

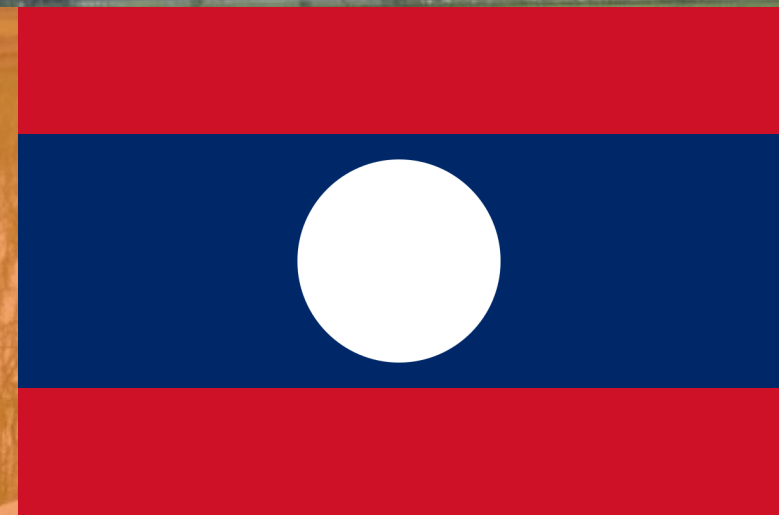


Food and Agriculture Organization
of the United Nations



Hand-in-Hand
Initiative

Investment Forum | Rome, Italy | 17-19 October 2022



Investment Opportunities Lao PDR



LAO PDR at a glance



7.2 M population

Area: 237,955 sq. km

NSEDP growth
4-5%;
agriculture
2.5%

GDP:
\$18.83 B
(2021)

GDP growth:

- 7% average in 2000-2019, due to investment in natural resources
- 0.5% in 2020 (due to COVID-19)
- forecasted at 3.4% for 2022

80% poverty reduction in 2012-2018 – due to higher agri incomes

Poverty at 18.3% in 2018/19, down from 24.6% in 2012/13, due to decline in rural poverty

Agriculture:

- 6.6 M ha
- 16% GDP (\$18.83 M)
- Employs 64% population
- Produces 1/5 of exports (\$982 M), mainly to ASEAN
- Key source of income for 94% poor/rural HH

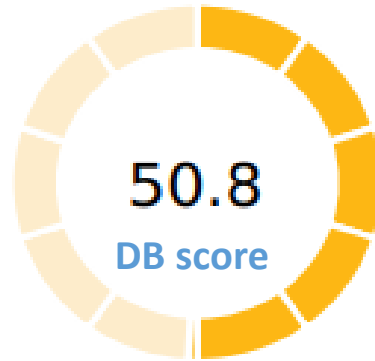
Trade:

- High growth (past decade)
- **Top export markets: China, Thailand, Vietnam**
- Mainly commodities

2016-2020 agri export to China rose by 30%, to Thailand by 51% & to Vietnam by 100%

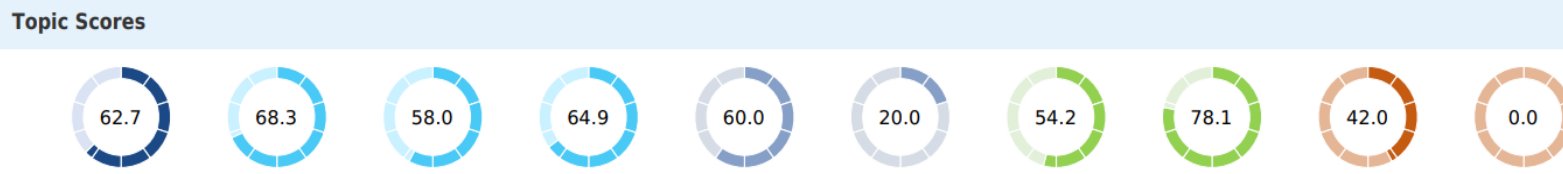
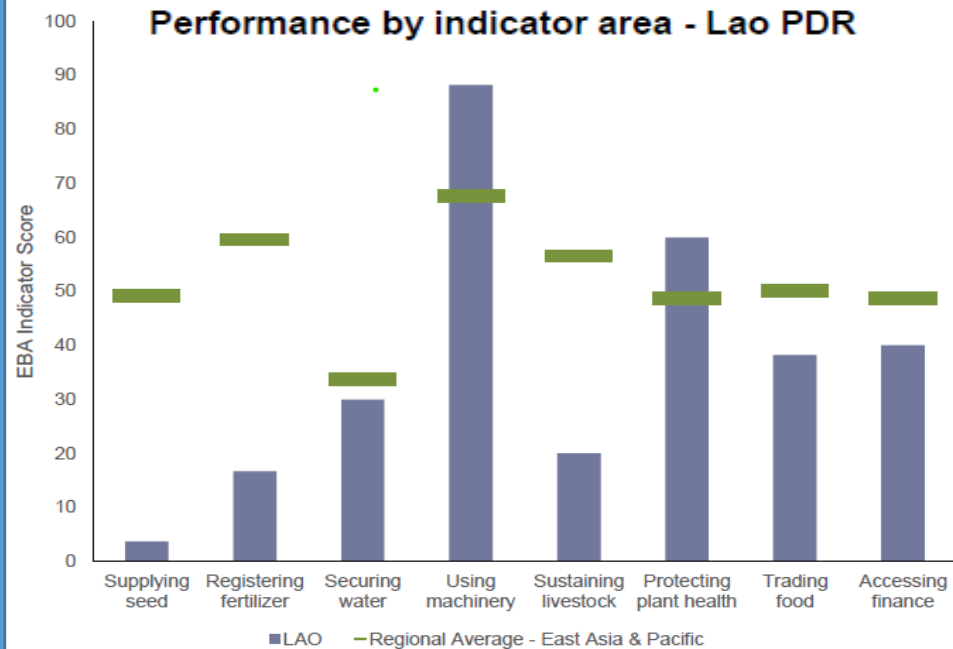
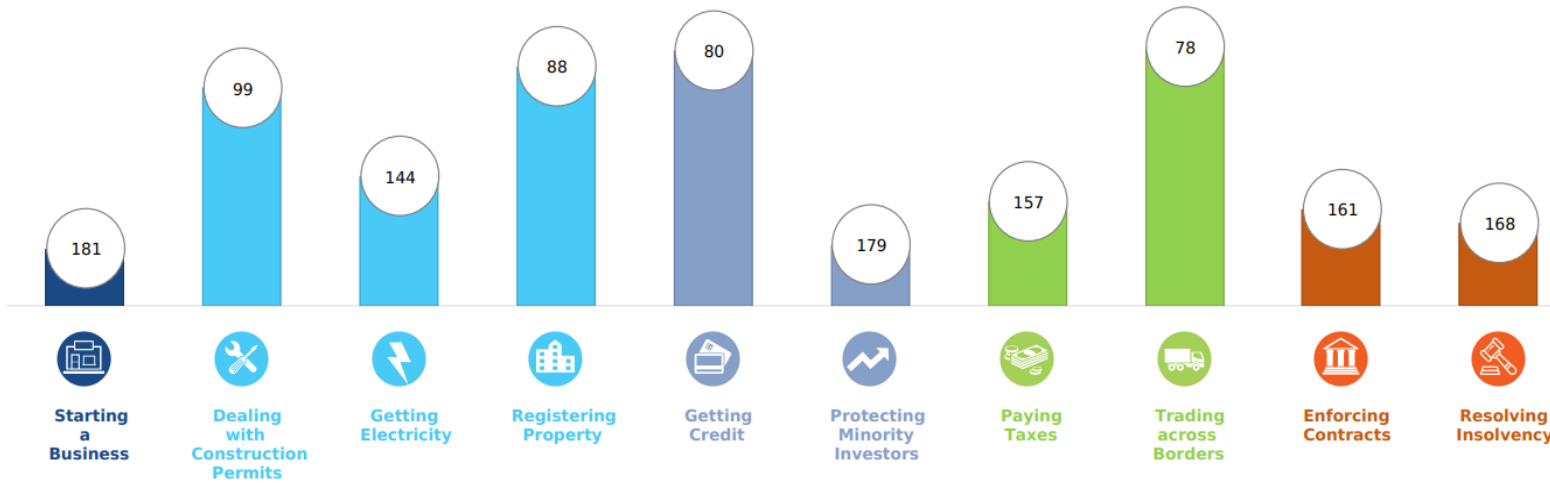
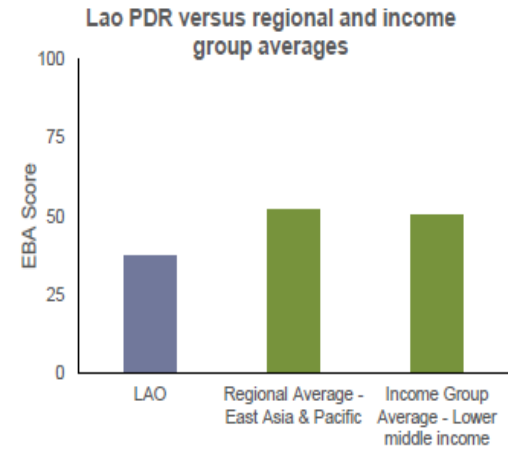


