



# *eccil* BUSINESS NEWS

Newsletter of the European Chamber of Commerce and Industry in Lao PDR

## Skills and Labour

How well prepared is the Lao workforce?

What skill sets need developing?

How to secure a quality working team?



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*At last! The 3rd ECCIL Business News has been issued.*

*A lot of topics we tackled in this edition are relevant to HR matters, such as How to recruit and retain your best staff, Salaries and wages in Laos, Challenges of the labour market or What are the changes in the new labour law.*

*Not to mention the articles on the special economic zones and the coming ASEAN Economic Community.*

*Definitely food for thought for the coming weeks, which will see the launch of our half-yearly Business Confidence Assessment, which might become one of the key indicators on how the business community will react in the aftermath of the implementation of the ASEAN community.*

*Wishing you all the best in these challenging times.*

*Guy Apovy*

## Cover photos

Our cover photos show

1. The control room at Nam Theung 2 hydropower plant
2. Traditional rice planting
3. Ms Soudaphone Visounnarath, the Lao PDR's first female pilot

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*The articles, advertisements and other contributions in this newsletter have mainly been provided by external sources and do not necessarily reflect the views of ECCIL. The European Chamber of Commerce and Industry in the Lao PDR does not take responsibility for their content.*

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## Message from the Executive Director

### New opportunities and challenges...



After long and not always easy negotiations with the EU, ECCIL signed a contract under the so-called

ICI+ Programme of the European Union. The contract came into effect on January 1st 2015, runs for 6 years and has a volume of 2.5m Euro of which the EU will provide up to 2m Euro as a grant whereas ECCIL has to come up with the balance. Besides being important for insuring the sustainability of the chamber the contract has basically four objectives:

Provision of high quality information and services for European companies and the European business community in the Lao PDR; Promoting the interest of the European business community in the Lao PDR; Promotion of the Lao PDR as a place to do business

in ASEAN; Liaison with the European chambers and other organisations in the region in order to develop services and to conduct effective advocacy on a transnational basis.

Given the moderate income from membership fees and from services it will take substantial additional revenue generators to meet the required financial contribution from ECCIL. It is intended to generate the necessary cash flow by providing services to our partners and clients. We are currently working on more training courses and workshops as well as on the establishment of an employment exchange / recruitment service.

### ... and a new home for ECCIL

The grant contract with the EU brings new challenges and the need for additional activities which cannot be met with the number of staff ECCIL had in 2014, namely an executive director, an assistant, a service manager, and a controller, supported by the part time position which enables us

to publish this newsletter. Additional staff requires additional infrastructure and additional office space.

So, by 'growing up' we are becoming too large (not too fat, we hope) to stay in the BFL building where ECCIL had the office since its foundation in May 2011. We were pleased to stay there – and we are very grateful to the bank for accommodating us over 4 years free of cost – but we had to find a new home.

After viewing about two dozen different possibilities we finally found what met our demands as well as our financial capabilities – the Villa Inpheng near Wat Inpheng. We share the colonial style house with other tenants like the Polish Consulate. Having moved in mid-May we are currently fitting the place with additional furniture and hardware. At the same time we are recruiting new personnel to live up to the expectations of the grant contract with the EU.

### ECCIL Representative in Luang Prabang



On March 27th, a meeting of ECCIL's members in Luang Prabang took place during which Mr. Chris Mulder, General Manager of the Boutique Hotel Villa Deux Rivières, was chosen as ECCIL's Representative in Luang Prabang. ECCIL plans to enhance its activities in this place and Chris will be the focal point for the communication between our

members in Luang Prabang and the ECCIL headquarters in Vientiane.

### Personnel

Ms. Sengphone Mounmanivong joined ECCIL as Controller and Procurement Officer in February 2015. Her predecessor, Mr. Sengpaseuth Sadavong, has left the chamber for a new career opportunity abroad.



### New home for ECCIL



After a long period of discovering, viewing and considering ECCIL finally moved from its home in BFL building to the new, but comfortably old, premises of Villa Inpheng. The chamber's new home offers more space, additional facilities and a garden area for social occasions. We hope our members will enjoy the new accommodation when they come to visit.

## General Assembly of ECCIL

In the morning of May 30 ECCIL had its Annual General Assembly which took place at the Institute Français, also known as the French Centre.

A quorum of members was present in person or by proxy when the president and treasurer gave presentations about the finances, past activities and future plans of the Chamber. Subsequently a new Executive Committee was elected which convened on June 4th to discuss recent events and the details of the way ahead as well as to elect the functionaries.

The Executive Committee will guide and supervise the activities of the chamber for the next two years and consists of the following persons:

Mr. Guy Apovy, President  
 Mr. Paul Simcock, Vice President  
 Mr. Guillaume Perdon, Vice President  
 Mr. Olivier de Peyrelongue, Treasurer  
 Mr. Charles Bianchi  
 Mr. Alistair Brown  
 Mr. Frederic Hofmann



**President Guy Apovy delivers the annual report to the members**

Mr. Andy Schroeter  
 Mr. Jack Sheehan  
 Mr. Gerald Walewijk

Most of the names are probably familiar to the members of ECCIL, some of the Executive Committee Members are 'men of the first hour' and as such founding members of the Chamber. Insiders might miss the name of Mr. Thomas Bo Pederson who served on the last Executive Committee – due

to professional constraints he came to the conclusion that he might not be able to dedicate enough time in future to be an Executive Committee member and therefore decided not to be a candidate this time. We take the opportunity to thank Thomas for his work for the Chamber in the past two years.

Further information about the Executive Committee and its members you will find on our website [www.eccil.org](http://www.eccil.org).

As the chamber grows in both services and membership we are pleased to introduce the new members who have joined this year.

Company name	Industry	Location	Joined
CEI Co. Ltd.	Consulting (Engineering/Investment)	Savannakhet	January
Sofitel Luang Prabang	Hotel	Luang Prabang	February
Europa Service and Trade Agency Sole Co. Ltd.	The Hungarian national Trading House CIs (MNKH)	Vientiane	March
Whessoe Lao	Engineering/Fabrication	Vientiane	April
The Representative of CMA CGM (Thailand) Ltd.	Shipping and logistics	Vientiane	May
Geo-Systems (Lao) Co. Ltd.	Service	Vientiane	June
Burapha AgroForestry Co. Ltd.	Manufacture (Forest plantation, Furniture, Sawmill)	Vientiane	June
Sanctuary Hotels and Resorts	Hotels and Resorts	Luang Prabang	June
Schneider Electric Overseas Asia Pte. Ltd.	Energy management and Automation	Vientiane	August
DKSH Lao Company Ltd.	Consumer goods, health care, technology products	Vientiane	August
Blue Lagoon Restaurant	Restaurant	Luang Prabang	August
Electro Lao	Distributor, service (Electrical Contractor)	Vientiane	August

**Sabaidee and welcome to you all!**

# Finding and Keeping Good Staff in the Lao PDR

## An individual and personal viewpoint

As a general manager in Laos for the past 5 years, my personal experiences of the leadership challenges in Laos have been extremely mixed to say the least. With over 30 years experience in management prior to arriving in Laos, I thought it would be relatively simple to repeat the success formula that had served me well as a leader in the past. That is, surround yourself with a team of individuals far smarter than you, give them clear direction, set clear expectations on performance, then let them get on with it!

However, I was looking at business life from a very Western perspective at the time. I've since found to my cost that Western methods don't always work in Laos.

So I'll attempt to lay out a Western approach to the recruitment and retention of high performers. However, it will be tempered by some uniquely Lao cultural values and thinking that have impacted me along the way.

As part of the journey, I'll touch on three key areas or tools that work for Lao Tobacco Limited (LTL). But let me say this up front – Lao people continue to surprise me, so don't think for a second that I have all the answers!

So let's start with six key cultural differences I've observed in Laos which impact recruitment and retention – very general in nature, and not true for all individuals.

1. In Western businesses, staff accept that their individual performance matters, and their contribution makes a difference. In Laos, I've found it's more about solidarity, and making sure no one person stands out from the crowd.

2. Compliance (ie following procedures & policies) is assumed in developed countries, while here compromise and flexibility is highly valued, so compliance can seem very much

optional to Westerners.

3. Westerners (usually) welcome candid, constructive feedback to help improve prospects and performance, while the Lao avoid confrontation. They don't find it easy to give direct comments on performance to individuals. Indirect methods of giving feedback are much more easy for Lao leaders.

4. Westerners also tend to prefer equality in the workforce, or at least a meritocracy, whereas here it's about a very clear, formal hierarchy, based predominantly on age and seniority, rather than the capability of leaders.

5. Foreign staff, particularly when they have high ambition and drive, are keen to show personal initiative, while for Lao it's far less risky to let the boss make the decisions. Then you can't be blamed if things go wrong. In fact putting your ideas forward can often be seen as impertinent or presumptuous.

6. And finally Western businesses embrace change, while Lao society is very conservative, and change averse.

There is also a social aspect to consider. Most Lao don't yet have much exposure to Western values, or the concept of building a long term career. For example, you find that family ties limit workforce mobility much

more in Laos. Education is still developing, so companies have to grow and develop their own talent. Also, quite a high proportion of Lao don't see added responsibility and career development as a positive change, but as a burden, which simply makes their life more stressful. You can therefore find a high potential staff member suddenly deciding to leave your organisation after investing significant resources in their development. It can be for reasons very difficult for a Western leader to understand – for instance, I need to help out the family business, or the journey to work is taking too long, or it's just too difficult for me, and the work is too hard.

Word of mouth is also a very powerful force in forming opinion in Laos, so recruitment can often come down to contacts, networking and company reputation, something I'll build on a little later.

Shared values and assessment centres as a key recruitment tool

In the early stages of recruitment, screening of CV's to then interview a shortlist of candidates can be very time consuming and unproductive. Qualifications, experience and skills are often greatly over-stated, so at LTL

## Cultural Differences

Western Culture	Lao Culture
<ul style="list-style-type: none"><li>· My performance matters</li><li>· Complice is assumed</li><li>· Candid feedback welcome</li><li>· Equality in workforce</li><li>· Show individual initiative</li><li>· Embrace Change</li></ul>	<ul style="list-style-type: none"><li>· Solidarity- in it together</li><li>· Compromise and flexibility</li><li>· Avoid confrontation</li><li>· Hierarchy - recognise seniority</li><li>· Top down - direct, not lead/coach</li><li>· Conservative, change averse</li></ul>
Western & Lao joint business values/desired behaviours	

(1) Alignment - We're in it together, we know where we're going, together

(2) Engagement - we care about our company - sat, stay, strive

(3) Shared values - effective individual contribution, aligned team effort

we have found behavioural and competency based interviews much more helpful, probing for specific examples, such as 'What did you do in a certain situation?'

Assessment centres are much better at predicting future success, and 'people fit' with your organisation. We tend to use a mix of competency based interviews probing only two or three key areas required for the role, followed by behavioural questions that probe for underlying values, and whether the candidate's values fit with those of our company. We also ask

candidates to do some homework, often in the form of preparing a business related presentation as part of the assessment centre. Finally we also include role-plays, where members of our current team assess the individuals on learning agility, coaching skills, or other 'softer' leadership qualities. We use our existing staff and managers as assessors in these centres to ensure their buy-in and alignment to the appointments made, and the skill sets and values we seek in candidates. We're a joint venture with Imperial Tobacco plc, and as I'm sure you can appreciate, attracting quality staff to the tobacco industry brings its own unique challenges.

