LAW ON THE PROCESSING INDUSTRY

Adopted by the National Assembly 3 April 1998
Promulgated by the President of the State 26 April 1999
Effective 25 July 1999
Unofficial Translation

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Decree Of the President

(National Seal)

Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity

No. I WPM

DECREE
of the
PRESIDENT
of the
LAO PEOPLE'S DEMOCRATIC REPUBLIC

on the promulgation of the Law on the Processing Industry

• Pursuant to Chapter V, Article 53, clause 1 of the Constitution of the Lao People's Democratic Republic;

• Based on the Resolution of the 3’d ordinary session of the National Assembly, IVth Congress on the adoption of the Law on the Processing Industry No. O 1-99/NA, dated 03 April 1999;

• Based upon the proposal of the Standing Committee of the National Assembly, No. 03/SC, dated 6 April 1999.

The President of the
Lao People's Democratic Republic Republic
decrees:

Article 1: The promulgation of the Law on the Processing Industry.

Article 2: This Decree is effective from the day it is signed.

Vientiane, 26 April 1999

President of the Lao PDR

(seal of the President of the Lao People's Democratic Republic)

Kamthay Siphandone

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Law on the Processing Industry

PART I

General Provisions

Article 1: Function of the Law

The Law on the Processing Industry determines principles, regulations, and measures relative to establishing, undertaking, and administering industrial and handicrafts processing activities to expand industry and handicrafts, interrelating the processing industry to agroforestry; transforming the natural economy of farmers into a goods-based economy, interrelating the economic structures of the agro-forestry, industry and services [sectors] to increase the living standards of the multi-ethnic peoples.

Article 2: Processing Industry

The processing industry is industry and handicrafts related to factory activities which translates into the transformation of raw materials or semi-finished products from their original state into a new product by mechanical means or by manual labor, whether within a factory [setting] or in any workplace where products can be distributed as [commercial] goods.

Article 3: Promoting the Processing Industry

The State promotes all economic sectors to invest in industrial and handicraft processing to produce consumer goods domestically to serve as import substitutes and to produce export goods by employing domestic raw materials, primarily: raw materials from agriculture and from forestry.

Article 4: Environmental Protection

Industrial and handicrafts processing operations must assure environmental protection as provided for in the Law on Environmental Protection.

Article 5: Protection of Investor Rights and Benefits
The State protects the industrial and handicraft processing rights and benefits of investors based on the Law on the Promotion of Domestic Investment, the Law on the Promotion and Management of Foreign Investment in the Lao PDR, the Business Law, and other relevant laws of the Lao PDR.

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Article 6: International Cooperation

The State opens wide [opportunities for investment] and promotes all sectors of the economy to cooperate internationally to encourage the growth and progressive modernization of industrial and handicraft processing.

Article 7: Scope of Applicability of [this] Law

This Law is applicable to the administration, inspection, and promotion of the development of industrial and handicrafts processing factory operations.

PART 11
Activités des Industries et ateliers Artisanaux

Chapter 1
Activities of Industrial and Handicrafts Processing Factories

Article 8: Industrial and Handicrafts Processing Factories

Industrial and handicrafts processing factories are comprised of: a site, a building, or vehicles in which are installed machines that have a total, equivalent, or an excess of 5 horsepower or 3.73 kilowatts or which makes use of 10 or more laborers to undertake production, assembly, repair, improvement, modification, additions to [insertions installations], or re-processing in the type of factory provided for in Article 9 of this Law.

Article 9: Types of Factories

Types of industrial and handicraft processing factories are comprised of many groups of factories relative to their level of importance as follows:

1. food and beverage processing factories;
2. wood, wood-derived products and rattan processing factories;
3. textile, thread and yarn factories;
4. garment production factories;
5. paper and paper products factories;
6. publishing factories, educational equipment and magazines;
7. electric machines and electrical equipment producing factories;
8. chemical processing [and] chemical products factories, and [factories] producing curative drugs;
9. rubber and plastic products factories;
10. non-metallic substances processing factories; 
11. tobacco products processing factories; 
12. leather and leather products processing factories; 
13. coal and combustible fuels factories; 
14. primary processing of metals factories; 
15. metal products factories, exclusive of machines and equipment used; 
16. factories producing or assembling machines and equipment; 
17. factories producing office supplies, [items used in] accounting and accessory machines; 
18. factories that produce or assemble radios, televisions, electrical appliances, communications equipment and tools; 
19. factories producing or assembling medical equipment; 
20. factories producing or assembling surface transportation vehicles; 
21. factories producing or assembling other types of transportation vehicles; 
22. factories producing furniture, musical instruments, athletic equipment, toys; 
23. factories involved in re-processing.

