Lao PDR Ministry of Industry and Commerce,

Five Year Plan 2026-2030

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Preamble

The National Social and Economic Development Plan (NSEDP 10) 2026-2030 is the 10th Five Year Plan (FYP). NSEDP 10 is a breakthrough plan, "using all potentials to create the independent and self-reliant economy for macro-stability and sustainability." To realize this vision, the Ministry of Industry and Commerce (MOIC) FYP 10 is a results-based plan. Following the evaluation of MOIC FYP 9 and stakeholder discussions, MOIC FYP 10 defines the strategic goals, and outlines the priority activities that will contribute to realizing the NSEDP 10 goals of building an independent and more self-reliant, efficient, green and sustainable economy. To ensure the plan remains on track, the MOIC FYP identifies the milestones and indicators required for monitoring and evaluating outcomes and economic impact.

Part I summarizes the achievements of MOIC and the Ministry of Energy and Mining (MEM) FYP 2021-2025, identifies key success factors, notes the underlying causal factors contributing to the shortcomings, difficulties and challenges, and the lessons from implementation. Part II presents the MOIC FYP 2026-2030 development goals and overall direction, and the priority strategic areas under the three pillars: (i) advancing industry development, (ii) increasing trade and improving market access and (iii) promoting private sector development. The MOIC FYP has developed a list of priority activities and targeted outputs for each of the focal areas under the three pillars. The next section discusses the three cross-cutting areas: (i) gender equality, disability, and social inclusion, (ii) the green economy, and (iii) the digital economy. Finally, Part III describes the MOIC FYP implementation mechanism, inter-government coordination, monitoring and evaluation, and financing requirements.

Part I Implementation Assessment of the MOIC and the MEM Five-Year Plan (FYP), 2021-2025

1.1 Context

1.1.1 International Context

In 2021 the global economy began to recover from the shock of the COVID-19 pandemic. Emergency macroeconomic measures aimed at mitigating the impact of economic shutdowns increased fiscal deficits and disrupted global supply chains. The pandemic also witnessed the more widespread use of protectionist measures to restrict trade and an increase in geo-political stress which fuelled inflation through 2022-2023. Through 2024 and 2025 inflation was largely tamed across the OECD economies, however, many developing and emerging nations have continued to experience relatively higher inflation rates and remained vulnerable to continued supply shocks. This resulted in Lao PDR facing a challenging international environment throughout the period 2021-2025.

1.1.2 Local Context

Over the past 5 years (2021-2025), the economy achieved an annual average growth rate of 4.24 percent. COVID-19 containment measures resulted in significant declines in services, transport, and tourism earnings; however, during 2021 increased external demand spurred growth in agricultural exports and in the energy, mining and export-oriented manufacturing and processing sectors. In 2021-2022 rapid inflation, the depreciation of the Kip, and the increasing fiscal deficit heightened macroeconomic vulnerabilities and constrained growth. Following the successful conclusion of the bilateral debt negotiations with China, macroeconomic stability increased. Through 2022, tourism and other services began a slow recovery, and natural resource exports drove growth in the industrial sector. The opening of both the Laos-China railway and the dry port encouraged increased travel and trade flows. Through 2023-2025 the natural resource intensive sectors of electricity, mining and construction were the main drivers of economic growth. These are all capital intensive, creating few jobs for Laos workers. Through 2024-2025, services, electricity, mining, agriculture, and electronic assembly continued to grow, despite continuing macroeconomic fragility.

1.2 Achievements of the Five-Year Plan 2021-2025 Implementation

This section addresses the lessons learned from implementation of the current MOIC and MEM FYP, 2021-2025. NSEDP 9, 2021-2025, has two outcomes (1 and 5, shown in the text boxes below) that relate directly to MOIC's mandate and activities, and two cross-cutting outcomes relating to mainstreaming inclusion and the environment across all activities. Outcome 6 addresses the need to improve efficiency within the public sector through strengthening the technical capacity and enhancing coordination and communication mechanisms. NSEDP 9, 2021-2025, prioritized preparing Laos for LDC graduation, meeting the SDGs, as well as the need for green growth and for sustainably using and managing natural resources[1].

NSEDP Outcome 1: Continuous quality, stable and sustainable economic growth path achieved with the following outputs

1. Quality and sustainable growth
2. Robust and stable macro-economic management ensured
3. Investment quality and effectiveness enhanced
4. Better quality, robust, and regional and internationally competitive Micro Small and Medium Sized Enterprises (MSMEs)
5. Enhanced efficiency and effectiveness of State-Owned Enterprises and collective economy

NSEDP Outcome 5: Engagement in regional and international cooperation and integration is enhanced with robust infrastructure and effective utilization of national potential and geographical advantages with the following outputs

1. Regional and international trade and investment cooperation and integration enhanced and expanded
2. Urban areas and Specia Economic Zones developed into production, investment, trade and tourism bases for regional and international integration

[1] Output 1 under Outcome 4 Environmental Protection enhanced and disaster risks reduced.

1.2.1 Ministry of Industry and Commerce Achievements 2021-2025

The MOIC FYP for 2021-2025 activities were organized by the five pillars listed in the textbox shown below.

1. Regional and international economic integration and connectivity
2. Promote industry development and market-oriented production
3. Improve business environment and strengthening business sectors
4. Promote, develop and modernize trade
5. Enhance the efficiency of macro-level management, decentralization to local authorities, and the leadership of enterprise and business sectors under the management of ministries.

Pillar 1 Regional and International Integration and Connectivity

Under Pillar 1, during FYP 2021-2025, MOIC upgraded the import and export statistics database to an online system, installed an electronic Certificate of Origin (e-C0O), signed a bilateral Memorandum of Understanding with the World Intellectual Property Organization (WIPO) on dispute resolution, promoted and facilitated transit goods services within the GMS-CBTA, updated the Laos-Vietnam bilateral trade agreement, appointed a committee to negotiate a transit trade agreement with Myanmar, revised the bilateral agreement enhancing economic and border trade cooperation with PRC. Lao PDR also actively engaged in regional trade negotiations on the digital economy, the ASEAN Trade in Goods Agreement, and the ASEAN-China framework. At the WTO, Lao PDR implemented the Sanitary and Phytosanitary (SPS) Declaration and pressed for the revitalization of the dispute resolution mechanism.

Pillar 2 Promote Industry Development and Market-Oriented Production

Under Pillar 2, the MOIC established an industrial factory database, a national chemicals database and the Department of Industry and Handicrafts developed a publicly available website listing all the rules and regulations. The MOIC prepared a series of mutual recognition agreements for ASEAN members relating to standards and quality for vehicle parts, rubber products, wood products, and agricultural products. The MOIC supported private sector participation in road shows, trade fairs and exhibitions; most notably in 2024 the inaugural Lao-China Cultural Economic and Trade Forum which exhibited products from Laos' 18 provinces. During this period there was limited progress in increasing the number of Lao businesses qualifying for ISO, HACCP, or green industry certification.

Pillar 3 Improve Business Environment and Strengthen Business Sectors

Under Pillar 3, improving the business environment, the MOIC focused on simplifying and streamlining the regulations and processes required for starting and operating a business through developing an on-line electronic business registration. The MOIC reduced the number of procedures for registering a business from 9 to 1, and the legal time limit reduced to 17 days, compared to the Base Level of 67 days recorded in the World Bank Project Appraisal Document (2018). With support from LCTP, the Department of Enterprise Registration Management (DERM) removed the requirements to approve the content of the company signage and for a tax orientation meeting, simplified seal approval and production, bundled the tax and VAT registration with issuing the Enterprise Registration Certificate (ERC), and moved the process of registering the Articles of Association and investor profile checking to post enterprise registration. The MOIC made slower progress in streamlining Business Operating Licenses, reducing Non-Tariff Measures, and fully implementing the online Electronic Business Registration System (eBRS).

Pillar 4 Promote, Develop, and Modernize Trade

Under Pillar 4, trade management and development, the Lao Trade Portal was updated and upgraded to be more user friendly, legislation was developed for the promotion and management of e-commerce, designed the online electronic certificate of origin system, implemented the origin certification under ATIGA (e-Form D), improved the regulations relating to temporary imports and goods in transit, developed the format for monitoring price fluctuation of goods specified in Decree 474/PM including List A (control list) and List B (monitoring list), drafted revisions to Decree 331/PM regulating the Petroleum Sector, evaluated the trade facilitation action (2017-2022), prepared a new trade and transport facilitation action plan, 2025-2029, and simplified import and export regulations to reduce the approval and clearance times.

Pillar 5 MOIC Efficiency Increased

Pillar 5 targeted increasing MOIC efficiency through enhancing human resource development, organizational restructuring and promoting core values of transparency and fairness. In 2025, over 57 percent of MOIC staff were graduates and 16.5 percent had post graduate degrees. During FYP 2021-2025 the MOIC streamlined working processes, developed new regulations covering trade promotion, industry and handicrafts, strengthening SMEs, market development, intellectual property, imports and export processes, and standards inspection. The MOIC coordinated closely with international organizations and benefited from their financial and technical support.

The current MOIC plan adopted a “bottom up” approach as each technical department has included a compendium of activities of their priorities based on their mandate. There was no prioritization or sequencing of activities. However, *de facto,* the MOIC, as the coordinating ministry for the LCTP program prioritized and sequenced LCTP activities. The multi-donor funded Lao PDR LCTP prioritized (i) improving the business enabling environment, (ii) reducing trade costs, and (iii)strengthening the capacity of small and medium enterprises (SME) through providing matching grants. The LCTP allowed the MOIC to leverage public technical and financial resources to maximize the economic benefits.

The MOIC FYP 2021-2025 evaluation identified the need for a much stronger Monitoring and Evaluation (M&E) function, consisting of more regular and robust monitoring of performance indicators relevant to the desired outputs and outcomes. M&E generates useful feedback on performance and allows for activities to be recalibrated over the course of the FYP.

1.2.2 Energy Sector Achievements 2021-2025

The energy sector has made progress over the past five years across the six priority areas shown in the text box below.

1. Increased Hydropower Capacity and Export Success
2. Increase Electrification Coverage
3. Implement Financial Reforms in Électricité du Laos (EDL)
4. Strengthen grid Infrastructure and cross border Interconnections
5. Improve the Dam Safety and Regulatory Framework
6. Expand Emerging Renewable Energy Development (beyond Hydro)

Increased Hydropower Capacity and Export Success

Laos successfully attracted private investment in the hydropower sector aimed at exporting power to neighboring countries. In 2024, hydropower accounted for more than 80 percent of Laos' total generating capacity. Exports quadrupled between 2012 and 2022, positioning Laos as a major electricity exporter to Thailand, Vietnam, Malaysia, Cambodia, and Myanmar, accounting for 7,315 MW, or approximately 60 percent of total generation capacity. **New Project Completions**: 21 energy generation projects were completed compared to the estimated 45 projects planned for 2021-2025. These increased installed capacity by 1,694 MW of installed capacity and 6,627 GWh/year. Hydropower continues to dominate with 90 plants (10,162.84 MW). **Acceleration of Large Hydropower Projects**: Large hydropower projects such as Nam Ngum 3, Pak Beng Mekong, Luang Prabang Mekong, and Pak Lay Mekong are prioritized to stimulate the economy and ensure domestic supply stability. Nam Ngum 3 (480 MW) is over 80 percent complete and expected to begin generation in early 2027.

Increased Electrification Coverage

Laos has achieved remarkable progress in electrification, increasing from 15 percent in 1995 to approximately 95 percent by 2020. Most of the remaining 5 percent without access are in remote parts of the country, where it is difficult to extend current grid access. Small-scale solar grids and other renewables have the potential to address the electricity gap in rural areas.

Financial Reforms in Électricité du Laos (EDL)

Cost Reduction: EDL successfully reduced administrative expenses by over 20 percent and saved an estimated US$136 million through negotiations on EPC and procurement projects. **Revenue Diversification**: EDL expanded its energy market by transmitting power to Singapore and supplying electricity to pilot digital asset mining projects, generating an additional US$250 million/year in foreign currency revenue. **Debt Management**: Efforts to improve debt management mechanisms, include revising power purchase agreements (PPAs) with producers to a "low-initial, high-later" model, saving over US$20 million/year in the initial phase. Progress has also been made in resolving large electricity debts, such as the US$137 million for Nam Ou and Nam Ngum 5 projects.

Grid Infrastructure Development and Regional Integration

Transmission Line Development: Four transmission line projects were commissioned including a 500 kV line from Ban Hat-Ban Na-Attapeu to Cambodia. Currently, there are 108 power stations nationwide and a total of 75,486.84 km/circuit of high, medium, and low-voltage transmission lines. Eleven transmission line and substation projects are under construction. **Laos-China Interconnection**: There were significant advances in energy cooperation with China, with agreements signed for the 500 kV transmission line interconnection to facilitate mutual energy exchange, especially to balance wet and dry season surpluses/deficits. The groundbreaking for the Laos-China 500 kV transmission line interconnection project occurred. This will connect the Lao and Chinese grids, supporting Laos' ambition to become a clean energy hub in the Lancang-Mekong sub-region. **Establishment of EDL-T**: EDL-T, a joint venture between Électricité du Laos (EDL) and China Southern Power Grid (CSG), with the mandate to develop Laos' electricity transmission system for stable nationwide supply, enhance domestic energy security, and promote regional grid integration, particularly for clean energy trade, was established officially in early 2024.

Dam Safety and Regulatory Framework

Enactment of Law on Dam Safety: The MEM enacted the Law on Dam Safety (No. 20/NA, dated July 7, 2022). **Risk Registration and Training**: Dam risk registration is 90 percent complete for operating hydropower projects. The MEM held regular meetings and conducted five training courses to strengthen technical knowledge and regulatory enforcement related to dam safety. **Emergency Plans**: Emergency plans for 23 hydropower development projects have received technical approval.

Emerging Renewable Energy Development (beyond Hydro)

While hydropower dominates, Laos has begun exploring other renewable energy sources. The current energy mix is 83 percent hydropower, 15 percent coal-fired thermal, and 2 percent renewable energy. While renewable energy development significantly lags the 11 percent target set by the National Assembly, plans are underway to expedite solar energy projects. Private investors are also developing large-scale wind projects, such as the 1,200 MW Monsoon Wind Power Project, set to be the largest in Southeast Asia, with its output destined for Vietnam.

1.2.3 Mining Sector Achievements 2021-2025

Progress in the five priority areas in MEM FYP 2021-2025 are summarized below.

1. Enhanced Geological Mapping and Resource Assessment
2. Strengthened Legal and Regulatory Frameworks
3. Promotion of Value-Added Processing (Downstream Industries)
4. Increased Project Advancement and Investment
5. Initiatives for Geo-Tourism Development
6. Formulate Policies for Administration/Management and Development of Mineral Resources for Maximum Benefit Towards Green Principles

Enhanced Geological Mapping and Resource Assessment

Mining Goal 01 emphasizes the fundamental need to comprehensively map and assess Laos' geological and mineral resources to inform strategic development and attract investment. **Comprehensive Mapping**

Progress: Significant advances have been made in surveying and creating basic geological-mineral maps at a 1:200,000 scale, covering 74,696 km^2 (31.5 percent of the country's uncompleted areas). Investment proposals and budget plans for this mapping have been prepared. **Comprehensive Geological Mapping:** The primary target is to complete 100 percent of basic geological-mineral maps at a 1:200,000 scale in uncompleted areas, covering an extensive 74,696 square km (31.5 percent of the country's total area). The Ministry of Energy and Mines (MEM) has prepared state investment proposals and budget plans for this mapping, valued at 119.66 million LAK for mapping and 333.66 million LAK for equipment. Data for the North Vientiane-South Luang Prabang area mapping has been officially handed over, and plans for new projects in Bolikhamxay-Xaysomboun provinces submitted to Vietnam for consideration. Despite progress, **budgetary and technical limitations** are ongoing challenges. Domestic and international funding will be required to complete the remaining mapping work.