We address this by having an agreed set of shared values. In simple terms, these are the behaviours we expect our people to display as they perform their jobs. In other words the "HOW" things get done in Lao Tobacco Ltd. We take the HOW equally seriously in our performance appraisals as we take the WHAT.

For our team, the way they not only demonstrate our values, but also advocate and promote them, accounts for 50% of their annual salary award and the individual component of their

## Laos - a unique HR landscape:

Social Environment	Trend/Development	Impact on Employers
	<ul style="list-style-type: none"> <li>Highly conservative society, with emerging exposure to other countries</li> <li>Cultural interdependence &amp; solidarity/ linked to conflict avoidance</li> <li>Education levels &amp; resources improving</li> <li>Drive to achieve and career development not highly valued</li> <li>Word of mouth influences over-ride any other form of communications</li> </ul>	<ul style="list-style-type: none"> <li>Growing exposure to western values, English skills developing. Family links limit mobility.</li> <li>Individuals reticent to share thoughts/ideas.</li> <li>Individual performance management counter-cultural, leading to unresolved performance issues, reduced engagement &amp; uptake of western practice.</li> <li>Attraction &amp; retention of skilled talent</li> <li>Focus required on 'Grow Our Own'</li> <li>Motivation, engagement, values critical success factors.</li> <li>Recruitment often best via informal means</li> </ul>

annual bonus scheme. The WHAT, ie the delivery of their objectives, to the actual outputs we expect of them makes up the other 50% that determines their financial rewards.

We've found it better to recruit on values rather than on current skill sets, as we can help and support our team to develop those. However, you can't change a person's basic values, and if they aren't aligned with the company's, then things aren't probably going to work out.

### Team engagement – say, stay and strive!

Our second 'secret weapon' after recruiting based on our values, is the work we do on staff engagement. This is about placing people at the heart of our business strategy, and ensuring that LTL is a rewarding and energising company to work with. Some of the things we do in this area I'm sure most, if not all, companies do to an extent, but here are a few that we use at LTL:

We celebrate our successes

We ensure that we have an active social calendar

We recognise individual & team con-

tributions

And we spend a lot of effort on communication:

What's our company objectives, our plans?

How are we doing against those plans?

What could we do better?

What should we do differently to help LTL be the best company to work for in Laos?

What ideas do you have to improve our performance?

We carry out an annual survey of our staff across the world to measure engagement, and in my personal view this measure of engagement is even more critical in Laos. We then know objectively how committed our team are to our company and its success, and helps us understand why. It gives clear indications on where we need to improve, and what's working well for us.

### Corporate Reputation

The third and final area which provides better candidates is of course our company reputation.

Lao Tobacco Ltd works hard on our corporate image, through a number

# Finding and Keeping Good Staff in the Lao PDR

corporate image, through a number of Corporate Social Responsibility (CSR) initiatives, and some other very simple areas.

For LTL, CSR starts at home, with the well-being of our own team benchmarking fair and reasonable remuneration & rewards packages, focusing on health & safety, looking after other benefits (eg medical, kindergarten and canteen facilities), non-financial recognition, and of course our office and factory facilities. At a recent ECCIL and British Embassy sponsored CSR event David Putnam put this responsibility very succinctly to the forum – he asked ‘would you be happy if your son or daughter worked in the environment you ask your team to work in?’

In addition to staff welfare, it's very important to engage with local soci-

ety. We at Lao Tobacco Ltd are proud to support our community through various initiatives, all of which help to build the reputation of our company with prospective employees.

Just a few examples of our community support work:

–Farmer community investment, focusing on villages where we grow tobacco for our cigarettes

–COPE

–MAG

-Lao Disabled Womens Development Centre

In conclusion, I'd like to summarise the three areas that have helped LTL begin to attract and retain quality staff.

First and foremost, recruitment techniques that look for aligned behaviours, and values, as well as testing for key skills and capabilities through the

use of a range of assessment tools.

Secondly, we strive to provide our team with a rewarding and engaging job, one that motivates them to say good things about our company, demonstrate loyalty, and show willingness to put in discretionary effort towards supporting its success (say, stay and strive, the essence of staff engagement).

And finally, work hard on building your company image and reputation, support your team and the local community, and be committed to Corporate Social Responsibility in its widest sense.

*This article was written by Alistair Brown, Managing Director of Lao Tobacco Ltd. a member of the Imperial Tobacco group. He is also a member of ECCIL's executive committee.*

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# SEZ Development in the Lao PDR

The establishment of the first SEZ in the Lao PDR was in 2002 when the Government decided to set up the Savan-Seno special economic zone after the inauguration of the Second Lao-Thai Friendship Bridge. Since then more SEZs have been set up across different parts of the country.

The main objectives of forming SEZs are to contribute to GDP growth, increase job creation for local people and increase Government revenue so as to ultimately contribute to the realisation of the vision to graduate from LDC status by 2020.

Although the first SEZ was established in 2002, it was not until 2010 that the solid legal and institutional framework on SEZs had been laid out with the establishment of the Lao National Committee for Special Economic Zones, the approval of the Decree on SEZ development and management as well as the endorsement of the SEZ Country Strategy in 2011.

The SEZ country strategy sets out strategic roles for SEZs as being a catalyst for:

- the implementation of the national socio-economic development plan
- promotion of economic development and investment in target areas
- further promotion of Laos' integration into the regional and global economies
- Improvement of investment climate by simplifying investment procedure through one-stop-service modality

To date 10 SEZs have been established in the country, two of which are located along the Economic Corridors. (These include Savan-Seno SEZ – on the East-West Economic Corridor and Boten SEZ on the North-South Economic Corridor).

The 10 SEZs can be broadly classified into three categories based on the main activities of the zones:

1. Industrial Zone: 1) Savan –Seno Special Economic Zone, 2) Vientiane Industrial and Trade Area (VITA) Park and 3) Saysetha Development Zone
2. Tourism and new urban centre: 1)

port value is still notably very much lower than import. This is because all of the zones are still at the stage of infrastructure development. It is expected that this trend will be reversed in the next 3-5 years. In terms of employment generation, over 7800 jobs have been created within



Golden Triangle Special Economic Zone, 2) That Luang Specific Economic Zone and 3) Long Thang Specific Economic Zone

3. Logistics, Trade and Services: 1) Boten Beautiful Land Specific Economic Zone, 2) Thakhek Specific Economic Zone, 3) Dongphosy and 4) Phoukyo Specific Economic Zone. SEZ development takes three forms: 1) by the Lao Government as the main developer; 2) by joint-venture between the Government and private sector and 3) 100% by the private sector.

By the end of 2013, there were over 100 firms invested in the SEZs with real invested capital of over USD 1 billion. Some enterprises have started exporting although the ex-

ports

*This article was written by Gerard Malledent, former project director at Essilor International, who is now senior consultant at C.E.I. Co. Ltd.*

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## Introduction

Following the new economic mechanism that was launched in 1986, Laos is still in a transition period from a centrally planned and subsistent agriculture based economy to a market-oriented economy. The transition to the market orientation has had direct effects on the structural change of the three economic sectors – agriculture, manufacturing and services. Since 1986, wages and salaries were restructured as part of the pricing reform under the market-oriented economy pursued by the government of Laos. This paper briefly presents the development of wages in Laos after the country implemented its economic reforms in 1986 and some key findings of the ECCIL's salary survey in 2013-2014.

## Wage development

Before the economic reform (1975-1985) wages were strictly administered by the state which had a solid and egalitarian wage structure (without that of state enterprises and state organisations) (Daniel, 1994). The civil servant's salary had not been paid fully in cash until 1988. It was paid 10 percent in cash and the remaining in coupons allowing the civil servant to buy goods at state-owned shops (UN-ESCAP, intranet). The wage and salary earners were confined almost entirely to the public services and state-owned establishments which were regarded as the state distribution units of commodities for social, but not commercial, purposes (Fry, 2006). Apart from public organisations were state-owned enterprises that were active in the centrally planned economy.

The government of Laos started its economic reforms in 1986, moving away from a centrally planned to a market-oriented economy. Poorly performing state enterprises were

privatised, leading to gradual development of wages that gradually moved from a hierarchical pay system to a more flexible one in response to the market. Some state enterprises maintained the same format of the hierarchical pay scale attaching the education level and seniority as criteria for placing salaries and other benefits. Some with approval from the supervising ministry – ministry of finance for instance – adjusted the pay rate based on their profit and on market conditions. With the new economic mechanism that aimed at broadening the economy's exposure to market forces, the government granted the existing state enterprises the operating autonomy to determine their own production levels, output mix, investment, employment and wages (Pham, 1994). They thus had autonomy to set the salary scales for their employees and some introduced new salary structures and benefit packages allowing them to be more flexible negotiating the wages and adjusting the salary indexes higher and setting a base salary scale the same as that of civil servants but providing their employees with bonuses based on performance.

The transition from a centrally planned to a market-oriented system saw most prices including wages were market-determined and economic decision-making based on decentralisation. By nature, the government in a socialist-adopted market-oriented economy wanted to have a rather flat and egalitarian wage structure (Bourdet, 2000, Esaki and Ito, 1993). In other words, it is what Friedman (2004) called a relatively compressed wage structure. In 2009, the Lao government realised a need to review a market-based payment structure by state enterprises because it saw that the setting of higher salaries for [state] enterprise management by some of its enterprises was widening an income gap between the

enterprise management and director generals of the government departments and that this was not acceptable when bonuses were paid to employees even though they did not make a profit or went into debt.

Facing a chronic shortage of skilled labour general companies had to develop their own set of wages. This ensured their ability to retain existing employees and also attract good workers in the market, particularly foreign companies and some large domestic ones. With the limited to unavailable data on wages in the country, some companies offered too high wages when compared to similar industries in order to attract good people. For example, in a similar position and responsibility, the pay differential was almost double (US\$1500 against US\$800). This was a fundamental shift in a system where wages were being attached mainly to jobs rather than workers. They appeared to have been slowly dismantled by diverting the interests of the labour force. The improved information channels and integrated networks within and across countries were another factor allowing people to know where attractive or unattractive jobs and wages were. This was facilitated by the unrestricted movement of people within the country and improved physical infrastructure like road networks, includ-

### Monthly Minimum Wage by Neighbouring Countries (2013)

Country	Average Monthly Wage (USD)
Cambodia	75
Laos	78
Myanmar	65*
Thailand	269
Vietnam	78-112**
Yunnan (China)	100-132**

ing telecommunications – mobile phones and the internet.

# Salaries and Wages in the Lao PDR: Introductory Development

Wage was a key factor that explained a labour market's movement. Laos had a relatively cheap labour cost of US\$78, compared with US\$281 in Thailand for the minimum wage level. Thailand has been a longtime popular destination for Lao workers. There were more than 250,000 Lao people working in Thailand both legally and illegally. Laos' fixed minimum wage rate is LAK900,000 (US\$112.5) to be effective in the 1st quarter of 2015. This is the 7th adjustment since 1991. Laos first introduced a mini-

ception. Table 1 shows the monthly minimum wage in Laos.

