The Heart of ASEAN sets pulses racing

The booming economy is attracting record foreign investment as investors race to take advantage of its rich potential and increasingly pro-business environment.

A difficult past has given way to a brighter future for Laos, as the ambitious country at the heart of Southeast Asia strives to boost socioeconomic development and radically transform its economy, with the support of investors and partners from the UK and elsewhere.

Officially known as the Lao People’s Democratic Republic (Lao PDR), the landlocked nation is opening its natural resources to the world and making steady progress towards the key goals of its Vision 2020 and Vision 2030 plans: less poverty and better living standards for its 6.8 million population.

The successful strategies comprise many strands, but at their core are fiscal reforms focused on a diversified free market economy that allows businesses and enterprises — whether local or international — to thrive in a liberalised and well-regulated pro-business environment.

Investors can take advantage of a range of fiscal incentives and further reduce their cost base by siting operations in one of ten special economic zones (SEZ) scattered throughout its attractive landscape.

The eradication of poverty is a key goal and the signs since the turn of the millennium have been promising underlining just how well the country is doing, as it overcomes structural challenges like ageing infrastructure and a shortage of qualified and experienced workers.

Not only does Laos boast the highest regional annual percentage increase in GDP for the past two decades — powered by private enterprises — but a stock exchange was set up in 2011, and major foreign entities have established their presence.

Growing Global Presence

In 2013, Laos achieved a major milestone when it joined the World Trade Organisation (WTO). This move to greater global and regional integration has been complemented by its growing role in the Association of Southeast Asian Nations (ASEAN) — an entity which it chaired in 2016.

Under its various comprehensive development blueprints, Laos is targeting annual economic growth of at least 7.5% by 2020 as it looks to secure the removal of its Least Developed Country status.

By 2020, the government of Prime Minister H.E. Thongloun Sisoulith aims to increase per capita GDP from the current $1,970 to $3,190, while reducing poverty to below 10%.

Other short-term goals include a rise in the literacy rate of people aged 15 and above to 95% of the population through a greater emphasis on education, and an expansion of the healthcare sector.

According to official data, more than $7.3 million in foreign direct investment (FDI) was ploughed into local projects between 2011 and 2015, with that impressive figure set to be dwarfed by other huge projects in the transport, mining and energy sectors.

Indeed, around $6 billion has been pledged to the showcase China-Laos railway project alone as part of China’s vast Belt and Road Initiative, an exhilarating venture which involves the construction of a 300-mile line from the northern border to the capital, Vientiane, that will act as a solid conduit for trade and commerce between regions and Laos’ neighbours.

Major FDI can also be seen in the hydroelectric sector through the creation of key infrastructure like dams and power plants that will reduce the republic’s reliance on less efficient energy sources and increase reliability and efficiency.

The Brits are Back

Diplomatic bonds between the UK and Laos were first established more than 60 years ago and strengthened over time.

In early 2016, Sir Simon McDonald, Permanent Under Secretary at the Foreign and Commonwealth Office (FCO) formally opened the new British Embassy in Vientiane.

During the special ceremony, he stated that “opening this impressive new facility signals the UK commitment to building a modern, creative partnership with Laos PDR — a partnership based on closer political cooperation, supporting socioeconomic development, improving environmental and wildlife protection, and promoting educational ties.”

He added, “The strategy aims to boost the scope and standard of learning for pupils of all ages, regardless of whether they live in cities, towns or villages.

ESDP aims to achieve at least a dozen high-level outcomes, including improved equity, improved learning outcomes, better quality teachers, improved resourcing and monitoring, better alignment of graduates to meet the needs of the growing labour market, and improved adult literacy rates.

Minister Lachanhboone acknowledges that one of the major challenges facing primary education providers are high drop-out rates, but support from development partners has helped the primary school curriculum.

“We have developed new textbooks and teacher guides, and we are producing teaching and learning resource packs to make learning more relevant,” she adds.

“We are also renewing the curriculum of teacher training institutions to modernise teaching methods.

“A challenge is the large number of small remote primary schools and the highly dispersed population: the population of 6.8 million people is spread across 8,500 villages with an average of about 760 people per village.

“Since we have so many small primary schools, we are making efforts to introduce school-based management through support from Village Education Development Committee. This is a challenge given the low adult literacy rates of many villages, but support from the community is essential to improve drop-out rates. The increase in our budget will provide more teaching aids and educational material for students.”

