

Lao People's Democratic Republic
Peace independence Democracy Unity Prosperity

Prime Minister

No. 02/PM
Vientiane Capital, 01 February 2018

Order
on Improvement of Regulations and Coordination Mechanism
on Doing Business in Lao PDR

To: Ministers, Heads of Ministry-Equivalent State Organizations, Governors of Vientiane Capital and Provinces Countrywide.

- Pursuant to the Law on Government No. 04/NA, dated 08 November 2016;
- Pursuant to the Law on Investment Promotion No. 14/NA, dated 17 November 2016;
- Referring to the Report for seeking direction on the improvement of climate for doing business in the Lao PDR No. 1825/MPI.DIP2, dated 08 September 2017;
- Referring to the decision and guidelines of the Ordinary Cabinet Meeting in November 2017;
- Referring to the Letter of Request of the Ministry of Planning and Investment No. 3150/MPI.DIP2, dated 22 December 2017.

In order to improve the climate for doing business in the Lao PDR with the aim of mobilizing and attracting quality investments, promoting and building the competitive capacity of domestic businesses to a higher level, addressing and significantly minimizing difficulties in doing business within the country through the reduction of procedures and time for the issuance of authorizations by the sectors concerned to ensure speediness, transparency, effectiveness and reduced cost in the operations of the business sector, and enhancing the trust of domestic and foreign investors in making decision to undertake and expand the business activities in our country which will, thereby, become an important force contributing to the implementation of the Eight Five-Year National Socio-Economic Development Plan (2016-2020) to achieve the planned targets, creating a foundation for a strong and stable country's economy in line with the direction of sustainable and green growth as stipulated in the Resolution of the Tenth Congress of the Party.

The Prime Minister

Issues an Order as Follows:

1. All Ministries, Ministry-equivalent State Organizations and local administrations throughout the country which have the roles, functions, responsibilities and rights directly related to the indicators of the ease of doing business in Lao PDR shall implement the reform, reduce the number of procedures and time of the issuance of authorizations during the years 2018 and 2019 as follows:

1.1 The Ministry of Planning and Investment is assigned to perform as follows:

- (1) To implement the Investment One-Stop Service mechanism in practice as soon as possible, by addressing and improving the procedure of coordinating with relevant sectors in the examination, consideration and approval of the applications for the investment license and the provision of services after the issuance of investment license in a centralized and unified manner, reducing the procedures and time required for applying for investment license, but ensuring transparency and compliance with the laws and regulations. The Investment One-Stop Service Office and the Department of Investment Promotion of the Ministry of Planning and Investment shall develop the mechanism to keep investors informed about the progress of the consideration of their applications;
- (2) To be the focal point of coordination with the sectors concerned in order to monitor the progress in resolving the procedures and difficulties based on 10 indicators identified by the World Bank as described in the Report for seeking direction on the improvement of the climate for doing business in the Lao PDR No. 1825/MPI.DIP2, dated 08 September 2017, and to report the progress on the reform to the meeting of the Central Investment Promotion and Supervision Committee and to the Government on a quarterly basis with the aim of achieving an improved ranking of the ease of doing business in Lao PDR by 2019;
- (3) To improve the mechanism of the dissemination of the laws and policies including the regulations pertaining to the investment promotion activities.

1.2 The Ministry of Industry and Commerce is assigned to perform as follows:

- 1.2.1 To take the initiative in coordinating with the finance sector, public security sector, information, culture and tourism sector and other relevant sectors to accelerate the reform and resolve the difficulties relating to the 1st indicator: Starting a business indicator, such as:

- (1) Improving the regulations, measures regarding the service of declaration for registration of enterprise (individual or legal entity) to make it convenient, simplified and expeditious. After the registration of the enterprise (individual or legal entity), before undertaking a business operation, it is required to apply for business operation authorization with the relevant sector;
- (2) Studying, revising and promulgating the legislation relating to the service of declaration for enterprise registration so that they may become enforceable at central and local levels in the first quarter of 2018;
- (3) Prepare and create necessary conditions for the introduction of electronic registration of enterprise (or online registration of enterprise) which shall be completed within the year 2019;
- (4) Carry out the procedures of registration of Articles of Association and assets of the enterprise in a more expeditious manner after obtaining the Tax Identification Number and all relevant business operations authorizations;
- (5) Improve the system of the issuance of the Tax Identification Number by issuing at the same time as the issuance of the Enterprise Registration Certificate and streamline or remove unnecessary steps, such as: bank account of the Managing Director, list of employees, office lease agreement and so on; however, the enterprise must provide such business operations documents in full after it has already received the investment license;
- (6) Improve the seal carving procedure to ensure compliance with Article 21 (revised) of the Law on Enterprise.
- (7) Abolish the application for authorization to install the signage for the enterprise (such signage only indicates the name of the enterprise, not an advertisement sign); however, it is required to formulate a regulation to determine in detail the standards of the signage for the enterprise (size of the sign, letters, background color and other details) and the supervision measures to enable the industry and commerce sector to notify business operators on signage compliance guidance post registration of the enterprise. This regulation shall be formulated in a flexible manner (not too rigid) in order to facilitate the compliance by entrepreneurs.

