



Lao People's Democratic Republic  
Peace Independence Democracy Unity Prosperity

**Government's Office**

The National Committee for  
Special and Specific Economic Zone  
Secretariat Office (S-NCSEZ)

**Development Strategy for Special and Specific Economic Zone  
(SEZ) in the Lao PDR, 2011 - 2020**

Dare to think, innovate, convert into rules of law, dare to implement and take responsibility

Vientiane Capital  
2012

## **Decree**

### **On Endorsement and Promulgation of Development Strategy Plan for Special and Specific Economic Zones in the Lao PDR 2011 - 2020**

- Based on the Law on Government of the Lao PDR No: 02/NA of 06<sup>th</sup> May, 2003;
- Based on the Law on Investment Promotion No: 02/NA of 08<sup>th</sup> July, 2009;
- Based on the Resolution of Standing Committee of the National Assembly on the endorsement the Decree on Special and Specific Economic Zones in Lao PDR No: 47/SC of 26<sup>th</sup> October, 2010;
- Based on the Decree on Special and Specific Economic Zones in Lao PDR No: 443/PM of 26<sup>th</sup> October, 2010;
- Based on the proposal letter of the Chairman of National Committee for Special and specific Economic Zone No: 08/NCSEZ of 05<sup>th</sup> April, 2010.

#### **The Prime minister issued the Decree:**

- Article 1:** Endorsement and promulgation of the Development Strategy Plan of Special and Specific Economic Zones in the Lao PDR from 2011 to 2020, which the ordinary meeting of Government in January 2012 had officially approved
- Article 2:** to assign National Committee for the Special and Specific Economic Zones to coordinate with the relevant sector to implement this Strategy Plan.
- Article 3:** Ministries, equivalent organizations, provinces, Vientiane Capital and sector concerned shall acknowledge, cooperate and implement this Decree effectively.
- Article 4:** This Decree is valid from the date of signature.

**Prime Minister**

(Signed and sealed by)

Thongsing THAMMAVONG

## Preface

General policy of special economic zone in the Lao P.D.R is to contribute to a rapid national socio-economic development, to integrate Lao economy into the regional and international economies, to promote an economic reform based on market mechanism under the supervision of the state by reflecting our country characteristics via implementation of the “breakthrough approach” of the government using One Stop Service Mechanism namely “Smaller Administration Unit, but Wider Society”. This objective is aim for building an industrial foundation moving forward to modernization by transformation of land into capital, using strategic position potentiality as a passing way to integration East-West in order to overcome the least development country in 2020, and to follow the destination identified by the Central Party Committee.

The main objective of building a strategy development plan for Special Economic Zone from 2011 to 2020 is to determine direction, policy and targeted purpose that will be a foundation of preparing action plan in each period to realize the successful implementation or set plan.

This development strategy includes IV parts. Part I present general vision of special economic zone development, requisite and necessity of establishment special economic zone, views and comments on the development of SEZ. Part II presents the current development and management of SEZ in the Lao P.D.R from 2000 to 2010, background of SEZ development in each region and evaluation of result of the development and its impact on social-economic development in the past. Part III presents the strategic plan of special economic zone development from 2011 to 2020 including general direction, objectives of strategic plan, target, environment on development of SEZ and plan of SEZ development this development plan includes five points (1) establishment plan of specific economic zone, (2) development and management plan, (3) human resource development plan, (4) cooperation and promotion on investment plan, (5) Budget plan. Part IV sets some measures for implementation, supervision and evaluation (by utilizing the smaller administration but wider society management system).

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## CHAPTER I Overview on Special and Specific Economic Zone Development

### 1. Background

A special economic zone is an area or a zone developed for specific purpose to promote, facilitate, granting special privilege on business operation and is governed by the specific law and regulations, which differ from other investment areas, in order to promote a rapid economic development and meet the goal set by the government.

In the Lao P.D.R, the law on investment promotion No 02/NA has identified **a special economic zone** as an area that the government designated to develop in to a new modern town, as a place to attract domestic and foreign investments which has an area at least of one thousand hectares (1,000 Ha), has the special promotion policy and autonomous economic and financial system; and to be smaller administration but wider society management system, and managed by SEZ Management Board and SEZ Economic Executive Board. A special economic zone may be combined of many zones of specific economic zone. The populations in these zones are not subjected to resettlement; they will be participated within the zone activities in order to develop the zone, raise a sustainable income, to have sustainable security and sustainable environment.

**A specific economic zone** means the area determined by the Government as industrial zones, production for export zone, tourism zone, duty free zone, technology and information development zone, border trade zone, etc. The establishment of specific economic zone based on specific characteristics of each zone, its development, production and services. The zone shall managed by Economic Executive Board via one seal mechanism, where the territory is clearly identified and no people live in there.

### 2. Requisite of SEZ development

The development of special economic zone is a mode of economic developments by designating a specific area to attract domestic and foreign investment, using tax exemption and duty and tax reduction policy in order to promote infrastructure construction, producing for exportation, improving labor work, and transferring modern technology.

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Many economists view that the development of special economic zone is a good strategy to attract and promote investment especially for the least develop country with limited budget for infrastructure development, long process of investment approval. The report of World Bank in 2010 shown that the development of special economic zone has increase in last 20 years, there were only 176 special economic zones in 47 countries in 1986, there have been 3,500 SEZ in 130 countries in worldwide in 2006. Therefore, it's visibly that the development of special economic zone is important and necessary for promotion and attraction of investment. Many countries in the world have succeeded in developing special economic zone based on actual potential and conditions of their countries.

The development of special economic zone may not be successful and sustainable in all regions because of many conditions and environments. Therefore the determination of location and target for development of SEZ in each area is necessary. Generally, the countries that succeeded in development of SEZ locate in the sea front which convenient for import-export and transportation of goods that require low production cost and enable to compete in term of pricing. The countries that far from the seaport, but with suitable conditions, good promotion policy such as duty-tax, marketing, advertisement, political stability, skilful human resources, simple management and administration mechanism without complicated steps, can make immediate decision under the procedure of “management of special economic zone with business methods but under the direction and supervision of Government”, can also enable them to establish and succeed in SEZ development.

In brief, if there are the right policies of promotion, appropriate management, the development of special economic zone in other areas can also be successful and contribute to a rapid development of national economy.

### **3. General views on SEZ development in the Lao P.D.R**

A concept of special economic zone development in the Lao P.D.R is recently bring into use; thus, many views are different especially with respect to use of promotion policy, management and administration mechanism of special economic zone development in the Lao P.D.R. Some views reason that the creation of special economic zone causes an economy non equilibrium because of different policies use between domestic and foreign investors in special economic zone, especially duty-tax policy that leads to advantage on production capital and price competition. If the management mechanism is not strict or sufficiently

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suitable, specifically duty-tax collection, labor control, import-export supervision of goods in the zone, the creation of special economic zone will cause problems.

These views seem to be right for short term, but if there is appropriate mechanism on management and supervision for long term, the development of special economic zone will stimulate and mobilize the rapid economic development according to market mechanism, integrate the economy to international and regional economies, create job and generate income to population, and then contribute to eliminate the poverty in wider scale. So that, we should have wide vision and decision in appropriate opportunity if not the development of the country will be in delay again.