Minister Lachanhboone is pleased with the progress to date under (ESDP) 2016-2020: “Joint participation is key to ensuring continuation of FDI in the education sector,” she states.

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The fastest growing economy in Southeast Asia

By focusing on socioeconomic progress through industry and diversification, Laos possesses a powerful winning formula.

Economic diversification is at the very core of Laos’ long-term development strategies, with the government committed to reducing its reliance on the agricultural industry as the leading source of employment and revenue. Among the spectrum of industrial sectors targeted by ministers are mining and energy - Laos has abundant hydropower and mineral/metal resources that offer huge potential — and manufacturing operations and other light industries targeted by the mining sector. Laos is an example of how a small country with limited resources can possess a powerful winning formula.

Since its inception in 1973, Beerlao has been committed to its roots, quality, growth and development.

It is not simply beer; it is an art that begins with the selection of the finest malt, hops and yeast. These ingredients meet the industry quality standards and provide the perfect environment for the brewing of Beerlao Dark, brewed with high-quality black malt from Germany, and the accolade of the first award-winning premium local beer. With a strategic partnership with Carlsberg Group, Lao Beerlao has become the international leader locally, producing the Danish flagship beer, Carlsberg, as well as its fastest-growing premium brand, Tiger.

Beerlao forms part of a stellar variety of brews, including Beerlao Gold — the latest addition to the Beerlao family, whose value ranges from one of its main ingredients, “Khao Kai Noy” rice renowned for its pleasant scent and non-sticky texture. Beerlao Gold therefore exudes a unique aroma that embodies perfectly the sweet taste of success. Then there's Beerlao Dark, brewed with high-quality black malt from Germany, and the accolade of the first award-winning premium local beer.

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At PPC Group, I hire experienced or knowledgeable experts from Australia, and hold guarantees, such as putting down the land title. It becomes necessary to look for outside sources of financing. „Laos is a small country and while we are not currently as experienced or knowledgeable as other nations, steps are being taken to address this. „At PPC Group, I hire experts from Australia, and hold the position of vice president of Lao Furniture Association. This enables me to collaborate and cooperate with regional players in AASEAN by sharing knowledge and technologies at different summits.”

Turning to the importance of private sector players for socioeconomic development, the senior executive is quick to highlight the strong foundations they create for successful investment and how they help prevent a brain drain of local talent.

"Entrepreneurs play a key role, as not only does our taxable income help the government have more funds for the development of the nation, but also we create jobs for people. "PKK Furniture has around 600-800 workers, while PPC Mining employs more than 300. Our direct and indirect impact on the Lao economy is quite tangible, as workers no longer need to move to Thai or China for employment opportunities now we provide them here.”

PKK Expert in housing, processing and exporting furniture

We are a key holding group providing services for mining, trade and import-export. With furniture export as one of our prime activities, we are proud to announce the opening of our brand-new timber storage facility and furniture-manufacturing plant, where we will be housing and processing wood for export.
Premium beverages leave investors thirsty for more success

The increasingly popular Made in Laos label does not just apply to items like clothing, but also to beers and soft drinks.

Strategic alliances with foreign enterprises are an increasing trend as the Laos government lays out the welcome mat to international associates eager to form mutually beneficial relationships in a diverse range of sectors.

Officials are keen to forge joint ventures and Public Private Partnerships (PPPs) as they see a powerful tool for promoting joint development in the delivery of public goods/infrastructure and services, while ensuring social benefits with sustainability, transparency and accountability.

Toasting Great Success Blazing a trail that other companies endeavour to follow, beer manufacturer Lao Brewery Co. Ltd. has come a long way in four decades through a transformation from state-owned brewery to trusted partner of one of the world’s largest drinks groups.

Proud of its great success in domestic and regional markets, for the past dozen years the ever-expanding beverages group is jointly owned by the government and Danish drinks titan Carlsberg Breweries.

More than 40 years ago, production capacity was only two million litres per year, but today Lao Brewery produces 350 million litres per annum and is the clear industry leader with a 97% market share.

Always on the ball, and deeply focused on improving and maintaining the quality of its diverse range of products, Lao Brewery has diversified into various carbonated and soft drinks affiliated to PepsiCo Inc. to boost its product portfolio.

Beer Lao contributes a significant amount to the government in tax revenue, averaging $200m per year, and the positive impact of Lao Brewery does not stop at beverages and local employment.

