

HRDME Enterprise Survey 2013 for Lao PDR

Human Resource Development for a Market Economy (HRDME) Project



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Table of Content

List of Figures, Tables, Abbreviations	4
Foreword	13
Acknowledgement	14
ບົດສະຫຼຸບຫຍໍ້ (Executive Summary in Lao)	15
Executive Summary	20
6. Political and Economic Background	25
6.1 National Reforms and Strategies	25
6.1.1 Economic Reforms	25
6.1.2 National Social Economic Development Plan and Strategy Framework	26
6.2 National Policies.....	27
6.2.1 Monetary Policy	27
6.2.2 Fiscal Policy	27
6.2.3 Trade Regime	28
6.2.4 Investment Regime	29
6.3 Economic Performance and Challenges	29
6.3.1 Economic Performance	29
6.3.2 Sustainable Economic Development and Poverty Eradication	30
6.4 Support of the Lao-German Development Cooperation	33
7. Survey Methodology and Implementation	35
7.1 ES2013 Task Force.....	35
7.2 Questionnaire.....	35
7.3 Enterprise Population and Sample Description	35
7.3.1 Enterprise Tax Registration in Sample Districts	38
7.3.2 Enterprise Sample - Closures and New Entrants.....	39
7.4 Firm Size Development of Enterprises 2011-2013	41
7.5 Fieldwork.....	43
8. Detailed Enterprise Survey Findings.....	44
8.1 Basic Enterprise Characteristics	44
8.1.1 Enterprises by Size	44
8.1.2 Enterprises by Age	44
8.1.3 Enterprises by Sectors	46
8.2 Characteristics of Owners and Managers of Enterprises.....	47

HRDME Enterprise Survey 2013 for Lao PDR

8.2.1	Gender, Age and Nationality	47
8.2.2	Education	49
8.3	Production Inputs and Customers of Enterprises	50
8.3.1	Primary Customers	50
8.3.2	Production Inputs.....	52
8.4	Enterprise's Experienced and Expected Performance.....	52
8.4.1	Past Performance	52
8.4.2	Expected Performance	55
8.5	Investment Behavior and Perceived Economic Situation	58
8.5.1	Investments.....	58
8.5.2	Perceived Economic Situation.....	62
8.6	Challenges of Globalization and Regional Economic Integration	63
8.6.1	Awareness.....	63
8.6.2	Knowledge and Preparation	66
8.7	Business Constraints.....	72
8.7.1	Internal Business Constraints	72
8.7.2	External Business Constraints	78
8.8	Human Resources	87
8.8.1	Skills of Owners/Managers and Staff.....	87
8.8.2	Training Needs and Skill Requirements.....	91
8.9	BMOs and their Services.....	95
8.9.1	BDS	95
8.9.2	Public-Private Dialogues	97
8.10	Taxes.....	99
8.10.1	Mode of Tax Payment	99
8.10.2	Tax Types	100
8.11	Government Services.....	101
8.11.1	Central and Local Government Services	101
8.11.2	Awareness of Business Laws	104
8.12	Business Finance	106
8.12.1	Need for and Access to External Financing	106
8.12.2	Receiving of External Financing	108
9.	Trend Analysis for the Period 2005-2013	109
9.1	Enterprise Performance	109

HRDME Enterprise Survey 2013 for Lao PDR

9.2	Business Facilitation by Public and Private Organizations.....	115
9.3	Human Resource	119
9.4	Use and Demand for BDS	122
9.5	Access to and the Need for Finance	124
9.6	Firms' Perceptions of Internal and External Constraints	127
9.6.1	Perceived Internal Constraints.....	127
9.6.2	Perceived External Constraints.....	128
	List of References	129
Annex 1:	ES2013 Questionnaire	131
Annex 2:	Analysis of Internal and External Problems (ES2013).....	156
Annex 3:	ES2013 Findings by Province	165
Annex 4:	Raw Data	181

List of Figures, Tables, Abbreviations

List of Figures

Figure 7.3-1: Provincial shares of tax registered enterprises in 2012-2013	37
Figure 7.3.1-1: Enterprises registered 2005, 2007, 2009, 2011, and 2013 in Sample Districts	39
Figure 7.3.2-4: Enterprise survey sample size	41
Figure 8.1.1-1: Enterprise size development based on number of employees	44
Figure 8.1.2-1: Enterprise age structure by enterprise size	45
Figure 8.1.2-2: Enterprise age by sector (ISIC).....	45
Figure 8.2.1-1: Women owned/managed enterprises by year	47
Figure 8.2.1-2: Trend of proportion of female owners by firm size.....	47
Figure 8.2.1-3: Gender of owner/manager by firm size	48
Figure 8.2.1-4: Age of owner/manager by enterprise size.....	48
Figure 8.2.1-5: Nationality of owner/manager by firm size	49
Figure 8.2.2-1: Education of owner/managers by firm size	50
Figure 8.3.1-1: Primary customers by firm size	51
Figure 8.3.2-1: Source of inputs by firm size	52
Figure 8.4.1-1: Development of profit changes regarding previous year.....	53
Figure 8.4.1-2: Output in 2012/2013 compared to 2011/2012 by firm size	53
Figure 8.4.1-3: Turnover in 2012/2013 compared to 2011/2012 by firm size	54
Figure 8.4.1-4: Profit in 2012/2013 compared to 2011/2012 by firm size	54
Figure 8.4.1-5: Employment in 2012/2013 compared to 2011/2012 by firm size	55
Figure 8.4.2-1: Development of expected profit change in the next two years.....	56
Figure 8.4.2-2: Expected changes in output for the next two years by firm size	56
Figure 8.4.2-3: Expected changes in turnover for the next two years by firm size	57
Figure 8.4.2-4: Expected changes in profit for the next two years by firm size.....	57
Figure 8.4.2-5: Expected changes in employment for the next two years by firm size.....	58
Figure 8.5.1-1: Development of firms that made new investments in the previous year by firm size	59
Figure 8.5.1-2: Prevalence of investment plans by firm size	59
Figure 8.5.1-3: Investments by type and firm size	60
Figure 8.5.1-4: Reasons for not having investment plans by firm size	61
Figure 8.5.2-1: Competitiveness as perceived problem by firm size and year.....	62
Figure 8.5.2-2: Reasons for lack of competitiveness by firm size.....	62

Figure 8.5.2-3: Perceived current economic situation in general compared to two years ago by firm size	63
Figure 8.6.1-1: Development of awareness of AFTA and WTO.....	64
Figure 8.6.1-2: Awareness of AEC, AFTA and WTO by firm size	65
Figure 8.6.1-3: Source of information about AEC, AFTA and WTO by firm size.....	66
Figure 8.6.2-1: Effect of AEC on business by firm size.....	67
Figure 8.6.2-2: Expected type of impact AEC will pose on business by firm size	68
Figure 8.6.2-3: Preparation for 2015 AEC start by firm size	69
Figure 8.6.2-4: Effect of AFTA on business by firm size	70
Figure 8.6.2-5: Specific types of AFTA impacts on business by firm size	70
Figure 8.6.2-6: Effect of WTO on business by firm size.....	71
Figure 8.6.2-7: Specific impacts of WTO on business by firm size.....	72
Figure 8.7.1-1: Lack of management skills as a perceived constraint by firm size.....	73
Figure 8.7.1-2: Lack of accounting skills as a perceived constraint by firm size.....	74
Figure 8.7.1-3: Lack of technically skilled labor as a perceived constraint by firm size	74
Figure 8.7.1-4: Lack of management staff as a perceived constraint by firm size	75
Figure 8.7.1-5: Low level of technology as a perceived constraint by firm size.....	75
Figure 8.7.1-6: Lack of market information as a perceived constraint by firm size.....	76
Figure 8.7.1-7: Lack of capital as perceived constraint by firm size.....	76
Figure 8.7.1-8: High labor costs as perceived constraint by firm size.....	77
Figure 8.7.1-9: Low productivity/efficiency as perceived constraint by firm size.....	77
Figure 8.7.2-1: Domestic competition as perceived constraint by firm size	79
Figure 8.7.2-2: Competition with foreign firms as perceived constraints by firm size	79
Figure 8.7.2-3: High taxes and duties as perceived constraints by firm size.....	80
Figure 8.7.2-4: Other fees and unofficial payments as perceived constraints by firm size.....	80
Figure 8.7.2-5: Road networks as perceived constraint by firm size.....	81
Figure 8.7.2-6: Water infrastructure as perceived constraint by firm size	81
Figure 8.7.2-7: Electricity supply as perceived constraint by firm size	82
Figure 8.7.2-8: Telecommunication (telephone) as perceived constraint by firm size	82
Figure 8.7.2-9: Telecommunication (Internet) as perceived constraint by firm size.....	83
Figure 8.7.2-10: Electricity prices as perceived constraints by firm size	83
Figure 8.7.2-11: Fuel prices as perceived constraints by firm size.....	84
Figure 8.7.2-12: Telecommunication prices as perceived constraints by firm size.....	84
Figure 8.7.2-13: Customs/foreign trade regulations as perceived constraints by firm size.....	85

Figure 8.7.2-14: Exchange rate regulations as perceived constraints by firm size.....	86
Figure 8.7.2-15: Labor and safety regulations as perceived external constraints by firm size.....	86
Figure 8.7.2-16: (Re-) registering with the tax office as perceived constraints by firm size	87
Figure 8.7.2-17: Renewing operating licenses as perceived constraints by firm size	87
Figure 8.8.1-1: Received vocational and technical training by owners/managers by firm size	88
Figure 8.8.1-2: Sources of vocational and technical training by firm size	88
Figure 8.8.1-3: Management training of owner/manager before starting business by firm size	89
Figure 8.8.1-4: Type of received management training (before starting business) by firm size	89
Figure 8.8.1-5: Owner/manager's training after starting business by firm size	90
Figure 8.8.1-6: Type of received management training (after starting business) by firm size.....	90
Figure 8.8.2-1: Skills/training requirements on new employees by firm size	91
Figure 8.8.2-2: Owners/managers, who want to learn new skills in 2013 by firm size	92
Figure 8.8.2-3: Skills that owners/managers want to learn by firm size	93
Figure 8.8.2-4: Owners/managers, who want their employees to be trained by firm size	94
Figure 8.8.2-5: Skills, owners/managers want their employees to learn by firm size	94
Figure 8.9.1-1: Percentage of owners/managers receiving business development service/advice by firm size	95
Figure 8.9.1-2: Source of business development service/advice used by firm size.....	96
Figure 8.9.2-1: Knowledge of PPPD and LBF by firm size.....	97
Figure 8.9.2-2: Firms participation in the PPPD processes by firm size	98
Figure 8.9.2-3: LBF perceived as supportive to overcome business constraints by firm size	98
Figure 8.9.2-4: Development of numbers of firms using advisory services from BMOs	99
Figure 8.10.1-1: Used modes of tax payment by firm size.....	99
Figure 8.10.1-2: Development of used tax payment modes	100
Figure 8.10.2-1: Types of tax paid in 2013 by firm size	101
Figure 8.11.1-1: Helpfulness of central government now (2013) compared to two years ago (2011) by firm size	102
Figure 8.11.1-2: Helpfulness of local authorities now (2013) compared to two years ago (2011) by firm size	103
Figure 8.11.2-1: Source of information on business regulations by firm size.....	105
Figure 8.11.2-2: Familiarity with business laws and regulations by firm size	106
Figure 8.12.1-1: Location of enterprise bank accounts	107
Figure 8.12.1-2: External financing required for expanding businesses by firm size	107
Figure 8.12.2-1: Firm receiving external financing by firm size.....	108
Figure 8.12.2-2: Sources of external financing by firm size	109

Figure 9.1-1: Development of enterprise performance (output, turnover and profit), 2007-2013	110
Figure 9.1-2: Change in number of employees, 2007-2013	110
Figure 9.1-3: Development of enterprises having made new investments in the respective last year ...	111
Figure 9.1-4: Development of enterprise on their expected performance (output, turnover and profit) in the next two years.....	112
Figure 9.1-5: Development of expected hiring in the next two years	112
Figure 9.1-6: Development of the prevalence of investment plans	113
Figure 9.1-7: Development of awareness of AFTA and WTO.....	114
Figure 9.1-8: Development of owners' perception regarding the effect of AFTA (left-hand side) and WTO (right-hand side) on their businesses	114
Figure 9.2-1: Development of satisfaction with central government services now compared to two years ago.....	115
Figure 9.2-2: Development of satisfaction with local government services now compared to two years ago.....	116
Figure 9.2-3: Development of used sources of information about business regulations	117
Figure 9.2-4: Development of BMO membership.....	118
Figure 9.3-1: Development of entrepreneurs with vocational and technical skills training.....	119
Figure 9.3-2: Development of amount of managers starting businesses with management training (left-hand side) and managers expressing the will to learn skills to improve their businesses (right-hand side)	121
Figure 9.3-3: Development of amount of owners/managers who want their employees to be trained ..	122
Figure 9.3-4: Development of required skill for employees, expressed by owners/managers.....	122
Figure 9.4-1: Development of number of owners/managers receiving advice for developing their businesses	123
Figure 9.4-2: Development of willingness to pay for business development advice	124
Figure 9.5-1: Development of number of businesses receiving external finance.....	125
Figure 9.5-2: Development of sources for external financing	126
Figure 9.5-3: Need for funding in order to expand business over time	127

List of Tables

Table 6.3.1-1: Macroeconomic development in Laos	30
Table 7.3-1: 2012-2013 registered enterprises	36
Table 7.3-2: Number of enterprises registered at tax offices 2009, 2011 and 2013.....	36
Table 7.3.1-1: Number of Enterprises registered with tax office in sample districts over time	38
Table 7.3.2-2: Number of new enterprises to survey (EBS2005, ES2007, ES2009 and ES2011).....	39
Table 7.3.2-3: Share of sample sizes to total registered enterprises, by province (in percent)	40
Table 7.4-1: Enterprises by size.....	41
Table 7.4-2: Firm Size Development 2011-2013 (Micro Enterprises).....	42
Table 7.4-3: Firm Size Development 2011-2013 (Small Enterprises)	42
Table 7.4-4: Firm Size Development 2011-2013 (Medium Enterprises)	42
Table 7.4-5: Firm Size Development 2011-2013 (Large Enterprises)	42
Table 8.1.3-1: Enterprise by ISIC letter code	46
Table 8.11.1-1: Development of ease of doing business in Laos	104
Table 9.2-1: Development of reasons behind BMO membership	118
Table 9.3-1: Development of /owners/managers and office staff obtaining professional training	120
Table 9.3-2: Development of participation in professional training by workers and technical staff	120
Table 9.4-1: Development of sources for business development advices	123
Table 9.4.2: Sources of advice for business development.....	124
Table 9.6.1-1 Ratings of most severe internal constraints across time.....	127
Table 9.6.2-1 Ratings of most severe external problems across time	128
Table A.2.1-1: Firm characteristics associated with perceptions of (most severe) internal problems ...	159
Table A.2.2-1: Firm characteristics associated with perceptions of (most severe) external problems ..	162
Table A.3.1: Percentage share - gender of owner/manager	165
Table A.3.2: Percentage share - age of owner/manager	165
Table A.3.3: Percentage share - nationality of owner/manager.....	165
Table A.3.4: Percentage share - education of owner/manager	165
Table A.3.5: Percentage share - primary (largest) customer(s)	165
Table A.3.6: Percentage share - origin of inputs	165
Table A.3.7: Percentage share - firms using computer.....	166
Table A.3.8: Percentage share - purpose of using computers.....	166
Table A.3.9: Percentage share - business development in 2012/13 compared to 2011/12.....	166
Table A.3.10: Percentage share - business development during the last six months compared to the same period of the year before	166

Table A.3.11: Percentage share - firms investing last year (2011/12).....	167
Table A.3.12: Percentage share - expectations regarding the development of business in the next 2 years.....	167
Table A.3.13: Percentage share – prevalence of investment plan	167
Table A.3.14: Percentage share - areas planned to invest in	168
Table A.3.15: Percentage share – reasons for not investing.....	168
Table A.3.16: Percentage share - knowledge of AEC, AFTA or WTO	168
Table A.3.17: Percentage share - information sources about AEC, AFTA and WTO.....	168
Table A.3.18: Percentage share – assumed effect of AEC on business.....	168
Table A.3.19: Percentage share - assumed kind of impact of AEC on business.....	169
Table A.4.20: Percentage share - effect of AFTA on business since its start in 2008.....	169
Table A.4.21: Percentage share - kind of impact from AFTA on business.....	169
Table A.4.22: Percentage share – effect of WTO on business since Laos became a member	169
Table A.4.23: Percentage share –kind of impact from WTO on business.....	169
Table A.4.24: Percentage share - preparation for start of AEC in 2015.....	170
Table A.4.25: Percentage share – perceived internal problems.....	170
Table A.4.26: Percentage share – perceived external problems	171
Table A.4.27: Percentage share - problems with competitiveness	174
Table A.4.28: Percentage share – evaluation of the current economic situation in general compared to 2 years ago.....	174
Table A.4.29: Percentage share - facilitation of the central government now compared to 2 years ago	175
Table A.4.30: Percentage share - facilitation of the local authorities now compared to 2 years ago.....	175
Table A.4.31: Percentage share - receiving notification about regulations related to businesses	175
Table A.4.32: Percentage share - knowledge of business laws and regulations.....	175
Table A.4.33: Percentage share - knowledge about LBF for PPPD	176
Table A.4.34: Percentage share - participation in PPPD processes.....	176
Table A.4.35: Percentage share – helpfulness of PPPD for business	176
Table A.4.36: Percentage share - participation in LBF processes	176
Table A.4.37: Percentage share – helpfulness of LBF for business	176
Table A.4.38: Percentage share - Owner/manager completed any vocational and technical skills training.....	176
Table A.4.38: Percentage share - source of training.....	176
Table A.4.40: Percentage share - level of skills/training new employees should have.....	177
Table A.4.41: Percentage share - engaged or willing to engage in formal vocational training / DCT...	177

Table A.4.42: Percentage share - owner/ manager with management training when starting business.....	177
Table A.4.43: Percentage share – existing kind of management training of owner/manager	177
Table A.4.44: Percentage share - owner/manager getting any management training after starting businesses	177
Table A.4.45: Percentage share - received kind of management training of owner/manager	178
Table A.4.46: Percentage share - owner/manager, who want to learn any skills	178
Table A.4.47: Percentage share - skills owner/manager like to learn to improve businesses performance	178
Table A.4.48: Percentage share - owner/managers in need for their employees to be trained.....	178
Table A.4.49: Percentage share – skills, owners/managers like their employees to learn	178
Table A.4.50: Percentage share - owners/managers getting advice for developing their businesses.....	179
Table A.4.51: Percentage share - source of business advice or business development service	179
Table A.4.52: Percentage share - mode of tax payment	179
Table A.4.53: Percentage share - kind of taxes paid	179
Table A.4.54: Percentage share - location of bank	179
Table A.4.55: Percentage share - businesses receiving external financing	179
Table A.4.56: Percentage share - sources of external financing of companies using external finance	180
Table A.4.57: Percentage share – firms, receiving external financing for expanding their business.....	180

List of Abbreviations

ADB	Asian Development Bank
AEC	ASEAN Economic Community
ALGI	Association of Lao Garment Industries
AFTA	ASEAN Free Trade Area
ASEAN	Association of South East Asian Nations
BANL	Business Association at National Level
BCEL	Banque pour le Commerce Extérieur Lao
BDS	Business Development Services
BMO	Business Membership Organization
BOL	Bank of Lao PDR
CCI	Provincial Chambers of Commerce and Industry
CEPT	Common Effective Preferential Tariff
DIC	Department of International Cooperation
DoSMEP	Department of Small and Medium Enterprise Promotion
EBS	Enterprise Baseline Survey (2005)
ECCIL	European Chamber of Commerce and Industry in Laos
EDEP	Economic Development and Employment Promotion
EDL	Electricité du Laos
ERO	Enterprise Registration Office
ES	Enterprise Survey (2005, 2007, 2009, 2011, 2013)
FDI	Foreign Direct Investment
FEBM	Faculty of Economics and Business Management
FTPD	Foreign Trade Policy Department
GDP	Gross Domestic Product
GIZ	<i>Deutsche Gesellschaft für International Zusammenarbeit GmbH</i>
HDI	Human Development Index
HRDME	Human Resource Development for a Market Economy
ISIC	International Standard Industry Classification
LBF	Lao Business Forum
LSB	Lao Statistics Bureau
LDC	Least Developed Country
LCA	Lao Coffee Association
LNCCI	Lao National Chamber of Commerce and Industry
LWPC	Lao World Public Company
MDG	Millennium Development Goals
MoES	Ministry of Education and Sports
MoIC	Ministry of Industry and Commerce
MPI	Ministry of Planning and Investment
NEM	New Economic Mechanism
NGPES	National Growth and Poverty Eradication Strategy
NGO	Non-governmental organization
NSEDP-7	7 th National Socio-Economic Development Plan
NUoL	National University of Laos
ODA	Official Development Assistance
PICO	Provincial Industry and Commerce Office
pp	Percentage Point
PPPD	Provincial Public-Private Dialogue
RELATED	Regional Economic Integration of Laos into ASEAN, Trade and Entrepreneurship Development

HRDME Enterprise Survey 2013 for Lao PDR

SME	Small and Medium Enterprises
SOCBs	State Owned Commercial Banks
SOE	State Owned Enterprise
SNCSEZ	Secretariat of the National Committee for Special Economic Zones
TF	Task Force
TVET	Technical Vocational Education and Training
VELA	Vocational Education in Laos
WTO	World Trade Organization
\$US	United States Dollar

Foreword

by the Lao National Chamber of Commerce and Industry and the Ministry of Planning and Investment

The enterprise surveys realized within the Lao German development cooperation project “Human Resource Development for a Market Economy” (HRDME) offer comprehensive data on enterprise performance and business environment conditions in Laos. The availability of reliable data, collected on a regular basis, lays the foundation for a successful monitoring of private sector developments and the impact of respective interventions.

It is also important to note that these enterprise surveys do not only allow looking back and evaluating the progress made in promoting the inclusive and sustainable development of a business friendly environment. They may also serve as a basis for designing future interventions in a need-oriented and effective manner.

Such surveys are essential for the government of Laos to define its development goals in general and in particular regarding the improvement of the business enabling environment and empowering enterprises to make best use of it. With respect to the integration of Laos into the ASEAN Economic Community in 2015, we will take the results of this survey in order to identify our remaining tasks along this integration process.

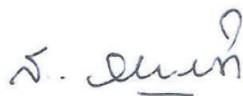
Last but not least, the enterprise surveys provide data of interest to experts, scholars, bilateral and multilateral organizations, and the business sector itself.

The enterprise surveys for Laos – 2005, 2007, 2009, 2011 and now 2013 – within the HRDME Project are designed in a way to gather not only quantitative data but also seek to provide an empirical analysis on why changes – positive and negative – may have occurred. We are very happy to have this information at hand and pleased to introduce now the fifth edition.

The HRDME Enterprise Survey 2013 for Lao PDR was jointly elaborated by the HRDME project partners, Ministry of Planning and Investment (MPI), Ministry of Industry and Commerce (MoIC), Ministry of Education and Sports (MoES), Lao National Chamber of Commerce and Industry (LNCCI) and the Deutsche Gesellschaft fuer Internationale Zusammenarbeit (GIZ) GmbH, as well as the National University of Laos (NUoL) contracted for data collection and analysis.

We wish to thank GIZ in general and the HRDME Project in particular for supporting this valuable study and providing the public with such important data.

Vientiane Capital, July 2014



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Vice Minister, MPI



Sisavath Thiravong
President, LNCCI

Acknowledgement

by the Deutsche Gesellschaft fuer Internationale Zusammenarbeit (GIZ) GmbH

This report is the outcome of a one year long process and the joint efforts by GIZ staff and the Lao partner organizations of the HRDME project as well as contracted consultants, researchers and university staff. I want to express my sincere gratitude towards all those, who contributed to this work.

The framework for the ES2013 was set by the ES2013 task force, which provided valuable advice and support, regarding the revision of the ES2013 questionnaire, the preparation of the fieldwork as well as the formulation of conclusions and recommendations, based on the ES2013 findings. The task force comprised all partners of the HRDME project and its advice was much appreciated.

Bountham Sitthimanotham and Michael Schultze were responsible for updating the questionnaire, the training manual as well as training and accompanying field supervisors and enumerators to the interviews. Both were involved in the enterprise surveys, conducted within the HRDME project, right from the start in 2005 and did ensure consistency and quality as well as applied their valuable experience to this current survey.

The three weeks field work was completed in November 2013 by 40 lecturers and students from the Faculty of Economics and Business Management (FEBM) of the National University of Laos (NUoL). Over the years, the FEBM/NUoL proved to be a reliable and competent partner in this endeavor and I am happy about this fruitful and professional cooperation.

Data entry and cleaning was done by a team of experts under the guidance of Salika Khoonbaarthao, who replaced the team of the Lao Statistics Bureau (LSB) of the MPI. The high quality of the work, the good cooperation and flexibility from Salika Khoonbarthao and her team was much appreciated.

I am also happy that Prof. Dr. Phouphet Kyophilavong, Director of the Research Division at the FEBM/NUoL was this year responsible for the analysis of data. Thanks to him and his team, we are able to hold this report in our hands and study their interesting findings.

The administrative support by my GIZ colleagues Phengsy Norintha, Duangmala Phonesavath, Linka Douangchan, Katharina Koeller and Saskia Dworschak and in particular Tobias Bihler regarding the coordination and supervision of the ES2013 process surely need to be mentioned and I want to express my honest gratitude.

I am confident that the results will be appreciated and prove to be a useful guide for policy makers, development partners, interested entrepreneurs and other stakeholders involved in developing the private sector and strengthening SMEs in the country.

Vientiane Capital, July 2014



Armin Hofmann
Program Director, HRDME

ບົດສະຫຼຸບຫຍໍ້ (Executive Summary in Lao)
ບັນດາຜົນໄດ້ຮັບຕົ້ນຕໍ

1. ເສດຖະກິດຂອງລາວປະສົບກັບບັນຫາຄວາມຍືນຍົງໃນໄລຍະຍາວເຊິ່ງເປັນສາເຫດຍ້ອນການເອື້ອຍອົງຂະແໜງການຂຸດຄົ້ນຊັບພະຍາກອນທຳມະຊາດຫຼາຍຈົນເກີນໄປ. ເສດຖະກິດຂອງລາວໄດ້ສືບຕໍ່ຂະຫຍາຍຕົວໃນລະດັບສູງກວ່າ 7% ຕໍ່ປີ, ແຕ່ການເຕີບໂຕດັ່ງກ່າວນັ້ນອາດຈະບໍ່ຍືນຍົງ ເພາະວ່າການພັດທະນາເສດຖະກິດໃນປະຈຸບັນແມ່ນອີງໃສ່ຂະແໜງການຂຸດຄົ້ນຊັບພະຍາກອນທຳມະຊາດເກືອບທັງໝົດ. ໃນປະຈຸບັນ, ບັນດາບໍ່ແຮ່ໃຫຍ່ຫຼາຍແຫ່ງຖືກຄາດຄະເນວ່າຈະຖືກຂຸດຄົ້ນ ໃນອະນາຄົດອັນໃກ້ນີ້. ຂະແໜງການນີ້ສາມາດປະກອບສ່ວນ ເຂົ້າໃນການພັດທະນາເສດຖະກິດຫຼາຍຮູບແບບໃນໄລຍະສັ້ນ - ໂດຍການ ເພີ່ມລາຍຮັບຂອງລັດຖະບານ, ເພີ່ມການສົ່ງອອກໃນຂະແໜງການດັ່ງກ່າວ ແລະ ດຶງດູດການລົງທຶນໂດຍກົງຂອງຕ່າງປະເທດ (FDI) ແລະ ການລົງທຶນຈາກແຫຼ່ງອື່ນໆ.

2. ວິສາຫະກິດຂະໜາດນ້ອຍ ແລະ ກາງ (SME) ທັງໝົດສ່ວນຫຼາຍແມ່ນສຸມໃສ່ບັນດາຕະຫຼາດພາຍໃນ ແລະ ບໍ່ເປັນກຳມະສິດຂອງຕ່າງປະເທດ. ເກືອບ 90% ຂອງ SME ແມ່ນເປັນຂອງຄົນລາວ, ເຊິ່ງມີທຶນຄົງທີ່, ເງິນທຶນໜ້ອຍ ແລະ ລະດັບທັກສະການບໍລິຫານທີ່ຕ່ຳ. ສິດການເປັນເຈົ້າຂອງໃນວິສາຫະກິດຂະໜາດໃຫຍ່ກວ່າແມ່ນເປັນຂອງຕ່າງປະເທດ. ວິສາຫະກິດສ່ວນຫຼາຍສຸມໃສ່ການຂາຍຜະລິດຕະພັນ ຂອງເຂົ້າເຈົ້າໃນຕະຫຼາດພາຍໃນ, ເຊິ່ງຄິດເປັນຫຼາຍກວ່າ 90% ຂອງຈຳນວນວິສາຫະກິດທັງໝົດ. **ສຳລັບວິສາຫະກິດທີ່ສົ່ງອອກໄປຕະຫຼາດຕ່າງປະເທດ ແມ່ນກວມເອົາພຽງແຕ່ອັດຕາສ່ວນໜ້ອຍ, ເຊິ່ງສ່ວນແບ່ງ (ທາງອ້ອມ) ທີ່ກວມເອົາອັດຕາສ່ວນສົ່ງອອກແມ່ນໃຫຍ່ທີ່ສຸດ** ແມ່ນບັນດາວິສາຫະກິດຂະໜາດໃຫຍ່. ການສົ່ງອອກໄປຕ່າງປະເທດຍັງຢູ່ໃນລະດັບຕ່ຳ ສ່ວນຫຼາຍແມ່ນຍ້ອນຄວາມເປັນຈິງທີ່ວ່າ ວິສາຫະກິດຈຳນວນຫຼາຍແມ່ນ (1) ມີປະສິດທິພາບການຜະລິດທີ່ຕ່ຳ, (2) ສິນຄ້າທີ່ບໍ່ສາມາດຕອບສະໜອງບັນດາມາດຕະຖານຂອງສາກົນ ແລະ (3) ຂາດຂໍ້ມູນກ່ຽວກັບຕະຫຼາດຕ່າງປະເທດ.

3. ປະສິດທິພາບຂອງວິສາຫະກິດຫຼາຍກວ່າ 40% (ໂດຍການວັດແທກຈາກປະສິດທິພາບການຜະລິດ, ທຶນໝູນວຽນ ແລະ ຜົນກຳໄລ) ໄດ້ຮັບການປັບປຸງຖ້າທຽບໃສ່ປີຜ່ານມາ. ການປັບປຸງນີ້ອາດມາຈາກການເພີ່ມ ຂັ້ນຄວາມຕ້ອງການຂອງຕະຫຼາດພາຍໃນ ທີ່ຖືກກະຕຸ້ນໂດຍການຫຼັ່ງໄຫຼເຂົ້າມາຂອງການລົງທຶນມະຫາສານ ໂດຍກົງຈາກຕ່າງປະເທດ, ລາຍຮັບຈາກການສົ່ງອອກແຮ່ທາດ, ການຊ່ວຍເຫຼືອເພື່ອການພັດທະນາເປັນທາງການ (ODA) ແລະ ຈາກການຟື້ນຕົວຂອງວິກິດການທາງດ້ານການເງິນຂອງໂລກ, ເຊິ່ງໄດ້ປະກອບສ່ວນຕໍ່ການຂະຫຍາຍຕົວຂອງການສົ່ງອອກຂອງວິສາຫະກິດເຫຼົ່ານີ້. ການເພີ່ມຂຶ້ນຂອງປະສິດທິພາບການຜະລິດບໍ່ໄດ້ປະກອບສ່ວນຫຼາຍເຂົ້າໃນການຂະຫຍາຍການຈ້າງງານ ເພາະວ່າມີຫຼາຍກວ່າເຄິ່ງໜຶ່ງຂອງບັນດາວິສາຫະກິດ ບໍ່ໄດ້ປ່ຽນແປງຈຳນວນຂອງລູກຈ້າງໃນປີ 2011 ຖ້າທຽບໃສ່ປີຜ່ານມາ. ເຖິງຢ່າງໃດກໍ່ຕາມ, ຜົນໄດ້ຮັບໄດ້ແນະນຳວ່າບັນດາວິສາຫະກິດຂະໜາດໃຫຍ່ ມີບົດບາດອັນສຳຄັນກວ່າ ໃນການເພີ່ມການຈ້າງງານ ແລະ ຊຸກຍູ້ການຈະເລີນເຕີບໂຕຂອງເສດຖະກິດ ຖ້າທຽບໃສ່ບັນດາວິສາຫະກິດຂະໜາດຈຸລະພາກ, ນ້ອຍ ແລະ ກາງ.

4. ບັນດາວິສາຫະກິດເຂົ້າໃຈສະພາບເສດຖະກິດ ສຳລັບການພັດທະນາ SME ໄດ້ຮັບການປັບປຸງ. ມີຫຼາຍກວ່າ 60% ຂອງວິສາຫະກິດຖືກຄາດຄະເນວ່າ ສະພາບການເສດຖະກິດໃນປະຈຸບັນແມ່ນດີກວ່າ 2 ປີຜ່ານມາ. ເຫດຜົນຕົ້ນຕໍຂອງການປ່ຽນແປງນີ້ລວມມີ: (1) ຄວາມໝັ້ນຄົງທາງດ້ານເສດຖະກິດມະຫາພາກ ກັບການເຕີບໂຕທາງດ້ານເສດຖະກິດທີ່ເຂັ້ມແຂງໃນອັດຕາ 7.9% ແລະ ອັດຕາເງິນເຟີ້ໃນລະດັບຕ່ຳ 4.26% ໃນປີ 2012, (2) ການຫຼັ່ງໄຫຼເຂົ້າມາຂອງການລົງທຶນຂະໜາດໃຫຍ່ໂດຍກົງຂອງຕ່າງປະເທດ, ເຊິ່ງເພີ່ມ ຂຶ້ນເປັນ 2 ເທົ່າໃນ 2 ປີຜ່ານມາ ແລະ ການເພີ່ມທະວີຄວາມຕ້ອງການພາຍໃນທີ່ສູງ ແລະ (3) ຜົນສຳເລັດໃນການເຂົ້າເປັນສະມາຊິກອົງການການຄ້າໂລກ

(WTO) ຂອງ ສປປ ລາວ ໃນປີ 2013, ເຊິ່ງຄາດວ່າຈະເພີ່ມການສົ່ງອອກສິນຄ້າຂອງລາວໄປຍັງບັນດາປະເທດສະມາຊິກ.

5. ໂດຍທົ່ວໄປ, ບັນດາວິສາຫະກິດຈະໃຫ້ບຸລິມະສິດແກ່ການລົງທຶນທີ່ມີຮ່ວງເງິນຂະໜາດໃຫຍ່. ບັນດາກິດຈະກຳຕ່າງໆເຫຼົ່ານີ້ລວມມີການລົງທຶນໃສ່ຕົກອາຄານ ແລະ ພາຫະນະໃນການນຳໃຊ້ໃນທຸລະກິດຂອງບໍລິ ສັດ, ບັນດາວິສາຫະກິດຂະໜາດໃຫຍ່ຍັງສຸມໃສ່ການລົງທຶນໃນເຄື່ອງຈັກ, ການເຝິກອົບຮົມ ແລະ ການຕະຫຼາດ, ເຊິ່ງຄາດວ່າຈະເພີ່ມຂຶ້ນເພື່ອເພີ່ມທະວີປະສິດທິພາບການຜະລິດ ແລະ ເພີ່ມຜົນກຳໄລໃຫ້ສູງກວ່າເກົ່າ, ໃນຄະນະດຽວກັນວິສາຫະກິດຂະໜາດຈຸລະພາກ ແລະ ນ້ອຍ ສຸມໃສ່ການລົງທຶນໃນການຕະຫຼາດ ເພື່ອປັບປຸງຕົນເອງໃນການເຂົ້າເຖິງຕະຫຼາດ.

6. ບັນດາວິສາຫະກິດໂດຍທົ່ວໄປເຊື່ອແນ່ວ່າ ການເຊື່ອມໂຍງທາງດ້ານເສດຖະກິດ ແລະ ບັນດາສັນຍາການຄ້າສາກົນໄດ້ນຳໄປສູ່ການຫຼຸດຜ່ອນບັນດາອຸປະສັກທາງດ້ານການຄ້າ ແລະ ປັບປຸງປະສິດທິພາບການສົ່ງອອກຂອງລາວ ກັບບັນດາປະເທດຄູ່ຄ້າໃຫຍ່. ບັນດາວິສາຫະກິດໄດ້ແລກປ່ຽນທັດສະນະວ່າ ການເຊື່ອມໂຍງທາງດ້ານເສດຖະກິດແມ່ນສຳຄັນຕໍ່ບາດກ້າວການຂະຫຍາຍຕົວ ໃນຮູບແບບຂອງການປັບປຸງການເຂົ້າ ເຖິງຕະຫຼາດ ເພື່ອການສົ່ງອອກສິນຄ້າ ແລະ ການບໍລິການ, ການສະໜອງບັນດາໂອກາດໃໝ່ຕ່າງໆ ແລະ ການເຂົ້າເຖິງການນຳເຂົ້າສິນຄ້າ ແລະ ການບໍລິການໄດ້ງ່າຍຂຶ້ນ. ພວກເຂົາຍັງຮັບຮູ້ການເຂົ້າຮ່ວມປະຊາຄົມເສດຖະກິດອາຊຽນ (AEC), ເຂດການຄ້າເສລີອາຊຽນ (AFTA) ແລະ WTO. ໃນຄະນະດຽວກັນ, ຫຼາຍວິສາຫະກິດຍັງຮັບຮູ້ດ້ານການແຂ່ງຂັນທີ່ສູງຂຶ້ນ ເຊິ່ງເປັນຜົນມາຈາກການຫຼຸດຜ່ອນອັດຕາພາສີ.

7. ບັນດາວິສາຫະກິດປະສົບກັບບັນດາຂໍ້ຫຍຸ້ງຍາກພາຍໃນ ແລະ ພາຍນອກຫຼາຍຢ່າງ. ບັນດາບໍລິສັດຮັບຮູ້ຄວາມຂາດແຄນທາງດ້ານທຶນຮອນ ທີ່ເປັນຂໍ້ຫຍຸ້ງຍາກພາຍໃນທີ່ສຳຄັນທີ່ສຸດ. ການເພີ່ມຂຶ້ນຂອງຈຳນວນສະຖາບັນການເງິນໃນປະຈຸບັນໃນລາວ ບໍ່ໄດ້ປະກອບສ່ວນເຂົ້າໃນການເຕີບໂຕຂອງເສດຖະກິດຫຼາຍ. ບັນດາຂັ້ນຕອນການຂໍອະນຸຍາດທີ່ສັບສົນ, ຄວາມຮຽກຮ້ອງຕ້ອງການສູງຄ່າຄຸ້ມຄອງ, ແລະ ອັດຕາດອກເບ້ຍການກູ້ຢືມທີ່ສູງ ເປັນເຫດຜົນຕົ້ນຕໍວ່າເປັນຫຍຸ້ງວິສາຫະກິດສ່ວນໃຫຍ່ ບໍ່ສາມາດເຂົ້າເຖິງສິນເຊື່ອໄດ້. ຫຍິ່ງໄປກວ່ານັ້ນ, ການຂາດແຄນແຮງງານທັງບໍ່ມີສິນ ແລະ ມີສິນໄດ້ກາຍເປັນບັນຫາຊຳເຮື້ອຕົ້ນຕໍ ທີ່ທ່ວງດຶງການເຕີບໂຕຂອງບັນດາວິສາຫະກິດຂະໜາດໃຫຍ່, ໃນຄະນະທີ່ການນຳໃຊ້ເຕັກໂນໂລຊີທີ່ມີລະດັບຕ່ຳ ແລະ ຄ່າແຮງງານທີ່ສູງກໍຍັງເປັນບັນຫາຕົ້ນຕໍສຳລັບວິສາຫະກິດຂະໜາດກາງ.

ໂດຍສະເພາະຂໍ້ຫຍຸ້ງຍາກຕົ້ນຕໍພາຍນອກ, ບັນດາວິສາຫະກິດສ່ວນໃຫຍ່ແມ່ນມີຄວາມກັງວົນທາງດ້ານການແຂ່ງຂັນພາຍໃນກວ່າການແຂ່ງຂັນພາຍນອກ. ບໍລິສັດຂະໜາດນ້ອຍມີຄວາມອ່ອນໄຫວຫຼາຍກວ່າ ຕໍ່ການປ່ຽນແປງ ແລະ ປະສົບການການສູນເສຍຂອງທຶນໝູນວຽນ ແລະ ຜົນກຳໄລ ຖ້າທຽບໃສ່ບັນດາບໍລິສັດທີ່ໃຫຍ່ກວ່າ. ພ້ອມກັນນັ້ນ, ພາສີ ແລະ ອາກອນທີ່ສູງເປັນບັນຫາປັດໃຈພາຍນອກອັນຕົ້ນຕໍສຳລັບ ວິສາຫະກິດທັງໝົດ. ອາກອນທີ່ສູງສົ່ງຜົນຮ້າຍຕໍ່ການແຂ່ງຂັນ ແລະ ທ່ວງດຶງການລົງທຶນໂດຍກົງຈາກຕ່າງປະເທດ, ເຊິ່ງນຳໄປສູ່ການຂະຫຍາຍຕົວທາງດ້ານເສດຖະກິດໃນລະດັບຕ່ຳ. ຜົນໄດ້ຮັບນີ້ແມ່ນສອດຄ່ອງກັບຂໍ້ມູນຕົວຈິງໃນປີ 2012. ອາກອນລາຍໄດ້ໃນລາວແມ່ນ 28% ເຊິ່ງຫຼາຍກວ່າການສະເລ່ຍຂອງໂລກໃນລະດັບ 23% (2011) ແລະ ສູງກວ່າອັດຕາໃນບັນດາປະເທດເພື່ອນບ້ານເຊັ່ນ: ຫວຽດນາມ (25%), ໄທ (23%), ກຳປູເຈຍ (20%) ແລະ ຈີນ (20%) (Southichack, 2012).

ລາຄາກະແສໄຟຟ້າ, ລາຄານ້ຳມັນເຊື້ອໄຟ ແລະ ລະບຽບການອັດຕາແລກປ່ຽນ ຍັງເປັນບັນຫາປັດໃຈພາຍນອກທີ່ສຳຄັນ. ວິສາຫະກິດຈຳນວນຫຼາຍໃຫ້ທັດສະນະວ່າລາຄາກະແສໄຟຟ້າ (27.27%) ແລະ ລາຄານ້ຳມັນເຊື້ອໄຟ (29.54%) ເປັນບັນຫາປັດໃຈພາຍນອກຕົ້ນຕໍ ສຳລັບການດຳເນີນທຸລະກິດຂອງພວກເຂົາ. ຍ້ອນປະເທດລາວນຳເຂົ້ານ້ຳມັນເຊື້ອໄຟທັງໝົດຈາກຕ່າງປະເທດ, ການຂຶ້ນລົງຂອງລາຄາການນຳເຂົ້ານ້ຳມັນເຊື້ອໄຟ ສ້າງຄວາມຫຍຸ້ງຍາກແກ່ຜູ້ຜະລິດ ເພື່ອວາງແຜນສິນເຂົ້າ ແລະ ສິນອອກຂອງການລົງທຶນໃຫ້ມີຄວາມຊັດເຈນ. ລະບຽບການອັດຕາແລກປ່ຽນ ໄດ້ຖືກລະບຸວ່າເປັນບັນຫາປັດໃຈພາຍນອກຕົ້ນຕໍ ສຳລັບບັນດາວິສາຫະກິດຂະໜາດໃຫຍ່ ຫຼາຍກວ່າບັນ

ດາວິສາຫະກິດຂະໜາດນ້ອຍ, ເນື່ອງຈາກວ່າບັນດາວິສາຫະກິດຂະໜາດໃຫຍ່ ແມ່ນມີສ່ວນຮ່ວມໃນການໂອນເງິນລະຫວ່າງປະເທດ. ການປ່ຽນແປງເລັກນ້ອຍຂອງອັດຕາການແລກປ່ຽນ ສາມາດສົ່ງຜົນກະທົບອັນໃຫຍ່ຫຼວງຕໍ່ທຶນໜູນວຽນ ແລະ ຜົນກຳໄລ.

8. ມີໜ້ອຍກວ່າເຄິ່ງໜຶ່ງຂອງ SMEs ໄດ້ຮັບທຶນຮອນຈາກພາຍນອກ. 41.61% ຂອງວິສາຫະກິດທັງໝົດໄດ້ເຂົ້າເຖິງການບໍລິການທາງດ້ານການເງິນ, ເຖິງແມ່ນວ່າບໍລິສັດສ່ວນຫຼາຍແມ່ນຕັ້ງຢູ່ໃນຂົງເຂດຕົວເມືອງ ແລະ ມີບັນຊີທະນາຄານ. ສ່ວນແບ່ງຂອງວິສາຫະກິດຂະໜາດກາງ (60.67%) ແລະ ຂະໜາດໃຫຍ່ (72.73%) ທີ່ໄດ້ເຂົ້າເຖິງທຶນຮອນ. ພາຍໃນ 4 ຂະໜາດຂອງວິສາຫະກິດ, ວິສາຫະກິດຂະໜາດຈຸລະພາກ (73.37%) ແລະ ນ້ອຍ (58.05%) ກວມເອົາອັດຕາສູງໃຫຍ່ສຸດຂອງວິສາຫະກິດ ທີ່ບໍ່ໄດ້ຮັບທຶນຮອນຈາກພາຍນອກ. ພ້ອມກັນນັ້ນ, ຫຼາຍກວ່າ 58.97% ຂອງວິສາຫະກິດທັງໝົດ, ທີ່ໄດ້ເຂົ້າເຖິງທຶນຮອນໄດ້ນຳໃຊ້ການເຂົ້າເຖິງທຶນຮອນດັ່ງກ່າວ ແລະ ຍືມເງິນຈາກບັນດາທະນາຄານ ເພື່ອສະໜັບສະໜູນການພັດທະນາທຸລະກິດຂອງພວກເຂົາ. ຜູ້ກຸ້ຢືມເງິນ (13.04%) ແມ່ນບັນດາແຫຼ່ງທຶນຮອນທີ່ເປັນທາງເລືອກສຳລັບວິສາຫະກິດຂະໜາດໃຫຍ່, ຄະນະດຽວກັນບັນດາສະມາຊິກໃນຄອບຄົວ ກໍ່ເປັນແຫຼ່ງທຶນຮອນອັນສຳຄັນສຳລັບວິສາຫະກິດຈຸລະພາກ (22.22%), ຂະໜາດນ້ອຍ (18.97%) ແລະ ກາງ (11.54%).

9. ບັນດາວິສາຫະກິດໄດ້ສະແດງຄວາມຕ້ອງການການເຝິກອົບຮົມ ແລະ ການເຝິກອົບຮົມວິຊາຊີບ. ການເຝິກອົບຮົມທັກສະດ້ານການບໍລິຫານ ແມ່ນມີຄວາມສຳຄັນຫຼາຍ ຕໍ່ການພັດທະນາຄຸນນະພາບຂອງການບໍລິຫານ ແລະ ຮັບປະກັນຄວາມໝັ້ນຄົງຂອງໜາກຜົນການດຳເນີນທຸລະກິດ. ເປີເຊັນສ່ວນຫຼາຍຂອງເຈົ້າຂອງ/ຜູ້ຈັດການຂອງວິສາຫະກິດຂະໜາດໃຫຍ່ (63.64%) ແລະ ຂະໜາດກາງ (69.66%) ໄດ້ມີສ່ວນຮ່ວມໃນການເຝິກອົບຮົມການບໍລິຫານ ຖ້າທຽບໃສ່ວິສາຫະກິດຈຸລະພາກ (30.34%) ແລະ ນ້ອຍ (36.36%). ວິສາຫະກິດຈຳນວນຫຼາຍໄດ້ເຂົ້າຮ່ວມໃນການເຝິກອົບຮົມດ້ານການບໍລິຫານ ແລະ ການຕະຫຼາດ, ເຊິ່ງກວມເອົາ 21.46%. ພ້ອມກັນນັ້ນ, ການເຝິກອົບຮົມທາງດ້ານຂໍ້ກຳນົດກົດລະບຽບຕ່າງໆ ໄດ້ຮັບການລະບຸວ່າມີຄວາມຈຳເປັນ ສຳລັບການດຳເນີນທຸລະກິດໃນວິສາຫະກິດຂະໜາດກາງ (11.62%) ແລະ ຂະໜາດໃຫຍ່ (13.79%), ໃນຄະນະທີ່ການເຝິກອົບຮົມທາງດ້ານການຄຸ້ມຄອງຄຸນນະພາບ, ອາຊີບ ແລະ ຄວາມປອດໄພ ແມ່ນເຫັນວ່າມີຄວາມສຳຄັນສຳລັບວິສາຫະກິດຂະໜາດນ້ອຍ (11.68%) ແລະ ຈຸລະພາກ (22.67%).

ການພັດທະນາທັກສະການດຳເນີນທຸລະກິດ ແມ່ນສຳຄັນສຳລັບການພັດທະນາການແຂ່ງຂັນທາງດ້ານທຸລະກິດ. ບັນດາເຈົ້າຂອງ/ຜູ້ຈັດການປະມານ 66.44% ຂອງຈຳນວນວິສາຫະກິດທັງໝົດ ຕ້ອງການຮຽນຮູ້ບັນດາທັກສະໃໝ່ໃນການດຳເນີນທຸລະກິດ ແລະ ພິຈາລະນາດ້ານການຕະຫຼາດ, ການບໍລິຫານ ແລະ ການຮ່າງແຜນດຳເນີນທຸລະກິດ ໃຫ້ເປັນບັນດາທັກສະທີ່ຈຳເປັນ ສຳລັບການສົ່ງເສີມຜະລິດຕະພັນຂອງພວກເຂົາ ໃນຕະຫຼາດພາຍໃນ ແລະ ຕ່າງປະເທດ.

ການບໍລິການລູກຄ້າ, ທັກສະພາສາຕ່າງປະເທດ ແລະ ການບັນຊີ ໄດ້ຖືວ່າເປັນບຸລິມະສິດສຳລັບບັນດາວິສາຫະກິດທັງໝົດ, ດັ່ງທີ່ໄດ້ສະແດງອອກໃຫ້ເຫັນໂດຍບັນດາເຈົ້າຂອງ/ຜູ້ຈັດການ ທີ່ຕ້ອງການໃຫ້ລູກຈ້າງ ຮຽນຮູ້ການບໍລິການລູກຄ້າ (29.28%), ທັກສະພາສາຕ່າງປະເທດ (17.05%) ແລະ ການບັນຊີ (15.97%). ການກະກຽມສຳລັບ AEC ອາດເປັນເຫດຜົນຕົ້ນຕໍອັນໜຶ່ງທີ່ສຳຄັນທີ່ບັນດາວິສາຫະກິດ ຕ້ອງ ການໃຫ້ລູກຈ້າງຂອງເຂົາເຈົ້າ ປັບປຸງທັກສະການບໍລິການລູກຄ້າ ແລະ ພາສາຕ່າງປະເທດ, ດັ່ງທີ່ພວກເຂົາໄດ້ຫວັງວ່າຈະສາມາດສົ່ງອອກຜະລິດຕະພັນຂອງຕົນເອງ ໄປບັນດາຕະຫຼາດຂອງອາຊຽນ. ພ້ອມກັນນັ້ນ, ບັນດາທັກສະການບັນຊີທີ່ເໝາະສົມ ແມ່ນມີຄວາມສຳຄັນເພື່ອຮັບປະກັນລະບົບບັນຊີ ແມ່ນສອດຄ່ອງກັບບັນດາມາດຕະຖານຂອງອາຊຽນ.

10. ບັນດາວິສາຫະກິດທຸກປະເພດໄດ້ປະກອບສ່ວນ ບົດບາດອັນສຳຄັນໃນການກຳນົດຮູບແບບຂອງການຈ່າຍອາກອນ. ວິສາຫະກິດຂະໜາດກາງ (68.54%) ແລະ ໃຫຍ່ (86.36%) ຈ່າຍອາກອນຜ່ານລະບົບບັນຊີ, ເຊິ່ງໄດ້

ຮັບການພິຈາລະນາວ່າຊັດເຈນກວ່າ ສໍາລັບການປະເມີນໜ້າທີ່ຂອງທຸລະກິດ ແລະ ມີຄວາມໂປ່ງໃສກວ່າເກົ່າ. ທຶນໝູນວຽນ ແລະ ຜົນກໍາໄລຂອງວິສາຫະກິດຈຸລະພາກ ແລະ ນ້ອຍແມ່ນມີໜ້ອຍຫຼາຍ, ຍາກໃນການຄາດຄະເນ ແລະ ພະນັກງານສ່ວນຫຼາຍຍັງຂາດທັກສະດ້ານການບັນຊີ. ສະນັ້ນ, ບັນດາວິສາຫະກິດປົກກະຕິຈ່າຍອາກອນແບບມອບໝົາ. ການຈ່າຍອາກອນໃນລັກສະນະນີ້ແມ່ນມີຄວາມໂປ່ງໃສຕໍ່າ ແລະ ອາດເປັນການເປີດໂອກາດໃຫ້ແກ່ການຕໍ່ລອງກັນ.

11. ບັນດາວິສາຫະກິດມີຄວາມເພິ່ງພໍໃຈຕໍ່ກັບການບໍລິການຂອງລັດຖະບານຂັ້ນສູນກາງ ແລະ ທ້ອງຖິ່ນ ຫຼາຍກວ່າໃນອະດີດ. ບັນດາວິສາຫະກິດໄດ້ລາຍງານວ່າລັດຖະບານຂັ້ນສູນກາງ (64.66%) ແລະ ທ້ອງຖິ່ນ (68.86%) ແມ່ນອໍານວຍຄວາມສະດວກດີກວ່າ 2 ປີກ່ອນ. ສິ່ງນີ້ເປັນການສ້ອງແສງໃຫ້ເຫັນຄວາມເປັນຈິງທີ່ວ່າ ລັດຖະບານໄດ້ຈັດຕັ້ງປະຕິບັດ ລະບົບການບໍລິການປະຕູດຽວທັງລະດັບສູນກາງ ແລະ ຂັ້ນແຂວງ ໃນປີ 2001 ໂດຍມີເປົ້າໝາຍ ເພື່ອການປັບປຸງ ແລະ ຫຼຸດຜ່ອນຂັ້ນຕອນໃນການດໍາເນີນທຸລະກິດ, ຫຼຸດຜ່ອນຂັ້ນຕອນເອກະສານ ແລະ ສະໜອງການອະນຸມັດການລົງທຶນໃຫ້ໄວຂຶ້ນ. ຍ້ອນສາເຫດດັ່ງກ່າວ, ບັນດາວິສາຫະກິດໃໝ່ທັງໝົດໄດ້ລາຍງານຄວາມເພິ່ງພໍໃຈ ແລະ ປະຫຍັດຄ່າໃຊ້ຈ່າຍໃນການຂຶ້ນທະບຽນວິສາຫະກິດ.

12. ບັນດາວິສາຫະກິດໄດ້ຮັບຂໍ້ມູນຂ່າວສານ ກ່ຽວກັບ ບັນດາຂໍ້ກຳນົດກົດລະບຽບຕ່າງໆ ຈາກບັນດາອໍານາດການປົກຄອງທ້ອງຖິ່ນ ແລະ ອົງການຈັດຕັ້ງທຸລະກິດ. ໜ້ອຍກວ່າເຄິ່ງໜຶ່ງ (46.18%) ຂອງຜູ້ຖືກສອບຖາມໄດ້ລາຍງານການໄດ້ຮັບຂໍ້ມູນຂ່າວສານ ກ່ຽວກັບ ບັນດາລະບຽບການການດໍາເນີນທຸລະກິດຈາກບັນດາອໍານາດການປົກຄອງທ້ອງຖິ່ນ. ມີຫຼາຍວິສາຫະກິດຂະໜາດໃຫຍ່ (40%) ເປັນສະມາຊິກຂອງ ສະພາການຄ້າ ແລະ ອຸດສາຫະກໍາແຫ່ງຊາດລາວ (LNCCI) ຫຼື ເປັນສະມາຊິກຂອງບັນດາອົງການຈັດຕັ້ງທາງທຸລະກິດ (BMOs) ເພື່ອຂະຫຍາຍເຄືອຄ່າຍການຜະລິດ, ຊອກຫາຕະຫຼາດໃໝ່, ເຫັນຜົນປະ

ໂຫຍດ ຂອງຕົນເອງຖືກວາງຢູ່ທາງໜ້າຂອງລັດຖະບານ ແລະ ໄດ້ຮັບຂໍ້ມູນຂ່າວສານ ກ່ຽວກັບ ການປ່ຽນແປງທີ່ກ່ຽວຂ້ອງກັບລະບຽບການຕ່າງໆທາງດ້ານທຸລະກິດ.

ຄໍາແນະນຳທາງດ້ານນະໂຍບາຍທີ່ສໍາຄັນ

1. ດໍາເນີນການບໍລິຫານເສດຖະກິດມະຫາພາກໃຫ້ເໝາະສົມ.

ການແຂ່ງຄ່າຂອງເງິນກີບແມ່ນເຮັດໃຫ້ຄວາມສາມາດໃນການແຂ່ງຂັນຂອງທຸລະກິດຫລຸດລົງ.ເຊິ່ງປະກົດ

ການດັ່ງກ່າວເອີ້ນວ່າ“ພະຍາດຂອງປະເທດໂຮນລັງ”ການຈະຮັບມືກັບບັນຫາດັ່ງກ່າວ,ການບໍລິຫານເສດຖະກິດມະຫາພາກແມ່ນມີຄວາມສໍາຄັນ. (1)ແມ່ນການບໍລິຫານລາຍຮັບທີ່ໄດ້ຈາກຂະແໜງການຊັບພະຍາ

ກອນທຳມະຊາດ(ບໍ່ແຮ່ແລະໄຟຟ້າ)ໃຫ້ມີປະສິດທິຜົນ.ລັດຖະບານຕ້ອງເຮັດໃຫ້ລາຍຮັບລາຍຈ່າຍມີຄວາມດຸ່ນດຽງກັນແລະລົງທຶນໃສ່ການຜະລິດຂອງຂະແໜງການອື່ນເຊິ່ງບໍ່ແມ່ນຂະແໜງການທຳມະຊາດ.(2)

ແມ່ນການຫຼຸດການກູ້ຢືມຈາກຕ່າງປະເທດເພາະວ່າລາວມີໜີ້ທີ່ສູງແລະການຢືມແມ່ນຈະເຮັດໃຫ້ເງິນກີບແຂງຄ່າຂຶ້ນ.

ຖ້າຫາກຈຳເປັນແມ່ນຕ້ອງຄຳນຶ່ງເຖິງການລົງທຶນທາງດ້ານການພັດທະນາຊັບພະຍາກອນມະນຸດ,

ສາທາລະນະສຸກແລະໂຄງລ່າງພື້ນຖານເປັນຫຼັກ.ສຸດທ້າຍແມ່ນການປັບອັດຕາແລກປ່ຽນຕົວຈິງໃຫ້ເໝາະສົມໂດຍການຄວບຄຸມອັດຕາແລກປ່ຽນນາມມະທຳ ແລະ ລາຄາ.

2.ປັບສະພາບແວດລ້ອມຂອງການເຮັດທຸລະກິດໃຫ້ດີຂຶ້ນ.

