

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QIBS (AS DEFINED BELOW) OR (2) NON U.S. PERSONS (AS DEFINED BELOW) LOCATED OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following before continuing. The following applies to the Offering Memorandum (the “Offering Memorandum”) following this page and you are therefore advised to read this page carefully before reading, accessing or making any other use of the Offering Memorandum. In accessing the Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

The Offering Memorandum has been prepared solely in connection with the proposed offering to certain institutional and professional investors of the securities described herein (the “Notes”).

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO, EXCEPT AS EXPRESSLY DESCRIBED HEREIN. THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE NOTES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (“REGULATION S”)) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE ATTACHED OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE NOTES DESCRIBED IN THE ATTACHED OFFERING MEMORANDUM.

Confirmation of your representation: In order to be eligible to view the attached Offering Memorandum or make an investment decision with respect to the securities being offered, a prospective investor must be either a Qualified Institutional Buyer (“QIB”) (within the meaning of Rule 144A (“Rule 144A”) under the Securities Act) or a person who is not a U.S. person located outside the United States. This offering memorandum is being sent to you at your request and, by accessing this offering memorandum, you shall be deemed to have represented to the Issuer and Oppenheimer & Co. Inc. (the “Initial Purchaser”) that (1) either (a) you and any customers you represent are QIBs or (b) you and any customers you represent are not U.S. persons and are outside of the United States purchasing the securities being offered in an offshore transaction (within the meaning of Regulation S) and the electronic mail address that you gave us is not located in the United States, its territories and possessions, any State of the United States or the District of Columbia and (2) you consent to delivery of such Offering Memorandum by electronic transmission.

You are reminded that this offering memorandum has been delivered to you on the basis that you are a person into whose possession this offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this offering memorandum to any other person.

The materials relating to this offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer, and the Initial Purchaser or any affiliate of the Initial Purchaser is a licensed broker or dealer in the relevant jurisdiction, the offering shall be deemed to be made by such Initial Purchaser or such affiliate on behalf of the Issuer in such jurisdiction.

In the United Kingdom, the attached Offering Memorandum may only be distributed to, and is directed at (a) persons who have professional experience in matters relating to investments falling within article 19(1) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”) or (b) high net worth entities falling within article 49(2)(a) to (d) of the Order and other persons to whom it may be lawfully communicated falling within article 49(1) of the Order (all such persons together being referred to as “relevant persons”). Any person who is not a relevant person should not act or rely on the attached Offering Memorandum or any of its contents.

The attached Offering Memorandum has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Initial Purchaser or any person who controls them or any director, officer, employee or agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchaser.

OFFERING MEMORANDUM

US\$150,000,000



Lao People's Democratic Republic

(Represented by the Ministry of Finance of the Lao People's Democratic Republic)

6.875% Notes due 2021

The Lao People's Democratic Republic, represented by the Ministry of Finance of the Lao People's Democratic Republic (the "Lao PDR" or the "Issuer") is offering US\$150,000,000 aggregate principal amount of its 6.875% notes due 2021 (the "Notes"). Interest on the Notes will be payable semi-annually in arrears on June 30 and December 30 of each year commencing on June 30, 2020. The Notes will mature on June 30, 2021.

The Notes will be general, direct, unconditional, unsubordinated and unsecured obligations of the Lao PDR and will rank equally with all other existing and future unsubordinated and unsecured obligations of the Lao PDR. The Notes will be backed by the full faith and credit of the Lao PDR. The Lao PDR will be required to make a mandatory redemption of Notes with the proceeds of certain new issues of indebtedness, as further described herein. For more information, see "Description of the Notes—Mandatory Redemption."

The Notes will contain provisions, commonly known as "collective action clauses," regarding acceleration and voting on future amendments, modifications and waivers. Under these provisions, the Lao PDR may amend or obtain waivers of the payment provisions of the Notes and certain other terms with the consent of holders of a specified percentage of the aggregate principal amount of the outstanding Notes.

Application will be made to the Singapore Exchange Securities Trading Limited (the "SGX-ST") for the listing and quotation of the Notes on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the accuracy of any of the statements made or opinions expressed or reports contained in this Offering Memorandum. Approval in-principle from the SGX-ST and admission of the Notes to the Official List of the SGX-ST are not to be taken as an indication of the merits of the offering, the Lao PDR, its subsidiaries (if any), its associated companies (if any), its joint venture companies (if any) or the Notes. The Notes will be in minimum denominations of US\$200,000 each or integral multiples of US\$1,000 in excess thereof. The Notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000 for so long as any of the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.

Investment in the Notes involves risks. See "Risk Factors" beginning on page 8 regarding certain risks you should consider before investing in the Notes.

Issue Price: 97.755895% plus accrued interest, if any, from December 30, 2019

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction. The Notes may not be offered or sold within the United States or to U.S. persons except to persons reasonably believed to be qualified institutional buyers within the meaning of Rule 144A under the Securities Act ("Rule 144A") and to certain persons in offshore transactions in reliance on Regulation S under the Securities Act ("Regulation S"). You are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Delivery of the Notes in book-entry form is expected to be made on or about December 30, 2019 through the facilities of the Depository Trust Company ("DTC") and its direct and indirect participants, including Euroclear SA/NV, as operator of the Euroclear System ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream"), against payment in New York, New York.

Lead Manager and Bookrunner

Oppenheimer & Co.

Local Financial Adviser

Phongsavanh Bank

The date of this Offering Memorandum is December 19, 2019

Lao People's Democratic Republic

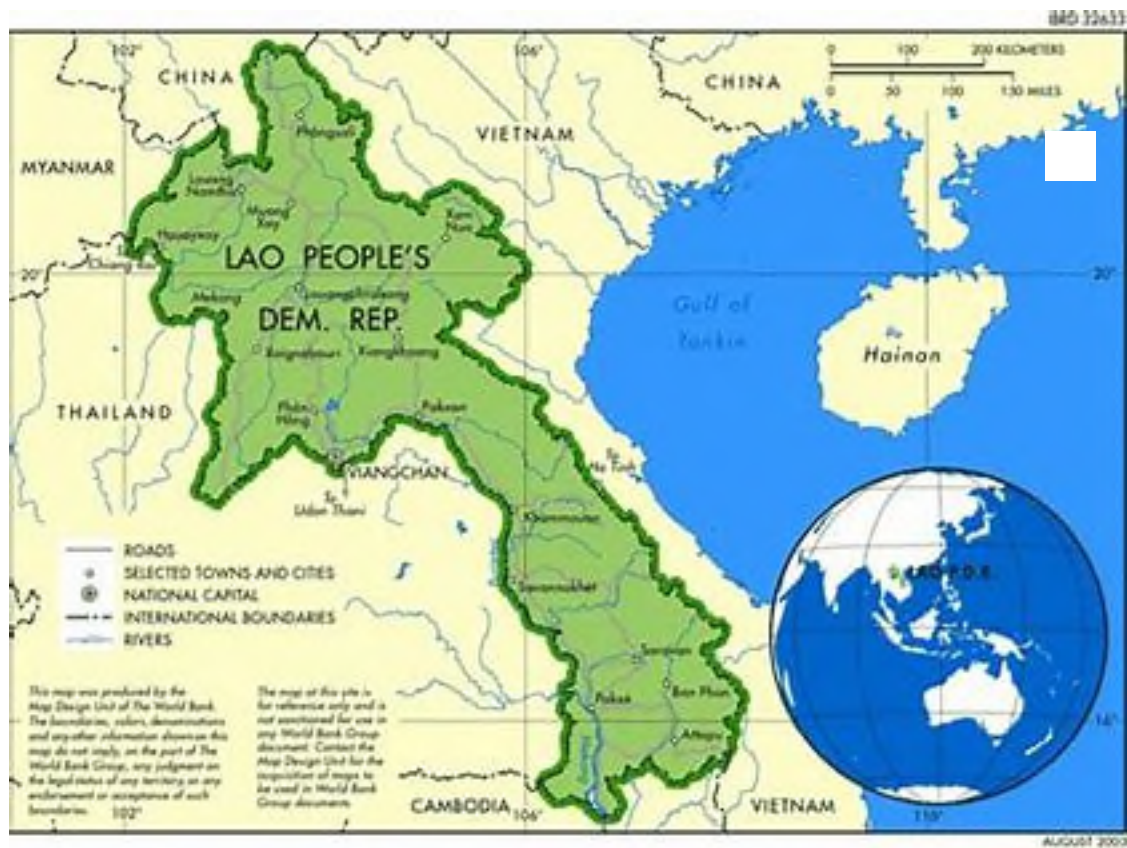


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GENERAL PROVISIONS

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE LAO PDR AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND THE RISKS INVOLVED.

In making an investment decision, you should rely only on the information contained in this Offering Memorandum (the “Offering Memorandum”). We have not, and the Initial Purchaser has not, authorized anyone to provide you with information that is different from the information contained in this Offering Memorandum. This Offering Memorandum may only be used where it is legal to sell the Notes. The information in this Offering Memorandum may only be accurate on the date of this Offering Memorandum.

This Offering Memorandum may only be used for the purposes for which it has been published.

The Notes will be issued in registered form only. Notes sold in offshore transactions in reliance on Regulation S will be represented by one or more permanent global notes in fully registered form without interest coupons (the “Regulation S Global Note”) deposited with a custodian for, and registered in the name of a nominee of, DTC. Notes sold in the United States to qualified institutional buyers as defined in, and in reliance on, Rule 144A will be represented by one or more permanent global notes in fully registered form without interest coupons (the “Restricted Global Note” and, together with the Regulation S Global Note, the “Global Notes”) deposited with a custodian for, and registered in the name of a nominee of, DTC. Beneficial interests of DTC participants (as defined under “Book-Entry Settlement and Clearance”) in the Global Notes will be shown on, and transfers thereof between DTC participants will be effected only through, records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream, if applicable. See “Book-Entry Settlement and Clearance.” Except as described herein, definitive Notes will not be issued in exchange for beneficial interests in the Global Notes. See “Description of the Notes — Form, Denomination and Title.” For restrictions on transfers applicable to the Notes, see “Plan of Distribution” and “Transfer Restrictions.”

The Lao PDR has taken reasonable care to ensure that the information contained in this Offering Memorandum is true and correct in all material respects and not misleading as of the date hereof, and that, to the best knowledge and belief of the Lao PDR, there has been no omission of information which, in the context of the issue of the Notes, would make this Offering Memorandum as a whole or any such information misleading in any material respect. The Lao PDR accepts responsibility accordingly.

The Notes described in this Offering Memorandum have not been registered with, recommended by or approved by the U.S. Securities and Exchange Commission (the “SEC”) or any other U.S. federal or state securities commission or regulatory authority, nor has the SEC or any such state securities commission or authority passed upon the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense.

This Offering Memorandum does not constitute an offer by, or an invitation by or on behalf of, the Lao PDR or the Initial Purchaser to subscribe to or purchase any of the Notes. You are not to construe the contents of this Offering Memorandum as investment, legal or tax advice. Each recipient of this Offering Memorandum shall be deemed to have made its own investigation and appraisal of the financial condition of the Lao PDR. The distribution of this Offering Memorandum or any part thereof and the offering, possession, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Memorandum comes are required by the Lao PDR and the Initial Purchaser to inform themselves about and to observe any such restrictions. We are not, and the Initial Purchaser is not, making any representation to you regarding the legality of an investment in the Notes by you under applicable laws. The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws pursuant to registration or exemption therefrom. See “Plan of Distribution” and “Transfer Restrictions” for a description of further restrictions on the offer, sale and delivery of Notes and on distribution of this Offering Memorandum and other offering material relating to the Notes. You should be aware that you may be required to bear the financial risks of an investment in the Notes for an indefinite period of time.

Each person purchasing Notes pursuant to Rule 144A will be deemed to:

- represent that it is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and that it or such account is a qualified institutional buyer (as defined in Rule 144A); and
- acknowledge that the Notes have not been and will not be registered under the Securities Act or any state securities laws and may not be reoffered, resold, pledged or otherwise transferred except as described under “Transfer Restrictions.”

Each purchaser of Notes that is located in the United States or is a U.S. person must deliver to Oppenheimer & Co. Inc. an investor representations letter with respect to the Notes. The investor representations letter will be made available to purchasers to review before the pricing date. In the investor representations letter, purchasers will be required to provide certain representations and warranties relating to their investment in the Notes.

Each purchaser of Notes sold outside the United States in reliance on Regulation S will be deemed to have represented that it is not purchasing Notes with a view to distribution thereof in the United States.

Each person purchasing Notes also acknowledges that:

- it has been afforded an opportunity to request from the Lao PDR and to review, and it has received, all additional information considered by it to be necessary to verify the accuracy of the information herein;
- it has not relied on the Initial Purchaser or any person affiliated with the Initial Purchaser in connection with its investigation of the accuracy of the information contained in this Offering Memorandum or its investment decision; and
- no person has been authorized to give any information or to make any representation concerning the Lao PDR or the Notes other than those contained in this Offering Memorandum and, if given or made, such information or representation should not be relied upon as having been authorized by the Lao PDR or the Initial Purchases.

We reserve the right to withdraw the offering of the Notes at any time, and we and the Initial Purchaser reserve the right to reject any commitment to subscribe for the Notes in whole or in part and to allot to you less than the full amount of Notes subscribed for by you. We are making this offering subject to the terms described in this Offering Memorandum.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the Insurance Distribution Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the Prospectus Regulation). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

NOTICE TO INVESTORS IN THE UNITED KINGDOM

This Offering Memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “Financial Promotion Order”), (ii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations etc.”) of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). This Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

* * * * *

Notification under Section 309B(1)(c) of the Securities and Futures Act, Chapter 289 of Singapore (the “Securities and Futures Act”): In connection with Section 309B of the Securities and Futures Act and the Securities and Futures (Capital Markets Products) Regulations 2018 (the “CMP Regulations 2018”), the classification of the Notes has been determined as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

PRESENTATION OF INFORMATION

In this Offering Memorandum, unless otherwise specified:

- References to the “Lao PDR” and “Laos” are to the Lao People’s Democratic Republic.
- The central government of the Lao PDR (the “Government”) consists of 18 ministries and three ministry-equivalent organizations (the Head of the Prime Minister’s Office, the Government Inspection Authority and the Bank of the Lao PDR (the “BoL”).
- References to “GDP” are to gross domestic product at market prices, which measures the total value added of final products and services produced in a country in a specific year. Nominal GDP measures the total value added of final production at current prices. Real GDP measures the total value added of final production in constant prices of a particular year, which allows for comparisons of historical GDP that exclude the effects of inflation. In this Offering Memorandum, real GDP figures are based on constant 2012 prices, the year used by the Lao PDR for purposes of maintaining real GDP statistics. GDP growth rates and growth rates for the various sectors of the Lao economy are based on real figures, unless otherwise indicated. Figures expressed as a percentage of GDP use nominal GDP as the base number. GDP figures presented are based on nominal GDP unless otherwise indicated.
- References to “CIF” are to imports including cost, insurance and freight charges.

The fiscal year of the Government commences on January 1 and ends on December 31 of each year. The fiscal year ended December 31, 2018 is referred to in this Offering Memorandum as “2018” and other fiscal years are referred to in a similar manner.

Certain financial and economic information presented in this Offering Memorandum may be subject to routine revision and possible adjustment. In particular, some information and data are preliminary and are subject to revision or adjustment as additional or amended information becomes available. We have identified such information and data as “preliminary” or “estimated” in this Offering Memorandum. The Lao PDR does not currently expect that any such revisions or adjustments will be material, although the Lao PDR cannot provide any assurances that material changes will not be made or that the information provided is complete. We are not obligated to distribute such revised data and information to any investor.

Certain statistical information contained herein has been derived from official publications of, and information supplied by, among others, the International Monetary Fund (the “IMF”), the United Nations Conference on Trade and Development (“UNCTAD”), the United Nations Development Program (the “UNDP”) and the World Bank Group.

Unless otherwise specified or the context requires, references herein to “U.S. dollars” and “US\$” are to United States dollars; references to “kip” or “LAK” are to Lao kip, the lawful currency of the Lao People’s Democratic Republic; references to “Baht” or “THB” are to Thai Bat, the lawful currency of the Kingdom of Thailand; and references to “SDR” are to Special Drawing Rights of the International Monetary Fund.

Certain amounts included in this Offering Memorandum have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

DATA DISSEMINATION

The data herein has not been compiled pursuant to the Special Data Dissemination Standard of the IMF. Data is compiled pursuant to the IMF's General Data Dissemination Standard ("GDDS"), which requires participating countries to commit to using GDDS as a framework for statistical development, designate a country coordinator and prepare metadata that describes current practices in the production and dissemination of official statistics and plans for short- and long-term improvement in these practices. The IMF requests participants to update their metadata if and when significant changes in their statistical practices or plans for improvement take place, but at least once a year. Metadata for the Lao PDR is published on the Internet under the IMF's Dissemination Standards Bulletin Board. The Internet address is <http://dsbb.imf.org/Pages/GDDS/CtyCtgList.aspx?ctycode=LAO>. The website, and any information on it, are not part of this Offering Memorandum.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains certain forward-looking statements (as such term is defined in the Securities Act) concerning the Lao PDR. These statements are based upon beliefs of certain government officials and others as well as a number of assumptions and estimates which are inherently subject to significant uncertainties, many of which are beyond the control of the Lao PDR. Future events may differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements are principally contained in the sections "Summary," "The Lao People's Democratic Republic," "The Lao Economy," "Balance of Payments and Foreign Trade," "Monetary and Financial System," "Public Sector Finances" and "Government Debt." In addition, in those and other portions of this Offering Memorandum, the words "anticipates," "believes," "contemplates," "estimates," "expects," "plans," "intends," "projections" and similar expressions, as they relate to the Lao PDR, are intended to identify forward-looking statements. Such statements reflect the current views of the Lao PDR with respect to future events and are subject to certain risks, uncertainties and assumptions. The Lao PDR undertakes no obligation publicly to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks and uncertainties, there can be no assurances that the events described or implied in the forward-looking statements contained in this Offering Memorandum will in fact occur.

ENFORCEMENT OF CIVIL LIABILITIES

The Lao PDR is a sovereign state. Consequently, it may be difficult for investors to obtain or realize in the United States or elsewhere upon judgments against the Lao PDR. In addition, substantially all of the assets of the Lao PDR are located outside of the United States and all of its representatives reside outside of the United States and substantially all of the assets of such persons are outside of the United States.

The Lao PDR will irrevocably and unconditionally agree with the trustee and the holders of Notes that any dispute which may arise out of or in connection with the indenture or the Notes (including any dispute regarding their existence, validity or termination and any dispute relating to non-contractual obligations arising out of or in connection with the indenture or the Notes) (a “Dispute”) shall be referred to and finally resolved by arbitration under the Rules of Arbitration of the International Chamber of Commerce (the “Rules”). The place of such arbitration will be New York, New York, and the language of any arbitration proceedings will be English. Any monetary award pursuant to any arbitration proceedings will be made and payable in U.S. dollars and the arbitral tribunal shall be authorized to grant pre-award and post-award interest at commercial rates. The decision of any such arbitral tribunal shall be final and binding to the fullest extent permitted by law.

To the extent that the Lao PDR has or hereafter may acquire any immunity (sovereign or otherwise) from jurisdiction of any court, including any court of the Lao People’s Democratic Republic or any New York State or U.S. federal court, with respect to an action for the enforcement of any arbitral award obtained in connection with any Dispute (an “Enforcement Proceeding”) (whether through service of notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise), the Issuer, to the fullest extent permitted under applicable law, including the United States Foreign Sovereign Immunities Act of 1976, as amended (the “FSIA”), will expressly and irrevocably waive such immunity from jurisdiction or execution and any similar defense, and irrevocably consent to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever of any order, award or judgment made or given in connection with any such Enforcement Proceeding; provided, however, that it may not be possible to enforce in the Lao People’s Democratic Republic a judgment obtained in the United States. This waiver will constitute only a limited and specific waiver for the purposes of any Enforcement Proceedings and under no circumstances is it to be interpreted as a general waiver by the Lao PDR or a waiver with respect to proceedings unrelated to an Enforcement Proceeding. Neither such waiver nor the appointment of a service of process agent shall be deemed or interpreted to include a waiver of any immunity with respect to actions brought against the Lao PDR arising out of or based upon United States state or federal securities laws.

Even if a U.S. judgment is obtained in an Enforcement Proceeding, it may not be possible to enforce such judgment in the Lao PDR. Execution upon property of the Lao PDR located in the United States to enforce a U.S. judgment may not be possible except under the limited circumstances specified in the FSIA. In addition, under Lao PDR law, a foreign judicial judgment will only be recognized in the Lao PDR if such judgment is issued in a country which is a signatory to a relevant treaty to which the Lao PDR is also a signatory or a party. Currently the U.S. and the Lao PDR are not party to such a treaty.

With respect to arbitral awards, recognition and enforcement of foreign or international arbitral awards within the Lao PDR must comply with the Law on Civil Procedures (Amended) No. 13/NA dated July 4, 2012 (the “LPDR Law on Civil Procedures”). Pursuant to the LPDR Law on Civil Procedures, in determining whether to enforce an international arbitral award, the Lao People’s Court will consider whether the dispute resolution proceedings were conducted in accordance with legal regulations and international treaties to which the Lao PDR is party and whether the enforcement of such award would affect national stability, social order, or the environment. There have been very few precedents of enforcing foreign arbitral awards in the Lao PDR, so it is not possible to provide precise guidance on the criteria to be used by the Lao People’s Court in deciding whether or not to enforce an arbitral award.

See “Risk Factors – The Lao PDR is a sovereign state and, accordingly, it may be difficult to obtain or enforce judgments against us.”

EXCHANGE RATE INFORMATION

This Offering Memorandum translates certain LAK amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise indicated, any such amounts have been translated at the applicable official BoL exchange rate on the date of such data or the average of such rates for the relevant period, as applicable. Currency conversions contained in this Offering Memorandum should not be construed as representations that Lao kip have been, could have been or could be converted into U.S. dollars at the indicated or any other rate of exchange. See *“Monetary and Financial System — Foreign Exchange.”*

SUMMARY

The following summary does not purport to be complete and is qualified in its entirety by, and is subject to, the detailed information appearing elsewhere in this Offering Memorandum.

The Lao People's Democratic Republic

The Lao People's Democratic Republic (the "Lao PDR") is located in Southeast Asia, bordered by Burma and China to the northwest, Vietnam to the east, Cambodia to the south, and Thailand to the west. The Lao PDR is a land-locked country with a total area of 236,800 square kilometers.

The Lao PDR has an abundance of natural resources, including coal, hardwood timber, hydropower, gypsum, tin, gold and gemstones. The major industries in the Lao PDR are mining, hydropower, agriculture, and light manufacturing. There has been significant foreign investment in the hydropower and mining industries.

Despite various challenges posed by domestic and international environments in recent years, the Lao PDR has continued to have high and sustained economic growth. According to the IMF, GDP growth was 7.6%, 7.3%, 7.0%, 6.9% and 6.3% in 2014, 2015, 2016, 2017 and 2018, respectively, and GDP per capita (in current U.S. dollars) reached US\$2,720 in 2018. Laos has been referred to as one of East Asia and Pacific's Fastest Growing Economies by the World Bank.

The Lao PDR is on a path of increasing openness to trade flows and integration with the world economy. In February 2013, the Lao PDR completed its accession to the WTO. As part of its efforts to secure WTO membership, the Lao PDR has made legislative amendments to meet the WTO's requirements in a number of areas, including tax, trade and intellectual property. The country has signed a series of free-trade agreements with China, Japan, Taiwan, the EU and the United States, among other countries. The Lao economy depends heavily on investment and trade with its neighbors, Thailand, Vietnam, and, especially in the north, China.

Total external public debt was US\$9.8 billion or 53.3% of GDP as of December 31, 2018, increasing by 14.0% from December 31, 2017. As of December 31, 2018, external debt consisted of US\$6.4 billion of bilateral debt, US\$1.8 billion in multilateral debt and the remainder in bonds. Total public debt was 57.2% of GDP as of December 31, 2018. Loans from China accounted for 53.5% of total bilateral debt as of December 31, 2018.

Economic Reform

The Eighth National Socio-Economic Development Plan of the Lao PDR (covering the years 2016-2020) (the "Eighth Five-Year Plan") reflects the socio-economic development strategies for the Lao PDR targeting "Vision 2030." The Eighth Five-Year Plan is currently in place until 2020 and preparations for the Ninth National Socio-Economic Development Plan of the Lao PDR (covering 2021-25) (the "Ninth Five-Year Plan") are in progress. Objectives of the Eighth Five-Year Plan include achieving political stability, peace and order in society; reducing poverty significantly in all areas; allowing the country to graduate from the Least Developed Country list of UNCTAD; achieving inclusive and sustainable growth; ensuring effective management and utilization of natural resources; enhancing development through harnessing national potential; and encouraging regional and international integration while maintaining sovereignty. Economic policy goals of the Government based on the Eighth Five-Year Plan and planned Ninth Five-Year Plan include the following.

- *Economic Diversification.* The Government sees diversification of the economy as a key policy goal. This diversification will comprise a transition from a resource-based economy to a broad-based structure with contributions from the agriculture, services and manufacturing sectors and will be a gradual process. The strong economic growth of the Lao PDR over the past decade has been driven by the capital-intensive mining and hydropower sectors, but the contribution of human capital to such growth has been limited. To transition to a more inclusive growth model, the Government aims to diversify the country's growth drivers by investing in human capital, improving the business environment and developing its basic infrastructure.

- *Regional Integration.* The Eighth Five-Year Plan focusses on the Lao PDR becoming the “Battery of Asia” by boosting power exports to the region. Continuing export diversification, both by products and by destinations, would help to enhance economic resilience and mitigate exposure to external and natural disaster shocks. In pursuit of broader economic diversification and regional integration objectives, the planned Ninth Five-Year Plan envisions transforming the Lao PDR from a “land-locked” to a “land-linked” country, and investing in a high speed rail line between China and Thailand (the “Laos-China Railway”) is the centerpiece for implementing this vision. The Laos-China Railway project carries substantial benefits for the region at large and has a potential for generating significant positive economic spillovers to the Lao PDR economy from regional transit trade, tourism, logistical services, agricultural exports, and integration of the manufacturing production in the regional supply chain. Laos’s strategies for development are also based on generating electricity from its rivers and selling the power to neighboring countries.
- *Reducing Barriers to Doing Business.* Improving the environment for doing business is one of the Government’s main policy priorities. Steps are being taken to simplify and automate the tax and regulatory systems, supported with reform efforts and institutional capacity building for lasting outcomes. The Government has instituted a number of measures to encourage foreign investment and increase private investment. The Government has adopted a comprehensive reform package aimed at strengthening economic governance beginning with the modernizing of various legal frameworks. Elements of governance are being strengthened as part of raising overall efficiency and providing an enabling environment for investments. For example, the Public Procurement Law and the Law on Public Investment promote a more transparent and rules-based institutional framework for public spending and investments.

The Government is also seeking to maintain macroeconomic stability by taking actions to improve domestic revenue collection, controlling expenditure, and strengthening public debt management. The new Public Debt Management Law, enacted in August 2018, now consolidates the Ministry of Finance’s oversight powers over debt through budgeting and project approval processes, whereas previously the process of contracting debt was divided among line ministries and sub-national governmental bodies. There was fiscal consolidation in 2018, with the budget deficit decreasing to below 5%. The Government is strengthening revenue administration and efficiency through the introduction of electronic tax payments, while at the same time controlling expenditures.

Selected Economic Indicators

	For the Year Ended December 31,					
	2014	2015	2016	2017	2018	2019*
Economic Sector						
GDP at current prices (LAK billions) ⁽¹⁾	106,797	117,252	129,279	140,749	152,414	164,147
Real GDP (LAK billions) ⁽²⁾	94,871	101,768	108,916	116,422	123,903	n.a.
Real GDP growth (% change) ⁽³⁾	7.6	7.3	7.0	6.9	6.3	6.4
GDP per capita (current US\$) ⁽⁴⁾	2,075	2,212	2,416	2,555	2,720	2,931
Consumer prices (% change end of year) ⁽¹⁾	2.4	0.9	2.5	0.1	1.5	2.9
Monetary Sector						
Banking system credit outstanding (LAK billions)	40,290	48,291	59,745	66,939	69,052	n.a.
Banking system total deposits (LAK billions)	45,996	54,110	60,993	68,032	73,673	79,322
Banking system total assets (LAK billions)	81,171	97,693	113,157	124,408	130,387	n.a.
Money Supply (M2) (% change year-end)	25.2	14.7	10.9	12.2	8.4	16.7
Fiscal Sector (% of GDP)						
Total revenue, of which:	21.9	20.2	16.0	16.1	15.5	15.8
- Revenue	16.3	16.3	15.0	14.5	14.3	n.a.
- Grants ⁽³⁾	5.6	3.9	1.4	1.6	1.4	1.2
Total expenditure ⁽¹⁾ , of which:	25.5	25.8	21.1	21.6	19.9	20.1
- Current expenditure ⁽³⁾	15.6	15.4	15.5	12.5	12.1	13.1
- Capital expenditure	9.8	10.8	6.1	9.2	8.3	n.a.
Budget deficit ⁽¹⁾	(3.6)	(5.6)	(5.1)	(5.5)	(4.4)	(4.3)
External Debt (at year end)						
(% of GDP) ⁽¹⁾⁽⁵⁾	45.6	45.4	46.2	49.6	51.4	51.4
External Sector⁽¹⁾						
Current account balance (% of GDP)	n.a.	(22.4)	(11.0)	(10.6)	(12.0)	(12.1)
Capital account balance (% of GDP)	n.a.	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)
Financial account balance (% of GDP)	n.a.	27.0	19.2	17.9	16.2	13.1
Gross international reserves (US\$ millions)						
(at year end)	816	987	815	1,016	873	1,087
- in months of imports (months)	1.3	1.7	1.3	1.5	1.2	1.3

*Forecast.

(1) Sources: IMF Staff Report for the 2019 Article IV Consultation in respect of the Lao PDR dated August 2019 (the "IMF August 2019 Report") and 2017 Article IV Consultation—Press Release; Staff Report; and Statement by the Executive Director for Lao People's Democratic Republic dated March 2018 (the "IMF March 2018 Report"). Import coverage based on IMF methodology.

(2) At 2012 prices.

(3) 2019 forecast by IMF in IMF August 2019 Report.

(4) IMF World Economic Outlook database (April 2019 update).

(5) Public and public guaranteed external debt.

n.a.: Information not available.

Sources: IMF; Lao Statistics Bureau; Ministry of Planning and Investment; Ministry of Finance; BoL

THE OFFERING

Issuer	Lao People's Democratic Republic, represented by the Ministry of Finance of the Lao People's Democratic Republic.
Issue Amount.....	US\$150,000,000 aggregate principal amount.
Issue Price.....	97.755895% of the principal amount of the Notes, plus accrued interest, if any, from December 30, 2019.
Issue Date	December 30, 2019.
Maturity Date	June 30, 2021.
Interest	The Notes will bear interest from December 30, 2019 at the rate of 6.875% per annum payable semi-annually in arrears on June 30 and December 30 of each year, commencing on June 30, 2020.
Mandatory Redemption	<p>If, following the date of issuance of the Notes, the Issuer incurs, in one transaction or any series of related transactions, any Public External Indebtedness (as defined in "Description of the Notes") in a principal amount equal to or exceeding the outstanding principal amount of the Notes (or its equivalent in other currencies) (the "Replacement Indebtedness"), the Issuer will be obligated to redeem the Notes (a "Mandatory Redemption") in full at the redemption prices (each a "Mandatory Redemption Price") described in the next paragraph (expressed as a percentage of principal amount), plus accrued and unpaid interest to (but excluding) the date of redemption.</p> <p>If Replacement Indebtedness requiring a Mandatory Redemption is incurred at any time after the date of issuance of the Notes and prior to June 30, 2020, the Mandatory Redemption Price will be 102%. If Replacement Indebtedness requiring a Mandatory Redemption is incurred at any time after June 30, 2020 and prior to December 30, 2020, the Mandatory Redemption Price will be 101%. If Replacement Indebtedness requiring a Mandatory Redemption is incurred at any time after December 30, 2020 and prior to the maturity of the Notes, the Mandatory Redemption Price will be 100%.</p>
Optional Redemption.....	At any time after the date of issuance of the Notes and prior to June 30, 2020, the Issuer may at its option redeem all or part of the Notes at a redemption price (expressed as a percentage of their principal amount at maturity) of 103.4375%, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. At any time on or after June 30, 2020 and prior to December 30, 2020, the Issuer may at its option redeem all or part of the Notes at a redemption price (expressed as a percentage of their principal amount at maturity) of 101.71875%, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. At any time on or after December 30, 2020 and prior to maturity, the Issuer may at its option redeem all or part of the Notes at a redemption price (expressed as a percentage of their principal amount at maturity) of 100%, plus accrued and unpaid interest, if

any, to, but excluding, the redemption date. Any optional redemption by the Issuer will be subject to the right of holders of record on the relevant regular record date that is prior to relevant redemption date to receive interest due on the applicable interest payment date.

Withholding Tax; Additional Amounts	Principal of and interest on the Notes are payable by the Lao PDR without withholding or deduction for or on account of taxes imposed by the Lao PDR to the extent described herein. In the event that the Lao PDR is required by law to deduct or withhold taxes, duties, assessments or governmental charges, the Lao PDR will pay additional amounts as necessary to enable holders of Notes to receive such amounts after such deduction or withholding as they would have received absent such deduction or withholding, subject to certain exceptions. See “Description of the Notes—Additional Amounts.”
Ranking	The Notes will constitute general, direct, unconditional, unsubordinated and unsecured Indebtedness (as described herein) of the Lao PDR and will rank <i>pari passu</i> , without any preference among themselves, with all other unsecured and unsubordinated obligations of the Lao PDR, present or future, constituting Public External Indebtedness of the Lao PDR. The Lao PDR has pledged its full faith and credit for the due and punctual payment of all amounts due in respect of the Notes.
Negative Pledge and Certain Covenants.....	The Notes contain certain covenants, including a restriction on the creation or subsistence of any Lien (as defined in “Description of the Notes”) securing Public External Indebtedness. These covenants are, however, subject to significant exceptions. See “Description of the Notes.”
Use of Proceeds	The net proceeds of the offering to the Lao PDR will be used for general budgetary purposes, which may include the repayment of certain existing indebtedness.
Collective Action Clauses	The Notes will contain provisions, commonly known as “collective action clauses,” regarding acceleration and voting on future amendments, modifications and waivers. Under these provisions, which are described in the section entitled “Description of the Notes—Meetings, Modifications, Amendments and Waivers, Collective Action Clauses,” the Lao PDR may amend or obtain waivers of the payment provisions of the Notes and certain other terms with the consent of holders of a specified percentage of the aggregate principal amount of the outstanding Notes. Such collective active clauses include a single-limb voting aggregation feature that allows for aggregation of votes across multiple series of our outstanding debt securities if certain criteria are met.
Form of Notes.....	The Notes will be issued in the form of global notes without coupons, registered in the name of a nominee of DTC.

Denominations.....	Each Note will be issued in minimum denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof.
Further Issues	The Lao PDR may from time to time, without the consent of the holders of the Notes, create and issue further Notes having the same terms and conditions as the Notes in all respects, except for the issue date, the issue price and first payment of interest thereon. Additional Notes issued in this manner will be consolidated with and will form a single issue with the Notes; provided that, if any additional Notes subsequently issued are not fungible for U.S. federal income tax purposes with any Notes previously issued, such additional Notes shall trade separately from such previously issued Notes under a separate CUSIP number but shall otherwise be treated as a single class with all other previously issued Notes.
Listing and Trading	<p>Application will be made to the SGX-ST for the listing and quotation of the Notes on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the accuracy of any of the statements made or opinions expressed or reports contained in this Offering Memorandum. Approval in-principle from the SGX-ST and admission of the Notes to the Official List of the SGX-ST are not to be taken as an indication of the merits of the offering, the Lao PDR or the Notes. The Notes will be in minimum denominations of US\$200,000 each or integral multiples of US\$1,000 in excess thereof. The Notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000 for so long as any of the Notes are listed on the SGX-ST and the rules of the SGX-ST so require. We cannot assure you, however, that this application will be accepted, or if accepted, that the Notes will remain so listed.</p> <p>So long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, we will appoint and maintain a paying agent in Singapore, where such Notes may be presented or surrendered for payment or redemption, in the event that the global notes representing such Notes is exchanged for definitive notes. In addition, an announcement of such exchange will be made through the SGX-ST. Such announcement will include all material information with respect to the delivery of the definitive notes or, as the case may be, Notes including details of the paying agent in Singapore.</p>
Governing Law.....	The Notes and the Indenture will be governed by, and construed in accordance with, the laws of the State of New York.
Transfer Restrictions	The Notes have not been registered under the Securities Act. As a result, the Notes are subject to limitations on transferability and resale. For more information, see “Transfer Restrictions.”

