

Minutes

Realizing Quality Private Sector Investment for Development

Pre-Consultation for 2017 Round Table Implementation Meeting

Ministry of Planning and Investment
27th October 2017, Vientiane, Lao PDR
09:00-12:00 pm

1. Introduction

The Round Table Process was launched in Lao PDR in 2000. The High-Level Round Table Meeting will be organized every five years. The implementation meeting of the Round Table will be held annually to take stock of progress made in the past year and set joint priorities for the country in the coming year. In 2017, the RTM will be held in Champasack Province. The priorities areas for the discussion will be focused in four thematic areas. One of the thematic area is the “Realizing Quality Private Sector Investment for Development”. The Investment Promotion Department of Ministry of Planning and Investment is partnering with the Department of Planning and Cooperation in the Ministry of Industry and Commerce to organize the Pre-Consultation Meeting on this thematic area. The Pre-Consultation Meeting took place on 27th October 2017 at Ministry of Planning and Investment, Vientiane.

2. Objectives of the meeting

- To inform on enabling environment for promoting quality investment, and managing existing investment through quality investment management tools under leadership and guidance of the Investment Promotion and Management Committee.
- To inform how government plan to improve the ranking of ease of doing business the Lao PDR (published by the World Bank 2017) from 139 to two digits number by 2020).
- To inform how private sector could contribute towards achieving the national development priorities, capitalizing on the current LBF discussions around the following priority areas:
 - i. Legal environment (revision of public private partnership law for instance);
 - ii. Taxation (for instance, tax administration reform);
 - iii. Transportation and import/export procedures;
 - iv. Business registration/licensing;
 - v. Access to finance (micro finance); and
 - vi. Labour market development.
- To discuss innovative and replicable examples of how quality private sector investments have significantly contributed to LDC graduation and SDG attainment.
- To prepare for the discussion at the RTIM and to develop key messages to be conveyed at the 2017 RTIM. In particular, these will result in concrete policy recommendations as well as further clarity on which national priorities that various partners could support in 2018 and in remaining period of the 8th NSEDP and beyond.

3. Agenda of the Meeting

Please see Annex 1: Agenda of the Meeting

4. Participants

More than 70 participants were participated in the Pre-Consultation Meeting, including representatives from Government agencies, Development Partners, Embassies, INGOs, NGOs, and Private Sectors. Please see Annex 2: Signing Sheet - List of Participants

5. Meeting Proceeding

The Pre-Consultation Meeting was chaired by His Excellency Dr. Khamlien Pholsena, Vice Minister of Planning and Investment and co-chaired by His Excellency Mr. Leo Faber, EU Ambassador.

At the opening, H.E. Dr. Khamlien thanks participants for their present at the meeting. He highlighted main objectives and the important of this meeting and call for the discussion to reflect the objectives of the meeting. He reconfirmed the commitment of the government in enhancing private sector development and investment contributing to the development of Lao PDR. He indicated that the government have achieved some key areas to improve environment for quality private sector investments particularly ease of doing business, convenient, expeditious, transparent, accountability and proper investments. The government has responsible to facilitate and provide service to business sectors to remove obstacle in setting up and operating both domestic and foreign investments in Lao PDR. For example, completion of revision of the Investment Promotion Law, organized the 10th Lao Business Forum, and ongoing working on investment promotion strategy covering various aspects for enabling private sector development and investment for development. These activities will help the country to improve the ranking of ease of doing business in Lao PDR from 139 of 190 countries, to two digits number.

H.E. Mr. Leo jointed H.E. Dr. Khamlien to welcome and thank participants for their participation. He remarked that quality private investment is crucial for economic growth and stability. It is also significantly contributing to the realization of SDGs and to LDC graduation. Promoting investments, enhancing the business environment and creating more level playing fields for business is indeed in everyone's interest. EU and other Development Partners has been supporting the government to create space for private sector to share their concerns and experiences on regulatory issues related to the business environment that needs to be strengthened. In this remarks, he emphasized that the whole-of-government is needed to set the pace and create an enabling environment for the private sector to be entrepreneurial, innovative and to take the initiative to do business, create jobs and wealth for the general public good. In addition, the regulatory environment and a clear understanding of the system amongst businesses will create legal safety and therefore attract investments.

5.1 Presentation on update endorsement of the amended law on investment promotion and draft National Investment Strategy and existing tools for quality investment management:

The presentation on the above captioned was delivered by Ms. Thavichanh Thiengthepvongsa, Deputy Director of Investment Promotion Department of the Investment Promotion Department. Her presentation covers four key areas: 1) revision of the investment promotion law, 2) ongoing development of the National Investment Strategy and its finalization roadmap, and 3) existing tools

have been used for implementation of the quality investment management; 4) future direction of the quality investment promotion implementation.

The Investment promotion law was revised four times. The latest version was in 2016. This law is in line with direction of the 8th NSEDP, SDGs promotion, enhancing investment monitoring efficiency, linking with regional and international integration and improvement environment for quality investment. It aims to improve transparency and accountability in the investment approval process and ease of doing business in the country. She highlighted some key areas in law amendment, mechanism to receive feedback from public through opening hotline of the ministry, tools for quality investment management.

The National Investment Strategy is being developed under leadership of MPI. The draft Strategy is focusing on 1) strategy for conducive environment, 2) strategy for quality investment, 3) strategy for sectorial investment, 4) strategy for investment in SEZ, 5) strategy for regional integration and competitiveness, and 6) strategy for investment supervision and management.

At the end of her presentation, she indicated that the government would like to call cooperation of sectors authorities to participate in the implementation and enforcement of laws and regulations related to investment management, and utilizing existing tools. She indicated that continuation partnership and supportive from Development Partners in implementing and promoting quality investment, improvement of the government coordination for quality investment is needed. And data and information sharing and joint monitoring should be practiced. In addition, private sectors engagement in promoting quality investment through compliance with their obligations, local laws and systematic reporting on their contribution to 8th NSEDP and SDGs implementation should be promoted.