More detailed Mineral-Rich Area Mapping at the 1:50,000 scale has commenced in mineral-rich zones with specific targets for non-metallic minerals (limestone in three provinces) and metallic minerals (5,568.75 km^2, or 20 percent of the government's target mineral reserve area). This includes agreements and ongoing work, particularly with Chinese assistance, with 13,649.23 km^2 proposed and 2,994 km^2 already completed in specific areas like Ngaoi-Pak Ou district of Luang Prabang province. **Mineral Occurrence Identification**: An additional 202 new mineral occurrences have been identified, bringing the total to 772, which reflects a growing understanding of Laos' mineral wealth. **Research and Development and Data Exchange**: Efforts are underway to ensure the availability of geological-mineral and geo-hazard databases, and data exchange with international partners through the Coordinating Committee for Geoscience Programs in East and Southeast Asia-Geoinformation Sharing Infrastructure (CCOP-Gsi) project is ongoing. Cooperation with Kunming University of Science and Technology (China) is enhancing scientific and technological research capabilities, supporting the "Belt and Road" initiative. Mineral analysis and research equipment are being improved and installed. **Capacity Building and Research**: A rock-mineral and fossil museum has been established, and the first Lao-China Rare Earth Research Centre has been set up, analysing 198 rare earth mineral samples. Training programs for technical staff have also been implemented. To date, six central government technical staff have received training abroad (China, Philippines, South Korea), and 27 have been approved for further domestic and international education.

Strengthened Legal and Regulatory Frameworks

Law on Minerals Revision: Ongoing revisions of the Mineral Law (2017) and the drafting of related decrees and legal instruments demonstrate a commitment to a more robust and formalized governance framework. **Prime Minister's Order No. 06/PM (March 2025)**: This landmark policy introduces significant reforms, including a permanent nationwide ban on alluvial gold extraction (due to environmental degradation), suspension of new metallic mineral project approvals until the end of the current government term, stronger inspection and monitoring, mandatory ecological restoration of mining sites, and greater transparency in concession processes. This is an important step towards curbing unsustainable practices. **Trial Mining Decree**: A decree on trial mining, processing, and export agreements for various minerals (iron ore, raw gold, marble, and rare earths) has been issued.

Promotion of Value-Added Processing (Downstream Industries)

Encouraging In-Country Processing: The MEM continues to promote quality mining investments that include mineral processing (e.g., gold, copper, lead, zinc, tin, iron) to add value to products and increase domestic electricity consumption. **Lao-China Steel Smelting Plant**: A partnership with Hong Kong Tianxunda International Trade Co., Ltd. is underway to establish a Lao-China steel smelting plant in Khammouane Province, using local iron ore.

Increased Project Advancement and Investment

Targeted Mineral Production Groups: Minerals have been divided into five groups with specific production value targets: (i) high-value, (ii) high-volume/low-value (Potash), (iii) strategic (Coal, Gypsum, Limestone for Cement), (iv) non-metallic for construction/industry, and (v) rare earth minerals (aiming to initiate production). Implementation for these five mineral groups has begun, supported by new legal instruments. The government has permitted twenty companies to explore rare earth minerals, with twelve currently moving to economic-technical feasibility studies. Lao PDR's rare earth reserves are estimated at 790 million tons. 2,611 samples from 747 companies have been processed and analysed, covering a wide range of minerals from iron ore and copper to rare earths and limestone.

New Mining Project Developments: Efforts are ongoing to progress 19 projects from the economic-technical feasibility study phase to sign Mineral Development Agreements, encompassing construction, mining, and processing. **Approved Companies and Activities**: The MEM has approved 410 companies with 562 activities for mineral exploration, surveying, economic-technical feasibility studies, mining, and processing. Additionally, 630 companies with 696 activities have local level approvals. **Transition of Pilot Projects**: Fifteen pilot projects have successfully transitioned to regular operations by late 2024, indicating a successful pathway for initial ventures. **Market Studies and Concessions:** Studies on domestic and international market demand for metallic and non-metallic minerals and proposing concessions for non-metallic mineral sources have been completed.

Initiatives for Geo-Tourism Development

Site Survey and Proposal: Ten geo-tourism sites have been surveyed, and Konglor Cave has been proposed to become Laos' first Geopark, with an anticipated declaration of intent to join the Geopark Network in 2026, aiming for UNESCO certification in 2028. The goal includes establishing a database of 10 Geo-Tourist Sites and officially approving two.

Policies Formulated for the Administration, Management and Development of Mineral Resources for Maximum Benefit Towards Green Principles

This goal centres on establishing a robust policy framework for sustainable mineral resource management, ensuring environmental and social responsibility, and maximizing economic benefits through value-added processing. MEM has encouraged companies to implement projects across all stages, from exploration to distribution, contributing to economic stability. The government has issued a decree on trial mining, processing, and export agreements for minerals like iron ore, raw gold, marble, and rare earths. Laws and regulations governing mineral development projects have been improved and revised, with 38 documents updated (34 revised, 4 new). **Standardized and Responsible Operations:** Mineral producers and the industry must operate according to standards that prioritize environmental, social, and community health-friendly practices. Central government and local authorities conduct regular field monitoring and inspection to assess compliance with the revised Mineral Law of 2017.

1.3 Overall Evaluation of the Five-Year Plan Implementation

1.3.1 Achievements

FYP 2021-2025 targeted increasing industry and handicrafts, wholesale and retail trade, imports and exports, by 8-10 percent in domestic prices. The post COVID industrial growth rate for 2021-2024 averaged 9.54 percent. Although this nominal target was met, when the growth rates are adjusted to account for the rapid inflation from the period 2022-2025 (in 2022, 2023 and 2024 the annual rate of inflation was 23, 31, and 25 percent respectively) the real growth rates are much lower. In 2023 manufacturing grew by 3.1 percent and the mining sector 2.3 percent.

Lao PDR possesses immense natural resources for power generation, particularly its vast hydropower potential, estimated between 18,000 MW and 26,000 MW. This has been the cornerstone of its energy strategy, facilitating significant electricity exports to neighbouring countries like Thailand, Vietnam, Cambodia, and Singapore. The energy sector has played a crucial role in national development and poverty reduction, with the electricity sector's share in GDP nearly doubling from 6.5 percent in 2012 to 12.8 percent in 2022. The Five-Year Energy Sector Development Plan (2021-2025) prioritized modernizing and expanding the electricity sector to meet growing domestic and export demands, diversifying the energy mix towards renewables, strengthening grid infrastructure, and enhancing regional energy cooperation. During the FYP Lao PDR made progress across all these areas.

Throughout FYP 2021-2025 the Lao PDR mining sector made notable progress, particularly in enhancing geological understanding through comprehensive resource mapping, strengthening legal frameworks, ensuring environment and social responsibility, modernization and strengthening oversight, and promoting value-added activities.

1.3.2 Key Success Factors

Throughout the implementation of the Plan, the Party Central Committee as well as MOIC and MEM Party leadership have provided close leadership and guidance in a systematic and consistent manner, in line with developments in the domestic and international environment. As a result, the MOIC and MEM development plans for 2021-2025 have been translated into detailed actions, in conjunction with the close supervision of the government, sectors, and localities.

The relationship between the government and the private sector strengthened during NSEDP 9 through increased public-private dialogue in the Trade and Private Sector Working Group under the Roundtable Process, and the high-level Lao Business Forum chaired by the Prime Minister.
Our international partners have provided continued support, and our people of all ethnic groups have actively participated and contributed to the implementation of development plans. International Cooperating Partner support to the MOIC and MEM included the technical assistance from multi-lateral

and bilateral development institutions, including ADB, World Bank, SDC, UNDP, WTO, WIPO, and China Aid, DFAT, EU, GIZ, Irish Aid, USAID, and others.

1.3.3 Shortcomings, Difficulties and Challenges

The COVID-19 pandemic represented a serious setback for Lao PDRs development as business closed and the demand for tourist services evaporated. This resulted in declines in household incomes and consumer demand leading to increasing unemployment, poverty, and food insecurity. Further, government supportive measures to mitigate the most adverse impacts fueled concerns over macroeconomic stability given the government's limited fiscal space.

The evaluation of MOIC FYP 9 concluded that its broad scope and ambition, driven by a "bottom-up" approach focused on actions resulted in the absence of a coherent narrative coordinating the various activities towards realizing the overall goal. The FYP did not explicitly address cross-cutting issues including gender equity, green industrialization, and digitalization. There was limited mapping of activities to technical and financial resources, and limited ability to assess the overall impact as some of the indicators are not aligned with the activities. The FYP lacked a clearly defined theory of change.

The FYP gave insufficient attention to the detailed and challenging work required and the time it would take to address many of the complex legal and regulatory reforms, and capacity strengthening required for achieving overall development goals.

1.3.4 Lessons Learned

The evaluation of MOIC FYP 9 identified multiple lessons from implementation. These include:

(i) The importance of guidance from Ministers and senior management on the strategic high-level goals and the overall design.
(ii) The necessity of ensuring that all departments, divisions, and individual officers at the National and Provincial levels and "own" the FYP and understand their responsibilities in working to achieve the results.
(iii) Develop the FYP with increased consultation with the private sector to ensure the activities address the key challenges.
(iv) Ensure activities prioritized in the FYP are commensurate with the available technical and financial resources.
(v) Use a results-based plan with clear program logic that links activities to outputs which in turn contribute to meeting the development outcomes.
(vi) Integrate cross-cutting issues throughout FYP prioritized activities.
(vii) Ensure Monitoring and Evaluation should be embedded in the FYP with relevant performance indicators.

Resolving the challenges raised by the private sector is often complex, requiring learning and capacity building by government. Information asymmetries, coordination constraints and externalities contribute to failures in the market for credit and risk, resource misallocation, slow productivity advances, and a lower growth path. Realizing the 2045 long term vision of creating a dynamic, competitive economy requires a suite of policy interventions aimed at increasing market efficiency and labour productivity.

Transitioning to a more efficient and sustainable growth trajectory requires strengthening the trade and business environment to encourage competitive markets.

Lao PDR must look to new investments aimed at ameliorating growing environmental concerns, and the expansion of the services sector. Lao PDR, with over 60 percent of the population dependent on agriculture for their livelihood, is especially vulnerable to extreme weather events. The limited fiscal space restricts the ability of Lao PDR to invest for a green transition; however, with major hydropower potential there are opportunities to restructure the energy system towards renewables, and encouraging foreign investment in green manufacturing and services will be important. While Increasing productivity in agriculture may diminish the opportunities for direct farm employment it will encourage new job opportunities in agricultural value-adding services such as aggregation, cooling, and distribution. With modest job growth expected in modern manufacturing, most new jobs will be in the service sector such as tourism, the cultural economy, data processing, and digital trade.

The MOIC in Vientiane and the Provincial MOICs must become more innovative and entrepreneurial, focused on providing information, advice and facilitating business. Since businesses respond to economic incentives, the MOIC should encourage more labour-intensive technologies in the service sector. For example, in the tourism and health sectors digital technologies and AI could potentially increase the range of tasks and efficiency of lower skilled workers. AI does not simply replace labour: it can increase labour productivity. For example, in call services, conversational assistance by generative AI increased the productivity of the least experienced customer support employees.

The MOIC must prioritize promoting efficient firms, irrespective of scale and sector, to deliver inclusive, equitable, sustainable, and higher quality growth and create better jobs benefiting more people. This will provide higher paying jobs for the poorer and more vulnerable groups. Lao PDR must also promote labour-friendly innovation, looking to learn from successful business and technologies pioneered in middle income countries such as India, and other Asian economies, including China. Recent work by Liu et al (2024)[2] finds developing countries would benefit from the more “appropriate” businesses and technology pioneered by China and not only looking to rich countries. This finding is particularly relevant for Lao PDR given its geographical proximity to China.

The relationship between the government and the private sector builds on the constructive public-private dialogue developed during NSEDP 9. Resolving the challenges raised by the private sector are often complex, requiring learning and capacity building by government. The MOIC recognizes the necessity of investing in capacity building to strengthen its ability to support the private sector to, inter alia, facilitate investment, adopt new technologies, increase productivity, develop new markets, and upgrade quality. MOIC is committed to being a “learning ministry.” As capacity and experience increase over the life of the FYP and beyond, MOIC will develop more impactful and successful interventions that will deliver broader economic benefits.

MOIC supports industry and commerce through interventions to improve the business enabling environment and reduce transaction costs. Delivering increased investment and trade requires MOIC to:

[2] Lerner Josh, J. Liu, J, Moscona, and D. Yang. 2024. “Appropriate Entrepreneurship? The Rise of Chinese Venture Capital and the Developing World, European Corporate Governance Institute-Finance Working Paper No. 964. Appropriate Entrepreneurship

(i) **strengthen effective public private dialogue** to ensure government officials understand the challenges and opportunities facing private firms,

(ii) **improve coordination across government** agencies capable of responding to private sector constraints. This is frequently captured by the umbrella term “business-enabling environment.” It is essential that government agencies have the necessary mandate to coordinate and implement agreed policy, regulatory and administrative reforms,

(iii) **ensure incentives link to results.** Targeting incentives to firms must be conditional on the firm delivering results (e.g., repaying the loan, co-financing) for support to continue. It is important to monitor performance and to ensure that the firm has “skin in the game.” The Lao Competitiveness and Trade Project (LCTP) Business Assistance Facility (BAF) matching grant is a good example and under the FYP the MOIC will be launching an expanded matching grant facility targeting small and medium enterprises through Lao PDR,

(iv) **Improve access to finance.** To address the challenges of small and medium enterprises access to finance, the MOIC will work closely with the Bank of Laos to encourage local banks and non-bank financial institutions to develop more diversified loan products that bypass traditional collateral and instead leverage alternative information sources, such as business cash-flows,

(v) **Strengthen MOIC technical capacity and effectiveness.** MOIC will function as a “learning ministry” capable of modifying interventions and support to take account of what works and what does not. This requires MOIC to have an effective monitoring and evaluation team. It is important to continually evaluate outcomes and to adapt the interventions as required. The willingness to “learn by doing” will enable the MOIC to recalibrate approaches and interventions to increase their effectiveness and impact. China has shown a willingness to experiment with new policies in designated areas or provinces, and then adjusts the incentives based on the outcomes.

Part II MOIC Five Year Development Plan Development Goal, Overall Direction, and Indicative Targets

2.1 Enabling Environment and Challenges

Lao PDR is a small economy vulnerable to external risks such as supply chain disruptions resulting from geopolitical fragmentation, border closures, global public health emergencies, international transport breakdowns, and the increasing frequency of extreme weather events stemming from climate change. Strengthening Lao PDR’s economic resilience to these external shocks underpins the strategic goals of the MOIC FYP. Lao PDR seeks to achieve higher growth through adapting to greener industry and recognizes that environmentally friendly trade regulations and trade policy are key drivers for mitigating climate change and for promoting a more competitive economy capable of delivering sustainable and resilient economic growth.