Doing Business Ranking 2020



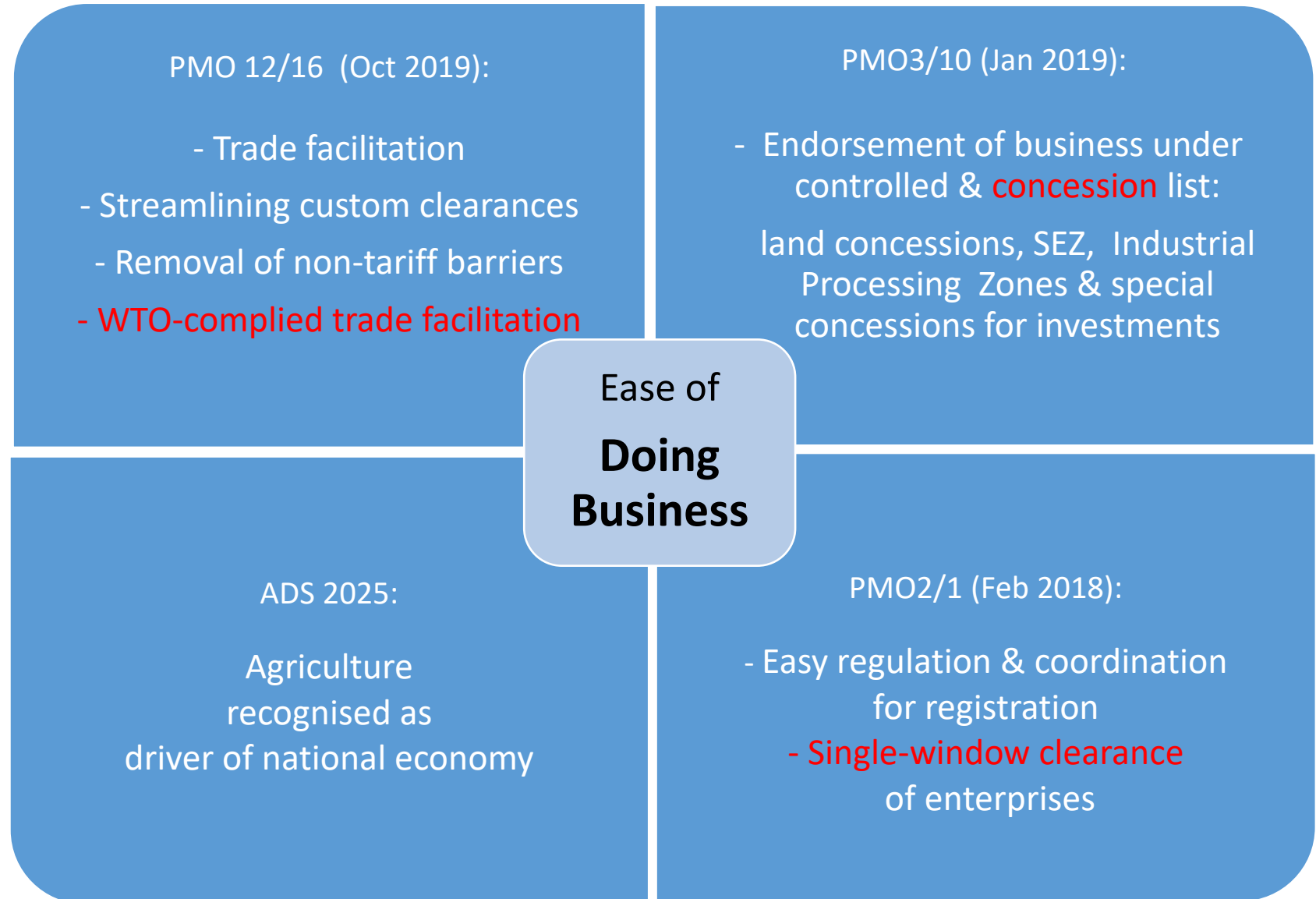
Enabling the Business of Agriculture

37.10
Overall Score (0-100)





Toward Enabling Environment





Why invest in Lao PDR



- Large scope for investment in agri-production & processing
- Est. \$447 M unrealized export potential in specialty agriculture
- Under-utilized land and low-cost labor
- **Rapidly improving connectivity to the region via new railway & roads**
- Linked to markets for agriculture & livestock in **China & ASEAN**
- Topography, agro-ecological conditions, bio-diversity **suitable for multiple commercial agri-products**
- **Multiple trade preferences:**
 - **Unilateral trade agreements with 39 countries**
 - Agri-export quota to China
 - General Special Preferences in 42 countries
 - **EU's Generalized Scheme of Preferences**
 - Bilateral investment treaties with 28 countries
- Increasing disposable income, expanding middle class
- Fast-expanding internet access & 5 M mobile users (against 7M population)
- **Young population** - almost 60% people under 25 years

Proposed HIHI investment strategy



High-yield investments

into

production & processing of agricultural products

that have

high demand in local & international markets

in

areas along the new railway linking Laos to
regional markets.