Dr. Khamlien shared information to the meeting that there will be a high ranging visit from Indonesia in the coming month. This visit will provide an opportunity for Lao government to discuss for partnership development as well.

Please see Annex 3: Detail of the Presentation on update endorsement of the amended law on investment promotion and draft National Investment Strategy and existing tools for quality investment management.

5.2 Presentation on the progress and result of the 10th Lao Business Forum (LBF)

The presentation was delivered by Ms. Valy Vetsphong, Vice President of Lao National Chamber of Commerce and Industry. Her presentation covers five topics including: i) Lao Business Forum Background and Secretariat; ii) Lao Business Forum Process; iii) LBF 10 and Progress update; iv) Plan towards LBF 11; and v) Recommendation for the next step.

The 10th LFB was organized in partnership between MPI and MOIC and LNCCI. The LNCCI is a secretariat for the LBF implementation. According to issues raised at the LFB, the LNCCI and MOIC identified and assessed all comments and concerns of investors and business owners. They group the issues together and designs agenda for further discussion at the next LBF. The Steering

Committee of the LFM chairs by Minister of MOIC. The LNCCI is trying to set up similar mechanism at the sub-national level. The issues or challenges faced by investors was grouped into 4 groups (16 sub issues) including: Business Taxes; Transportation, import and export procedures; Business Registration and licensing; Access to micro-finance and labor market information.

Ms. Valy indicated that, to facilitate effective implementation of all laws, on behalf of investors, LCCI proposed to Lao Government to consider and pay attention to the development and issue several sub-laws or legislations to guide local authorities to implement and enforce the laws related to investment management.

Dr. Khamlien expressed appreciation to presenters and indicated that successful laws and regulations implementation would requires collaboration of all stakeholders. After we identify issues and/or barriers for ease of doing business, we should be able to address and identify possible solutions.

Please see Annex 4: Detail of the Presentation

5.3 Discussions

A representative from **World Bank/IFC** commented on effort of the government in improving the business environment. He supports Ms. Valy's suggestion that all laws should have a secondary legislation to facilitate effective implementation and enforcement. The Business Repot is being prepared and will be published in October. He foresees that it will be a major improvement in ranging for Lao PDR as a result from the legal reform in the country. It is important to monitor and evaluate when the reforms needed. It is important to engage in the LBF and focus on progress to address issues and solutions. The government should show results on a few areas and demonstrate impact of LFB. The government should have high quality and simple regulation but effective regulatory environment for the private sector management. The government should focus on enforcement and support Green Growth, environmental safety and human safety. Good quality regulatory environment should receive as much attention as quality investments. In addition, improving rank in Business Index from three digits to two digits is very ambitious and will require significant reforms

A representative from **European Chamber of Commerce** commented that there is a need for a quality investment market, more competitive and identification of how Lao PDR can attract investors with the competition in the region. Several issues still to be addressed such as tax issues. European Chamber of Commerce is willing to contribute to improving the rank on Ease of Doing Business. The LBF ECC is interested in an open market, not a closed market. Suggest a separate working group to address language issues.

A **Private Sector Participant** expressed that everyone is committed to Green Growth and Green Investment. He believed that the quality of investments will contribute to this agenda. The challenge for investment is the capacity to compete in the regional and international market. Lao PDR has to try harder in domestic markets and with production. He observes that there are gaps between rural and urban areas. The majority of the population are living in the rural areas and they have low

purchasing power. In the foreign market Lao PDR has to improve its comparative advantage. For access to finance, this is still a challenge and the business climate is not strong. The policy reform is needed, and this is good, but actual enforcement and standards are important. Many good lesson to learn from other countries that we could learned from, in term of forestry industrialization, such as Germany. They promote forestry industrialization by promoting tree plantations along with forestry production to increase value added.

A representative from **Malaysian Chamber of Commerce** shared his observation to the meeting that high level ministerial engagement in this topic is good. However, training and capacity building for government technical staff much be done. This will help to ensure they understand the context of the laws and regulations. This will enable them to better implement the law and regulation, and fully support the Government policy.

A representative from **Farvathana Co.Ltd**, shared his concern that exporting of goods and products is required standards. It is required the government address tax issues. For example, whether finish and semi-finished products should be tax? and in what condition? One of the consideration should be addressed in the sub-laws. Domestic produced products should not have VA applied. The consumption tax should be collected from the final user.

A representative from **Tax Department, Ministry of Finance** reasons to two questions relate to E-custom and tax that asked by private sector. He informs that Tax Department has policy that before import/export goods, it is required to inform our department 7 days in advance. It is clearly indicated in Tax Law, Article 29. MOF Decree 1499/PM regarding the Export Tax and Presidential Order, Article 47 and Article 23 accordingly outlines that collection for finished or semi-finished goods is dependent on the policy of the concerned sector. It needs to look at the domestic law of that sector or department.

In addition to response from a representative from Tax Department, **Ms. Thavichan, DDG of Investment Promotion Department informs** that there are tax exemptions including VAT which are listed in the Investment Promotion Law. Please refers to the Investment Promotion Law, Article 10 and 12, which is provided information about three types of import related to tax (for material, machine for production, fix assets). These items have specific incentive tax exemption). Within the 45 days is indicated in the Law, is for reviewing of investment proposal. Before exploitation, it is required the investor to conduct ESIA, within 65 days is the maximum number of days of feedback from IPD to investor whether yes or no to the project proposal.