ຍ້ອນຫລຸດຄວາມສາມາດໃນການແຂ່ງຂັນຈາກພະຍາດ “ໂຮນລັງ”, ດັ່ງນັ້ນການປັບປຸງສະພາບແວດລ້ອມຂອງການເຮັດທຸລະກິດແມ່ນມີຄວາມສໍາຄັນແລະຈຳເປັນຢ່າງຍິ່ງ.ເຖິງວ່າລັດຖະບານຈະພະຍາຍາມແຕ່ກໍ່ຍັງມີບາງຈຸດ

ທີ່ຕ້ອງແກ້ໄຂບັນຫາພາຍໃນທີ່ສໍາຄັນແມ່ນການເຂົ້າເຖິງການເງິນ,ລະດັບເທັກໂນໂລຊີແມ່ນຍັງຕໍ່າ.ບັນຫາພາຍນອກທີ່ສໍາຄັນແມ່ນການແຂ່ງຂັນພາຍໃນທີ່ສູງຂຶ້ນ,ຄ່າໄຟຟ້າສູງ,ແລະພາສີ/ອາກອນທີ່ແພງ. ເພື່ອເຮັດໃຫ້ເພີ່ມຄວາມສາມາດໃນການແຂ່ງຂັນຈຶ່ງຈຳເປັນໃນການແກ້ໄຂບັນຫາ ດັ່ງກ່າວນີ້.

3. ສະໜັບສະໜູນການເຂົ້າເຖິງແຫຼ່ງທຶນ

ການເຂົ້າເຖິງແຫຼ່ງທຶນແມ່ນເປັນບັນຫາໃຫຍ່ຂອງບໍລິສັດເຖິງແມ່ນວ່າລັດຖະບານຈະພະຍາຍາມແກ້ໄຂບັນຫາດັ່ງກ່າວ, ແຕ່ຕ້ອງໄດ້ຄໍານຶ່ງບາງຈຸດທີ່ສໍາຄັນດັ່ງຕໍ່ໄປນີ້:

- (1)ຕ້ອງເພີ່ມຈໍານວນເງິນກີບເຂົ້າໃສ່ທະນາຄານພັດທະນາທຸລະກິດຂະໜາດກາງ ແລະ ຂະໜາດນ້ອຍ (SME Bank).(2)ແມ່ນຕ້ອງໂຄສະນາ ແລະ ເພີ່ມຄວາມຮັບຮູ້ກ່ຽວກັບການເຂົ້າເຖິງແຫຼ່ງທຶນຂອງ SME ໃນກອງທຶນສົ່ງເສີມ ແລະ ພັດທະນາ SME .(3)ແມ່ນການປັບປຸງຂັ້ນຕອນໃນການກູ້ຢືມແລະເອກະສານໃຫ້ມັນງ່າຍດາຍຂຶ້ນເພາະເຈົ້າ

ຂອງທຸລະກິດສ່ວນໃຫຍ່ແມ່ນມີລະດັບການສຶກສາຕໍ່າ.

4. ໃຫ້ການສະໜັບສະໜູນຂ່າວສານ ແລະ ການບໍລິການ

ການໃຫ້ການສະໜັບສະໜູນທາງດ້ານຂ່າວສານ ແລະ ການບໍລິການຂອງລັດຖະບານແມ່ນຍັງເຮັດບໍ່ໄດ້ດີເທົ່າທີ່ຄວນ.ເພື່ອແກ້ໄຂບັນຫາດັ່ງກ່າວລັດຖະບານຕ້ອງໄດ້ມີການສະໜັບສະໜູນເງິນທຶນເຂົ້າໃນການພັດທະນາຂົງເຂດນີ້:ການບໍລິການຕໍ່ທຸລະກິດແມ່ນບໍ່ຈຳກັດສະເພາະແຕ່ພາຍໃນປະເທດ,ຕ້ອງມີການເປີດກ້ວາງໃຫ້ຫຼາຍຂຶ້ນພ້ອມນັ້ນຍັງຕ້ອງມີການໃຫ້ບໍລິການແບບຫຼາກຫຼາຍເຊັ່ນ:ຂໍ້ມູນຂ່າວສານແລະການປັບປຸງທາງດ້ານເທັກໂນໂລຊີໃໝ່, ກິດລະບຽບ, ກິດເກນ ແລະ ອື່ນໆ.

5. ໃຫ້ການສະໜັບສະໜູນການຝຶກອົບຮົມ ແລະ ເຕັກໂນໂລຊີ.

ເຕັກໂນໂລຊີຕໍ່າແມ່ນເປັນບັນຫາທີ່ສໍາຄັນຂອງທຸລະກິດ.ເພື່ອແກ້ໄຂບັນຫາດັ່ງກ່າວ,ມັນຈຳເປັນຕ້ອງໄດ້ມີການເພີ່ມທຽບປະມານໃນການຝຶກອົບຮົມ ແລະ ການສາທິດກ່ຽວກັບເຕັກໂນໂລຊີ.ການປະສານສົມທົບ ແລະ ພັດທະນາເທັກໂນໂລຊີຮ່ວມກັບພາກທຸລະກິດ,ລັດຖະບານ,ສະຖາບັນຄົ້ນຄ້ວາແລະສຶກສາແມ່ນເປັນປັດໃຈສໍາຄັນ.

6.ການເພີ່ມຄວາມຮັບຮູ້ກ່ຽວກັບຜົນກະທົບຂອງການເຊື່ອມໂຍງທາງດ້ານເສດຖະກິດ.

ພາກທຸລະກິດຍັງມີຄວາມເຂົ້າໃຈແລະຮັບຮູ້ຜົນກະທົບການເຊື່ອມໂຍງທາງດ້ານເສດຖະກິດລະດັບພາກພື້ນ ແລະສາກົນຕໍ່າ.ແນ່ນອນການເຊື່ອມໂຍງທາງດ້ານເສດຖະກິດແມ່ນມີຜົນດີແລະຜົນເສຍຕໍ່ພາກທຸລະກິດ, ແຕ່ອາດຈະມີຜົນກະທົບທາງລົບຫຼາຍກ່ວາຜົນກະທົບທາງບວກໃນໄລຍະສັ້ນ.ດັ່ງນັ້ນການເພີ່ມຂຶ້ນຄວາມຮູ້ ແລະຄວາມເຂົ້າໃຈຕໍ່ຜົນກະທົບດັ່ງກ່າວໂດຍມີການຝຶກອົບຮົມ, ໂຄສະນາ,ການຈັດງານສຳມະນາຕ່າງໆແມ່ນມີຄວາມສໍາຄັນ.

Executive Summary

Key Findings

1. The Lao economy faces issues with sustainability due to over dependency on the natural resource sector. The Lao economy has been growing at a rate of more than 7% per year, but this growth might not be sustainable because recent economic development has been based on the natural resource sector almost solely. The current bigger **mining sites are expected to be exploited** in the near future. This sector can contribute though to economic development in the short-run in various ways - by increasing government revenues, increasing exports in that sector and attracting Foreign Direct Investment (FDI) and other sources of investment.

2. Most SME are primarily focused on domestic markets and foreign ownership is not very common. Nearly 90% of Small and Medium Enterprises (SME) are controlled by Lao owners, who tend to have a small amount of **physical and financial assets as well as a rather low level of management skills**. Foreign ownership is more common in larger enterprises. Most enterprises focus on selling their products in the domestic market, which accounts for more than 90% of total number of enterprises. Only a **small proportion of enterprises export to foreign markets**, whereas the share of (indirect) exporting enterprise is the biggest among large enterprises. The low level of foreign exports is largely due to the fact that the majority of enterprises (1) have **rather low productivity**, (2) produce goods which quality does **not meet international standards** and (3) **lack information** about overseas markets.

3. The performance of more than 40% of enterprises (as measured by output, turnover and profit) has improved compared with the previous year. This improvement might stem from rising domestic demand stimulated by large inflows of FDI, money from mining exports, Official Development Assistance (ODA), as well as from recovery from the global financial crisis among Asian countries, which has contributed to the expansion of these enterprises' exports. These increases in performance **have not contributed much to employment generation** because more than half of enterprises did not change the number of employees in 2012 compared to the previous year. However, the findings suggest that large enterprises have played a more crucial role in generating employment and supporting economic growth compared to micro, small and medium enterprises.

4. Enterprises perceive the economic climate for SME development to have improved. More than 60% of enterprises estimated that the current economic situation was better than two years ago. The main reasons for this change include: (1) macroeconomic stability with a solid **economic growth rate of 7.9%** and a relatively **low inflation rate of 4.26%** in 2012, (2) large **FDI inflows**, which have doubled in the past two years and consequently stimulated strong domestic demand and (3) successful **accession to the World Trade Organization (WTO)** in 2013, which is expected to increase Laos' exports to member countries.

5. Overall, enterprises tend to prioritize large capital investments. These activities include investments in company buildings and vehicles for business use. Large enterprises **also focus on investing in machinery, training and marketing**, which are expected to increase production efficiency and generate more profit, while micro and small entrepreneurs focus on investing in marketing in order to improve their market access.

6. Enterprises generally believe that economic integration and international trade agreements have led to a reduction of trade barriers and improved Laos' export performance with major trading partners. Many entrepreneurs share the view that economic integration is important for progress in terms of improving market access for exporting goods and services, providing new opportunities and easier access to imported products and services and attracting more FDI inflows to Laos. Two thirds of entrepreneurs indicated that they are **aware of the ASEAN Economic Community (AEC), the ASEAN Free Trade Area (AFTA) or WTO**. At the same time, many enterprises also **expect increasing competition** as a consequence of import tariff reductions.

7. Enterprises face a number of internal and external constraints. Firms perceive the **lack of capital** to be their most significant internal constraint. A recent increase in the number of financial institutions in Laos has not contributed much to economic growth. **Complex application procedures, high collateral requirements, and high lending rates** are significant reasons why most enterprises cannot access credits. Additionally, a **shortage of both unskilled and skilled labor** has become a significant impediment hindering the growth of large enterprises, while **low levels of technology** and **high labor costs** are significant issues for medium enterprises.

In terms of significant external constraints, the **majority of enterprises are more concerned about domestic competition than international competition**. Small firms are more **sensitive to shocks** and experience **greater volatility in terms of turnover and profit compared** to larger firms. In addition, **high taxes and duties** are important external issues for most enterprises. High taxes harm competitiveness and deter FDI, leading to less economic growth. This finding is consistent with the fact that in 2012, corporate income tax in Laos was 28%. This is higher than the world average of 23% (2011) and higher than the rates in neighboring countries such as Vietnam (25%), Thailand (23%), Cambodia (20%) and China (20%) (Southichack, 2012).

Electricity, fuel prices and exchange rate regulation are also important external issues. A substantial number of entrepreneurs view high electricity prices (27.27%) and high fuel prices (29.54%) as major external issues for their businesses. As Laos imports all of its oil from foreign countries, the fluctuation in the import price of oil makes it difficult for producers to plan inputs and outputs accurately. **Foreign exchange rate regulations** were identified as a more important external problem for large enterprises than for smaller enterprises, since large firms are more involved in international transactions. A small change in foreign exchange rates can have a larger effect on turnover and profit.

8. Less than half of SMEs have received external financing. 41.61% of all enterprises had access to financial services, **even though most firms are located in urban areas and hold bank accounts**. The share of medium and large enterprises, which had access to finance accounted for 60.67% and 72.73%. Among the four enterprise sizes, micro (73.37%) and small (58.05%) firms accounted for the largest proportion of firms not receiving external financing. In addition, more than 58.97% of total firms, who had **access to finance** used that access and **borrowed money from banks to support their businesses development**. **Money lenders** (13.04%) are **alternative financial sources** for large firms, while **family members** were important financial sources for micro (22.22%), small (18.97%) and medium (11.54%) firms.

9. Enterprises expressed a need for training and vocational education. **Management training** is very important for improving the quality of management and ensuring the stability of business performance. A greater percentage of owners/managers of large (63.64%) and medium (69.66%) firms have been involved in management training compared to micro

(30.34%) and small (36.36%) firms. Many entrepreneurs have participated in **business management and marketing training**, which accounted for 21.46%. In addition, training in laws and regulations was identified as necessary for doing businesses in medium (11.62%) and large (13.79%) firms, while quality management and occupational training and safety were seen as vital for small (11.68%) and micro (22.67%) firms.

Improving entrepreneurial skills is vital for developing business competitiveness. Owners/managers of 66.44% of the total number of firms want to learn new business skills and consider **marketing, management and formulating business plans** to be the most essential skills necessary for promoting their products in domestic and foreign markets.

Customer service, foreign language and accounting skills are considered a priority for most enterprises, as indicated by the fact that many owners/managers want their employees to learn customer services (29.28%), foreign languages (17.05%) and accounting skills (15.97%). Preparing for the AEC might be one key reason firms want their employees to improve their customer service and foreign language skills, as they expect that they will be able to export their products to ASEAN markets. In addition, appropriate accounting skills are important for ensuring that accounting systems are in compliance with ASEAN standards.

10. Enterprises sizes have played a crucial role in determining the types of tax payment. Medium (68.54%) and large (86.36%) firms paid tax **through an accounting system**, which is considered to be more accurate for estimating business performance as well as more transparent. The turnover and profit of micro and small firms is relatively small, less predictable and staff often lacks accounting skills. Therefore, these **firms usually pay taxes on a lump sum base**. Paying taxes that way is less transparent and may be open to bargaining.

11. Enterprises are more satisfied with central and local government services than in the past. Firms reported the central (64.66%) and local (68.86%) government as being more helpful compared to two years ago. This might reflect the fact that the government implemented a **one-stop service at both the central and provincial levels** in 2001 with the aim of improving the ease of doing business, shortening document procedures and providing faster approval for investments. As a consequence, most newly established firms report **greater satisfaction and savings in registration costs**.

12. Firms received information about business laws and regulations from both local authorities and business organizations. Slightly less than half (46.18%) of respondents reported receiving information about business regulations from the local authorities. Many large firms (40%) are members of the Lao National Chamber of Commerce and Industry (LNCCI) or other Business Membership Organizations (BMOs) in order to expand their production networks, seek new markets, see their interests represented in front of the government and receive information about changes regarding business regulations.

Policy Recommendations

I. Implement appropriate macroeconomic policies.

The recent appreciation of the real exchange rate might contract non-booming sectors by leading to a decline in the competitiveness of these enterprises. To counteract these effects, the following macroeconomic policies are recommended. First, financial windfalls from the resource sector should be used to stimulate non-resource sectors. Policymakers need to strive to balance the budget and promote the production of tradable goods without neglecting important investments. Second, increased foreign borrowing during the boom times has had a

major impact on tradable goods as a result of real exchange-rate appreciation. Therefore, Laos needs to reduce foreign borrowing during the resource boom. Any prospective borrowing could be spent on human resources, infrastructure, and health care development projects. Finally, because the appreciation of the real exchange rate will hinder the development of non-booming sectors (agriculture and manufacturing), adjusting the exchange rate and controlling inflation is necessary.

II. Improve the climate for doing business.

As enterprises face declining competitiveness in non-resource sectors, improving the business climate for the private sector is crucial. Despite the Lao government's significant efforts over the previous years to improve the business climate, it is still poor compared with neighboring countries. Enterprises continue to face internal and external constraints. The main perceived internal constraints are access to finance and low levels of technology; the main external constraints are competition, electricity prices, and excessively high taxes and duties. Therefore it is important to solve these problems in order for enterprises to increase their competitiveness and productivity.

III. Support access to finance.

Despite the government's concerted efforts to facilitate firms' access to finance, this remains one of the most significant problems enterprises face. To address this persistent problem, the government could implement the following policies. First, it is important to inject money into SME promotion and development funds in order to provide adequate funds to meet SMEs' demand. Second, as information about such promotion and development funds may not be widely known, the government should promote awareness of how to access finance through these funds by a targeted campaign. Third, application and documentation processes should be simplified as most owners of SMEs do not have high levels of education. Fourth, it is important to conduct more qualified assessments of loan requests that focus more on the viability of business ideas rather than collateral.

IV. Expand information and support services.

Enterprises do not seem to rely much on the government for information and support services. Thus, providing these necessary services remains a significant problem. To address this issue it is important to increase funding for information and support services, as well as increase the capacity building of service providers. An increase of the number of service providers from foreign countries in the field where local providers are lacking capacity may be beneficial for diversifying the types and quality of services offered. Currently, most training focuses on accounting and management. Training should be provided on a wider variety of topics, including innovation and use of technology.

V. Provide training, encourage research and technology transfer.

The low level of technology is a major obstacle for enterprises. Firms' training needs are quite high but the supply side from private firms, the government, BMOs, international organizations, and NGOs seems to be limited. In order to overcome technology limitations, funding for research, innovation and technology development activities should be increased. In addition, the private sector, the universities and the government should strengthen their cooperation on innovation and technology development. Finally, developing entrepreneurship training and incubators is important for improving innovative capacities and fostering technology transfer.

VI. Increase awareness of the impact of regional and global economic integration.

It seems that enterprises are not aware of the challenges posed by regional and global economic integration (i.e., integration into to AEC and WTO). Although this integration might eventually have more positive than negative consequences, it seems likely that in the short-run it will have a more negative than positive impact because Lao enterprises lack competitiveness in comparison to their neighboring countries. Therefore, it is important to increase the enterprises' awareness of the upcoming changes coming along with economic integration and empowering them to make best use of it through trainings, seminars and the media.

6. Political and Economic Background

6.1 National Reforms and Strategies

6.1.1 Economic Reforms

Laos began to move away from a central planned economy when it introduced the *New Economic Mechanism (NEM)* in 1986. This reform has opened an opportunity to private sector development, the key reform programs of this legislation included: 1) price liberalization, 2) tax reform (financial reform), 3) privatization of State Owned Enterprises (SOEs), including collective enterprises in the agriculture sector, 4) banking reform and 5) an “open door policy”. These changes released great potential for the private sector, especially in terms of participation in international trade. A more detailed discussion of key policy measures of the reform programs follows.

Promoting private ownership

Promoting private sector ownership and privatization of SOEs entailed in particular promoting private land use rights and privately ran businesses as well as opening up for Foreign Direct Investment (FDI). In 1988, the first law on FDI promotion was approved. This was amended in 1994 and merged in 2009 with the law on domestic investment promotion into one law- the Law on Investment Promotion, which provides equal rights to all investors. Before the introduction of the NEM, there were more than 340 SOEs. As of 2010, there were 223 SOEs, of which 200 were 100% state owned and 23 were Joint-Venture SOE's.

Price and trade liberalization

Before implementing the NEM in 1986, there were for instance different fixed prices for civil servants. Afterwards the Lao Government adopted the “one market” principle by abolishing price controls and paving the way for other reforms in the trading system to advance trade liberalization. However, in order to regulate market mechanisms, the Lao government still controls and intervenes in the prices of some strategic goods, in particular petroleum, electricity, water and rice.

Banking reform

The main banking reform program introduced in tandem with the NEM replaced the previous single state owned and controlled banking system with a two-tier system, created by separating central banking from commercial banking. The Central Bank Law (1990) formally enacted this separation by defining the scope of central banking activities and establishing the Bank of Lao PDR (BOL), which has primary responsibility for exercising control over monetary and financial developments through indirect instruments. Under the two-tier banking system, commercial banks have provided banking services such as mobilizing deposits and allocating credit. Banking reform has continued by focusing on the reconstruction of State Owned Commercial Banks (SOCBs), which in 2010 accounted for 59.3% of all banks, and the liberalization of private banks. Increased competition with new private banks has provided an incentive for SOCBs to improve their performance, risk management, governance as well as products and services.

In 2011, Laos launched with support from the Korean and Thai Stock Exchanges its first own stock exchange. So far, two SOEs - Electricite du Laos (EDL-GEN) and Banque Pour Le Commerce Extérieur Lao (BCEL) - and one private company - Lao World Public Company (LWPC) - are listed in this new market. The recently appointed Lao Securities Exchange Commission has developed the regulatory and supervisory framework for capital markets.

Fiscal reform

Fiscal reforms, which are part of the NEM included 1) the reform of the tax system, 2) the creation of a ceiling for the total level of public expenditures and budget deficit, 3) the establishment of an allocation mechanism and 4) the provision of an institutional framework and the upgrading of administrative capacity and procedures to facilitate the implementation of the revised budget policy. A number of specific laws and programs have subsequently been adopted. In 2005, the Tax Law was approved and applied to individuals, legal entities (including SOE's), and foreigners who carry out business or earn a salary on a permanent or temporary basis in Laos. In 2008, the Public Finance Management Strengthening Program (PFMSP) was implemented. The PFMSP has been applied to reforms on both the revenue and expenditure sides as mandated by the Budget Law of 2007. In addition, by the end of 2009 the centralization of the treasury, customs, and tax authorities, mandated by the revised 2006 State Budget Law, was completed. On the revenue side, several laws have been promulgated and implemented by the National Assembly. In July 2007, a new Audit Law was promulgated, and in January 2010 a value added tax (VAT) was introduced.

6.1.2 National Social Economic Development Plan and Strategy Framework

The 7th Five-Year Socio-Economic Development Plan (NSED-7), the main development strategy of the Lao Government, was formulated in order to set out policy directions for the socio-economic development of Laos from 2011 to 2015 (GoL, 2011). The NSED-7 was a research-driven plan that comprehensively reviewed both external and internal conditions in order to identify development opportunities and challenges during the five year period it covered. The vision of the Lao government as articulated in the NSED-7 included moving the country towards being a modern and industrialized society, enjoying rapid economic growth with stability, visibly improving the living standards of the people, achieving the Millennium Development Goals (MDG) by 2015 and making significant progress towards the ultimate achievement of graduating from Least Developed Country (LDC) status by 2020.

To achieve this vision, the NSED-7 specified the following four goals: (1) ensure rapid and sustainable economic growth at no less than 8% Gross Domestic Product (GDP) growth per year, so that GDP per capita estimated for 2015 would be about US\$ 1,700 per person per year at current prices; (2) achieve the MDGs (including poverty reduction) by 2015, acquire modern technologies and infrastructure, and establish a diverse economic foundation to move the country out of its LDC status by 2020; (3) ensure sustainable development by integrating economic development with social-cultural development and environmental protection and (4) ensure political stability, fairness and order in society as well as maintain public security.

In addition, the NSED-7 emphasized the importance of the country's integration into regional and global economies, in particular with respect to AEC and WTO.

The Industrialization Strategy Towards 2020 is one part of the Lao National Development Strategy, which identifies five key industries as drivers of industrialization and growth in Laos. In order to reduce poverty and escape from LDC status in 2020, the Lao government adopted the National Growth and Poverty Eradication Strategy (NGPES), which provides a framework for economic growth and poverty eradication (GoL, 2004). In order to achieve socio-economic development as specified in the NSED-7 and overcome the poverty as detailed in the NGPES, the Lao government has promoted foreign direct investment and the private sector.

6.2 National Policies

6.2.1 Monetary Policy

Prior to 1988, the State Bank conducted both central and commercial banking activities and the monetary policy framework was implemented through direct monetary instruments. However, in 1988, the Lao government began major reforms aimed at transforming the financial system in line with the objectives of the NEM (Kyophilavong, 2010).

The State Bank was reorganized into a two-tier system, with central banking separated from commercial banking. The Central Bank Law (1990) formally enacted this separation by defining the scope of central banking activities and establishing the Bank of Lao PDR (BOL), which has primary responsibility for exercising control over monetary and financial developments through indirect instruments. Under this two-tier system, the BOL has fully implemented its monetary policy. According to this monetary policy framework, price stability is the ultimate goal of the BOL's policies, which also aim to support economic growth in order to reduce poverty (Kyophilavong, 2010).

The BOL implements monetary and exchange rate policies, using the Quantity Theory of Money¹ to set an annual growth rate for money supply as an intermediate target and in line with the GDP growth rate towards long-term price stability. Operational targets aim at money reserves and interest rates, which are closely monitored in order to attain the intermediate target. A reserve requirement rate, BOL bills, treasury bills, bank rates and refinancing facilities are the main monetary policy instruments. Nevertheless, the implementation of monetary policy still has a number of shortcomings.

There are four main reasons for these limitations in monetary policy. Firstly, the Lao economy is a partially dollarized economy and so the monetary authorities cannot conduct their policy effectively (BOL et. al, 2002). Secondly, a lengthy and opaque decision-making process makes implementing monetary policy inefficient. According to the BOL law, all key monetary policies and action plans have to be approved by the government (BOL et. al, 2002), which is time consuming. Thirdly, the undeveloped financial situation means the BOL has very limited monetary policy instruments with which to conduct effective monetary policy. The bond market is still at an early stage of development and its volume is too small to operate effectively in the open market. Lastly, the BOL lacks business expansion funds and general reserve accounts to compensate for losses sustained from the implementation of monetary policy (BOL et. al, 2002).

6.2.2 Fiscal Policy

During the pre-reform period, the Lao budget structure looked like those of other socialist countries in which the public sector played an important role in terms of both the revenue and the expenditure sides (Bourdet, 1994). Since the NEM was implemented in 1986, the Lao government has adopted a number of fiscal reforms. These reforms have addressed both revenue and expenditure sides of the budget and consist of three main components. The first and most important component was the reform of the tax system. The second was the

¹ In monetary economics, the quantity theory of money refers to the relationship between money supply and price level. It is debateable if the quantity theory holds true in the long run.

establishment of an allocation and a total level of public expenditure. The third was a reform of the institutional framework and an upgrading of administrative capacity and procedures to facilitate the implementation of the revised budget policy (Bourdet, 1994).

The main objective of the fiscal framework based on the NSEDP-7 is to support growth and reduce poverty (GoL, 2010). In order to achieve this, the government has increased total investments. Therefore, adequate government income sources and effective government expenditures are essential in order to achieve these fiscal policy objectives.

While the government is continuing to reform the fiscal system, some issues still need attention. First, there is lack of qualified staff and modern office equipment for monitoring and checking actual business performance (Lathouly, 2000). Second, the government implemented a VAT in 2009, which requires close coordination between the Tax, Customs and Treasury Departments (World Bank, 2008). Third, the government finances budget deficits through foreign sources such as loans and grants. It is important to consider the potential of domestic finance by improving the quality and quantity of treasury bills. In addition, the high burden of external debt may cause a debt crisis and macroeconomic instability.

6.2.3 Trade Regime

Since trade policies are the core of the overall development strategy, their formulation and implementation has generally been in synch with the different stages of economic development in Laos. The evolution of the Lao economy and trade can roughly be divided into two phases: centrally-planned economy and trade control (1975-1985) and market-oriented economy and export promotion (1986-present) (Suvannaphakdy, 2013).

Prior to 1986, the Lao government had control over foreign trade (Otani and Pham, 1996). A battery of interventions, including foreign exchange controls, protective tariffs, and import restrictions, were employed to shield the domestic economy. Both exports and imports were monopolized by the state, except trade made by joint public and private companies or a few SOEs. Along with measures like trade deficit financing and selective credit allocation, these policies had significant impacts on Laos' early economic development.

However, the external trade system was liberalized in 1987 following the major economic reforms in 1986, resulting in the elimination of most of these restrictions on trade in 1988. To promote exports, two types of export promotion policies were implemented. The first type aimed at removing or neutralizing distortions resulting from protectionist policies enacted during the centrally-planned economic system. It included liberalization of the foreign exchange allocation system, substitution of tariff for nontariff protection and rebates of import duties. The other type involved the provision of new incentives for exports, to which the establishment of export processing zones and tax incentives for exports belong.

Together with the continued domestic liberalization, Laos has been integrating into the regional and global economy. Laos joined ASEAN in 1997 for geopolitical and economic development reasons and has gradually integrated into ASEAN over time. The agreement on the Common Effective Preferential Tariff (CEPT) scheme within the ASEAN Free Trade Area (AFTA) requires Laos to eliminate all of its import duties by 2015. In addition, Laos joined the WTO in 2013 and thus increases its access to export markets. This also implies a further opening of the Lao market to foreign goods and services.

International trade expansion in Laos will provide a number of new opportunities and challenges. The opportunities include increased access to a larger variety of intermediate products and equipment for many rural people. This may enhance productivity, stimulate cross-border information and technology spill-over on production methods, product design, organization methods and market conditions.

Unfortunately, not all of the effects of increased trade would necessarily be positive. To begin with, Laos currently enjoys only limited benefits from AFTA as the country is characterized by SME producing low-end products and adding only little value to these products. Secondly, policies aimed at increasing the key export products of mining and hydropower could lead to land and water scarcity as these resources are consumed for mining activities and hydropower development. Finally, removing all tariff barriers could lead to a more severe trade deficit, which could in turn result in a depletion of international monetary reserves, currency instability and eventually a slowdown of economic growth.

6.2.4 Investment Regime

In order to graduate from LDC status by 2020, the government has implemented several strategies to develop the private sector and foster FDI. It has emphasized especially exported-oriented sectors that have comparative advantages, promoted respective FDI and focused on domestic natural resources to enhance economic growth and eradicate poverty (GoL, 2004).

6.3 Economic Performance and Challenges

6.3.1 Economic Performance

Except during the Asian financial crisis of the 1990s, Laos has achieved high rates of economic growth since its transition to a market economy. GDP growth averaged about 8% over 2011-2013 and has enhanced the industrialization process. The industrial sector has grown by more than 10% since 2002 as the importance of the agricultural sector has declined. In 2013 GDP was distributed across the agricultural (25.2%), industrial (28.0%) and service (38.9%) sectors and others (7.9%). As labor force participation in the industrial sector has increased, productivity growth has been stimulated and is reflected in rising real GDP per capita, from US\$ 243 in 1990 -1995 to US\$ 1,329 in 2011-2013 (see table 6.3.1-1).

This rapid economic growth was even accompanied by a fair macroeconomic stability. Over 2011-2013, the average inflation rate was held to single digit, a huge improvement over the average inflation rate of 57% during 1996–2000. The exchange rate was also stable during this period.

Table 6.3.1-1: Macroeconomic development in Laos²

Macroeconomic Indicator	2011-2013	2006-2010	2001-2005	1996-2000	1990-1995
Population growth (%)	2.04	2.16	1.58	2.07	2.71
GDP growth (%)	7.98	7.98	6.24	6.17	6.28
GDP per capita (constant 2000 US\$)	1329	841	371	302	243
GDP per capita growth (%)	6.10	5.90	4.58	4.00	3.44
Money supply growth (%)	31.90	38.34	20.18	66.04	30.92
Inflation, CPI (%)	5.92	4.98	10.31	57.00	15.27
Trade balance /GDP (%)	-0.30	-0.59	-10.43	-17.03	-13.02
External debt stock (% of GDP)	76.50	101.10	129.86	152.99	160.25
Budget deficit/GDP (%) -including grants	-2.85	-2.53	-4.13	-4.87	-7.95
Budget deficit/GDP (%) -excluding grants	-9.26	-6.05	-6.04	-8.88	-11.52
Exchange rate (kip per US\$)	8018	9056	10164	4094	727

Even though Laos has been maintaining high economic growth, low inflation and a stable exchange rate, serious macroeconomic challenges remain. First, Laos has faced chronic twin deficits in budget and trade balances. Over 2011-2013, the budget and trade deficit accounted for about 9.26% (excluding grants) and 0.62% of GDP, respectively. The budget deficit is mainly financed by Official Development Assistance (ODA), while the trade deficit is financed by FDI and remittances. The fiscal situation is not strong in Laos and continued increases in budget deficits could accelerate inflation and lower the value of the Lao currency – the Kip, potentially leading to the type of economic instability experienced during the Asian financial crisis. Second, there is a huge gap between savings and investment. The savings rate is low because average income is low and the underdevelopment of the financial sector. The banking sector is inhabited by the state commercial banks, which are not fully performing important banking functions.³ Third, Laos also faces a high external debt burden. Accumulated external debt accounted for more than 76% of GDP in 2011-2013. If Laos becomes too dependent upon foreign finance, potential difficulties meeting its debt obligations could cause an external debt crisis and lead to macroeconomic instability. Fourthly, as the Lao economy is dependent on the resource sector⁴ this could have a negative long-term impact in the form of Dutch disease, which is characterized by the following four features: (1) real exchange rate appreciation, (2) declining input in non-booming sectors, (3) declining exports and output in non-booming sectors and finally (4) declining real GDP (Corden, 1984; Corden and Neary, 1982).

6.3.2 Sustainable Economic Development and Poverty Eradication

² See World Bank (2014b) and Asian Development Bank (ADB) (2014).

³ More details about financial issues, and monetary and exchange rate policies in Laos are discussed in Kyophilavong (2010).

⁴ According to the World Bank (2014), the resource sector contributed about 2.83 percentage points to the growth rate over 2008 to 2013. The resource sector accounted for about 60% of all exports in 2013, a share that is expected to increase under expected ongoing development in the hydroelectricity and mining sectors. Revenues from resource sectors as a share of total revenues rose to 2.6% of GDP in 2010, a share that is expected to rise under continued growth in the sector.

Sustainable long-term economic growth

Lao government policies prioritize rapid and sustainable growth, but the current situation suggests several obstacles for maintaining long-term economic development. First, the natural resource sector, in particular mining and electricity generated from hydropower, is the main driver of growth and the primary source of foreign currency export revenues. However, current mining sites will be exhausted by 2030 and the major hydropower projects will be completed by 2025. Moreover, there is the risk that the growth of export revenues from the natural resource sector, compounded with relatively large FDI capital inflows and ODA, could lead to Dutch Disease. Secondly, rapidly stimulating high growth requires a large amount of investment capital, which can lead to economic instability (i.e., a high inflation rate). Finally, the government investment budget relies heavily on ODA, which currently accounts for about 70 % of total public investments. In order to graduate from LCD status by 2020, the Lao government needs to mobilize both domestic resources and FDI, since ODA for a non-LDC will be limited. Hence, ODA dependency is not conducive to long term development.

Human capital

Human resource development is one of the three pillars of socio-economic development and one of the ultimate goals of development. The Human Development Index (HDI) is one of the key indicators for meeting the MDGs and for graduating from LDC status. However, although Laos' HDI increased from 0.517 in 2008 to 0.543 in 2012, it still lags behind those of other ASEAN countries such as Singapore (0.894), Thailand (0.690), Vietnam (0.617) and it is only slightly better than that of Myanmar (0.498). Even if Laos is able to realize the MDGs by 2015 and graduate from LDC status by 2020, it will need to make a great effort until 2030 to strengthen its human capital in order to be competitive within the context of regional and global integration. To realize these goals, Laos will need to increase the government budget and attract more private investment in order to develop the social sector, particularly education and health care.

Firm competitiveness and labor productivity

As Laos becomes more integrated into regional and global economies through the AEC, East Asia Free Trade Area and WTO, competition with other member countries will increase. So far Lao firms in general are less competitive in a number of points.

According to the most recent 2014 Doing Business Indicators by the World Bank, overall Laos ranked 159 out of 189 countries that were assessed, among the worst in the region. More specifically, Laos ranked poorly in terms of closing business, protecting investors (187th), getting credit (159th), paying taxes (119th) and dealing with trading across borders (161th) (World Bank, 2014).

Additionally, export and import costs are relatively high. Exporting products required 10 documents, took an average of 23 days and cost the equivalent of 1.55 times Gross National Income (GNI) per capita in 2013 (1,950 US\$). Similarly, importing goods required 10 documents, took 26 days and cost the equivalent of 1.52 times GNI per capita in 2013 (World bank, 2014). Laos has high transportation costs due to its land-locked position and has a comparatively high tax burden for enterprises.

Other critical weaknesses include low labor productivity, which is lower than the average labor productivity of neighboring countries (Kyophilavong, 2008). Furthermore, Lao firms face various constraints such as difficulties in accessing finance, obtaining highly skilled labor

and applying appropriate marketing know-how (Kyophilavong, 2008). Given these conditions, increasing firm competitiveness and labor productivity will be a crucial challenge for the Lao economy as regional and global integration proceeds.

Ensuring environmental sustainability

Environmental sustainability is also one of the three pillars of development. Although a number of laws and regulations related to environmental issues have been approved and implemented, enforcement has in many cases been ineffective and ensuring both environmental sustainability and economic development continues to be controversial.

As a result of economic growth, population growth, urbanization, mining- and hydropower development projects, infrastructure development and loose environmental management mechanisms, the country's abundant natural resources including biodiversity, land, and rivers have deteriorated considerably. This degradation threatens not only biodiversity but also the various market- and non-market benefits natural resources provide for local communities as well as the local-, national- and global quality of life.

The impact of global climate change will also be a major challenge for the Lao economy. The average global temperature is estimated to increase by 1°C by 2025 and 3°C before the end of the next century. This could create major natural disasters, particularly floods and drought, which will damage the agriculture sector, decrease agriculture productivity and increase food prices⁵.

Social safety net

As a result of increasing life expectancy, the elderly population will increase by 2030. In addition, workers, government officials and others will require better social welfare programs, comparable to those of other countries in the region and the world. Although different types of social safety nets have been developed, Laos still faces numerous challenges. First, social protections are currently quite limited and the majority of the population remains without healthcare coverage. The ratio of health care fund contributors to the total population is only 2.9% and the ratio of pension beneficiaries and contributors to the total labor force is only 6.2% (Leebouapa, 2010; Kyophilavong, 2012). More importantly, the benefits of social protection schemes are relatively low and not always sufficient to meet the need of the beneficiaries. To provide full health care coverage and increase benefits, it is necessary to develop a comprehensive social protection strategy, which would include fund raising, establishing social protection institutions, improving management and capacity building as well as pooling of human resources. Second, the current administrative capacities of formal social security systems are limited. The majority of the labor force is relatively poor, under-employed and works in the informal economy in rural and remote areas. Thus it is difficult to increase the coverage of the informal sector both in terms of members and contributors. Third, the population is aging and life expectancy at retirement is increasing, extending the duration of retirement benefits and increasing the burden on social protection funds. Fourth, government revenues, as the main source of the social assistance, in particular to the very poor, are limited and insufficient to provide adequate coverage. Overall, the provision of social protection programs is still in the early stages, coverage is insufficient, and expenditures on social protections are quite low compared to other countries (ADB, 2011).

⁵ Kyophilavong and Takamatsu (2011) simulate the impact of climate change on macroeconomic variables in Laos by an increased price of rice and a reduction of productivity.

6.4 Support of the Lao-German Development Cooperation

In 2003, the governments of Laos and Germany agreed upon the Human Resource Development for a Market Economy (HRDME) project in order to assist in the transition from a centrally planned to a market-oriented economy, in line with the NSEDP-7 (2011-2015).

In 2011 both governments agreed on a joint strategy for Lao-German development cooperation. This strategy defines two fields of action within the larger priority area of sustainable economic development: private sector development, which is covered by the Economic Development and Employment Promotion (EDEP) Programme.⁶ HRDME, with a total period of 10 years, from 2004-2014, is an EDEP project subdivided into two components: (1) private sector and SME development and (2) vocational education and training. Although it is a nationwide project, since 2011 it has focused especially on Champasak and Luang Prabang provinces. HRDME has a number of Lao partners, including three ministries (MPI, MoIC and MoES), the Secretariat of the National Committee for Special Economic Zones, SNCSEZ (since 2013); LNCCI, the European Chamber of Commerce and Industries in Laos, ECCIL (since 2012) and private sector representatives, such as the Association of Lao Garment Industries (ALGI) and the Lao Coffee Association (LCA). In 2011 the MoIC became counterpart of an additional Lao-German development cooperation project “Supporting Lao’s integration into regional markets within the context of the Enhanced Integrated Framework” which concluded at the end of 2013.

The principal approach of both projects has been to contribute to the general objectives of the EDEP programme, which in its updated version states ‘The framework conditions for the development of competitive enterprises, especially SMEs, in Laos has improved’. HRDME in particular aims to improve the environment for business and investment by encouraging public-private dialogue, streamlining administrative procedures, supporting selected Business Membership Organizations (BMOs) and sectors (tourism, coffee, tea and garment), promoting SME development, and implementing a national labour market-oriented Technical Vocational Education and Training (TVET) system.

The HRDME project has been implemented in three phases. The first phase, carried out between 2004 and 2007, was geared towards achieving the objectives mentioned above. The main instrument used to capture the impact on development was a survey of enterprises in selected provinces and districts—the Enterprise Baseline Survey of 2005 (EBS2005)—which was intended to be repeated every two years. Phase two, carried out from August 2007 to July 2011, also used enterprise surveys (ES2007, ES2009) as the main instrument to capture changes in the business environment, especially for SMEs. The project’s third phase, carried out between August 2011 to July 2014, aims to ensure that “public and private organizations in the fields of private sector development and vocational education exercise their mandate in a coordinated and efficient manner.” It again relies on enterprise surveys (ES2011, ES2013) as tools for analysing the business environment and the state of trade integration as well as for monitoring the impact of both projects and the overall EDEP programme.

The enterprise surveys also provide baseline data for two recently initiated EDEP projects: Regional Economic Integration of Laos into ASEAN, Trade and Entrepreneurship Development (RELATED) and Vocational Education in Laos (VELA). RELATED will focus

⁶ EDEP is designed for the period 2011 to 2017 and was updated in 2013 in order to incorporate adequately projects starting at the end of 2013 – RELATED and VELA

on improving the business enabling environment in relation to AEC and on supporting the private sector preparation for AEC, mainly through the institutional capacity development of selected business membership organizations. VELA in turn aims to improve the regulatory framework for TVET, enhance the practical orientation of TVET and cooperation between TVET institutions and the private sector, and integrate especially disadvantaged groups in the TVET system. RELATED and VELA are designed to carry on the efforts of earlier projects, such as “Supporting Lao’s integration into regional markets within the context of the Enhanced Integrated Framework” project, which has already ended and the HRDME phases out end of July 2014.

Beyond their value in assessing the general business environment, the set of enterprise surveys conducted between 2005 and 2013 are crucial for evaluating the impact of the EDEP program and its integrated projects (HRDME, “Supporting Lao’s integration into regional markets...,” RELATED and VELA) and thus constitute an essential part of Lao-German development cooperation.

7. Survey Methodology and Implementation

7.1 ES2013 Task Force

As in the previous HRDME enterprise surveys (EBS2005, ES2007, ES2009 and ES2011), the ES2013 was managed by a Task Force (TF) with officially assigned staff from all HRDME partner organizations - the Investment Promotion Department (IPD) and Department of International Cooperation (DIC) of the MPI, the Foreign Trade Policy Department (FTPD) and the Department of Small and Medium Enterprises Promotion (DoSMEP) of the MoIC, the LNCCI, the Department of TVET at MoES, and assigned GIZ consultants, such as the FEBM/NUoL. The TF was co-chaired by the Deputy DG of DIC and the HRDME Programme Director. The objectives outlined above were to guide and advice on the design and the conduct of the survey as well as formulate profound policy recommendations respectively.

The cooperation in the TF is also seen as an exercise in capacity building for concerned counterpart organisations and aims to ensure the relevance of the questions and findings for policy decision making in the respective policy fields, i.e. enabling business environment, SME promotion, trade promotion and human resource development (labour market-oriented vocational education). The ES2013 showed a further developed sense of ownership of the Lao partners, especially MPI/DIC.

The sample design, the revision of the ES2013 questionnaires, the interviewer manual, organisational issues related to the field work as well as data interpretation and the formulation of conclusions and recommendations were done by the ES2013-TF. The main purpose was to ensure continuity of the questionnaire for inter-temporal comparisons (of enterprise characteristics, performance and constraints as well expectations) but also to include questions related to the new set-up of the EDEP programme and its projects, especially with regard to ASEAN-related trade issues and further extension of cooperation in the field of vocational education in preparation for the newly designed projects RELATED and VELA.

7.2 Questionnaire

The questionnaire remained, for the most part, the same as the ones used in previous ES. Some questions were reformulated in order to enhance the quality of answers. These adjustments followed the expressed interest of project partners and stakeholders, especially in accordance with the new trade focus within the EDEP program in order to better reflect some major trading patterns. Additional input into the upgrading of the questionnaire was provided by MoIC concerning the preparation for AEC and MoES in the field of vocational training. The questionnaire (attached as an annex to this report) captured the following main enterprise aspects:

- I. Basic data
- II. Characteristics of the business/entrepreneur
- III. Business problems and constraints (internal & external)
- IV. Skills
- V. Business Development Services
- VI. Business Taxes and Finance
- VII. Free comments

7.3 Enterprise Population and Sample Description

The decision to rely on the tax- instead of the business registry for sampling purposes was again justified by the fact that the reform of the business registry system was still not finished. On the other hand business registry does not foresee the requirement of informing about closure of a business so that the Enterprise Registration Office (ERO) captures only the number of established enterprises, but not of businesses active at a certain moment in time.

This can be provided though by the tax registry as the tax offices require a re-registration every year.

Nevertheless, accessibility and reliability of tax registration data presented also some problems for the sampling of the enterprise population for the 2013 survey. As registration data are collected at different levels (tax registration at central, provincial and district levels), those were not always consistent and up to date. Especially in Luang Prabang province the interviewers were confronted with the problem that literally none of the companies listed with the tax office as newly registered (in contrast to re-registered) and selected as replacement for closed or not traceable businesses were established in 2011 or later.

As a reference for the ES2013 sample, the total number of enterprises registered with the Tax Department in Laos as of 2013 was 94,583 (2011=78,461). The calculated increase in numbers of enterprises of 20% needs further explanation. When looking at the timeline of the tax register it seems that in 2011 in Vientiane Capital the enterprises paying taxes based on “green cards” were not included as in 2013 the number of enterprises is back to the level of 2009. Otherwise differences accounting for about 50% of the total number of enterprises in Vientiane Capital are hard to explain. If taking this into account the number of enterprises remained at the same level as 2011 (78,461 in 2011 vs. 79,752 in 2013, an increase of 1.6% only).

Table 7.3-1: 2012-2013 registered enterprises

	Province	Number of enterprises	Manufacturing	sector									total of sectors (4+7+13)	category										green card
				Trade			Services							1	2	3	4	5	6	7	total			
				Domestic	Exp-imp	total (5+6)	Transport	Construction	Banking	Hotel, Restaurant	other	total												
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22			
01	VTE Cap	29,221	1,428	5,241	-	5,241					8,162	8,162	14,831	175	103	376	630	2,956	3,391	474	8,105	14,390		
02	Phongsaly	934	75	494	24	518	28			313	-	341	934	854	19	14	-	47				934		
03	Luang Namtha	2,188	111	662		662	307	27	-	188	282	804	1,577			4	4	52	136	1,279	1,475	611		
04	Oudomxay	4,275	179	1,928	22	1,950	556	54		62	1,474	2,146	4,275	3	4	203	445	624	46	151	1,476	-		
05	Bokeo	1,605	112	561	15	576	234	19	9	30	213	505	1,193	29	10	43	11	22	132	534	781	412		
06	Luang Prabang	6,569	200	1,426	-	1,426	1,556	65	38	287	647	2,593	4,219	116	22	83	86	369	1,936	1,607	4,219	2,350		
07	Houaphanh	3,124	101	1,539	14	1,553	380	43		21	382	826	2,480	33	21	56	55	61	631	981	1,838	644		
08	Sayaboury	5,675	339	1,744		1,744					2,735	2,735	4,818	104	10	213	314	935	1,630	374	3,580	857		
09	Xiang Khouang	5,736	113	2,037	-	2,037	492	60	-	172	741	1,465	3,615	111	12	21	18	42	106	1,184	1,494	2,121		
10	Vientiane	7,808	338	4,175	25	4,200	719	81		392	2,078	3,270	7,808	835	1,728	661	801	408	2,845	530	7,808	5,092		
11	Bolikhamxay	4,667	224	1,375	172	1,547	330	550	-	75	328	1,283	3,054	141	47	102	60	535	997	1,777	3,659	1,613		
12	Khammouane	3,146	192	849	37	886	239	40		2	499	780	1,858	133	40	39	27	229	769	621	1,858	1,288		
13	Savannakhet	7,828	538	2,038	11	2,049	1,010	45			1,186	2,241	4,828	182	17	102	88	420	2,040	1,979	4,828	3,000		
14	Saravan	1,395	108	539	7	546	198	27			237	462	1,116	1,027	-	84	5	9			1,125	279		
15	Sekong	972	35	554	7	561	56	33		19	268	376	972	933	74	1	-		1,348		2,356			
16	Champasak	7,342	295	4,078	-	4,078	639	59	-	1,735	2,433	6,806	139	28	127	173	547	2,207	1,941	5,162	536			
17	Attapeu	1,591	106	963	11	974	1	37		7	463	508	1,588	83	15	44	20	34	98	441	735	856		
	provinces	94,076	4,494	30,203	345	30,548	6,745	1,140	47	1,568	21,430	30,930	65,972	4,898	2,150	2,173	2,737	7,290	18,312	13,873	51,433	34,049		
	central	507																						
	total	94,583	4,494	30,203	345	30,548	6,745	1,140	47	1,568	21,430	30,930	65,972	4,898	2,150	2,173	2,737	7,290	18,312	13,873	51,433	34,049		

Source: Tax Department / Ministry of Finance

Since 2009 the total number of enterprises registered at tax department under MoF developed as follows:

Table 7.3-2: Number of enterprises registered at tax offices 2009, 2011 and 2013⁷

	2009	2011	2013
Vientiane capital	28.243	14.223	29.221
Phongsaly	846	1.133	934
Luang. Namtha	2.661	1.718	2.188

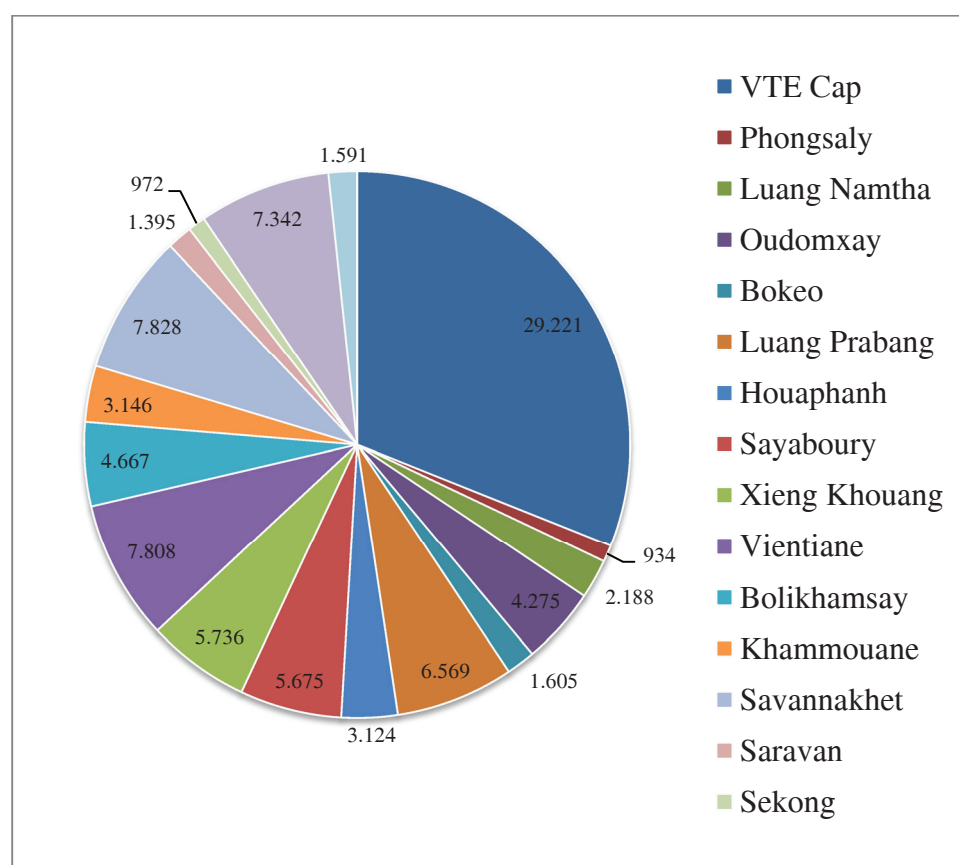
⁷ Source: Tax Department / Ministry of Finance

HRDME Enterprise Survey 2013 for Lao PDR

Oudomxay	1.939	4.266	4.275
Bokeo	1.376	2.054	1.605
Luang. Prabang	4.410	6.968	6.569
Houaphanh	2.167	1.920	3.124
Sayaboury	8.180	7.448	5.675
Xieng Khouang	2.455	3.284	5.736
Vientiane	7.937	7.808	7.808
Bolikhamsey	3.435	5.460	4.667
Khammouane	2.375	3.105	3.146
Savannakhet	5.600	6.789	7.828
Saravane	2.376	2.073	1.395
Sekong	814	972	972
Champasak	6.914	7.080	7.342
Attapeu	1.283	1.707	1.591
Provinces	83.011	78.008	94.076
Central	170	453	507
Total	83.181	78.461	94.583

The distribution of all registered enterprises by province is shown below in figure 7.3-1:

Figure 7.3-1: Provincial shares of tax registered enterprises in 2012-2013



The total enterprise population of the selected districts of the five sample provinces amounts to 56.2% of all registered enterprises in Lao PDR in 2012/13, thus covering four of the economically most important provinces of Lao PDR (plus one ‘rural’ province: Luang Namtha).

7.3.1 Enterprise Tax Registration in Sample Districts

The selected districts in the five sample provinces, except Luang Namtha province, achieved an increase in numbers of registered enterprises compared to two years earlier with mixed results in Champasak province (increase in Pakse, but decrease in Pathoumphone and Khong). The selected districts in Luang Namtha province experienced a decrease of 27%. Districts in Vientiane Capital and Savannakhet province showed an increase of registered businesses of 10 and 13% respectively, whereas Luang Prabang province showed strong growth of numbers in Luang Prabang and Ngoy districts against a big drop in Nambak district.

Again some of those data provided by local authorities require caution or additional checks. So the fivefold increase of businesses in Outhoumphone district and in Savannakhet province may only be explained if one suspects that in 2013 the ‘green card’ holders were in contrast to all earlier years included. The significant drop of enterprises numbers in Nambak district (Luang Prabang province) may be best explained by the reverse process – now excluding ‘green card’ holders. Detailed investigation in Luang Prabang district revealed that the drop in 2011 was due to incomplete data as the list provided included only enterprises registered at provincial level thereby not listing the many enterprises registered at district level. The data of 2013 are back in line with those from 2009. All other figures seem at least plausible.

In Luang Namtha province all three districts showed substantial decreases of number of businesses being highest in Muang Sing at -50,9%, followed by Viengphoukha (-36,1%) and Luang Namtha (-10,5%) district.

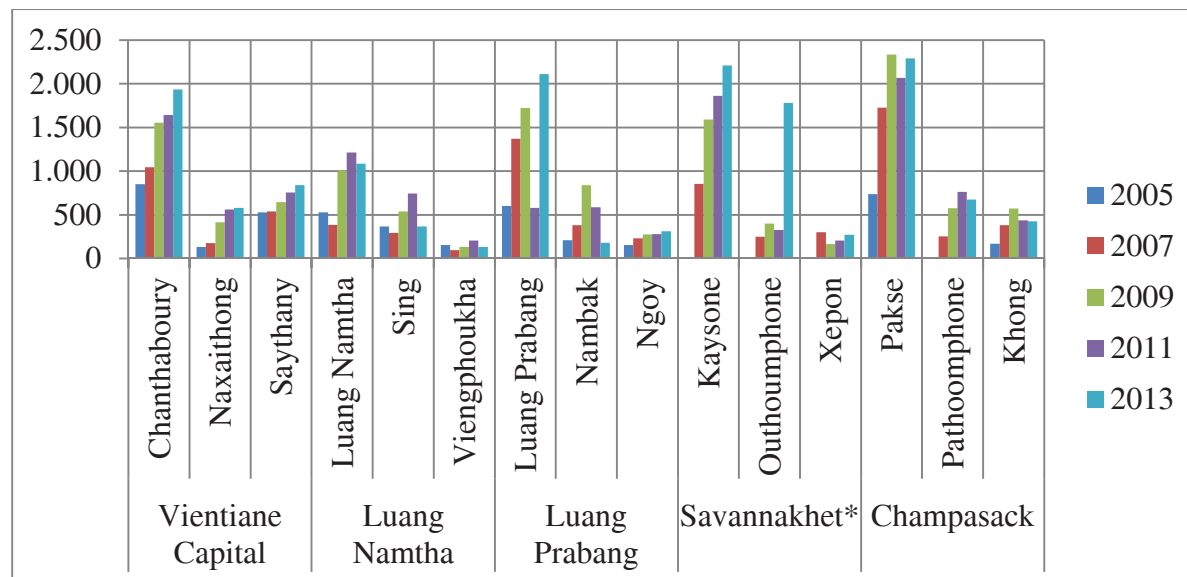
Table 7.3.1-1: Number of Enterprises registered with tax office in sample districts over time

Province	District	2005	2007	2009	2011	2013	2013/2011	2013/2009
Vientiane Capital	Chanthaboury	850	1.046	1.554	1.642	1.934	117,78	124,45
	Naxaithong	133	178	414	561	579	103,21	139,86
	Saythany	529	538	646	754	840	111,41	130,03
Luang Namtha	Luang Namtha	529	387	1.007	1.214	1.086	89,46	107,85
	Sing	367	292	540	746	366	49,06	67,78
	Viengphoukha	155	96	131	205	131	63,90	100,00
Luang Prabang	Luang Prabang	601	1.370	1.722	578	2.112	365,40	122,65
	Nambak	209	383	838	587	180	30,66	21,48
	Ngoy	153	233	275	280	311	111,07	113,09
Savannakhet*	Kaysone		854	1.590	1.863	2.212	118,73	139,12
	Outhoumphone		249	399	325	1.781	548,00	446,37
	Xepon		302	167	204	271	132,84	162,28
Champasack	Pakse	737	1.727	2.334	2.068	2.290	110,74	98,11
	Pathoomphone	12	252	574	763	674	88,34	117,42
	Khong	170	383	572	437	424	97,03	74,13

*Savannakhet not included in the EBS2005

Over the complete timeline since 2005 urban centers show the highest growth rates with the exception of Pakse district, which stagnates since 2009. Muong Sing district seems to be a special case as Chinese investment dominates the economic development there and leading to closure of many Lao enterprises.

Figure 7.3.1-1: Enterprises registered 2005, 2007, 2009, 2011, and 2013 in Sample Districts



*Savannakhet not included in the EBS2005

7.3.2 Enterprise Sample - Closures and New Entrants

To the extent possible, enterprises that were surveyed in the 2005, 2007, 2009 and 2011 were surveyed again in the ES2013.

Of the 722 enterprises surveyed in 2013, 222 were totally “new” and 500 had participated in earlier surveys.

Table 7.3.2-2: Number of new enterprises to survey (EBS2005, ES2007, ES2009 and ES2011)

	2007		2009		2011		2013	
	new	total	new	total	new	total	new	total
Vientiane Cap.	21	150	77	177	46	177	32	173
Chanthaboury	13	99	42	110	25	110	26	110
Naxaithong	3	16	6	17	3	17	3	16
Saythany	5	35	29	50	18	50	3	47
Luang Namtha	39	80	42	76	18	76	42	76
Namtha	24	50	20	42	9	42	25	42
Sing	13	24	15	24	7	24	12	24
Viengphoukha	2	6	7	10	2	10	5	10
Luang Prabang	12	80	96	154	32	154	21	156
Luang Prabang	8	49	65	99	30	99	7	100
Nambak	1	17	20	35	2	35	10	35
Ngoy	3	14	11	20	0	20	4	21
Savannakhet	100	100	69	157	37	157	62	157
Kaysone	69	69	42	103	32	103	33	103
Outhoumpho	16	16	12	27	2	27	9	27

HRDME Enterprise Survey 2013 for Lao PDR

ne								
Xepon	15	15	15	27	3	27	20	27
Champasak	14	80	110	164	41	164	65	160
Pakse	12	64	82	123	30	123	53	117
Pathoompho ne	0	1	9	10	7	10	8	12
Khong	2	15	19	31	4	31	4	31
unknown			1					
New to survey	186		395		174		222	
Total		490		728		728		722

A number of enterprises that were in operation in 2005, 2007, 2009 and 2011 however, were not reachable at the time of the follow-up 2013 survey. The most frequently cited reasons for this were that the businesses closed temporarily, had moved, changed ownership, could not be located again or only worked when orders were placed. Additionally, there were a significant number of business closures. Another group of owners or managers was not interested in the survey.

Overall, a share between 1.52% and 19.44% of the total registered enterprises in the targeted districts of the five sample provinces were surveyed, which seems irritating. The inconsistencies of provided data (especially concerning inclusion of “green card” holders) may at least partially explain the huge discrepancies. In average 4.75% of all registered enterprises in the target districts have been included in the survey and providing a sound statistical foundation.

