



LAO PEOPLE'S DEMOCRATIC REPUBLIC
PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY

National Assembly

No. 10/PO

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

On the Promulgation of the Law on Industrial Processing

Pursuant to Chapter 5, Article 53, point 1 of the Constitution of the Lao People's Democratic Republic which provides for the promulgation of the Constitution and of laws which are adopted by the National Assembly;

Pursuant to Resolution No. 01-99/NA, dated 3 April 1999, of the National Assembly regarding the adoption of the Law on Industrial Processing; and

Pursuant to Proposal No. 03/NASC, dated 6 April 1999, of the National Assembly Standing Committee.

**The President of the Lao People's Democratic Republic
Decrees That:**

Article 1. The Law on Industrial Processing is hereby promulgated.

Article 2. This decree shall enter into force on the date it is signed.

Vientiane, 26 April 1999

The President of Lao People's
Democratic Republic

[Seal and Signature]

Khamtai SIPHANDON



LAO PEOPLE'S DEMOCRATIC REPUBLIC
PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY

National Assembly

No. 01/99/NA
3 April 1999

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 relating to the establishment, operations, and administration of industrial and handicrafts processing activities in order to expand the processing and handicrafts industry, [and] interrelate the processing industry with agro-forestry, transform the natural economy of farmers into a goods-based economy, interrelate the economic structures of the agro-forestry, industry and services [sectors] to increase the living standards of the multi-ethnic people.

Article 2. Processing Industry

The processing industry [refers to] industry and handicrafts involving factory operations that transform raw materials or semi-finished products from their original state into a new product by mechanical means or by manual labour, 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 sectors of the economy to invest in industrial and handicrafts 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 ensure environmental protection as provided for in the Law on Environmental Protection.

Article 5. Protection of Investor Rights and Benefits

The State protects the rights and benefits of investors in industrial and handicrafts processing based on the Law on the Promotion of Domestic Investment, the Law on the Promotion and Management of Foreign Investment in the Lao People's Democratic Republic, the Business Law, and other relevant laws of the Lao People's Democratic Republic.

Article 6. International Cooperation

The State broadens [opportunities for investment] and promotes all sectors of the economy to cooperate internationally¹ to encourage the growth and progressive modernization of industrial and handicrafts processing.

Article 7. Scope of Application of [this] Law

This law applies to the administration, inspection, and promotion of the development of industrial and handicrafts processing factory operations.

PART II Operations of Industrial and Handicrafts Processing Factories

Chapter 1 Factory Operations

Article 8. Industrial and Handicrafts Processing² Factories

Industrial and handicrafts processing factories [refers to]: a site, a building or a vehicle in which are installed machines that have a total [electrical capacity] equal to or exceeding 5 horsepower or 3.73 kilowatts, or that makes use of 10 or more labourers to undertake production, assembly, repair, improvement, modification, [packaging] or re-processing, in a type of factory provided for in Article 9 of this law.

Article 9. Types of Factories

Types of industrial and handicrafts processing factories comprise groups of factories listed in order of their relative importance as follows:

1. Food and beverage processing factories;
2. Wood, wood-derived products and rattan processing factories;
3. Textile, thread and yarn factories;

¹ This refers to cooperation at an international level, for example by engaging with global markets, international agencies, foreign investors.

² Readers may wish to note that “industrial and handicrafts processing” is used in many articles of this law as an adjectival phrase and is often combined with one or more nouns to form complex noun strings. In many articles, it may not have been possible to recast such noun strings without radically rearranging the structure of the text. In those cases, the translators have translated the text as it appears in Lao. E.g., The translators have not rendered a noun string like “industrial and handicrafts processing factory operations” as “the operations of factories engaged in industrial and handicrafts processing”.