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## CHAPTER II Special Economic Zone development in the Lao P.D.R from 2000 to 2010

### I. Background of SEZ Development

#### 1. Concept of SEZ Development

The concept of special economic development zone started from feasibility study of the 2<sup>nd</sup> Lao-Thai Friendship Bridge construction in Savannakhet presented by JICA, Japan in end 2000. The main objective of SEZ development at the time was to attract and promote domestic and foreign investment along the road No. 9 from Friendship bridge tip in Savannakhet to Vietnam. The Lao government decides to construct Savan-SENO special economic zone as experimental site by investing to the construction of infrastructures. From end of April 2011, the Lao government has approved 5 SEZs countrywide approved for construction among them 3 are special economic zones and 2 are specific economic zones as following detail in the table:

**Table 1:** Name of SEZ approved for the construction till end of 2010

No	Names	Date of Establishment	province	Purpose	Developer
1	Savan-SENO SEZ	2002	Savannakhet	Trade, service, Industry processing	Government
2	Boten-Daenkham SEZ	2010	Luangnamtha	Service, Trade	Chinese developer
3	Golden Triangle SEZ	2010	Bokeo	Service, trade	Chinese developer
4	Poukiao specific economic zone	2010	Kammouane	Trade, service, Industrial processing	Lao Developer
5	Vientiane-Nonthong	2011	Vientiane capital	Industrial processing, trade	Chinese Developer (Taiwan)

#### 2. Legislation and Laws on SEZ

The establishment and development of special economic zone have started since 2003, the government has issued a specific decree as legal foundation for a basic management and

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administration for example: decree on special economic zone Savan-SENO No 148/PM on September 29, 2003; decree on special economic zone Boten-Danekham No 089/PM on February 4, 2010; decree on Golden Triangle special economic zone No 090/PM on February 4, 2010. As the quantity of special economic zone was limited and it was in the experimental phase and lack of legal based, issuance a specific decree for each zone was suitable and adapted to realistic context of the time.

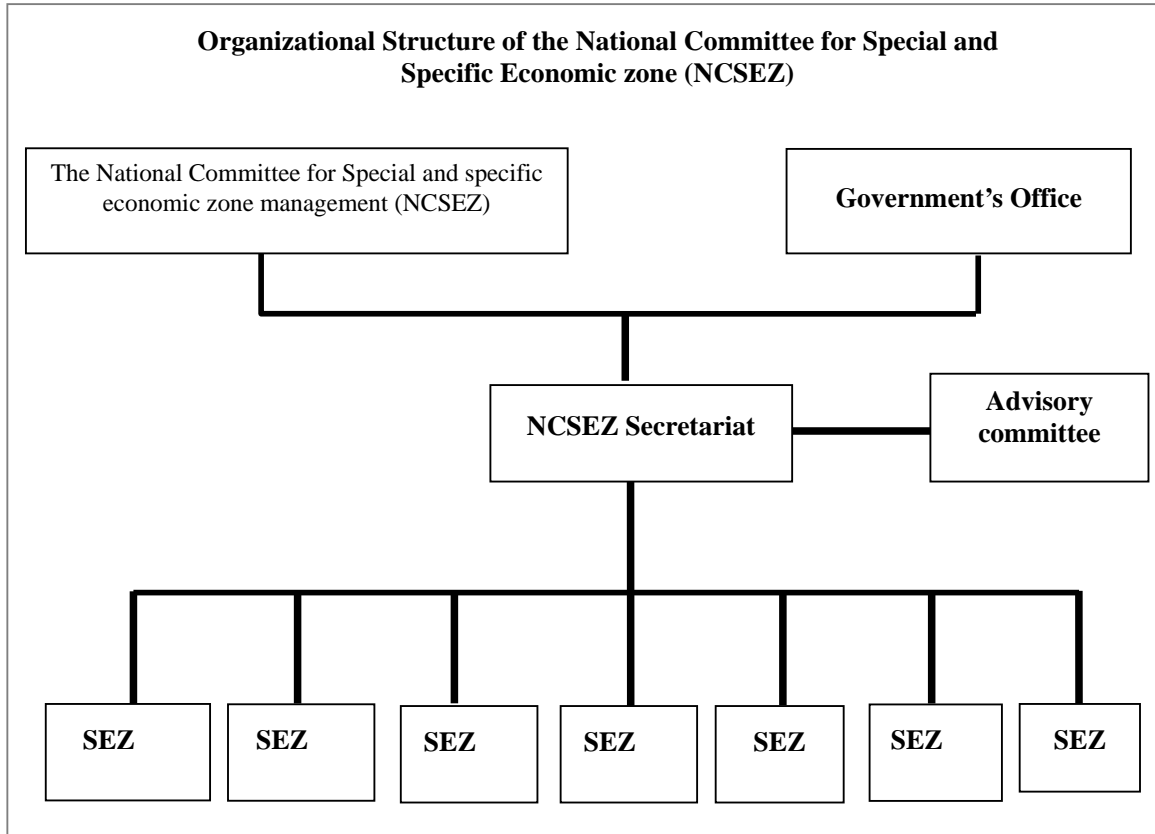
### **3. Management mechanism**

From 2000 to 2010, the government has assigned the role of management and administration of the special economic zone to authorities concerned at national level to local levels for i.e. Savan-SENOSEZ under the direct supervision the Prime Minister Office; Golden Triangle SEZ and Boten-Daenkham SEZ under direct supervision the Ministry of Planning and investment, Vientiane-Nonthong Industry-Trade under the direct supervision the Ministry of Industry and Commerce.

The management and administration of special economic zone faced many challenges at the beginning especially the process of Import-Export, issuance of Enterprise Registration Certificate to investor in the zone because of application procedure as based on the general management and investment promotion mechanism. Therefore it is difficult to attract investor in each zone because of a lot of procedures to be requested for approbation from different authorities concerned at national and local levels.

In order to harmonize development and supervision mechanism of special economic zones in Laos, mainly to improve the management and supervision by using a mechanism of **“Smaller administration but the wider society management system”** in order to simplify the investment procedure mentioned in the law on investment promotion No 02/NA on July 8, 2009. This law has determined the principles of creation and supervision of special economic zone in the country. And the Government had issues decree No 443/PM in order to implement this policy. The appointment of special economic zone committee structure was approved on March 2010 known as “The National Committee for Special Economic Zone in Lao P.D.R” with the Secretariat Office to the National Committee for Special Economic Zone working as direct implement unit in performing a daily task. It is also standing agency for the special economic zone Committee in order to supervise and lead the special economic zone within the Lao PDR. In order to legalize the decree no 443/PM, the Standing Committee of the

National Assembly has approved this decree by issuing an agreement no 47/SC on October 26, 2010, and the government has issued a decree concerning organization and activity of the National Committee for Special Economic Zone No 517/PM on December 9, 2010. Afterward the President of National Committee for Special Economic Zone has issued resolution concerning organization and activity of Secretariat for NCSEZ No 01/SEZC, on December 13 2010. In summary, this legislation is a legal foundation for the development and management of special economic zone in the Lao PDR.



## II. Development of special economic zone in each region from 2000 to 2010

### 1. Savan-SENO Special economic zone

Savan-SENO special economic zone is the first special economic area established according to the decree of Prime Minister No 148/PM on September 29, 2003. The SSSEZ comprise of 677 ha separated in 4 zones, situated at tip of 2<sup>nd</sup> Friendship Bridge and along the Road No 9 in Savannakhet province. The main objective of establishment of SEZ is to promote the investment for production, trade and services along East-West economic

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Corridor (EWEC) managed by specific decree of the zone based on the market economic mechanism under the management and inspection of government. At present, SEZ has 35 staffs among those permanent 9 females in the office.

### **1.1. Achievement**

Up to now, some infrastructures have been developed especially in Zone C and facilities system such as electricity; water supply and roads inside the zone have been installed and constructed. 27 companies with total investment value of 96.65 million US dollars have been authorized for internal investment and have registered for 156 workers in order to approve investment in the zone. Now, 16 companies have started activity with registration cost of 30.95 millions UD dollars. The out standing activity is that value added tax collection on import lead from Khammouane province to produce in the zone is succeeded. Authorizing import of vehicle, heavy machinery, engines, and materials for use in development of total of value Three Hundred Thousand US dollars. Land allocation is solved and it allows re-compensate and constructions to 32 families affected by the project in amount of 137 million kip equal to 64% of total programme.

In conclusion, some infrastructures have been developed. An initiative of industrialization and modernization, integration to regional and international economy tend moving forward. The public investment and international investment tend towards increased. From 2002-2003 to 2010-2011, the government has invested totally 33 thousand million kip and private sector has invested 5 million US dollars.

### **1.2. Issues**

At present, only zone B and C have been developed, where as Zone A has not been developed (except the office of the zone invested by government). In zone D, the construction of 74 houses is on hold because of the problem of re-compensation for land cost and developers are unable to raise fund to develop the zone as agreed in the contract, thus, the development has not been achieved as planned.