The firm is also concentrated on its social responsibility to the people of Laos, through its allocation of funds into education, scholarships, public health and environment, and by supporting and maintaining the uniqueness of the Lao culture.

The company’s flagship brand has won several international awards for its taste and quality in a highly-competitive and growing market.

“Beerlao is not only an ambassador of Lao products abroad, but the preserver of Lao culture. "We are also trying to save the waste from beer, but at the same time preserving the taste and quality and hit our key performance indicators. We have engraved this new philosophy into our vision and the results are significant.”

Among the key export markets for Beerlao is the UK, with the company seeing the re-opening of the British Embassy as an ideal opportunity to cooperate and collaborate directly with British investors.

Meanwhile, in the non-alcohol market, the firm’s leading brand is the refreshing Tigerhead Drinking Water, while other leading labels include 7Up, Mirinda, and Sting.

As mentioned earlier, Beerlao is proud of its roots, and believes it has a crucial role in the protection and preservation of many national cultures and traditions. The manufacturer wholeheartedly supports a broad range of cultural events and activities every year to help maintain Laos’ incredible cultural richness. These include renovations of Buddhist temples, including Wat Si Saket Temple and Pha That Luang Temple, and the preservation of several traditional festivals including the Boat Racing Festival and the Miss Lao New Year (Nang Sang Khan).

Impressive CSR Policy Aware of the problems of over-indulgence, the company also provides medical equipment to hospitals and supports the Red Cross and the Blood Institute with blood donations and financial contributions.

Such generosity is duplicated in the education sector as the brewer sees human development through learning as the most significant factor for socio-economic development.

The company provides educational materials to ethnic schools nationwide, based on the Ministry of Education’s year plans, and supports education projects to provide equipment to schools in the 47 poorest districts of the country.

Scholarships are given to students at the National University of Laos, the National Institute of Fine Arts, Champasak University, Souphanouvong University and Savannakhet University.

Coffee growers plan to stir up the international market

Fertile soils and favourable climate mean Laos’ agricultural potential is coming to the boil — good news for coffee lovers.

The range of products include fresh seeds, green coffee, instant coffee and pre-mixed 3-in-1 instant coffee sachets that contain creamer and sugar.

Female Coffee Empire By 2022, the firm will renovate all its farms so every single one can produce coffee in a move that will boost the local economy through spending on associated agricultural infrastructure and job creation.

Carol Ltidang, Vice-President of Dao-Heuang Group, explains it took time and patience for farmers to become passionate about growing coffee as the process is relatively complex compared to the approach adopted by growers in other countries.

“What gives our coffee its differentiating quality is that we sun-dry the beans so the taste and smell is not lost, whereas in other nations they are placed in a dryer,” Ltidang explains.

“If our family company can grow, then we can help the country grow as well, especially the Champasak province. In that region we have around 900 employees, with another 350 indirect employees, which is why Dao-Heuang Group’s mission every day is seeing how we can develop not only Dao Coffee, but more importantly, the coffee industry of Laos.

“As such, we managed to open the instant coffee factory and this plant will guarantee some of the coffee farmers in Laos can produce value-added products as a lot of them still need help to develop and renovate their farms.

“We would like the UK or a representative to see what we are doing in Laos not just our company, but the entire production process. We export over $50 million of coffee per year, but production is far greater than this and there is plenty of potential. There is a massive opportunity for UK investors to collaborate with Dao-Heuang Group and raise the level for the coffee farmers to help educate them and improve their infrastructure, as they are the ones who make this whole operation possible.”
SMEs provide the foundations for growth

It’s not just giant multinationals that are flourishing in Laos, as many SMEs are thriving in a vibrant economy in a broad range of sectors and regions.

Three months previously, officials from the IMF published a report where they flagged steady progress on product and labour market openness and gains in poverty reduction.

To support more inclusive and broad-based growth, they encouraged further reforms aimed at diversifying the economy, boosting private sector activity, and improving the business climate.

"In this context, trade integration and improvements in education and health infrastructure were encouraged," the Washington D.C.-based group said. "Enhancing financial deepening and financial access by SMEs would also support macro stability and growth."

Along with the government, local and regional organisations, global financial institutions are eager to help SMEs succeed, as they are a vital component of the economy and employ a significant portion of the population.

Unlike larger players with deeper pockets and large assets that can act as collateral, SMEs face challenges and obstacles when it comes to securing credit to purchase new equipment, expand premises, upgrade technology, and scale up business operations.