The new adjustment was made in response to the higher living cost and to challenges in managing the illegal migration of Lao people to work in Thailand. The government had to go ahead with the new nationwide minimum wage adjustment. However, the labour productivity had not improved in the country. In other words, the wage growth exceeded the productivity improvement (World Bank, 2014).

about 40 percent. The increase took effect from 2013 until 2015 by adjusting the multiplier from LAK3,400, LAK4,800, LAK6,700 and LAK9,300, respectively.

For civil servants, an individual's base pay is determined by the educational degree. The entry level civil servant with the higher education degree (e.g. from a higher diploma with a three-year programme to a doctoral level) starts his or her career from Grade 4 which in theory is considered a technical or professional level official. Those with higher diplomas of a two-year educational programme start their careers from Grade 3, but are also considered as technical or professional level personnel. Table 2 shows the entry-level civil servant's base pay increase from 2013 until 2015.

*Author: Sunnti Duangtavanh, Managing Partner, NE+ Co. (info@hrm.la) Part of the information available in this paper was derived from the author's academic paper.*

Education level	Pay 2013	Pay 2014	Pay 2015
Higher diploma	117~132	164~184	228~256
Bachelor	138	190	264
Master's degree	149	208	288
Doctoral degree	157	219	305

mum wage at LAK26,000 (US\$37) per month in 1991. In 1997, it adjusted to LAK36,400 (US\$28), LAK93,600 (US\$12) in 2000, LAK290,000 (US\$27) in 2005, LAK348,000 (US\$40), and LAK626,000 (US\$78) in 2011.

The recent years saw an introduction and adjustment of the minimum wage rates taking place in neighbouring countries of Cambodia, Myanmar, Thailand and Vietnam. Laos is no ex-

The adjustments were also made to the pay of civil servants. The salary of civil servants was increased by 20 percent in the middle of 2008, leading to the monthly base wage level going up to LAK405,000 (US\$48) from LAK337,500 (US\$40) on average. This increase came together with fuel coupons and other benefits depending on position. The government again adjusted the salary of civil servants in May 2012, seeing an increase by

## ECCIL's salary and productivity survey in Laos

ECCIL launched its initial salary survey in 2013, covering 308 firms in four big provinces: Luangprabang (LPQ), Vientiane Capital (VTE), Savannakhet (SVK) and Champasack (CPZ). Some key findings are presented below:

Size (Mid Mgt)	LPQ	VTE	SVK	CPZ
Large	320~404	797~1217	288~491	247~609
Medium	251~461	550~792	255~380	376~805
Small	194~363	n.a	225~358	223~408
Size (Non-Mgt)	LPQ	VTE	SVK	CPZ
Large	181~254	159~446	152~275	151~251
Medium	153~346	151~301	125~220	107~235
Small	120~300	188~317	100~188	100~188

	LPQ		VTE		SVK		CPZ	
Sectors	Non-Mgt	Mid Mgt	Non-Mgt	Mid Mgt	Non-Mgt	Mid Mgt	Non-Mgt	Mid Mgt
Banking			289~496	849~1173				
Construction			163~314	686~1000	158~314	267~478	190~452	439~841
Trading			152~356	744~1750	125~188	223~260	113~203	376~477
Furniture			168~317	751~910				
Garment			134~188	751~910				
Hospitality	120~269	300~450	111~186	751~910	100~188	226~345	94~125	317~389
Manufacturing	115~232	353~412	225~643	941~1484	122~183	270~345	138~226	190~518

# Vocational Education in Laos

Investors not only bring fresh capital into a country, they also stand for a vital exchange of knowledge, the access to modern technology and different working structures.

Attracting investors therefore is a crucial task for all LDCs and MICs – the question is: how?

Political stability, safety of the investment and an easy access to the local labour market are well known criteria when it comes to the decision for one country or another. In this respect a close look at the vocational education system in the Lao PDR is still chastening: The education of qualified workers is still too theoretical and cooperation with private sector industry is just beginning to emerge. In addition, the TVET sector of the Lao PDR suffers from a bad image, caused by its weak relevance to the demand of the employers and leading to an orientation of Lao youth towards academic education, even though some courses are not on the international academic level and graduation will most probably not lead to a lifelong income for a family.

The drop-out rates in primary and secondary education are still high (see figures below) that additional efforts have to be made to re-integrate young people into the formal vocational education system – especially in rural areas.

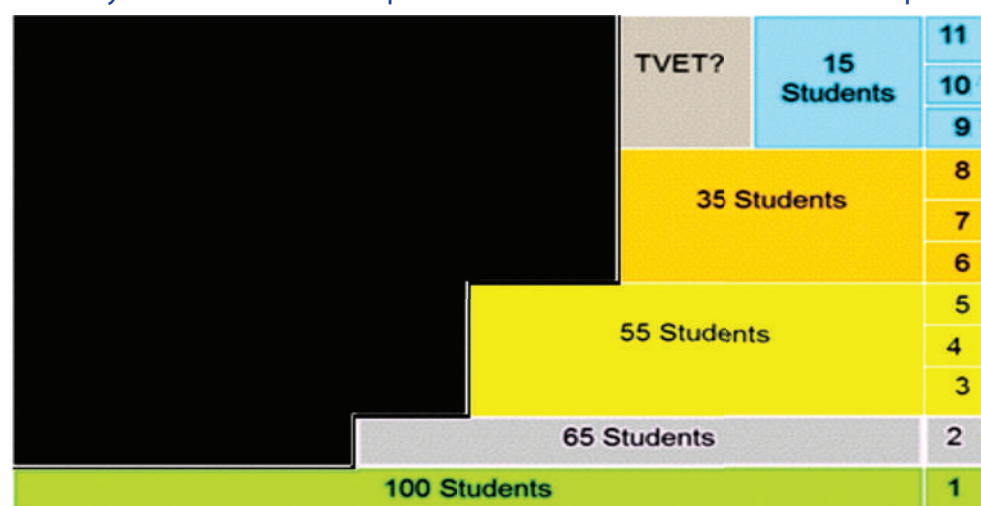
In countries with well-functioning TVET systems the demand for qualified workers is expressed by the private sector not only in terms of demanding numbers but also in terms of defining needed skills. Enterprises have their long term staff development plans. This information is collected by trade unions or chambers and channeled to the responsible ministries for their attention and political steering. Such kind of information flow is not yet

established in Laos and will have to be developed and implemented as a sustainable and self-running system.

Under the supervision of the Lao Ministry of Education and Sports 22

too theoretical and so many TVET teachers do not have the required technical and pedagogical skills to meet international quality standards for practical, needs-based vocational education and training.

Whereas Lao-German cooperation

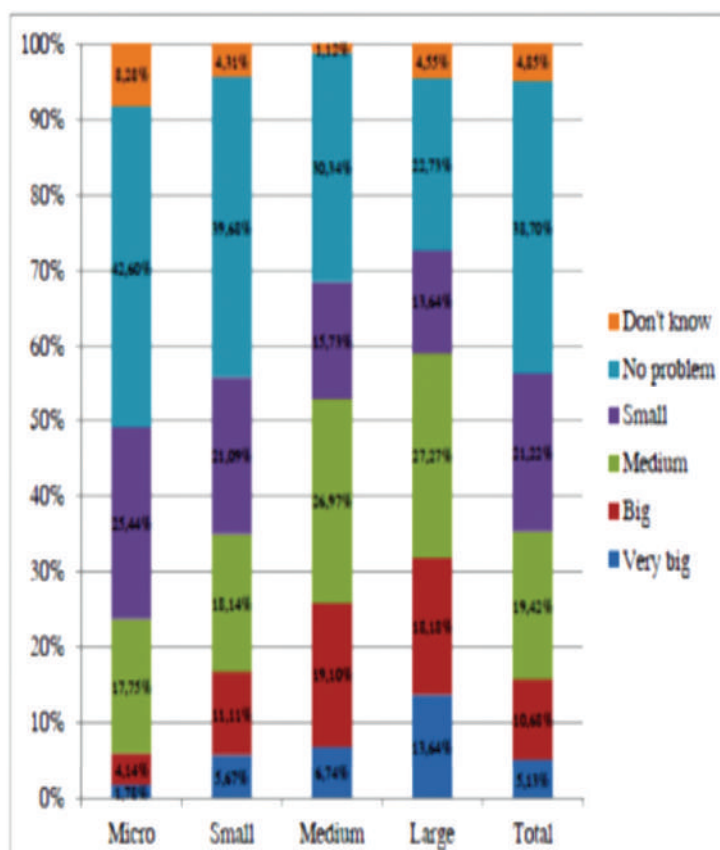


Drop-out numbers from grades 1-11 (internal source)

public vocational schools throughout the country provide vocational education in various trades. But other ministries, mass organisations as well as private stakeholders run numerous more vocational education and training institutions. The lack of coordination between them results in a variety of different standards, curricula, and certificates which impede comparability of vocational education in Laos both nationwide and within the region.

The situation is further aggravated by the lack of appropriate qualifications on the part of vocational education and management staff. Here again curricula are often

in technical vocational education and training goes back to the 1960s, the GIZ project "TVET Teacher Education Programme (TTEP)" has worked since June 2012 to improve



Lack of technically skilled labour as perceived constraint by firm size

# Vocational Education in Laos

the education of teaching and administrative staff in the Lao vocational education and training system. The project is mandated and financed by the Federal Ministry for Economic Cooperation and Development (BMZ) until June 2016.

TTEP tackles all the above mentioned challenges: The legislative framework has been improved by supporting the development of the first Lao TVET Law and the enactment of standards for vocational teachers which in turn have provided the basis for a comprehensive revision of the existing curricula. The qualitative and quantitative capacities for TVET teacher education have been remarkably increased. This led to a 500% increase in the share of practical content and a rise of enrolments in academic voca-

tional teacher education from 14 at the end of 2009 to 70 in late 2012, of which now almost 50% are women. Finally the project facilitates a closer cooperation between TVET teacher education and the private sector.

Apart from these already achieved results a great part of the overall success of the Lao TVET system reform will depend on the ability of the GoL to make available sufficient funding for the TVET sector. To enable a fruitful cooperation between the public and private sectors there might have to be a change of entrepreneurial culture towards more mutual responsibility and loyalty. In the end attracting investors to the Lao PDR and improving the TVET sector could reinforce each other.

(source: Enterprise Survey 2013, GIZ)

*Authors: Eberhard Frey and Katja Freitag, Head of and Junior Advisor to the Technical Vocational Education Training Programme of GIZ Laos.*

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# The Challenges of the Lao Labour Market

Labour shortages and skill levels are major obstacles to the further development of Laos, and there are no quick fixes available

There are no limits to the dreams of the future, judging by the billboards which greet visitors outside Wattay airport, or the slogans in front of the emerging new commercial structures in the capital of the Lao PDR. The same sights will greet you if you travel to Savannakhet – another major destination where the Lao government is hoping to attract foreign investors.

Many positive things can and should be said about the endeavours of the Lao authorities in paving the way for investors. In some crucial areas Lao officials are easier to work with than in the other countries in the region. Getting an investment licence, construction permit or work permits for your expat staff is a piece of cake, compared to the bureaucratic maze in the regional neighbourhood.

That being said there are some steep challenges looming on the horizon for Laos, and the steepest of them all are related to the labour market.

## Skill levels

Being an HR manager in Laos must be one of the toughest jobs these days. Most, if not all international companies require people who are able to handle IT-systems, finance etc. with English language skills sufficient to communicate at a reasonably professional level. These profiles are very hard to find in Laos. Most of us will go through dozens of candidates, before fatigue and pragmatism sets in, and you settle for someone whose skills are far below the regional average, and what is actually required to do the job.

