



Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity

Ministry of Industry and Commerce

No. 1301/MoIC

Vientiane Capital, date 25/07/2007

Decision

On the management of Industrial Processing Factories

- Pursuant to the Law on Processing Industry no. 01/99/NA, dated 3/4/99;
- Based on the Decree on the implementation of Law on Processing Industry no. 67/PM, dated 12/4/2006;
- Based on the Prime Minister's Decree no. 188/PM, dated 17/8/06 on the organization and operation of the Ministry of Industry and Commerce.

Adherence to article 4 and article 6 of the Law on Processing Industry in order to ensure the management of industrial processing factories operation to be in a tidy and uniform manner in the whole country

Minister to the Ministry of Industry and Commerce issues the following decision:

Chapter 1

General Provisions

Article 1: Objectives

The objectives of this Decision are to define principles in managing the operations of industrial and handicraft processing factories; define the conditions and standard on the factory operations and also the tool for issuing license for factor activity operations, aiming to:

- 1.1 ensure working conditions in the factories to be safety and consistence with sanitation, for the employees and workers;
- 1.2 ensure the technical standard of the factories' buildings, machines, production equipment and quality of the production;
- 1.3 Ensure the management of environment, in order to avoid annoying peoples in the surrounding areas, reduces the pollution to the environment and the public.

Article 2: Definitions

- 2.1 **Industrial and handicraft processing factories** refers a site, a building or a vehicle in which are installed machines that have a total electrical capacity equal to or exceeding 5 horsepower or 3.73 kilowatts, or that makes use of 10 or more labourers to undertake production, assembly, repair, improvement, modification, [packaging] or re-processing as provided in Article 8 of the law on industrial processing.
- 2.2 **Industrial and handicraft processing factory activities** refers to the industrial processing factories defined in point 2.1 of this Decision, which categorized into 23 types of factories as per article 9 of the law on industrial processing by divided into groups of factories based on their importance, and it categorized the industrial and handicraft processing factories into 3 levels as defined in article 10 of the law on industrial processing.
- 2.3 **Machines** refers to a mean consists of many parts that is used in the production or transfer the power, change and replace any power using water, steam, petroleum, air, gas, electricity or other types of power of one or more in combination.
- 2.4 **Labour** refers to the workers working in the factories, excluding the administrative related employees in the factories.
- 2.5 **Management authorities** refer to the industry and commerce sector and other relevant agencies including the local authorities.
- 2.6 **Issuers of the licenses for factory operations** refer to the industry and commerce sector at central, provincial and district levels.
- 2.7 **The industry and commerce sector** refers to the Ministry of Industry and Commerce, Departments of Industry and Commerce at the provincial level, Vientiane Capital and the District industry and commerce offices.
- 2.8 **Factory Inspection Officers** refer to units or individuals that are appointed by the Minister to the Ministry of Industry and Commerce as proposed by the Director-General of Department of Industry, the Directors of Departments of Industry and Commerce at provincial level and Vientiane Capital for the implementation of this Decision.
- 2.9 **Operator of the factory activities** refer to individual that received license for factories operation with its names in such license.
- 2.10 **Establishment of the Factories** refers to the construction of factories' buildings and other structures, installation of machineries, safety system, and system for the protection of environment and so on.
- 2.11 **Factory Operation** refers to undertaking of production activities of the factories.

- 2.12 Expansion of the Factory** refers to the increase in quantity, changes or modifications of the machines with higher horse power or the increase in areas of the factory' s buildings or both at the same time.

Article 3: Scope of Application

This Decision is applied to manage the operation of industrial and handicraft factories of all types, levels as provided in article 9 and 10 of the law on industrial processing.

For the industrial processing factories of the family with the size smaller than what is defined in article 8 of the law on industrial processing which the investment of the family that has skill or the cooperation between the peoples shall be authorized by the District Industry and Commerce Office assigned by the Departments of Industry and Commerce at the provincial level or Vientiane capital. Such operation shall comply with the obligations, customs and taxes according to the regulations and laws.

