

Unofficial translation



**LAO PEOPLE'S DEMOCRATIC REPUBLIC  
PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY**

**The President**

**No. 162/P**

**Vientiane Capital, dated 16 December 2009**

**DECREE**

*of the*

**PRESIDENT**

*of the*

**LAO PEOPLE'S DEMOCRATIC REPUBLIC**

*on*

**the Promulgation of the Law on State Investment**

- 
- Pursuant to Item 1, Article 67, Chapter VI of the Constitution of the Lao People's Democratic Republic on the promulgation of the Constitution and laws adopted by the National Assembly;
  - Pursuant to Resolution of the National Assembly of the Lao People's Democratic Republic on the adoption of the Law on State Investment No. 200/NA, dated 26 November 2009; and
  - Pursuant to Request Letter of the National Assembly Standing Committee No. 087/SC, dated 10 December 2009.

**The President of**

**the Lao People's Democratic Republic hereby issues the Presidential Decree:**

Article 1: The Law on State Investment is hereby promulgated.

Article 2: This Presidential Decree is effective from the date of signature.

**The President of the Lao PDR**

*[Signature and seal]*

**Choummaly SAYASONE**

Unofficial translation



**LAO PEOPLE'S DEMOCRATIC REPUBLIC  
PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY**

**National Assembly**

**No. 200/NA**

**RESOLUTION**

*of the*

**NATIONAL ASSEMBLY**

*of the*

**LAO PEOPLE'S DEMOCRATIC REPUBLIC**

*on*

**the Adoption of the Law on State Investment**

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Pursuant to Item 2, Article 53 of the Constitution and Item 1, Article 3 of the Law on the National Assembly of the Lao People's Democratic Republic on the rights and duties of the National Assembly.

After the 8th Ordinary National Assembly's Session of the VI Legislature have considerably and thoroughly considered the contents of the Law on State Investment in the morning session on 26 November 2009.

**The Session hereby decides:**

Article 1. The Law on State Investment is adopted by majority vote.

Article 2. This Resolution is effective from date of signature.

Vientiane Capital, dated 26 November 2009

**The President of the National Assembly**

*[Signature and seal]*

**Thongsing THAMMAVONG**

Unofficial translation



**LAO PEOPLE'S DEMOCRATIC REPUBLIC**  
**PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY**

National Assembly

No. 08/NA

Vientiane Capital, dated 26 November 2009

**LAW ON STATE INVESTMENT**

**Chapter I**  
**General Provisions**

**Article 1 Objective**

This Law on State Investment defines the principles, regulations, and measures relating to development, consideration for approval, implementation, administration, monitoring, and inspection of state investments to ensure that investment plans are in line with directions, policies, and national socio-economic development plans, aiming to ensure the high effectiveness, efficiency, and transparency of state investments, to ensure macroeconomic balance, to improve the strong state economy, to be able to facilitate other economic sectors to participate in the development of the national economy so that it grows continuously and sustainably, to improve people's livelihoods, to contribute to national defense and public security, and to protect the environment.

**Article 2 State Investment**

State investment is the use of state budget, natural resources, state assets, and copyrights through the budget in the operation of state investment programs and projects approved by the National Assembly, aiming to implement the national socio-economic development plan successfully.

The use of natural resources, state assets, and copyrights is provided for in specific rules.

**Article 3 Definitions**

The terms used in this law shall have the following meanings:

1. **National Socio-Economic Development Plan** means directions and expectations in socio-economic development that the government proposes to the National Assembly for approval;
2. **State investment plan** means a plan to use and allocate funds, including natural resources, for the implementation of goals as identified in the national socio-economic development plan;
3. **Allocation of state investment budget** means the allocation of funds from the state budget to sectors and localities in accordance with state policies and the characteristics

and specificities of such sectors and localities as stipulated in the laws on the basis of economic and social indexes or indicators;

4. **Investment outside the plan** means investments that are not in the state investment plan but are approved by the National Assembly;
5. **Investment exceeding the plan** means investment with costs exceeding the total project cost as approved by the National Assembly;
6. **Public utilities** mean infrastructure serving the public such as electricity grids, water supply, post, telecommunications, construction, cultural halls, and sports stadiums;
7. **Program** means a component of the national socio-economic development plan which has specific expected achievable goals, including interrelated projects serving to achieve the goals of the program;
8. **Project** means activities to be implemented with the aim of achieving the objectives of such project;
9. **Project identification** means the identification of concepts that initiate a project, the selection of a project, and the initial feasibility study of the project before deciding to conduct a detailed study of the project;
10. **Project preparation** means the collection, analysis, and study of data in detail to ensure that an identified project is an achievable project and yields a worthwhile benefit or achieves the objective. Project preparation has three main tasks: determination of the project structure, the feasibility study of the project, and the writing of the project report or economic/technical project proposal;
11. **Project evaluation** means an analysis of the compliance, efficiency, effectiveness, impact, and sustainability of the project before considering the inclusion of the project in the state investment plan;
12. **Project result evaluation** means an analysis of the results of project implementation and revision of project utilization by considering the compliance, efficiency, effectiveness, impact, and sustainability of the project in order to provide comments for improvement and to grasp lessons learnt;
13. **Project implementation** means taking a project into actual implementation after the project has been included in the investment plan and approved by the National Assembly;
14. **Project operation** means the implementation of project activities in accordance with a project operational plan, from the time the project is implemented until its completion and handing over;
15. **Project monitoring** means the inspection of project operations to know about progress and problems that may arise relating to project implementation, and to solve problems in a timely manner;