On-the-job training is your best option to improve those skills, and it is costly. There are few, if any options in

terms of after-hours education centres. In our case we chose to bring in expat trainers as the shortest and fastest way we could find to assist our Lao staff to acquire the skills they need. In addition we sent a select few for training at our facilities in Vietnam, but not all companies have this kind of well consolidated facility in the region, as we do.

In conclusion, there is no way around addressing the basic challenge for the Lao government in order to become truly successful as a destination for foreign investment: A massive, systematic improvement of the education system at all levels. Visit any primary school, high school or university and you will know what I am talking about.

There are some programmes in place for overseas scholarships, but no one can be naive enough to believe that you resolve this issue through the support of a lucky few going to the US or Australia.

I do not have much idea where the funds will be coming from to finance the enormous task lying ahead. Lao public funds seem to be hit by even more severe shortages than the labour market, and I do not know of any realistic way for Laos to answer this massive challenge on its own.

Laos is a major recipient of donor funds already, and I would hope that education would be given a higher priority in future donor cooperation. Should it happen, this could give this pleasant country an immense, much needed ticket to a more prosperous future.

## Labour shortage

Those of us who represent manufacturing businesses share another headache: Recruitment of workers. There are simply too few around, and those that are available have very lit-

tle, if any, skills. Many of them do not even have any idea of the implications of having a job – like coming on time and coming every day. It is a tremendous task to develop these workers to a level needed in a modern industry, which very much depends on everybody (more or less) coming to work every day at the same time.

In our company we have a systematic approach to absences. Every morning our HR department will call the absentees and enquire why they are absent. As a consequence I have a hilarious, though disturbing collection of explanations ranging from “I had to stay home to repair my front door” to “my brother borrowed my bike, so I could not come”.

Believe me, it is an every-day never-ending battle to keep a company running under conditions like these.

## Laos – no way or the right way?

As one of the relatively few European manufacturing industries in the Vientiane area, we have quite a few visitors who are considering Laos as an investment destination. Do we tell them not to come? It could be tempting, considering that they would be potential competition for our staff and labour.

Still we do not say that. We invested in Laos because we believe in this country and are here to stay. The investment climate is just as fine as anywhere else in the more developed Asian tiger countries, and quite a few things are easier, but recruitment is not one of them!

*Thomas Bo Pedersen is the managing director of Mascot Laos, a subsidiary of Mascot International, a Danish company, which is one of Europe's biggest suppliers of work wear and safety shoes.*

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Termination of Employment Relationships in Lao PDR: A Note to Employers  
The National Assembly adopted an amended Labour Law (No. 43/NA, 24 December 2013) ("2013 Labour Law" or "Labour Law") which was published in the Lao Gazette on 14 October 2014 and became effective on 29 October 2014. The 2013 Labour Law repeals the Labour Law (No. 06/NA, 27 December 2006) ("2006 Labour Law") and applies to Lao and foreign employees working in the private sector or for international organisations, embassies and non-governmental organisations. Below is a discussion of the provisions on termination of employment contracts under the 2013 Labour Law.

You have set up your company, hired your employees, and business is progressing nicely. And then, as is inevitable in any workplace, human resources issues arise. In the Lao PDR, the 2013 Labour Law guides employers on how to lawfully terminate the em-

obligation to the employee: lack of skills, poor health, and redundancy. Whereas poor performance in other jurisdictions may present a for cause termination case, in the Lao PDR an attempt to resolve this "lack of skills" must be made by trying to match the employee with a position suitable to his/her skills. This attempt must be made also in cases of an employee suffering a health condition causing him/her to be unable to perform the required work duties, as certified by a medical professional. The Labour Law does not specify how long the employee should be given in the new role to prove whether or not he/she can perform the duties and there is no case law or other precedent in the Lao PDR to provide guidance; thus it is advisable to include a timeframe in your internal regulations. If the transfer to another position proves unsuccessful, then you can terminate the employee with proper notice and payment of severance.

ceiving treatment (medical certificate required) even after being moved to another position; unresolved contractual issues raised to the employer by the employee multiple times; workplace relocation causing inability to work (certification required); and molestation, harassment, or sexual harassment by the employer or within the workplace which is ignored by the employer.

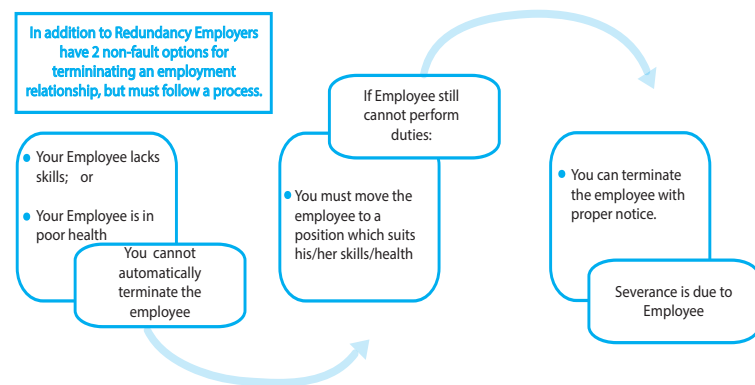
As an employer, you are exposed to a fair amount of liability to pay severance to employees as the Labour Law grants your employees a number of grounds for terminating the employment relationship and claiming severance pay. Thus, attention and prudence in preparing employment agreements and internal regulations of the labour unit will serve you well in these situations to make sure proper procedures are followed, and to avoid cases of severance liability in addition to those set out in the Labour Law.

Severance Payment. In the event that you or the employee terminates the employment contract on valid grounds as discussed above, in addition to knowing the basic calculation of the severance obligation, certain provisions in your human resources documentation relating to the calculation will be beneficial.

As for the basic calculation of severance pay, it has been fixed to 10% of the previous month's salary or wage multiplied by the number of months worked. The calculation does not increase to 15% of the employee's monthly salary for employees having worked more than 3 years as was the case under the 2006 Labour Law.

With respect to additional provisions to be included in your internal regulations, we suggest including a list of terms which apply to the calculation of severance, including inter alia: the basis for calculation is the monthly salary in the month preceding the termination; details with respect to calculating the employee's length of time with the labour unit; confirmation of

Process for Terminating Employees for Lack of Skills or Poor Health



ployment relationship. Along the way, however, there are issues of which you should be aware.

Herein we will explore: (i) the reasons employers can terminate the employment relationship in Lao PDR labour units but will be liable for severance; (ii) the reasons your employees can terminate the employment relationship and claim severance; (iii) termination for cause; and (iv) pitfalls in terminating employment contracts.

Termination by Employers: The 2013 Labour Law did not change the reasons for which an employer initiated termination triggers a severance

union or workers' representative or the majority of workers is required, though exactly of what nature is not clear. The law does not state that the trade union/workers' representative has any decision-making or approval authority in the case of redundancies. Finally, you must notify the Labour Administration Agency ("LAA") of the redundancies.

Termination by Employees: Under the 2013 Labour Law, employees have additional grounds (compared to the 2006 Labour Law) on which they can resign with proper notice and claim severance pay, specifically: inability to work due to poor health after re-

the grounds upon which an employee can resign voluntarily and be entitled to severance pay, i.e., specifically stating that severance is not payable to an employee who resigns for the purpose of working for another employer; and any entitlements you have to justify withholding payment of severance, e.g., if the employee has a balance due on a loan from the labour unit, or is in possession of the employer's property that must be returned.

**Termination for Cause:** Then, of course, there exist the unexpected, sometimes incomprehensible situations with which you will have to deal. An employee embezzles company funds. An employee harasses another employee. An employee does not show up for work for several days. In these situations you can terminate the employee for cause, without notice and without an obligation to pay severance. The 2006 Labour Law's requirement of 3 days' notice in fault-based termination matters was problematic for employers who could not keep an embezzling accountant or harassing co-worker on the job for three extra days. While suspension or payment in lieu of notice were options (though not specifically in the law), the amended Labour Law's provision for immediate dismissal in these cases presents a better situation. The Labour Law lists four grounds for fault-based terminations, however, your internal regulations can, and we recommend that they do, list additional reasons.

**Termination Pitfalls:** While you may believe that you have the necessary grounds to terminate an employment relationship for non-fault or for cause, there are two provisions of which to be aware: (i) unjustified terminations; and (ii) unauthorised terminations. The Labour Law and practice in Lao PDR do not endorse the notion of employment "at will". You must have a basis for every employment termination, even if you have followed every termination procedural requirement. If you do not have a reason, the termi-

nation could be considered unjustified. Also, if you have created a situation of the employee feeling abused and unable to perform his/her work duties, or have not responded to employees' complaints thus forcing them to resign, these terminations could be deemed unjustified. Severance pay in these cases is at an increased rate of 15% of the monthly compensation multiplied by the number of months worked.

As for unauthorised terminations, you

note on the term "employees' representative" Pursuant to the 2006 Labour Law, employees' representatives referred to a committee or group of persons representing employees rather than a single individual. The 2013 Labour Law defines an employees' representative as an individual appointed by the employees. Workplaces with 10 to 50 employees must have an employees' representative; workplaces with 51 to 100 employees must

Non-fault Termination by Employees and Employers and Severance Obligations

Employees terminated for a non-fault reason and employees who resign for the 4 reasons above are entitled to "compensation for the termination", i.e. Severance Pay.

Employer terminates the contract for lack of skills, poor health, redundancy

Employer terminates the contract for poor health, unresolved issues, relocation, harassment

Severance Payable by Employer: 10% of monthly salary before termination for each month of work

No longer 15% for over 3 years of service but 15% if the termination is "unjustified".

will need to seek LAA authorisation to terminate contracts of employees who fall into certain categories, including employees who are pregnant, undergoing medical treatment or rehabilitation, designated as employee representatives, involved in legal proceedings or detained and awaiting a court decision, employees on approved annual leave, those performing work in another location as assigned, and employees taking legal action against the labour unit.

In addition to ensuring that the termination could not be deemed unjustified or unauthorised, confirming that you have followed all procedures not only in the Labour Law but pursuant to your internal regulations is crucial. For instance, did you comply with all grievance or disciplinary procedures outlined in your employee manual? Did this employee properly submit a grievance that was not addressed? Is there a warning system that you must follow before terminating an employee on certain grounds? If you gave warnings, were they compliant with the procedure, e.g., in writing?

Employees' Representative. One last

appoint two representatives, and one additional representative for every further 100 employees.

In summary, the new Labour Law has clarified the path to employment contract termination to some extent; however, there are still items of which to be aware and potential pitfalls for employers along the way. Clearly drafted employment documentation, internal regulations, and legal procedures will help to avoid taking the wrong approach to terminating an employment contract.

*This article was written by Danyel Thomson, a Senior Legal Adviser and Head of the Labour Practice Group at DFDL Legal & Tax in Vientiane, Laos. For further information and advice on the 2013 Labour Law, employment matters, and revisions to your employment contracts and other human resources materials to incorporate necessary revisions based on the amended law, please contact the following DFDL advisers: Danyel Thomson (Danyel.Thomson@dfdl.com), Rupert Haw (Rupert.Haw@dfdl.com), or Senesakoune Sihanouvong (Senesakoune.Sihanouvong@dfdl.com).*

# What does ASEAN mean to Laotians?

With the recent talks and speculation about ASEAN, Indochina Research Limited conducted an opinion poll in Vientiane Capital to understand what Laotians actually know about ASEAN and how they think it will impact them.