Support from the development arm of the World Bank through greater access to credit has helped, such as a $20 million funding initiative in 2014 that was subsequently implemented by the Department for Small and Medium Enterprise Promotion under the Ministry of Industry and Commerce.

From IT to Everything

Fast forward three years and representatives of business associations of SMEs in Laos and Thailand have pledged to share ideas and experience through the signing of a promising bilateral agreement aimed at boosting capacity.

The arrangement covers companies operating in sectors like financial services, manufacturing, industrial development, tourism and Information Technology (IT) — both for hardware and software.

Regardless of the sector in which they operate, SMEs throughout Laos will be seeking to follow the sterling example set by the TK Group, a diversified private company with interests in IT, architecture and design, construction, investment consultancy, and hotel management.

The group’s growing comprehensive of companies also includes an air-conditioning supplier and a distributor of fuel, and the award-winning firm is always hunting new business openings and investment opportunities in these areas and others.

TK Group President, Thatnakhone Thammavong, is delighted with his company’s success over the past decade and is keen to share some of the ingredients behind this rapid rise to the top.

"TK Group was established in 2005 as a small IT business with only a few employees, but now aims to be the leading investment company in Laos and achieve international standards, by going so far as to take the important step of listing some of our firms on the Laos Securities Exchange."

"When I lived in Singapore, I witnessed how their advancements in IT played a crucial role in developing the country’s facilities, and I had the vision of bringing these new technologies, solutions, software and hardware from Singapore and applying them in Laos."

"Some people still have the mentality that IT plays a small role in business, but its importance grows more and more every day. IT helps save costs, helps companies organise their systems, and helps the government through their banking operations."

Having constructed many roads and similar infrastructure in remote areas, TK Group is now developing its agricultural operations by collaborating with coffee and strawberry plantations in the southern regions.

"This will eventually be very promising for exports, particularly to China given its sizable population and need for food security," Thammavong continues. "TK Group can be the partner for UK farmers and wholesalers in terms of doing packaging, quality control, or even the selecting of products before we ship to the UK. If we pass the strict standards in the UK, then that opens up the rest of the world. We need to control the products before we ship, so we need the expertise from the UK to set up the correct standards to properly move forward."

Turning his attention to other promising areas of interest for his company and foreign partners, the senior executive is very excited about the opportunities that will be created over the next few years.

"The China-Laos Railway is going to be a great opportunity for Laos to promote the real estate sector, and so we are working on the development of apartments, shopping malls and retail shops," he says.

"In particular, we are developing a hotel with which we have just signed [in March 2017] a management agreement with Hilton Worldwide to operate the Double Tree by Hilton Vientiane, and which will be completed by 2020."

"Because Laos is a landlocked country, and it is difficult to reach the sea, transportation is very expensive and products are difficult to export by road, so with the railways we will export to many countries."

During the signing ceremony of the deal between TK Group and the hospitality giant, Hilton noted Vientiane “is the trading hub for various commodities due to its access to Thailand and Vietnam via the Mekong River and three link bridges. In recent years, the city has experienced rapid economic growth from FDI thanks to the government’s willingness to welcome foreign investors and its commitment to developing the tourism industry.” Thammavong hopes British firms will follow the example set by the US-headed hospitality giant and contact TK Group to explore mutually beneficial investment openings in any of the sectors it operates.

"We are a very transparent, loyal and welcoming company and can better perform projects, as we have the know-how and expertise to take on new projects,“ he says. "It is very important to choose the right — local — partner, and we are sure we can be just that.

Trust Empowers Locals

Established in 1997, the name Gaupa Lao Construction Company derives from the countries where its quintet of original Laotian partners studied abroad: Germany, Australia, Ukraine, Poland and America (US). During the past two decades, Gaupa Lao has successfully completed numerous construction, civil and mechanical and electrical engineering projects for clients operating across the industrial and commercial spectrum, including Lao Telecom, Lao Brewery, ANZ Bank, and Maruhan Japan Bank.

CEO Phathdana Ssummalavong, who is now the sole owner of the firm after buying out his original partners, is proud of his company’s outstanding reputation and important involvement in various landmark projects.

He believes now is the ideal time for international investors to team up with companies like Gaupa Lao.

"There has been a misconception that contractors from abroad have more experience and can better perform projects, while local companies are not even given the chance to prove themselves,” he says.

