

LAOS:

Land of **A**mple **O**pportunities and **S**uccesses

Current Investment Regime of the Lao PDR

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27-28 March 2012, Phnom Penh, Cambodia

Outline of Presentation

1. **Country Snapshot**
2. **Policy Framework**
3. **Why Invest in Lao PDR**
4. **Sector Opportunities**
5. **New features of Investment Law**

I. Country Snapshot

- Land Area : 236,800 sq. km
- Population : 6.9Millions (2008)
- Population Density: 25 people/sq km
- Population Growth: 2.3 %
- Labor Force: 2.9 Millions
- Religion: Buddhism

I. Country Snapshot (Cont)

Lao PDR: Strategic Location

- ▶ Laos is at the centre of the GMS, consisting of Cambodia, Myanmar, Thailand, Vietnam, and Yunnan province of China.
1. It is the only country bordering all the other countries in the sub-region.
 2. More than 70% of international trade in Laos - except air freight - is cross-border trade
 3. 50% of the Lao population lives in



II. Policy Framework

Good Policy Framework

- A fast growing economy with sustained annual GDP growth over 6% in past two decades
- National policy identifies quality investments to drive sustainable development and a diversified economy:
 - The National Socio-Economic Development Plan (NSED) 2011-15: targets at least 8% annual GDP growth, 60% of which will be from private investments
 - The NSED also focuses on the quality of growth, particularly on sustainable land and resource use, environmental management and increasing resource use efficiency
 - Manufacturing, services, tourism and construction sectors are expanding fast
- Strong policy framework creates an enabling environment for private investments: recently revised Decree on Investment Promotion 2011

II. Policy Framework (Cont)

One Stop Service Unit

- To fasten and facilitate investment procedures.
- The Government is creating a favorable business environment that is responsive to private sector needs.
- One Stop Service brings together representatives from all key ministries to facilitate investment applications and business start-ups.

Govt launches one-stop investment registration

Somsack Pongkhao

Government sectors on Monday launched a one-stop service for investment registration to attract more foreign businesses to Laos and shift the land-locked country to a new production base.

Under the new system, the procedures for document approval will be reduced and entrepreneurs will get business licenses in a shorter period of time.

Minister of Planning and Investment Somsak Duangdy, Minister of Industry and Commerce Dr Nam Virakhet and Minister of Finance Phouphet Khamsoumvong signed agreements to launch the one-stop service in Vientiane yesterday.

Deputy Prime Minister Somsavat Lengsavad, who supervises the economic sector, had the honour of cutting a ribbon to open the one-stop service office at the Ministry of Planning and Investment.

The service is now available at three ministries. Beginning today, entrepreneurs who want to do business in

Laos will need to submit their documents at the Ministry of Industry and Commerce.

Applications for concessions will be handled by the Ministry of Planning and Investment and tax-related paperwork will be submitted to the Ministry of Finance.

Director General of the Investment Promotion Department Mr Houmpheng Soulalay is the head of the Ministry of Planning and Investment's one-stop service office.

Mr Houmpheng said that before the service was launched, it took 20-25 days or longer to get a general business license but, under the one-stop service system, applicants can obtain a license within 15 days.

Prior to this, business operators needed to go to several government departments to obtain a license, wasting their time and money.

"The one-stop service office does not just aim to facilitate investment but also provides assistance to address problems that businesspeople might encounter," Mr



Mr Somsavat Lengsavad cuts a ribbon to open the one-stop service office in Vientiane yesterday.

Houmpheng said.

Mr Somsavat said foreign investors are interested in doing business in Laos because of the country's cheap labour and political stability.

"Some people have told me they want to shift their operations to Laos but they want us to provide more facilities," he said.

He suggested that the

one-stop service needs to be in operation all the time and if one person is absent or has gone to a meeting then another person needs to take

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Vientiane Times
Oct 11, 2011

III. Why Invest in Lao PDR

Comparative & Competitive Advantages

- Political stability
- High safety
- Low risk from natural disasters
- Low labour cost

Country of rich natural resources:

- Fertile land, Minerals, Water, and forest, giving development potential in agriculture, mining, and hydropower.



