

ESCAP-UNCTAD Workshop
**« Promoting Structural Economic Transformation in Asia-Pacific Landlocked
Developing Countries».**

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Industrial Development and Policies Needed to Build Productive Capacity in Laos

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Points to be discussed

1. Lao PDR brief information
2. 8th NSEDP 2016-2020
3. Economic perspective
4. Industrial development
5. Ways forward for building production capacity and industrial development

I. Lao PDR brief information

- Land area : 236.800 km²
- Population : 7.2 millions (2019)
- Density : 31 persons/km²
- GDP 2018 : 18,120 million USD
- GDP per capita 2,566 USD (2018)
- GDP growth rate : 6.3 % (2018)
- Capital : Vientiane
- Currency : Kip (1 USD=8,831kips)
- Language : Lao



II. 8th NSEDP 2016-2020

Ten-year Socio-economic Development Strategy (2016–2025)

- ✓ The strategy to graduate from LDC status by 2020
- ✓ The strategy for the transition period of LDC graduation by 2025
- The Ten-Year Socio-economic Development Strategy (2016–2025) consists of seven strategies as follows:
 - i. Strategy on quality, inclusive, stable, sustainable and green economic growth
 - ii. Strategy on LDC graduation by 2020 and progress on the SDGs
 - iii. Strategy on human development
 - iv. Strategy on sustainable and green environment with effective and efficient use of the natural resources
 - v. Strategy to enhance government's role in social management under the effective rule of law
 - vi. Strategy on regional and international integration
 - vii. Strategy on industrialization and modernization.

