



UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION



Industrial Park Leadership Training Programme 10-14 July 2023, Shanghai, China

Industrial Park and Special Economic Zones (SEZs) Development in Laos



Contents:

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 3. Policies and Incentives
 4. Investment Opportunities
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1. Introduction:

About my country (Laos)

- Laos is a small country with having population approximately 7.5 million
- Laos is a landlocked country with a total area of 236.800 km²
- Labor force: 3.073.466 (2022) source: WB
- Minimum wage: 1.300.000 kip/Month (Around 70 USD/Month)- the 9th rank of ASEAN countries



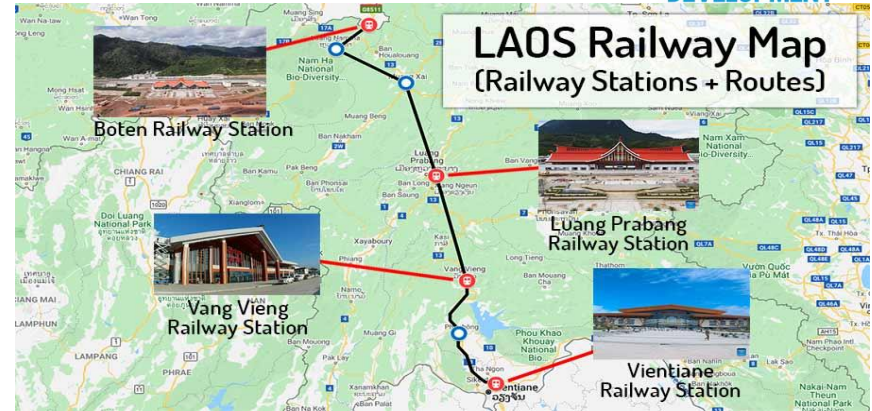


About the Laos-China railway:

The Lao-China Railway (the Project) is a 1,000 kilometer-long railway line in northern Lao PDR and Yunnan, China. This Project is only one section of a larger plan to link Kunming in China to Singapore by modern high-speed rail lines.

It reflects the growing economic integration of southern China and mainland Southeast Asia

This railway has been turned Laos from the Land-locked to the Land-linked country and is the most important economic corridors



Facts about the China-Laos Railway

- Spanning SW China's Yunnan Province
- Length: 1,035km
- Ending: The capital of Laos
- Percentage of concrete and bridges: **87%** (Chinese standard)
- Speed: **120-200km/h**
- Environmental protection: Migration channels and protected reserves are laid out for wild **Asian elephants**
- Benefits of the China-Laos Railway: **110,000** local jobs are provided
- The construction of the railway has avoided protected areas.
- 2,000km** roads and canals are built
- Preservation of **nearly 5,000 mu** (330 hectares) of construction area
- The logistics cost from Yunnan to Kunming will drop by about **40-50%**
- The total green area along the line reaches **3.07m** mu (204,000 acres)
- Purchase of total materials exceeds **5.25 billion (\$800m)**
- The travel time from Kunming to Vientiane is expected to be **10 hours**





About Industrial Parks and SEZs in Laos:

- ❑ Industrial parks (IPs) and Special Economic Zones (SEZs) development is one of economic improvement approaches which has been prioritized by the government of Lao PDR;
- ❑ In 2003, the first SEZ namely Savan-Seno was established, followed by Boten Beautiful Land SEZ and other SEZs.
- ❑ In 2009, the first IP was established namely Vientiane Industry and Trade Area “VITA Park”;
- ❑ There are currently 21 industrial parks and special economic zones (SEZs) in Laos; These zones offer a variety of incentives to attract foreign investment, including tax breaks, duty-free imports, and simplified customs procedures. The most popular industries are manufacturing, tourism, and agriculture;

About Industrial Parks and SEZs in Laos (Con't):

- Up to date, 11 SEZs have been developed throughout the country;
- Special Economic Zone is under Promotion and Management by Ministry of Planning and Investment;
- Industrial Park is under Ministry of Industry and Commerce