III. Why Invest in Lao PDR (Cont)

Market Access

- Access to ASEAN market with more than 500 million inhabitants including southern part of neighboring China
- Connects Vietnam and Thailand through the East-West Corridor with Special Economic Zone in Savannakhet acting as a trade and service center
- Unilateral Trade agreements with 39 countries including countries in EU, Japan, Canada, Australia, India, China and South Korea.
- Bilateral investment treaties with more than 25 countries from Europe to Asia
- Easy regional access with regular direct flights to the major hubs of Bangkok, Hanoi, Kunming, Kuala Lumpur and Singapore



III. Why Invest in Lao PDR (Cont)

Special Economic Zones

Government strongly encourage investors to develop:

- Special economic zone
- Export Processing zone
- Industrial Park
- Tourism zone
- Duty free zone
- ICT Zone, and
- Others zone

Existing Zones in Lao PDR (9 Zones)

1. Savan-SENO Economic Special Zone
2. Boten Dan Kham Economic Special Zone
3. Dokyil Kham Economic Special Zone
4. Etc.,

III. Why Invest in Lao PDR (Cont)

Other Incentives

- Exemption from import duties and taxes on raw materials and capital equipments using for production
- Exemption from export duty on export products;
- Tax holidays offered up to 10 years
- Additional tax holidays, reduced tax rates for large projects with special concession are available upon negotiation
- Special treatment for healthcare and education service.

Top ten FDI by Countries

No	Country	Projects	Value of Investment
1	Vietnam	438	4,854,805,514
2	Thailand	750	4,027,135,894
3	China	807	3,592,470,043
4	Korea	287	619,928,170
5	France	226	508,319,743
6	Malaysia	97	417,958,773
7	Japan	106	414,937,461
8	Norway	6	358,265,000
9	India	22	150,604,702
10	Australia	89	136,078,812

Note: Approved Value (US\$)

IV. Sectors Opportunities

Lao PDR provided high potential for various sectors:

1. Agricultural (Agro Processing)
2. Education
3. Health
4. Tourism
5. Industry: Manufacturing & Processing
6. Electricity Generation
7. Mining Sector

IV. Sectors Opportunities (Cont)

Agriculture Forestry

- Highest ratio of forest area
- Suitable land for various tree Plantation
- Large stands of tropical hardwoods including teak and rosewood
- Plenty of productive land

The government is now promoting the contract farming instead of granting concession over large area of land for agriculture and tree plantation



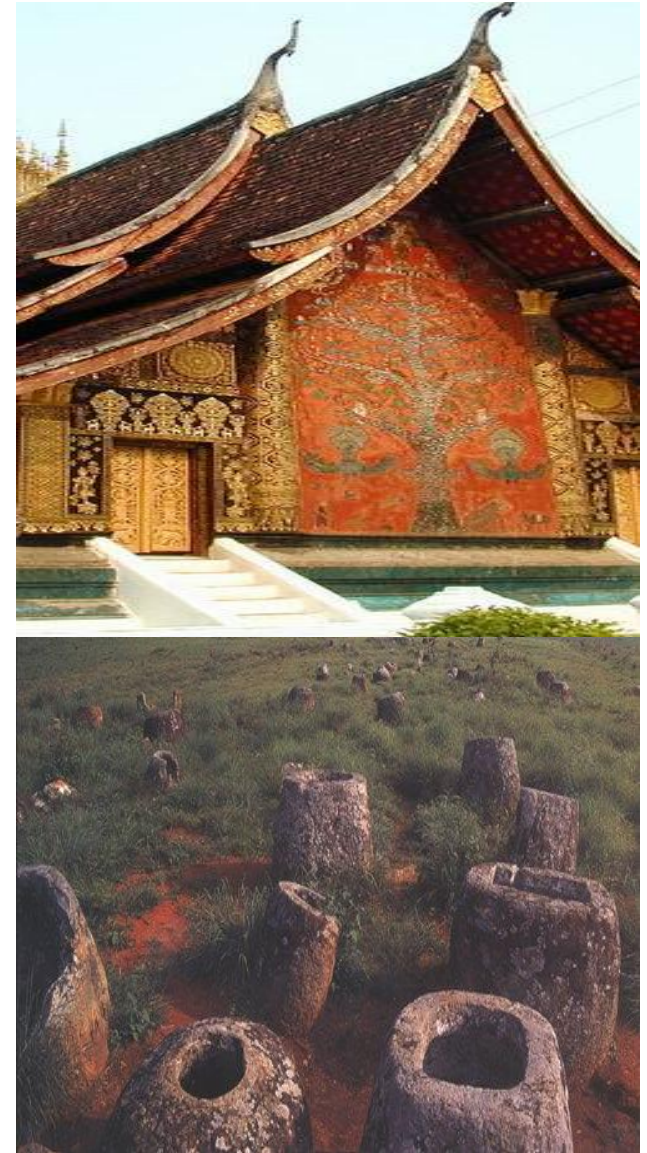
IV. Sectors Opportunities (Cont)