Article 10: Levels of Industrial and Handicrafts Processing Factories

As a basis for the division of administrative [duties], the types of factories determined in Article 9 of this Law are categorized into 3 levels with reference to total mechanized power, the number of laborers, and environmental impact as follows:

Level I Factory: means a type of large scale factory with a total labor force in excess of 200 people or mechanized power in excess of 200 horsepower or which has a high [level of] environmental impact.

Level II Factory: means a type of medium scale factory with a total labor force from 51 to 200 people or mechanized power from 51 to 200 horsepower or
which has a medium [level of] environmental impact.

Level III Factory: means a type of small size factory with a total labor force from 10 to 50 people or mechanized power from 5 to 50 horsepower or which has a low [level of] environmental impact.

The level of a factory may be increased or decreased if there has been a change to the type of industrial or handicraft processing or there has been a change to the number of laborers or to the mechanized power or a change to the environmental impact.

Article 11: Industrial and Handicrafts Processing Factory Operations

Factory operations must adhere to relevant laws and regulations and must [be accompanied] by an industrial and handicrafts processing operations license according to regulations from the industry and handicrafts sector.

The factory operations license has a term of 3 to 5 years depending upon the type and size of the factory and it can be extended.

Chapter 2
Control of Machines

Article 12: Registration and Calculation of Comparative Mechanized Horsepower

Machine means a vehicle of production that is comprised of many mechanisms using various types of power, such as: electricity, combustible fuel [petroleum], natural gas, steam, solar power, or other power [source].

Machines that are imported or produced domestically and which are being used in factories must be recorded for calculation of comparative mechanized horsepower and can be registered by the industry and handicrafts sector to confirm ownership.

Article 13: Moving Machinery

The industry and handicrafts sector must approve moving machinery from its original location to another location.  

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Chapter 3
Conditions for Factory Operations

Article 14: Conditions for Factory Operations
Factories that have been approved to operate must undertake production according to their objectives, ensure a product of [a certain] quality and standard of production, adhere to various regulations regarding safety, sanitation, and factory environment.

Article 15: Registration of Product Quality and Standard

Factory operators may register the product quality and standards of their product according to rules of the industry and handicrafts sector and of other relevant sectors.

Chapter 4
Relationships between Factories and Raw Materials Sources

Article 16: Relationships between Factories and Raw Materials Sources

The establishment of an industrial and handicrafts processing factory must depend primarily upon domestic raw materials, agro-forestry, and minerals sources.

Article 17: Policy for Encouraging Raw Materials Production

The industry and handicrafts sector and the agro-forestry sector [shall] jointly issue a policy to promote and create a plan to encourage planting [and] animal husbandry by households, cooperatives, and other economic parties to supply raw materials to industrial and handicrafts processing factories as required.

The industry and handicrafts sector must have a plan to coordinate and encourage parties who have received approval to conduct preliminary exploitation and processing of minerals to ensure a supply of raw materials to industrial and handicrafts processing factories as required.

Chapter 5
Environmental Protection

Article 18: Environmental Protection

Factory operations must adhere to the Law on Environmental Protection, the Urban Planning Law, and regulations issued by the Ministry of Industry and Handicraft.

Article 19: Factory Waste Disposal Areas

All types of factory waste and wastewater must be disposed of, treated according to the method, and at the place determined by regulation.

Article 20: Measures to Protect the Environment

The establishment and operation of a factory must avoid or decrease the impact of traffic, sound, light, color, odors, toxic fumes, dust, smoke, vibrations, temperature, moisture, etc., on the social and natural environment, including transportation, storage, and a factory's use.
of toxic chemicals as provided for in the Law on Environmental Protection and regulations issued by the Ministry of Industry and Handicraft.

Chapter 6
Expanding, g. and Transferring Factory Operations

Article 21: Expanding a Factory

Expanding a factory is either or both of an increase in the number, change or adjustment to machinery, or an increase in the area of the factory building.

The expansion of a factory must be approved relative to the portion expanded according to regulations of the industry and handicraft sector. Minor changes must be notified to the industry and handicraft sector in advance.