Investor Representations Letter	Each purchaser of Notes that is located in the United States or is a U.S. person must deliver to the Initial Purchaser an investor representations letter with respect to the Notes. The investor representations letter will be made available to purchasers to review before the pricing date. In the investor representations letter, purchasers will be required to provide to representations and warranties usual and customary for transactions of this type.
Trustee, Registrar, Paying Agent and Transfer Agent	Wilmington Trust, National Association.

RISK FACTORS

Investing in the Notes involves risks. We believe the following risks and uncertainties may adversely affect the market value of the Notes or our ability to fulfill our obligations under the Notes. You should carefully consider the risks described below and the other information contained in this Offering Memorandum before making an investment decision. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties not currently known to us or that we currently do not believe are material may also adversely affect us.

Risks Relating to the Lao People's Democratic Republic

The Lao PDR is an emerging market economy and may be subject to economic instability caused by internal and external factors.

The Lao PDR is an emerging market economy and investing in securities of emerging markets issuers may involve special risks such as:

- high international interest rates;
- macroeconomic instability and volatility in general economic and business conditions;
- adverse changes in currency exchange rates;
- adverse changes in foreign currency reserves;
- changes in governmental, economic, tax or other policies;
- economic and instability in its trading partners or neighboring countries and regions;
- unexpected changes in foreign laws and regulations or in trade, monetary or fiscal policies;
- high inflation, deflation or monetary fluctuations;
- exchange controls;
- wage and price controls;
- internal security issues;
- the imposition of trade barriers;
- poor growth rates; and
- the evolution of the Lao PDR democratic system and institutions.

An investment in the Lao PDR is subject to substantially greater risk than an investment in a more developed country and any of the factors set out above, as well as volatility in the markets for securities similar to the Notes, may adversely affect the liquidity of and trading market for the Notes.

The Lao PDR has an increasing level of public indebtedness and could have difficulty servicing its debt.

The Lao PDR's debt has increased significantly over the past several years. Total external public debt was US\$9.8 billion or 53.3% of GDP as of December 31, 2018, increasing by 14.0% from December 31, 2017. The debt composition has been shifting, driven by recent bond issuances in the Thai capital markets, and the increasing exposure to China, which held approximately 42% of the Lao PDR's external public and publicly guaranteed debt as of December 31, 2018.

In light of the Lao PDR's high and increasing level of public debt, the Government has put in place various measures to reduce risks associated with debt sustainability. Policies such as suspending new investment projects combined with the new Public Procurement Law and intentions to borrow new debt on concessional terms are intended to reduce the debt burden. However, there can be no assurance that these measures and policies will be successful. The Lao PDR may not be able to meet future debt service obligations out of current revenues and it may have to rely in part on additional financing from the domestic and international capital markets (or multilateral or bilateral sources) in order to do so. In the future, the Lao PDR may not be able or willing to access such markets or sources of funding, and the Lao PDR's ability to service its public debt, including the Notes, may be adversely affected.

The Lao economy remains vulnerable to external shocks, including international financial downturns or events affecting other emerging market sovereigns, which could adversely affect its ability to grow, as well as its ability to service its public debt.

The Lao economy remains vulnerable to external shocks, including those relative to or similar to the global economic crisis that began in 2008 and the subsequent uncertainties surrounding European sovereign debt. The Lao economy has grown steadily in recent years, but continued economic growth remains vulnerable to conditions and events in the European Union and Asia and other international economic and political developments, which are outside the control of the Government. In particular, the Lao PDR's high level of public debt combined with its low level of international reserves heightens the country's vulnerability to external shocks.

Lao PDR's balance of trade and economic growth are also vulnerable to adverse developments affecting its principal trading partners and FDI investors (including China, Thailand and Vietnam). A significant decline in the economic growth of any of the Lao PDR's major trading partners and FDI investors could have a material adverse impact on the Lao PDR's balance of trade and adversely affect the Lao PDR's economic growth.

In addition, because reactions of international investors to events occurring in one market, particularly in emerging markets, frequently appear to demonstrate a "contagion" effect, in which an entire region or class of investment is disfavored by international investors, the Lao PDR could be adversely affected by negative economic or financial developments in other markets. The Lao economy may also be affected by conditions in developed economies that are significant trading partners of the Lao PDR or have influence over world economic cycles. For example, if interest rates increase significantly in developed economies, including the United States and Europe, the Lao PDR and its developing economy trading partners, such as China, Thailand and Vietnam, could find it more difficult and expensive to borrow capital and refinance existing debt, which could adversely affect economic growth in those countries. The United Kingdom held a referendum on June 23, 2016 in which a majority voted for the United Kingdom's withdrawal from the European Union ("Brexit"). On March 29, 2017, Article 50 of the Lisbon Treaty, which provides for a mechanism for the voluntary and unilateral withdrawal of a country from the European Union, was triggered. Depending on the terms of Brexit, the United Kingdom could lose access to the single European Union market and to the global trade deals negotiated by the European Union on behalf of its members. Should no deal be reached, Brexit and the perceptions as to its impact may adversely affect business activity and economic and market conditions in the United Kingdom, the Eurozone and globally, and could contribute to uncertainty in global financial and foreign exchange markets, as well as additional political, social and legal instability in the European Union. Decreased growth on the part of the Lao PDR's trading partners could have a material adverse effect on the markets for the Lao PDR's exports and, in turn, adversely affect economic growth, and could have a material adverse effect on the Lao PDR's ability to service its public debt generally, including the Notes.

The Lao economy could contract in the future, which could have a material adverse effect on the Lao PDR's public finances and on the market price of the Notes.

The Lao economy experienced real GDP growth of 7.6% in 2014, 7.3% in 2015, 7.0% in 2016, 6.9% in 2017, and 6.3% in 2018, according to the IMF. These growth rates translate into real GDP growth at an annual average rate of approximately 7% between 2014 and 2018. The Lao PDR cannot assure investors that its economy will continue to grow in the future. The Lao PDR's economic growth depends on a variety of factors, including, among others, international demand and prices for Lao exports, economic conditions in the countries that are the Lao PDR's most important trading partners and FDI investors, climatic factors affecting the Lao PDR's agricultural sector, fiscal and monetary policies, confidence among Lao consumers and foreign and domestic investors and their rates of investment in the Lao PDR, the willingness and ability of businesses to engage in new capital spending, exchange rates and inflation rates. Some of these factors are outside the Lao PDR's control. A sustained recession could result in a material decrease in the Lao PDR's fiscal revenues, or a significant depreciation of the Lao kip over an extended period of time could adversely affect the Lao PDR's debt/GDP ratio, either of which in turn would materially and adversely affect the ability of the Lao PDR to service its public debt, particularly its debt obligations denominated in foreign currencies, including the Notes.

The Lao PDR is dependent on foreign resources and imports to satisfy local demand for general necessities.

As a country with natural resources that do not satisfy all of its industrial or consumer needs, the Lao PDR is dependent on foreign resources. This makes the country's economy vulnerable to developments in the external environment that can impact a country of its location, size and geography. The Lao PDR is also dependent on imports of fuel for transport purposes and industrial supplies, capital goods and transport equipment, as well as consumer goods. Changes in commodity prices such as oil and foreign exchange movements may affect the Lao economy's resource allocation and consequently its performance.

Outbreaks of contagious diseases may adversely affect the Lao PDR economy.

Since late 2003, a number of countries in Asia, including the Lao PDR, as well as countries in other parts of the world, have had confirmed cases of the highly pathogenic H5N1 strain of the avian influenza virus in birds. These cases severely affected the poultry and related industries and resulted in the death or culling of large stocks of poultry. In addition, certain countries in Southeast Asia have reported cases of bird-to-human transmission of avian influenza, resulting in numerous human deaths. Investigations into the possibility of human-to-human transmission in Thailand, Vietnam and Indonesia are continuing. The World Health Organization and other agencies continue to issue warnings on a potential avian influenza pandemic if there is sustained human-to-human transmission. In 2009, a new strain of the H1N1 influenza virus, known as swine flu, was found to have been transmitted to humans. Following an initial outbreak in Mexico, swine flu was contracted by humans around the world, including Southeast Asia, causing death in some instances. The contagious nature of this disease and global reach has led the World Health Organization to describe the outbreak as a pandemic. In addition, since May 2015, there have been a number of confirmed cases of Middle East Respiratory Syndrome (MERS) and several related deaths in South Korea. Any future outbreaks of avian influenza, swine flu, SARS, MERS, the Zika virus or other contagious diseases could adversely affect the Lao PDR economy and economic activity in the region.

Laos is vulnerable to climatic or geological disasters.

Laos is vulnerable to natural disasters, including from typhoons, storms, floods, landslides and droughts. The frequency and impact of floods have increased significantly in recent years. For example, in July 2018 heavy rainfall from a tropical storm resulted in flooding across the country, followed by the collapse of the Xe-Pian X-Namnoy dam, which caused a flash flood in the southern part of the country, causing a loss of lives, destruction of livelihoods and thousands of people being displaced. In addition, in August 2018 another tropical storm caused flooding in the northern part of the country. These disasters had an adverse effect on the growth of the Lao economy in 2018. Laos may, at irregular and unpredictable intervals, suffer the effects of similar or other natural disasters in the future. The occurrence of natural disasters in the future could have a material adverse effect on the Lao PDR's economy and its ability to make payments on the Notes.

Certain shortcomings of the Lao PDR's finance and macroeconomic statistics may hamper credit monitoring of the Lao PDR by the Noteholders.

In the IMF's Staff Report for the 2019 Article IV Consultation in respect of the Lao PDR dated August 2019, the IMF noted that there is a lack of consistency and coverage with financial soundness indicators data in the Lao PDR's compiling of monetary and financial statistics. In addition, the IMF noted that, while the Lao PDR's macroeconomic statistics have improved, more remains to be done to strengthen their quality and timely dissemination while building staff capacity. The Government of the Lao PDR has been working to improve such shortcomings with assistance from certain development agencies. Specifically, the Lao PDR has participated in the IMF's Statistics Department project to implement the System of National Accounts and International Comparison Project, funded by the government of Japan, and has received technical assistance from the IMF to improve its national accounts and develop quarterly national accounts, to improve CPI statistics and to improve external sector statistics. Notwithstanding these efforts, there can be no assurance as to the timing and extent of improvements that will be made and their effect on the ability of Noteholders to adequately monitor the Lao PDR.

Risks Relating to the Notes

An active trading market may not develop for the Notes, which may hinder your ability to liquidate your investment, and the price at which the Notes will trade in the secondary market is uncertain.

The Lao PDR has been advised by the Initial Purchaser that it intends to make a market in the Notes but they are not obligated to do so and may discontinue market making at any time without notice. The Notes will be a new issue of securities with no established trading market. Application will be made to the SGX-ST for the listing and quotation of the Notes on the Official List of the SGX-ST. We cannot assure you, however, that this application will be accepted, or if accepted, that the Notes will remain so listed. No assurance, however, can be given as to the liquidity of the trading market for the Notes, should it develop. The price at which the Notes will trade in the secondary market is uncertain. In addition, the liquidity of the trading market in the Notes, and the market price quoted for the Notes, may be adversely affected by changes in the overall market for fixed income securities and by changes in the general economic conditions in Laos and elsewhere. As a result, we cannot assure you that an active trading market will develop or be sustained for the Notes. If no active trading market develops, you may not be able to resell your Notes at their fair market value or at all.

The Notes will contain provisions that permit the Lao PDR to amend the payment terms without the consent of all holders.

The Notes will contain provisions, commonly known as "collective action clauses," regarding acceleration and voting on future amendments, modifications and waivers that differ from those applicable to some of the Lao PDR's outstanding Public External Indebtedness. Under these provisions, which are described in the section entitled "Description of the Notes — Meetings, Modifications, Amendments and Waivers; Collective Action Clauses," the Lao PDR may amend or obtain waivers of the payment provisions of the Notes and certain other terms with the consent of holders of a specified percentage of the aggregate principal amount of the outstanding Notes. Such collective action clauses include a single-limb voting aggregation feature that allows for aggregation of votes across multiple series of our outstanding debt securities if certain criteria are met.

The ability of holders to transfer Notes in the United States and certain other jurisdictions will be limited.

The Notes will not be registered under the Securities Act and, therefore, may not be offered or sold in the United States except pursuant to an exemption from the registration requirements of the Securities Act and applicable U.S. state securities laws. Offers and sales of the Notes may also be subject to transfer restrictions in other jurisdictions. You should consult your legal advisors for advice concerning applicable transfer restrictions with respect to the Notes.

The Lao PDR is a sovereign state and, accordingly, it may be difficult to obtain or enforce judgments against us.

The Lao PDR is a sovereign state. As a result, it may be difficult or impossible for investors to obtain or enforce judgments against the Lao PDR, whether in an investor's own jurisdiction or elsewhere. See "Enforcement of Civil Liabilities."

Principal and interest payments on the Notes may be subject to exchange controls of the Lao PDR.

The Issuer will pay principal and interest on the Notes in U.S. dollars to the Noteholders. Government and monetary authorities in the Lao PDR may impose exchange controls, including certain restrictions and controls on the remittance of funds into the clearing systems. The Noteholders could be adversely affected by delays in, or a refusal to grant, any required government approval for repatriation of principal or interest payment to be paid by the Issuer. There can be no assurance that the Issuer will be permitted to inject or repatriate funds into the clearing systems for principal and interest payment on the Notes throughout the term of the Notes.

USE OF PROCEEDS

The gross proceeds from the issuance of the Notes will be US\$146.6 million (after giving effect to original issue discount). The net proceeds from the issuance and sale of the Notes, after deduction of the commissions payable by the Lao PDR to the Initial Purchaser and the net fees and expenses payable by the Lao PDR, will be approximately US\$144.0 million. The Lao PDR intends to use the net proceeds from the offering for general budgetary purposes, which may include the repayment of certain existing indebtedness.

THE LAO PEOPLE’S DEMOCRATIC REPUBLIC

Territory, Population and Society

The Lao People’s Democratic Republic (the “Lao PDR”) is located in Southeast Asia, bordered by Burma and China to the northwest, Vietnam to the east, Cambodia to the south, and Thailand to the west. The Lao PDR is a land-locked country with a total area of 236,800 square kilometers.

The Lao PDR is characterized by two main geographic zones: the central plains along the Mekong River and the mountainous regions to the north, east and south. Most of the country is mountainous and thickly forested, with the Mekong River forming a large part of the western boundary with Thailand and serving as a major transportation route. The Lao PDR generally has a tropical climate with two distinct seasons: the rainy season (running from May to October) and the dry season (running from November to April).

The Lao PDR had a population of 7.06 million in 2018 according to the World Bank. The population consists officially of 49 ethnic groups, scattered from the north to the south, and can be divided into four ethno-linguistic groups, namely Lao-Tai, Mon-Khmer, Hmong-Imien, and Sino-Tibetan. The Lao people comprise approximately 55% of the population, mostly in the lowlands. Mon-Khmer groups, the Hmong, and other indigenous hill tribes, account for approximately 45% of the population and live in the foothills and mountains. The multi-ethnic population of the Lao PDR co-exists peacefully and enjoys equal rights before the law. The main religion, Theravada Buddhism, exerts a significant influence on Lao society extending from lifestyle to art and architecture. Lao-Tai is the official language of the Lao PDR, with French still used in some parts of the capital city of Vientiane.

In 2018, Laos ranked 139th on the United Nations Human Development Index (HDI), indicating medium development. The following table sets forth selected comparative social indicators for Laos and certain selected other countries.

	Selected UNDP Comparative Social Statistics					United States
	Laos ⁽¹⁾	Vietnam	Thailand	Cambodia	Malaysia	
GDP per capita (US\$) ⁽¹⁾	6,397	6,172	16,278	3,645	26,808	54,225
United Nations Index of Human Development (World Ranking) ⁽²⁾	139	116	83	146	57	13
Life Expectancy at Birth (years) ⁽²⁾	67.0	76.5	75.5	69.3	75.5	79.5
Infant Mortality (per 1,000 live births) ⁽³⁾	48.9	17.3	10.5	26.3	7.1	5.6
Adult Literacy Rate (%) ⁽⁴⁾	58.3	93.5	92.9	73.9	93.1	n.a.

(1) 2017 data. 2011 PPP US\$.

(2) 2017 data.

(3) 2016 data.

(4) Data refer to the most recent year available during 2006 and 2016.

n.a.: Data not available.

Source: *Human Development Indices and Indicators 2018 Statistical Update, United Nations Development Programme*

History

Present-day Laos traces its historical and cultural identity to the kingdom of Lan Xang Hom Khao (Kingdom of a Million Elephants Under the White Parasol), which existed from 1353 to 1828 as one of the largest kingdoms in Southeast Asia. In the 19th century, Thailand took control of most of the Kingdom, until the French annexed it into French Indochina, along with Vietnam and Cambodia, in 1893.

Laos briefly gained independence in 1945 after Japanese occupation, but was recolonized by France until it won autonomy in 1949.

Laos gained formal independence from France in 1953, with a constitutional monarchy under Sisavang Vong. This was ratified under the Geneva Convention in 1954, and the year is normally referred to in Laos as the “Independence Year”. Shortly after independence, a long civil war began, which saw the communist resistance, supported by the Soviet Union, fight against, first, the monarchy and then a number of military dictatorships, supported by the United States. From 1964 to 1973, during the period known by the Lao people as the Second Indochina war, Laos suffered intense ground battles, as well as some of the heaviest aerial bombardment in world history, particularly in the eastern part of the country.

After the Vietnam War ended in 1975, the Lao People’s Democratic Republic was proclaimed by the Communist Pathet Lao movement and officially declared a one-party Marxist-Leninist government, seeing the end to the civil war.

From 1975 through 1986, the Lao economy was centrally controlled and private ownership was limited. These circumstances brought about a general decrease in production activity resulting in food shortages.

In 1986, the Lao Government launched the “New Economic Mechanism”, with the ultimate aim of turning the Lao PDR into an open-market economy. Initial progress was rapid, aided by a liberal foreign investment policy. This integration into the region’s political and economic structures led to the Lao PDR being accepted as a member of the Association of South East Asian Nations (“ASEAN”) in July 1997.

State Structure

The Lao PDR is an independent, sovereign country that is governed in accordance with the Lao PDR constitution (the “Constitution”), which was adopted in 1991. The Constitution established the Lao PDR as a people’s democratic state based on the principle that all powers belong to the people, and are exercised by the people, in the interests of the ethnically diverse Lao population as a whole. The Constitution was subsequently amended in 2003 in the interests of socio-economic development, as well as to support regional and international cooperation and integration.

The administrative system of the Lao PDR is comprised of four organs the state: the National Assembly, the Government, the People’s Courts and the Offices of the People’s Prosecutor. In addition to the four organs of state power, a number of social and professional organizations, such as the Lao Front for National Construction, the Lao Federation of Trade Unions, the Lao People’s Revolutionary Youth Union, the Lao Women’s Union and the Federation of Military Veterans, operate in the country to encourage Lao people of all social backgrounds to become more actively involved in developing the country and protecting the rights and legitimate interests of the relevant groups. The Lao people’s rights and interests are represented via the National Assembly.

The National Assembly

The National Assembly is a state organ representing the rights and interests of the Lao people. The National Assembly is the supreme organ of state power and the legislative branch with the power to make decisions on issues fundamental to the country and oversee the activities of the Government, the People’s Courts and the Offices of the People’s Prosecutor. The National Assembly approves all new laws, although the Government retains authority to issue binding decrees. The National Assembly members are nominated by the Government and elected to five-year terms. The last elections were held on March 20, 2016. The Lao People’s Revolutionary Party (LPRP) won 144 seats in the 149-member National Assembly with the five remaining seats won by independent members. Nearly 73% of members were elected to the National Assembly for the first time.

The President

The President is the head of the State and is elected by the National Assembly based on a two-thirds vote of the members of the National Assembly. Each presidential term lasts for a period of five years. The following table sets out the Presidents of the Lao PDR for the periods presented.

Presidents of the Lao PDR	
Period	Name
1975 to 1991	Prince Souphanouvong
1991 to 1992	Kaysone Phomvihane
1992 to 1998	Nouhak Phoumsavanh
1998 to 2006	Khamtai Siphandon
2006 to 2016	Choummaly Sayasone
2016 to present	Bounnhang Vorachith

The Government

The Government is the executive branch of state power. The Government of the Lao PDR consists of 18 ministries and three ministry-equivalent organizations (the Head of the Prime Minister's Office, the Government Inspection Authority and the Bank of the Lao PDR). The Government centrally administers the state's duties and implements policies in relation to matters such as politics, economics, culture, social welfare, national defense and security, and foreign affairs.

The head of the Government is the Prime Minister, who is appointed by the President following the approval of the National Assembly. The Prime Minister leads and manages the work of the Government, its ministries, ministry-equivalent organizations and any other organizations related to the Government, as well as the work of the provinces and the capital city. The following table sets out the Prime Ministers of the Lao PDR for the periods presented.

Prime Ministers of the Lao PDR	
Period	Name
1991 to 1998	General Khamtai Siphandon
1998 to 2001	Sisavath Keobounphanh
2001 to 2006	Bounnhang Vorachith
2006 to 2010	Bouasone Bouphavanh
2010 to 2016	Thongsing Thammavong
2016 to present	Thongloun Sisoulith

The People's Courts

The People's Courts constitute the judicial branch of the state, consisting of the People's Supreme Court, the regional courts, the provincial courts, the district courts, and the military courts. The People's Supreme Court is the highest judicial organ of the State. The People's Courts make decisions unanimously. Judges must be independent, impartial and strictly observe the law. Final court judgments are binding on all parties concerned and must be observed.

Offices of the People's Prosecutor

The Offices of the People's Prosecutor have the duty to monitor the implementation of the law. The Offices of the People's Prosecutor consists of the Offices of the Supreme People's Prosecutor, regional prosecutors, provincial prosecutors, district prosecutors and military prosecutors. It has the rights and duty to monitor and to supervise the correct and consistent implementation of the law by all parties concerned and to exercise the right of public prosecution.

Local Administrative Units

Administratively, the Lao PDR is divided into 17 provinces and one prefecture (which includes the capital city of Vientiane), with 145 districts and 8,600 villages.

The Lao People's Revolutionary Party

The Lao People's Revolutionary Party (the "LPRP") is the only political party in the Lao PDR. The LPRP has its origins in the Communist Party of Indochina, which was founded in 1930, and the Lao People's Party, which was founded in 1955. In 1972, the name of the Lao People's Party was changed to the Lao People's Revolutionary Party. The policy-making organs of the LPRP are the 11-member Politburo and the 61-member Central Committee. The current President of the Lao PDR, Bounnhang Vorachith, is also General Secretary of the LPRP, and the current Prime Minister of the Lao PDR, Thongloun Sisoulith, is also a member of the LPRP's Politburo.

International Relations

Over the past few decades, the Lao PDR has been active in integrating itself into the international community. The long-term strategic objective of the Government for international relations is to develop and maintain stable relationships with other countries while protecting the Lao PDR's sovereignty and independence. The Government believes that international integration is crucial to achieving this objective. The Government also believes that an enhanced state apparatus, as well as enhanced policies and mechanisms must be in place in order to facilitate the seamless integration of the Lao PDR to the global community.

Lao has been a member of the United Nations since 1995 and a member of the World Trade Organization (the "WTO") since 2013.

The Lao PDR maintains close ties with its neighboring countries and participates in several regional arrangements designed to promote cooperation in trade and investment. The Lao PDR has been a member of Association of South East Asian Nations ("ASEAN") since 1997 and the ASEAN Economic Community (the "AEC") since 2015. Laos is also a member of the Asia-Pacific Trade Agreement ("APTA") and the Organization internationale de la Francophonie.

As a member of APTA, the Lao PDR has continuously participated in negotiations on trade agreements, tax reduction plans, and trade and service facilitation arrangements (among other things) in the Asia-Pacific region. The Lao PDR has signed bilateral agreements relating to trade and economy with countries including Argentina, Belarus, Cambodia, China, India, Kuwait, Malaysia, Mongolia, Myanmar, North Korea, Russia, Thailand, Turkey, the United States and Vietnam.

The Lao PDR has successfully resolved most of its border demarcation issues with neighboring countries and has signed land border treaties with China, Myanmar and Vietnam.

THE LAO ECONOMY

History and Background

In 1986 the Lao PDR began a process of radically transforming its economy from one that was centrally planned to a market-based system. This process began with the introduction in 1986 of the Government's "New Economic Mechanism," which was initially small in scale but which was expanded to include a range of reforms designed to create conditions conducive to private sector activity. Prices set by market forces replaced government-determined prices; farmers were permitted to own land and sell crops on the open market; and state firms were granted increased decision-making authority and lost most of their subsidies and pricing advantages. The Government set the exchange rate close to market levels, lifted trade barriers, replaced import barriers with tariffs and gave private sector firms direct access to imports and credit.

In 1989, the Government reached agreement with the World Bank and the IMF on additional reforms. The Government agreed to expand fiscal and monetary reform, promote private enterprise and foreign investment, privatize or close state firms and strengthen the banking sector. In addition, it agreed to maintain a market exchange rate, reduce tariffs and eliminate unneeded trade regulations. A liberal foreign investment code was introduced and began making a positive impact on the market. These reforms led to increased availability of goods and economic growth that continued through the 1990s, despite short-term economic setbacks resulting from the 1997 Asian financial crisis.

By the 2000s, the Lao PDR's economic transition had progressed significantly. GDP increased by approximately 7% per year during 2000–2009, with growth driven primarily by foreign direct investment in the mining and hydropower sectors. The percentage of people living below the national poverty line has decreased during this period of economic growth.

Historically the Lao economy has been dominated by a subsistence agriculture sector largely based around rice farming. However, the share of agriculture in the economy has decreased gradually as the process of economic reform has continued. Today the major industries in the Lao PDR are mining, hydropower, agriculture, and light manufacturing. Tourism is a growing industry and an important source of foreign exchange.

In recent years the Government has been promoting infrastructure development, especially in the hydropower and mining sectors. The most significant FDI investors in the Lao PDR are China, Thailand and Vietnam.

The key factors boosting the expansion and strong growth of the Lao PDR economy in recent years have been the expansion of the industrial and service sectors, such as electricity, construction, wholesale and retail trade, and maintenance. Additionally, the large increase in domestic and foreign investments has supported the growth rate due to favorable conditions in the Lao PDR, especially capital flows from FDI. In addition, the large amount of funds contributed by the banking sector has also helped to boost economic activities such as manufacturing, businesses, construction and others.

Despite various challenges posed by domestic and international environments in recent years, the Lao PDR has continued to have high and sustained economic growth. According to the IMF, GDP growth was 7.6%, 7.3%, 7.0%, 6.9% and 6.3% in 2014, 2015, 2016, 2017 and 2018, respectively, and GDP per capita reached US\$2,720 in 2018. Laos has been referred to as one of East Asia and Pacific's Fastest Growing Economies by the World Bank.

Recent Developments in the Economy

The Lao PDR's GDP slowed in 2018, as both agricultural and industrial production declined primarily due to natural disasters and also due to slower economic growth of the Lao PDR's trading partners and FDI investors. In July 2018 heavy rainfall from a tropical storm resulted in flooding across the country, followed by the collapse of the Xe-Pian X-Namnoy dam, which caused a flash flood in the southern part of the country, causing a loss of lives, destruction of livelihoods and thousands of people being displaced. In addition, in August 2018 another tropical storm caused flooding in the northern part of the country. These disasters had an adverse effect on the growth of the Lao economy in 2018. Notwithstanding these challenges, FDI inflows to the Laos-China Railway project, major

hydropower projects, infrastructure and the manufacturing sector helped generate moderate economic growth. Inflation in 2018 remained below 3%. Credit growth in 2018 declined due to the economic slowdown, the legacy of non-performing loans in the banking sector and fiscal tightening. The current account deficit widened in 2018 due to large-scale projects and natural disaster-related imports, while electricity exports increased. International reserves declined in 2018 to the level of approximately one month of imports at the end of the year, according to IMF data and based on IMF methodology. Fiscal consolidation, driven by lower capital spending, brought the fiscal deficit down to 4.4% of GDP in 2018 as compared to 5.5% in 2017. Budget revenues in 2018 were lower than anticipated and part of budget expenditures were diverted towards natural disaster recovery needs.

The Government expects the GDP growth rate to increase in 2019 and 2020, supported by increased private investment, electricity exports, completion of the Laos-China Railway project, opportunities in the non-resource sectors from closer regional integration, and reforms to improve the business environment. The IMF has stated that the Lao PDR's long-term economic prospects are favorable and has projected GDP growth rates to gradually increase to near 7% over the medium-term.

Economic Policy and Reforms

The Eighth Five-Year Plan

The National Socio-Economic Development Plans (the "Five-Year Plans") of the Lao PDR reflect the socio-economic development strategies for the Lao PDR targeting "Vision 2030." These plans are a forward-looking roadmap with development priorities for welfare, including graduating from the Least Developed Country list of UNCTAD to become an upper-middle-income country. The Eighth Five-Year Plan is currently in place until 2020 and preparations for the Ninth Five-Year Plan covering 2021-25 are in progress.

Similarly to the preceding plans, the objectives of the Eighth Five-Year Plan (2016-2020) include achieving political stability, peace and order in society; reducing poverty significantly in all areas; allowing the country to graduate from the Least Developed Country list of UNCTAD; achieving inclusive and sustainable growth; ensuring effective management and utilization of natural resources; enhancing development through harnessing national potential; and encouraging regional and international integration while maintaining sovereignty.

The Eighth Five-Year Plan provides an overarching economic roadmap until 2020. Policy objectives include promoting economic development and diversification by improving the quality of productivity, investment and efficiency of resources while promoting the use of innovation and modern science and technology that are environmental and socially friendly. For this, the Government recognizes the importance of investing in capital, technology and science, information while strengthening human resources, enterprises and labor in a setting of macroeconomic stability. These policy objectives are expected improve the business environment, reduce the cost of doing business, develop SMEs, increase access to finance, build infrastructure, manage natural resources and buffer against natural disasters. They will also improve the quality of human resources and social development including improving the quality and access to health, education and nutrition, and expanding social safety nets.

The Eighth Five-Year Plan includes 16 performance targets, including among others:

- (1) a poverty rate of 10.0% by 2020;
- (2) a composite score making the Lao PDR eligible for graduation from the Least Developing Country list of UNCTAD;
- (3) Gross national income ("GNI") per capita higher than US\$1,574 by 2018 and at or higher than US\$1,810 by 2021;
- (4) GDP per capita of US\$3,190 and GNI per capita of US\$2,520 (Atlas) by 2020 (based on an exchange rate of 8,300 LAK/US\$);
- (5) real GDP growth of not less than 7.5% per annum on average;

- (6) agriculture sector growth of 3.2% per annum, forming 19.0% of total GDP;
- (7) industry sector growth of 9.3% per annum, forming 32.0% of total GDP;
- (8) services sector growth of 8.9% per annum, forming 41.0% of total GDP (excluding import tariffs);
- (9) by 2020, non-resource sector contribution to GDP to increase to more than its average contribution in the GDP during the Seventh Five-Year Plan;
- (10) Government budget revenue of 16.0-17.0% of GDP;
- (11) Government budget expenditure equal to or less than 25.0% of GDP;
- (12) Government budget deficit not to exceed 5.0% of GDP;
- (13) exports of goods and services of 15.0% of GDP per year; and
- (14) maintaining the trade deficit at a controllable level.

Economic Policy Goals

Economic policy goals of the Government based on the Eighth Five-Year Plan and planned Ninth Five-Year Plan include the following.

Economic Diversification

The Government sees diversification of the economy as a key policy goal. This diversification will comprise a transition from a resource-based economy to a broad-based structure with contributions from the agriculture, services and manufacturing sectors and will be a gradual process. The strong economic growth of the Lao PDR over the past decade has been driven by the capital-intensive mining and hydropower sectors, but the contribution of human capital to such growth has been limited. To transition to a more inclusive growth model, the Government aims to diversify the country's growth drivers by investing in human capital, improving the business environment and developing its basic infrastructure.

Regional Integration

The Eighth Five-Year Plan focusses on the Lao PDR becoming the "Battery of Asia" by boosting power exports to the region. Continuing export diversification, both by products and by destination, would help to enhance economic resilience and mitigate exposure to external and natural disaster shocks. In pursuit of broader economic diversification and regional integration objectives, the planned Ninth Five-Year Plan envisions transforming the Lao PDR from a "land-locked" to a "land-linked" country, and investing in the Laos-China Railway project is the centerpiece for implementing this vision. The Laos-China Railway project carries substantial benefits for the region at large and has a potential for generating significant positive economic spillovers to the Lao PDR economy from regional transit trade, tourism, logistical services, agricultural exports, and integration of the manufacturing production in the regional supply chain. To this end, the Government recognizes that maximizing the potential economic benefits from this major project requires increasing and accelerating complementary reforms aimed at simplifying the regulatory environment, improving the adjacent infrastructure, logistical services, and trade facilitation networks. Implementing these supporting reforms in a timely and coordinated fashion will help to mitigate risks by generating sufficient cash flows for the Laos-China Railway project to meet its associated debt service payments. Laos's strategies for development are also based on generating electricity from its rivers and selling the power to neighboring countries.

Reducing Barriers to Doing Business

Improving the environment for doing business is one of the Government's main policy priorities. Steps are being taken to simplify and automate the tax and regulatory systems, supported with reform efforts and institutional

capacity building for lasting outcomes. The Government has instituted a number of measures to encourage foreign investment and increase private investment. The Government has adopted a comprehensive reform package aimed at strengthening economic governance beginning with the modernizing of various legal frameworks. Elements of governance are being strengthened as part of raising overall efficiency and providing an enabling environment for investments. For example, the Public Procurement Law and the Law on Public Investment promote a more transparent and rules-based institutional framework for public spending and investments.

The Government is also seeking to maintain macroeconomic stability by taking actions to improve domestic revenue collection, controlling expenditure, and strengthening public debt management. The new Public Debt Management Law, enacted in August 2018, now consolidates the Ministry of Finance's oversight powers over debt through budgeting and project approval processes, whereas previously the process of contracting debt was divided among line ministries and sub-national governmental bodies. There was fiscal consolidation in 2018, with the budget deficit decreasing to below 5%. The Government is strengthening revenue administration and efficiency through the introduction of electronic tax payments, while at the same time controlling expenditures.

Gross Domestic Product

Figures in this section are based on the Annual Economic Reports of the BoL and may differ from figures from the IMF cited elsewhere in this Offering Memorandum.

During the 2014-2018 period, real GDP grew at an average annual rate of approximately 7%. GDP in real terms increased by 7.6%, 7.3%, 7.0%, 6.9% and 6.5% in 2014, 2015, 2016, 2017 and 2018, respectively.

In 2015, real GDP growth was 7.3%, which was mainly driven by growth in the services, industry and agricultural sectors of 8.0%, 7.0% and 3.6%, respectively. The main factor supporting the economic growth in 2018 was FDI inflows, which were concentrated in the construction, hydropower and service sectors.

In 2016, real GDP growth was 7.0% which was mainly driven by growth in the industrial, service and agricultural sectors of 12.0%, 4.7%, and 2.8%, respectively. FDI inflows, which were concentrated in the construction, hydropower and service sectors, remained the main factor supporting the economic growth.

In 2017, real GDP growth was 6.9%, which was mainly supported by the expansion of the industrial, service, and agricultural sectors at 11.6%, 4.5% and 2.9%, respectively. FDI inflows, which were concentrated in the construction, hydropower, manufacturing and mining sectors, remained the main factor supporting the economic growth.

In 2018, GDP growth was 6.5%, a decrease compared to 6.9% GDP growth in 2017. Nominal GDP increased from LAK 140,698 billion to LAK 152,425 billion. The growth in 2018 was mainly attributable to growth in the service sector (which accounted for 3.0% of the growth), industry sector (2.7%), agriculture sector (0.4%) and tax on products and import duties (net) (0.4%). In contrast, despite higher metal prices, the performance of the mining sector remained weak in 2018. The slowdown in GDP growth was primarily due to the effects of tropical storm natural disasters in 2018 and also due to slower economic growth of the Lao PDR's trading partners and FDI investors. See “– Recent Developments in the Economy.” The natural disasters had an adverse effect on the growth of the Lao economy in 2018. Notwithstanding these challenges, FDI inflows to the hydropower industry, infrastructure, the Laos-China Railway project and manufacturing industry helped generate moderate economic growth.

