Comprehensive Economic Reform Proposal for Laos

This proposal outlines a strategic economic plan for Laos designed to address significant challenges such as high inflation, currency devaluation, reduced growth, and a deteriorated fiscal situation. It prioritises boosting production and rebalancing economic incentives, focusing on a shift towards land-based and consumption taxation, alongside innovative financial instruments to foster growth and stability.

I. Guiding Principles and Goals

The fundamental approach is built upon several core principles:

- **Taxation and Supply**: An effective tax system should avoid curtailing the supply of desired goods and services. Instead, taxation should primarily target negative externalities, such as pollution; fixed or inelastic resources, like land; or unearned income, rather than labour or productive output.
- **Production-Centric Growth**: To control inflation and strengthen the Kip, economic policy must focus on **increasing the production of goods and services *before* boosting consumption**.
- **Rebalancing Incentives**: Policies should systematically rebalance incentives towards **savings, productive investment, and long-term value creation**.
- **Local Empowerment**: The system aims to maximise local decision-making and provide a significant voice for a diverse array of stakeholders.
- **Financial Stability**: The entire framework is designed to absorb speculative financial inflows and outflows, thereby preventing currency instability.

The main goals of this proposed system are:

- **Currency Stability**: To stabilise the Kip and maintain export competitiveness
- **Inflation Control**: To reduce inflation and ensure overall price stability.
- **Increased Production**: To significantly boost the domestic supply of goods and services, with a particular emphasis on export-oriented sectors.
- **Economic Growth**: To foster sustainable economic growth and prosperity, with a strong focus on business formation.
- **Improved Fiscal Health**: To increase government revenue and reduce the fiscal deficit.
- **Social Stability**: To promote social stability, cohesion, and enhance the financial well-being of all citizens.
- **Universal Access**: To ensure all citizens have universal access to essential resources and financial services.

II. Currency Strategy

The proposed financial system is built upon a **multi currency system**:

- **Kip (LAK)**: This will be the primary currency for most **domestic transactions**. Its value is designed to be relatively suppressed compared to the GoldKip to specifically **boost domestic and international trade**.
- **GoldKip**: This currency is designed for **international trade**
- **Value and Growth**: The GoldKip's value is based on a **fixed 4% annual supply growth rate**.
    - **Accrual and Distribution**: Its gains accrue to various stakeholders, including **sectoral banks, the central bank, holders of GoldKip accounts, and purchases of TransactionKip (TKip)**. A portion of the monetary expansion accrues to holders' accounts, and some initial issuance should go into investment accounts.
    - **Purpose**: It aims to **reduce reliance on the USD, gold, and other external currencies**. It is also intended to absorb speculative investment and "hot money" without affecting the Kip, directing capital gains into long-term instruments and relieving appreciation pressure on the Kip from exports.
    - **Uses**: It is designated for **tourism entry fees** (or requiring GoldKip account opening with a deposit), **raw material exports, commodities exchanges, venture exchanges, and casinos**. Wages for foreign workers can also be paid in GoldKip. There should be a GoldKip-denominated commodity futures exchange and a speculative securities exchange where anyone can list products, with payments in GoldKip.
    - **Protection from Speculation**: GoldKip is protected from short-term speculation through **long-term lock-in mechanisms in savings accounts** and fixed-term investments. The pot of GoldKip used to buy TKip should be from 24 months prior to make speculation difficult. GoldKip bonds can be issued by the Lao InterBank and purchased by the central bank.
    - **Market Dynamics**: An automatic shock absorption mechanism is crucial to manage tremendous swings and speculative capital inflows, shielding the Kip and Kip-denominated assets. The growth of GoldKip should accrue to currency holders and asset holders as a subsidy for inflows and exporters.
- **TransactionKip (TKip)**: This is the **third parallel currency**.
    - **Generation**: It is primarily **created as a VAT credit for every Kip of VAT remitted to the government**, and also for VAT-exempt businesses when they deposit revenues.
    - **Accrual and Distribution**: A significant portion of TKip accrues to a wide variety of stakeholders, including producers (sellers), government, sectoral banks, foreign workers, and savings accounts. Half of the TKip accruing to businesses as a VAT rebate should go to long-term TKip savings accounts owned by businesses.
    - **Uses**: It can be exchanged freely for other purposes, including **insurance (for business loans), lotteries, and export funds**. It can also be used to subsidise currency transaction fees.
    - **Stability and Purpose**: It is designed to be a **stable currency**, linked to production, and intended to be naturally inflationary due to increasing supply