4. Garment production factories;
5. Paper and paper products factories;
6. Publishing factories, [and factories producing] educational equipment and magazines;
7. Factories producing electrical machines and electrical equipment;
8. Chemical processing [and] chemical production factories, and [factories] producing curative drugs;
9. Rubber and plastic products factories;
10. Factories processing non-metallic substances;
11. Factories processing tobacco products;
12. Factories processing leather and leather products;
13. Coal and combustible fuels factories;
14. Factories engaged in the primary processing of metals;
15. Metal production factories, but excluding factories that produce machines and equipment;
16. Factories producing or assembling machines and equipment;
17. Factories producing office supplies, [items used in] accounting and accessory machines³;
18. Factories producing or assembling radios, televisions, electrical appliances, [and] 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, [and] 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 listed in Article 9 of this law are categorized into 3 levels with reference to total mechanized power, number of labourers, and environmental impact as follows:

Level I Factory: means a type of large-scale factory with a total labour 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 labour 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-scale factory with a total labour force from 10 to 50 people or mechanized

³ The translators are unclear on what “accessory machines” might refer to. This is a literal translation.

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 handicrafts processing or there has been a change to the number of labourers, to the mechanized power or to the environmental impact.

Article 11. Industrial and Handicrafts Processing Factory Operations

Factory operations must comply with relevant laws and regulations and must have⁴ an industrial and handicrafts processing operations license, in accordance with the regulations of the industry and handicrafts sector⁵.

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 [refers to] a means of production that comprises many mechanisms and uses various types of power, such as: electricity, petroleum, natural gas, steam, solar power, or [any] 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.

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

⁴ This means that factory operations cannot be conducted unless a licence has been issued for such production.

⁵ The word “sector” is often used to refer to the cluster of government ministries or agencies engaged in a particular activity.

and standard of production, [and] 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 products according to the 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 establishment⁶ of an industrial and handicrafts processing factory must rely primarily upon domestic raw materials, agro-forestry, and minerals sources.

Article 17. Policy⁷ 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 cultivation [and] animal husbandry by households, cooperatives, and other economic parties in order 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 in order 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 Handicrafts.

Article 19. Factory Waste Disposal Areas

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

⁶ The term “establishment” is the literal translation but the meaning seems to be “operations”.

⁷ The term policy in this context takes the meaning of “privilege”.

Article 20. Measures to Protect the Environment

The establishment and operation of a factory, including its transportation, storage and use of toxic chemicals, must avoid or mitigate the impact of traffic, sound, light, [colouring agents], odours, toxic fumes, dust, smoke, vibrations, temperature, moisture, and others⁸, on the social and natural environment, as provided for in the Law on Environmental Protection and regulations issued by the Ministry of Industry and Handicrafts.⁹

Chapter 6 Expanding, Moving and Transferring Factory Operations

Article 21. Expanding a Factory

Expanding a factory [refers to] any or all [of the following:] an increase in the number [of machines], a change or adjustment to the machinery, or an increase in the area of the factory building.

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

Article 22. Moving a Factory

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

Article 23. Lease [and] Transfer of Factory Operations

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

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

⁸ The term “and others” is a literal translation of the Lao term and is not subject to further specificity.

⁹ For readability, the structure of this sentence has been modified.

Chapter 7
Locations, Zones, Estates and Institutions or Industrial and Handicrafts
Processing Research and Experiment Centres

Article 24. Industrial Locations

Industrial locations [refers to] areas of land outside of industrial zones and industrial estates for which approval has been given to establish a factory.

Article 25. Industrial Zones

Industrial zones [refers to] areas of land reserved by the State for the establishment of industrial and handicrafts factories as provided for in the Urban Planning Law.

Article 26. Industrial Estates

Industrial estates [refers to] areas of land in industrial zones upon which are built basic infrastructure, such as roads, electricity¹⁰, municipal water supply, telecommunications, buildings, and others, necessary for factory operations or for lease or concession to business people.

Article 27. Institutions or Research and Experiment Centres [relating to] Industrial and Handicrafts Processing

In the development and promotion of industrial and handicrafts processing, the State promotes individuals and organisations to invest in[:] the establishment of institutions or technical research and experiment centres[;] work¹¹ that increases production[;] specific industrial development[;] handicrafts promotion[;] promotion of household industry[; improving] industrial standards[; and improving] the industrial environment and other industrial services.