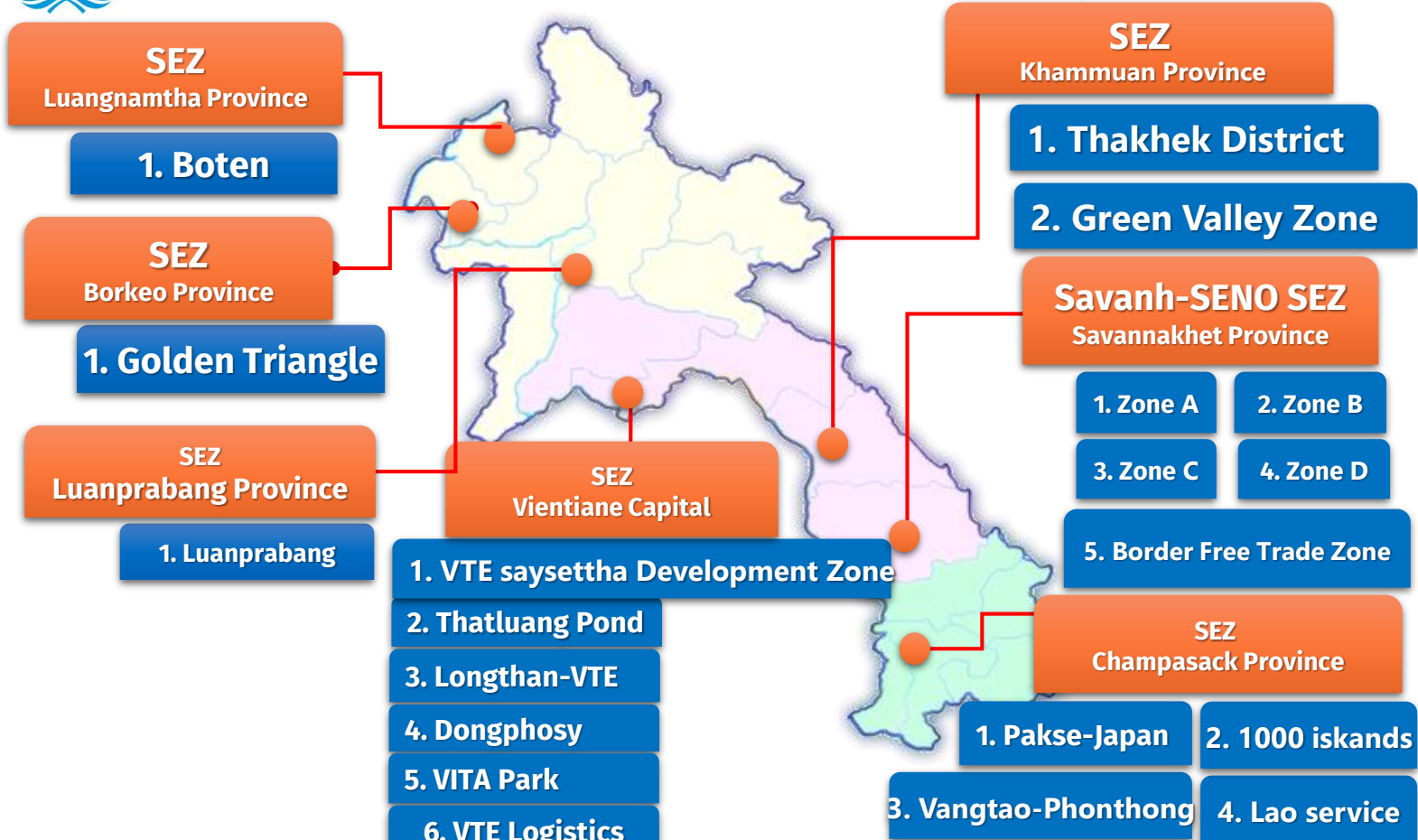


Comparison between Industrial Park and Special Economic Zones

- Industrial park is a specific area designated for industrial development, while an SEZ is a designated area that offers a variety of incentives to attract foreign investment;
- Industrial parks typically offer basic infrastructure, SEZs, on the other hand, typically offer a wider range of incentives;
- Industrial parks typically house manufacturing and processing industries, while SEZs may also house tourism, hospitality, and other service industries.

Feature	Industrial Park	Special Economic Zone
Incentives	Basic infrastructure, share service	Tax breaks, duty-free imports, simplified customs procedures, etc.
Industries	Manufacturing, Processing	Manufacturing, processing, tourism, hospitality, etc.
Location	Typically located near major cities	Typically located near borders or other strategic locations.