Table 7.3.2-3: Share of sample sizes to total registered enterprises, by province (in percent)

		2005	2007	2009	2011	2013
Vientiane Cap.	Chantaboury	10,12	9,46	7,08	6,70	5,69
	Naxaithong	9,77	8,99	4,11	3,03	2,76
	Saythany	10,64	6,51	7,74	6,63	5,60
Luang Namtha	Namtha	4,91	12,92	4,17	3,46	3,87
	Sing	3,00	8,22	4,44	3,22	6,56
	Viengphoukha	2,58	6,25	7,63	4,88	7,63
Luang Prabang	Luang Prabang	6,82	3,58	5,75	17,13	4,73
	Nambak	7,66	4,44	4,18	5,96	19,44
	Ngoy	7,19	6,01	7,27	7,14	6,75
Savannakhet	Kayson		8,08	6,48	5,53	4,66
	Outhoumphone		6,43	6,77	8,31	1,52
	Xepon		4,97	16,17	13,24	9,96
Champasak	Pakse	7,06	3,71	5,27	5,95	5,11
	Pathoomphone	8,33	0,40	1,74	1,31	1,78
	Khong	7,65	3,92	5,42	7,09	7,31
Average		7,24	5,91	5,70	5,95	4,75

Note: Savannakhet province was not part of ES2005

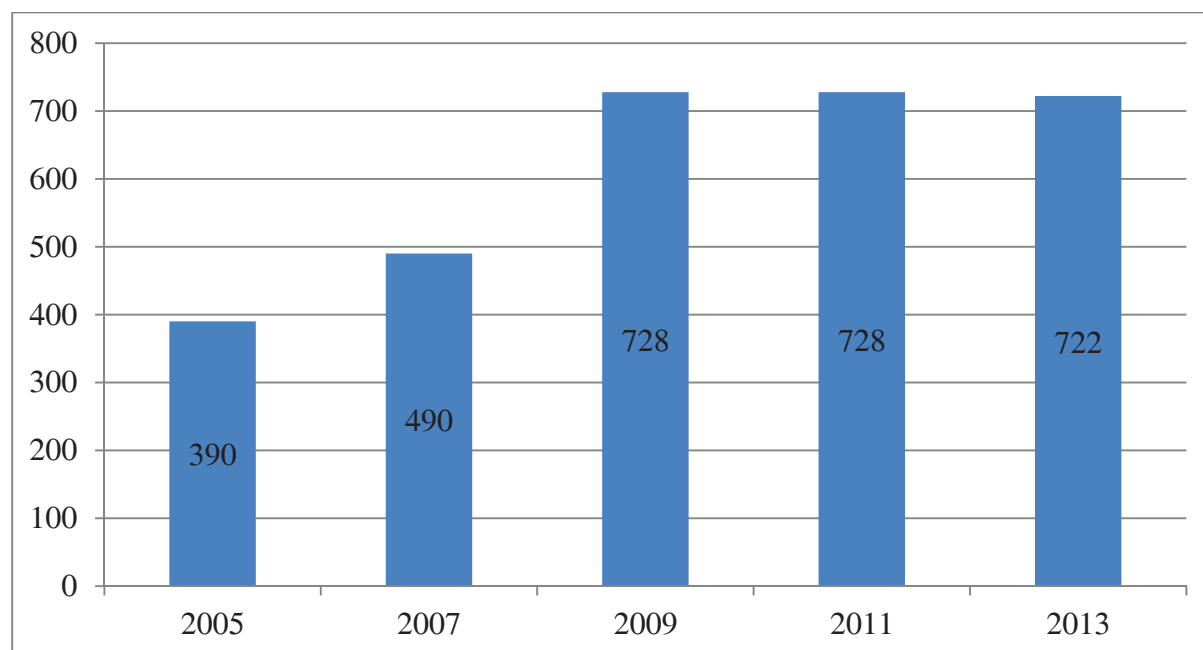
As the SME Law adopted in 2011 does not provide a clear definition of SME the definition of Small and Medium Enterprises (SMEs) as given in the Prime Minister’s Decree 42 was still used for this enterprise survey. The definition uses actually three criteria to define small, medium and large enterprises, namely assets, turnover and number of employees. For this survey (as in previous enterprises surveys of this type) only the number of employees has

been taken into consideration. To better capture the specific characteristics of SMEs, an additional distinction was made between micro and small sized enterprises, since the Decree does not mention a lower limit for small enterprises.

Thus, the surveyed enterprises have been classified into the following categories based on the average number of employees per anno⁸:

- Micro enterprises (1-2 staff)
- Small enterprises (3 -19 staff)
- Medium enterprises (20-99 staff)
- Large enterprises (100 and more staff)

Figure 7.3.2-4: Enterprise survey sample size



The ES2013 covered 728 firms, six questionnaires were dropped due to major inconsistencies. Therefore, the total of usable questionnaires were 722, which states a decrease by 0.82% comparing to the ES2009 and ES2011.

7.4 Firm Size Development of Enterprises 2011-2013

In order to understand the development of enterprises better, those within ES2013, which were surveyed already in 2011, were analyzed. 605 enterprises were identified to meet this requirement of which 123 were micro, 364 small, 91 medium and 27 large enterprises (table 7.4-1).

Table 7.4-1: Enterprises by size

	Frequency	Percent
Micro	123	20.33%
Small	364	60.17%
Medium	91	15.04%
Large	27	4.46%
Total	605	100%

⁸ The term “employee” includes permanent full time worker, -part-time worker, as well as temporary worker.

Out of 123 micro enterprises in 2013, about 70 firms (56.91%) remained their size class, but 48 (39.02%) micro enterprises developed to small enterprises, four (3.25%) to medium enterprises and one firm to a large enterprise (table 7.4-2).

Table 7.4-2: Firm Size Development 2011-2013 (Micro Enterprises)

	Frequency	Percent
Micro	70	56.91%
Small	48	39.02%
Medium	4	3.25%
Large	1	0.81%
Total	123	100%

Of the 364 small enterprises surveyed in ES2011, 61 firms (16%) became in 2013 micro enterprises, while 281 firms (77%) remained the same. Only 19 firms (5%) became medium enterprises and three firms (0.8%) became large enterprises (table 7.4-3), indicating that small enterprises face difficulties in developing into medium and large enterprises.

Table 7.4-3: Firm Size Development 2011-2013 (Small Enterprises)

	Frequency	Percent
Micro	61	16.76%
Small	281	77.20%
Medium	19	5.22%
Large	3	0.82%
Total	364	100%

Of the 91 medium sized enterprises surveyed in ES2011, 47 firms (50%) did not change their size, while 37 firms became small enterprises and five became micro-enterprises. On the other hand, only two firms became large enterprises (table 7.4-4), indicating that medium enterprises not only have difficulties developing into large enterprises but also that they have trouble maintaining their size, as about half of them became small enterprise.

Table 7.4-4: Firm Size Development 2011-2013 (Medium Enterprises)

	Frequency	Percent
Micro	5	5.49%
Small	37	40.66%
Medium	47	51.65%
Large	2	2.20%
Total	91	100%

Concerning size developments of large enterprises, 15 firms (55%) did not change at all. However, eight firms had moved to medium-enterprises, three firms had moved to small enterprise and one firm have moved to micro-enterprises (table 7.4-5). It shows that large firms face difficulties and hard competition.

Table 7.4-5: Firm Size Development 2011-2013 (Large Enterprises)

	Frequency	Percent
Micro	1	3.70%
Small	3	11.11%
Medium	8	29.63%
Large	15	55.56%
Total	27	100%

7.5 Fieldwork

Preparation for the survey took place from mid of June to November 2013, during which time the survey team worked with the ES2013 TF to:

- Review and adapt the questionnaire and survey manual,
- Prepare and issue official approval letters and notices to target provinces,
- Discuss ES2013 sampling and establish plans for the field work,
- Build and train the survey team,
- Pre-check the availability of businesses sampled in 2011.

Due to delays with the preparation, the actual fieldwork was conducted November 11 to 29, 2013. Delays resulted from late agreements within the TF on the questionnaire. Also information letters to the provinces were issued late, but once send to the provinces cooperation in the respective provinces and districts was supportive. Based on experiences from 2011 enterprise lists for all districts were well prepared and transmitted to the provincial Departments of Planning and Investment (DPI), in charge of contacting firms initially, in advance.

Challenges with impact on the data collection during the fieldwork included:

- Incomplete or inaccurate data from the Tax Offices,
- Gaining direct access to managerial level staff (In many cases, especially in urban centers, two or more attempts were needed to meet with managers, slowing the survey process),
- An increasing number of owners or managers not willing to respond to the questions.

Actual interviews were conducted by students from FEBM/NUoL. The total team consisted of 36 students and four lecturers, acting as supervisors, and two fieldwork supervisors from MoES and MoIC. For the fieldwork in the provinces the team was divided into two groups of 18+2 each, working from November 17, 2014 until November 28, 2014 in the northern (Luang Prabang and Luang Namtha) or southern (Champasak and Savannakhet) provinces respectively. Additional fieldwork time before and after the mission to the provinces had to be spent in Vientiane Capital.

Fieldwork was supported by staff of the respective DPIs at province and district levels who also coordinated with local tax offices. Each province/district nominated one coordinator for support of the fieldwork. All coordinators were very supportive and contributed to the fast accomplishment of the tasks of the fieldwork. Cooperation with local authorities was good.

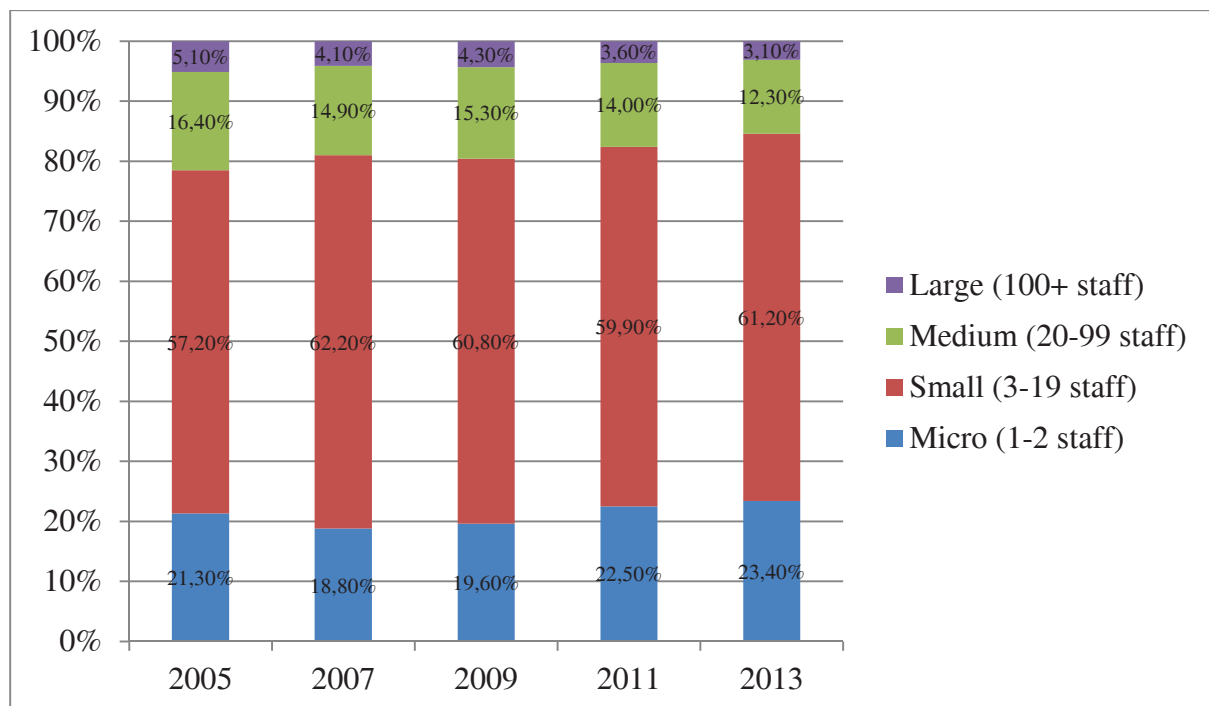
8. Detailed Enterprise Survey Findings⁹

8.1 Basic Enterprise Characteristics

8.1.1 Enterprises by Size

In terms of enterprise size categories, it was found that small firms accounted for more than half of ES2013 respondents. This was followed by micro firms, which accounted for 23.4% of the total of observations. The proportion of small (by 2.1pp) and micro (by 4pp) firms increased slightly during the period 2005-2013. On the other hand, the share of medium and large enterprises decreased from 16.4% and 5.1% in 2005 to 12.3% and 3.1% in 2013 (figure 8.1.1-1).

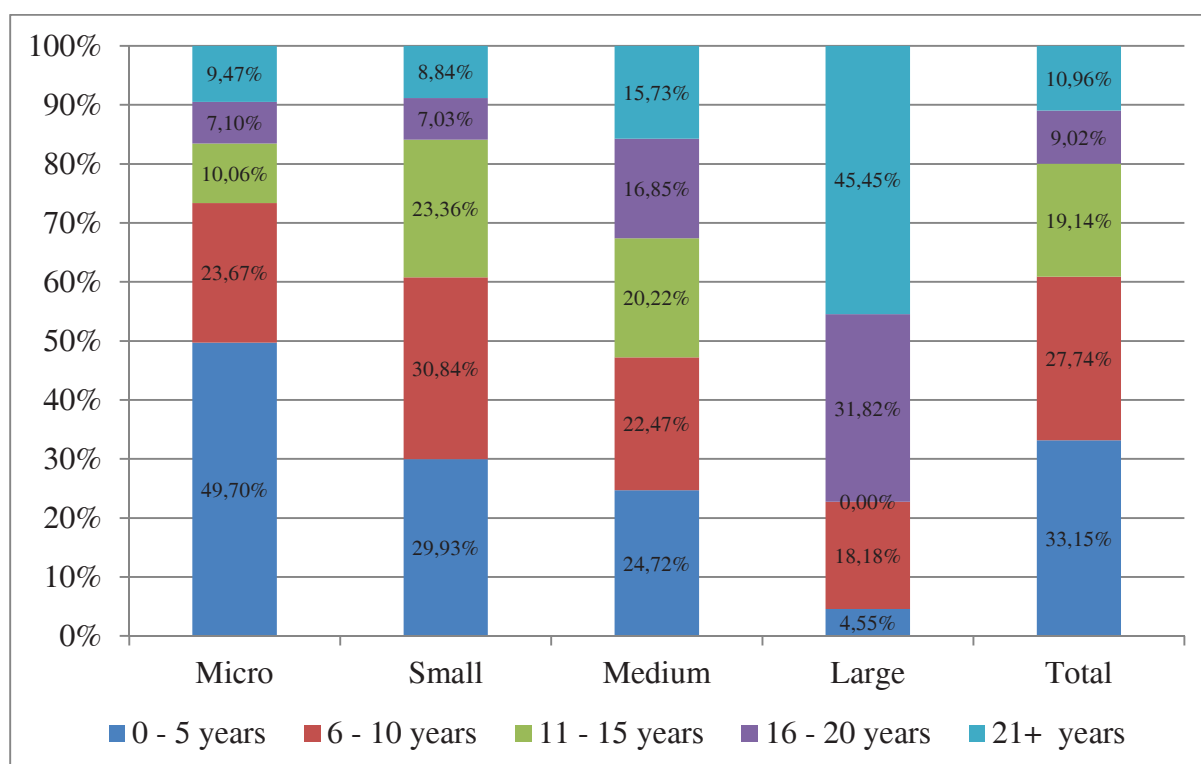
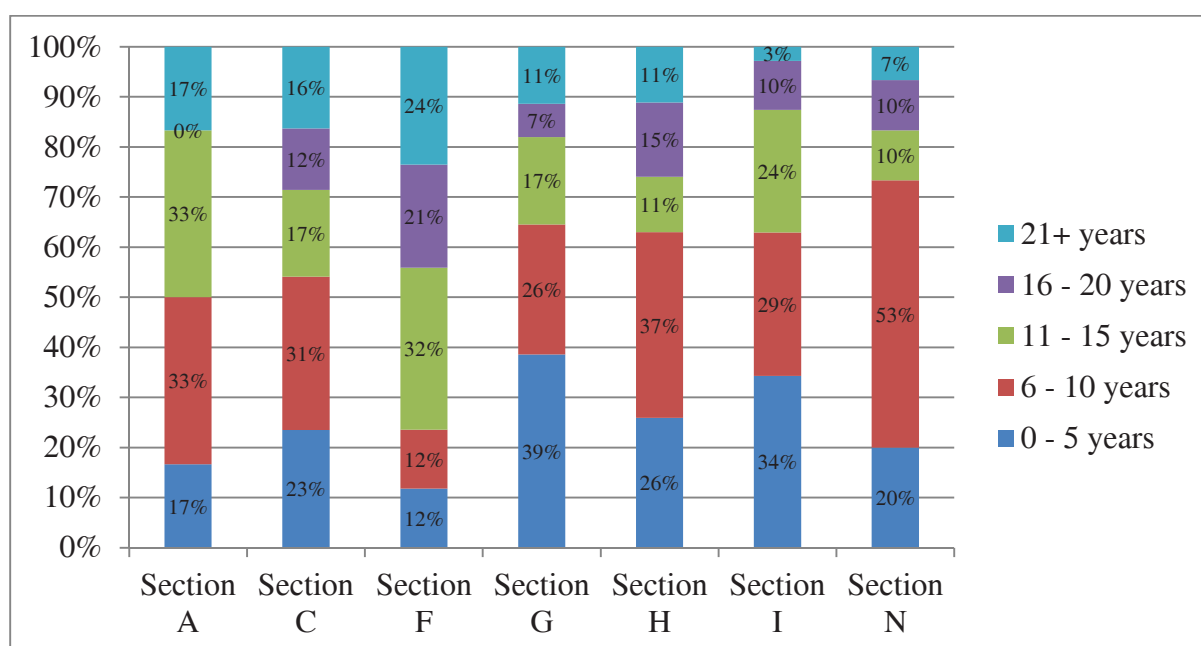
Figure 8.1.1-1: Enterprise size development based on number of employees



8.1.2 Enterprises by Age

Figure 8.1.2-1 indicates that the largest proportion of enterprises (33.1%) were 0-5 years old. It was found that firm age increases with enterprise size, as illustrated by figure 8.1.2-1: The most common age bracket for micro firms, representing nearly half of these firms, is 0-5 years of existence. The most common age bracket for small (30.8%) and medium (23.4%) enterprises is 6-10 years of existence and the most common bracket for large enterprises (45.5%) is 21 years or more of existence. However this information can't be transferred to the general business environment as the survey by its methodology tries to trace the companies in the sample of the previous survey and replaces not traceable ones by newly established enterprises thereby not reflecting the age composition of the enterprise population as a whole.

⁹ It has to be noted that within chapter 8 primarily the findings of the ES2013 are presented and analyzed according to firm sizes, if not stated otherwise. Partially trends over time, comparisons between provinces or other cross-sectional analyzes are employed, but then indicated unambiguously. More detailed analyzes in those respects can be found in chapter 9 and the annexes to this report.

Figure 8.1.2-1: Enterprise age structure by enterprise size¹⁰**Figure 8.1.2-2: Enterprise age by sector (ISIC)**

The breakdown of enterprise age for the categories of the International Standard Industrial Classification (ISIC) system is summarized in figure 8.1.2-2. Table 8.1.3-1 on the next page

¹⁰ Since single relative values are added up without prior rounding, but are depicted as rounded relative values due to program limitations of the underlying computer program, in single cases an aggregation based on the depicted rounded relative values leads to 99.99% or 100.01%. Calculations are correct, but the mode of presentation is unfortunate.

explains the section coding. Among the seven most common categories within the ES2013 sample, firms representing wholesale, retail and repair of motor vehicles (Section G) have the largest proportion of very new businesses, with 38.6% of firms in this category being only 0-5 years old. Since these businesses do not require a large investment of capital, they can easily be set up. More than half of firms involved in administrative and support services (Section N) are between 6-10 years old and approximately one third of enterprises involved in agriculture, forestry and fishing (Section A) are between 11-15 years old. Finally, construction firms (Section F) have the largest proportion (23.5%) of well established businesses (more than 21 years old) compared to firms in the other categories. This is because the construction business requires large investments in capital and skilled workers. Thus, only competitive and experienced firms, with in consequence higher survival rates, can operate this type of business.

8.1.3 Enterprises by Sectors

Firms who participated in the ES2013 were classified according to the products they produced or services they provided based on the ISIC system, as summarized in Table 8.1.3-1. The ISIC system allows for classification of production and services on four levels: section (letter code), division (two digits), group (three digits) and class (four digits). In order to group the enterprises into statistically meaningful numbers they have been aggregated by sections (letter code). However, every firm can be identified in the raw data set by its class (four digits).

Table 8.1.3-1: Enterprise by ISIC letter code

Code	Sectors	Frequency	Percent
A	Agriculture, forestry and fishing	6	0.83%
B	Mining and quarrying	2	0.28%
C	Manufacturing	99	13.71%
D	Electricity, gas, steam and air conditioning supply	3	0.42%
E	Water supply; sewerage, waste management and remediation activities	5	0.69%
F	Construction	34	4.71%
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	315	43.63%
H	Transportation and storage	28	3.88%
I	Accommodation and food service activities	143	19.81%
J	Information and communication	8	1.11%
K	Financial and insurance activities	8	1.11%
L	Real estate activities	1	0.14%
M	Professional, scientific and technical activities	8	1.11%
N	Administrative and support service activities	30	4.16%
P	Education	10	1.39%
Q	Human health and social work activities	2	0.28%
R	Arts, entertainment and recreation	4	0.55%
S	Other service activities	10	1.39%
U	Activities of extraterritorial organizations and bodies	6	0.83%
	Total	722	100%

Table 8.1.3-1 shows that the most popular types of businesses, accounting for 43.6% of the total enterprises, were firms involved in wholesale and retail trade; and repair of motor vehicles and motorcycles. This was followed by firms involved in accommodation and food service activities (19.8%) and manufacturing (13.7%). However, it is important to remember

that this number does not reflect the size of the firms or the value of their output, but is derived merely from the raw number of businesses in each ISIC category.

8.2 Characteristics of Owners and Managers of Enterprises

8.2.1 Gender, Age and Nationality

The percentage of female owners has increased steadily with each ES, from 36.2% in 2005 to 47.5% in 2013. Consequently, the gap between the shares of male and female owned enterprises has narrowed, from 27.6pp in 2005 to 5.0pp in 2013 (figure 8.2.1-1). This shows that the participation of women in business activities has improved year by year.

Figure 8.2.1-1: Women owned/managed enterprises by year

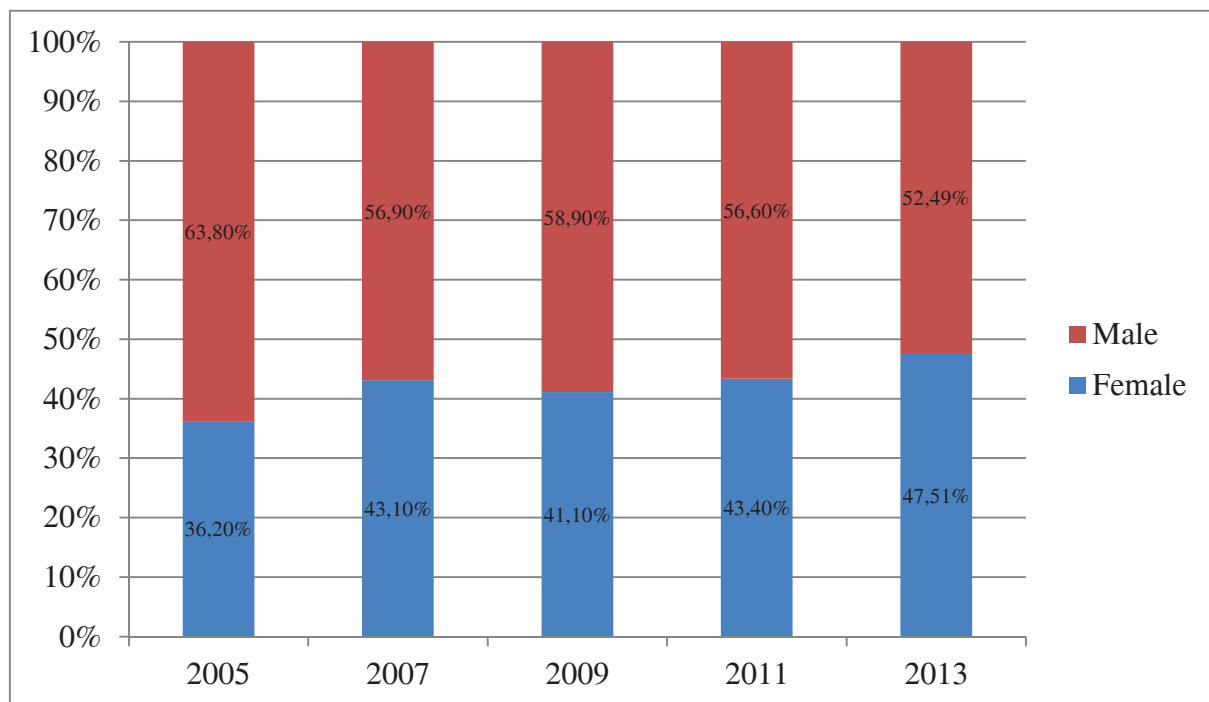
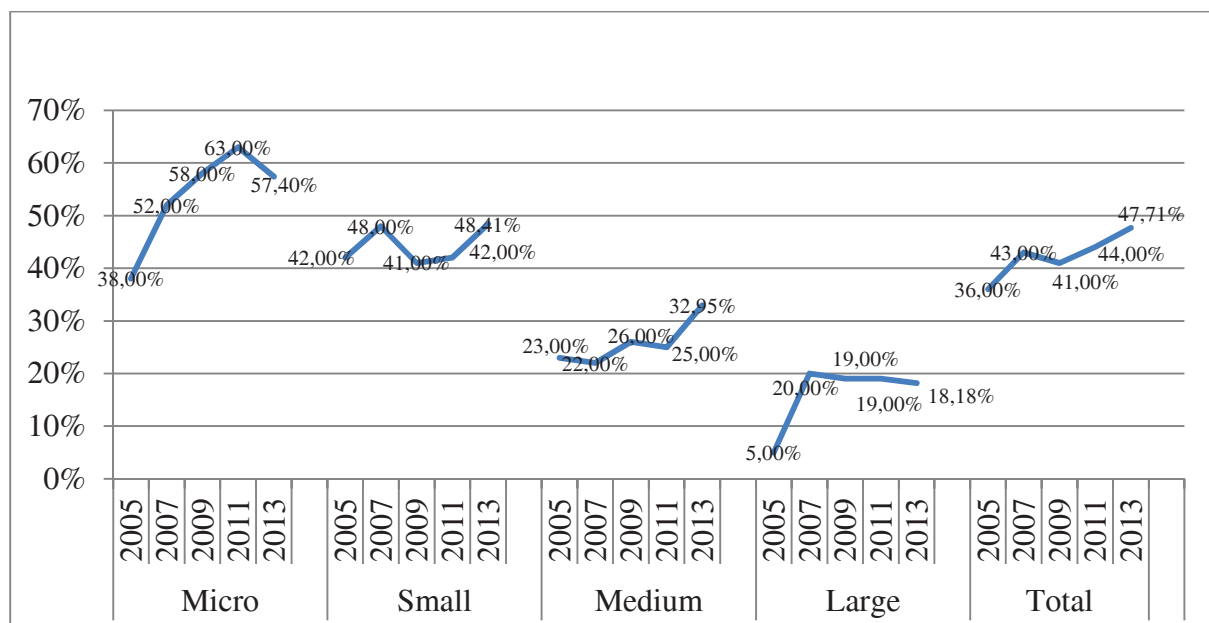


Figure 8.2.1-2: Trend of proportion of female owners by firm size



Comparing the proportion of female owners across time indicates that the aggregate share of female ownership increased from 36.2% in 2005 to 47.5% in 2013. However, this figure conceals some variation in female ownership according to enterprise size. Between 2007-2013 more women than men owned micro businesses. The difference between female and male ownership ranged from 4.0pp to 14.8pp. For small and medium enterprises, the proportion of female ownership improved by 6.4pp and 9.9pp respectively during the period 2005-2013. On the other hand, the share of female owners for large enterprises decreased slightly from 20.0% in 2007 to 18.2% in 2013 (see figure 8.2.1-2).

Figure 8.2.1-3: Gender of owner/manager by firm size¹¹

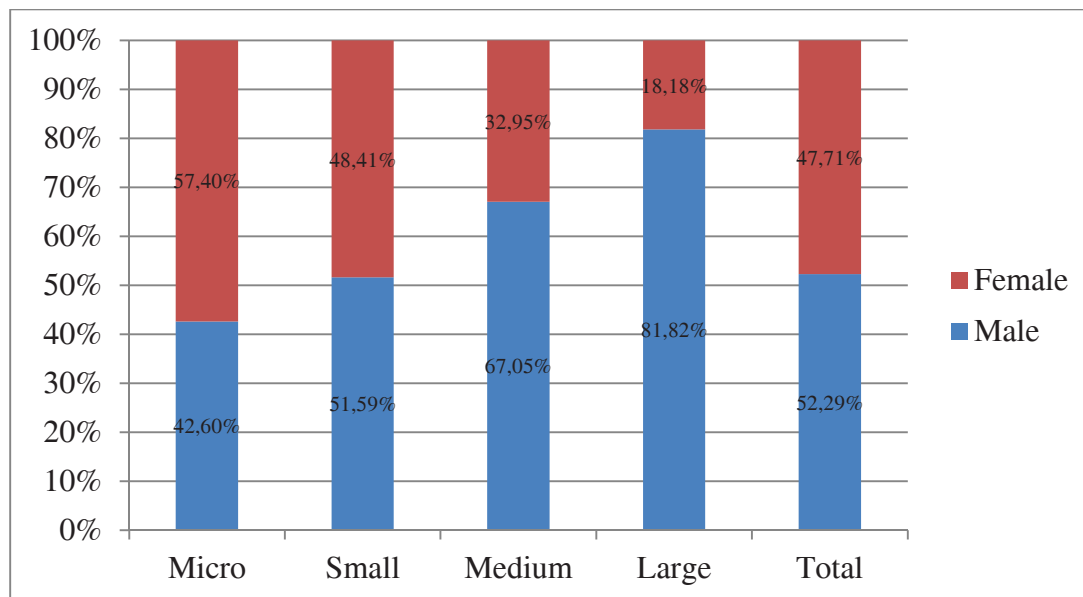
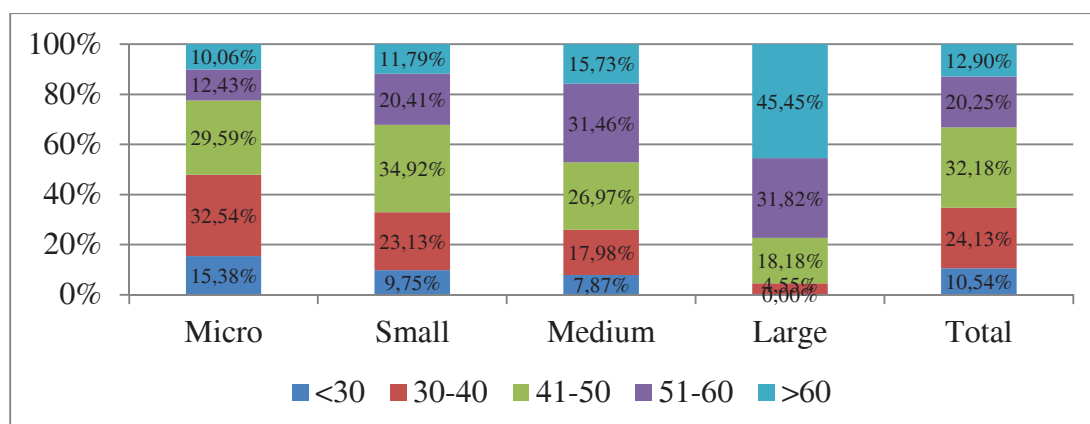


Figure 8.2.1-3 indicates that overall ownership and the gender of managers are fairly balanced in 2013. However, the proportion of male owner/managers is much higher in medium (67.1%) and large firms (81.8%). It seems that, the larger the size of the enterprise, the smaller the number of female owners/managers. This can be attributed to the fact that in traditional Lao culture men are often seen as leaders in society and that man typically still have better access to education than women and thus may be better equipped to run large operations.

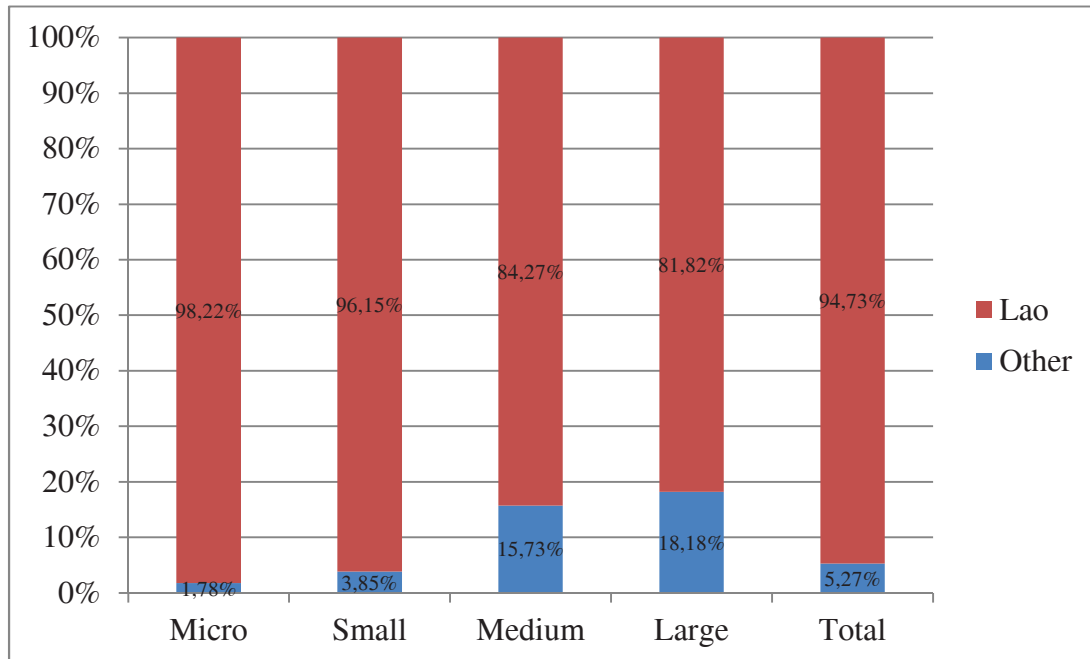
Figure 8.2.1-4: Age of owner/manager by enterprise size



¹¹ The terms “owner” and “manager” are often referred to as of no major differences throughout this report. This is due to the fact, that most interviewed firms are of small (micro) size and an effective differentiation is of unsubstantial relevance.

Figure 8.2.1-4 shows that overall, the greatest proportion of owner/managers (32.2%) are between 41 and 50, while 34.6% are younger than 41. However, enterprise size seems to correlate positively with the age of owners/managers: owner/managers of micro and small enterprises are younger than owner/managers of medium and large enterprises. This is not surprising, as large firms are involved in various types of businesses both domestically and internationally and so must employ highly qualified and experienced managers.

Figure 8.2.1-5: Nationality of owner/manager by firm size



The nationality of owners/managers can be an important indicator of business diversification and the presence of international networks. Overall, most enterprise owners/managers (94.7%) are Lao (see figure 8.2.1-5). Nevertheless 15.7% of medium and 18.2% of large enterprises are owned by foreigners – in total 1.5% by Chinese, 1.0% by Vietnamese, 1.3% by Thai and 1.5% by others. The fact that rather medium and large companies are owned by foreigners can be explained as follows. Selected small businesses are preserved for local people, as for instance stipulated in the Lao Tourism Law, where it says that foreigners are not allowed to own guesthouses.¹² Most foreign firms on the other hand have advantages in terms of capital, production networks, and technology and may go for large operations more easily than local firms.

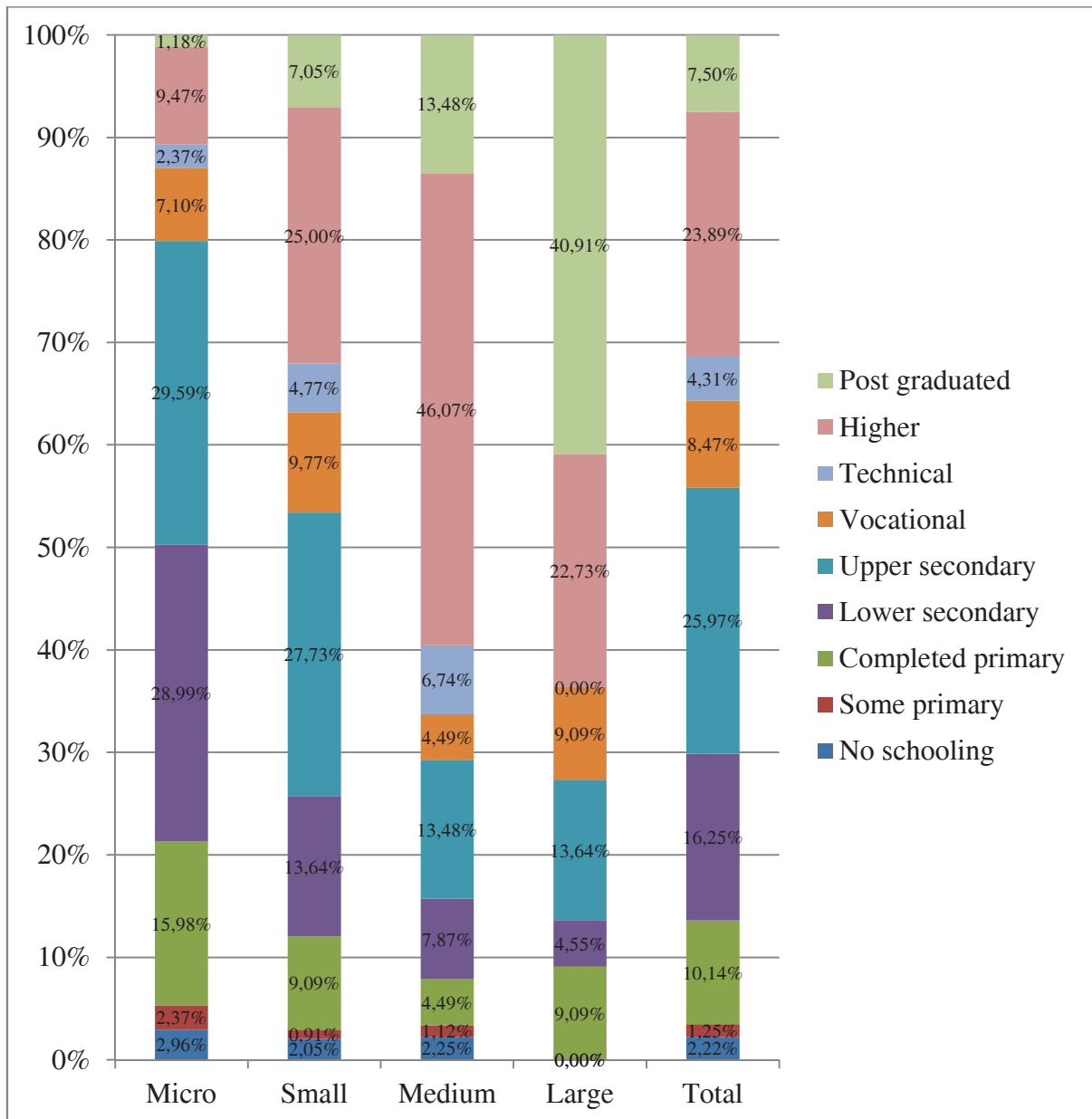
8.2.2 Education

The level of education can make a significant contribution to enterprise performance. Figure 8.2.2-1 shows that the educational level of business owners/managers correlates positively with the size of the businesses. The most common level of education attained by owners/managers of micro and small enterprises was upper secondary and lower secondary for micro firms (approximately 30%), while the largest proportion of owners/managers of

¹² According to investment laws, there are actually no restrictions for foreign investors to set up small and medium enterprises. These laws do not officially define minimum investment, which might prevent foreign investors from setting up small and medium enterprises, but such minimum requirements have been observed in reality though.

medium enterprises (46.1%) completed higher education and the largest proportion of owners/managers of large enterprises (40.9%) earned post graduate degrees. Since micro and small enterprises in Laos are family businesses, owners/managers of these firms learn the business from their parents rather than from school. In contrast, medium and large enterprises deal more often with complex issues as diversifying investments or exporting to foreign markets. This requires higher levels of education and management skills. Differences in levels of education can lead to different businesses aims.

Figure 8.2.2-1: Education of owner/managers by firm size



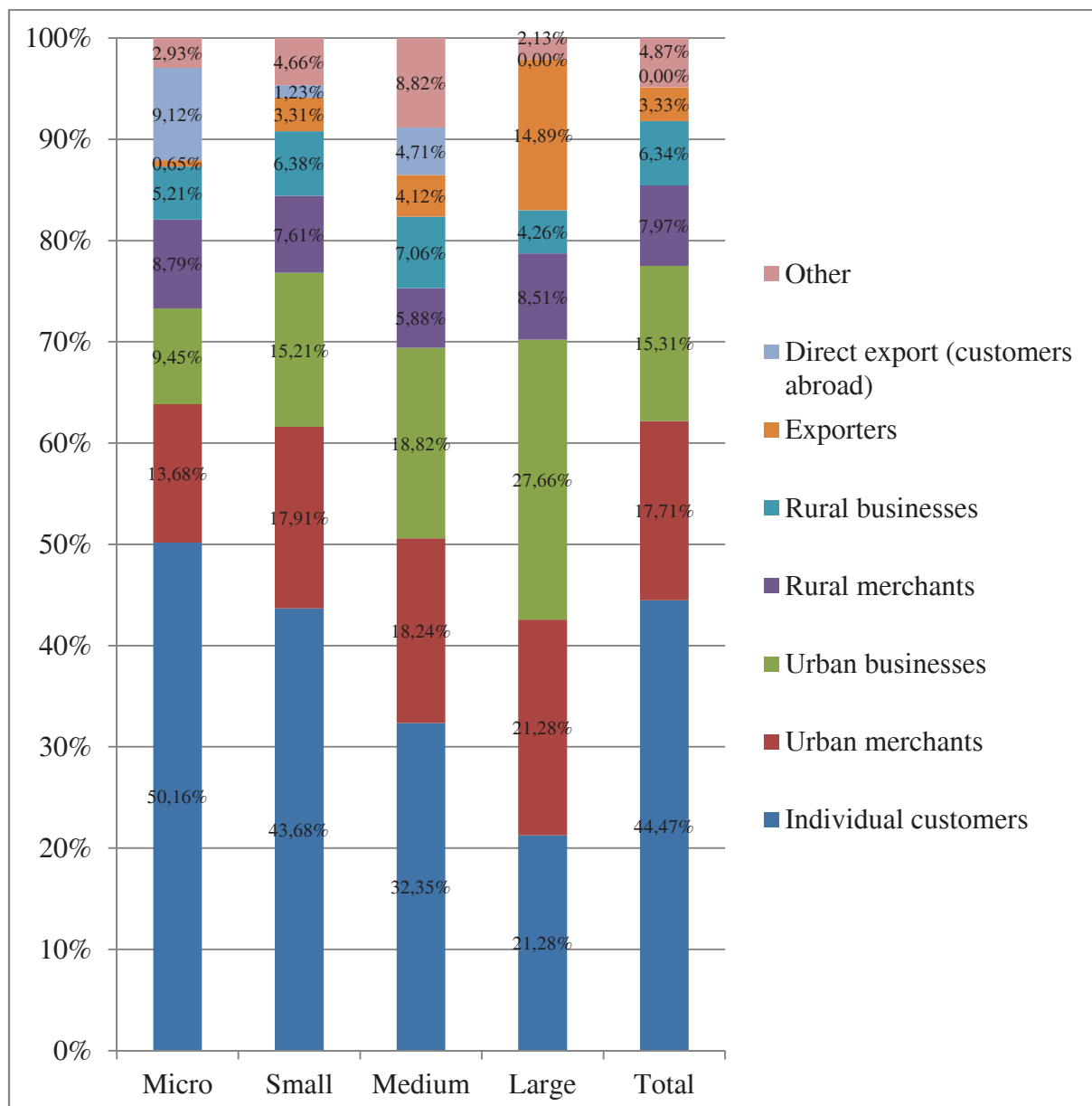
8.3 Production Inputs and Customers of Enterprises

8.3.1 Primary Customers

Overall, the vast majority of firms (96.7%) sell their products mainly in the domestic market, which is relatively small. Only a small proportion of firms exports directly to foreign

markets¹³. Figure 8.3.1-1 indicates that nearly half of firms sell their products (44.5%) to individual customers and another third (33.0%) to urban merchants or businesses. On the other hand, the proportion of enterprises selling their products to export companies is quite low - only 3.3%. Large enterprises are the main suppliers to export companies, while a small proportion of micro enterprise (9.1%) can export their goods directly to foreign markets. Most firms cannot access foreign markets because (1) lacking competitiveness due to relatively lower productivity, (2) producing goods with quality not meeting international standards, (3) lacking information about overseas markets and/or (4) facing legal constraints, as enterprises cannot directly export by themselves and are obliged to export through specialized import-export companies.

Figure 8.3.1-1: Primary customers by firm size

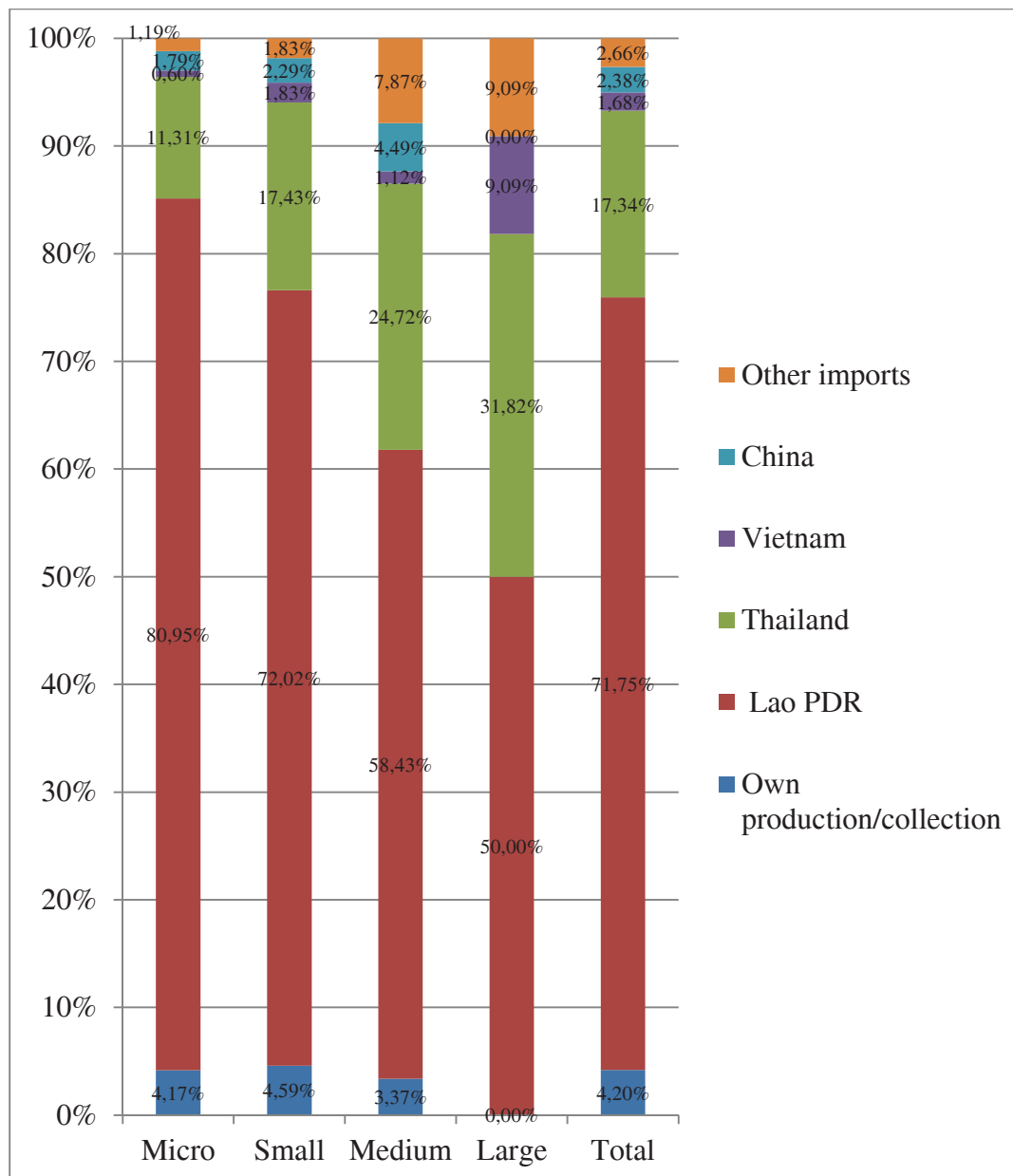


¹³ Respondents were asked to rank their customers as follows, “most important”, “second most important” and “third most important”. In order to simplify the analysis, only the “most important” customers were taken into consideration here.

8.3.2 Production Inputs

Enterprises mostly rely on inputs for their production, purchased in Lao PDR, which accounts for over two third of the total inputs. Purchases from neighboring countries, primarily Thailand, account for additional 17.3%. For micro (81.0%) and small (72.0%) businesses (see figure 8.3.2-1), this reliance on domestic inputs is even more pronounced. In contrast, medium and large enterprises have access to both internal and external input sources. A robust production network and experienced managers are important factors in allowing these firms to access various input sources.

Figure 8.3.2-1: Source of inputs by firm size



8.4 Enterprise's Experienced and Expected Performance

8.4.1 Past Performance

Tracking changes in performance is one useful way to investigate enterprise growth. To gauge enterprise performance in terms of profit, survey respondents were asked to indicate whether their profits had increased, remained unchanged or decreased. They were also given the

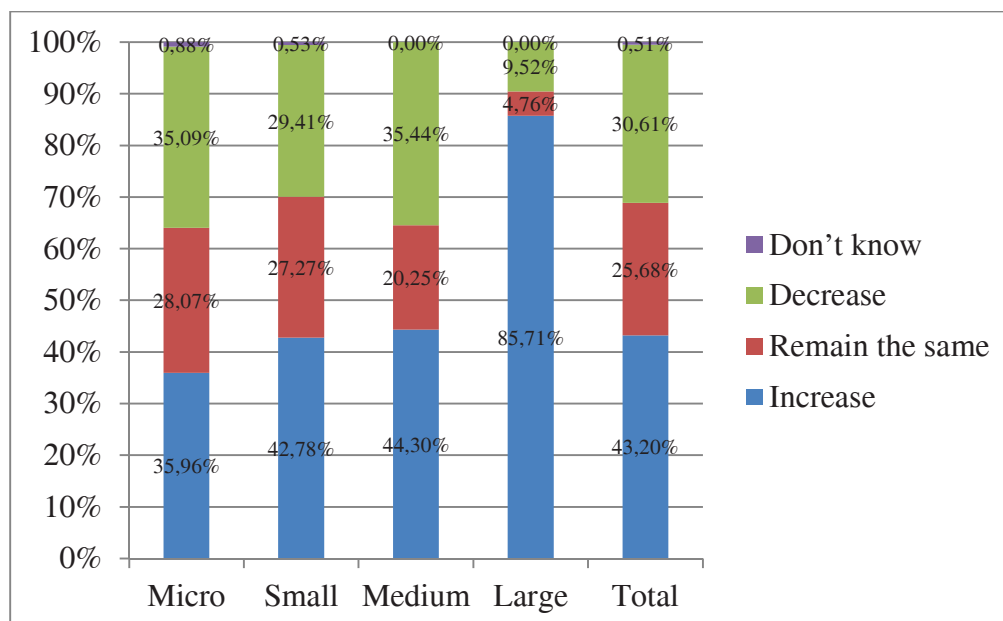
option of indicating that they did not know. In order to give a brief impression on changes in profits over time, the results of the ES2013 and previous surveys are presented in figure 8.4.1-1.

Figure 8.4.1-1: Development of profit changes regarding previous year¹⁴



Most firms went through mixed times, as evidenced by the fact that more than half of respondents reported that their profit increased in 2007 and 2011. In contrast, their profit declined by 7.6pp in 2009 compared to 2007 and by 9.9pp in 2013 compared to 2011. Overall, the percentage of firms reporting higher profits decreased from 51.4% in 2007 to 40.9% in 2013.

Figure 8.4.1-2: Output in 2012/2013 compared to 2011/2012 by firm size



¹⁴ ES2005 data on profit change regarding previous year was incomplete

Analyzing enterprise performance by enterprise size indicates that larger enterprises perform better than smaller ones (figures 8.4.1-2, 8.4.1-3 and 8.4.1-4). Large enterprises outperformed medium enterprises in terms of their output (85.7%), turnover (81.8%) and profits (63.6%), when asked to compare their performance in 2012/2013 to 2011/2012. Meanwhile, small enterprises on average had an approximately 6.5pp higher output, turnover and profit than micro enterprises. These findings can be explained for instance by the fact that large enterprises can import new technologies to boost their production. The production costs of the increased output are relatively low and they can export more products to foreign markets. On the other hand, small and medium sized enterprises are highly dependent on internal inputs with a relatively low production capacity.

Figure 8.4.1-3: Turnover in 2012/2013 compared to 2011/2012 by firm size

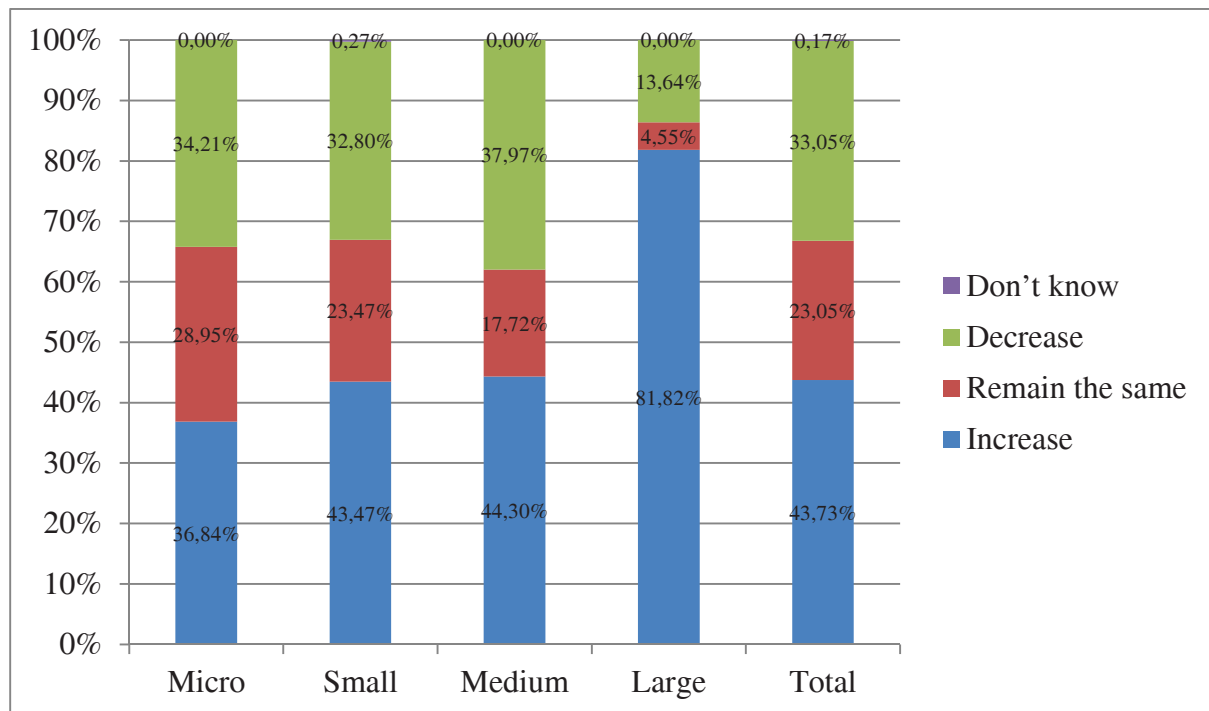
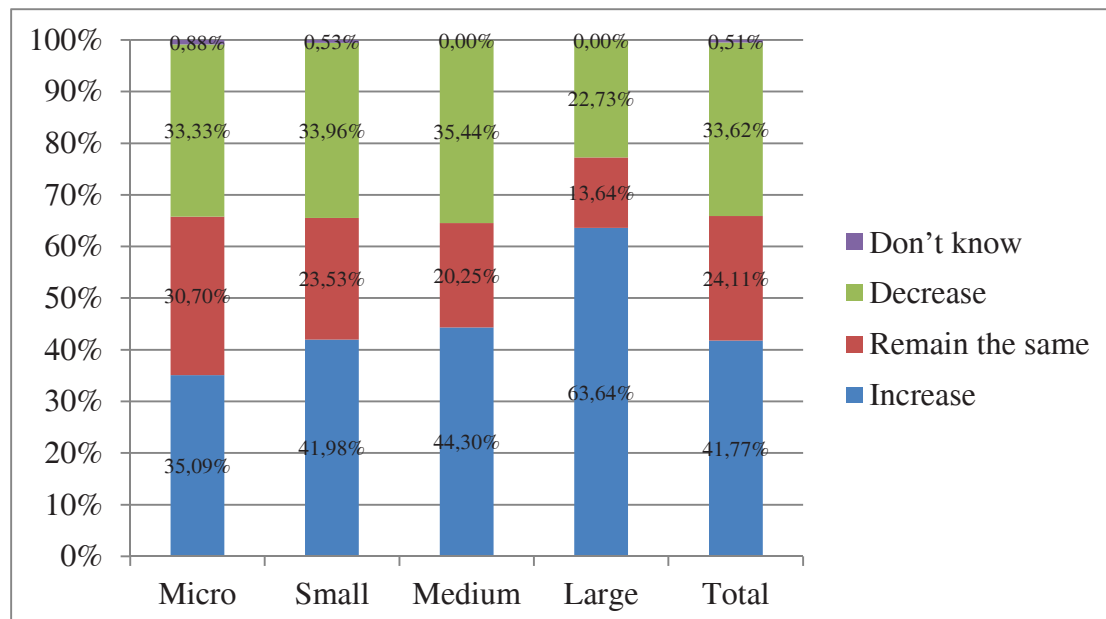
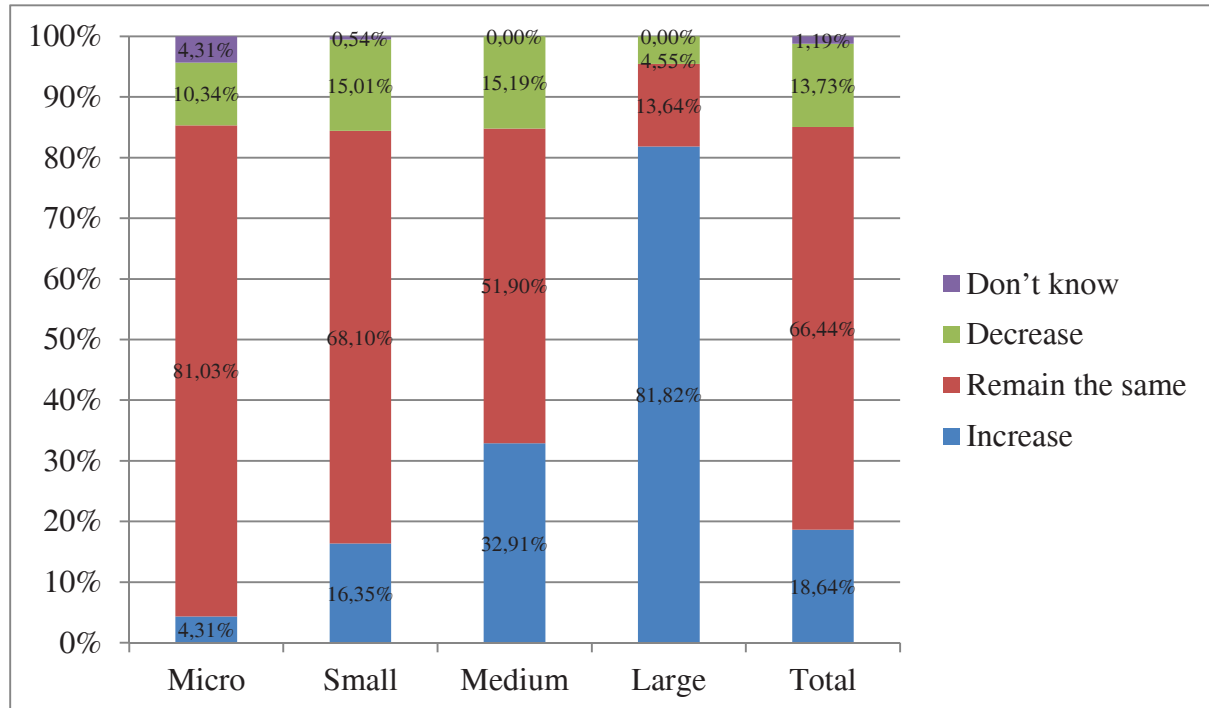


Figure 8.4.1-4: Profit in 2012/2013 compared to 2011/2012 by firm size



Although many firms reported increased profit and turnover regarding the previous year, the majority of firms (66.4%) reported that they had the same number of employees in 2012/2013 as in 2011/2012 (see figure 8.4.1-5). However, this aggregated number masks important differences in employment for the four enterprise sizes. While more than half of micro, small and medium enterprises reported that they did not change the number of their employees, a sizeable majority of large enterprises (81.8%) generated more employment in 2012/2013 compared to the previous period. These findings suggest that large enterprises have played a crucial role in generating employment and thus supporting economic growth.