Tourism Sector

- 1.Eco-Tourism
- 2.Cultural Tourism
- 3.Agro-Tourism

Tourism Business is now opened to FDI with **Foreign Equity of up to 70%**

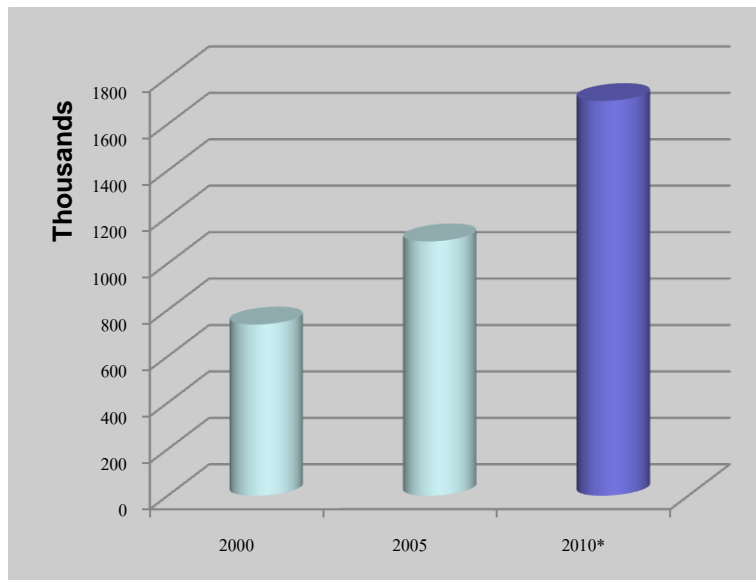
Several **natural tourist sites** are welcoming FDI



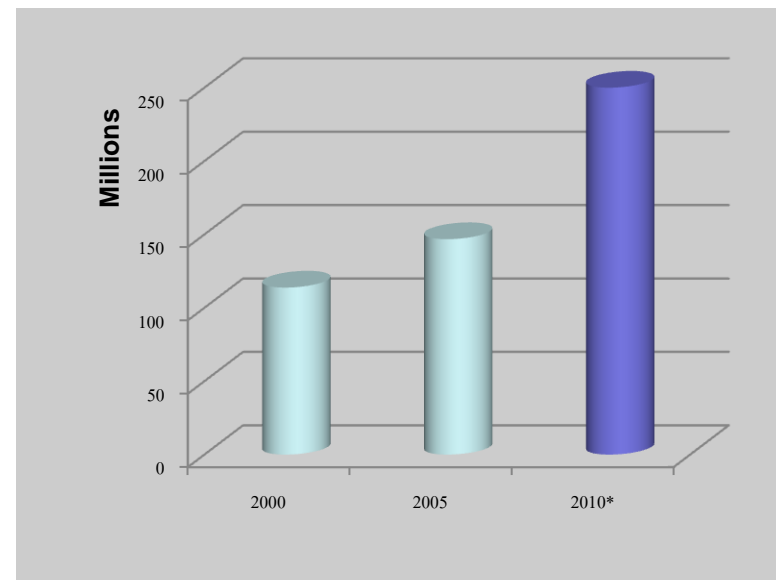
IV. Sectors Opportunities (Cont)