Special Economic Zones in Laos





2. Success Story:



Vientiane Industrial and Trade Area (VITA Park)



MOU Signin - 27.05.2009

Finished research and survey of business model within 6 months



Contract Signing

30.10.2009

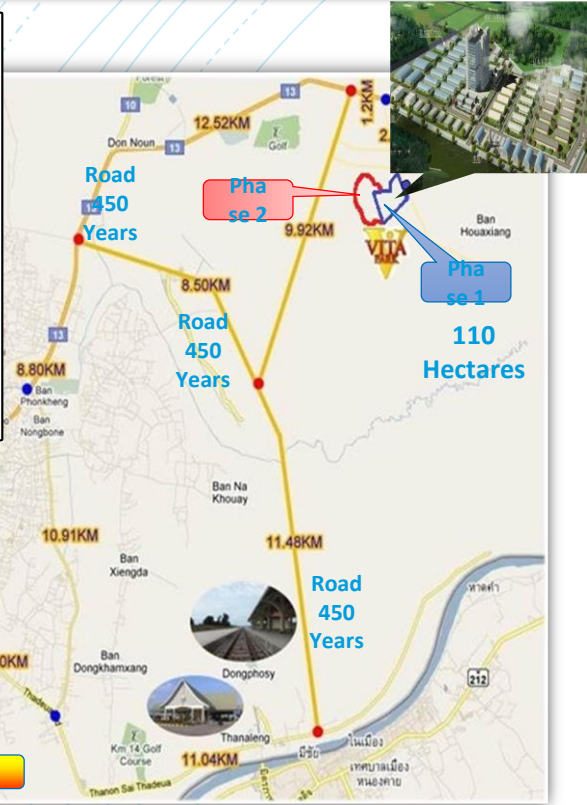
Ministry of Industry and Commerce
(Lao Government 30%)

Nam Wei Development Co., Ltd.
(Taiwan China Developer 70%)

LOCATION

Short distance within 24km to:

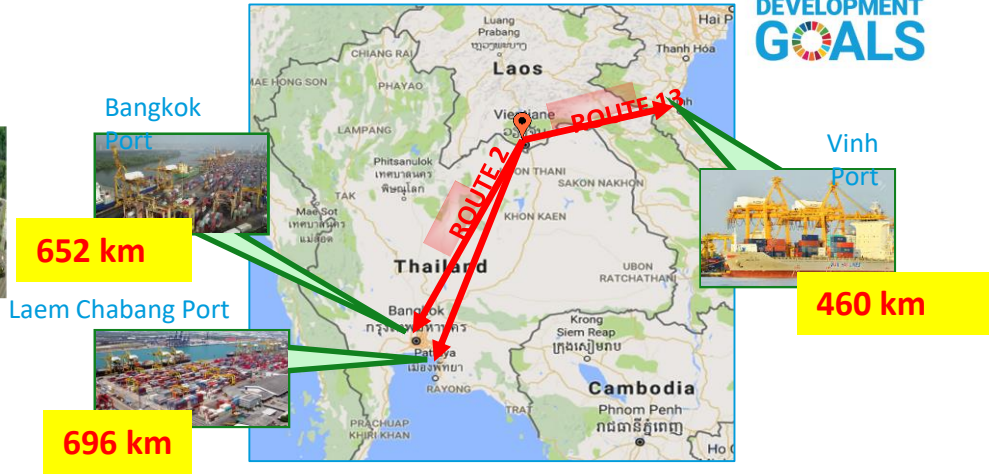
- International Airport
- Railway Station
- Friendship Bridge Border



Pha se 1
110 Hectares

Vientiane Capital, Laos

LOGISTICS



652 km



460 km



696 km

Container/Truck Cargo



Air Cargo



LOGISTICS

High Speed Railway (by year 2021)





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Land Certificates

ສາທາລະນະລັດ ປະຊາທິປະໄຕ ປະຊາຊົນລາວ
ສັນຕິພາບ ສາມາດພາດ ປະຊາທິປະໄຕ ສາທາລະນະ ວັດທະນະລາດລາວ

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ເລກສັນຕິປະໄຕ: 910 / ກຸມ 2020

ບຸກຄົນທີ່ຮັບ: ສາທາລະນະລາຍ ສະໜອງລາຍຮັບ ກະຊວງອຸດສາຫະກຳ ແລະ ການຄ້າຂາຍ
ເລກສັນຕິປະໄຕ: 411/ສາທາລະນະລາຍ, ວັນທີ: 13/09/2010.