Figure 8.4.1-5: Employment in 2012/2013 compared to 2011/2012 by firm size



8.4.2 Expected Performance

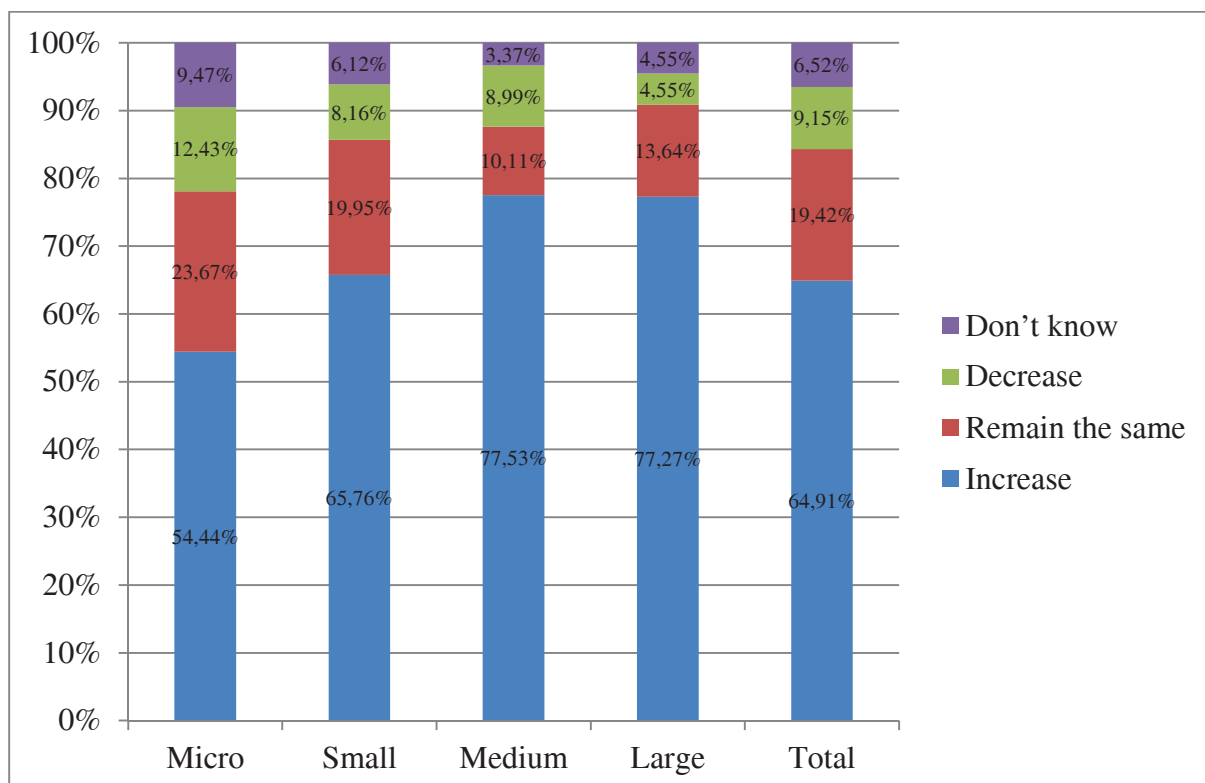
To give a slight impression on the expected performance changes over time, figure 8.4.2-1 depicts the respective responses since 2007¹⁵. More than half of entrepreneurs indicated optimism by expecting their profits to increase in the next two years. This expectation has steadily increased since 2009 from a low of 57.1% to the current figure of 65.0% in 2013. This increase in that aspect of performance might stem from rising demand stimulated by large inflows of FDI as well as from a recovery from the global financial crisis among Asian countries, which may have contributed to the expansion of enterprises' exports.

¹⁵ ES2005 data on expected profit changes in the next two years was incomplete.

Figure 8.4.2-1: Development of expected profit change in the next two years



Figure 8.4.2-2: Expected changes in output for the next two years by firm size



Figures 8.4.2-2 to 8.4.2-4 provide more detailed information regarding respondents' expectations about their firms' future performance. Across all enterprise sizes, most respondents (approximately 65%) expect their firms output, turnover and profit to increase in

the next two years. These findings are consistent with the fact that the strong economic growth rate (7.9%) in 2012¹⁶ was an important signal for most enterprises to plan to expand production and in consequence may lead to increased turnover and profit. However, an even larger proportion of medium and large enterprises (an average of 76%) tended to be optimistic in their expectations of increased turnover and profit compared to micro and small enterprises (an average of 60%).

Figure 8.4.2-3: Expected changes in turnover for the next two years by firm size

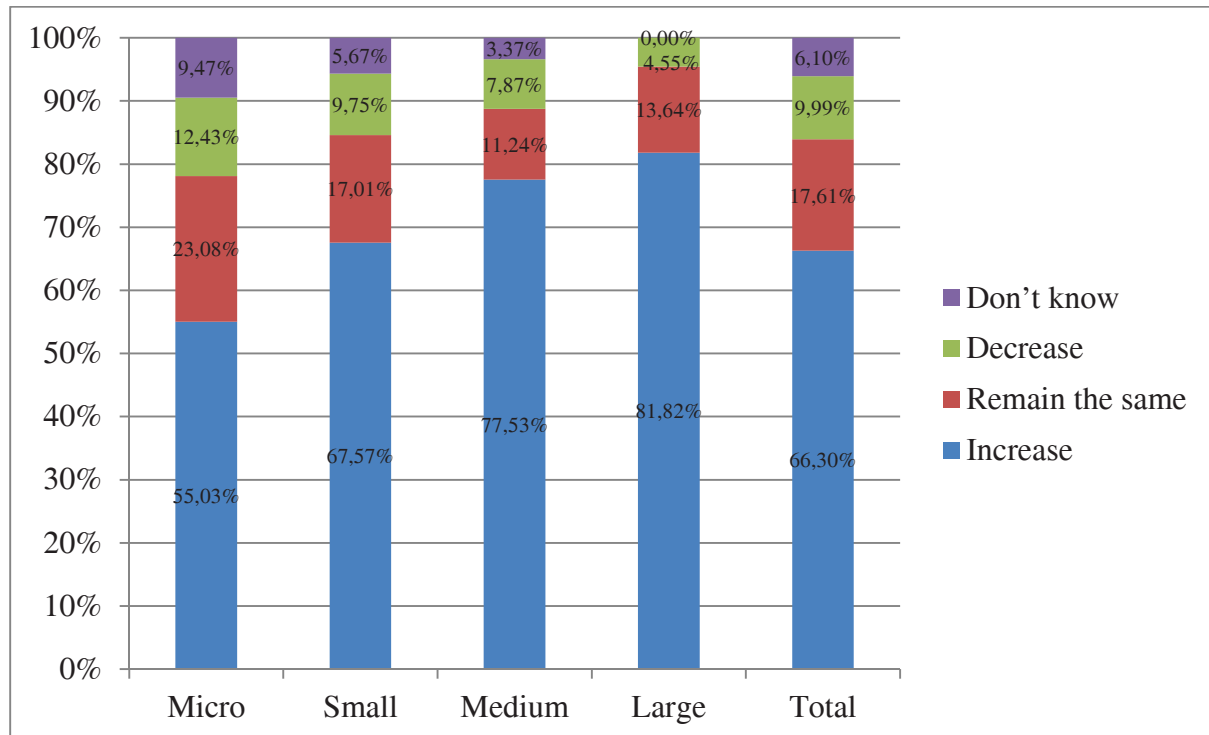
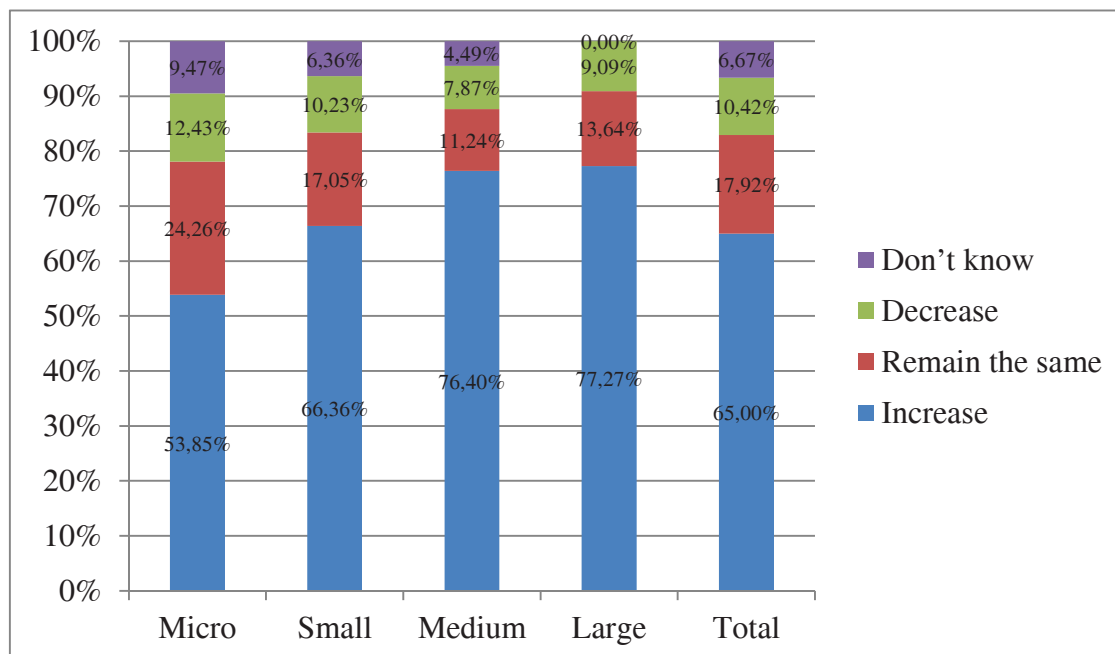


Figure 8.4.2-4: Expected changes in profit for the next two years by firm size



¹⁶ See ADB (2013).

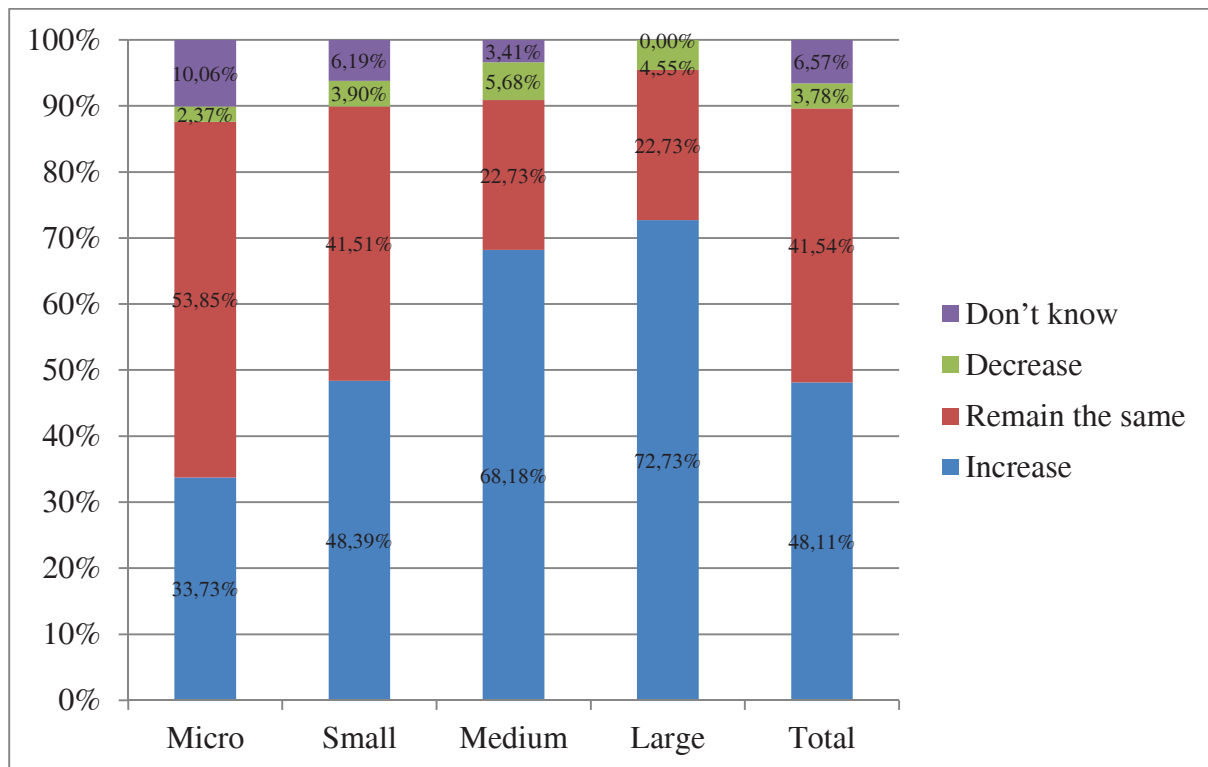
Figure 8.4.2-5: Expected changes in employment for the next two years by firm size

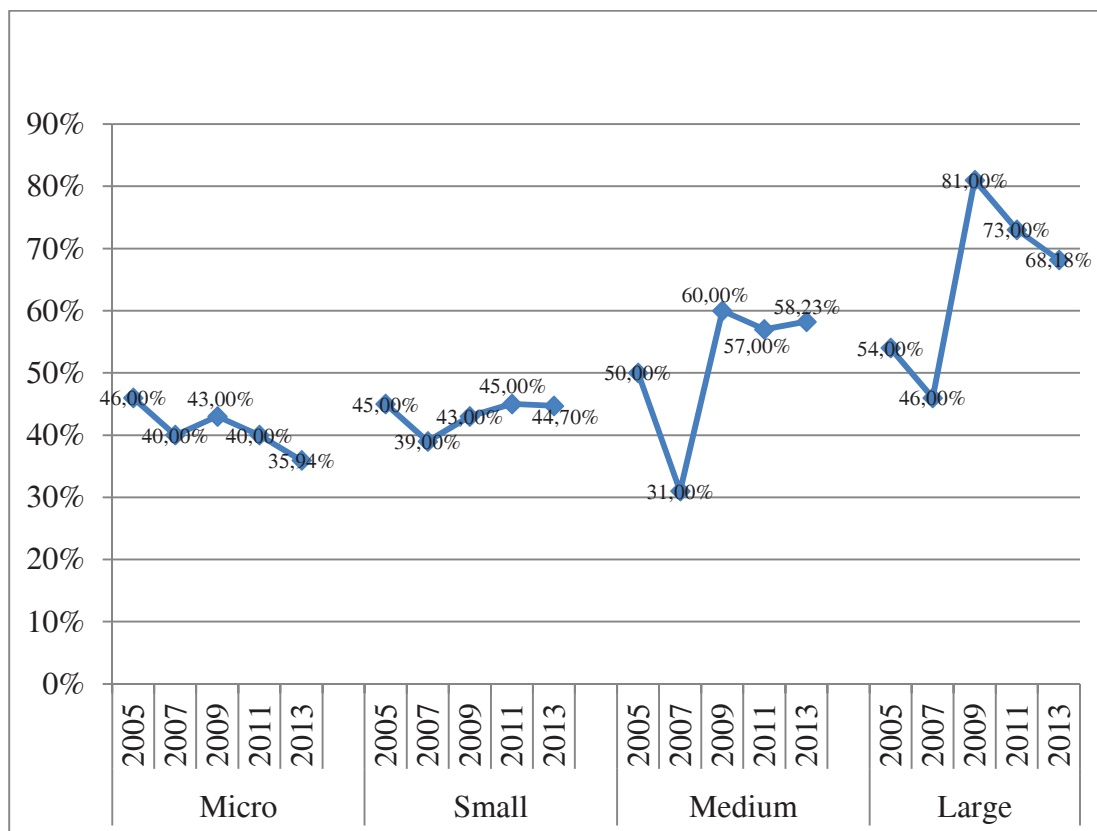
Figure 8.4.2-5 indicates that the proportion of firms that expects to increase their number of employees in the next two years is lower than the proportion that expects to increase their performance (output, turnover, profit). In fact, more than half of micro enterprises and 41.5% of small enterprises reported that they expect their number of employees to remain the same. However, a significant proportion of medium (68.2%) and large (72.7%) enterprises expect to increase the number of people they employ, giving the prospect of generating more employment in the next two years.

8.5 Investment Behavior and Perceived Economic Situation

8.5.1 Investments

Figure 8.3.2-1 indicates the percentage of enterprises by size that made new investments in the previous year for each ES conducted between 2005 and 2013. During this period, there was an increase in numbers of companies having invested – in particular medium (8.2pp) and large (14.2pp) enterprises. However, between 2013 and 2011, the share of companies having invested increased by 1.2pp for medium firms and decreased by 4.8pp for large firms. Investments by micro enterprises tended to decline, from a high of 46.0% of entities in this size bracket in 2005 to a low of 35.9% in 2013, while investments made by small enterprises showed a minor reduction between 2011 and 2013.

Figure 8.5.1-1: Development of firms that made new investments in the previous year by firm size



Nearly half of enterprises have an investment plan for their future (42.3%), as shown in figure 8.5.1-2. In 2013, large (59.1%) and medium (57.3%) enterprises are more likely to have investment plans in place, while micro (32.5%) and small (42.2%) firms are less likely to have such plans.

Figure 8.5.1-2: Prevalence of investment plans by firm size

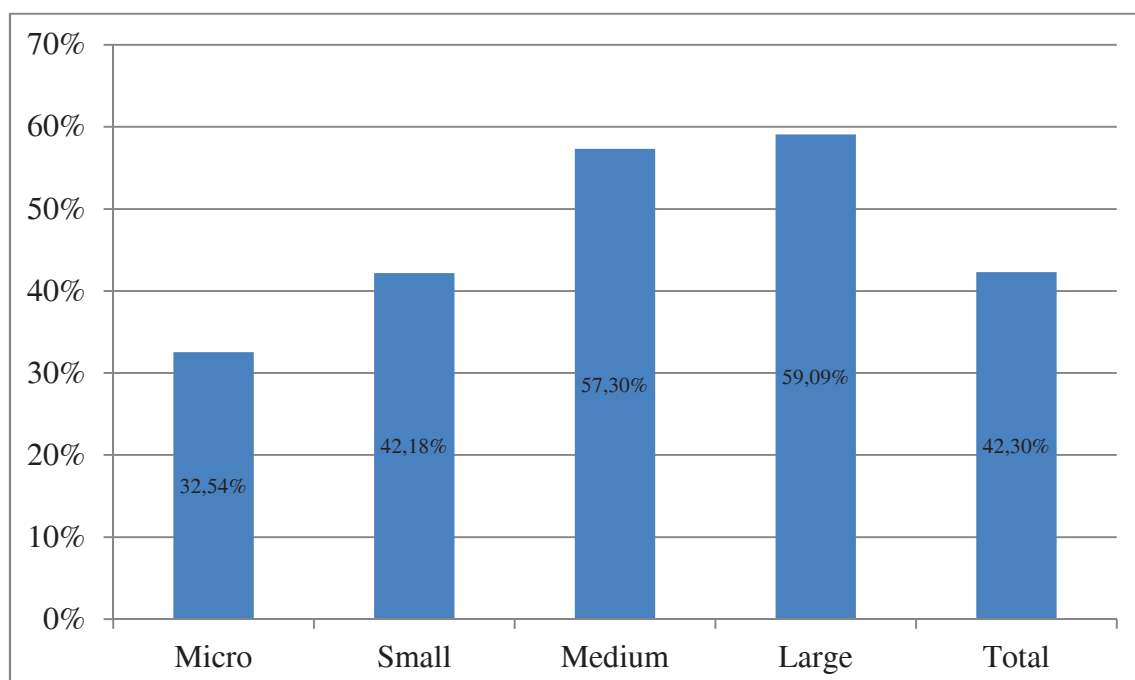
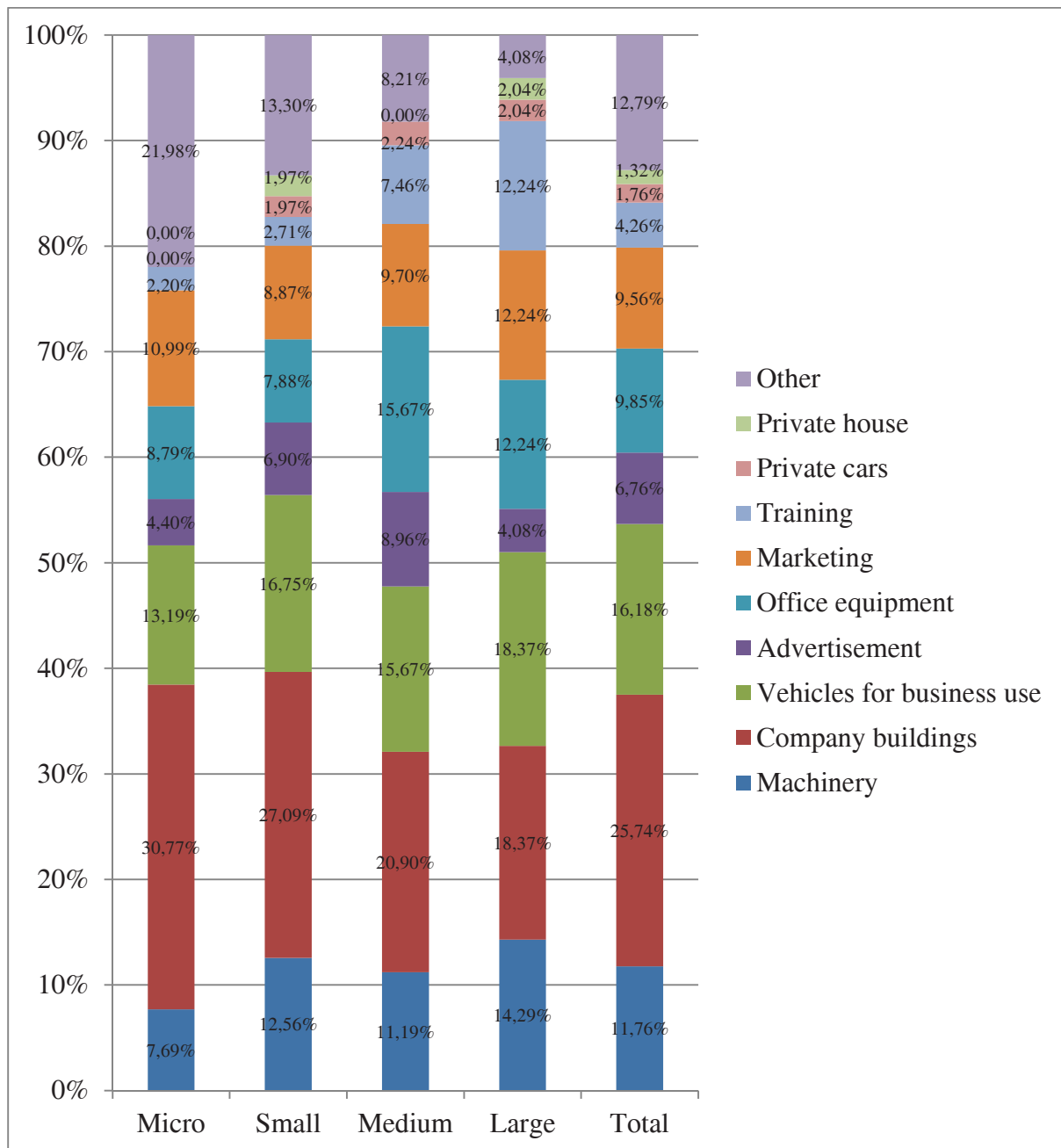


Figure 8.5.1-3: Investments by type and firm size

Overall, enterprises with an investment plan in place tend to prioritize investing in company buildings and vehicles for business use, which are considered to be large capital and long term investments and is shown in figure 8.5.1-3. Large and medium enterprises focus on investing in machinery, office equipment, training and marketing as these are considered important for increasing production for domestic consumption and exports to foreign markets. Micro and small enterprises invest more in marketing than training. Improving market access is an important factor in increasing the scale of production and helping them survive strong competition. But in the long-run, productivity needs to be increased to remain competitive. Training of employees is therefore very important.

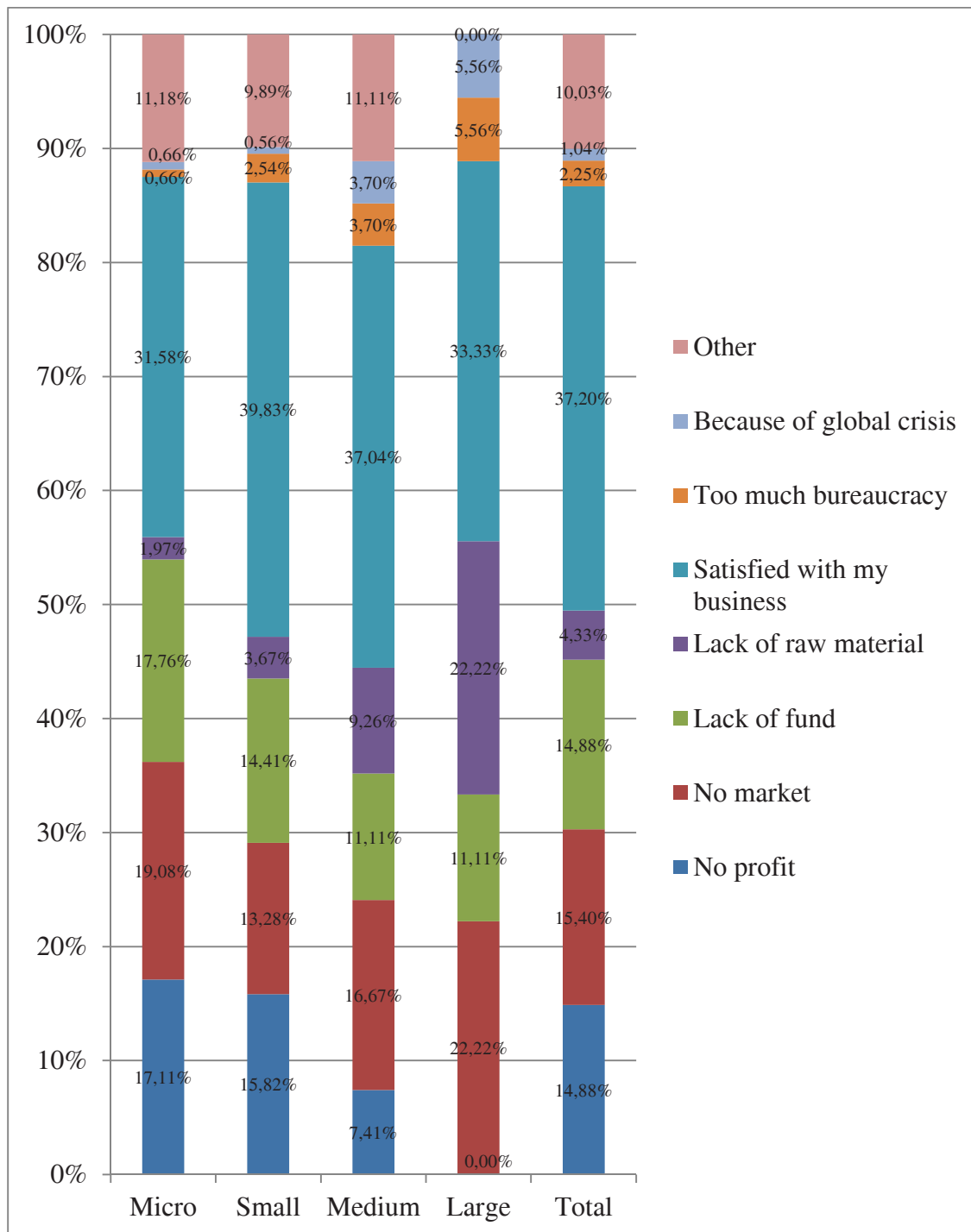
Figure 8.5.1-4: Reasons for not having investment plans by firm size

Figure 8.5.1-4 summarizes the reasons firms have for not having investment plans in place. Overall, the largest proportion of enterprises (37.2%) indicated that they do not plan to invest further because they are already satisfied with their businesses. For many large and medium enterprises, the lack of raw materials and markets are important additional reasons for not having an investment plan, while the lack of funds, markets and profit are significant issues for small and micro enterprises. Across enterprises of all sizes, only a few entrepreneurs indicated that too much bureaucracy or the global crisis had an influence on their investment plans.

8.5.2 Perceived Economic Situation

Figure 8.5.2-1 shows that since 2005, the percentage of firms perceiving problems with their competitiveness has increased. This is particularly apparent for micro firms, which experienced a 19.0pp increase from a low of 38.0% in 2005 to a high of 57.0% in 2013. The proportion of small and medium enterprises reporting problems with competitiveness also rose from 42.0% in 2005 to 48.0% in 2013 for small firms and from 23.0% in 2005 to 33.0% in 2013 for medium firms.

Figure 8.5.2-1: Competitiveness as perceived problem by firm size and year

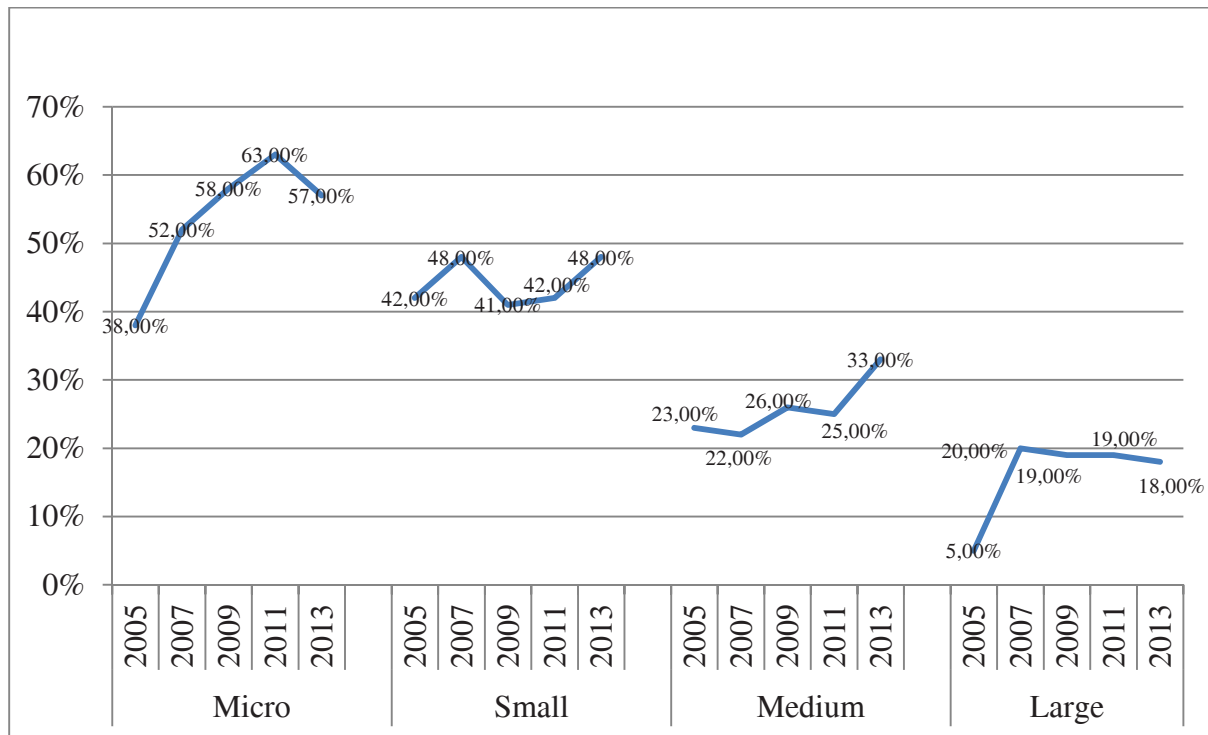


Figure 8.5.2-2: Reasons for lack of competitiveness by firm size

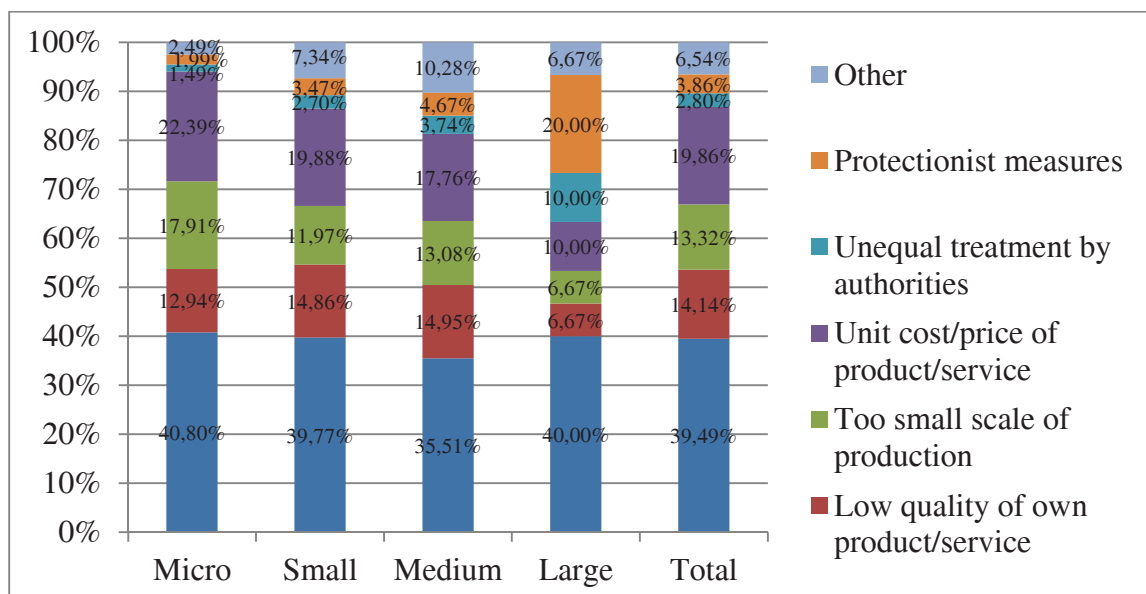


Figure 8.5.2-2 indicates that more than one third of enterprises are optimistic about their competitiveness and do not consider it a serious problem. One reason firms gave for their lack

of competitiveness is the high unit cost/price of products. A relatively large proportion of micro (22.4%), small (19.9%) and medium (17.8%) enterprises indicated that this fact hinders their competitiveness. On the other hand, a substantial proportion of large enterprises (20.0%) indicated they are concerned about protectionist measures.

Figure 8.5.2-3: Perceived current economic situation in general compared to two years ago by firm size

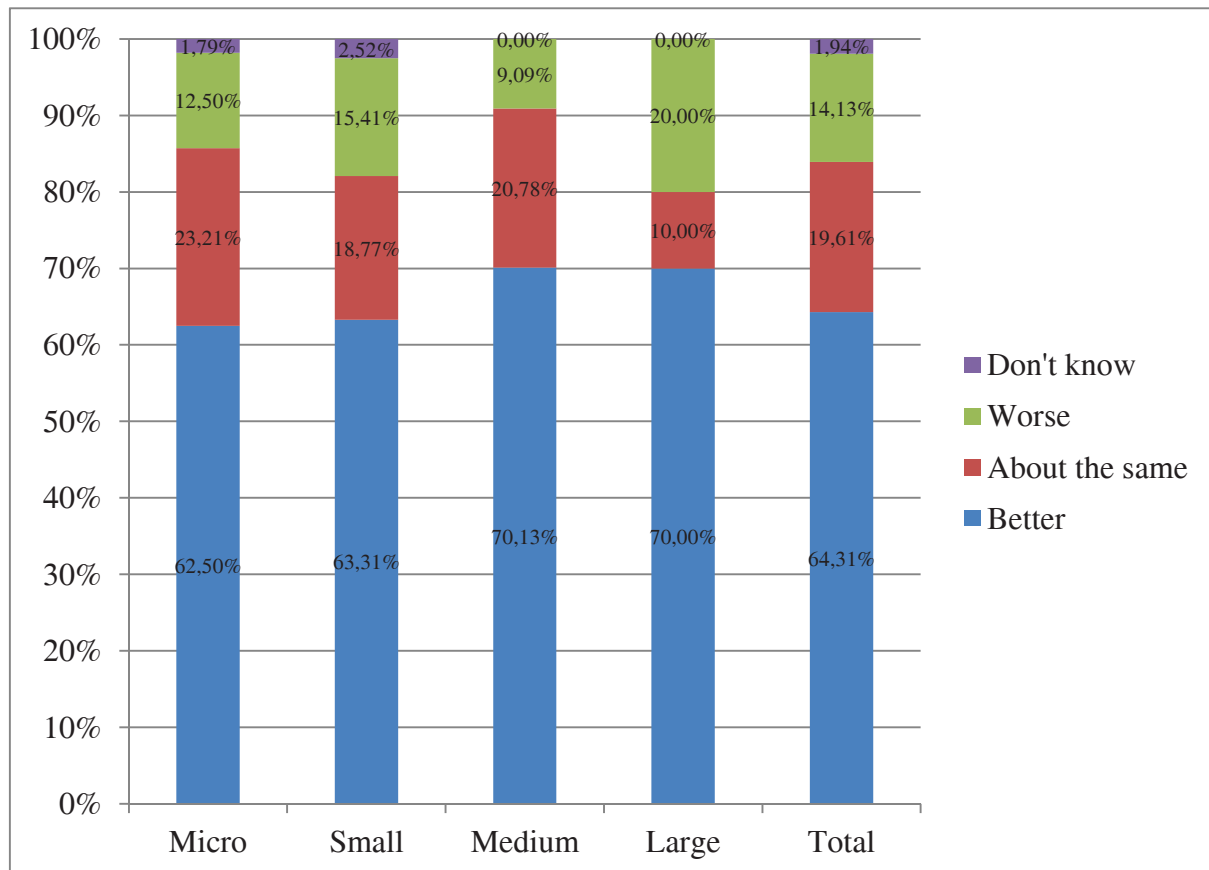


Figure 8.5.2-3 indicates that most firms believe that the economic climate has become better. Almost two third of enterprises estimated that the current economic situation was better than two years ago. The main reasons for this change may include: (1) macroeconomic stability, with a solid economic growth rate of 7.9%, and a relatively low inflation rate of 4.26% in 2012, (2) large FDI inflows, which have doubled in the past two years and consequently stimulated strong domestic demand and (3) successful accession to the WTO in 2013, which is expected to increase Laos' exports to member countries.

8.6 Challenges of Globalization and Regional Economic Integration

8.6.1 Awareness

Laos began to integrate into the global economy by joining AFTA. This was followed by the successful WTO accession in 2013. Economic integration leads to a reduction in trade barriers, which is expected to increase inter-linkages and is eventually leading to higher Lao exports to and imports from major trading partners.

Figure 8.6.1-1 shows the percentage of firms that indicated they were aware of such trade agreements in each ES administered between 2007 and 2013. The percentages of enterprises,

aware of AFTA (27.7%) or WTO (28.9%), peaked in 2009 and have since decreased to a current rate of less than 20.0% for both AFTA and WTO. There may be two reasons for the low and decreasing awareness of AFTA and WTO. First, this might be due to the fact that the most common types of enterprises surveyed were micro and small enterprises, which have limited access to information and markets. Second, it might be that government campaigns to promote awareness of AFTA and WTO have declined over the last several years.

Figure 8.6.1-1: Development of awareness of AFTA and WTO¹⁷

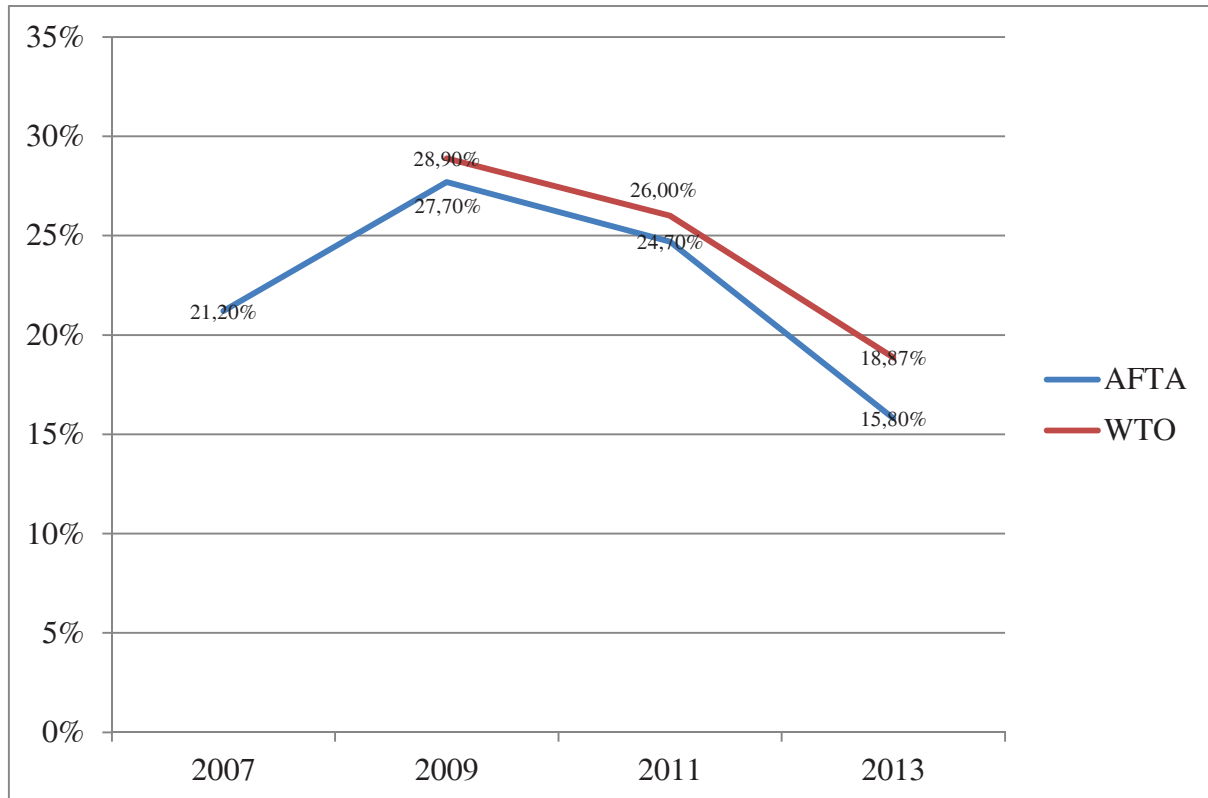
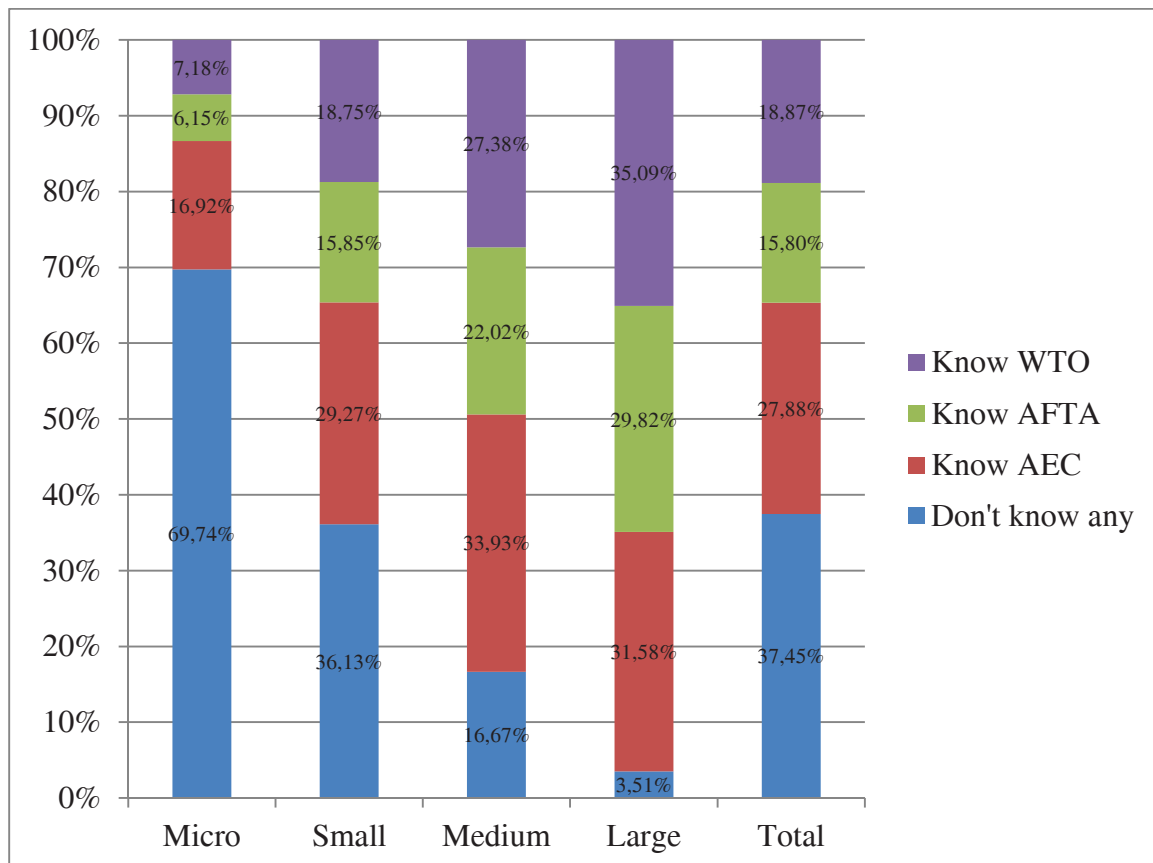


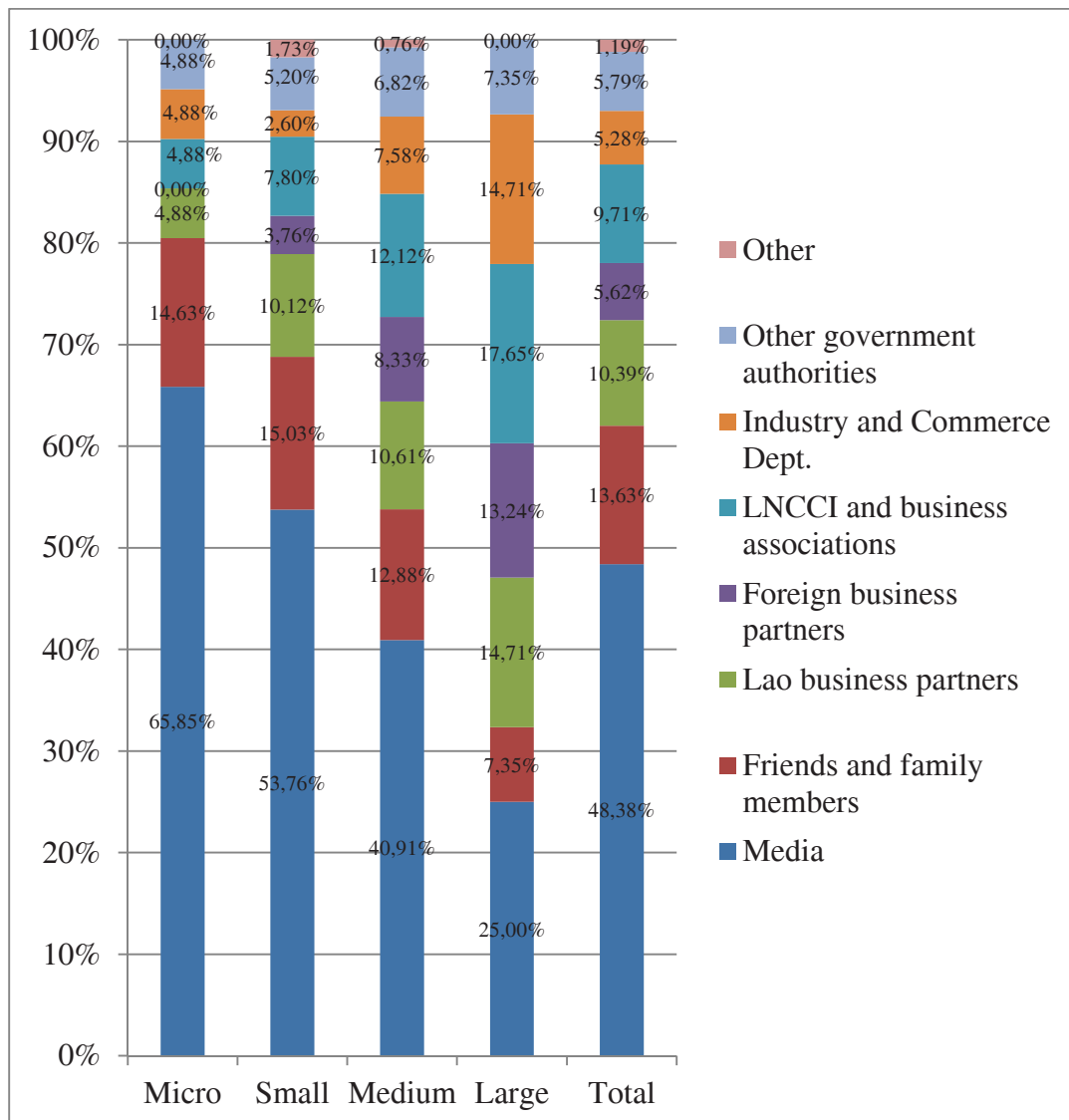
Figure 8.6.1-2 shows the percentage of firms that indicated they are aware of AEC, AFTA and WTO agreements in 2013. Overall, a substantial percentage of entrepreneurs (37.5%) are unaware of any of these three. However, there are marked differences in awareness based on enterprise size. Whereas the majority of micro enterprises (69.7%) are not aware of AEC, AFTA and WTO and most medium and large enterprises are familiar with one of the three.

¹⁷ Data for 2005 are not sufficient to draw statistically solid conclusions.

Figure 8.6.1-2: Awareness of AEC, AFTA and WTO by firm size¹⁸

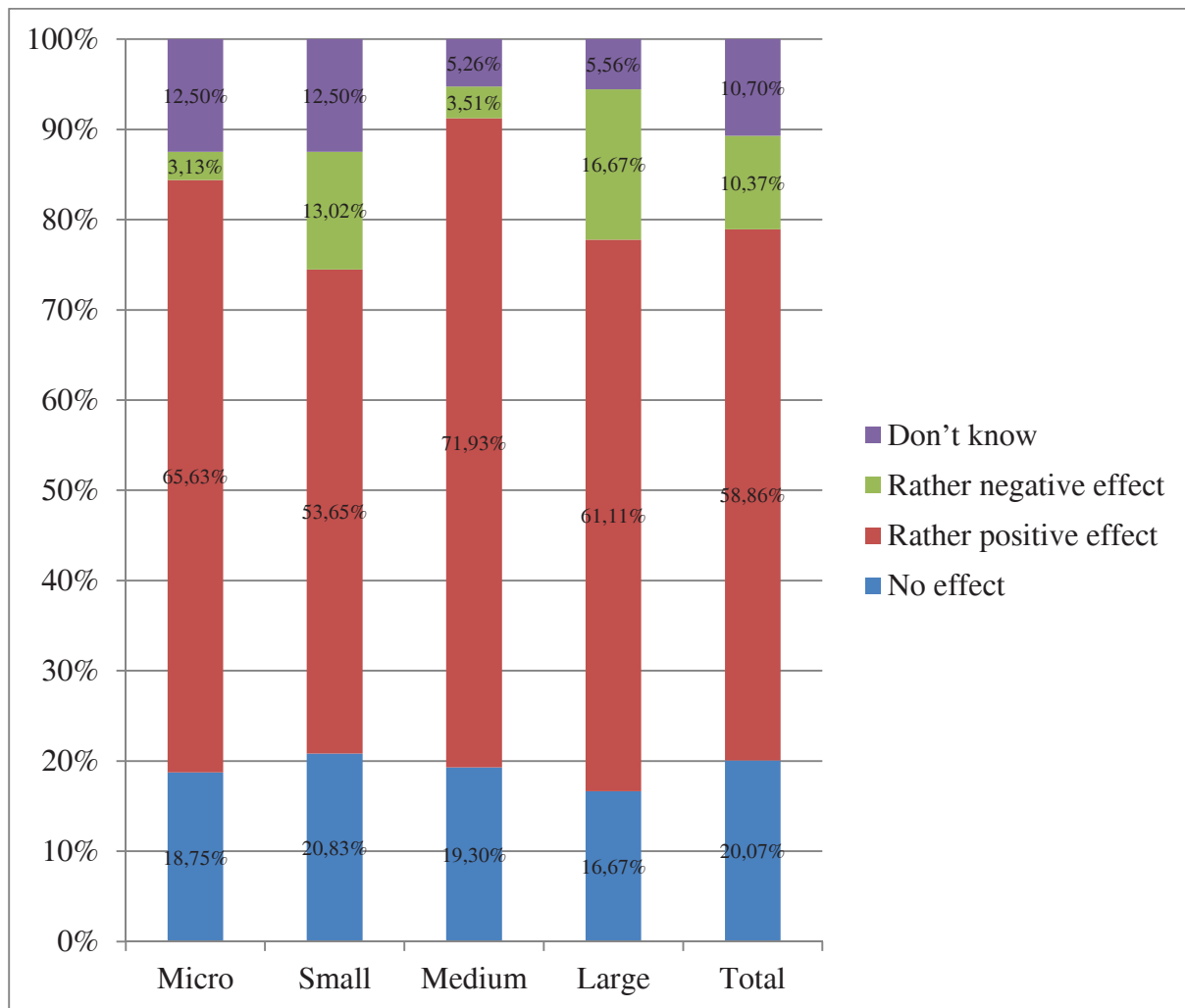
The various sources enterprises used to gather information about AEC, AFTA and WTO are detailed in figure 8.6.1-3. Overall, the largest proportion of enterprises (48.4%) receives their information from the media, which is considered to be convenient, fast and reliable. Large enterprises are also likely to get their information from the LNCCI and other business associations (17.7%) as well as their Lao business partners (14.7%) and the Provincial Industry and Commerce Office (PICO) (14.7%), while friends and family members are an important additional source of information for micro (14.6%), small (15.0%) and medium (12.9%) enterprises. Consequently, the dissemination of information about regional economic integration and respective agreements by the MoIC and its PICO, but also the LNCCI has more impact on medium and large enterprises than micro and small enterprises, who seem to have less access to this information source.

¹⁸ Figure 8.6.1-2 has to be interpreted with due care, since those who do not know any of these three are underrepresented, since multiple answers have been possible and obviously could be used more often, if knowledge was prevalent. For a representative interpretation answers need to be related to the total amount of answers, not firms solely.

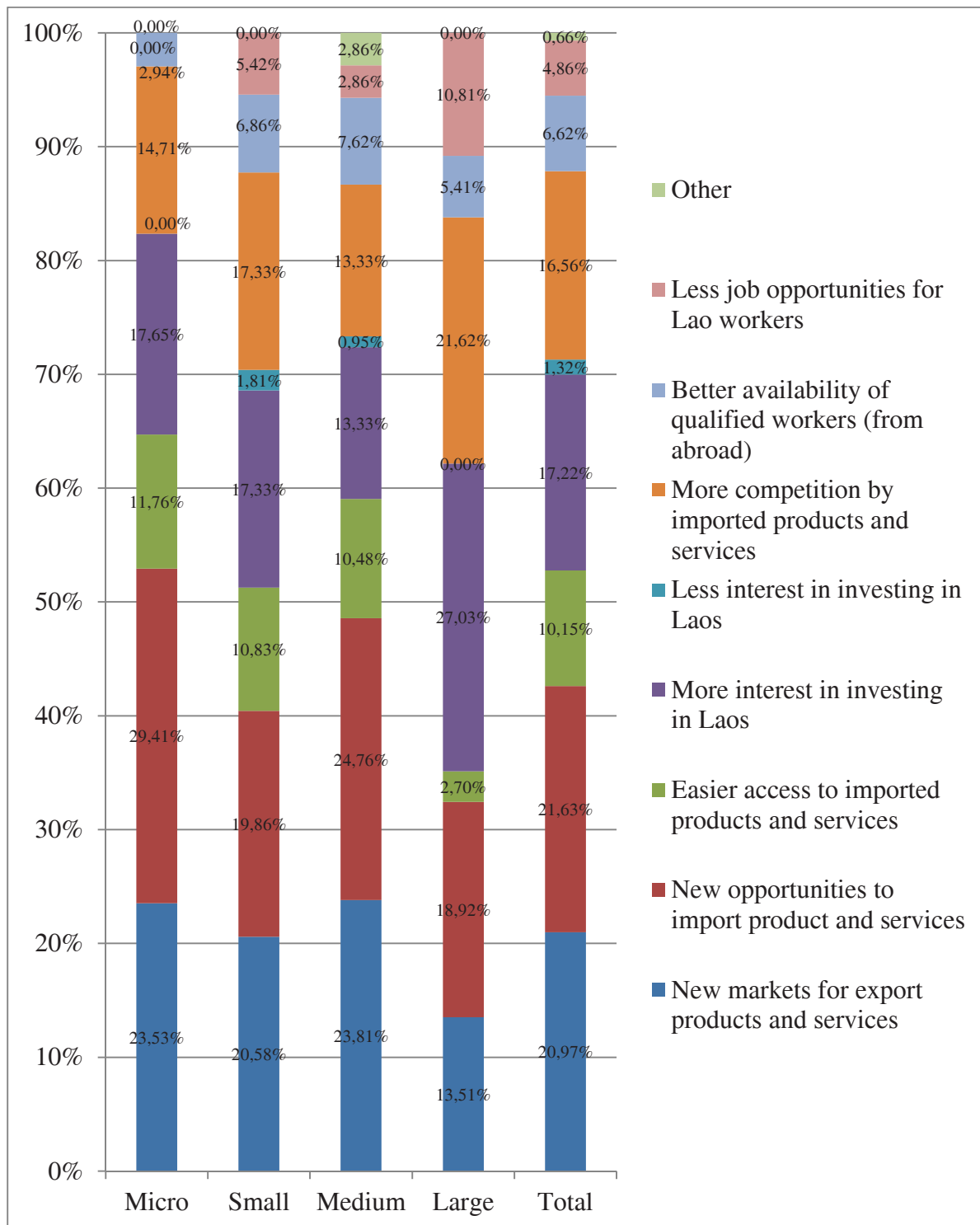
Figure 8.6.1-3: Source of information about AEC, AFTA and WTO by firm size

8.6.2 Knowledge and Preparation

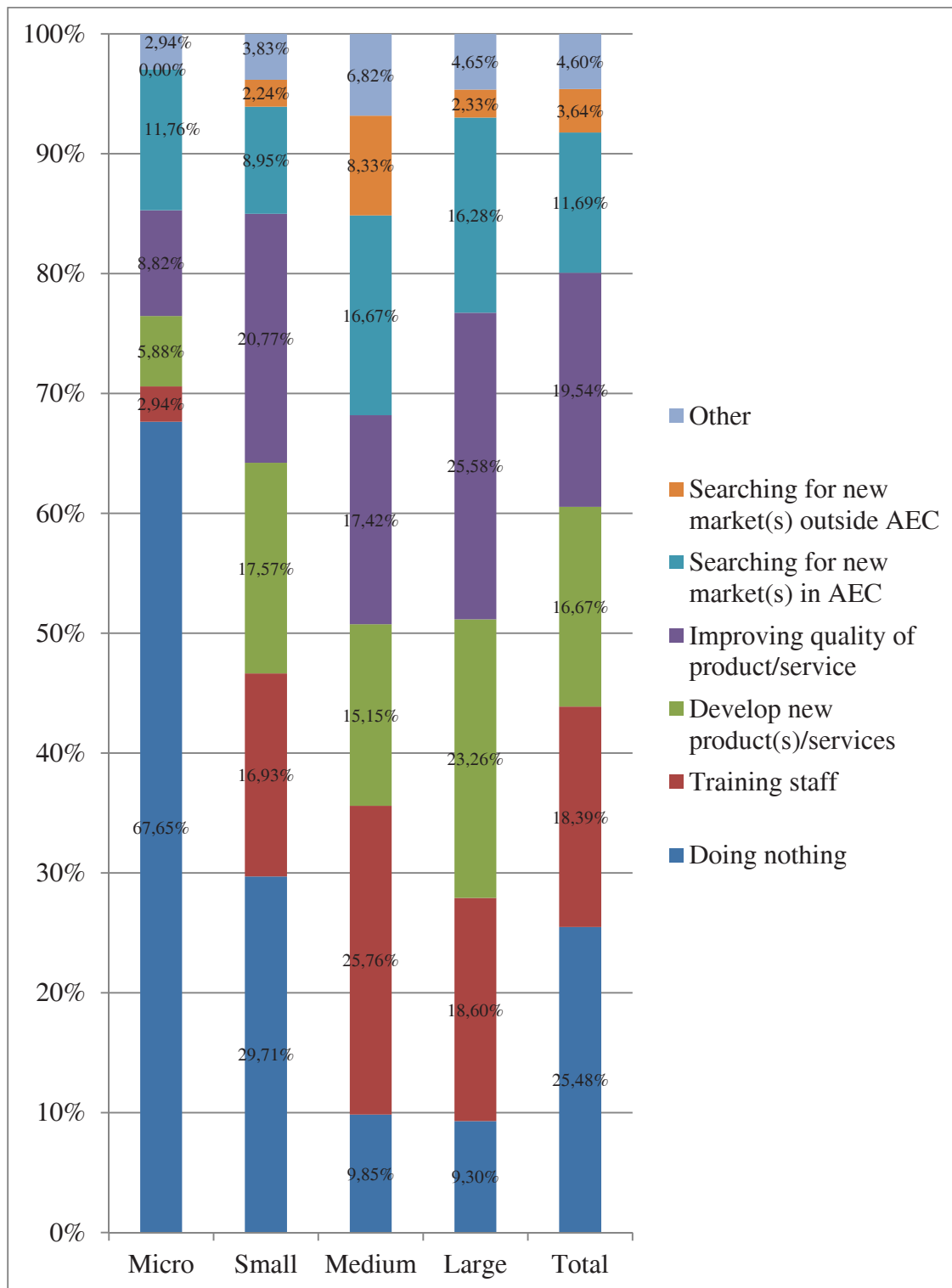
In general, entrepreneurs are optimistic about the implementation of AEC, as shown in figure 8.6.2-1, which indicates that more than half of the respondents believe it will have a positive effect on their businesses. Figure 8.6.2-2 specifies more specific expectations about the impact, both positive and negative, of AEC. Overall, more than 20.0% of enterprises feel that AEC will provide new opportunities to import cheaper products and services and/or that it will help Lao exporters better access to AEC member markets. These two benefits are particularly important for micro, small and medium enterprises. Large enterprises also believe that as a result of AEC implementation, both FDI inflows to Laos as well as competition from imported products and services will increase.