Principal Sectors of the Economy

The table below sets out information on Lao PDR's GDP by economic sector for the years indicated:

	For the Year Ended December 31,				
	2014	2015	2016	2017	2018 ⁽¹⁾
	<i>(LAK billions)</i>				
Nominal GDP	106,797	117,252	129,279	140,698	152,425
Agriculture	16,214	16,791	17,254	17,750	18,195
Agricultural cropping	10,485	10,946	11,289	11,710	12,004
Livestock and livestock products	2,079	2,171	2,301	2,437	2,512
Forestry and logging	1,420	1,314	1,229	1,090	1,086
Fishing	2,229	2,360	2,435	2,513	2,592
Industry	30,595	32,739	36,667	40,923	44,065
Mining and quarrying	10,625	10,617	11,052	10,579	10,549
Manufacture of food products	1,545	1,620	1,645	1,721	1,799
Manufacture of beverages and tobacco	1,518	1,568	1,627	1,627	1,654
Footwear and leather goods	1,348	1,357	1,368	1,378	1,399
Other manufacturing	3,918	4,152	4,331	4,642	4,965
Electricity	6,160	6,856	9,539	12,629	13,572
Water supply, sewerage, waste management and remediation activities	267	276	285	301	318
Construction	5,213	6,292	6,820	8,046	9,808
Services	38,873	41,990	43,944	45,926	49,385
Wholesale and retail trade, repairs	12,393	13,622	14,516	15,566	17,298
Transportation and storage	1,334	1,482	1,606	1,715	1,818
Accommodation and food service activities	2,913	3,199	3,162	3,010	3,064
Information and communications	1,676	1,932	2,013	2,100	2,248
Financial and insurance activities	2,154	2,288	2,466	2,704	2,918
Real estate activities	6,725	7,137	7,401	7,660	8,284
Professional, Scientific and Technical Activities	1,258	1,417	1,518	1,609	1,713
Public administration and defense; compulsory social security	6,519	6,888	7,128	7,331	7,630
Education	1,794	1,852	1,892	1,931	2,012
Human health and social work activities	499	516	519	522	535
Other services	1,609	1,659	1,723	1,777	1,863
All industries at basic prices	85,681	91,520	97,865	104,600	111,645
Taxes on products and Import duties, net ⁽²⁾	9,190	10,248	11,051	11,822	12,258

(1) Preliminary data.

(2) Minimum tax, turnover tax, VAT, excise tax and customs duties.

Source: Lao Statistics Bureau; Ministry of Planning and Investment

Over the past decade, the economic structure of the Lao PDR has seen a gradual increase in the contribution of the industry and services sectors driven by inflows of FDI. The combined contribution to GDP of industry and services increased significantly from 2013 to 2018 primarily due to the Government policy of promoting commercialization aimed at gradually transforming the Lao PDR from an agricultural-based economy into an industrial-based economy.

Industry Sector

The table below sets out information on Lao PDR's industrial production for the years indicated:

	For the Year Ended December 31,				
	2014	2015	2016	2017	2018 ⁽¹⁾
	<i>(LAK billions)</i>				
Mining and quarrying	10,625	10,617	11,052	10,579	10,549
Manufacture of food products	1,545	1,620	1,645	1,721	1,799
Manufacture of beverages and tobacco	1,518	1,568	1,627	1,627	1,654
Footwear and leather goods	1,348	1,357	1,368	1,378	1,399
Other manufacturing	3,918	4,152	4,331	4,642	4,965
Electricity	6,160	6,856	9,539	12,629	13,572
Water supply, sewerage, waste management and remediation activities	267	276	285	301	318
Construction	5,213	6,292	6,820	8,046	9,808
Total industrial production	30,595	32,739	36,667	40,923	44,065

(1) Preliminary data.

In 2018, the industrial sector grew by 7.7% (as compared to 11.7% in 2017) and accounted for 31.7% of GDP and contributed to 2.7% to the overall GDP growth rate in 2018. The construction subsector grew by 21.9% in 2018, mainly supported by the Laos-China Railway project and major hydropower projects which are still under construction. In 2018 the electricity subsector grew by 7.5% and the manufacturing subsector grew by 7.0%, with the manufacturing growth being driven primarily by manufacture of textiles, clothing, footwear-leather goods and others. The mining and quarrying subsector contracted by 0.3% in 2018.

Electricity

The Lao PDR is well-endowed with water resources and enjoys a strategically advantageous location within the Greater Mekong Sub-region ("GMS"), surrounded by neighboring countries requiring energy, including Thailand, Vietnam, Cambodia and China. The long-term management of the Lao PDR's 23,000 megawatts ("MW") of exploitable potential hydropower is critical to meeting the country's development goals. Hydropower investments have increased significantly in recent years, making important contributions to economic growth. Hydropower installed capacity was 7,207.24 MW as of June 2018. The strategy of the Government is to develop its hydropower resources to earn export revenues as well as to meet domestic needs. In 2018 the electricity subsector grew by 7.5%.

The Eighth Five-Year Plan focuses on hydropower development, thermal electric power, solar energy and industrial plants energy in order to turn the power sector into a sustainable income-generating sector to support various productions and to alleviate poverty.

As of June 2018, approximately 61 power projects capable of producing an aggregate of 7,207.40 MW of hydropower generation capacity had been developed and were operational for both domestic consumption and export.

As of June 2018, there were 36 power projects under construction, capable of producing an aggregate of 4,184.10 MW with a commercial operation date ("COD") before the end of 2020 and 16 power projects under construction, capable of producing an aggregate of 1,440.10 MW with a COD after 2020, 148 power projects in the planning stage, capable of producing an aggregate of 9,580.03 MW with an expected COD before the end of 2030 and 255 power projects with memoranda of understanding ("MOUs") signed, capable of producing an aggregate of 12,040.85 MW which were currently undergoing feasibility studies.

The following table sets out information on operational hydropower plants in the Lao PDR with installed capacity exceeding 15 MW (as of June 2018). There were an additional 27 operational hydropower plants with an installed capacity of less than or equal to 15 MW. The total installed capacity of all operational hydropower plants was 7,207.24 MW as of June 2018.

No	Name of Project	Location (Province)	Installed Capacity (MW)	Commercial Operation Date	Owner/Operator	Off-taker
1	Nam Ngum 1	Vientiane	155.00	1971	EDL-Gen	Laos
2	Se Xet 1	Salavan	45.00	1991	EDL-Gen	Laos
3	Theun-Hinboun	Bolikhamxay	440.00	1998	EDL-Gen 60% Nordic: 20% GMS: 20%	Thailand 95% / Laos 5%
4	Houay Ho	Champasak, and Attapeu	152.00	1999	Suez Energy (Belgium) 60% EDL: 20% HHPC (Thailand) 20%	Thailand 98.7% / Laos 1.3%
5	Nam Leuk	Vientiane	60.00	2000	EDL-Gen	Laos
6	Nam Mang 3	Vientiane	40.00	2009	EDL-Gen	Laos
7	Xeset 2	Salavan	76.00	2009	EDL-Gen	Laos
8	Nam Lik 1-2	Vientiane	100.00	2010	CWE (China) 80% EDL-Gen 20%	Thailand
9	Nam Theun 2	Khammuan	1,075.00	2010	EDF (France) 40% EGCO (Thailand) 35% LHSE (Laos) 25%	Thailand 93% / Laos 7%
10	Nam Ngum 2	Vientiane	615.00	2012	Ch. Kanchang (Thailand) 28.5% EDL (Laos) 25% Ratchaburi (Thailand) 25% Bangkok Expressway PCL (Thailand) 12.5% Shalapak Group (USA) 4% 11PT Construction & Irrigation (Laos) 4% Team Consulting Engineering 1%	Thailand
11	Nam Ngum 5	Luang Prabang	120.00	2012	Sinohydro (China) 85% EDL-Gen 15%	Laos
12	Nam Yong	Bolikhamxay	60.00	2013	EDL-Gen 60% GMS Power 20% Statkraft 20%	Laos
13	Xekaman 3	Sekong	250.00	2013	VLPC (Vietnam) 85% EDL-Gen 15%	Vietnam 90% Laos 10%
14	Sugar Cane Power plant	Attapeu	20.00	2015	Houang Anh Gnai Lai	Thailand
15	Nam Ngiep 3A	Xieng Khouang	44.00	2014	Phongxubthavi bridge-road construction company	Thailand
16	Hongsa	Sayabouly	1,878.00	2015	Ratchaburi (Thailand) 40% BANPU (Thailand) 40% LHSE: 20%	Thailand 95% Laos 5%
17	Houay Lamphanhyai	Xekong	88.00	2014	EDL-Gen	Laos
18	Nam Ngiep 2	Xieng Khouang	180.00	2015	CWE (China) 90% EDL-Gen 10%	Thailand
19	Nam San 3B	Xieng Khouang	45.00	2015	Phonxubthavy Construction 100%	Thailand
20	Nam Khan 2	Luang Prabang	130.00	2015	EDL-Gen	Laos
21	Nam Ou 2	Luang Prabang	120.00	2015	Sinohydro (China) 90% EDL-Gen 10%	Thailand
22	Nam Ou 5	Phongsaly	240.00	2015	Sinohydro (China) 90% EDL-Gen 10%	Thailand
23	Nam Ou 6	Phongsaly	180.00	2015	Sinohydro (China) 90% EDL-Gen 10%	Thailand

No	Name of Project	Location (Province)	Installed Capacity (MW)	Commercial Operation Date	Owner/Operator	Off-taker
24	Nam San 3A	Xieng Khouang	69.00	2016	Phonxubthavy Construction	Thailand
25	Nam Mang 1	Bolikhamxay	64.00	2016	Dongfang 75% A&C 10.75% EDL 10% Saiythar Construction Ltd. 4.25%	Thailand
26	Nam Khan 3	Luang Prabang	60.00	2015	EDL	Laos
27	Nam Beng	Oudomxay	34.00	2016	China National Electric Equipment Corporation 8% EDL-Gen 20%	Thailand
28	Xeset 3	Champasak	23.00	2017	EDL 100%	Laos
29	Xekaman1	Attapeu	290.00	2017	Song Da (Vietnam) 56% Boa Loc (Vietnam) 34% Dien Lien Viet (Vietnam) 10%	Vietnam 80% Laos 20%
30	Nam Phay	Xaysomboun	86.00	2018	Norinco: 85% EDL: 15%	Thailand
31	Nam Kong 2	Attapeu	66.00	2018	Chaleun Sekong Group	Thailand
32	Nam Chiane	Xieng Khouang	104.00	2018	EDL	Laos
33	Xekaman-Sanxay	Attapeu	32.00	2018	VPL (Vietnam)	Vietnam 80% Laos 20%
34	Nam Ngum 1 Extension	Vientiane	80.00	2018	EDL	Laos

Source: Ministry of Energy and Mines; Department of Energy Business

The following table sets out information on hydropower projects with an installed capacity exceeding 15 MW to be completed by the end of 2020 (as of June 2018). As of June 2018 there were an additional 21 hydropower plants with an installed capacity of less than or equal to 15 MW expected to be completed by the end of 2020. The total capacity of hydropower plants to be completed by the end of 2020 was 4,184.1 MW.

No	Name of Project	Location (Province)	Installed Capacity (MW)	Commercial Operation Date	Owner	Off-taker	Progress as of June 2018
1	Nam Hinboun	Khammuan	30	2018	EDL HEC 40% GPSC 40%	EDL	88.22% completed
2	Nam Lik 1	Vientiane	61	2018	EDL 10% China Southern Grid 80%	Thailand	94.16% completed
3	Nam Tha 1	Bokeo	168	2018	EDL 20% SK Engineering 26% Korea Western Power 25%	Thailand	98% completed
4	Xepian-Xenamnoy	Champasak	410	2019	Ratchaburi 25% LLHSE 24% Kansai Electric (Japan) 45%	Export 90% / EDL 10%	98.69% completed
5	Nam Ngiep 1	Bolikhamxay	290	2019	EGAT Inter 30% LLHSE 25% Mega First (Malaysia) 80%	Thailand	96.2% completed
6	Don Sahong	Champasak	260	2019	EDL 20% Ch.Kanchang 30% / Natee Synergy 25% / EDL: 20% / EGCO 12.5% / Bangkok Expressway 7.5% /	Thailand	60% completed
7	Sayabouly	Sayabouly	1,285	2019	PT Construction 5% Phongsupthav ee Construction	Export 95% / Laos 5%	94% completed
8	Nam Pen	Houaphanh	25.6	2019		Thailand	85% completed

No	Name of Project	Location (Province)	Installed Capacity (MW)	Commercial Operation Date	Owner	Off-taker	Progress as of June 2018
9	Nam Ngum 1 Extension	Vientiane	40	2020	EDL-Gen	EDL	57.98% completed
10	Nam Ou 1, 3, 4 & 7	Luang Prabang and Phongsaly	732	2020	Sinohydro (China)	Thailand	Approx. 40% completed
11	Nam Theun 1	Bolikhamxay	650	2020	Ponesack Group 60% / EGCO 25% / EDL-Gen 15%	Thailand 80% / Laos 20%	41.17% completed

Source: Ministry of Energy and Mines; Department of Energy Business

The Government's plans and policies for the power sector involve rapid and simultaneous development on several fronts with a view to expanding the generation, transmission, distribution and off-grid development to increase the domestic electrification ratio for the country to a target of above 90% by the end of 2020; increasing Government revenues from independent power producer ("IPP") export investments and honoring power export commitments with neighboring countries by promoting IPP and small power producer hydropower plant developments carried out by the private sector and promoting a 500kV grid development within the GMS to integrate the power systems of the Lao PDR and its neighbors.

The export of electrical power is a relatively recent development in the Lao PDR. The Lao PDR now has MOUs signed with both Thailand and Vietnam, and it is also cooperating with Cambodia, Malaysia and Myanmar on the supply of power through IPPs based in the Lao PDR.

The Lao PDR Government has also announced plans to finance small- and medium-sized hydropower plants and to study off-grid electrification through renewable energy sources.

Revenues to the Lao PDR Government from the hydropower sector come from many different sources, including land fees, royalties, profit tax, turnover tax, personal income tax, dividend withholding tax, import and export duties, fees (buying and selling of shares, license fee, and technical service fee), contributions to funds (environmental protection fund, community development, human resources, sustainable development and project monitoring fund). In addition to taxes and royalties, the Government also receives dividend payments from those hydropower operations in which it holds an equity stake.

Mining and Quarrying

Laos is rich in mineral resources. The Lao PDR's mineral resources include potash, bauxite, lignite, copper, gold, limestone and tin. The country's natural resources also include non-metallic deposits, including coal. Laos imports oil and gas.

The Lao PDR has experienced a short but eventful history of industrial mining, as production value has increased. This has also improved government revenue from taxes, royalties and fees related to the mining sector. The Lao PDR has a strategically advantageous location for the further development of its mining industry. With its location in the GMS with numerous geological belts, the Lao PDR has significant further potential for commercial mineral extraction. The following table sets out information on estimated mineral reserves in the Lao PDR as of October 2018:

Estimated Mineral Reserves as of October 2018:	
Mineral	Reserves (Tons)
Potash	482,373,000
Bauxite	83,848,000
Lignite	400,611,000
Copper ore	3,139,640
Gold ore	9,041,000
Limestone	589,835,335
Tin ore	36,238,000

Source: Department of Mines; Ministry of Energy and Mines

The mining industry in the Lao PDR remains segmented into the following three groups which largely operate independently of each other:

- small-scale, domestic operators (private and state-owned enterprises) active in quarrying as well as small-scale and artisanal and/or small-scale mining;
- small- to medium-scale operators which tend to be partnerships of national and regional companies targeting exploitation of already confirmed deposits which require minimum capital injections and geo-scientific analysis; and
- industrial/large-scale, international mine operators dominated by smaller (junior) and mid-size companies from Australia, Europe and North America, and also increasingly, regional corporations which have already gained a foothold in the construction and hydropower sector.

Services Sector

The services sector comprises wholesale and retail trade and repairs, transportation and storage, public administration and defense, compulsory social security, professional, scientific and technical activities, financial and insurance activities, communications and education, accommodation and real estate activities and other services. Over the past several years, the Lao PDR's economy has gradually evolved from a production-based economy into a services-based economy. Subsectors of the services sector, such as services in wholesale and retail trade, accommodation and real estate activities, communications and education, financial and insurance activities and others, have gradually grown over this period.

In 2014, 2015, 2016, 2017 and 2018, the services sector as a percentage of GDP was 39.0%, 38.9%, 42.5%, 41.5% and 41.7%, respectively. In 2018, the services sector grew by 7.6% (as compared to 4.4% in 2017) and accounted for 41.7% of GDP and contributed 3.0% to the overall GDP growth rate in 2018.

Transportation and Storage

In 2015, the total volume of passengers transported by transportation establishments and others operating in transportation business activities (“passenger carriage”) was 62.5 million passengers, which was an increase of 19.3% as compared to 2014. In terms of number of passengers carried, land transport increased by 0.96%, river transport decreased by 2.71%, air travel increased by 1.76%, and rail travel decreased by 0.01%, in each case as compared to 2014.

In 2016, passenger carriage was 71.5 million passengers, which was an increase of 14.4% as compared to 2015. In terms of number of passengers carried, land transport increased by 0.77%, river transport decreased by 0.04%, air travel increased by 0.71%, and rail travel decreased by 0.02%, in each case as compared to 2015.

In 2017, passenger carriage was 71.9 million passengers, which was an increase of 0.50% as compared to 2016. In terms of number of passengers carried, land transport decreased by 4.11%, river transport increased by 2.76%, air travel increased by 1.35%, and rail travel decreased by 0.04%, in each case as compared to 2016.

In 2018, passenger carriage was 81.7 million passengers, which was an increase of 13.7% as compared to 2017. In terms of number of passengers carried, land transport decreased by 0.24%, river transport decreased by 0.51%, air travel increased by 0.76%, and rail travel remained constant, in each case as compared to 2017.

In 2015, cargo transport served an estimated 8.1 million tons, an increase of 25.6% as compared with 2014. Land freight decreased in 2015 by 10.81%, river freight increased by 10.77%, and air freight increased by 0.03%, in each case as compared to 2014. In 2016, cargo transport served an estimated 9.3 million tons, an increase of 14.4% as compared with 2015. Land freight increased by 0.24%, river freight decreased by 0.21%, and air freight decreased by 0.02%, in each case as compared to 2015. In 2017, cargo transport served an estimated 8.6 million tons, a decrease of 7.5% as compared with 2016. Land freight increased by 4.12%, river freight decreased by 4.14%, and air freight increased by 0.02%, in each case as compared to 2016. In 2018, cargo transport served an estimated 8.8 million tons. Land freight increased by 0.73%, river freight decreased by 0.75%, and air freight increased by 0.02%, in each case as compared to 2017.

The main international airports in Laos are Wattay International Airport in Vientiane and Luang Prabang International Airport, with Pakse International Airport also having a few international flights. The national carrier is Lao Airlines. Other carriers serving the country include Bangkok Airways, Vietnam Airlines, AirAsia, Thai Airways International, China Eastern Airlines and Scoot.

Rivers are also an important means of transport in Laos.

Significant improvements to transportation infrastructure outside of the capital city of Vientiane have been made in recent years. However, infrastructure improvements are being focused on by the Government as part of the Millennium Development Goals by 2020.

The Lao PDR and China are currently jointly constructing the Laos-China Railway, a high speed rail line between China and Thailand to link the Lao PDR with the transportation hubs in these countries. Construction on the Laos-China Railway began in December 2016, and the railway is expected to be fully operational by December 2021. The Laos-China Railway will run for 414 kilometers between Vientiane and Boten on the border between China and the Lao PDR. The railway will be connected to the Chinese rail system by the Yuxi-Mohan railway. When completed, the Laos-China Railway is expected to reduce the time necessary to travel from Mohan-Boten to Vientiane from three days to less than three hours.

Other current initiatives relating to the transportation sector include a seaport project Vietnam.

Communications

In 2018, communications represented 1.6% of GDP. The communications sector grew at an average annual rate of 9.5% in the 2014 to 2018 period. The sector grew by 14.2% in 2014, 15.3% in 2015, 4.2% in 2016, 4.3% in 2017 and 9.7% in 2018.

Tourism

The tourism sector has grown rapidly in recent years, with a 600% increase in annual tourist arrivals in 2018 compared to 2000. The Lao PDR Government, realizing the potential of this sector, has been making considerable efforts to promote the country as a tourist destination and is focused on sustaining growth in the tourism sector through the implementation of the National Tourism Development Strategy 2006-2020. Under this strategy, three main areas of the country have been identified for development: Luang Prabang, Luang Namtha, Xieng Khouang and Bokeo in the north; the capital city of Vientiane and Khammuane and Savannakhet in the central region; and Champasak, Attapeu and Salavan in the south.

The following table sets out information on tourist arrivals and revenues from tourism for the years presented.

Tourist Arrivals and Revenue from Tourism		
		Revenues from Tourism (US\$ millions)
Year	Number of Arrivals	
2000	737,208	113.9
2001	673,823	103.8
2002	735,662	113.4
2003	636,361	87.3
2004	894,806	118.9
2005	1,095,321	146.8
2006	1,215,112	173.2
2007	1,623,943	233.3
2008	1,736,790	275.5
2009	2,008,363	267.7
2010	2,513,028	381.7
2011	2,723,563	406.2
2012	3,212,916	513.6
2013	3,779,490	595.9
2014	4,158,719	641.6
2015	4,684,429	724.8
2016	4,239,047	716.1
2017 ⁽¹⁾	3,868,838	648.1
2018 ⁽²⁾	4,457,675	786.0

(1) Revised data.

(2) Preliminary data.

Source: Tourism Development Department, Ministry of Information, Culture and Tourism

The most significant countries of origin for tourists to Laos are currently Thailand, Vietnam and China. Other countries from which tourists come include among others South Korea, the United States, France, Japan, the United Kingdom, Germany and Australia.

Agriculture Sector

The agriculture sector in Laos can be divided into the following four main categories: agricultural cropping; livestock and livestock products; forestry; and logging and fishing. Agriculture and forestry are mainly subsistence-based, with some emerging plantation and contract farming. The principal agricultural products are coffee, rice, maize,

other crops, medicinal herbs, livestock, fishery, emerging industrial tree plantations (rubber, pulp trees, palm oil and jatropa) and logging.

The following table sets out information on the Lao PDR's agricultural production in the years indicated.

	For the Year Ended December 31,				
	2014	2015	2016	2017	2018 ⁽¹⁾
	<i>(LAK billions)</i>				
Agricultural cropping	10,485	10,946	11,289	11,710	12,004
Livestock and livestock products	2,079	2,171	2,301	2,437	2,512
Forestry and logging	1,420	1,314	1,229	1,090	1,086
Fishing	2,229	2,360	2,435	2,513	2,592
Total agricultural production	16,214	16,791	17,254	17,750	18,195

(1) Preliminary data.

Source: BoL

The contribution of the agriculture sector (which includes the crops and livestock, forestry and fisheries sub-sectors) to the GDP of the Lao PDR still remains very important, notwithstanding that its share of the economy has decreased significantly from its level in the early 1990s, when it accounted for approximately 60% of GDP. In 2014, 2015, 2016, 2017 and 2018, the agriculture sector accounted for 25% of GDP, 23.7% of GDP, 17.2% of GDP, 16.2% of GDP and 15.7% of GDP, respectively.

In 2018, the agriculture sector grew by 2.5% (as compared to 2.9% in 2017) and accounted for 15.7% of GDP and contributed 0.4% to overall GDP growth rate. The fishery subsector expanded by 3.1%, the livestock subsector grew by 3.0%, the agricultural products and cropping subsector grew by 2.5%, and the forest and logging subsector contracted by 0.4%.

Rice is the main crop in the Lao PDR agricultural sector. Rice cultivation has grown fairly rapidly in the last few years and contributes more than half of the agricultural sector's output in value terms.

The Lao PDR's agricultural exports (mainly crops) are small, accounting for about one-third of manufacturing exports. Traditionally, coffee is the largest agricultural export, but rice production for sale has also been growing. Recently, cross-border trade in rice, maize, cassava and other crops has also increased due to improved road infrastructure that links border provinces to the country's key neighbors (China, Thailand and Vietnam).

The other main agricultural sub-sectors in the Lao PDR include livestock, fisheries, and forestry. Livestock and fish farming in the country have largely been subsistent and fragile, but the trend has now shifted toward commercial farming, especially in pre-urban areas, to meet increased demand from tourism and major cities. There has been a rise in exports of livestock and fish, although this is still very small in terms of value. Forestry consists mainly of logging, the harvest of forest products and herbs and, recently, plantations of various industrial trees (rubber, pulp and others).

In 2015, the agriculture sector grew by 3.3% as compared to 2014 and accounted for 23.7% of GDP. The crops, livestock and fisheries sub-sectors grew by 3.9%, 3.9% and 4.7% respectively, while the forestry sub-sector declined by 13.5%.

In 2016, the agriculture sector grew by 2.8% as compared to 2015 and accounted for 17.2% of GDP. The crops, livestock and fisheries sub-sectors grew by 3.1%, 6.0% and 3.2% respectively, while the forestry sub-sector declined by 6.5%.

In 2017, the agriculture sector grew by 2.9% as compared to 2016 and accounted for 16.2% of GDP. The crops, livestock and fisheries sub-sectors grew by 3.7%, 5.9% and 3.2% respectively, while the forestry sub-sector declined by 11.3%.

In 2018, the agriculture sector grew by 2.5% as compared to 2017 and accounted for 15.7% of GDP. The crops, livestock and fisheries sub-sectors grew by 2.5%, 3.1% and 3.1% respectively, while the forestry sub-sector declined by 0.4%.

Inflation

The Government has made efforts to ensure macroeconomic stability since the 1997 Asian financial crisis. Annual inflation peaked at 134.0% in 1999 but decreased to 7.2% in 2005 and has remained at a single digit level since and has been maintained at a lower rate than the GDP growth rate.

In 2014, the average annual headline inflation rate (based on 12 categories of commodities in a composite basket) declined to 4.1% from 6.4% in 2013 and remained stable as targeted (average annual rate at a single digit and lower than GDP growth rate). An increase in domestic demand caused by the shortage of livestock and the effects of flooding on agricultural products accelerated rising price pressures, mainly on food prices, particularly vegetable and meat prices, which increased by 20.4% year-on-year and 17.2% year-on-year, respectively. In particular, the increase in food and non-alcoholic beverage prices was double what it was in 2012, while the change in other prices was broadly in line with the levels in 2012, whereas transportation price inflation decreased slightly due to the decline in domestic oil prices along with the decreasing trend of global prices.

In 2015, the average annual headline inflation rate declined to 1.3%, the lowest level in five years, down from 4.1% in 2014 due to a decrease in commodity prices, particularly fuel, sticky rice paddy and vegetable prices. As a result, transportation and shipping prices declined by 7.3% and food and non-alcoholic beverages prices decreased by 2.3%.

In 2016, the average headline inflation rate was at 1.6%, a 0.3% increase from 2015 due to an increase in domestic fuel prices. However, the inflation rate remained at a lower level than the GDP growth rate. The contribution of the 12 categories of commodities in the composite basket to headline inflation comprised the following: food and non-alcoholic beverages accounted for 2.0%, restaurant and hotels accounted for 0.1%, clothing and footwear accounted for 0.1%, housing accounted for 0.1%, transportation and shipping accounted for (0.6)% and others accounted for (0.1)%.

In 2017, the average annual headline inflation rate declined to 0.8%, a 0.8% decrease from 2016 due to the low prices of imported goods and food. Fuel prices in the country showed an upward trend which was in line with increasing global oil prices. The contribution of the 12 categories of commodities in the composite basket to headline inflation comprised the following: transportation and shipping accounted for 0.5%, clothing and footwear accounted for 0.1%, restaurant and hotels accounted for 0.1%, housing accounted for 0.03%, food and non-alcoholic beverages accounted for (0.04)% and others accounted for 0.2%.

In 2018, annual headline inflation slightly increased in comparison to 2017 but still was maintained at a rate lower than the GDP growth rate. In 2018, headline inflation was 2.0%, as compared to 0.8% in 2017. The increase in the inflation rate was attributable to an increasing trend over the past several years in domestic prices, particularly in imported commodities and foodstuffs. Moreover, the fuel price increased based on an increase in the crude oil price in the global market. Nevertheless, excluding fuel, inflation was 1.8%, compared to 0.5% in 2017. Excluding fresh food, inflation was 2.8% in 2018, as compared to 1.6% in 2017. The trend of increasing domestic prices was due to an increase in domestic demand. The contribution of specific items to headline inflation was 0.7% for communication and transport, 0.6% for food and non-alcoholic beverages, 0.3% for clothing and footwear, 0.2% for restaurants and hotels, 0.1% for housing, water, electricity and fuels and 0.2% for others items collectively.

The following table sets forth the annual percentage change in the consumer price index (CPI) in the Lao PDR for the years indicated.

Inflation Rate (CPI)

	As of December 31,				
	2014	2015	2016	2017	2018
			<i>(percentage)</i>		
Average CPI change compared to previous year	4.1	1.3	1.8	0.7	2.0
CPI change over previous 12 months	2.4	0.9	2.5	0.1	1.5

Source: IMF

Poverty

The significant gains made in economic growth and social sectors over the recent years have paved the way for continual improvement in human development in the Lao PDR. Significant progress has been made in poverty alleviation over the past two decades. The country achieved the Millennium Development Goal target of halving poverty. However, the main remaining development challenge is ensuring that all Lao people benefit in the country's development and that the benefits from high economic growth are evenly distributed and translated into inclusive and sustainable human development.

Between 1990 and 2018, substantial progress has been made in the main Human Development Index indicators: life expectancy increased, Lao people now go to school longer than in 1990, and the Gross National Income (GNI) per capita increased significantly between 1990 and 2018. Consequently, the Lao PDR has seen steady improvement in its HDI value over time, making the Lao PDR one of the HDI growth leaders in the medium human development category, where it currently sits.

In 2018, the country ranked 139th on the Human Development Index (HDI), indicating medium development. According to the Global Hunger Index (2018), Laos ranks as the 36th hungriest nation in the world out of the list of the 52 nations with the worst hunger situations.

The Government's National Nutrition Strategy (2015-2025) and Plan of Action (2016-2020) lay out an ambitious multi-sectoral convergence approach aimed at reducing chronic malnutrition (stunting) for children under five from the current 33% to 25% by 2025. This approach draws from the successful experience of other countries in addressing chronic malnutrition.

The presence of unexploded ordnance (UXO) from the 2nd Indochina War continues to limit agricultural production and expansion and has an impact on the country's poverty level. More than two million tons of bombs were dropped on all provinces between 1964 and 1973, with 30% of those failing to detonate. 42 of the 46 poorest districts in the Lao PDR are affected by UXO contamination.

Education

Principal components of the education subsector in Laos include primary and secondary education, technical and vocational training and post-secondary education. As of the date of this Offering Memorandum, there are five universities established in Laos. The following table provides information on the numbers of types of schools in Laos as of the dates presented.

Schools in Lao PDR

	As of December 31,				
	2014	2015	2016	2017	2018
	<i>(Number)</i>				
Primary schools	8,884	8,887	8,864	8,849	8,857
Lower secondary schools	962	935	938	950	962
Upper secondary schools	33	34	35	35	36
Complete secondary schools	591	682	710	743	760
Technical schools	48	46	45	45	45
Institutes and colleges	111	111	104	104	114
Universities	5	5	5	5	5

Sanitation

In recent years, Laos has made significant progress increasing access to sanitation and met its 2015 Millennium Development Goal (MDG) target. Laos's predominantly rural population makes investing in sanitation difficult. In 1990 8% of the rural population had access to improved sanitation, but this figure increased to 10% in 1995 to 38% in 2008. Between 1995 and 2008 approximately 1,232,900 more people had access to improved sanitation in rural areas.

BALANCE OF PAYMENTS AND FOREIGN TRADE

General

Balance of payments data reflects the value of the transactions carried out between a country's residents and the rest of the world. The balance of payments is composed of two account groups:

- the current account, which is comprised of exports and imports goods and services, and credits and debits of income payments and current transfers; and
- the capital and financial accounts, which comprise the capital and financial inflows and capital and financial outflows.

The Lao PDR is on a path of increasing openness to trade flows and integration with the world economy. In February 2013, the Lao PDR completed its accession to the WTO. As part of its efforts to secure WTO membership, the Lao PDR has made legislative amendments to meet the WTO's requirements in a number of areas, including tax, trade and intellectual property. The country has signed a series of free-trade agreements with China, Japan, Taiwan, the EU and the United States, among other countries.

Balance of Payments

The following table shows the balance of payment statistics (in US\$ millions) of the Lao PDR for the periods indicated:

	Balance of Payments⁽¹⁾				
	For the Year Ended December 31,				
	2014	2015	2016	2017 ⁽¹⁾	2018 ⁽²⁾
	<i>(US\$ millions)</i>				
Current account	(1,924.5)	(2,267.6)	(1,385.0)	(1,259.8)	(1,430.4)
Trade Balance	(1,699.4)	(2,022.0)	(1,127.6)	(794.2)	(869.3)
Goods: exports	3,276.5	3,653.3	4,244.8	4,873.2	5,294.7
Goods: imports	4,975.9	5,675.3	5,372.4	5,667.3	6,164.0
Service Balance	(385.6)	(234.4)	(187.8)	(335.8)	(232.7)
Services: credit	764.4	844.1	834.7	780.6	921.4
Services: debit	1,150.1	1,078.5	1,022.4	1,116.4	1,154.2
<i>Balance on goods and services</i>	<i>(2,085.1)</i>	<i>(2,256.4)</i>	<i>(1,315.4)</i>	<i>(1,130.0)</i>	<i>(1,102.1)</i>
Primary income: net	(149.2)	(232.1)	(324.7)	(446.4)	(570.5)
Primary income: credit	122.4	127.2	129.4	124.6	136.0
Primary income: debit	271.6	359.3	454.1	571.0	706.5
Balance on goods, services, and primary income	(2,234.3)	(2,488.5)	(1,640.1)	(1,576.4)	(1,672.6)
Secondary income: net	309.8	220.9	255.1	316.6	242.2
Secondary income: credit	357.4	343.6	355.7	428.1	404.9
Secondary income: debit	47.6	122.7	100.6	111.6	162.7
Capital account	50.4	35.9	22.0	21.8	12.5
Capital account: credit	50.4	35.9	22.0	21.8	12.5
Capital account: debit	-	-	-	-	-
Net lending(+)/ net borrowing (-)					
(balance from current and capital accounts)	(1,874.1)	(2,231.7)	(1,363.0)	(1,238.0)	(1,417.9)
Financial account	(1,908.0)	(2,918.9)	(2,533.8)	(2,172.5)	(2,206.3)
Direct investment	(860.6)	(1,038.1)	(920.1)	(1,676.6)	(1,319.6)
Direct investment: assets	7.1	39.7	15.2	9.7	0.0
Direct investment: liabilities	867.7	1,077.8	935.3	1,686.3	1,319.6
Portfolio investment	(366.7)	(537.8)	(513.9)	(326.1)	(498.4)

	For the Year Ended December 31,				
	2014	2015	2016	2017 ⁽¹⁾	2018 ⁽²⁾
	<i>(US\$ millions)</i>				
Portfolio investment: assets	(6.1)	(6.6)	10.1	0.4	40.6
Equity and investment fund shares	-	-	-	-	-
Debt securities	(6.1)	(6.6)	10.1	0.4	40.6
Portfolio investment: liabilities	360.7	531.3	524.0	326.5	539.0
Equity and investment fund shares	4.3	(0.2)	(4.6)	(34.5)	1.8
Debt securities	356.4	531.4	528.6	361.0	537.2
Other investment	(680.7)	(1,343.0)	(1,099.8)	(169.9)	(338.2)
Other investment: assets	359.3	174.6	198.7	497.9	442.5
Other equity	-	-	-	-	-
Other debt instruments	359.3	174.6	198.7	497.9	442.5
BoL	-	-	-	-	-
Deposit-taking corporations (except the BoL)	369.3	(110.5)	(13.6)	117.2	264.2
General government	0.0	0.0	0.0	0.0	0.0
Other sectors	(10.0)	285.1	212.3	380.7	178.3
Other financial corporations	-	-	-	-	-
Non-financial corporations, households, and NPISHs	(10.0)	285.1	212.3	380.7	178.3
Other investment: liabilities	1,040.0	1,517.6	1,298.6	667.7	830.7
Other equity	-	-	-	-	-
SDR allocation	-	-	-	-	-
Other debt instruments	1,040.0	1,517.6	1,298.6	667.7	830.7
BoL	(5.0)	(3.4)	(2.7)	2.4	(1.5)
Deposit-taking corporations (except the BoL)	579.9	671.9	809.5	(124.7)	34.8
General government	123.0	402.5	198.0	342.9	676.8
Other sectors	342.1	446.5	293.7	447.1	120.6
Other financial corporations	-	-	-	-	-
Non-financial corporations, households, and NPISHs	342.1	446.5	293.7	447.1	120.6
Net errors and omissions	119.8	(516.1)	(1,342.7)	(733.6)	(931.2)
Overall balance	153.8	171.1	(171.9)	201.0	(142.9)
Reserves and related items	153.8	171.1	(171.9)	201.0	(142.9)
Reserve assets	153.8	171.1	(171.9)	201.0	(142.9)

(1) Revised data.