Chapter 2
Operation of Industrial Processing Factory

Article 4: Conditions on the Establishment and Operation of Industrial Processing Factory

- 4.1 Before establishing the industrial process factory, the entrepreneur shall study the data with the industry and commerce sector in terms of regulations and laws relating to the standard in establishing the factory such as location, buildings of the factory, production process, installation of machines and equipment for the production, safety system, sanitation, assessment on environmental impact, assurance of product quality and so on. In which, the regulations and laws of relevant sectors shall be complied with such as there shall have obtained the investment license, enterprise registration and domestic tax registration.
- 4.2 After the factories have been established and are able to undertake the production trial in conformity with relevant regulations and timetable accepted in the Economic and Technical Feasibility Study Report. They must prepare application for factory operations for approval and attach relating documents in 3 copies and then submit them to the industry and commerce sector for consideration on approving the license for factory operation according to the regulations.

Article 5: Preparation of application requesting for factory operation license

Documents to be submitted for factory operation licensing are as follows:

- 1) Application for Factory Operation licensing (Form ສ/ງ 1)
- 2) Letter of Authorization/Power of Attorney for a person to handle such paperwork
- 3) Copies of Lease contract for land/building or Land Ownership paper and Land title
- 4) Drawings of the production process including the explanation
- 5) List of machines in the factory (must be brand new machines 100% and attach the specification, catalogue of the machines)

- 6) Copies of product quality certificate (in case of compulsory standard requirements)
- 7) Factory environmental certificate and environmental management plan
- 8) Drawing plan of the construction design and machinery technical system of the factory (A 4 size) that meet the construction standard such as:
 - 1- The drawing plan showing the location of the factory in the radius of 500 m
 - 2- The drawing plan showing the structures in the factory compound
 - 3- The drawing plan of the construction of production buildings (front view, side view, back view and cross view)
 - 4- The drawing plan of machines installation (indicate the number as per list of machines mentioned in section 5)
 - 5- The drawing plan of the installation of weight lifting system/crane, the dryer kiln, steamer (if any)
 - 6- The drawing plan of the installation of electricity, fans and air outlet system
 - 7- The drawing plan of the installation of danger and fire protection and the emergency exits
- 9) Annual operational plan of the factory (Form ௪1 - ௪11)

Article 6: Consideration process for the factory operation licensing

Once the industry and commerce sector have received correct and complete application and other relevant documents for factory operation, it shall adhere as follows:

- 6.1 Undertake the inspection on the standard of the factory's buildings, the machines, production equipments, product standard, safety, sanitation, the implementation of the factory operator on its right, obligations and the protection of environmental impact as per the Environmental impact assessment and then make the inspection memorandum for evidence (Form ௪/௭ 6).
- 6.2 In the event that it does not meet the standard and conditions on factory operation as provided in section 6.1, the factory operator shall revise and resolve it within the date specified in the inspection memorandum. If the time is not sufficient the operator shall request the industry and commerce sector for extension.
- 6.3 In the event that it can meet the standard and conditions of factory operation as provided in section 6.1, the industry and commerce sector shall consider issuing the license for factory operation within 10 days from the date it received correct and complete set of documents (Form ௪/௭ 3).

Article 7: Life span of the License for factory operation

The license for factory operation has its life span of 3 years and renewable. In some case it may have less than 3 years or more than 3 years, but shall not exceed 5 years depending on the conditions of the factory or based on any specific conditions concerned on a case by case basis.

The factory operator shall display the license for factory operation at the open place and could be seen easily within the factory area or the company.

Article 8: Renewal of License for factory operation

The factory operator shall prepare application for renewal of license for factory operation (Form ๔/๓ 2) and the report on factory operation status for the previous period (Form ๔/๓ 9) in 3 sets of copy together with the relevant documents as specified in article 5 of this Decision (in case of changes from the original) and then submit them to the industry and commerce sector within 30 days before the expiry of the factory operation license. The consideration process shall be the same as the consideration process for issuance of factory operation license as per article 6 of this Decision and it also need to prepare the inspection memorandum for evidence (Form ๔/๓ 7).