We found out that 100% of Laotians have heard of ASEAN, however, 21% of them have only heard of it but are not sure what it means. Awareness of ASEAN is similar in males and females but is naturally higher in more educated people.

## ASEAN paving the way for more investment & trade

When we asked people about the first thing that comes to mind when they think of ASEAN – 57% of them said it will translate into the opening of borders for more trade and investment in the country. The second most mentioned speculation is regarding the free flow of skilled labour and more education opportunities across borders.

## Are Laotians feeling a little threatened?

We found out that 63% of Laotians agree with the possibility of Lao youth leaving the country for better work opportunities. 76% agree with the situation of Laotian local products not being able to compete with international products and services coming in. Although Laos already experiences an influx of Thai and Chinese products, a more formal entry of foreign products in the form of renowned chains or stores seems to be a bigger threat to locals.

## Readiness to move abroad

57% of Laotians are ready to move abroad in search of better work and development opportunities. Here is what their preferred list of countries looks like:

## Self confidence

We wanted to know how confident

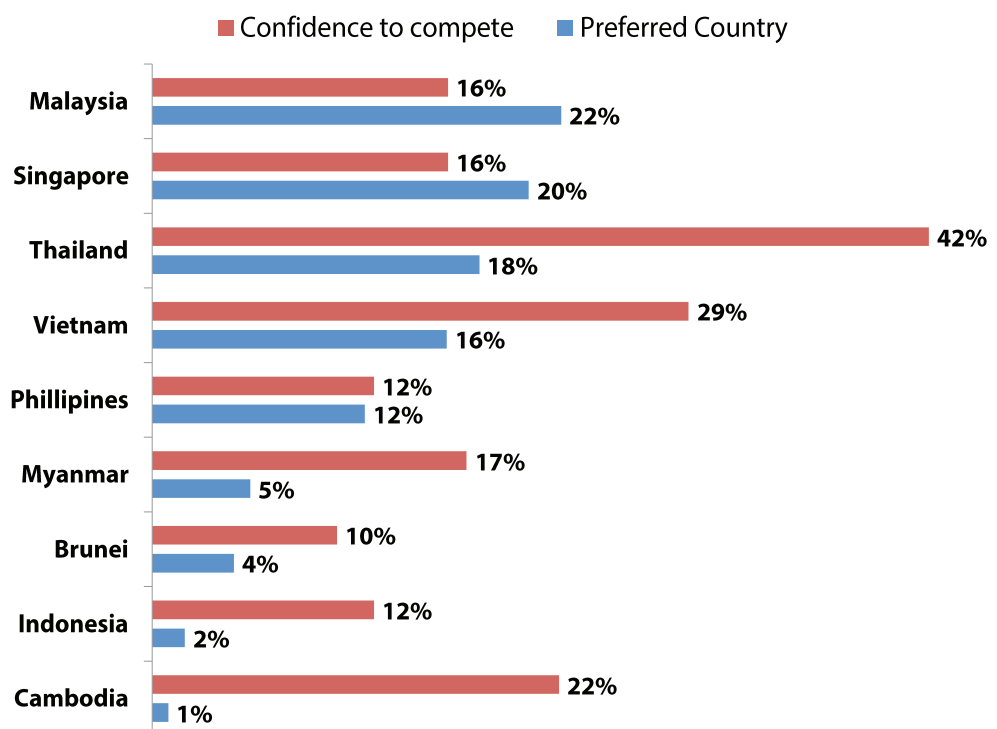
Laotians are about their education and abilities as compared to other ASEAN countries:

Laotians are most confident about competing with the Thai workforce as compared to the rest of the countries. Confidence is also higher for Cambodia and Vietnam. The biggest reason for this is the proximity and comfort with these countries already. However, they are intimidated by more developed countries like Singapore, Malaysia, Indonesia.

better quality education in the regional block however, there are still 35% of Laotians who agreed with the statement that the Lao youth will find it challenging to compete with regional students in the pursuit of scholarships and admissions.

## ASEAN – something's happening, not sure what!

Overall, we believe that even though Laotians are aware about the ASEAN economic regime they do not have a clear idea about its mandate. No



## Top 3 capacity building areas identified

We discovered that the top 3 areas where Laotians want the government and development projects to focus on the most are Education/Teaching, Medicine and Business Studies. Males have shown a higher inclination for medicine than females.

For Education/Teaching, females have a higher percentage.

## Impact on Lao youth

We discovered that 62% of people believe ASEAN will help the Lao youth get more opportunities for

benefits have been communicated to them overtly which is why they have mixed opinions.

“verbatim for positive” “verbatim for negative”

*Research Design: Random selection of 200 respondents across Vientiane Capital aged between 18-55, split evenly between male and female.*

*This article was researched and written by Indochina Research Ltd.*

### UK supports Laos in preparations for ASEAN chairmanship in 2016

The British Embassy in Vientiane and the UK's leading debate organisation Wilton Park organised a policy dialogue with the Ministry of Foreign Affairs of Lao PDR on August 26/27. The policy dialogue aimed at sharing experiences in debate facilitation, chairing, consensus building, and strategies how to best lead a debate to concrete outcomes. It included a keynote by Wilton Park's Chief Executive, Mr. Richard Burge, highlighting the importance of rules-based systems and good governance for cooperation among ASEAN members. The speech was followed by a roundtable discussion with representatives from the diplomatic and international community as well as the European Chamber of Commerce and Industry, discussing how EU and ASEAN can learn from each other in terms of effective procedures of chairmanship as well as overcoming conflicts. It also covered perspectives of EU and ASEAN integration and the resulting opportunities. The British Embassy is looking forward to further support Lao PDR's chairmanship preparations in the upcoming months.

### News from the French Embassy

23-26 February: Visit to Laos of the Vice President of the region Rhône Alpes, Mme Moreira, about decentralised cooperation between the province of Khammouane and Rhone Alpes.

23-24 March: Visit to Laos of the President/Director general of the Compagnie Nationale du Rhône, Mme Ayrault and signature of a MoU between the CNR and the Ministry of Energy and Mines.

13-15 October: Participation of the Vice Prime Minister, S. E M Somsavat Lengsavad, at the opening of the "observatoire des grands fleuves" in Lyon by invitation of Compagnie Nationale du Rhône

22-23 October: French-Lao research days

### Embassy of Germany to Laos

Germany has been present in Laos since 1958, with a focus on development issues. As of now, the GIZ - Gesellschaft für Internationale Zusammenarbeit, KfW - Kreditanstalt für Wiederaufbau and BGR - Bundesanstalt für Geowissenschaften und Rohstoffe run projects in Laos, as implementing agencies. The administrator the major part of German Government funding amounting to 50.3m

EURO for the biennium 2014-2015.

Major parts of this funding go into projects that aim at strengthening the Lao economy by improving vocational training, preparing for AEC integration and regulating mining activities. Support of the Lao National Assembly, among other things, goes into the development of legislation with a bearing on the Lao economy, such as the recently adopted Competition Law.

Besides, the Embassy is committed to keeping the German business community in the ASEAN area informed about investment possibilities in Laos, e.g. taking advantage of the potential of the Special Economic Zones some of which already testify to the fact that industrial manufacturing in Laos is now possible in observance of global quality standards.

Contact: Ambassador Michael Grau  
Michael Zinn, Deputy Head of Mission, Counsellor (Economic/Commercial Affairs)

Christian Olk, Head of Cooperation Department

Denise Ferguson, Head of Consular Department

### New Laws

No.	Title	Ref #	Date	Posted in Official Gazette/MOJ	Effective Date
1	Law on Anti-Money Laundering Combating the Financing of Terrorism (new)	49/NA	21 Jul 2014	10 Feb 2015	25 Feb 2015
2	Law on Value Added Tax (Amendment)	52/NA	23 Jul 2014	18 June 2015	3 Jul 2015
3	Law on Handling Petitions (Amendment)	53/NA	15 Dec 2014	23 June 2015	8 Jul 2015
4	Law on Alcoholic Beverages Control	54/NA	19 Dec 2014	9 May 2015	24 May 2015
5	Law on management of Foreign Exchange	55/NA	22 Dec 2014	3 June 2015	18 June 2015
6	Law on Violence against Women and Children	56/NA	23 Dec 2014	25 May 2015	9 June 2015
7	Law on Customs (some articles amended)	57/NA	24 Dec 2014	21 May 2015	5 June 2015
8	Law on Health Care (Amendment)	58/NA	24 Dec 2014	9 May 2015	24 May 2015
9	Law on Entry-Exit Lao PDR and Foreigners Control				

ECCIL gratefully acknowledges the assistance given by our good friends and members DFDL in providing this information.

### **Largest ASEAN wind farm to be established in Southern Laos**

Impact Energy Asia (IEA), a Thai renewable energy company, plans to build the largest wind farm in ASEAN countries, capable of generating 600MW of power in Southern Laos, following the signing of an agreement with the Lao government recently. Called 'Monsoon Wind Farm' the US\$1.5b project will be located near the Mekong River and cover parts of two districts in Attapeu province in Laos. IEA has negotiated for a 25 year concession agreement from when it is expected to start power supplies in 2019 after which the farm is handed over to Lao authorities to operate. The bulk of the power generated is expected to be exported with most of it going to Thailand and other buyers in the Mekong sub-region.

### **Laos, Myanmar: Friendship Bridge opens**

A friendship bridge linking northern Laos with Myanmar across the Mekong River officially opened to traffic May 10, Xinhuanet reported. The governments of Laos and Myanmar reached an agreement on building the bridge during an official goodwill visit to Laos by Myanmar President Thein Sein in 2012. Construction of the bridge started in 2013, costing US\$26 million. The bridge is expected to boost trade, transport, investment, communication and tourism between the two countries.

### **Development partners advise on transport development**

Development partners have suggested the government focus on the maintenance of existing roads, and road improvement using monitoring systems to ensure the durability of constructed infrastructure. The development partners made the suggestion when reviewing the outstanding achievements and challenges to the country's public works and transport over the past

year. Japanese Ambassador to Laos, Mr Hiroyuki Kishino raised the importance of maintaining existing roads. He mentioned an improved road network was a priority issue for Laos both in industrial development and enhancing rural livelihoods. He also pointed out bad road conditions decreased the efficiency of transport and affected private sector activities. He suggested road monitoring to supervise proper maintenance and road fund management to execute maintenance on a sustainable basis. He mentioned the necessity of enhancing capacity building of road maintenance engineers and improving maintenance strategies, which could reduce costs through the effective management of the road life cycle. He also pointed to the importance of controlling overloading by trucks, which he said damaged roads, including National Road No.9, which Japan has engaged in the improvement of for many years. He said it was important that a clear mandate was given to concerned authorities to monitor and punish the over loaders.

### **Nuclear power stations for Laos**

Laos is in talks with Russian State atomic energy corporation Rosatom to set up nuclear power plants (NPPs) in the country.

The Southeast Asian country, one of the global leaders for hydropower, intends to set up two nuclear power units of VVER-type, with a capacity of 1000MW-1200MW each.

Laos is located at the centre of Indo-China, an advantageous position to export power to adjacent nations, including Vietnam, Thailand and Cambodia.

According to Laos Energy and Mines deputy minister Sinava Souphanouvong, a potential buyer of nuclear power from the country is Singapore. The planned facilities are likely to be built under the Build-Operate-Transfer (BOT) approach.