(2) Preliminary data.

Source: BoL

In 2014, the overall balance was a surplus of US\$153.8 million, of which the current account recorded had a deficit of US\$1,178 million, or 10.0% of GDP, due to a deficit of US\$1,609 million in the trade balance. The main factor causing the deficit was an increase in imports by 39.0%, particularly the import of intermediate goods and capital goods. Exports also increased by 18.0% driven by mineral products, garments and prepared foodstuffs, beverage and tobacco and US\$125 million in net factor income due to declines in remittance from citizens working abroad especially illegal labor from Thailand and increases in government interest payments, which was offset in part by a surplus of US\$267 million in services, representing approximately 2.0% of GDP. The increase in services was due to an increase in Thai, Vietnamese, Chinese and South Korean tourists. Transfers due to private transfers and grants to the government increased by 37% and 11%, respectively.

In 2015, the overall balance was a surplus of US\$171.0 million as a consequence of the capital and financial account recording a surplus of US\$2,816.0 million, while the current account recorded a deficit of US\$2,265.0 million. As a result, gross international reserves covered 6.37 months of prospective imports, based on Government

methodology, which assesses reserve coverage by excluding imports related to FDI given that most of the FDI related projects use their own funding unrelated to the reserves in the BoL.

In 2016, the overall balance was a deficit of US\$171.9 million as a consequence of the capital and financial account recording a surplus of US\$2,529.7 million, while the current account recorded a deficit of US\$1,233.7 million. As a result, gross international reserves covered 5.26 months of prospective imports based on Government methodology, and official gross reserves decreased from US\$986.9 million in 2015 to US\$814.9 million.

In 2017, the overall balance was a surplus of US\$201.0 million as a consequence of the capital account recording a surplus of US\$21.8 million, and the financial account (net) marking inflows of US\$2,155.9 million, while the current account recorded a deficit of US\$1,193.2 million. As a result, foreign reserves increased from US\$814.9 million in 2016 to US\$1,016 million in 2017, covering up to 4.4 months of prospective imports based on Government methodology.

In 2018, the overall balance was a deficit of US\$142.9 million. The current account recorded a deficit of US\$1,430.2 million, while the capital account recorded a surplus of US\$12.5 million and financial account (net) had inflows of US\$2,206.3 million. As a result, foreign reserves declined from to US\$873.13 million in 2018, covering 3.23 months of prospective imports based on Government methodology.

In 2018, the current account recorded a deficit of US\$1,430.4 million due to deficits of US\$869.3 million in the trade balance account, US\$570.5 billion in the primary income account, and US\$232.7 million in the service balance account, which were offset in part by a surplus of US\$242.2 million in the secondary income account. In 2018, trade volume was US\$11,458.8 million, an increase of 8.7% compared to 2017. Mining represented 27.6% of total exports; electricity represented 24.7%; machinery-materials for industry, electricity equipment and others 9.7%; agriculture 9.2%; and foodstuffs, soft-drinks and tobacco 8.2%. Imports increased by 8.8%. Imports of machinery-materials for industry accounted for 17.5% of total imports; fuel and other 15.3%; vehicles and equipment 11.2%; electricity and materials 11.2%; foodstuffs and soft drinks 9.6%; and steel and iron 9.5%.

In 2018, the capital account had a surplus of US\$12.5 million and the financial account (net) inflows of US\$2,206.3 million, which was driven by US\$1,319.6 million of FDI (net), US\$498.4 million of portfolio investment and US\$388.2 million of other investment. See “ – *Foreign Direct Investment*.”

Foreign Trade

Recent growth in trade and investment has been fueled by the reduction of trade barriers, such as the integration of the Lao PDR into the ASEAN region. In addition to being part of the ASEAN Free Trade area, the Lao PDR has signed bilateral trade agreements with 18 countries and has been granted Generalized System of Preferences status in 36 countries. The Lao PDR’s accession to the WTO on February 2, 2013 has also fueled trade growth in the country.

The following table shows the trade statistics (in US\$ millions) of the Lao PDR for the periods indicated, according to BoL data.

	Foreign Trade				
	For the Year Ended December 31,				
	2014	2015	2016	2017 ⁽¹⁾	2018 ⁽²⁾
Trade balance	(1,699.5)	(2,022.0)	(1,127.6)	(794.2)	(869.3)
Exports (f.o.b.)	3,276.4	3,653.3	4,244.8	4,873.2	5,294.7
<i>(Exports percent dchange)</i>	44.7	11.5	16.2	14.8	8.7
Wood products	136.5	111.4	36.7	49.5	79.4
Coffee	70.1	58.7	67.0	98.1	96.7
Agriculture/forest products	168.5	273.8	524.3	524.3	483.5
Garments	391.3	353.1	249.6	178.7	189.7
Electricity	570.3	518.9	1,041.9	1,283.2	1,309.3
Mining	1,286.6	1,318.2	1,251.8	1,409.1	1,463.5

	For the Year Ended December 31,				
	2014	2015	2016	2017 ⁽¹⁾	2018 ⁽²⁾
Gold	140.5	152.3	110.7	178.3	155.6
Copper	1,074.9	1,118.9	1,098.5	1,128.1	1,165.7
Others	71.3	47.0	42.6	102.7	142.2
Other exports	653.1	1,019.3	1,073.5	1,330.3	1,672.6
Imports (c.i.f.)	(4,975.9)	(5,675.3)	(5,372.4)	(5,667.3)	(6,164.0)
<i>(Imports percent change)</i>	38.6	22.5	(9.4)	5.5	8.8
Capital goods	1,601.9	1,595.5	2,010.3	1,802.9	2,126.6
Fertilizers	44.7	55.4	42.3	61.5	74.5
Vehicles and vehicle equipment	478.1	709.7	911.2	660.7	688.9
Machinery and mechanical equipment	801.6	650.3	825.0	810.3	1,079.8
Scientific and optical instruments	39.4	27.1	50.9	52.7	52.8
Plastic and rubber products	238.1	151.8	179.1	217.5	215.1
Others	0.0	1.2	1.8	0.3	15.4
Intermediate products and raw materials	2,112.1	2,194.2	1,802.3	1,999.1	2,389.9
Crude oil, fuel, lubricant and others	700.0	900.1	693.6	808.7	944.0
Iron and steel	697.7	596.3	420.4	472.7	587.1
Others	447.0	585.0	571.7	593.0	707.7
Materials for garments	267.4	112.8	116.7	124.7	151.0
Consumption goods	1,105.2	1,405.5	1,218.5	1,519.2	1,576.7
Gold and silver	77.9	180.1	64.0	33.7	55.9
Electricity	79.0	88.6	48.6	29.3	15.0
Others	0.0	211.4	228.6	283.2	0.0

(1) Revised data.

(2) Preliminary data.

Source: BoL Annual Economic Report 2018

According to the BoL Annual Economic Report 2018, in 2018 the trade deficit was US\$869.3 million. In 2018, trade volume reached US\$11,458.8 million, an increase of 8.7% compared to 2017. Exports increased by 8.7% in 2018 compared to 2017. Exports in 2018 included mining (representing 27.6% of total exports), electricity (24.7% of total exports), machinery and materials for industry (9.7% of total exports), agriculture (9.2% of total exports), and foodstuffs, soft drinks and tobacco (8.2% of total exports). Imports increased by 8.8% from 2017 to 2018. Imports in 2018 comprised machinery and materials for industry (17.5% of total imports), fuel and other (15.3% of total imports), vehicles and equipment (11.2% of total imports), electricity and materials (11.2% of total imports), foodstuffs and soft drinks (9.6% of total imports) and steel and iron (9.5% of total imports).

According to the BoL, in 2017 the trade balance was a deficit of US\$813.1 million, a decrease of 72.1% compared to 2016, representing approximately 7.1% of GDP. The decrease in the deficit was a result of an increase in exports by 13.6% compared to 2016. The Lao PDR's exports of electricity, copper, and industrial and handicraft products to trade partners enhanced export values for 2017. Imports increased by 4.9% compared to 2016, mainly due to the import of machinery-materials for industry, manufacturing and others.

Exports

According to the Lao Statistics Bureau, the Lao PDR exported approximately US\$5.6 billion worth of products in 2018, representing a 116.5% increase as compared to 2014 and a 7.5% increase as compared to 2017. Exports in recent years have been driven by the energy and mining sectors. The main export products are mineral fuels including oil, electrical machinery, equipment, ores, slag, ash, copper, wood, clothing, rubber, woodpulp, fertilizers and vegetables. The Lao PDR's agricultural exports (mainly crops) are relatively small, accounting for approximately one-third of manufacturing exports.

The following table sets forth the Lao PDR's merchandise exports by type of goods for the years indicated, based on data from the Lao Statistics Bureau.

Merchandise Exports by Type of Goods

	For the Year Ended December 31,				
	2014	2015	2016	2017	2018
	<i>(US\$ thousands)</i>				
Oil and mineral products	570,220	664,166	763,747	2,155,473	2,248,098
Electrical and mechanical machines	3,333	305,966	250,642	441,455	511,130
Animals and animal products	1,478	5,127	14,341	40,736	94,715
Vegetable products	221,092	279,964	508,924	583,573	488,271
Animals fat and vegetable oil	2	8	175	103	498
Processed food, beverage and tobacco	94,666	106,478	105,954	415,919	434,521
Chemical products or industry related	61,080	183,117	158,482	152,242	226,875
Plastic and rubber products	47,230	67,748	80,122	155,671	180,570
Skins and furs and their products	31	507	691	1,525	1,040
Wood and wood products	130,869	95,664	25,608	36,655	39,854
Pulp of wood and paper	547	1,646	2,045	5,242	294,378
Textiles and apparel	1,590	174,820	150,889	185,901	199,248
Shoes, hats, umbrellas	40	23,890	33,998	51,439	61,618
Stone, ceramic and glass products	538	387	402	888	824
Jewelry and precious metal products	138,139	182,407	145,480	208,652	184,816
Base metals and their products	627,220	543,647	397,136	394,065	487,711
Transport equipment	2,208	1,970	1,628	28,392	19,949
Optical, photographic, medical and surgical equipment, clocks, and other precision instruments	128	9,539	10,394	17,901	24,439
Weapons and ammunition		126	-	-	-
Miscellaneous articles	4,496	17,050	11,732	33,892	42,287
Art and antiques	-	-	3	11	-
Total exports	1,904,905	2,664,226	2,662,392	4,909,735	5,540,842
	<i>(as a percentage of total)</i>				
Animals and animal products	0.1%	0.2%	0.5%	0.8%	1.7%
Vegetable products	11.6%	10.5%	19.1%	11.9%	8.8%
Animals fat and vegetable oil	0.0%	0.0%	0.0%	0.0%	0.0%
Processed food, beverage and tobacco	5.0%	4.0%	4.0%	8.5%	7.8%
Oil and mineral products	29.9%	24.9%	28.7%	43.9%	40.6%
Chemical products or industry related	3.2%	6.9%	6.0%	3.1%	4.1%
Plastic and rubber products	2.5%	2.5%	3.0%	3.2%	3.3%
Skins and furs and their products	0.0%	0.0%	0.0%	0.0%	0.0%
Wood and wood products	6.9%	3.6%	1.0%	0.7%	0.7%
Pulp of wood and paper	0.0%	0.1%	0.1%	0.1%	5.3%
Textiles and apparel	0.1%	6.6%	5.7%	3.8%	3.6%
Shoes, hats, umbrellas	0.0%	0.9%	1.3%	1.0%	1.1%
Stone, ceramic and glass products	0.0%	0.0%	0.0%	0.0%	0.0%
Jewelry and precious metal products	7.3%	6.8%	5.5%	4.2%	3.3%
Base metals and their products	32.9%	20.4%	14.9%	8.0%	8.8%
Electrical and mechanical machines	0.2%	11.5%	9.4%	9.0%	9.2%
Transport equipment	0.1%	0.1%	0.1%	0.6%	0.4%
Optical, photographic, medical and surgical equipment, clocks, and other precision instruments	0.0%	0.4%	0.4%	0.4%	0.4%
Weapons and ammunition	-	0.0%	-	-	-
Miscellaneous articles	0.2%	0.6%	0.4%	0.7%	0.8%
Art and antiques	-	-	0.0%	0.0%	-
Total exports	100.0	100.0	100.0	100.0	100.0

Source: Lao Statistics Bureau

Imports

The following table sets forth the Lao PDR's merchandise imports for the periods indicated, based on data from the Lao Statistics Bureau.

Merchandise Imports by Type of Goods (CIF)

For the Year Ended December 31,

	2014	2015	2016	2017	2018
	<i>(US\$ millions)</i>				
Animals and animal products	20,070	45,445	75,549	64,784	126,622
Vegetable products	38,768	34,015	124,849	119,177	110,894
Animals fat and Vegetable oil	5,845	4,369	3,934	5,036	5,548
Processed food, Beverage and tobacco	124,066	117,696	349,657	442,415	487,393
Oil and mineral products	820,549	863,472	718,652	786,314	979,001
Chemical products or industry related	173,308	182,994	184,234	240,802	320,181
Plastic and rubber products	133,573	117,883	105,498	170,017	200,510
Skins and furs and their products	4,908	5,234	10,229	15,684	18,548
Wood and Wood products	4,268	47,528	10,614	12,501	55,103
Pulp of wood and paper	33,278	127,148	66,271	74,902	77,473
Textiles and Apparel	29,018	9,264	120,021	129,599	155,387
Shoes, hats, umbrellas, etc.	6,917	56,656	7,172	8,960	8,400
Stone, ceramic and glass products	76,036	26,580	69,882	89,365	82,424
Jewelry and precious metal products	272	26,580	75,767	57,035	87,038
Base metals and their products	765,002	486,883	403,843	826,749	658,374
Electrical and mechanical machines	1,209,142	1,191,462	1,040,427	1,361,453	1,680,378
Transport equipment	457,213	379,557	668,484	653,259	663,558
Optical, photographic, medical and surgical equipment, clocks, and other precision instruments	38,430	30,882	31,838	55,584	54,281
Weapons and ammunition	13	1,224	1,857	261	15,458
Miscellaneous articles	19,471	40,004	38,246	45,415	61,232
Art and antiques	22	13	46	397	344
Total imports	3,960,170	3,778,392	4,107,069	5,159,709	5,848,147
	<i>(as a percentage of total)</i>				
Animals and animal products	0.5%	1.2%	1.8%	1.3%	2.2%
Vegetable products	1.0%	0.9%	3.0%	2.3%	1.9%
Animals fat and Vegetable oil	0.1%	0.1%	0.1%	0.1%	0.1%
Processed food, Beverage and tobacco	3.1%	3.1%	8.5%	8.6%	8.3%
Oil and mineral products	20.7%	22.9%	17.5%	15.2%	16.7%
Chemical products or industry related	4.4%	4.8%	4.5%	4.7%	5.5%
Plastic and rubber products	3.4%	3.1%	2.6%	3.3%	3.4%
Skins and furs and their products	0.1%	0.1%	0.2%	0.3%	0.3%
Wood and Wood products	0.1%	1.3%	0.3%	0.2%	0.9%
Pulp of wood and paper	0.8%	3.4%	1.6%	1.5%	1.3%
Textiles and Apparel	0.7%	0.2%	2.9%	2.5%	2.7%
Shoes, hats, umbrellas, etc.	0.2%	1.5%	0.2%	0.2%	0.1%
Stone, ceramic and glass products	1.9%	0.7%	1.7%	1.7%	1.4%
Jewelry and precious metal products	0.0%	0.7%	1.8%	1.1%	1.5%
Base metals and their products	19.3%	12.9%	9.8%	16.0%	11.3%
Electrical and mechanical machines	30.5%	31.5%	25.3%	26.4%	28.7%
Transport equipment	11.5%	10.0%	16.3%	12.7%	11.3%
Optical, photographic, medical and surgical equipment, clocks, and other precision instruments	1.0%	0.8%	0.8%	1.1%	0.9%
Weapons and ammunition	0.0%	0.0%	0.0%	0.0%	0.3%
Miscellaneous articles	0.5%	1.1%	0.9%	0.9%	1.0%
Art and antiques	0.0%	0.0%	0.0%	0.0%	0.0%
Total imports	100.0	100.0	100.0	100.0	100.0

Source: Lao Statistics Bureau

Imports by Origin

Thailand represents the largest source of the Lao PDR's imports. Imports from the United States consist primarily of consumer goods but also include primary and intermediate inputs for the mining and oil industries. The following table sets out information on merchandise imports by country or region of origin, based on data from the Lao Statistics Bureau.

Merchandise Imports by Country/Region of Origin

For the Year Ended December 31,

	2014	2015	2016	2017	2018
	<i>(US\$ thousands)</i>				
ASEAN					
Brunei Darussalam	6	-	-	231	7
Cambodia	62	487	919	645	288
Indonesia	11,315	8,526	55,541	75,826	52,748
Malaysia	6,875	11,984	15,889	20,171	21,742
Myanmar	426	0.56	6.73	76.00	189
Philippines	811	713	511	2,071	2,586
Singapore	9,200	8,001	25,035	96,096	117,329
Thailand	2,754,164	2,222,616	2,541,468	2,497,369	2,864,977
Vietnam	375,465	526,526	412,994	369,956	385,735
Total ASEAN	3,158,323	2,778,854	3,052,364	3,062,441	3,445,601
Non-ASEAN					
Australia	15,353	13,934	8,584	16,181	49,165
Canada	76,753	1,285	2,231	1,151	1,359
China	537,706	713,284	749,167	1,509,650	1,754,568
EU 27 countries	36,628	49,404	32,066	193,255	188,163
India	17,655	14,188	13,438	36,259	49,694
Japan	1,595	72,127	88,870	150,178	159,336
Republic of Korea	79,442	48,446	80,353	68,363	80,768
New Zealand	332	1,344	107	315	881
Pakistan	609	4,304	3,234	3,668	4,759
Russia	318	1,754	3,816	9,342	2,716
United States	14,017	19,657	19,757	40,111	36,507
Rest of world	21,440	59,810	53,081	68,798	74,630
Total non-ASEAN	780,407	939,727	1,001,624	2,028,473	2,327,916
Total	3,960,170	3,778,392	4,107,069	5,159,712	5,848,147

Source: Lao Statistics Bureau

Regional Integration and Free Trade

Lao PDR is a member of ASEAN, and it has strong bilateral trade and investment ties with key economies in the region and beyond, leveraging on the establishment of the ASEAN Economic Committee (AEC), as well as ASEAN's trade and investment partners. Lao PDR continues to integrate with its ASEAN neighbors through the ASEAN economic community. Lao PDR acceded to the WTO in 2013.

Other Free Trade Agreements

Laos has signed seven regional free trade agreements with trading partners. The regional agreements to which Lao PDR is a party include the ASEAN Free Trade Area, ASEAN-Australia-New Zealand Free Trade Agreement, ASEAN-People's Republic of China Comprehensive Economic Cooperation Agreement, ASEAN-India Comprehensive Economic Cooperation Agreement, ASEAN-Japan Comprehensive Economic Partnership, ASEAN-(Republic of) Korea Comprehensive Economic Cooperation Agreement and Asia Pacific Trade Agreement. Lao PDR has also signed one regional bilateral free trade agreement, which is the Lao-Vietnam Trade Agreement.

Foreign Direct Investment

FDI plays an important role in the Lao PDR economy. FDI inflows have been driven mainly by investments in the hydropower, construction, agricultural, manufacturing and mining and quarrying sectors. In 2017, total FDI flows were US\$1,599.4 million, a 71% decrease as compared to 2016, mainly due to the lower investment amounts in the electricity and financial sectors while investments in the construction sector have increased. The following table sets out information on FDI into the Lao PDR by sector for the years presented.

	FDI by Sector			
	For the Year Ended December 31,			
	2014	2015	2016	2017
	<i>(US\$ millions)</i>			
Agriculture, Forestry and Fishing	76.9	38.9	27.1	181.8
Mining and Quarrying	162.0	283.4	139.5	166.4
Manufacturing	103.7	151.0	72.1	90.8
Electricity, Gas and Air-Conditioning Supply	227.2	261.8	453.1	632.4
Water Supply; Sewerage, Waste Management and Remediation Activities	-	-	-	6.5
Construction	1.8	10.2	75.3	365.4
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	6.9	13.5	27.5	14.2
Transportation and Storage	0.1	-	1.4	0.1
Accommodation and Food Service Activities	21.4	13.2	10.7	1.3
Information and Communications	0.4	1.3	10.1	(11.7)
Financial and Insurance Activities	254.7	282.9	74.1	87.2
Real Estate Activities	5.4	0.3	10.7	21.6
Professional, Scientific and Technical Activities	1.9	4.9	19.3	31.9
Administrative and Support Service Activities	3.4	13.0	6.1	1.4
Public Administration and Defense; Compulsory Social Security	-	-	-	-
Education	0.6	2.5	1.6	0.2
Human Health and Social Work Activities	0.1	0.0	1.9	8.6
Arts, Entertainment and Recreation	0.0	0.3	0.5	0.0
Other Service Activities	1.2	0.62=	4.2	1.1
Activities of Households as Employers; Undifferentiated Goods and Services Producing Activities of Households for Own Use	-	-	-	-
Activities of Extraterritorial Organizations and Bodies	-	-	-	-
Other	-	-	-	-
Total FDI	867.7	1077.8	935.3	1599.4

Sources: Ministry of Finance; BoL

The following table sets out information on approved financial projects by sector for the years presented.

Approved Foreign Investment Projects by Sector					
As of December 31,					
	2014	2015	2016	2017	2018
	<i>(US\$ millions)</i>				
Agriculture	18,408	352,057	4,500	314,683	350,000
Banking	-	37,500	-	-	-
Education	-	-	-	-	1,000
Electricity generation	20,414	537,900	1,926,460	944,000	447,000
Garment	-	1,440	-	-	-
Hotel and restaurant	-	550	-	-	-
Industry and handicraft	116,882	36,616	42,000	36,242	-
Mining	408,305	100,850	73,968	135,189	70,242
Services	-	6,000	2,394,400	129,857	22,263
Total foreign investment projects⁽¹⁾	564,009	1,072,913	4,441,328	1,559,971	890,504

(1) Value of investment. Total foreign investment projects includes local share and foreign share.

With regard to FDI by sector, in 2018 the FDI capital inflows to construction represented 54.0% of total FDI inflows; hydropower, gas and air-conditioner supply represented 15.3%; agriculture, forest and fishery represented 10.2%; financial and insurance activities represented 8.3%, and mining and quarrying represented 4.4%.

The following table sets out information on FDI into the Lao PDR by country of origin for the years presented.

	FDI by Country of Origin							
	2014		2015		2016		2017	
	US\$ millions	%	US\$ millions	%	US\$ millions	%	US\$ millions	%
Australia	24.3	2.8	50.3	4.7	5.6	0.6	7.9	0.5
Belgium	-	-	-	-	0.1	-	-	-
Belize	-	-	-	-	0.3	-	-	-
Cambodia	7.1	0.8	16.8	1.6	15.4	1.6	7.1	0.4
Canada	-	-	36.7	3.4	1.3	0.1	1.6	0.1
China	256.5	29.6	271.2	25.2	494.0	52.8	1,169.5	73.1
Denmark	0.8	0.1	-	-	-	-	-	-
France	7.5	0.9	16.2	1.5	16.5	1.8	10.0	0.6
Germany	0.1	-	-	-	-	-	-	-
Hong Kong	14.0	1.6	7.9	0.7	3.3	0.4	1.6	0.1
Hungary	-	-	-	-	0.1	-	-	-
India	7.2	0.8	7.5	0.7	3.8	0.4	6.4	0.4
Indonesia	-	-	0.3	-	-	-	-	-
Japan	8.6	1.0	2.9	0.3	42.5	4.5	56.4	3.5
South Korea	68.4	7.9	92.3	8.6	91.5	9.8	93.8	5.9
Lao People's Democratic Republic	-	-	-	-	0.5	0.1	-	-
Malaysia	15.8	1.8	28.6	2.7	33.7	3.6	42.8	2.7
Netherlands	8.5	1.0	8.6	0.8	0.8	0.1	-	-
New Zealand	-	-	-	-	0.1	-	-	-
Norway	-	-	-	-	0.4	0.1	0.4	-
Philippines	-	-	-	-	0.8	0.1	1.0	0.1
Russian Federation	0.9	0.1	0.8	0.1	0.9	0.1	13.0	0.8
Serbia	-	-	-	-	0.1	-	-	-
Singapore	61.6	7.1	2.2	0.2	6.4	0.7	1.4	0.1
Sri Lanka	-	-	-	-	-	-	0.3	-
Sweden	4.7	0.5	4.5	0.4	6.0	0.6	7.2	0.5
Switzerland	0.1	-	0.2	-	0.1	-	1.5	0.1
Taiwan, Province of China	-	-	17.0	1.6	2.5	0.3	1.9	0.1
Thailand	208.9	24.1	268.9	25.0	157.5	16.8	180.6	11.3
United Kingdom	-	-	-	-	6.9	0.7	5.4	0.3
United States	0.8	0.1	1.8	0.2	1.8	0.2	0.5	-
United States minor outlying Islands	-	-	-	-	2.0	0.2	-	-
Vietnam	172.0	19.8	237.7	22.1	33.6	3.6	12.2	0.8
Virgin Islands, British	-	-	5.4	0.5	-	-	-	-
Unspecified country	-	-	-	-	7.4	0.8	17.2	1.1

Source: Ministry of Finance

The following table sets out approved foreign investment projects by country of origin for the years presented.

Approved Foreign Investment Projects by Country of Origin					
For the Year Ended December 31,					
	2014	2015	2016	2017	2018
	<i>(US\$ millions)</i>				
Lao PDR ⁽¹⁾	168,524	291,925	1,213,466	455,030	268,214
Thailand	324,620	2,640	-	386,159	17,750
China	116,685	89,666	2,758,347	178,341	755,207
India	2,500	-	-	-	-
Vietnam	18,408	352,057	4,500	152,862	5,000
Japan	896	275	-	59,500	-
South Korea	1,500	-	-	-	-
United States	295	-	-	-	-
United Kingdom	35,000	33,250	42,000	-	-
Singapore	15,000	-	-	-	-
Russian Federation	1,900	-	-	-	-
Malaysia	17,100	430,320	7,000	3,000	-
Hong Kong	2,000	18,550	458,600	-	-
Indonesia	-	550	-	-	-
Australia	-	-	7,500	-	-
Sweden	-	-	-	70,000	-
Netherlands	-	-	-	390,600	-
Total foreign investment projects⁽²⁾	704,427	1,219,233	4,491,413	1,695,491	1,046,170

(1) Represents local share of FDI projects.

(2) Value of investment. Total foreign investment projects includes local share and foreign share.

Over time, China has become the largest FDI investor in the Lao PDR. China was the top FDI investor in 2018, accounting for 79.2% of total capital inflows, followed by Vietnam at 7.5%, Thailand at 6.3%, Japan at 3.6% and South Korea at 1.9%.

According to the Eighth Five-Year Plan, capital requirements for development are LAK 223 trillion (approximately US\$28.7 billion) during 2016-2020, of which private domestic and foreign investment account for 54% to 57% of the total investment or approximately US\$15.5 to US\$16.3 billion during that five-year period.

Investment Promotion and Protection Laws

A goal of the Government's FDI policy is to make the Lao PDR economy significantly more competitive and the overall business environment friendlier to the private sector. According to the World Bank's Doing Business Report 2019, the Lao PDR ranked 154 out of 190 countries for overall ease of doing business. By category, the Lao PDR ranked 181 for starting a business, 99 for dealing with construction permits, 144 for getting electricity, 88 for registering a property, 80 for getting credit, 179 for protecting minority investors, 157 for paying taxes, 78 for trading across borders, 161 for enforcing contracts and 168 for resolving insolvency. The Government recognizes that structural reforms are needed for Lao entrepreneurs to conduct their business activities more efficiently and compete with other countries.

MONETARY AND FINANCIAL SYSTEM

The Bank of the Lao PDR

The Bank of the Lao PDR is a financial institution of the Government, has the status equivalent to a ministry, is the central bank of the country, is a legal entity and has its headquarters in the capital city of Vientiane. The current Governor of the BoL is H.E. Sonexay Sithphaxay, who was appointed in 2018.

The core duties of the BoL are:

- to be the secretariat of the Government in administering the currency at a macro level, and to monitor the credit of banks within the country;
- to promote and maintain the stability of the Lao kip within and outside of the country, to strengthen the efficiency of payment mechanisms and the solvency of the banking system in order to make the monetary and credit systems of the Lao PDR operate efficiently and transparently;
- to promote, facilitate and control the flow of currency to serve the socio-economic development plan of the Lao PDR;
- to be the sole institution to issue notes and coins with the approval of the Government and to manage the circulation of currency within the country;
- to administer the currency at a macro level, to be the bank of the commercial banks and financial institutions under its supervision and to be the final lender to such commercial banks and financial institutions, with the objective of implementing monetary policy;
- to implement the policy on foreign currency controls and exchange rates;
- to issue its own bonds with the objective of implementing the monetary policy, and to buy and sell bonds directly to commercial banks and financial institutions;
- to authorize the establishment of branches of the BoL, the establishment of local commercial banks, foreign commercial banks, and financial institutions under its supervision, based on the approval of the Government;
- to administer and supervise the operations of commercial banks and financial institutions under its supervision to ensure the stability and the development of the banking system and financial institutions;
- to maintain and manage the country's foreign reserves;
- to collect, compile and analyze information and data relating to economic and financial matters, the currency and the operations of banks and financial institutions from concerned persons and sectors within the country and abroad, in order to serve the formulation of monetary policy and the operation of the banking sector;
- to report on, and propose recommendations relating to the economic, monetary and banking situation to the Government on a regular basis;
- to manage and adjust the money supply in circulation in accordance with the approved plan of the Government;
- to act as the agent of the Government in international financial institutions to coordinate, to cooperate in implementing and signing financial and monetary agreements with foreign countries and international financial organizations, as authorized by the Government; and

- to carry out other duties as provided by laws or as authorized by the Government.

Board of Directors

The Board of Directors of the BoL is the highest management authority of the BoL. The Board of Directors comprises seven to nine members, including a chairman, vice chairmen and other members. The Board of Directors of the BoL consists of the Deputy Prime Minister as Chairman of the Board, the Governor of the BoL as Vice Chairman, the Minister of Finance as Vice Chairman, the deputy governor of the BoL as a member, and certain other members, who are persons with knowledge, competence and experience in agriculture, industry, trade, banking and finance selected from various sectors.

Inspection by Government

The BoL is inspected regularly by the Government. The Government's inspector is appointed or removed from office by the Prime Minister and has the authority to request data and documents or to question officers of the BoL on any issues at any time during the performance of the inspection in order to complete the inspection. The Government's inspector has the right to attend ordinary and extraordinary meetings of the Board of Directors of the BoL and has the right to express opinions during such meetings but does not have the right to vote.

Analytical Accounts

The analytical accounts of the BoL are equivalent to the BoL's balance sheet, but arranged in a form that allows for an economic analysis of the impact of changes in the accounts on the economy.

Analytical Accounts of BoL					
As of December 31,					
	2014	2015	2016	2017	2018
	<i>(LAK billions)</i>				
Foreign Assets (net)	5,998.2	7,444.5	6,119.6	7,838.8	6,853.4
Foreign Assets	6,599.2	8,024.3	6,682.4	8,443.3	7,462.1
Foreign Liabilities	(601.0)	(579.9)	(562.8)	(604.6)	(608.8)
Domestic Assets (net)	13,828.0	13,686.0	14,715.6	14,973.6	17,105.8
Domestic Credits	11,237.5	11,745.7	12,917.0	12,439.4	14,036.6
Claims on Government (net)	157.2	4.3	(4.6)	(743.4)	653.1
Claims on Government	1,119.2	1,117.4	1,094.6	1,346.6	1,590.8
Deposit of Government	(962.0)	(1,113.2)	(1,099.3)	(2,090.1)	(937.7)
Credit to the Economy	6,591.1	6,475.1	6,454.1	6,425.4	6,343.4
Credit to Financial Institution	4,489.3	5,266.3	6,467.5	6,757.4	7,040.0
BoL Notes	(1,259.6)	(2,065.5)	(2,902.8)	(3,357.2)	(3,452.6)
Other Items (Net)	3,850.1	4,005.9	4,701.4	5,891.5	6,521.7
Monetary Base	19,826.2	21,130.5	20,835.2	22,812.4	23,959.1
Cash in Circulation	8,360.8	8,290.2	7,836.9	8,823.2	9,200.2
Deposits	11,465.4	12,840.4	12,998.3	13,989.2	14,758.9
Clearing Deposits	7,551.3	8,625.4	9,051.1	9,941.7	10,780.6
Required Reserves	2,561.5	3,104.9	3,471.6	3,714.2	3,624.8
Capital Deposits	1,219.8	1,100.6	463.4	325.7	245.0
Other Deposits	132.9	9.4	12.1	7.5	108.6

Source: BoL

As at December 31, 2018, the monetary base was LAK 23,959.12 billion, an increase of by 5.0% compared to December 31, 2017. Domestic assets (net) increased by 14.2%, and foreign assets (net) decreased by 12.6% due to preparing for settlement in the commodity market and private and government external debt repayment.

Monetary Policy

Over the past several years, the Lao PDR has faced numerous challenges to maintain monetary stability. This included the debt crisis in Europe, unemployment, natural disasters, and the increase in oil, gold and foodstuff prices, which resulted in rising inflation rates in many countries. In addition, the domestic environment faced challenges such as natural disasters and the outbreak of animal disease.

According to the Eighth Five-Year Plan (2016-2020), inflation is to be maintained within the appropriate limits (less than 5.0%). The plan aims to maintain a stable exchange rate, with the year-to-year fluctuation in the value of the LAK against major currencies planned to be no more than 5.0%. Money supply (M2) is targeted to grow at 24% per year on average. Foreign exchange reserves are targeted to be increased to sufficiently cover imports for five months or more, based on Government methodology. In addition, commercial bank deposits are planned to reach 84.0% of GDP by 2020. In order to maintain national price stability and encourage economic growth, the BoL has continued to implement monetary policy and a managed floating exchange rate regime; to supervise the Lao financial system to ensure its stability; to expand access to and diversification of financial services throughout the country; to expand and improve the electronic payment system; to develop the capital markets; and to improve regulations consistent with socio-economic developments.

In order to maintain long-term monetary stability, including a stabilized exchange rate, an inflation rate below the GDP growth rate, a safe and sound banking system to support socioeconomic development and to achieve the target of poverty alleviation, the BoL has utilized an exchange rate policy as the main instrument to maintain monetary stability by setting a daily reference rate of LAK vis-à-vis US\$ for commercial banks to determine their own exchange rates and to intervene in the foreign exchange market to ensure the supply of foreign exchange meets with social demand. BoL has also implemented a combined monetary policy framework by using indirect monetary instruments such as maintaining BoL lending rates and the reserve requirement ratios, issuing BoL bills, encouraging the use of LAK and promoting domestic payments in LAK and continuing to supervise over import-export of foreign currencies and precious metals.

In order to support long-term funds mobilization, the BoL has sought to create the necessary conditions conducive to the launch of the Lao Securities Exchange stock market. The Lao Securities Exchange officially began trading of listed companies in January 2011, with two companies listed on the Lao securities exchange (compared to the nine listed companies currently).

In 2012, the BoL continued to utilize a combined monetary policy framework with an objective of maintaining national monetary stability and contributing to socio-economic development. In order to achieve such targets, the BoL used indirect monetary tools such as a BoL short-term lending rate with a maturity of less than seven days at 5.0%, a reserve requirement ratio at 5.0% for LAK and 10.0% for foreign currency, continuing to actively promote open market operations by issuing BoL bills as planned, continuing to promote an active interbank market operation and performing the role as the lender of last resort and frequently conducting repo and outright operations for the banking system for the purpose of liquidity.