Ms. Valy, Vice President of Lao National Chamber of Commerce, mentions that many of us know that there are many issues that the government has tried to overcome and solve several issues. Government tries to see the issues from the perspective of the investor, whether it is domestic or foreign investor. We have to accept and admit that some Articles in laws are challenges when putting into implementation and enforcement. Tax incentives or exemptions are to support the investors in reducing costs for production. The Tax Department will have their reference in the law. The law has to be very clear and must look at all the benefits to the stakeholders and how we can import the process. Issues instruction or order to all sectoral related to investment management to ensure standardize implementation should be considered. There is the Law and then the

secondary instructions under the law. Every Ministry and sector should have the same list. The MPI and MOIC are the lead ministries but coordination with relevant sector ministries are important as well.

H.E. Dr. Khamlien, Vice Minister of MPI informed participants that Investment Promotions Department is drafting a decree for One Stop Service. The Government is trying to reduce the red-tape for investors for concession for various sectors such as mining, hydropower. Out of the Control List there can be quick approvals. He agrees with the comments from participants that we need to finalize the control List. And we need to be focus on this and put it to the government for endorsement.

Ms. Thavichanh, DDG of Investment Promotion Department stated that we are very much focus addressing regulations that should be reviewed. Negative List must be clear and cover all stipulations and related to regulations of the various sectors. Decentralization from central to provincial level is clearly divided and indicated in the law and regulation, in term of which investments that can get approvals from central or provincial level. The comments from WB/IFC is important and need to look at business licenses. The investment monitoring is important. It can control business operations. However, the government capacity for monitoring is still weak. The environment and social impacts are important particularly for areas such as mining, and to protect the natural resources.

Mr. Balasubramaniam Murali, UNDP Deputy Resident Representative joined many colleagues in thanking Ms. Valy and Ms. Thavichanh on their presentations as they have brought several other discussions together, such as LBF, PM meeting with Business and Trade which will feed into the RTIM. Broader perspective, SDGs cannot be achieved with ODA alone and the investment in Lao PDR is important and relevant for SDG achievement. The LDC Graduation of Lao PDR is a main goal of government to be achieved. Thus, private sector investment will be even more important for the country, as ODA will diminish, and we need to be clear on the role of private sector investment for continued growth in Lao PDR. Investments have to be green and sustainable. The overall context of our discussion should also address the important of the environmental and social impact assessment. Thus, private sector investment should contribute to poverty reduction and sustainable development. The improvement in the Ease of Doing Business and reducing the rank from three to two figures as requested by the Prime Minister is important.

A representative from the **Australia Embassy** shared her views that there are many good work happening on discussion and engagement for private sector investments. However, we now need to move to implementation. In term of quality investment, it should be tax based in the business and it should include social and environmental safeguards. Tax contributes to the development and quality investment. Transparency and accountability should focus in term of law implementation and enforcement. Recent examples from the mining sector shows good technical work but need to strengthen the alignment of the technical levels with decision-makers. In the 8th NSEDP the private sector investment is a major portion of the source of resources of the 8th NSEDP so that private sector investment is very important for growth in Lao PDR. Private investment should fulfill their compliance and obligation.

Mr. Thanongsack Souksavah a representative from the IT Development Company (software developer) shared his experiences on IT development. In order to achieve the goal of improvement the Ease of Doing Business rank, we must include IT sector. The IT sector can contribute to this process. Quality investment should go with quality technology and capacity development, and human resources development in the IC application are needed. The Government should look at global best practices and lesson-learned how they do to shorten investment process, and to be applied to Lao PDR. He observed what is still missing from the Investment Promotion Law is the addressing social enterprise as this does not seem to be included. This is also linked to the SDG's and to a green and sustainable development. The examples of social enterprise – businesses that contribute to the community development, improve access to education sectors, and help vulnerable people. It should be a set of laws or regulations to manage social enterprise business. Right now, the law refers to tax collection only. Incentive to encourage investment for social enterprise should have. 0.6% of revenue is for social enterprise.

Dr. Somphone, a representative from Pharmacy Business sector gave an example on import of drug and medical equipment. When importing goods and services for wholesale medicines, the pharmacy license is for retail not wholesale. Some importers then import directly, and this is different from what is stipulated in the law. Monitoring and enforcement of the law is weak. We have to buy for local import/export. Domestic and local consumption is supported by shop owners buying from other countries for retail and then selling from their shops and pharmacies. We need to look at the entire supply chain.

H.E. Dr. Khamlien responded that this is very important information and irrelevant to the Ministry of Health. The issues about medical equipment import was discussed at the government meeting and he discussed about this issues with Minister of Health recently.

Ms. Thamma Phetvisay, Director General of Cabinet, MPI mentioned that promoting quality private sector investment should be for both local and foreign private investments. The NSEDP requires more than 50% from private investments. We have to accept that investment have impact on environment and social and we need to look at these issues. We still cannot collect all tax back from investor. Labor supply or skills labor in Lao is still low. The quality investment should refer to 1) investment that create job for local people and create new local business; 2) create income for the Government; 3) investors should be able to sustain their businesses. They should contribute to development e.g. tax, provide job to local people (especially women), increase skill for local people and the government, compliance to obligations. We have laws and regulations but still need financial support for dissemination and implementation. Capacity for human resources is a big question. Does Lao PDR have the capacity to supply these opportunities. Not able to have the trained skill to fulfill job opportunities and now Lao PDR still mostly uses unskilled labor to fulfil some positions, e.g. Hydropower investments has over 5,000 laborers, Corporate Social Responsibility is important. Capacity for enforcement is also an issue.

A representative from the Canada Embassy emphasized that it is important to attract quality investors through increase transparency in the investment management processes. The consistency in the application of laws and regulations is important to attract businesses and investments. The ASEAN market is very large and Lao PDR has to be competitive. She appreciates Dr. Khamlien's interest and engagement with this team to improve the investment environment and important to be competitive the ASEAN markets.

