

DECREE ON FOUNDATIONS

- Referring to the Constitution of Lao PDR dated 6 May 2003;
- Referring to the Law 02/NA dated 6 May 2003 on the Government of Lao PDR;
- Referring to the proposal 46/PACSA dated 16 May 2011 of the Minister to the PMO, President of the Public Administration and Civil Service Authority,

The Prime Minister of Lao PDR issues the following Decree:

CHAPTER I - General Provisions

Article 1: Objectives

This Decree sets the principles and regulations governing the establishment, operation and management of foundations registered as legal entities in Lao PDR to facilitate and promote their lawful operation for the purpose of enhancing Lao citizens' right of freedom, creativity and ownership in setting up foundations, contributing to social welfare and poverty eradication.

Article 2: Foundation

A foundation is a non-profit seeking social organization registered as a legal entity with its own capital and assets working for public interest in cultural, educational, environmental, health, sports, scientific, charity, humanitarian and other purposes.

Article 3: Definitions

Wordings used in this Decree have the following meanings:

1. **Foundations registered as legal entities** refer to foundations established under this Decree and operating continuously with their own capital, assets, bylaws, office, seal and bank accounts in compliance with the laws and regulations;
2. **Non-Profit Seeking** means that the remaining capital, assets and revenues obtained from activities carried out by foundations from administrative costs are not distributed nor applied for personal benefit, but are used in accordance with the objectives stated in their bylaws;
3. **Capital** means funds;
4. **Assets** means buildings, land, vehicles, equipment and other materials acquired through purchase, lease, donations and contributions from persons, juristic entities and organizations, whether domestic and foreign, or handed over by the government;

5. **Donation of funds and assets** refers to the lawful forfeit and transfer of funds and assets by persons, juristic entities and organizations to foundations;
6. **Fund Raising** in Article 37 refers to the organization of specific forums, conferences or events to call upon donations and support in funds and assets from persons, juristic entities and organizations to foundations;
7. **Independent Audit** refers to an external audit carried out by an independent audit firm or auditor duly licensed for audit and registered in accordance with the laws.

Article 4: Scope of Application

This Decree applies to foundations registered as legal social entities only.

This Decree does not apply to the following organizations:

- State and private funds;
- Foundations of foreign residents, stateless persons;
- Foundations of foreign citizens;
- Branches or representative offices in Lao PDR of foreign foundations.

Article 5: Principles Governing the Establishment and Operation of Foundations

Foundations are established and operate on the basis of the following fundamental principles:

1. Voluntary funding and contribution of assets in setting up foundations;
2. Non-profit seeking operation as a continuous concern with financial autonomy;
3. Transparency, openness, democracy and equality;
4. Legal liability of foundations for all their activities.

Article 6: Government Policy towards Foundations

The government's policy towards foundations provides for:

1. Guaranteed Lao citizens' right of freedom to set up foundations consistently with the laws and regulations;
2. Conditions for foundations' activities for public interest in culture, education, environment, health, sports, sciences, charity, humanitarian or other purposes of public benefit;
3. Increasing transfer of public services to foundations accompanied by appropriate actions to encourage and promote foundations in providing public services for social welfare and poverty eradication;
4. Organization of fund raising events by foundations;
5. Acceptance of donations in cash and assets from persons, juristic entities and organizations, whether domestic and foreign, in compliance with laws and regulations;
6. Reduction or exemption of duties, taxes, fees and charges on foundations as stipulated in relevant laws.

Article 7: Requirements in Setting up Foundations

A foundation is set up when the following requirements are met in full:

1. Its objectives serve public interest, its activities do not contravene the Constitution, the laws and regulations, and the fine national, local and ethnic customs and traditions; do

not threaten national stability, social order, other persons' right of freedom and do not seek to generate profit;

2. Funds and assets provided to set up the foundation are properly evidenced;
3. The foundation's establishment is promoted by Lao citizen(s) who are eighteen years of age and over and mentally sound. Foreign persons may provide funds and assets to set up the foundation in conjunction with Lao organizations or citizens;
4. The foundation's name does not duplicate the names of other previously duly established foundations in the same local jurisdiction;
5. A license is issued by a government organization under this Decree;
6. The foundation has its bylaws and proper certification of its office.

CHAPTER II – Tiers of Foundations

Article 8: Tiers of Foundations

Foundations are classified into three tiers:

1. Foundations with countrywide operating coverage;
2. Foundations with province or capital-wide operating coverage;
3. Foundations with district or chief-town wide operating coverage.