PART III

Investment in 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, to process into 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, [the State

¹⁰ Here the term “electricity” is used in the sense of power supply.

¹¹ The term “work” refers to research into processes that increase production.

places] strong emphasis on processing such [raw materials] into export products.

Article 29. Forms of Investment

Forms of investment in industrial and handicrafts processing comprise:

1. Investment by a household;
2. Joint investment by people;
3. State enterprises invest by themselves;
4. State enterprises invest together with the domestic private sector or foreign investors;
5. Investment by the domestic private sector;
6. Investment by the domestic private sector together with foreign investors;
7. Investment by a foreign investor in its sole capacity.

Chapter 2

Promotion of Industrial and Handicrafts Processing

Article 30. [Means of] Promotion

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

1. Promotion capital or funds;
2. Technology and machinery;
3. Techniques;
4. Vocational training;
5. Supply of information and data;
6. Facilitation;
7. Provision of privileges;
8. Customs and tax privileges;
9. Protection of domestic[ally produced] products;
10. Marketing.

Article 31. Promotion Capital 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 organisations 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 reduce [adverse] environmental impact.

Article 33. Techniques

In order for industrial and handicrafts processing operations to be undertaken productively, the State encourages [and] promotes all sectors to give their attention to many forms of training and to upgrading the technical [capacity] of technical civil servants, business managers and workers, both domestically and abroad¹².

Article 34. Vocational Training

The State promotes individuals and organisations to give their attention to training multi-ethnic peoples in industrial and handicrafts processing occupations, including methods for storing raw materials, [and for] processing agricultural products and other [products] into goods and raw materials for supply to factories.

Article 35. Data and Information

The State encourages individuals and organisations to collect and supply data and information relating to industrial and handicrafts processing operations from domestic and foreign [sources], such as data and information regarding goods, marketing, prices, technology, funding sources, and others, to establish a broad system of data and information.

Article 36. Facilitation

The State facilitates investors [to invest in] industrial and handicrafts processing, such as: issuing regulations that support and incentivise [investment].

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 the regulatory technical standards of the industry and handicrafts sector.

Article 37. Granting Privileges

The State grants privileges for investment in the following types of 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:

1. Production of export goods or import substitutes making use of domestic raw materials;
2. Operation of a factory in targeted, rural, mountainous, remote, isolated, and other priority areas as determined by the government;

¹² This is a reference to training both domestically and abroad.

3. Large scale investments using advanced technology significant to national socio-economic development¹³.

Article 38. Tax and Duty Privileges

The State determines tax and duty privileges that provide incentives for industrial and handicrafts processing operations, primarily for those operations that the government considers to have high priority.

The import of machinery and equipment to establish and operate a factory, [and the] domestic transport and export of the products of industrial and handicrafts processing shall receive an exemption from or reduction of taxes and duties.

Article 39. Protection of Domestic Products

The State will protect domestic products for a certain period through various means, such as: credit¹⁴, [exemption from or reduction of] taxes and duties, [and] control of the import of similar products that can be produced domestically.

Article 40. Marketing

The State encourages and promotes all sectors of the economy to seek out domestic and foreign markets in which to distribute industrial and handicrafts processing products[. Such encouragement and promotion can take] various forms, such as: advertising, goods exhibitions, broadening international commercial relationships, developing goods to suit the market, mobilising the multi-ethnic people to make use of domestic products, and others.¹⁵

PART IV Rights and Obligations of Industrial and Handicrafts Processing Factory Operators

Article 41. Rights of Factory Operators

Factory operators have the following rights:

1. To receive legal protection;
2. To operate a factory in accordance with the scope of the approvals it has received;

¹³ The term “significant” appears to be a reference to the large-scale nature of the industry and not to the technology.

