Investment Opportunities

Lao PDR
LAO PDR at a glance

- **7.2 M population**
- **Area: 237,955 sq. km**
- **NSED growth 4-5%; agriculture 2.5%**
- **GDP: **$18.83 B** (2021)**

**GDP growth:**
- 7% average in 2000-2019, due to investment in natural resources
- 0.5% in 2020 (due to COVID-19)
- forecasted at 3.4% for 2022

**Agriculture:**
- 6.6 M ha
- 16% GDP ($18.83 M)
- Employs 64% population
- Produces 1/5 of exports ($982 M), mainly to ASEAN
- Key source of income for 94% poor/rural HH

**Trade:**
- High growth (past decade)
- Top export markets: China, Thailand, Vietnam
- Mainly commodities

**2016-2020 agri export to China rose by 30%, to Thailand by 51% & to Vietnam by 100%**

**80% poverty reduction in 2012-2018 – due to higher agri incomes**

**Poverty at 18.3% in 2018/19, down from 24.6% in 2012/13, due to decline in rural poverty**
Doing Business Ranking 2020

154 DB rank

50.8 DB score

Enabling the Business of Agriculture

37.10 Overall Score (0-100)

Performance by indicator area - Lao PDR
PMO 12/16 (Oct 2019):
- Trade facilitation
- Streamlining custom clearances
- Removal of non-tariff barriers
- WTO-complied trade facilitation

PMO3/10 (Jan 2019):
- Endorsement of business under controlled & concession list:
  land concessions, SEZ, Industrial Processing Zones & special concessions for investments

ADS 2025:
Agriculture recognised as driver of national economy

PMO2/1 (Feb 2018):
- Easy regulation & coordination for registration
  - Single-window clearance of enterprises

Ease of Doing Business

Toward Enabling Environment
Why invest in Lao PDR?

- Large scope for investment in agri-production & processing
- Est. $447 M unrealized export potential in specialty agriculture
- Under-utilized land and low-cost labor
- Rapidly improving connectivity to the region via new railway & roads
- Linked to markets for agriculture & livestock in China & ASEAN
- Topography, agro-ecological conditions, bio-diversity suitable for multiple commercial agri-products
- Multiple trade preferences:
  - Unilateral trade agreements with 39 countries
  - Agri-export quota to China
  - General Special Preferences in 42 countries
  - EU’s Generalized Scheme of Preferences
  - Bilateral investment treaties with 28 countries
- Increasing disposable income, expanding middle class
- Fast-expanding internet access & 5 M mobile users (against 7M population)
- Young population - almost 60% people under 25 years
Proposed HIHI investment strategy

High-yield investments into production & processing of agricultural products that have high demand in local & international markets in areas along the new railway linking Laos to regional markets.
Proposed area for investment: Northern Lao PDR

- High agricultural opportunity area
- Good connectivity for trade via the Lao-China Railway & regional roads
- GoL-designated Green-Growth Economic Corridor
- GoL endorsement for HIHI in this area
Why Northern Lao PDR?

Regional connectivity to/thru China, Vietnam & Thailand

**Laos-China Railway** (414 km) & key road networks reduce transportation cost by

- 40-50% ($30/ton) between Kunming (China) & Vientiane
- 32-50% between Kunming & the Laem Chabang Port in Thailand
- 20-40% for domestic trade

**International logistics parks & dry ports:**

- Developed: Thanalaeng, Nateuy dry port
- Planned: Luang Prabang, Oudomsai, Houyxai
- Plans for Vientiane as a regional logistics hub

Why Northern Lao PDR?

Low-cost labor, untapped agri-production opportunities, need for production & processing infrastructure

Source: FAO
Where can you invest?

- Horticulture (fruits – banana, orange, pineapple, & vegetables)
- Beans & legumes (soybean, mung bean, peanut, long bean etc.)
- Speciality crops (tea, coffee)
- Agriculture post-harvest management, quality compliance & market infrastructure
- Irrigation infrastructure & development of efficient water resources
- Ecotourism
- Landscape management for sustainable agriculture
- Food processing & value addition
- Access to finance
- Production & quality supplies of agri-inputs
- Organic farming
- Irrigation infrastructure & development of efficient water resources
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Under HIHI we propose to invest in cassava, livestock & tea

- Scope for expansion in production & processing
- Large potential for export
- Close to railway & roads
- Unmet domestic demand (for livestock & cassava products)

Cassava: lower elevations of Luang Prabang, Oudomxay, Vientiane

Tea: Phongsaly, Oudomxay

Livestock: Luang Namtha, Luang Prabang, Oudomxay
Why CASSAVA?