In term legality, there is some difficulty on implementation of the decree on special economic zone due to lack of understanding of the related sectors concerned, but rather used to general investment mechanism. Although 26 companies already registered their business on investment sector in amount of 96.65 million US dollars, only 16 companies in operation of business in total amount of 30.95 million US dollars. Some companies have registered only for benefit from the zone privilege.

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The administrative mechanism is government system. The quantity of human resource existing are nearly sufficient for the work requirement during this period but it is limited for a capable and skilful personnel who equipped with development, management and management visionary that consistent with “smaller administration but wider society management mechanism”

## **2. Boten Golden Land SEZ**

Boten Golden Land Special Economic Zone (BGSEZ) starts by established as a border trade zone and operating business in according with the decree No 162/PM. Until December 9, 2003, **Fuk Hing** Industry Ltd., Com. has requested and obtained concession of 1,640 ha from the government in order to transform this area into trade, investment and integrated as entertainment center with total investment of 103 million US dollars. On February 2010, the government transforms this area in specific economic zone developed by **Fuk Hing LTD.**, Com.

### **2.1. Achievement**

Up to now, the developers have started the construction of economy and services infrastructures such as warehouse center, integrated distribution center, border check point gate, shopping store, jewelry store, two to four stars hotel (1 Hotel with 11 floors, and 1 hotel with 14 floors with capacity to accommodate 600 customers), 16 dormitories for around 4,000 staffs, Cultural Hall, Entertainment center, restaurant, Control center of high tension electricity distribution of 35 KW, electricity system, water supply system, telecommunication system, petrol station, laundry shop, roads inside the zone, etc for total investment of around 130 million US dollars. The majority of investors are from England, South Korea, Hong Kong of China R.P, Macao of China R.P, Thailand, Russia, China and Slowania. The investment is more on hotel services sector, and on commerce, services and others afterwards. General term, the investment by developers reach already 103 million US dollar according to contract and it's over expectancy mentioned in the contract of 26,21%.

### **2.2. Issues**

- The development of Boten Golden Land Special Economic Zone in the past was mainly based on Casino operation, but the control system of casino management was not suitable and secures especially loan and reimbursement methods. At the same time, the law or regulation on gambling operation has not been adopted. That's the

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reason that some social issues had occurred and affected to international relationship and cooperation;

- At the current stage, Casino operation in the zone has been terminated that caused the number of service consumption reduced and businesses are closed and shutdown including a grand hotels, grand restaurants and karaoke;
- The development has not focused on a sustainable development;
- Lack of coordination and cooperation on implement of the work plan between public and private sector in training of Lao labor to meet the demand of employment in the area;
- Lack of coordination and cooperation on implementation of the work plan between public and private sector in building participative project with surrounding villagers and within province in order to produce commercial products, food that could supply to the area;

### **3. Golden Triangle SEZ**

For more than 10 previous years, the government has developed Tonh Pheung district in Bokeo province to become special development zone in order to eliminate its negative reputation known to international community as “drug zone” by assigning the Northern Development of Agriculture, Import-Export Trade and Services’ State Enterprise in collaboration with PP Group LDT., Co. (Thailand) to develop Tonh Pheung District zone. Unfortunately, after more than 10 years passed, this project was unable to implement, thus then Tonh Pheung remained as remote un developed area.

In 2006, Bokeo provincial authority continues to set development plan for Tonh Pheung district zone especially economic development plan. At the time, the government tried to promote and attract investors who had financial capacity to develop zone. The Lao P.D.R government has signed contract in April 26, 2007 for development project of Asian Triangle Golden Land integrated tourism site within the area of 827 ha at the beginning, with Burma-Macaolandou LTD., Co. (Company registered in Burma, a Chinese owned firm) with the total cost of investment of 87 million US dollars. And then it is registered on behalf of DOK NGIYOU KHAM Group LTD., Co. register under the law of the Lao P.D.R .

Once the law concerning investment promotion is approved by National Assembly in 2009 (Law on investment promotion No 02/NA on July 8, 2009), the project developer (DOK NGIYOU KHAM Group LTD., Co.) needs to upgrade its development project to special

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economic zone according to mechanism and policy identified in amended version of this law. The government has approved the establishment of Golden Triangle special economic zone (GTSEZ) pursuant to the decree No 090/PM on February 4, 2010.

### **3.1. Achievement**

DOK NGIUO KHAM Group LTD., Co., a developer, has realized the construction of infrastructures in the zone in order to ensure successfully investment, tourism and services i.e. construction of building, full option entertainment complex with the total cost of 30 million US dollars, that are in operation providing services, one 3 stars hotel, 6 dormitories, brick factory, rocks grinder, small airport, restaurant, fresh market, Done Sao Cultural Hall, electricity system, water supply system, telecommunication, achievement of 100% for construction of provided houses for Ban Khouane villagers and some others. Aside from main infrastructures in the area, the developer Company has been approved by the government for the construction of concrete road from Nam Keung to Mom village for the length of 46 km and wideness of 7 m, and construction of shore anti-erosion in Done Ngao area for length of 7 km by deducting 70% of obligatory revenue paid annually to government by Company to compensate the cost of construction (road and shore anti-erosion). The road construction reached 43 km and the anti-erosion shore reached 49.67%. Aside from zone development, the Company also provided financial support to society, for example: construction of 16 schools in 4 Northern provinces for amount of more than 3 (three) hundred thousand US dollars and other financial supports. At present, the developer invests already 602 million US dollars exceed to the budget plan identified in the contract of 595.15% (investment value identified in the contract is 87 million US dollars).

In summary, investment to the development by the Company is moving on regular basis and up to now the Golden Triangle special economic zone has become tourism zone, investment zone and it contributes importantly to improve better and better image of Tonk Pheung district.

### **3.2 Issues**

- The main difficulty experienced in the past is related to the management Committee members who have been assigned by government to stand in the zone were lack of understanding regarding the policy and mechanism of development and management of special economic zone. They were unable to implement plan, legislative framework and other policies in the practice;

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- The coordination systematic mechanism, including the roles and responsibilities, between the SEZ Management Committee (public sector) and Executive Economic Board are not identical and proper, thus unable to facilitate the sound development of the Golden Triangle special economic zone;
  - The coordination, cooperation and facilitation by the SEZ Management Committee were unable to sufficiently facilitate the developer, especially applying VISA for important businessmen who will come to Golden Triangle Special Economic Zone. Import of materials in construction project still faces difficulty. Thus, it discourages the developer and tends to be reluctant on further investment in development of Golden Triangle Special Economic Zone.
  - This area is recognized in international communities as illegal and outlaw transaction (drugs trade zone area) zone. For this reason, the problem could not be solved yet till today;
  - The development of full option entertainment creates some social problems that cause unsafely in Golden Triangle Special Economic Zone.
  - A coordination and on implementation by public sector and private sector in order to train workers (Lao citizen) to meet the need of labor in this zone remain poor;
  - A coordination and implementation by public sector and private sector in establishing participative project with surrounding villagers and within the province to produce merchandises, provisions to feed this zone are poor.

#### **4. Vientiane-Nonhthong Industrial and Commercial Zone**

Vientiane-Nonhthong Industry and Commerce Corporation Zone (VICCZ) was established on October 30<sup>th</sup> 2009 by collaboration between the government of the Lao P.D.R represented by the Ministry of Industry and Commerce holding 30% share and the NAMWEI Development Co., LTD (Taiwan) holding 70% share, with total investment value of 43 million US dollars and registration fund of 13 million US dollar. The term of development is 75 years within total area of 110 ha at Km21 in Huaxiang village, Xaythany district, Vientiane capital. The share is composed by land property use of 110 ha provided by the Ministry of Industry and Commerce and cash shared by the Company to be used for infrastructure development of the zone. The main purpose of this development is to attract investment to this zone of Industry and commerce Enterprises.

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#### **4.1. Achievement**

The construction of infrastructure and facilities in Vientiane-Nonhthong Industry and Commerce Corporation Zone (VICCZ) is divided into 4 phases as following: (a) exploitation of surface in the project site i.e. clearing forest and leveling land; (b) construction of infrastructure i.e. road, water supply, electricity, telephone, etc., ; (c) zoning for appropriate category of investment; (d) construction of building according to the need of joint venture company and in order to confirm investment. Currently, the construction is in the beginning phase and this zone is created under the decree concerning special economic zone in the Lao P.D.R No 443/PM on October 26, 2010.