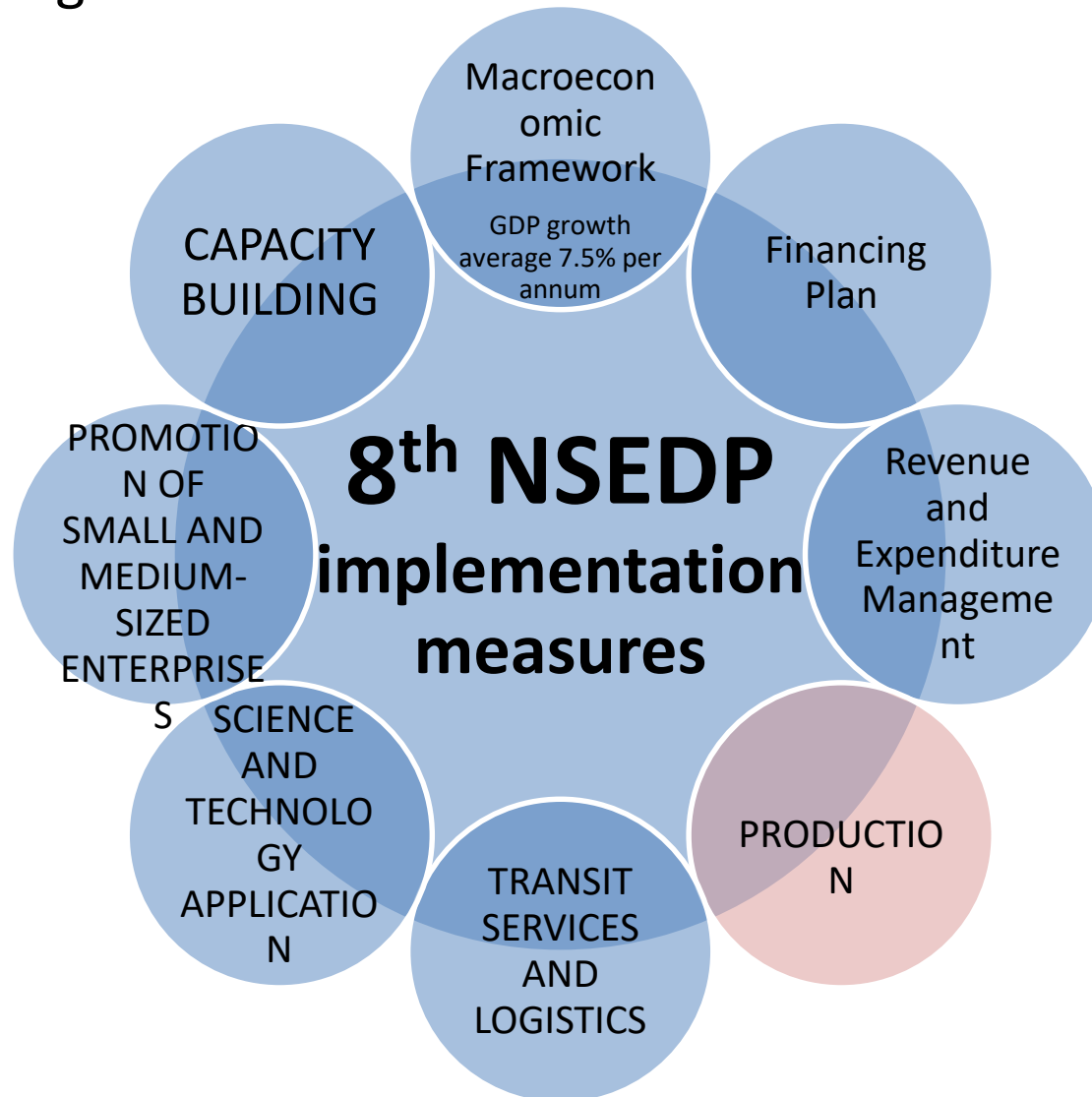
II. 8th NSEDP 2016-2020

Some of Performance Indicators, Targets set

- ✓ Poverty rate 10% by 2020
- ✓ Composite score adequate for eligibility for graduation from LDC status (as advised by UNCTAD)
- ✓ GNI per capita higher than US\$1,574 by 2018 and at or higher than US\$ 1,810 by 2021
- ✓ By 2020 to achieve GDP per capita at US\$3,190 and GNI per capita at US\$2,520 (Atlas), applied exchange rate of 8,300 kip/US\$
- ✓ Real GDP growth not less than 7.5% pa on average
 - ✓ Agriculture growth 3.2%, 19% of GDP
 - ✓ Industry growth 9.3%, 32% of GDP
 - ✓ Services growth 8.9%, 41% of GDP (excl. import tariff)
- ✓ By 2020, non-resource sector contribution in the GDP increase to more than the average contribution in the GDP during the 7th NSEDP