5.4 Closing session

H.E. Mr. Leo closing this meeting with thank you to presenters, Vice Minister to lead the discussions. The discussion has been captures several important aspects e.g. law, secondary instruments, tax, transparent process are important. The quality investments should be defined more and address how they contribute to social and environment, capacity building, enabling investment management., improvement of the tax base, does not damage the environment, contributes to communities. EU is ready to support the government to attract more EU investors and will continuous to the development of Lao PDR. Now we have the key word “quality investment” to communicate for advocacy to investors.

H.E. Dr. Khamlien in his wrap up of the meeting, summed up that we discussed on update the investment promotion law, progress of the 10th LBF, inputs form private sector, releasing quality investment, environment, incentive requirement to be set. He indicated that the Government still need support form DPs to address quality investment and improvement coordination in all levels and all stakeholders. The quality investment much include social and environmental protections, innovation, green and sustainability. A lot of discussion on the investment process for improvement of ease of doing business. Lao PDR is ranked 139 out of 190 and the Government is trying to improve the rank to two digits by 2020. Understanding of all sectors, domestic and foreign investments is important. The laws and sub-laws should be addressed more. All ministries should look at provide services together and improve coordination among them. Human resource issues are important. Today should be better than yesterday and tomorrow should be even better. Public and private sector should work together to find solutions and a more conducive environment. The social enterprise is important, and we can follow-up but with no hidden development agenda, but we need to study more about this concept. He thanked all participants for comments and suggestion. We take notes all comments from participants.

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Annex 1: Concept Note/Meeting programme

Concept Note

Realizing quality private sector investment for development Pre-consultations for 2017 Round Table Implementation Meeting (RTIM) 27th October 2017, MPI Conference Hall (Level 6), Vientiane, Lao PDR

I. Introduction

- The 2017 Round Table Implementation Meeting (2017 RTIM) organised towards the end of November 2017 will feature **a dedicated panel discussion and a plenary policy dialogue** on realizing quality private sector investment for development.
- This topic has been chosen as one of the four main focus areas of this year's RTIM. The Vientiane Partnership Declaration and its Country Action Plan (VDCAP 2016-2025), endorsed by over 30 partners in 2015 and 2016 respectively, promote the **principles of development effectiveness** in alignment with the Busan Global Partnership for Effective Development Cooperation. Under the VDCAP framework, **business as partner in development** is identified as essential for progress towards the achievement of the National Socio-Economic Development Plan (NSED) and the Sustainable Development Goals (SDGs).
- The Vientiane Partnership Declaration and its Country Action Plan call for **improving the engagement of the private sector**, given the private sector's important contributions to national development and the SDGs, in particular through domestic resource mobilization via taxation and other initiatives as appropriate. In this regard, it foresees the implementation and monitoring of development results and outcomes through a proper analytical framework and mechanism, in particular better linkage between the Round Table Process (RTP) and its Trade & Private Sector Working Group and the Lao Business Forum (LBF).
- In order to improve environment for quality private sector investments particularly convenient, expeditious, transparent, accountability and proper investments, enabling the regional and international integration, contributing to the continuous growth of national socio-economic development in line with green direction and sustainability in Lao PDR, the Government of Lao PDR had endorsed the amended Law on Investment Promotion No. 14/NA dated 17 November 2016, and established an Investment Management Committee chairing by the Deputy Prime Minister including creation of a One-Stop-Service Office under the Investment Promotion Department of MPI.
- The Lao National Chamber of Commerce and Industry (LNCCI) and the Ministry of Industry and Commerce jointly organised **the 10th Lao Business Forum** on 28 March 2017 to discuss **progress in resolving various issues facing the private sector as well as government plans to improve the business environment.**

- Therefore, to help **identify practical actions, track progress in various areas as discussed during the 10th LBF and develop key messages in particular concrete policy recommendations** to be conveyed by the Government and development partners at the panel discussion and plenary policy dialogue **during the 2017 RTIM**, the pre-consultation on realizing quality private sector investment for development will be **led by:**
 - Ministry of Planning and Investment (Investment Promotion Department)
 - Ministry of Industry and commerce
 - Lao National Chamber of Commerce and Industry (LNCCI)
 - With technical support from some key development partners who have been actively involving in the topic and were consulted during the finalization of the 2017 RTIM guidance note: Germany, Japan, EU, World Bank, ADB, ILO and UNIDO, and UNDP.

II. Objectives

- 1) To inform on enabling environment for promoting quality investment, and managing existing investment through quality investment management tools under leadership and guidance of the Investment Promotion and Management Committee.
- 2) To inform how government plan to improve the ranking of ease of doing business the Lao PDR (published by the World Bank 2017) from 139 to two digits number by 2020).
- 3) To inform how private sector could contribute towards achieving the national development priorities, capitalizing on the current LBF discussions around the following priority areas:
 - vii. Legal environment (revision of public private partnership law for instance);
 - viii. Taxation (for instance, tax administration reform);
 - ix. Transportation and import/export procedures;
 - x. Business registration/licencing;
 - xi. Access to finance (micro finance); and
 - xii. Labour market development.
- 4) To discuss innovative and replicable examples of how quality private sector investments have significantly contributed to LDC graduation and SDG attainment.
- 5) To prepare for the discussion at the RTIM and to develop key messages to be conveyed at the 2017 RTIM. In particular, these will result in concrete policy recommendations as well as further clarity on which national priorities that various partners could support in 2018 and in remaining period of the 8th NSEDP and beyond.

III. Date and Time:

- Date - 27 October 2017
- Time - 8:30 am – 12:00 pm

IV. Venue:

- MPI Conference Hall (Level 6), Vientiane, Lao PDR

V. Participants:

Representatives from government agencies, Development Partners, (I)NGOs, Local NPAs, CSOs and Private sectors who are working the quality private sector investment.