ສິ່ງສະໜອງ: ອາດວິນາຍສາຍຊຸດ
ທີ່ຕັ້ງ: ບ້ານ ບ້ານສາຍຊຸດ
ເນື້ອທີ່: 11,181.186 ວາງເນື້ອທີ່
ເລກສັນຕິປະໄຕ: 910 / ກຸມ 2020

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ວາງເນື້ອທີ່: 11,181.186

ວັນທີ: 11/03/2009

ເລກສັນຕິປະໄຕ: 910 / ກຸມ 2020

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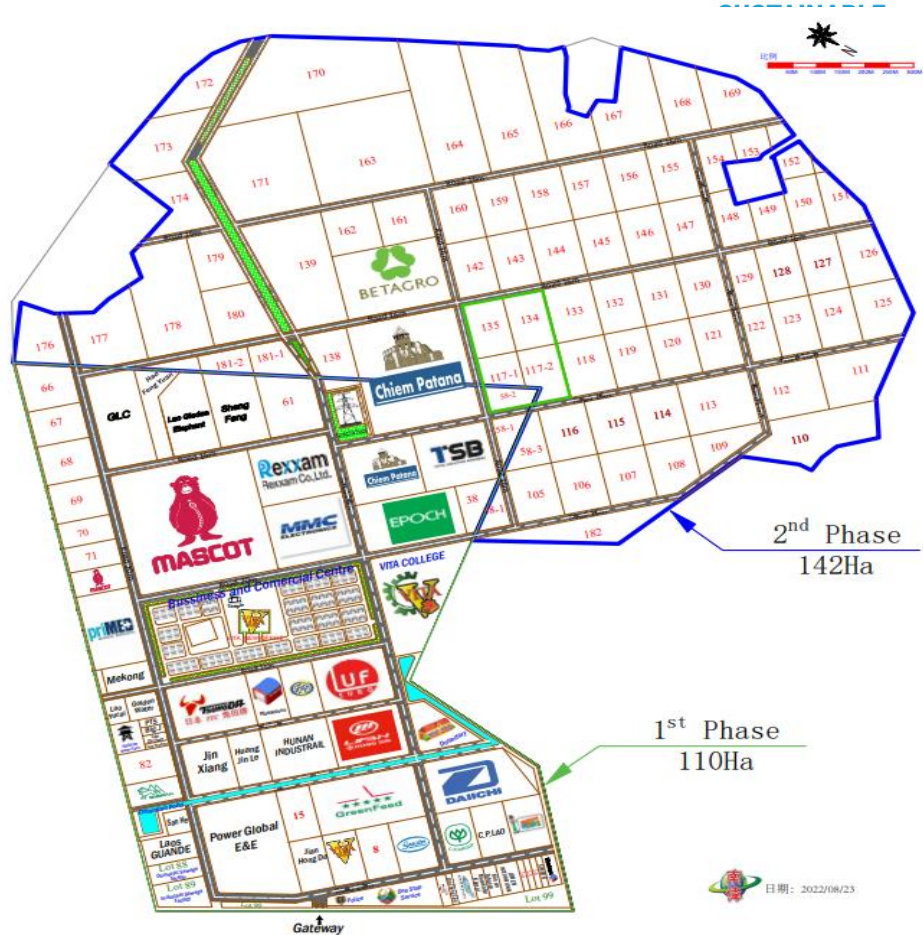
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ເລກສັນຕິປະໄຕ: 1548/ກຸມສາຍ, ວັນທີ: 02 ພຶດສະພາ 2021

ສິ່ງສະໜອງ: ອາດວິນາຍສາຍຊຸດ
ທີ່ຕັ້ງ: ບ້ານ ບ້ານສາຍຊຸດ
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ວາງເນື້ອທີ່: 13,370.366

ວັນທີ: 13/01/2022



**30 April
2012**
1st Phase 110
Ha

**13 January
2022**
2nd Phase 142 Ha



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HISTORY

Drainage



Electricity



Road



SUSTAINABLE
DEVELOPMENT
GOALS



FACILITIES



**VITA PARK
ONE STOP SERVICE CENTRE**



**1ST PHASE DORMITORY
400 VACANCIES**



**110MVA ELECTRIC POWER STATION
1ST STAGE 30MVA**

Business License will be granted within 7 working days after obtaining approval.