Article 22: Moving a Factory

Moving a factory to another location must be approved according to regulations of the industry and handicraft sector, the Urban Planning Law and regulations of other relevant sectors.


Factory operations may be leased or transferred to an individual or a juristic individual by transfer of ownership, succession [inheritance], [or] sale [or] purchase.

The transferee, the legatee, or the purchaser of factory operations [will] receive the rights and obligations according to this Law and other relevant laws.

Chapter 7
Regions, Zones, Estates and Institutions or Industrial and Handicraft Processing Research and Experiment Centers

Article 24: Industrial Regions

Industrial regions are areas of land upon for which approval has been given to establish a factory that is located outside of areas [that have been specifically] allocated [for other factories] or [industrial] estates.

Article 25: Industrial Zones

Industrial zones are areas of land reserved by the State for the establishment of industrial and handicraft factories as provided for in the Urban Planning Law.
Article 26: Industrial Estates

Industrial estates are areas of land in industrial zones upon which are built basic infrastructure, such as: roads, electricity, municipal water supply, telecommunications, buildings, etc., necessary for factory operations for lease or concession to business people.

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Article 27: Institutions or Industrial and Handicraft Processing Research and Experiment Centers

In the development and promotion of industrial and handicraft processing, the State promotes individuals and organizations to invest to primarily establish institutions or technical research and experiment centers, [to invest] in work to increase production, specific industrial development, handicrafts promotion, promotion of household industry, industrial standards, the industrial environment and other industrial services.

PART III

Investment and Promotion of Industrial and Handicrafts Processing

Chapter 1

Investment

Article 28: Promotion of Investment in Industrial and Handicrafts Processing

The State promotes domestic and foreign investors to invest in industrial and handicrafts processing that uses domestic raw materials, such as: raw materials from agro-forestry and minerals for processing as goods for domestic use and for export. For raw materials that must be imported from abroad for factory usage in a pre-determined [industrial] zone, heavy emphasis shall be on processing such as an export product.

Article 29: Forms of Investment

Forms of investment in industrial and handicrafts processing are comprised of:

1. Investment by a household;
2. Investment by means of cooperation by people;
3. State enterprises invest themselves;
4. State enterprises invest with a domestic or foreign investor;
5. Investment by domestic private sector;
6. Investment by domestic private sector with foreign investor;
7. Investment by a foreign investor in its sole capacity.

Chapter 2

Promotion of Industrial and Handicrafts Processing
Article 30: Substance of a Promotion

In order to ensure that industrial and handicrafts processing yields high productivity, promotion must be comprehensive, such as:

1. Promotion capital [seed money] or funds;
2. Technology and machinery;
3. Technicians;
4. Occupational training;
5. Supply of information and data;
6. Facilitation;
7. Provision of priorities [privileges];
8. Customs and tax privileges;

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Article 31: Promotion Capital [Seed Money] and Funds

The State promotes by creating conditions to encourage all economic sectors, banks, and other financial institutions to contribute funds, to establish [an investment] fund and to give credit to individuals or organizations that seek to invest in industrial and handicrafts processing.

Article 32: Technology and Machinery

The State promotes the use of advanced and suitable technology and machinery in the field of industrial and handicrafts processing production to ensure productivity and to avoid or decrease environmental impacts.

Article 33: Technicians

In order that industrial and handicrafts processing operations can be undertaken productively, the State encourages [and] promotes all sectors to give their attention to many forms of training and upgrading the technical [capacity] of technical civil servants, business managers and workers, both domestically and abroad.

Article 34: Occupational Training

The State promotes individuals or organizations to give their attention to training multi-ethnic peoples regarding industrial and handicrafts processing occupations including methods for storing raw materials, processing agricultural products and other [products] to serve as goods and to supply factories with raw materials.
Article 35: Data and Information

The State encourages individuals and organizations to collect and supply data and information related to industrial and handicrafts processing operations from domestic and foreign [sources], such as: data and information regarding goods, markets, prices, technology, funding sources, etc., to establish a broad system of data and information.

Article 36: Facilitation

The State provides various facilities to investors in industrial and handicrafts processing, primarily: regarding regulations that have features of stability and which incentivize.

The issuance of an industrial and handicrafts processing factory operations license must be completed within 30 days from the date of receipt of a complete and correct application for a factory operations license and the factory must comply with regulatory technical standards [issued by] the industry and handicrafts sector.