"This means there is a gap in the market for foreign players to come in. Ideally, foreign contractors would partner with local players as they have the knowledge and expertise of operating in Laos."
Strength in numbers

Such is the rich potential of Laos, that dozens of banks have established operations as they race to cash in on the booming economy and the rise in living standards and incomes.

The rapid and robust economic performance enjoyed by Laos in recent years has meant it has become a strong magnet for foreign banks and financial institutions wishing to expand their presence in Southeast Asia.

A series of government reforms has improved the operating environment for domestic and foreign banks, including the passing of legislation that smooths the way for FDI. Over the past decade, the number of commercial banks providing services to individuals and business has mushroomed from 12 to more than 40, comprising state-owned entities, foreign players, and 19 branches of international operators.

While consolidation is likely to take place, officials in the sector are upbeat about its prospects, given Laos' strong fiscal performance and the bright outlook for future GDP growth.

“The expansion of commercial banks has played a significant role in the promotion and development of our financial sector,” says H.E. Somphao Phaysith, Governor of the Bank of Lao PDR [Central Bank].

“They have provided substantial financial resources to encourage a high and sustainable rate of economic growth. There is plenty of opportunity for foreign investors to do business in Laos, including those from the UK.

“To attract additional British FDI in the financial sector, we are taking the necessary steps to create a clear regulatory framework to promote a positive business environment. These include legislation on credit, along with consumer and depositor protection, and an information bureau supported by the British Embassy.”

Home Advantage Counts

Once the largest bank in the country, Banque pour le Commerce Extérieur Lao Public (BCEL) is a successful state-owned firm formed in 1975. The first bank listed on the Laos Securities Exchange, BCEL has grown at an impressive rate, with the firm currently operating around 20 branches and more than 80 sub-branches.

“With more than 1,600 staff, it has the expertise and the experience to offer a broad range of services and financial products such as funding for personal and businesses purposes. Substantial investment in technology means BCEL provides a quick, reliable and efficient modern banking platform for people of all ages and companies of all sizes.

“Regarding the number of banks in Laos, there is no need to focus on whether 42 banks are too many or too few for a country our size,” emphasises Phoukhong Chanthachack, General Managing Director of BCEL.

“What is important is what 42 banks provide in terms of the country's micro and macroeconomic development.”
Phoukhong Chanthachack, General Managing Director, BCEL

BCEL’s contribution to the country has been helping Laos mobilise funds, and our first goal is the development of human resources, to achieve international standards to support continuous growth.

“Since 2011, our assets have more than tripled to $4 billion,” the senior executive continues. “BCEL helps facilitate funds from society and we are extending our network all over the country and providing loans to people so they can grow their business, even in remote areas.”

While BCEL is the largest local bank, such a competitive market means other players have also thrived.

Strong Competitive Spirit

It is this fierce competition that proves beneficial for the sector as it inspires banks to move forward as modern entities to achieve international standards.

“One bank that has transcended borders in Southeast Asia is Sacombank, a Vietnamese company that is a strong force in its home market and a growing presence in Laos and Cambodia. As one of the top five banks in Vietnam, the institution has provided banking services for many of the most important investors of Vietnam, and this valuable experience is attracting many such investors into Laos.”
He expects Sacombank to play an important role in the curtailment of the growing private sector through retail banking activities.

“We combine our experience, technologies, systems and staff — who are 90% local — to give us a better understanding of the local market.”

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Sacombank entered Laos in 2008 and has 4,000 customers, comprising of 40% Vietnamese and 60% Laotian.

“Vietnam is the second biggest source of FDI for Laos, with investments totalling $5 billion, so Sacombank set up an office to support them here directly,” states Pham Quang Phu, member of BODs/General Director of Sacombank Laos.

“The senior executive is very upbeat about the prospects of his financial organisation and the country’s economy as a whole. He expects Sacombank to play an important role in the curtailment of the growing private sector through retail banking activities.

“We have just created a product for SMEs that involves funding from the World Bank, and facilitates remittances between our countries of operation so people can send currency in Lao Kip and their businesses and families receive it in Vietnamese Dong.”

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Becoming and being the biggest bank

ICBC Vientiane Branch is now the largest commercial bank in Laos

Under China’s diplomatic principles of developing good-neighbour relations, coupled with the internationalisation strategy of the group, Industrial and Commercial Bank of China (ICBC) entered Laos in 2011 with a win-win aim of supporting the rapid and continual development of the Laotian economy and society, and at the same time making ICBC the most prestigious financial institution in Laos, sharing the fruits of the development in China with its southern neighbour.