Article 9: Foundations with Countrywide Operating Coverage

Foundations with countrywide operating coverage are foundations set up and licensed to operate over the whole country or parts of the country that include several provinces and/or the capital.

Article 10: Foundations with Province or Capital-Wide Operating Coverage

Foundations with province or capital-wide operating coverage are foundations set up and licensed to specifically operate within a province or the capital.

Article 11: Foundations with District or Chief-Town Wide Operating Coverage

Foundations with district or chief-town wide operating coverage are foundations set up and licensed to operate specifically within a district or chief-town only.

CHAPTER III – Foundation Incorporation Regulations and Procedures

Article 12: Foundation Licensing Rules and Procedures

The establishment of a foundation shall follow the below described regulations and procedures:

1. The promoter(s) of a foundation compile proper and complete documentations as required under Article 13 of this Decree and submit the file to the province governor, mayor of the capital or President of the Public Administration and Civil Service Authority for approval on the basis of opinions from relevant ministries or line agencies;
2. Within sixty days from receiving the application for the foundation's establishment, the authoritative agency shall issue a decision adopting the foundation's bylaws or refusing to issue a license for the foundation;

3. The foundation is formally established upon the issuance of a decision adopting its bylaws by the authoritative agency as stipulated under Articles 38.1 and 38.4 of this Decree.

Article 13: Documentations Required to Apply for the Establishment of a Foundation

Promoter(s) are required to provide complete documentations as follows:

1. Letter applying for the foundation's establishment;
2. Draft bylaws of the foundation;
3. Brief personal résumé(s), certificate(s) of domicile, police record(s) of promoter(s) or name(s) and address(es) of organization(s) participating in the foundation's establishment;
4. Statement of purposes in setting up and operating the foundation;
5. Documents certifying pledged donations or contributions in funds and assets from persons, justice entities or organizations to set up the foundation;
6. Documents certifying the foundation is set up under testaments or assignments from persons, juristic entities or organizations;
7. Documents certifying the foundation's office.

Article 14: Name, Office, Logo and Seal of Foundation

1. Name

- A foundation's name shall be in Lao, clear, easily understandable, void of any gross content and, if necessary, may be translated into a foreign language after its Lao name.
- The use of name or surname of any person as or in the name of a foundation shall require prior written approval from the owner of such name or surname.
- The use of the name of a government organization, state enterprise or juristic entity as or in the name of a foundation shall require prior written approval from the head of such organization.

2. Office

The foundation's office shall be located in Lao PDR and its use shall be based on lawful titles or lease agreements.

3. Logo

A foundation shall have its own logo.

4. Seal

A foundation has its own seal as authorized by government agencies in the size and form stipulated in relevant laws and regulations.

Article 15: Bylaws of Foundations

A foundation's bylaws shall cover the following:

1. Name of the foundation;
2. Its office;

3. Its logo (if any);
4. Its objectives, scope and area of operation;
5. Rules governing its organization and operations;
6. Its organizational structures;
7. Rights and duties attached to each position in its structures;
8. Organization, election methods or authority to appoint or remove members of its executive board, the president, vice-president, director, compliance board and secretary;
9. Its finance and assets;
10. Rules and procedures governing its merger, separation and dissolution;
11. Awards and disciplinary sanctions;
12. Rules and procedures governing improvements, amendments and additions to its bylaws;
13. Complaints and rules governing their resolution;
14. Effectiveness of its bylaws.

CHAPTER IV – Location, Role, Rights, Duties, Obligations and Restrictions of Foundations

Article 16: Location and Role

Foundations are social organizations which role is to extend assistance to society and contribute to national construction and development, and poverty eradication.

Article 17: Rights and Duties of Foundations

Foundations have the right and duty to:

1. Operate in compliance with their bylaws and the laws and regulations;
2. Widely advertise its objectives throughout society;
3. Raise funds and assets from domestic and foreign persons and organizations;
4. Receive support, assistance, donations in funds and in kind from domestic and foreign persons and juristic entities;
5. Provide cultural, educational, environmental, health, sports, scientific, charity, humanitarian and other support of public benefit in accordance with their bylaws;
6. Cooperate with foreign and international organizations under the laws and regulations;
7. Execute other rights and perform other duties as stipulated in their bylaws and the laws and regulations.