16. **Project owner** means the ministries, agencies, and local administrations who receive state investment budget;
17. **Project executive agency** means an agency or organization assigned by the project owner to be responsible for the administration and management of state investment projects;
18. **Project administrator and user** means individuals or legal entities assigned by the project owner to administer, use, and maintain state investment projects;
19. **Project consultant** means individuals or legal entities hired by the project owner or by the project executive agency to provide technical, administrative, and managerial comments or advice for the implementation of state investment projects;
20. **Project contractor** means legal entities hired or contracted by the project owner or by the project executive agency for the implementation of state investment projects;
21. **Interest of project loan** means interest incurred from the loan that the government borrows from domestic or international banks for the implementation of state investment projects;
22. **Fund diversion** means a diversion of funds from one project to another project;
23. **Bid rigging** means bidding that is against bidding rules, such as collusion whereby one company buys all bidding envelopes under several companies.

#### **Article 4 Policy on State Investment**

The State has a policy of investing in the construction of infrastructure, technical objects, rural development, poverty reduction, human resource development, the promotion of technical aspects, and national defense and public security, in an effective, efficient, safe, transparent, and auditable manner.

The State encourages and promotes both domestic and foreign individuals and legal entities to financially contribute to state investment programs or projects in accordance with relevant rules, and rewards from the State shall be given appropriately.

#### **Article 5 Principles regarding State Investment**

State investment shall follow the following principles:

1. Shall be in line with the directions, policies, visions, strategies, and goals of the socio-economic development plan, and shall be able to meet budget needs;
2. Shall have specific focuses, be fair, and be in the right proportion among regions and areas of works;
3. Shall support programs and projects that fall under the state investment plan which are prioritized and necessary projects in which other economic sectors do not or are not able to invest;
4. State investment shall be administrated equally with clear levels of administration and in line with laws and regulations;
5. Shall include participation of people;

6. Shall include the participation of relevant stakeholders in monitoring, inspection, and evaluation of state investment to ensure effectiveness, efficiency, thrift, transparency, and auditability.

#### **Article 6      Scope of Application of this Law**

This Law applies to individuals and other stakeholders relating to state investment such as development, approval, implementation, and administration of state investment plans, programs, and projects.

This Law does not apply to state investment in state-owned enterprises.

#### **Article 7      International Cooperation**

The State promotes foreign, regional, and international relations and cooperation regarding state investment in the exchange of lessons and information, in upgrading knowledge, technical capacity, and technology, and in mobilizing sources of funding for the development to ensure the highest benefits to the nation.

## **Part II State Investment Operations**

### **Chapter 1 Types of State Investment**

#### **Article 8      Types of State Investment**

State investment consists of two types:

1. The state invests in the construction of infrastructure;
2. The state invests in the promotion of techniques.

#### **Article 9      Investment in Construction of Infrastructure**

Investment in the construction of infrastructure consists of newly constructed and major rehabilitation of roads, public utilities, irrigation, schools, hospitals, and basic technical objects, and the supply of materials, equipment, machines, vehicles, and assets.

#### **Article 10      Investment in Promotion of Techniques**

Investment in the promotion of techniques consists of investment in major activities such as: human resource development, training, scientific/technological research, production promotion, poverty reduction assistance, data collection, project feasibility studies, project survey and design, development of master plans for socio-economic development, and the supply of materials and equipment to serve technical requirements.

## **Chapter 2 State Investment Plans, Programs, and Projects**

#### **Article 11      State Investment Plans**

State investment plans are as following:

1. Five-year investment plans which are developed at national, sectoral, and local levels;
2. Annual investment plans which are developed at national, sectoral, and local levels.

#### **Article 12      Components of State Investment Plans**

A state investment plan consists of:

1. State investment programs;
2. State investment projects.

#### **Article 13      State Investment Programs**

A state investment program translates a state investment plan into details composed of interrelated projects aiming to serve or achieve the goals of such plan.

Programs have different levels, such as national plans, sectoral plans, and local plans.

#### **Article 14      State Investment Projects**

A state investment project translates a program into details composed of interrelated activities aiming to serve or achieve the goals of such project with results that can be analyzed and evaluated, and with commencement and end times determined.

#### **Article 15      Types of State Investment Projects**

State investment projects are divided into three types:

1. Type I projects with a value of more than 50 trillion kip and a project construction period of not more than seven years;
2. Type II projects with a value of more than 5 trillion kip but less than 50 trillion kip and a project construction period of not more than five years;
3. Type III projects with a value of less than 5 trillion kip and a project construction period of not more than three years.

#### **Article 16      State Investment Project Costs**

State investment project costs include costs incurred for project preparation, project implementation preparation, project implementation (such as cost of materials, equipment, and labor), costs for compensation to the environment, society and nature, costs for testing before utilization, administrative and managerial costs, project consultancy costs, interest on project loans, contingency, and taxes.

#### **Article 17      State Investment Project Documents**

State investment projects relating to the construction of infrastructure consist of the following main documents:

1. Project proposal;
2. Project feasibility study;
3. Survey/design report;
4. Land right transfer certificates for public benefits in case of use of people's land.