Present in more than forty-five countries, the international banking experience of ICBC is second to none, and in only six years, the Vientiane Branch has experienced a tremendous amount of growth, facilitated by increasingly close bilateral economic ties, and reinforced by having recently celebrated fifty-five years of diplomatic relations between China and Laos.

The Asian giant is the largest foreign investor in Laos with total investments valued at around 55% of the GDP of Laos, an amount which will surely only grow with the completion of the China-Laos railway.

“We are a Chinese bank playing an important role in bridging the gap between China and Laos, which is why we have developed excellent retail financial services and products for the local citizens here, while at the same time fulfilling our social responsibilities as an active participant in the development of this country and its charity activities,” stated Lu Jian, General Manager of ICBC Vientiane Branch.

The strong cooperation with the Lao government and its representatives such as the Ministry of Industry and Commerce and the Bank of Lao have allowed the world’s biggest bank to become a leader in transforming and improving the internationalisation level and standards of the banking sector in Laos, through sharing its experience and knowledge of the ICBC group and its global operations.

In addition, the Bank of Lao (BOL) has a receptive attitude towards foreign financial institutions, buttressed by clear and transparent policies targeted to ensure that the local and foreign banking institutions operate and compete under the prerequisite of complying with the laws, rules and regulations, which has paved the way for foreign banks to operate on a level playing field, allowing banks such as ICBC to achieve their goals in Laos with success.

“ICBC had the vision of becoming the most respected bank in the world and in Laos,” stated the General Manager of ICBC Vientiane Branch, “And after five years, we have achieved this aim.”

Taking the Lead

At the end of June 2016, ICBC Vientiane Branch held $4.16 billion in assets, making it the largest commercial bank with the most local assets scaled among the 42 banking institutions operating in Laos, and surpassing in overall asset scale the local commercial bank BCEL, which holds $3.36 billion. This is the first time in Laos banking history that a foreign bank has topped the list in asset scale.

Jian attributes ICBC Vientiane Branch’s rapid growth and success to the strong cooperation between China and Laos and the regulatory framework set forth by the BOL, coupled with the stable and fast development of the ASEAN country. This has provided the perfect opportunity to utilise the strength of the ICBC group brand and has given them the support needed to develop the business locally through their qualified team. He insists that the obligation of a financial institution is to actively participate in the development of Laos.

ICBC, Strong Branding

“ICBC is present in the main international financial centres such as Hong Kong, New York and London, and the establishment of the Vientiane Branch has paved the way for ICBC to achieve transforming and improving the standards of the banking industry of Laos,” argued Jian. “As such, ICBC is focusing on supporting the pillar industries of the country and on financing the major projects on which the government of Laos wants to focus.”

Some of these projects include logistics and infrastructure developments such as roads, highways and railways that will further spur economic growth by supporting the expansion of the service sectors.

ICBC is directly impacting the local economy through development loans that support farming and the processing of goods for export, as well as tourism infrastructure geared towards a substantial increase in visitors to Laos.

ICBC, Strong Branding

“ICBC had the vision of becoming the most respected bank in the world and in Laos, and after five years, we have achieved this aim.”

Lu Jian, General Manager, ICBC Vientiane Branch

As a bank, our most basic function is to promote the economy,” declared Jian. “As such, ICBC is focusing on supporting the pillar industries of the country and on financing the major projects on which the government of Laos wants to focus.”

Some of these projects include logistics and infrastructure developments such as the development of the ASEAN region, especially as China is developing the One Belt, One Road initiative. Laos offers a stable and good business environment, providing very attractive opportunities for investors.

“The UK plays a leading role in the world in the financial services sector,” declared Jian, “and it can help promote the development of Laos while satisfying its own need to search for new markets, by introducing leading UK companies to the various industries of Laos that are teeming with opportunities.

“There are various sectors apt for cooperation with British investors,” concluded Jian, “including the electricity industry, as well as the mining industry and infrastructure sector. If investors from the UK come to Laos, ICBC guarantees good cooperation with them through our subsidiary of ICBC in London, and will provide them with excellent products and services. We, here at the Vientiane Branch, want to be their key partner.”
The Battery of ASEAN

Billions of dollars of FDI are flowing into Laos’ energy sector as companies tap into its enviable water resources in the form of new hydroelectric power plants.