1. Golden Award to Laungprabang by Wanderlust Travel Magazine in UK for 2006, 2007 and 2008;
2. No; 1 of the 53 Places to go in 2008 by the New York Times;
3. ASEAN Green Hotel Awards for 10 hotels in Laos;
4. Successfully hosting the SEA GAMES 25th 2009
5. Big event: the celebration of 450th Anniversary of Vientiane Capital in 15th-21st November 2010
6. Lao Tourism Year 2012

Number of Tourists



Revenues



IV. Sectors Opportunities (Cont)

Manufacturing Sector

- Lao PDR ready to be Manufacturing Base
- Logistic advantages from EWEK (Linked to the Sea)
- Low utilities and labor cost
- Special Economic Zone (Located along EWEK)
- Export – Import tax exemption



SEZA in Savannakhet

IV. Sectors Opportunities (Cont)

Procession Industry

- Plenty of natural resource
 - Tin
 - Coal
 - Wood
- Promoted by the Government
 - Tax incentive
 - Import – Export tax exemption
 - Strategic location

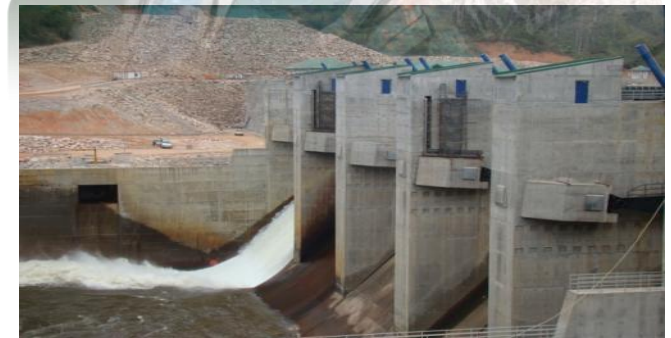
(Along the EWEC, makes Logistic easier)



IV. Sectors Opportunities (Cont)

Electricity Generation:

- **Abundant water resources** produced by tributaries of Mekong river
- Estimated electricity generation potential: over **23,000 MW**
- Investment in hydro-electric facilities will be substantial



IV. Sectors Opportunities (Cont)

Mining Sector:

- Mining industry is under developed
- Mining sector presents numerous potential opportunities for investment and development
- Mineral deposits : tin, lead, zinc, iron ore, copper, gold, gypsum, lignite, sapphires, ...
- Concessions granted to foreign investors



V. Open Door Policies

• **New Economic Mechanism:**

- From 1986, Lao PDR shifted from planned economy to a market oriented economy

Privatization of state enterprises

- Open for FDI:
 - FDI Law 1988
 - FDI Law (1st revised) 1994
 - FDI Law (2nd revised) 2004
 - FDI Law (3rd revised) 2009

V. Open Door Policies (Cont)

New Features of Investment Law:

- Combined the domestic investment law and foreign direct investment law into one to create a “level playing field” for both domestic and foreign investors;
- Shorten procedures to open new businesses;
- No terms of investment for promoted activities;
- Extended Investment incentives: Education and Health care sectors are top priorities;
- Foreigners can have access to local financial sources;
- Foreign Invested Companies can own a piece of land for building their residences (Certain conditions to be applied);
- Foreigners can invest in the real estate sector;
- Promotion of the development of SEZ and Industrial Park.

V. Open Door Policies (Cont)

Terms of Investment:

- No terms of investment of general business activities (Article 20)
- Terms of the concession projects is up to 99 years (Article 28)

Access to Credits:

- Both foreign and domestic investors can access to credits at commercial banks and financial institutions in Lao PDR and abroad (Article 53)

Real Estate Investment:

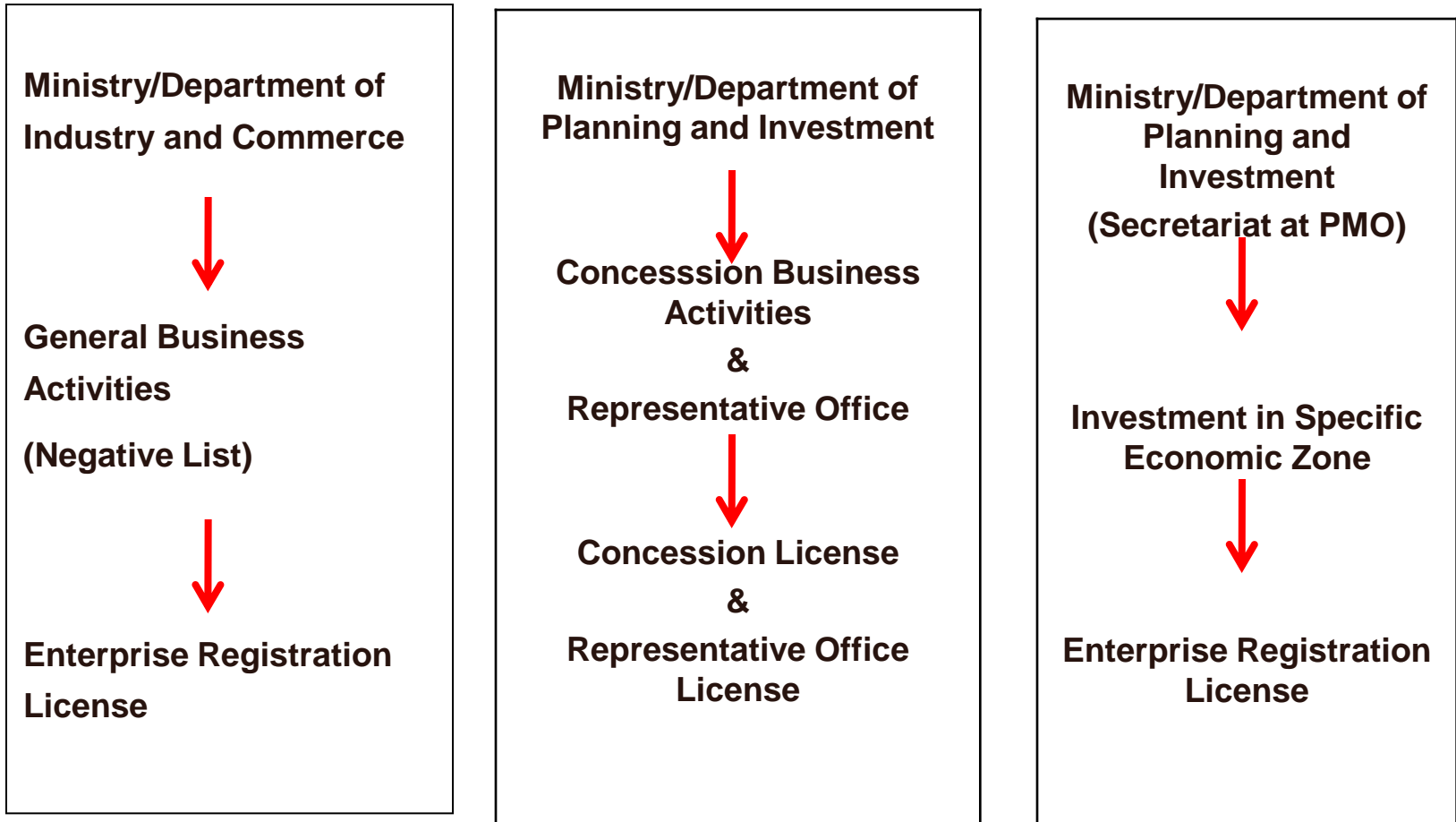
- Foreign investors can invest in real estate sector through leasing land from Government or private sector (Article 58) and can buy/sale that real estate.