Article 9: Conditions for the renewal of factory operation license

9.1 The factory operator shall continue operating its factory as normal, in full and comply with the Economic and Technical Feasibility study report of the factory and in accordance with the regulations and laws concerned.

9.2 The factory operator shall fully operating its factory and in compliance with the conditions on factory operation approved in the previous license such as standard of the location of the factory, buildings of the factory, production process, installation of machines and equipment for production, safety system, sanitation, protection of environmental impact, quality of the products and so on as specified in section 4.1 article 4 of this Decision and article 14 of the law on industrial processing.

Article 10: Expansion of factory activities

10.1 Expansion of factory activities by increasing the power of machines includes 2 cases as follows:

- Case 1: factory with overall power of machines approved in the first stage of not exceed 100 horsepower, if the factory increase the power of machines from 50% or more, it shall be considered as the expansion.
- Case 2: factory with overall power of machines approved in the first stage of exceed 100 horsepower, if the factory increase the power of machines from 50 horsepower or more, it shall be considered as the expansion.

10.2 Expansion of factory activities by increasing the area of the building or the construction of new factory includes 2 cases as follows:

- Case 1: factory with total area 200 square meters as approved in the first stage, if the factory increase the areas from 50% or more, it shall be considered as the expansion.

- Case 2: factory with total area of more than 200 square meters as approved in the first stage, if the factory increase the areas from 100 square meters or more, it shall be considered as the expansion.

Article 11: Operation of the expanded portion of the factory

- 11.1 After factory is rightfully expanded according the regulations and laws, the factory operator shall prepare the application for expansion of factory activities (Form §/ᄁ 1) in 3 sets of copy together with relevant documents as specified in article 5 of this Decision (in case of changes from the original) and then submit them to the industry and commerce sector, such expansion shall be approved (Form §/ᄁ 5) before operating the business at the expanded portion. The consideration process shall be the same as the consideration process for issuance of factory operation license as per article 6 of this Decision and it also need to prepare the inspection memorandum for evidence (Form §/ᄁ 6).
- 11.2 License for the operation of the expanded portion of the factory shall be the same life span with the remaining life span of the factory operation.
- 11.3 In the event of factory activity expansion by increasing capital or increasing of other production activities other than specified in the investment license, enterprise registration and license for factory operation, the factory operator shall request for increasing of capital or increase of activities, from the relevant sectors and shall obtain written certification before considering the operation of such expanded portion.

Article 12: Quality, standard and the property intellectual rights in term of industry

The factory operator shall comply with article 15 of the law on industrial processing and the specific regulations on quality, standard, requirements on economic and techniques, property intellectual rights in term of industry (trade mark, copy right, design of industry and so on..) depending on the cases of each types of industry.

Chapter 3

The Changes in technical and legal status of the factory

Article 13: Relocation of the factory

The factory operator wishes to relocate its factory to other location shall obtain approval from the industry and commerce sector, and shall adhere to the law on urban planning, regulations on construction, law on the protection of environment and regulations of other relevant sectors. In addition, it shall follow the same process as applicant of the license for new factory operator by preparing additional documents of the changed and modified portions.

Article 14: Relocation of the machines

- 14.1 Temporary relocation of the machines: the factory operator wishes to relocate the machines in parts which were installed in the factory to other location for a temporary

period. It shall submit a request to the industry and commerce sector specifying the reasons and details of the relocation. In addition, it also needs to attach list of machines, revised drawing plan of the installation and other documents relating to such relocation.

In case there is enough reason for the relocation, the industry and commerce sector will approve the relocation of the machines as requested according to the defined period, but shall not exceed 1 year starting the date of approval. At the same time, it should define the conditions or method for the protection of safety.