By capitalising on its excellent hydroelectric potential with the help of foreign partners, Laos plans to energise its economy and enjoy enrichment through powerful fiscal growth and socioeconomic development for existing and future generations.

This fusion of precious natural resource the Mekong River and international finance, knowledge and expertise — 80% of all FDI in Laos is in the energy and mining sectors — has already seen significant success through the recent two decades, with more than 40 hydro-electric power stations producing energy around the clock, and a further two dozen similar projects due to start stream in the next few years.

Officials aim to quadruple hydro-electric generation capacity — for domestic and foreign consumers — to 12,000MW by 2020, and double that figure again by 2050 as the country looks to fulfil its promise to become the Battery of Southeast Asia.

Domestic demand for electricity is rising rapidly, at an annual rate of 18%, and is expected to exceed 2,600MW by 2020, reflecting clean and renewable sources used to develop the mining and industrial manufacturing sectors, among others.

“The power sector aims to become a central actor in the Greater Mekong Sub-region (GMS) power market, being a reliable, clean and affordable energy provider as well as a reliable system for energy transit,” says H.E. Dr. Khamsanath Inthirat, Minister of Energy and Mines.

“In addition, it will strive to ensure sufficient, clean, reliable and affordable energy for the domestic market on a sustainable way.”

In late 2016, General Electric and state-owned energy company Électricité du Laos (EDL) signed a memorandum of understanding (MoU) to support hydropower generation developments and expansion of the electricity grid and transmission network — which are exclusively owned and managed.

Described as a milestone for the US conglomerate’s emerging operations in Laos, the agreement will help EDL achieve its priority energy goals: from providing affordable, reliable power to more homes, to developing an energy export business, and the renewable power sector.

The high profile deal delighted EDL CEO, Bounoum Svanpheng, as it will involve joint research and training programmes to support the long-term development of the energy sector and underpin Laos’ goal of becoming a key power generation source.

“Currently, Laos generates around 6,500MW of hydropower electricity, but the domestic market only consumes 1,300MW, meaning the excess is exported, mostly to Thailand, creating substantial revenue for the government to use elsewhere to develop the country.”

“EDL is negotiating with the other ASEAN countries such as Vietnam, Myanmar, Thailand and Cambodia, to connect the transmission lines and create the ASEAN grid. We are also negotiating with Singapore and Malaysia about supplying power to them as well.”

Power Partners Plug In

The senior executive is eager for companies from the UK to utilise this country’s valuable water resources and invest in state-of-the-art hydroelectric plants as independent power producers (IPP) who would then send the electricity to EDL for sale and distribution across the wider region.

“Our stakes in Thai, Malaysian, Japanese and Chinese IPP projects range from 10 to 20%, which boosts investor confidence as we have the local expertise who buys 100% of the electricity generated,” he adds.

“In addition, we also provide advice and knowledge on how to properly cooperate with the local communities and assist the potential investors in the necessary environmental assessments and feasibility studies.”

While large international groups are often the figures in mega-infrastructure projects, the support of smaller, local players is just as vital, as they perform much of the groundwork, the construction of roads, bridges and installation of utilities networks.

With its foundations in transport infrastructure development, Phonesack Group has accelerated into other avenues and is now ready to lead the modernisation and expansion of Laos’ energy infrastructure, mining and industries.

The ambitious firm is involved in several showcase energy projects: the large-scale 650MW Nam Theun 1 hydropower facility, and the 3 x 300MW coal-fired power plant in Sekong Province as well as gold processing activities.

The group’s Khamkeut Saen-Udom Gold Mine Project is nestled in mountainous terrain on the border with Vietnam.

The concession area spans more than 1,802 square kilometres and Phonesack Group has invested heavily in leading consultants and hi-tech systems.

“We adhere to the perspective that local developers possess the potential and capability equivalent to those of international developers,” states Phonesack Vilaysack, Chairman of Phonesack Group.

“Companies like us are looking for foreign shareholders to help attract funding, advanced technologies and experienced personnel who could train and transfer the knowledge, skills and expertise to the local workforce.

“We are what we are today due to the tremendous support and cooperation from the government and because of our persistence and commitment in contributing to national socioeconomic development, which has catapulted us to our current standing as one of industry leaders in Laos.”

Fueling Development

As the economy grows at a robust rate, so does the need for fuel to satisfy the energy needs of households and companies, including for consumption by local and foreign firms working on major development projects like high-speed train links and hydroelectric power plants.