**Domestic market:**
- 3.3 M MT/yr production (2020)
- 100,000 Ha plantations (2020)
- $37.8 M MSG imports (2019)
- Source of carbohydrate for humans & animal feed

**Large export markets:**
- Accounts for 16% ($195 M) agri-exports (2020)
- $214 M export potential to China.
- Top destinations: China, Thailand, Vietnam (2021)
- Potential for value addition:

Source: World Bank, CIAT

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**Cassava Production (Metric tonnes):**
- Roots & chips, 88%
- Starch, 12%
- LAOS

**Starch, 21%**
- Roots & chips
- VIETNAM

Source: FAO
CASSAVA
Investment Opportunities

Primary production
• fresh roots
• contract farming
• productive alliances

Primary, secondary processing

Logistics

Climate-smart technologies & digital platforms

Quality compliances

Financial outlay:
39 M:
• 8 M - plantations
• 4 M - processing plants
• 27 M - development interventions (irrigation, other support infrastructure)

ROI: 12-29%
Why LIVESTOCK?

Unmet domestic demand:

- **52% households keep cattle**, but half of them - for cash income
- Domestic meat supply (0.227MMT) meets only **49% demand** (0.46 MMT)
- 675,000 Ha permanent meadows & pastures

Large export potential:

- Animal exports increased 5-fold in 2016-2020
- Animal exports accounted for **21% ($247 M)** of agri-exports in 2021
- 75% animal exports go to Vietnam
- **Unmet demand for export to China**, against quota of 0.5 M cattle (2021–2028)
- 100% unmet Thailand quota for live animals

Source: World Bank
LIVESTOCK
Investment Opportunities

Livestock SMEs & commercial cattle farms
Processing & value addition
Extension & advisory services
Transport, logistics & cold chains
Feed
Resistance to diseases & climate change
Productivity, quality & breed improvement

Financial outlay: 110 M:
- 49 M - pig farms
- 50 M - cattle farms
- 11 M - meat processing plants

ROI: 19-29%
Why TEA?

**Sector profile:**
- 6,295 tons/year from 6,000 Ha (2015)
- 1.5* T/Ha aver. yield (global aver. 6-8 T/Ha)
- 44,000 est. workforce (2015)
- Mostly wild tea - high quality, “organic & natural”
- Fragmented production
- Limited technical expertise
- 2.4* M Ha suitable land (2011)
- Fast-growing modern cultivation & processing sector
- Focus crop by GoL

**Export potential:**
- Other countries export tea from Laos under their own brands
- High demand in China
- Lao tea exports for $6/kg (in Mombasa, tea averages at $2.30/kg)
- 85-90% Lao tea is exported to China

Source: LURAS, ECCI/Laos, NAFRI, Green & Sustainable Agriculture Framework for Lao PDR to 2030

Source: FAO

**Main areas**
- Phongsaly: 2,400 ha
- Oudomxay: 130 ha
- Luang Prabang: 1,350 ha
- Xiengkhouang: 300 ha
- Xayabuli: 790 ha
- Champassack: 460 ha

Source: CIAT

Incremental income over 20-year project, $ M

Source: FAO
TEA Investment Opportunities

- Tea commercialization (horizontal & vertical)
- Land contracting/concessions (GoL offer)
- Climate-smart production (R&D)
- Value addition
- Modern processing technologies & plants
- Branding-speciality teas
- Logistics & export infrastructure

Financial outlay: 66.7 M:
- 65 M - new plantations
- 1.7 M - processing plants

ROI: 14-21%
Environmental & Social Risk Management

MoNRE, DoPC & MAF have formulated
- ESMF
- Environmental & Social Code of Practices
- Ethnic Group Engagement / Community Engagement & Planning Framework

- Environmental Protection Law (EPL, 2013)
- Ministerial Instruction No 8030/MONRE on Environmental & Social Impact Assessment (ESIA) & Initial Environmental Examination (IEE) of Investment Projects (2013)
- Decree on Protected Area (No.134/G, May 2015)
- Land Law (2013)
- Forestry Law (2007)
- Decree on Compensation & Resettlement of People Affected by Government Projects (No. 84/GOL, 5 April 2016)
- Law on Grievance Redress 012/NA (5 December 2014)
- Decision on Good Agriculture Practices for Produce Quality Management Standards No 0539/MF (2 September 2011)
- Decision on GAP for Labor Safety, Health & Welfare (2 September 2011)
In a nutshell

**Investment Summary**

<table>
<thead>
<tr>
<th>Agricultural Product</th>
<th>Financial Outlay</th>
<th>ROI</th>
<th>Beneficiaries</th>
<th>Increase in per Capita Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cassava</td>
<td>USD 12 M + USD 27 M (dev. Int.)</td>
<td>12-29%</td>
<td>0.2 M</td>
<td>USD 500/year</td>
</tr>
<tr>
<td>Livestock</td>
<td>USD 110 M</td>
<td>19-25%</td>
<td>0.17 M</td>
<td>USD 600/year</td>
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<tr>
<td>Tea</td>
<td>USD 66.7 M</td>
<td>14-21%</td>
<td>0.1 M</td>
<td>USD 400/year</td>
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