In 2013, monetary policy was implemented under the combined policy framework, in order to maintain price stability and support economic growth through measures such as maintaining a BoL short-term lending rate with a maturity of less than seven days at 5.0%, maintaining reserve requirement ratio on LAK deposits at 5.0% and on foreign currency deposits at 10.0%, regularly issuing BoL bonds as planned to ensure active open market operations, replenishing liquidity in the banking system through repurchasing agreements (repo and outright) where the rates were adjusted to be more proper and developing a more active interbank market as the lender of last resort. As a result of the foregoing implementation, the BoL achieved controlled growth in the money base and money supply, which was in line with economic growth.

In 2014, the BoL continued to maintain a policy rate at 5.0% for loans less than one week, and a reserve requirement ratio at 5.0% for LAK and 10.0% for foreign currency deposits. In addition, the BoL regularly conducted open market operations as well as acted as the lender of last resort for commercial banks.

In 2015, the BoL reduced the policy rate from 5.0% to 4.5% for loans with a term of less than one week, from 6.3% to 5.6% for loans with a term of less than two weeks and from 12.5% to 11.3% for loans with a term of less than one year. The BoL also maintained the reserve requirement ratio at 5.0% for LAK and 10.0% for foreign currency deposits. In addition, the BoL regularly conducted open market operations as well as acted as the lender of last resort for commercial banks.

In 2016, the BoL reduced its loan policy rate from 4.6% to 4.3%. In addition, the BoL reduced its LAK deposit rate and established a limit on the interest margin between the deposit rate and the weighted average lending rate. Reserve requirement ratios were maintained at 5.0% for LAK and at 10.0% for foreign currency deposits.

In 2017, the BoL reduced the loan policy rate from 4.3% to 4.0% for loans with a term of less than one week. In addition, the BoL maintained the spread between deposits and lending weighted average rate within 4.0% for LAK and 3.0% for foreign currencies. Reserve requirement ratios were maintained at 5.0% for LAK and at 10.0% for foreign currency deposits. The BoL also set a daily reference rate for the commercial banks and exchange rate bureaus to determine their own exchange rate within +/-0.25% against the US\$.

In 2018, in order to maintain price stability and support socio-economic growth sustainability, the BoL focused on conducting operations with monetary policy instruments by applying a policy rate of 4.0% per annum; maintaining a reserve requirement ratio of 5.0% for LAK and 10.0% for foreign currency deposits; and continuing to actively engage in open market operations and interbank activities as well as acting as the lender of last resort for commercial banks. As a result of implementation of its monetary policy, the BoL was able to maintain its targets in 2018 with a low inflation rate at a rate of 2.0%; a favorable LAK: US\$ exchange rate; growth of the money supply (M2) by 8.4%; growth and stability of the commercial banking sector, with deposits representing for 48.3% of GDP and loans representing 45.3% of GDP, and an NPLs to total loans ratio of 3.1%; and overall foreign reserves covering 3.23 months of imported of goods and services as at December 31, 2018 based on Government methodology.

In addition, in 2018 the BoL implemented exchange rate policy as its main instrument for maintaining price stability by undertaking a managed float exchange rate regime. The BoL has also been setting a daily LAK/US\$ reference rate for commercial banks and exchange bureaus within a ± 0.25 band and setting a gap between the buying and selling rates for LAK/US\$ and LAK/EUR of 0.5%, LAK/THB of 0.8% and other currencies 2.0%. As a result of the implantation of its exchange rate policy, the LAK maintained its stability and an average exchange of 8,481.03 LAK/US\$ and 265.19 LAK/THB, depreciating 1.6% against the U.S. dollar and depreciating 6.9% against the THB during the course of 2018.

In 2019, the BoL has continued to conduct monetary policy and a managed floating exchange rate regime in an aim to maintain national monetary stability; encourage economic growth continuous and sustainability; supervise financial system to ensure it is stable; improve financial services to be modern and reliable; as well as ensure the soundness of financial system to enable to improved regional and international integration.

The Lao economic development has moved forward through 2019. However, external challenges such as the uncertainty of global economies recovery, trade war, volatility in FX market, an increase in oil price as well as internal conditions as a difficulty in fiscal budget are being threaten Lao economy. In order to support socio-economic development, the BoL will continue to maintain national price stability and enhance its fundamental economy. Nevertheless, the BoL is paying attention to supervising the financial system to ensure its stability, to improving payment systems and implementing a managed floating exchange rate regime with favorable conditions.

Money Supply

The BoL compiles data pursuant to the IMF's GDDS, which requires participating countries to commit to using GDDS as a framework for statistical development, designate a country coordinator and prepare metadata that describes current practices in the production and dissemination of official statistics and plans for short- and long-term

improvement in these practices. Metadata for the Lao PDR is published on the Internet under the IMF's Dissemination Standards Bulletin Board.

The most important components of the money supply are M1 and M2, which are comprised of:

- M1: paper money and coins held by the public plus transferable deposits in local and foreign currency; and
- M2: M1 plus other deposits, including savings and time deposits, and debt securities in local and foreign currency.

The following table shows the money supply of the Lao PDR for the periods indicated:

	As of December 31,				
	2014	2015	2016	2017	2018
	<i>(LAK billions)</i>				
Net Foreign Assets	1,803.0	(3,188.4)	(11,268.3)	(7,769.3)	(9,248.3)
Foreign Assets	16,352.9	16,876.5	15,580.5	18,437.8	17,159.2
Foreign Liabilities	(14,549.9)	(20,065.0)	(26,848.8)	(26,207.1)	(26,407.5)
Net Domestic Assets	50,519.3	63,187.7	77,807.8	82,447.5	90,178.6
Domestic Credit	50,536.1	59,560.4	70,572.6	75,087.6	82,230.9
Net Claims on Government	3,654.5	4,794.5	4,373.2	1,722.8	6,834.8
Claims on Government	6,576.0	7,654.0	8,453.2	6,778.9	9,372.3
Deposit of Government	(2,921.5)	(2,859.6)	(4,080.1)	(5,056.1)	(2,537.5)
Credit to the Economy	46,881.6	54,765.9	66,199.5	73,364.7	75,396.1
Credit to State-Owned Enterprises	10,436.8	11,289.9	13,171.6	12,825.3	12,198.9
Credit to Private Sector	36,444.8	43,476.0	53,027.9	60,539.4	63,197.2
Other Items (Net)	(16.7)	3,627.3	7,235.2	7,359.9	7,947.7
Government Lending Fund	(22.6)	(22.7)	(22.8)	(23.2)	(23.9)
Restricted Deposit	(12.0)	(19.3)	(15.7)	(117.4)	(162.8)
Capital Account	(11,349.1)	(13,172.4)	(11,771.1)	(12,221.7)	(13,121.6)
Others	11,367.0	16,841.7	19,044.9	19,722.2	21,255.9
Money Supply (M2)	52,322.2	59,998.9	66,539.5	74,678.2	80,930.3
Money	9,346.6	9,742.6	9,006.3	10,741.8	11,327.1
Currency Outside Banks	6,316.0	5,879.7	5,534.3	6,638.2	7,148.9
Demand Deposit	3,030.6	3,862.9	3,472.0	4,103.6	4,178.3
Quasi Money	42,975.6	50,256.3	57,533.2	63,936.4	69,603.2
Time and Saving Deposit	20,019.6	23,623.1	25,830.8	27,382.8	29,709.2
Foreign Currency Deposit	22,956.0	26,633.2	31,702.4	36,553.5	39,894.0

Source: BoL

As of December 31, 2018, Monetary supply (M2) was LAK 80,950.2 billion, an increase of 8.4% compared to December 31, 2017, representing 53.1% of GDP in 2018. In 2018, credit to the domestic economy continued to expand and FDI increased, primarily due to construction projects such as the Laos-China railway, the Vangvieng-Vientiane express and electricity activities.

Supervision of the Financial System

The financial sector is regulated by the BoL. The main laws that govern the financial sector of the Lao PDR include the Law on Commercial Banks.

In its supervision of the banking system, the BoL has focused on the adoption of Basel II principles. In 2018, the BoL successfully completed its master plan and the implementation plan for 2017-2025; improved the Law on Commercial Banks; established a risk-based supervision manual, balance sheet analysis and auditing instruments; and created an early warning system in an aim to better supervise the soundness of the banking system. To improve regional and international integration, the BoL has focused on improving regulations in order to adapt to the expansion of the banking system and to gradually adapt to international standards. At the same time, commercial banks have also been assessing their systems and conforming to a risk-based model, with some commercial banks having completed implementation plans for Basel II principles. Moreover, the BoL has continued to encourage commercial banks to improve their services via mobile applications in an aim to facilitate modern and sound settlements such as in the areas of land tax, electricity-water payment, and leasing and road tax.

With regard to capital markets regulation, the BoL has focused on improving the regulations applicable to securities exchange supervision, as well as supervising stock companies, securities market and listed companies in order to be in compliance with those regulations. In parallel, the BoL continues to support the development of the capital markets with the aim of fostering long-term investments, encouraging enterprises to be strong and to enable them to function in the international arena as well as to support a sustainable relationship between capital markets and money markets.

Macroeconomic stability over the past few years, coupled with cautious policies, has substantially improved the Lao PDR's financial and banking system. The Government has made an effort to undertake two reforms in the banking sector. First, the restructuring of State-Owned Commercial Banks ("SOCBs") has resulted in a reduction of non-performing loans at SOCBs and improvement in SOCBs' capital positions. The SOCBs have become modernized with improved efficiency. Secondly, the Law on Commercial Banks, approved in 2007, was key in levelling the playing fields for all commercial banks, whether private, foreign or state-owned. That legislation has attracted new players to the market, creating more competition leading to improved services and increased access to finance for Lao businesses and individuals.

In addition, the BoL has continued to encourage commercial banks to increase their deposit mobilization by improving their services mechanism and by modernizing the IT infrastructure gradually, to improve and expand commercial banks' networks to provide greater access to district levels together with the use of available mobile deposit units to get access to customers, to provide more diversified deposit account types to attract more customers such as prize draw deposits, advanced interest payment deposits, making deposits via ATMs., improving customer services mechanisms and ensuring prompt response, streamlining service processes in order for commercial banks to be able to mobilize funds from society more broadly, generate a more favorable business climate for commercial banks to provide credit to those viable companies and projects by focusing on the improvement of the regulatory framework and loan approval mechanism to allow better access for entrepreneurs, and introduced a scheme of using productive projects as loan collateral. In addition, the BoL has paid more attention to transactions of both commercial banks and financial institutions and ensured that entire operations were under the BoL's supervision.

In 2014, the BoL supervised commercial banks in accordance with the Capital adequacy, Asset quality, Management, Earnings, Liquidity, and Sensitivity ("CAMELS") international rating system and Basel I principles to ensure an ongoing safe and sound banking system. During the year, the BoL adjusted a number of regulations, namely cancelling the limitation on loan to collateral ratio (60-80%), and lowering the cash-to-deposit ratio from 4.0% to 2.0%, allowing commercial banks to provide lending in foreign currencies to customers who have income in foreign currencies, strictly monitored the implementation of regulations, in particular the regulation on the maintenance of net open positions and the decree on anti-money laundering and antiterrorism financing, pushed commercial banks to have off-site auditing regularly and to publish their quarterly and annual financial statements, developed IT systems to secure the data transfers from commercial banks to the BoL and encouraged banks to develop a variety of products and expand their service networks together with quality improvement.

In 2015, the BoL closely monitored and supervised the commercial banks under the supervisory framework of CAMELS and Basel I principles. It also prepared for the transition from Basel I to the Basel II principles. In parallel with regulatory reforms, the BoL encouraged commercial banks to improve their banking services and to promote the expansion of microfinance institutions.

On June 7, 2019, Laos's official electronic gazette published the updated Law on Commercial Banks No. 56/NA, as amended, dated December 7, 2018. The law came into effect 15 days after its publication in the gazette. Banks established in Laos have two years to implement the new rules, except the increased minimum registered capital requirements, for which they have five years.

Anti-Money Laundering

The Lao PDR has been making progress in implementing new legislation on anti-money laundering ("AML") and combatting the financing of terrorism ("CFT"). The Lao PDR was removed from the AML/CFT grey list in 2017. The next full assessment based on the Financial Action Task Force ("FATF") standard is scheduled for 2020. The National Risk Assessment, completed in 2017-2018, identified some of the key weaknesses of the Laos AML/CFT system and supervision has begun in three high risk sectors. An interagency coordination mechanism and data gathering MOUs are in place to support these efforts. Several AML cases are in the pipeline for legal action. The Government is confident that with implementation frameworks already in place and preparations underway, the next full assessment based on the FATF standard scheduled for 2020 will be completed satisfactorily.

Regulatory Capital Requirements

In June 2019, with the publication of the updated Law on Commercial Banks, the minimum registered capital for banks was increased from LAK 100 billion (approximately US\$11.5 million) to LAK 500 billion (approximately US\$58 million), while the minimum registered capital for Lao branches of foreign commercial banks was increased from LAK 50 billion (approximately US\$5.8 million) to LAK 300 billion (approximately US\$34.5 million).

Reserve Requirements

As of January 26, 2017, the reserve requirement rates for Lao kip and foreign currencies were 5% and 10% respectively.

Commercial Banks

As of December 31, 2018, there were 43 commercial banks with 109 branches, 533 service units, 35 exchange bureaus and 1,225 ATMs across the country. In addition, there were 185 microfinance institutions, of which, there were 20 deposit-taking microfinance institutions (“MFIs”), 72 non-deposit-taking MFIs, 30 savings and credit unions, 27 pawn shops, 29 leasing companies, five transfer agencies, 30 savings and credit unions, the Lao Postal Savings Institution and two saving cooperatives.

As of December 31, 2018	
Type of Bank	Number of Banks
Stated-Owned Commercial Banks	3
Specialized Banks	1
Joint State Commercial Banks ⁽¹⁾	3
Private Banks	8
Subsidiary Banks	9
Foreign Branches	19
Total banks in Lao PDR	43

(1) Includes Lao-Viet Bank, Banque Franco-Lao and Lao China Bank.

Source: BoL.

The following table sets out the analytical accounts of commercial banks in Laos as of the dates presented.

Analytical Accounts of Commercial Banks

	As of December 31,				
	2014	2015	2016	2017	2018 ⁽¹⁾
	<i>(LAK billions)</i>				
Foreign assets (net)	(4,195)	(10,633)	(17,388)	(15,608)	(16,102)
Foreign assets	9,754	8,852	8,898	9,994	9,697
Foreign liabilities	(13,949)	(19,485)	(26,286)	(25,603)	(25,799)
Reserves (net)	12,907	18,224	18,966	19,719	20,215
Reserves	16,920	22,979	24,749	25,722	26,568
Credit from monetary authorities	(4,013)	(4,756)	(5,782)	(6,004)	(6,353)
Net claims on the Government (net)	3,497	4,790	4,378	2,466	6,182
of which: in LAK	4,177	5,233	5,349	3,279	6,443
of which: in foreign currency	(680)	(443)	(971)	(813)	(261)
Net domestic assets (excluding net credit to Government)	33,787	41,729	55,037	61,455	63,378
Credit to the economy	40,291	48,291	59,745	66,939	69,053
of which: in foreign currency	19,694	24,171	31,269	33,589	35,291
Credit to state enterprises	3,845	4,815	6,718	6,394	5,855
of which: in foreign currency	3,676	4,626	6,418	6,081	5,552
Credit to private sector	36,444	43,476	53,028	60,539	63,197
of which: in foreign currency	16,018	19,545	24,851	27,509	29,779
Other assets/liabilities (net)	(6,504)	(6,562)	(4,709)	(5,484)	(5,675)
Deposits	45,996	54,110	60,993	68,032	73,673
LAK deposits	23,040	27,477	29,291	31,479	33,779
Foreign currency deposits	22,956	26,633	31,702	36,553	39,894

(1) Preliminary data.

Source: BoL.

The following table sets forth certain financial indicators of commercial banks in Laos as of the dates presented.

Financial Indicators of Commercial Banks

	As of December 31,		As of June 30,
	2017	2018	2019
Regulatory capital to risk-weighted assets (CAR) (%)	15.83	18.32	14.31
Regulatory Tier 1 capital to risk-weighted assets (%)	12.53	13.59	10.29
Nonperforming loans net of provisions to capital (%)	9.33	10.24	10.80
Nonperforming loans to total gross loans (NPL) (%)	3.07	3.12	3.11
Return on assets (%)	0.5	0.8	n.a.
Return on equity (%)	7.8	10.9	n.a.
Interest margin to gross income (%)	n.a.	30.2	n.a.
Non-interest expense to gross income (%)	n.a.	33.1	n.a.
Total assets (US\$ millions)	124,408	130,387	n.a.
Total deposits (LAK billions)	68,033	73,672	79,322
Total credits (US\$ millions)	66,939	69,234	n.a.

n.a.: Information not available.

Source: BoL

The following table sets forth information on the loan portfolio of the banking sector by type of bank as of the dates presented.

	Loan Portfolio				Total
	State-Owned Commercial Banks	Joint State Commercial Banks	Private Banks	Foreign Commercial Bank Branches	
December 31, 2014	21,847	3,784	7,761	6,888	40,290
December 31, 2015	22,903	6,932	10,377	8,080	48,291
December 31, 2016	29,967	7,942	12,010	9,825	59,745
December 31, 2017	33,065	8,838	13,736	11,301	66,939
December 31, 2018	33,946	8,818	14,427	12,493	69,053
September 30, 2019	35,423	8,178	15,240	13,498	72,339

Source: BoL

The following table sets forth information on loans from financial institutions by economic sector as of the dates presented.

Financial System Loans by Sector
Credit in LAK by Commercial Banks⁽¹⁾

	As of December 31,				
	2014	2015	2016	2017	2018 ⁽¹⁾
	<i>(LAK millions)</i>				
Industry	5,750	7,316	14,642	16,763	17,995
Construction	7,889	8,256	7,454	9,110	8,774
Materials and technical supplies	1,246	1,252	1,202	477	591
Agriculture	3,994	4,426	4,609	5,742	5,716
Commerce	8,110	8,580	10,043	12,969	14,130
Transportation	1,336	1,141	1,368	1,086	1,075
Services	4,464	4,952	5,715	6,745	6,937
Handicraft	2,497	4,350	4,919	2,596	2,239
Other	5,004	8,018	9,793	11,451	11,264
Total credit outstanding	40,290	48,291	59,745	66,939	69,053
Credit Growth			(%)		
Industry	3.3	3.9	15.2	3.6	3.8
Construction	1.7	0.9	(1.7)	2.8	0.8
Materials and Technical Supplies	(1.1)	0.0	(0.1)	(1.2)	0.2
Agriculture	1.0	1.1	0.4	1.9	0.3
Commerce	2.2	1.2	3.0	4.9	1.0
Transportation	0.2	(0.5)	0.5	0.5	0.0
Services	0.9	1.2	1.6	1.7	0.3
Handicraft	1.8	4.6	1.2	(3.9)	(2.1)
Other	3.8	7.5	3.7	2.8	0.4
Total credit growth	13.7	19.9	23.7	12.0	3.2
Total credit outstanding as a percentage of GDP (%)	37.7	41.2	46.2	47.6	45.3

(1) Preliminary data.

Source: BoL

As at December 31, 2018, commercial banks' credit to the economy was LAK 69,053 billion, an increase of 3.2% compared to December 31, 2017, accounting for 45.3% of GDP. Of which, credit to the private sector increased by 4.4%, while credit to state-owned enterprises decreased by 8.5%.

In 2018, the contribution of subsector credit to overall credit growth consisted of 3.9% from industry, 1.6% from commerce, 0.5% from others subsectors, 0.4% from agriculture, 0.3% from services, 0.2% from materials and techniques, nil from transportation, and negative contributions of 0.7% from construction and 2.1% from handicraft, respectively.

The following table sets out information on deposits in the banking sector as of the dates presented, presented in LAK.

	Deposits by Currency		
	<u>LAK Deposits</u>	<u>Foreign Currency Deposits</u>	<u>Total</u>
As of December 31,	<i>(LAK billions)</i>		
2014	23,040	22,956	45,996
2015	27,477	26,633	54,110
2016	29,291	31,702	60,993
2017	31,479	36,553	68,032
2018	33,779	39,894	73,673

Source: BoL

As at December 31, 2018, deposits in commercial banks were LAK 73,673 billion (an increase of 8.3% compared December 31, 2017), representing 48.3% of GDP in 2018. Of the total deposits as at December 31, 2018, LAK deposits represented 45.9% and increased by 7.3% compared to December 31, 2017, and foreign currency deposits accounted for 54.2% and increased by 9.1% compared to December 31, 2017.

Supervision of Non-Bank Financial Institutions

Microfinance plays an increasingly important role in the Lao PDR's economy. There are various forms of microfinance institutions, such as deposit-taking microfinance institutions, non-deposit-taking microfinance institutions, credit cooperatives and saving deposits institutions, pawn shops, financial leasing companies and Western Union. These institutions play an important role to provide better access to financial services for the people of the Lao PDR, as approximately 90% of the population has no access to banking services due to the concentration of banks being mainly in the capital city of Vientiane. In the wake of the growing number of microfinance institutions operating in the country, the BoL has paid attention to monitoring, examining and supervising these financial institutions, which are all under the jurisdiction of the BoL. In addition, the BoL organizes seminars to disseminate the regulations.

Interest Rates

In 2018, interest rates of commercial banks declined slightly, of which, the short-term (one year) deposit interest rate decreased from 5.45% to 5.36% for a LAK account, stayed constant at 3.67% for a THB account, and increased from 3.71% to 3.79% for a U.S. dollar account. From 2017 to 2018, short term (one year) loan interest rates declined from 9.26% to 9.20% for a LAK account, from 7.57% to 7.55% for a THB account and from 7.47% to 7.29% for a U.S. dollar account.

Foreign Exchange

The BoL pursues a managed floating exchange rate regime as the main instrument to maintain its monetary stability. The BoL closely monitors exchange operations in both domestic and international financial markets as a basis for setting a daily reference rate of LAK/US\$, maintaining the spread between the buying and selling rate within the range set by the BoL. In addition, the BoL continues to promote active interbank market operations and implements an open foreign exchange market by allowing the public to buy foreign currencies without any documentary requirements or quantum restrictions. The BoL encourages the exchange bureaus of commercial banks and private exchange bureaus to operate widely and only intervenes in the foreign exchange markets as it deems necessary. The BoL also performs the role as a lender of last resort, aimed at supplying sufficient foreign currencies to meet the demands of society and gradually reduce illegal foreign exchange trades.

The following table sets forth the high, low, average and period end LAK to U.S. dollar exchange rates for the periods indicated below.

Exchange Rates				
	<u>High</u>	<u>Low</u>	<u>Average</u>	<u>Period End</u>
	<i>(LAK per U.S. dollar)</i>			
2014	8,086	8,027	8,046	8,086
2015	8,200	8,085	8,132	8,148
2016	8,184	8,094	8,126	8,184
2017	8,300	8,177	8,248	8,293
2018	8,530	8,278	8,412	8,530

Source: BoL

Capital Markets

The Lao Securities Exchange was launched on January 11, 2011 to further facilitate investment in the country. The Lao Securities Exchange is a joint venture entered into in July 2009 with the Stock Exchange of Thailand and the Vietnam Stock Exchange. The joint venture agreement provides for training programs on securities regulation, building market expertise and assistance for the listing of major Lao companies. The first two companies, namely, Banque Pour Le Commerce Extérieur Lao Public (“BCEL”) and EDL Generation Public, were listed on the Lao Securities Exchange in 2011.

After the enactment of the new law on securities no. 21/NA dated on 10 December 2012, portfolio investment in the Lao PDR was liberalized to include foreign market participants, since domestic listed companies were now able to access foreign stock exchange markets and foreign companies were able to access the domestic capital market through listing on the Lao Securities Exchange.

In 2015, a newly listed company participated in the Lao Stock Exchange (Souvanny Home Center Public Company: SVN), bringing the total number of listed companies to five companies: BCEL, EDL Generation Public, Lao World Public Company, Petroleum Trading Lao Public Company and Souvanny Home Center Public Company.

In 2017, there were 13,190 securities trading accounts in total. The total trading value was LAK 343.73 billion, an increase of 202.76% from 2016. The total amount of trading shares was 51.03 billion shares, an increase of 126.9% compared to 2016. The trading value by foreign investors accounted for 49.52% of total trading values. In 2018, the Lao securities exchange index closed at 823.65 points, a decrease of 16.42% compared to 2016 (when it closed at 998.39 points); securities trading had total value of LAK 90.18 billion, a decrease of 70.8% and total volume of 19.13 million shares, an increase of 62.4% compared to 2016. The trading value of foreign investors represented 51.6% of total trading value.

PUBLIC SECTOR FINANCES

Fiscal Accounts

The following table sets forth the fiscal accounts of the Government for the periods indicated.

	As of December 31,				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018⁽¹⁾</u>
	<i>(LAK billions)</i>				
Total revenue	23,340.32	23,698.79	21,112.76	22,615.49	23,943.79
Revenue	17,393.26	19,080.44	19,363.81	20,418.43	21,795.66
Tax revenue	14,680.75	16,320.96	16,387.18	16,919.82	17,032.24
Non-tax revenue	2,712.51	2,759.49	2,976.63	3,498.61	4,763.43
Grants	5,947.06	4,618.35	1,748.95	2,197.06	2,148.13
Project grants	1,141.29	970.00	774.27	876.91	684.58
Non-project grants (donors)	4,478.72	3,648.34	974.68	1,227.54	1,142.00
Non-project grants (Japan)	-	-	-	-	-
Program grants	327.05	-	-	92.62	321.55
Total expenditure	27,185.92	30,651.48	27,824.74	30,426.49	31,002.85
Current expenditure	16,672.97	18,034.11	19,981.31	17,534.04	18,430.24
Current non-interest expenditures	15,725.37	16,855.90	18,397.16	15,586.66	15,841.91
Interest payment	947.60	1,178.22	1,584.15	1,947.38	2,588.33
External	759.93	891.02	1,237.53	1,490.84	2,084.40
Capital expenditure	10,512.94	12,617.37	7,843.42	12,892.45	12,572.61
Current cash balance	720.29	1,046.33	(617.51)	2,884.39	3,365.24
Overall balance	(3,845.59)	(6,952.69)	(6,711.98)	(7,810.99)	(9,207.19)
(Excluding grants)	(9,792.65)	(11,571.04)	(8,460.93)	(10,008.06)	(12,188.6)
Financing	3,845.59	6,953.10	6,711.98	7,811.00	7,059.06
Domestic financing	1,624.09	(1,047.23)	4,541.21	361.93	1,608.05
Bank financing	1,035.31	(1,425.16)	3,803.74	143.01	916.65
Bank financing credit	(2,654.94)	(1,409.49)	2,404.32	(975.98)	2,295.39
Treasury bills (issued)	300.00	300.00	-	1,002.00	2,528.70
Treasury bills (repayment)	(671.75)	(807.78)	(1,510.58)	(2,792.01)	(3,628.32)
Government notes (issued)	4,061.99	492.12	2,910.00	2,973.00	617.18
Government notes (repayment)	-	-	-	(64.00)	(896.30)
Non-bank financing	588.78	377.93	737.47	218.92	691.41
Treasury bills (issued)	-	-	-	-	-
Treasury bills (repayment)	-	-	-	-	-
Assets sales	484.45	421.76	387.35	87.44	383.27
Previous year balance sheet	-	-	-	-	-
Differences	104.32	(43.83)	350.13	131.49	308.14
Foreign financing (net)	2,221.51	8,000.32	2,170.77	7,449.06	5,451.01
Government notes	734.13	4,035.25	-	3,500.11	1,822.56
Program loans	77.51	117.14	136.03	327.71	-
Project loans	1,492.29	4,428.94	3,122.31	5,647.52	6,444.03
Amortization (repayment)	(990.37)	(1,132.75)	(1,837.71)	(2,285.66)	(3,427.58)
On-lending net	907.93	551.75	750.15	259.39	612.00

(1) Preliminary data

Source: Ministry of Finance

Fiscal Policy and Reforms

Fiscal Policy

Due to an increase in resource and non-resource revenues, the Lao PDR Government has had a moderate and decreasing fiscal deficit in recent years.

In accordance with the Eighth Five-Year Plan (2016-2020), the Lao PDR Government commits to have a fiscal deficit not exceeding 5.0% of GDP. Additionally, the Lao PDR Government has made efforts to widen its tax base by improving revenue collection and management, reforming the tax law and centralizing tax collection from the provinces. VAT was re-introduced in 2010 and is a basis for increasing revenues from taxes, royalties and dividends from the export of electricity from both existing and upcoming large mining and hydropower projects.

The Public Finance Management Modernization Program (“PFMMP”) provided the Lao PDR with technical, analytical, and advisory assistance to strengthen its public financial management (“PFM”). The PFMMP was implemented from January 2016 to July 2018 by the World Bank and financed by the European Union.

Between 2003 and 2012, the Government had undertaken reforms to strengthen the public sector and its PFM system. Backed by broad donor support, reform focused on putting in place regulations, processes, and procedures required for a basic PFM framework. This was accompanied by strengthening human capital and notable progress was achieved, such as the centralization of the treasury, customs, and tax functions, and the upgrade and rollout of the Government Financial Information System (“GFIS”) to the provincial level.

However, in 2012, a change in the Government’s donor cooperation policy affected further reform implementation, leading to a stalling of PFM reforms until 2016. The Ministry of Finance’s decision to move away from a broad donor-funded PFM program halted the reform progress.

With the appointment of the current government in 2016, there was a revived commitment to PFM reforms and reengagement with the donor community and initiated the preparation of “second generation reforms.” Part of this renewed dialogue was the PFMMP, which focused on technical assistance and capacity building as well as taking stock of current PFM practices.

On the revenue side, a fully Automated System for Custom Data (“ASYCUDA”) is operating and deployment in the Lao PDR’s major checkpoints was automated in 2012. ASYCUDA has been rolled out to all other border posts nation-wide.

Following its implementation, the State Budget Law required amendments to address subsequent developments. The first minor revision was made to Article 54 in December 2011. The revision allows the state budget to be revised at any time during the fiscal year in the event of a shortfall in revenue collection. A major revision to the Budget Law was approved by the National Assembly in December 2015. The Budget Law 2015 gives guidance on the budget cycle and the preparation of budget documents.

To improve oversight capacity, the State Audit Organization (“SAO”) has a 10-year action plan for capacity development. The implementation plan has been updated to take into account its recent progress. Additionally, further needs for the plan were identified and incorporated into the updated version. The SAO aims to comply with international standards on auditing and to incrementally develop performance audit capacity.

The Eighth Five-Year Plan continues to focus on strengthening the governance of public finances for improved service delivery. The new fiscal strategy, implements this governance process and is consistent with the objectives of macroeconomic stability, public sector sustainability and efficient management of revenues and expenditure. In order to fully implement the fiscal strategy, the Government will require significant capacity enhancement, and continued political commitment. Technical assistance from the World Bank was provided in January 2016.

Current Status of the PFM System in the Lao PDR

- The Budget Law 2015 gives guidance on the budget cycle and the preparation of budget documents, but is yet to be implemented. In the absence of secondary legislation and relevant budget documents, proper costing of expenditures or ceilings has not been introduced, which has made creating affordable and realistic budget plans challenging. While a medium-term expenditure framework exists, the budget is currently prepared based on the previous year's budget plan, resulting in a weak medium-term budget perspective and a missing link to policy priorities.
- The general tax law has been revised while the implementation decree and other related regulations are still in progress. In 2011, the National Assembly approved the revised general tax law, introducing a transparent, turnover-based presumptive tax regime for businesses with a turnover below the VAT registration threshold. This revision eliminated minimum business tax. The implementation decree and other regulations were approved by the end of 2016.
- Taking initial steps to follow international practice, the Tax Department has established a Revenue Collection Division (RCD) for large business tax compliance management. The large taxpayers overseen by the RCD currently contribute about 40% of total tax revenues, which is a relatively low ratio by international standards. This indicates that through more targeted and improved compliance monitoring, the tax collection of this segment could be increased. Compliance management is often retroactive and often desk-based. Audit and enforcement, and sector-specific knowledge, and analytical capacity by tax officials has so far been limited to the mining and hydropower sectors.
- Past reforms led by the National Treasury to introduce a Treasury Single Account ("TSA") and bank consolidation remain incomplete. While BoL and commercial banks provide daily information on the balances and daily transactions of all accounts under the control of the National Treasury, account balances are not being consolidated in a single account at the end of each day. In addition, some earmarked fund accounts and all donor fund accounts are kept outside of the TSA or the BoL in commercial banks.
- Progress has been made in updating the Chart of Accounts ("CoA"). The update of the CoA is designed to enable adoption of the double-entry accounting system, which will allow the production of financial statements compliant with the International Public Sector Accounting Standards. A main outstanding issue is the absence of a comprehensive integrated organization classification system, including district codes in the CoA. As a result, budgets cannot be allocated to the various sector budget units at the district level and that expenditure cannot be checked against budgets before execution. This hinders the decentralization of transaction entry and budget controls to the district level.
- The National Treasury has experienced difficulties meeting the increased demand for comprehensive and timely budget execution information. The existing information is not sufficient for many counterparties (within the Ministry of Finance, other ministries, and donors), which has caused attempts to build parallel data collection and reporting systems for tracking budget management at both the district level and at the ministry level.
- Cash management and forecasting capabilities are still in the initial stages. While the monitoring of the actual cash flows is based on daily bank statements from BoL and commercial banks, the National Treasury has limited information on the forthcoming payment requirements and revenue forecasts. Consequently, the National Treasury is working on a weekly cash cycle, resulting in cash rationing (including delay in salary payments), and taking on more costly short-term borrowing. In the absence of commitment controls, the government entities managing commitments without confirmation of budget availability can result in payment arrears being discovered by the Ministry of Finance significantly after the event.
- The current GFIS currently only covers a subset of functionalities required for a full functioning budget execution system. Certain core functionalities related to commitment controls and bank reconciliation are not yet in place, and district offices are not included in the GFIS coverage. The technical ability of the GFIS to include the required updates for full functionality is limited as the technology used for system development

is becoming obsolete, and the technical architecture and documentation is poor. There are also certain security concerns, which have been identified through a cyber-security assessment. The Ministry of Finance has prepared an information and communication technology (“ICT”) strategy which comprehensively assesses the current status of the Ministry of Finance’s ICT environment and architecture and proposes using modern processes and ICT applications, upgrading the technology and infrastructure, and scaling up ICT capacity.

- With the passing of a Public Procurement Law by the National Assembly in November 2017, the Government embarked on creating a more robust procurement regulatory and legal framework. Since 2004, public procurement has been governed by a Prime Minister’s Decree and was overseen by the Procurement Monitoring Office in the Ministry of Finance. The complaints-handling mechanism is currently weak, with few complaints registered and no organized institutional set-up to handle them. The weak adherence to the decree also led to a number of contracts from unsolicited sources, especially in the construction sector, which resulted in arrears. Implementing regulation for the new law has been prepared, and after capacity-building in 2019, the new procurement framework is expected to be adopted in 2020.
- Cross-cutting challenges to the improvement of the PFM system are capacity constraints and the availability and reliability of data for informed monitoring, policy analysis, and decision making. Most training and capacity-building happens on the job; however, frequent staff rotations can result in knowledge leakage and the continuous need for training new staff. While data (both financial and non-financial) is collected by government staff, it often is kept separately in different government departments, with no clear protocol or process for data exchange or consolidation. Records are also often kept as hard copy only and by a single department or even a single person. Similarly, ministries and departments develop their own systems, resulting in missed opportunities and inefficient public investments in silo information technology systems. As a result, policy analysis, decision making, and prioritization are sometimes under-informed, which affects the Government’s ability to properly identify and target areas of concern.

Budget Performance

In 2018, the fiscal budget deficit was LAK 7,059.1 billion, representing 4.6% of GDP. In 2018, total budget revenue was LAK 23,943.8 billion, representing 5.7% of GDP, and total expenditure was LAK 31,002.2 billion, representing 20.3% of GDP. In 2018, fiscal financing consisted of LAK 1,608.0 billion of domestic financing and LAK 5,451.0 billion of external financing. In 2017, the fiscal deficit was LAK 7,811.0 billion, which was equivalent to 5.6% of GDP. LAK 361.93 billion was financed by domestic sources and LAK 7449.1 billion was financed by external sources. In 2016, the fiscal deficit was LAK 6,712.0 billion, which was equivalent to 5.2% of GDP. LAK 4,541.2 billion was financed by domestic sources and LAK 2,170.8 billion was financed by external sources. In 2015, the fiscal deficit was LAK 6,952.7 billion, which was equivalent to 5.9% of GDP. LAK 1,047.2 billion was financed by domestic sources and LAK 8,000.3 billion was financed by external sources. In 2014, the fiscal deficit was LAK 3,845.6 billion, which was equivalent to 3.6% of GDP. LAK 1,624.1 billion was financed by domestic sources and LAK 2,221.5 billion was financed by external sources.