#### **4.2. Issues**

- Land re-compensation remain the main issue due to some households do not transfer their land use rights that they occupy to government;
- Issues road-link (old bridge and un-secure) from industry zone to road No 13 to Southern part that need to be repaired and upgraded in order to ensure import-export transportation in the zone.

### **5. Phoukhiao Specific Economic Zone**

Phoukhiao specific economic zone was official established in Khammouane province in 2010 by VS group, local investor, who invests 100% for the value of contract of 708 million US dollars. The main objective is to develop this zone to become new town with commercial center, education, tourism, health treatment, production industrial factory, etc., now the development of the zone is still at initial phase of project detail conception and it's estimated to start the project from 2011. This zone is built according to decree regarding special development zone of Lao P.D.R No 443/PM on October 26<sup>th</sup>, 2010.

#### **5.1. Achievement**

Some activities have been realized within the zone i.e. documents requesting the establish of the zone have been approved, development plan, preparation infrastructure for factories construction facility plan, incentive policy in order to attract local investment and budget plan aim to ensure the development of zone.

#### **5.2 Issues**

- Prepare for land development and infrastructure construction

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- Management Board has not been appointed to perform its role systematically designated in the “smaller unit management but wider society manual.”

## **6. Secretariat to the National Committee for Special Economic Zone (S-NCSEZ)**

The Secretariat to the National Committee for Special Economic Zone standing organization of National Committee for Special Economic Zone and daily implementation of special economic zone in the Lao PDR. It is established pursuant to the decree No 29/PM of Prime Minister on March 31<sup>st</sup> 2010. There were, at the beginning, 5 staffs working for the secretariat and its office locates in the Ministry of Planning and Investment. To allow secretariat to be capable to supervise, lead and implement smoothly and effectively the development and management of the special economic development zone, the superior authority agreed to locate the office of secretariat to National Committee for Special Economic Zone in the local of Government’s Office in November 2010.

According to solution on activities and organizational administration of Committee for Special Economic Zone, it is comprised with head of secretariat, head assistant of secretariat, Human resources department, Administration and finance department, Land and environment Division, Planning and Evaluation Division, International Relations and Cooperation Division, and Technical and Legal Division. Base on urgent need of secretariat to the NCSEZ, it’s necessary to have about 20 skilful and experienced peoples to be recruited in Secretariat to the National Committee for Special Economic Zone. And from end of 2011, 60 staffs will be recruited for different divisions. Besides, we will dispatch the staff to specific zone nation wide. In conclusion, now there are 40 management staffs working for special economic zone (including standing staffs in the special economic zone countrywide) among them 33 peoples work in secretariat to NCSEZ and 7 are standing staffs, 13 (or 95%) are intern and other 13 are contractual staffs.

### **6.1. Achievement**

- Completed and submitted the legislative draft on development and management of SEZ to higher authority for consideration, including a decree concerning organization and activities of secretariat to NCSEZ;
- Draft of strategy for special economic zone development and management from 2011 to 2020;
- drafted handout on smaller administration but the wider society management system (one stop- service);

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- prepared annual and 5 years action plans for secretariat to NCSEZ;
  - Selected and recruited and trained staffs for secretariat;
  - Followed up and encouraged development of each special economic zone in the country;

## **6.2. Issues**

- Considering that the development policy and methodology of special economic zone is new lesson within Laos, an understanding of related sector concerned, with respect to the policy, was limited. The official staffs who assigned to undertake the implementation of the plan are unable to fulfill their tasks;
- A number of special and specific economic zones was established before the adoption of the National Committee for Special Economic Zone and the Secretariat to the NCSEZ, therefore, there need to improve the contracts, organizational structure system as well as the right and responsibilities of SEZ Management Committee and Economic Executive Board in order to adapt them consistent to the decree No 433/PM;
- Number of personnel working for S-NCSEZ is insufficient to fill in the position identified in the role and tasks of macro management. Most of staffs are newly graduates for the position and lack of experience, while staffs who position in SEZ Administration Committee and Economic Executive Board in each zone come from different line of ministry, authorities concerned at the national and local levels. Therefore, the management and monitoring systems on special economic zone faced difficulty at the beginning.

## **III. Evaluation of SEZ development on socio- economic from year 2000 to 2010**

Among five special economic zones approved by government for the construction, in the practice only 3 zones have been constructed and developed (Savan-SENO SEZ, Golden Triangle SEZ and Boten Dane Kham SEZ), while 2 others (Phoukhiao SEZ and Vientiane-Nonthong Industry and Trade Corporation Zone) remain in planning phase and only some parts of the zone are constructed in the beginning.

After research and data analysis about the development and management of special economic zone countrywide, it concludes in the following context:

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## 1. Potential

- There is sufficient legal foundation approved by the government and National Assembly and consistent to law and the constitution of the Lao P.D.R and according to the policy of the Lao Revolutionary Party;
- Harmonization of higher level leadership
- A close supervision of Lao National Committee for Special Economic Zone, especially a chairman;
- Financial support from government and National Assembly;
- Support from local authorities, international organizations, developers and surrounding villagers of special economic zone;
- Decisive determination of technicians who carry out this work.

## 2. Achievement

- The development of special economic zone has contributed actively to the development of infrastructures of remote areas especially in Golden Triangle special economic zone and Boten Dane kham special economic zone where the result of building and road construction is more successful than targeted plan. These could provide rural area with a new town, convenient transportation and communication. The rural area with difficulties or with overgrown march will have modern and beautiful town;
- The development of special economic zone provides job to a number of Lao people. And if Lao labour has sufficient training that meet the demand of working area, the special economic zone will increase more employment to local Lao people;
- The development of special economic zone provides income sources to government budget (royalty charge, duty-tax and other revenues) more than 4 million US dollars at the beginning. Although these revenues are not contributed to national budget 100% but local authorities use them for the development of infrastructures especially Boten international check point, road linking to Golden Triangle SEZ. In the future, when the special economic zone have been completely developed as identified in the master plan, it could provide more incomes to the government and population;
- The development of special economic zone is a targeting development in order to implement the policy of land capitalization. And if it is well supervised, it will become good model for other zones, provinces in the development. And if it succeeds

in medium term and meets conditions of upgrading to city according to the law on administration, it could become city in the future.

**Table 2:** Basic data on special economic zone assigned up to June/2011

No	List of zones	Capital (USD)	Investment (USD)	Concession area (ha)	Company registered in zone	Labor (person)	Duty paid per year (kip)	Contractual obligation (USD)
1	SAVAN-SENO	73,656,500	9,047,683	677	29	92	99,600,000	
2	BOTEN-DANEKHAM	103,000,000	130,000,000	1,640		700		2,000,000
3	GOLDEN TRIANGLE	86,600,000	602,000,000	3,000		2,000	230,600,000	2,000,000
4	Phoukhiao SEZ	708,000,000	4,046,766	4,850		5		
5	Vientiane-Nonthong Industrial Trade Cooperative	43,000,000		110		50		
	<b>TOTAL</b>	<b>1,014,256,500</b>	745,094,449	10,554		2,847	329,600,000	4,000,000

### 3. Issues

The development of special economic zone in the Lao P.D.R, there are some issues remain:

- An application for establishment of 5 special economic zones with total cost of 3 million US dollars was approved, except Golden Triangle SEZ and Boten Dane Kham SEZ because the developer budget are insufficient to develop infrastructures as mentioned in the master plan. This is a main factor obstructing the development of special economic zone as planned;
- Development and land use in special economic zone has not been effective. In some zones, the development activities have no progress but at the same time, some developer has tried to request more concession area in order to occupy land. The

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public authorities concerned has not issued land use certificate according to concession agreement signed in order to build a trust to developer and investor.

- Special Economic Zones countrywide could provide 3 thousand jobs, especially in services and entertainment sectors. Most of staffs are foreign citizen. The development of labor skill could not respond to quantitative and qualitative demand of special economic zones sector;
- The management with mechanism of smaller administration but the wider society management system in some zones has not been well understood and the implementation has not been completed; SEZ Administration Committee and Economic Executive Board lack of decisive determination in term of conception, innovation, legalization, implementation and high responsibility.