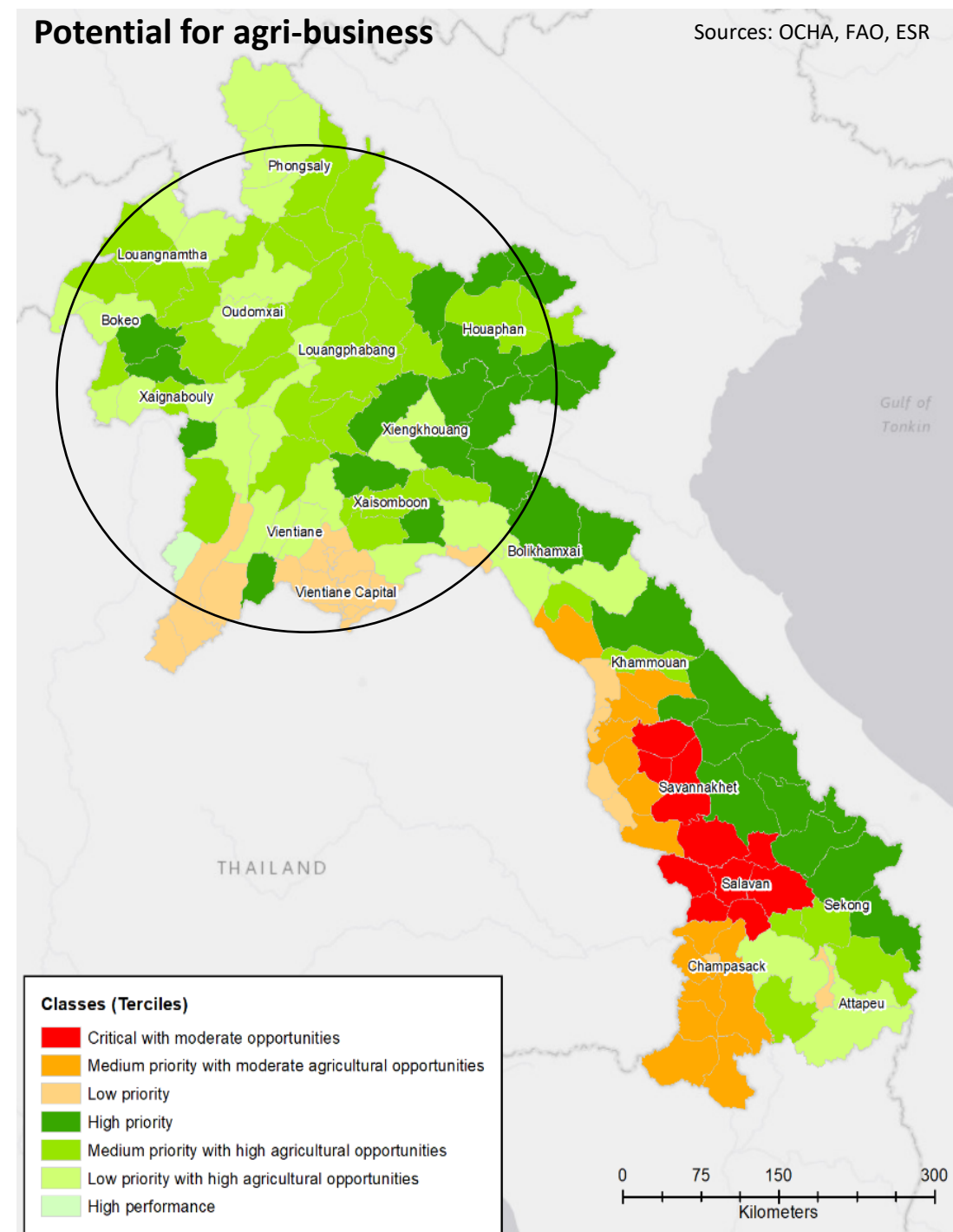


Proposed area for investment: Northern Lao PDR

- High agricultural opportunity area
- Good connectivity for trade via the Lao-China Railway & regional roads
- GoL- designated Green-Growth Economic Corridor
- GoL endorsement for HHI in this area

Potential for agri-business

Sources: OCHA, FAO, ESR



Why Northern Lao PDR?

Regional connectivity to/thru China, Vietnam & Thailand

Laos-China Railway (414 km) & key road networks reduce transportation cost by

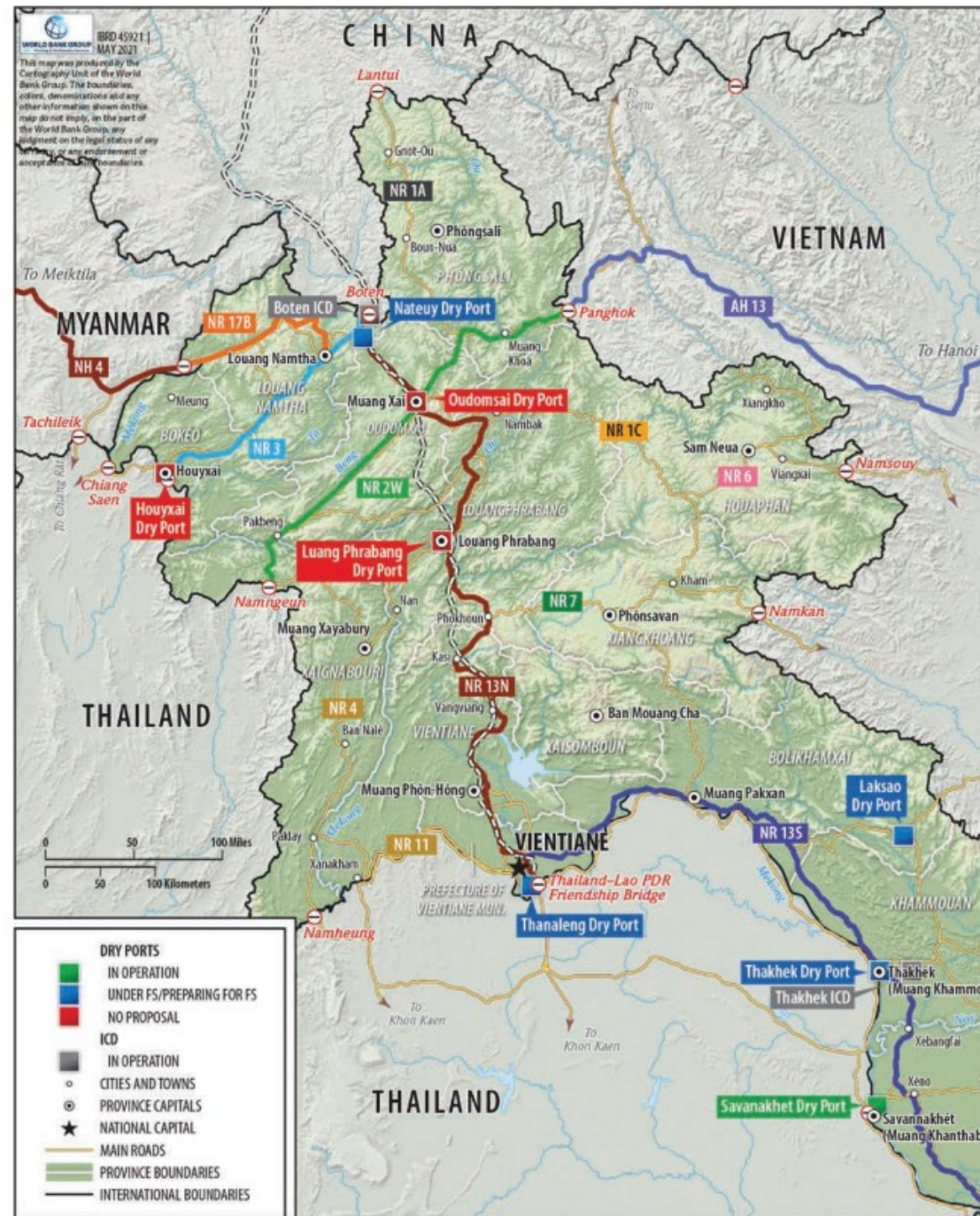


- 40-50% (\$30/ton) between Kunming (China) & Vientiane
- 32-50% between Kunming & the Laem Chabang Port in Thailand
- 20-40% for domestic trade