IV. Open Door Policies (Cont)

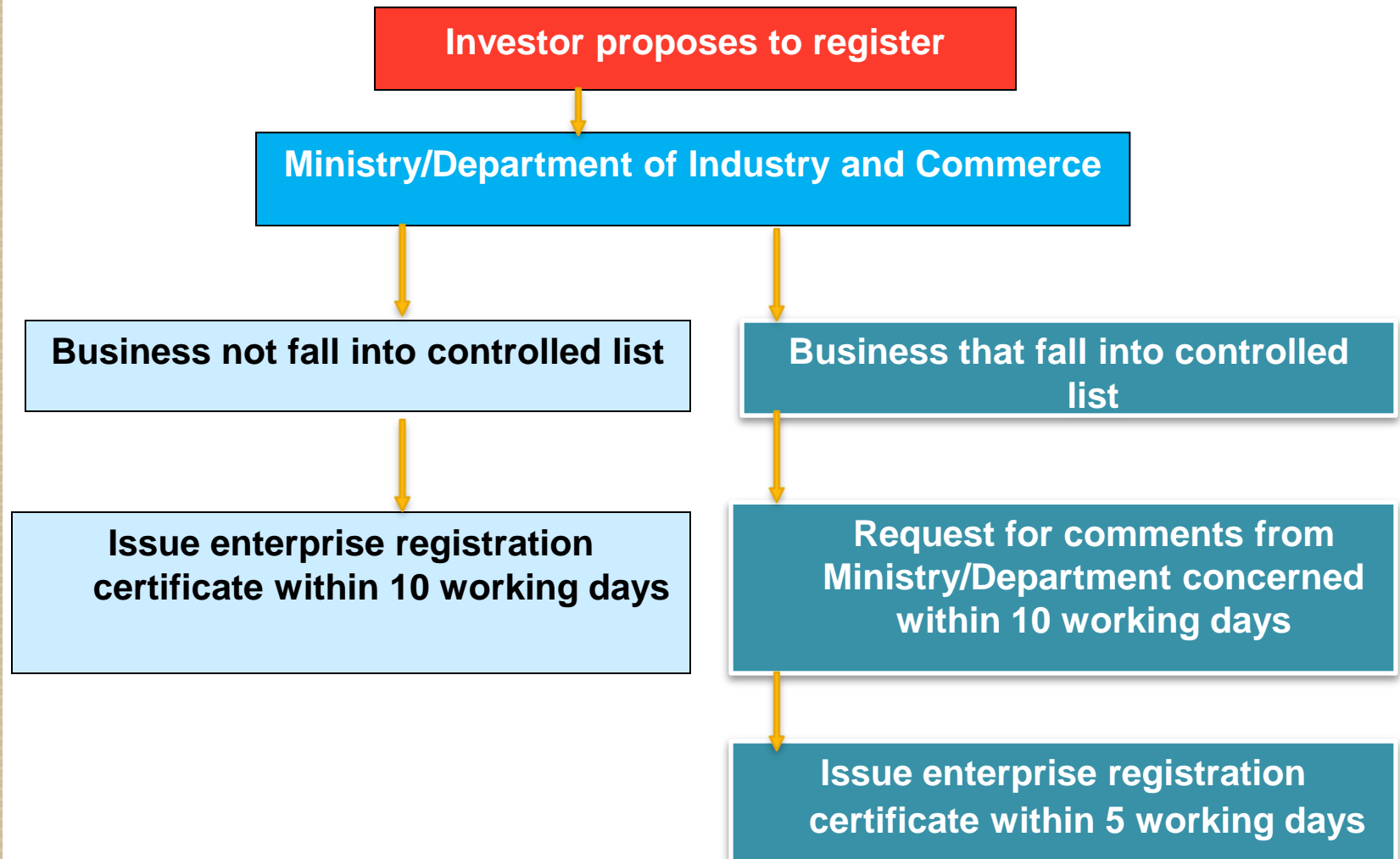
Rights of land used for residential purpose:

- Investor will be granted rights on purchasing rights of land use for their residential purpose (Article 58), if the following conditions are satisfied:
 - Import of registered capital (in cash) at least US\$ 500,000.
 - Must be government owned Land and designated by the government.
 - Certificate on location of investment which is issued by local authority.
 - Provide land use rights not than 800 m² to build facilities for residential or business purpose.
 - The government will allocate land to investors for duration consistent with the investment duration.

