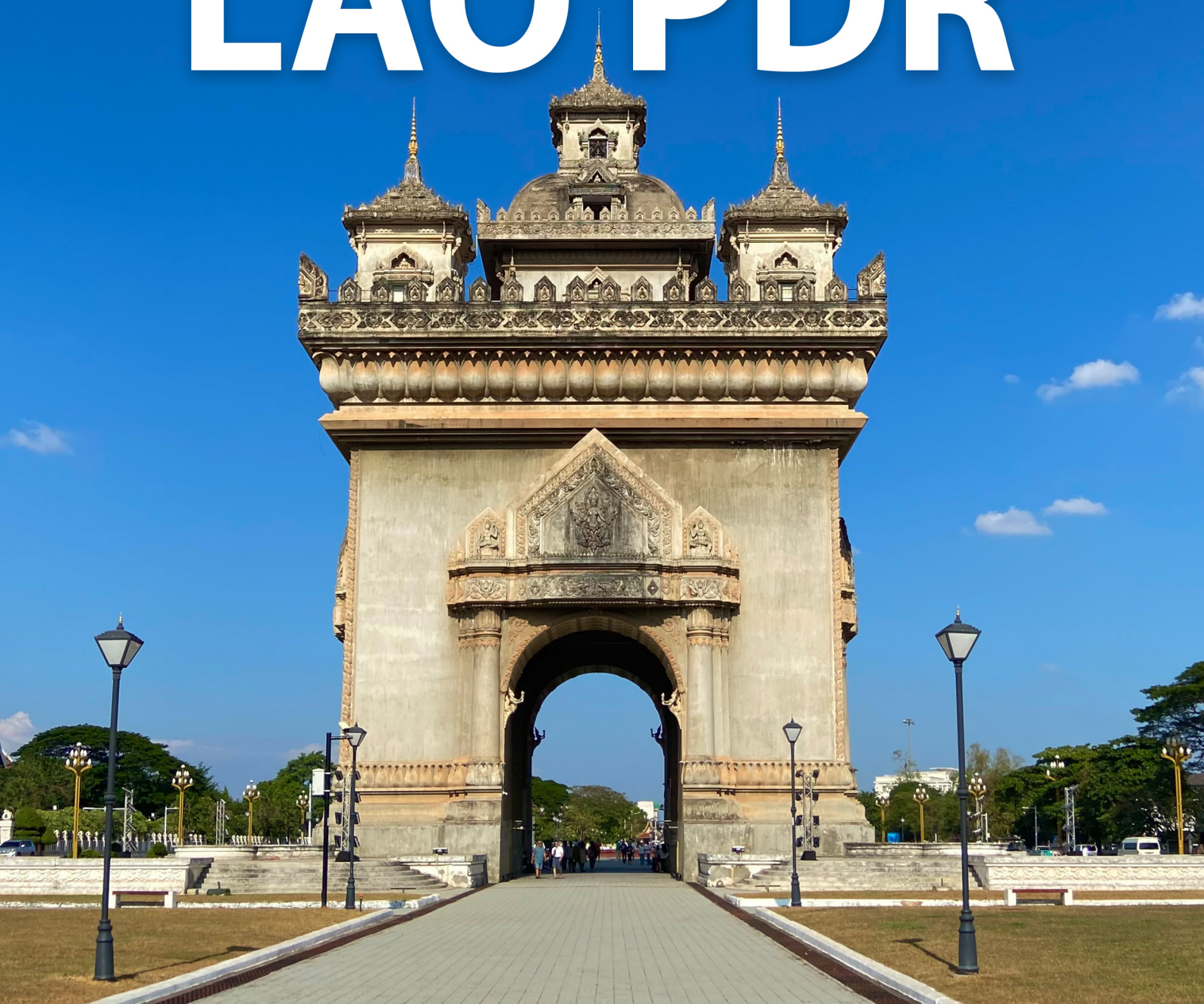


VDB | *Loi*

General Guide for Investing in the

LAO PDR



INTRODUCTION TO INVESTMENT IN THE LAO PDR

The government of the Lao PDR (the “**Government**”) encourages and warmly welcomes both domestic and foreign investment to boost the economy and develop the public infrastructure of the country. While the Lao PDR is a landlocked country, bordered by Myanmar, Cambodia, Thailand, Vietnam, and China, it is suitable for large investment projects because of its abundant natural resources, including minerals, forests, and electricity generation sources, such as rivers, wind, and sunlight.