Lao PDR is extremely vulnerable to the adverse impacts of climate change and has limited resources to mitigate and adapt. Over the period 2010-2020, annual economy loss and damage from disaster events, notably flood and drought almost quadrupled. Natural capital represents Laos’ major source of wealth and provides a livelihood for over 70 percent of the population. Rising temperatures, drought and rising flood levels will impact agriculture, forestry, fisheries, and tourism which collectively account for 25 percent of Lao PDRs GDP. Further, both sectors have the potential to grow significantly. Trade has the potential to be a source of low-emission goods and services, a source of green technology diffusion, increased productivity, and reduced greenhouse gas emissions (GHG). Realizing this positive outcome requires pro-active policies that promote the trade in low-emission goods, services, and knowledge, and reducing or eliminating subsidies for carbon intensive production. Increasing global concerns over the risks of climate change creates an opportunity for Lao PDR, as a developing economy, to champion investments in green industrialization and services.

Lao PDR is a party to the Paris Agreement and submitted their updated Nationally Determined Contribution (NDC) Implementation Plan to the United National Framework Convention on Climate Change (UNFCCC) in March 2021. This demonstrates Lao PDR's commitment to both climate change mitigation and adaptation, by reducing GHG and building resilience to climate change by 2030 and achieving net-zero emission by 2050. Mitigation action and adaptation action plans are in place for agriculture, forestry and land use (AFOLU), energy, transport, and waste. Effectively implementing the NDC requires significant external technical and financial assistance. While the NDC notes the need for the Ministry of Natural Resources and the Environment (MONRE) to coordinate with the MOIC to support effective implementation, the NDC does not explicitly integrate business and trade perspectives. The MOIC will work with MONRE to address this gap.

Increasing awareness and concern over climate change resulting from GHG is resulting in a proliferation of climate mitigation measures and standards. Private industry groupings have developed and implemented multiple initiatives, while others apply at the country level (South Korea and Japan have government labelling schemes) or regional level (the European Union Green Deal). Most private climate policy relevant sectors (CPRS) use their own criteria for standard-setting which can lack transparency and environmental integrity. This diversity of carbon standards and labels increases compliance costs and constrains smaller producers' participation in global markets. The EU Green Deal includes the Carbon Border Adjustment Mechanism (CBAM), the EU Deforestation-Regulation (EU-DR), and the Corporate Sustainability Due Diligence Directive (CSDDD).

The EU Green Deal and the "Fit for 55" package committed to cut GHG by at least 55 percent by 2030. and to achieve carbon neutrality by 2050. Realizing these goals rely mostly on the Emission Trading Scheme (ETS). The EU ETS cap is scheduled to decline gradually over time. Capping ETS within the EU encourages carbon intensive activities to relocate outside, disadvantages EU producers and has minimal global impact on GHC. EU member states' concern over carbon leakage, loss of market share through GVC shifting production to economies with no carbon pricing, and global welfare costs of climate change, resulted in the EU introducing the Carbon Border Adjustment Mechanism (CBAM) in October 2023 to try and level the playing field. CBAM requires exporting countries to report on the direct and indirect emissions embedded in selected products imported into the EU. The CBAM incentivizes EU and foreign firms to reduce their carbon emissions when exporting to the EU. Following a 3-year transition, the importer will start paying levies from January 2026 on carbon-intensive imported goods, equivalent to those charged to domestic goods under the EU ETS. Importers will purchase allowances at the prevailing ETS price. The allowances are priced on the total emissions embedded in the product (CO_2 per ton). This will apply to aluminium, cement, electricity, fertilizers, iron and steel, hydrogen, plastics, and organic chemicals. The EU will increase the number of products subjected to CBAM over the period 2026-2030 to include all products covered by the ETS. Consequently by 2030 CBAM will apply to ceramics, lime, glass, pulp, paper, and cardboard. Lao PDR is a significant exporter of pulp, paper, and cardboard.

Companies that export qualifying products to the EU report by determining emissions based on activity data and calculation factors, or by continuous measurement of the relevant GHG in the flue gas (as used by the EU). The EU requires an accredited third party to verify qualifying products. The MOIC will work with the EU on building technical capacity to assist Lao PDR business to comply with the CBAM.

The EU will phase in the Regulation on Deforestation-free products (EUDR) for large and medium sized companies on December 30, 2025, and June 30, 2026, for micro and small enterprises. The Regulation requires any operator or trader seeking access to the EU, or exporting from the EU, to be able to prove that the products are legal in the country of production, do not originate from land deforested after December 31, 2020, or have not contributed to forest degradation. This EUDR applies to wood, cocoa, soy, palm oil, coffee, rubber, and some of their derived products including leather, chocolate, and furniture. Lao PDR producers and exporters will have a 3-year transition period; however, providing compliance will require collecting information, especially GPS data on the production area. Lao PDR exporters need to build the capacity to prove the traceability of their products.

The EU adopted the Corporate Sustainability Due Diligence Directive (CSDDD) in 2022. The CSDDD aims to improve corporate governance practices, help with fragmentation of due diligence requirements, increase corporate accountability for negative environmental and social impacts, offer better solutions for those affected by adverse impacts, and to complement other specific sustainability measures. The directive complements the Sustainable Finance Disclosure Regulation (SFDR), the 2011 Directive on preventing and combating trafficking in human beings and protecting its victims, the Conflict Minerals Regulation, and the EUDR. The CSDDD has a global reach as it requires compliance from companies exporting to the EU with more than 500 employees and an annual turnover of €150 million, or with more than 250 employees and a global revenue of more than €40 million companies and with at least 50 percent of their turnover in "high impact" sectors. The EU defines "high impact" sectors as i) manufacturing and wholesale of textiles, clothing, leather goods and footwear, ii) the agricultural sector including forestry, agricultural commodities, food and beverages, and iii) mineral resources including metals, construction materials, fuels, and chemicals. While the EU does not require CSDDD compliance from firms, under the size threshold, when they export directly to the EU, compliance is potentially beneficial since it increases their market access by enabling them to sell to a larger qualifying company or global value chain (GVC) that exports to the EU.

Lao PDR is committed to continuing to improve the business enabling environment, utilize trade policies and regulatory reforms to mobilize investment, reduce, and eliminate non-tariff measures, digitize trade procedures to reduce trade costs, drive productivity, promote competitiveness and build resilience. Actively implementing the ASEAN regional economy agenda will be a key driver promoting growth.

During and after the COVID-19 pandemic, Asia's GVC has shown signs of becoming more regional, though regionalization of backward linkages has not been as significant as for forward linkages. Lao PDR's GVC's have a relatively high level of CO_2 emissions with a 1 percent increase in GVC production resulting in a 3.5 percent increase in aggregate CO_2 emissions. This is higher than other ASEAN members. In Lao PDR, natural resource based economic activity is concentrated in the upstream part of the GVC, and upstream economic activities (such as extractives/mining) are associated with a higher level of emissions. In 2023, Lao PDR had the highest carbon dioxide production relative to value-added in GVCs worldwide, and when measured by total value-added it was the second highest[3]. This is primarily a reflection of the economic structure with electricity, mining, and basic metals accounting for a large share of GDP.

Liberalizing non-tariff measures (NTM) can limit access to climate-friendly goods (referred to as Environment Goods, EG). This may include packaging and labelling requirements, technical standards, and norms. Further multiple behind-the-border policies such as labour market regulations (visa and work permit requirements) may also constrain trade in environmental services (providing technical advice for increasing sustainable management practices). The number of climate-related notifications to the WTO more than doubled between 2009 and 2021, with 22 percent relating to climate mitigation and adaptation. The trade related climate change measures include technical regulations and conformity assessment procedures requiring compliance by GVCs.

All new trade agreements include environmental provisions which promote trade in environmental goods and services and encourage cooperation on sustainable transport. The WTO can assist in strengthening transparency through improved notification, and by addressing fossil fuel subsidy reform in the Trade Policy Review Mechanism.

The current uncertainty over US trade policy with the prospect of increased tariffs for Lao PDR, other ASEAN members, and other trading partners including China and the EU represents a potential risk to Lao PDR's existing trade. As noted above, Lao PDR also needs to ensure compliance with the EU Green deal. Given these global uncertainties Lao PDR's commitment to the ASEAN economic agenda, including ASEAN 2045, underpins the MOIC 2026-2030 strategy. Lao PDR is land-linked with the PRC and four ASEAN Member States (AMS). Reducing trade barriers with these neighbouring economies will create opportunities for additional investment and trade. The MOIC will also work to promote investment opportunities along the Boten-Vientiane-Bangkok transport corridor.

2.2 Overall Direction, Outcomes, Outputs of the Five-Year Plan 2026-2030

The Lao PDR Vision 2030 set the goal of increasing average national income per capita more than four-fold from 2015 through "systematically implementing a market economy with a socialist orientation" by "fostering strong potential sectors and economic infrastructure for industrialization and modernization." Lao PDR is committed to pursuing a growth agenda anchored by a commitment to mainstreaming inclusivity and sustainability.

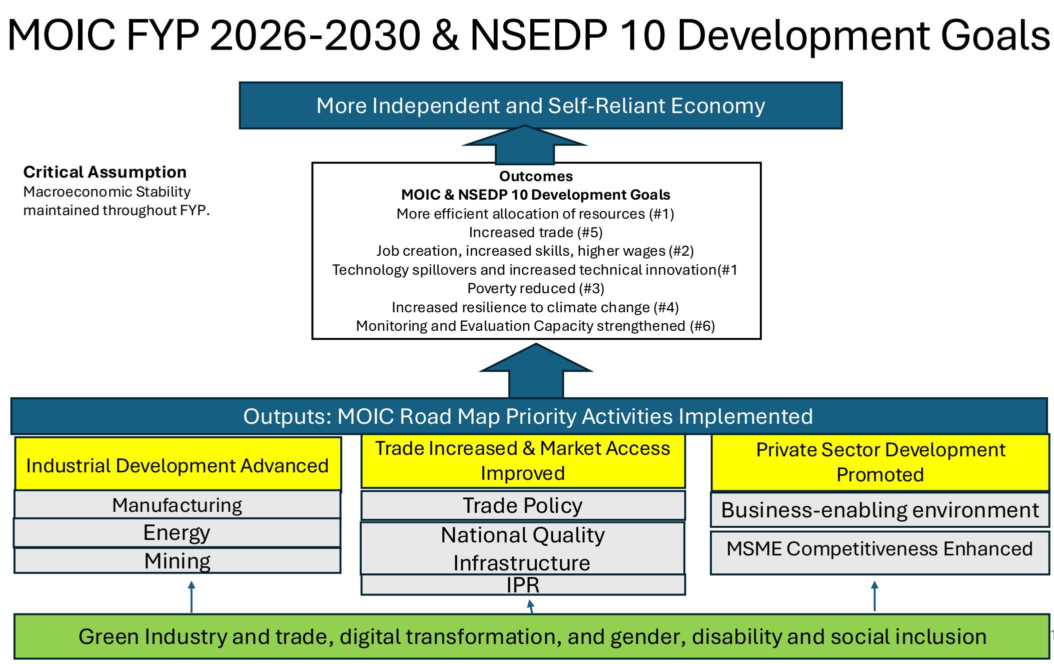
The MOIC FYP 2026-2030 is aligned with Government of Lao PDR Resolutions No. 4 and 5, the overarching goals of NSEDP 10, the 2030 United Nations' Sustainable Development Goals (SDGs)[4], the ASEAN targets, including commitments agreed in ASEAN 2025: Forging Ahead Together, ASEAN's Vision 2045, and the ASEAN Digital Masterplan. By 2045, ASEAN Members' goal is to be the fourth largest group in the global economy. Realizing this will require countries, including Lao PDR, to deepen their economic integration, and increase their resilience to external shocks.

To deliver the NSEDP 10 overarching development goal of building a strong, self-reliant economy and a stable society by developing high-quality human resources, improving living conditions, and integrating

[3]ADB, *Asian Economic Integration Report 2024: Decarbonizing Global Value Chains*, Manila, February 2024. Figure 6.11 page 156

[4] SDGs 8, 9 and 12 relate directly to the mandate of the MOIC.

with the global community, and protect the environment and natural resources while ensuring efficient and stable governance, the MOIC FYP 2026-2030 is organized around three strategic objectives: (i) advancing industry competitiveness, (ii) increasing trade, and (iii) promoting private sector development supported by three cross-cutting issues The three cross-cutting issues: (i) green industry and trade, (ii) digital transformation and (iii) gender equity, disability equity, and social inclusion (GEDSI) will be integrated into the activities across the three strategic outcomes. The MOIC FYP 2026-2030 activities will be subject to routine monitoring and evaluation throughout the five years and measured against agreed indicators.



Note: MOIC FYP 2026-2030 Outcomes shown as #1- #6 are mapped to the 6 NSEDP 10 Development Goals

To achieve the key targets set out in the NSEDP 10's six outcome areas, MOIC FYP aim to achieve the following key development targets, including:

1. Increase Trade Value: Achieve a 10 percent increase in total trade value.
2. Average annual growth rate of industry sector by 10 percent.
3. Ten percent annual Increase in contribution to government budget by the energy sector and mining sector.
4. Average increase in 5 percent of newly registered businesses per year.
5. Women's participation in the economy Increased. The proportion of women owned/managed businesses (Increase to 50 percent from current 47 percent).
6. Fifty percent of all energy and mining investment projects meeting defined quality standards.

2.2.1 Strategic Outcome 1 Advancing Industrial Development

The MOIC FYP 2026-2030 prioritizes increasing investment in the manufacturing, energy, and mining sectors to drive increased sustainable, equitable and resilient economic growth.

Key targets for this outcome include:

1. Increase in manufacturing output by 10 percent per annum annually (by value)
2. Increase in exports of manufactured goods by 10 percent per annum annually (by value)
3. Average annual growth rate of the energy sector at 10 percent and non-hydro renewable energy by 15 percent (by value)
4. Increase in the energy sector contribution to government budget by 10 percent per annum.
5. Average annual growth rate of the mining sector by 10 percent per annum (by value)
6. Increase in mining sector contribution to government budget by 10 percent per annum.
7. Increase cost recovery ratio of EDL to 100 percent by 2030.

2.2.1.1 Manufacturing

The manufacturing sector in Laos, though growing, faces significant challenges. It primarily comprises micro, small and medium enterprises with limited ability to export. Encouraging formalization and firm level growth requires improvements in the business environment, infrastructure, labour productivity, and regional linkages. The 2017 Industrial Development Report recorded 13,148 manufacturing firms. Large firms (5.43 percent of the total number) generate 57.51 percent of value added, while micro firms, though 37.60 percent of businesses contribute only 9.22 percent of value added. The largest export sectors include basic metals, telecommunications, food and beverages, chemicals, and apparel. The domestic market dominates sales, with over 97 percent of firms selling locally. Just under 3 percent of firms export, and only 1.25 percent export all their production.

Key subsectors include:

(i) Food, Beverage, and Tobacco: This sector accounts for a quarter of manufacturing firms, but only 3 percent participate in Global Value Chains (GVCs). It has strong ties to agriculture but suffers from underinvestment.

(ii) Textiles, Apparel, and Leather (TAL): A major employer account for 27 percent of manufacturing employment, and 20 percent of value added with 40 percent of businesses participating in GVCs. It shows high productivity, significant female employment, and provides jobs for low-skilled workers.

(iii) Rubber, Plastic, and Non-Metallic Minerals.

(iv) Wood processing: This sector (969 factories, 121 micro units in 2020) has low value-added and low productivity with only 20-30 percent capacity utilization. Exports have historically been primarily unprocessed wood. Laos is actively working to develop this into a sustainable, higher-value sector, despite challenges like illegal logging.