¹⁴ The term “credit” refers to financing, not tax credits. The translators are aware that this clause does not specify how the State will use “credit” to protect domestic products (e.g. by providing financing). However, there was insufficient information in the text to allow further specificity.

¹⁵ For readability, the structure of the sentence has been modified.

3. To own factory operations and the yields from such operations;
4. To receive promotion, assistance, [and] instructions from the State and other parties, including technical and technological [assistance] regarding factory operations;
5. To request an extension to the factory operations license according to regulations;
6. To build facilities and install machinery and equipment for factory operations according to regulations of the relevant sector;
7. To lease out, transfer, hand-over, succeed to, [and] sell or purchase factory operations, in accordance with regulations.

Article 42. Obligations of Factory Operators

Factory operators have the following obligations:

1. To adhere to plans and feasibility studies regarding the establishment and operations of their factory;
2. To protect the environment in accordance with regulations;
3. To keep enterprise accounts in compliance with rules [relating thereto];
4. To properly, completely and timely fulfil tax and duty obligations, labour obligations, and other [obligations] regarding factory operations;
5. To timely report the results¹⁶ of factory operations;
6. To train and upgrade Lao employees in the profession, and also to ensure the payment of salaries, social welfare, and the health and safety of employees;
7. To give attention to the use of local labour where the factory is located or from some other locality if necessary;¹⁷
8. To communicate with local administrative authorities where the factory is located in order to receive assistance and other facilitation regarding factory operations, and to be involved in the socio-economic development of the locality while also protecting peace and public order;
9. To encourage the production and use of raw materials [sourced] from multi-ethnic people by creating binding relationships and by other means, and to draft strategic marketing plans to accommodate the stable flow of products as well as ensuring broad expansion of production;
10. To facilitate mass organisations to enable them to contribute to and encourage productive factory operations.

¹⁶ Factory operators may be required to report their performance to administrative authorities.

¹⁷ The government may require factories to use labour from specific localities.

PART V
Administrative and Inspection Agencies

Chapter 1
Administrative Agencies

Article 43. Administrative Agencies

Agencies administering the activities of factories comprise:

1. The industry and handicrafts sector¹⁸;
2. Relevant sectors¹⁹;
3. Local administrative authorities.

Article 44. Rights and Duties of the Ministry of Industry and Handicrafts

The Ministry of Industry and Handicrafts is the secretariat²⁰ of the government and in such capacity, it:

1. Drafts and elaborates on strategic plans relating to industrial and handicrafts processing and transforms them into action plans, detailed projects and regulations;
2. Surveys and collects statistical data relating to the conditions in and potential of each area, in order to promote and develop industrial and handicrafts processing throughout the country, and it disseminates information, data and models in coordination with other parties and relevant local administrative authorities;
3. Coordinates with relevant sectors to build, strengthen and upgrade the technical [skills] of civil servants and workers;
4. Studies and provides technical opinions regarding requests to invest in industrial and handicrafts processing activities;
5. Issues licenses to undertake activities of all types of industrial and handicrafts processing factories²¹ as provided for in Article 9 of this law;
6. Drafts master plans regarding industrial and handicrafts processing development;
7. Makes contact with and cooperates with international [parties] to develop and promote industrial and handicrafts processing.

¹⁸ This is a reference to the cluster of governmental agencies responsible for industry and handicrafts.

¹⁹ This is a reference to other governmental sectors responsible for specific activities. E.g. a factory that processes agricultural produce might be subject also to administration by the agriculture sector.

²⁰ The literal translation is “secretariat”. However, in this context, the meaning goes beyond that of an administrative and clerical role, to connote strategic advice and implementation.

²¹ The translators are unable to resolve whether “of all types” qualifies “activities” or “factories”.

Article 45. Rights and Duties of Provincial, Municipal and Special Zone Industry and Handicrafts Divisions

Provincial, municipal and special zone industry and handicrafts divisions have rights and duties in the administration of the activities of industrial and handicrafts processing factories, according to their level of authority, and as assigned by the Ministry of Industry and Handicrafts.