The country also boasts a large, economical labor force.

The Lao PDR recently put into operation a dry port and higher-speed rail connecting its capital city to the northern provinces and China, creating efficient and economical logistical routes.

The country has seen a rapid growth in foreign direct investment (“**FDI**”), for both medium and large projects, mainly in hydropower, construction, and mining. FDI is allowed for investments in the following three types of business activities:

- General business activities, with the exclusion of some specific general businesses that are reserved exclusively for Lao citizens;
- Controlled business activities, which are business activities that have an impact on the country’s stability, security, public order, cultural traditions, social environment, and natural environment; and
- Concession business activities, which are business activities that require some type of concession from the Government, such as a land concession.

INVESTMENT INCENTIVES

The Government offers investment incentives under the Investment Promotion Law dated 17 November 2016, which specifies the business sectors that are entitled to incentives, including (not an exhaustive list):

- Those using high tech and new technologies, scientific research, as well as those researching, developing, and using innovative applications to provide eco-friendly and efficient solutions
- Sustainable farming and rural development efforts that aim to reduce poverty
- Eco-friendly agro-processing and handcraft industries
- Eco, cultural, and historical tourism
- Education, physical sports, human resource development, and skilled labor development
- Modern hospitals, and pharmaceutical and medical equipment factories
- Public infrastructure
- Policy banks and microfinance institutions
- Modern commercial centers

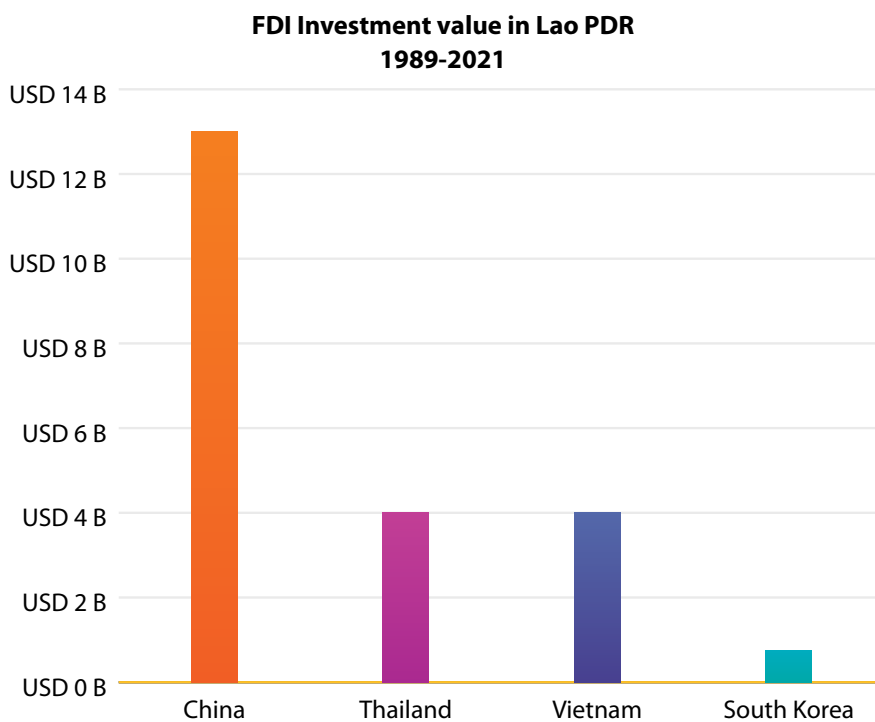


The Investment Promotion Law also provides incentives to projects that invest in remote areas, socioeconomic infrastructure favorable zones, and special economic zone (“SEZs”). These SEZs, which are located in Vientiane Capital, Luang Namtha, Bokeo, Luang Prabang, Khammouan, Champasak, and Savannakhet Province, have attracted many manufacturers from China, Vietnam, Thailand, Japan, Europe, and North America.