Lao PDR manufacturing businesses are less productive than those in Cambodia and Vietnam, making the country less attractive for Foreign Direct Investment (FDI). Median labour productivity is US$4,090 per worker, 61 percent less than Vietnam's. Despite increased capital intensity, capital productivity has declined.

Key targets for manufacturing sector include:

1. Increase in manufacturing output by 10 percent per annum (by value).
2. Increase in exports of manufactured goods 10 percent per annum (by value).

The MOIC will promote increased competitiveness by prioritizing the following activities.

(i) Improve the Business Environment to attract FDI through streamlining business entry procedures, ensuring regulatory predictability, and promoting targeted FDI in high-growth sectors (e.g., textiles, high-value agro-processing, cold chain for vegetables), and by liberalizing services and promoting Special Economic Zones (SEZs) by learning from leading global practices.
(ii) Simplify the regulations for agricultural inputs.
(iii) Abolish the list of minimum and maximum prices for agricultural products.
(iv) Establish a mobile-friendly online information platform reporting prices for agricultural products.
(v) Boost labor productivity and skill development by investing in vocational training and technical education, incentivizing skill development, encouraging technology adoption, and investing in labor market information systems.
(vi) Improve Infrastructure by prioritizing transport, logistical services (highways, dry ports, logistics hubs) and ensuring reliable utilities (electricity, water).
(vii) Facilitate regional linkages and export diversification by leveraging ASEAN integration, utilizing preferential trade agreements, and reducing non-tariff measures to improve intra-regional trade, especially in Energy.

2.2.1.2 Energy Sector

Lao PDR's energy sector is at a critical juncture. The achievements of 2021-2025 highlight the nation's commitment to leveraging its energy resources for economic growth and electrification. However, the path forward requires a careful balance between capitalizing on hydropower potential and aggressively pursuing diversification into other renewables. By strategically addressing financial stability, modernizing grid infrastructure, strengthening governance, and fostering international collaboration, Laos can reinforce its position as a regional energy leader, ensuring sustainable economic growth and a resilient, low-carbon future for its people and the broader ASEAN community.

Looking ahead, Lao PDR has significant opportunities to further develop its energy sector. The opportunities include diversifying into other renewables, capitalizing on Lao PDR's land-linked status to increase participation in the ASEAN power grid, encouraging investment in energy intensive activities, and becoming a regional hub for green energy.

Diversification into Other Renewables

Solar Power: With 200-300 sunlight days per year and a potential capacity of 4.5–5.0 kWh/m² per day, solar power has incredible potential for both grid-connected and off-grid electrification. Accelerating solar, wind, and biomass projects will reduce dependence on hydropower, enhance energy security during dry seasons, and align with global climate goals. **Wind Power**: Continued development of large-scale wind projects like the Monsoon Wind Power Project will contribute to a more diversified energy mix. **Biomass**: Biomass remains the most abundant energy resource, primarily used at the household level and in small-scale rural industries. Its potential for larger-scale energy generation can be further explored. **Green Hydrogen/Ammonia**: The surplus renewable hydropower electricity offers a unique opportunity for Laos to become an early adopter and regional leader in green hydrogen and ammonia production, diversifying its economy and supporting the global energy transition.

Regional Power Integration, Export Expansion, and Industrial Diversification

Strategic Land Linked Location: Lao PDRs geographical position makes it ideal for regional power trade. It actively pursues agreements to export more electricity and aims to increase overall power exports to 15,000 MW by 2030 (10,000 MW to Thailand and 5,000 MW to Vietnam, Cambodia, and Myanmar). **ASEAN Power Grid Integration**: Continued participation in regional power integration projects, such as the Laos-Thailand-Malaysia-Singapore power integration project, allows for increased electricity exports and strengthens regional energy security, further integrating Laos into the ASEAN Power Grid. **Domestic Industrialization and Value Addition:** Developing mineral processing and smelting plants (steel, silicon, copper) driven by its energy resources presents a significant opportunity to add value to raw materials, reduce imports, and create new revenue streams for the country. **Energy Efficiency and Electrification of End-Use Sectors:** Implementing energy efficiency and conservation measures across all sectors can reduce domestic demand, free up more electricity for export, and reduce CO_2 emissions. Promoting the use of electricity in all end-use sectors, including the adoption of electric vehicles, could reduce reliance on imported fossil fuels and enhance energy security. **Green Energy Hub Potential:** With its abundant renewable resources, Laos has the potential to become a "green energy hub" in the Greater Mekong Subregion, attracting further investment in clean energy technologies.

By 2030, the GOL expects the total value of the energy and mining sectors to increase to 14 percent of national GDP, and 98 percent of households to have access to electricity. The MOIC FYP supports the Lao PDR Hydropower Development Strategy (2021-2030). GOL is committed to ensuring environmental and social safeguards are complied with, while encouraging new natural resource exploration and development.

Despite the achievements and potential opportunities, several challenges must be addressed for Lao PDR to continue to attract new investment into the energy sector:

Hydropower Dependence and Climate Vulnerability

Climate Change Impacts: Heavy reliance on hydropower makes Laos vulnerable to climate variability, including prolonged droughts and fluctuating water levels, directly impacting power generation. The drought in 2023 and in 2024 significantly reduced hydropower production, leading to increased electricity imports. **Environmental and Social Impacts**: Large hydropower dams have severe environmental consequences, including blocking fish migration routes, altering sediment flow, and impacting biodiversity and aquatic ecosystems. Socially, they can lead to displacement of communities, loss of livelihoods, and inadequate compensation.

Improve Électricité du Laos (EDL) Financial Performance and Reduce Debt Burden

Financial Instability: Despite reforms, EDL faces significant financial challenges, including a widening liquidity gap and increasing debt. This principally results from selling electricity to domestic consumers at below cost-recovery prices, compounded by on-lending and guarantees provided by the government, which strains public finances. **High External Debt**: The aggressive development of the power sector has led to a rapid accumulation of external debt, posing significant risks to the country's macro-financial stability. The tariff revenue is often insufficient to cover the debt services obligations.

Domestic Electricity Supply Imbalance and Infrastructure Gaps

Blackouts and Net Power Trade Deficit: Despite being a major electricity exporter, Laos experiences regular blackouts and a net power trade deficit in certain periods, especially during the dry season. This is due to fluctuating hydropower production, underinvestment in transmission and distribution, and unpredicted demand surge from industries like cryptocurrency mining. **Inadequate Transmission Infrastructure**: Laos lacks a fully modern and robust national transmission system, hindering efficient power distribution and integration of its previously isolated grids. Inadequate capital from developers has partially slowed the implementation of planned transmission line projects.

Governance and Regulatory Weaknesses

Lack of Integrated Policy: There is a need for a more integrated national energy policy and clearer vision covering all energy sub-sectors, with defined responsibilities among related agencies. **Limited Capacity for Oversight**: Agencies responsible for regulating and monitoring the energy sector often lack sufficient technical knowledge, resources, and manpower for effective enforcement, particularly concerning environmental and social safeguards.

Reliance on Fossil Fuels and Limited Diversification

While electricity generation is dominated by renewables, around 20 percent of primary energy demand is met by fossil fuels (oil and coal), particularly in transport and some industries. The current energy mix includes 15 percent coal-fired thermal power. The National Power Development Plan still emphasizes increased coal production, which contradicts global decarbonization efforts.

Unexploded Ordnance (UXO) The widespread presence of UXO, especially in rural areas, poses a significant obstacle to developing energy infrastructure, particularly in inaccessible terrain.

Key targets for the energy sector include:

1. Average annual growth rate of the energy sector at 10 percent and non-hydro renewable energy by 15 percent (by value)
2. Increase in contribution to government budget by the energy sector by 10 percent per annum.
3. By 2030 EDL to achieve full cost recovery from tariffs.
4. Fifty percent of new energy investment projects meet defined quality standards.

Policy Recommendations 2026-2030

To navigate these complexities and ensure sustainable growth in the Energy sector the MOIC will implement the following measures during the 2026-2030 period.

Comprehensive Power Sector Reform Roadmap Finalized. This will address the **Financial Sustainability of EDL** which requires designing and implementing pragmatic tariff reforms to achieve cost recovery for domestic consumption, ensuring a stable revenue base for EDL while balancing consumer affordability for lower income groups. **Improved Governance and Regulation**: Strengthen institutional and governance arrangements within the energy sector to ensure transparency, accountability, and effective oversight, attracting further private investment. Modernize environmental and social safeguard management systems. **Debt Restructuring and Management**: Continue to actively negotiate debt restructuring with creditors and implement robust debt management mechanisms to alleviate financial pressure and restore investor confidence.

Lao PDR's Energy Mix Diversified through **Accelerating the development of Non-Hydropower Renewables**: Prioritize and expedite the approval and development of solar, wind, and biomass projects to reduce dependence on hydropower, enhance energy security during dry seasons, and align with global climate goals. Address the lagging development of renewable energy to meet the 11 percent target. **Review Coal Plans**: Re-evaluate plans for increased coal production to align with net-zero targets and regional trends towards cleaner energy. **Explore Emerging Technologies:** Investigate the potential for hydrogen and ammonia as clean fuels, leveraging surplus renewable energy.

Transmission and Distribution Infrastructure Modernized through securing funding and implementing projects to upgrade and expand the national transmission and distribution grid. This is crucial for improving reliability, reducing losses, and facilitating domestic consumption and regional power trade. Address the issue of insufficient capital from developers for transmission projects. **Smart Grid Development**: Explore smart grid technologies to enhance grid integrity, manage fluctuating renewable energy inputs, and improve overall system efficiency. **Continued Implementation of EDL-T Mandate**: Support EDL-T in its mandate to develop Laos' electricity transmission system for stable nationwide supply, enhanced domestic energy security, and regional grid integration.

Domestic Value Addition Enhanced to support industrial development by providing incentives aimed at facilitating the establishment of mineral processing and smelting plants (steel, silicon, copper) to maximize the economic benefits from Lao PDR's natural resources and reduce reliance on raw material exports.

2.2.1.3 Mining Industry

Mining Sector Opportunities for 2026-2030

The Lao PDR mining sector has significant opportunities for additional investment and growth during NSEDP 10 and beyond. These include a rich natural endowment, growing global demand for key minerals, strategic location, substantial potential for increased investment in downstream activities, and a strong commitment to "green growth." These are outlined below.

Abundant and Diverse Mineral Resources: Lao PDR's rich endowment of over 700 identified mineral deposits, including gold, copper, rare earths, and potash, provides the foundation for continued economic growth. **Growing Global Demand for Key Minerals:** Increasing global demand for critical minerals, particularly those used in green technologies, presents a significant market opportunity for Lao exports. The China-Laos Railway further enhances connectivity and reduces logistics costs. **Strategic Location and Connectivity:** Being a "land-linked" country with improved infrastructure, such as the China-Laos Railway, facilitates efficient export to major markets, especially China, which is a key investor and importer of Lao minerals. **Government Support for Foreign Direct Investment (FDI):** The Lao government actively seeks to attract foreign investment through favorable policies, revised investment laws, and tax conditions, with mining remaining a key concession sector. **Potential for Downstream Processing:** The emphasis on promoting in-country processing and smelting plants offers the opportunity to add significant value to raw materials, increase domestic electricity consumption, and generate higher revenue. **Green Growth and Sustainable Development Focus:** The government's commitment to "Green Principles" and integrating environmental safeguards can attract responsible, conservation-compatible investment, leading to a more sustainable industry. **Regional and International Cooperation:** International cooperation in mapping, research, and investment, along with participation in international projects, offers opportunities for technical assistance, knowledge transfer, and market access.

The mining sector plays a crucial role in the Lao economy, contributing to GDP and export revenues. However, its growth has recently plateaued due to factors such as declining demand and lower prices, as well as the maturation of major operations. Despite these headwinds, a recent surge in copper and gold prices has led to a re-evaluation of mine closure plans, potentially extending the operational lives of Laos' large mines. To attract quality investment and realize the sector's full potential, it is necessary to address several critical issues, including access to exploration areas, security of tenure, balanced fiscal terms, clear understanding of obligations, a transparent regulatory regime, and accessible data. The government aims to modernize and regulate the sector, focusing on comprehensive resource assessment, value addition, and responsible practices.

The Lao mining sector advanced its modernization and regulatory efforts during 2021-2025, laying a foundation for more responsible and value-added resource extraction. While the inherent wealth of mineral resources presents substantial opportunities, overcoming persistent challenges related to law enforcement, financial limitations, and the social and environmental impacts of mining will be crucial. By implementing the recommended policy directions for 2026-2030, the sector can further strengthen its governance frameworks, diversify its mining activities through downstream processing, enhance environmental and social safeguards, and build a highly skilled workforce. This strategic approach will ensure that the mining sector contributes sustainably to national development, attracting responsible investment and maximizing long-term benefits for the Lao people.

Over the past decade the mining sector has accounted for almost one-third of total foreign direct investment, and over one-fifth of total exports over the past decade. The priority for the MOIC in FYP 2026-2030 is to resolve the ongoing constraints to new mining investment, including by implementing the licensing systems and reviewing the beneficiation policy, while prioritizing the minimization of environmental impacts. In the electricity and hydropower sector the priorities include: (i) develop the potential to deliver reliable electricity supply through renewables rather than coal, (ii) to optimize hydropower system planning, and (iii) reorientate new investment towards improving transmission and interconnection systems with neighbouring countries.

The current concession application system requires approvals from multiple ministries at the state level and approvals at the provincial level. This cumbersome process results in delays and can lead to unequal and non-transparent treatment which creates uncertainty and discourages quality investors.

During the FYP, the MOIC will streamline the requirements for applying and renewing mining and exploration licenses by vesting authority in the MOIC. To ensure transparency, the MOIC will publish the criteria and steps required for obtaining and renewing licenses. The MOIC will develop and implement an online FlexiCadastre system. This is an online portal that will enable online applications, renewals, and other business processes, while also providing real-time access to tenement information of license holders and potential investors. The online mineral tenement map and Cadastre portal will be compliant with the Extractive Industries Transparency Industry (EITI) standards. This will promote transparency within the Lao PDR mineral sector.

Notwithstanding the growth of the mining sector throughout 20201-2025 serious challenges remain and must be addressed for the industry to transition to a more sustainable trajectory. These include **Budgetary and Technical Limitations:** The completion of comprehensive geological mapping and other key tasks faces ongoing financial and technical constraints, necessitating continued reliance on external funding. Broader national economic difficulties, including high inflation, unsustainable public debt, and foreign exchange liquidity constraints, can impact on the mining sector's ability to attract and retain investment and its contribution to the national budget. While international cooperation is beneficial, it also highlights a reliance on foreign technical expertise and equipment, which can impact local capacity building and self-sufficiency. Remote project locations often require companies to establish their own infrastructure, increasing construction periods and budgets, and higher operating costs.

Weak Law Enforcement and Regulatory Implementation: Despite developing the legal framework, weaknesses persist in the implementation of laws due to limited capacity, insufficient monitoring, and communication issues between various ministries and administrative levels. This can lead to illegal mining, environmental damage, and social conflicts. **Informal and Artisanal Small-Scale Mining (ASM):** ASM often operates in a "legal grey zone," contributing to land degradation and pollution, and posing significant governance challenges due to blurred boundaries with larger concessions and difficulties in formalizing and regulating these activities. **Social and Environmental Impacts:** Mining operations can lead to land disputes, water pollution, riverbank erosion, and negative impacts on local communities' livelihoods if not managed properly. Ensuring equitable benefit sharing with local communities remains a challenge.

Key targets for the mining sector include:

1. Average annual growth rate of the mining sector at 10 percent (by value)
2. Increase in contribution to Government budget by the mining sector (10 percent per annum)
3. Fifty percent of new mining investment projects meeting defined quality standards.