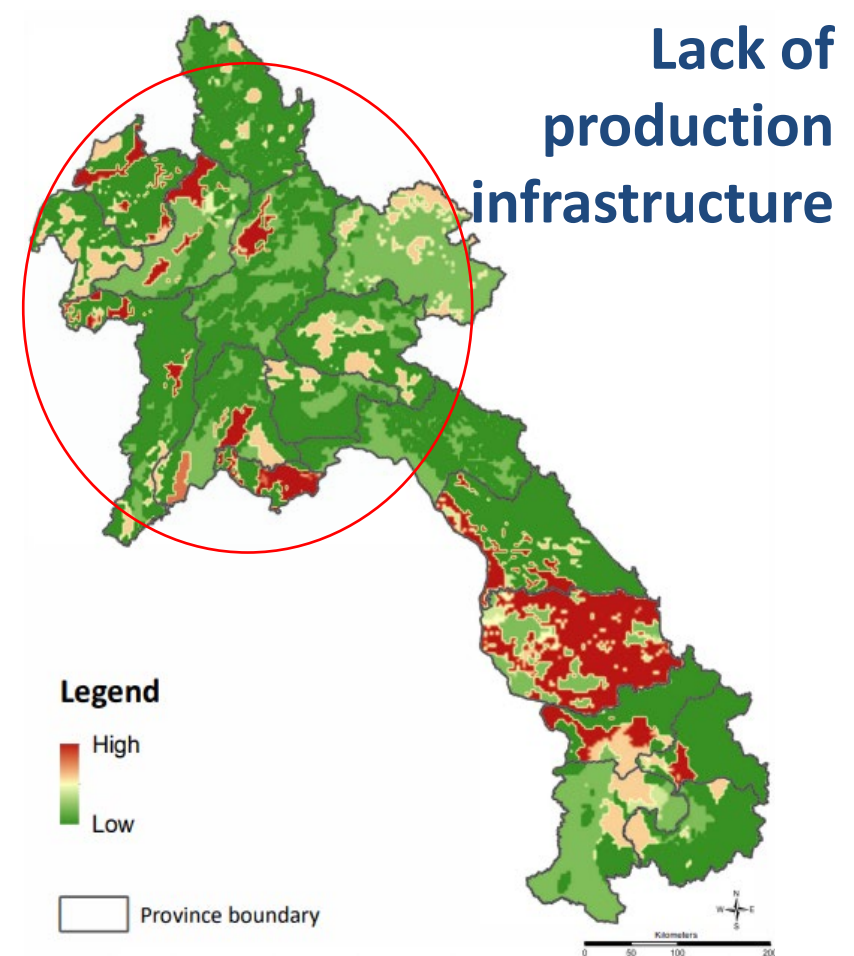
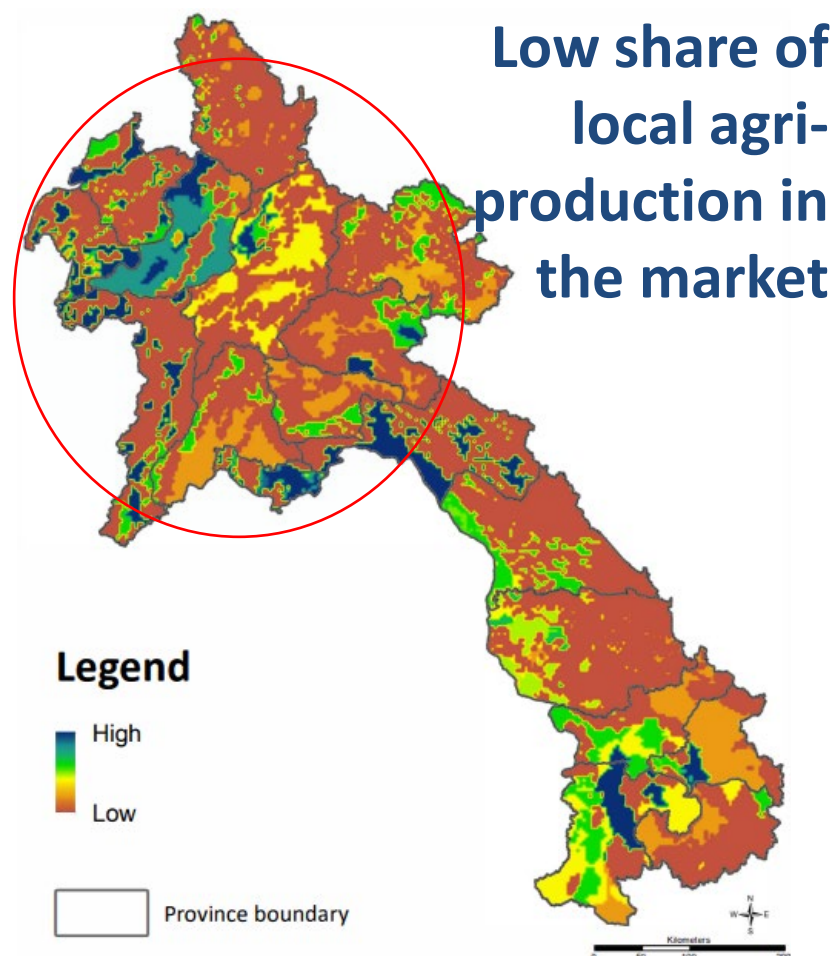
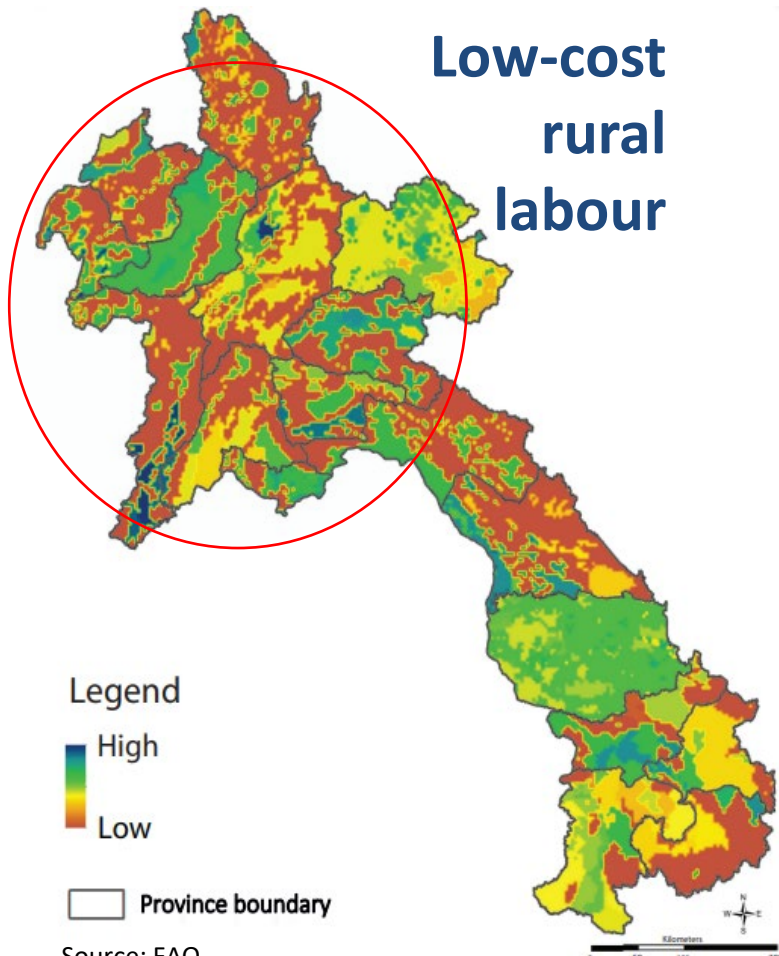
International logistics parks & dry ports:

- Developed: Thanalaeng, Nateuy dry port
- Planned: Luang Prabang, Oudomsai, Houyxai
- Plans for Vientiane as a **regional logistics hub**



Why Northern Lao PDR?