Approval

- Investment
- Construction
- Resident/Immigration
- Import/Export

Custom facilities

Security & safety maintenance

Coordination with government agencies on investment issues





Wastewater Treatment Plant

Treatment of:

- Domestic Wastewater
- Industrial Wastewater

Design flow rate	3,500 m ³ /d (short-term) 7,000 m ³ /d (long-term)
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Service Population	10,000 (by 2024) 20,000 (by 2030)
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FACILITIES



VITA VOCATIONAL COLLEGE

Mechanical Engineering, Electronic Engineering, Electrical Engineering, Civil Engineering, Architecture Engineering, Aerospace Engineering



Ideal first reception students: 500-600 students

VITA Vocational College has been recruiting and providing aid to students from low-income families in the form of work-study system in the factories within VITA PARK, thus work quality can be increased in the future and there will be a stable resource of workers.

FACILITIES



VITA KINDERGARTEN SCHOOL





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SUSTAINABLE
DEVELOPMENT

INVESTORS



Japan



Thailand



Canada



Denmark



Laos



China



Malaysia

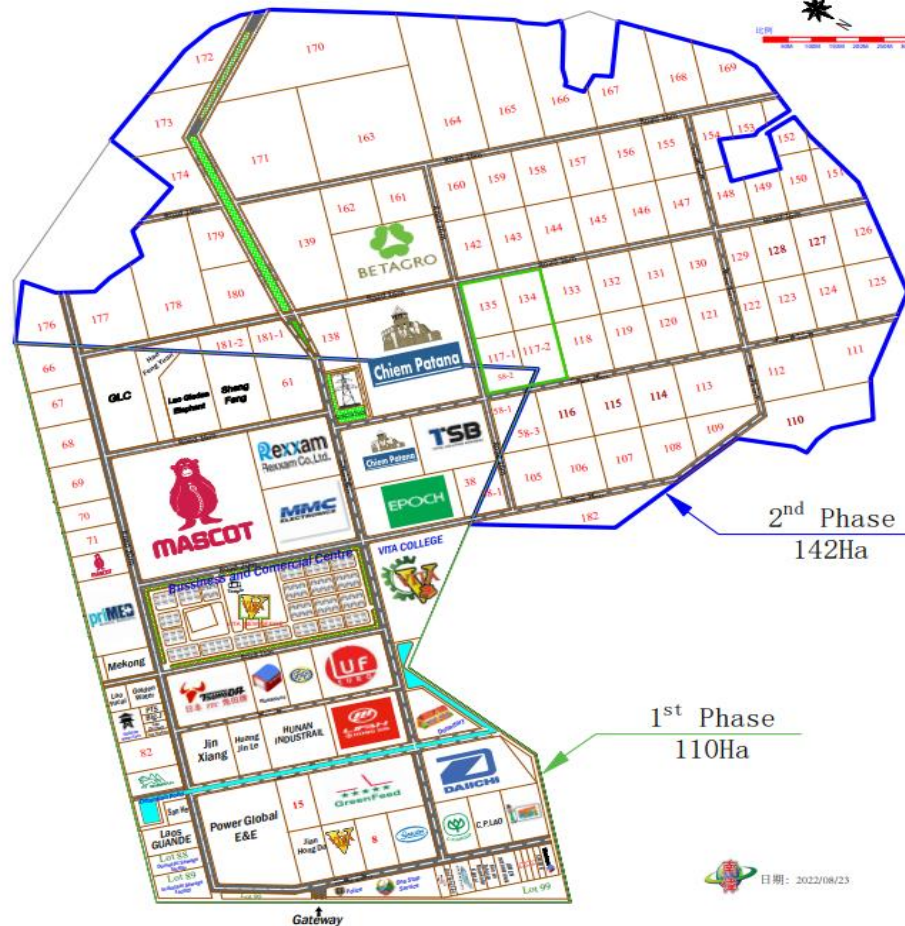


Vietnam

Number of companies registered:

71
companies

- From:
- China (24)
 - Japan (10)
 - Thailand (10)
 - Others (27)