To ensure sustainable growth and maximize benefits from its mineral resources, Laos should prioritize the following policy recommendations:

Complete Nationwide Geological Mapping: Secure domestic and international funding to complete the remaining 1:200,000 scale geological-mineral mapping and accelerate 1:50,000 scale mapping in strategic mineral areas. This will provide a comprehensive resource inventory for future development.

Strengthen Mining Governance and Law Enforcement

(i) Implement the simplified and transparent licensing system based on the new provisions in the 2017 Law on Minerals and upgrade the relevant implementation regulations to ensure clear and enforceable expectations for concession holders, particularly with respect to their environmental obligations.

(ii) Review the moratorium on new exploration and mining licenses to allow companies that can demonstrate the ability to operate to leading practice environmental, social and governance standards as determined by third-party ratings (e.g., Bloomberg, Refinitiv, and Sustainalytics) to receive a license.

(iii) The MOIC will publish the Environmental, Social and Governance (ESG) criteria required for obtaining exploration and mining licenses.

(iv) Encourage higher quality investments through allowing one company to own more than one exploration license and increase the size of prospecting permits.

(v) Conduct a review of the policy requiring mining companies to invest in value-added smelting and refining activities in Lao PDR. The review will summarize the lessons learned from comparator countries, identify and quantify the potential benefits, challenges, risks, and costs.

(vi) Review the existing fiscal regime and introduce an internationally competitive transparent and standardized set of fees and revenue sharing arrangement to minimize the scope for discretion.

Enhance Environmental and Social Impact Management and Address Artisanal and Small-Scale Mining (ASM)

(i) Ensure that all mining projects, both existing and new, conduct thorough environmental and social impact assessments and adhere to stringent environmental protection standards. This includes mandatory ecological restoration and water management plans for dams and mining sites.

(ii) Implement an overarching strategy for mining and hydropower development and require strategic environmental assessments to identify cumulative, long-term effects, especially on forests, protected areas, biodiversity, agricultural lands, and livelihoods.

(iii) Address the lack of capacity and resources within oversight agencies responsible for managing impacts on host communities and ensuring environmental protection.

(iv) Develop specific, context-sensitive solutions for the governance and control of ASM, aiming to formalize operations where feasible, mitigate negative impacts, and integrate these activities into the broader sustainable development strategy.

Improve Data Management and Transparency

Establish and strengthen centralized databases for geological information, production data, financial obligations, and concession management to enhance transparency, improve decision-making, and build trust among stakeholders.

Regularly Review and Optimize Concession Agreements

(i) Continuously review existing concession agreements and develop transparent and fair procedures for new concessions, ensuring maximum benefit for the state while attracting responsible investment.
(ii) Reduce or eliminate discretionary project-by-project fiscal terms and implement a transparent and standardized system of fees and revenue-sharing arrangements to increase certainty and improve the investment environment.
(iii) Improve the technical capacity of MOIC regulatory staff to monitor compliance more effectively. Collaborate with both private mining companies and technical and vocational institutions to deliver training to Lao PDR nationals in geology and other related subjects.

2.2.2 Strategic Outcome 2 Increasing Trade and Improving Market Access

Increasing integration into global markets is a key driver for delivering economic growth, creating jobs, and realizing improved development outcome. Applied research has established a clear link between increased exports and higher productivity and better paying jobs. Recent work by the ADB[5]; using a gravity model to estimate export potential over the period 2010-2022, found that Lao PDR exports as a share of GDP were approximately 12 percent below their potential. Yet Lao PDR has demonstrated the ability to grow exports. In 2022, Lao PDR exported over $9.5 billion globally, a 64 percent increase over 2019 ($5.8 billion), and a five-fold increase over 2010 exports of $1.9 billion. NSEDP 9 (2021-2025) prioritized regional and international integration. Notwithstanding this growth, Lao PDR remains a very small exporter accounting for less than 0.03 percent of global trade and small relative to other ASEAN economies[6].

Table 1 Lao PDR Fastest Growing Export Sectors, 2019-2023

Exports ($million)

Description	**2019**	**2020**	**2021**	**2022**	**2023**
Metals, Gold	192	457	962	805	703
Iron Ores & Concentrate	44	84	246	495	410
Paper & paperboard (heavier)	0	2	288	306	304
Fertilizers	108	131	139	320	401
Vegetable roots and tubers	90	195	270	649	334
Wood pulp	90	144	270	322	274
Paper & paperboard (light)	0	2	236	183	159
Gypsum	4	4	10	536	149
Sugars; sucrose	101	34	63	217	225
Edible Fruit	14	49	53	29	130

Source: Derived from World Bank, World Integrated Trade Solution https://wits.worldbank.org/

Over the period 2019-2023, exports of electricity to neighbouring economies almost doubled from US$1.3 billion to US$2.65 billion and accounted for over one-third of the total. Natural resource products from

[5] Ganz Federico, Gonzalo Varela, and Kiyoshi Taniguchi, *Estimating Asian Economies' Missing Exports*, ADB Economics, Working Papers Series, No. 784, June 2025.
[6] Exports in 2021 for Cambodia totalled $17.6., Myanmar $15.2, Thailand, $267.3 and Vietnam $336.9 billion.

the mining, forestry and agricultural sectors accounted for the ten fastest growing exports (at the HS 6-digit level) by value, as shown above in Table 1

Lao PDR's exports are concentrated on a relatively small number of lower value-added products. Food and vegetables, crude metals, minerals, and fuels, including electricity exports accounted for over 60 percent of total exports in 2019. The bulk of Lao PDR's exports are destined for Thailand, China, and Vietnam. In 2021, the value of Lao PDR's exports to these three trading partners accounted for 80 percent of total exports. In summary, Lao PDR exports a narrow range of low value-added products to a relatively small number of countries. With exports concentrated on primary products and lower value-added products, Lao PDR's participation in GVC is very modest and much lower than its neighbours. Lao PDR has the potential for substantial trade growth at both the intensive and extensive margins.

Realizing the goal of expanding and diversifying Lao PDR exports requires the MOIC to prioritize improving the business and regulatory environment, reducing trade costs, expanding the availability of human capital, and ensuring macroeconomic stability within an increasingly fragile global context. In 2026, Lao PDR will graduate from least developed country (LDC) status. As an LDC, Lao PDR qualifies for the Generalized System of Preferences (GSP) scheme in 24 markets. Under the GSP, economies offer unilateral preferential tariffs to eligible countries; after graduation in 2026, the average tariff faced by Lao PDR exporters in the former GSP markets will increase to 4.1 percent from 0.3 percent. Recent work by the ITC projects that Lao PDR may experience a 7.3 percent reduction in projected exports, with 70 percent of the reduction resulting from exports of natural latex and rubber, paper products and cereal products to China. Following LDC graduation Lao PDR trade with China will be governed by the China-ASEAN FTA or the Asia-Pacific Trade Agreement (APTA).

In the EU market Lao PDR will transition from the Everything but Arms (EBA) quota-free, duty-free scheme for LDCs to the Generalized System of Preferences (GSP) for developing countries. The ITC estimates this could decrease exports by $121.7 million. Further the ITC work forecast smaller export market reductions for trade with the United Kingdom, Japan, and Canada.

Key targets include:

1. Improvement in Lao PDR's performance in International Trade Topic of WB's Business Ready Report (Improvement by 10 percent from 2025)
2. Mean time to clear imports, exports, and transit, through customs (reduced by 25 percent by 2030)
3. Reduction in time and costs for import and export (reduced by 25 percent by 2030)
4. Reduction in import and export documents (reduced by 25 percent by 2030)
5. NQI Council established and meeting quarterly; Annual government budget for NQI increased by 10 percent; Fee-for-service model implemented.
6. Number of calibration services offered increased by 10 percent; Number of accredited labs doubled (especially in food/agriculture); First Lao certification bodies accredited (all by 2030)
7. Passage of amended WTO-TRIPS compliant laws for key IP types (by 2027)
8. Reduction in processing times and cost for key IP registrations (by 25 percent by 2030)
9. A fully functional e-filing system for trademarks that allows online application, status tracking, and fee payment, (operational by 2030).

10. Increase in IP applications filed by residents and non-residents.

2.2.2.1 Trade Policy

Increasing and diversifying trade is critical to Lao PDR transitioning to a middle-income economy and for building resilient growth. Lao PDR will reduce trade costs through implementing the National Trade Facilitation Roadmap 2025-2030 by simplifying, streamlining, and automating trade procedures, reducing trade restrictive non-tariff measures (NTM) and by prioritizing the reduction of NTM for environmental goods (EG). Lao PDR reaffirms its commitment to the WTO trade rules and the ASEAN 2045 agenda for trade, the Green Trade Agenda, and the evolving ASEAN Digital Economy Framework Agreement, and committed to implement priorities to ensure smooth transition from LDC graduation.

During FYP 2026-2030 the MOIC will implement the following actions in support of increased and improved market access.

(i) Continue to simplify the tariff structure by eliminating nuisance tariffs to simplify trade clearance and reduce the compliance costs.
(ii) Enhance trade facilitation reforms to further reduce requirements for import and export permits and licenses and increase the use of electronic procedures within customs and other agencies to expedite border clearance.
(iii) Review Non-Tariff Measures (NTM), prioritizing the simplification and reduction of NTMs on environmental goods (EG).
(iv) Require Regulatory Impact Assessments to be completed and published on the Lao Trade Portal for all new and revised trade related regulations.
(v) Streamline and modernize domestic regulations for technical standards and SPS in line with regulations of trading partners and international standards.

2.2.2.2 National Quality Infrastructure

Lao PDR seeks to develop a more demand-driven, sustainable, and integrated National Quality Infrastructure (NQI) that effectively supports Lao trade competitiveness, industrial development, and consumer safety. Lao PDR has established the fundamental pillars of a NQI faces significant challenges in implementation, capacity, and awareness. The Department of Standards and Metrology (DSM) under the Ministry of Science and Technology (MOST) is the national standards body. Lao PDR generally aligns national standards with international standards (primarily ISO and IEC) and regional ASEAN standards. The Lao National Accreditation Bureau (LAoNAB) established in 2016 under the MOST has signed Mutual Recognition Agreements with the International Laboratory Accreditation Commissions (ILAC) and the International Accreditation Forum (IAF). This means that a certificate or test report from a LaoNAM accredited body will be recognized internationally by members of ILAC and IAF. However, Lao has very few accredited laboratories. The public and private entities providing testing, inspection and certification services for product testing, food safety etc. have limited capacity and scope. Lao PDR faces a critical shortage of qualified experts across all elements of the national standards infrastructure. While MOST is the responsible agency, NQI impacts trade, agriculture, and health.

Key targets for strengthening NQI include:

1. NQI Council established and meeting quarterly; Annual government budget for NQI increased by 10 percent; Fee-for-service model implemented.
2. Number of calibration services offered increased by 10 percent; Number of accredited labs doubled (especially in food/agriculture); First Lao certification bodies accredited by ILAC or ILAB
3. National quality campaign launched; 100 SMEs receiving financial incentives for certification.

A sound NQI benefits Lao citizens through ensuring safer and improved quality products and helps to promote export competitiveness. During the next FYP, the MOIC will support the establishment of a formal, high-level NQI Council chaired by the MOST or MOIC with members from key ministries, to develop a unified national policy on quality. This will encourage investment in private laboratories to upgrade critical testing equipment. As the coordinating Ministry on the ASEAN Economic Union the MOIC will actively participate in ASEAN sectoral working groups to ensure Lao standards and technical regulations align. This will minimize trade barriers. The MOIC will also prioritize implementing ASEAN Mutual Recognition Arrangements (MRAs), support businesses to improve quality and compliance with both technical regulations and private standards.

2.2.2.3 Intellectual Property

The Lao PDR Law on Intellectual Property (IP) as amended in 2017 provides the legal foundation; however, the MOIC must develop the implementing regulations and enforcement mechanisms. There is a lack of specialized and qualified personnel who understand the technicalities of IP law. Further, the Department of Intellectual Property (DIP) under the MOIC faces resource constraints. Registration processes can be slow, opaque, and cumbersome which discourages both domestic creators and foreign entities. There is also a broader lack of awareness and understanding of the importance of IP as a business asset among SMEs, individual creators, artisans, and even within government bodies.

Effectively implementing the IP law and raising awareness on IP will enable Lao PDR to leverage its unique cultural and biological assets. These include Geographical Indications (GIs). Promoting and protecting GIs for their unique agricultural products (e.g., Lao Coffee (Bolaven Plateau), Khao Kai Noi (Sticky Rice), Oudomxay Cinnamon) can add tremendous value, differentiate products in export markets, and ensure benefits flow back to local farmers. **Traditional Knowledge (TK) and Traditional Cultural Expressions (TCEs):** Laos is rich in handicrafts (e.g., silk weaving, Hmong embroidery), traditional medicine, and music. Developing a *sui generic* (unique) system to protect TK and TCEs from misappropriation can empower communities and create sustainable cultural industries. Effectively branded and protected IP can be a core part of tourism experiences selling authentic certified handicrafts, promoting GI food products, and cultural performances.

Lao PDR is part of the regional and multilateral frameworks for IP cooperation (e.g., ASEAN Working Group on Intellectual Property Cooperation - AWGIPC) which provides access to technical assistance, capacity-building programs, and harmonization of procedures. The World Intellectual Property Organization (WIPO), the World Trade Organization (WTO), and development partners (e.g., Japan, Korea, and EU) provide critical technical and financial support for projects ranging from legal drafting to setting up collective management organizations for copyright.

A predictable and enforceable IP regime is a key factor for technology and pharmaceutical companies when deciding where to invest. Improving the IP system can help Laos move up the value chain from resource extraction to light manufacturing and innovation. Integrating IP into business development services for startups can help them scale up, protect their innovations, and become more competitive.

During FYP 10 the MOIC will Prioritize the following activities.

(i) Increase technical capacity through training the IP office staff and coordinate with other government ministries to ensure training is delivered to other government agencies including, the judiciary, police, and customs officials.

(ii) MOIC will Launch a National Awareness Campaign using simple language and local media to educate businesses, farmers, and artists about the practical benefits of trademarks, GIs, and copyright.

(iii) Support selected high-potential products (like coffee and silk) to achieve GI status. This has the potential to create success stories that will demonstrate the tangible value of IP.

(iv) Deepen collaboration with ASEAN neighbours, particularly Thailand and Vietnam, to share best practices, streamline cross-border enforcement, and tackle transnational IP crime.

(v) Create a legal framework for the protection of traditional knowledge that is accessible to local communities and ensures equitable benefit-sharing.

(vi) Invest in a user-friendly e-filing IP platform and digital databases to increase transparency and accessibility.

(vii) Promote increased regional cooperation for Intellectual Property Rights (IPR) through support for the ASEAN regional IP platform, raise awareness and access across the Lao economy, and assess harmonizing trademarks and industrial design throughout ASEAN.

2.3 Strategic Outcome 3 Promoting Private Sector Development

Lao PDR must address multiple structural challenges when designing priority reforms and activities targeting strengthening private sector competitiveness. Principal constraints include:

(i) A weak macroeconomic outlook with a high debt burden severely constrains the government's financial resources. Ensuring macroeconomic stability is a prerequisite for advancing private sector competitiveness.

(ii) Time-consuming and expensive commercial disputes are required for contract enforcement.

(iii) The low level of human resource capacity.

(iv) A large informal/subsistence sector.