#### **4. Causes**

The causes of failure on development of special economic zone are:

- The development of special economic zone is new experience and no model lessons are in line with practice conditions of our country.
- Understanding on special economic zone development of some leaders at national and local levels are limited;
- The beginning of special economic zone development faced many difficulties such as land issue because land property is mostly for private. The cause of this difficulty concerns the lack of appropriate land as identified for special economic zone development;
- Infrastructures that could facilitate investment are limited and require large sum of investment capital especially for link up road systems, International Airport, Telecommunication System, Electricity and Water Supply Systems;
- Special economic zone developed by government has not sufficient budget to develop infrastructures and to recompense land use-right to villagers who are impacted by the project;
- Lack of human resource, with respect to quantity and quality, to fill in each positions with in the existing SEZ and will approve in the future;
- Monitoring, supervision and evaluation has not been done regularly. The responsibility of parties concerned are not steady, united on their roles identified in

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procedures and law regarding the development and management of special economic zone;

- Location, environmental conditions and other factors for creation and development of special economic zone has not sufficiently prepared;
- Promote and understanding of the local people by special economic zone project, including the creating project with villager participation in production of merchandises for use and consumption that satisfy the need of the zone, and in order to generate income for villager has not been sufficiently paid attention.

## **5. Lessons learned**

- Harmonious consensus of leaders at the national and local levels to take opportunity to construct and develop special economic zone will be important factor for effective achievement,
- Research to create a legislation and regulations on to manage special economic zone, is vital important aim to facilitate the development and management of special economic zone within the country;
- Recruit and training of human resource for Administration Committee are important to allow people with vision, good quality, capacity, appropriate tactic to carry out challenged duty and general development;
- Look for, select the developer who has accurate capital, intends to operate an integrated and sustainable development. These are important lessons;
- Promotion of understanding by providing knowledge to local authorities and villagers in surrounding special economic zone shall be focused and operated at the beginning in order to allow them to understand in respect to development in stead of conservation of the land;
- Coordination between developer and manager from public sector must comprise with an appropriate, skilful and possible mechanism according to their roles;
- Justifiable benefit dividend between government (national and local), villagers and developer must be included explicitly in the contract.
- Employment and providing Lao labor in the past was very limited due to external and internal causes that need maintenance planning in the future and in long term (especially communities who position) in order to provide labor according to the need, and as well to create appropriate jobs.

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- Supervising and leading by Administration Committee in collaboration with local authorities at different levels in implementation of agriculture (crop production and animal raising) by villagers in the provinces, districts and villages where located SEZ in order to satisfy both need of SEZ and generate income to local population,
  - Land issue and compensation of the land in concession site of the project but belonging correctly to private are very complicated. These works must continue to be researched appropriately at the timely manner so that it will not cause any dispute and negative reputation to the developer and villagers;
  - Local authorities should perform an accelerate survey and zoning in order to reserve public land for use as need in special economic development zone countrywide in the future;
  - The special economic zones operating full option entertainment businesses could rapidly develop however the operation of this type of businesses could cause social problems.

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## **CHAPTER III Special Economic Zone Development Strategy in the Lao P.D.R from 2011 to 2020**

### **I. Development strategy**

#### **1. Vision**

The purpose of special economic zone development is to accelerate the speed of the national socio-economy development, in order to integrate Lao national economy with the regional and international economies, to reform economy in accordance with a market mechanism, to land capitalization with focal points, to prepare industrialization and modernization, to build new town in rural area in order to lift the country off the least development status in 2020 and as well to laid an economic foundation within the line and direction set by the Party and the government.

#### **2. Main objectives**

The main objectives of this strategy plan for the development of special economic zone are to determine direction, time frame of the establishment and management of special economic zone nationwide in line with socio-economic strategy of the government.

#### **3. Legal Foundation**

**The development strategy for development of special economic zone based on:**

- Resolution of the IX<sup>th</sup> Congress of Lao people revolutionary party;
- VII<sup>th</sup> 5 Year- Socio-economy Development Plan(2011-2015)
- Law on Investment Promotion No 02/NA on July 08, 2009
- Resolution of National Assembly Standing Committee on endorsement of decree on special economic zone and specific economic zone in Lao P.D.R No 47/SC of October 26, 2010
- Decree on Development and Management of Special Economic Zone and Specific Economic Zone in Lao P.D.R No 443/PM of October 26, 2010
- Decree on organization and activities of the National Committee for Special Economic Zone No 517/PM of 09/12/2010
- Decree on Organization and Activities of Secretariat to the National Committee on Special Economic Zone No 01/SEZSC of 13/12/2010

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## **4. Condition of SEZ Development**

### **4.1. Potentials and Opportunities**

The development of special economic zone in the Lao P.D.R includes potential factors as following:

- Peace and political stability;
- Correct policy of economic development
- Decisive decision making of the government in developing special economic zone
- Complete legal foundation system and basic mechanism of economic supervision
- Prepare to become a member of the World Trade Organization(WTO) and Asian Free Trade Area (AFTA)
- Availability of raw materials and natural resources
- Appropriate location as the center of economic link between countries in the region
- Sufficient energy for development
- Natural tourism sites and fine cultural heritage
- Capacity for development of organic agricultural products and clean industry
- Plan of railroad construction from China through Laos to Southeast Asian countries.

### **4.2. Challenges**

Challenges in development of special economic zone are:

- New lesson and lack of experience. There has not been a single complete model established SEZ. But the government has decided to develop special economic zone in accordance with the characteristics and context of the Lao P.D.R;
- Harmonious decision of all level and local authorities has not been well established in implementing the development and supervision of special economic zone
- Supervision and management official and personnel of SEZ lack of lessons and experienced
- Legal foundation on management that explicitly provide specific detail of all sectors has not been completed
- The Organizational Structure and Infrastructure of Management Committee for SEZ and SNCSEZ that is used as a tools of macro supervision have been continuously improved and renovated;

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- The Lao P.D.R is a Land-locked Country and has no direct access to the sea. This driven a high cost of transportation and production. Mountainous Terrance and covered with forest. Villagers live in dispersion and remote areas with difficulty of development;
  - Internal fund sources for development of special economic zone are limited
  - Policy of investment promotion has not been implemented in line with practical need ;
  - Development level of industrial base production, industrial processing are low ;
  - Labor force are insufficient, existing available labor are lacks quality and experience;
  - Domestic market is limited. Domestic purchase power is low but need to compete with products from neighboring countries, which are big producers, provide qualitative and quantitative advantage in term of products. This is the main reason that investors do not need to take risk in production and processing sector importing raw materials from abroad;
  - In the past, despite the fact that the Party and the government took effort to improve supervision and management mechanism, unfortunately the organizational structure is a big problem with less staffs and limited knowledge. Thus, many organizations were unable to insightful understood the regulations and procedure of investment management in special economic zone and general investment.

## **5. General direction**

- The development of special economic zone under national socio-economic development plan from time to time is in line with capacity and practical context of the country. It's a development with focus point and target, land capitalization. It ensures quality, effectiveness, competitiveness, and link to regional and international economy;
- The development of special economic zone starts from small quantity but with high effectiveness in socio-economy. It initiates from zones with potentiality as engine of development and then expand steadily step by step;
- Develop special economic zone based on 3 targeted zones:
  - Assign the zone with appropriate location and economic conditions to specific economic zone, to build an investment, trade, service and tourism attraction center (carrying historical value, cultural and civilization of the nation) in order to integrate into regional economy. The main purposes of development of special

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- economic zone in this area is to focus on economic benefits and to build a foundation of budget collection source to the national treasury in the future;
- Assign the zone with appropriate location and conditions to industrial processing related to agriculture production, production for exportation, high technology use in order to industrialization and modernization step by step.
  - Assign poor, remote zone and with important strategic location to become special economic zone in order to promote the development of infrastructures, to new and modern town in the countryside, increase better life conditions of the villagers in order to overcome the less development country step by step. The attraction of investment in this zone might be difficult and the developer will not be interesting because of low economic effectiveness. So that, it should have a special policy of promotion comparing with two other zones mentioned previously.
- The development of special economic zone links to national defense and security, to the protection of natural environment, culture and good and nice tradition of all populations from different ethnics;
  - The development of special economic zone links to socio-economic development of the locality where SEZ located, promote the participation, responsibility and taking lead in every sectors including local citizen, aim to achieve the development potential and sustainability;
  - Continue to improve the structure, mechanism of management of special economic zone, procedure and necessary conditions, develop human resource, encourage and promote investment, extend cooperation in development of special economic zone with international organizations and the countries in the world especially the neighboring countries in the region.