Type I and Type II state investment projects shall include the following additional documents:

1. Project development report or economic/technical analysis report;
2. Environment, social, and nature impact assessment report.

State investment projects relating to the promotion of technical aspects shall include the following main documents:

1. Project proposal;
2. Project feasibility study.

#### **Article 18 Procedures relating to State Investment**

Procedures relating to state investment include:

1. Development and endorsement of the state investment plan;
2. Implementation of the state investment plan;
3. Inspection, supervision, and reporting on the implementation of the state investment plan;
4. Handing over and utilization of state investment projects.

### **Chapter 3**

#### **Development and Endorsement of State Investment Plan**

#### **Article 19 References for the Development of the State Investment Plan**

References for the development of the state investment plan are:

1. Direction, socio-economic strategic development plan, national defense/public security, sectoral, regional, and local development plans, and focused economic zones.
2. Technical infrastructure development master plan, land use plan, water resource use master plan, forestry resources, mines, and other natural resources;
3. Deadlines of state allocation of funds;
4. Results of performance of previous state investment plans;
5. Capacity to balance sources of funds;
6. Sectoral, regional, and local potentials.

#### **Article 20 References for Allocation of State Investment Budget**

Sources of funding for state investment are from the state budget. The state investment budget shall be allocated in accordance with programs and projects on the basis of the national socio-economic development strategy and plan, ensuring a balance between areas, mainly the areas of economy, culture/society, national defense/public security, sectors, central level, and local level.

Allocation of state investment budget to ministries and agencies shall be based on plans, programs, projects, and actual needs.

Allocation of state investment budget to local administrations shall be based on guidelines set by the government from time to time as follows:

1. Strategic development plans;
2. Poverty levels and development;
3. Price levels;



4. Obligation to contribute to the revenue for state budget;
5. Geographical areas;
6. Population numbers;
7. Numbers of administrative units.

#### **Article 21 Authorities Responsible for Developing the State Investment Plan**

Agencies responsible for developing the state investment plan include:

1. The government;
2. The Ministry of Planning and Investment;
3. Ministries and agencies;
4. Provincial and city administrations;
5. District and municipal administrations.

#### **Article 22 Government**

The government sets directions and overall expectations in the development of the state investment plan based on the advice of the Ministry of Planning and Investment regarding various factors such as sources of funding and macro balance.

#### **Article 23 Ministry of Planning and Investment**

The Ministry of Planning and Investment translates the government's directions and overall expectations, and then gives technical advice relating to the development of sectoral and local plans. After that, the Ministry shall study and summarize sectoral and local plans to develop a national state investment plan for the government's consideration.

#### **Article 24 Ministries, Organizations, and Local Administrations**

Following the advice of the Ministry of Planning and Investment relating to the development of the state investment plan, ministries, organizations, and local administrations shall lead relevant stakeholders under their responsibilities to develop a state investment plan at their levels with the participation of National Assembly commissions or the National Assembly members of such electoral zones. The plan is then submitted to the Ministry of Planning and Investment for consolidation.

#### **Article 25 Basic Conditions for Consideration to Accept a State Investment Project**

In considering the acceptance of a state investment project into the state investment plan, the following basic conditions shall be met:

1. Be in line with the socio-economic development plan and state budget plan;
2. Be efficient in socio-economic terms and ensure the sustainable protection of the environment;
3. Attach supporting documents as provided for in Article 17 of this Law;
4. Agreement from relevant administrations or localities for state investment projects at each level;
5. Evaluated in accordance with technical principles by evaluation agencies of each level as provided for in Article 26 of this Law;
6. Mentioned in the five-year state investment plan.

Projects with loans or grants from foreign countries must be able to confirm sources of funding before including such projects in the state investment plan.

**Article 26 Evaluation of and Evaluation Authorities for State Investment Projects**

Evaluation of state investment projects shall be in line with technical principles and use project evaluation tools as set down by the Ministry of Planning and Investment.

Evaluation authorities for state investment projects include:

1. The Ministry of Planning and Investment evaluates Type I and Type II projects;
2. Ministries, agencies, Departments of Planning and Investment at provincial and municipal levels evaluate Type III projects.

**Article 27 Prioritization of Projects to Be Included in the State Investment Plan**

Ministries, agencies, and local administrations that prioritize projects to be included in the state investment plan shall follow the following conditions:

1. Be priority projects of the government, sectors, and localities such as rural development projects, poverty reduction, promotion of the production of goods, and focused development areas;
2. Be projects with goals in line with the goals of the areas and focused sectors as provided for in the five-year socio-economic development plan;
3. Be projects with high returns in socio-economic terms, and ensure sustainable development;
4. Be projects that respond to the necessities and urgency of the government, sectors, and localities;
5. Be assisted projects requiring budgetary contribution.

**Article 28 Approval of State Investment Plan**

The National Assembly is the agency that considers, agrees, and approves the national socio-economic development plan and the annual and five-year state investment plans, and considers and approves state investment projects with a value of more than 500 trillion kip based on the government's proposal. Project documents shall be submitted to the National Assembly at least fifteen working days before the opening day of a National Assembly session.

The Ministry of Planning and Investment shall study, consider, and consolidate projects and programs into the state investment plan based on the proposals of ministries, agencies, and local administrations, then propose it to the government in May of each year.

Ministries, organizations, and local administrations shall study, consider, and approve projects and programs for inclusion in state investment plans at their levels, then propose them to the Ministry of Planning and Investment before 15 March each year.