Provisional agenda

08:30 – 09:00	Registration
09:00 – 09:10	Opening remarks by Chair of the Meeting Dr. Khamlien Pholsena, Vice Minister of Ministry of Planning and Investment
09:10 – 09:20	Remarks by Co-Chair, Ambassador of EU Delegation
09:20 – 09:50	Promoting and Managing quality private sector investment in Lao PDR <ul style="list-style-type: none">- <u>Presentation 1:</u> Update endorsement of the amended law on investment promotion and draft National Investment Strategy and existing tools for quality investment management (by IPD).- <u>Presentation 2:</u> Update progress since the 10th LBF in particular matters relating to taxation and report on private sector contribution to national development and commitment for quality investment operation (by LNCCI).
09:50 – 10:10	Coffee Break
10:10 – 11:40	Open Discussions - Moderator – TBC <p>A Representative from below organization (as panellist) will be invited to have comments and feedbacks on the presentations before open discussion.</p> <ul style="list-style-type: none">- Ministry of Finance – Tax Department- ECCIL- Japan Embassy- World Bank- Australia Embassy- UNDP- LNCCI- Open for other participants in particular hearing from private sector on the challenges and lessons learnt
11:40 – 11:50	Closing remarks – Co-Chair of the Meeting
11:50 – 12:00	Closing remarks – Chair of the Meeting

Annex 2: Signing Sheet - List of Participants

Annex 3: Detail of the Presentation

**Realizing Quality Private Sector Investment for Development
Pre-Consultations for 2017 Round Table Implementation
Meeting (RTIM)**

**27th October 2017, MPI Meeting Room
Vientiane, Lao PDR**

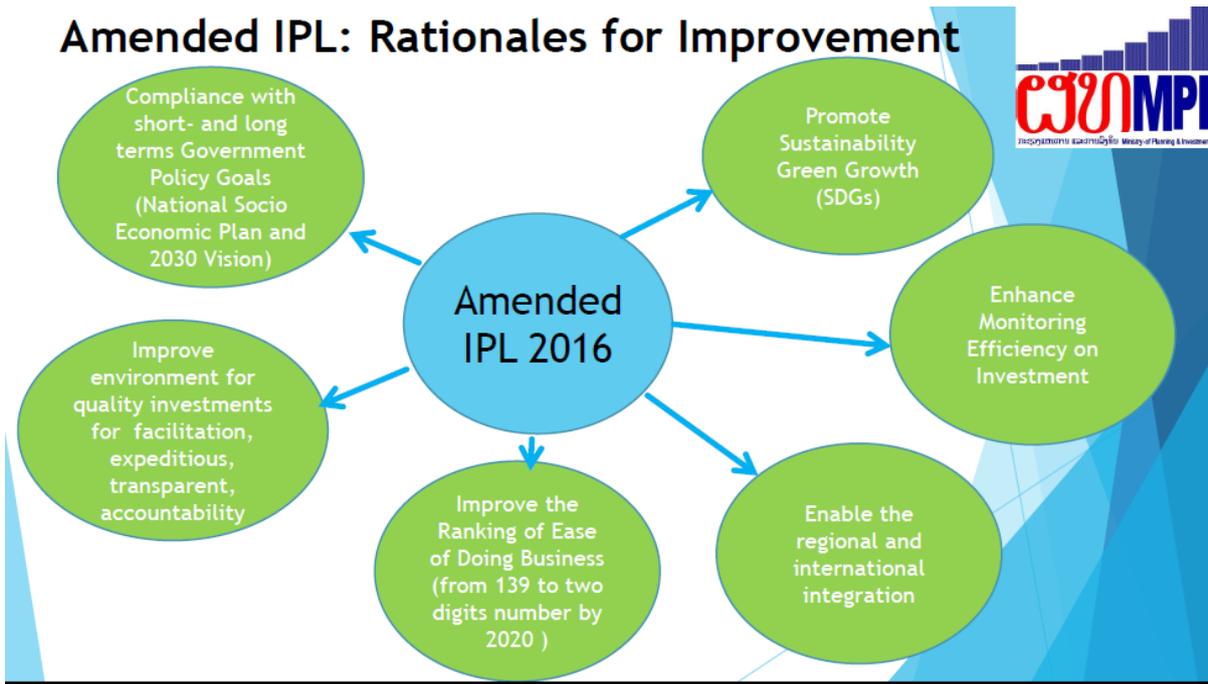
By Thavichanh Thiengthepvongsa
**Deputy Director General
Investment Promotion Department
Ministry of Planning and Investment**