Souphanouvong said: "The construction of the NPPs under the BOT approach is a good offer."

Laos presently has a power production capacity of 8GW. Over 80 new power projects are under construction in the country, which is likely to raise its capacity to nearly 22GW.

The firm has already signed an agreement to supply up to 5GW of power to Vietnam. Energy export from the country to Thailand is expected to go up to 10GW.

Energy outputs from the planned nuclear power generating facilities are thus likely to be exported as well.

Rosatom, a global leader for nuclear technology, operates 26.3GW of nuclear energy capacity in Russia. It is presently responsible for 38 nuclear power reactors, of which 29 are being set up in foreign countries including India, China, Turkey, Vietnam, Finland, and Hungary.

### **Laos, Thailand seek bilateral cooperation at SEZs**

Laos and Thailand are seeking bilateral cooperation at special and specific economic zones along the border between the two countries. A MoU is being prepared to inaugurate cooperation at SEZs of the two countries in order to ensure benefits for the two sides. Laos currently has two special and nine specific economic zones with the two specials being the Savan-Seno SEZ in Savannakhet province and the Golden Triangle SEZ in Bokeo province. Specific economic zones are in Luang Namtha province (Boten Beautiful Land), Champassak province (Pakxe-Japan) and Khammuan province (Thakhek and Phoukhiew) with five more around the Vientiane area at That Luang Marsh, VITA Park, Vientiane Long Thanh Golf Course, Xaysettha and Dongphousy.

### Laos steps up agriculture, forestry investment

To expand production capacity in agriculture and forestry the government is boosting economic cooperation with domestic and foreign entrepreneurs. In total, 620 domestic and foreign companies have invested about US\$2.3 billion in the agriculture and forestry sector. Some 289 Lao companies have invested about US\$188 million and 331 foreign companies have invested US\$2.12 billion according to the Ministry of Agriculture and Forestry.

### Five nations jointly market their tourism industry

Laos, Cambodia, Myanmar, Thailand and Vietnam have agreed to jointly market themselves as 'Five Countries One Destination' in a move to bring more tourists to the region and integrate their tourism industries. The programme is expected to bring considerable profits to Laos as it is located in the centre of the five countries. The special travel programme will be implemented by 2016 and will bring tourists to Bagan (Myanmar), Chiang Mai (Thailand), Luang Prabang (Laos), Siem Reap (Cambodia) and Hue (Vietnam).

### Over US\$180 million invested in That Luang Marsh project

Over US\$180 million has been spent so far on building infrastructure facilities and condos at That Luang Marsh Specific Economic Zone in Vientiane, officials in charge of the project have said. Construction began in December 2012, with the US\$1.6 billion project being developed as a model for SEZ development in Laos aiming to attract more foreign investment in the country. (VT 28-7-15)

### Govt expects GDP to exceed US\$2,000 per capita in 2015/16

Gross Domestic Product is expected to reach 16.74 million kip (US\$2,092) per person per annum by the next fiscal year reflecting increasing living standards for sections of the population. GDP is also expected to increase by at least 7.5 percent per annum with a total value of around 115.452 trillion kip (US\$14.43 billion) for the next fiscal year. (VT 8-7-15)

### Consumers set to benefit from falling petrol prices

The retail prices of fuel at petrol stations around the country are continuing to fall and look set to reduce further in the coming months in accordance with plunging global oil prices. The Ministry of Industry and Commerce recently announced additional reductions in the retail prices of premium grade petrol, regular petrol and diesel at stations nationwide. (VT 10-8-15)

### Banks lower interest rates

Commercial banks in Laos have lowered their interest rates for both deposits and loans in line with the decision made by the Bank of the Lao PDR which is seeking to reduce loan rates and thereby stimulate economic activity. Prior to this reduction the loan rates in Laos were high compared to those of other neighbouring countries which made it difficult for producers to match the pricing of their international competitors. (VT 6-8-15)

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On sale at the ECCIL office and selected bookshops

## The European Chambers of the World and their network

Besides ECCIL there are currently 26 other officially recognised European Chambers operating around the world in countries outside of the EU. Their number is constantly growing and they represent European businesses in countries as diverse as Brazil, China, Papua New Guinea, Ghana, Japan, Australia, Trinidad and Tobago – and Laos.

The chambers are as diverse as their host countries – some are a chamber of chambers, some have mainly corporate members, many focus on advocacy. Some have only a few members, others count many hundreds. Most of them operate in countries which are also home for bilateral chambers of EU member states, and only ECCIL is located in a country without a bilateral chamber or business council of any EU member state.

As diverse as the European Chambers

are, they share common goals – they represent the European business interests in countries outside of the EU, in so called Third Markets. All European Chambers are independent and member driven.

A few years ago, the European Business Organisations or EBOs, as this kind of chamber is generally known, formed an official organisation, registered in Brussels, with its own budget and its own board of directors. This organisation is called the European Business Organisation World Wide Network ASBL or EBOWWN.

The EBOWWN is a common platform for European Business Organisations to share information and best practices among the network and its stakeholders in order to provide first-rate services to European businesses,

in non-EU markets.

The Network meets twice a year – once in June in Brussels, where the Annual General Meeting is held and an exchange of ideas with different directorates of the EU and members of the European Parliament takes place, and once, often in November, at the location of one of its members; in 2015 this will presumably be in Beijing.

ECCIL has not only actively contributed to joint position papers, the most recent on the EU Economic Diplomacy, it has also conducted joint investment conferences with members of the network in countries like Vietnam, Malaysia and Cambodia. Further conferences are foreseen this year in Ho Chi Minh City, Manila, Jakarta, and Kuala Lumpur.

---

## ECCIL's Executive Director elected on Board of Directors of EBO World Wide Network

During its Annual General Meeting in June in Brussels the worldwide network of the European Chambers elected a new 5-member Board of Directors which serves for a one year term. ECCIL's Executive Director, Dr. Ramon Bruesseler, is one of the elected board members.

The Board Directors are:

Chairman: Mr. Renato Pacheco Neta, (EBO Brazil)

Vice Chairman: Mr. Adam Dunnett (EBO China)

Vice Chairman: Mr. Freddie Hoeglund (EBO Taipei)

Treasurer: Dr. Ramon Bruesseler (EBO Laos)

Secretary: Mr. Gerry Constantino (EBO Philippines)

*The 4th Edition of the Job Fair@Faculty of Engineering - a Story of Success – 28th May 2015 –*

When Dr. Ramon Bruesseler from the European Chamber of Commerce and Industry in Laos (ECCIL) and Mr Thomas Bohlmann from the Faculty of Engineering (FEN) initiated the first Job Fair@Faculty of Engineering in 2012, they could not imagine that it would become such a success. The main reason to launch this important event at that time was – and still is – to bridge the communication gap between the academic world and the business community. On one hand there is a lack of awareness by the students on where their studies will take them and which employment possibilities are available in the labour market. On the other hand companies have a hard task to communicate with students in order to explain the content of jobs or to attract suitable candidates to apply for vacant positions.

Around 5,000 students are enrolled at 10 different Departments within the Faculty; each year about 1,300 of them will graduate at the end of June. Compared to 2012 (estimation: 700 visitors) about 1,500 students attended the Job Fair in 2014. This is an increase of approximately 100% – a great success. Although at the beginning the Job Fair was mainly targeting graduates, students in general are invited – from Vocational Schools as well as Higher Secondary Schools, not only to stimulate them to draw clearer career plans and to get informed about diverse education and training options but also to support them obtaining desperately needed internships.

In 2014 the Job Fair attracted about

30 companies and organisations, ranging from Mining to Insurance, from Hydropower to Garments, which offered a large variety of more than 140 vacant positions. Compared with the 16 companies that had offered about 60 vacancies in 2012, this increase can also be considered a great success. Besides the interaction with the students, many companies use the occasion to get in touch with academic staff of the Faculty to exchange ideas on how to improve the study courses according to the needs of the labour market, desperately demanding a skilled labour force.

Besides giving potential employers the opportunity to display their organisation, the organisers put a lot of emphasis on offering further attractions, for example workshops to train students how to act appropriately during a job interview. Panel discussions with Human Resource representatives on how to be best prepared for challenging job opportunities always draw a lot of attention from the students who are eager to hear first-hand experience and recommendations. In this context, the Companies repeatedly emphasise how important it is for young Lao-tians to take over responsibility not only for their own work area but also for the success of the entire company. Furthermore all students have the chance to get informed about studying abroad and receive scholarships from a broad range of organisations. Without the Lao National Chamber of Commerce and Industry (LNCCI), which supported the Fair right from the start, such an event wouldn't be possible. It also receives valuable support from AIESEC (the world's largest student-run organisation), Pôle d'Activités Francophones, and

Deutsche Gesellschaft für internationale Zusammenarbeit (GIZ) GmbH in the Lao PDR.

Even so the Fair has been a success in all respects, the organisers will build on lessons learnt of this event for 2015.

Look for the announcements next year for the 5th edition of this highly successful function.

*For more information:*

*Ms. Soupanith Lounalath (ECCIL)  
soupanith.lounalath@eccil.org, 020  
95 519 988*



## 2014-2015 Salary and Productivity survey

*gives an overview of the actual salaries paid in different industries, for different positions and in different locations in Laos. The survey shows the different wage levels in joint ventures, domestic and foreign enterprises as well as in the public sector.*

*It enables you to find out  
if you are paying not enough...  
or too much.*

*For further information  
please write to: [contact@eccil.org](mailto:contact@eccil.org)*

# Seminars and Conferences

## ASEAN-EU Business Summit

On August 23rd the annual ASEAN-EU Business Summit, arguably the most important business meeting between the two economic blocs, took place in Kuala Lumpur, the capital of Malaysia which chairs the ASEAN in 2015.

The event was attended by about 170 participants and addressed topics like the ASEAN economic outlook, strategic financing, business strategy, consumer protection, and infrastructure. Among the speakers were Mr. Francois Guibert, Chairman of the EU-ASEAN Business Council, Tan Sri Dato Dr Mohd Munir Bin Abdul Majid, Chairman of the ASEAN Business Advisory Council and Mr. Martin Hayes, President of Robert Bosch SEA.



**Representatives of EU business networks and EU chambers in SE Asia**

ECCIL sent two delegates to the conference, was present with a joint booth together with other EU sponsored projects in the region and represented in a presentation for the audience of the

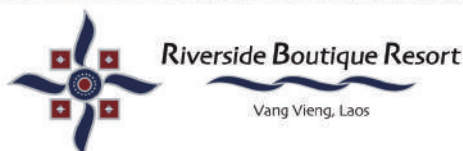
event.

Next year Laos will have the chair of the ASEAN, and the next ASEAN-EU Business Summit is planned to be in Vientiane.

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# Seminars and Conferences

## Investment conferences

On 15 and 17 September 2015 the European Chamber of Commerce and Industry in Lao PDR (ECCIL) and the Lao National Chamber of Commerce and Industry (LNCCI) took part in two Investment Conferences, the first in Manila at the New World Makati Hotel on 15th September 2015, 08:30 hrs. – 12:00 hrs. Followed by the Sofitel Hotel In Ho Chi Min City, Vietnam on 17th September 2015, 08:30 hrs. – 12:00 hrs.

