

**Progress report of the Public-Private Consultative Meetings under
Lao Business Forum mechanism over the past year**
prepared by the Lao Business Forum Secretariat

Presented by Ms. Valy Vetsaphong, Vice President of the
Lao National Chamber of Commerce and Industry at the
13th Lao Business Forum
July 28, 2021, Vientiane Capital.

- With respect to His Excellency Mr. Phankham Viphavanh, Prime Minister of the Lao PDR.
- Dear Ministers, Deputy Ministers, Heads of Departments and Divisions.
- Dear Ambassador, Representative of International Organizations; Representatives from the public and private sectors, both in Lao PDR and abroad, participated in the Zoom System.

I am honored to represent the Lao Business Forum Secretariat in reporting on the progress of the Public-Private Consultative Meeting progress under the mechanism of Lao Business Forum today. The Lao Business Forum is an annual forum and the preparation take place throughout the year, with the National Chamber of Commerce and Industry as the secretariat and the Ministry of Industry and Commerce as the focal point of the government. The consultation process is currently undergoing technical assistance and funding from the Lao Competitiveness and Trade Project. In the consultation process of the Lao Business Forum, the business sector has raised issues and has been screened through its private sector association to be discussed with the government at the technical meeting and reported at the policy level meeting, which is the Lao Business Forum today.

The Prime Minister and distinguished guests,

First of all, I would like to express my sincere appreciation to the government for putting great effort on solving the problems that the business sector faced. Prior to this day, LNCCI held a joint consultation process with several government departments at the technical level, which was co-chaired by the deputy minister, or the Director General of the relevant departments, together with the Vice President of the National Chamber of Commerce and Industry; and I, myself have had the opportunity to co-chair many meetings.

So now I would like to report on the preparation progress for the 13th Lao Business Forum, which we have started from the beginning of 2020 until now as follow.

- ✚ Following the 12th Lao Business Forum in November 2019, the Prime Minister Office issued Notification No. 47 / PMO, dated 14 January 2020 to the relevant ministries on guidelines for resolving issues set up at the 12th Lao Business Forum. After the

notification was issued, our secretariat followed up and encouraged solving various issues according to the notification by sending letters to monitor the progress and through technical discussion between the business sector and the relevant departments.

- ✚ In addition to monitoring the progress of issues from the 12th Lao Business Forum, we have organized private sector working group meetings and coordinate with businesses in various sectors, both local and foreign companies, during January-October 2020, to collect and identify priorities issues of each issue. Currently, there are 40 priority issues, including outstanding issues from the last Lao Business Forum.
- ✚ Consequently, we held a meeting between the relevant departments of the government and the business sector at the technical level between July 2020 to February 2021 on many priority issues. However, due to the outbreak of COVID-19, which poses a challenge to our consultation process, some priority issues have not yet been discussed at the technical level. Given the circumstances that have not yet returned to normal, we anticipate the need to continue the consultation process by switching to an online format, such as today's forum.
- ✚ At the same time, we are working with the Ministry of Industry and Commerce and the Ministry of Planning and Investment to share information and coordinate on the progress the Lao Business Forum (LBF), trade facilitation, and monitoring the progress of Order No. 02 / PM.
- ✚ In the process of consultation, we have opened more opportunities for foreign investors to participate in the process of Lao Business Forum. For example, we have invited the Australian Chamber of Commerce in Lao PDR to take lead on the discussion of the financial service sector.

Now, I would like to report on the progress of the priority issues that the private sector has raised through the consultation process of Lao Business Forum, including the issues raised from the previous Lao Business Forum and in the process LBF 13 as follows:

I. Issues that the business sector see as being solved or given a clear answer include 8 issues:

- 1) **Fees for registering loans backed by land title rights:** Article 79 of Presidential Decree No. 003, dated 26 December 2012, states that the fee to register a loan pledge agreement for use of land title rights is equal to 0.2% of the total borrowed amount. This is considered a high rate and has a direct impact on borrowers. However, in June 2021, Presidential Decree No. 002 /, dated 17 June 2021 on fees and service charges to replace No. 003 /. In the new decree, the Ministry of Natural Resources and Environment has reduced the registration fee of land use right as collateral by taking the from 0.2% of the value of the loan to a maximum fixed rate of not more than 200,000 kip per one-time registration. The reduction in fees significantly reduces the cost of access to finance for businesses across all sectors, so this issue is considered solved.