If the factory operator needs to operate such activities of more than 1 year, it can request for renewal, but need to provide reasons in detail. Once the reasons presented are sufficient, then the industry and commerce sector will consider renewing such license, but not exceeding one year.

- 14.2 Permanently relocation of the machines:** in case the machines broke down or unserviceable which needs to get rid off or written off, the factory operator shall notify the list of such machines in writing, to the industry and commerce sector in order to undertake inspection before they are dismantled/removed and the list of machines shall be revised with 15 days.

Article 15: Discontinuation of factory operation

- 15.1 Temporary discontinuation: the factory operator wishes to temporarily discontinue its factory activities for more than 1 year shall report in writing about the discontinuation results to the industry and commerce sector within 7 days before the discontinuation take place, for the consideration on a case by case basis.

The factory operator that holds the license for factory operation which had already discontinued the operation, but it wishes to resume the factory operation shall report in writing to the industry and commerce sector in order to inspect the conditions of the factory and equipments. Once it is approved for resuming it shall be able to resume the operation after which, in the case of license that is still valid.

The inspection of factory and machines prior to granting approval for resuming shall comply with article 8 of this Decision, in the case of expiry of the license.

- 15.2 Permanently discontinuation: the factory operator wishes to discontinue its factory operation permanently or in part shall report in writing to the industry and commerce sector 15 days in advance in order to issue a certificate for discontinuation in accordance with the regulations (Form §/§ 10).

Article 16: Revocation of License for factory operation

- 16.1 In case there is an accident occurred in the factory as provided in article 21 of this Decision, after the inspection officers undertake the inspection of the factory and

machines and considered that such factory and machines could not be repaired to the safety working conditions. The industry and commerce sector will consider revoking the licensee of factory operation. Once the order on revocation is existed the licensed operator of the factory shall be immediately notified.

- 16.2 In case that the factory operator wishes to renovate and improve the factory to be in good condition as it was or construction of new factory to replace the original one shall do like the applicant for the license for new factory and follow the processes in article 6 of this Decision.

Article 17: Transfer, lease, purchasing or selling the factory activities

- 17.1 In case that the factory operator has transferred, leased, get it purchased or sold its factory operation to other person shall deem that such factory operator has revoked its factory operation since the date it has transferred, leased, get it purchased or sold the factory as per relevant regulations and laws, and shall notify the industry and commerce sector within 15 days starting the date it has transferred, leased, get it purchased or sold the factory onward.
- 17.2 The transferee, lease or purchaser of such factory operation shall submit application for factory operation by changing its legal status within 30 days from the dates of transfer, lease, and purchase of such business. After submission of application for factory operation, it can operate the factory business temporarily and the industry and commerce sector shall consider issuance of replaced license for factory operation as per article 6 (section 6.3) of this Decision and the replaced license shall have valid duration according to the remainder duration of the original license only.

Article 18: Succession of the factory operation

- 18.1 In case that the factory operator has died, the person that has the right for succession or the person that has protection right according to the relevant regulations and laws shall report in writing to the industry and commerce sector within 60 days starting the date of the factory operation has died and the successor shall implement its rights and obligations according to the regulations and laws and shall have the same responsibilities as the previous operator had.
- 18.2 in case that the successor wishes to resume the operation of the factory shall submit application with additional paper in the portion changed or revised, and then the industry and commerce sector shall consider issuing the replaced license for factory operation as per article 6 (section 6.3) of this Decision and the replaced license shall have valid duration according to the remainder duration of the original license only.
- 18.3 In case that the successor has not submitted the application for factory operation by changing its legal status within 90 days from the date that such operator has died, it shall

deem that the license for factory operation has expired together with the death of the factory operator.

Article 19: Changing the name of the factory

When the name of the factory is changed, changes in the factory operator or the legal Status of the Company in line with the relevant regulations and laws; The factory operator shall notify the industry and commerce sector, in writing and with reasons within 15 days from the dates of that the changes took place, and it shall be certified and acknowledged by the relevant sectors as well.