with transactions, while GoldKip acts as an inflationary hedge. It aims to reduce the deadweight loss from consumption taxes and strengthen domestic spending, particularly for export promotion. The automatic purchase of TKip by GoldKip adds value.
    - **Conversion**: There is a **time component on conversion to Kip** to smooth the VAT subsidy and bolster business savings for downturns.
- **Foreign Exchange**: A **Forex trading application** will be included in the national investment app template. A **short-term trading fee** will be charged when buying Kip from any other currency, and 8% of the foreign currency will be held in a non-interest-bearing account for a year.
- **Exchange Rates**: A market-based exchange rate should be maintained between the Kip and GoldKip, but it also requires an **automatic mechanism to buy Kip domestically and resell it on the exchange** to prevent domestic inflation. Minimal exchange rate fluctuation between Kip and GoldKip is a goal.

III. Taxation System

The proposed tax system prioritises production and investment while discouraging unproductive behaviour. The plan aims to replace taxes on business and personal income with an increased VAT rate and a Land Value Tax.

- **Land Value Tax (LVT)**:
    - A **tax on the unimproved value of land**.
    - **Purpose**: Designed to incentivise the **efficient use of land, prevent land speculation**, and **capture increases in land values** resulting from infrastructure investments and urban growth. It makes land speculation unprofitable and helps lower housing costs.
    - **Revenue Allocation**: LVT revenue is partially allocated to local Urban AgriBanks to subsidise food markets and farms. Revenues will initially support provincial and national government and then transition to more decentralised funding methods. Specifically, 92% of LVT revenue goes to the Government and 8% to the National Dividend.
    - **Mechanism**: A publicly visible plaque with a QR code on properties will show details like property size, purpose, land value, building value, and tax rate, linking to the land registry for transparency and fraud prevention.
- **Land Size Tax (LST)**:
    - A **tax on land by size**, designed to encourage the development of **dense housing** and minimise urban sprawl.
    - **Revenue Allocation**: LST revenue is allocated as 33.3% to the Land Access Bank (LAB), 33.3% to Sectoral Banks, and 33.3% to the Three Pillars. More broadly, it's divided with ¼ to the land bank, ¼ to all sectoral banks, ¼ to the National Income Supplement (NIS), and ¼ to the Assisted Savings Program (ASP).
- **Unified Location Tax (ULT)**: This is a comprehensive land and property tax system designed to address urban sprawl and architectural standards.
    - It includes a land size tax (land value multiplied by plot size), an annual land value tax (e.g., 3%), and conditional taxes on buildings if specific environmental, social, or architectural guidelines are not met.

    - **Deductions**: Allows deductions against the ULT for particular agricultural, industrial, and construction inputs and outputs (up to half the ULT bill).
- **Value Added Tax (VAT)**:
    - **Rate**: The VAT rate should be **increased to 24%** to shift the tax burden onto consumption.
    - **Exemptions**: Exemptions are to be implemented for **basic goods and services**, including fresh food, specific prepared food, housing, water, medicine, and culturally significant clothing. Exports are zero-rated.
    - **Revenues**: VAT revenues are allocated to the **Three Pillars, Sectoral Banks, and provincial/national governments**
    - **Purpose**: Ensures the entire population contributes to tax revenue. It suppresses domestic consumption for the benefit of exporters and captures revenues from tourists and visitors. It also aims to price in the true costs of consumption and its externalities to nature and society.
    - **Problem/Solution**: High VAT can burden businesses and impact tourism. The solution is that for every Kip remitted in VAT, a **credit (TransactionKip) is generated offering greater value than what was paid**, effectively a subsidy for the producer.
- **Duration-dependent Investment Tax (DDIT)**:
    - A tax on short-term savings and investments.
    - It can be reduced or eliminated if money is transferred to long-term accounts.
    - **Revenue Allocation**: Revenue is allocated to the **Assisted Savings Program (ASP)**.
- **Early Withdrawal Tax (EWT)**:
    - A tax on early withdrawals of capital from savings and investment accounts.
    - It can be eliminated by moving into fixed-term accounts.
    - **Revenue Allocation**: Revenue is allocated to the **Assisted Savings Program (ASP)**.
- **Harberger Tax**:
    - A tax imposed on **patents**, intended to incentivise the holder of patents to actively use them and to disincentivise the hoarding of patents.
- **Tariff Revenue**:
    - Revenues raised from tariffs should be used to **buy GoldKip**, reduce the impact of tariffs on prices/inflation, and provide additional investment funding for exports. This revenue is channeled to sectoral banks, reducing consumer burden.
- **Export Tax**:
    - A **tax on the export of raw materials/commodities**.
    - **Purpose**: Intended to ensure a **low cost for local industries**. It can also strategically weaken the Kip by buying Kip.
    - **Revenue Allocation**: Proceeds go to **sectoral and raw material banks**.
- **Severance Tax**:
    - **Taxes on resource extraction** are retained to ensure that industries with extractive operations are fairly taxed.
    - **Revenue Allocation**: Shared between the **Three Pillars (1/6th ND, 1/6th NIS), sectoral banks (1/3rd), and the sovereign wealth fund (1/3rd)**.