Topics

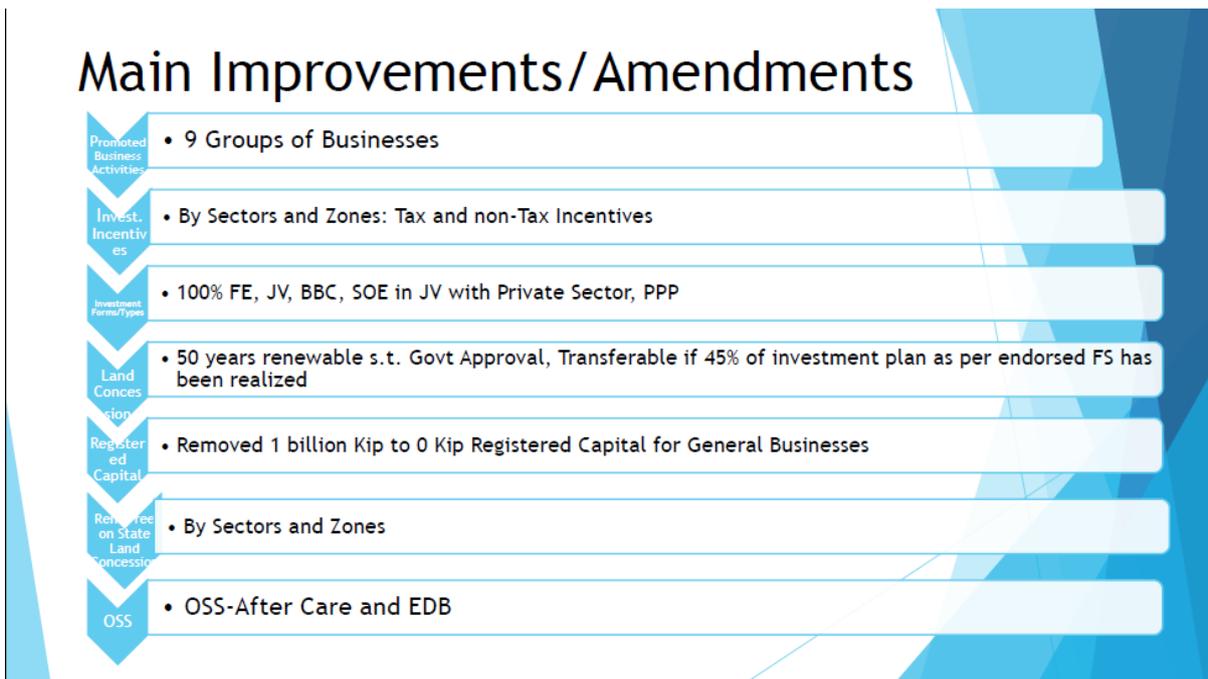
- ▶ Amended Law on Investment Promotion, IPL (2016)
- ▶ Q-Q
- ▶ Draft National Investment Strategy, NIS



Amended IPL: Rationales for Improvement



Main Improvements/Amendments



Main Improvements/Amendments Promoted Business Activities entitled for Tax Incentives (Art. 9)

- ▶ High and modern technology application, scientific research, R&D, use of innovative, environmental-friendly technology application, and efficient use of natural resource and energy;
- ▶ Clean, organic agriculture, planting seed production, animal breeding, industrial plantation, forestry development protection of environment and bio-diversity, activities promoting rural development and poverty reduction;
- ▶ Environmental-friendly agricultural processing industry, national traditional and unique handicraft processing industry;
- ▶ Environmental-friendly and sustainable natural, cultural and historical tourism development industry;
- ▶ Education, sports, human resource development and labor skill development, vocational training institutions or centers, production of educational and sports equipment;
- ▶ Construction of modern hospitals, pharmaceutical and medical equipment factory, production of and treatment by traditional medicine;
- ▶ Investment, service provision and development of public infrastructure for urban traffic congestion reduction and residence facilities, infrastructure development for agricultural and industrial production, transportation services of goods, transit services and international linkage;
- ▶ Policy banks and micro-finance institutions, focusing on poverty reduction for people and communities who have less access to a bank;
- ▶ Modern commercial centers promoting domestic products and world-renowned brands, exhibition centers, fairs for domestic industrial, handicraft and agricultural products.

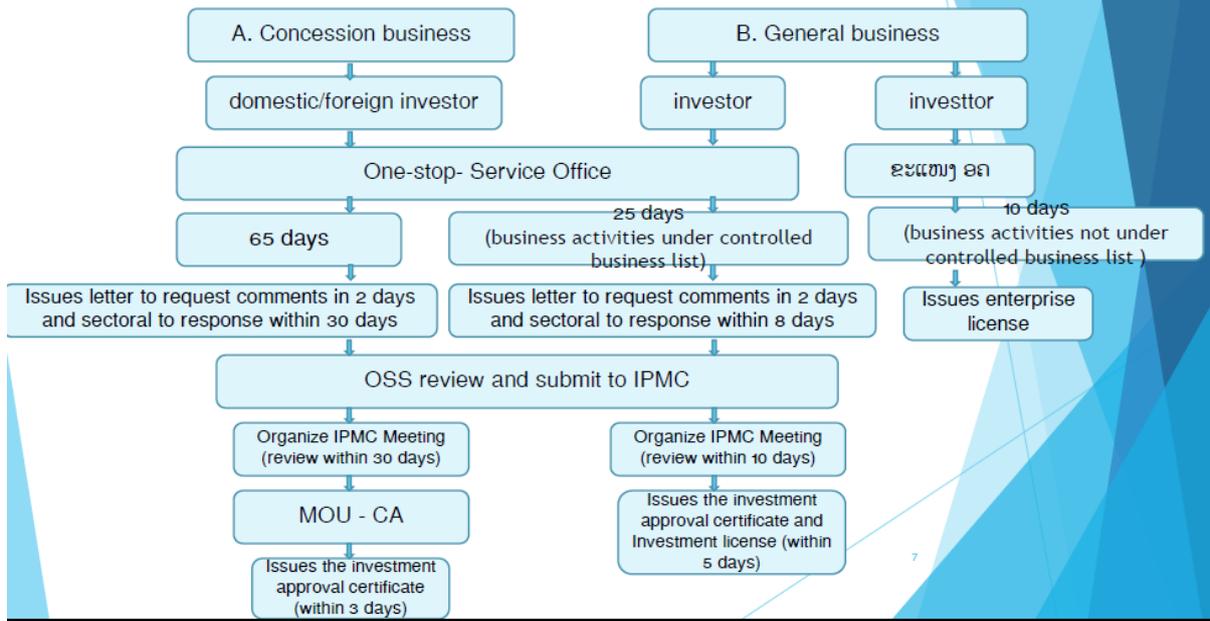
Tax Incentives: Profit Tax Holiday

Zones	Profit Tax Holiday Period	Additional Profit Tax Holiday Period
Zone 1	10 Yrs All Business Activities lie in Art. 9	5 Yrs For Clean Agriculture, Agro-Processing Industry, Education and Health
Zone 2	4 Yrs All Business Activities lie in Art. 9	3 Yrs For Clean Agriculture, Agro-Processing Industry, Education and Health
Zone 3	Based on SEZ Decree	

Non-Tax Incentives: Rental Concession Fee Exemption on State Land Concession

Zone	State land Concession Rental Fee Exemption Period	Additional State land Concession Rental Fee Exemption Period
Zone 1	10 Years All Business Activities lie in Art. 9	5 Yrs For Clean Agriculture, Agro-Processing Industry, Education and Health
Zone 2	5 Yrs All Business Activities lie in Art. 9	3 Yrs For Clean Agriculture, Agro-Processing Industry, Education and Health
Zone 3	Based on Specific Regulation	

Investment Consideration Procedures



Hot Line

We Want to Listen to You!