Article 20: Request for replacement of the license for factory operation

In the event that the license for factory operation has been lost or destroyed providing with notification on the loss based on regulations. The factory operator shall request for the replacement of such license for factory operation, from the industry and commerce sector within 15 days from the date it is known of the loss or destruction. In addition, it shall notify in writing with reasons of such loss and destruction.

Article 21: Accident occurred in the factory

In case of accident with causes from inside or outside of the factory and that caused the production system damaged and broke down, the factory operator shall within 24 hours notify the relevant agencies and the industry and commerce sector.

21.1 In the event that the accident has caused dead or serious injury, the factory operator shall report the detail in writing to the relevant agencies and the industry and commerce sector immediately or not later than 24 hours since the accident occurred.

21.2 In case of accident and it caused the factory to stop operating for 7 days, the factory operator shall report in writing to the relevant agencies and the industry and commerce sector within 24 hours since the factory has stopped.

Chapter 4

Rate of the fees for the license of factory operation

Article 22: Fees for the license of factory operation, renewal and expansion of factory operation

Fees for the license of factory operation, renewal and expansion of factory operation, license for factory operation (replacement), certificates of machinery uses, raw material, semi finished material or other parts for the installation, production, assembly or processing in the factory and acceptance on environment of the factory shall adhere to the regulations of the Ministry of Finance from time to time.

Chapter 5

Measures against violators and fines

Article 23: Measures against Violators

Factory operator violates or do not comply with this Decision or the regulations, notices issued by the Ministry of Industry and Commerce shall be subject to warning, re-education, compensation for damages and fine depending on the seriousness of the cases.

Article 24: Measures on warning and re-education

- 24.1 Factory operator that fails to comply with para. 2, article 7 of this Decision, fail to adhere to their obligations as provided in article 42 of the Law on Processing Industry for the first time shall be warned and re-educated by the industry and commerce sector with written memorandum.
- 24.2 Factory operator that fails to comply with the specific regulations on factory standard, the inspection officers shall advise and warn with written memorandum of factory inspection (Form 8/9 8).

Article 25: Measures requiring compensation for damages

In the event that the factory operation caused damages to the workers, inside the factory or outside the factory as provided in article 55 of the law on industrial processing; it shall pay for the actual cost of the damages and based on the related regulations and laws depending on the cases.

Article 26: Fine Measures

Adherence to article 56 of the law on industrial processing, the factory operator that violates article 4,8,11,12,13,14,15,17,18,19,20,21 and 24 of this Decision will be fined according to the cases, as follows:

In case of fines	Articles violated	Rates of the fines (fixed rate of the fees in article 22)
1	Articles 4,8,11 and 13	10
2	Articles 14,17,18,19,20 and 20	
3	Articles 12,15 and 21	

Article 27: Measures on Penal

Factory operator that do not comply with the measure on fines and violates other than described above such as forging factory operation licenses or relevant documents, and failing to adhere to factory safety measures thereby causing death or damage to health shall be subject to penal measures and additional punishment as per article 57 and 58 of the law on industrial and processing depending on the case.

Chapter 6

Final Provisions

Article 28: Implementation

The Department of Industry is assigned to supervise, monitor, translate and implement this Decision strictly in conformity and consistent with the regulations and laws of the sectors concerned.

The Provincial and Vientiane Capital Department of Industry and Commerce is assigned to coordinate with all relevant agencies in order to implement this Decision according to its roles and duties in an effective and strict manners.

Article 29: Effectiveness and application

This Decision is effective and in force from the date it is signed. Decisions, regulations and Notices of the Ministry of Industry and Commerce promulgated earlier that is conflicted with this Decision are all revoked and superseded by this Decision.

Deputy Minister,
Ministry of Industry and Commerce
[Signed and Sealed Sieo savath Savaengseuksa]