Revenue

The table below sets forth the Government's budget revenue for the years indicated:

	Year ended December 31,				
	2014	2015	2016	2017	2018 ⁽¹⁾
	<i>(LAK billions)</i>				
Tax revenue	14,680.8	16,321.0	16,387.2	16,919.8	17,032.2
Profits tax	1,880.8	2,203.9	1,750.9	1,787.8	2,073.3
Income tax	1,025.7	1,140.2	1,623.8	1,656.6	1,619.0
Land tax	114.5	129.8	105.3	111.0	188.1
Minimum tax	12.8	2.6	0.0	-	-
Turnover tax	122.7	243.9	0.0	-	-
VAT	3,739.7	4,744.4	4,688.0	5,149.6	5,201.5
Excise tax	3,340.4	3,252.9	4,124.3	3,788.8	4,742.8
Import duties	1,408.9	1,382.0	1,655.0	1,529.7	1,059.2
Export duties	287.1	205.3	49.5	42.6	37.8
Registration fees	96.3	63.2	69.5	74.5	46.6
Other fees	1,165.1	1,408.2	1,350.0	1,463.3	966.5
Natural resources taxes	860.6	620.3	474.1	609.7	641.2
Timber royalties	253.9	545.9	127.4	335.5	38.0
Hydropower royalties	372.3	378.4	369.4	370.9	418.2
Non-tax revenue	2,712.5	2,759.5	2,976.6	3,498.6	4,763.4
Leasing fees	103.3	111.6	69.4	70.0	44.5
Concessions	89.8	86.5	85.0	59.9	90.0
Penalties (fines)	94.1	123.8	179.6	81.9	49.9
Administration fees	434.9	721.1	970.4	985.8	805.8
Depreciation and dividends	789.5	870.2	623.9	861.7	1,249.3
Interest	180.3	281.4	423.8	650.9	830.8
Over-flight	486.3	550.4	594.9	657.0	826.2
Forest preservation funds	22.8	5.6	6.8	4.3	676.4
Others	511.6	8.9	22.7	127.3	190.5
Total tax and non-tax revenue	17,393.3	19,080.4	19,363.8	20,418.4	21,795.7
Assets sales	484.5	421.8	387.4	87.4	383,27.0
Capital return	907.9	551.8	750.2	259.4	612,00.0
Total revenue with capital return	18,785.7	20,053.9	20,501.3	20,765.3	22,790.9

(1) Preliminary Data

Source: Ministry of Finance

In 2018, total budget revenue was LAK 23,943.8 billion (including LAK 21,795.7 billion of domestic revenue collection and LAK 2,148.1 billion of grants), an increase of 5.9% compared to 2017. The budget revenue in 2018 represented 15.7% of GDP. The increase was caused mainly by an increase in domestic revenue collection, particularly value added tax (VAT), fees, dividends and over-flight. In addition, with the aim of facilitating the modernization of domestic revenue collection, fiscal revenue collection has been improved via mobile banking, services through the banking system and mobile applications such as Land Tax, SmartVAT, Electricity Payment, Water Payment and Road Tax.

Tax Revenue

Individual Income Tax

Individual income in Laos is taxed at a progressive rate from 0% to 24%. It is applied to all income earned in the Lao PDR from salary, benefits kind and other remuneration, both for Lao residents and expatriates receiving revenue from the Lao PDR or abroad regardless of the length of their employment and stay in Laos.

Business Profit Tax

A 24% profit tax rate applies to both domestic and foreign businesses, other than companies registered on the Lao Stock Exchange, which benefit from a 5% reduction of the normal rate for a period of four years from the date of registration on the stock exchange. After this period, the normal profit tax rate applies. A 26% profit tax rate applies to companies whose business is to produce, import, and supply tobacco products. 2% of the tax paid by tobacco companies is contributed to the Cigarette Control Fund pursuant to Article 46 of the Law on Tobacco Control. Small and medium enterprises that are not registered under the VAT system pay lump-sum tax at progressive rates between 3% and 7%, depending on the nature of the business and its revenue.

Tax Revenue Performance

Tax revenue has been steadily increasing since 2008. Tax revenue increased by 11.6% in 2013 and 11.3% in 2014 compared to the previous respective years. In 2015, tax revenue increased by 11.0% compared to 2014. In 2017, tax revenue amounted to LAK 16,920 billion, an increase of 2.7% as compared to 2016.

Regarding the revenue performance of each tax item in recent years, VAT, excise tax, import duties and income tax recorded increases of 11.4%, 22.8%, 25.9%, and 14.3%, respectively in 2014 in comparison to 2013. In 2015, excise tax decreased by 1.6%, while VAT, import duties and income tax recorded increases of 11.8%, 1.0% and 1.1%, respectively compared to 2014.

Revenues from import duties have increased in recent years reflecting the continued expansion of economic activities as well as an increase in imports reflecting strong demand.

The Lao PDR began implementing value added tax (“VAT”) in January 2010 to strengthen its financial management, improve its tax base and serve as an additional source of revenue for the Government’s central budget. VAT is charged at a rate of 10.0% on most goods and services when these are supplied in the Lao PDR by registered VAT taxpayers and also on most imports of goods (some goods and services are exempt) made by registered VAT taxpayers. Businesses based in the Lao PDR and having an annual turnover of at least LAK 400 million (approximately US\$47,000) are required to register for VAT and comply with the VAT Law. Businesses that are not based in the Lao PDR that supply goods or services in the country, regardless of their annual turnover, are not required to register for VAT. Moreover, businesses based in the Lao PDR with an annual turnover below LAK 400 million can opt to register for VAT. Since 2011 VAT has been recorded under tax revenue. VAT revenue performance was strong from 2011 to 2014 due to the effect of public awareness activities by tax authorities targeted at large enterprises subject to VAT and partly due to continued economic activities.

Non-Tax Revenue

From 2012 to 2016, non-tax revenue as a percentage of GDP ranged from 1.85% to 3.05%. Nevertheless, non-tax revenue in LAK terms has generally been increasing, driven by dividends and interests stemming from state-owned enterprises, overflights paid by foreign air carriers and administration fees. Non-tax revenue increased by 42.9% in 2014 compared to 2013, and decreased by 13.6% in 2015 compared to 2014. This was the result of the ongoing reforms of the tax system and administration, mainly revenue collection through the banking system and the requirement for the use of tax invoices. Over-flights increased by 99.9% in 2014, but decreased by 20.1% in 2015. In 2016, non-tax revenue was LAK 2,977 billion, an increase of 7.9% compared to 2015. This was mainly due to increases in administration fees, interest revenue interest and the Forest Preservation Fund. In 2017, non-tax revenue was LAK 3,499 billion, an increase of 17.5% compared to 2016. This was mainly due to increase in depreciation, dividends and interest.

Grants

Grants were 3.9%, 5.6%, 3.9%, 1.4% and 1.6% of GDP in 2013, 2014, 2015, 2016 and 2017, respectively. The grant revenue in 2016 declined as the Lao PDR graduated from a low income country to a lower-middle income country and grants became more expensive.

Expenditure

Expenditure implementation in recent years has been approximately in line with the budget plans approved by the National Assembly of the Lao PDR each year.

In 2018, total expenditure amounted at LAK 31,002.85 billion, an increase of 1.89% compared to 2017, and represented 20.3% of GDP. Current expenditure increased by 5.1%, while capital expenditure decreased by 2.5% compared to 2017. In 2018, interest payments amounted LAK 2,588.3 billion, an increase of 32.9% compared to 2017.

In 2017, total expenditure was LAK 30,426.5 billion, an increase of 9.4% as compared to 2016 and accounted for 21.6% of GDP. The increase was mainly due to an increase in capital expenditure, which increased by 64.4% compared to 2016.

Current Expenditure Implementation

Current expenditure as a percentage of GDP has been increasing in recent years. Current expenditure increased to 16.7% of GDP in 2016 from 17.6% of GDP in 2015. As a result of the large increase in civil servant salaries and compensation, current expenditures increased by 2.4% compared to 2015 and accounted for 65.3% of total expenditures. Government worker-related expenditure and material and supplies amounted to 92.3% and debt payments (interest and capital) amounted to 6.4% of the total current expenditure in 2016.

Capital Expenditure Implementation

Capital expenditure increased to 11.8% of GDP in 2010 from 7.0% of GDP in 2009, mainly due to development needs in provinces as well as an increase in spending on the South-East Asian Games which was held in December 2009 and the celebration of the 450th anniversary of Vientiane. It also remained at a similar level of 11.56% of GDP in 2011. Capital expenditure in LAK terms also increased substantially by 92.9% in 2010 and 20.3% in 2011 compared to the respective previous years. Capital expenditure also increased by 8.36% in 2015 compared to 2014.

In 2012, capital expenditure (for investment in the infrastructure sector) amounted to LAK 8,656.15 billion, representing 12.25% of GDP or 35.58% of total expenditure, representing an increase of 13.92% compared to 2011. In 2013 capital expenditure amounted to LAK 8,776.62 billion, representing 10.94% of GDP or 49.73% of total expenditure representing an increase of 1.39% compared to 2012. Funds from abroad have contributed the largest proportion of 71.02% of the total expenditure on infrastructure, which came from grants for non-project loans, project loans and project grants which covered 35.70%, 19.67% and 15.65%, respectively, with the rest being derived from local finance that amounted to LAK 2,567.34 billion and covered 28.98% of the total expenditure on infrastructure investment. In 2017, capital expenditure amounted to LAK 12,892.45 billion, a 64.37% increase from 2016, representing 9.16% of GDP and 42.37% of total expenditure.

State-Owned Enterprises

The Lao Government has an objective of turning state-owned enterprises into profitable ventures, aiming to make them more efficient and sustainable sources of income in the future, even though many are currently inactive. In 2019, the Government continued to reform redundant businesses in which it has investments, to ensure they turn into profitable ventures and become strong bases for sustainable sources of income for the national treasury. In December 2018, the Prime Minister presented a plan for business reform to the National Assembly. According to the State-Owned Enterprise Development and Insurance Department (the “SOEDID”), run by the Ministry of Finance, reform will focus on three main areas: business, finance and personnel. The SOEDID stated that inspections revealed that some enterprises were running businesses that were not in line with their original objective and carried out other operations instead, which is one of the main reasons that a number of state-owned enterprises are ineffective.

The SOEDID has 183 enterprises under its supervision and has conducted surveys to identify corruption in these businesses. In 2019 the Ministry of Finance carried out a survey of enterprises across the country and established a priority plan for reforming approximately 10 business units in 2019. In 2018, governmental authorities improved

the performance of 10 business operations, including telecoms operator ETL and Lao Airlines. ETL was converted to a joint venture with a Chinese company while Lao Airlines appointed a new managing director.

The reform process will consider three groups of enterprises. The first of these is ineffective businesses, whose licenses the Government may decide to revoke. Second, the Ministry of Finance will consider whether some business can be converted into joint ventures. If it decides this is not necessary, these businesses may no longer be useful, in which case the Government can sell its shares or turn the business over to private ownership. The third area of consideration is businesses that are valuable to the state, and in which the state will continue to be the majority shareholder.

Together with the foregoing reforms, the Ministry of Finance is preparing a strategic plan for the development of state-owned enterprises, including regulations that determine the rights and duties of their boards of directors. It is planned that this strategic plan and the new regulations will give a clear direction for the strong development, management and growth of state-owned enterprises in the future.

GOVERNMENT DEBT

General

Total external public debt was US\$9.8 billion or 53.3% of GDP as of December 31, 2018, increasing by 14.0% from December 31, 2017. As of December 31, 2018, external debt consisted of US\$6.4 billion of bilateral debt, US\$1.8 billion in multilateral debt and the remainder in bonds. Total public debt was 57.2% of GDP as of December 31, 2018. Loans from China accounted for 53.5% of total bilateral debt as of December 31, 2018.

Total external public debt was US\$8.5 billion or 50.0% of GDP as of December 31, 2017, increasing by 10.6% from December 31, 2016 (US\$7.7 billion or 48.5% of GDP as of December 31, 2016). External debt consisted of 64.5% in bilateral debt, 18.2% in multilateral debt and 17.4% in bonds.

Total external public debt was US\$6.0 billion or 37.7% of GDP as of December 31, 2016, increasing by 5.3% from December 31, 2015 (US\$5.6 billion or 45.6% of GDP as of 31 December 2015). The external debt consisted of 73.9% in bilateral debt and 26.07% in multilateral debt.

In light of the Lao PDR's high and increasing level of public debt, the Government has put in place various measures to reduce risks associated with debt sustainability. Policies such as suspending new investment projects combined with the new Procurement Law and intentions to borrow new debt on concessional terms are intended to reduce the debt burden. The Government is also taking stock of all existing projects with the view of prioritizing them. The new Public Debt Management Law, enacted in August 2018, now consolidates the Ministry of Finance's oversight powers over debt through budgeting and project approval processes, whereas previously this process of contracting debt divided amongst line ministries and sub-national governmental bodies. The Government is reviewing the power sector related debt and has instituted a moratorium on new hydropower projects, although revenues generated from these projects are expected to be stable and cover related debt service. In addition, the Government is in the process of diversifying the electricity export market and new power purchase agreements with Vietnam, Cambodia and Myanmar are being negotiated. Several power projects are currently under tax exemptions and upon the expiration of the concession period, revenues and dividends are expected to be stronger going forward. The Government believes that its debt is on a sustainable path and will be manageable given all the measures that are being undertaken.

Much of the existing public and publicly guaranteed debt stock is external, and approximately 65% of the public external debt is on concessional and semi-concessional terms. The debt composition has been shifting, driven by recent issuances in the Thai capital markets, and the increasing exposure to China, which held approximately 42% of the external public and publicly guaranteed debt as of December 31, 2018. Contingent liabilities associated with the Government's share in a large number of Public Private Partnerships (PPPs) pose certain risks for the Government's balance sheet. However, the large share of electricity export earnings under long-term intergovernmental power purchase agreements (PPAs) helps to mitigate risks and bring debt indicators to sustainable levels. A moratorium on new capital investment projects pipeline and planned reduction in the size of the civil service employment is intended to help to contain debt accumulation.

External Debt

As of December 31, 2000, public and publicly guaranteed external debt of the Lao PDR amounted to 161.7% of GDP, although this debt was almost entirely concessional. At that time, the Lao PDR was a candidate for participation in the highly indebted poorest countries debt-reduction initiative, but the Government declined to participate because its debt service of just over 2% of GDP was low and it did not want to risk participation in the initiative affecting the nation's credit reputation. Since then, public and publicly guaranteed debt has declined as a percentage of GDP, primarily because of the economy's high real growth rate and the local currency appreciation against the U.S. dollar.

As of December 31, 2018, total external debt outstanding of the Government was US\$9,761.5 million, an increase of 14.0% compared to December 31, 2017 and representing 53.3% of 2017 GDP. Of the total external debt as of December 31, 2018, bilateral debt was US\$6,377.2 million, of which China accounted for 53.5%, Thailand accounted for 21.12%, Russia accounted for 4.2% and Australia accounted for 2. As of December 31, 2018,

multilateral debt was US\$1,771.2 million, of which Asia Development Bank accounted for 52.2% and the World Bank Group accounted for 35.8%. The Lao PDR's external debt is approximately 65% concessional.

At December 31, 2017, total outstanding external debt of the Lao PDR amounted to US\$8,538 million, an increase of 10.64% as compared to December 31, 2016, and accounting for 50.03% of GDP. At December 31, 2016, total outstanding external debt of the Lao PDR amounted to US\$7,203 million, an increase of 18.17% as compared to December 31, 2015, and accounting for 48.51% of GDP. At December 31, 2015, total outstanding external debt of the Lao PDR amounted to US\$6,531 million, an increase of 14.11% as compared to December 31, 2014, and accounting for 45.29% of GDP. At December 31, 2014, total outstanding external debt of the Lao PDR amounted to US\$5,723 million, an increase of 12.2% as compared December 31, 2013, and accounting for 43.1% of GDP.

The following table sets out information on Lao PDR's external debt stock as of the dates presented.

	External Debt Stock				
	As of December 31,				
	2014	2015	2016	2017 ⁽¹⁾	2018 ⁽²⁾
	<i>(US\$ millions)</i>				
Total External Debt Outstanding	5,723.2	6,530.6	7,717.3	8,561.2	9,761.5
Bond	300.3	838.4	1,081.2	1,481.9	1,613.1
Bilateral	3,658.7	4,203.8	5,157.1	5,583.9	6,377.2
Multilateral	1,764.2	1,488.4	1,479.0	1,495.4	1,771.2
Debt Service	284.4	227.3	274.2	341.7	679.4
<i>(Debt Service Percent Change)</i>	<i>71.0</i>	<i>(20.1)</i>	<i>20.7</i>	<i>24.6</i>	<i>100.8</i>
Principal Amortization	120.8	134.1	164.5	213.1	434.5
Bilateral	49.9	69.3	70.2	140.8	349.0
Multilateral	70.9	64.8	94.3	72.2	85.5
Interest Payments	163.6	93.2	109.8	128.6	244.9
Bilateral	144.0	75.6	98.9	112.1	220.6
Multilateral	19.6	17.6	10.9	16.5	22.3

(1) Revised data.

(2) Preliminary data.

Source: Ministry of Finance.

The following table sets out information on the Lao PDR's outstanding external bonds as October 2018.

Notes	Currency	Outstanding principal amount (millions)	Maturity Date
Baht Denominated Bond	THB	2,566.0	4 December 2018
Baht Denominated Bond	THB	1,829.8	10 October 2019
Baht Denominated Bond	THB	1,466.2	10 October 2021
Baht Denominated Bond	THB	5,000.0	25 June 2020
Baht Denominated Bond	THB	6,000.0	25 June 2025
Baht Denominated Bond	THB	4,809.9	18 November 2019
Baht Denominated Bond	THB	1,870.5	18 November 2021
Baht Denominated Bond	THB	1,063.8	18 November 2023
Baht Denominated Bond	THB	1,371.5	18 November 2026
Baht Denominated Bond	THB	1,891.3	18 November 2028
Baht Denominated Bond	THB	2,791.3	5 October 2020
Baht Denominated Bond	THB	1,019.8	5 October 2022
Baht Denominated Bond	THB	340.9	5 October 2024
Baht Denominated Bond	THB	2967.0	5 October 2027
Baht Denominated Bond	THB	1,505.5	5 October 2029
Baht Denominated Bond	THB	5,375.5	5 October 2032
US\$ Denominated Bond	US\$	162.0	18 December 2025
US\$ Denominated Bond	US\$	20.0	18 December 2027

Source: IMF

The tables below show the projected scheduled repayment of external debt of the Government from 2020 to 2025.

Scheduled Repayment of External Debt

				2020			2021			2022		
				PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
TOTAL				843,767,997.44	309,592,544.49	1,153,360,541.93	617,997,033.37	301,565,379.18	919,562,412.55	661,859,708.43	289,752,084.63	951,611,793.06
BOND				232,197,971.97	72,857,890.83	305,055,862.80	154,407,523.41	65,199,804.21	219,607,327.62	30,611,164.22	57,673,677.51	88,284,841.73
	Market Terms			232,197,971.97	72,857,890.83	305,055,862.80	154,407,523.41	65,199,804.21	219,607,327.62	30,611,164.22	57,673,677.51	88,284,841.73
	Bond			232,197,971.97	72,857,890.83	305,055,862.80	154,407,523.41	65,199,804.21	219,607,327.62	30,611,164.22	57,673,677.51	88,284,841.73
LOAN				611,570,025.47	236,734,653.66	848,304,679.13	463,589,509.96	236,365,574.97	699,955,084.93	631,248,544.21	232,078,407.12	863,326,951.33
Concessional				489,978,860.27	188,119,578.65	678,098,438.92	324,345,171.82	189,448,550.69	513,793,722.51	480,439,727.69	186,861,891.16	667,301,618.85
	BILATERAL			489,978,860.27	188,119,578.65	678,098,438.92	324,345,171.82	189,448,550.69	513,793,722.51	480,439,727.69	186,861,891.16	667,301,618.85
	AUSTRIA			26,579,165.50	4,319,116.92	30,898,282.42	20,235,964.31	3,675,366.78	23,911,331.09	17,349,619.67	3,108,718.66	20,458,338.33
	CHINA			220,566,960.46	159,475,368.22	380,042,328.68	260,957,753.92	172,805,367.33	433,763,121.25	402,396,427.88	171,736,853.07	574,133,280.95
	HUNGARY			905,263.16		905,263.16	905,263.16		905,263.16	4,283,641.54		4,283,641.54
	INDIA			10,249,430.61	1,488,871.29	11,738,301.90	10,279,853.56	1,297,903.91	11,577,757.47	10,279,853.56	1,107,798.52	11,387,652.08
	JAPAN			5,355,208.04	1,423,461.04	6,778,669.08	5,355,208.04	1,478,169.89	6,833,377.93	6,531,379.73	1,509,444.38	8,040,824.11
	KOREA, REP. O			3,994,509.16	454,472.53	4,448,981.69	3,994,509.16	435,730.81	4,430,239.97	3,994,509.16	417,070.65	4,411,579.81
	KUWAIT			1,210,988.86	658,849.87	1,869,838.73	1,210,988.86	685,888.83	1,896,877.69	1,889,413.98	708,798.70	2,598,212.68
	LAO P.D.R.			200,000,000.00	10,500,000.00	210,500,000.00	0.00	0.00	0.00	0.00	0.00	0.00
	SWEDEN			563,236.36		563,236.36	563,236.36		563,236.36	563,236.36		563,236.36
	THAILAND			20,554,098.12	9,799,438.78	30,353,536.90	20,842,394.45	9,070,123.14	29,912,517.59	33,151,645.81	8,273,207.18	41,424,852.99
Concessional				80,632,662.94	20,447,566.39	101,080,229.33	87,263,435.88	20,882,869.45	108,146,305.33	97,321,514.26	21,647,239.67	118,968,753.93
	MULTILATERAL			80,632,662.94	20,447,566.39	101,080,229.33	87,263,435.88	20,882,869.45	108,146,305.33	97,321,514.26	21,647,239.67	118,968,753.93
	ADB			46,937,155.86	9,860,339.94	56,797,495.80	50,523,895.46	9,998,511.33	60,522,406.79	54,888,405.90	10,805,949.12	65,694,355.02
	EEC			67,863.31	4,708.00	72,571.31	67,863.31	4,199.01	72,062.32	67,863.31	3,690.06	71,553.37
	EIB			1,375,000.00	2,453,912.01	3,828,912.01	1,512,500.00	2,380,541.13	3,893,041.13	1,672,000.00	2,299,718.53	3,971,718.53
	IDA			24,076,769.23	6,275,029.69	30,351,798.92	26,358,134.27	6,742,943.33	33,101,077.60	31,976,531.01	6,902,010.32	38,878,541.33
	IFAD			2,110,302.63	338,779.59	2,449,082.22	2,110,302.63	321,857.59	2,432,160.22	2,110,302.63	304,935.63	2,415,238.26
	NDF			2,131,891.91	400,721.97	2,532,613.88	2,257,033.21	402,781.86	2,659,815.07	2,486,311.41	403,840.35	2,890,151.76
	OPEC			3,933,680.00	1,114,075.19	5,047,755.19	4,433,707.00	1,032,035.20	5,465,742.20	4,120,100.00	927,095.66	5,047,195.66

				2023			2024			2025		
				PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
TOTAL				790,881,966.42	271,418,673.42	1,062,300,639.84	746,194,432.40	250,775,704.39	996,970,136.79	1,078,499,128.31	223,554,802.45	1,302,053,930.76
BOND				108,369,764.85	56,456,111.57	164,825,876.42	10,232,737.68	51,259,586.31	61,492,323.99	340,067,390.03	44,699,598.74	384,766,988.77
	Market Terms			108,369,764.85	56,456,111.57	164,825,876.42	10,232,737.68	51,259,586.31	61,492,323.99	340,067,390.03	44,699,598.74	384,766,988.77
	Bond			108,369,764.85	56,456,111.57	164,825,876.42	10,232,737.68	51,259,586.31	61,492,323.99	340,067,390.03	44,699,598.74	384,766,988.77
LOAN				682,512,201.57	214,962,561.85	897,474,763.42	735,961,694.72	199,516,118.08	935,477,812.80	738,431,738.28	178,855,203.71	917,286,941.99
Concessional				524,421,622.71	172,368,645.26	696,790,267.97	577,683,132.85	157,390,134.34	735,073,267.19	577,135,586.20	140,570,240.07	717,705,826.27
	BILATERAL			524,421,622.71	172,368,645.26	696,790,267.97	577,683,132.85	157,390,134.34	735,073,267.19	577,135,586.20	140,570,240.07	717,705,826.27
	AUSTRIA			17,565,870.69	2,500,589.52	20,066,460.21	17,782,845.44	2,051,832.29	19,834,677.73	17,782,845.44	1,590,773.34	19,373,618.78
	CHINA			439,075,938.33	160,160,684.33	599,236,622.66	504,635,169.09	146,844,976.12	651,480,145.21	501,926,844.09	131,214,749.01	633,141,593.10
	HUNGARY			7,662,019.92		7,662,019.92	10,389,292.64		10,389,292.64	10,389,292.64		10,389,292.64
	INDIA			10,279,853.56	917,693.12	11,197,546.68	8,217,186.89	727,659.87	8,944,846.76	6,154,520.22	600,279.06	6,754,799.28
	JAPAN			10,055,443.42	1,530,898.65	11,586,342.07	12,013,899.17	1,527,191.95	13,541,091.12	12,013,899.17	1,472,465.20	13,486,364.37
	KOREA, REP. O			3,994,509.16	396,786.68	4,391,295.84	3,994,509.16	376,244.54	4,370,753.70	4,809,769.01	352,798.44	5,162,567.45
	KUWAIT			2,567,839.10	675,864.05	3,243,703.15	2,567,839.10	631,291.56	3,199,130.66	2,567,839.10	586,718.99	3,154,558.09
	LAO P.D.R.			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	SWEDEN			563,236.36		563,236.36	563,236.36		563,236.36	563,236.36		563,236.36
	THAILAND			32,656,912.17	6,186,128.91	38,843,041.08	17,519,155.00	5,230,938.01	22,750,093.01	20,927,340.17	4,752,456.03	25,679,796.20
Market Terms				53,987,302.26	21,049,748.87	75,037,051.13	48,987,302.26	21,547,730.84	70,535,033.10	49,993,702.26	18,946,049.07	68,939,751.33
	MALAYSIA			13,500,000.00	2,412,094.52	15,912,094.52	7,000,000.00	1,947,750.00	8,947,750.00	7,000,000.00	1,653,750.00	8,653,750.00
	RUSSIA			14,500,000.00	10,355,632.97	24,855,632.97	16,000,000.00	12,627,099.92	28,627,099.92	16,000,000.00	11,655,955.05	27,655,955.05
	THAILAND			25,987,302.26	8,282,021.38	34,269,323.64	25,987,302.26	6,972,880.92	32,960,183.18	26,993,702.26	5,636,344.02	32,630,046.28
Concessional				104,103,276.60	21,544,167.72	125,647,444.32	109,291,259.61	20,578,252.90	129,869,512.51	111,302,449.82	19,338,914.57	130,641,364.39
	MULTILATERAL			104,103,276.60	21,544,167.72	125,647,444.32	109,291,259.61	20,578,252.90	129,869,512.51	111,302,449.82	19,338,914.57	130,641,364.39
	ADB			58,440,598.92	10,967,389.15	69,407,988.07	61,592,917.24	10,498,220.60	72,091,137.84	62,949,796.78	9,850,909.56	72,800,706.34
	EEC			67,863.31	3,181.06	71,044.37	67,863.31	2,672.11	70,535.42	67,863.31	2,163.12	70,026.43
	EIB			1,842,500.00	2,210,441.07	4,052,941.07	2,029,500.00	2,111,992.25	4,141,492.25	2,238,500.00	2,003,512.26	4,242,012.26
	IDA			35,035,600.33	6,854,344.80	41,889,945.13	36,600,500.87	6,594,043.20	43,194,544.07	37,272,442.72	6,248,379.53	43,520,822.25
	IFAD			2,110,302.63	288,013.63	2,398,316.26	2,110,302.63	271,091.67	2,381,394.30	2,110,302.63	254,169.67	2,364,472.30
	NDF			2,486,311.41	393,937.65	2,880,249.06	2,772,135.59	373,608.01	3,145,743.60	2,943,400.29	351,349.47	3,294,749.76
	OPEC			4,120,100.00	826,860.36	4,946,960.36	4,118,039.97	726,625.06	4,844,665.03	3,720,144.09	628,430.96	4,348,575.05

Source: Ministry of Finance

The following table shows the composition of the Lao PDR's Government's external debt by type of creditor as of the dates indicated.

Government External Debt by Type of Creditor					
As of December 31,					
	2014	2015	2016	2017	2018
	<i>(US\$ millions)</i>				
Multilateral creditors	1,764.23	1,488.37	1,478.96	1,495.40	1,771.24
Bilateral creditors	3,658.69	4,203.82	5,157.09	5,583.92	6,377.19
Commercial creditors (Bonds)	300.26	838.42	1,081.21	1,481.87	1,613.07
Total external debt	5,723.18	6,530.61	7,717.26	8,561.19	9,761.50

Over time, China has become the largest bilateral creditor of the Lao PDR.

The following table sets forth debt service of the Lao PDR on external debt for the years indicated.

Government External Debt Service					
For the Year Ended December 31,					
	2014	2015	2016	2017	2018
	<i>(US\$ millions)</i>				
Principal payments on external debt	120.8	134.1	164.5	213.1	434.5
Interest payments on external debt	163.6	93.2	109.8	128.6	244.9
Total debt service on external debt	284.4	227.3	274.2	341.7	679.4

Source: Ministry of Finance (Annual Economic Report 2018)

Debts of Former Soviet Union

The Union of Soviet Socialist Republics ("USSR") provided an aggregate of approximately RUB 772 million and US\$0.4 million, resulting from interest-free loans contracted during 1975 to 1989, to the Government of the Lao PDR prior to the USSR's dissolution in 1991. These loans arose mainly from the large value of Soviet net exports and project assistance to the Lao PDR. Following the dissolution of the USSR, all 15 republics of the USSR gained independence and the Russian Federation succeeded to all external claims as well as external debts of the USSR. The original debts were mostly denominated in RUB; with a contractually agreed exchange rate of 0.6 RUB per US\$. As such, the RUB-denominated debt burden (as converted into US\$ using this exchange rate) would have been significant, amounting to claims against the Government of the Lao PDR of approximately US\$1,287 million. According to a Memorandum of Understanding (the "MOU") between the Russian Federation and the Paris Club member countries signed on September 17, 1997, the Russian Federation (as a new member of the Club) agreed to give an upfront discount of approximately 70.0% of all Soviet-era RUB-denominated claims to developing countries, including interest arrears, before applying the standard terms of debt treatment, in the context of the Paris Club debt restructuring. In 2003, the Government of the Lao PDR and the government of the Russian Federation reached a bilateral agreement to restructure the Soviet-era debt, consistent with the key terms of the MOU between the Russian Federation and the Paris Club member countries. Taking into account the original exchange rate between Russian roubles and U.S. dollars and the upfront discount of 70.0%, this restructuring resulted in a new total debt face-value of US\$387 million, including concessional terms. After the Russian debt was restructured, the Government of the Lao PDR continued servicing the debt from 2003 onwards. The outstanding debts to the Russian Federation amounted to US\$299 million as of December 31, 2017 or 3.5% of the total external debt of the Lao PDR as of such date. Consequently, this debt is not regarded as material to the financial position of the Government of the Lao PDR.

Domestic Debt

Domestic debt comprises treasury bills and treasury bonds, are mainly held by banking sector and the BoL. The resolution of domestic payment arrears related to public infrastructure projects is underway and added approximately 3% of GDP to domestic debt in 2018.

The outstanding amounts of treasury bills as of October 31, 2018 were as follows:

Treasury Bills /Notes	Currency	Amount (millions)	Tenor
Domestic			
Treasury Bills/Notes	LAK	2,604,700	1 year
Treasury Bills/Notes	LAK	210,000	2 years
Treasury Bills/Notes	LAK	60,000	3 years
Treasury Bills/Notes	LAK	279,750	5 years
Foreign			
Treasury Bills/Notes	US\$	60	5 years

Source: Ministry of Finance

Relationships with International Financial Institutions

IMF

The Lao PDR has been a member since July 5, 1961. From May 1, 1984 to October 31, 2014, the IMF granted lending arrangements, which are similar to a line of credit to support a country's adjustment program. The arrangement requires the member to observe certain specific terms in order to be eligible to receive disbursements. The IMF lends under stand-by, extended and precautionary and liquidity line arrangements, and, at reduced rates, under poverty reduction and growth trust arrangements.

The following table sets out information on the outstanding credit facilities granted from the IMF to the Lao PDR as of December 31, 2018.

Lao PDR's IMF Credit Facilities as of May 31, 2019

	Date of Arrangement	Date of Expiration of Cancellation	Amount Agreed	Amount Drawn
			<i>(SDR thousands)</i>	
Extended Credit Facility	April 25, 2001	April 24, 2005	31,700	18,120
Extended Credit Facility	June 4, 1993	May 7, 1997	35,190	35,190
Structural Adjustment Facility Commitment	September 18, 1989	September 17, 1992	20,510	20,510
Total			87,400	73,820

Source: IMF August 2019 Report

Asian Development Bank (“ADB”)

The Lao PDR has been a member of ADB since 1966. The partnership started slowly and has grown steadily. ADB financed 12 projects in Laos between 1970 and 1990. Today, the focus of ADB in Laos is on agricultural commercialization, rural economic development, and natural resource conservation.

Cumulative ADB Lending, Grants and Technical Assistance by Sector as of December 31, 2018⁽¹⁾

<u>Sector</u>	<u>Loans (no.)</u>	<u>US\$ millions</u>	<u>%</u>
Agriculture and Natural Resources, and Rural Development	96	518.9	18.75
Education	37	264.1	9.54
Energy	49	508.7	18.38
Finance	35	95.9	3.46
Health	29	159.7	5.77
Industry and Trade	21	110.6	4.00
Public Sector Management	56	88.1	3.18
Transport	54	569.4	20.57
Water Supply and Other Municipal Infrastructure	44	427.7	15.45
Multisector	7	24.7	0.89
Total	428	2,767.8	100.0

(1) Includes sovereign and non-sovereign loans and technical assistance. Grants and technical assistance include ADB-administered co-financing.

Source: Asian Development Bank Member Fact Sheet (April 2019)

World Bank Group

In 1961, the Lao PDR joined the International Bank for Reconstruction and Development (IBRD), which is part of the World Bank group. A year later, the World Bank conducted its official visit to the Lao PDR to assess the country’s economic situation and prospects. In subsequent years, the Lao PDR-World Bank partnership evolved with wider global developments in best practice and knowledge. In the 1970s, the World Bank assisted the Lao PDR in relation to matters such as reconstruction needs and food security. Later, its focus shifted to expanding access to social services and infrastructure improvements, and then to developing the institutions and policy frameworks required for strong economic management. As of August 29, 2019, the World Bank financed portfolio in Lao PDR includes studies/ advisory services and analytics and 21 projects. The International Development Association (“IDA”) is a member of the World Bank group.

The following tables set out information on the World Bank’s financing and projects in Lao PDR for the dates and periods presented.

Lao PDR’s World Bank Commitments as of June 2016 (in US\$ millions)⁽¹⁾

Sector	IDA			Recipient-Executed Trust Fund (RETF)			Total		
	US\$	%	No. of	US\$	%	No. of	US\$	%	No.⁽¹⁾
	millions			millions			millions		
Environmental and Natural Resources	71	20	3	24	32	4	95	22	5
Social Development	67	19	2	17	22	1	83	20	4
Energy and Mining	56	16	2	0	0	0	56	13	2
Transport	49	14	1	0	0	0	49	11	1
Education	28	8	1	17	22	1	45	11	2
Health, Nutrition and Population	26	7	1	0	0	0	26	6	1
Water	20	7	1	0	0	0	26	6	1

Finance and Markets	20	6	1	0	0	0	20	5	1
Economic Policy	17	5	2	18	24	2	34	8	3
Total ⁽²⁾	359	100	14	76	100	8	435	100	18

Note:

(1) Certain projects have both IDA and RETF as sources of funding, and therefore an overlapping number of sources of funds.

(2) According to the World Bank East Asia and Pacific Region – Lao PDR Portfolio, as of August 29, 2019 there was World Bank / IDA funding of US\$514.2 million and development partner funding via trust funds of US\$46.1 million, through 21 projects, with an undisbursed balance of US\$257.5 million.