Low-cost labor, untapped agri-production opportunities, need for production & processing infrastructure





Where can you invest?



Horticulture
(fruits – banana, orange, pineapple, & vegetables)

Beans & legumes
(soybean, mung bean, peanut, long bean etc.)



✓ Speciality crops
(tea, coffee)

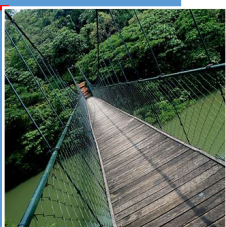


✓ Agriculture post-harvest management, quality compliance & market infrastructure



✓ Irrigation infrastructure & development of efficient water resources

✓ Ecotourism



Food processing & value addition



✓ Landscape management for sustainable agriculture



Access to finance



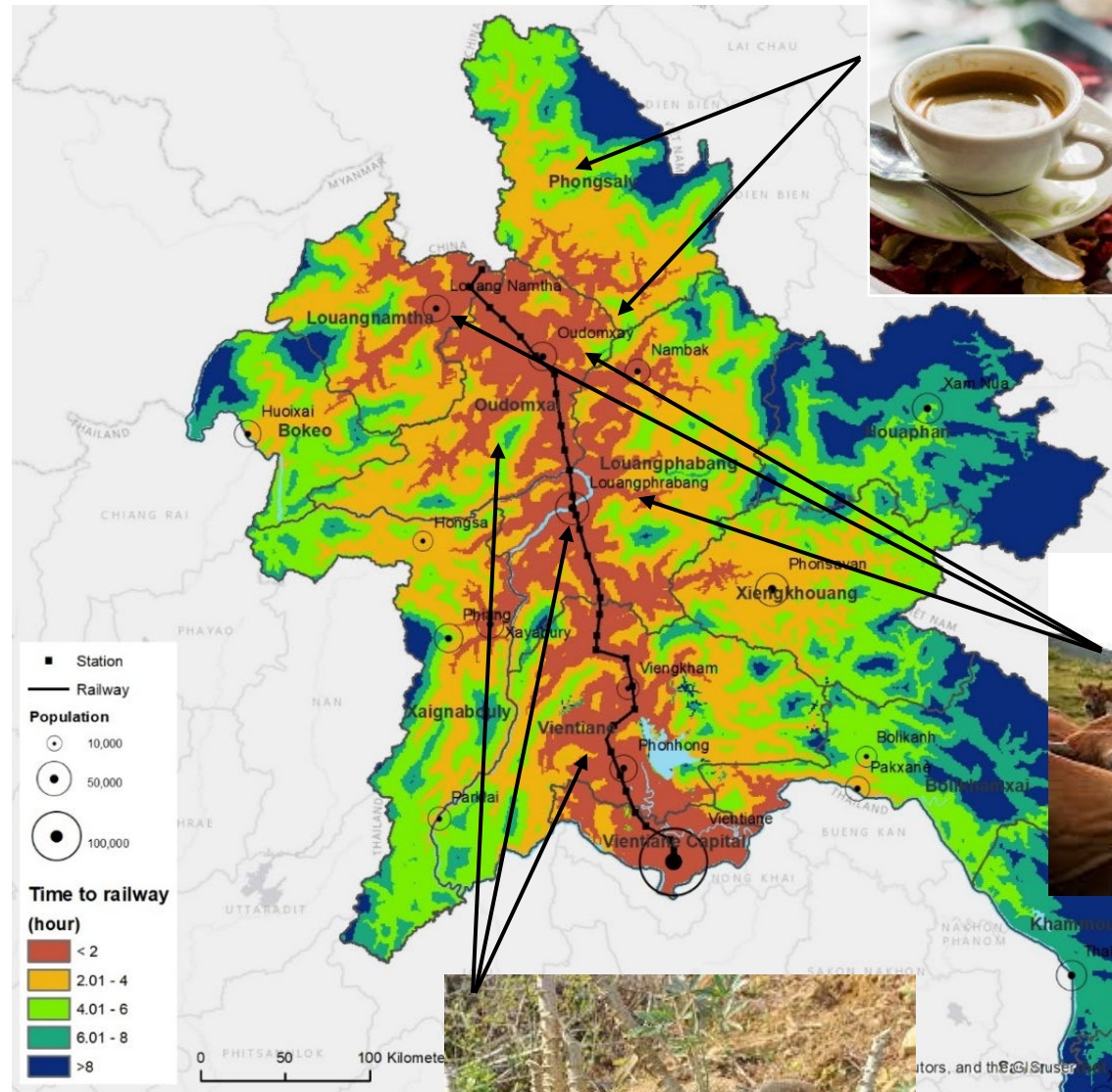
Production & quality supplies of agri-inputs

Organic farming



Under HIHI we propose to invest in cassava, livestock & tea

- Scope for expansion in production & processing
- Large potential for export
- Close to railway & roads
- Unmet domestic demand (for livestock & cassava products)



Tea:
Phongsaly,
Oudomxay



Livestock: Luang Namtha, Luang Prabang, Oudomxay



Cassava: lower elevations of Luang Prabang, Oudomxay, Vientiane

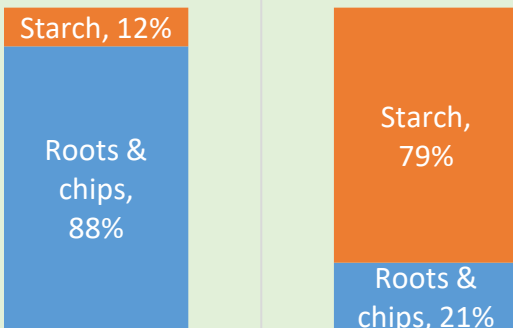
Why CASSAVA?