The two investment conferences were organised by the European Chamber of Commerce of the Philippines (ECCP) and the European Chamber of Commerce in Vietnam. The conferences included 3 presentations of the economic situations in Laos, Cambodia and Myanmar together with presentations of the legal business frame-



**Henry Schumacher, Vice President of the EU chamber in the Philippines, moderating the panel of representatives from Cambodia, Laos and Myanmar**

work, followed by a panel discussion and Q&A session.

About 60 business people and entre-

preneurs attended the event in Manila and about 40 attended in Ho Chi Minh city.

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## Phnom Penh

On April 26th, 2014 ECCIL gave a presentation in Phnom Penh about the business opportunities and the business environment in Laos in an event that was attended by about 35 business people and that was co-organised by the EuroCham Cambodia.



**Dr. Ramon Bruesseler and Ms. Ratana Phurik-Callebaut, Executive Director of EuroCham Cambodia**

## Regional TVET Conference 2015 in Vientiane in December

The Regional TVET Conference 2015 will take place 14-15 December in Vientiane, Lao PDR and the title is "Supporting AEC Integration through Inclusive and Labour Market oriented TVET". The conference will be hosted by the German Federal Ministry for Economic Cooperation and Development (BMZ) and the Lao Ministry of Education and Sports (MoES).

This third Regional TVET Conference is of particular importance facing the upcoming AEC Integration and around 380 high ranking representatives (ministry level) from governments in the ASEAN region and Asia as well as from businesses/chambers/associations, research institutions, civil society and international agencies are expected.

Since the strengthening of regional strategies and policies in the fields

of the economy and employment as well as the TVET cooperation mechanisms are a particular priority for the emerging economic union, the following 4 key topics have been identified:

TVET Governance

Inclusive vocational education

Work process and employment oriented TVET

TVET personnel development

The conference is open for registration (<http://www.regional-tvet-conference-laos.org/>) and welcomes interested parties.

For further inquiries please contact Jin Bender ([jin.bender@giz.de](mailto:jin.bender@giz.de)).

*About the author: Jin Bender works as Associate Expert for GIZ in Lao PDR in the field of Economic Development and Employment Promotion*

## Seminar in Luang Prabang



**Mr. Rupert Haw**

On March 27th ECCIL organised jointly with LANITH (Lao National Institute of Tourism and Hospitality) a half-day seminar on legal, tax and real estate issues. Mr. Rupert Haw,

Managing Director of DFDL Laos gave an insight into the possibilities and pitfalls regarding real estate investment and structuring options for foreigners in the Lao PDR. Mr. Jack Sheehan, Partner of the Regional Tax Practice Group of DFDL presented an update on legal requirements for businesses and covered issues like value added tax, the new tax law, double taxation agreements and the consequences for tax planning and compliance.

The seminar took place at LANITH's premises in Luang Prabang and was sold out with more than 30 participants.

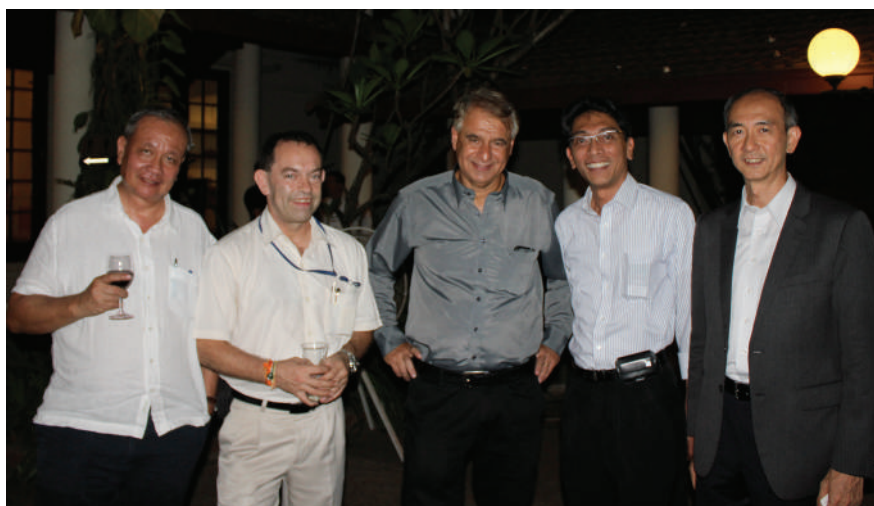


**Mr. Jack Sheehan**



***Ian Armstrong, CEO of Beeline, gives his welcoming address***

Members will be well aware that the chamber organises social networking events on a regular basis throughout the year. Mostly confined to our own members and guests, there are occasional joint functions with our friends at the other chambers especially AmCham and AustCham. Our networking events are casual and we normally will have between 60 and 100 attending, mostly our mem-



bers but also Lao officials, ambassadors, representatives from other chambers etc. Most of the events are held in Vientiane (our strongest membership

base) and are usually sponsored by companies which want to showcase their products, services or simply their presence in the Lao PDR.

Normally we have an event every 4 to 6 weeks but there is usually a period in the summer months, July and August, when there is little activity because of holiday absence.

This year we have had 7 so far, no. 8 will be in early October.

The photos on these pages show the events on 6th May (with AmCham and AustCham) at the Settha Palace Hotel, on 18th June at Makphet restaurant and on 10th September at our own premises.





Networking is not only an integral part of business but it is also a good way to inform about recent developments in the business environment, make new acquaintances, chat with friends and, last but not least, have some fun. That is why we have regular networking events in different locations to which we invite our members, friends and acquaintances. These events usually attract about 80 people, entrepreneurs, managers, ambassadors, government officials and representatives of development agencies. Sometimes we have prominent guests from overseas and sometimes we hold them together with our colleagues from AmCham or ANZBA. ECCIL's network cocktails are sponsored because we want to give companies the opportunity to make themselves known to the audience through a short presentation. If you want to know more about sponsoring one of our networking events please write to: [contact@eccil.org](mailto:contact@eccil.org)





Our friends from BFL once again sponsored a very enjoyable evening, this time in our new home. The top two photos show the CEO of BFL, Guillaume Perdon and President of ECCIL, Guy Apovy welcoming the many members and invited guests who attended.

A special time was had by all.



## 2015 Index of Economic Freedom

Recently, the Heritage Foundation has published in partnership with the Wall Street Journal its 2015 Index of Economic Freedom of the world.

The report measures the economic freedom by analysing the policies and institutions of 178 countries and terri-

tile nations.

In the ASEAN the degree of economic freedom differs significantly from country to country. Whereas Singapore is the second most free economy in the world, only 5 of the 9 ASEAN members (Myanmar was not surveyed) make it into the Top 100. Least free are two of the poorest coun-

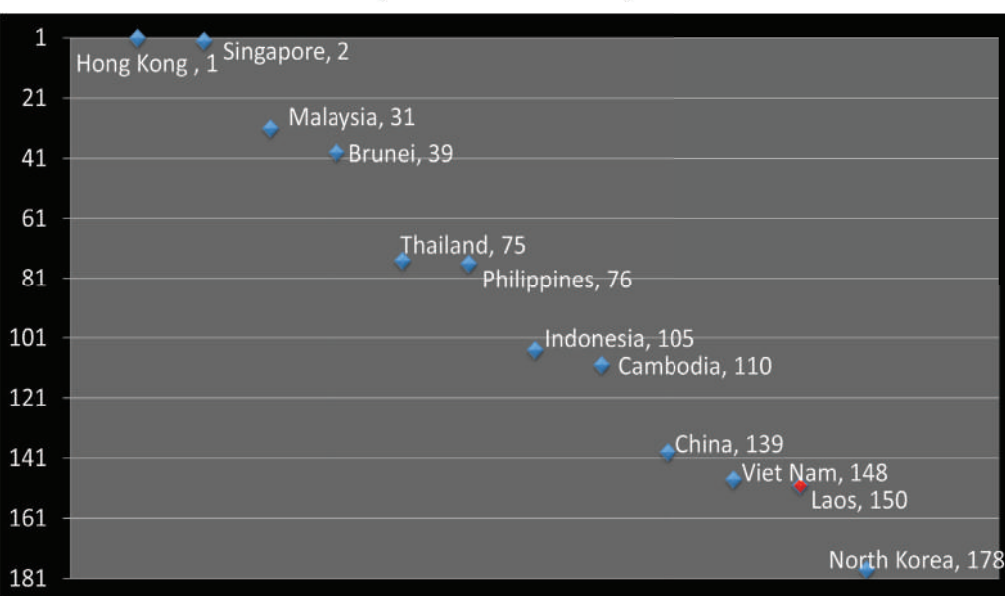
Yuan, lacklustre consumer demand, stalling exports and a shrinking economy in Japan as well as major shifts in the flow of Foreign Direct Investment. The Lao kip has not been very much affected, notwithstanding a small hiccup in mid-August. For other currencies the situation was more precarious. In particular the Malaysian Ringgit got hammered. End of June 100 MYR bought about 26 USD, mid-September only about 23 USD. Reasons were a political scandal, low oil prices and plummeting palm oil prices.

The Indonesian Rupiah also hasn't excelled, with shrinking commodity prices taking their toll. The situation in Indonesia might actually be more worrying than in Malaysia. The former has a capital market that is less deep than Malaysia's, the drain on foreign exchange reserves is higher; so is the risk of capital flight.

The Thai Baht reflects poor consumer confidence, expectation of a tiny GDP growth and probably a lack of trust in the stability – or perhaps the capability – of the regime.

Singapore's economy contracted in the 2nd quarter of 2015, and economic growth is on a 3 year low. A softened growth outlook in China, in certain aspects the harbinger of Singaporean economic development, has had its fall-out in the real estate market but also on other sectors. Manufacturing and exports showed weaknesses.

2015 Index of Economic Freedom  
(178 countries and territories)



Source: The Heritage Foundation, <http://www.heritage.org/index/ranking> as of Sept. 21<sup>st</sup>, 2015

tries. The Index evaluates countries in four broad policy areas that affect economic freedom: rule of law; limited government; regulatory efficiency; and open markets. There are 10 specific categories: property rights, freedom from corruption, fiscal freedom, government spending, business freedom, labour freedom, monetary freedom, trade freedom, investment freedom, and financial freedom. Scores in these categories are averaged to create an overall score.

According to the index, the most economically free jurisdictions are Hong Kong, Singapore, New Zealand, Australia, and Switzerland.

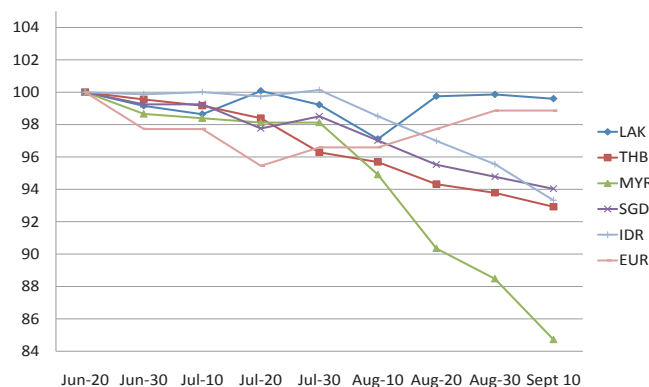
There is a clear link between economic freedom and prosperity: countries in the top quintile of economic freedom have a significantly higher average per-capita GDP than the bottom quin-

tries of the ASEAN: Laos (rank 150 out of 178) and Vietnam (rank 148). However, both Laos and Vietnam achieved their highest scores since the index was launched in 1995.