With more vehicles taking to roads, not just lorries and vans used by contractors, but cars — reflecting the upward trend in living standards and income levels — Laos’ thirst for fuel is growing fast, meaning the state-owned Lao State Fuel Company (LSFC) is busier than ever.

The fuel sector is likely to experience transformation and consolidation as the government seeks to reduce the number of market figures from 25 to five and level the playing field.

“LSFC is the sector leader driving efficiency, maintaining a reasonable profit, and meeting the social obligation of the government, mainly in remote areas,” states Khamchamrath Rattanavong, Senior Deputy Managing Director.

Phayboun Phomphakhitt, LSFC Deputy Managing Director, adds: “We wish to partner with foreign entities to improve our competitive position and increase business.

“Today, we have cooperated with Chinese companies for a refinery plant, and Thai investors to modernise service stations.”

Energizing the ASEAN economy

By capturing raw energy from precious river resources and transforming it into power for consumption by millions of people in Laos and neighboring nations, Electricite Du Laos is a fundamental figure in the major regional drive to boost living standards and socioeconomic development.
Blessed with the jaw-dropping scenery of rainforests, hills, and the mighty Mekong River, Laos is an increasingly popular destination for foreign tourists. Lending beautiful natural landscapes with centuries of tradition, culture, religion and monuments, Laos offers visitors the holiday of a lifetime as they adventure through rainforests, temples and the enchanting streets of the laid-back capital.

Nearly 4.25 million tourists visited Laos in 2016 after several years of double-digit growth among foreign travellers eager to explore highlights such as the winding Mekong River and the UNESCO World Heritage sites of Luang Prabang and Vat Phou.

Official data from 2015 shows that more than 41,500 people from the UK visited for tourist purposes, up 15% from 2012, with destinations including the famous megalithic archaeological landscape of the Xiangkhoang Plateau comprising thousands of stone jars.

Investment opportunities exist throughout the tourism industry as the country looks to maximise its potential through the development of infrastructure like hotels and amenities, as well as more transport services to support visitors on their journeys around the country.

Projects in the pipeline include new roads and the modernisation and expansion of the well-connected Vientiane International Airport (Wattay).

Several international and domestic airlines utilise the facility, including AirAsia, China Eastern Airlines, China Southern Airlines, Thai Airways and Vietnam Airlines.

A leading figure in the hospitality industry — and indeed areas like construction, real estate development, and business consultancy — is the Krittaphong Group Co. Ltd. The highly successful company built the famous Landmark Mekong Riverside Hotel and operates the largest golf club in the republic, Luang Prabang Golf Club & Resort.

As the name suggests, the Landmark Mekong Riverside Hotel stands adjacent to the waterway and is the only five-star accommodation in Vientiane, offering a memorable dining, meeting and leisure experience.

Scopious, luxurious, modern and elegant, the Landmark Mekong Riverside Hotel boasts three restaurants serving local and international cuisine, the largest outdoor swimming pool in the country, a modern spa and fitness centre, and convention and business facilities.

**Proud Presidential Hotel**

Frequently chosen to host world leaders and prestigious international events — such as the ninth Asia-Europe Meeting Summit (ASEM) of heads of government and state in late 2012 — the hotel’s 188 rooms redefine luxury and offer panoramic views over the Mekong River and even neighbouring Thailand.

"When business people come to Laos, they have no option but to stay at the Landmark Mekong Riverside Hotel, whose name was given by the Prime Minister," states Yao Bin, Chairman of Krittaphong Group, proudly.

"The aim is not to promote the hotel as a luxurious building, but much more than that, to establish it as a brand, as an experience through world class facilities, coupled with exceptional service to match international standards."

Given its prestige, outstanding reputation for service and excellent location, it's hardly a surprise that the list of former guests reads like a Who’s Who of world figures.

"Krittaphong Group saw this as the perfect opportunity as there are very few large or luxury hotels in Laos, especially as the country is gaining recognition within the region and the world, so more and more meetings are being held here."

"We are going to list on the Hong Kong stock exchange to encourage investors — hopefully many of whom will be from the UK — to join us and we will use that capital to develop our projects across the country. We are looking to work with finance companies as we need to source fresh funding. Laos is growing very rapidly and we want to be here to experience that growth, while helping the country prosper further."

This report was produced by Panorama Group and can also be read online at: www.panoramagroup.com