## **Chapter 4 Implementation of the State Investment Plan**

**Article 29 Authorities Responsible for Implementing State Investment Plans**

Agencies responsible for implementing state investment plans include:

1. The government;
2. The Ministry of Planning and Investment;

3. The Ministry of Finance;
4. Ministries and agencies;
5. Local administrations.

### **Article 30 Government**

The government issues decrees on the implementation of the national socio-economic development plan and state investment plan within thirty days after a resolution of the National Assembly has been adopted.

### **Article 31 Ministry of Planning and Investment**

The Ministry of Planning and Investment shall issue detailed guidelines related to the implementation of the national socio-economic development plan and state investment plan within thirty days after the government has issued a decree on the implementation of such plans.

### **Article 32 Ministry of Finance**

The Ministry of Finance shall manage and monitor the provision and use of state budget for the implementation of the state investment projects of ministries, agencies, and local administrations.

### **Article 33 Ministries and Organizations**

Ministries and organizations are directly responsible for implementing state investment plans at their levels efficiently and in line with laws and regulations.

If ministries and organizations implement state investment projects in a specific local area, they must coordinate with the administrations of such local areas.

If ministries and organizations hand over projects to local administrations for implementation, such handing over shall happen at the outset, starting with the process of appointing a project-executing agency for state investment projects as provided for in Article 36 of this Law.

### **Article 34 Local Administrations**

Local administrations are directly responsible for implementing state investment projects at their levels efficiently and in line with laws and regulations.

If ministries and agencies hand over state investment projects to local administrations for implementation, such administrations shall coordinate with relevant sectors.

In the event that revenue in the provincial or city revenue tranches exceeds the amount required for the plan, this can be used for the implementation of state investment projects but Articles 25 and 35 of this Law shall be followed, and with strict inspection.

In the event that the revenue of the local tranche could not be collected in accordance with the annual plan, the Law on State Budget shall be followed.

### **Article 35 Procedures for Implementing State Investment Projects**

State investment projects shall follow the following procedures:

1. Appoint an executive agency for state investment projects;

2. Initiate a bidding process for state investment projects;
3. Implement state investment projects.

### **Article 36 Appointment of an Executive Organizations for State Investment Projects**

Once the government agrees to assign a state investment project to a project owner, the project owner shall appoint an executive organization to administer the project in accordance with goals, operational plans, and schedules.

### **Article 37 Launching Bidding for State Investment Projects**

In principle, all state investment projects shall be bidden for. The bidding process shall follow relevant rules strictly and ensure competition, transparency, auditability, equality, and fairness. Type I and Type II project bids shall be advertised through mass media.

Representatives from finance sectors, planning and investment sectors, other sectors, or local sectors shall participate in the bidding for state investment projects.

Project owners shall identify places for bidding in coordination with relevant stakeholders.

Bids that are not in line with laws and regulations, such as bid rigging, shall be null and void.

Details of bidding processes are provided in the rules set down by the Ministry of Finance.

### **Article 38 Implementation of Projects with Financial Contribution from People**

The implementation of projects with financial contribution from people or from economic sectors in which the government's share of funding is more than 30% (thirty percent) of the total funding, shall follow this Law. In the event that the government's share of the funding is less than 30% (thirty percent) of the total funding, it shall follow the decision of the project owner.

### **Article 39 Implementation of Projects with Grants or Loans**

The implementation of state investment projects with grants or loans from foreign countries shall follow this Law or other relevant laws and regulations or grant or loan agreements between the government and donors.

### **Article 40 Monitoring, Inspection, Supervision, and Evaluation of State Investment Projects**

When a state investment project has been implemented for a certain period of time, the following processes shall be followed:

1. Regular monitoring, inspection, and supervision of the implementation of the project;
2. Intermittent evaluation such as evaluation during the implementation of the project;

The main guidelines for inspection, supervision, and evaluation are as follows:

1. Compliance with the project development plan and project beneficiaries;
2. Effectiveness of the use of budget and progress of project implementation;
3. Achievement of efficiency in accordance with the project's objectives and goals;
4. Economic, social, and environmental impacts;
5. Project achievements are used in accordance with the project's goals and bring benefits to society .

If a problem is found during the inspection, supervision, and evaluation, there must be measures and methods to solve such problems in a timely manner.

#### **Article 41      Modifications to State Investment Projects**

Modifications to a state investment project shall be made as follows:

1. Agencies authorized to modify a state investment project are as follows:
  - The National Assembly considers modifications valued at more than 50 trillion kip based on proposals from the government;
  - The government considers modifications valued from 5 trillion kip to 50 trillion kip based on proposals from the Ministry of Investment and Planning;
  - The Ministry of Investment and Planning considers modifications valued at less than 5 trillion kip based on proposals from ministries, agencies, and local administrations.
2. Modifications to state investment projects shall be as a result of:
  - Severe natural disasters or uncontrollable acts of God;
  - Changes in policies, master plans, or necessity that directly impact the efficiency of the project;
  - Changes in the goals or other uses of budget for state investment projects which are more effective.
3. State investment projects with many activities could have each sub-activity modified, and follow the provisions as stated in points 1 and 2 above.

The Ministry of Planning and Investment shall consolidate the modified state investment projects, and submit this to the government for further report to the National Assembly.