Figure 8.6.2-1: Effect of AEC on business by firm size

More than 40.0% of enterprises expect that AEC will provide new opportunities to export to and import products from foreign markets. Large enterprises expect that Laos will become more attractive to foreign investors (27.0%) and assume an increasing competition by imported products and services (21.6%). On the other hand, medium (24.8%) and micro (29.4%) enterprises, rather expect that AEC allows diversifying the products and services they import. In addition, it offers new markets for exporting products and services, according to responses from small enterprises (20.6%) (see figure 8.6.2-2).

Figure 8.6.2-2: Expected type of impact AEC will pose on business by firm size


Despite the fact that most entrepreneurs expect the start of AEC in 2015 to have a positive effect on their business, many firms do not have any plans to prepare for this. Figure 8.6.2-3 shows firms' preparation strategies for the AEC in 2015. Overall, about a quarter of enterprises have done nothing to prepare, in particular, 67.7% of micro enterprises and still 29.7% of small enterprises.

Figure 8.6.2-3: Preparation for 2015 AEC start by firm size

AFTA, as the preliminary stage towards AEC, became effective in 2008. As a consequence, most import tariffs will be removed under the Common Effective Preferential Tariff (CEPT) agreement. Figure 8.6.2-4 indicates that more than half of entrepreneurs are optimistic about these AFTA implications, believing that it has a positive effect on their businesses. Figure 8.6.2-5 further specifies the different ways in which enterprises expect AFTA to affect their businesses. Overall, just over 20.0% of enterprises believe AFTA will increase FDIs and make it easier to import products from other member countries as a consequence of import

tariffs being removed. At the same time, almost 20.0% believe there will also be fiercer competition after the AFTA commitments are fully applied.

Figure 8.6.2-4: Effect of AFTA on business by firm size

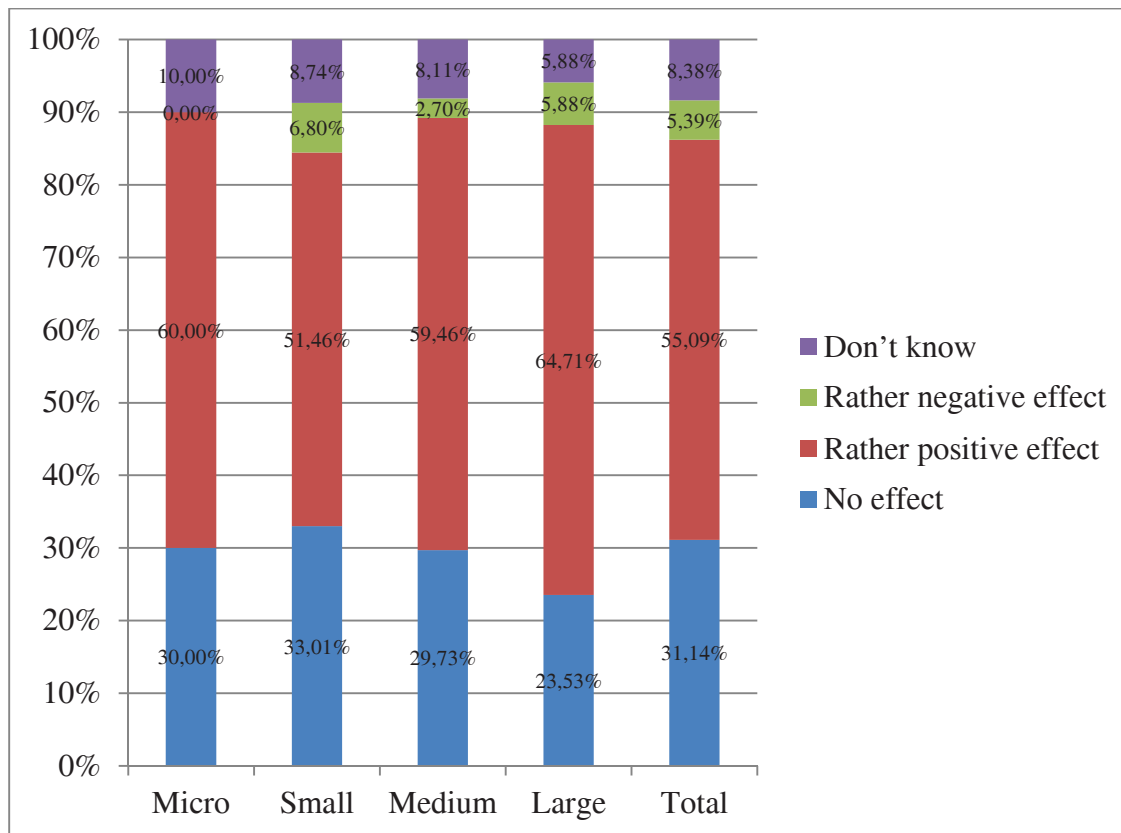
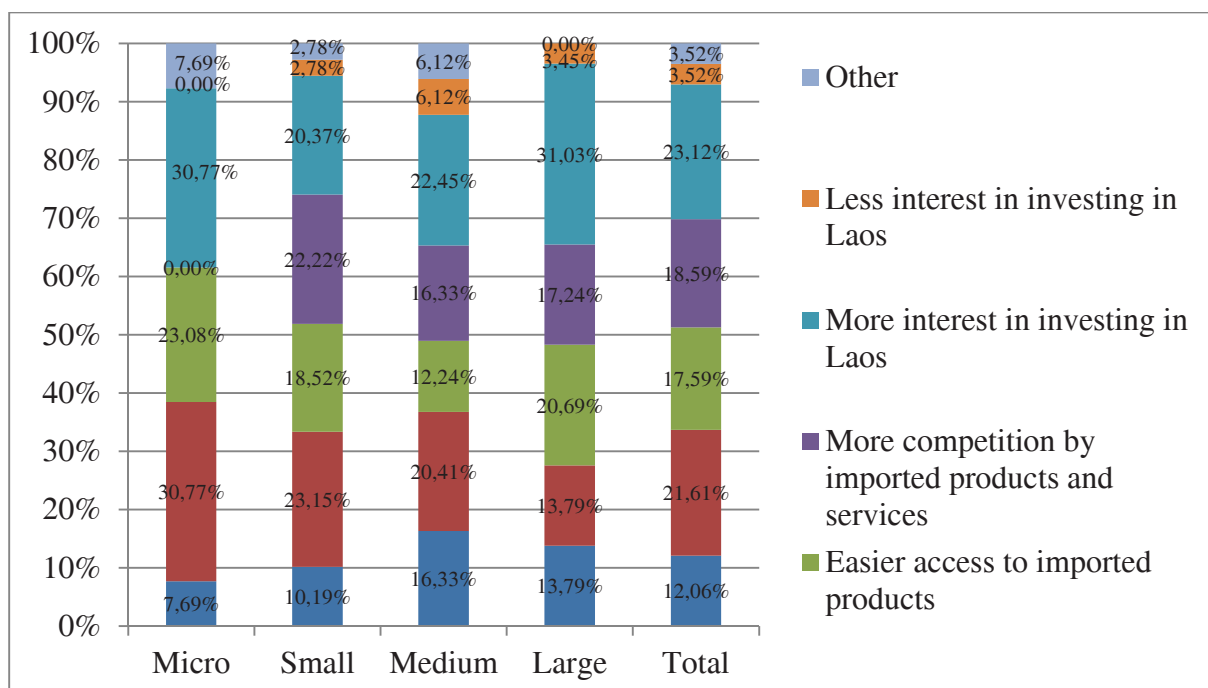


Figure 8.6.2-5: Specific types of AFTA impacts on business by firm size



Laos' successful accession to the WTO in February 2013 signaled an important step towards more closely integrating the Lao economy into global markets. Although WTO is quite new for most Lao entrepreneurs, more than half of total respondents (52.5%) believe that it will bring positive effects on their businesses (see figure 8.6.2-6).

Figure 8.6.2-7 details the more specific impacts, WTO is expected to have. Overall, a number of enterprises believe WTO will improve market access for exporting goods and services (20.4%), provide both, new opportunities (17.0%) and easier access (16.3%) to imported products and services as well as attract more FDI (16.3%). At the same time, almost 14.1% of enterprises expect increased competition as a consequence of import tariff reduction.

Figure 8.6.2-6: Effect of WTO on business by firm size

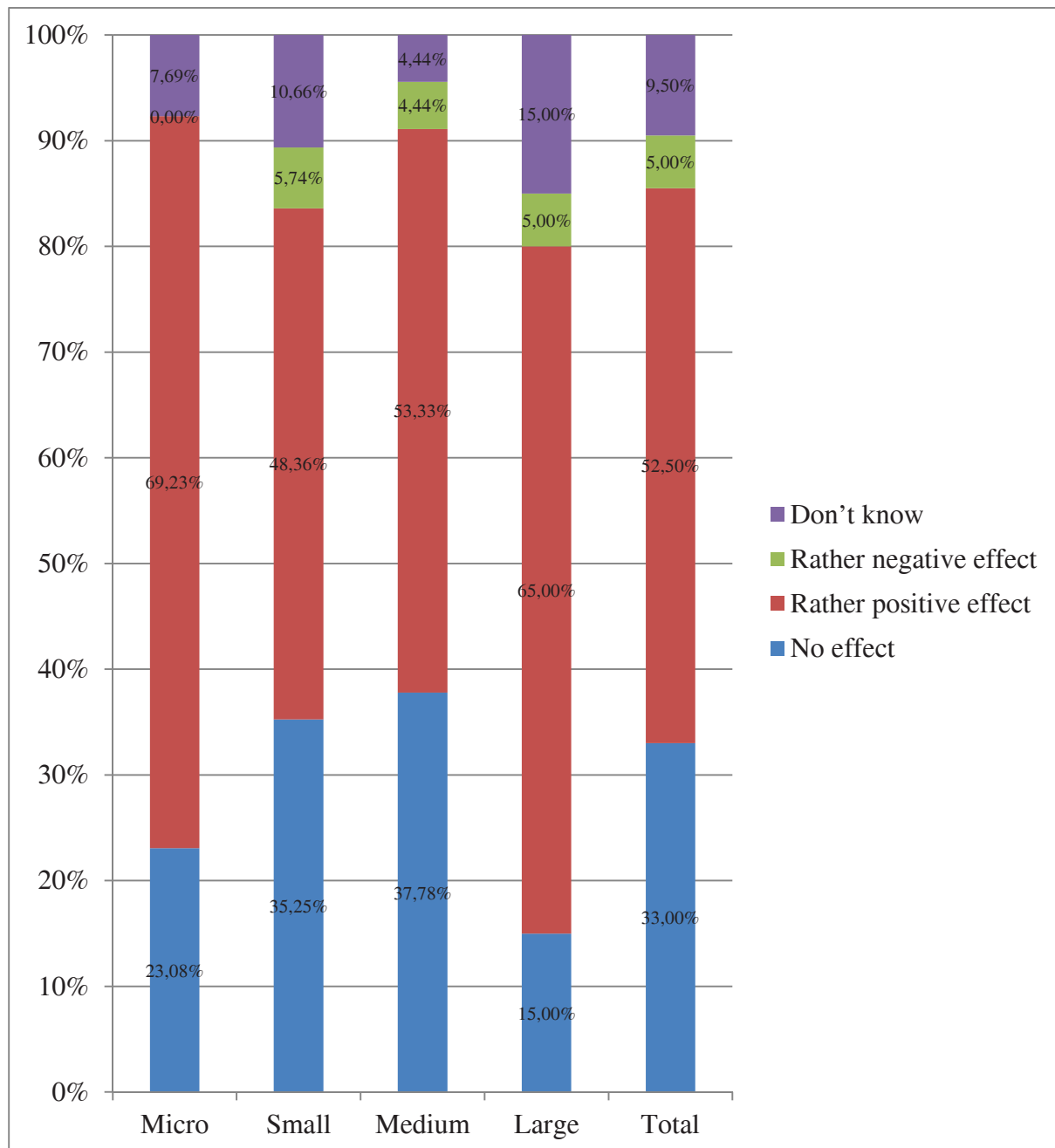
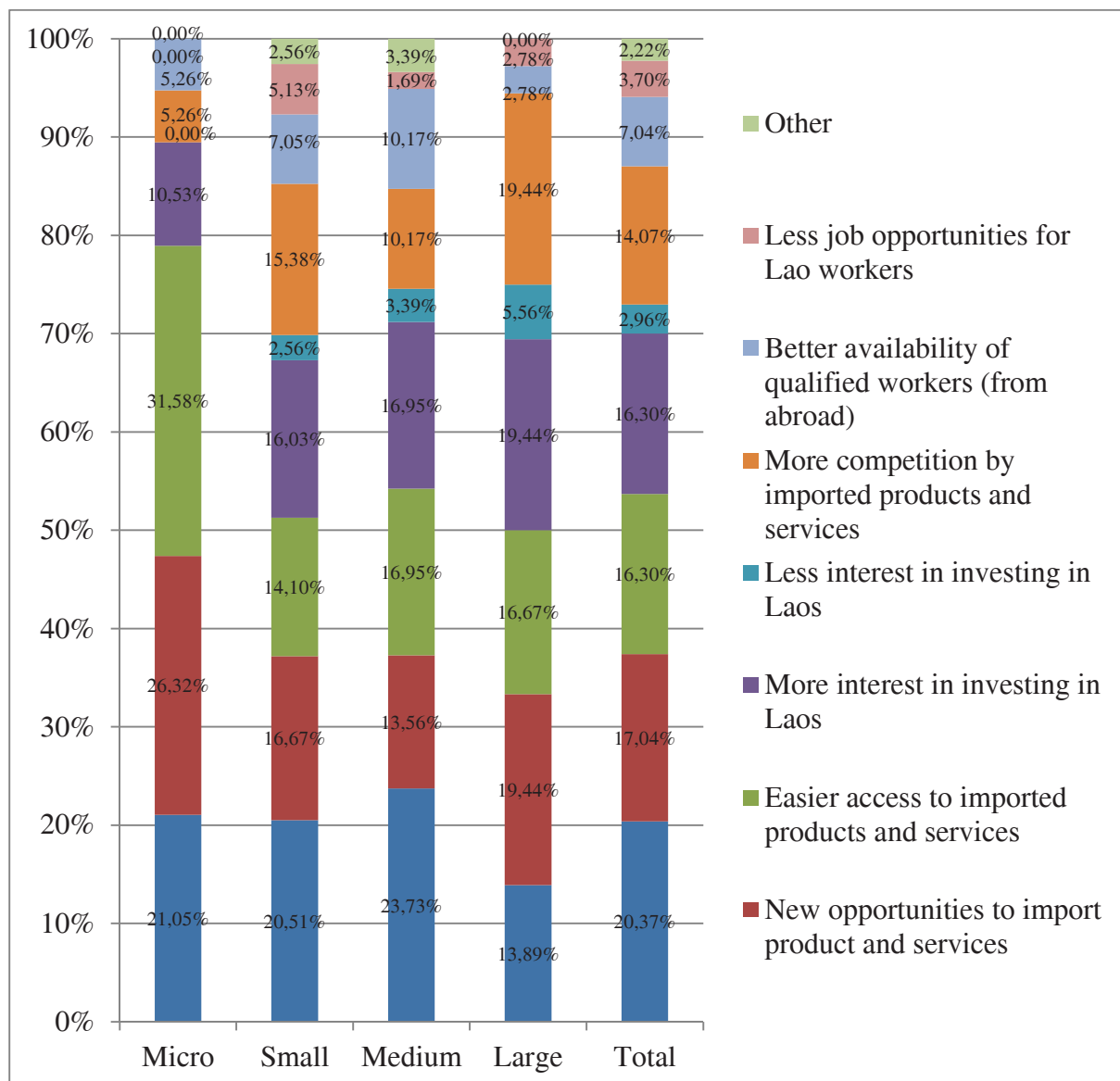


Figure 8.6.2-7: Specific impacts of WTO on business by firm size

8.7 Business Constraints

8.7.1 Internal Business Constraints

In order to better understand which internal constraints firms perceive to be most problematic, entrepreneurs were asked to assess the severity of ten issues for their businesses. Responses to these questions are summarized in figures 8.7.1-1 to 8.7.1-10.

Among the ten internal factors, lack of capital was considered a “very big” issue for almost a third of medium enterprises (29.2%) and a “big” issue for a similar proportion of micro enterprises (30.2%). Lack of management skills (31.8%) and lack of technically skilled labor (27.3%) were issues of “medium” severity expressed by approximately a third of large enterprises. A shortage of both, unskilled and skilled labor has become a significant impediment hindering the growth of most large enterprises. In addition the mismatch between demand and supply at the labor market has caused labor shortages in Laos. The Ministry of Labor and Social Welfare (MoLSW) estimated that there are approximately 250,000 workers from Laos officially and unofficially employed in Thailand. At the same time, there are

approximately 100,000 official and unofficial foreign workers from China, Thailand and Vietnam currently employed in Laos (World Bank, 2011).

Many medium enterprises rated low levels of technology (25.8%) and high labor costs (30.3%) as “medium” problems for their businesses. Given strong production networks with relatively low labor costs, it is not surprising that many large enterprises responded that the lack of market information (36.4%) and high labor costs (31.8%) were only “small” internal issues for their business. This also means that the increase of the official minimum wage, which almost doubled in 2012, did either not cause any problem for entrepreneurs or were – as trade unions claim – widely ignored by employers. Finally, a substantial percentage of enterprises reported that they did not consider lack of accounting skills, lack of management staff, or low productivity/efficiency to be serious internal problems.

Figure 8.7.1-1: Lack of management skills as a perceived constraint by firm size

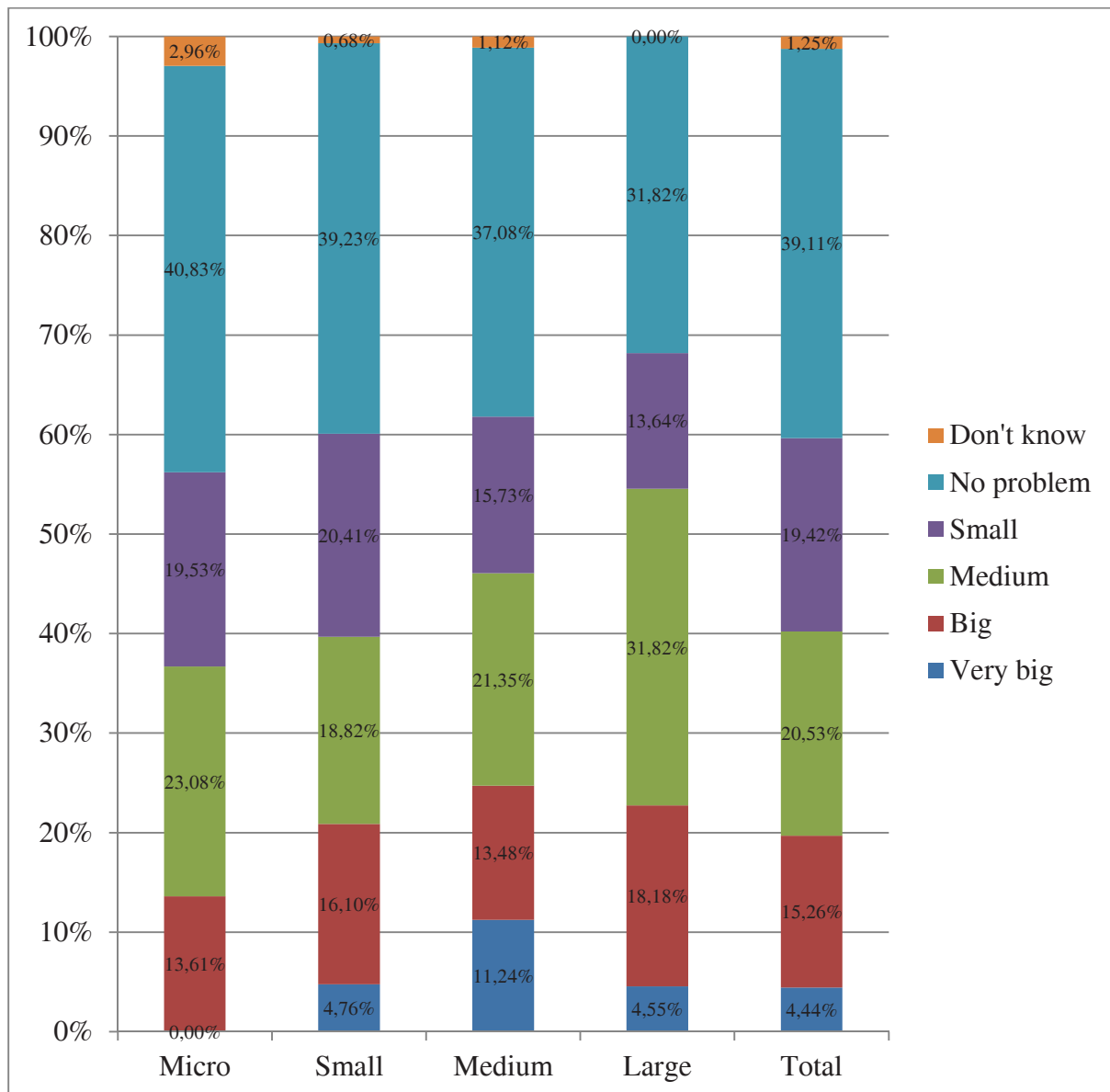


Figure 8.7.1-2: Lack of accounting skills as a perceived constraint by firm size

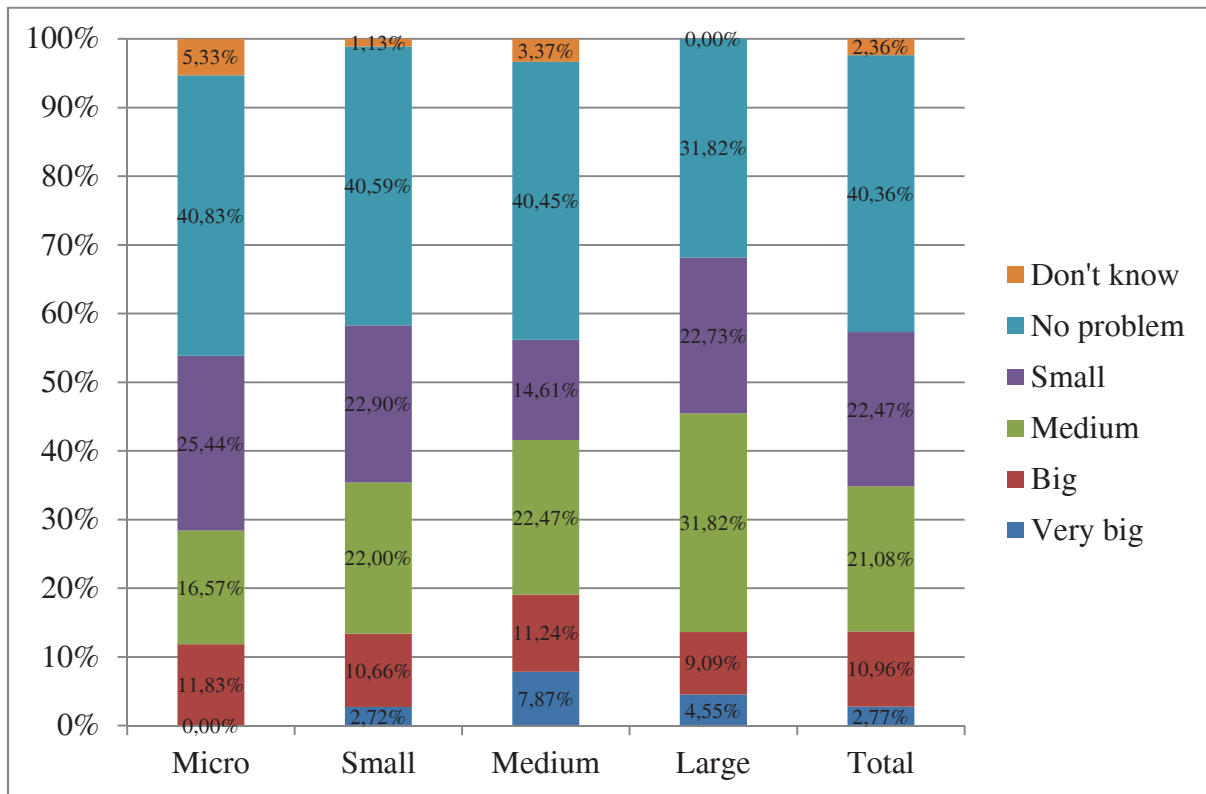


Figure 8.7.1-3: Lack of technically skilled labor as a perceived constraint by firm size

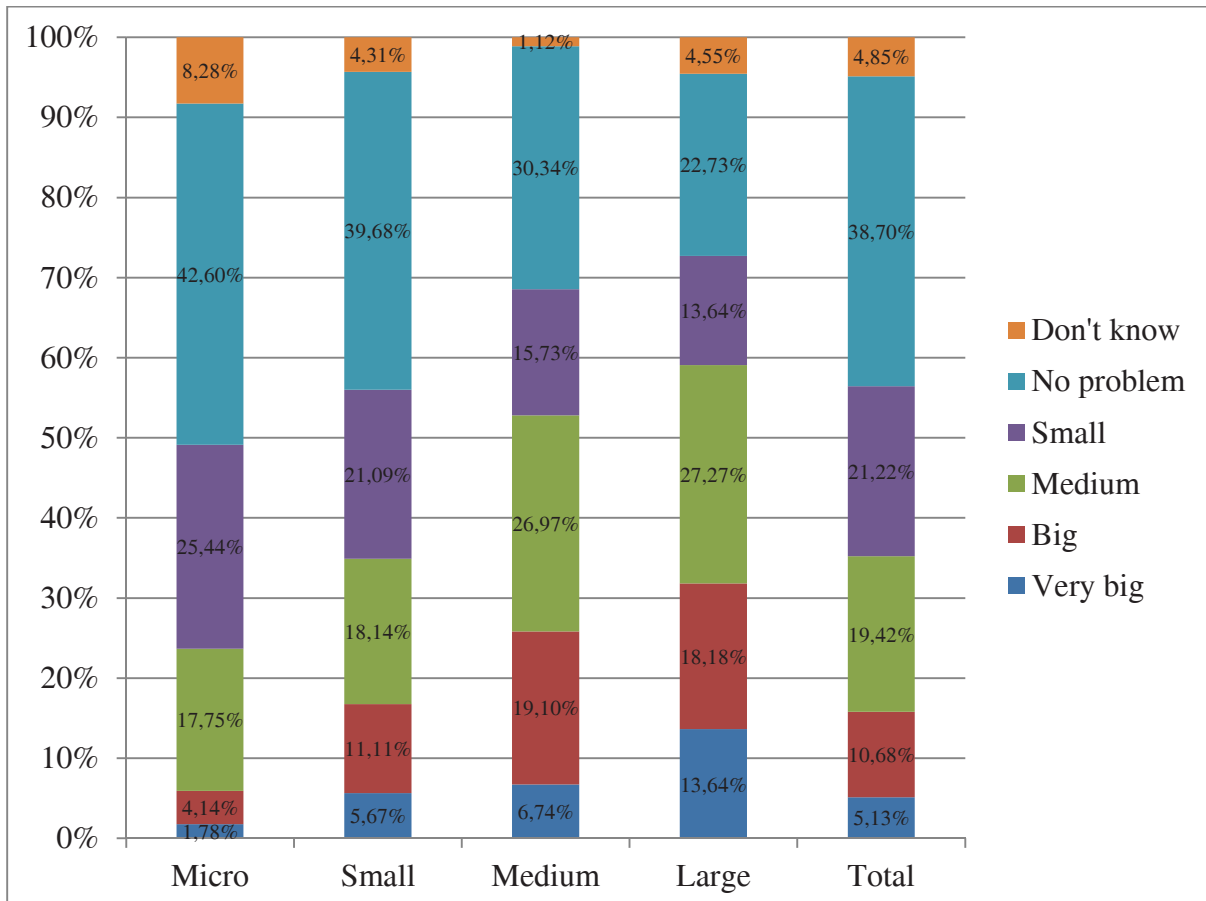


Figure 8.7.1-4: Lack of management staff as a perceived constraint by firm size

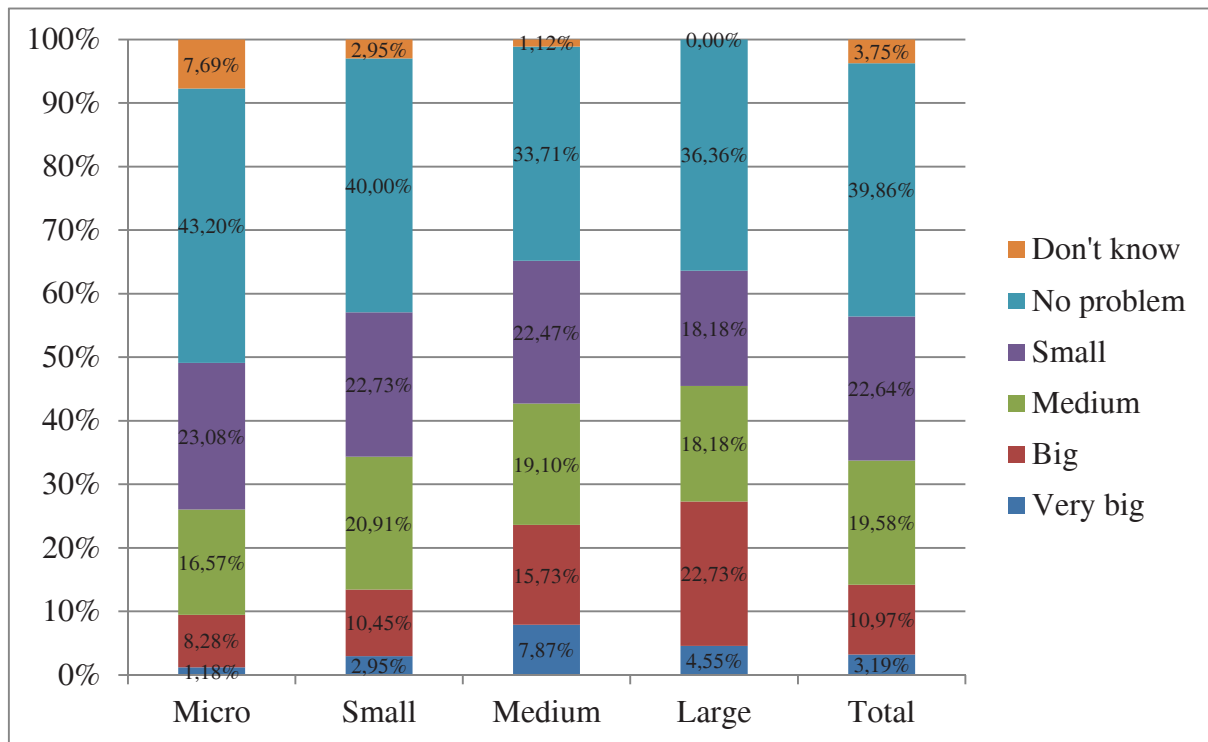


Figure 8.7.1-5: Low level of technology as a perceived constraint by firm size

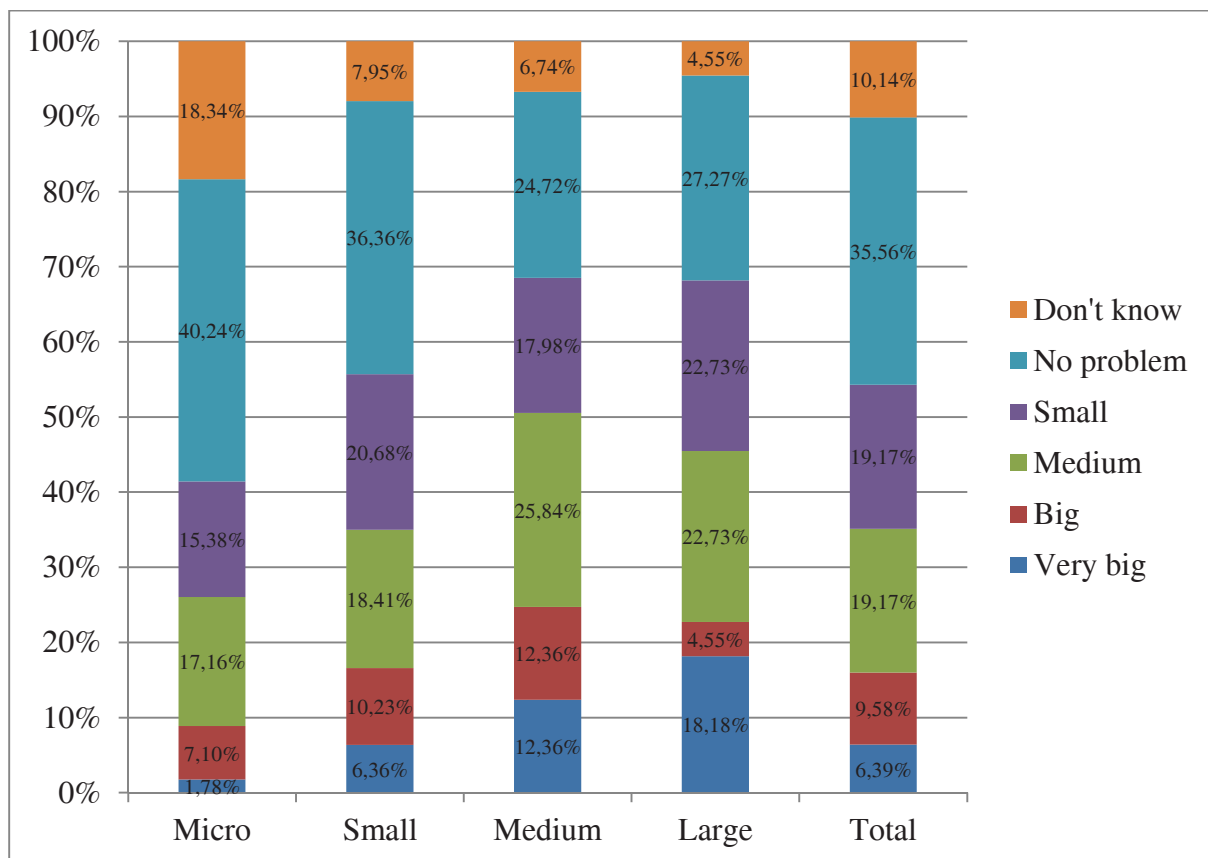


Figure 8.7.1-6: Lack of market information as a perceived constraint by firm size

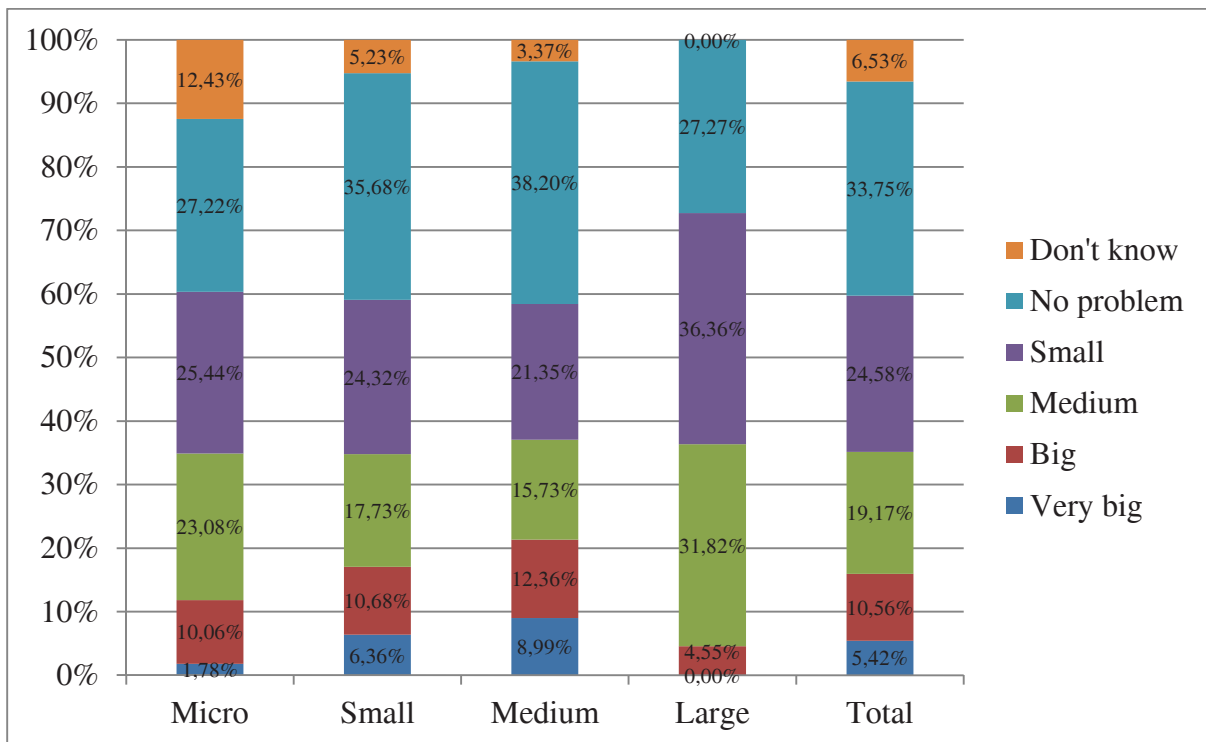


Figure 8.7.1-7: Lack of capital as perceived constraint by firm size

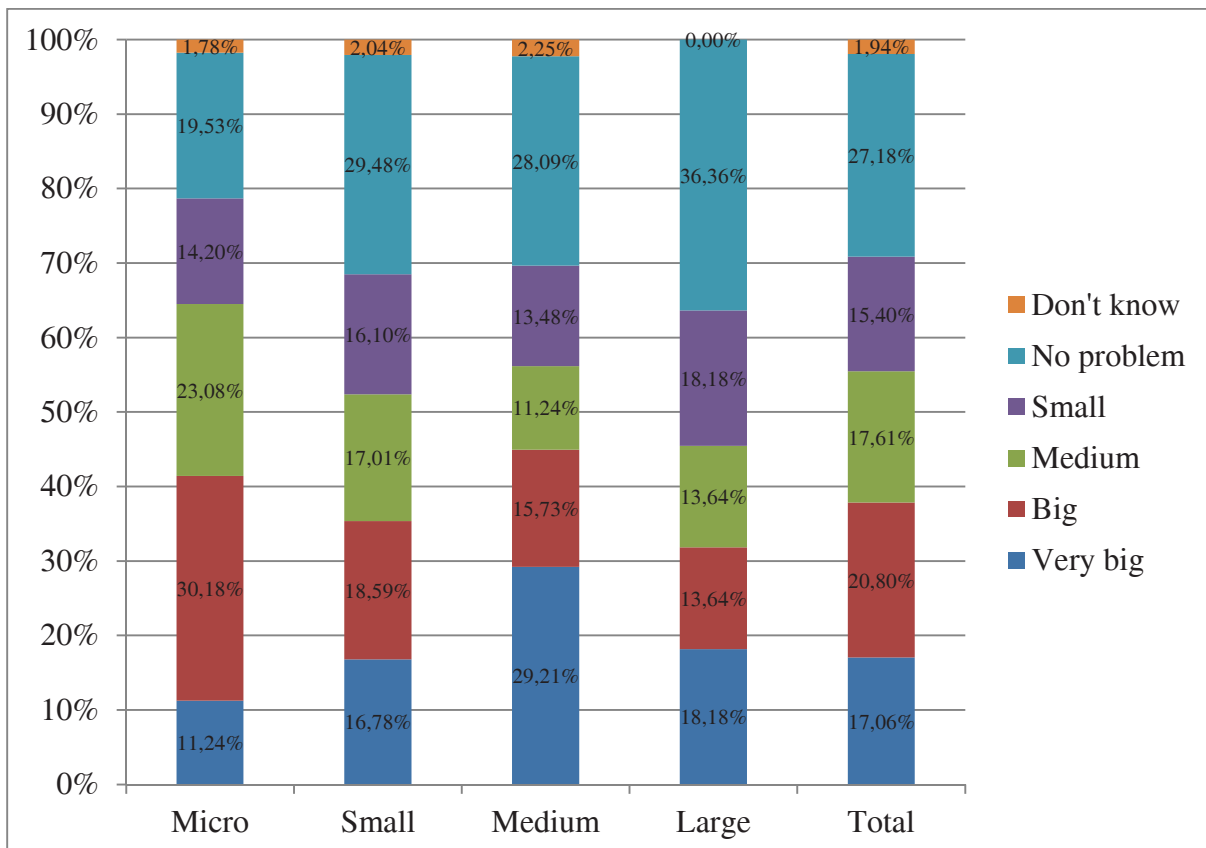
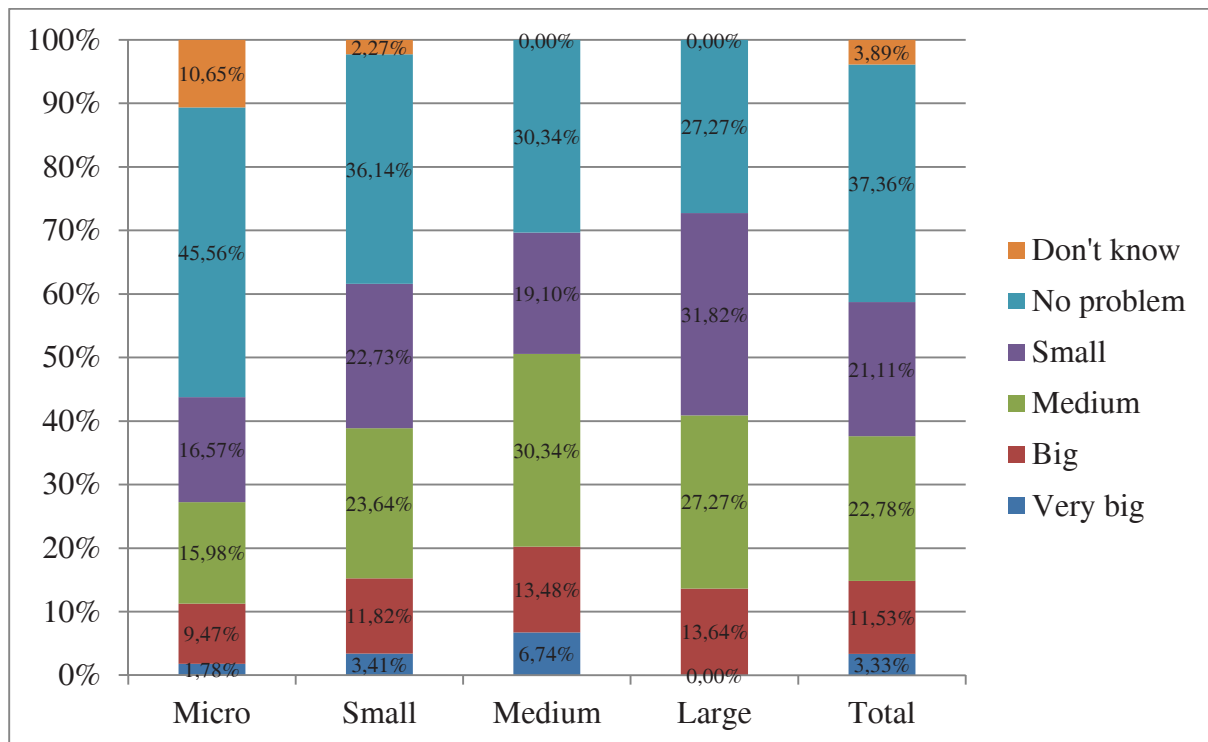
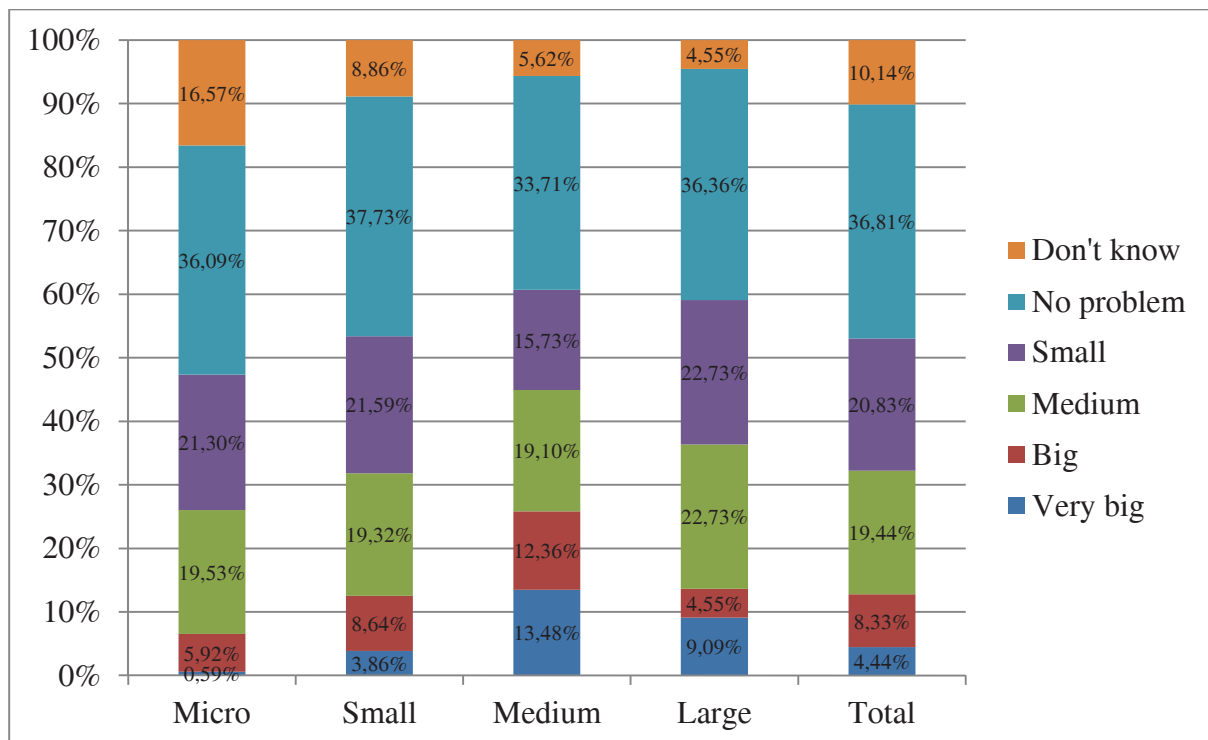


Figure 8.7.1-8: High labor costs as perceived constraint by firm size

Figure 8.7.1-9: Low productivity/efficiency as perceived constraint by firm size


In summary, the internal constraint judged to be serious by a large percentage of respondents is lack of capital, which is particularly problematic for medium and micro enterprises. Internal issues judged to be of moderate severity by a large percentage of respondents include lack of management skills and lack of technically skilled labor for large enterprises and low levels of technology and high labor costs for medium enterprises. On the other hand, other internal issues such as lack of accounting skills, lack of management staff or low

productivity/efficiency, were not considered problematic by a large percentage of respondents across all enterprise sizes.

8.7.2 External Business Constraints

The external constraints enterprises face can be divided into four subgroups:

- (a) Competition and taxes: competition with domestic competitors, competition with foreign competitors, excessively high taxes and duties, other fees and unofficial payments
- (b) Infrastructure: lack of roads, lack of water, lack of electricity, lack of telephone lines, lack of internet connectivity and others
- (c) Operational costs: electricity prices, fuel prices and telecommunication prices
- (d) Regulatory issues: custom/foreign trade regulations, foreign currency exchange regulations, labor and safety regulations, (re-)registering with tax offices, renewing of operating licenses and others

Firms were asked to judge the severity of specific problems within each of these clusters of issues. Their responses will be elaborated upon in the following sections.

(a) Competition and Taxes

Figures 8.7.2-1 to 8.7.2-4 show that overall enterprises are more concerned with domestic competition than international competition, as evidenced by the fact that 33.5% of enterprises perceive competition with domestic competitors to be a “big” issue, while only 11.8% feel that competition with foreign competitors is a “big” issue. However, perceptions of domestic competition varied by enterprise size. The largest proportion of micro (46.8%) and small (30.4%) enterprises indicated that domestic competition is a “big” issue for them, while the largest proportion of medium enterprises (28.4%) indicated that they consider domestic competition to be a “very big” issue. In contrast, the largest percentage of large enterprises (27.3%) characterized domestic competition as a “medium” issue for their business. The reason for this variation could be that small firms are more sensitive to shocks and experience greater volatility in terms of turnover and profit compared to larger firms. On the other hand, large firms tend to be more efficient than small firms in terms of investment in capital and production technologies. In contrast, a large proportion of respondents across all enterprise sizes reported that they did not perceive foreign competitors to be particularly problematic.

High tax rates harm competitiveness and are less attractive for FDI, leading to less economic growth. Excessively high taxes and duties were characterized as “big” issue by a substantial percentage of respondents across all enterprise sizes, including micro (27.8%), small (27.9%), medium (32.6%), and large (27.3%) enterprises. These findings are consistent with the fact that the corporate income tax in Laos was 28% in 2012, which was higher than the world average of 23% in 2011 and the average rates in neighboring countries (e.g., Vietnam (25%), Thailand (23%), Cambodia (20%), and China (20%)), see Southichack (2012). Moreover, under the previous investment policy, domestic and foreign companies paid different tax rates: 35% was the maximum rate for domestic firms and 20% for foreign firms. In contrary to the tax issues, unofficial payments are not seen as problematic. This very low perception of corruption as a problem contradicts the widespread practice as also stated by the World Bank (2014) and shows that this practice is actually accepted by the business sector.

Figure 8.7.2-1: Domestic competition as perceived constraint by firm size

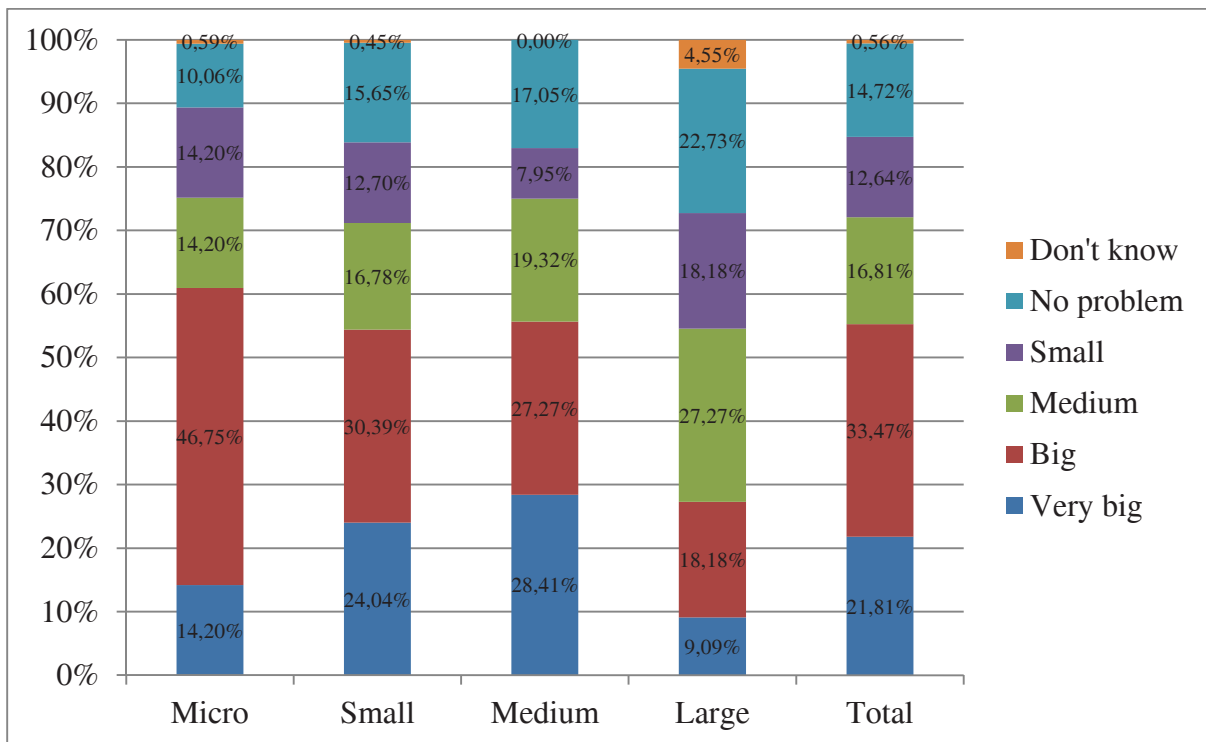


Figure 8.7.2-2: Competition with foreign firms as perceived constraints by firm size

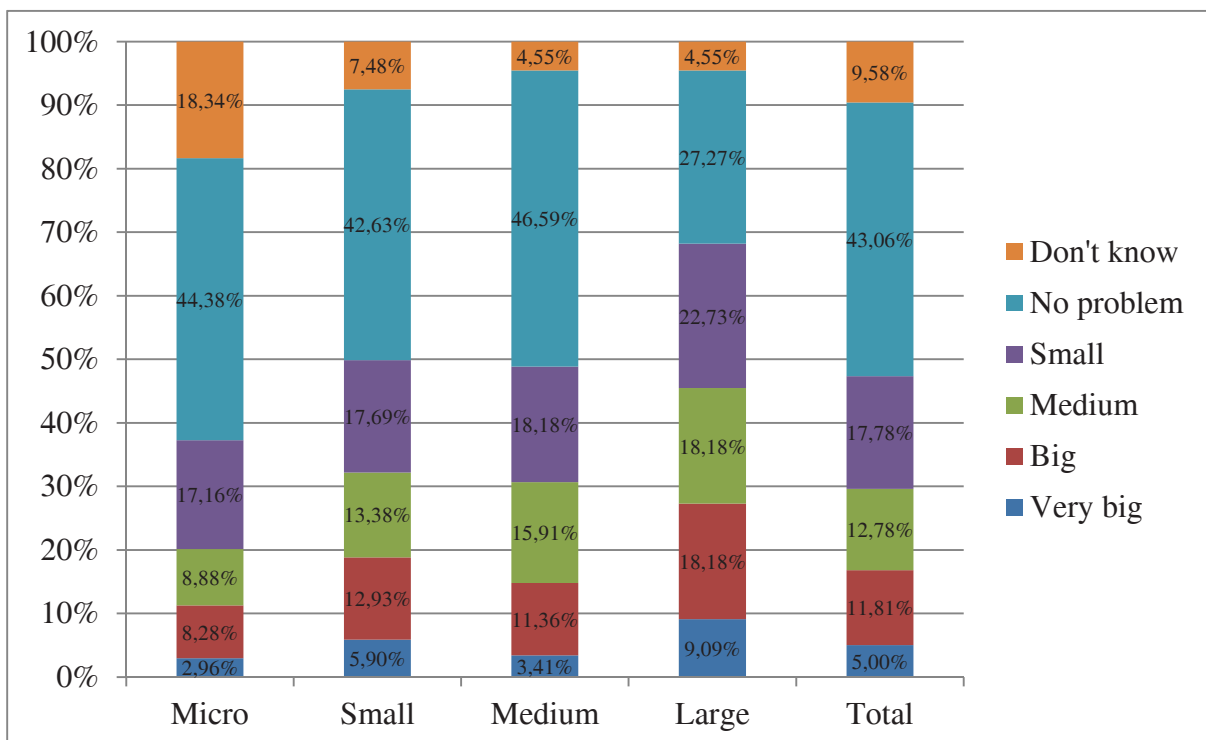
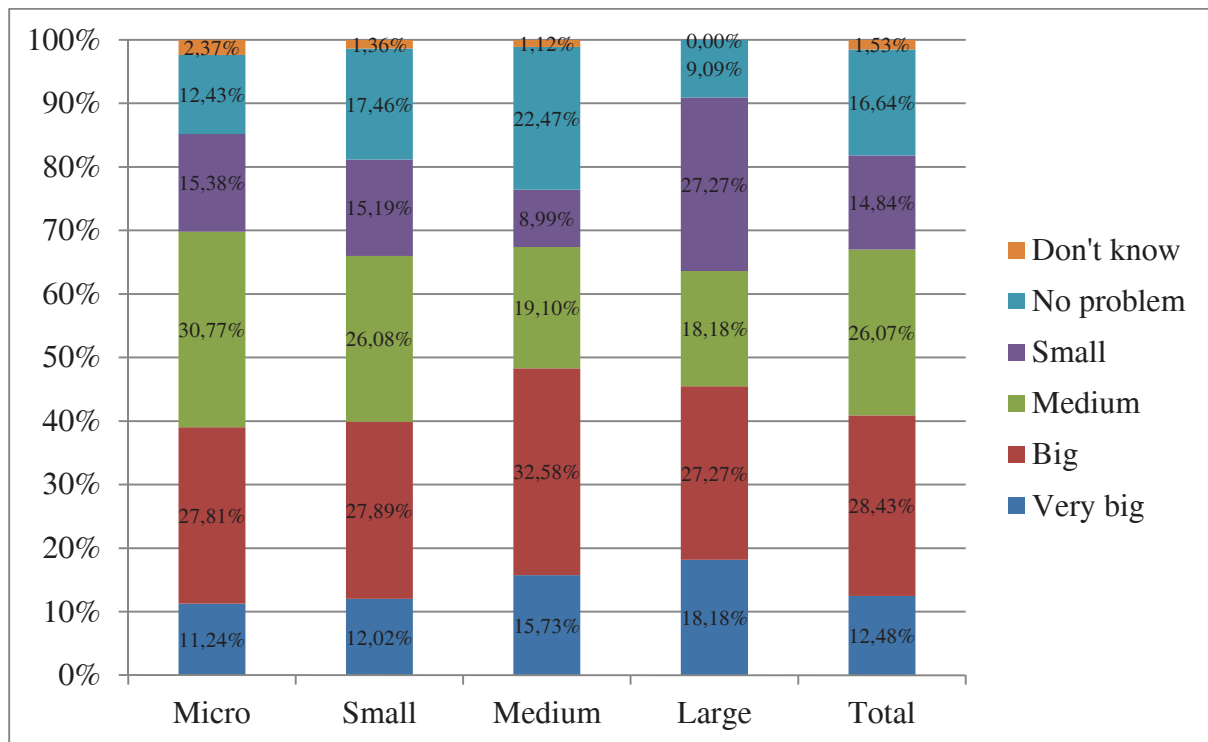
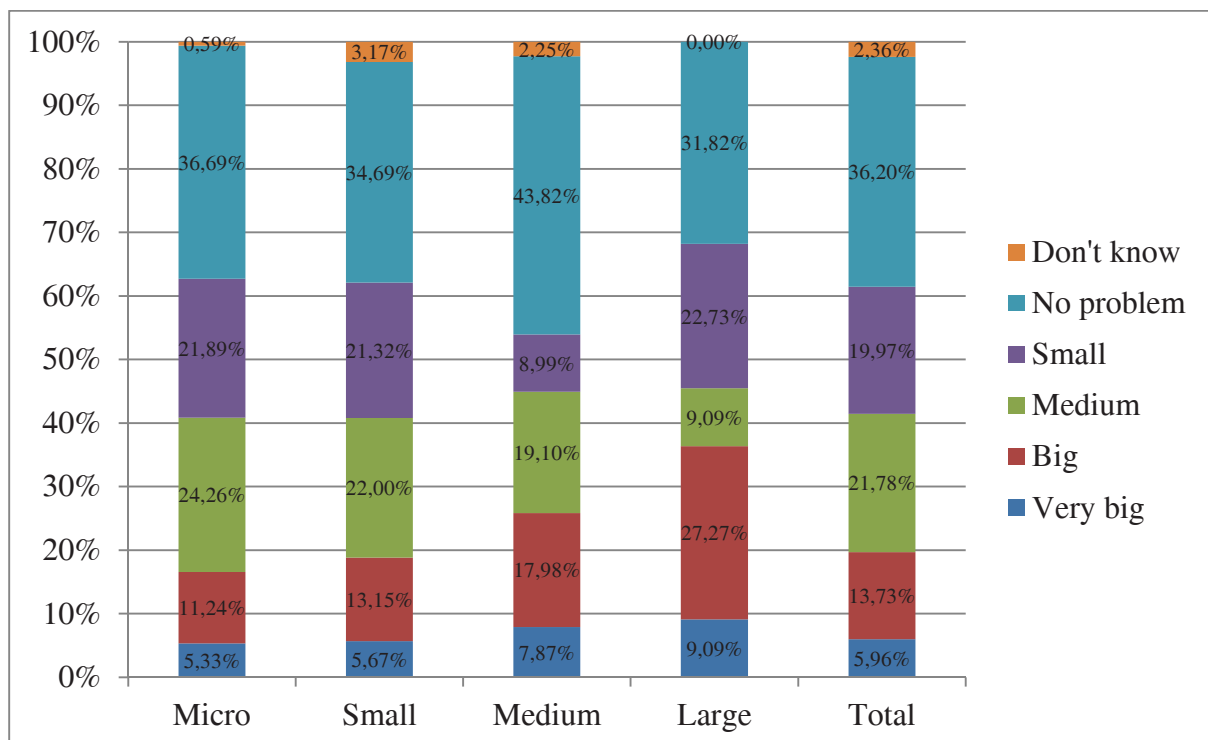


Figure 8.7.2-3: High taxes and duties as perceived constraints by firm size

Figure 8.7.2-4: Other fees and unofficial payments as perceived constraints by firm size


(b) Infrastructure

Infrastructure is essential for facilitating enterprise development in Laos. Figures 8.7.2-5 to 8.7.2-9 indicate that overall, more than half of all enterprises did not have any problems with water supply, electricity and telephones, and almost half stated that they did not have problems with roads or internet. This relative lack of importance given to infrastructure issues

can be attributed to the fact that most enterprises are located in urban centers, where infrastructure development is more advanced. Furthermore, the liberalization of telecommunication enterprises and the entry of foreign firms into the Lao market has improved access to telecommunication services, especially telephone and internet services. Therefore, infrastructure issues might not be significant problems for most enterprises.

