LAOS:
Land of Ample Opportunities and Successes

Current Investment Regime of the Lao PDR

By Phonethavong SINGHALATH
Director of Investment Promotion Division
Investment Promotion Department (IPD)
Ministry of Planning and Investment (MPI)

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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 Density: 25 people/sq km
- Population Growth: 2.3%
- Labor Force: 2.9 Millions
- Religion: Buddhism
Lao PDR: Strategic Location

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 border districts.
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 (NSEDP) 2011-15: targets at least 8% annual GDP growth, 60% of which will be from private investments
  - The NSEDP 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.

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.,
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

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

Note: Approved Value (US$)
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
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
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
IV. Sectors Opportunities (Cont)

Manufacturing Sector

- Lao PDR ready to be Manufacturing Base
- Logistic advantages from EWEC (Linked to the Sea)
- Low utilities and labor cost
- Special Economic Zone (Located along EWEC)
- 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)
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
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
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.
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 lease 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

Ministry/Department of Industry and Commerce

- General Business Activities (Negative List)
- Enterprise Registration License

Ministry/Department of Planning and Investment

- Concession Business Activities & Representative Office
- Concession License & Representative Office License

Ministry/Department of Planning and Investment (Secretariat at PMO)

- Investment in Specific Economic Zone
- Enterprise Registration License
Approval procedures for investment in general activities

Investor proposes to register

Ministry/Department of Industry and Commerce

Business not fall into controlled list

Issue enterprise registration certificate within 10 working days

Business that fall into controlled list

Request for comments from Ministry/Department concerned within 10 working days

Issue enterprise registration certificate within 5 working days
Investor submit investment application

IPD receive the application for appraisal and technical approval of the investment

Provide guidance to investor for preparing necessary documents

Committee for Promotion & Management of Investment (CPMI) Meeting

Propose to Government or provincial authorities for approval considering signing the agreement

Signing the agreement, issue the concession certificate
Investment Promotion Zoning

- **Zone I**: Mountainous, plateau zones with no economic infrastructure.
- **Zone II**: Mountainous, plateau zones with a moderate level of economic infrastructure.
- **Zone III**: Mountainous, plateau zones with good economic infrastructure.
## Incentive on Cooperate Profit tax

<table>
<thead>
<tr>
<th>Promoted Sectors</th>
<th>Zone</th>
<th>Level</th>
<th>Period of exempt (years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>1</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>Service</td>
<td>2</td>
<td>1</td>
<td>6</td>
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<tr>
<td>Industry</td>
<td>2</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Agriculture</td>
<td>2</td>
<td>3</td>
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<tr>
<td>Industry</td>
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<td>1</td>
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<td>2</td>
</tr>
<tr>
<td>Industry</td>
<td>3</td>
<td>3</td>
<td>1</td>
</tr>
</tbody>
</table>
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
Contact Address:

Investment Promotion Department
Ministry of Planning and Investment

Souphanouvong Avenue, Vientiane 01001, Lao PDR

Tel: (856-21) 222 690
Fax: (856-21) 215 491
Website: www.investlaos.gov.la
ptvsinghalath@yahoo.com