- **Bank Levy**:
  - A **tax on unsecured liabilities and existing assets** (as opposed to new creations).
  - A UK-style bank levy (e.g., 0.3% on total bank and credit institution debts) would be distributed **1/3rd to Sectoral Banks, 1/3rd to the National Dividend, and 1/3rd to national and local governments**. This compensates for inflationary pressures and privileged use of the monetary system.
- **Speculative Inflows Tax**: A tax on short-term capital inflows, based on the Chilean model, prorated for the amount of time invested up to 5 years. **Half the revenue goes to Long-Term Investment Accounts and half to Sectoral Banks**.

IV. Financial Institutions

The financial system is structured with several key institutions designed to channel funds towards productive investment and enhance stability:

- **Lao InterBank**:
  - **Nature**: A **sectoral bank** that functions as a producer-owned credit union, with established divisions in the North, South, East, and West. It is designed to allow ownership by foreigners.
  - **Ownership**: **50% owned by the sectoral banks (the Producer Bank)**, and the **other 50% by producers (including foreign businesses) operating in the international zones**. The Equilibrium Bank should also hold a minority stake.
  - **Role**: It is a main stakeholder in the ownership of international zones and plays a crucial role in facilitating export and development. It provides loan services, particularly for small and medium enterprises (SMEs). It is the **owner of the stock exchange for the International Zones**. It holds GoldKip for foreign workers and can issue GoldKip/TKip bonds. It is envisioned to have ownership over the entire International Zones in conjunction with the municipality.
  - **Subsidiaries**: It will have a subsidiary, **Lao InterBank International**, which is 50% owned by the parent bank and 50% publicly traded, designed to "vacuum in international capital".
- **Sectoral Banks (Decentralized Sectoral Production Funds)**:
  - **Nature**: These banks **represent each economic sector and are owned by businesses within their respective sectors**. They are a type of credit union. New sectoral credit unions should be allowed to form and attach to parent sectoral banks.
  - **Role**: They are designed to **channel credit and expenditures directly towards production**. They act as an intermediary between the central bank and businesses within their industry. They serve as a voice for their sectors, communicating needs and providing tailored services such as education and technical assistance. They participate in the governance of the central bank and other bodies. Their purpose is to ensure **balanced development, diversification, and the promotion of new businesses**. They also provide training for their respective labour forces, allow companies to share capital equipment, and facilitate pooling resources for long-term strategic success.