- 2) **Policy to promote access to financial services through technology (Fintech):** In this issue, business have proposed to have a clear legislation from the Bank of the Lao PDR on payment services, so as to open up to more business opportunities for service providers and to promote access to financial services for all citizens at affordable prices, especially those that are in remote areas. The Bank of the Lao PDR has issued Decision No. 288 / BOL, dated March 17, 2020, as a reference for business who want to conduct business on electronic payment services. Therefore, this problem is considered to be solved.
- 3) **Slow approval procedure for the annual import plan (Master List) of goods and materials exempts from custom duties and taxes under the Investment Promotion Law:** Business proposed to the Ministry of Planning and Investment to coordinate with the relevant authorities involved in approving the import plan, to facilitate the process of annual import plan. At present, most businesses find that the process of licensing import plans for goods and raw materials that are exempt from customs and duties under the Investment Promotion Law has been streamlined, and therefore the issue is considered to have been resolved. In addition, the Customs Department has already completed installation and started use of the electronic management and clearance system of Master List across the country.
- 4) **Current electricity rate is not adequately conducive to agricultural sector:** Business owners in the agricultural sector view the sector to be important to the economy of Lao PDR because it provides most of the employment in the country, as well as being a strategic sector in ensuring food security for the people of Lao PDR. The Ministry of Energy and Mines instructed the Lao Electric Power Enterprise (No. 0438 / dated 08 April 2020) to start implementing the revised electricity tariff structure from May 2020 to December 2025. Consequently, there has been a reduction in electricity prices for certain types of customers, including agri-business operators. Business owners in the agricultural sector are satisfied with the new electricity prices. Therefore, it is considered that this problem has been solved.
- 5) **Procedures for approval of documents to pay customs duty taxes at Thanaleng warehouse:** Businesses find that there is no transparent and standardized method of calculating import customs duties at Thanaleng, which delays the movement of goods from the warehouse. Therefore, in the technical meeting on trade facilitation with Secretariat of Trade facilitation, this issue was discussed. Representative of the Ministry of Finance has explained the conditions related to the calculation of tax value to the affected business. Business sectors acknowledge that they have already received a clear response, so this issue will not be raised further at next Forum. However, LNCCI will continue to work with the Trade Facilitation Secretariat to follow up further with operators. If there are any objections in the implementation as stated in the Guidelines for the Valuation of Customs Declaration related regulations, and

inconsistent implementation will be reported to the relevant authorities for further discussion.