Article 37: Granting Privileges

The State provides privileges to investment in industrial and handicrafts processing operations according to a factory's level of importance as provided for in Article 9 of this Law and as provided for in the Law on Domestic Investment Promotion as follows:

1. Production of export goods or import substitutes making use of domestic raw materials;

2. Operating a factory in populous, rural, remote, isolated, and other priority areas as determined by the Government;

3. Large scale investments using advanced technology significant to national socioeconomic development.

Article 38: Tax and Duty Privileges

The State establishes tax and duty privileges that incentivize industrial and handicrafts processing operations, primarily for those operations that have received Government priority.

The import of machinery and equipment to establish and operate a factory, domestic traffic and export of industrial and handicrafts processing products shall receive an exemption or decrease of tax and duty rates.

Article 39: Protection of Domestic Products
The State protects domestic products at any time by use of various means, such as: credit, duties, 
taxes, control of the import of similar products that can be produced domestically.

Article 40: Market

The State encourages and promotes all sectors of the economy to seek out domestic and foreign 
markets to distribute industrial and handicrafts processing products in various forms, such as: 
advertising, goods exhibitions, widening of international commercial relationships, develop 
goods to suit the market, mobilize the multi-ethnic peoples to make use of domestic products, 
etc.

PART IV

Rights and Obligations Industrial and Handicrafts Processing Factory Operators

Article 41: Rights of Factory Operators

Factory operators have the following rights:

1. Receive legal protections;
2. Operate a factory within the scope of approval received;
3. Own a factory’s operations and the yields from such operations;
4. Receive promotion, assistance, instructions from the State and other parties, 
including technical and technological [assistance] regarding factory operations;
5. Have the right to request an extension to the factory operations license according 
to regulations;
6. Build items and install machinery and equipment for a factory's operations according 
to regulations of the relevant sector;
7. Lease out, transfer, hand-over, succeed to [inherit], sell or purchase factory 
operations according to regulations.

Article 42: Obligations of Factory Operators

Factory operators have the following obligations:

1. Adhere to a plan and feasibility study regarding factory establishment and operations;
2. Protect the environment according to regulations;
3. Keep enterprise accounts in compliance with rules [relative thereto];
4. Properly, completely and timely fulfill tax and duty obligations, labor obligations, etc., regarding factory operations;

5. Timely report the results of factory operations;

6. Train and upgrade Lao employees in the profession, including ensuring the payment of salaries, social welfare, ensuring the health and safety of employees;

7. Give attention to use of local labor where the factory is located or some other locality if necessary;

8. Communicate with local authorities where one operates to receive assistance and other facilities regarding factory operations, and be involved in the socio economic development of the locality while also protecting peace and public order;

9. Encourage the production and use of raw materials from multi-ethnic peoples by creating binding relationships and by other means and draft strategic marketing plans to accommodate the stable flow of products as well as ensuring broad expansion of production;

10. Facilitate public organizations to enable them to contribute to and encourage productive factory operations.

PART V

Administrative and Inspection Agencies

Chapter 1

Administrative Agencies

Article 43: Administrative Agencies

Agencies administering the activities of factories are comprised of:

1. the industry and handicrafts sector;

2. relevant sectors;

3. local administrative authorities.

Article 44: Rights and Duties of the Ministry of Industry and Handicraft

The Ministry of Industry and Handicraft is the logistical arm of the Government as follows to:
1. Draft and publicize strategic plans relative to industrial and handicraft processing to transform such into plans, detailed projects and regulations;

2. Survey and collect statistical data relative to conditions, and each area's potential to promote and develop industrial and handicraft processing throughout the country by disseminating information and data and models in coordination with other parties and relevant local administrative authorities;

3. Coordinate with relevant sectors in building, strengthening and upgrading technical [skills] for civil servants and workers;

4. Research and give technical opinions regarding requests to invest in industrial and handicraft processing activities;

5. Issue licenses to undertake activities of all types of industrial and handicrafts processing factories as provided for in Article 9 of this Law;

6. Draft master plans regarding industrial and handicrafts processing development;

7. Make contact with and cooperate with international [parties] to develop and promote industrial and handicrafts processing.

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Article 45: Rights and Duties of Provincial, Prefectural and Special Zone Industry and Handicraft Divisions

Provincial, prefectural and special zone industry and handicraft divisions have rights and duties in the administration of the activities of industrial and handicrafts processing factories based upon division of administrative levels, and according to assignment from the Ministry of Industry and Handicraft.