They are intended to channel funds automatically from booming sectors to other areas, addressing "Dutch Disease".
  - **Ownership**: Ownership is tied to the sectors they represent (e.g., farms own the Agricultural Bank). Shareholdings should increase with output, capped at a certain point to safeguard competition and new entrants. Foreign companies must set up local entities to apply.
  - **Funding**: They receive a portion of revenue from several tax streams.
  - **Transparency**: Transparency is guaranteed in management meetings and reporting for Sectoral Banks.
  - **Venture Capital Fund**: Each Sectoral Bank must include its own venture capital fund, which can use half of its funding.
  - **Specific Banks**: The proposal suggests establishing a comprehensive list of sectoral banks, including: Resource Exploration, Agricultural, Manufacturing, Basic Essentials, Startup, National Defense, Strategic Technology, Infrastructure, Infrastructure Industry, Electrical Energy, Export Development, Cultural, Network of Regional Credit Unions, Housing, Consumers, and Regional Development Banks.
  - **Capital Calls**: Sectoral banks will have capital calls (liability).
  - **New Members**: Cash equivalent vouchers are provided for initial deposits to incentivise new sectoral bank members.
  - **Foreign Investment VC Funds**: Separate "foreign investment" VC funds for each sectoral bank will be listed on the exchange. ETFs for each sectoral bank should also be created.
- **Central Bank**:
  - **Role**: The central bank is responsible for **setting and enforcing monetary policy**, including targets for inflation, price levels, and money supply growth. It also manages a bond fund. It is envisioned as an automated, computerised, and for-profit entity.
  - **Ownership**: It is a joint partnership between the government, citizens, and sectoral banks. Specifically, its ownership structure is 33% Sectoral Banks, 33% Three Pillars, 33% Provincial Government/National Sovereign Wealth Fund/Consumers Bank (who desire low inflation), and 1% Publicly Listed. The sovereign wealth fund is one of its shareholders.
  - **New Rules and Tools**: The central bank will have a **strict long-term price level targeting (based on a 2% average inflation rate)** and targets to control asset price growth, particularly housing. It will allow for deflation in Basic Essentials and target private debt levels. It will also have unemployment/underemployment rate targets and aim for a long-term balance between investment and consumption, as well as current accounts. It will have the power to offer **monetary financing of public fiscal spending (under strict rules)**, and to Sectoral Banks (strictly for non-lending operations). Monetary financing can only be offered after 2+ years of fiscal surpluses, with limits on consecutive years and value as a percentage of GDP. It has the power to provide cash top-ups for the Three Pillars Program under strict conditions, raise the minimum deposit amount for mortgages, and manage/adjust the 15-25% bank capital requirement. It can bolster the tax rate and rules on short-term capital inflows and has additional regulatory

    powers over the financial system. Rigorous restrictions on providing stimulus during critical political moments like elections will be in place.

- **Equilibrium Bank**:
    - **Role**: This bank is intended to **balance consumption and production** within the economy. It provides communities with goods at a low cost. It should be the **owner of the regular Lao stock exchange**.
    - **Ownership**: It is an owner of the sectoral banks and is partly owned by the Three Pillars. It should also hold a minority stake in the Lao InterBank.
    - **Subsidiaries**: It will have a subsidiary, **Equilibrium Bank International**, which is 50% owned by its parent bank and 50% publicly traded, also designed to attract international capital.
- **Urban AgriBank**:
    - **Role**: This bank is the owner of urban agricultural zones.
    - **Ownership**: It is partially owned by local municipalities, local urban farms, and the Food Market Corporation. Each village (sub-municipality) will have its own Urban AgriBank, and its revenue will be affected by managing its landholding to make it more valuable.
- **Consumer Bank**:
    - **Role**: The Consumer Bank is an owner of essential services in the community. It is structured like a consumers' co-op, held by all citizen-residents. It owns farms, agricultural processing and packaging facilities (enough for basic domestic demand), the consumers' section of Local Markets, and a chain of Basic Essentials shops. It also holds the Renters' Union and houses consumer regulatory bodies.
    - **Ownership**: It should be 50% owned by the markets. It replaces the regional credit union bank and owns 50% of the basic essentials bank. It also owns part of the Land Access Bank (LAB).
- **Shinkin Banks**:
    - These are local **community-based credit unions**.
    - **Ownership**: Each district would have one Shinkin bank, and each of these banks would hold one share in the Shinkin Central Bank. Membership is capped to a specific location, preventing oligopolies. They can start as digital entities with pooled provincial and national resources.
- **"Development Funds"**: This is suggested as a new name for the sectoral banks to make them more palatable as a use of tax revenue.
- **Savings & Investment Accounts**: Universal accounts for spending, saving, and investment are crucial, with features designed to encourage long-term savings and investments.
- **"Bond Fund"**: Operated by the central bank to provide additional liquidity. Bonds can be issued by the sectoral banks.
- **Lao VC FoF (Fund of Funds) Company**: A fund of funds company that exclusively invests in local VC funds, intended to attract foreign capital. Its ownership would be 25% by an association of sectoral bank-owned VC funds, 25% by the sovereign wealth fund, 25% by the Three Pillars fund, and 25% floated on the stock exchange.
- **Actively Managed Investment Funds**: Three funds will be created for Southern, Central, and Northern Laos that invest in a variety of assets. They are partially owned by the state and the Equilibrium Bank. Their ownership would be 25% by the

sovereign wealth fund, 25% by the Equilibrium Bank, 25% by the Three Pillars fund, and 25% floated on the stock market.

- **Foreign Banks**: There should be **minimal licensing requirements** for foreign banks to operate across the country.