#### **Article 42      Suspension of State Investment Projects**

State investment projects shall be suspended in accordance with the following:

1. Agencies authorized to suspend a state investment project are as follows:
  - The National Assembly considers the suspension of state investment projects valued at more than 50 trillion kip based on proposals from the government;
  - The government considers the suspension of Type I projects based on proposals from the Ministry of Investment and Planning;
  - The Ministry of Investment and Planning considers the suspension of Type II and Type III projects based on proposals from ministries, agencies, and local administrations.
2. State investment projects can be suspended as a result of:
  - Inefficiency;
  - Changes in policies or master plans;
  - Conflict with project development plans;

- Severe impact on the environment, society, and nature;
- Impact on anthropological and archaeological sites and objects.

#### **Article 43      Diversion of State Investment Project Funding**

Diversion of state investment project funding to be implemented in accordance with the following:

1. Agencies authorized to divert state investment project funds are as follows:
  - The National Assembly considers diversions of state investment project funding valued at more than 50 trillion kip based on proposals from the government;
  - The government considers diversions of state investment project funding valued from 5 trillion kip to 50 trillion kip based on proposals from the Ministry of Investment and Planning;
  - The Ministry of Investment and Planning considers diversions of state investment project funding valued at less than 5 trillion kip based on proposals from ministries, agencies, and local administrations.
2. Diversion of state investment project funding to be implemented in accordance with the following circumstances:
  - Projects which are in the state investment plan of that year;
  - Completed projects but for which certain portions of budget remain;
  - Projects with committed sources of funding from individuals or legal entities where the contribution was made after the project was approved;
  - Projects affected by severe natural disasters.

#### **Article 44      Cancellation of State Investment Projects**

Cancellation of state investment projects to be implemented in accordance with the following:

1. Authorities authorized to cancel a state investment project are as follows:
  - The National Assembly considers cancellation of state investment projects valued at more than 50 trillion kip based on proposals from the government;
  - The government considers cancellation of Type I and Type II projects based on proposals from the Ministry of Investment and Planning;
  - The Ministry of Investment and Planning considers cancellation of Type III projects based on proposals from ministries, agencies, and local administrations.
2. State investment projects can be cancelled for the following reasons:
  - There is a need to protect state benefits, common benefits, and people affected by the project;
  - Inefficiency;
  - Force majeure resulting in the projects being unable to continue operating;
  - Violation of master plans;
  - Severe damage to the environment, society, and nature;
  - Operation not in accordance with technical standards and safety rules.

The Ministry of Planning and Investment shall consolidate the cancelled state investment projects, and submit this to the government for further report to the National Assembly.

## **Chapter 5**

### **Rights and Duties of State Investment Project Actors**

#### **Article 45     State Investment Project Actors**

State investment project actors are:

1. Project owners;
2. Project executive agencies;
3. Project administrators and users;
4. Project consultants;
5. Project contractors.

#### **Article 46     Rights and Duties of Project Owners**

Project owners have the following rights and duties:

1. To agree and prepare the state investment project;
2. To appoint a project executive agency;
3. To approve the assessment and evaluation of state investment projects for which they are responsible;
4. To approve bidding schedules, bidding documents, and bidding results;
5. To advise the project executive agency on the implementation of state investment projects in accordance with operational plans, and ensure quality and investment expenses as approved;
6. To propose modification, suspension, or diversion of funding and cancellation of state investment projects as provided for in Articles 41, 42, 43, and 44 of this Law;
7. To organize the monitoring and inspection of the performance of project staff during the implementation of state investment projects;
8. To pay completed project costs to the contractors;
9. To cancel a contractor's contract in the event that the contractor is in breach of the contract;
10. To exercise other rights and duties as defined in the laws and regulations.

#### **Article 47     Rights and Duties of Project Executive Organizations**

The project executive organizations have the following rights and duties:

1. To use sources of funding in accordance with the laws for the implementation of projects as agreed with the project owner;
2. To coordinate with government agencies and provide relevant information to project consultants, contractors, administrators, and users;
3. To select consultants, to organize project bidding, to negotiate and enter into contracts with consultants and contractors, and to conduct project evaluation;
4. To monitor, inspect, and solve problems arising during the implementation of state investment projects;
5. To report on the situation of project implementation to the project owner regularly, as well as to propose mechanisms, measures, and methods to ensure that the project is

implemented on time, to a high standard, and in line with the approved investment budget expenses;

6. To propose the cancellation of contracts with consultants and contractors in the event that they are in breach of contracts in a manner which causes severe damage to the overall benefits of the nation;
7. To propose replacement of the project administrator and users in the event that they do not perform their duties as assigned;
8. To exercise other rights and duties as defined in the laws and regulations.

#### **Article 48 Rights and Duties of Project Administrators and Users**

Project administrators and users have the rights and duties to administer, manage, and use the achievements of state investment projects as assigned by the project owner.

#### **Article 49 Rights and Duties of Project Consultants**

Project consultants have the following rights and duties:

1. To request the project executive agency to provide information, documents, and rules relating to its duties as assigned;
2. To reject work which is not in the contract or contradicts laws and regulations;
3. To give technical advice and advise on techniques relating to the project under its responsibility;
4. To monitor and inspect the implementation of the project regularly;
5. To report the result of project implementation to the project executive agency regularly;
6. To exercise other rights and perform other duties as defined in the laws and regulations.