Domestic market:

- 3.3 M MT/yr production (2020)
- 100,000 Ha plantations (2020)
- **\$37.8 M MSG** imports (2019)
- Source of carbohydrate for humans & animal feed

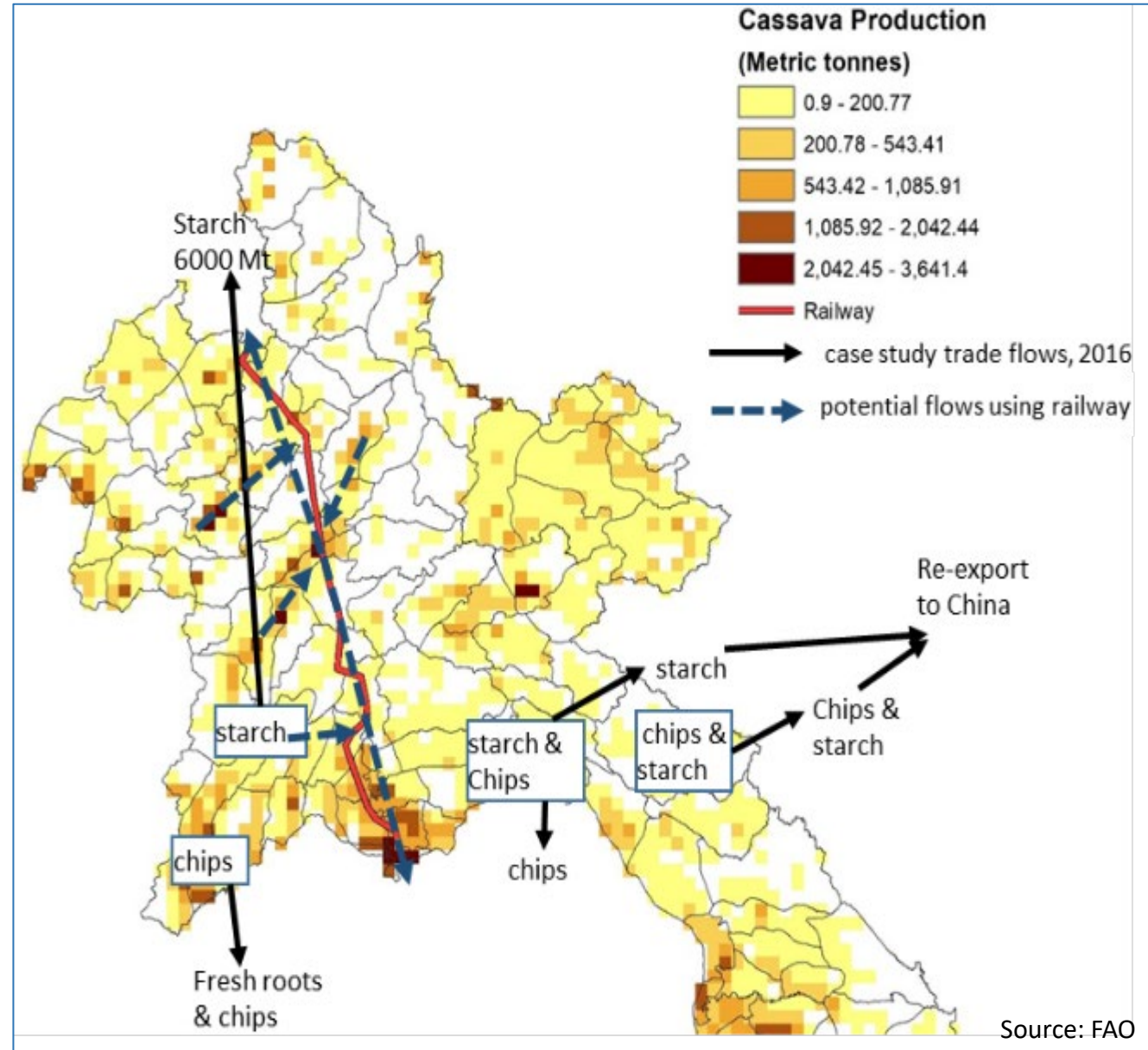
Large export markets:

- Accounts for 16% (\$195 M) agri-exports (2020)
- \$214 M export potential to China.
- Top destinations: China, Thailand, Vietnam (2021)
- Potential for value addition:



LAOS

VIETNAM





CASSAVA

Investment Opportunities



Primary production

- fresh roots
- contract farming
- productive alliances



Primary, secondary processing



Logistics



Climate-smart technologies & digital platforms



Quality compliances

Financial outlay:

39 M:

- **8 M** - plantations
- **4 M** - processing plants
- **27 M** - development interventions (irrigation, other support infrastructure)

ROI: 12-29%





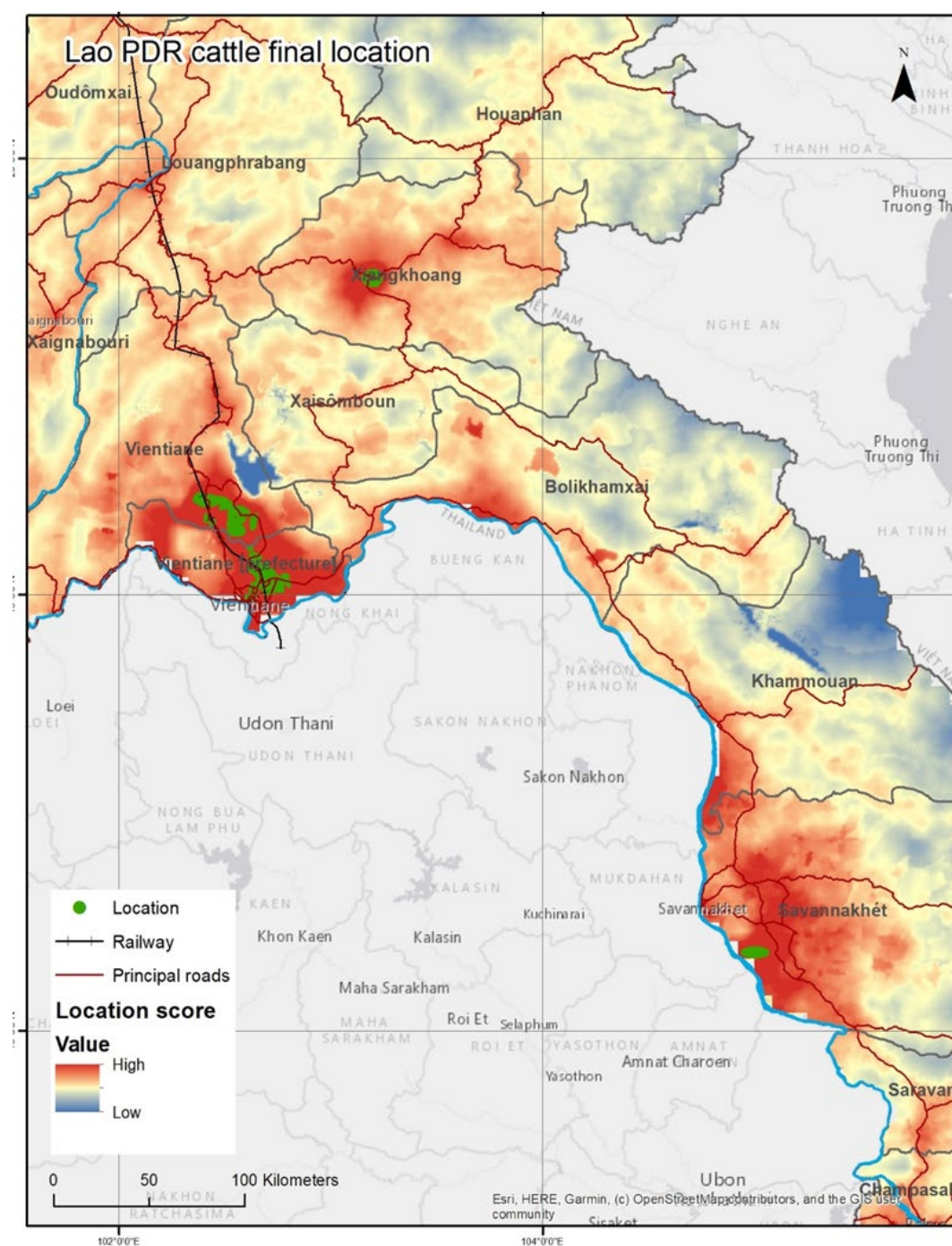
Why LIVESTOCK?