V. Social Programs

- **Direct Cash Transfers**: Existing social spending programmes are to be **converted into direct cash transfers and vouchers**, giving recipients more control over their money and significantly reducing bureaucratic overhead.
- **National Dividend (ND)**:
    - **Universal, unconditional cash payments to all adult citizen-residents**, regardless of employment status.
    - **Funding**: Revenues come from levies on common property (excluding land, whose revenues fund general expenditures). This includes sources like yearly license fees for radio/public spectrum, surtax on monopoly profits, annual levies on "Big Data" companies' ad revenues, annual levies on unused patents, taxes on litigation settlements, and taxes on air/waterway traffic. Hotel VAT at luxury rates also contributes. LVT revenue allocates 8% to ND. GoldKip growth accrues 20% to GoldKip holders, with some initial GoldKip issuance directed to investment accounts.
    - **Benefits**: Offers financial security and poverty reduction. Provides stability and bargaining power for workers. Compensates the public for the use of public passages, unutilized patents, and big data. Aims to increase the domestic population. New parents receive a payout (e.g., 8 months of a CD payment, plus 2 months of the maximum NIS payment front-loaded). Couples without children receive 200% of the ND, while couples with three children would receive 500%.
- **National Income Supplement (NIS)**:
    - A **wage subsidy program** provided to all those in the labour market.
    - **Purpose**: Ensures full employment, maximises incomes, and achieves the greatest possible purchasing power. It underwrites labour costs, amplifies wages, and encourages entry into the workforce, effectively subsidising wages for employers. It serves to replace minimum wage laws and collective bargaining.
    - **Funding**: Primarily funded by ownership over a portion of the VAT revenue streams. The GoldKip growth accrues 20% to buying the TransactionKip Fund, indirectly benefiting the NIS. If people leave the labour force due to the National Dividend, the NIS portion automatically has more funds available for distribution.
    - **Withdrawal Tax**: A time-dependent withdrawal tax (0-8%) can be applied to NIS withdrawals.
- **Assisted Savings Program (ASP)**:
    - A **subsidy program that incentivises individuals to save and invest**.
    - **Purpose**: Aims to magnify savings and pension investments, replacing bankrupt state pension systems.

    - **Funding**: Funded by all **capital gains taxes and small financial levies**, such as those on short-term capital inflows. 20% of GoldKip issuance accrues to long-term investment accounts.
    - **Contributions**: Citizens would have mandatory, low contribution rates (e.g., 5% of net income after NIS and ND cash transfers), with an option to increase contributions up to a maximum amount (e.g., 20-40% of median income), receiving generous rewards for doing so.
    - **Benefits**: Contributions are supplemented progressively, with lower contributions receiving larger supplements. There are no demographic or financial risks associated with this programme, unlike public pension programmes. It supplements incomes, encourages long-term savings, and helps to even out the incomes of people with less stable employment.
    - **Withdrawals**: People are free to withdraw from these accounts early. The portion of saving contributions (plus earned interest and redistributions) can be withdrawn after 5 years with a sizeable tax penalty, with decreasing penalties after more than 5 years. Tax revenues collected from these early withdrawals are redirected back into the pool for distribution to other accounts.
- **Savings Lottery**: A government lottery designed to provide an incentive to save. It can be offered in both GoldKip and TransactionKip.
- **Land Effort Compensation**: A programme to provide compensation to landholders who were previously reliant on the land. This program justifies the LVT dividend to the Three Pillars rather than a universal payment, compensating human effort and aiming for an overall increased citizens' dividend.
- **Citizens Dividend Fund (with National Income Supplement)**: A payout to new parents is proposed to encourage more children while allowing parents to temporarily stay out of the labour force for childcare.

VI. Urban and Agricultural Planning

This section focuses on decentralising cities and integrating agriculture into urban environments to preserve agrarian culture and maximise land use.

- **Urban Village Cities**: Cities are to be composed of **small sub-municipalities (villages)**, each capable of accommodating approximately 24,000 people. These cities will have **blocks of farms surrounded by public parks and squares** that divide the city into cellular districts, aiming to maintain agrarian culture.
- **Urban Agriculture Zones**: These are **municipal-owned farms surrounded by public parks**. They are intended to be managed by a local **Urban AgriBank**, which is 1/3 owned by the sub-municipality, 1/3 by the farming businesses, and 1/3 by a Food Market Corporation. LVT collected on these farms accrues to the Urban AgriBank. Each urban agriculture zone will also have land allocated to food market corporations owned by various banks. These zones will help create areas where people can access basic needs close to home and subsidise food prices by recycling LVT into the Urban AgriBank.
- **Trading Posts**: These are **market zones** connecting districts, which are owned by adjacent Urban AgriBanks and the Equilibrium Bank. They are designed to provide food and goods to surrounding communities, creating a "village feel".