Call: 1503



Q-Q Stress On Importance of Monitoring



▶ Existing Tools for Quality Investment Management

- ▶ PM Order No. 13/PMO, 2012
- ▶ Based on actual outcome of investment projects implementation other Laws and Sub-Laws /Legislations have been revised/drafted: e.g. Law on Mining, Law on Electricity, Decree on PPP, etc....
- ▶ Forms, CA Models for Agriculture, Hydropower and Tourism
- ▶ Capacity building for IPD and concerned line agencies in Understanding Application/FS/Financial Model Appraisal, in Monitoring
- ▶ Data Collecting Forms for Agriculture, Mining, Hydropower and Service Projects.
- ▶ Database
- ▶ Increase efficient coordination and cooperation among Govt authorities at all levels, other stakeholders (UNDP, GIZ, ADB, WB, MLGO, UNESCAP, IISD, JICA, KOIKA,...)

National Investment Strategy



- ▶ Draft National Investment Strategy (NIS)
- ▶ Approved Provincial Investment Strategy (Savannakhet, Saravan, Houphanh Vientiane Provinces)
- ▶ Draft Provincial Investment Strategy (Oudomxay, Phongsaly, Vientiane Provinces)

What are the Key Issues discussed in the Draft NIS?

- ▶ Part I : Implementation of the investment policy from 1989 to 2016
 1. Past performance
 - 1.1 Legal framework
 - 1.2 Investment promotion policy
 - 1.3 Investment management
 2. Difficulties and impediments
 3. Lessons and experiences

What are the Key Issues discussed in the Draft NIS?

- ▶ Part II : Private Investment Strategy up to 2025
 1. Opportunities and challenges
 - 1.1 Regional and international environment
 - 1.2 Domestic environment
 2. Directives and targets up to 2025
 - 2.1 Overall directives
 - 2.2 Overall objectives and targets
 3. Investment Promotion Strategy up to 2025
 - 3.1 Strategy for conducive environment
 - 3.2 Strategy for quality investment
 - 3.3 Strategy for sectorial Investment
 - 3.4 Strategy for invest in Special Economic Zones (SEZ)
 - 3.5 Strategy for regional integration and competitiveness
 - 3.6 Strategy for investment supervision and management
- ▶ Part III : Action plans and recommendations
 - 3.1 Institutional arrangement
 - 3.2 Action plans and recommendations

Road Map for Finalization NIS

- ▶ Bilateral consultation with line ministries by end Oct 2017
- ▶ Revise and update draft NIS (version 12th) by end Nov 2017
- ▶ Organize National Stakeholder Consultation Meeting by beginning Dec 2017
- ▶ Revise and submit update version to Investment Promotion and Management Committee for review and consideration of further guidance and/or approval

National Investment Strategy

- ▶ **Draft National Investment Strategy (NIS)**
- ▶ **Approved Provincial Investment Strategy (Savannakhet, Saravan, Houphanh Vientiane Provinces)**
- ▶ **Draft Provincial Investment Strategy (Oudomxay, Phongsaly, Vientiane Provinces)**



Conclusion and Moving Toward Promoting Quality Investment

- ▶ Regulatory/Sectoral Authorities to implement and enforce regulation and investment management tools for quality investment
- ▶ Call for partnership from Development Partners continue to support implementation and promotion of quality investment
- ▶ Coordination for quality investment through data and information sharing and join monitoring
- ▶ Call for private sectors engagement in promoting quality investment through compliance with their obligations and laws and systematic report on their contribution to 8th NSEDP and SDGs implementation

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**Thank You Very Much
For Your Attention!**



Annex 4: Detail of the Presentation



LBF Presentation



Presenter : Ms. Valy Vetsphong
Vice President of Lao National Chamber of Commerce
and Industry



Contents

- I. Lao Business Forum Background and Secretariat
- II. Lao Business Forum Process
- III. LBF 10 and Progress update
- IV. Plan towards LBF 11
- V. Conclusion and recommendation



LBF Background and Secretariat

- ❖ LBF Background:
 - Institutionalized in 2005

- ❖ LBF Secretariat moves from MPI to LNCCI:
 - LBF 1 to LBF 6 : IFC and MPI
 - LBF 7 to LBF 9: LNCCI and MPI
 - LBF 10: LNCCI and MOIC

- ❖ The New Structure of Lao Business Forum Secretariat
 - LBF Secretariat: LNCCI
 - Public Sector Focal Point: MOIC