II. 8th NSEDP 2016-2020

Implementing measures



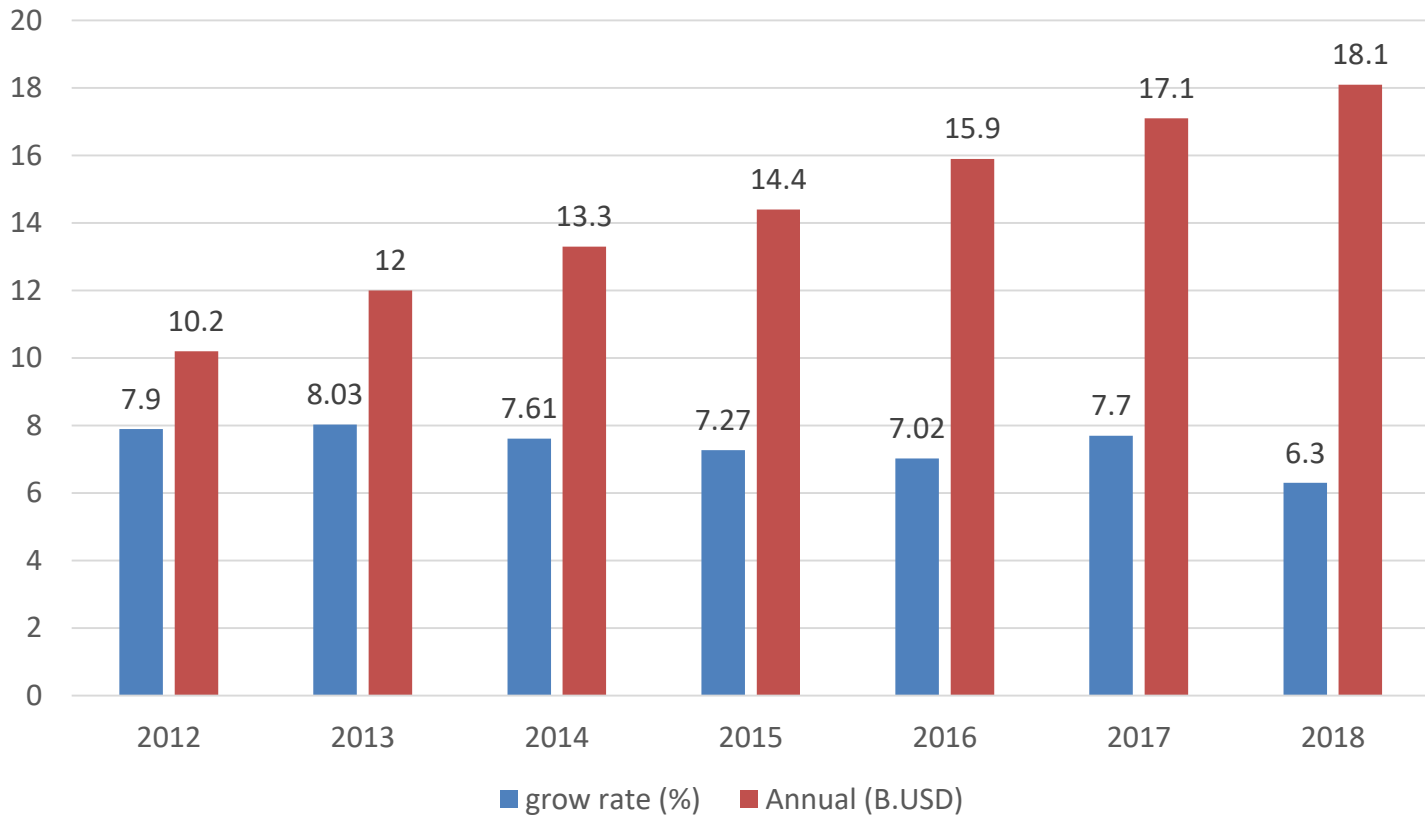
II. 8th NSEDP 2016-2020

Implementation measure for Production

- ❑ Strengthen the production foundation by promoting potential production encourage national and local comparative advantage
- ❑ Promote and diversify commercial production and services to reduce natural resource dependency
 - Encourage investment in commercial production in the non-resource sector
 - Promote businesses related to mining, forest resource (wood) utilization, export of processed minerals to create value addition in the ecosystem
 - Develop services of clean, beautiful and eco-tourism in parallel with the improvement of services in accommodation
 - Promote diversified production of handicraft and art works to supply the tourist demand and create income for the people and the nation