- **Minimal Zoning**: Zoning laws are to be minimal, limited to categories such as markets, agriculture, street food lanes, rail, road, entertainment (unlimited noise zones), and industrial zones (with relaxed pollution laws).
- **Rooftop Farming**: A small property tax will be imposed on buildings that do not incorporate rooftop farming.
- **Universal Access to Factors of Production**: The system aims for universal access to all factors of production by having no tax on labour, access to capital through sectoral banks, and relying on LVT to make land effectively public, combined with the Land Access Bank.
- **Road Design**: Every road will have dedicated lanes for sidewalks, street food carts, cycling, cars, and buses.
- **Entertainment Clusters**: Each major city should feature entertainment clusters, potentially housing the provincial cultural sectoral bank.

VII. Key Policies and Mechanisms

- **Ownership of Revenue Streams (ORS)**: The key social programmes (National Dividend, wage subsidies, savings subsidies, and sectoral bank funding) would become **shareholders of tax revenues**, making payments more predictable and transparent. This system eliminates budget processes and reduces administrative burden.
- **Productive Investment Indexation**: The central bank would **link the growth rate of the money supply to an index measuring the level of productive investment** within the economy. The central bank would adjust the money supply growth to achieve a target for this index, effectively simulating monetary contraction by tying expansion to productive capacity.
- **Incentivised Debt-for-Equity Swaps**: Governments and central banks will encourage highly leveraged companies in productive sectors to **convert their debt into equity**. This reduces interest expenses and frees up resources for investment, with monetary contraction potentially occurring through the reduction of outstanding debt.
- **Regulatory Framework**: A new legislative body will oversee a programme of "**deregulation/regulation review**" to ensure the elimination of unnecessary and burdensome regulations. This includes a **bill of economic rights** for businesses. Constitutional commercial rights are to be protected from regulation. Business registration should be simplified and digitised for maximum efficiency. Businesses will receive monthly email/SMS reminders about VAT laws and operating status, with annual random audits.
- **Migration/Visa Policy**: Visas are intended to **generate revenue**. A **tourism entry fee in GoldKip** (or requiring GoldKip account opening with a deposit) is proposed. The tourism and immigration authorities should be replaced with a state corporation with the purpose of raising revenues. Wages for foreign workers can be paid in GoldKip. "Free Trade Towns" in border regions would have essentially no immigration or travel restrictions (aside from passport control) but would be cordoned off.
- **International Zones**: These are special trade zones located near Laos' borders, cordoned off from usual trade tariffs and immigration rules, with minimal regulations and visa requirements. They will **accept GoldKip**, including the casino-borse exchange.

    - **Goals**: To increase the demand for GoldKip from tourists and foreign importers, increase the supply capacity of goods produced within the zones, facilitate imports of Lao products from the rest of the country, add value to GoldKip through a range of purchasable products, and provide a test market for Lao products to compete internationally.
    - **Ownership**: Border markets within these zones should be **50% owned by the Producer Bank** (representing non-border provinces) and **50% by the Lao InterBank**.
    - **Legal Tender**: The most critical attribute of border markets is that **GoldKip is the *only* legal tender**. Visitors will need a GoldKip account to buy from the market, and crossing into Laos will require a small GoldKip deposit. GoldKip border markets are essentially exports, so no VAT applies. TKip is still generated from purchases at these markets. Only residents of the international zones can be sellers there. The Lao InterBank and the international zones themselves should have partial ownership over GoldKip to limit its adoption to them.
- **National Investment App Template**: Intended as an online tool for citizens to trade and invest, while simultaneously providing the central bank with necessary data. It includes a **Forex trading app** with "inflow" capital controls on buying Kip. Citizens' personal trading app will also display the sovereign wealth fund's activities/portfolio.
- **Bond Purchases Program**: Similar to how China purchases treasuries to manage currency value. The Lao InterBank can issue GoldKip/TKip bonds, and the central bank can have an **automatic facility to purchase them**. This allows the Lao InterBank to invest in profitable TKip projects and investors to earn interest.
- **Debt Insurance and Export Insurance Fund**: An export insurance fund is owned by the Lao InterBank and Export Bank respectively. TKip is used for business loans insurance, and GoldKip for export insurance at market rates. These insurance companies will have a fund where the GoldKip and TKip owned by their banks will accrue.
- **"Auto sell" TransactionKip**: An option to "auto sell" TransactionKip on the exchange, allowing instant sell orders upon remitting VAT, but with incentives to hold onto them longer.
- **TBR (Tax Burden Relief) accounts**: These accounts would function similarly to NIS accounts, targeting low-revenue businesses and exporters, and would be denominated in TransactionKip but based on their LAK deposits. Foreign entities are also permitted to hold these accounts.
- **GoldKip-Denominated Exchanges**: This includes a Commodity Futures Exchange, a Commodities section of a B2B trade website, a Venture Exchange, and Casinos, all operating in GoldKip.
- **Consumer Lottery**: A consumer lottery is proposed as an incentive to pay VAT.
- **Private Industrial Policy**: The two funds (presumably GoldKip and TKip related funds) will essentially create a privately run industrial policy, one for Inland Laos and one for the International Zones.
- **GoldKip Expansion**: GoldKip expands at a fixed rate of 4% per year, with that expansion accruing to the holders of GoldKip, the Bank of Laos, the Lao InterBank, Sectoral Banks, and purchases of TKip.
- **GoldKip Value Accrual**: GoldKip accrues to holders in cash accounts.

