

## **Changes and Developments in Investment Policy and Regulatory Framework in the Past Years (2017-2018) in Lao PDR.**

Laos is one of East Asia's poorest countries. It is a small landlocked country located in the center of South-East Asia. It is a mountainous country, especially in the north, and dense forests cover the northern and eastern areas. Population density is low, with only approximately 29 people per kilometer square (2016). More than 70 per cent of the total population live in rural areas and rely on natural resources for their survival.

The advantageous geographical location, which connects Laos to the most dynamic South-East Asian markets, including China, is a further important asset. Although Laos is a small land-locked country, it is now becoming a land-linked country, known as the land-bridge among the Greater Mekong Sub-region. All this offers promising prospects for more trade and investment in and with Laos. We enhance investment through an attractive incentives packages, provided in the Law on Investment Promotion.

Laos has abundant natural resources, such as forest and mineral resources, including many unexploited endowments. Indeed, almost 60% of FDI is related to the country's natural resources. These resources are a key for our sustainable development, for instance through the use of hydro-power, bio-energy production, forestry, organic agriculture and mining. Moreover, Laos has a rich cultural heritage with a traditional life style, which can make it to an attractive tourist destination.

Laos is still learning how to attract, manage, monitor and then attract more FDI inflows. In spite of several years' promotion, Laos has not received a favorable amount of FDI because the lack of territorial access to the sea is a formidable obstacle to FDI inflows due to the high cost of transportation and the existing poor business environment, including a weak physical infrastructure network, structural deficiencies within the economy, nontransparent and lengthy documentation procedures, limited access to credit and financing, and a poorly skilled labor force.

The government of Lao PDR is involved in a number of ambitious reforms to improve the business environment and further obtain the benefits of investment, increasingly focusing on attracting responsible and sustainable investments. We have recently issued a new Investment Promotion Law to promote a transparent and competitive investment climate that comply with the latest key government strategies, such as the National Socio-Economic Development Plan 2016-2020, development strategy 2025 and the vision to the year 2030. The efforts by the government to improve the investment climate such as:

- Improving business environment by strengthening the capacities of the administration, enhancing the transparency in the decision-making and streamlining unnecessary licenses and approvals.
- The elimination of the minimum capital requirement for foreign investors in general business activities to encourage potential investments by smaller foreign businesses;
- Promoting responsible business conduct and encouraging sustainable investments;
- Enhance the development impact of FDI by encouraging linkages with domestic firms especially SMEs;
- Improving infrastructure connectivity and the investment framework for green growth;

The Investment Policy Review illustrates our commitment to reform and our willingness to comply with international best practices. The recommendations focus on the importance of policy coherence, inclusive policymaking, consistent implementation of laws and effective institutional coordination. Our reform agenda is moving in this direction, with a stronger focus on quality investments in our investment promotion efforts and the development of a public-private partnership framework.