III. Economic perspective

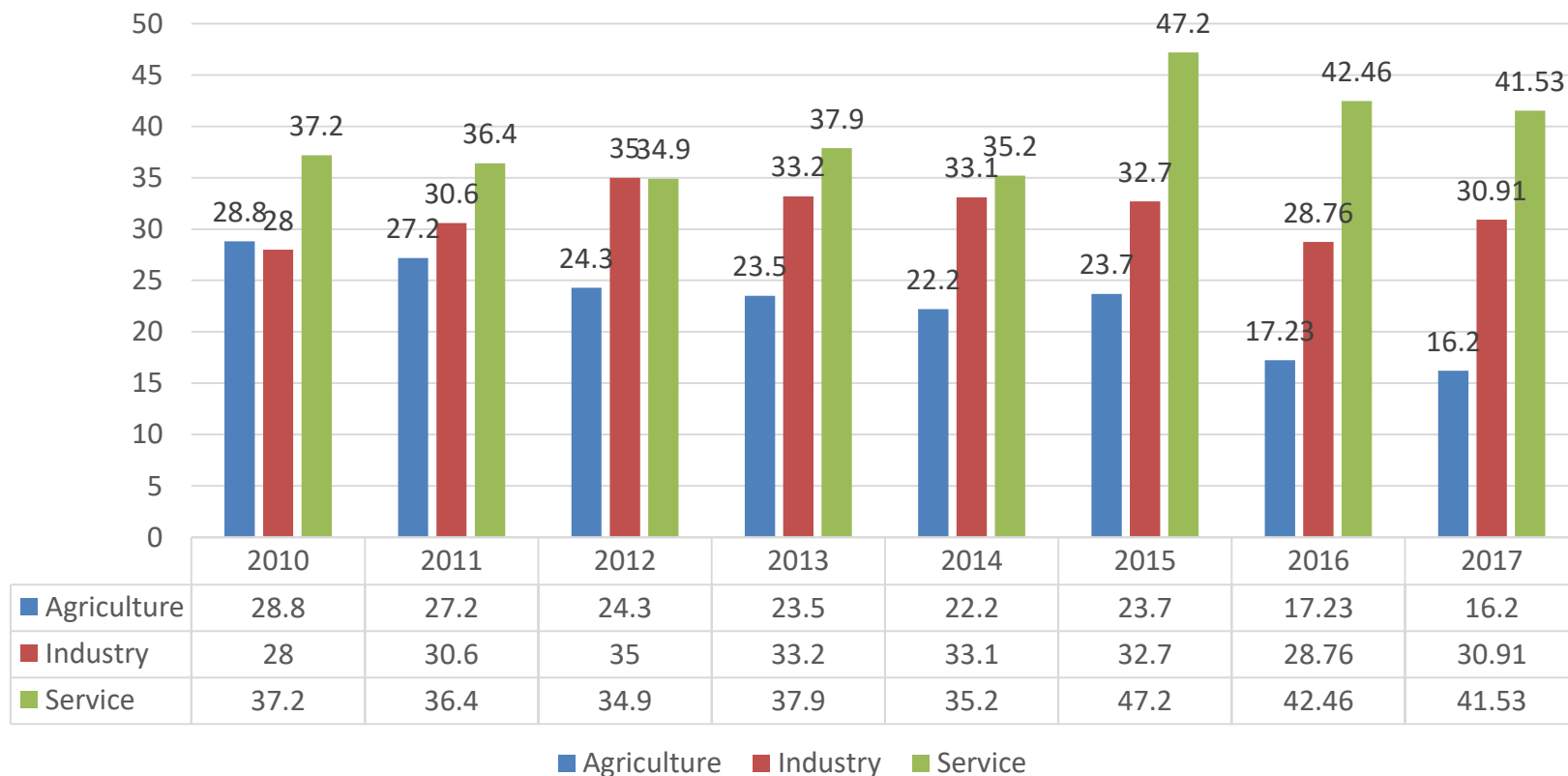
2.1 Annual GDP and growth rate (2012-2018)