- **Domestic Stagflation Response**: During domestic stagflation, the response involves selling Kip, VAT reduction, and higher saving, with revenue from selling Kip going towards buying GoldKip NIS fund and import tariffs going towards the GoldKip savings fund.
- **Global Economic Conditions Response**: When the global economy is hot, the goal is to save/invest domestically, cut consumption, and import physical capital. When it slows, the focus shifts to consuming to utilise excess capacity.
- **VAT and Exports**: A problem noted is that VAT will reduce automatically as exports rise, unless it's used to buy Kip. However, buying Kip is undesirable due to speculative activity. The solution involving GoldKip purchasing TKip 24 months prior is intended to make speculation difficult.
- **Small Business Support**: Additional subsidies for small business banks are proposed. There should be no capital controls on GoldKip, and businesses should be enabled to take out loans in GoldKip (though this carries similar risks to USD loans). Extra GoldKip liquidity should be provided to small business banks.
- **Stock Exchange Ownership**: The Lao InterBank should own the stock exchange for the International Zones, and the Equilibrium Bank should own the regular Lao stock exchange, allowing them to collect fees and reinvest them.
- **Regional Corporation Structure**: Each region should be a corporation, owned by a mix of residents, the company operating the market, and the local Lao InterBank, to align their interest in borrowers' success.
- **Market Companies Ownership**: There should be a separate company owned by all market companies (e.g., farmers market, consumers market) that also owns a share in the bank. Additionally, a separate company owned by schools, VCs, etc., could own a share in consumer and producer banks respectively.
- **GoldKip Value Floor**: Fixed-term savings and fixed-term bonds using GoldKip are meant to put a floor on its value. A portion of the monetary expansion accruing to holders' accounts also helps achieve this.
- **Central Bank's GoldKip Fund**: This fund should be split between buying bonds from the Lao InterBank (GoldKip) and Equilibrium Bank (Kip), and investing in their respective savings instruments with an 8-year lock-in period.
- **Export Insurance**: Export insurance should be provided to incentivise exports made in GoldKip.
- **LVT Allocation**: LVT allocated to sectoral banks' markets should go towards a special fund owned by those markets.
- **TKip Generation for Export Bank**: TKip generation should extend to the Export Bank, as its strength depends on exports, promoting domestic spending for export promotion.
- **National Dividend Fixed-Term Savings**: 50% of the national dividend should be put into fixed-term savings accounts to match additional consumption with savings. Additional savings incentives (e.g., NIS accounts) will further tilt the balance towards savings.
- **Local Bank Capitalisation**: The proposal aims to capitalise local banks.
- **Import Costs Surge (Oil Price Shock)**: If Laos experiences a surge in import costs, the Kip would weaken disproportionately against the GoldKip, potentially triggering a valve for Lao exports to international zones. Domestic prices would also be depressed. A tariff fund would collect tariffs, buy GoldKip, and channel it into sectoral

banks, providing consumer relief and enabling businesses to import more capital goods, turning a trade deficit into more capital goods.