#### **Article 50 Rights and Duties of Project Contractors**

Project contractors have the following rights and duties:

1. To complete the project in accordance with technical standards and the time schedule as stipulated in the contract;
2. To receive completed project costs from the project owner in accordance with the contract;
3. To reject advice from the project owner, project executive agency, or project consultants which are not in line with technical standards and that could cause defects in the project;
4. To protect project vehicles, equipment, and materials as provided by the project owner;
5. To provide a guarantee amounting to a minimum of 10% of the project cost, and follow the guarantee period as required in the contract;
6. To construct or repair project work at their own expense in the event of damage or work not being in accordance with technical standards during the defect liability period;
7. To withdraw the project guarantee when the defect liability period ends in accordance with the contract or laws;
8. To take responsibility for damage caused to the project as a result of construction work not meeting technical standards, unless such damage is due to force majeure;
9. To exercise other rights and perform other duties as defined in the laws and regulations.

## **Chapter 6 Reporting on the Implementation of State Investment Projects**



### **Article 51      Authorities Responsible for Reporting on the Implementation of State Investment Projects**

Authorities responsible for reporting on the implementation of state investment projects are:

1.    The government;
2.    The Ministry of Planning and Investment;
3.    The Ministry of Finance;
4.    Ministries and agencies;
5.    Local administrations.

### **Article 52      Government**

The government reports about the situation of the implementation of the national socio-economic development plan and state investment plans to the National Assembly sessions.

### **Article 53      Ministry of Planning and Investment**

The Ministry of Planning and Investment summarizes, consolidates, analyzes, and reports about the situation of the implementation of the national socio-economic development plan and state investment plans to the government regularly.

### **Article 54      Ministry of Finance**

The Ministry of Finance summarizes and consolidates the situation of the implementation of the budget expense plan for state investments in each period, submits it to the Ministry of Planning and Investment before the 10<sup>th</sup> of the following month, and also reports to the government regularly.

### **Article 55      Ministries and Organizations**

Ministries and organizations summarize, consolidate, and report about the implementation of the socio-economic development plan and state investment plans under their responsibility for each period, and submit this to the Ministry of Planning and Investment before the 10<sup>th</sup> of the following month.

### **Article 56      Local Administrations**

Local administrations summarize, consolidate, and report regularly about the implementation of the socio-economic development plan and state investment plans under their responsibility to the Ministry of Planning and Investment, ministries, and agencies for each period following their coordination with sectors at their levels, and submit the results of the implementation of state investment projects that were assigned to them by ministries and agencies.

## **Chapter 7**

### **Handing Over and Use of State Investment Projects**

### **Article 57      Handing Over of Projects**

Completed projects, before being officially handed over, shall be inspected in terms of technical standards, quantity, and quality as stated in the project documents and contracts, and also, in the case of some projects, be evaluated, demonstrated as to use, or tested for a period of time before being used.

### **Article 58      Payment for State Investment Projects**

After a project is completed, inspected, and certified in terms of technical standards and quality, payment for the project shall be made in accordance with contract and payment rules.

#### **Article 59      Use of Projects and Post-Use Evaluation**

The use of projects shall be in line with the objectives of the state investment and the usefulness of that project. The project owner shall assign an administrator or a user of that project.

State investments projects are state property, whereby the government can transfer the administration and use of the projects to individuals or legal entities in the form of sale, exchange, lease, or concession as provided for in specific rules.

For Type I and Type II projects, after they have been used for two to five years, there must be an evaluation to draw lessons learnt and to improve the development of state investment projects in the future.

Guidelines for the evaluation are provided in Article 40 of this Law.

#### **Article 60      Rehabilitation and Maintenance of State Investment Projects**

Rehabilitation and maintenance of state investment projects are the obligation of all people in society, project administrators, and project users, to ensure that the projects are protected in a sustainable manner and served the public benefit for a long period.

### **Part III Prohibitions**

#### **Article 61      General Prohibitions**

Individuals and organizations are prohibited from behaving as follows:

1. Implementing investment projects that are outside of or exceed the plan as endorsed by the National Assembly, except in the event of force majeure unless a proposal is submitted to the government for consideration and for further approval by the National Assembly;
2. Having an investment project with a period exceeding what is provided for in Article 15 of this Law;
3. Including a state investment project in the state investment plan that did not go through a bidding process as described in Article 26 of this Law;
4. Conducting bidding for state investment projects in conflict with relevant rules;
5. Including an investment project in the state investment plan that was not certified in terms of grants;
6. Accepting or offering bribes, forcing, threatening, deceiving, defrauding, or referring to rightful and powerful persons in the operation of state investments for personal gain such as securing project bids;
7. Interfering in the process of state investments where the interfering persons do not have direct responsibility for the administration of such state investment projects.

#### **Article 62      Prohibitions for Project Owners**

Project owners are prohibited from behaving as follows:

1. Accepting inefficient investment projects that may cause damage to the government, community, and individuals;
2. Diverting the funds of state investment projects as approved by the National Assembly to an out-of-plan project;
3. Increasing the volume of project work without approval;
4. Authorizing the project consultants and contractors to modify the technical standards of the project without agreement from relevant technical organizations;
5. Receiving bribes for personal gain, and solving issues in a way not compliant with laws and regulations.