Electricity	Electric capacity	110 MVA - 1 st Phase 30MW
	Cost of electricity	Kip 795 / KWH + 5% VAT (Follow the Low-Voltage Price Announce by Government)
Water	Capacity of water supply	2,500 m ³ /day (More than 10,000 m ³ /day after 2 year)
	Cost of water	KIP 3,803kip / m ³
	Capacity of waste water	1 st stage 3000 m ³ /day 2 nd stage more than 10,000 m ³ /day
	Cost of waste water	According to 50% - 70% of cost of water
Labor cost	Management position	USD 1200 – USD 1500
	Engineer	USD 600 – USD 1200
	Worker	2,000,000 kip
	Legal minimum wage	1,300,000 kip
	Bonus	13 th month additional wages salary or follow the New Year social securities
	Welfare expense	<ul style="list-style-type: none"> ▪ Over time allowance (labor law + energy drink etc) ▪ Social insurance 5% of salary (Employer's obligation)
Tax system	Corporate income tax	8 – 10% (rate varied by Zone)
	Value added tax	0 – 10%
	Dividend tax	0 – 10% (maximum rate)
	Others	Transaction tax : 0 – 10%
Regulation of foreign investment	Foreigner investment	100%
	Minimum capital	USD 50,000
Leasing condition	Price	USD 65 / sqm (Updated 01/2023)
	Period	75 years (Extendable)



3. Policies and Incentives:



3.1 Policies:

- Law on Investment Promotion, No. 14/NA, Dated 17th November, 2016;
- Law on Manufacturing Industry, No. 48/NA, Date 27th December, 2013;
- Decree on SEZ in Lao PDR, No. 188/PM (June, 2018);
- Prime minister degree on special economic zone, No.177;
- Prime minister degree on Tax and Trade Free Zone, No. 212/PM (June, 2023);
- Ministerial regulation on Industrial Park, No. 1510 (MoIC);
- Agreements on Development of Each SEZs.



3.2 Incentives:

- Profit Tax for Investors: exemption for 6-17 years, after completing the profit tax exemption period, investors shall pay 35% of the prevailing profit tax rate within the next 5 years (depending on investment sectors).
- Factory and Infrastructure Construction: Factory for 100% export production: VAT 0% for infrastructure; reduction of 50% VAT for electricity and water supply.
- Other sectors are entitling to reduction of 50% VAT for infrastructure construction.
- Non-Tax Incentives: Long-term land lease (Up to 50 years)
Multiple visas for 10 years initially for foreigners purchasing real estate of more than USD 100,000.
- Income Tax: 0-24% Value Added Tax: 0 - 10%



4. Investment Opportunities:



Benefits of investing in the special economic zone:

- Tax incentives: Investors in the special economic zone are exempt from import duties on raw materials and equipment, and they also enjoy a reduced corporate income tax rate.
- Simple and transparent investment procedures: The investment procedures in the special economic zone are simple and transparent, which makes it easy for investors to set up and operate businesses in the zone.
- Access to a skilled workforce: The special economic zone is located in a region with a skilled workforce, which makes it easy for investors to find the workers they need to operate their businesses.
- Access to a growing market: The special economic zone is located in a growing market, which provides investors with an opportunity to tap into a large and growing consumer base.



Benefits of investing in the special economic zone:

- Exemption from import duties on raw materials and equipment;
- Exemption from corporate income tax for the first five years of operation;
- Reduced corporate income tax rates after the first five years;
- Freedom to repatriate profits and capital;
- Simple and transparent investment procedures;



5. Way forward 2023-2025

- Amend the Degree on Special Economic Zone, No.188/PM into Law;
- Develop the Prime minister's decree on Industrial Park;
- Formulate strategy on development plan for IPs and SEZs 2023-2030;
- Develop strategy on the Land use for Industry and do surveys to reserve lands for industrial activities;
- Continue to study and survey the industrial areas along the Lao-China railway corridor to be designated as the Industrial Zones.
- Continue to encourage mega projects that have been signed the MOUs with the government to be approved and implemented;



6. Points to discuss and exchange with other participants:

- 1- To exchange points of view and know more about on how similarities and differences between Industrial park and SEZ in terms of its function and management as well as policies and incentive
- 2- What are key successes and failures in the development of industrial park or SEZ and how do they overcome?
- 3- To well understand about industrial park's management and the One-Stop-Service 's function



7. Collaboration and Networking:

- Enhance knowledge and experience in terms of industrial park and SEZ development among participated countries
- Promote a networking group for sharing information and cooperation for the future
- It is important to promote a creation of information center for IPs and SEZs



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Thank You