Unmet domestic demand:

- **52% households keep cattle**, but half of them - for cash income
- Domestic meat **supply** (0.227MMT) **meets only 49% demand** (0.46 MMT)
- 675,000 Ha permanent meadows & pastures

Large export potential:

- Animal exports increased 5-fold in 2016-2020
- Animal exports accounted for 21% (\$247 M) of agri-exports in 2021
- 75% animal exports go to **Vietnam**
- **Unmet demand for export to China**, against quota of 0.5 M cattle (2021–2028)
- 100% unmet **Thailand** quota for live animals





LIVESTOCK

Investment Opportunities



Livestock SMEs & commercial cattle farms



Processing & value addition



Extension & advisory services



Transport, logistics & cold chains



Feed



Resistance to diseases & climate change



Productivity, quality & breed improvement

Financial outlay:
110 M:

- 49M - pig farms
- 50 M - cattle farms
- 11 M - meat processing plants

ROI: 19-29%





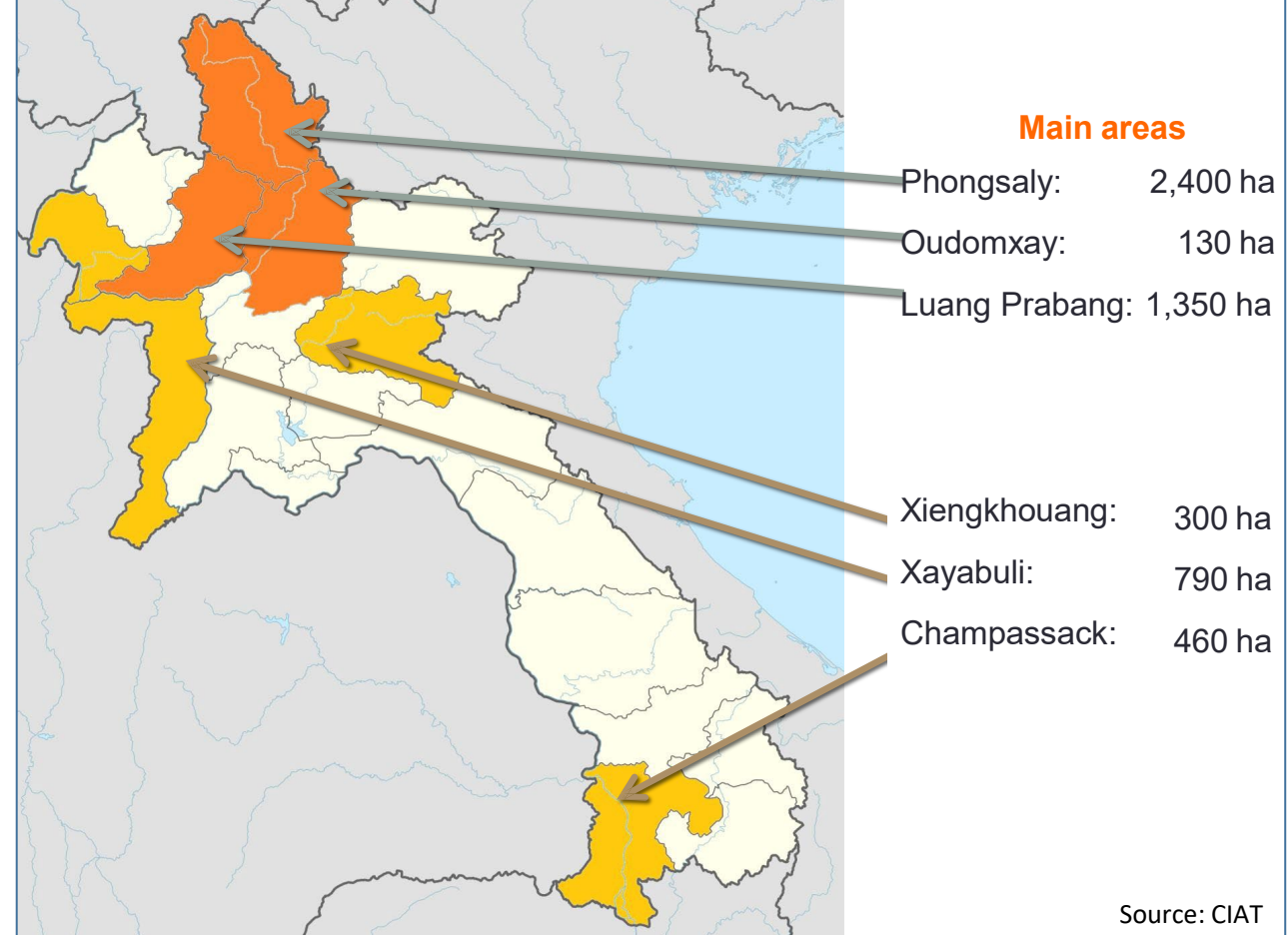
Why TEA?

Sector profile:

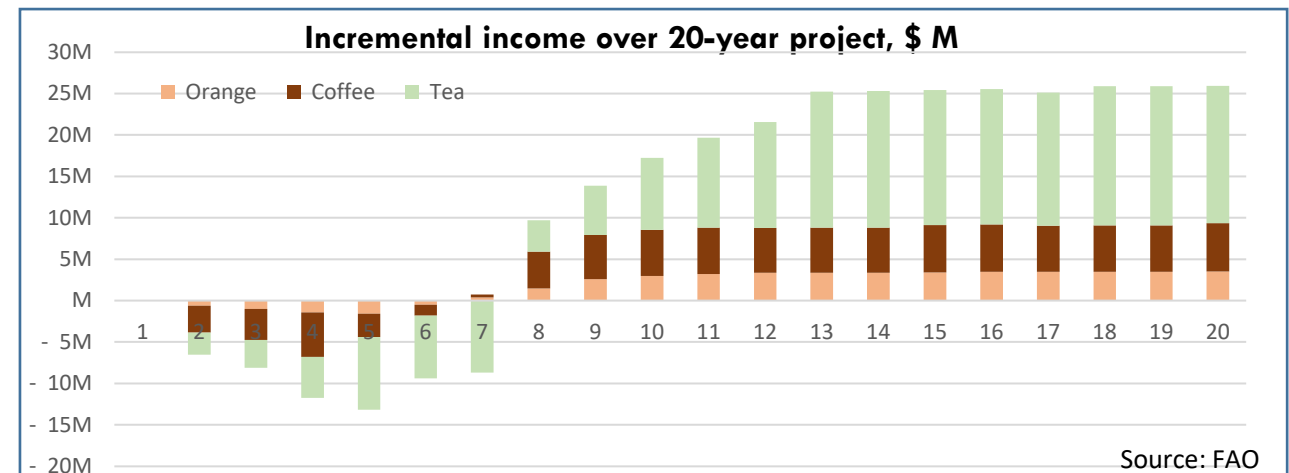
- 6,295 tons/year from 6,000 Ha (2015)
- 1.5* T/Ha aver. yield (global aver. 6-8 T/Ha)
- 44,000 est. workforce (2015)
- Mostly wild tea - high quality, "organic & natural"
- Fragmented production
- Limited technical expertise
- 2.4* M Ha suitable land (2011)
- Fast-growing modern cultivation & processing sector
- Focus crop by GoL

