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Mining: the driver of industrial growth

At the end of this year, the Lao People's Democratic Republic will mark its 40th anniversary with a series of achievements in various fields set to be highlighted to reflect the progress made in national development and defence over the past four decades. Vientiane Times is publishing a series of articles on the achievements of the Lao PDR in the lead up to the 40th anniversary celebrations.

The exploitation of natural resources has grown rapidly and has played a significant role in economic development over the past 40 years since Laos achieved liberation on December 2, 1975.



The mining sector in particular has generated sizeable revenues through taxes paid to the government, provided numerous jobs and helped to drive the process of socio-economic development.

Immediately following liberation, few mining projects existed. The only form of mineral excavation was the Phontiew tin project in Khammuan province, while rocks and sand were excavated for construction purposes.

Excavation involved very simple techniques and equipment and local people used sieves to search for gold deposits in rivers.

But these days are long gone and mining is now a sophisticated industry in Laos.

The excavation site at the Sepon copper mine.

The mining industry has boomed in parallel with the country's overall development.

Since the government introduced the renovation policy in 1986, Lao companies and investors from Asia have carry out numerous surveys and engaged in widespread excavation.

The renovation policy brought many benefits, especially to the mining sector, and opened the door to mining companies from around the world. The government recognised the importance of natural resources as having great potential for the country's drive towards development.

Many kinds of minerals have been excavated for export and for supply to the processing and energy industries in Laos, such as coal.

Coal has mostly been used in the production of cement. Thousands of tonnes of coal are required each year for the country's 10 cement plants. It is also the energy source for the Hongsa Mine-Mouth Power Plant in Hongsa district, Xayaboury province, which is one of the newest and largest energy projects in Laos.

The government has given licences to investors to explore and excavate rocks for use in the construction of infrastructure such as roads and other facilities, and has given the green light to entrepreneurs to excavate rocks and sand from rivers to supply the construction industry.

According to a report from the Ministry of Energy and Mines, as of December 2014 there were 69 mining companies operating 107 projects on a total concession area of 274,663 hectares.

The largest projects are the Sepon copper and gold mine and the Phu Bia mine.

Mining companies in Laos can be divided into two groups. The operating group consists of 50 companies which are carrying out gold, copper, coal, tin, potassium and limestone operations.

The second group, consisting of 19 companies, is in the preparation phase. They are building factories and some are preparing to excavate. Some have built factories and are now preparing to start excavation. A Lao-Vietnamese company is extracting gold deposits in Attapeu province, Khamkhuet Seneoudome is excavating gold deposits in Borikhamxay province and the Litou Mining Company Limited has prepared a concession area and is now preparing to excavate gold deposits in Vientiane province.

To encourage investors to carry out these projects effectively, the Ministry of Energy and Mines carries out regular inspections of their operations, under the Law on Mining which was promulgated on May 31, 1997. This law contains eight chapters and 63 articles. It is the legal reference for the management, monitoring, inspection and promotion of mining.

The ministry has so far examined 57 projects. It will also check the remaining projects.

This year, the mining sector cancelled the business licences of 23 companies after they failed to give a satisfactory explanation to the Vientiane authorities as to why they were not operating commercially.

This demonstrates the sincerity of the authorities in effectively managing mining projects after licences have been awarded.

With regard to revenue, in 2007 Laos earned more than 4.3 trillion kip (more than US\$538million) from mineral exports and the mining industry generated revenue of 1,169 billion kip for the government, up from 737 billion kip in 2006.

The Sepon copper mine and the Phu Bia gold and copper mine are major sources of revenue for the government.

Production and the value of exports jumped from more than 4.3 trillion kip (more than US\$538 million) in 2007 to more than 12.56 trillion kip (about US\$1.56 billion) in fiscal year 2013-14. These figures are testimony to the rapid growth of the mining industry.

In 2013-14, gold output exceeded 30 tonnes, an increase of 36.8 percent compared to the previous fiscal year, but the market price decreased by 29.15 percent.

The Sepon copper project produced 87.02 tonnes of copper sheets, down by 1.36 percent compared to the previous year while the price of copper dropped by 10.65 percent.

Tissue copper output at the Phu Bia mine was 338,413 tonnes, an increase of 12.76 percent, while the price rose by 1.57 percent. Some 23,690 tonnes of lignite was produced, a decrease of 94.84 percent, while the price fell by 95.21 percent. Coal output was 125,894 tonnes, down by 37.27 percent, while potassium output was 236,290 tonnes, a decrease of 61.3 percent compared to fiscal year 2012-13.

Export figures for fiscal year 2013-14 show that 26.54 tonnes of silver deposits mixed with gold deposits were exported, along with 333,000 tonnes of tissue copper, 90.015 tonnes of copper sheets, 599,968 tonnes of steel deposits, and 100,000 tonnes of potassium deposits.

The value of domestic distribution was 215.2 billion kip (US\$26.99 million). Lignite, coal, limestone, and rocks for construction purposes, were supplied to the domestic market.

This fiscal year (2014-15), the gross value of mineral production is expected to exceed 14,785 billion kip, an increase of 16.66 percent over last fiscal year.

The government has set a minerals export value target of over 14.78 trillion kip this fiscal year, an increase of 12.5 percent compared to the 2013-14 fiscal year.

Production of silver mixed with gold is expected to reach 24.88 tonnes, while the output of copper sheets is forecast at 91,600 tonnes, tissue copper at 350,000 tonnes, potassium at 470,000 tonnes, lead at 1,200 tonnes, and limestone at 600,000 tonnes.

Output in the energy and mining sector has grown rapidly over the past five years from 2011-15 and now accounts for 12 percent of the country's Gross Domestic Product (GDP).

The achievements in this sector were outlined at the Party Committee Congress of the Ministry of Energy and Mines in April this year.

Party and government policy holds that the mining sector must process minerals as finished or semi-finished products prior to distribution.

The profits earned by the mining industry have contributed to community development in areas where mines are located and have also been ploughed into infrastructure development.

This month (September 2015), Laos will host the 5th Asean Mining Ministerial Meeting. This is a collaboration by Asean member countries to develop the mining industry in the region.

Four main issues will be tabled for discussion and adoption by the participating ministers: creation of a mining database, management and investment in the mining sector, sustainable mining development, and human resource development.

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