- 6) **Regulations governing real estate:** Investors have proposed to the relevant government agencies to have clear legislation as a basis for the construction and management of high-rise buildings in the form of condominiums to create clarity and trust for investors. The Department of Natural Resources and Environment completed the revision and promulgation of the revised Law on Land Management (Land Law) by the end of 2020. The conditions, supporting documents and procedures for registration of condominium construction land are specified in the revised Land Law, Volume 3, Article 106-108, which is a new article in the Land Law. Private sectors see this as a good step in solving the problem because the construction of condominiums in Lao PDR is now officially supported by law. Therefore, this issue will not be raised at the next Forum. However, there is currently no instruction on the implementation of the revised Land Law. Thus, the LNCCI will continue to monitor its implementation with the private sector and will report if there is any problem to the relevant authorities.
- 7) **High import tariffs** – unfavorable to domestic businesses: Entrepreneurs have asked the Ministry of Finance to reconsider the pros and cons of import duties on raw materials to serve domestic production, as well as carry out an empirical study on the types of production that will be able to maximize the benefits if the import duty is reduced. A clear response to this issue has been made to the relevant business owners in this sector, so it will not be raised for further discussion at the next Lao Business Forum. However, LNCCI will work with the Trade Facilitation Secretariat to follow up on this issue, if the business sector identifies any product or procedure that causes problems regarding the import duty on materials to be used in production; and this will be reported to the relevant authorities for later joint discussion.
- 8) **Access to information on agricultural production in Lao PDR:** Business in this sector proposes that the Ministry of Agriculture and Forestry, in collaboration with MoIC, should improve the database on the production, import and export of agricultural products in Lao PDR to create more complete and easily accessible information, especially relating to the location of producers, types and quantities of agricultural products, and imports and exports in each year. In response, the Department of Agriculture stated that it regularly collects information on the production, import and export of agricultural products (excluding imports and exports through traditional checkpoints) in Lao PDR, which can be disseminated to the public. Under the Department of Agriculture, there is a dedicated unit that can provide such information to the private sector, and they can contact the Department of Agriculture for such information (at no cost). However, it is not yet possible to post such information on the Department of Agriculture website as it does not yet support the format of the data. The private sector received a clear response to this problem, so this issue will not be raised at the next Forum. However, LNCCI will follow up with the private sector if they find that there is still a challenge in accessing the data, especially with regards to the cost of accessing the information.

These 8 issues are considered solved, that is the affected parties have found to be satisfied with the solution or with the responses during the consultation process of the LBF13. However, if there are still any parties that are still being affected by these 8 issues in the future, we may have to raise them again for further discussion in the next round.

II. There is one issues that has made no progress and will not be further discussed:

1. Unfavorable electricity tariff rates for the service sector: the response of the Department of Energy Policy and Energy Planning, Ministry of Energy and Mines to the proposal to reduce the rate of the service sector to the same rate as the industrial sector is not feasible due to the current economic situation whereby the Government focuses on boosting productivity by encouraging large industries to be more productive.

III. There are 31 issues with some progress made, but further discussion is still required. They are categorized into 7 groups:

1. Issues related to starting a business and investment promotion policy
2. Issues related to trade facilitation
3. Issues related to access to finance
4. Issues related to the implementation of specific rules
5. Issues related to the financial services sector
6. Issues related to the tourism sector
7. Issues related to the agricultural sector

Details of the sub issues and proposed recommendations by the private sector can be found in the document distributed to you or available in both Lao and English through the QR code provided or at Lao National Chamber of Commerce and Industry's website.

Dear distinguished guests,

At the 13th Lao Business Forum today, three representatives from the private sector working group will raise some of the selected key issues that we have identified which have found to be affecting various industries and may include some sub-issues that have yet to be addressed at a technical level. However, these issues are urgent matters during the COVID-19, and therefore will be raised today for guidance and solution. These issues are the followings:

1. Issues related to starting a business and investment promotion policies.
2. Issues related to trade facilitation and
3. Issues related to the parallel exchange market and the implementation of monetary regulations.

As for other issues that were not raised in the next agenda, we will continue to discuss in accordance with the process of the Lao Business Forum after today's meeting.

In addition, you will also hear a report on the progress of Local public-private dialogue, which is currently implementing at Phongsaly, Oudomxay, Luangnamtha Province (supported by ECL project) and Champasak Province (supported by LBF project). As for today the President of the Chamber of Commerce and Industry of Oudomxay province will present the progress in the next agenda.

Ladies and Gentlemen, we sincerely hope that this consultation process under the Lao Business Forum will help to effectively address the difficulties and challenges that the private sectors encounter. Our Secretariat team is working to improve this mechanism from time to time so that it is open to all businesses, especially micro, small and medium enterprises and women led-enterprises. Therefore, providing your feedback will be very helpful in improving the effectiveness of this process. I would like to take this opportunity to invite you to answer the questionnaire after today's meeting at the link that our team will send to you here and in the online platform as well.

Finally, I wish the 13th Lao Business Forum a great success.

Thank you.