Export potential:

- Other countries export tea from Laos under their own brands
- High demand in China
- Lao tea exports for \$6/kg (in Mombasa, tea averages at \$2.30/kg)
- 85-90% Lao tea is exported to China



Source: CIAT



Source: FAO



TEA

Investment Opportunities



Tea commercialization (horizontal & vertical)



Land contracting/ concessions (GoL offer)



Climate-smart production (R&D)



Value addition



Modern processing technologies & plants



Branding-speciality teas



Logistics & export infrastructure

Financial outlay:
66.7 M:

- **65 M** - new plantations
- **1.7 M** - processing plants

ROI: 14-21%



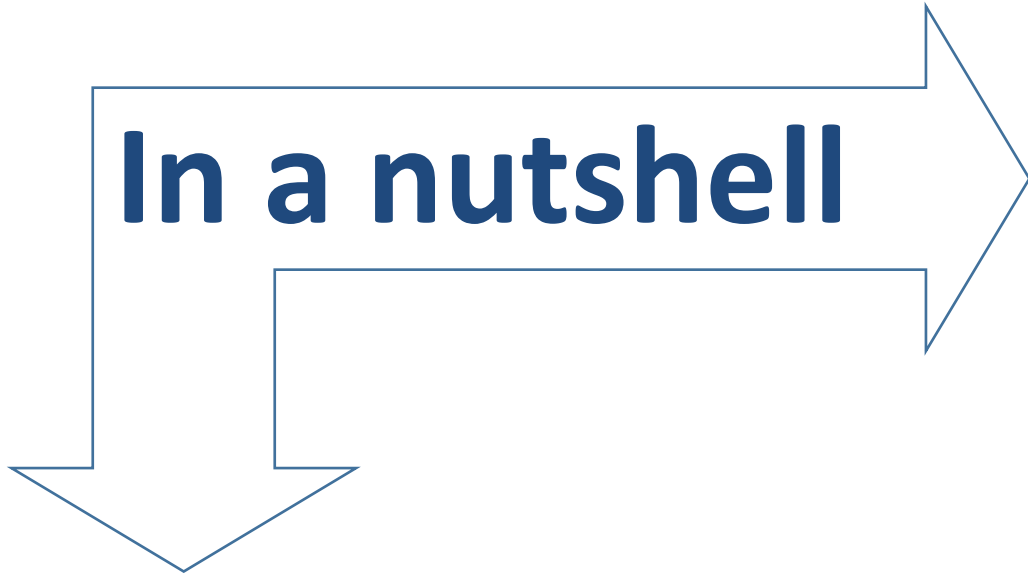


Environmental & Social Risk Management

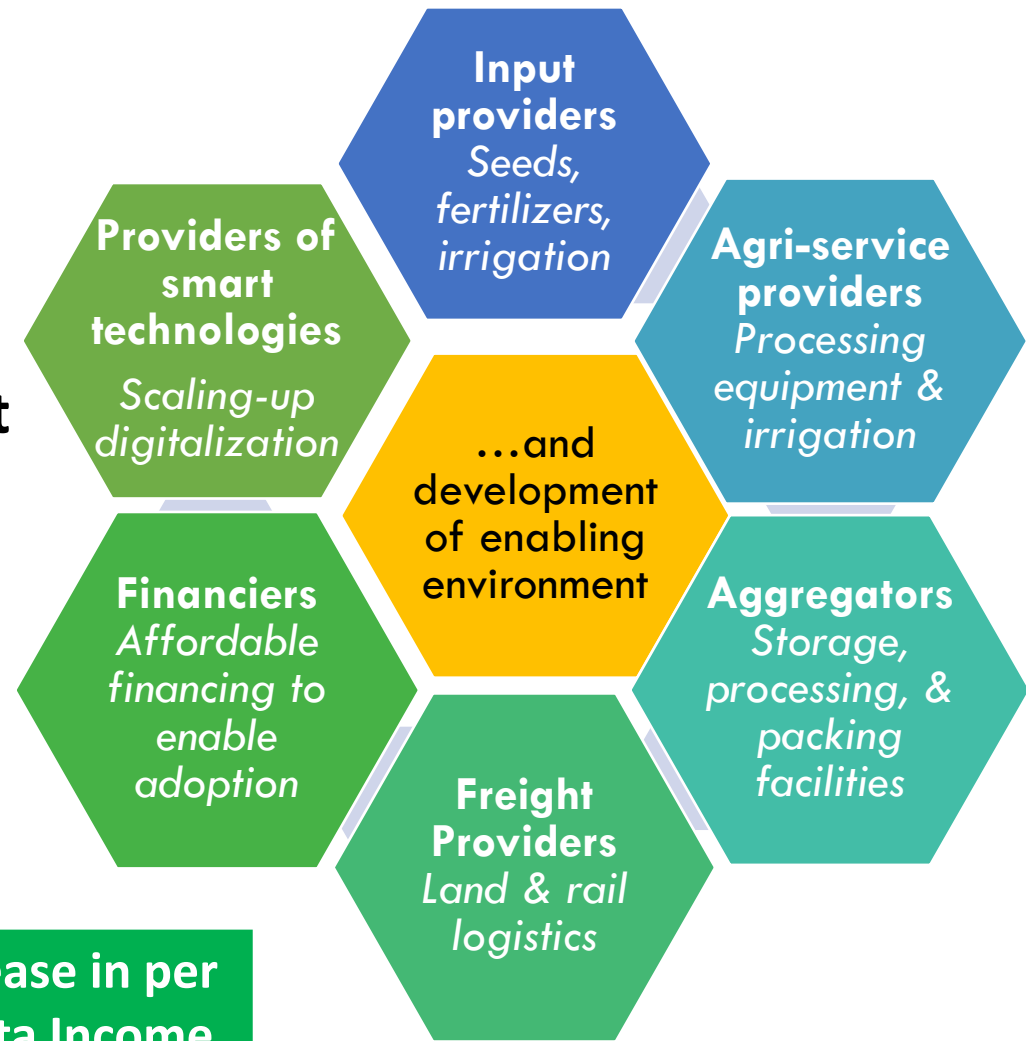
MoNRE, DoPC & MAF have formulated

- ESMF
- Environmental & Social Code of Practices
- Ethnic Group Engagement / Community Engagement & Planning Framework

- Environmental Protection Law (EPL, 2013)
- Ministerial Instruction No 8030/MONRE on Environmental & Social Impact Assessment (ESIA) & Initial Environmental Examination (IEE) of Investment Projects (2013)
- Decree on Protected Area (No.134/G, May 2015)
- Land Law (2013)
- Water & Water Resources Law (1996)
- Forestry Law (2007)
- Wildlife Law & Aquatic Law (2007)
- Decree on Compensation & Resettlement of People Affected by Government Projects (No. 84/GOL, 5 April 2016)
- Law on Grievance Redress 012/NA (5 December 2014)
- Decision on Good Agriculture Practices for Produce Quality Management Standards No 0539/MF (2 September 2011)
- Decision on GAP for Labor Safety, Health & Welfare (2 September 2011)



Types of Investment



Investment Summary

Agricultural Product	Financial Outlay	ROI	Beneficiaries	Increase in per Capita Income
Cassava	USD 12 M + USD 27 M (dev. Int.)	12-29%	0.2 M	USD 500/year
Livestock	USD 110 M	19-25%	0.17 M	USD 600/year
Tea	USD 66.7 M	14-21%	0.1 M	USD 400/year