Article 18: Obligations of Foundations

Foundations have the obligation to:

1. File annual reports with authoritative agencies and government agencies concerned on their organization, activities and cash flows;
2. Ensure that the scope and sector of their activities remain within the government's management of such scope and sector;

3. Raise funds and assets or receive donations and assistance from domestic and foreign persons, juristic entities and organizations in line with their objectives and on the basis of the laws and regulations;
4. Apply all raised funds and assets in line with their objectives and goals or the objectives and goals of persons, juristic entities and organizations under such persons or organizations' assignment or testament;
5. Strictly comply with the laws and regulations pertaining to accounting, auditing and their bylaws;
6. Perform other obligations as stipulated by laws and regulations.

Article 19: Restrictions to Foundations

Foundations are restricted from:

1. Abusing the right of freedom to set up foundations or, under the guise of foundations, carrying out activities in contravention with the constitution, laws and regulations;
2. Carrying out activities that are potentially threatening national stability, security and social order, other persons' right of freedom and the national, local and ethnic fine customs and traditions;
3. Carrying out activities that undermine national, local and ethnic solidarity;
4. Undermining national, collective and individual interest;
5. Falsifying, transferring, letting, lending their licenses in whatever form;
6. Support unrest and other activities contrary to the laws and regulations.

CHAPTER V – Organization of Foundations

Article 20: Personnel

Foundations' personnel include:

- Executive board or executive council (jointly referred to as management board);
- President of the executive board or council (referred to as President of the management board);
- Director(s);
- Compliance board;
- Secretary (if required);
- And other positions mentioned in the foundations' bylaws.

Article 21: Role of the Management Board

A foundation's management board is a board composed of 3 and more members nominated by the foundation's promoter(s) and which role is to guide all activities and decide over the foundation's important matters.

Article 22: Rights and Duties of the Management Board

The main rights and duties of a foundation's management board are to:

1. Decide necessary actions to achieve the foundation's objectives;

2. Consider and approve the foundation's annual action plan and budget, and determine its revenues and expenses;
3. Consider and approve the organizational structures, appointment or dismissal of the president, vice-president, director, deputy director, compliance board, standing board members (if any), secretary, and technical units under the foundation;
4. Supervise the performance of activities by different units under the foundation;
5. Execute other rights and perform other duties set out in the foundation's bylaws.

Article 23: Role of the President of the Management Board

The president of the management board is a Lao citizen elected from among the members of the management board.

The role of the management board's president is to guide the execution of the management board's resolutions and chair the foundation's meetings.

Article 24: Rights and Duties of the President of the Management Board

The president of a foundation's management board has the right and duty to:

1. Guide the examination of actions necessary to achieve the foundation's objectives;
2. Guide the development of the foundation's action plan and projected revenues and expenditures;
3. Consider the appointment or dismissal of director(s), deputy director(s), compliance board, standing board members (if any), secretary, technical units under the foundation;
4. Execute other rights and perform other duties set out in the foundation's bylaws.

Article 25: Role of Director

The director of a foundation is a Lao citizen appointed by the president of the foundation's management board as approved by the management board.

Article 26: Rights and Duties of Director

A foundation's director has the right and duty to:

1. On behalf of the foundation, contact and coordinate with different domestic and foreign organizations;
2. Administer the foundation's activities; properly execute the foundation's expenditures in accordance with the management board's resolutions and in compliance with the foundation's bylaws and stipulations of relevant laws and regulations;
3. Report the outcome of the foundation's activities to the foundation's management board and authoritative licensing government organizations on a regular basis.
4. Manage the foundation's properties according to its bylaws and the stipulations of laws and regulations;
5. Propose the president of the foundation's management board to appoint a deputy director and technical units under the foundation;
6. Execute other rights and perform other duties set out in the foundation's bylaws.

Article 27: Role of the Compliance Board

The Compliance Board is a body elected by the foundation's management board and which role is to assist the management board in inspecting all the foundation's activities to ensure their compliance with the foundation's bylaws and the laws and regulations.

Article 28: Rights and Duties of the Compliance Board

The Compliance Board has the right and duty to:

1. Carry out routine inspection and specific inspection upon the occurrence of potential breaches to the laws and regulations or the foundation's work approach;
2. Review the progress in the development and execution of the foundation's objectives, resolutions of management board meetings and resolutions of standing board meetings (if any);
3. Review the foundation's management and expenses;
4. Execute other rights and perform other duties set out in the foundation's bylaws.