Source: Lao Statistic Bureau/countyconomy.com

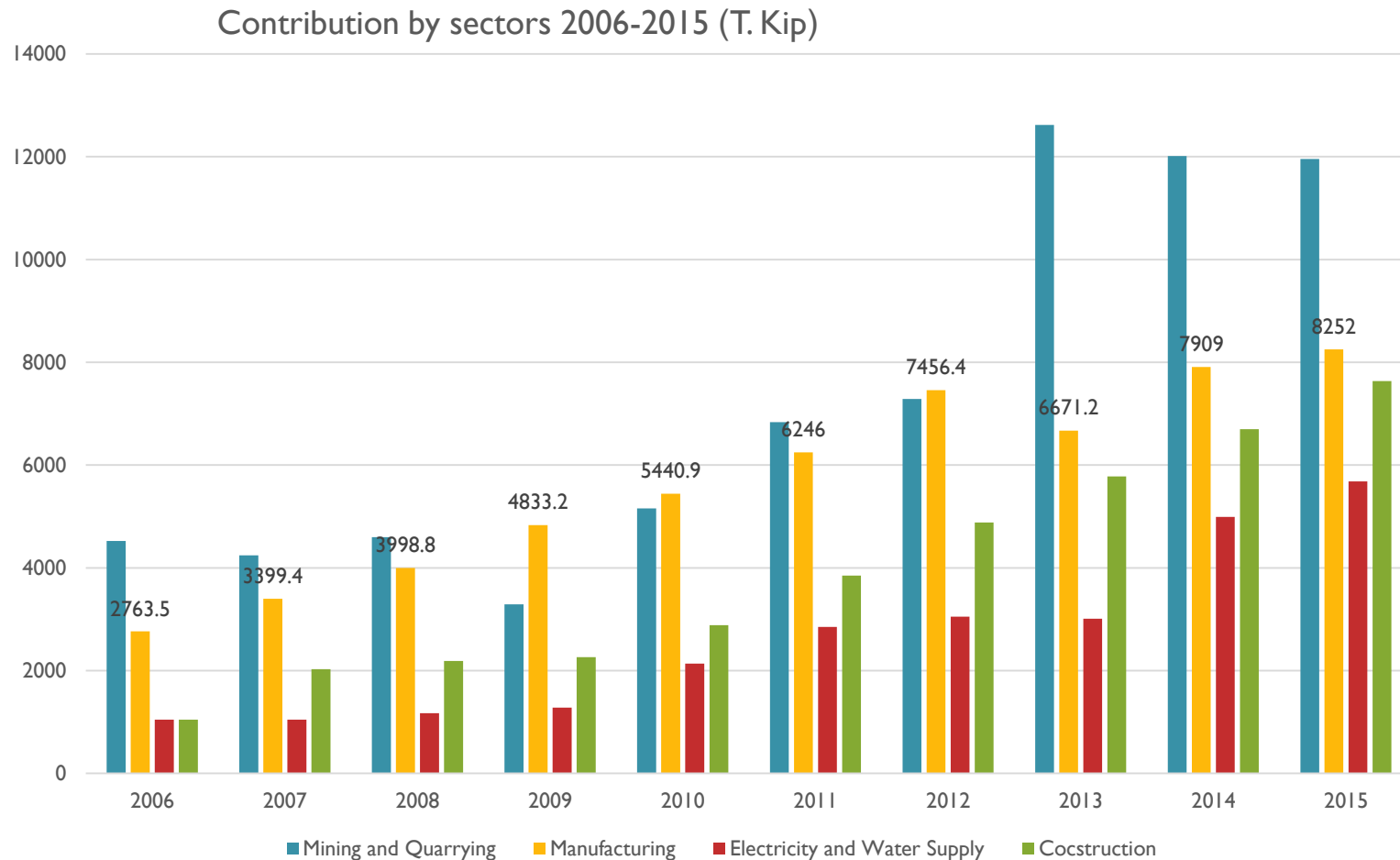
III. Economic perspective (cont.)

