are underway. Approval is anticipated in the second quarter of 2024.

4. Mr. Phukhaokham Vannavongxay, Head of Tax Department, Ministry of Finance (MoF), made the following comments:

- The Customs Department has completed installation of the NSWA+ system at 28 international checkpoints, customs offices for warehouse systems, and others nationwide. This system allows for standardized and efficient tax declaration management

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<sup>3</sup> DoT – Department of Transport

for all goods and is expected to be fully operational in the second half of 2024.

- The Customs Department has also completed installation of an electronic fee collection system at 9 major international checkpoints. The MoF will continue collaborating with relevant parties to consolidate checkpoint fee and service charge collection through this electronic system.
- While procedures and timelines for tax obligations are clearly defined in financial sector legislation, the Department of Taxation acknowledges ongoing challenges in practice. They are committed to resolving these issues by the end of 2024.
- The Department of Taxation has established legislation for a uniform invoice system applicable to businesses of all sizes nationwide. The MoF and Department of Taxation has already published and distributed micro-enterprise invoices to provincial, capital, district, and city tax authorities to address the needs of MSMEs. The department has developed an implementation plan to inform entrepreneurs and facilitate adoption. Full implementation is expected in the second quarter of 2024.

5. Mr. Phongxaysak Inthalath, Deputy Minister, Ministry of Labor and Social Welfare (MoLSW), made the following comments:

- MoLSW has been progressively developing a data collection system, starting with basic methods and gradually incorporating technology as resources allow. On March 22, 2024, they launched a new online job placement service for job posting, searching, and submitting worker CVs. This service is accessible via the Labor Market Information System website (<https://lmi.gov.la/statistics>). MoLSW is committed to accelerating the process in the near future for Lao and foreign worker registration. Additionally, the system will be linked to the Citizen Management System (CMS), Tax Revenue Information System (TaxRIS), Vocational Education Information System, and is planned for future integration with the



Ministry of Foreign Affairs' foreign worker visa system and the Ministry of Public Security's foreigner management system.

- Historically, the national labor force survey has been conducted collaboratively with the National Statistics Center, with the most recent survey completed in 2022. Recognizing the need for more frequent data, the MoLSW, in collaboration with the National Statistics Center, has proposed a policy change to the government to conduct labor surveys more regularly, aiming for annual or quarterly implementation. MoLSW is committed to implementing this increased survey frequency in the future.

6. Dr. Chansaveng Bounngong, Deputy Minister, Ministry of Energy and Mines (MEM), made the following comments:

- While some progress has been achieved through the implementation of the 2020-2023 reform plan, the Électricité du Laos (EDL) remains undercapitalized due to a combination of limited cost reductions compared to the debt ratio and the weakening of the Lao kip. To address this challenge, MEM, in accordance with Notification No. 06 dated January 19, 2024, proposes a collaborative effort to improve the national electricity distribution price structure between 2024 and 2028. This revised structure, targeted for announcement during the 2024 rainy season, aims to reflect actual costs, particularly those associated with purchasing electricity from various sources. Additionally, the pricing will strive for fairness towards producers, distributors, and users to ensure mutual benefit.
- The government has established the EDLT company to manage the high-voltage transmission system. This development, along with additional power stations planned for industrial and special economic zones, will contribute to increased stability of the electricity supply.

7. Mrs. Khankeo Lamaningao, Deputy Governor of the Bank of Lao PDR (BOL), made the following comments:

- Foreign Currency Reserve Requirements (Article 8 of Regulation No. 333/BOL): In response to the proposal for BOL to reconsider Article 8 of Regulation No. 333/BOL dated March 7, 2024, Mrs. Lamaningao explained the rationale behind this policy. Article 8 mandates commercial banks to sell at least 30% of their foreign currency holdings to the BOL within the purchase date or the next business day. This measure aims to strengthen national currency stability, particularly by facilitating imports of essential goods like fuel, medicine, and consumer products. The BOL intends to gradually reduce this requirement as Lao PDR's monetary situation improves.
- Debt Classification and Settlement Agreement (Agreement No. 512/BOL): Regarding the proposal to revise Agreement No. 512/BOL dated June 26, 2018, on debt classification and settlement, Mrs. Lamaningao confirmed BOL's receptiveness to considering revisions. The BOL is currently conducting research to refine the agreement and ensure better alignment with current realities. Additionally, the improvements aim to support the implementation of IFRS 9, which is expected to be completed in 2024.
- Collateral Evaluation Requirements: In response to the proposal for BOL to re-evaluate collateral assessment requirements, particularly Instruction No. 189/CBS.D<sup>4</sup> dated February 8, 2022, Mrs. Lamaningao acknowledged the existence of additional instructions issued by BOL. Beyond Instruction No. 189/CBS.D, BOL has also issued Instruction No. 403/CBS.D dated June 1, 2022. The BOL remains open to considering the issuance of further instructions in this area.
- Debt Classification and Deduction Guidelines: Mrs. Lamaningao clarified that BOL has already established guidelines to support the implementation of Agreement No. 898/CBS.D dated November

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<sup>4</sup> CBS.D – Commercial Bank Supervision Department

14, 2018, on debt classification and deduction. These guidelines provide detailed explanations on deducting debt amounts. Additionally, Instruction No. 334/AFD<sup>5</sup> dated March 11, 2019, offers specific instructions on recording debit accounts. While these regulations have already been disseminated to commercial banks, BOL is open to further clarification requests from individual banks.

## **V. Concluding remarks and guidance**

Prime Minister Sonexay Sipandone, Chair of the meeting, summarized the discussions and provided the following directives:

1. **Acknowledgement and Continued Efforts:** The Prime Minister acknowledged the collaborative efforts of the public-private sectors in addressing proposals. However, he emphasized the need for further progress to resolve outstanding issues. He instructed both sectors to continue discussions and work on resolving proposals remaining from the 14<sup>th</sup> and 15<sup>th</sup> LBF. These efforts should adhere to the established mechanisms, procedures, and consultation processes outlined in Agreement No. 04/PM dated January 8, 2024. Regular progress reports should be submitted to the steering committee and the government.
2. **Adoption of Priority Proposals:** The Prime Minister announced the adoption of all 12 proposals presented to improve the business environment across 7 key work areas. He directed the Prime Minister's Office to issue an official notice to relevant sectors, outlining specific actions required to address these priorities for 2024.
3. **Enhancing the Business Environment:** The Prime Minister emphasized the continued importance of identifying and resolving challenges that hinder investment and business operations. He encouraged both domestic and foreign businesses to actively

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<sup>5</sup> AFD – Accounting and Finance Department

participate in the established dialogue mechanisms between the public and private sector, facilitated by the LBF. Through this platform, participants can collaboratively identify priority issues, investigate the root causes of problems, and work together with relevant government sectors to develop effective solutions. Additionally, the Prime Minister stressed the importance of monitoring the implementation and effectiveness of established measures and regulations.

Closing Remarks: Before concluding the meeting, the Prime Minister expressed his gratitude to the MOIC, the LNCCI, development partners, and all participants for their contributions.

The meeting was closed at 12:00 p.m. on the same day.

Therefore, this meeting minute serves as a basis for implementation.

**Recorded by  
LBF Secretariat**

**LBF Steering Committee**

**Ministry of Industry and Commerce**

**Minister**

**Lao National Chamber of Commerce and Industry**

**President**