Figure 8.7.2-5: Road networks as perceived constraint by firm size

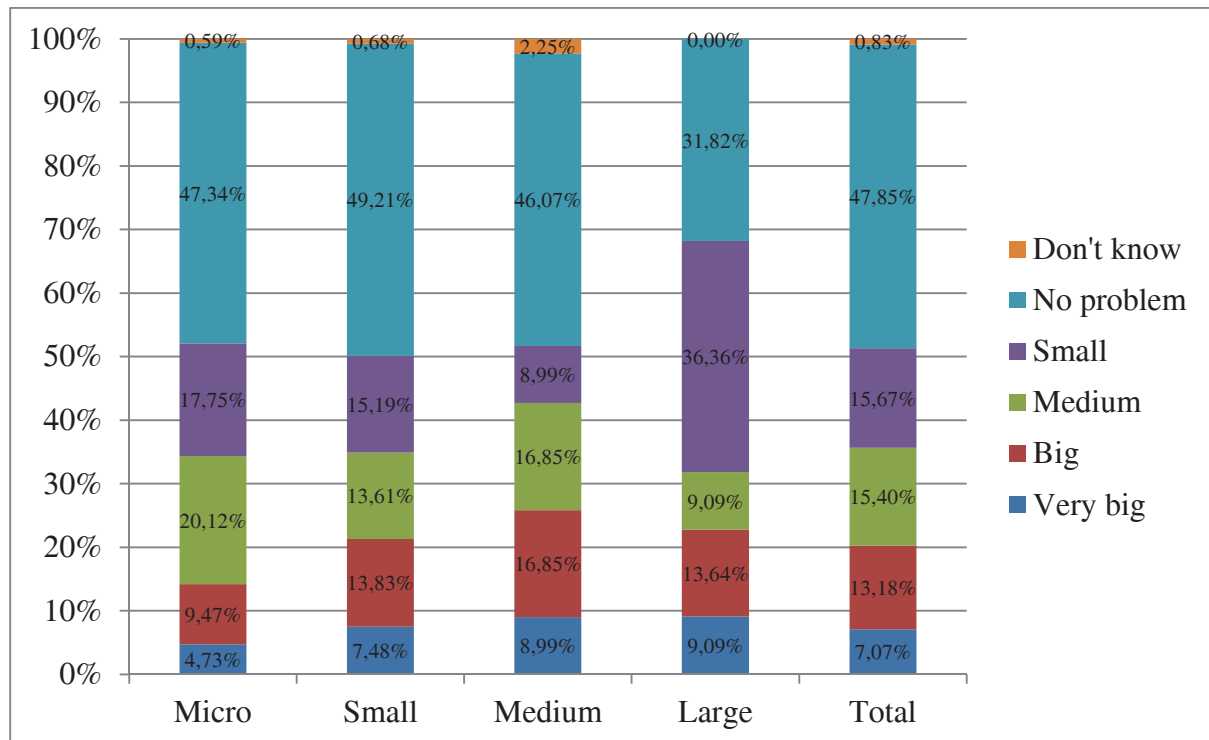


Figure 8.7.2-6: Water infrastructure as perceived constraint by firm size

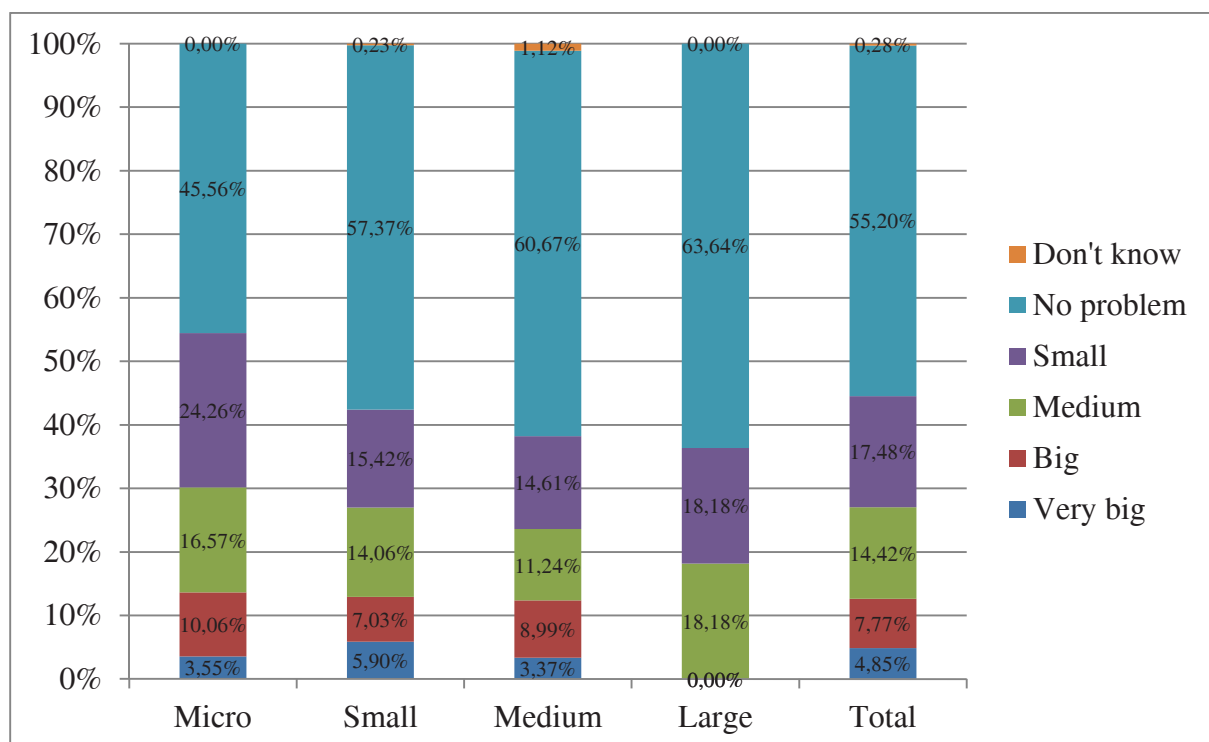


Figure 8.7.2-7: Electricity supply as perceived constraint by firm size

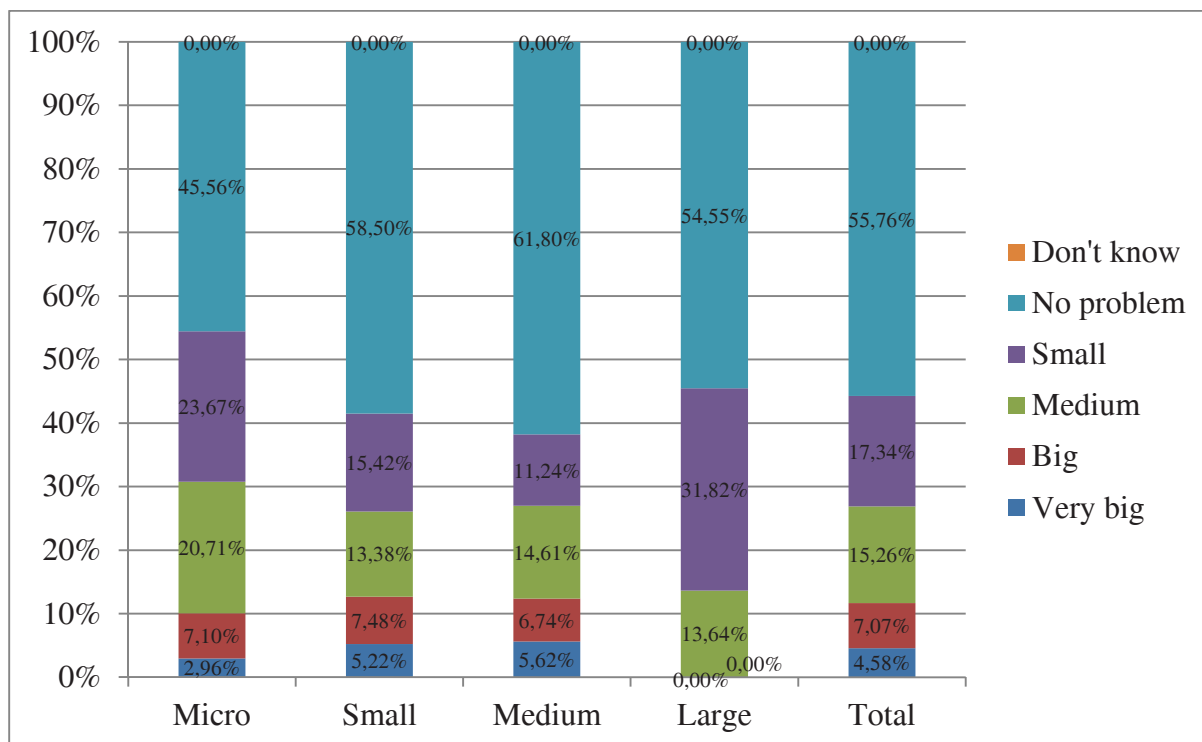


Figure 8.7.2-8: Telecommunication (telephone) as perceived constraint by firm size

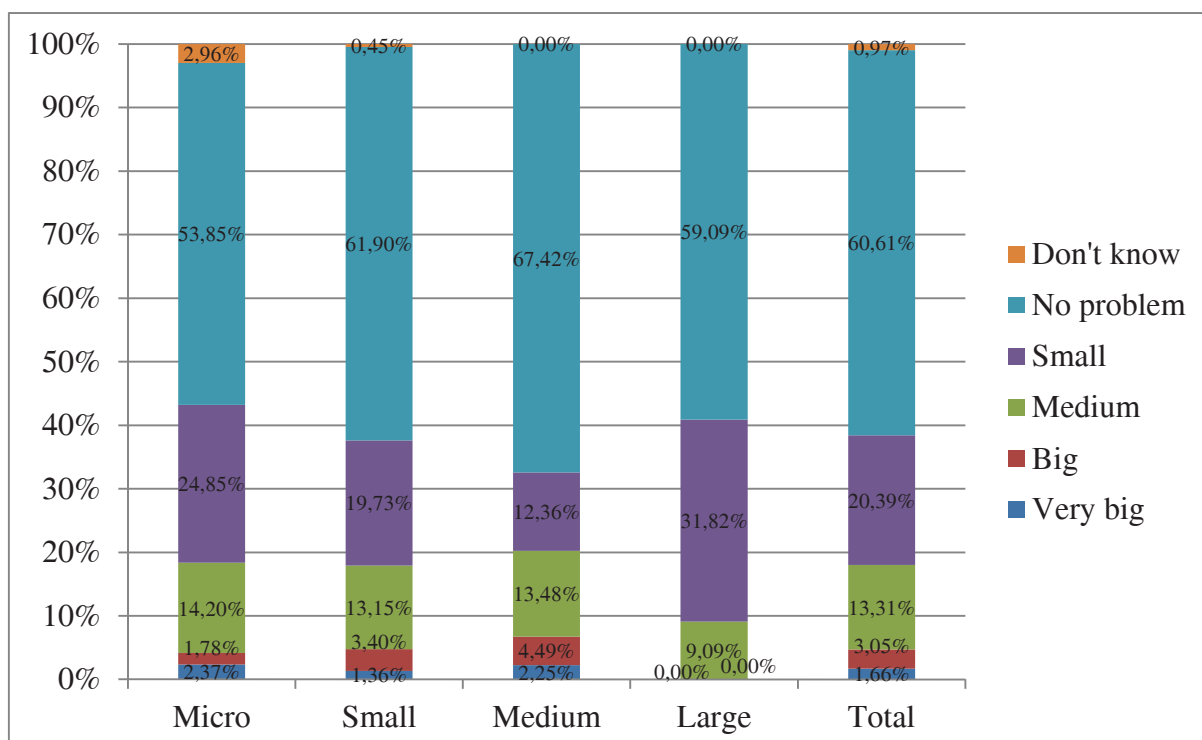
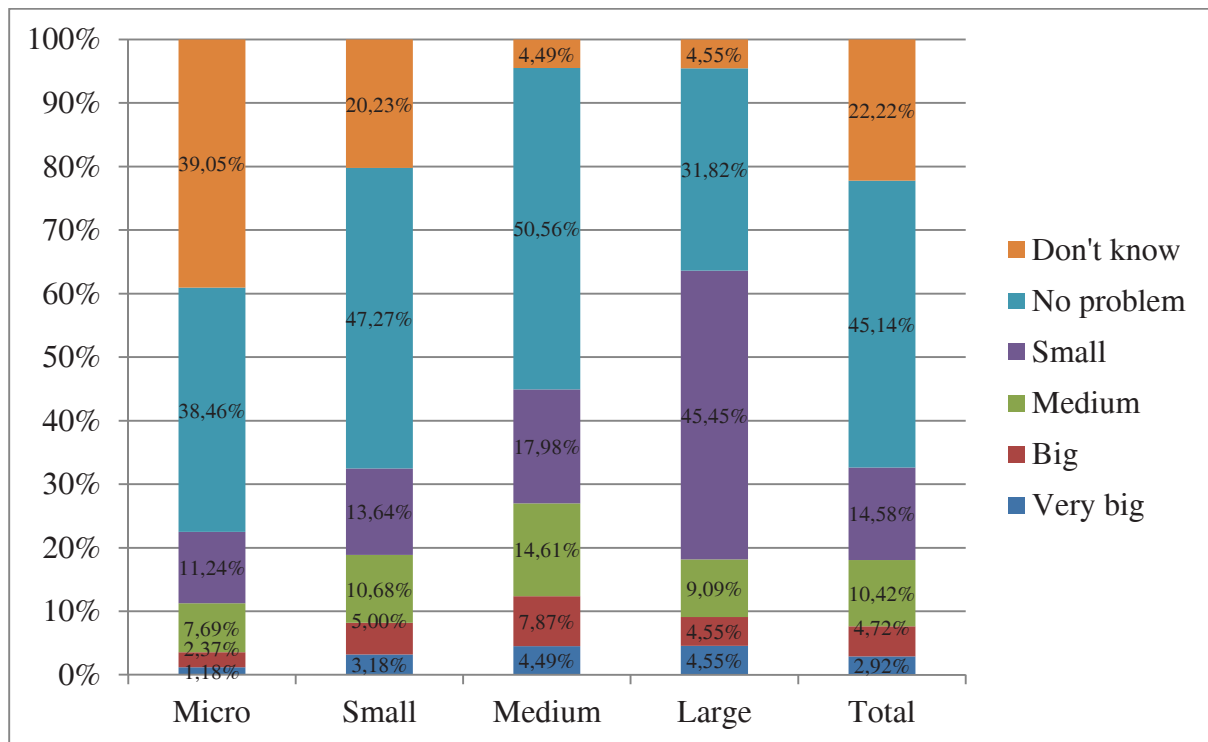


Figure 8.7.2-9: Telecommunication (Internet) as perceived constraint by firm size**(c) Operational Costs**

Most entrepreneurs see high electricity prices to be a significant external constraint, judging the severity of this problem to be either “medium” (25.3%), “big” (27.3%) or even “very big” (18.1%) (see figure 8.7.2-10). Analyzing enterprise sizes, it was found that large (27.3%), micro (27.2%) and small (29.8%) enterprises considered the problem of high electricity prices as “very big” or “big” and “medium” for doing businesses, because it raised the production cost and in consequence reduced firms’ competitiveness. Findings are consistent with the fact that electricity prices have increased by 22% on average during the period 2011-2013, (see Electricite Du Laos, 2013).

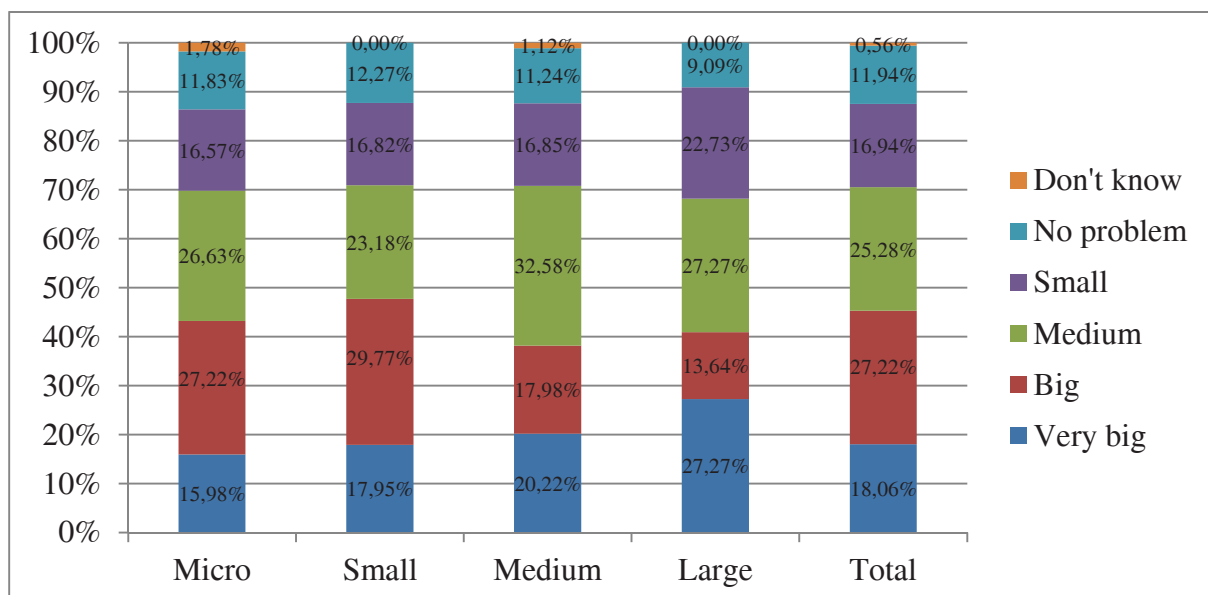
Figure 8.7.2-10: Electricity prices as perceived constraints by firm size

Figure 8.7.2-11: Fuel prices as perceived constraints by firm size

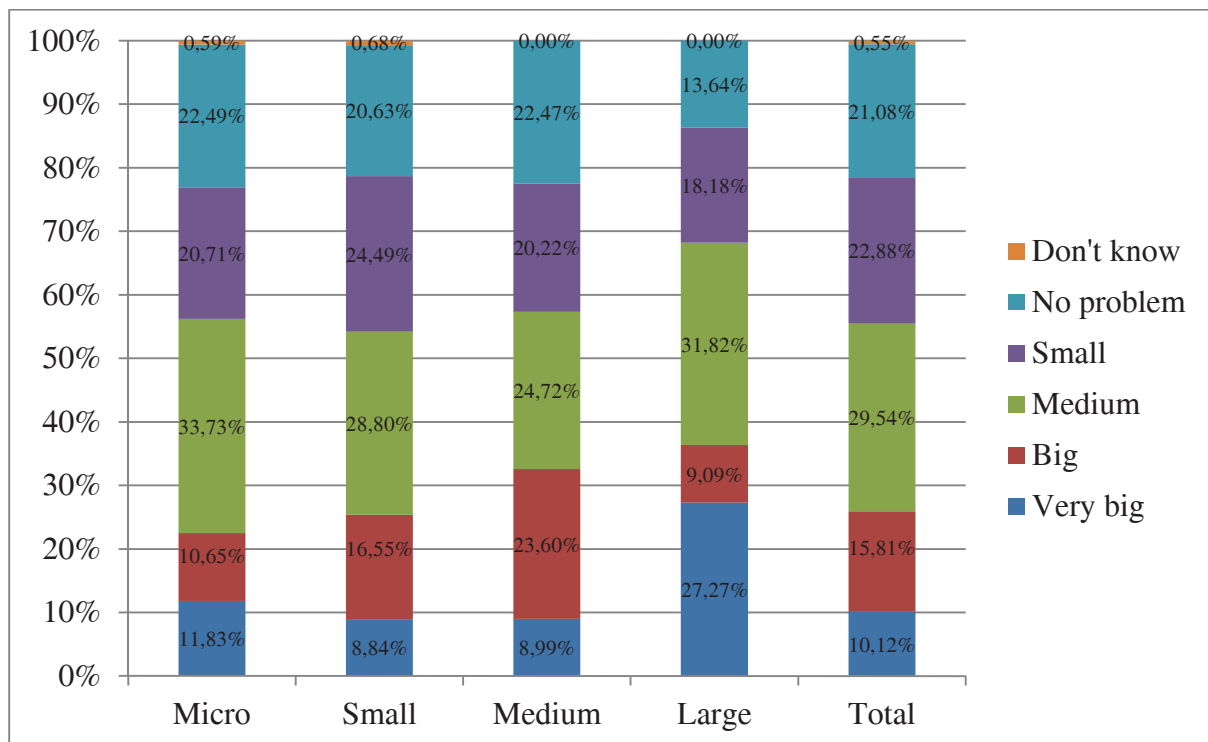
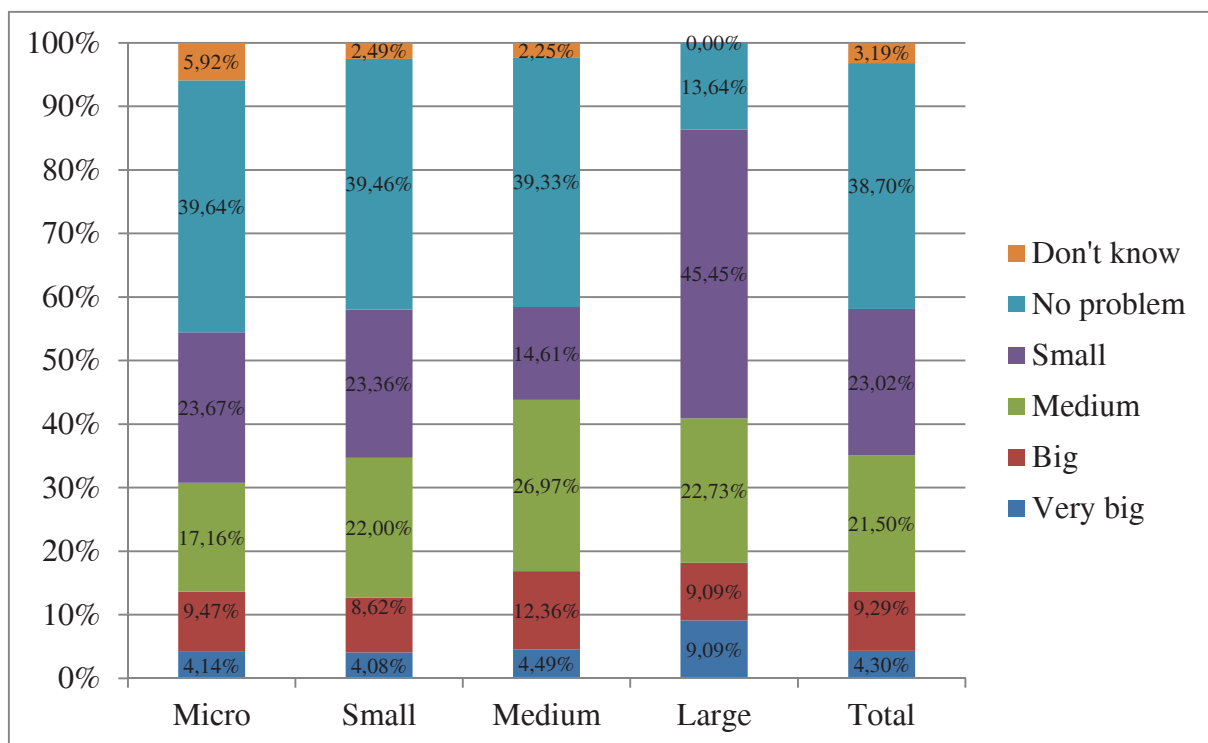


Figure 8.7.2-12: Telecommunication prices as perceived constraints by firm size



In terms of fuel prices, although oil prices have increased recently, many firms (29.5%) consider this a serious issue of only medium severity. GIZ estimates that the price of gasoline in Laos is US\$ 1.31 per liter, which is lower than the average world price of gasoline (US\$

1.50 per liter) and prices of gasoline in neighboring countries (Thailand US\$ 1.50, China US\$ 1.33 and Cambodia US\$ 1.35 per liter).¹⁹

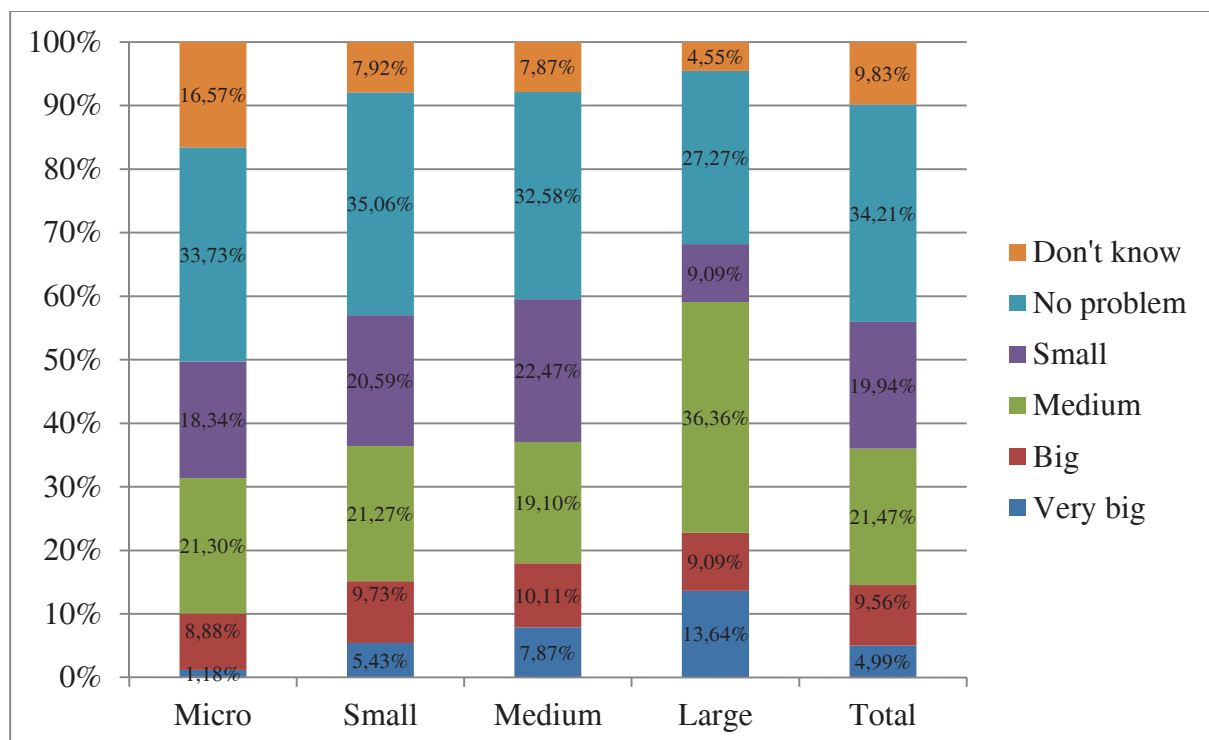
Telecommunication prices were not perceived as a problem across all size brackets. This is consistent with earlier findings that strong competition among telecommunication companies has caused the price of these services to decline. However telecommunication costs remain compared to other countries relatively high.

(d) Regulatory Issues

Figures 8.7.2-13 to 8.7.2-17 summarize the findings regarding the perceptions on selected regulatory issues as problematic or not. Large enterprises had the largest share of respondents who judged customs/foreign trade regulations (36.4%) and foreign exchange rate regulations (45.5%) to be at least moderately problematic (i.e., “medium”). Since large firms are more involved in international transactions, changes in international trade regulations can influence their competitiveness and small fluctuations of foreign exchange rates can affect their turnover and profits significantly. A recently introduced BoL foreign exchange policy limiting the amount of foreign currency, which can be purchased, might constrain enterprise performance for instance.

Large enterprises also had the largest proportion of respondents who classified labor and safety regulations (45.5%) and (re-)registering with tax offices (31.8%) as being “small” issues. On the other hand, compared to the other regulatory issues, all enterprise sizes did not view (re-)renewing operating license to be a problem. The share of firms reporting “no problem” in this regard ranged between 36.4% (large firms) to 49.9% (small firms). A recent tax reform trying to institutionalize an automatic system of tax collection might be a significant step towards shortening processes and may contribute to the ease of doing business.

Figure 8.7.2-13: Customs/foreign trade regulations as perceived constraints by firm size



¹⁹ globalpetrolprice.com, accessed June 02, 2014

Figure 8.7.2-14: Exchange rate regulations as perceived constraints by firm size

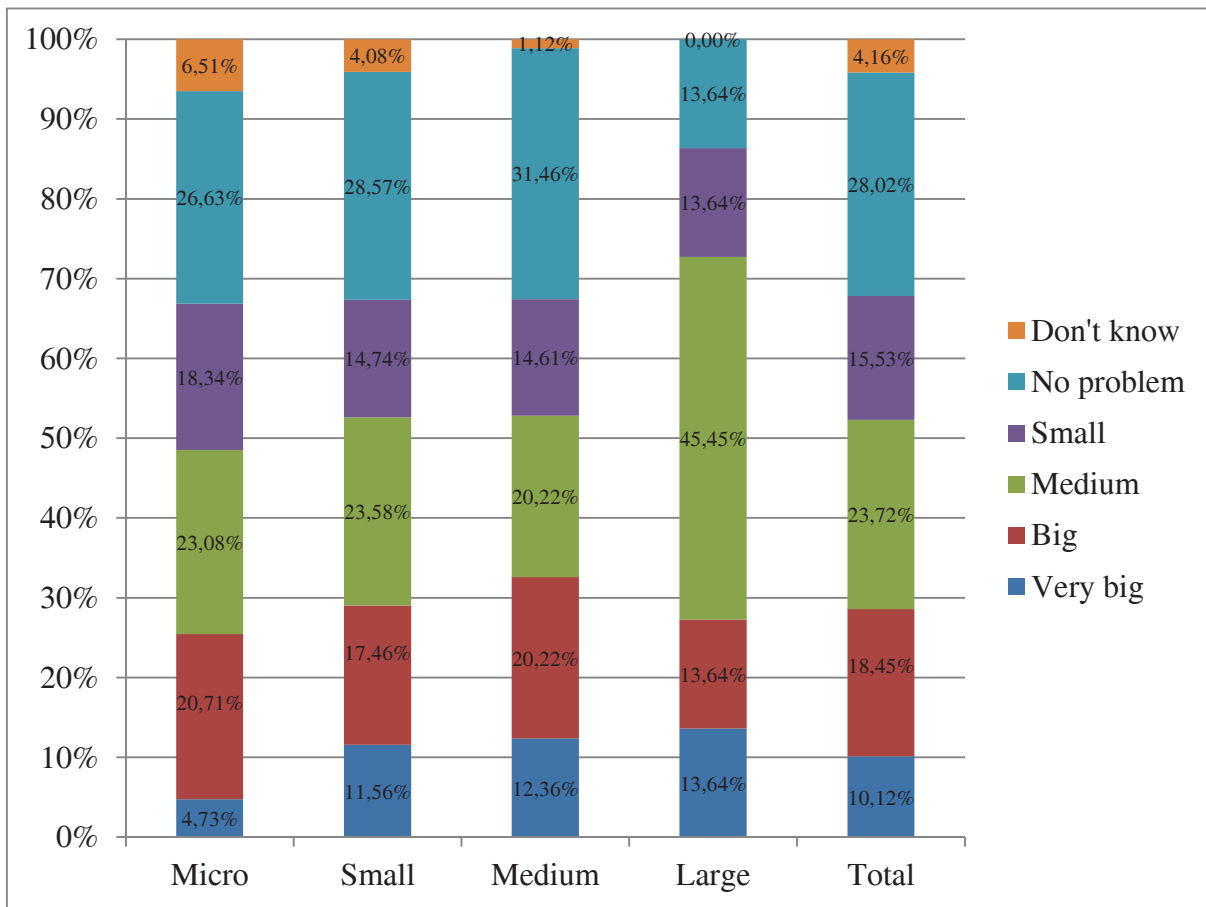


Figure 8.7.2-15: Labor and safety regulations as perceived external constraints by firm size

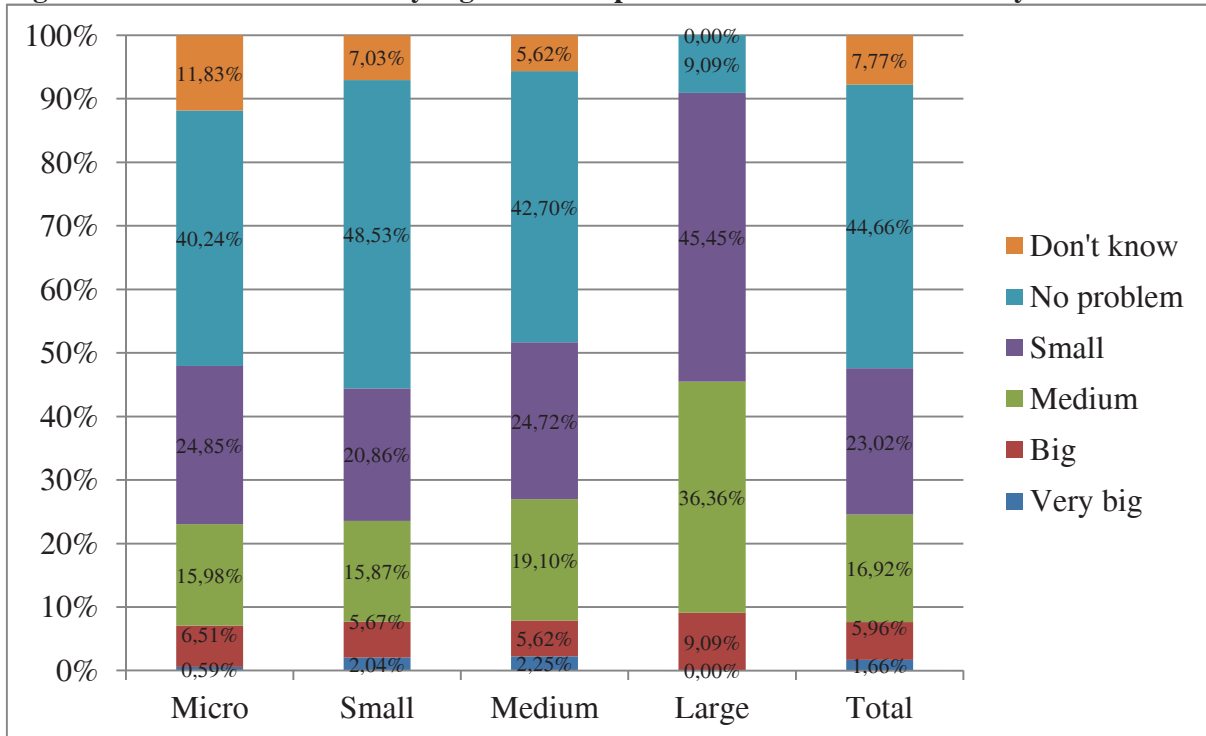


Figure 8.7.2-16: (Re-) registering with the tax office as perceived constraints by firm size

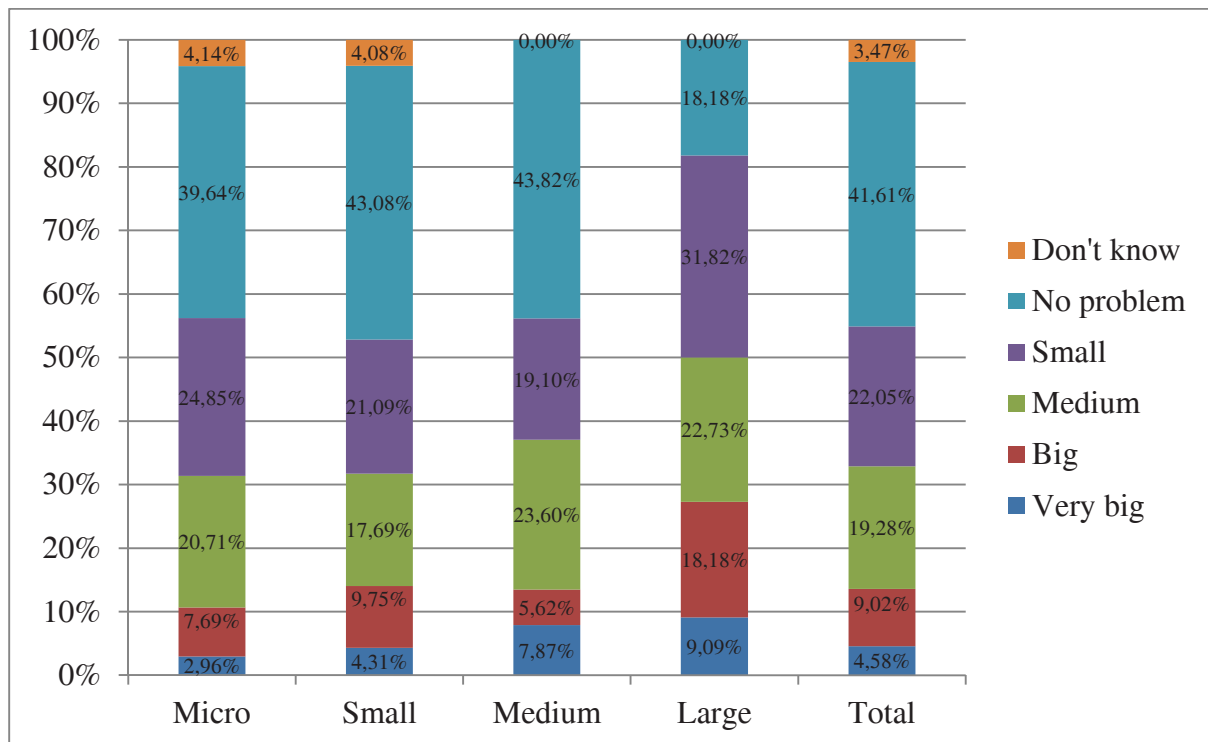
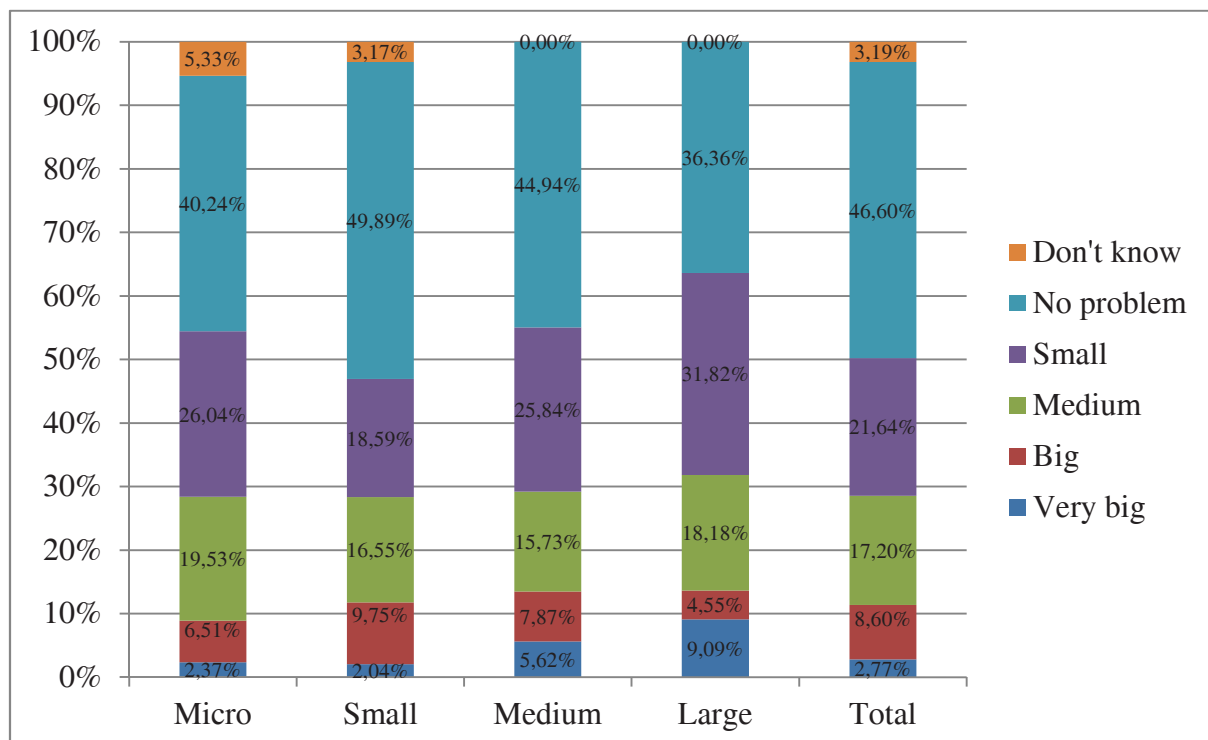


Figure 8.7.2-17: Renewing operating licenses as perceived constraints by firm size



8.8 Human Resources

8.8.1 Skills of Owners/Managers and Staff

The level of education of enterprise owners/managers is still rather low, especially of those owning/running micro enterprises. Looking for instance into vocational education and training

of owners/managers, figure 8.8.1-1 shows that overall only half of enterprise owner/managers have completed vocational or technical training. Moreover, as the size of the enterprise increases, the percentage of owners/managers who have completed vocational or technical training also increases. Figure 8.8.1-2 indicates that the most common sources of training includes development cooperation projects (19.3%), vocational or technical schools (18.6%) and government authorities (13.4%).

Figure 8.8.1-1: Received vocational and technical training by owners/managers by firm size

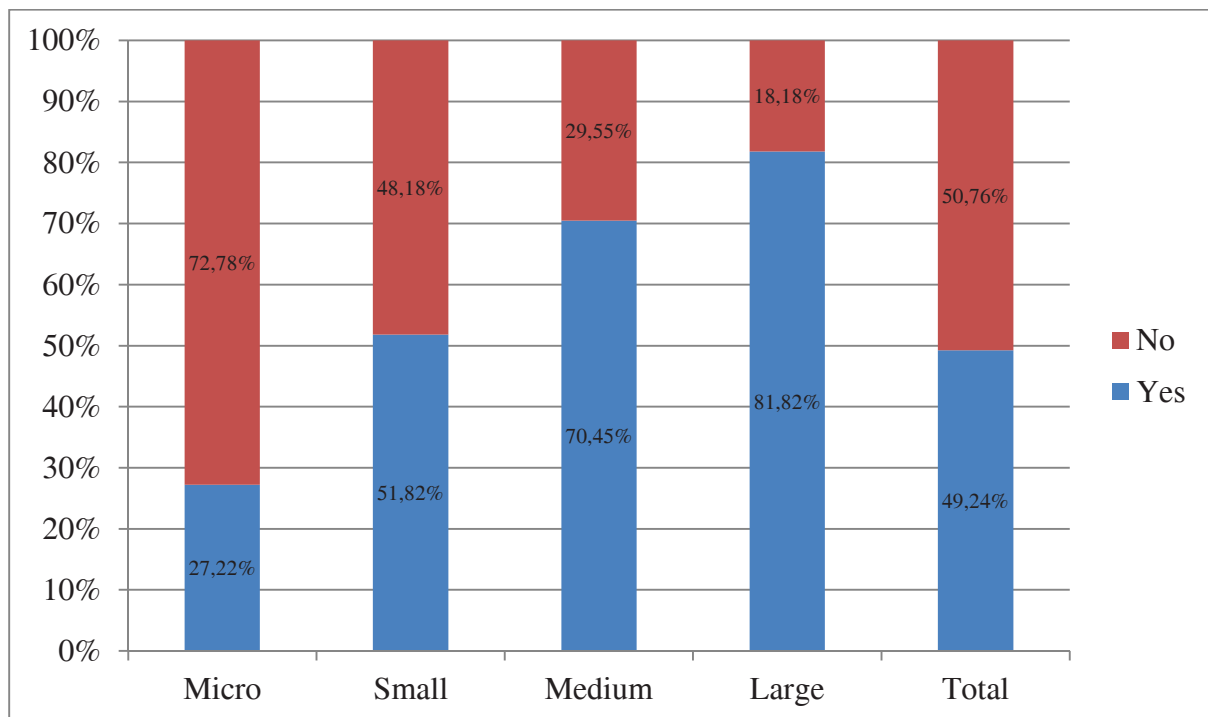


Figure 8.8.1-2: Sources of vocational and technical training by firm size

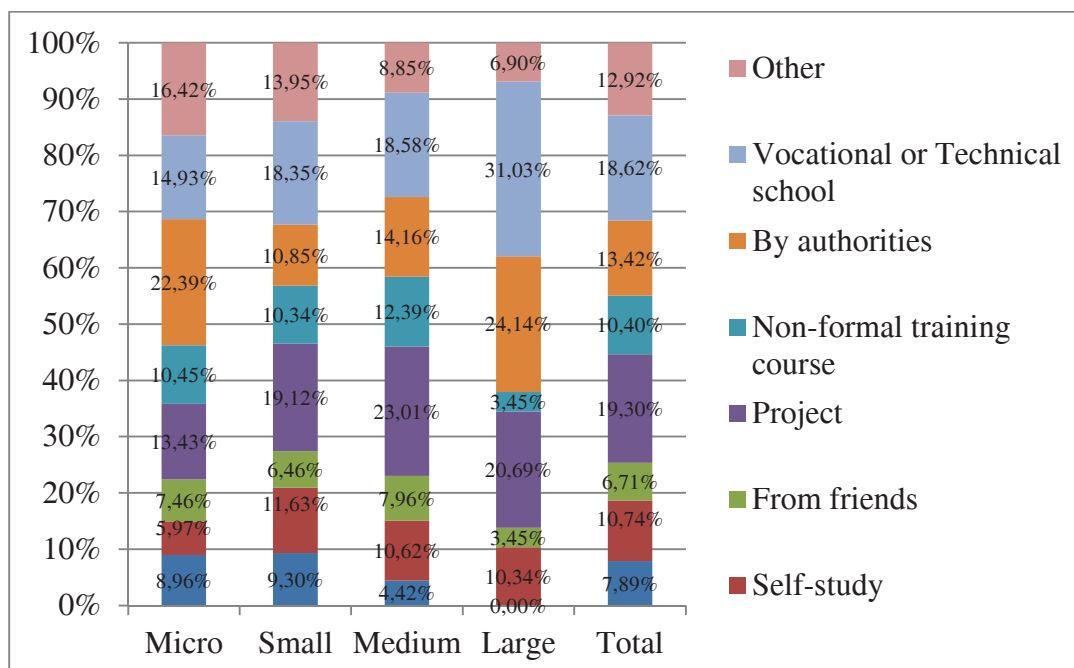


Figure 8.6.1-4 shows that overall more than half of owners/managers (59.2%) did not have any management training before starting their business. However, a greater percentage of medium (69.7%) and large (63.6%) firms' owners/managers received management training compared to only 41.0% of small and 21.9% of micro firms. Management trainings are essential for the quality of management and ensuring the stability of business performance.

Figure 8.8.1-3: Management training of owner/manager before starting business by firm size

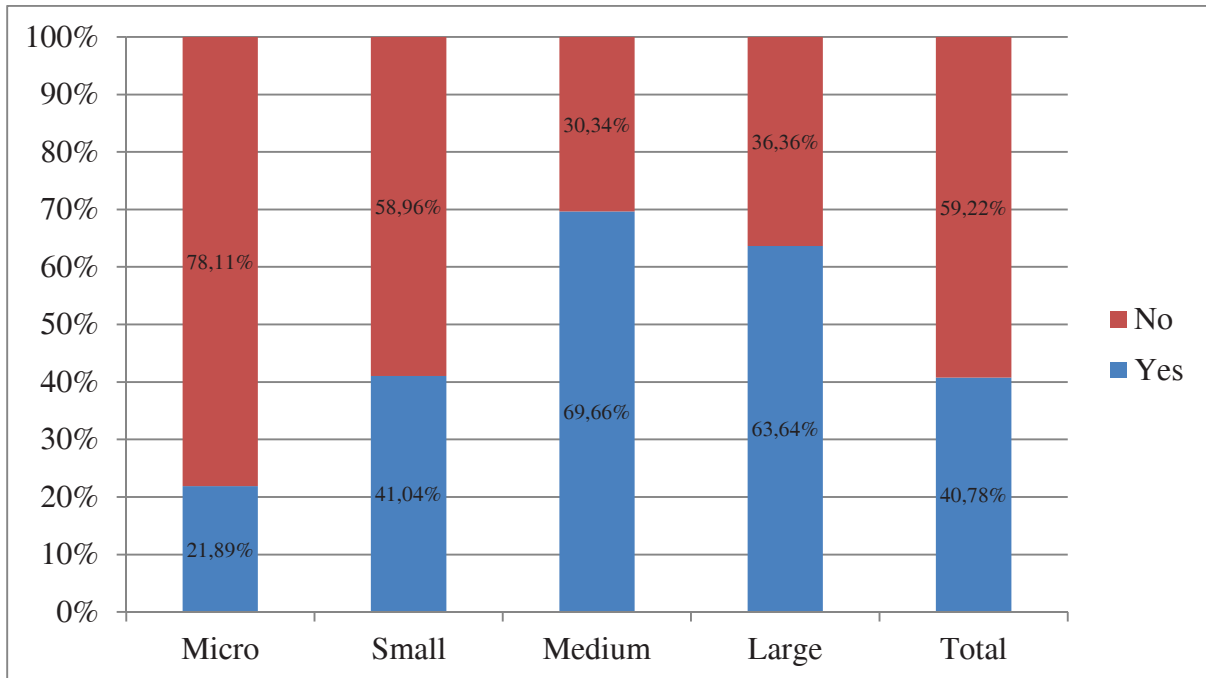
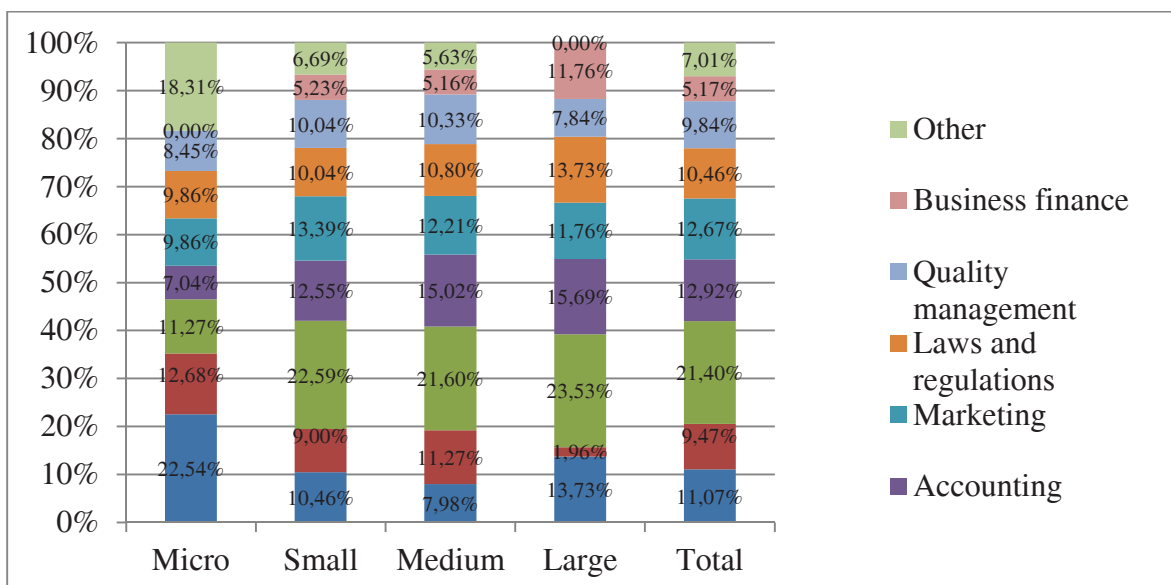


Figure 8.8.1-4 indicates the type of management training owners/managers received before starting their business. Overall, the most popular types of training were on business management (21.4%), accounting (12.9%) and marketing (12.7%), while business finance was the least popular (5.2%).

Figure 8.8.1-4: Type of received management training (before starting business) by firm size²⁰



²⁰ Only those firms recently opening business have been analyzed.

Figure 8.8.1-5 indicates that overall, slightly less than half (45.2%) of owners/managers received training after starting their businesses. The percentage of owners/managers of medium (70.8%) and large (77.3%) enterprises receiving such training is much higher than that of micro (23.7%) and small (46.7%) enterprises.