#### **Article 63 Prohibitions for Project Executive Agencies**

Project executive agencies are prohibited from behaving as follows:

1. Slowing or delaying the implementation of the project which may impair the quality of the project and increase investment expenses unnecessarily;
2. Receiving bribes for personal gain, and solving issues in a way that conflicts with laws and regulations;
3. Abusing their powers in the performance of their duties.

#### **Article 64 Prohibitions for Project Administrators and Users**

Project administrators and users are prohibited from behaving as follows:

1. Changing the goal of the use of projects without approval from project owners;
2. Selling, mortgaging, or pledging project assets, or behaving in conflict with state assets management rules.

#### **Article 65 Prohibitions for Project Consultants and Contractors**

Project consultants and contractors are prohibited from behaving as follows:

1. Avoiding giving technical and administrative advice or recommendations regarding state investment projects;
2. Giving advice that is incorrect or open to misinterpretation;
3. Neglecting the administration and operation of state investment projects;
4. Modifying project technical standards without the approval of project owners;
5. Colluding with project owners, project executive agencies, or project administrators and users for illegal gain;
6. Providing incorrect financial and technical information;
7. Disclosing confidential project information to unauthorized individuals or organizations;
8. Selling successful bids for projects to others without the approval of the project owners.

### **Part IV Conflict Resolution**

#### **Article 66 Forms of Conflict Resolution**

Conflicts concerning state investments can be resolved by one of the following forms of resolution:

1. Amicable settlement or mediation;
2. Administrative resolution;
3. Resolution by the Economic Resolution Organization;
4. Petition to the People's Court.

**Article 67 Amicable Settlement or Mediation**

In the event of conflicts related to state investments, the parties shall try to resolve the conflict by consultation and amicable settlement for mutual benefit.

**Article 68 Administrative Resolution**

In the administrative resolution of conflicts related to state investments, for example an individual or legal entity operates an investment without approval or not in line with goals, planning and investment sectors shall coordinate with other sectors and local administrations at their levels to resolve the conflict. In the event that the conflict cannot be resolved, such conflict shall be submitted to their immediate higher level for resolution.

**Article 69 Resolution by the Economic Resolution Organization**

When the parties cannot settle the conflict amicably or cannot mediate at planning and investment sector level, the conflict can be submitted to the Economic Resolution Organization for consideration as provided for in the laws and regulations as agreed by the parties.

**Article 70 Petition to the People's Court**

When a party considers that it has been treated unfairly or damaged by a state investment project, it can submit the matter to the People's Court for consideration in accordance with laws and regulations.

**Article 71 Responsibility during Conflict Resolution**

During conflict resolution, organizations or individuals related to state investments shall continue to perform their duties as agreed by the sectors or organizations relating to state investments.

## **Part V Administration and Inspection**

### **Chapter 1 Administration of State Investments**

**Article 72 Administrative Authorities**

The Government centrally and uniformly administers state investments throughout the country by assigning tasks to the Ministry of Planning and Investment as the focal point in coordination with relevant sectors and local administrations.

Administrative authorities for state investments are as follows:

1. The Ministry of Planning and Investment;
2. Planning and Investment Departments at the provincial and city level;
3. Planning offices and planning/finance offices at the district and municipal level;
4. Village administrations.

### **Article 73 Rights and Duties of the Ministry of Planning and Investment**

In the management of state investments, the Ministry of Planning and Investment has the following rights and duties:

1. To be a secretariat for the government in translating directions, strategic plans, policy plans, and other policies relating to state investments into detailed plans, programs, and projects, and to make laws and regulations;
2. To popularize, disseminate, direct, and monitor the implementation of state investment plans, programs, and projects, and laws and regulations relating to state investments;
3. To study and analyze information that will be provided for decisions on state investments;
4. To build, train, and upgrade the capacity of staff responsible for state investments;
5. To coordinate and collaborate with ministries, agencies, and local administrations;
6. To coordinate and cooperate with foreign countries to attract assistance;
7. To summarize and report regularly about the results of the implementation of state investment plans to the government;
8. To exercise other rights and perform other duties as defined in the laws and regulations, or as assigned by the government.

### **Article 74 Rights and Duties of Planning and Investment Departments at the Provincial and City Level**

In the management of state investments, the Planning and Investment Departments at the provincial and city level have the following rights and duties:

1. To translate policies, strategies, resolutions, instructions, and rules relating to the administration of state investments within their areas of responsibility into detailed plans and programs for implementation;
2. To popularize and disseminate laws and regulations relating to state investments as assigned;
3. To direct, encourage, monitor, and evaluate the implementation of state investment plans, and also to attend the bidding for investment projects situated in their provinces and cities;
4. To act as a secretariat for research and comments relating to state investment in projects for consideration by provincial or city authorities or the Ministry of Planning and Investment on a case-by-case basis;
5. To coordinate and collaborate with other sectors within provinces or cities to implement state investment projects;
6. To coordinate and cooperate with foreign countries as assigned by the Ministry of Planning and Investment or by provincial or city authorities;
7. To summarize and report about the results of the implementation of state investment plans within provinces or cities to the Ministry of Planning and Investment or to provincial or city authorities regularly;
8. To exercise other rights and perform other duties as defined in the laws and regulations, or as assigned by the Ministry of Planning and Investment.