- **Guaranteed Value**: A guaranteed value for the Kip and GoldKip is a goal.
- **Village Funding**: Villages (sub-municipalities) get their funding through their 1/3 shareholding in their village's Urban AgriBank, affecting revenue by managing landholdings to increase value.
- **Deregulation Review Mandate**: A legislative body with a "deregulation"/regulation review mandate should review old laws and regulations.
- **Visa Fund Allocation**: The visa fund should be allocated 1/3 to the Three Pillars, 1/3 to sectoral banks, and the remainder (with provincial and national government portions) to an "incomers" sovereign wealth fund.
- **Export Tax Purpose**: The goal of export tax is to diversify the economy and ensure low-cost raw materials at home, with proceeds going to sectoral banks and raw materials banks.
- **Sovereign Wealth Fund Transparency**: The sovereign wealth fund's activities and portfolio should be visible in citizens' personal trading app.
- **Taxation of Negative Externalities**: The sectoral banks (or the Equilibrium Bank) should own the fund for the taxation of negative externalities on pollution, allowing industry to set prices on pollutants and redistributing revenue back to industry.
- **Automated Central Bank**: An automated/computerised central bank, operating on a for-profit basis, could buy bonds issued by sectoral banks, providing additional liquidity.
- **Stock Exchange Ownership**: Stock exchanges are owned by the Equilibrium Bank (possibly with agreements with NYSE/NASDAQ) to benefit domestic companies and local investors.
- **Double Tax Credit**: A double tax credit for construction materials and agricultural output (up to a percentage of the LVT tax bill) should be equivalent to the wage and capital subsidy, easing the LVT burden on small farmers.
- **Tariff Relief**: A 2-year tariff relief should be followed by 8 years of descending tariffs.
- **Foreign Investment Attraction**: Foreign Direct Investment (FDI) can be attracted with private property guarantees, which would instantly strengthen the Kip.
- **Savings Lottery**: A savings lottery is proposed.
- **Sectoral Bank Fund Allocation**: Minimum and maximum allocations for sectoral banks (e.g., 16 banks, 6.25% each, with a floor of 3% of funds).
- **Growth Rate Focus for Funding**: Funding for sectors should focus on growth rates rather than absolute values, to kick-start new sectors and prevent fast-growing sectors from monopolising resources. The performance index for sectoral banks should include: Output Growth (25%), Productivity Growth (20%), Employment Growth (25%), Long-term Average Inflation Differential (15%), and Number of Viable New Businesses Created (15%).
- **No Tax on Long-Term Capital Gains or Companies**: While the specific tax schedule outlines capital gains and corporate taxes, the general philosophy also aims for no tax on long-term capital gains or companies, implying a net-negative effect through redistribution to ASP and Sectoral Banks.
- **Constitutional Commercial Rights**: Businesses should have constitutional commercial rights protected from regulation.
- **Market Unlimited by Migration Rules**: Marketing should explain that the market size is unlimited due to migration rules.

- **Regional Sectoral Bank Votes**: Regional sectoral banks should have a runoff vote on the percentage of tax revenue to invest in the national sectoral bank (24-100%), with dividends split equally across regional banks. Management pay should be a function of long-term dividend.

VIII. Implementation Strategy

The reform plan is divided into immediate, medium-term, and long-term actions to ensure a phased and manageable implementation:

- **Immediate Actions**:
    1. **Introduce a Land Value Tax (LVT)** in urban areas and near key infrastructure.
    2. Implement a budget that **curtails short-term spending**.
    3. Establish **budgetary rules to ensure a fiscal surplus** during periods of positive growth.
    4. Announce **new central bank mandates** accompanied by a credible implementation plan.
    5. Launch a program to **modernise the land registry** and ensure nationwide coverage.
    6. **Introduce a Harberger Tax on patents**.
- **Medium-Term Actions**:
    1. Initiate a programme to provide **universal access to banking, savings, and investment accounts**.
    2. **Expand the scope and rate of the Land Value Tax (LVT)**.
    3. **Abolish the corporate income tax** (except for severance taxes on resource extraction).
    4. **Increase the VAT rate**.
    5. **Abolish personal income tax**.
    6. **Link the national dividend, wage subsidy, and saving subsidy schemes to ownership of (tax) revenue streams**.
    7. **Reform state-owned enterprises and sell stakes**.
- **Long-Term Actions**:
    1. Provide **explicit guarantees for freedom of commerce**.
    2. Implement **thorough deregulation of commercial activity**.
    3. **Simplify and digitise business registration** to maximise the number of enterprises, increase competition, and lower prices.
    4. Implement **judicial reform to raise business confidence**.
    5. Institute **anti-corruption measures**.
    6. Introduce **new visa types and immigration pathways** to develop specialised talent pools in specific provinces.