Figure 8.8.1-5: Owner/manager's training after starting business by firm size

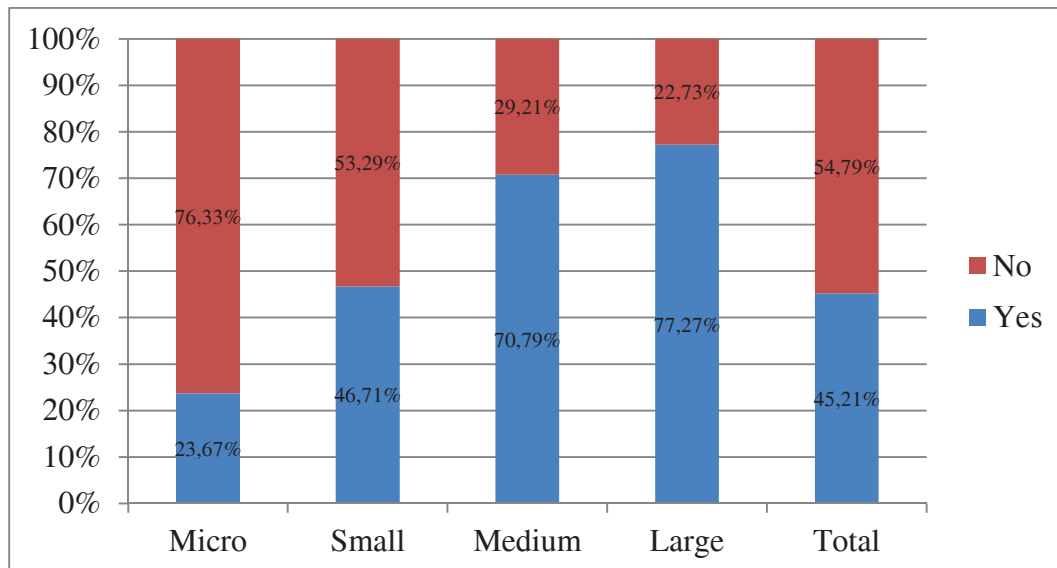


Figure 8.8.1-6: Type of received management training (after starting business) by firm size

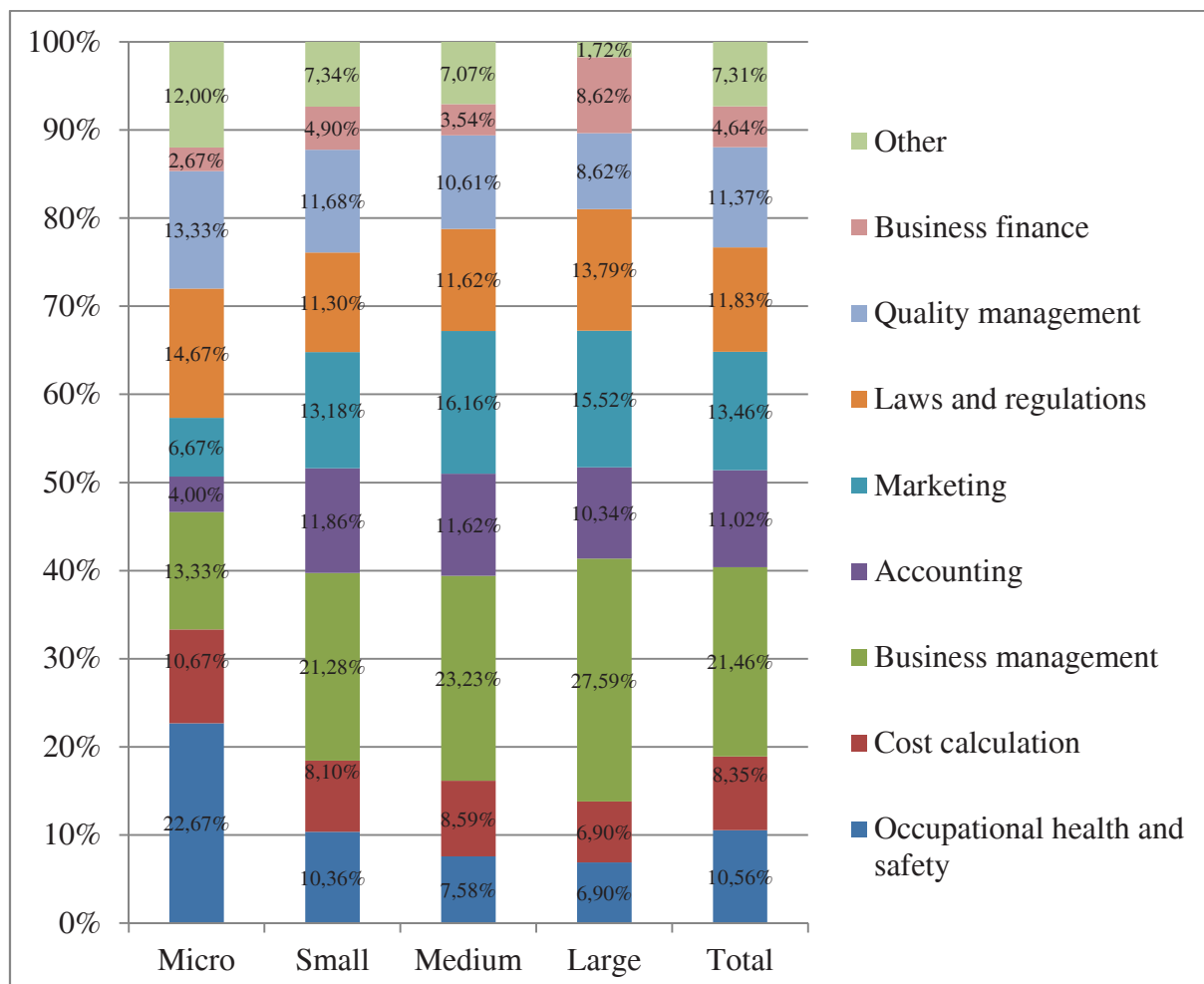
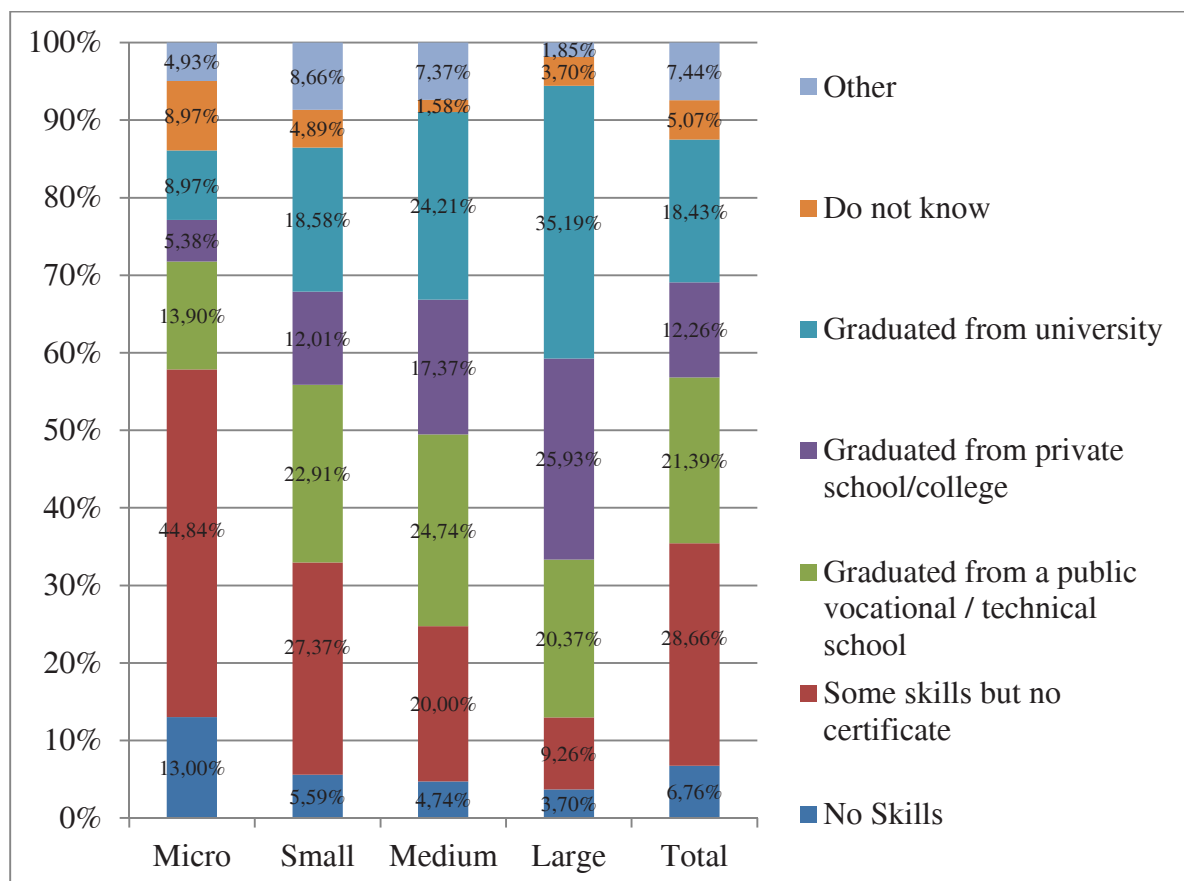


Figure 8.8.1-6 indicates that the most popular types of management training owners/managers received after starting their business were also business management (21.5%) and marketing (13.5%). In addition, legal and regulatory training was relatively common among the owners/managers of medium (11.6%) and large (13.8%) firms, while training in quality management was relatively common among the owners/managers of small (11.7%) firms and occupational health and safety training relatively common among the owners/managers of micro (22.7%) firms.

8.8.2 Training Needs and Skill Requirements

Figure 8.8.2-1 indicates the level of skills or training required of new employees. Overall, the largest proportion of firms required new employees to have some skills but are in no need of respective certificates (28.7%), followed by graduating from a public vocational or technical school (21.4%), followed by graduating from university (18.4%). However, skills and training requirements vary by enterprise size. While a substantial percentage of large (35.2%) and medium (24.2%) enterprises required their staff to have graduated from university, a sizeable percentage of micro (44.8%) and small (27.4%) firms only require new employees to have some skills but do not require any certificate.

Figure 8.8.2-1: Skills/training requirements on new employees by firm size



Also improving the skills of entrepreneurs is vital for helping their businesses to be more competitive. Overall, figure 8.8.2-2 shows the majority of owners/managers (66.4%) indicating that they want to learn new business skills. However, the proportion of owners/managers in large firms, who want to learn new skills is noticeably larger than the proportion of owners/managers in micro (55.0%) and small (68.3%) firms, who want to do so. On the other hand this situation is surely linked to the problem that owners/managers with

lower levels of education do sometimes simply not know what skills and knowledge they need to improve their business.

Figure 8.8.2-2: Owners/managers, who want to learn new skills in 2013 by firm size

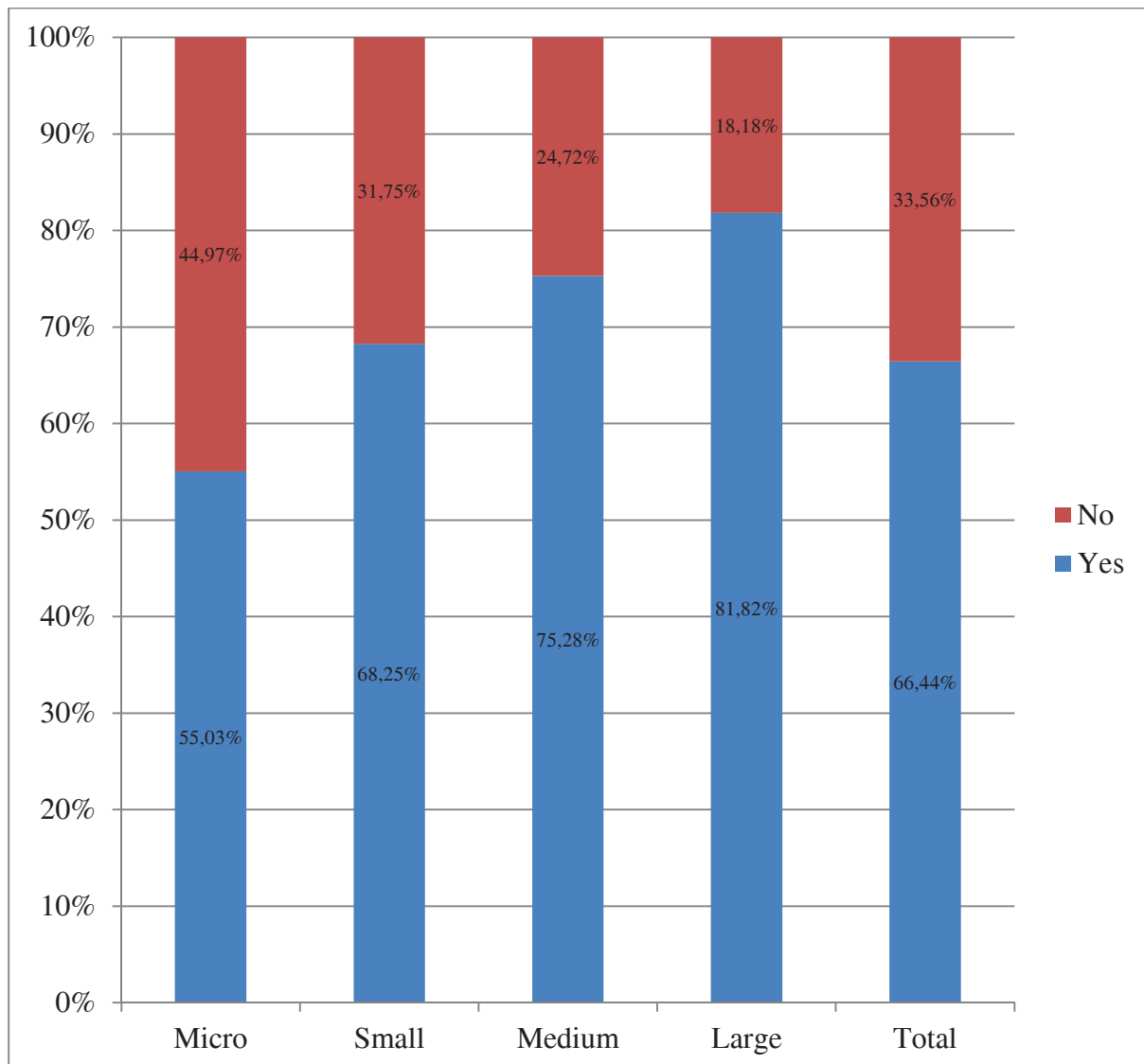


Figure 8.8.2-3 indicates that overall, owners/managers are most interested in learning more about marketing management (19.0%) and how to formulate a business plan (14.9%). This is consistent with the findings on what trainings managers and owners received before and after starting a business, which showed that firms prioritized training in these two skills and are important tools for promoting products in domestic and foreign markets. Depending on the size of their enterprise, owners/managers also indicated their interest in a variety of other skills: knowledge on legal frameworks for doing business in large firms (12.3%), human resource management in medium firms (13.4%) and financial management in micro (18.2%) as well as small (13.3%) firms.

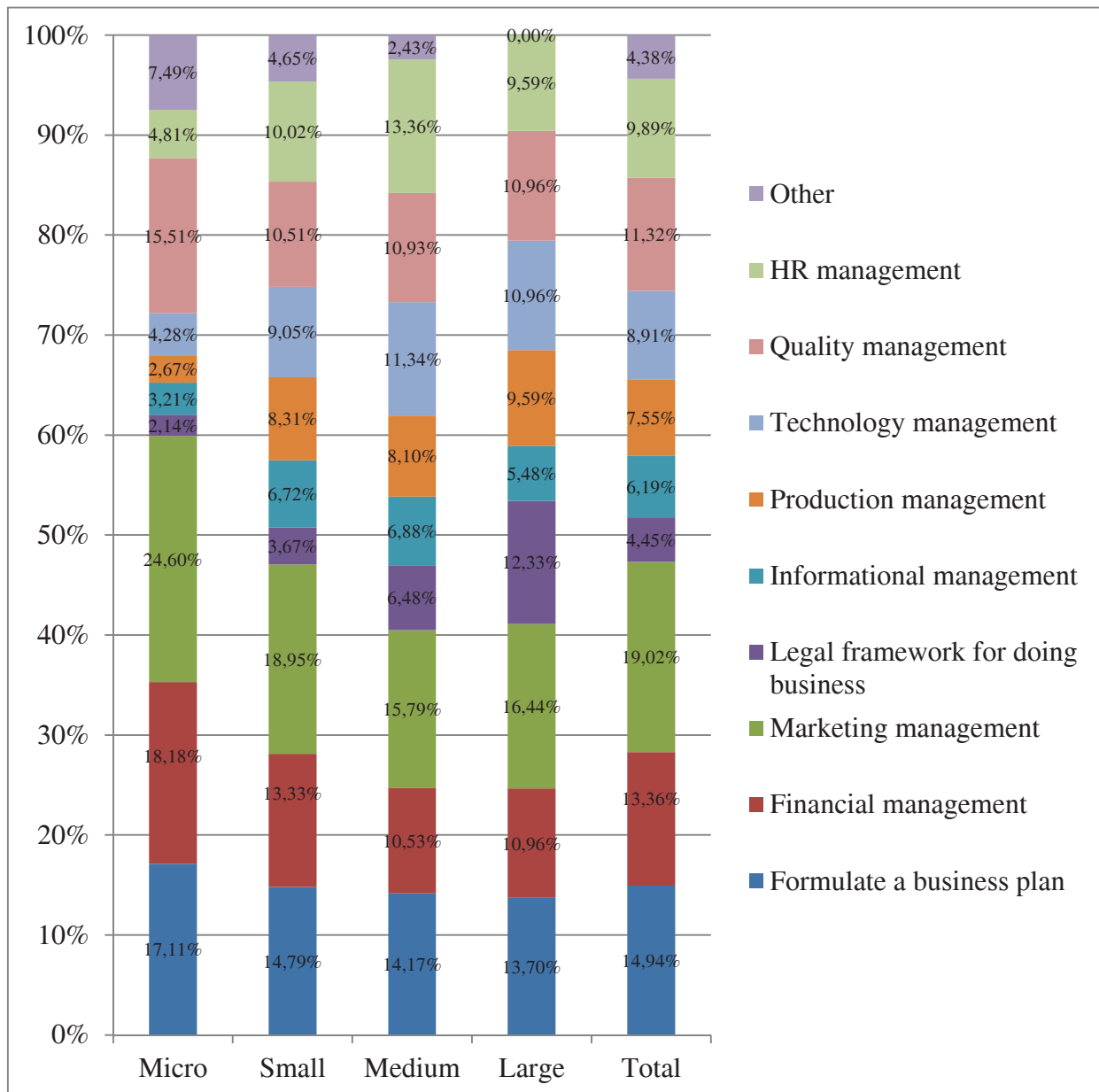
Figure 8.8.2-3: Skills that owners/managers want to learn by firm size

Figure 8.8.2-4 indicates that more than two-thirds of owners/managers of small, medium and large enterprises want their employees to be trained. This is not surprising, as training is a significant means for increasing labor productivity, which in turn increases production efficiency. In contrast, more than half of the owners/managers of micro firms reported that they are not interested in additional training for their employees. Still, the experience that investment in training may have negative results for the respective firm, as trained people often leave their current job in order to seek better opportunities is dampening willingness to train staff.

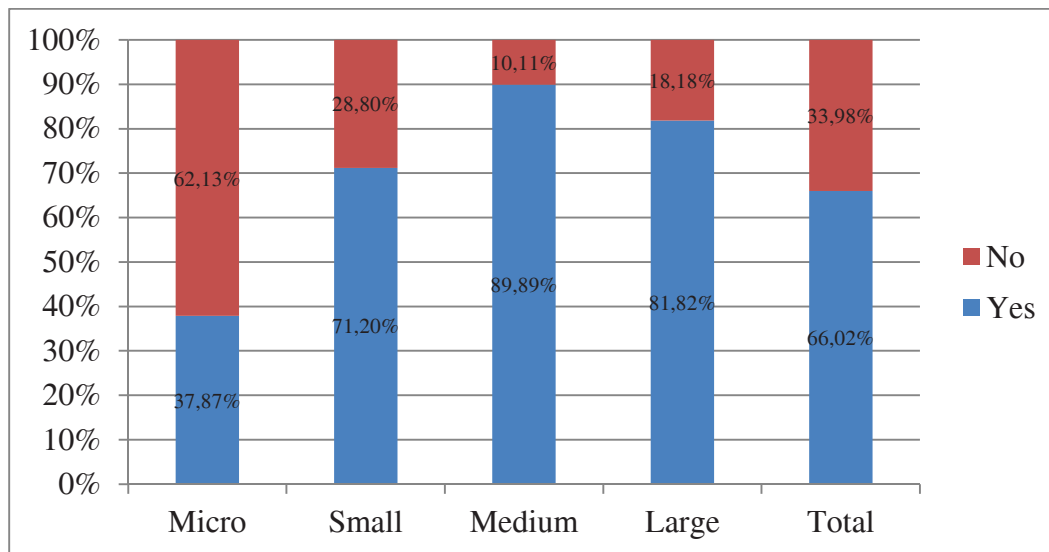
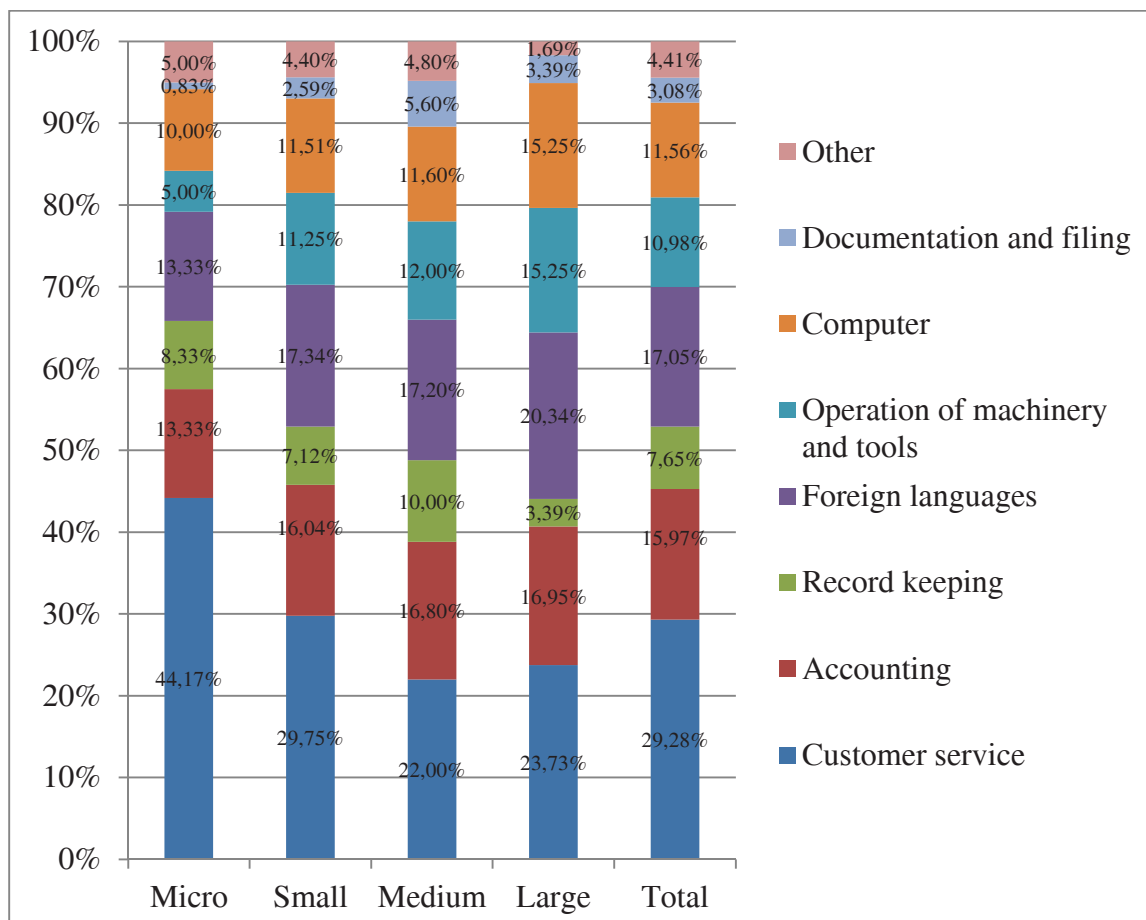
Figure 8.8.2-4: Owners/managers, who want their employees to be trained by firm size

Figure 8.8.2-5 indicates that overall, the skills the largest proportion of owners/managers want their employees to learn are customer services (29.3%), foreign languages (17.1%) and accounting skills (16.0%). In order to prepare for the AEC those skills seem to be of major importance when dealing with more customers and from a wider range of countries. In order to comply with ASEAN standards and thus staying competitive, respective accounting skills may be very relevant, too.

Figure 8.8.2-5: Skills, owners/managers want their employees to learn by firm size

8.9 BMOs and their Services

8.9.1 BDS

Figure 8.9.1-1 shows that more than half of owners/managers reported having received business development advice or services, while figure 8.9.1-2 details the various sources owners/managers relied on for this advice or service. Taken together, family members, spouses and friends were important sources of business advice for micro (85.0%), small (62.3%) and medium (49.7%) enterprises. As enterprises of these sizes are often family businesses, the advice of parents and relatives is necessarily important. On the other hand, owners/managers of large enterprises relied more on other sources of advice, including government agencies (20.5%), business partners (15.4%), BMOs (12.8%) and the internet (12.8%). Business Development Services (BDS) provided through the BDS network (Vientiane Capital and Champasak province only), run by DoSMEP, play a less prominent role covering only 0.3% of all advices received by enterprises and surpassing only for large enterprises the 2.5% threshold.

Figure 8.9.1-1: Percentage of owners/managers receiving business development service/advice by firm size

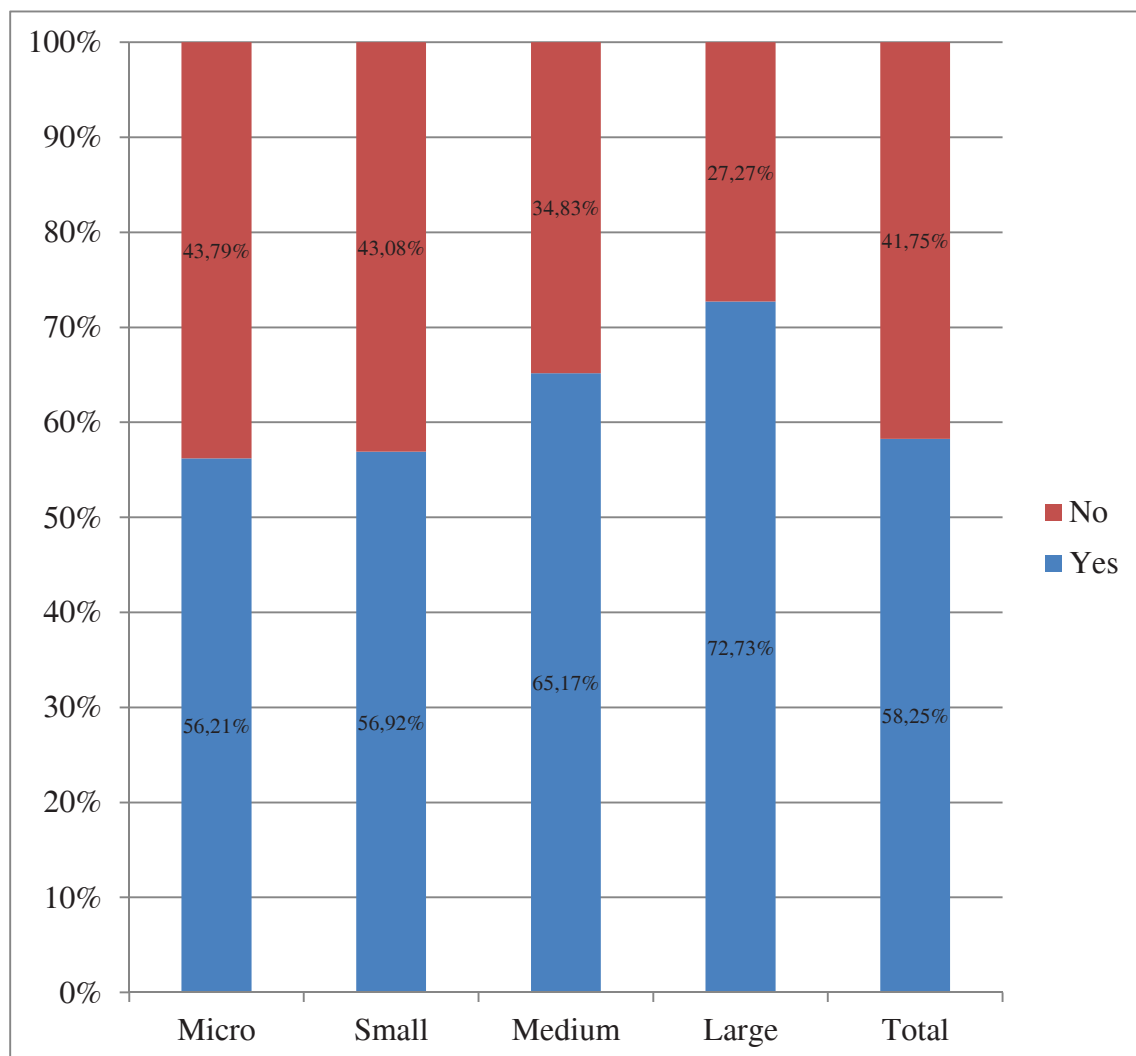
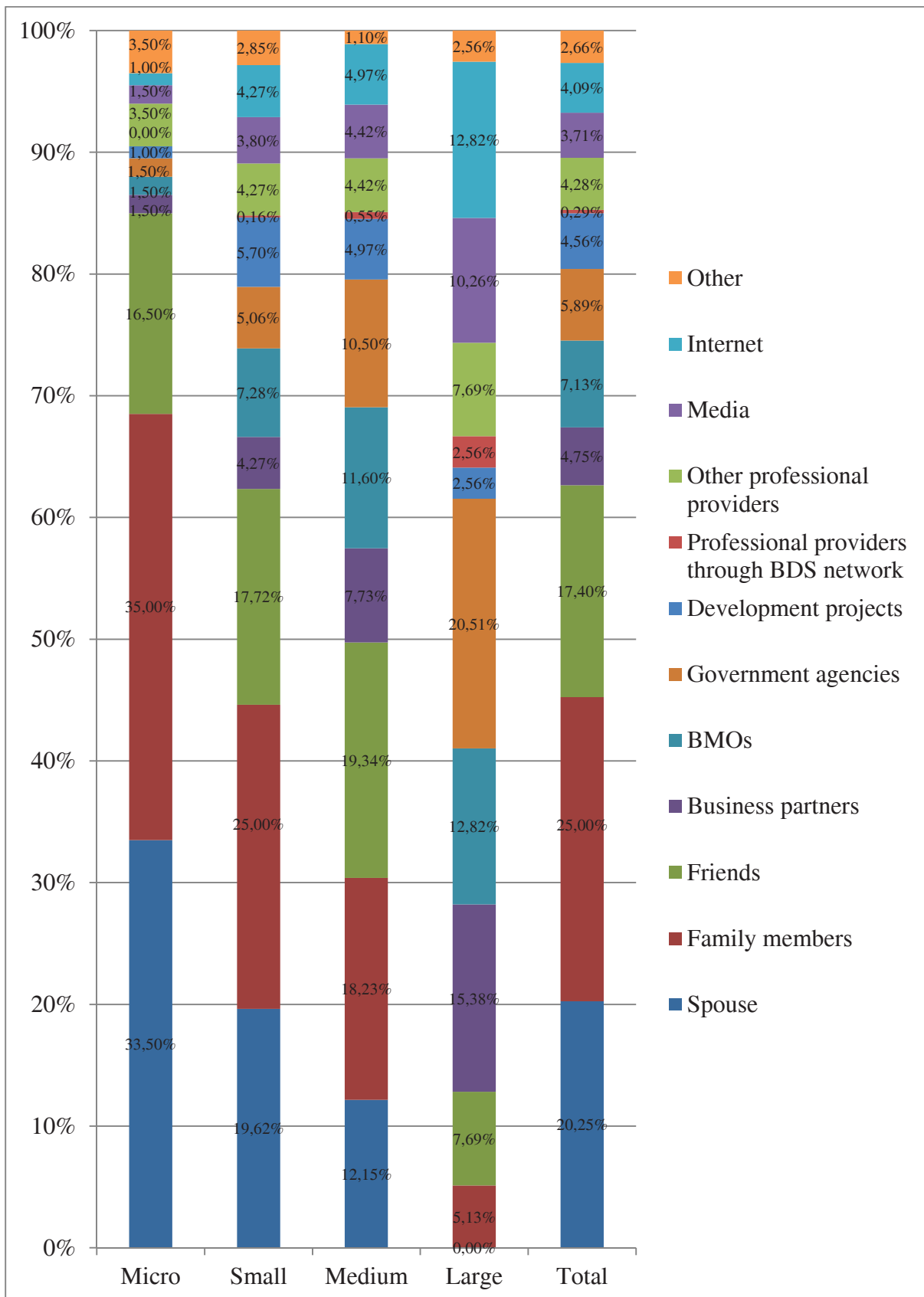


Figure 8.9.1-2: Source of business development service/advice used by firm size



8.9.2 Public-Private Dialogues

The Provincial Public-Private Dialogue (PPPD) and Lao Business Forum (LBF) aim to strengthen the cooperation between the public and private sector and improve the business and investment climate. Figure 8.9.2-1 shows though that overall, a large majority (76.7%) of firms are not familiar with either PPPD or LBF. The percentage of respondents unfamiliar with either process is extremely high for micro firms (95.9%). Most large firms (82.4%), when combining figures for both PPPD and LBF, are familiar with one of these two processes, but knowledge of either of these two processes is less common among small (22.2%, combined) and medium (40.4%, combined) firms.

Figure 8.9.2-1: Knowledge of PPPD and LBF by firm size

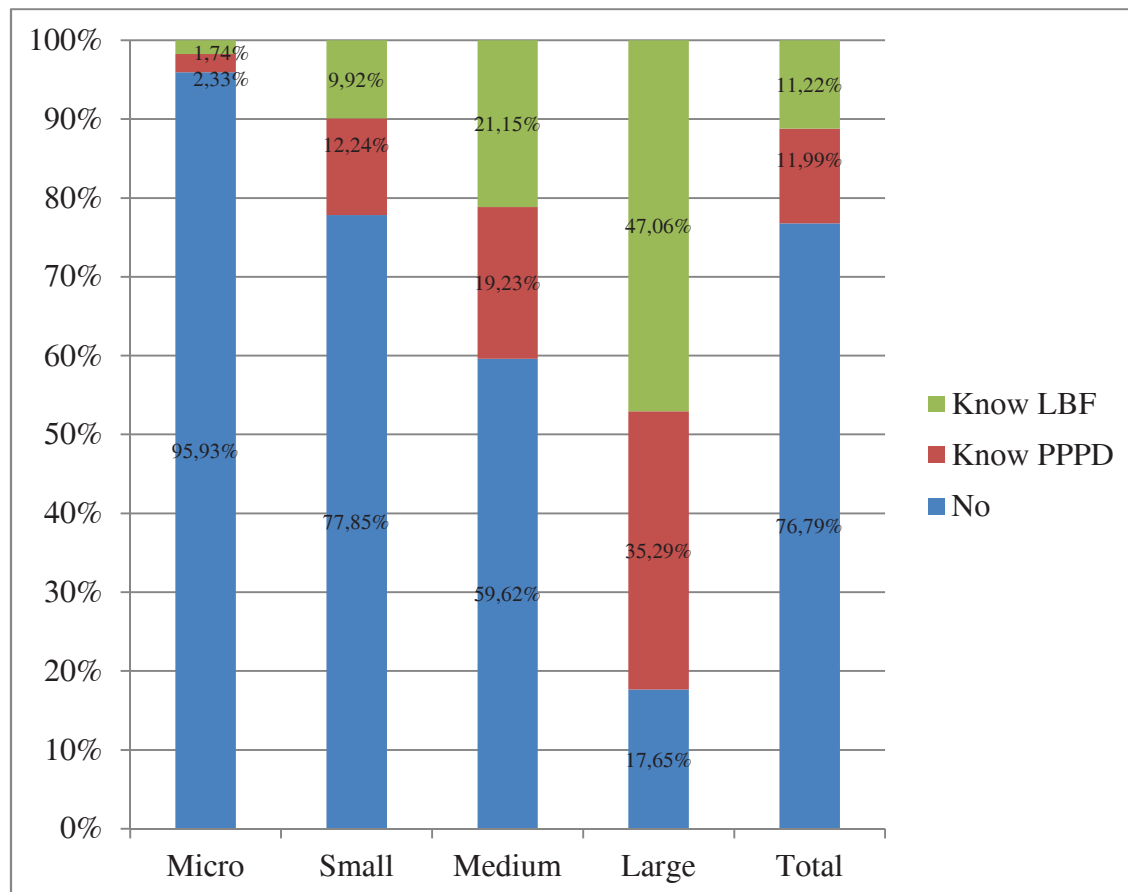


Figure 8.9.2-2 shows that overall, a majority of firms (75.5%), who know the PPPD format (12.0%) participated also in it actively and tried to make use of it. The share of participation tended to diminish as enterprise size increased – 100.0% for micro firms and 75.0% for large firms. Since large firms have good production networks and a high capacity for developing their businesses, they might not be interested in participating. Since these findings are contradictory to figure 8.9.2-1 as not knowing something, but participating in it is not comprehensible, the question probably has been misinterpreted by respondents and these findings should be thus treated carefully. The same goes for findings depicted in figure 8.9.2-3, especially in the micro firm bracket. Since the LBF is an undertaking at the central level, which brings together LNCCI, some BMOs and large enterprises as representative from the private sector and various line ministries as representatives from the public sector it seems odd that the satisfaction with this format in the provinces and by micro firms is of such magnitude.

More attention needs to be drawn to proper explanations in this regard during future interviews.

Figure 8.9.2-2: Firms participation in the PPPD processes by firm size

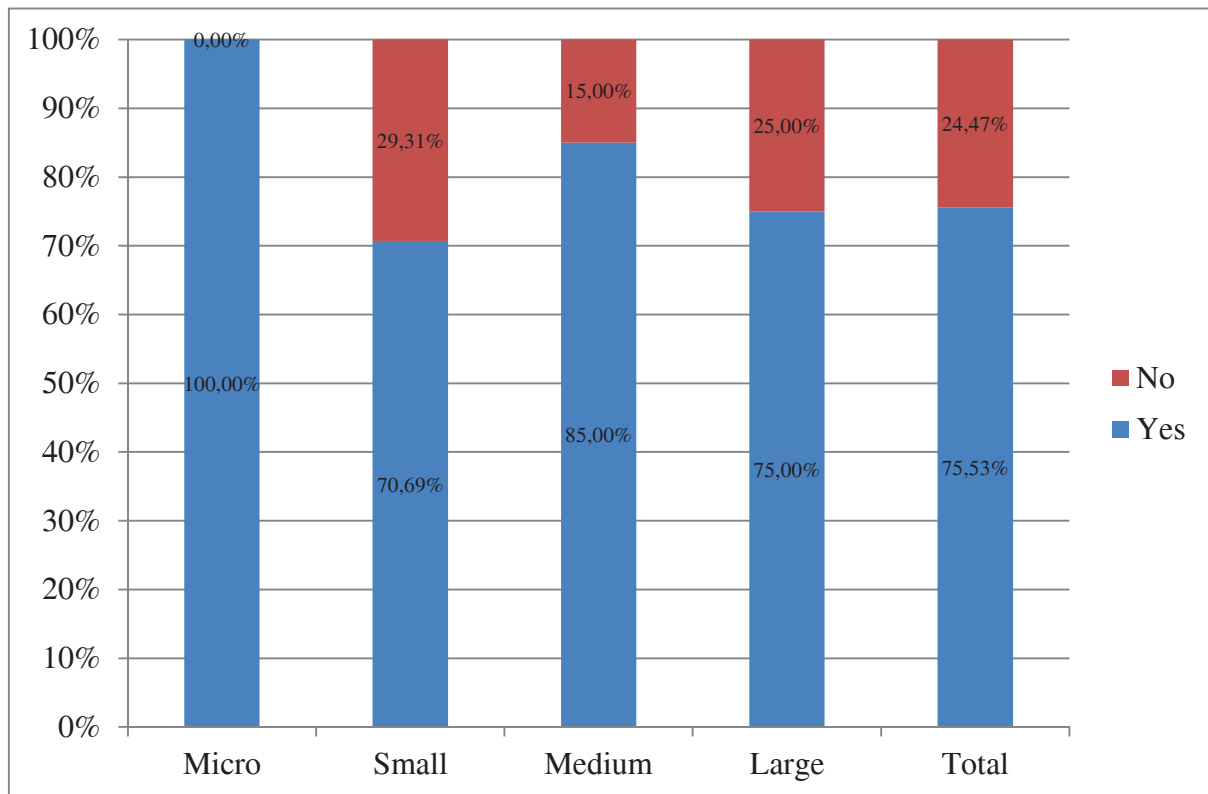


Figure 8.9.2-3: LBF perceived as supportive to overcome business constraints by firm size

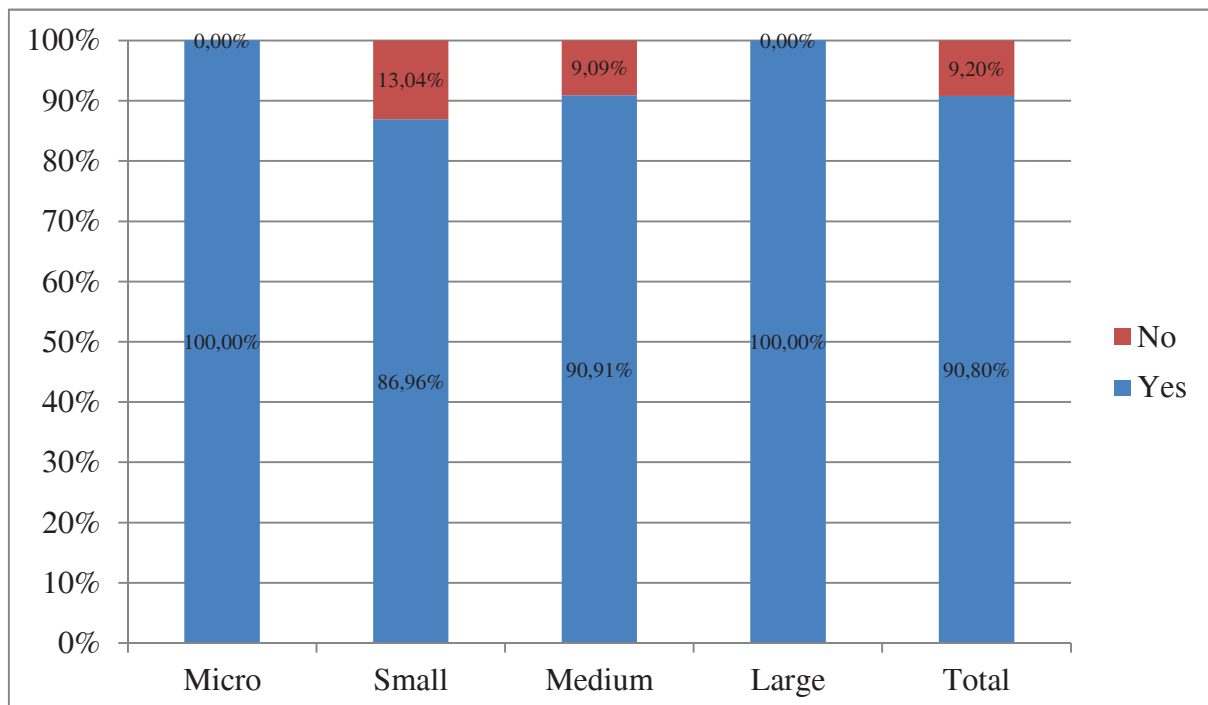
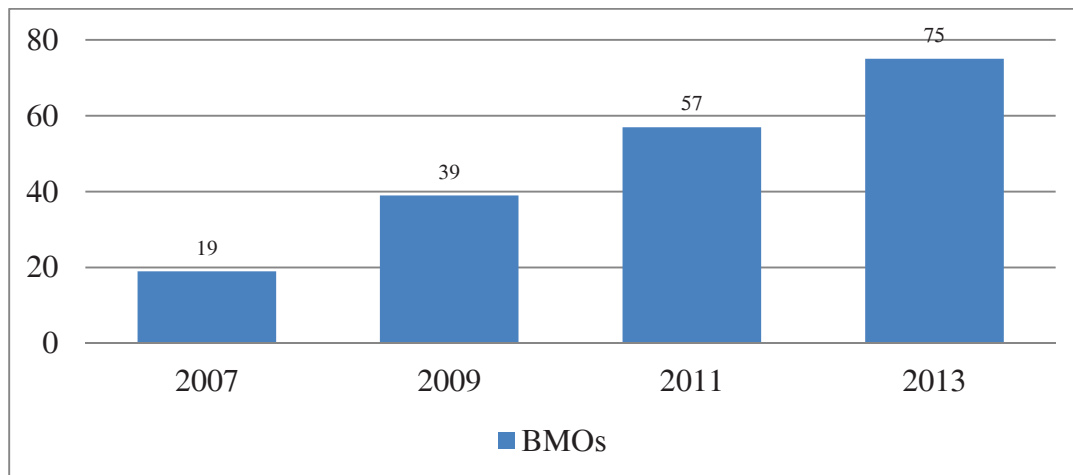


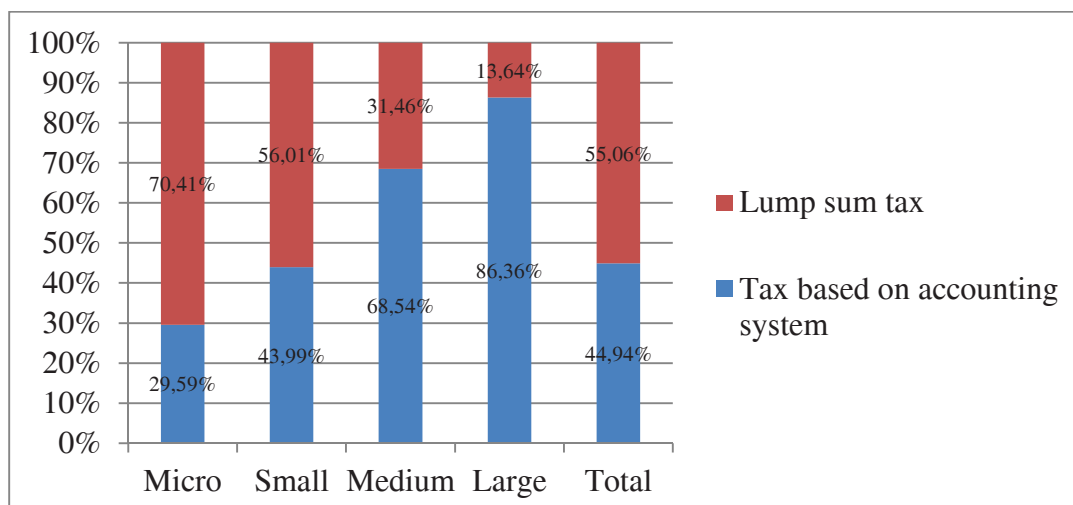
Figure 8.9.2-4: Development of numbers of firms using advisory services from BMOs²¹

Based on figure 8.9.2-4, the number of firms using BMO services for developing their businesses has increased from 19 firms in 2007 to 75 firms in 2013. A clear trend not only in the number of firms seeking advice, but also in the number of those seeking advice from BMOs can be recognized. BMOs seem increasingly fulfill one of their core tasks.

8.10 Taxes

8.10.1 Mode of Tax Payment

In general, there are two modes of tax payments: Tax levied according to results of an accounting system and levying lump sum taxes, due to a lack of reliable bookkeeping. Figure 8.10.1-1 shows that the majority of medium (68.5%) and large (86.4%) firms paid their taxes on the base of accounting systems. Taxes paid this way are based on business performance and are more transparent. According to the tax law companies reaching a yearly turnover of more than 50 million Kip must pay their taxes based on proper accounts. Micro and small firms with a turnover of less than 50 million Kip a year are free of using comprehensible accounting schemes and usually prefer to pay lump sum taxes, which are based on a rather intransparent estimation of the turnover of the respective company.

Figure 8.10.1-1: Used modes of tax payment by firm size

²¹ No data in this regard was collected in 2005.

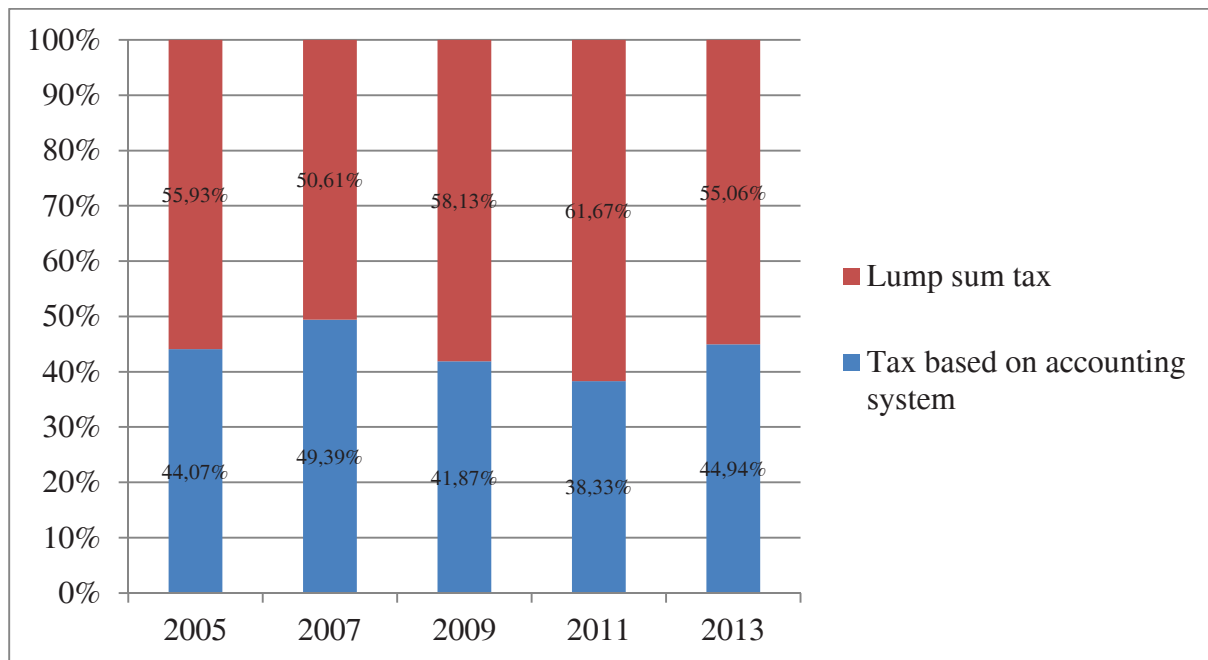
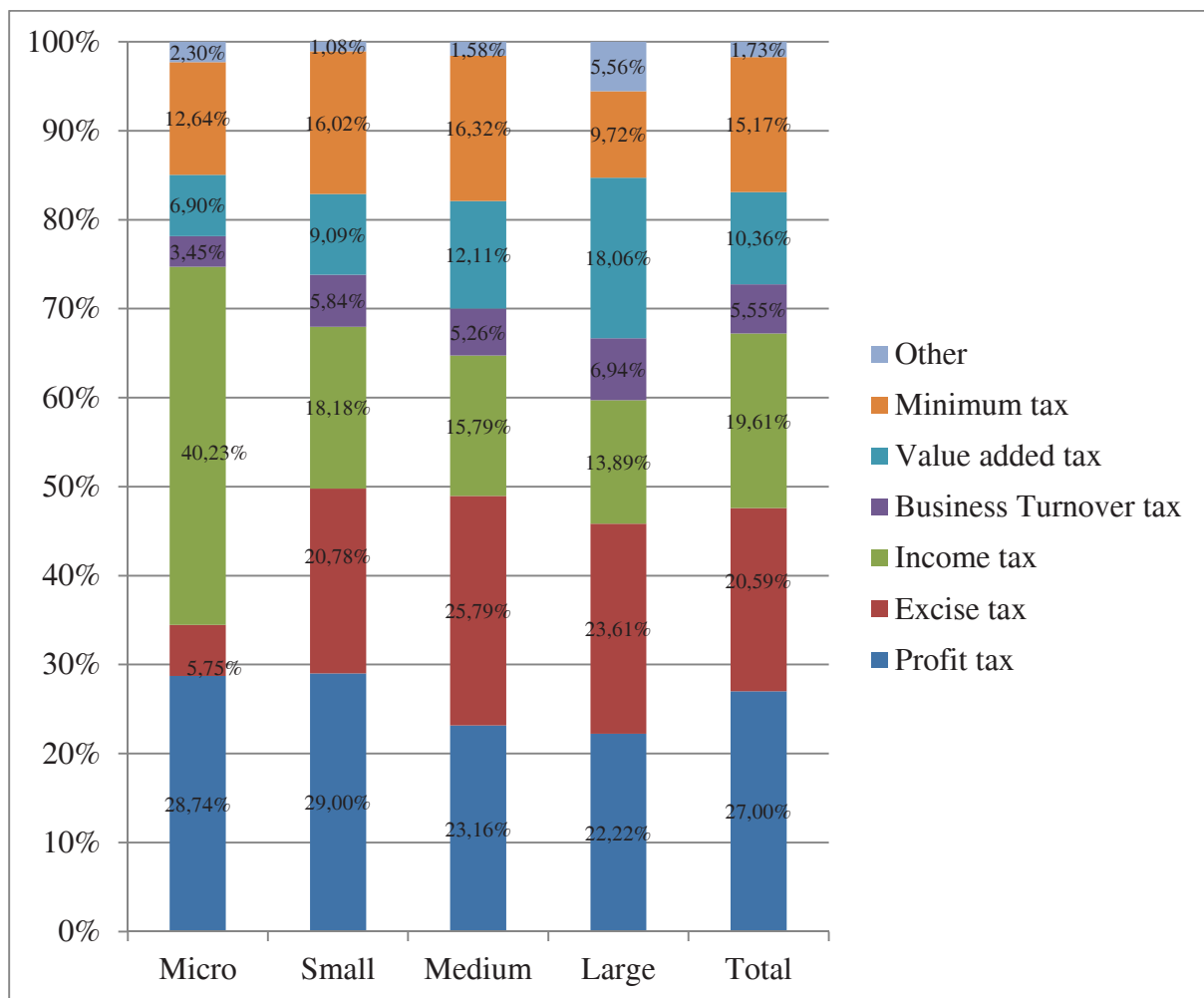
Figure 8.10.1-2: Development of used tax payment modes

Figure 8.10.1-2 shows that more than half of enterprises paid their taxes on a lump sum base during the period 2005-2013. Since most enterprises in Laos are of micro and small size and having rather low income levels, lump sum tax payment might be more convenient than applying accounting systems. However, in 2013 the proportion of firms that paid their taxes based on accounting systems increased by 6.6pp compared to 2011 and 3.1pp compared to 2009.

8.10.2 Tax Types

Figure 8.10.2-1 shows the overall composition of taxes levied by the state. Entrepreneurs state most frequently paying profit, excise and income taxes. Combined, these three taxes account for 74.5% of micro firms, 68.0% of small firms, 64.7% of medium firms and 59.7% of large firms. In addition, a substantial percentage of large firms also pays value added tax (18.1%), while minimum taxes were paid by a sizeable percentage of micro (12.6%), small (16.0%) and medium (16.3%) firms.²²

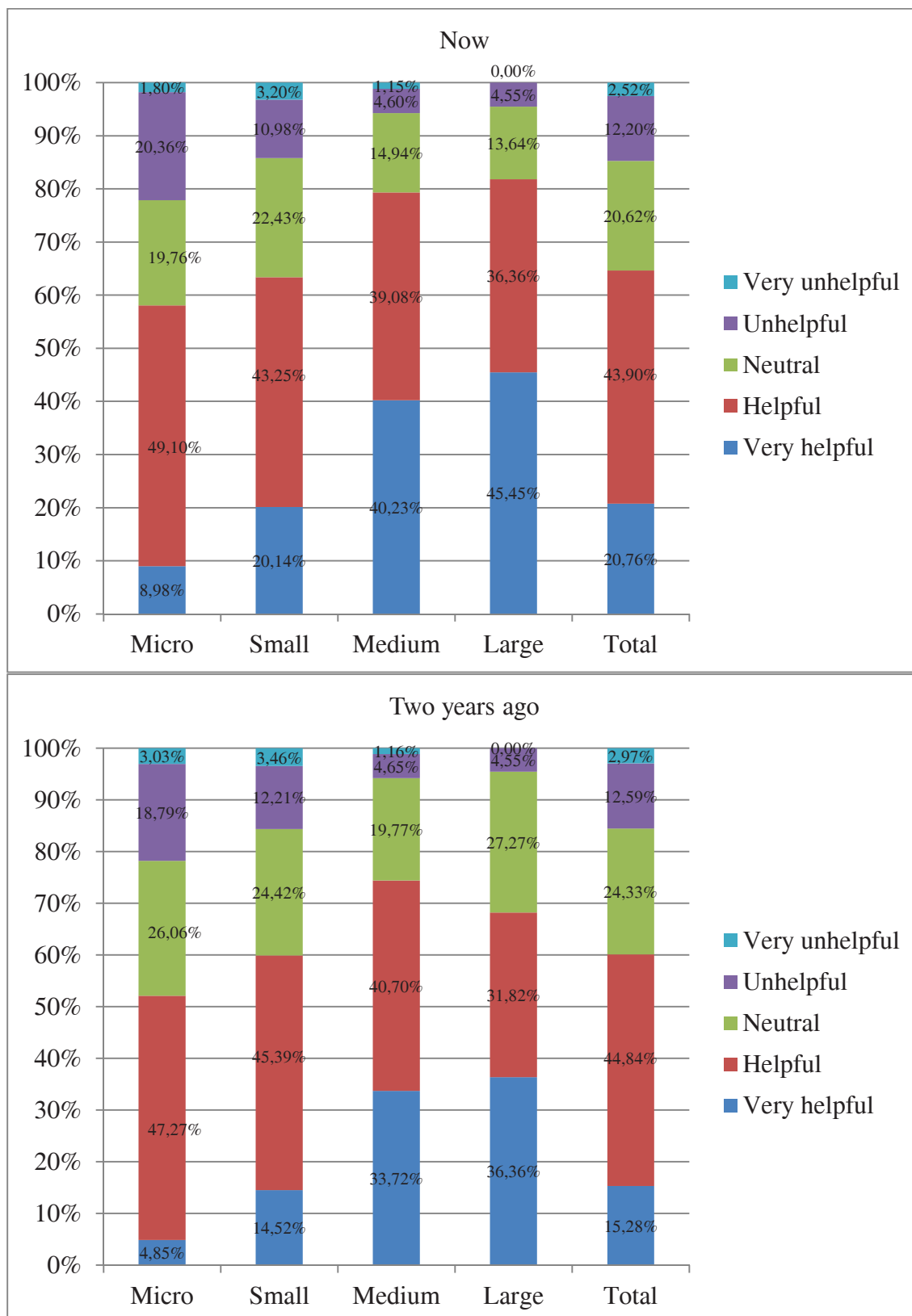
²² Types of taxes levied on a firm are subject to the size of enterprise and regulated by the tax law.

Figure 8.10.2-1: Types of tax paid in 2013 by firm size

8.11 Government Services

8.11.1 Central and Local Government Services

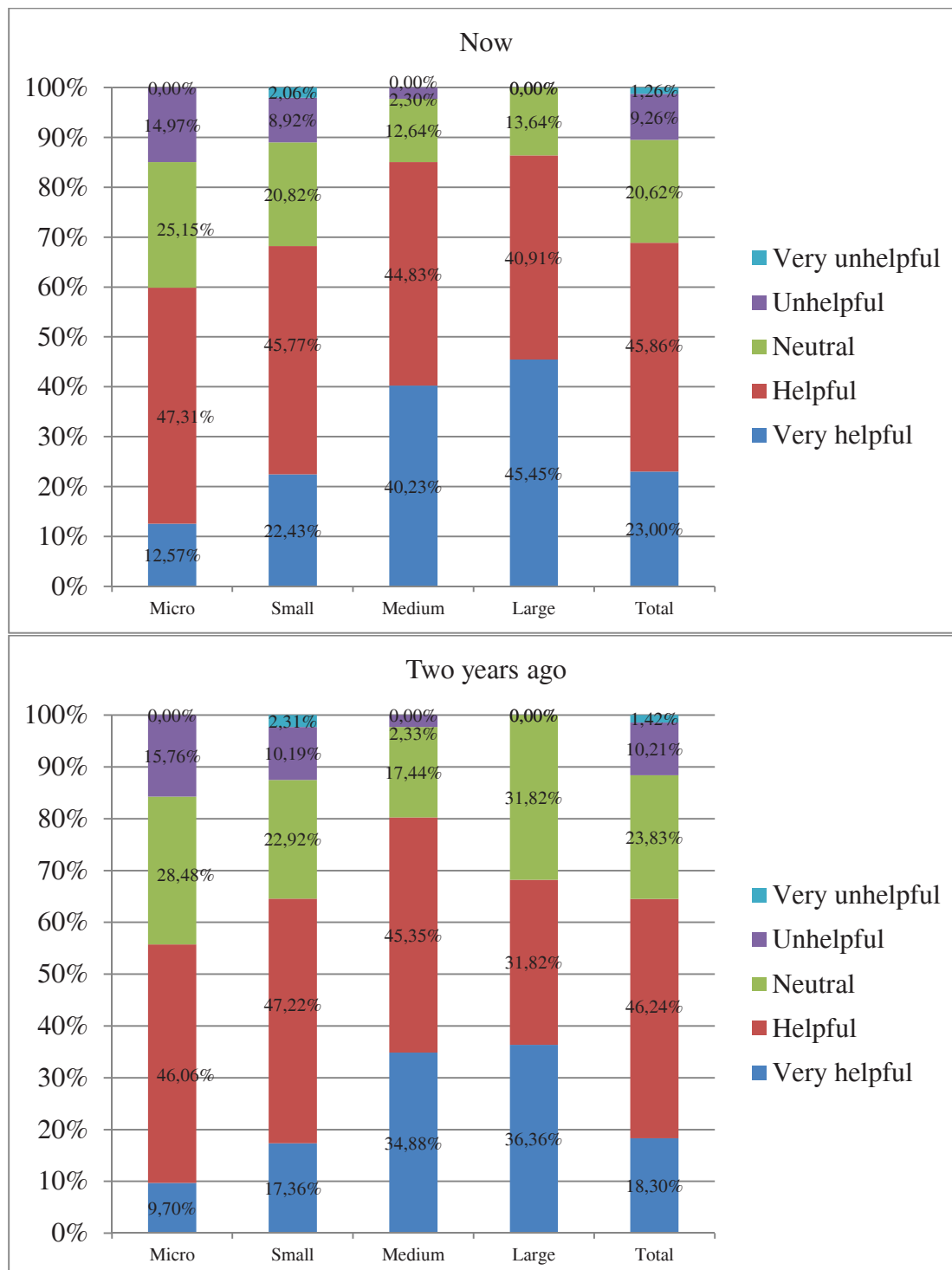
Figure 8.11.1-1 shows that a greater proportion of enterprises (64.7%) rated central government services in 2013 as being “helpful” or “very helpful” compared to two years ago (60.1%), a difference of 4.5pp. It has to be noted that responses for “two years ago” aim to obtain the subjective impression of a retrospective assessment and provide not data, which have been actually collected in 2011. Among large enterprises these positive changes were more pronounced (an improvement of 13.6pp) than they were for micro (4.1pp), small (3.5pp) and medium (4.9pp) enterprises.