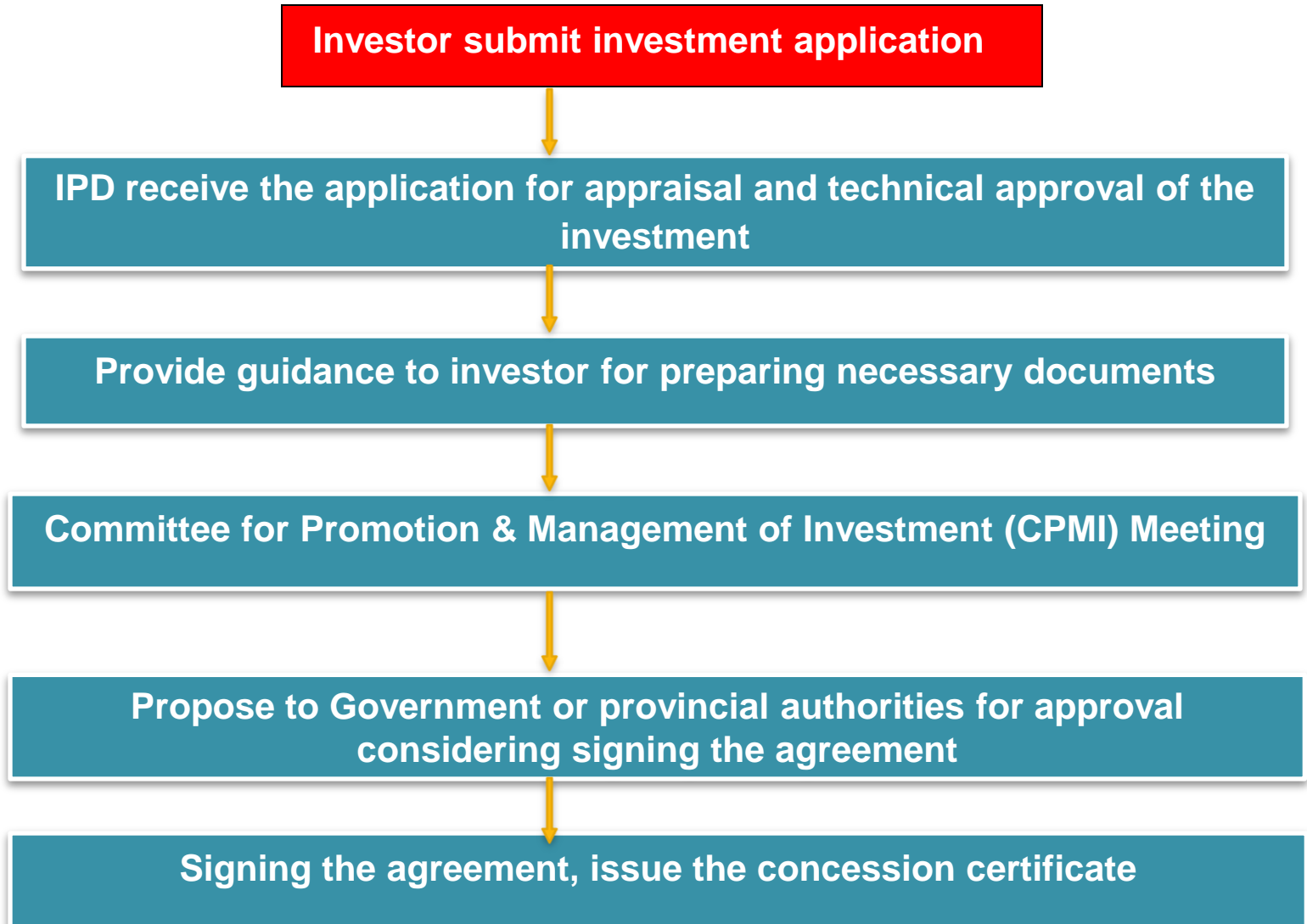
Procedure of getting the license



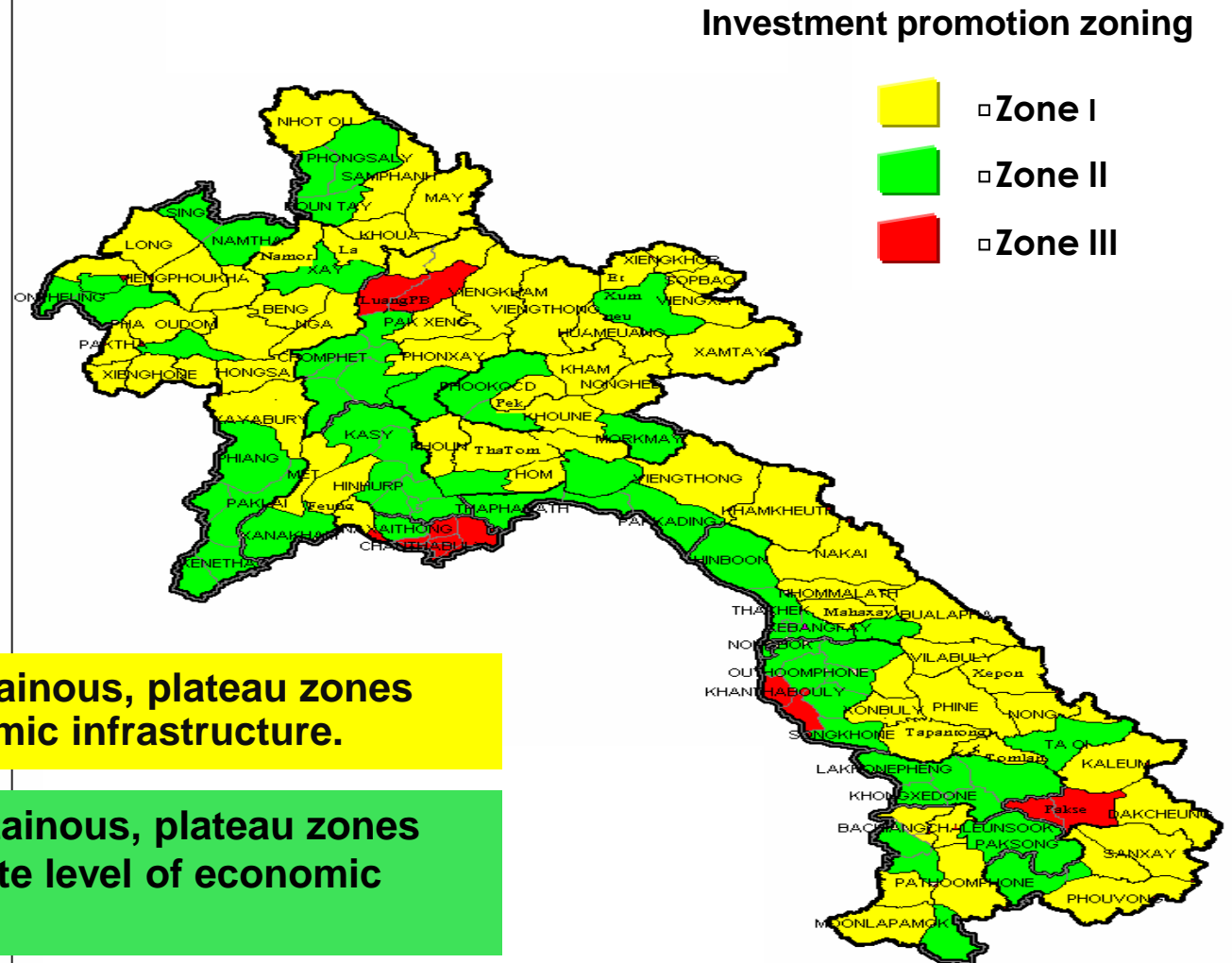
Approval procedures for investment in general activities



Approval Procedures for Concession Investment



Investment Promotion Zoning



Incentive on Cooperate Profit tax

Promoted Sectors	Zone	Level	Period of exempt (years)
Industry Agriculture Service	1	1	10
		2	6
		3	4
	2	1	6
		2	4
		3	2
	3	1	4
		2	2
		3	1

Granting additional incentives

Education & Healthcare sectors



- **Exempt land lease or land concession**
 - Zone 1 = 15 years
 - Zone 2 = 10 years
 - Zone 3 = 3 years
- **Provide additional 5 years for cooperate profit tax exempt**

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