(v) Redundant regulations with cumbersome procedures and Non-Tariff Measures (NTM)

(vi) High trade and logistics costs crowd out a wide range of investment opportunities.

These constraints provide the rationale for strategic goals of improving the business enabling environment, increasing trade, and enhancing competitiveness throughout the economy. Reducing the costs of business registration and licensing, strengthening public-private dialogue and transparency, and improving labour skills are necessary prerequisites for increasing investment opportunities in Lao PDR.

Key targets for private sector development include:

1. Improvement in Laos' performance in select topics of WB's Business Ready Report:
    a. Business entry (Improvement by 10 percent from 2025).
    b. Utility services (Improvement by 10 percent from 2025).
    c. Labor (Improvement by 10 percent from 2025).
    d. Financial services (Improvement by 10 percent from 2025).
2. Reduction in time and cost to start a business (20 percent).
3. Increase in number of SMEs having formal bank loans by 5 percent per annum.
4. At least 250 SMEs receive targeted advisory services from support programs (per annum).
5. Improvement of performance of SMEs receiving support from various programs by 20 percent compared to similar SMEs with no support.

2.3.1 Business-Enabling Environment

Lao PDR has made significant progress in strengthening the business-enabling environment over the past decade; however, more actions are required to reduce the risks and costs of starting and operating a business. During FYP 2026-2030 the MOIC will implement the following improvements to the business environment.

Key priority activities for 2026-2030 include:

(i) Deepen business entry reforms, including full implementation of the Electronic Business Registration System (eBRS). This will increase efficiency and improve geographical coverage, especially in the provinces, districts, and special economic zones (SEZs).

(ii) Establish a risk-based licensing framework through an online business information portal to reduce the regulatory burden on business licensing and lower the costs in searching for investment and trade opportunities.

(iii) Review investment incentives instruments to ensure alignment with GOL investment goals (i.e., increasing diversification and greater linkages within the economy).

(iv) Join the International Centre for the Settlement of Investment Disputes (ICSID).

(v) Eliminate entry restrictions for key service sectors (such as transport and logistics) to promote competition and efficiency.

(vi) Increase communications and outreach, strengthen the availability of business and trade policies and regulations through routine updates on the Lao Trade Portal, Business Operating Licensing Portal and other information portals.

(vii) Coordinate with the Ministry of Labor and Social Welfare (MOLSW) to gradually adjust the minimum wage to reduce differentials with neighbouring economies and to create incentives for subsistence workers to enter the Lao labour market.

(viii) Coordinate with the Ministry of Education and Sports and the MOLSW to increase investment in upskilling and reskilling curricula to match the skill needs in Laos' growing sectors. Actively engage the private sector in designing and delivering skills development to align with industry demand.

(ix) Coordinate with MOLSW to invest in a labour market information system to provide relevant and timely labour market statistics, including monitoring skill levels.

(x) Provide information and technical advice to support businesses to satisfy core labour, environmental and governance regulations and standards to comply with emerging social and environmental requirements in major foreign markets (e.g., EUDR, CSDDD).

2.3.2 Enhancing Small and Medium Enterprise Competitiveness

Microenterprises, Small and Medium Enterprises (MSMEs) are vital to Lao PDR's economy and have the potential to serve as a major driver for growth and employment. MSMEs account for 99 percent of all firms and provide over 80 percent of all jobs. Despite formalization policies and initiatives 86 percent of all MSMEs operate informally. The lack of a statutory definition of MSMEs combined with Lao PDR not participating in the Financial Sector Assessment Program (FSAP) results in limited information and data across diverse data sources. Increasing their competitiveness requires understanding the constraints preventing them from growing and producing quality goods or delivering reliable services to larger domestic firms or from entering export markets.

The "Competitiveness Challenge Fund" or Business Assistance Facility (BAF), supported under the Lao Competitiveness and Trade (LCT) Project, is a mechanism designed to stimulate innovation and improve SME competitiveness. This type of fund co-finances projects with both public and private benefits, encouraging innovation while reducing risk for enterprises. The BAF uses a competitive process to ensure that only the most promising projects receive funding. It also requires matched funding from bidding organizations, which increases their ownership and commitment. By targeting market failures, the fund aims to accelerate private sector competitiveness while achieving broader public benefits.

MOIC in cooperation with MOF and other agencies will support implementation of the following activities during the next FYP.

(i) Implement Monitoring and Evaluation (M&E) mechanisms for governmental MSME lending initiatives to ensure that public expenditure aligns with the growth priorities of Lao PDR, effectively measuring and verifying their intended impact.
(ii) Support the legal establishment of the Lao Credit Guarantee Fund (LCGC) and assist with preparing LCGC operating policies, rules, and instruments, to incentivize formal credit to underserved segments, including MSMEs and agriculture.
(iii) Increase wholesale funding schemes for eligible providers, particularly capital-starved Microfinance institutions (MFIs). Phaseout concessional finance-based programs and transition governmental MSME lending initiatives to an independent fund managed by a new APEX organization to improve governance aligned with international best practices.
(iv) Scale up capacity-building support to MSMEs to strengthen their creditworthiness and bankability. The capacity-building activities should ensure a gender balance.
(v) Modernize the Credit Information Company (CIC) to enhance its capabilities, enabling timely updates, and enhancing the quality and range of its services.
(vi) Improve access to finance for SMEs through building capacity of local banks to develop credit products that bypass traditional collateral and instead leverage alternative information sources, such as business cash-flows, introduce definitions of factoring and basic default right of parties into the legal framework, review and adjust current capital requirements for MFIs to better align with sector risks,

including accommodating larger loan sizes in the non-bank financial institutions (NBFIs) segment for MSMEs.

(vii) Promote the "Making Markets Work for the Poor" (M4P) concept in MSME development, particularly in agribusiness. The core principle is to address underlying systemic market constraints rather than providing direct, short-term aid.

(viii) Continue leveraging existing enterprise promotion funds and development assistance to help Lao PDR businesses become more competitive locally and internationally. This can be achieved by reducing internal costs, improving company management, and fostering innovation in products, markets, and distribution channels, including e-commerce.

2.4 Cross-Cutting Issues

2.4.1 Green industry and trade

Climate change and trade are inextricably linked as countries shift to a lower carbon future. Increasing economic growth and trade is essential for Lao PDR on the road to middle income status. Lao PDR seeks to achieve higher growth through adapting to greener industry and trade. Slowing climate change. Increasingly, trade regulations and trade policy will be key to encouraging increased competitiveness in regional and global markets, mitigating climate change, and underpinning resilient economic growth.

2.4.2 Digital Transformation

Digitalization across economic activities and digital trade are critical for advancing economic growth. Over the past two decades the spread of the internet, generation of vast quantities of data, and massive increases in computing power, have generated new digital technologies including big data analytics, cloud computing, the internet of things (IoT) and now artificial intelligence. These general-purpose technologies can be integrated across all sectors of the economy and are key growth drivers. Digitalization has resulted in large increases in cross-border data flows which deepens interdependence between countries, creates new business opportunities, but also presents cybersecurity risks.

2.4.3 Gender Equality, Disability Equity and Social Inclusion

MOIC will integrate GEDSI principles into its program development, policies, and monitoring and implementation frameworks to deliver equitable, sustainable, and resilient growth. GEDSI is a framework for addressing gender inequalities, disability inequities and social exclusion for marginalized groups, ensuring that all individuals, regardless of gender, disability status or social background, have equal opportunities and access to resources.

Part III Implementation Mechanisms, Inter Governmental Coordination and Monitoring and Evaluation

The MOIC is the primary agency responsible for developing the operational mechanisms for implementing, monitoring, and evaluating the FYP policies, programs and plans for industry and commerce. The operational mechanisms cover the following areas:

(i) Drafting policies, procedures, and regulations.
(ii) Ensure clear roles and responsibilities within MOIC.
(iii) Increase the capacity of Provincial MOCI through knowledge sharing and on-the-job training by MOIC staff.
(iv) Strengthen the gender focal point in MOIC and roll out to the Provincial MOICs.
(v) Manage and allocate financial, human, and technical resources to effectively implement and realize FYP targets.
(vi) Engage and foster collaboration with relevant stakeholders, including the private sector, civil society, academics, and international cooperating partners.
(vii) Monitor, report, and evaluate to track progress, manage risks, and assess outcomes to make appropriate adjustments during the life of FYP.
(viii) Senior MOIC management identifies, assesses, and plans for potential risks and delays.

3.1 Coordination Mechanisms and Approaches to FYP 2026-2030 Implementation

The MOIC will serve as the centre for promoting, improving, and developing industries and commodity production, promoting trade, marketing, and exports together with other stakeholders including the Lao National Chambers of Commerce and Industry (LNCCI), other private sector associations, international cooperating partners, civil society and academic researchers to strengthen enterprises, production in the manufacturing, handicraft, energy and mining and the services sector, trade and transport facilitation, the protection of rights and interests of domestic and foreign businesses, problem-solving, trade negotiations, and the reduction of trade barriers, particularly non-tariff measures relating to Environmental Goods.

Enhance coordinated coordination between the Industry and Commerce sector and complementary sectors such as Agriculture and Forestry, Information, Culture and Tourism, Labor and Social Welfare, Finance, Banking, Public Works and Transport, Natural Resources and Environment, Planning and Investment, and other relevant sectors to ensure that policies, strategies, programs, projects, and legislation of relevant sectors are connected and aligned along the Laos-China Economic Corridor and various economic corridors, special economic zones, specific economic zones, and various industrial estates to drive the government's commodity production process for continuous growth, efficiency, and effectiveness.

Enhance coordination and take initiative in cooperating with state organizations and business sectors, including international organizations and donors, to implement various activities and projects in industry and commerce, such as providing necessary funding, ICT systems, e-commerce and online trade, Industry 4.0 development and adaptation to the era of artificial intelligence, digital economy, circular economy, green and sustainable economy, intellectual property protection, standards and metrology, trade, investment, economic connectivity with the region and internationally, trade negotiations, consumer protection, producer and investor protection.
Coordinate and cooperate with the Agriculture and Forestry sector, other government agencies, and relevant sectors in implementing projects to promote commodity production and food security to fulfill responsibilities assigned by the government in each period.

Create effective coordination mechanisms with development partners with multiple consultation forums such as the Trade and Private Sector Working Group in the Round Table Process. Maintain the NIU system and PEC, PRC, and LBF meetings.

3.2 Budget and Funding Sources

To ensure that the MOIC goals and activities specified in FYP 2026-2030 are adequately resourced and implemented successfully the MOIC estimates a total budget of approximately ... trillion kip. The MOIC draft assume the Government of Lao will provide approximately * percent of the estimated total with the balance, consisting of grants and soft loans, sourced from international organizations, multilateral and regional development banks, development partners and friendly countries.

3.3 Monitoring, Evaluation, and Reporting

The MOIC will monitor, evaluate, and prepare annual reports on the implementation of the FYP 2026-2030. Each year, the Minister will assign responsibilities for implementing the MOIC plan to the Office, departments, institutes, trade advisory offices abroad, and provincial and Vientiane Capital Industry and Commerce departments.

The Office, departments, institutes, economic and trade counsellors stationed abroad, and provincial and Vientiane Capital Industry and Commerce departments must establish clear mechanisms and systems for monitoring, evaluation, and reporting on the results of implementing the Industry and Commerce Development Plan each year, integrated with this plan and practically implementable, as a basis for reporting to superiors, the government, and MOIC leadership, as well as relevant ministries and sectors.

The primary responsibility of monitoring and evaluation of the FYP will assess indicators or results or outcomes regarding the implementation as well as indicators and targets of the NSEDP 10 related to the responsibilities of MOIC with tangible results.

The MOCI will prepare FYP implementation progress reports at the end of each quarter, annually, mid-term, and end-term (5 years). The MOIC will develop and maintain an online dashboard to document FYP implementation. The dashboard will list the key performance indicators (KPI), updated at the end of each quarter, and contain a link to the NSEDP and the monitoring and evaluation methodology. The table below lists proposed KPIs for FYP 2026-203 0.

Summary of MOIC Proposed Key Performance Indicators for FYP 2026 -2030

(Draft as of September 04, 2025)

Level	Result	Indicators
Broad Development Goal – 2030	Promoting structuring transformation and resilience through advancing industry competitiveness, promoting trade, and private sector development	1. Increase Trade Volume: Achieve a 10 percent increase in total trade volume. 2. Average annual growth rate of industry sector by 10 percent. 3. 10 percent annual Increase in contribution to Government budget by the energy sector and mining sector. 4. Average increase in 5 percent of newly registered businesses per year 5. Women's participation in the economy – Proportion of women owned/managed businesses (Increase to 50 percent from current 47 percent). 6. Fifty percent of all energy and mining investment projects conform to defined quality standards.
Strategic Outcome I	Advancing Industry Competitiveness	8. Increase in manufacturing output (by 10 percent annually). 9. Increase in exports of manufactured goods (by 10 percent annually) 10. Average annual growth rate of the energy sector at 10 percent and non-hydro renewable energy by 15 percent. 11. Increase in contribution to Government budget by the energy sector (10 percent annually). 12. Average annual growth rate of the mining sector at 10 percent. 13. Increase in contribution to Government budget by the mining sector (10 percent annually). 14. Increase cost recovery ratio of EDL to 100 percent by 2030 15. 50 percent of all energy and mining investment projects conform to defined quality standards.
Strategic Outcome II	Increase Trade and Improve Market Access	1. Improvement in Laos' performance in International Trade Topic of WB's Business Ready Report (Improvement by 10 percent from 2025). 2. Mean time to clear imports, exports, and transit, through customs (reduce by 25 percent) 3. Reduction in time and costs for import and export (reduce by 25 percent). 4. Reduction in import and export documents (reduce by 25 percent). 5. NQI Council established and meeting quarterly; Annual government budget for NQI increased by 10 percent; Fee-for-service model implemented. 6. Number of calibration services offered increased by 10 percent; Number of accredited labs doubled (especially in food/agriculture); First Lao certification bodies accredited.

