LAUNCH OF THE
OECD INVESTMENT POLICY REVIEW OF
LAO P.D.R.

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OECD’s approach to investment policy reform – *Policy Framework for Investment*

- The PFI is a **policy tool** for investment bringing together 12 policy areas that affect the investment climate.

- It takes a **whole-of-government approach** to investment climate reform.

- The PFI has been used for 30 country-level *Investment Policy Reviews* as well as for regional cooperation, capacity building and international policy dialogue.

- It allowed the OECD to develop expertise and an in-house repository of **good practices in investment policy reforms**.

- It incorporates **responsible business conduct** and **green growth** as key elements of a good investment climate.
OECD Investment Policy Reviews Southeast Asia

Reviews are undertaken jointly by the OECD and the government in partnership with the ASEAN Secretariat and based on the Policy Framework for Investment.
1. Trends in foreign investment and trade
2. The legal framework for investment
3. Regulatory restrictions on FDI
4. Corporate governance
5. Investment promotion and facilitation
6. Promoting and enabling responsible business conduct
7. Infrastructure connectivity
8. Investment framework for green growth
Growth has been strong and stable

Source: World Bank
FDI to Lao PDR has grown quickly

Source: UNCTAD
Strong policy reform agenda

**Legislative**
- Law on Laws (Law on Making Legislation), 2012
- Law on Investment Promotion, 2016
- Environmental Protection Law, revised 2012
- Law on SME Promotion, 2011
- PPP Framework (under development)

**Strategic**
- 8th National Socio-Economic Development Plan 2016-20
  (education and skills, economic diversification, SME development)
- National Strategy on Climate Change
- National Renewable Energy Strategy

**International**
- WTO (2013), ACIA, ASEAN FTAs/RCEP, bilateral
But implementation remains a challenge

The private sector complains of a lack of transparency, constant policy uncertainty and inconsistent application of the law

- Capacity building for officials, judiciary and at provincial level
- Fully apply the Law on Laws and provide the Ministry of Justice with the necessary resources
- Promptly adopt by-laws
- Improve institutional coherence
- Streamline administrative procedures: rules-based, with minimal discretion
- Further improve accessibility of laws and regulations – including access to English translation of laws, negative list for FDI restrictions
- Right of appeal against administrative decisions
- Public consultation when drafting and reviewing laws and regulations
FDI restrictions could be further reduced


Notes: (*) Data refer to regulatory restrictions on FDI as of end-2016. Lao PDR (2017) reflects only the regulatory changes brought by the amendments to the Law on Investment Promotion, notably the removal of minimum capital requirement for foreign investors and the reduction in the land lease period for concessions business. ASEAN9 refers to the average scores of the nine ASEAN member states covered, excluding Brunei Darussalam. Data for Cambodia (2016), Singapore (2013) and Thailand (2013) are preliminary.
The discriminatory minimum capital requirement for foreign investors has been removed

Lao PDR was one of the few countries to maintain a discriminatory minimum capital requirement for foreign investors for general business activities, and a particularly stringent one.

Source: OECD Services Trade Restrictiveness database and World Bank's World Development Indicators.

Notes: data refer to minimum capital requirement for limited liability companies converted at current exchange rates as of 21-04-2015. There are 25 countries within the OECD Services Trade Restrictiveness database that reported to apply minimum capital requirements for investment in limited liability companies. The database covers 42 countries: in total: all 34 OECD countries and OECD accession track and key partner countries (Brazil, China, Indonesia, India and South Africa).
Reassess the policy and institutional framework to attract quality investors

<table>
<thead>
<tr>
<th>Investment promotion strategy</th>
<th>• To support economic diversification and sustainable development objectives</th>
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<tbody>
<tr>
<td>Proactive FDI attraction</td>
<td>• IPD in charge of both regulation and promotion</td>
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<tr>
<td></td>
<td>• More promotional efforts needed</td>
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<td></td>
<td>• Target priority sectors</td>
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<td></td>
<td>• Coordinate investment promotion initiatives</td>
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<tr>
<td>Tax incentives</td>
<td>• Should be used cautiously</td>
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<td></td>
<td>• Conduct cost/benefit analysis</td>
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<td></td>
<td>• Target sectors/activities with positive environment and social impacts</td>
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### Make it easier to start and operate a business

#### Challenging business environment – especially to start a business

<table>
<thead>
<tr>
<th>Inter-ministerial and multi-stakeholder taskforce</th>
<th>• To identify and eliminate all unnecessary licences and administrative obstacles to starting and operating a business</th>
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</thead>
<tbody>
<tr>
<td>Clients charter</td>
<td>• With clear deadlines and standard fees for licensing</td>
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| One-stop shops                                  | • Keep them simple, as their effective operation can be complex and costly.  
• Give them a facilitating role rather than making them mandatory entry points |
| Consultation with private sector                | • Revamp the Lao Business Forum to better identify and respond to concerns raised by existing investors |
Responsible business conduct as a development opportunity in Lao PDR

Need for RBC recognised but awareness not widespread – perceived risks are high in some cases

- Give due consideration to environmental and social impacts of investments according to clear and consistent criteria
- Consider establishing a focal point for RBC in the government; consider developing a National Action Plan on RBC
- Align the legal framework for protecting human and labour rights with international standards
- Promote RBC by domestic firms and encourage the creation of firm-level grievance mechanisms
- Include RBC in FDI attraction efforts
Designing a framework for investment in support of green growth

Recognition by the government of the importance to promote green growth, but implementation challenges remain

- **Reinforce institutions** in charge of monitoring and enforcing safeguard systems, especially for hydropower, mining and agricultural projects.
- Push forward the adoption of the overarching **green growth strategy** to position Lao PDR as an attractive location for green investment.
- **Build technical capacity** to promote green investment in the energy sector.
- Building on the Renewable Energy Development Strategy, prepare a **comprehensive renewable energy policy** and implementation plan to achieve the specified targets.
- Actively **diversify funding sources** for green growth.
KOP CHAI!