FDI TREND IN THE LAO PDR

The majority of FDI in the Lao PDR comes from nearby countries in Southeast Asia and the greater Asia-Pacific region, with significant contributions from China, Vietnam, Thailand, South Korea, Japan, and Singapore.

According to data from Open Development Mekong and the Investment Promotion Department of the Lao PDR, over the 1989 to 2021 period, China was the leading investor, contributing approximately US\$13 billion, followed by Vietnam and Thailand, each with approximately US\$4 billion, and then South Korea, at about US\$750 million.



Source: Data from the Investment Promotion Department of the Lao DPR and Open Development Mekong.

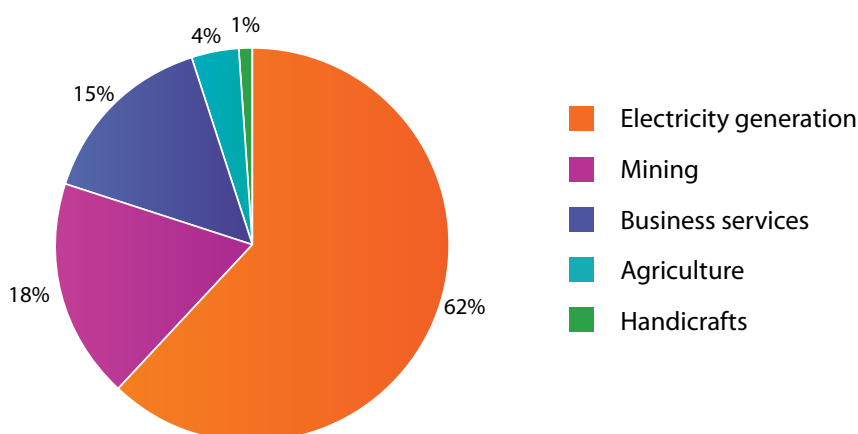
According to official trade data published by the Laotradestat of the Ministry of Industry and Commerce of the Lao PDR for the years 2016 to 2020 and the International Finance Corporation’s 2021 *Investment Reform Map for the Lao PDR*, the top sectors of all sectors that received FDI were electricity generation, particularly from hydropower (accounting for about 73% of electricity generation), followed by mining, agriculture, services, and handicrafts.

Over the last 10 years, the total income from natural resources in the Lao PDR surpassed 10% of its GDP, making it a key factor driving foreign investment interest in the country. At the same time, tourism has emerged as a significant economic driver; it was the leading service export, with a value of about US\$950 million, in 2019. Following a decline during the pandemic years of 2020 to 2022, the industry saw a recovery, generating about US\$930 million in 2023.





FDI Percentage by the Top Five Sectors 2016-2020



Source: Laotradestat. Official trade statistics 2016-2020; IFC. 2021. Investment Reform Map for Lao PDR.

Electricity Generation

By the end of 2023, there were over 100 operational power plants in the Lao PDR, 99 of them hydropower plants. An additional 50 hydropower plants are currently under development and projected to be completed by 2025, and 74 hydropower projects are at the initial design stage and projected to be completed by 2030.

The Lao PDR is a major exporter of electricity in the region and is among the top 12 exporters internationally, mostly generated from hydropower. In 2023, the Lao PDR exported about US\$2.3 billion of electricity, with the main export targets its neighboring countries.