2.2 Sectors contribution to GDP (2010-2017) %



IV. Industrial development

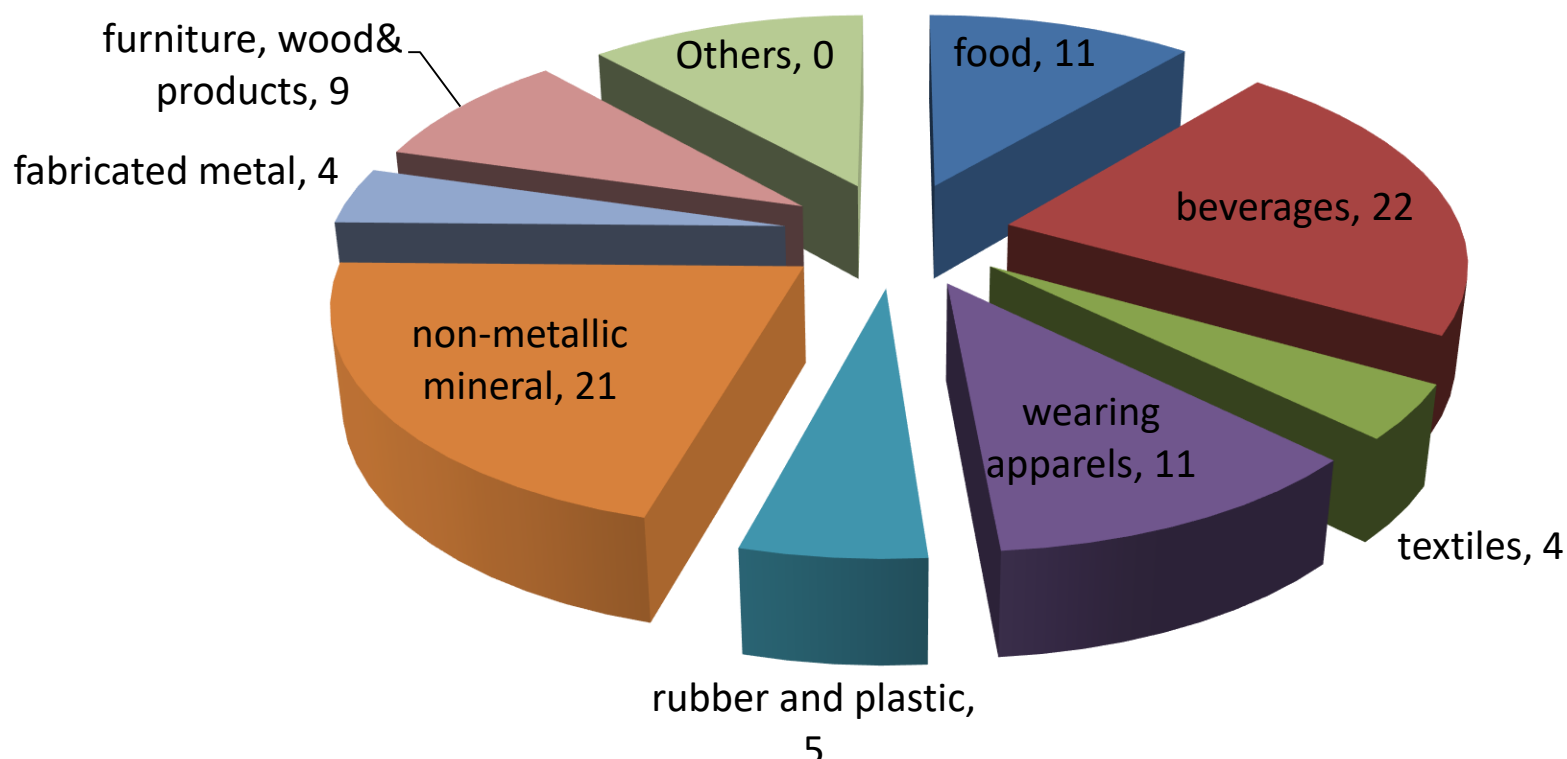
1. Industrial contribution by sub-sectors



IV. Industrial development

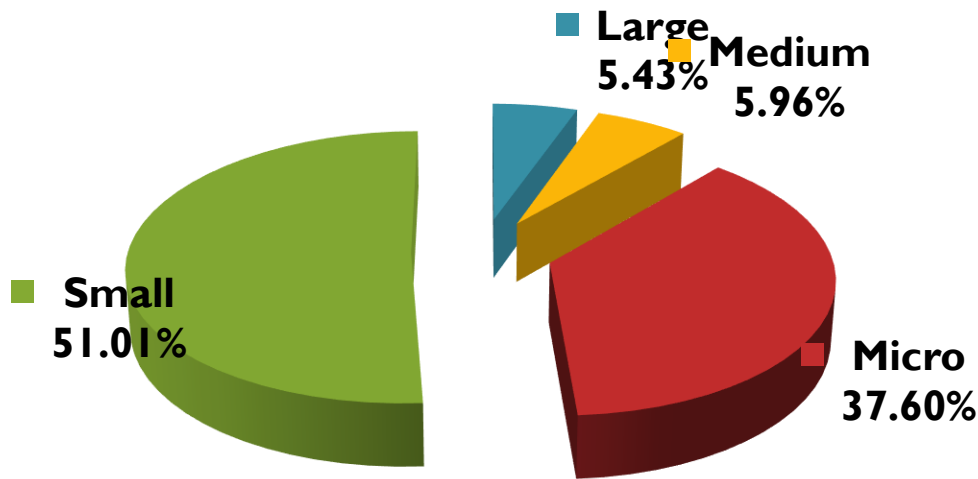
2. Structural transformation and manufacturing

Key subsectors contributing 88.4% manufacturing value-added (VA)