Article 46. Rights and Duties of District Industry and Handicrafts Offices

District industry and handicrafts offices have rights and duties in the administration of the activities of industrial and handicrafts processing factories according to their level of authority and as assigned by provincial, municipal and special zone industry and handicrafts divisions.

Article 47. Rights and Duties of Village Administrative Authorities

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

**Chapter 2
Inspection Agencies**

Article 48. Inspection Agencies

In addition to being factory administrative agencies, the agencies described 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 [refer to] inspections starting from the establishment of a factory [and throughout] factory operations, in order to ensure proper compliance with technical building standards, machinery and production equipment standards, product standards, safety [standards], labour use²², exercise of rights and obligations, hygiene and [compliance with] environmental [requirements]. In addition, there will be inspections according to regulations of other relevant sectors.

Article 50. Forms of Inspection

Inspection of industrial and handicrafts processing factory operations may take the following forms:

²² Presumably the reference is to labour use “laws or regulations” but the Lao original is silent on this.

1. Regular periodic inspections;
2. Advance notice inspections;
3. Surprise inspections²³.

PART VI
Dispute Resolution, Policies towards Persons who are
Productive and Sanctions Against Violators

Article 51. Dispute Resolution

All relevant parties in industrial and handicrafts processing factory operations, when faced 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 through consultation, amicable settlement, 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. Policies²⁴ towards Persons who are Productive

Individuals or organisations that produce outstanding results in factory operation activities shall receive appropriate [policies] and rewards.

Article 53. Sanctions Against Violators

Individuals or organisations that violate this law shall be warned, re-educated²⁵, required to make compensation, fined or criminally punished as the case may be.

Article 54. Warnings and Re-education

Individuals or organisations that commit minor violations of this law shall be warned or re-educated[. Such minor violations include] failing to exhibit licenses conspicuously and failing to adhere to obligations of factory operators as provided for in Article 42 of this law.²⁶

Article 55. Measures Requiring Compensation for Damage

Individuals or organisations that undertake factory operations that cause damage to labourers or that cause internal or external damage to the factory must compensate for such damage.

²³ The Lao word also connotes inspection in emergency cases.

²⁴ The term “policies” in this context takes the meaning of “privileges”.

²⁵ Here, “re-educated” does not mean the same as “re-education without deprivation of liberty” referred to in the Penal Law.

²⁶ For readability, the structure of this sentence has been modified.

Article 56. Fines

Individuals or organisations will be fined if they violate this law in the following ways:

1. Commit second offences violating Article 42 (1), (2), (3), and (4) of this law;
2. Conduct factory operations without a license;
3. Expand a factory without approval;
4. Change or modify machinery in a factory without approval;
5. Move machinery in a factory to another location without approval;
6. Fail to change a factory operations license when the legal status²⁷ has been changed;
7. Fail to report to industry and handicrafts officials when there has been an accident in the factory;
8. Cease factory activities for more than 1 year without receiving approval;
9. Fail to provide factory product samples or relevant copies of documents in compliance with an order from a relevant official when there are suspicions relating to a factory's safety or the safety of a factory's product;
10. Fail to adhere to a relevant official's order to change or modify the factory building, machinery, or other [aspects of the factory] that cause nuisance or that 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. Penal Measures

Violations of this law which are offences, such as forging factory operation licenses or relevant documents, and failing to adhere to factory safety measures thereby causing death or damage to health shall be punished under the Penal Law.

Article 58. Additional Measures

In addition to the measures already provided for in Article 56 and Article 57 above, offenders shall be subject to additional measures, such as the suspension of factory operations or the withdrawal of their licenses.

²⁷ This appears to be reference to the legal status of the factory owner.

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 enters into force ninety days from the date of the promulgating decree issued by the President of the Lao People's Democratic Republic.

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

Vientiane, 3 April 1999
President of the National Assembly

[Seal and Signature]

Samane VIGNAKET