1.2.2 To take the initiative in coordinating with parties concerned with the tasks prescribed in the 8th indicator of the doing business report: Trading Across Borders indicator in order to improve the legislation and procedures relating to the application for authorization of

import-export of goods across the borders to help streamline and shorten the import and export approval process with the aim of reducing the time for import and export of goods by at least 50% in 2019, particularly:

- (1) Coordinate with the finance sector, public health sector, public works and transport sector, agriculture and forestry sector, sciences and technology sector, energy and mines sector, information, culture and tourism sector, banking sector and other concerned sectors to urgently study and hold consultation in order to further reduce the procedures, time and the number of documents which are not necessary for the approval of import and export of goods;
- (2) Coordinate with the finance sector in order to improve the procedures of clearance for the import and export of goods at the border checkpoint to ensure that they are more simplified and expeditious; and those steps which are not necessary shall be removed;
- (3) Take the initiative in coordinating with the public works and transport sector to identify the obstructions to domestic transport, especially the setting-up of road-checkpoints by the authorities and, then, submit the proposal for removing the road checkpoints which are not necessary.

1.3 The Ministry of Public Works and Transport is assigned to perform as follows:

To take the initiative to accelerate the reform and resolve the difficulties relating to the 2nd indicator of the doing business report: Dealing with construction permits indicator, in particular:

- (1) To review the documents and contents of the application form for construction permits; and all documents or contents which are not necessary shall be removed;
- (2) Make the application form for construction permits, including relevant regulations, available on the website of the public works and transport sector in beginning of 2018 so as to provide facilities to applicants of construction permits; and it is not necessary for applicants to only purchase the forms at the relevant division;
- (3) To remove and reduce unnecessary steps and time required for applying for construction permit from 11 steps to 7 steps or less and from 83 days to 45 days or less in 2018 and further to 30 days or less in 2019.

1.4 The Ministry of Energy and Mines is assigned to perform as follows:

To take the initiative in guiding Electricite' Du Laos (EDL) to accelerate the reform and resolve the difficulties relating to the 3rd indicator of the doing business report: Getting electricity indicator, particularly:

- (1) To further reduce the procedures and time required for the installation of electricity from the existing 6 steps to 5 steps or less and from 134 days to 50 days or less in 2018 and further to 40 days or less in 2019, especially for construction and electricity installation companies; to determine the standards and time required for providing the electricity installation service including the installation of transformers which shall, on average, not exceed 30 days in 2018 and not exceed 25 days in 2019. For the construction of electrical grid of 22 kv, it is required to comply with the length and environmental requirements of each task.
- (2) To strictly follow-up and inspect the services standards of the companies providing electricity installation services and, if it is found that the operations and services performed are slow and sub-standard, to give warnings and take disciplinary measures by proposing to the relevant sector to cancel the electricity installation services operation license of such companies;
- (3) To accelerate the improvement of the electricity supply system so as to make it reliable and to ensure that there is no frequent electricity outages with the aim of improving the rating of the reliability of supply and transparency of tariffs index of Lao PDR.

1.5 The Ministry of Natural Resources and Environment is assigned to perform as follows:

To take the initiative to accelerate the reform and resolve the difficulties relating to the 4th indicator of the doing business report: Registering Property indicator by revising the procedures and time required for the registration of land asset, transfer of land use right, land lease, land concession in order to make them more expeditious by reducing the number of procedures to less than 4 steps and reducing the time to less than 53 days in 2018 and further to less than 40 days in 2019.

1.6 The Bank of the Lao PDR is assigned to perform as follows:

To take the initiative coordinating with Lao Securities Exchange Commission to make the improvement and resolve the difficulties relating to the 5th indicator of the doing business report: Getting Credit indicator and the 6th indicator: Protecting Minority Investors and Minority Shareholders indicator, particularly:

- (1) To improve the index on the access to credit especially the index on the strength of the laws and regulations protecting borrowers and lenders to a score higher than 6, the index on the ease of the access to credit information to a score higher than 5, the score of control of the database system of State borrowers [Credit bureau coverage] to a score lower than 11.2% and the score of control of the database system of private borrowers [Credit registry coverage] to a score higher than 0%;
- (2) To improve the index on the quality of the regulation on prohibition of the occurrence of conflict interest [Extent of conflict of interest regulation index] which is currently at the score of 3.3 to a higher score of 4.3, and to improve the index on the quality of the shareholders governance [Extent of shareholder governance] which is currently at the score of 3 to a higher score of 6.3. At the same time, Lao Securities Exchange Commission shall continue to conduct research and complete the formulation of the Corporate Governance in the second quarter of 2018.