Article 46: Rights and Duties of District Industry and Handicraft Bureaus

District industry and handicraft bureaus have rights and duties in the administration of the activities of industrial and handicrafts processing factories based upon division of administrative levels, and according to assignment from provincial, prefectural and special zone industry and handicraft divisions.
Article 47: Rights and Duties of Village Administrative Authorities

Village administrative authorities have rights and duties to coordinate with factories in relative to maintaining safety, public and environmental order, within the area of a village's administrative authority, [and to] facilitate operations factory-related operations.

Chapter 2
Inspection Agencies

Article 48: Inspection Agencies

In addition to being factory administrative agencies, agencies indicated in Article 43 of this Law are also factory inspection agencies. If there is a problem in communicating with another sector, a representative from that sector is to participate in such inspection.

Article 49: Inspections

Factory activity inspections are inspections starting from the establishment of a factory to factory operations in order to ensure the proper adherence to technical building standards, machinery and production equipment standards, product standards, safety, labor use, exercise of rights and obligations, hygiene and environmental impact. In addition, there will be inspection according to regulations of other relevant sectors.

Article 50: Forms of Inspection

Inspection of industrial and handicrafts processing factory activities are undertaken in compliance with the following forms:

1. Systematic inspections;
2. Advance notice inspections;
3. Surprise inspections.

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PART VI
Dispute Resolution. Policies [Privileges7f

or those who are Productive and Sanctions agains~ Offenders

Article 51: Dispute Resolution

All relevant parties Industrial and handicrafts processing factory operations that meet with disputes within the factory or between a factory operator and a State official, or with other
parties, are to seek means to resolve such dispute by means of conciliation, mediation, or resolution by means provided for in [their] contract. If no resolution can be achieved, each party has the right to submit [the dispute] to the relevant competent authority for consideration and resolution of that dispute.

Article 52: Policies [Privileges] for those who are Productive

Individuals or organizations that produce outstanding results in factory operation activities shall receive appropriate privileges and praise.

Article 53: Sanctions against Offenders

Individuals or organizations that violate this Law shall be warned, receive instruction, be required to make compensation, be fined or criminally punished as the case may be.

Article 54: Warnings and Instruction

Individuals or organizations who commit minor violations of this Law such as: failing to exhibit licenses conspicuously, failing to adhere to obligations of factory operators as provided for in Article 42 of this Law shall be warned or receive instruction.

Article 55: Sanctions for Compensation of Damages

Individuals or organizations that undertake factory operations who cause damage to laborers, [who cause] internal or external damage to a factory must compensate for such damages.

Article 56: Fines

Individuals or organizations will be fined if they violate this Law in the following instances:

1. 2. 3. 4. 5. 6.

7.

8. 9.

Commit second offenses violating Article 42, clauses 1, 2, 3, and 4 above; Conduct factory operations without a license; Extend a factory without approval; Change or modify machinery in the factory without approval; Move machinery in the factory to another location without approval; Failure to change a factory operations license when legal status has been changed; Failure to report to industry and handicraft officials when there has been an accident in the factory; Cease factory activities for more than 1 year without receiving approval; Failure to provide factory product samples or relevant copies of documents in compliance with an order from a relevant official when there are suspicions relative to a factory's safety or the safety of a factory's product;

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10. Failure to adhere to a relevant official's order to change or modify the factory building, machinery, etc., that causes disturbances or which may endanger other people's lives or property;
11. Remove lead seals affixed on machinery by officials to stop the running of dangerous machines as provided for in clause 10 of this Article.

Article 57: Criminal Sanctions

In the case that there are violations of this Law which violations are criminal wrongdoing such as: forging factory operation licenses or relevant documents, failure to adhere to factory safety measures causing death or damage to health shall be criminally punished.

Article 58: Additional Criminal Sanctions

In addition to the sanctions already provided for in Article 56 and 57 above, offenders shall receive additional prosecution such as: suspension of factory operations or withdrawal of licenses.

PART VII
Final Provisions

Article 59: Implementation

The Government of the Lao People's Democratic Republic shall implement this Law.

Article 60: Effectiveness

This Law is effective ninety days from the date that the President of the Lao People's Democratic Republic issues an Executive Decree promulgating it.

Any term [or] provision inconsistent with this Law is hereby repealed.

Vientiane, date 3 April 1999
President of the National Assembly
(seal of the President of the National Assembly)
[signature]
Samane Vignakhet