In addition to hydropower, the Government promotes the development of other types of renewable power plants, such as wind and solar. Currently, there are over 10 wind power projects under development across the central and southern provinces of the Lao PDR, and more than 10 solar power facilities are operational.

Moreover, the industry continues to attract more investors keen on renewable energy, with more than 25 feasibility studies currently being carried out on solar and wind power projects.

Mining

Since natural resources are a primary motivation for foreign investment interest in the Lao PDR, mining and mineral processing is the second most attractive industry for FDI after electricity generation.

In 2023, the Lao PDR exported more than US\$2.5 billion of mineral products, such as gold bullion, gold ore, copper ore, iron ore, and other precious metals.

On 25 November 2020, the Standing Committee of the National Assembly of the Lao PDR issued a resolution lifting the restrictions on rare earth mining and processing under the Mineral Law of the Lao PDR, thereby opening up more investment opportunities in this industry.

Business Services

The business service industry, which includes, tourism, consultancy, education, advertising, recruitment, financial, hospitality, healthcare, and construction services, has shown continuous growth and attracted significant investment. During the period spanning 2016–2020, a total of US\$3 billion was invested in this sector, of which US\$1.8 billion was FDI.

Agriculture

In 2023, the Lao PDR exported more than US\$1.4 billion in agricultural products, mainly cassava, potatoes, coffee, bananas, and sugar, with China serving as the largest market for these exports.

Handicrafts

The handicraft sector presents an appealing opportunity for investment because of the high demand for its products abroad. The Lao PDR is well-known for its distinctive handicrafts created using local techniques that yield considerable value. During the period 2016–2020, the handicraft sector in the Lao PDR attracted approximately US\$158 million in investments.

VDB LOI'S ASSOCIATED PROJECTS AND CONTRIBUTIONS SUPPORTING FOREIGN INVESTMENT

For more than 12 years, VDB Loi Laos has maintained its position as a strong partner and the top preference for many foreign and local investors. The firm and its senior advisers have been recognized by a number of international legal directories, including: named a Legal 500 top-tier law firm in the Lao PDR, and Daodeuane Duangdara named as a Leading Partner; ranked by Chambers and Partners, with Sornpheth Douangdy named as a Band 2 lawyer for General Business Law in the Lao PDR; ranked by IFLR1000 for Financial and Corporate, and Sornpheth Douangdy named as a Highly Regarded individual; named a recommended firm by Asialaw Profiles for Infrastructure, Banking and Financial Services, and General Business Law, and Daodeuane Duangdara named a Notable Practitioner for Tax.

We have played a crucial role in and made significant contributions to the growth of various FDI projects in the Lao PDR, assisting investors, sponsors, and their companies to successfully establish and register their businesses in the country, representing them in correspondence with the Government and relevant parties, and advising them on various legal and tax matters, earning their trust and satisfaction.

Our team comprises experienced professionals who have provided a wide range of legal consultancy, tax advisory, and accounting services to numerous foreign investors for their greenfield and brownfield investments across diverse sectors and practices, such as banking and finance, M&A, hospitality, healthcare, logistics, airlines, real estate, infrastructure, mining, forestry, labor and immigration, and energy, with a focus on renewable energy, particularly hydropower.

VDB Loi's Contributions to Renewable Energy Investments

VDB Loi Laos has assisted investors and their local companies with the successful development of their energy projects in the Lao PDR, totaling billions of US dollars in investment value. Particularly noteworthy investments are the hydropower projects located across the country in Xayabouli, Luang Prabang, Vientiane, and Savavan provinces, which, if combined, would have a total capacity exceeding 8,000 megawatts.

Additionally, we have strong expertise in the development of wind and solar power, acting as the local legal counsel of one of the largest wind power projects in the Lao PDR, as well as on solar power projects with a combined capacity exceeding 8,000 megawatts, making VDB Loi Laos a top law firm preferred by investors and business owners in this sector.

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