## **6. Achievement target**

- The development and management of special economic zone shall ensure a diversity and completeness according to the purpose of each zone identified in strategic plan of development of SEZ from time to time, ensure sustainable development, use of natural resources (land) with focal point, ensure the green development;
- Reinforce creativity and ensure implementation of 4 breakthroughs approach in the activities of development and management of special economic zone according to specific characteristics of these works;

- The establishment and management of SEZ will be taken up the recommendation and proposal of local authorities based on potentiality, characteristics and readiness of each province throughout the nation.
- SEZ will generate employment in special economic zone (including direct and indirect labors)
- Mobilize more funds in the country and abroad to develop infrastructure in the SEZ in the Lao P.D.R, herein un-counting investment in detail of each company or factory executing their business in each zone;
- Participate to promote widely investment and tourism;
- Generate income for employment within the special economic zone no less than 2,400 US dollars per people and per year.

## II. Development plan for special economic zone in the Lao P.D.R

### 1. Special Economic Zone establishment plan from 2011 to 2020

From 2011 to 2020, SEZ will be established according to potential, characteristics and readiness of each province throughout the country. To date, we have been established 5 special economic zones. 5 other zones are in the process of finalizing the negotiation on the term of contract, 12 zones are in the process of realizing feasibility study and 23 zones are in process of seeking for developers to invest as following:

**Table 1: List of the zones approved**

No	Name of zone	Year of creation	Province	Objective	Developer
1	Savan-SENO SEZ	2002	Savannakhet	Trade, service, Industrial processing	Government
2	Boten-DaneKham SEZ	2010	LuangNamtha	Service, Trade	Chinese
3	Golden Triangle SEZ	2010	Bokeo	Service, Trade	Chinese
4	Phoukhiao SEZ	2010	Khammouane	Trade, service, Industrial processing	Lao
5	Vientiane-Nonhthong Industry-Trade SEZ	2011	Vientiane capital	Industrial processing, trade	Chinese (Taiwan)

**Table 2** : List of zones (in negotiation)

No	Name	Objective	Location
6	Vientiane Neramit zone (Dong Phosy)	Trade, service	VTE capital
7	KOP LONG THANG(Dong Phosy)	Trade, service	VTE capital
8	Saysettha Phatthana Zone all included	Industry, Trade	VTE capital
9	Laobao Border Trade	Trade, production	Savannaketh
10	3th Friendship Bridge	Trade, service	Khammouane

**Table 3:** List of zones currently under feasibility study process

No	Name	Objective	Location
11	Namheuang Check Point Zone	Trade, service	Xayabuly
12	Houayxone Zone	Service, tourism	VTE capital
13	Thatluang lake	Trade, service	VTE capital
14	Xiangxou Beach specific economic Zone	Trade, service	VTE capital
15	Culture garden Zone (Dong Phosy)	Service, tourism	VTE capital
16	New Town Development Zone Nongping	Service, tourism	VTE capital
17	Specific economic zone for Eco-tourism Xiengkhouang Mai District	Service, tourism	Xiengkhouang
18	Mahanathi Siphandone Zone	Special economic Zone	Champassak
19	Bolaven Plateu Zone	Trade, service	Champassak
20	Vangtao Zone (Xongmek)	Trade, service	Champassak
21	Focal Point Viengkham-Thasaat	Special economic Zone	Bolikhamxay
22	Nongkhang Zone	Special economic Zone	Huaphan
23	Huayxay Point Bridge Zone	Service, tourism	Bokeo

The tables shown above, 4 zones are planned to develop into special economic zone, 36 zones for services, trade and tourism, 6 Zones created for industrial development. The need to develop SEZ in the northern provinces (vision of government) is focused on 19 zones

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but due to location situation and infrastructure that are under developed, quantity of labor and working skill are limited, the market is limited, investment attraction to the development of special economic zone in northern provinces are limited.

In the north, the development of SEZ will promote construction of new town, tourism link with historical tracks and fine culture of various ethnic groups, development of infrastructure in order to solve poverty of the villagers, while the development of special economic zone in the capital, central and southern provinces is to response to expectation of economy, to establish the sources of revenues for national budget in long term by focusing on development of specific economic zone such as warehouse, industrial production zone for export, trade zone and High Technology Park.

The development of special economic zone is divided into two phases i.e. Phase 1 from 2011 to 2015, it will develop special economic zone throughout the country and 18 zones are going to be negotiated on the term contract and realized a feasibility study. And from 2016 to 2020, some more special economic zones will be developed.

## **2. SEZ development and Management Plan**

The SEZ development strategy and management plan is to improve and reinforce the organization structure of the supervision authority of special economic zones countrywide. A skilful coordination through horizontal and vertical lines, effective mechanism of supervision and management will be used to focus on following projects:

### **2.1. Organizational Structure Improvement Project**

The improvement of organizational structure in order to create a capable and skilful official, especially, the SNCSEZ personnel, as a standing organization to the national Committee for Special Economic Zone mentioned in Article 84 of decree on SEZ No 443/PM of October 26, 2010 and Article 6 concerning assistance of organizational structure in the decree No 517/PM of December 9, 2010 of the decree on organization and activities of the National Committee for Special Economic Zone.

To implement these legal acts effectively and steadily and with firmness, to reinforce macro organizational structure in development and supervision of SEZ in thought the country set in national master plan of SEZ development, it should improve standing organization of Administrative Committee of special economic zone as follow:

Amend Decree on organizational and activities of Administration Committee for

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special economic zone into the law concerning development and inspection of the special economic zone by dividing into 5 offices and work groups belonging to each office according to the volume of work (no section in order to simplify the process of documentations, shorter time and inclusive to ensure all positions skilful in direct technical knowledge). At the same time, it should improve administration and management system of SEZ in accordance with “smaller administration but the wider society” or single seal with electronic system to ensure modern industrialization in transparent manner and accountable.

## **2.2. Amendment and upgrading of decree No 443/PM into law**

This project has to coordinate with working unit and divisions concerned including special economic zones throughout the country in order to evaluate and review the application of decree No 443/PM, amending articles that need modification, add more article and content in order to upgrade this decree into law. This project will start from second half of the year 2011 and it is expected to submit a draft of this law to the legislation authorities for namely the National Assembly in 2012 for consideration according to the work plan.

## **2.3. Smaller administration but the wider society handbook publication project**

Smaller administration but the wider society handbook publication is an important and necessary project in order to serve and skillfully promote domestic investment into SEZ. As the development of special economic zone is a new policy, in the past, the developers, investors and government staffs of sectors concerned didn't understand deeply the right and tasks of Administration Committee or Economic Management Board especially about issuance of Enterprise Registration Certificate inside the zone, import-export of merchandises, authorization for construction, labor import request, issuing of land use certificate in the special economic zone, etc. The S-NCSEZ play key role coordinating with various sectors concerned in order to prepare production of handbook, organize training for staffs of special economic zone nationwide.

## **2.4. Improvement and upgrading the administration of approved project**

At present, 5 special economic zones have been approved for the construction from 2000 to 2010. Therefore, it must coordinate with the developers and Administration Committee of each zone in order to discuss, check, modify the contract and other documents according to the Article 10 of decree concerning special economic zone No 443/PM appropriately to the new policy, as well as the system of reporting on the progress of investment in the zone and follow up system on tax and duty payment, etc., to be in line with

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mechanism of smaller administration but the wider society management system or one seal system.

### **2.5. Upgrading general concession zone signed by government to become SEZ project**

To ensure a sustainable development in relation with environment protection, facilitate attraction and promotion of investment as well as to encourage and motivate rapid and steady development, coordinate with other sectors concerned in order to build a project of improvement and upgrading general concession zone signed by government but it has not been effective, *including concession zone for Hydropower dam and Mines concession zone*, in line with the policy of development and management of special economic zone step by step.