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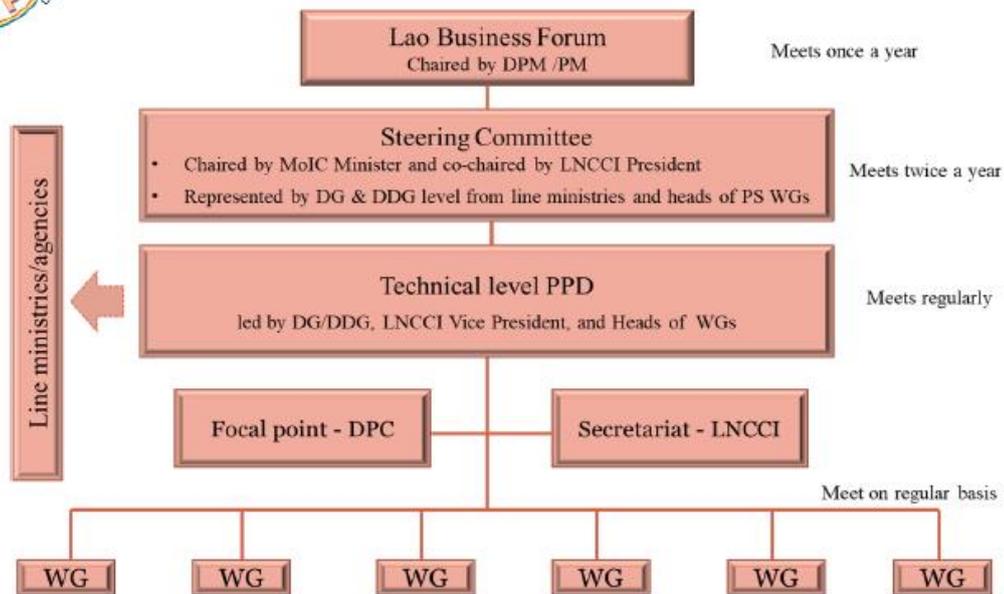
Private Sector Working Groups

- 1. ICT
- 2. Manufacturing
- 3. Trade
- 4. Service
- 5. Agro-Processing
- 6. Handicraft
- 7. Transportation & Logistic
- 8. Construction
- 9. Mining
- 10. Tourism
- 11. Banking and Insurance
- 12. Hydropower
- 13. SOEs
- 14. SMEs
- 15. Business Women
- 16. Cross-Cutting

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Lao Business Forum Process



WGs can be formed based on industry, industry association, and chambers of commerce

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The 10th Lao Business Forum

- The 10th LBF : 28 March 2018
- 4 groups of issues (16 sub issues) discussed:
 - Business Taxes
 - Transportation, import and export procedures
 - Business Registration and licensing
 - Access to finance and labor market information
- Other issues:
 - 15 sub issues raised under LBF10 mechanism

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Progress since the 10th LBF

- Prime Minister Office's Notification No. 1052/PMO dated 21 July 2017 and No. 1194/PMO, Dated 09 August 2017.
- Secretariat team met with 7 ministries, 13 departments, MOIC, MOF, MPI, MICT, MOLSW, MPWT and the Bank of Lao PDR.
- Secretariat team and international experts conduct studies on LBF issues
- Other meetings arranged by related line ministries



Business Taxes Issue since the 10th LBF

- Progress by the government:
 - MOF issued VAT implementation guidelines and open a new MOF hotline
 - For VAT refund: MOF organized a meeting to clarify VAT refund issue for CMT exporters and formed a committee to study VAT refund mechanism (refund at provincial tax department)
 - For VAT on transportation: MOF issued a notification No. 128 dated 17/05/2017 to provincial tax divisions.
 - For Internet excise tax issue: PMO specified that this has to be solved before LBF11.
 - For other tax related issues: MOF is planning to revise the Law on tax and VAT in 2018, and issue a separate law on excise tax in 2019.
- Other progress:
 - International expert on Tax was selected and currently on the mission to conduct a thorough study on LBF issues on taxes



Transportation, import and export procedure issues since LBF10

- Progress by the government:
 - Custom Department, MOF: issued an internal notification regarding improving the document process within tax dept. i.e. reduce time taken, cutting unnecessary steps etc
 - Department of Import and export, MOIC: Mapping on Import & export process
 - Access to information issue: MOIC Information Center
- Other progress:
 - Secretariat team is currently conduct a thorough study on the import & export process to map out the clear steps and time taken at each stage of import of the products under ODA and etc.



Business Registration and licensing issues since the 10th LBF

Progress by the government:

- The Cabinet of Ministry of Industry and Commerce has issued the Notification No. 1567, dated 19 May 2017 to revoke the requirement for the application to reserve the enterprise name and the approval of the enterprise name.
- Official website of the Department of Enterprise Registration and Management has been launched.
- A user-friendlier brochure is being developed to give a guideline on business registration to the investor.
- There is an initiative to merge the Tax Registration System and the Enterprise Registration System together.



Access to Finance and Labor Market Information since the 10th LBF

- Progress by the government:
 - For establishment of credit guarantee instruction: BOL is currently drafting a regulation to allow private sector to invest in this area
 - For Fees for registering loans backed by land title rights: the fees have been reduced as specified in the draft amended Presidential Decree No. 003. Currently waiting for the amended decree to be approved.
 - For Access to labour market information: MOLSW will be launching the website in November 2017.



Key Activities toward LBF 11

- Private Sector Working Group Meetings I & II (approx. 15 meetings)
- Public-Private Consultative Meetings (November 2017)
- LBF Steering Committee Meeting (December 2017)
- Follow up meetings with related line ministries (Jan 2018)
- LBF Steering Committee meeting (Feb 2018)
- 11th Lao Business Forum (March 2018)



Private sector contribution to national development

- Strong engine for economic growth (About 80% of GDP comes from private sector)
- Largest employer for non-agricultural workforce
- Domestic and foreign investment – main source of financing for NSEDP VIII
- SMEs – effective tool for economic diversification and inclusive growth
- Strong partner for promoting predictable and sustainable trade and investment environment in the country

Conclusions and Recommendations

- Initial results – encouraging
- Very strong commitments from public sector and private sector
 - However, a lot challenges remain...
- Concerted efforts from all stakeholders at both central and local levels are required to improve transparency and predictable business environment, especially consistent implementation of prevailing laws and regulations throughout the country
- For this both technical and financial support from development partners is crucial...

General recommendation:

- In order to strengthen enforcement of laws/regulations, we would like to recommend government to develop legislations and implementing guideline in parallel