Article 29: Role of Secretary

The secretary of a foundation assists the management board's president and is appointed by the management board's president as approved by the management board to administer the foundation's routine activities.

Article 30: Rights and Duties of Secretary

The secretary of a foundation has the right and duty to:

1. Prepare documents and matters for deliberation at management board meetings;
2. Present views and proposals on various issues to the management board president and vice-president;
3. Prepare the foundation's monthly, quarterly, semi-annual and annual reports for submission to the management board or relevant government organizations;
4. Build favorable conditions as may be necessary for the performance of activities by the foundation, management board, president and vice-president of the foundation's management board;
5. Contact and coordinate with other foundations, relevant party and government organizations on behalf of the foundation;
6. Execute other rights and perform other duties set out in the foundation's bylaws.

CHAPTER VI – Merger, Separation and Dissolution of Foundations**Article 31: Merger and Separation of Foundations**

A merger of several foundations into a single foundation or a separation of one foundation into several foundations shall be carried out as stipulated in the foundations' bylaws on the basis of the foundations' will and approval of the licensing authority.

Article 32: Dissolution of Foundations

A foundation will be dissolved in any of the following circumstances:

1. Expiry of the term of operation stipulated in the foundation's bylaws;

2. The foundation has achieved the objectives set out in its bylaws;
3. Lack of funding or assets to support further operation;
4. The government orders its dissolution due to:
 - a. The failure in continuously operating over a period of twelve consecutive months and in reporting its organization, operations and finance to the relevant government agencies over at least two consecutive years;
 - b. Expiry of its term of operation or the foundation's objectives are fulfilled and the foundation fails not volunteer for dissolution;
 - c. The foundation grossly breached the laws and regulations or its bylaws.

A dissolved foundation's rights and duties are terminated on the date the licensing authority cancels the foundation's license.

Upon dissolution, a foundation's assets are disposed of in accordance with its bylaws or transferred to other foundations with similar objectives or taken over by the government for distribution to other foundations.

Article 33: Duties of Foundations upon Volunteering for Dissolution

The foundation's management board prepares and submits the following documents to the licensing authority:

1. Application for the foundation's dissolution;
2. Resolution or minutes of meeting calling for dissolution of the foundation;
3. Inventory, statement of liabilities, cash flow and remaining funds;
4. Liabilities settlement and remaining assets disposal plan.

Article 34: Establishment of Representative Offices or Branches

Foundations may establish their representative offices or branches with the consent of local administrative authorities and relevant organizations.

CHAPTER VII – Finance and Assets of Foundations

Article 35: Sources of Revenues of Foundations

A foundation obtains revenues from various sources such as:

1. Donations from persons, juristic entities or organizations;
2. Assistance from persons or juristic entities or organizations, whether domestic and foreign, in compliance with the laws and regulations;
3. Income from the supply of services or other lawful activities;
4. Other lawful sources of revenues;

The management of revenues shall be as stipulated in the foundation's bylaws and the relevant laws and regulations.

Article 36: Expenses of Foundations

Foundations' expenses include:

1. Support to programs, projects of public benefit according to their objectives and bylaws or according to donors' objectives;

2. Overhead costs which shall not exceed ten percent of the foundations' annual spending plan;
3. Other expenses indicated in the foundations' bylaws.

Article 37: Advocacy and Fund Raising

Foundations may carry out advocacy campaigns and raise funds or assets from the society in different forms.

Advocacy campaigns and fund or asset raising in the form of events and forums require prior written approval from the relevant local administrative authorities.

CHAPTER VIII – Management and Inspection of Foundations

Article 38: Foundations Managing Agencies

The government ensures the centralized and countrywide unified management of foundations by assigning the following agencies to assist in such management:

1. The Public Administration and Civil Service Authority, Prime Minister's Office;
2. The Ministry of Finance;
3. Ministries and sectoral agencies concerned;
4. Province/capital administrative authorities.

Article 39: Rights and Duties of the Public Administration and Civil Service Authority, Prime Minister's Office

The Public Administration and Civil Service Authority, Prime Minister's Office, has the right and duty to:

1. Lead coordination with stakeholders in studying, drafting and submitting policies and the law on foundations to higher authorities for consideration and promulgation;
2. Disseminate and advise on the implementation of policies, laws and regulations pertaining to foundations;
3. Examine and consider authorizing the establishment, approve the merger, separation or dissolution of foundations designated in Article 9 of this Decree.
4. Monitor, review, inspect the organization and activities of foundations designated in Article 9 of this Decree;
5. Advise ministries, equal ranking central agencies and province and district administrative authorities in the management of foundations and review of their activities;
6. Examine and consider resolving petitions, complaints and proposals within the scope of its authority.