		7. Passage of amended WTO-TRIPS compliant laws for key IP types. 8. Reduction in processing times and cost for key IP registrations 9. A fully functional e-filing system for trademarks that allows online application, status tracking, and fee payment. 10. Increase in IP applications filed by residents and non-residents.
Strategic Outcome III	Private Sector Development	1. Improvement in Lao PDR performance in select topics of WB's Business Ready Report: o Business entry (Improvement by 10 percent from 2025) o Utility services (Improvement by 10 percent from 2025) o Labor (Improvement by 10 percent from 2025) o Financial services (Improvement by 10 percent from 2025) 2. Reduction in time and cost to start a business (20 percent) 3. Increased in number of SMEs having formal bank loans by 5 percent per annum. 4. At least 250 SMEs received targeted advisory services from support programs per annum. 5. Improvement of performance of SMEs receiving support from various programs by 20 percent compared to similar SMEs not receiving the support

Appendix 1

MOIC Five Year Plan 2026-2030 Manufacturing Industry, Energy and Mining, Trade and Private Sector Competitiveness Roadmap

Strategic Outcome I	Advancing Industry Competitiveness	***1.*** Increase in manufacturing output (by 10% annually) ***2.*** Increase in exports of manufactured goods (by 10% annually) ***3.*** Average annual growth rate of the energy sector at 10% and non-hydro renewable energy by 15% ***4.*** Increase in contribution to Government budget by the energy sector (10% annually) ***5.*** Average annual growth rate of the mining sector at 10% ***6.*** Increase in contribution to Government budget by the mining sector (10% annually) ***7.*** Increase cost recovery ratio of EDL to 100% by 2030 ***8.*** 50% of all energy and mining investment projects meeting defined quality standards
Focus area I: General manufacturing		***1.*** Increase in manufacturing output (by 10% annually) ***2.*** Increase in exports of manufactured goods (by 10% annually)

No.	Action	Identified Constraint(s)	Responsibility	Potential support
1.	Improve the Business Environment to attract FDI through streamlining business entry procedures, ensuring regulatory predictability, and promoting targeted FDI in high-growth sectors (e.g., textiles, high-value agro-processing, cold chain for vegetables), and by liberalizing services and	While significant process has been made, overall business entry procedures remain complicated, cumbersome, and unpredictable for both domestic and foreign investors	DOEM, DOPI, Office of SEZs	IFC TA LCT 02 Lao EU Assistance for Private Sector and Trade Program (LEAP)

	promoting Special Economic Zones (SEZs) by learning from leading global practices.	within and outside the special economic zones.		
2.	Simplify regulations for agricultural inputs	Lack of transparency, harmonization with major trade partners	MAE/DODT (MOIC)	Lao EU Assistance for Private Sector and Trade Program (LEAP)
3.	Abolish list of minimum and maximum prices for agricultural products	Price restrictions constrain investment in downstream processing	MAE/DODT (MOIC)	Sustainable Agrifood Systems Sector Project
4.	Establish a mobile-friendly online information platform	Need for readily available price information	MAE	Sustainable Agrifood Systems Sector Project
5.	Boost Labor Productivity and Skill Development by investing in vocational training and technical education, incentivizing skill development, encouraging technology adoption, and investing in labor market information systems.	Restricts market size and constrains investment	MAE/ DOI (MOIC)	Sustainable Agrifood Systems Sector Project
6.	Improve Infrastructure by prioritizing transport, logistical services (highways, dry ports, logistics hubs) and ensuring reliable utilities (electricity, water).	The China-Laos Railway has fundamentally altered its economic and logistical trajectory, offering a path to greater regional integration and trade. The primary challenges are improving the "first and last mile" road connections to the new railway, reducing logistics costs, and ensuring that development is sustainable and inclusive beyond the main corridors.	NTTFC/MPWT	ADB, WB, AIIB

7.	Facilitate Regional Linkages and Export Diversification by leveraging ASEAN integration, utilizing preferential trade agreements, and reducing non-tariff measures to improve intra-regional trade, especially in Energy.	Laos is part of multiple preferential trade agreements that offer reduced or zero tariffs. The key is to increase the utilization rates of these agreements by its exporters. In addition, NTMs (e.g., complex regulations, standards, conformity assessments) are often bigger trade barriers than tariffs. Streamlining them is crucial.	DOTEC/DOFT/Border Agencies	LCT 2 Lao EU Assistance for Private Sector and Trade Program (LEAP) Sustainable Agrifood Systems Sector Project
Focus area II: Energy sector		1. Average annual growth rate of the energy sector at 10% and non-hydro renewable energy by 15% 2. Increase in contribution to Government budget by the energy sector (10% annually) 3. Increase cost recovery ratio of EDL to 100% by 2030 4. 50% of new energy investment projects meeting defined quality standards		
No.	Action	Identified Constraint(s)	Responsibility	Potential support
1.	Finalize a Comprehensive Power Sector Reform Roadmap. This will address the Financial Sustainability of EDL which requires designing and implementing pragmatic tariff reforms to achieve cost recovery for domestic consumption, ensuring a stable revenue base for EDL while balancing consumer affordability for lower income groups. Improved Governance and Regulation: Strengthen institutional and governance arrangements within the energy	Financial instability and high external debt, lack of integrated sector policy, and limited capacity for oversight	National EDL restructuring committee, DOE, DOPPE, DOEM	Technical assistance to enhance power sector reform

	sector to ensure transparency, accountability, and effective oversight, attracting further private investment. Modernize environmental and social safeguard management systems. Debt Restructuring and Management: Continue to actively negotiate debt restructuring with creditors and implement robust debt management mechanisms to alleviate financial pressure and restore investor confidence.			
2.	Diversify Lao PDRs Energy Mix through Accelerating the development of Non-Hydropower Renewables: Prioritize and expedite the approval and development of solar, wind, and biomass projects to reduce dependence on hydropower, enhance energy security during dry seasons, and align with global climate goals. Address the lagging development of renewable energy to meet the 11% target. Review Coal Plans: Re-evaluate plans for increased coal production to align with net-zero targets and regional trends towards cleaner energy. Explore Emerging Technologies: Investigate the potential for hydrogen and ammonia as clean fuels, leveraging surplus renewable energy.	Heavy reliance on hydropower makes Laos vulnerable to climate variability, including prolonged droughts and fluctuating water levels, directly impacting power generation. Large hydropower dams have severe environmental consequences, including blocking fish migration routes, altering sediment flow, and impacting biodiversity and aquatic ecosystems. Socially, they can lead to displacement of communities, loss of livelihoods, and inadequate compensation. While electricity generation is dominated by renewables, a significant portion of primary energy	DOE, DOPPE, DOEM	Lao Australia partner on sustainable energy

		demand (around 20%) is met by fossil fuels (oil and coal), particularly in transport and some industries. The current energy mix includes 15% coal-fired thermal power. The National Power Development Plan still emphasizes increased coal production, which contradicts global decarbonization efforts.		
3.	Modernize Transmission and Distribution Infrastructure through securing funding and implementing projects to upgrade and expand the national transmission and distribution grid. This is crucial for improving reliability, reducing losses, and facilitating domestic consumption and regional power trade. Address the issue of insufficient capital from developers for transmission projects. Smart Grid Development: Explore smart grid technologies to enhance grid integrity, manage fluctuating renewable energy inputs, and improve overall system efficiency. Continued Implementation of EDL-T Mandate: Support EDL-T in its mandate to develop Laos' electricity transmission system for stable nationwide supply, enhanced domestic energy security, and regional grid integration.	Despite being a major electricity exporter, Laos experiences regular blackouts and a net power trade deficit in certain periods, especially during the dry season. The country lacks a fully modern and robust national transmission system, hindering efficient power distribution and integration of its previously isolated grids.	EDL, DOE, DOPPE, DOEM	

4.	Enhance Domestic Value Addition to support industrial development by providing incentives aimed at facilitating the establishment of mineral processing and smelting plants (steel, silicon, copper) to maximize the economic benefits from Laos's natural resources and reduce reliance on raw material exports.	Developing mineral processing and smelting plants (steel, silicon, copper) driven by its energy resources presents a significant opportunity to add value to raw materials, reduce imports, and create new revenue streams for the country	EDL, DOE, DOPPE, DOEM, DOI	
Focus area III: Mining sector		1. Average annual growth rate of the mining sector at 10% 2. Increase in contribution to Government budget by the mining sector (10% annually) 3. 50% of new mining investment projects meeting defined quality standards		
No.	Action	Identified Constraint(s)	Responsibility	Potential support
1.	**Complete Nationwide Geological Mapping**: Secure domestic and international funding to complete the remaining 1:200,000 scale geological-mineral mapping and accelerate 1:50,000 scale mapping in strategic mineral areas. This will provide a comprehensive resource inventory for future development	Lack of financial resources constraining completion of the geological mapping	DOM	TA from China
2.	Strengthening Mining Governance and Law Enforcement. I. Implement the simplified and transparent licensing system based on the new provisions in the 2017 Law on Minerals and upgrade the relevant implementation regulations to ensure clear and enforceable expectations for concession holders, particularly with respect to their environmental obligations.	Despite developing legal framework, weaknesses persist in the implementation of laws due to limited capacity, insufficient monitoring, and communication issues between various ministries and administrative levels. This can lead to illegal mining,	DOM	SDC, WB, ADB

	II. Review the moratorium on new exploration and mining licenses to allow companies that can demonstrate the ability to operate to leading practice environmental, social and governance standards as determined by third-party ratings (e.g., Bloomberg, Refinitiv, and Sustainalytics) to receive a license. III. The MOIC will publish the Environmental, Social and Governance (ESG) criteria required for obtaining exploration and mining licenses. IV. Encourage higher quality investments through allowing one company to own more than one exploration license and increase the size of prospecting permits. V. Conduct a review of the policy requiring mining companies to invest in value-added smelting and refining activities in Lao PDR. The review will summarize the lessons learned from comparator countries, identify and quantify the potential benefits, challenges, risks, and costs. VI. Review the existing fiscal regime and introduce an internationally competitive transparent and standardized set of fees and revenue sharing arrangement to minimize the scope for discretion.	environmental damage, and social conflicts. Unclear and overlapping roles within the mineral sector need to be resolved. The current moratorium on new exploration and mining licenses is preventing investment from responsible investors. Given that Laos has demonstrated a lack of comparative advantages in these value-adding activities, it would be better to concentrate on ensuring that Lao captures a fair and appropriate proportion of the value derived from extracted and exported ores.		

3.	Enhance Environmental and Social Impact Management and Address Artisanal and Small-Scale Mining (ASM) **(i)** Ensure that all mining projects, both existing and new, conduct thorough environmental and social impact assessments and adhere to stringent environmental protection standards. This includes mandatory ecological restoration and water management plans for dams and mining sites. **(ii)** Implement an overarching strategy for mining and hydropower development and require strategic environmental assessments to identify cumulative, long-term effects, especially on forests, protected areas, biodiversity, agricultural lands, and livelihoods. **(iii)** Address the lack of capacity and resources within oversight agencies responsible for managing impacts on host communities and ensuring environmental protection. **(iv)** Develop specific, context-sensitive solutions for the governance and control of ASM, aiming to formalize operations where feasible, mitigate negative impacts, and integrate these activities into the broader sustainable development strategy.	Mining operations can lead to land disputes, water pollution, riverbank erosion, and negative impacts on local communities' livelihoods if not managed properly. Ensuring equitable benefit sharing with local communities remains a challenge. ASM often operates in a "legal grey zone," contributing to land degradation and pollution, and posing significant governance challenges due to blurred boundaries with larger concessions and difficulties in formalizing and regulating these activities.		

4.	**Improve Data Management and Transparency** Establish and strengthen centralized databases for geological information, production data, financial obligations, and concession management to enhance transparency, improve decision-making, and build trust among stakeholders.	Lack of financial resources constraining completion of the geological mapping		
5.	**Regularly Review and Optimize Concession Agreements** **(i)** Continuously review existing concession agreements and develop transparent and fair procedures for new concessions, ensuring maximum benefit for the state while attracting responsible investment. **(ii)** Reduce or eliminate discretionary project-by-project fiscal terms and implement a transparent and standardized system of fees and revenue-sharing arrangements to increase certainty and improve the investment environment. **(iii)** Improve the technical capacity of MOIC regulatory staff to monitor compliance more effectively. Collaborate with both private mining companies and technical and vocational institutions to deliver	***improving*** transparency and predictability is prerequisite for attracting responsible quality investment. The current regime does not fully recognize the key uniqueness of the mining sector: • High risk exists at all stages of the project's life cycle • Capital intensive • Price taker - metal prices are established by global markets- not by any individual producer and cost (tax) increases cannot be passed on to the mining enterprise's customers		

	training to Lao PDR nationals in geology and other related subjects.	• Finite life and environmental responsibilities and others.		

Strategic Outcome II	Increase trade and improve market access	1. Improvement in Laos' performance in International Trade Topic of WB's Business Ready Report (Improvement by 10% from 2025) 2. Mean time to clear imports, exports, and transit, through customs (reduce by 25%) 3. Reduction in time and costs for import and export (reduce by 25%) 4. Reduction in import and export documents (reduce by 25%) 5. NQI Council established and meeting quarterly; Annual government budget for NQI increased by 10%; Fee-for-service model implemented. 6. Number of calibration services offered increased by 10%; Number of accredited labs doubled (especially in food/agriculture); First Lao certification bodies accredited 7. Passage of amended WTO-TRIPS compliant laws for key IP types 8. Reduction in processing times and cost for key IP registrations 9. A fully functional e-filing system for trademarks that allows for online application, status tracking, and fee payment 10. Increase in IP applications filed by residents and non-residents
Focus area I: Trade Policy		• Improvement in Laos' performance in International Trade Topic of WB's Business Ready Report (Improvement by 10% from 2025) • Mean time to clear imports, exports, and transit, through customs (reduce by 25%) • Reduction in time and costs for imports and exports (reduce by 25% • Reduction in import and export documents (reduce by 25%) • NQI Council established and meeting quarterly; Annual government budget for NQI increased by 10%; Fee-for-service model implemented. • Number of calibration services offered increased by 10%; Number of accredited labs doubled (especially in food/agriculture); First Lao certification bodies accredited

		• Passage of amended WTO-TRIPS compliant laws for key IP types • Reduction in processing times and cost for key IP registrations • A fully functional e-filing system for trademarks that allows for online application, status tracking, and fee payment • Increase in IP applications filed by residents and non-residents		
No.	Action	Identified Constraint(s)	Responsibility	Potential support
1	Continue to simplify the tariff structure by eliminating nuisance tariffs to simplify trade procedures and reduce the cost burden of implementing the tariff policy	Complex tariff schedule with multiple bands, low "nuisance tariffs" and tariff peaks	MOF/DOFT (MOIC)	Phase II of the Lao PDR Competitiveness and Trade Project (LCTP) TA-10335 REG: Operationalizing Trade Reforms and Strengthening Trade Climate Linkages in ADB Operations
2	Enhance trade facilitation reforms to further reduce requirements for import and export permits and licenses and increase the use of electronic procedures within customs and other agencies to expedite border clearance	Multiple trade facilitation measures including AEO, PCA, Joint Risk Management Framework (JRMF), Advance Clearance and Transit, and National Single Window, are not operational resulting in increased trade costs	MOF/DOFT (MOIC) /Line Ministries	Phase II of the Lao PDR Competitiveness and Trade Project (LCTP) Lao EU Assistance for Private Sector and Trade Program (LEAP) EU-ASEAN Sustainable Connectivity Package – Trade (SCOPE-TRADE)
3	Review Non-Tariff Measures (NTM)-Regulatory Impact Assessments	Multiple NTMs increase trade costs	DOFT (MOIC) / NTTFC	Phase II of the Lao PDR Competitiveness and Trade Project (LCTP)

				Lao EU Assistance for Private Sector and Trade Program (LEAP) TA-10335 REG: Operationalizing Trade Reforms and Strengthening Trade Climate Linkages in ADB Operations
4.	Require Regulatory Impact Assessments to be completed and published on the Lao Trade Portal for all new and revised trade related regulations.			
5.	Streamline and modernize domestic regulations for technical standards and SPS in line with regulations of trading partners and international standards.			
Focus area II: National Quality Infrastructure		○ NQI Council established and meeting quarterly; Annual government budget for NQI increased by 10%; Fee-for-service model implemented. ○ Number of calibration services offered increased by 10%; Number of accredited labs doubled (especially in food/agriculture); First Lao certification bodies accredited ○ National quality campaign launched; 100 SMEs receiving financial incentives for certification		
No.	Action	Identified Constraint(s)	Responsibility	Potential support