### **2.6. Management and monitor SEZ by electronic system**

To ensure an effective inspection of special economic zone, modernized industrialization, monitoring and supervision, monitoring tools on business, production and livelihood in the special economic zone, it's necessary to construct, install an electronic inspection system in SEZ through out the country. Management Committee or Economic Executive Board of special economic zone must be play the key role and collaborate with inspection authority of SEZ in implementation of inspection system and investment in special economic zone.

### **2.7. Dispute Settlement and Litigation**

To be consistent with the laws and constitution of the Lao P.D.R and build confidence for developers and domestic investors, solution of dispute and justice work are an important activity to help Management Committee or Economic Executive Board to solve the dispute and build a juridical system in the special economic zone. Management Committee or Economic Executive Board must coordinate with judicial sector and inspection authority of SEZ to plan and realize practically these activities, for example, building a justice group to solve the dispute, assign staffs who have education background in(economic, business) law concerned and are skilful in any foreign language in order to serve this work.

### **2.8. Security and safety inside SEZ**

The security and safely inside special economic zone is one among other important projects. To ensure the stability of nation and security inside special economic zone, especially the special economic zones having important strategic location for the nation, must associate with national defense and security sectors (province, district, villages close to the

special economic zone) to plan with detail the rigorous protection of security and safety and in consistent with law and practical context of each zone. It must have summary and organize regularly lessons learnt on the activities realized.

### 2.9. Community development in surrounding SEZ area

The development of special economic zone must be realized with promotion of villager participation those who live in the surrounding areas. That is the reason why; each special economic zone must give important to the project of income generation and providing jobs to villagers in the area, such as promote commercial agriculture and animal raising to villagers to feed the zone, tourism and culture promotion project, handicraft and other projects.

### 3. Human resources development plan

The strategy and direction of human resources development plan aims to train and provide the skilful labors facilitating the need of special economic zones. 2,000 peoples will be recruited in each zone or around 44,000 peoples from 2011 to 2015.

Building human resources and training labor skill are one urgent and necessary activity. According to the result of evaluation, we found that the development of special economic zone needs labor skill for different sectors that are divided in each period in each party:

**Table 1:** Estimation on the need of labor from 2011 to 2015

No	Description	2011-2015	
		Special economic zone	Labor
1	Capital	9	18000
2	Northern part	6	12000
3	Central part	5	10000
4	Southern part	3	6000
	<b>TOTAL</b>	<b>23</b>	<b>46,000</b>

Active labors needed by each zone are for services, trade and production. For this reason, the management authority of the SEZ will have to coordinate with the developers in each zone, the Ministry of Education (Department of vocational training), the Ministry of Labor and Social Welfares, Lao Youth People Revolutionary Center and vocational training

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centers in countrywide in order to prepare the project on labor skill training to provide labor to different special economic zones in order to satisfy the need. In parallel with the development of labor skill and human resources for the special economic zones, we have to improve and upgrade the capacity in management and supervision of the staffs of management authority of special economic zone, by continuing the technical support project assisted by international organizations and other development partners.

In parallel with Labor skill development, it must define procedure and policy concerning social welfare insurance for all staffs and workers working in the special economic zones, especially being member of social insurance authority.

#### **4. Cooperation and Investment Promotion Plan**

##### **4.1. Technical Support Project with International Organizations**

We will continue to prepare a master plan for the technical support project on management and administration of special economic zone focusing on 3 main plans such as: upgrading the capacity building of staffs on management and administration of special economic zone, management and administration according to the mechanism of smaller administration but the wider society, monitoring and evaluation of the result of development and management of special economic zone.

##### **4.2 Investment Promotion Project**

In order to promote and encourage domestic and foreign investors in special economic zone, each zone will advertize and disseminate with various techniques the juridical acts that relate to the development and management of special economic zone in the country and abroad in order to trust developers and investors. At the same time, we must collect, consolidate the problems concerned in order to study and determine the direction for investment promotion in the future.

#### **5. Budget for Plans**

The strategy plan has calculated and estimated the necessary budget for the development of special economic zone for the next coming years. The main budget to be used in implementing the strategy plan includes 6 parts as follow:

1. Budget for land re-compensation in case of land owned by villagers;
2. Budget for development of infrastructure inside the zone
3. Budget for capacity building of human resources

4. Budget for construction of buildings, factory and others inside the zone;
5. Budget for construction of infrastructure to link with special economic zone and with the closed town
6. Budget for management and governance of special economic zone (government budget and budget from each zone)

In this strategy plan, we will calculate only the budget for phase 1 to 3 because these budgets are the ones that the developers must use during their work on development of SEZ. The semester 4, the budget will be used to invest in the zone by each individual investor. The semester 5 and 6, the budget concerns the development of infrastructure outside the SEZ. In general, the development of infrastructure outside the SEZ depends to the government. Although the budget in semester 4 will not be forecasted and calculated but the follow up and detail data collection are needed in order to consolidate the total budget for investment that are available in the zone after establishment.

**Table 1:** Land area and budget require for the development of SEZ to 2015

No	Description	Number of zone	Area Require (ha)	labor (person)	Compensation budget, (Est., USD)	Infra-Development (USD)	Labor training
	<b>Special Economic Zone</b>	5	5,000	10,000	150,000,000	900,000,000	1,000,000
1	Capital	0	0	0			
2	Northern parts	2	2,000	4,000			
3	Central part	2	1,000	4,000			
4	Southern part	1	500	2,000			
	<b>Specific Economic zone</b>	17	<b>9,000</b>	36,000	255,000,000	1,275,000,000	3,600,000
1	Capital	9	4,500	18,000			
2	Northern parts	3	1,500	6,000			
3	Central part	4	2,000	8,000			
4	Southern part	2	1,000	4,000			
	<b>TOTAL</b>	<b>23</b>	<b>14,000</b>	<b>46,000</b>	<b>405,000,000</b>	<b>2,175,000,000</b>	<b>4,600,000</b>

### 5.1. Budget for land development and infrastructure (by developer) in SEZ

Based on experience in the development of land area from neighboring countries where the conditions are similar to Laos, we found that the development of special economic zone from 2011 to 2020 needs budget more than two thousand million US dollars, among them 405 million US dollars are for land re-compensation, 2,2 thousands million US dollars has to be used for infrastructure development. In average, land development and construction

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of infrastructure in special economic zone need 15 million US dollars per meter square (excluding the cost of building or factory)

## **5.2. Budget for Human Resources Development**

It's estimated that from 2011 to 2020, 46 thousands labor skills need to be recruited in SEZ through out the country. Therefore, the budget is necessary for construction, training on skills to staffs and workers in order to provide them basic knowledge and capacity. So that 4,6 millions US dollars (100 US dollars for person in average). This budget might be collected from funds for human resources development and consultation.

## **6. Land Capitalization and Assets to Capital Plan**

Based on initial calculation and estimation, we found that the development of special economic zone in whole country needs at least 25 thousands ha, among these, 4 thousands ha for special economic zones, 21 thousands ha for specific economic zone (special economic zone according to decree must have more than 1 thousand US dollars and, while, the specific economic zone depends to real context). Therefore the government and local authorities, especially the provinces where the plan is already available for construction and development special economic zone must define the scope and organize land area in order to ensure the development, transformation of land and assets to budget in the future.

Transformation of land and assets to capital for the development is done with the following forms: government share land, government estimate the cost of land and share in the action market or to guaranty loan from bank, government lease or concede, government sell use right to developers according to market price with a certain term and after expiration of the contract, land and constructions shall belong to government. The plan of transformation of land and assets to capital for the development of special economic zones must ensure right and benefit of the local people and common interest of the country in long term.