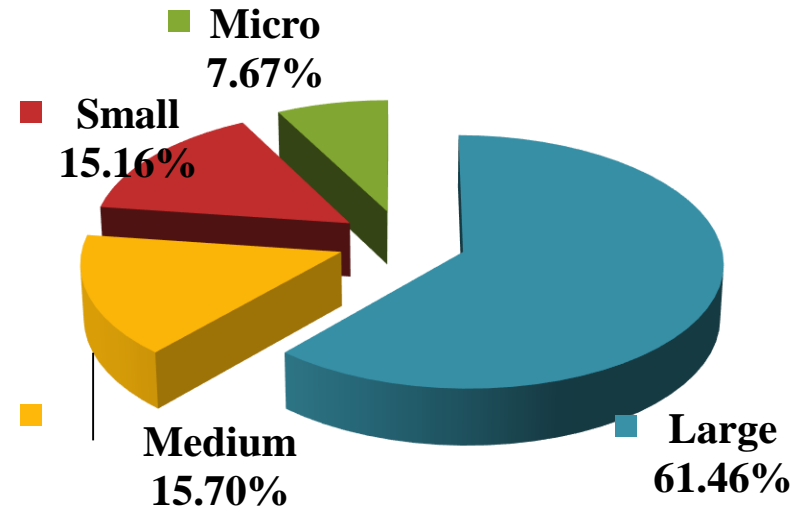


IV. Industrial development

Number of manufacturing establishment by size



VA by size of establishment



IV. Industrial development

3. Competitive Industrial Performance Index

CIP 2017	China	Thailand	Viet Nam	Cambodia	Myanmar	Laos
CIP rank	3	27	43	89	90	103
CIP quintile	Top	Top	Upper Middle	Middle	Middle	Lower Middle
Manufacturing Value Added per capita	2253.51	1704.27	308.92	193.77	291.98	193.1
Medium- and High-tech manufacturing VA share in total manufacturing VA	0.41	0.41	0.39	0	0.08	0.04
Medium- and High-tech manufactured exports share in total manufactured exports	0.6	0.64	0.51	0.1	0.2	0.22
Manufacturing VA share in total GDP	0.31	0.28	0.17	0.17	0.23	0.11
Manufactured exports share in total exports	0.96	0.87	0.86	0.93	0.44	0.63

V. Ways forward for building production capacity and industrial development

Building production capacity needs integrated development plans:

- Good governance
 - Leadership
 - National direction
- Macroeconomic and financial strategies
 - Monetary policy/strategies
 - Financial regulations
 - Supports
- Social policy/strategy:
 - Health and education
 - Environmental protection
- Industrial and sectorial strategies:
 - Agriculture
 - Mining and energy
 - Industry
 - Trade and investment
 - Infrastructure and logistics

International support is needed

V. Ways forward for building production capacity and industrial development

Potential Industries for Laos

Promoting balanced development & local private development (SMEs)

- Agriculture
- Agro/food processing
- Handicraft
- Tourism

Promoting labor intensive sector for employment

- Garment (Uniform, fast fashion supply chain)
- Other labor intensive (such as light products, copper wire, casting?)

Promoting higher value added sector for accelerate economic growth

- Electronic/electric machinery
- Transport equipment
- Processed mining products

Promoting supporting industries

- Energy & hydro-power
- Logistic services & transportation

Supporting import-substitute industries

- Fertilizer
- Animal feed products
- Cement & construction materials
- Others

V. Ways forward for building production capacity and industrial development

Industrial and Handicraft Development Plan (2019-2020)

4 Target subsectors



Agro-processing industry



Textiles and wearing apparel industry



Construction materials industry



Supporting industries
(printing and packaging)

Work programmes

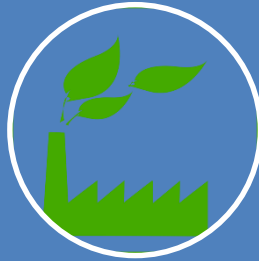
- Upgrade manufacturing infrastructure development
- Create enabling business environment
- Promote linkages with regional production networks

V. Ways forward for building production capacity and industrial development

Manufacturing Infrastructure Development



Vientiane
Industrial and
Trade Area (VITA)



Savan-Seno
Special Economic
Zone



Saysetha
Development
Zone



Pakse-Japan SME
special Economic
Zone



Thank you very much

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