1.7 The Ministry of Finance is assigned to perform as follows:

- (1) To take the initiative to make the improvement and resolve the difficulties relating to the 7th indicator of the doing business report: Paying Taxes indicator, of this, to study and improve the frequency and time in the payments of various taxes of the enterprise by proposing the amendment of the relevant laws, particularly the improvement to decrease the frequency of the payments of profit tax from 4 times in a year to once a year, and to improve the mechanism of payment of social protection tax to allow it to become more convenient and expeditious. At the same time, effort shall be made to reduce the time spent in the payments of taxes from 182 hours/year to the lowest level.
- (2) To improve the procedure of duty and tax collection at the time of importing goods at the border checkpoint in order to make it more simplified and expeditious.

1.8 The Ministry of Justice and the Judicial Organizations are assigned to perform as follows:

To take the initiative in researching, developing and revising the legislation relating to the 9th indicator of the doing business report: Enforcing Contracts indicator and the 10th indicator of the doing business report: Resolving Insolvency indicator in accordance with their roles and responsibilities, particularly:

- (1) To improve the time required for the case proceeding process to enforce the contracts to less than 443 days and reduce the cost of the case proceeding process to enforce the contracts to less than 31.6% of the contract amount; and to improve the index of the quality of the court proceedings to a score higher than 5.5.

- (2) To urgently coordinate with relevant Ministries in order to amend the Law on Bankruptcy of the Enterprise No. 06/94, dated 14 October 1994.

1.9 The Ministry of Public Security is assigned to perform as follows:

To research and further reduce the procedures and time for carving the seal for business operations. From 2018, in order to ensure faster issuance of seal, the Ministry of Public Security shall assign the responsibility to the Police Headquarters of Vientiane Capital and of the provinces to issue the business seals, and the Ministry of Public Security shall set out regulations and issue guidelines for actual implementation in a strictly and speedily manner.

1.10 The Lao National Chamber of Commerce and Industry is assigned to perform as follows:

To responsibly contribute to the process of research, improvement and resolving of the difficulties relating to the ranking of the ease of doing business in Lao PDR in accordance with its roles and responsibilities, such as:

- (1) To provide comments and participate actively in the improvement of the investment climate in Lao PDR;
- (2) To advertise, disseminate and provide advices on State policy guidelines, laws and regulations on the improvement and the provision of facilities for business operations in Lao PDR to its members to enable them to have uniform understanding and collaborate in the implementation in a strictly manner;
- (3) To take the initiative in summarizing issues and proposals of the business sector in each period as well as to conduct brainstorming and present constructive recommendations regarding the directions and solutions to the Government for research and consideration.

1.11 The Ministries, Ministry-Equivalent State Organizations and relevant parties mentioned above shall appoint a responsible Working Unit with a deputy head of their organizations to take charge of leading the research and formulation of the action plan and improving each indicator which is related to their roles and responsibilities for sending to the Ministry of Planning and Investment for consolidating into an overall action plan for the implementation of this Order so as to enable the monitoring of the implementation in each period.

2. All Ministries, Ministry-Equivalent State Organizations and Local Administration throughout the country which have the roles, functions and responsibilities and rights pivoting around the implementation of the indicators of the ease of doing business in the Lao PDR shall facilitate and collaborate in the implementation of the reform and the reduction of the procedures and time required for the issuance of authorizations.
3. The Ministry of Planning and Investment shall be assigned to take lead in monitoring the progress of the implementation of this Order and to summarize and report to the Government on a quarterly, semi-annually and yearly basis.
4. After the Ministries, Ministry-Equivalent State Organizations and relevant parties have completed the revision of the regulations and have consistent regulations, the local administration shall be assigned to focus on improving the procedures and time required for applying for business operations in their locality to ensure process become simplified, expeditious, transparent and accountable.
5. All Ministries, Ministry-Equivalent State Organizations, Local Administration and relevant parties shall, hereby, acknowledge, collaborate and strictly implement this Order to ensure fruitful results.
6. This Order is effective from the date it is signed.

Prime Minister

(signed and sealed)

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