## Currency development in the region

Most of the currencies in the region have lost against the dollar over the past few months. Backdrop for this development is, besides the global economic development, a significant change in the East Asian economy: slowing growth, turbulence at stock markets and systemic economic changes in China, a weakening

Exchange rate to the USD, EUR and Asian currencies June 20<sup>th</sup> – Sept 10<sup>th</sup> 2015  
(June 20<sup>th</sup> = 100)



Source: OANDA, own calculations.

## EQHO Communications Lao Co. Ltd.

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## Arion Legal

Arion Legal is pleased to welcome the respected Lao lawyer Mr. Khamkong Liemphrachanh, and German lawyer, Ms. Teresa Krasteva to its commercial practice. The firm also extended its regional reach by signing a cooperation

agreement with Yunnan Baqian Law Firm, the largest law firm in Yunnan Province, PR China.

## TMGR/ECCIL

TM Global Recruitment (TMGR) is a fully comprehensive one stop shop recruitment service with a particular emphasis on high end global positions for expatriates and has worldwide reach via their extensive database and staff in the UK and Isle of Man.

ECCIL has entered a partnership with TMGR to ensure a preferential service for ECCIL's members regarding the recruitment of highly qualified staff for operations in Laos and a variety of other ASEAN countries.

## MANDALAY Ltd.

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## Hotel de la Paix

Hotel de la Paix, now managed by AccorHotels. After a series of up-

grades and restorations, the hotel will re-open as Sofitel Luang Prabang in November 2015, impeccably fusing French colonial charm with contemporary elegance, featuring large courtyards, landscaped gardens, a pool and fireplaces providing a welcome retreat throughout the year.

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## DESIGN, TESTING & COMMISSIONING

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## ECCIL calendar of upcoming events

Date	Event	Location	
August 23rd	EU-ASEAN-BIS	Kuala Lumpur	Public
August 24th	East Asian Investment Summit	Kuala Lumpur	Public
September 15th	Investment Conference on Lao PDR	Manila	Public
September 17th	Investment Conference on Lao PDR	Ho Chi Minh City	Public
September 24th	Networking Cocktail Party	Vientiane	By invitation only
September 29th-30th	EU-ASEAN Days at the Expo Milano	Milano	Public
September, tba	Launch of Business Confidence Assessment for Lao PDR	Vientiane	Public
October 14th	ASEAN Integration into the Global Economy Conference 2015	Manila	Registered participants
October 30th	Investment Conference on Lao PDR	Bangkok	Public
October, tba	AEC Seminar	Vientiane	Registered participants
October, tba	Launch of Salary and Productivity Study	Vientiane	Public
October 19th -20th	Training of office management	ECCIL	Public
October 21st	Professional receptionist training	ECCIL	Public
October 22nd	Training of Secretary skills	ECCIL	Public
November 1st - 2nd	Asia-Pacific Business Forum	Bangkok	By invitation only
November 3rd	Investment Conference on Lao PDR	Singapore	Public
November 5th	Investment Conference on Lao PDR	Jakarta	Public
November 16th-18th	EBO Worldwide Network Meeting	Beijing	By invitation only
November 20th-21st	ASEAN-BIS	Kuala Lumpur	Registered participants
December 4th	ICI+ ASEAN Coordination meeting	Ho Chi Minh City	By invitation only
December 14th - 15th	Regional TVET conference	Vientiane	Registered participants
Jan. 19th, 2015	ASEAN-BAC Meeting	Vientiane	By invitation only
Jan. 20th, 2015	Conference "Post-2015 agenda of the AEC and Lao PDR"	Vientiane	Public

For details please contact ECCIL:

[contact@eccil.org](mailto:contact@eccil.org)

Members will be updated regularly

## Acknowledgments



*The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH is active in the field of rural development and sustainable economic development. As a federally owned enterprise, GIZ supports the German Government in achieving its objectives in the field of international cooperation for sustainable development.*



Cei Lao is a newly established company of consultants specialising in Engineering and Investment projects



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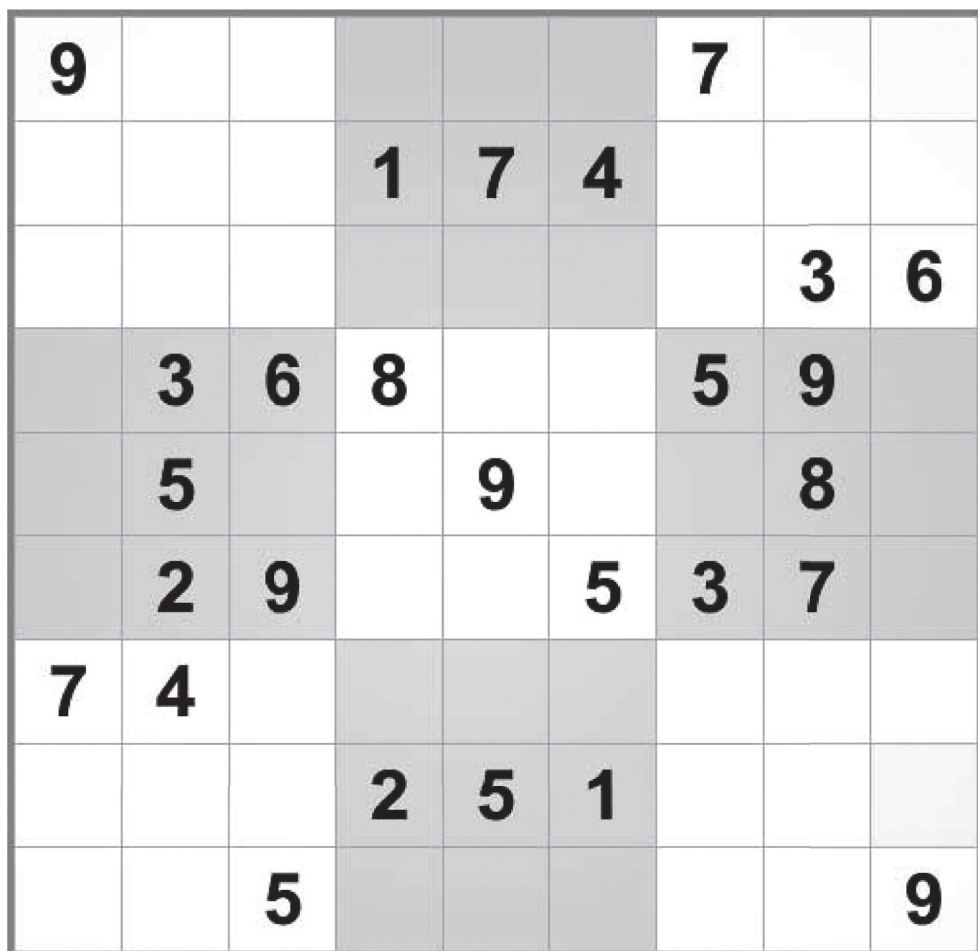
DFDL founded in 1994, is the first leading international law firm specialised in emerging markets with pan-regional legal and tax expertise developed throughout the Mekong region (Cambodia, Lao PDR, Thailand, Myanmar, Vietnam), Indonesia, Singapore, and Bangladesh, with a dedicated focus on ASEAN and the Middle East."



Mascot Laos is a subsidiary of mascot International, a Danish company which is one of Europe's largest suppliers of work wear and safety shoes



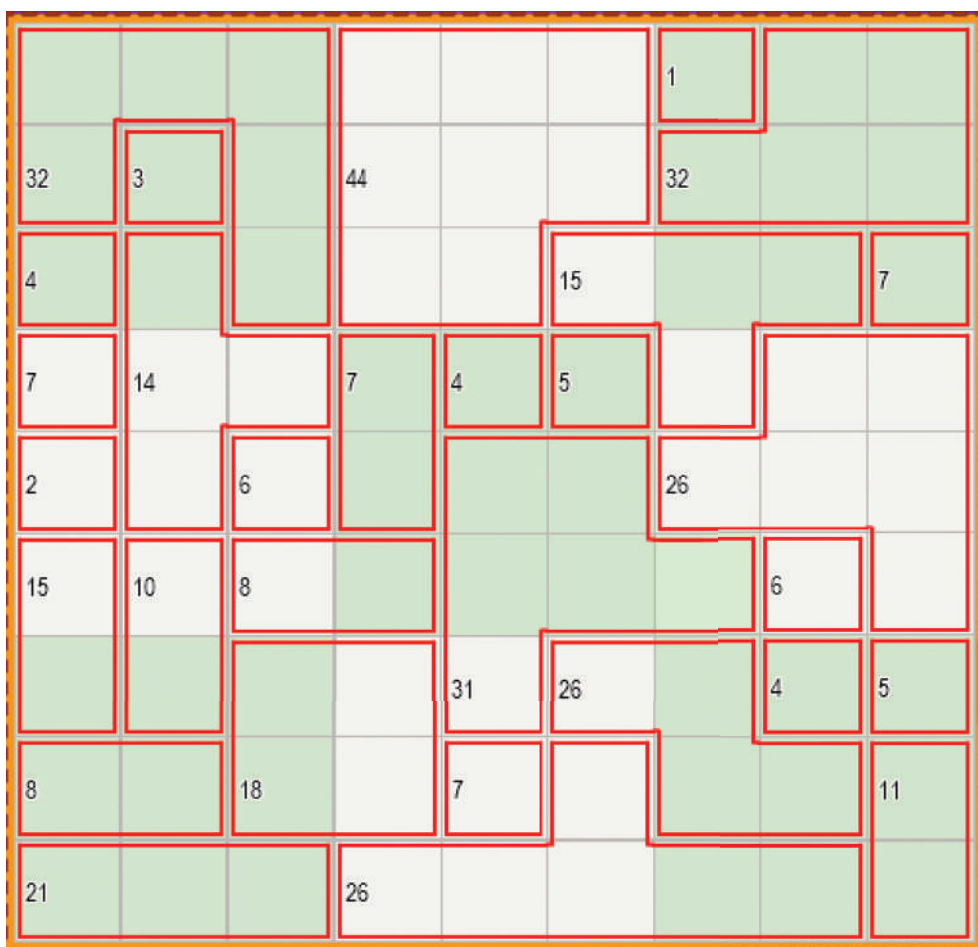
Indochina Research is a research agency with more than 20 years experience in the region and offices in Cambodia, Laos and Vietnam



Take a few moments out to give your mind a little simple exercise with the ever popular SUDOKU. All you have to remember is that each line, column and group of 9 squares must include all the numbers 1-9.

As an example, on the fourth line the sixth square has to be a 7 as there is no 7 yet and it cannot be put in squares 1, 5 or 9.

Good luck!



A more challenging version of SUDOKU!

The rules are much the same except there are no numbers filled in already, each one has to be deduced.

All the numbers 1-9 must appear in each line, column and block of 9 squares, but they must also add up to the total shown in each cage. For example, the first three numbers in the bottom line must add up to 21 (4+8+9, 5+7+9 or 6+7+8).

The main clue to remember is that the numbers 1-9 add up to 45, so each line, column and square of 9 numbers must add up to 45 also.

Good luck!

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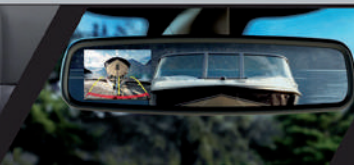
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