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## **CHAPTER IV Implementation Measures, Inspections and Evaluations**

In order to ensure an effective of strategic plan implementation in the development and management of special economic zone, all parties must be responsible to implement their activities as follow:

### **1. Coordination and solution of problems relating to sectors concerned**

An effective coordination is vital important due to the fact a good coordination can make implementation of strategic plan success. The development of SEZ is a form of investment and development which differ from general investment form because the government assigned an Management Committee and Economic Executive Board to manage and supervise with “smaller administration but the wider society management system” mechanism, promote the management with a “smaller administration but the wider society management system” through industrialization and modernization by using electronic system in management, recording all data and information of management, including the management of population, immigration, investment improvement, tax collection, monitoring and supervision of activities. Therefore, the advisory committee of SEZ must be responsible to coordinate with all sectors concerned to provide them a good understanding about the content and procedure of the development and provide cooperation in implementation. Furthermore, management authority of SEZ must build coordination mechanism with all SEZs in the country in order to encourage and facilitate mutually the effective implementation of development and management of SEZ.

### **2. Implementation of Management and Strategy Plan**

Besides coordination, it must ensure to carrying out the obligations and tasks and responsibility of each party as identified in Article X concerning the advisory committee of special economic zone of the decree No 443/PM including: government, the National Committee for Special Economic Zones, SNCSEZ, Ministries and organizations concerned, local authorities, Management Committee and Economic Executive Board and Advisory Committee. The implementation must insist on the form of work under the common principles such as: work in team and individual is responsible.

With a view that, the practicable implementation of the right and duties of each party is not controllable to indicate the effective responsibility, therefore, in the future, we have to

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improve organizational structure and effective system of supervision in parallel with appropriate growth of the development of special economic zone from time to time.

### **3. Integration of SEZ development strategy into other development plans**

The development of special economic zone is a huge investment in development of infrastructure, human resources, technique of management, production and marketing. So that it's necessary to integrate at the beginning, the development plan of special economic zone into local socio-economic development plan where is located the special economic zone in close with policy and national socio-economic development plan from time to time in order to make the development appropriate and sustainable.

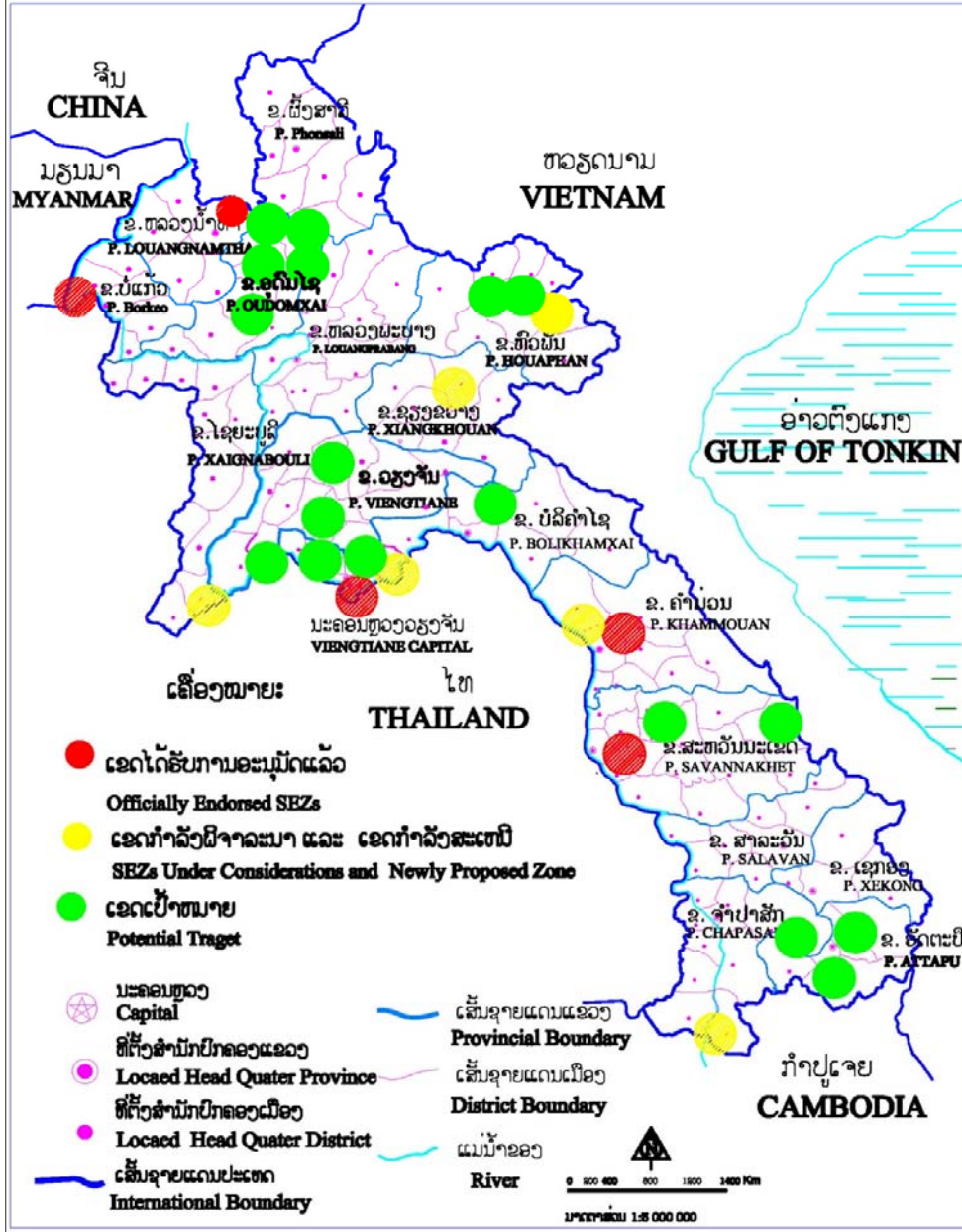
### **4. Investment promotion and participation of developers**

One of main factors contributing to the success and sustainability in development of special economic zone is an attraction and promotion of investment. The developers and investors have important role in the process of development and management of the special economic zone. Therefore, there must be law, procedure and management mechanism in building trust and facilitate the developers, especially developers to invest a large sum of capital in the development of the special economic zone. Besides, these developers, they represent the government in management and supervision on economy of the zone. So the promotion of roles and duties of private developers and investors is also a vital important.

### **5. Follow up, Inspection, Evaluation and Report**

Advisory Committee of special economic zone is responsible for follow up, supervision, evaluation of the implementation of strategic plan in each quarter and mi-annual action plans as mentioned in legal acts of development and management of special economic zone and then report regularly to Administration Committee of SEZ in order to seek for further direction and advice.

Recapitulative table of the special economic zone in countrywide



**Annex1** : List of targeted zones for development requested by province

No	Name	Objective	Location
1	Nhot Ou Zone	Border trade	Phongsaly
2	Xiengkok Zone (border with Burma)	Border trade	Luangnamtha
3	Nam Ngeune Check Point Zone	Border trade	Xayabuly
4	Pakbaeng specific economic Zone	Trade, service, tourism	Oudomxay
5	Nasaenkham Ang Namhine Zone	Service, tourism	Oudomxay
6	Chom Ong Cave specific economic Zone	Service, tourism	Oudomxay
7	Namor District Border Trade Zone	Service, tourism	Oudomxay
8	Industry Zone, Namor district	Industry	Oudomxay
9	Viengxay district Zone	Service, tourism	Huaphan
10	Zone Three LiapMa district	Industry processing	Huaphan
11	Nonghat Specific economic Zone	Trade, service	Xiengkhouang
12	Naluang specific economic Zone	Trade, service	Luangprabang
13	Development Zone Chomphet district	New town	Luangprabang
14	Khokkhaodor special economic Zone	Special economy	Vientiane province
15	Vangvieng specific economic Zone	Tourism, service	Vientiane province
16	Ban Vang specific economic Zone	Border trade, service	Vientiane province
17	Phonhong specific economic Zone	Industry	Vientiane province
18	Nanine specific economic Zone	Trade, service	Vientiane province
19	Lalay village Zone	Border trade	Saravan
20	Paktaphane Zone	Border trade	Saravan
21	Km 18 Industry Zone	Industry	Attapeu
22	Phoukeua Check Point Zone	Border trade	Attapeu
23	Dakcheung specific economic Zone	Trade, service	Sékong
24	Oudomsouk Village specific economic Zone	Tourism, service	Khammouane
25	and others appropriate SEZ		