#### **Article 75      Rights and Duties of Planning Offices and Planning/Finance Offices at the District and Municipal level**

In the management of state investments, the planning offices and planning/finance offices at the district and municipal level have the following rights and duties:

1. To implement plans, programs, projects, agreements, instructions, notices, and advice relating to state investments;
2. To disseminate laws and regulations relating to state investments within their areas of responsibility;
3. To encourage and monitor the implementation of state investment work within their areas;
4. To mobilize citizens to administer, maintain, and use state investment projects in an effective, efficient and sustainable manner;
5. To summarize and report regularly about the results of the implementation of state investments within districts or municipalities to Departments of Planning and Investment at provincial or city levels, and to district or municipal administrations;
6. To exercise other rights and perform other duties as defined in the laws and regulations, or as assigned by superior levels.

#### **Article 76      Rights and Duties of Village Administrations**

In the management of state investments, the village administrations have the following rights and duties:

1. To participate in the monitoring and to facilitate the implementation of state investment projects within their areas of responsibility in coordination with relevant sectors at district level;
2. To exercise other rights and perform other duties as defined in the laws and regulations.

#### **Article 77      Responsibilities of other Sectors and Stakeholders**

In addition to this Law, other sectors and stakeholders relating to the management of state investments shall also perform their roles, exercise their rights, and carry out their duties as defined in the laws and regulations.

### **Chapter 2 Inspection of State Investments**

#### **Article 78      Inspection Agencies**

The inspection agencies for state investments consist of two agencies:

1. Internal Inspection Agencies which are the Planning and Investment sectors and other relevant technical sectors;
2. External Inspection Agencies which are the National Assembly, the Government Audit Organization, the State Inspection Organization, local administrations, the Lao Front for National Construction, civil society organizations, social organizations, and people.

#### **Article 79      Rights and Duties of the Internal Inspection Agencies**

The internal inspection agencies have the following rights and duties:

1. Planning and Investment sectors shall inspect projects already approved and implemented in accordance with goals, rules, and economic proposals or project development proposals;
2. Finance sectors shall inspect the supply and the use of budget in state investment projects;
3. Other technical sectors shall inspect technical standards, technology, environment, quality, safety, and use of equipment.

#### **Article 80 Rights and Duties of the External Inspection Authorities**

The external inspection authorities have the following rights and duties:

1. The National Assembly shall inspect the implementation of all types of state investment plans and projects including projects relevant to various sectors and localities;
2. The State Audit Organization shall inspect the use of budget and the transparency of the payment of budget for the implementation of state investment projects;
3. The State Inspection Organization shall inspect the transparency of the implementation of state investment projects;
4. Local administrations shall inspect the implementation of state investment projects within their areas of responsibility, and participate in the inspection of the implementation of state investment projects conducted by ministries or organizations within their local areas;
5. The Lao Front for National Construction, civil society organizations, and social organizations shall participate in the inspection of the implementation of state investment projects as requested by relevant sectors and people;
6. People shall monitor and report about the improper implementation of state investment projects which may cause damage to the public and the national benefit.

#### **Article 81 Forms of Inspections**

Forms of inspections are:

1. Regular inspection;
2. Inspection with advance notification;
3. Sudden inspection.

Regular inspection is an inspection that is conducted regularly and in accordance with a fixed schedule, and must be conducted at least once a year;

Inspection with advance notification is an inspection in the event of necessity and of which notice shall be given to the organization responsible for developing and managing such state investment projects or persons operating state investment activities at least 24 hours in advance.

Sudden inspection is an inspection in the event of necessity but such inspection is conducted urgently without giving advance notice to the organization responsible for developing and managing such state investment projects or persons operating state investment activities.

Inspection shall include inspections of documents, techniques, and actual performance of the organizations or persons at work sites.

## **Part VI**

### **Awards for Good Performers and Measures against Violators**

#### **Article 82 Awards for Good Performers**

Individuals or legal entities with outstanding performance in the implementation of this Law, especially the completion of state investment projects on time, expense savings, no leakages of funds, and high efficiency, will receive awards and other policies in accordance with regulations.

#### **Article 83 Measures against Violators**

Individuals or legal entities that violate this Law will be educated, fined, disciplined, or subject to criminal punishment or civil liability, as determined by the severity of the case.

#### **Article 84 Education Measures**

Individuals or legal entities that violate provisions of this Law but do not cause severe damage or commit a criminal offence will be warned or educated.

#### **Article 85 Fine Measures**

Individuals or legal entities that were warned and educated but still violate this Law and cause damage which is a criminal offence will be fined in accordance with specific regulations.

#### **Article 86 Disciplinary Measures**

Staff or officials who intentionally violate this Law on State Investments but do not cause severe damage will be subject to discipline such as temporary suspension of duties, change of duties or position, etc. in accordance with the rules.

#### **Article 87 Civil Measures**

Individuals or legal entities that cause damage to other people in relation to investments will fully compensate them for the damage they caused.

#### **Article 88 Criminal Measures**

Individuals who violate this Law on State Investments and especially provisions relating to criminal offences and cause severe damage to the health, lives, assets, and benefits of the state, community, or other people will receive sanctions under criminal law and compensate for the damage they caused.

## **Part VII Final Provisions**

#### **Article 89 Implementation**

The government of the Lao People's Democratic Republic is to implement this law.

#### **Article 90 Effectiveness**

This law will be effective after sixty days from the date of promulgation by the President of the Lao People's Democratic Republic.



Any regulations and provisions that contradict are to this law shall be canceled.

**The President of the National Assembly**

*[Signature and seal]*

**Thongsing THAMMAVONG**