1.	Promote gradual shift to a more demand-driven, sustainable, and integrated NQI that effectively supports Lao trade competitiveness, industrial development, and consumer safety through: ○ Establishment of a formal, high-level NQI Council chaired by the MOST or MOIC with members from key ministries, to develop a unified national policy on quality. ○ Encourage investment in private laboratories to upgrade critical testing equipment. ○ Actively participate in ASEAN sectoral working groups to ensure Lao standards and technical regulations are aligned, minimizing trade barriers. Focus on key ASEAN Mutual Recognition Arrangements (MRAs) and increase conformity assessment and assist businesses to improve quality and compliance with both technical regulations and private standards for a wider range of goods to be exported to fast growing regional markets and to the OECD, especially for agricultural products.	Limited adoption and implementation of international standards set by organizations like the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC) and low capacity of local institutions. Lack of a national SPS action plan and improving surveillance and inspection programs for plant and animal health are critical steps for fulfilling WTO and other international obligations. To help Lao businesses increase exports, particularly in the agricultural sector, there is a need to strengthen conformity assessment infrastructure and provide targeted assistance. This will help local products meet both the technical regulations of importing countries (mandatory) and the private standards of buyers (voluntary)	DOSM (MOIC)/ Line Ministries DOA (MAE)	Lao EU Assistance for Private Sector and Trade Program (LEAP) Sustainable Agrifood Systems Sector Project
Focus area III: Intellectual Property		○ Passage of amended WTO-TRIPS compliant laws for key IP types ○ Reduction in processing times and cost for key IP registrations ○ A fully functional e-filing system for trademarks that allows for online application, status tracking, and fee payment		

		○ Increase in IP applications filed by residents and non-residents		
No.	Action	Identified Constraint(s)	Responsibility	Potential support
1.	Promote IP as a strategic tool to leverage Laos unique strengths through the following activities: • MOIC will Launch a National Awareness Campaign using simple language and local media to educate businesses, farmers, and artists about the practical benefits of trademarks, GIs, and copyright. • Support a few high-potential products (like coffee and silk) to achieve GI status. This has the potential to create success stories that will demonstrate the tangible value of IP. • Deepen collaboration with ASEAN neighbours, particularly Thailand and Vietnam, to share best practices, streamline cross-border enforcement, and tackle transnational IP crime. • Create a legal framework for the protection of traditional knowledge that is accessible to local communities and ensures equitable benefit-sharing. • Invest in a user-friendly e-filing IP platform and digital databases to increase transparency and accessibility.	Lao PDR stands at a critical juncture in its economic development. While rich in cultural heritage and biological resources, its intellectual property (IP) system is still nascent. Effectively harnessing IP can be a powerful tool for economic diversification, cultural preservation, and attracting foreign investment. However, this potential is constrained by significant institutional, infrastructural, and awareness-related challenges	DOIP	Lao EU Assistance for Private Sector and Trade Program (LEAP) KOIC Support WIPO TA
Strategic Outcome III	Private Sector Development	1. Improvement in Laos' performance in select topics of WB's Business Ready Report: a. Business entry (Improvement by 10% from 2025) b. Utility services (Improvement by 10% from 2025)		

		c. Labor (Improvement by 10% from 2025) d. Financial services (Improvement by 10% from 2025) 2. Reduction in time and cost to start a business (20%) 3. Increased in number of SMEs having formal bank loans by 5% annually 4. At least 250 SMEs received targeted advisory services from support programs annually 5. Improvement of performance of SMEs receiving support from various programs by 20% compared to similar SMEs not receiving the support		
Focus area I	Strengthening Business Environment	1. Improvement in Laos' performance in select topics of WB's Business Ready Report: a. Business entry (Improvement by 10% from 2025) b. Utility services (Improvement by 10% from 2025) c. Labor (Improvement by 10% from 2025) d. Financial services (Improvement by 10% from 2025) 2. Reduction in time and cost to start a business (20%)		
No.	Action	Identified Constraint(s)	Responsibility	Potential support
1.	Deepening business entry reforms, including the sustainable use of the Electronic Business Registration System (EBRS), increasing efficiency and improving geographical coverage, especially in provinces, districts, and special economic zones (SEZs) and establishing a risk-based business licensing framework through a business informational portal to reduce regulatory burdens on business licensing and lower	Multiple processes, duplicative information requirements across multiple agencies. Lack of clarity on documentary requirements and lack of digitalization	DEM/Line Ministries	Phase II of the Lao PDR Competitiveness and Trade Project (LCTP)

	costs in searching for investment and trade opportunities			
2.	Establish a risk-based licensing framework through an online business information portal to reduce the regulatory burden on business licensing and lower the costs in searching for investment and trade opportunities.	Current licensing regimes are administered by sector level regulations with limited coordination between agencies and risk-based approaches are not used across agencies	DOEM/DOPI/DODT/ concerned agencies issuing business licenses	LCT II UK-ASEAN economic integration partnership
3.	Improve Capacity of Business Membership Organizations (BMOs) through review of existing regulations governing LNCCI and Foreign Chamber of Commerce, and Industry Associations	Foreigners are restricted from representing their firms/organizations in Business Associations and cumbersome procedures for establishing industry associations	MOIC, LNCCI/PCCI	Phase II of the Lao PDR Competitiveness and Trade Project (LCTP) Lao EU Assistance for Private Sector and Trade Program (LEAP) TICAF Program
4.	Review investment incentives instruments to ensure alignment with GOL investment goals (i.e., increasing diversification and greater linkages within the economy).	Dependence on Tax Holidays and tax/duty exemptions is problematic		IFC TA
5.	Join the International Centre for the Settlement of Investment Disputes (ICSID).	Slow and uncertain legal process		
6.	Eliminate entry restrictions for key service sectors (logistics, transport) to promote competition and efficiency	Limited range of support services available, adversely impacts aggregate competitiveness	MPWT / DOTEC (MOIC)	Lao EU Assistance for Private Sector and Trade Program (LEAP)

7.	Provide information and technical advice to support businesses to satisfy core labour, environmental and governance regulations and standards to comply with emerging social and environmental requirements in major foreign markets (e.g., EUDR, CSDDD).	Low level of awareness among SMEs about the new EU social and environmental requirements.	BMOs, DOMSMEP	ADB regional TA on Operationalizing Trade Reforms and Strengthening Trade Climate Linkages in ADB Operations
8.	Coordinate with the Ministry of Education and Sports and the MOLSW to increase investment in upskilling and reskilling curriculum to match the skill needs in Laos' growing sectors. Actively engage the private sector in designing and delivering skills development to align with industry demand.	Country is experiencing a severe labor shortage driven primarily by low wages, high inflation, and the weakening Lao kip, which have compelled many workers to seek better opportunities abroad in countries like Thailand, South Korea, and Japan and demand and supply mismatch is a serious issue.	MOES/MOLSW	ADB, WB, DFAT, SDC
9.	Coordinate with the Ministry of Labor and Social Welfare (MOLSW) to gradually adjust the minimum wage to reduce differentials with neighboring economies and to create incentives for subsistence workers to enter the Lao labor market.	Amid rising cost of living in Laos, exacerbated by macroeconomic weaknesses, it is essential to gradually adjust the minimum wages to create incentives for subsistence workers to remain in the domestic labor market and improve their standard of living.	MOLSW	ADB, WB, DFAT, SDC
10.	Coordinate with MOLSW to invest in a labor market information system to provide relevant and timely labor market statistics, including monitoring skill levels.	A lack of efficient market information on labor demand and supply can indeed worsen labor shortages because it hinders the ability of employers and workers to make informed decisions, leading to	MOLSW	ADB, WB, DFAT, SDC

		mismatches in skills, location, and quantity of jobs and workers available		
11.	Increase Communication and Outreach, strengthen availability of business and trade policies and regulations through regular update of information on the Lao Trade Portal, Business Operating Licensing Portal and other information portals	Limited awareness of business and trade policies across the private sector and with provincial and district level implementing agencies	DOEM, DOFT, DOMSMEP (MOIC) and line Ministries	Phase II of the Lao PDR Competitiveness and Trade Project (LCTP) Lao EU Assistance for Private Sector and Trade Program (LEAP)
Focus area II	Enhancing MSME Competitiveness	○ Increased in number of SMEs having formal bank loans by 5% annually ○ At least 250 SMEs received targeted advisory services from support programs annually ○ Improvement of performance of SMEs receiving support from various programs by 20% compared to similar SMEs not receiving the support		
No.	Action	Identified Constraint(s)	Responsibility	Potential support
1.	Implement Monitoring and Evaluation (M&E) mechanisms for governmental MSME lending initiatives to ensure that public expenditure aligns with the growth priorities of Lao PDR, effectively measuring and verifying their intended impact. Scale up capacity-building support to MSMEs to strengthen their creditworthiness and bankability. The capacity-building activities should ensure a gender balance.	With strong support from the Government and development partners, MOIC and BOL have been implementing several specialized schemes to improve SMEs' access to finance. It is essential to learn lessons from these schemes and develop a comprehensive policy and guidelines for the financial institutions to adopt a more SME focused strategy to maximize outreach and impact	DOMSMEP/ BOL Access to Finance Facility	Sustainable Agrifood Systems Sector Project

2.	Support the legal establishment of the Lao Credit Guarantee Fund (LCGC) and assist with preparing LCGC operating policies, rules, and instruments, to incentivize formal credit to underserved segments, including MSMEs and agriculture.	SMEs are often considered "high-risk" by banks due to a lack of sufficient collateral, limited credit history, or unpredictable cash flows. This leads to loan applications being rejected.	DOMSMEP/ BOL Access to Finance Facility	
3.	Increase wholesale funding schemes for eligible providers, particularly capital-starved Microfinance institutions (MFIs). Phaseout concessional finance-based programs and transition governmental MSME lending initiatives to an independent fund managed by a new APEX organization to improve governance aligned with international best practices.	About 35.2 percent of registered companies cite access to finance as their primary barrier, nearly three times the regional average of 12.9 percent in East Asia Pacific. According to the World Bank Enterprise Survey, MSMEs in Lao PDR heavily rely on internal funds for 85 percent of their working capital expenses, while bank financing only accounts for less than 12 percent. Non-bank financial institution (NBFI) credit finances less than five percent of working capital needs. Stringent collateral requirements, with collateral valued at over 200 percent of the loan amount required on average, along with challenges such as complex application processes or unfavourable loan terms, further hinder financing.	BOL/DOMSMEP (MOIC)	MSME- A2F ESR Sustainable Agrifood Systems Sector Project Capacity building of Apex Financial Institutions, Participating Financial Institutions, and strengthening

4.	Scale up capacity-building support to MSMEs to strengthen their creditworthiness and bankability. The capacity-building activities should ensure a gender balance			
5.	Modernize the Credit Information Company (CIC) to enhance its capabilities, enabling timely updates, and enhancing the quality and range of its services	Limited coverage, limited real time exchange of data between CIC and the financial institutions, and lack of value-added services by CIC	BOL	Capacity building of Apex Financial Institutions, Participating Financial Institutions, and strengthening
6.	Improve access to finance for SMEs through building capacity of local banks to develop credit products that bypass traditional collateral and instead leverage alternative information sources, such as business cash-flows, introduce definitions of factoring and basic default right of parties into the legal framework, review and adjust current capital requirements for MFIs to better align with sector risks, including accommodating larger loan sizes in the non-bank financial institutions (NBFIs) segment for MSMEs.	Limited number of MSMEs has access to formal bank loans.	BOL/DOSMEP	Capacity building of Apex Financial Institutions, Participating Financial Institutions, and strengthening

7.	Promote the "Making Markets Work for the Poor" (M4P) concept in MSME development, particularly in agribusiness. The core principle is to address underlying systemic market constraints rather than providing direct, short-term aid.	Knowledge gaps in production, branding and marketing, ICT, management, and low productivity	MMSMEPA/MOIC	MSME Access to Finance Project, SME Development Fund Lao EU Assistance for Private Sector and Trade Program (LEAP) Sustainable Agrifood System Sector Project
8.	Continue leveraging existing enterprise promotion funds and development assistance to help Lao businesses become more competitive locally and internationally. This can be achieved by reducing internal costs, improving company management, and fostering innovation in products, markets, and distribution channels, including e-commerce.	Knowledge gaps in production, branding and marketing, ICT, management, and low productivity	MMSMEPA/MOIC	The Project for the Human Resources Development for Digital Innovative Startup and MSMEs in Lao PDR The Lasting Laos Project (SUSTOUR 2)
Other sectors				
Professional and business development services				
1.	Improve stakeholder coordination through establishing mechanisms to improve compliance with new licensing requirements, information sharing on ASEAN MRA professions, provide trainings on local standards of practice,	Low level of awareness and low capacity in implementing ASEAN MRA	Professional bodies	Lao EU Assistance for Private Sector and Trade Program (LEAP)

	establishment of professional regulatory body (PRA), prioritize the necessary regulations for MRAs and assist in the creation of professional bodies and providing ongoing support to the PRAs, where these functions are not carried out directly within the line ministries;	requirements among professional bodies.		
2.	Encourage universities to increase engagement with industry and raise the profile of employability and career benefits of professional courses, work with the PRAs in different sectors to identify and develop continuous professional development programs that can be offered to the private sector, and others.	Low level of awareness and low capacity in implementing ASEAN MRA requirements among professional bodies.	Professional bodies	
Transport and logistic services				
1.	Further develop and enhance the capacity of the road network while maintaining the existing infrastructure: Laos should focus on upgrading roads through scheduled maintenance, while setting long-term targets to improve technical and operational capacity for additional road safety measures	The quality of main national highways in Laos is now generally good and has been transformed by significant investment. However, the challenging geography, weather, and mixed traffic mean that road travel remains slow and requires patience and caution. The experience is vastly different between a modern expressway and a secondary road just a few kilometers away.	MOPWT	ADB, WB, AIIB, DFAT

2.	Develop an efficient regional transport network to increase competitiveness: through effective private-public partnerships and regional cooperation, especially the implementation of the CBTA under GMS framework. Laos could focus on improving transportation logistics to improve operational efficiency and reduce transit time for goods and services. This would further help integrate Lao suppliers with regional supply chains and the global trading system	To become a pivotal land-linked logistics hub. To achieve this, Laos must move beyond merely building roads to developing a fully integrated, efficient, and smart transport network. This requires a dual strategy: 1) aggressive implementation of regional agreements like the Cross-Border Transport Agreement (CBTA) to reduce "soft" infrastructure barriers, and 2) strategic investment in "hard" infrastructure and logistics services through effective Public-Private Partnerships (PPPs).	MOPWT	ADB, WB, AIIB, DFAT
3.	Improve transport-related legislation and country capacity to facilitate cross-border and transit transport: Focus on institutional reform that aligns domestic laws and regulations, government systems and local market capacity with the country's goal of improving its transportation infrastructure and overall economic competitiveness	Effective transport network requires a dual strategy: 1) aggressive implementation of regional agreements like the Cross-Border Transport Agreement (CBTA) to reduce "soft" infrastructure barriers, and 2) strategic investment in "hard" infrastructure and logistics services	MOPWT	ADB, WB, AIIB, DFAT
Information technology				
1.	Develop an implementation reform roadmap as part of the Digital Government Plan, including specific	Laos faces significant challenges in its digital transformation journey, primarily due to inadequate digital infrastructure,		

	timetables for execution, provision of shared infrastructure, coordination mechanisms such as creating an inter-ministerial steering committee at the highest level possible to guide and oversee the implementation of the Digital Government Reform Roadmap	The high cost of the internet and fragmented, outdated regulations further impede progress, necessitating harmonization with international standards to facilitate digital trade and commerce. Additionally, low levels of digital literacy among the population and workforce pose a significant barrier to inclusive digital transformation.		
2.	Strengthening the existing legal framework that reflects digital maturity and is aligned with good international practice, especially in areas such as telecommunications and the internet, cybercrime and cybersecurity, data protection and consumer protection	Outdated and fragmented regulations pose significant obstacles. The government is working on harmonizing digital regulations with international standards to facilitate digital trade and commerce.		