Article 40: Rights and Duties of the Ministry of Finance

In the management of foundations, the Ministry of Finance has the right and duty to:

1. Lead coordination with agencies concerned in issuing regulations governing foundations' financial management and advise local finance agencies in such regulations' implementation;

2. Organize reviews, inspections and supervisions of foundations' financial activities; resolve petitions, complaints and breaches to financial discipline.

Article 41: Rights and Duties of Ministries and Line Agencies

Ministries and line agencies have the right and duty to:

1. Review and present opinions on applications for the establishment, merger, separation and dissolution of foundations relating to the field and sector of activities under their perusal;
2. Disseminate and advise foundations on the implementation of policies, laws and regulations relevant to their functions;
3. Advise, facilitate, monitor and review foundations' activities to ensure such activities' proper alignment with their objectives and roles;
4. Propose licensing authorities or the government to award foundations with prominent achievements in contributing to development and social welfare in sectors under their perusal.

Article 42: Rights and Duties of Province/Capital Administrative Authorities

Province/capital administrative authorities have the right and duty to:

1. Consider approval for the establishment, merger, separation or dissolution of foundations designated in Articles 10 and 11 of this Decree;
2. Disseminate and advise on the implementation of policies, laws and regulations pertaining to foundations;
3. Advise, facilitate, monitor and review foundations' activities to ensure their efficient and proper performance in line with their objectives and role;
4. Examine and resolve petitions, complaints and proposals within the scope of their authorities;
5. Award or propose the authoritative government agencies to award foundations with prominent achievements in contributing to development and social welfare in their jurisdiction.

Article 43: Coordination

Coordination between the Public Administration and Civil Service Authority and stakeholders is carried out as follows:

1. The Public Administration and Civil Service Authority contacts and coordinates with ministries and sectoral agencies concerned prior to approving the establishment, merger, separation and dissolution of foundations designated in Article 9 of this Decree;
2. Ministries and sectoral agencies concerned notifies the status of activities carried out by foundations operating in the field and sector under their perusal to the Public Administration and Civil Service Authority;
3. The province/capital administrative authorities contact and coordinate with province-level sectoral agencies concerned prior to approving the establishment, merger, separation and dissolution of foundations designated in Articles 10 and 11 of this Decree;

4. Local departments concerned notify the status of activities carried out by foundations operating in sectors under their perusal to the local administrative authorities.

Article 44: Foundations Inspecting Agencies

Foundations inspecting agencies include:

1. Foundations managing agencies indicated in Article 38 of this Decree;
2. Independent audit agencies;
3. State audit agencies.

Article 45: Inspection of Foundations

Foundations inspecting agencies have the duty to review the organization and activities of foundations within the scope of their respective authority as follows:

1. Verify the personal résumés of promoter(s), director and president of a foundation's management board;
2. Examine a foundation's objectives stated in its bylaws;
3. Examine annual reports on the organization and activities performed by foundations;
4. Verify foundations' annual financial statements;
5. Verify potential breaches to foundations' bylaws, laws and regulations.

CHAPTER IX – Awards and Sanctions

Article 46: Awards

Foundations with prominent achievements in beneficially contributing to the society and the nation will be praised and awarded according to the government's policy.

Article 47: Sanctions

Foundations breaching the stipulations of this Decree or other laws and regulations pertaining to foundations will be warned, educated, imposed disciplinary measures, fines or legal proceedings according to the nature of such breach.

CHAPTER X – Final Provisions

Article 48: Implementation

Ministries, central agencies, local administrative authorities and domestic social organizations shall acknowledge and strictly abide by this Decree.

The Public Administration and Civil Service Authority, Prime Minister's office, is responsible for organizing its implementation and issuing additional detailed guidelines to further elaborate this Decree.

Article 49: Effectiveness

This Decree comes into effect and force within ninety days from the date it is signed. Any decisions and provisions inconsistent with this Decree are superseded.

Foundations established and operating prior to this Decree's date of effectiveness shall file complete documentations as required under Article 13 of this Decree to foundation licensing

agencies designated in Articles 38.1 and 38.4 of this Decree in order to apply for their re-incorporation within sixty days from this Decree's date of effectiveness.

Prime Minister of Lao PDR,
Thongsing THAMMAVONG