Source: World Bank Group Country Partnership Framework for the Lao People's Democratic Republic 2017-2021

List of Projects to be financed by the World Bank between 2017 and 2021

No.	Project Name	Amount of Financing (in US\$ millions)
1	Lao Road Sector Project II	25
2	Loan to Banque Franco Lao (IFC)	10
3	Loan to ACLEDA Bank (IFC)	9
4	Loan to a commercial bank (IFC)	20
5	Statistics and CRVS	20
6	Agriculture Commercialization	25
7	Investment in hydropower (Xekatom) (IFC)	15-20
8	Competitiveness and Private Sector Development	-
9	National Road 13 North	-
10	Rural Development / Electrification	-
11	Energy Connector Project	-
12	Social protection system to reduce vulnerability and malnutrition	-
13	Additional Financing for Health Governance and Nutrition Development Programme (IDA and TF)	10
14	Universal Health Coverage	-
15	Water Supply and Sanitation for Health	-
16	Education in early years	-
17	Mekong Integrated Water Resources Management	25
18	Additional Financing	30
19	Disaster Risk Management	20
20	Sustainable Energy and Extractives Development TA	30
21	GHG Emissions Reduction from Forests (Carbon Fund)	-
22	Forestry plantation and processing (IFC)	-
23	Renewable Energy Project (hydro or solar or wind) (IFC)	40
24	Green Growth DPF series	-
25	Green Growth DPF series	-

Source: World Bank Group Country Partnership Framework for the Lao People's Democratic Republic 2017-2021

DESCRIPTION OF THE NOTES

The Lao People's Democratic Republic, represented by the Ministry of Finance of the Lao People's Democratic Republic (the "Issuer") will issue the Notes under an indenture, to be dated as of December 30, 2019, between the Issuer and Wilmington Trust, National Association, as trustee, paying agent, registrar and transfer agent.

This section of the Offering Memorandum is intended to be a summary of the material provisions of the indenture and the Notes. This summary is qualified in its entirety, by reference to all of the provisions of the indenture and the terms of the Notes. The definitions of certain capitalized terms used in this section are set forth under "—Defined Terms."

The Notes contain provisions regarding acceleration and voting on amendments, modifications and waivers that differ from the provisions governing notes issued by certain other issuers. These provisions are commonly referred to as "collective action clauses." Under these provisions, the Issuer may amend certain key terms of the Notes, including the maturity date, amounts payable and other payment terms, with the consent of fewer than all the holders of the Notes. These collective action clauses are described below.

Principal and Interest

The Notes will:

- be limited to the aggregate principal amount of US\$150,000,000 (except as provided in the indenture with respect to the exchange or replacement of Notes, and as otherwise provided under "—Further Issues" below);
- be issued in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof;
- mature and be repaid at par (unless previously repaid) on June 30, 2021; and
- bear interest from the date of issuance at a rate of 6.875% per annum, payable semi-annually in arrears on each June 30 and December 30, commencing on June 30, 2020 to the holders of record on the fifteenth day immediately preceding the interest payment date.

Interest on the Notes will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Status of the Notes

The Notes will constitute general, direct, unsubordinated and unconditional obligations of the Issuer for which the full faith and credit of the Issuer is pledged. The Notes will rank without any preference among themselves and equally with all other unsubordinated External Indebtedness of the Issuer. It is understood that this provision shall not be construed so as to require the Issuer to make payments under the Notes ratably with payments being made under any other External Indebtedness.

Further Issues

The Issuer may from time to time without notice to or the consent of the holders of the Notes create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest thereon) so as to be consolidated with, and form a single series with the Notes, provided that such additional notes do not have, for purposes of U.S. federal income taxation, a greater amount of original issue discount than the outstanding Notes as of the date of the issue of such additional notes.

Certain Covenants of the Issuer

Negative Pledge. So long as any Note remains outstanding (as defined in the indenture), the Issuer will not create or permit to exist any Lien on the whole or any part of the Lao People's Democratic Republic's present or future revenues, properties or assets to secure Public External Indebtedness unless, at the same time or prior thereto, the Notes are secured equally and ratably therewith. Notwithstanding the foregoing, the Issuer may create or allow to exist the following Liens (each a "Permitted Lien"):

- (i) any Lien upon property or assets (including capital stock of any person) to secure Public External Indebtedness incurred for the purpose of financing the acquisition of the property or assets over which such Lien has been created and any renewal or extension of any such Lien which is limited to the original property or assets covered thereby and which secures only the renewal or extension of the original secured financing;
- (ii) any Lien existing in respect of a property or asset at the time of its acquisition and any renewal or extension of any such Lien which is limited to the original property or asset covered thereby and which secures only the renewal or extension of the original secured financing;
- (iii) any Lien in existence on the date of the indenture, including any renewal or extension thereof which secures only the renewal or extension of the original secured financing;
- (iv) any Lien upon any property, project or asset securing Public External Indebtedness incurred for the purpose of financing all or part of the costs of its acquisition, construction, development or redevelopment and any renewal or extension of any such Lien; provided that (a) the holders of such Public External Indebtedness agree to limit their recourse to the assets and revenues of such project as the principal source of repayment of such Public External Indebtedness, (b) the property over which such Lien is granted consists solely of such assets and revenues of such project or claims that arise from the operation, failure to meet specifications, failure to complete, exploitation, sale or loss of, or damage to, such assets of such project, and (c) in the case of any project that has not yet been constructed, such Lien may be granted upon the unimproved real property on which construction of such project is planned or upon any trust account into which the proceeds of the applicable Public External Indebtedness are temporarily deposited pending their use for such construction;
- (v) Liens arising out of the extension, renewal or replacement of any Public External Indebtedness permitted to be subject to a Lien pursuant to clauses (i) to (iv) above;
- (vi) Liens arising pursuant to any legal process in connection with court proceedings in which the claims are being contested in good faith and are subject to an effective stay, or which secures the reimbursement obligation under any bond or surety given in connection with the release of property from any such Lien, provided that such Lien is released or discharged within one year of its imposition;
- (vii) Liens arising by operation of law, provided that any such Lien is not created or permitted to be created by the Issuer to secure any Public External Indebtedness; and
- (viii) Liens in addition to those permitted above, and any renewal or extension thereof; provided that at any time the aggregate amount of Public External Indebtedness secured by such additional Liens shall not exceed the equivalent of US\$50,000,000.

Maintenance of Approvals. The Issuer will (i) obtain and maintain in full force and effect all approvals, authorizations, permits, consents, exemptions and licenses and will take all other actions (including any notice to, or filing or registration with, any agency, department, ministry, authority, statutory corporation or other regulatory or administrative body or juridical entity of the Issuer) which are necessary for the continued validity and enforceability of the indenture and the Notes and (ii) take all necessary and appropriate governmental and administrative action in order for the Issuer to be able to make all payments to be made by it under the Notes.

Listing. The Issuer will use its reasonable best efforts to obtain the listing of the Notes, and thereafter to maintain such listing of the Notes, on the Singapore Exchange Securities Trading Limited (the “SGX-ST”).

Events of Default

Each of the following events will constitute an event of default under the Notes (each an “Event of Default”):

Non-Payment:

- The Issuer fails to pay principal on any Notes when due and such failure continues for a period of 10 calendar days; or
- The Issuer fails to pay interest on any Notes when due and such failure continues for a period of 30 calendar days;

Breach of Other Obligations: The Issuer fails to perform any other obligation under the Notes or the Indenture, and such failure continues for a period of 60 calendar days after written notice requiring the same to be remedied shall have been given to the Issuer by the trustee or by the holders (with a copy to the trustee) of at least 25% in aggregate principal amount of the outstanding Notes;

Cross Default: The Issuer fails to make any payment of principal or interest in respect of any External Indebtedness in an aggregate principal amount in excess of US\$20,000,000 (or its equivalent in any other currency) when payable (whether upon maturity, acceleration or otherwise, as such time may be extended by any applicable grace period or waiver) and such failure continues for a period of 30 calendar days after written notice requiring the same to be remedied shall have been given to the Issuer by the trustee or by the holders (with a copy to the trustee) of at least 25% in aggregate principal amount of the outstanding Notes;

Moratorium: The Issuer, or a court of proper jurisdiction, declares a moratorium with respect to the payment of principal of or interest on Public External Indebtedness, which moratorium does not expressly exclude the Notes;

Validity: Any of the following occurs:

- the Issuer contests the validity or enforceability of the Notes in a formal administrative, legislative or judicial proceeding;
- any legislative, executive or judicial body or official of the Issuer which is authorized in each case by law to do so declares the Notes invalid or unenforceable;
- the Issuer shall deny any of its obligations under the Notes;
- any constitutional provision, treaty, convention, law, regulation, official communiqué, decree, ordinance or policy of the Issuer, or any final decision by any court in the Issuer purports to render any material provision of the indenture or the Notes invalid or unenforceable or purports to prevent or delay the performance or observance by the Issuer of any of its material obligations thereunder; or
- any constitutional provision, treaty, convention, law, regulation, ordinance, decree, consent, approval, license or other authority necessary to enable the Issuer to make or perform its material obligations under the indenture or the Notes, or the validity or enforceability thereof, shall expire, be withheld, revoked, terminated or otherwise cease to remain in full force and effect, or shall be modified in a manner which adversely affects any rights or claims of any of the holders of the Notes;

IMF Membership. The Issuer fails to maintain its membership in, and eligibility to use the general resources of, the International Monetary Fund (the “IMF”); or

Judgments. There shall have been entered against the Issuer in a matter related to External Indebtedness (i) a final judgment, decree or order by a court of competent jurisdiction or (ii) an arbitral award by a tribunal of competent jurisdiction, in each case from which no appeal may be made, or from which no appeal has been made within the time limit for doing so, for the payment of money in excess of US\$20,000,000 (or its equivalent in another currency) and 120 days shall have passed since the entry of such order without the Issuer having satisfied such judgment or award.

If any of the Events of Default described above occurs, the trustee or the holders of at least 25% in aggregate principal amount of the Notes then outstanding, so long as such Event of Default is continuing, may by written demand to the Issuer (with a copy to the trustee, if notice is given by the holders) declare the principal of and any accrued interest on the Notes to be immediately due and payable. No Note may be declared due and payable if, prior to receipt of such demand by the Issuer, all then existing Events of Default shall have been cured. The holders of more than 50% of the aggregate principal amount of the outstanding Notes may rescind or annul a declaration of acceleration on behalf of all holders of Notes if:

- following the declaration that the Notes are immediately due and payable, the Issuer deposits with the trustee a sum sufficient to pay all overdue principal (other than principal that became due by virtue of such acceleration), interest and other amounts in respect of the Notes, as well as the reasonable fees, disbursements and expenses of the trustee and its agents, and counsel; and
- all other Events of Default (other than non-payment of principal that became due by virtue of such acceleration) have been remedied.

The trustee shall not be deemed to have notice of any Event of Default unless written notice of such Event of Default is received by a Responsible Officer of the trustee, and such notice references the Notes and the Indenture. The Issuer is not required to provide periodic evidence of the absence of Events of Default.

Suits for Enforcement and Limitations on Suits by Holders

If an Event of Default has occurred and is continuing, the trustee may institute judicial action to enforce the rights of the holders of Notes. With the exception of a suit to enforce the absolute right of a holder to receive payment of the principal of and interest on the Notes in the manner contemplated in the indenture and the Notes on the stated maturity date therefor (as that date may be amended or modified pursuant to the terms of the Notes), a holder has no right to bring a suit, action or proceeding with respect to the Notes unless: (1) such holder has given written notice to the trustee that an Event of Default with respect to the Notes has occurred and is continuing; (2) holders of at least 25% in aggregate principal amount of the outstanding Notes have instructed the trustee by specific written request to institute an action or proceeding and provided an indemnity or security satisfactory to the trustee; and (3) 60 days have passed since the trustee received the instruction, the trustee has failed to institute an action or proceeding as directed and no direction inconsistent with such written request shall have been given to the trustee by a majority of holders of the outstanding Notes. Moreover, any such action commenced by a holder must be for the equal, ratable and common benefit of all holders of the Notes.

Definitions

As used herein under “—Certain Covenants of the Issuer,” “—Status of the Notes” and “—Events of Default”:

“External” means with reference to any Indebtedness, any Indebtedness which is (i) issued directly by and in the name of the Lao People’s Democratic Republic and is backed by the full faith and credit of the Lao People’s Democratic Republic, (ii) denominated or payable, or which at the option of the relevant creditor or holder may be payable, in a currency or currencies other than the lawful currency of the Lao People’s Democratic Republic and (iii) issued and placed outside of the territory of the Issuer, provided, however, that “External” Indebtedness shall not include Indebtedness for money borrowed by any state-owned corporation or in the name of any agency or instrumentality of the Lao People’s Democratic Republic other than the Issuer (whether or not such corporation, agency or instrumentality has, under the laws of the Lao People’s Democratic Republic, a separate legal existence),

but shall include any guarantee issued directly by and in the name of the Lao People's Democratic Republic of such Indebtedness;

"Indebtedness" means a person's actual or contingent payment obligations for borrowed money together with such person's actual or contingent liabilities under guarantee or similar arrangements to secure the payment of any other party's obligations for borrowed money;

"Lien" means any lien, pledge, mortgage, security interest, deed of trust, charge or other encumbrance having a similar effect whether in effect on the date of the indenture or at any time thereafter, including, without limitation, any equivalent claim or interest created or arising under the laws of the Issuer;

"person" and "party" include the Issuer;

"Public External Indebtedness" means Public Indebtedness that is External; and

"Public Indebtedness" means, with respect to any person, any Indebtedness of such person which is in the form of, or represented by, bonds, notes, loans or other financial indebtedness or securities with a stated maturity of more than one year from the date of issue which are, or intended by such person to be, quoted, listed or ordinarily purchased or sold, dealt in or traded on any stock exchange, automated trading system, over-the-counter or other securities market.

Modifications, Amendments and Waivers—Collective Action

A meeting of holders of Notes may be called at any time and from time to time to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided by the indenture or the Notes to be made, given or taken by holders of the Notes or to modify, amend or supplement the terms of the indenture or the Notes as hereinafter provided.

The Issuer or the holders of at least 10% in aggregate principal amount of the outstanding Notes may at any time call a meeting of holders of Notes for any such purpose to be held at such time and at such place as the Issuer or such holders shall determine. Notice of every such meeting, setting forth the time and the place of such meeting and in reasonable detail the action proposed to be taken at such meeting, shall be given as provided in the indenture, not less than 30 nor more than 60 calendar days prior to the date fixed for the meeting.

If the Issuer or the holders of at least 10% in aggregate principal amount of the outstanding Notes requests that the trustee call a meeting of the holders of the Notes for any such purpose, by written request (with a copy to the Issuer, in the case of request by holders) setting forth the time and place of, and in reasonable detail the action proposed to be taken at, the meeting, the trustee shall call such meeting for such purposes by giving notice thereof as provided in the indenture.

Only holders and their proxies are entitled to vote at a meeting of holders. The Issuer will set the procedures governing the conduct of the meeting and, if additional procedures are required, the Issuer in consultation with the trustee will establish such procedures as are customary in the market.

Modifications, amendments and waivers may also be approved by holders of Notes pursuant to written action with the consent of the requisite percentage of holders. The Issuer will solicit the consent of the relevant holders to the modification, amendment or waiver not less than 10 and not more than 30 calendar days before the expiration date for the receipt of such consents as specified in such solicitation.

The holders may generally approve any proposal by the Issuer to modify the terms of the indenture or the terms of the Notes with the affirmative vote (if approved at a meeting of the holders) or consent (if approved by written action) of holders of more than 50% of the aggregate principal amount of the outstanding Notes.

However, holders may approve by vote or written consent, through one of three modification methods, any proposed modification by the Issuer that would do any of the following (such subjects referred to as “reserved matters”):

- change the date on which any amount is payable on the Notes;
- reduce the principal amount of the Notes;
- reduce the interest rate on the Notes;
- change the method used to calculate any amount payable on the Notes;
- change the currency or place of payment of any amount payable on the Notes;
- amend, change or modify in any material respect the obligation of the Issuer to make and consummate a mandatory redemption;
- modify the Issuer’s obligation to make any other payments on the Notes (including any redemption price therefor);
- change the identity of the obligor under the Notes;
- change the definition of “outstanding debt securities” or the percentage of affirmative votes or written consents, as the case may be, required to vote on a modification, amendment or waiver of a “reserved matter”;
- change the definition of “uniformly applicable” or “reserved matter”;
- authorize the trustee, on behalf of all holders of the Notes, to exchange or substitute all the Notes for, or convert all the Notes into, other obligations or securities of the Issuer or any other person; or
- change the legal ranking, governing law, submission to jurisdiction or waiver of immunities provisions of the indenture or the Notes.

A change to a reserved matter, including the payment terms of the Notes, can be made without the consent of all holders of the Notes, as long as the change is approved, pursuant to one of the three following modification methods, by vote or written consent by:

- the holders of more than 75% of the aggregate principal amount of the outstanding debt securities of a series affected by the proposed modification;
- where such proposed modification would affect the outstanding debt securities of two or more series, the holders of more than 75% of the aggregate principal amount of the outstanding debt securities of all of the series affected by the proposed modification, taken in the aggregate, if certain “uniformly applicable” requirements are met; or
- where such proposed modification would affect the outstanding debt securities of two or more series, the holders of more than 66 2/3% of the aggregate principal amount of the outstanding debt securities of all of the series affected by the proposed modification, taken in the aggregate, and the holders of more than 50% of the aggregate principal amount of the outstanding debt securities of each series affected by the modification, taken individually.

“uniformly applicable,” as referred to above, means a modification by which holders of debt securities of any series affected by that modification are invited to exchange, convert or substitute their debt securities on the same

terms for (x) the same new instruments or other consideration or (y) new instruments or other consideration from an identical menu of instruments or other consideration. The trustee shall not be responsible for determining whether the uniformly applicable requirement has been satisfied.

The Issuer may select, in its discretion, any modification method for a reserved matter in accordance with the indenture and designate which series of debt securities will be included for approval in the aggregate of modifications affecting two or more series of debt securities. Any selection of a modification method or designation of series to be included will be final for the purpose of the vote related to such modification request.

Before soliciting any vote of any holder of debt securities for any modification, amendment or waiver in respect to a reserved matter, the Issuer will provide the following information to the trustee for distribution to the holders of debt securities of any series that would be affected by the proposed modification, amendment or waiver:

- a description of the Issuer's economic and financial circumstances that are, in the Issuer's opinion, relevant to the request for the proposed modification, amendment or waiver, a description of the Issuer's existing debts and a description of its broad policy reform program and provisional macroeconomic outlook;
- if the Issuer shall at the time have entered into an arrangement for financial assistance with multilateral and/or other major creditors or creditor groups and/or an agreement with any such creditors regarding debt relief, (i) a description of any such arrangement or agreement and (ii) where permitted under the information disclosure policies of the multilateral or other creditors, as applicable, a copy of the arrangement or agreement;
- a description of the Issuer's proposed treatment of external debt securities that would not be affected by the proposed modification, amendment or waiver and its intentions with respect to any other major creditor groups; and
- if the Issuer is then seeking any reserved matter modification affecting any other series of debt securities, a description of that proposed modification.

For purposes of determining whether the required percentage of holders of the debt securities of a series has approved any modification, amendment or waiver of the debt securities or the indenture, or whether the required percentage of holders has delivered a notice of acceleration of the debt securities of that series, debt securities will be disregarded and deemed not to be outstanding and may not be counted in a vote or consent solicitation for or against a proposed modification, amendment or waiver if, on the record date for the proposed modification, amendment or waiver or other action or instruction under the indenture, the debt security is held by the Issuer or by a public sector instrumentality, or by a corporation, trust or other legal entity that is controlled by the Issuer or a public sector instrumentality, except that (i) debt securities held by the Issuer or any public sector instrumentality or by a corporation, trust or other legal entity that is controlled by the Issuer or a public sector instrumentality which have been pledged in good faith may be regarded as outstanding if the pledgee establishes to the satisfaction of the trustee the pledgee's right so to act with respect to such debt securities and that the pledgee is not the Issuer or a public sector instrumentality, and in case of a dispute concerning such right, the advice of counsel shall be full protection in respect of any decision made by the trustee in accordance with such advice and any certificate, statement or opinion of counsel may be based, insofar as it relates to factual matters or information which is in the possession of the trustee, upon the certificate, statement or opinion of or representations by the trustee; and (ii) in determining whether the trustee will be protected in relying upon any such action or instructions under the indenture, or any notice from holders, only debt securities that a responsible officer of the trustee has been notified in writing to be so owned or controlled will be so disregarded.

As used in the preceding paragraph, "public sector instrumentality" means the Central Bank, any department, ministry or agency of the Lao People's Democratic Republic or any corporation, trust, financial institution or other entity owned or controlled by the Lao People's Democratic Republic or any of the foregoing, and "control" means the power, directly or indirectly, through the ownership of the voting securities or other ownership interests, by contract or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other persons

performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or other entity.

Certain Amendments Not Requiring Holder Consent

The Issuer and the trustee may, without the vote or consent of any holder of Notes, modify, amend or supplement the indenture or the Notes for the purpose of:

- adding to the covenants of the Issuer for the benefit of the holders of Notes;
- surrendering any rights or power conferred upon the Issuer;
- securing the Notes pursuant to the requirements of the Notes or otherwise;
- curing any ambiguity or curing, correcting or supplementing any defective provision contained in the indenture or in the Notes;
- amending the indenture or the Notes in any manner that the Issuer may determine and that does not adversely affect the interests of any holder of Notes in any material respect; or
- correcting a manifest error of a formal, minor or technical nature.

Representative Committee

The holders of at least 25% of the outstanding aggregate principal amount of the Notes may, by notice in writing to the Issuer (with a copy to the trustee), appoint any person or persons as a committee (a “Holders’ Committee”) to represent the interests of the holders (as well as the interests of any holders of any other outstanding series of debt securities who wish to be represented by such Holders’ Committee) if any of the following events shall have occurred:

(i) an Event of Default;

(ii) any event or circumstance which would, with the giving of notice, passage of time, the issuing of a certificate and/or fulfillment of any other requirement constitute an Event of Default;

(iii) any public announcement by the Issuer to the effect that the Issuer is seeking or intends to seek a restructuring of the Notes (whether by amendment, exchange offer or otherwise); or

(iv) with the agreement of the Issuer, at a time when the Issuer has reasonably reached the conclusion that its debt may no longer be sustainable while the Notes or any other affected series of debt securities are outstanding.

Upon receipt of a written notice that such Holders’ Committee has been appointed in accordance with this section, and a certificate delivered as described below, the Issuer shall give notice of the appointment of such Holders’ Committee to all holders of the Notes in accordance with “—Notices” and the holders of each other affected series of outstanding debt securities in accordance with the governing instrument for that series of outstanding debt as soon as practicable after such written notice and such certificate are delivered to the Issuer.

Any such Holders’ Committee in its discretion may, among other things: (i) engage legal advisors and financial advisors to assist it in representing the interests of the holders of the Notes, (ii) adopt such rules as it considers appropriate regarding its proceedings, (iii) enter into discussions with the Issuer and/or other creditors of the Issuer, and (iv) designate one or more members of the Holders’ Committee to act as the main point(s) of contact with the Issuer and provide all relevant contact details to the Issuer. Except to the extent provided in this paragraph, such Holders’ Committee shall not have the ability to exercise any powers or discretions which the holders of the Notes could themselves exercise.

The Issuer shall engage with the Holders' Committee in good faith and provide it with information equivalent to that required under "—Modifications, Amendments and Waivers—Collective Action" and related proposals, if any, in each case as the same become available, subject to any applicable information disclosure policies, rules and regulations. The Issuer shall pay any reasonable fees and expenses of any such Holders' Committee (including, without limitation, the fees and expenses of the Holders' Committee's legal advisors and financial advisors, if any) within 30 days of the delivery to the Issuer of a reasonably detailed invoice and supporting documentation.

Upon the appointment of a Holders' Committee, the persons constituting the Holders' Committee (the "Members") shall deliver a certificate to the Issuer and to the trustee signed by authorized representatives of the Members, upon which certificate, the Issuer and the trustee may rely. The certificate shall certify (i) that the Holders' Committee has been appointed, (ii) the identity of the initial Members, and (iii) that such appointment complies with the terms of the indenture. Promptly after any change in the identity of the Members, a new certificate upon which each of the Issuer and the trustee may rely, shall be delivered to the Issuer and the trustee identifying the new Members. Each of the Issuer and the trustee may assume that the membership of such Holders' Committee has not changed unless and until it shall have received a new certificate. Notwithstanding anything herein to the contrary, in dealing with any Holders' Committee, the trustee shall not be required to provide such Holders' Committee with any information that has not otherwise been provided to holders not represented by such Holders' Committee. In appointing a person or persons as a committee to represent the interests of the holders of the Notes, the holders of the Notes may instruct a representative or representatives of the committee to form a separate committee or to join a steering group with any person or persons appointed for similar purposes by other affected series of outstanding debt securities.

Payments and Agents

Payments of principal and interest on the Notes held in global form to be made other than at final maturity will be made to DTC or its nominee as the registered owner thereof in U.S. dollars in immediately available funds. Payment of principal and interest due at final maturity of the Notes will be payable in U.S. dollars in immediately available funds against surrender of such Notes. The Issuer expects that upon receipt of any payment of principal of or interest on the Notes, DTC will credit the appropriate DTC participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the Notes as shown on the records of DTC. The Issuer also expects that payments by DTC participants to owners of beneficial interests in the Notes held in global form through such DTC participants will be governed by standing instructions and customary practices of such DTC participants.

Payments by such DTC participants to owners of beneficial interests in such Notes held in global form through such participants will be the responsibility of such participants.

Neither the Issuer nor the trustee will have any responsibility or liability for any aspect of the records of DTC relating to payments made by DTC on account of beneficial interests in the Notes held in global form or for maintaining, supervising or reviewing any records of DTC relating to such beneficial interests.

If any date for payment in respect of any Note is not a business day, the holder thereof shall not be entitled to payment until the next following business day. No further interest shall be paid in respect of any such delay in payment.

If the Issuer issues Notes in certificated form, payments of interest thereon to be made other than at maturity will be made to the person in whose name such Note is registered at the close of business on the regular record date (as defined in the terms and conditions of the Notes) immediately preceding the related interest payment date (as defined on the face of the Notes). Such payment shall be made by a United States dollar check drawn on a bank located in the United States mailed to the holder at such holder's registered address or, upon application of any holder holding at least US\$1,000,000 in principal amount of Notes, to the paying agent in the city of its corporate trust office not later than the relevant regular record date, by transfer of immediately available funds to a United States dollar account maintained by such holder with a bank in the City of New York.

Subject to any relevant unclaimed property laws, all moneys paid by or on behalf of the Issuer to the paying agent for the payments of the principal of or interest on any Note which remain unclaimed at the end of two years

after such principal or interest shall have become due and payable will be repaid to the Issuer (upon written request therefore), and the holder of such Note will thereafter look only to the Issuer for payment. Upon such repayment all liability of the paying agent and any other paying agent with respect thereto shall cease, without, however, limiting in any way the obligation of the Issuer in respect of the amount so repaid, subject to the provisions set forth in “—Claims Proscribed” below.

So long as any Note remains outstanding, the Issuer will maintain (i) a paying agent, transfer agent and registrar having a specified office in the city of the Trustee’s Corporate Trust Office and (ii) in the event any of the Notes are exchanged for Notes in definitive form, so long as the Notes are listed on the SGX-ST and the rules of that exchange so require, the Issuer will announce such exchange through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

The Issuer has initially appointed Wilmington Trust, National Association, as trustee, registrar, paying agent and transfer agent for the Notes. Subject to the foregoing, the Issuer may terminate any such appointment and may appoint any other agents in such other places as it deems appropriate upon notice in accordance with “—Notices” below and in accordance with the terms and conditions set forth in the indenture.

Payments in respect of the Notes shall be made in such currency of the United States as at the time of payment shall be legal tender for the payment of public and private debts.

In acting under the indenture and in connection with the Notes, each of the agents and each other paying agent and transfer agent is acting solely as agent of the Issuer. The agents do not assume any obligation toward or relationship of agency or trust for or with the owner or holder of any Note, except that they will hold in trust any funds for payment of principal of or interest on the Notes and will apply such funds as set forth in the indenture and the Notes.

Mandatory Redemption

If, following the date of issuance of the Notes, the Issuer incurs, in one transaction or any series of related transactions, any Public External Indebtedness in a principal amount equal to or exceeding the outstanding principal amount of the Notes (or its equivalent in other currencies) (the “Replacement Indebtedness”), the Issuer will be obligated to redeem the Notes (a “Mandatory Redemption”) in full at the redemption prices (each a “Mandatory Redemption Price”) described in the next paragraph (expressed as a percentage of principal amount), plus accrued and unpaid interest to (but excluding) the date of redemption.

If Replacement Indebtedness requiring a Mandatory Redemption is incurred at any time after the date of issuance of the Notes and prior to June 30, 2020, the Mandatory Redemption Price will be 102%. If Replacement Indebtedness requiring a Mandatory Redemption is incurred at any time after June 30, 2020 and prior to December 30, 2020, the Mandatory Redemption Price will be 101%. If Replacement Indebtedness requiring a Mandatory Redemption is incurred at any time after December 30, 2020 and prior to the maturity of the Notes, the Mandatory Redemption Price will be 100%.

No later than 30 days following the incurrence of any Replacement Indebtedness, the Issuer will mail, or deliver electronically in accordance with the procedures of DTC, a notice to each holder of Notes, with a copy to the Trustee, stating:

- (1) that Replacement Indebtedness has been incurred and that the Notes are being redeemed in full at the applicable Mandatory Redemption Price, plus accrued and unpaid interest to (but excluding) the date of redemption; and
- (2) the redemption date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the “Mandatory Redemption Date”).

On the Mandatory Redemption Date, interest shall cease to accrue on the Notes so long as the Issuer has deposited with the paying agent funds sufficient to pay the applicable Mandatory Redemption Price in full.

Optional Redemption

At any time after the date of issuance of the Notes and prior to June 30, 2020, the Issuer may at its option redeem all or part of the Notes at a redemption price (expressed as a percentage of their principal amount at maturity) of 103.4375%, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. At any time on or after June 30, 2020 and prior to December 30, 2020, the Issuer may at its option redeem all or part of the Notes at a redemption price (expressed as a percentage of their principal amount at maturity) of 101.71875%, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. At any time on or after December 30, 2020 and prior to maturity, the Issuer may at its option redeem all or part of the Notes at a redemption price (expressed as a percentage of their principal amount at maturity) of 100%, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. Any optional redemption by the Issuer will be subject to the right of holders of record on the relevant regular record date that is prior to relevant redemption date to receive interest due on the applicable interest payment date.

The Issuer will mail, or deliver electronically in accordance with the procedures of DTC, a notice of redemption to each holder at least 30 days and not more than 60 days prior to the redemption date, to the address of each holder as it appears on the register maintained by the registrar. A notice of redemption will specify the redemption date and may provide that it is subject to certain conditions that will be specified in the notice. If those conditions are not met, the redemption notice will be of no effect and the Issuer will not be obligated to redeem the Notes.

In the event that fewer than all of the Notes are to be redeemed at any time, selection of Notes for redemption will be made in compliance with the requirements governing redemptions of the principal securities exchange, if any, on which the Notes are listed or if such securities exchange has no requirement governing redemption or if the Notes are not then listed on a securities exchange, by lot (or, in the case of Notes held in global form, in accordance with the applicable procedures of DTC). If the Notes are redeemed in part, the remaining outstanding amount of any Note must be at least equal to US\$200,000 and be an integral multiple of US\$1,000.

Unless the Issuer defaults in the payment of the redemption price, on and after the redemption date interest will cease to accrue on the Notes called for redemption.

Purchase and Cancellation

The Issuer may at any time purchase Notes at any price in the open market or otherwise. The Notes so purchased by the Issuer may, at the Issuer's discretion, be held, resold or surrendered to the trustee for cancellation. The Notes so purchased, while held by or on behalf of the Issuer, shall not entitle the holder to vote the Notes and shall not be deemed to be outstanding for purposes of calculating quorums.

Additional Amounts

The Issuer shall make all payments on the Notes without withholding or deduction for or on account of any present or future taxes, duties, assessments, or other governmental charges of whatever nature imposed or levied by the Issuer, any political subdivision or authority thereof or therein having power to tax or any other jurisdiction (including any political subdivision or authority thereof or therein having power to tax) from or through which payments by or at the direction of the Issuer are made (each, a "Taxing Jurisdiction"), unless the Issuer or the relevant paying agent is compelled by the laws of such Taxing Jurisdiction to deduct or withhold such taxes, duties, assessments or governmental charges. If any such withholding is required with respect to a Note, the Issuer will (i) pay to the relevant Taxing Jurisdiction the full amount required to be withheld, deducted or otherwise paid before penalties attach thereto or interest accrues thereon, (ii) pay such additional amounts as may be necessary to ensure that the net amounts receivable by the holder of the Note after such withholding or deduction shall equal the payment which would have been receivable in respect of the Notes in the absence of such withholding or deduction and (iii) furnish such holder, promptly and in any event within 60 days after such deduction or withholding, the original tax receipt issued by the relevant Taxing Jurisdiction (or if such original tax receipt is not available or must legally be kept in the possession

of the Issuer, a duly certified copy of the original tax receipt or any other evidence of payment reasonably satisfactory to the relevant holder), together with such other documentary evidence with respect to such payments as may be reasonably requested from time to time by such holder. The Issuer will not, however, pay any additional amounts if a holder is subject to withholding or deduction due to one of the following reasons:

- the holder (or a fiduciary, settlor, beneficiary, member or shareholder of the holder, if the holder is an estate, a trust, a partnership or a corporation) has some present or former connection with the relevant Taxing Jurisdiction other than merely holding the Notes, receiving principal or interest thereon or exercising remedies with respect thereto;
- the holder has failed to comply with any reasonable certification, identification or other reporting requirement concerning the nationality, residence, identity or connection with the relevant Taxing Jurisdiction, of the holder of a Note or any interest therein or rights in respect thereof, if compliance is required by such Taxing Jurisdiction, pursuant to applicable law or any international treaty in effect, as a precondition to exemption from or reduction in such withholding or deduction to which such holder is legally entitled; or
- in cases where presentation of Notes is required, the holder has failed to present its Note for payment within 30 days after the Issuer first makes available the relevant payment of principal or interest on such Note.

If a Taxing Jurisdiction is required by applicable law to make any deduction or withholding of any Tax in respect of which the Issuer would be required to pay any additional amount to a holder, but does not make such deduction or withholding with the result that a liability in respect of such Tax is assessed directly against the holder of any Note, and such holder pays such liability, then the Issuer will promptly reimburse such holder for such payment (including any related interest or penalties to the extent such interest or penalties arise by virtue of a default or delay by the Issuer) upon demand by such holder accompanied by an official receipt (or a duly certified copy thereof) issued by the Taxing Authority. Except as specifically provided in the indenture, the Issuer shall not be required to make a payment with respect to any tax of any other nature imposed by any government or a political subdivision or taxing authority thereof or therein.

Whenever there is mentioned, in any context, the payment of the principal of or interest on, or any amounts in respect of, a Note, such mention shall be deemed to include mention of the payment of additional amounts to the extent that, in such context, additional amounts are, were or would be payable in respect thereof, and express mention of the payment of additional amounts (if applicable) shall not be construed as excluding additional amounts where such express mention is not made.

Currency Indemnity

All payments required to be made hereunder by the Issuer shall be in U.S. dollars, regardless of any law, rule, regulation or statute, whether now or hereafter in existence or in effect in any jurisdiction, which affects or purports to affect such obligations. The obligation of the Issuer in respect of any amount due hereunder shall, notwithstanding any payment in any other currency (whether pursuant to a judgment or otherwise), be discharged only to the extent of the U.S. dollar amount (referred to as the “agreement currency”) which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the holder cannot purchase the agreement currency in the amount originally to be paid, the Issuer agrees to pay the difference. The holder, however, agrees that, if the amount of the agreement currency purchased exceeds the amount originally to be paid to such holder, the holder will reimburse the excess to the Issuer. The holder, however, will not be obligated to make this reimbursement if an Event of Default has occurred and is continuing.

Notices

All notices or communications shall be in writing in the English language. Notices will be mailed to holders of Notes at their registered addresses and shall be deemed to have been given on the date of such mailing. DTC will communicate such notices to its participants in accordance with their standard practices. In addition, so long as the

Notes are listed on the SGX-ST and the rules of that exchange so require, notices to holders will be delivered and/or published in such manner as may be required by the SGX-ST and its rules.

Governing Law

The indenture and the Notes shall be governed by, and construed in accordance with, the laws of the State of New York; provided, however, that the due authorization and execution of the indenture and the Notes by the Issuer shall be governed by the laws of the Lao People's Democratic Republic.

Dispute Resolution

The Issuer, the Trustee and the holders of Notes irrevocably and unconditionally agree that any dispute which may arise out of or in connection with the indenture or the Notes (including any dispute regarding their existence, validity or termination and any dispute relating to non-contractual obligations arising out of or in connection with the indenture or the Notes) (a "Dispute") shall be referred to and finally resolved by arbitration under the Rules of Arbitration of the International Chamber of Commerce (the "Rules") and the governing law of the indenture, which shall be the substantive law of the State of New York. The place of such arbitration shall be New York, NY. The language of the arbitration proceedings shall be English. Any monetary award shall be made and payable in U.S. dollars and the arbitral tribunal shall be authorized to grant pre-award and post-award interest at commercial rates. The decision of any such arbitral tribunal shall be final and binding to the fullest extent permitted by law.

The arbitral tribunal shall be composed of three (3) arbitrators. The claimant(s), irrespective of number, shall nominate jointly one arbitrator and the respondent(s), irrespective of number, shall nominate jointly the second arbitrator in accordance with the Rules, for confirmation by the ICC Court. If a party or parties fail(s) to nominate an arbitrator, the appointment shall be made by the ICC Court. The third arbitrator, who shall serve as president of the arbitral tribunal, shall be nominated, for confirmation by the ICC Court, by agreement of the two party-nominated arbitrators within 15 days of the appointment of the second arbitrator, or, in default of such agreement, shall be appointed by the ICC Court as soon as possible.

The Issuer and the holders of Notes expressly agree and consent to the procedure set out above for nominating and appointing the arbitral tribunal and irrevocably and unconditionally waive any other right to choose arbitrators by any other manner.

Notwithstanding the foregoing, any Dispute between the Trustee and any holder or holders of Notes shall be subject to the non-exclusive jurisdiction of any New York state or United States federal court sitting in the Borough of Manhattan, the City of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to the Indenture or the Notes, and the Trustee and the holders irrevocably submit to such jurisdiction and agree that all claims in respect of such Dispute may be heard and determined in such New York state or United States federal court.

The Issuer's agreement to arbitrate does not constitute a waiver of any right to sovereign immunity from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) to which it may be entitled in any jurisdictions other than as provided below and with respect to the arbitration proceedings provided for herein.

The Issuer acknowledges and agrees that any properly obtained arbitral award may be enforced in any jurisdiction in accordance with the New York Convention on the Recognition and Enforcement of Arbitral Awards 1958.

To the extent that the Issuer has or hereafter may acquire immunity (sovereign or otherwise) from the jurisdiction of any court, including any court in the Lao People's Democratic Republic or any court otherwise having jurisdiction within the United States, with respect to an action for the recognition, enforcement and/or vacatur of any arbitral award obtained in connection with any Dispute (an "Enforcement Proceeding") (whether through service of notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise), the Issuer, to the fullest extent permitted under applicable law, including to the fullest extent permitted under the United States Foreign

Sovereign Immunities Act of 1976, as amended, and subject to the limitations set forth below in this provision, expressly and irrevocably waives such immunity from jurisdiction or execution and any similar defense, and irrevocably consents to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever of any order, award or judgment made or given in connection with any such Enforcement Proceeding; provided, however, that it may not be possible to enforce in the Lao People's Democratic Republic a court judgment obtained in the United States. This waiver constitutes only a limited and specific waiver for the purposes of any Enforcement Proceedings and under no circumstances shall it be interpreted as a general waiver by the Issuer or a waiver with respect to proceedings unrelated to an Enforcement Proceeding. Neither such waiver nor the appointment of a service of process agent, as provided below, shall be deemed or interpreted to include a waiver of any immunity with respect to: (i) actions brought against the Issuer arising out of or based upon United States state or federal securities laws; (ii) property of the Central Bank of the Lao People's Democratic Republic held for its own account; (iii) present or future "premises of the mission" as defined in the Vienna Convention on Diplomatic Relations signed in 1961; (iv) "consular premises" as defined in the Vienna Convention on Consular Relations signed in 1963; (v) military property or military assets or property or assets of the Lao People's Democratic Republic related thereto; (vi) properties and assets used solely or mainly for public or governmental purposes; or (vii) property of international organizations that have been designated under the International Organizations Immunities Act.

For the purposes of any court proceedings commenced in support of, or in relation to, arbitral proceedings brought under the indenture, the Issuer will appoint the person for the time being acting as, or discharging the function of, Permanent Mission of the Lao People's Democratic Republic to the United Nations (currently with an office at 317 East 51st Street, New York, New York, 10022), as its agent to receive on behalf of the Issuer and its property service of copies of the summons and complaint and any other process which may be served in any Enforcement Proceeding in any court having jurisdiction within the United States, and agrees that, if for any reason such agent shall cease to be such agent for service of process, it will appoint a third party agent for such service of process. Such service may be made by U.S. registered mail or by delivering by hand a copy of such process to the Issuer in care of the process agent at the address specified above for the process agent and such service will be effective ten days after the mailing or delivery by hand of such process to the office of the process agent. The Issuer will authorize and direct the process agent to accept on its behalf such service. Failure of the process agent to give notice to the Issuer, or failure of the Issuer to receive notice, of such service of process shall not affect in any way the validity of such service on the process agent or the Issuer.

The Issuer will also irrevocably consent to the service of any and all process in any Enforcement Proceeding in any court having jurisdiction within the United States by sending by U.S. registered mail, copies of such process addressed to the Issuer at the Ministry of Finance, 23 Singha Road, Vientiane, Lao People's Democratic Republic, and such service will be effective ten days after mailing thereof. In addition, none of its agreements described in this or the preceding paragraph shall affect the right of any party to serve legal process in any other manner permitted by law or affect the right of any party to bring any suit, action or proceeding against any other party or its property in the courts of other jurisdictions.

BOOK-ENTRY SETTLEMENT AND CLEARANCE

Global Notes

The Notes will initially be issued in the form of two or more registered notes in global form (“Global Notes”), without interest coupons, as follows:

- Notes sold to qualified institutional buyers in reliance on Rule 144A under the Securities Act will be represented by one or more Global Notes (the “Restricted Global Notes”); and
- Notes sold in offshore transactions to non-U.S. persons in reliance on Regulation S will be represented by one or more Global Notes (the “Regulation S Global Notes”).
- Upon issuance, the Global Notes will be deposited with the Trustee (as defined in “Description of the Notes”), as custodian for DTC and registered in the name of a nominee of DTC.

Ownership of beneficial interests in each Global Note will be limited to persons who have accounts with DTC (“DTC participants”) or persons who hold interests through DTC participants. The Lao PDR expects that under procedures established by DTC:

- upon deposit of each Global Note with DTC’s custodian, DTC will credit portions of the principal amount of the Global Note to the accounts of the DTC participants designated by the Initial Purchaser; and
- ownership of beneficial interests in each Global Note will be shown on, and transfer of ownership of those interests will be effected only through, records maintained by DTC (with respect to interests of DTC participants) and the records of DTC participants (with respect to other owners of beneficial interests in each Global Note).

Investors may hold their interests in the Regulation S Global Note directly through Euroclear or Clearstream, if they are participants in those systems, or indirectly through organizations that are participants in those systems. Investors may also hold their interests in the Regulation S Global Note through organizations other than Euroclear or Clearstream that are DTC participants. Each of Euroclear and Clearstream will appoint a DTC participant to act as its depository for the interests in the Regulation S Global Note that are held within DTC for the account of each of these settlement systems on behalf of its respective participants.

Beneficial interests in the Global Notes may not be exchanged for Notes in physical certificated form except in the limited circumstances described below.

Each Global Note and beneficial interests in each Global Note will be subject to restrictions on transfer as described under “Transfer Restrictions.”

Exchanges between the Global Notes

Beneficial interests in one Global Note may generally be exchanged for interests in another Global Note. Depending on whether the transfer is being made during or after the 40th day after the later of (i) the issue date of the Notes and (ii) the date on which the Notes were offered to persons other than distributors (as defined in Regulation S under the Securities Act), and to which Global Note the transfer is being made, the Trustee may require the seller to provide certain written certifications in the form provided in the Indenture (as defined in “Description of the Notes”).

A beneficial interest in a Global Note that is transferred to a person who takes delivery through another Global Note will, upon transfer, become subject to any transfer restrictions and other procedures applicable to beneficial interests in the other Global Note.

Book-Entry Procedures for the Global Notes

All interests in the Global Notes will be subject to the operations and procedures of DTC and, if applicable, Euroclear and Clearstream. The Lao PDR has provided the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. None of the Lao PDR, the Trustee, the Paying Agents nor the Initial Purchaser is responsible for those operations or procedures.

DTC has advised that it is:

- a limited purpose trust company organized under the laws of the State of New York;
- a “banking organization” within the meaning of the New York State Banking Law;
- a member of the U.S. Federal Reserve System;
- a “clearing corporation” within the meaning of the Uniform Commercial Code; and
- a “clearing agency” registered under Section 17A of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”).

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between its participants through electronic book-entry changes to the accounts of its participants. DTC’s participants include securities brokers and dealers, including the Initial Purchaser; banks and trust companies; clearing corporations; and other organizations. Indirect access to DTC’s system is also available to others such as banks, brokers, dealers and trust companies; these indirect participants clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. Investors who are not DTC participants may beneficially own securities held by or on behalf of DTC only through DTC participants or indirect participants in DTC.

So long as DTC’s nominee is the registered owner of a Global Note, that nominee will be considered the sole owner or holder of the Notes represented by that Global Note for all purposes under the Indenture. Except as provided below, owners of beneficial interests in a Global Note:

- will not be entitled to have Notes represented by the Global Note registered in their names;
- will not receive or be entitled to receive physical, certificated notes; and
- will not be considered the owners or holders of the Notes under the Indenture for any purpose, including with respect to the giving of any direction, instruction or approval to the Trustee under the Indenture.

As a result, each investor who owns a beneficial interest in a Global Note must rely on the procedures of DTC to exercise any rights of a holder of Notes under the Indenture (and, if the investor is not a direct participant in DTC, on the procedures of the DTC participant through which the investor owns its interest in the Notes).

Payments of principal and interest with respect to the Notes represented by a Global Note will be made, to the extent funded by the Issuer, by the Trustee or any Paying Agent to DTC’s nominee as the registered holder of the Global Note. Neither the Lao PDR nor the Trustee will have any responsibility or liability for the payment of amounts to owners of beneficial interests in a Global Note, for any aspect of the records relating to or payments made on account of those interests by DTC, or for maintaining, supervising or reviewing any records of DTC relating to those interests.

Payments by participants and indirect participants in DTC to the owners of beneficial interests in a Global Note will be governed by standing instructions and customary industry practice and will be the responsibility of those participants or indirect participants and DTC.

Transfers between participants in DTC will be effected under DTC's procedures and will be settled in same-day funds.

Transfers between participants in Euroclear or Clearstream will be effected in the ordinary way under the rules and operating procedures of those systems.

Cross-market transfers between DTC participants, on the one hand, and participants in Euroclear or Clearstream, on the other hand, will be effected within DTC through the DTC participants that are acting as depositaries for Euroclear and Clearstream. To deliver or receive an interest in a Global Note held in a Euroclear or Clearstream account, an investor must send transfer instructions to Euroclear or Clearstream, as the case may be, under the rules and procedures of that system and within the established deadlines of that system. If the transaction meets its settlement requirements, Euroclear or Clearstream, as the case may be, will send instructions to its DTC depositary to take action to effect final settlement by delivering or receiving interests in the relevant Global Notes in DTC, and making or receiving payment under normal procedures for same-day funds settlement applicable to DTC. Euroclear and Clearstream participants may not deliver instructions directly to the DTC depositaries that are acting for Euroclear or Clearstream.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant that purchases an interest in a Global Note from a DTC participant will be credited on the business day for Euroclear or Clearstream immediately following the

Cash received in Euroclear or Clearstream from the sale of an interest in a Global Note to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream cash account as of the business day for Euroclear or Clearstream following the DTC settlement date.

DTC, Euroclear and Clearstream have agreed to the above procedures to facilitate transfers of interests in the Global Notes among participants in those settlement systems. However, the settlement systems are not obligated to perform these procedures and may discontinue or change these procedures at any time. None of the Lao PDR, the Trustee nor any Paying Agent will have any responsibility for the performance by DTC, Euroclear or Clearstream or their participants or indirect participants of their obligations under the rules and procedures governing their operations.

Certificated Notes

Notes in physical, certificated fully registered form (without coupons) will be issued and delivered to each person that DTC identifies as a beneficial owner of the related Notes only if:

- DTC notifies the Lao PDR at any time that it is unwilling or unable to continue as depositary for the Global Notes and a successor depositary is not appointed within 90 days;
- DTC ceases to be registered as a clearing agency under the Exchange Act and a successor depositary is not appointed within 90 days; or
- the Trustee receives a notice from the registered holder of the Global Note requesting exchange of a specified amount for individual note certificates following a failure to pay at maturity or upon acceleration of any Notes.

TRANSFER RESTRICTIONS

The Notes have not been registered and will not be registered under the Securities Act, any U.S. state securities laws or the laws of any other jurisdiction, and may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions exempt from, or not subject to, registration under the Securities Act and the securities laws of any other jurisdiction. Accordingly, the Notes are being offered and sold only:

- in the United States to qualified institutional buyers in reliance on Rule 144A under the Securities Act; and
- outside of the United States to Non-U.S. persons in offshore transactions meeting the requirements of Rule 903 in reliance on Regulation S under the Securities Act.

Purchasers' Representations and Restrictions on Resale and Transfer

Each purchaser of Notes (other than the Initial Purchaser in connection with the initial issuance and sale of Notes) and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

- (1) it is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (a) a qualified institutional buyer and is aware that the sale to it is being made pursuant to Rule 144A or (b) a non-U.S. person that is outside the United States;
- (2) it acknowledges that the Notes have not been registered under the Securities Act or with any securities regulatory authority of any U.S. state or any other jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (3) it understands and agrees that Notes offered in the United States to qualified institutional buyers will be represented by one or more Global Notes and that Notes offered outside the United States pursuant to Regulation S will also be represented by one or more Global Notes;
- (4) it will not resell or otherwise transfer any of such Notes except (a) to the Lao PDR, (b) within the United States to a qualified institutional buyer in a transaction complying with Rule 144A under the Securities Act, (c) outside the United States in compliance with Rule 903 or 904 under the Securities Act, (d) pursuant to another exemption from registration under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act;
- (5) it agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes;
- (6) it acknowledges that prior to any proposed transfer of Notes (other than pursuant to an effective registration statement or in respect of Notes sold or transferred either pursuant to Rule 144A or Regulation S) the holder of such Notes may be required to provide certifications relating to the manner of such transfer as provided in the indenture;
- (7) it acknowledges that the Trustee, Registrar or Transfer Agent for the Notes will not be required to accept for registration the transfer of any Notes acquired by it, except upon presentation of evidence satisfactory to us that the restrictions set forth herein have been complied with;
- (8) it acknowledges that the Lao PDR, the Initial Purchaser and other persons will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements deemed to have been made by its purchase of the Notes are no longer accurate, it will promptly notify the Lao PDR and the Initial Purchaser; and

(9) if it is acquiring the Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

In addition, each purchaser of Notes that is located in the United States or is a U.S. person must deliver to Oppenheimer & Co. Inc. an investor representations letter with respect to the Notes. The investor representations letter will be made available to purchasers to review before the pricing date. In the investor representations letter, purchasers will be required to provide certain representations and warranties relating to their investment in the Notes. See “Plan of Distribution – Investor Representations Letter.”

Legends

The following is the form of restrictive legend which will appear on the face of the Restricted Global Note, and which will be used to notify transferees of the foregoing restrictions on transfer:

“This note has not been registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or any U.S. state securities laws. The holder hereof, by purchasing this note, agrees for the benefit of the issuer that this note or any interest or participation herein may be offered, resold, pledged or otherwise transferred only (1) to the issuer, (2) so long as this note is eligible for resale pursuant to Rule 144A under the Securities Act (“Rule 144A”), to a person who the seller reasonably believes is a qualified institutional buyer (as defined in Rule 144A) in accordance with Rule 144A, (3) in an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the Securities Act, (4) pursuant to an exemption from registration under the Securities Act (if available) or (5) pursuant to an effective registration statement under the Securities Act, and in each of such cases in accordance with any applicable securities laws of any state of the United States or other applicable jurisdiction. The holder hereof, by purchasing this note, represents and agrees that it shall notify any purchaser of this note from it of the resale restrictions referred to above.

This legend may be removed solely at the discretion and at the direction of the issuer.”

The following is the form of restrictive legend which will appear on the face of the Regulation S Global Note and which will be used to notify transferees of the foregoing restrictions on transfer:

“This note has not been registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or any U.S. state securities laws. The holder hereof, by purchasing this note, agrees that neither this note nor any interest or participation herein may be offered, resold, pledged or otherwise transferred in the absence of such registration unless such transaction is exempt from, or not subject to, such registration and in accordance with any applicable securities laws of any other applicable jurisdiction.

This legend may be removed solely at the discretion and at the direction of the issuer.”

The Lao PDR may, in its discretion, in the event of one or more issuances of additional Notes, as described under “Description of the Notes—Further Issues” elect not to remove the above legends. The above legends (including the restrictions on resale specified thereon) may be removed solely in the discretion and at the direction of the Lao PDR.

For further discussion of the requirements (including the presentation of transfer certificates) under the indenture to effect exchanges or transfers of interest in Global Notes and certificated Notes, see “Book Entry Settlement and Clearance.”

PLAN OF DISTRIBUTION

Oppenheimer & Co. Inc. is acting as the Initial Purchaser. The Initial Purchaser has entered into a purchase agreement with the Lao PDR with respect to the Notes (the “Purchase Agreement”). Subject to certain conditions, the Initial Purchaser has agreed to purchase, and the Lao PDR will agree to sell to the Initial Purchaser, the Notes being offered in the offering.

The Purchase Agreement provides that the obligations of the Initial Purchaser to purchase the Notes are subject to approval of legal matters by counsel and to other conditions. The Initial Purchaser must purchase all the Notes if it purchases any of the Notes.

The Purchase Agreement provides that the obligation of the Initial Purchaser to purchase the Notes is on a “best efforts” basis and, to the extent that any investor who has agreed to purchase Notes from the Initial Purchaser fails to make payment to the Initial Purchaser of the purchase price of such Notes, the Initial Purchaser has the right to rescind the purchase of such Notes from the Issuer, whereupon such Notes will be returned to the Issuer for cancellation, the Issuer will refund the purchase price of such Notes to the Initial Purchaser and the aggregate amount of Notes issued on the Closing Date will be accordingly reduced. On the Closing Date, the net proceeds from the sale of the Notes to the Initial Purchaser will be held in escrow by Oppenheimer Trust Company of Delaware, in an account in respect of which it will be acting as escrow agent, until the close of business on the Closing Date in order to ensure that funds are available to the Lao PDR to make such refund of the purchase price in the event of any such rescission by the Initial Purchaser. Oppenheimer Trust Company of Delaware is an affiliate of Oppenheimer & Co. Inc.

The Lao PDR has been advised that the Initial Purchaser proposes to resell the Notes at the issue price set forth on the cover page of this Offering Memorandum within the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A and outside the United States in reliance on Regulation S. See “Transfer Restrictions.” The price at which the Notes are offered may be changed at any time without notice.

The Notes have not been and will not be registered under the Securities Act or any state securities law and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See “Transfer Restrictions.”

In addition, until 40 days after the commencement of this offering, an offer or sale of Notes within the United States by a dealer that is not participating in this offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

Although application has been made for the listing and quotation of the Notes on the Official List of the SGX-ST, the listing does not assure that a trading market for the Notes will develop. The Initial Purchaser intends to make a secondary market for the Notes. However, they are not obligated to do so and may discontinue making a secondary market for the Notes at any time without notice. No assurance can be given as to how liquid the trading market for the Notes will be. The Lao PDR cannot assure you that the prices at which the Notes will trade in the market after this offering will not be lower than the initial issue price or that an active trading market for the Notes will develop and continue after this offering.

In connection with the offering, the Initial Purchaser may purchase and sell Notes in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions and stabilizing purchases.

- Short sales involve secondary market sales by the Initial Purchaser of a greater number of Notes than they are required to purchase in the offering.
- Covering transactions involve purchases of Notes in the open market after the distribution has been completed in order to cover short positions.

- Stabilizing transactions involve bids to purchase Notes so long as the stabilizing bids do not exceed a specified maximum.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by the Initial Purchaser for its own account, may have the effect of preventing or retarding a decline in the market price of the Notes. They may also cause the price of the Notes to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The Initial Purchaser may conduct these transactions in the over-the-counter market or otherwise. If the Initial Purchaser commences any of these transactions, they may discontinue them at any time.

The Initial Purchaser is a full service financial institution engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Initial Purchaser and its affiliates have in the past performed commercial banking, investment banking and advisory services for the Lao PDR from time to time for which they have received customary fees and reimbursement of expenses and may, from time to time, engage in transactions with and perform services for the Lao PDR in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses.

In the ordinary course of their various business activities, the Initial Purchaser and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own accounts and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve the Lao PDR's securities and instruments. The Initial Purchaser or its affiliates may have a lending relationship with the Lao PDR and may routinely hedge their credit exposure to the Lao PDR consistent with their customary risk management policies. Typically, such Initial Purchaser and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Lao PDR's securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Initial Purchaser and its affiliates may communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities or instruments.

The Lao PDR has agreed to indemnify the Initial Purchaser against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Initial Purchaser may be required to make because of any of those liabilities.

Investor Representations Letter

Each purchaser of Notes that is located in the United States or is a U.S. person must deliver to Oppenheimer & Co. Inc. an investor representations letter with respect to the Notes. The investor representations letter will be made available to purchasers to review before the pricing date. In the investor representations letter, purchasers will be required to provide certain representations and warranties relating to their investment in the Notes.

Selling Restrictions

Prohibition of Sales to EEA Retail Investors

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area. For the purposes of this provision, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the Insurance Distribution Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the Prospectus Regulation). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise

making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

United Kingdom

The Initial Purchaser has represented and agreed that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act (the “FSMA”)) received by them in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Lao PDR; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by them in relation to the Notes in, from or otherwise involving the United Kingdom.

Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 *Underwriting Conflicts* (NI 33-105), the Initial Purchaser is not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Singapore

The Initial Purchaser has acknowledged that this Offering Memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore and the Notes are offered by the Government pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (Securities and Futures Act). Accordingly, the Initial Purchaser has represented and agreed that this Offering Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes have not been and will not be circulated or distributed, and it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, (ii) to a relevant person under Section 275(1) of the Securities and Futures Act, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions, specified in Section 275 of the Securities and Futures Act and

(where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Each of the following persons specified in Section 275 of the Securities and Futures Act which has subscribed or purchased Notes, namely a person who is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor,

should note that securities or securities-based derivative contracts (each term as defined in Section 2(1) of the Securities and Futures Act) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable for six months after that corporation or that trust has acquired the Notes under Section 275 of the Securities and Futures Act except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the Securities and Futures Act, or to any person arising from an offer referred to in Section 275 (1A) or Section 276(4)(i)(B) of the Securities and Futures Act;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) pursuant to Section 276(7) of the Securities and Futures Act; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investment) (Securities and Securities-Based Derivative Contracts) Regulations 2018.

Notification under Section 309B(1)(c) of the SFA – In connection with Section 309B of the Securities and Futures Act and the Securities and Futures (Capital Markets Products) Regulations 2018 (the “CMP Regulations 2018”), the classification of the Notes has been determined as prescribed capital markets products (or defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Hong Kong

The Initial Purchaser has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (“SFO”) and any rules made under the Ordinance; or (b) in other circumstances which do not result in the document being an “Offering Memorandum” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under that Ordinance.

General

No action has been taken by the Lao PDR or the Initial Purchaser that would, or is intended to, permit a public offer of the Notes in any country or jurisdiction where any such action for that purpose is required.

Accordingly, each Initial Purchaser has undertaken that it will not, directly or indirectly offer or sell any Notes or distribute or publish any offering circular, this Offering Memorandum, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

Listing of Securities

Application will be made to the SGX-ST for the listing and quotation of the Notes on the Official List of the SGX-ST. However, we cannot assure you that the application will be approved. The Initial Purchaser may make a market in the Notes after completion of the offering, but will not be obligated to do so, and may discontinue any market-making activities at any time without notice. Neither we nor the Initial Purchaser can provide any assurance as to the liquidity of the trading market for the Notes. If an active public trading market for the Notes is not maintained, the market price and liquidity of the Notes may be adversely affected.

TAXATION

Lao PDR Taxation

The summary contains a description of the principal Lao tax consequences of the purchase, ownership and disposition of the Notes. This summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase Notes and does not address all tax considerations that may be relevant to all categories of prospective purchasers of the Notes, some of whom may be subject to special rules. This summary does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than the Lao PDR. The information set forth below is a summary only. This summary is based on the tax laws of the Lao PDR as in effect on the date of this Offering Memorandum, as well as regulations, rulings and decisions of the Lao PDR available on or before such date and now in effect. All of the foregoing is subject to change, which change could apply retroactively and could affect the continued validity of the summary.

Capital Duty/Stamp Duty

The Lao PDR does not levy a capital duty. Consequently, no capital duty will be due with the issuance of the Notes. Furthermore, based on the Stamp Tax Ordinance, no stamp tax will be due with respect to the issuance of the Notes.

Withholding Tax

Dividends paid to individuals or legal entities that are registered abroad are subject to withholding tax at the rate of 10%. There is no tax exemption on dividend income in Laos.

Royalties paid to individuals or legal entities that are registered abroad are subject to withholding tax at the rate of 5%.

Interest paid to individuals or legal entities that are registered abroad is subject to withholding tax at the rate of 10%. These withholding tax rates may be reduced under an applicable tax treaty. As there is limited outward investment from Laos, the tax treaty provisions for relief tend to follow the approach taken by the other country that is a party to the tax treaty.

Interest payments on the Notes will not be subject to Lao withholding taxes.

U.S. Federal Income Taxation

The following discussion is a summary of certain U.S. federal income tax consequences of acquiring, owning and disposing of the Notes. Except where otherwise noted, this discussion applies only to U.S. Holders (as defined below) of Notes that purchase the Notes at the initial issue price indicated on the cover of this Offering Memorandum and that hold the Notes as “capital assets” (generally, property held for investment). This discussion is based on the Code, its legislative history, existing final, temporary and proposed U.S. Treasury regulations, administrative pronouncements by the U.S. Internal Revenue Service (the “IRS”) and judicial decisions, all as of the date hereof and all of which are subject to change (possibly on a retroactive basis) and to different interpretations.

This discussion does not purport to address all U.S. federal income tax consequences that may be relevant to a particular U.S. Holder and U.S. Holders are urged to consult their own tax advisors regarding their specific tax situations. The discussion does not address the tax consequences that may be relevant to U.S. Holders subject to special tax rules, including, for example:

- insurance companies;
- tax-exempt organizations;
- dealers in securities or currencies;
- traders in securities that elect the mark-to-market method of accounting with respect to their securities holdings;
- banks or other financial institutions;
- partnerships or other pass-through entities for U.S. federal income tax purposes;
- U.S. Holders whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- U.S. expatriates;
- regulated investment companies;
- real estate investment trusts;
- passive foreign investment companies, controlled foreign corporations or corporations that accumulate earnings to avoid U.S. federal income tax; or
- holders that hold the Notes as part of a hedge, straddle, conversion or other integrated transaction.

Further, this discussion does not address U.S. federal estate and gift tax consequences, alternative minimum tax consequences, or any state, local and non-U.S. tax consequences of acquiring, owning and disposing of the Notes.

As used herein, the term “U.S. Holder” means a beneficial owner of the Notes that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation, or any other entity taxable as a corporation, created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust if (i) a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) the trust has an election in effect under current U.S. Treasury regulations to be treated as a U.S. person.

If a partnership (or any other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds the Notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor as to its consequences of acquiring, owning and disposing of the Notes.

U.S. Holders

Stated Interest

Stated interest paid to a U.S. Holder on a Note, including any amount withheld in respect of any taxes and any Additional Amounts, will be includible in such U.S. Holder's gross income as ordinary interest income at the time such payments are received or accrued in accordance with such U.S. Holder's usual method of tax accounting for U.S. federal income tax purposes. In addition, interest on the Notes will be treated as foreign source income for U.S. federal income tax purposes and generally will constitute "passive category" income for most U.S. Holders. Subject to generally applicable restrictions and conditions (including a minimum holding period requirement), a U.S. Holder generally will be entitled to a foreign tax credit in respect of any foreign income taxes withheld on interest payments on the Notes. Alternatively, the U.S. Holder may deduct such taxes in computing taxable income for U.S. federal income tax purposes provided that the U.S. Holder does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued for the relevant taxable year. The rules governing the foreign tax credit are complex. U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Original Issue Discount

It is possible that the Notes will be issued with original issue discount ("OID") for United States federal income tax purposes. The amount of OID on a Note will generally equal the excess of the "stated redemption price at maturity" of a note over its "issue price." However, a Note will not be treated as issued with OID for United States federal income tax purposes if the stated redemption price at maturity exceeds the issue price by less than 0.25% of the stated redemption price at maturity multiplied by the number of complete years to maturity. The "stated redemption price at maturity" of a Note will equal the sum of its principal amount plus all other payments thereunder, other than payments of "qualified stated interest," defined generally as stated interest that is unconditionally payable in cash or other property, other than our debt instruments, at least annually at a single fixed rate. The "issue price" of a Note will equal the first price at which a substantial amount of Notes are sold for money, excluding sales to underwriters, placement agents or wholesalers. The stated interest on the Notes will constitute qualified stated interest.

If the Notes are issued with OID, a U.S. Holder will be required to include in taxable income for any particular taxable year the daily portion of the OID described in the preceding paragraph that accrues on the Note for each day during the taxable year on which such holder holds the Note, whether reporting on the cash or accrual basis of accounting for United States federal income tax purposes. Thus, a U.S. Holder will be required to include OID in income in advance of the receipt of the cash to which such OID is attributable. The daily portion is determined by allocating to each day of an accrual period (generally, the period between interest payments or compounding dates) a pro rata portion of the OID allocable to such accrual period. The amount of OID that will accrue during an accrual period is the product of the "adjusted issue price" of the Note at the beginning of the accrual period multiplied by the yield to maturity of the Note less the amount of any qualified stated interest allocable to such accrual period. The "adjusted issue price" of a Note at the beginning of an accrual period will equal its issue price, increased by the aggregate amount of OID that has accrued on the Note in all prior accrual periods, and decreased by any payments made during all prior accrual periods on the Notes other than qualified stated interest.

A U.S. Holder may elect to treat all interest on a Note as OID and calculate the amount includible in gross income under the constant yield method described above. The election is to be made for the taxable year in which a U.S. Holder acquires a Note, and may not be revoked without the consent of the IRS. U.S. Holders should consult with their tax advisors about this election.

Sale, Exchange or Other Taxable Disposition

Upon the sale, exchange or other taxable disposition (including a redemption) of a Note, a U.S. Holder generally will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange or other taxable disposition (other than accrued but unpaid stated interest, which will be taxable as ordinary income to the extent not previously included in gross income) and the U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in a Note generally will equal the cost of the Note to the U.S. Holder, increased by any OID included in the U.S. Holder's income prior to the disposition of the note (if any) and reduced by any prior

payments of principal. Any such gain or loss will generally be capital gain or loss and will be long-term capital gain or loss if the Note has been held for more than one year at the time of its sale, exchange or other taxable dispositions. Certain non-corporate U.S. Holders (including individuals) may be eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. The deductibility of capital losses is subject to limitations under the Code.

Any gain or loss realized on the sale, exchange or other taxable disposition of a Note by a U.S. Holder generally will be treated as U.S. source gain or loss, as the case may be. If any gain from the sale, exchange or other taxable disposition of Notes is subject to foreign income or withholding tax, U.S. Holders may not be able to credit such tax against their U.S. federal income tax liability under the U.S. foreign tax credit limitations of the Code (because such gain generally would be U.S. source income). However, the U.S. Holder may be able to deduct such taxes in computing taxable income for U.S. federal income tax purposes.

Medicare Tax

A U.S. Holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a 3.8% tax on the lesser of (1) the U.S. Holder's "net investment income" (or undistributed "net investment income" in the case of estates and trusts) for the relevant taxable year and (2) the excess of the U.S. Holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals will be between US\$125,000 and US\$250,000, depending on the individual's circumstances). A holder's net investment income will generally include its interest income and its net gains from the disposition of a Note, unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). If you are a U.S. Holder that is an individual, estate or trust, you are urged to consult your own tax advisor regarding the applicability of this Medicare tax to your income and gains in respect of your investment in the Notes.

U.S. Backup Withholding and Information Reporting

Backup withholding (currently at a rate of 24%) and information reporting requirements generally apply to payments to U.S. Holders of principal of, and interest on, a Note (including OID and Additional Amounts, if any) that are made by a U.S. payor or U.S. middleman, to a U.S. Holder, unless the U.S. Holder (i) is a corporation or comes within certain other exempt categories of U.S. Holders and demonstrates this fact when so required, or (ii) in the case of backup withholding, provides a correct taxpayer identification number, certifies that it is not subject to backup withholding and otherwise complies with applicable requirements of the backup withholding rules.

Backup withholding is not an additional tax. A U.S. Holder of Notes generally will be entitled to credit any amounts withheld under the backup withholding rules against its U.S. federal income tax liability or to obtain a refund of the amounts withheld provided the required information is furnished to the IRS in a timely manner.

Foreign Asset Reporting

In addition, certain U.S. Holders who are individuals are required to report information relating to "specified foreign financial assets," including an interest in the Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by certain financial institutions). U.S. Holders should consult their tax advisors regarding the effect, if any, of this requirement on their ownership and disposition of the Notes.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership of Notes. Prospective purchasers of Notes should consult their own tax advisors concerning the tax consequences of their particular situations.

Investors who are in any doubt as to their position should consult their professional advisors.

OFFICIAL STATEMENTS

Information included herein which is identified as being derived from a publication of the Lao PDR or one of its agencies or instrumentalities is included herein on the authority of such publication as a public official document of the Lao PDR. All other information in this Offering Memorandum is included as a public official statement made on the authority of the Ministry of Finance of the Lao PDR, in his official capacity as such.

VALIDITY OF THE NOTES

The validity of the Notes will be passed upon on behalf of the Lao PDR by the Minister of Justice of the Lao PDR, Lao counsel to the Lao PDR, and by Morgan, Lewis & Bockius LLP, U.S. counsel for the Lao PDR. The validity of the Notes will be passed upon on behalf of the Initial Purchaser by Rajah & Tann (Laos) Co. Ltd, Lao counsel for the Initial Purchaser, and by Greenberg Traurig LLP, U.S. counsel for the Initial Purchaser. As to all matters of Lao law, Morgan, Lewis & Bockius LLP will rely on the opinion of the Minister of Justice and Greenberg Traurig will rely upon the opinion of Rajah & Tann (Laos) Co. Ltd.

GENERAL INFORMATION

1. The Regulation S Global Note and the Restricted Global Note will be accepted for clearance through DTC. The CUSIP numbers for the Regulation S Global Note and the Restricted Global Note are Y52081 AA7 and 51656Q AA0, respectively. The International Securities Identification Numbers for the Regulation S Global Note and the Restricted Global Note are USY52081AA71 and US51656QAA04, respectively.

2. The Lao PDR has obtained all necessary consents, approvals and authorizations in the Lao PDR in connection with the issue and performance of the Notes. The issue of the Notes has been authorized by the Office of the Prime Minister on December 13, 2019.

3. To the best of its knowledge, except as disclosed in this Offering Memorandum, the Lao PDR is not involved in any litigation, arbitration, or administrative proceedings relating to the claims or amounts which are material in the context of the issuance of Notes nor, so far as it is aware, having made reasonable inquiries, is any such material litigation or arbitration or administrative proceeding involving it pending or threatened.

4. Except as disclosed in this Offering Memorandum, there has been no material adverse change in the fiscal, economic or political condition or affairs of the Issuer since December 31, 2018 which is material in the context of the issue of the Notes.

6. Application will be made to the SGX-ST for the listing and quotation of the Notes on the Official List of the SGX-ST.

ISSUER

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Lao People's Democratic Republic

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Lao People's Democratic Republic



US\$150,000,000
6.875% Notes due 2021

Offering Memorandum

December 19, 2019

Lead Manager and Bookrunner

Oppenheimer & Co.

Local Financial Adviser

Phongsavanh Bank