Figure 8.11.1-1: Helpfulness of central government now (2013) compared to two years ago (2011) by firm size

Similar to the findings for central government services, a greater percentage of enterprises (68.9%) rated local authorities as “helpful” or “very helpful” compared to two years ago (64.5%), which is shown in figure 8.11.1-2. Again, in large enterprises these changes were

more pronounced (an improvement of 18.2pp) than they were for micro (4.1pp), small (3.6pp), and medium (4.8pp) firms.

Figure 8.11.1-2: Helpfulness of local authorities now (2013) compared to two years ago (2011) by firm size



Greater satisfaction with the services by the central government and local authorities may be explained by the introduction of a one-stop service system, which was implemented only in 2011 at both the central and provincial levels with the aim of improving the ease of doing business, shortening bureaucratic procedures and providing faster approval for investments. As a result, firms can save on time and registration costs.

These findings are consistent with the World Bank (2014) and its Doing Business Indicators²³. According to those findings Laos moved up six ranks (Laos relatively improved the ease of doing businesses) in the overall rankings between 2012 and 2014 (see Table 8.11.1-1). Most indicators related to government services underwent improvement, as indicated by better rankings in 2014 than 2012. This is for: Starting a Business (up 8 ranks), Getting Credit (up 6 ranks), Paying Taxes (up 3 ranks), Trading across Borders (up 1 rank) and Enforcing Contracts (up 9 ranks).

Table 8.11.1-1: Development of ease of doing business in Laos²⁴

Indicators	Doing business result (rank)			Change
	2014	2013	2012	2014 to 2012
Doing Business Index	159	163	165	-6
Starting a Business	85	81	93	-8
Dealing with construction Permits	96	87	80	+16
Getting Electricity	140	138	131	+9
Registering Property	76	74	71	+5
Getting Credit	159	167	165	-6
Protecting Investors	187	184	184	3
Paying Taxes	119	126	122	-3
Trading Across Borders	161	160	162	-1
Enforcing Contracts	104	114	113	-9
Resolving Innsolvency	189	185	185	+4

8.11.2 Awareness of Business Laws

Figure 8.11.2-1 indicates that slightly less than half of all entrepreneurs (46.2%) receive information about business regulations from the local authorities. Local authorities are the most common source of such information for micro, small and medium firms. Because more large firms are members in business organizations 40% of these firms reported receiving information about businesses regulations from LNCCI or other BMOs. BMOs are discussed in more detail within chapter 9.2.

²³ The Doing Business Reports are mainly based on secondary data from various sources on laws and regulations as well as interviews with key informants from the business sector. The ES capture the perception of business owners and managers during face to face interviews, utilizing a representative sample of firms. The World Bank conducted a similar perception based enterprise survey in 2009 and 2012 though.

²⁴ See World Bank (2014)

Figure 8.11.2-1: Source of information on business regulations by firm size

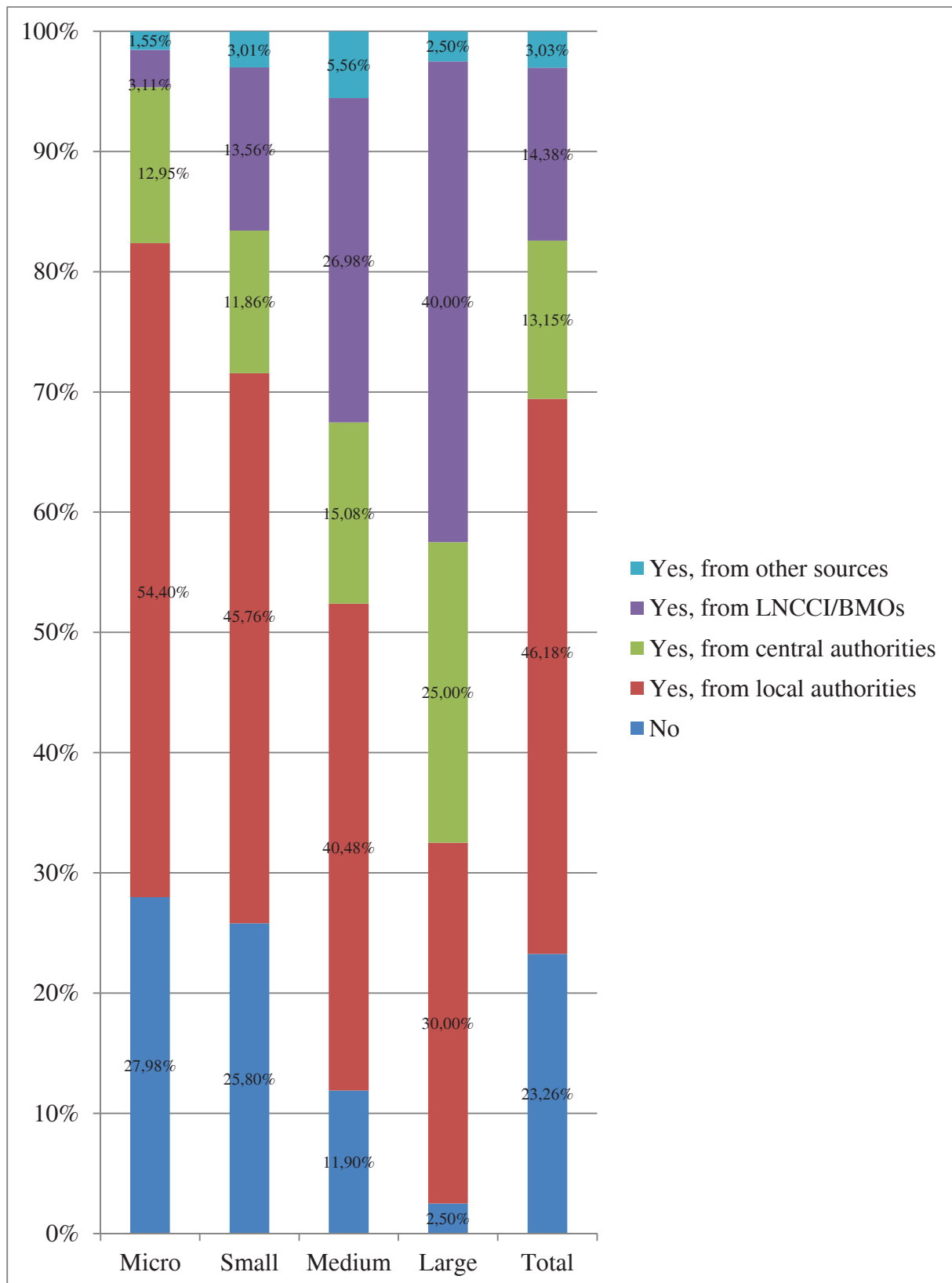


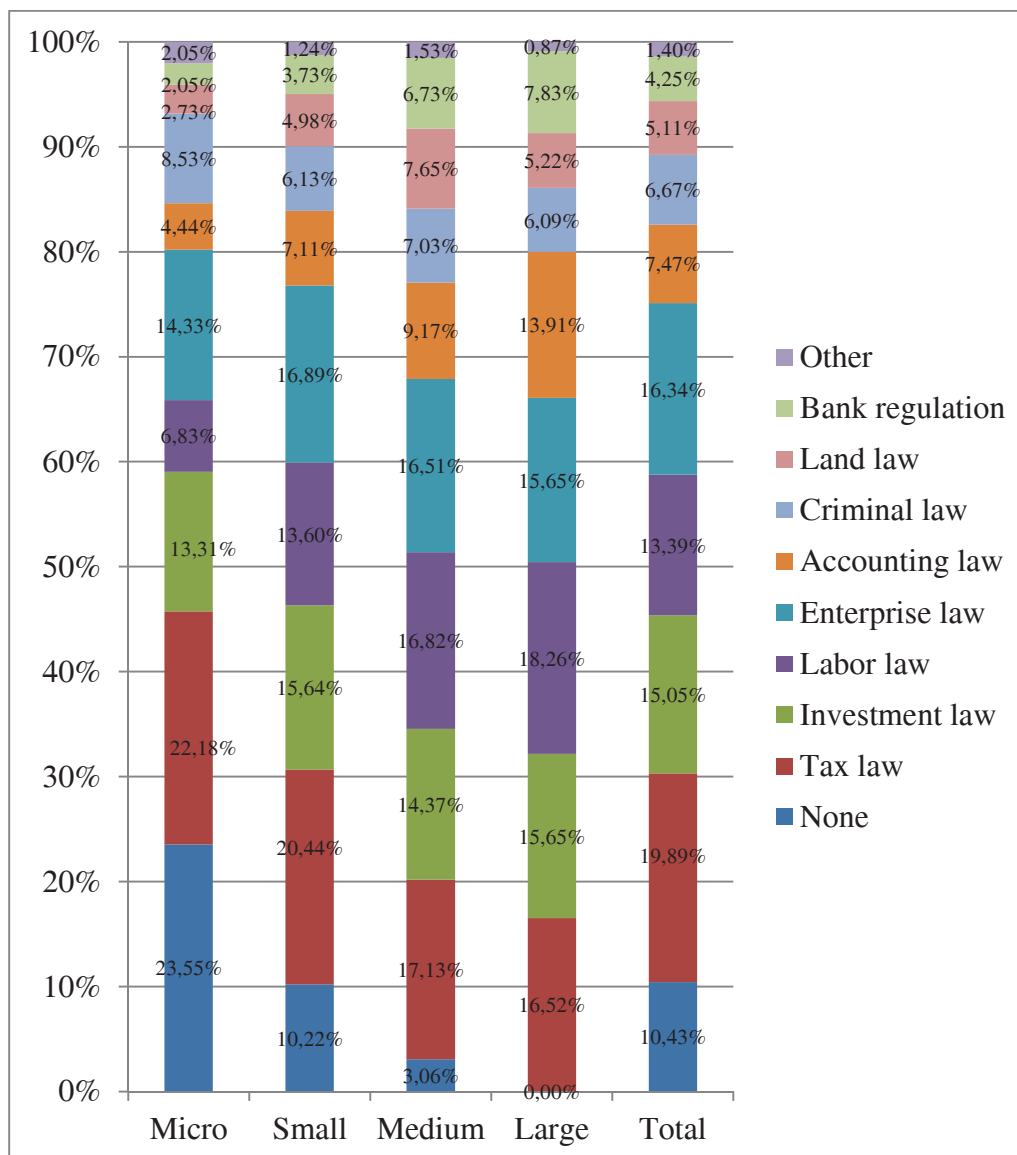
Figure 8.11.2-2: Familiarity with business laws and regulations by firm size

Figure 8.8.3-2 shows that overall firms were most familiar with tax laws (19.9% state they know it), enterprise laws (16.3%) and investment laws (15.1%). Labor laws were also well-known for large (18.3%) and medium (16.8%) firms. In contrast, a large percentage of micro firms (23.6%) expressed unfamiliarity with any business law compared to other enterprise sizes. Accounting laws, criminal laws, land laws and bank regulations were little known across enterprises of all sizes.

8.12 Business Finance

8.12.1 Need for and Access to External Financing

Overall, the largest percentage of respondents (46.8%) had their bank account in the provincial center (see figure 8.12.1-1). Medium (53.7%) and large (60.6%) firms were more likely to have bank accounts in the provincial center than micro (37.1%) and small (47.8%) firms. As most enterprises are located in cities, having a bank account in the provincial center is more convenient. Of the four enterprise sizes, micro firms had the largest percentage of respondents (23.7%) who do not have a bank account at all.

Figure 8.12.1-1: Location of enterprise bank accounts

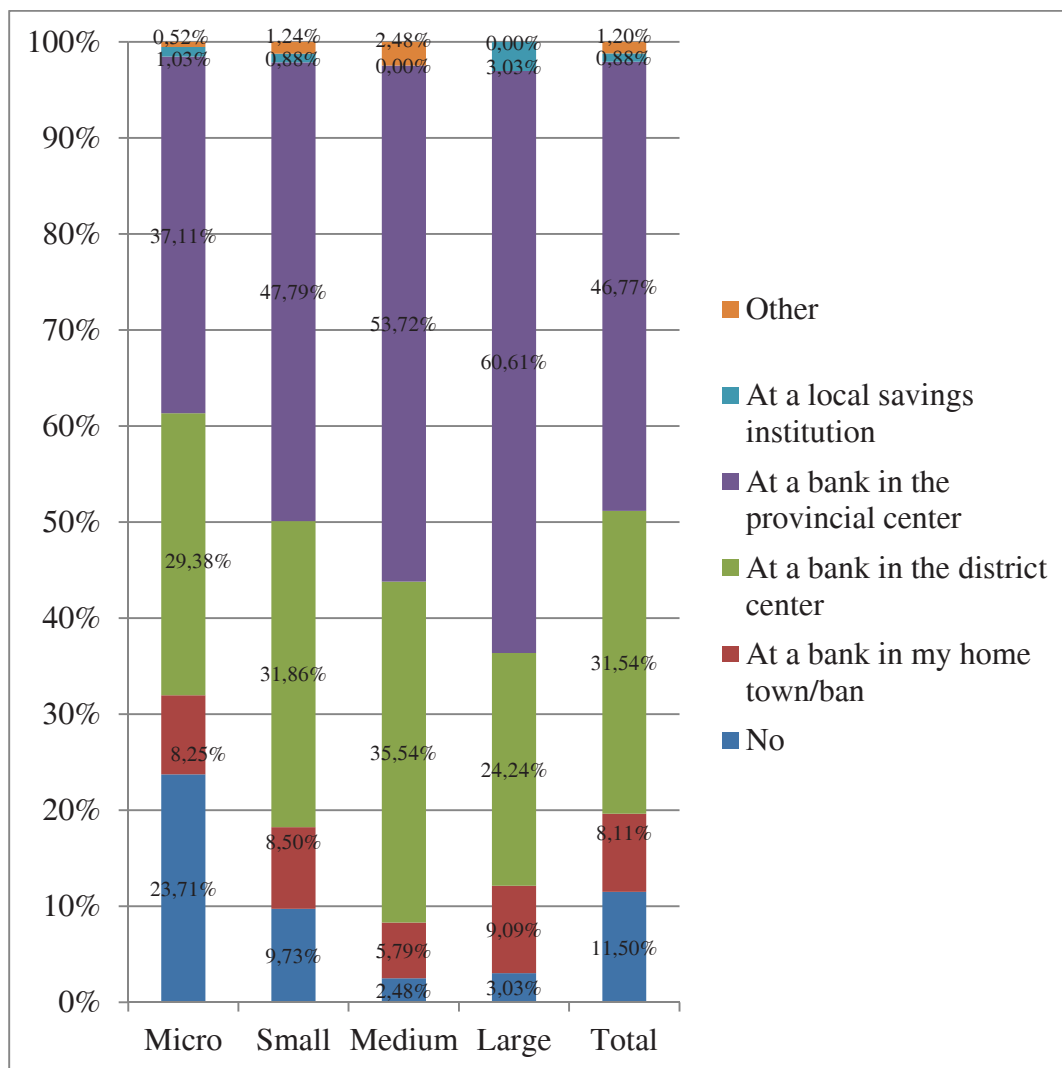
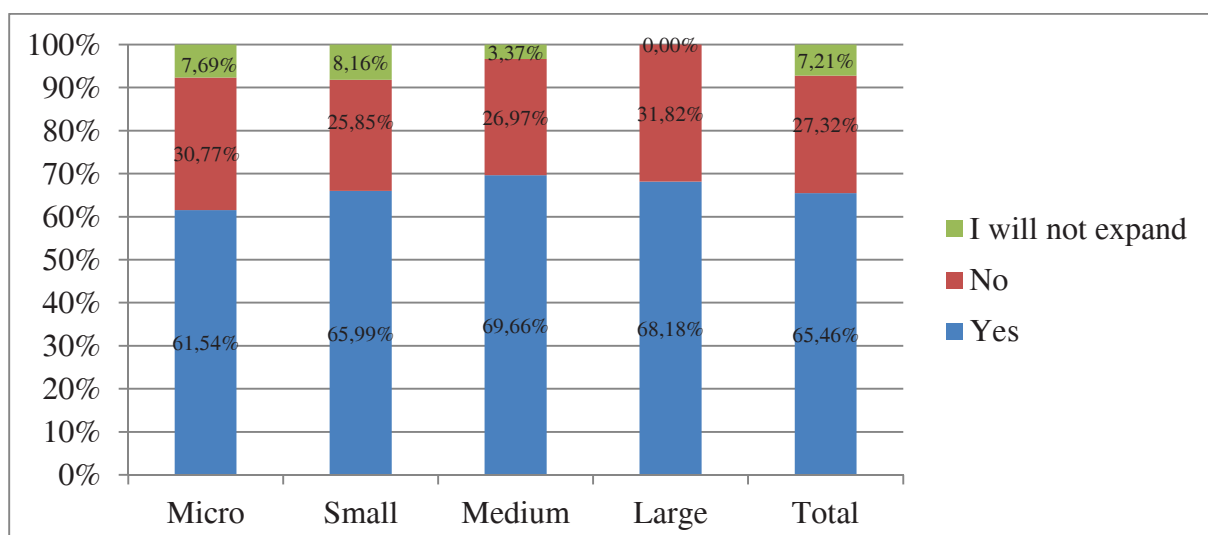


Figure 8.12.1-2 indicates that overall, more than 60.0% of enterprises require external financing in order to expand their businesses and to increase output and turnover. Only a small proportion of firms (less than 8.0%) do not have any plans to expand.

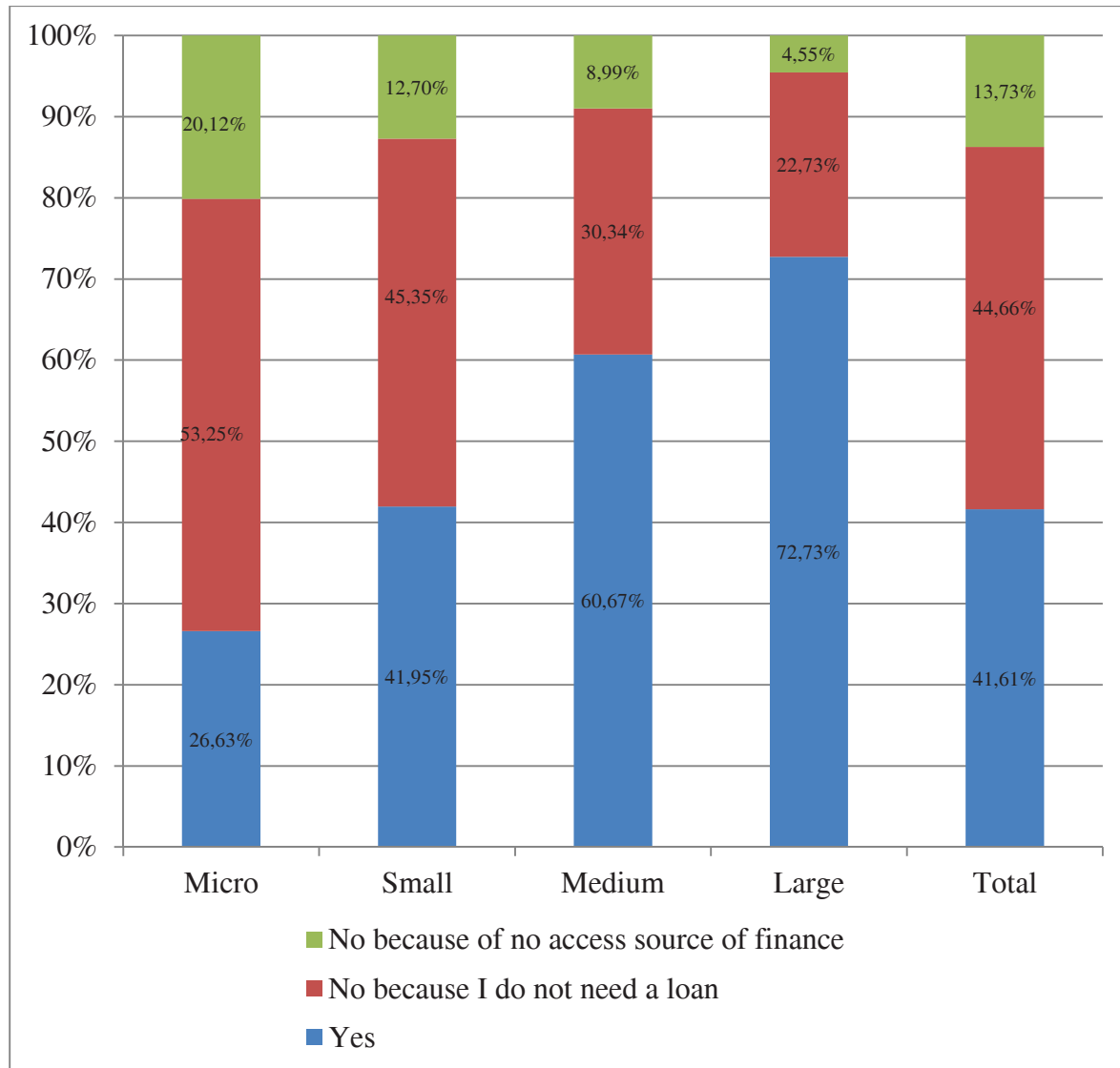
Figure 8.12.1-2: External financing required for expanding businesses by firm size



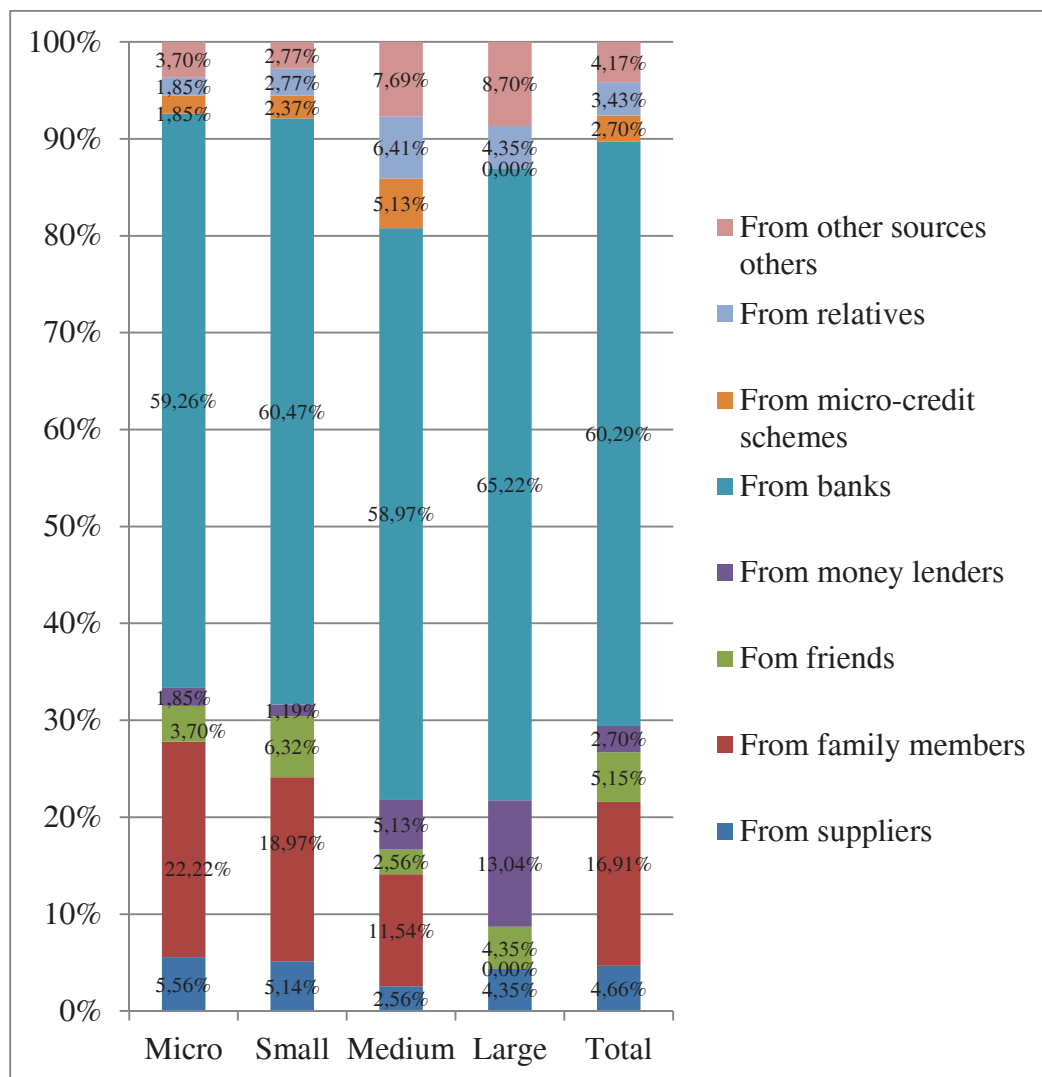
8.12.2 Receiving of External Financing

Figure 8.11.2-1 indicates that overall, more than 40.0% of enterprises are using external financing. However, the proportion of medium (60.7%) and large (72.7%) firms who actually use external financing is much higher than the proportion of small (42.0%) and micro (26.6%) firms. Meanwhile, a substantial percentage (44.7%) of total enterprises stated that they did not receive external financing because of not being in need of any loan at that time. Overall a relatively low percentage of firms (13.7%) cannot find any source of external funds, but these proportions are higher for micro (20.1%) and small (12.7%) firms.

Figure 8.12.2-1: Firm receiving external financing by firm size



In addition, more than 60.0% of all firms borrowed money from banks to support their businesses development. Money lenders (13.0%) were an alternative financial source for large firms, while family members were important financial sources for micro (22.2%), small (19.0%) and medium (11.5%) firms (see figure 8.11.2-2).

Figure 8.12.2-2: Sources of external financing by firm size

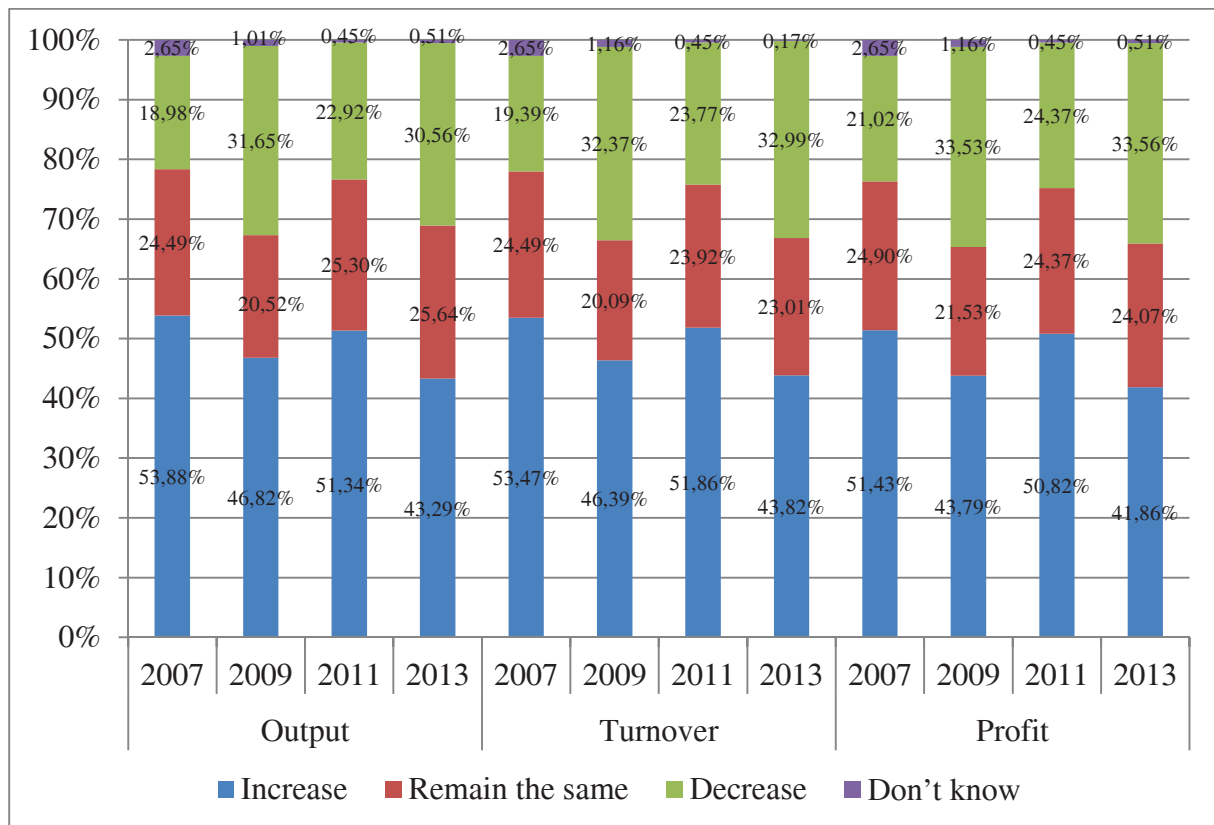
9. Trend Analysis for the Period 2005-2013

After having analyzed the ES data with a focus on 2013, an analysis for the period 2005 – 2013 will follow, making use of the rich data sets collected. Nevertheless the data for 2005 is partially missing, but will be indicated if so.

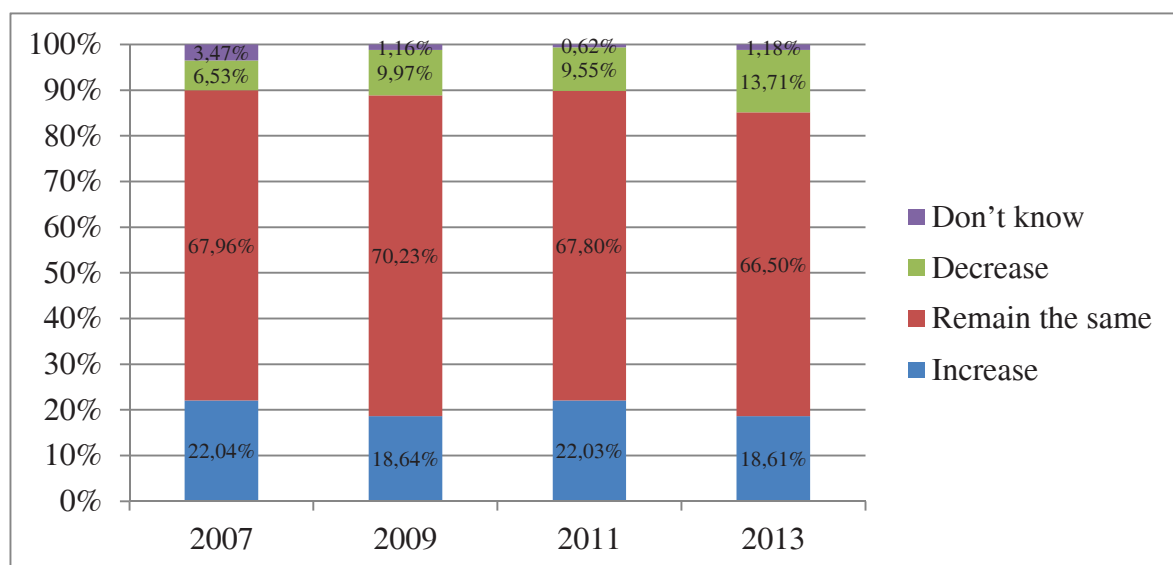
9.1 Enterprise Performance

Data on output, turnover and profit is used to analyze enterprise performance. Figure 9.1-1 shows that the overall, performance of the interviewed firms slowly decreased during the period 2007-2013²⁵, as indicated by the fact that the percentage of firms reporting an increase in output, turnover and profit declined from 53.9%, 53.5% and 51.4% in 2007 to 43.3%, 43.8% and 41.9% in 2013. This change in enterprise performance surely contributed to the slowing of GDP growth, which dropped from 8.1% in 2010 to 7.9% in 2012 (ADB, 2013).

²⁵ ES2005 was omitted due to incomplete data.

Figure 9.1-1: Development of enterprise performance (output, turnover and profit), 2007-2013

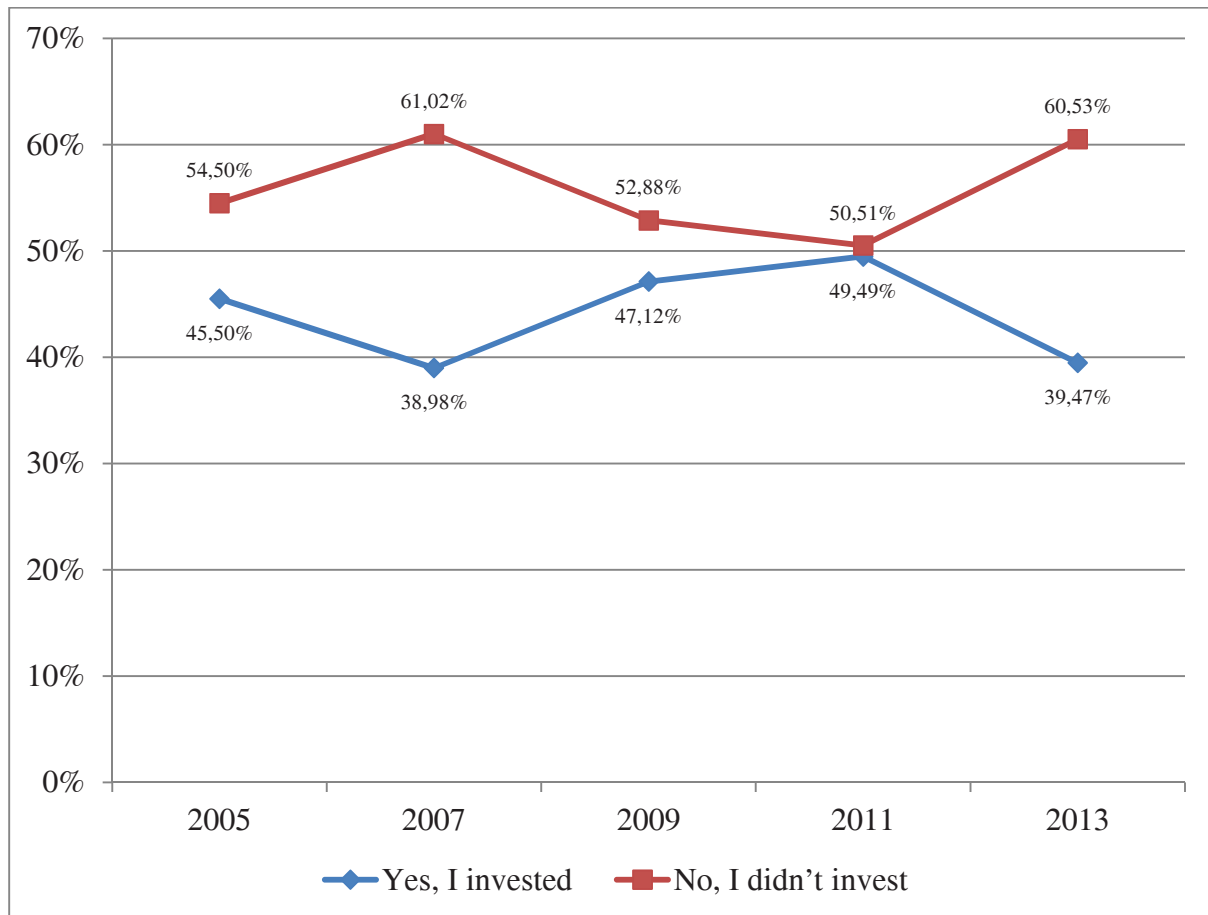
A slower growth at company level may be an important reason why most entrepreneurs have been reluctant to increase their number of employees. During the period 2007-2013²⁶, more than 66% of enterprises have kept the same number of employees. In addition, the percentage of enterprises reporting an increase in the number of employees has decreased slightly from 22.0% in 2007 to 18.1% in 2013 (figure 9.1-2).

Figure 9.1-2: Change in number of employees, 2007-2013

²⁶ ES2005 was omitted due to incomplete data.

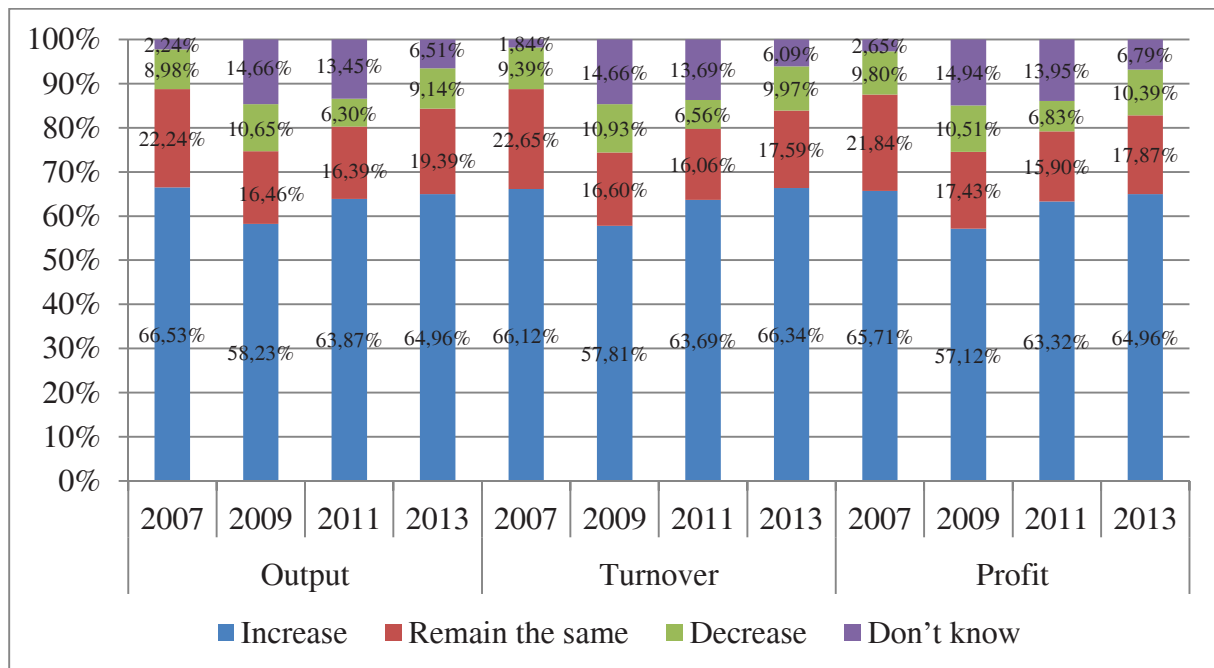
Figure 9.1-3 shows the proportion of firms, that made a new investment in the respective last years, which increased from 39.0% in 2007 to 49.5% in 2011 but then fell back again to 39.5% in 2013. Still, many enterprises invested in 2012, which may be a good indicator for ongoing future growth. However, the decrease, traced in 2013, may be connected to the slight decrease in general growth and/or by the owner's preference of distributing profits over reinvesting them.

Figure 9.1-3: Development of enterprises having made new investments in the respective last year



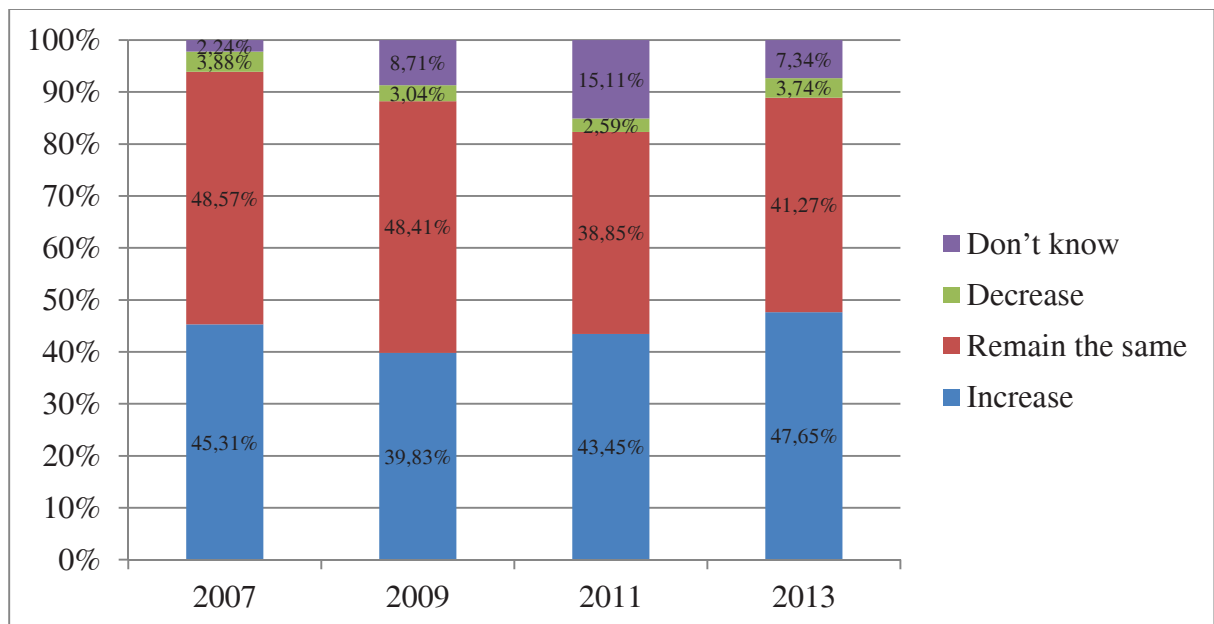
Although the percentage of firms reporting an increase in their performance compared to the previous year declined between 2007 and 2013 (figure 9.1-1), most entrepreneurs are still optimistic that their performance will improve in the next two years (figure 9.1-4). While the percentage of firms that reported expecting their performance (output, turnover and profit) to increase over the next two years declined an average of 8 pp between 2007 and 2009, this figure has bounced back, as expectations for increased output, turnover and profit increased from 58.2%, 57.8% and 57.1% in 2009 to 65.0%, 66.3% and 65.0% in 2013. Increases in FDI inflows to Laos and the recovery from the global financial crisis are important factors contributing to this.

Figure 9.1-4: Development of enterprise on their expected performance (output, turnover and profit) in the next two years



Rising expectations about improved enterprise performance contribute to increasing expectations about job creation over the next two years. The percentage of firms that expect to hire more employees over the next two years increased from 45.3% in 2007²⁷ to 47.7% in 2013, while the percentage that expected to maintain the same number of employees dropped by 7.5 pp (figure 9.1-5).

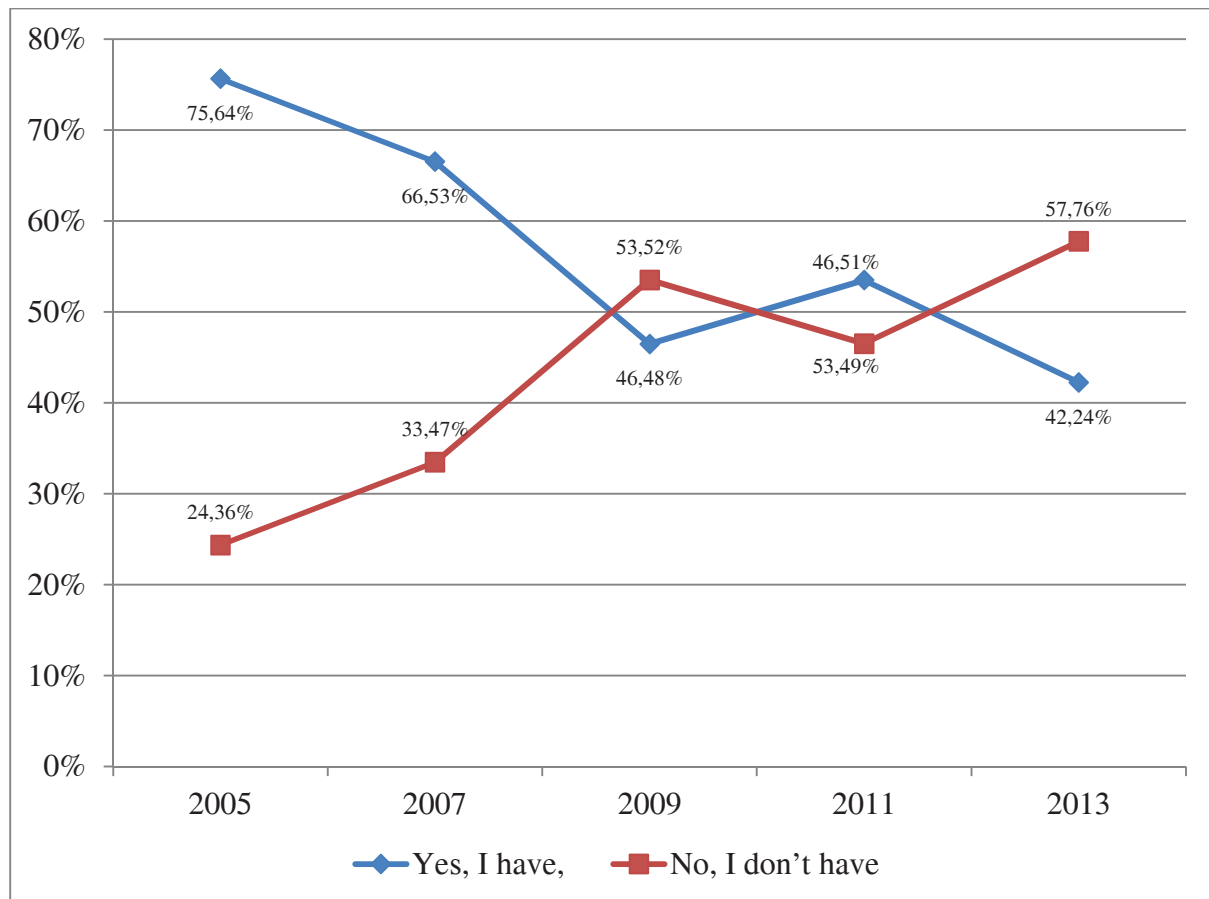
Figure 9.1-5: Development of expected hiring in the next two years



²⁷ ES2005 was omitted due to incomplete data.

The percentage of enterprises that reported having an investment plan dropped sharply from 75.6% in 2005 to 53.5% in 2009, remained relatively stable between 2009 and 2011, and then declined again to 42.2% in 2013 (figure 9.1-6). The low proportion of enterprises with investment plans may be explained by the fact that most enterprises lack funds and access to finance is limited. The downward dynamics may mirror the slowing economic growth since 2011. In addition, enterprises in Laos are dominated by micro and small enterprises, which anyway usually lack the capacity to develop business or investment plans and even may not even plan to expand their business due to their low competitiveness.

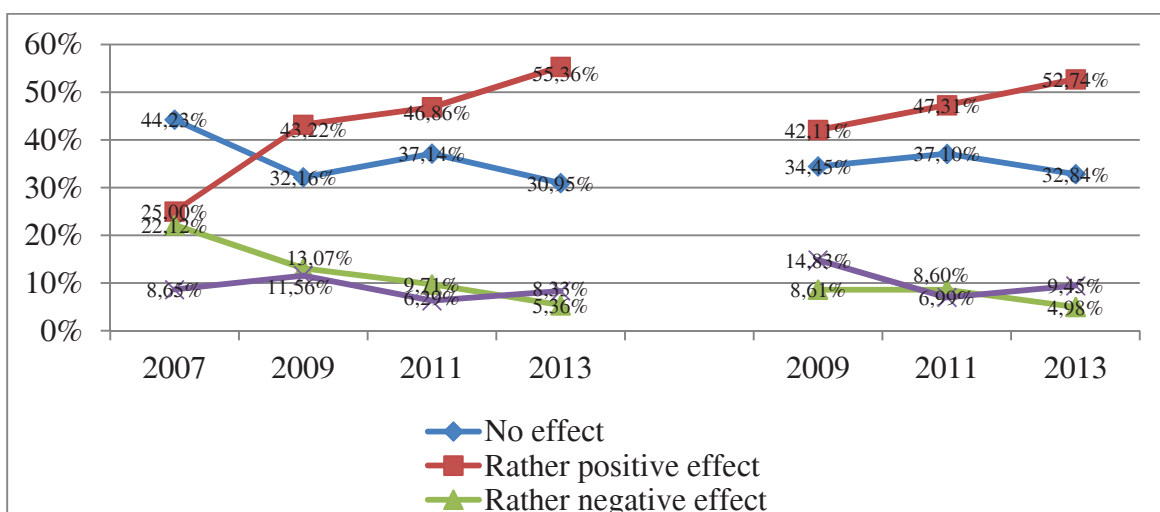
Figure 9.1-6: Development of the prevalence of investment plans



Regional economic integration is vital for improving enterprise performance and access to foreign markets. Since 2007, entrepreneurs' awareness of AFTA has remained more or less constant, averaging 21.4% during the period 2007-2013. Meanwhile, awareness of WTO increased from 23.1% in 2009 to 26.2% in 2013 (figure 9.1-7). Obviously many WTO awareness raising events have been organized in that period in order to raise entrepreneurs' awareness and to promote the utilization of WTO agreement benefits.

Figure 9.1-7: Development of awareness of AFTA and WTO²⁸

Overall, entrepreneurs have increasingly positive perceptions of the effects of economic integration, which can benefit their businesses in terms of market access and increased efficiency in production. The percentage of firms that expected AFTA and WTO to have a rather positive effect on their businesses has steadily increased from 25.0% (AFTA) in 2007 and 42.1% (WTO) in 2009 to 55.4% (AFTA) and 52.7% (WTO) in 2013. At the same time, the percentage of firms that expected AFTA and WTO would have a rather negative effect decreased, from 22.1% (AFTA) in 2007 and 8.6% (WTO) in 2009 to 5.4% (AFTA) and 5.0% (WTO) in 2013 (figure 9.1-8). A somewhat constant share of firms, which are not able to assess the impact of AFTA and almost one-third of companies in 2013 believing AFTA doesn't affect them, indicates the need for more information on these issues.

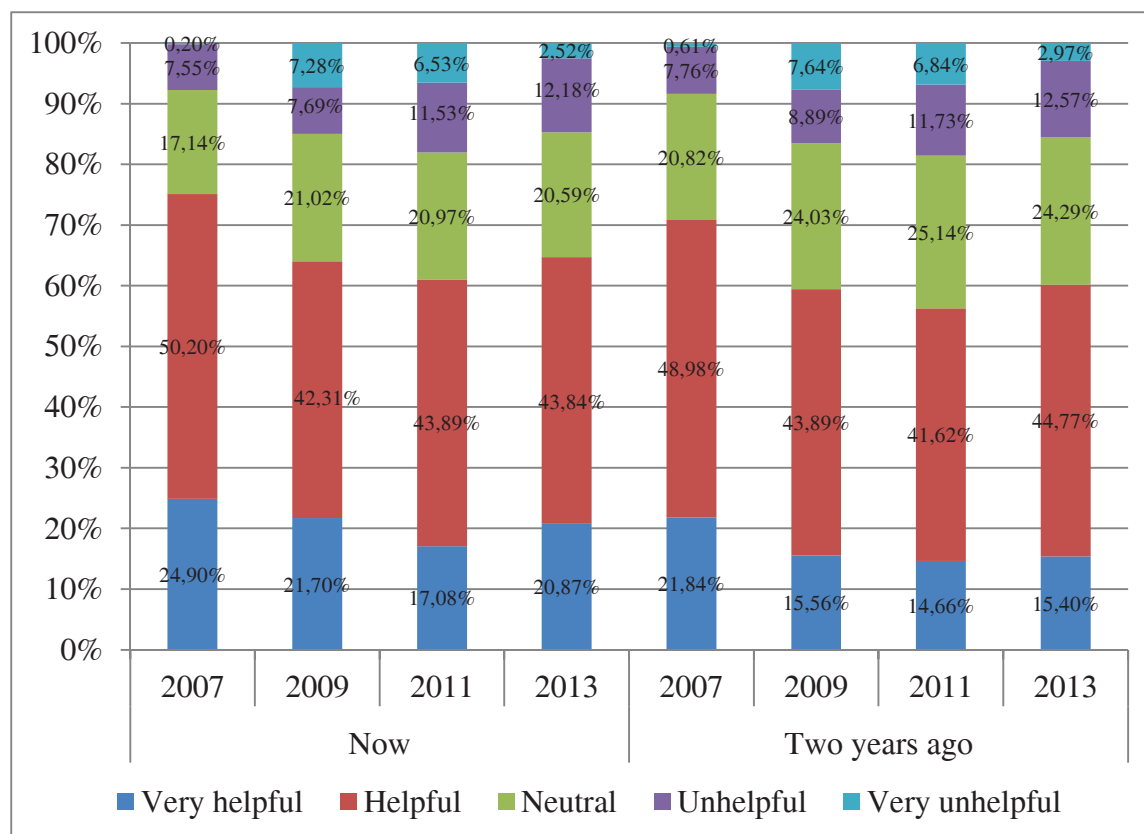
Figure 9.1-8: Development of owners' perception regarding the effect of AFTA (left-hand side) and WTO (right-hand side) on their businesses

²⁸ Data on AFTA and WTO awareness were only collected from 2007 and 2009 respectively onwards.

9.2 Business Facilitation by Public and Private Organizations

Figure 9.2-1 shows that in each year between 2007²⁹ and 2013, the proportion of firms that perceived the central government “now” (i.e., the year the survey was taken) to be “very helpful” was higher than the proportion of firms that perceived the central government to be “very helpful” “two years ago” (i.e., two years before the survey was taken). This difference ranged from 2.4 pp in 2011 to 6.1 pp in 2009 during this period. However, overall firms’ perceptions of the helpfulness of the central government has declined considering the answers of the respective year, the respondent is asked to assess. This is, the proportion of firms that judged the central government to be “very helpful” “now” (i.e., the year the survey was taken) decreased from 24.9% in 2007 to 20.9% in 2013. Also the proportion that subjectively judged retrospectively the central government to be “very helpful” “two years ago” (i.e., two years before the survey was taken) decreased from 21.8% in 2007 to 15.4% in 2013. A long investment and business registration approval process and weak investor protection laws might be important factors impeding the well perception of the central government services. On the other hand it was assumed that with increasing expectations for government support absolute subjective satisfaction would decline. This was actually the reason to introduce the relative question about ‘helpfulness now compared to two years ago’.

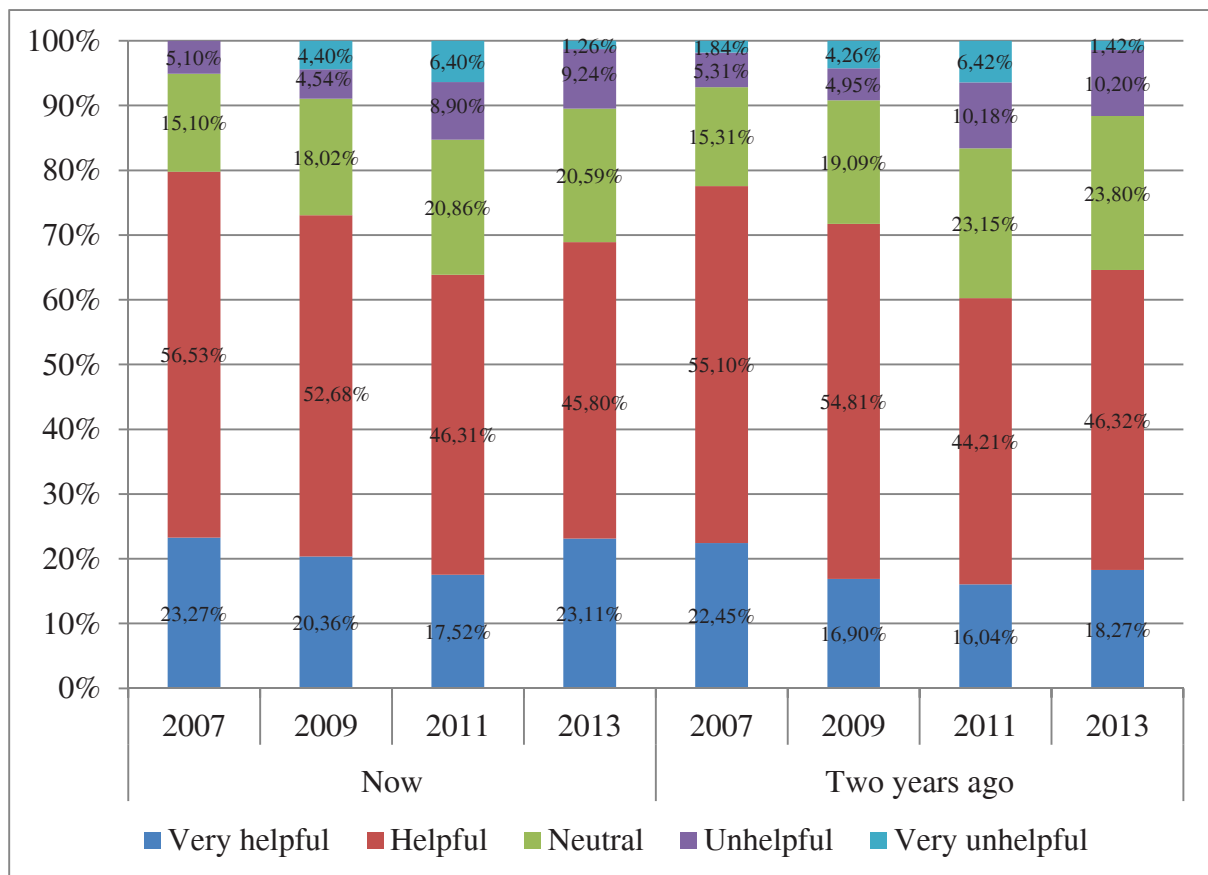
Figure 9.2-1: Development of satisfaction with central government services now compared to two years ago



²⁹ ES2005 was omitted due to incomplete data.

Figure 9.2-2 shows that in each year between 2007³⁰ and 2013, the proportion of firms that perceived the local government “now” (i.e., the year the survey was taken) to be “very helpful” was higher than the proportion of firms that perceived the local government to be “very helpful” “two years ago” (i.e., two years before the survey was taken). This difference ranged from 0.8 pp in 2007 to 4.8 pp in 2013 during this period. Nevertheless and following the same logic as for central government ratings, the proportion of firms rating local government as “very helpful” “now” decreased slightly between 2007 (23.3%) and 2011 (17.5%), though this figure bounced back to 23.1% in 2013.

Figure 9.2-2: Development of satisfaction with local government services now compared to two years ago



The proportion of firms receiving information about regulations related to their businesses from the central government has decreased from 30.7% in 2007³¹ to 13.2% in 2013 (see figure 9.2-3). Instead, between 2007 and 2013 the largest part of firms received their information from the local authorities, ranging from 36.7% in 2009 to 48.2% in 2007 within that period. The proportion of firms who received information from LNCCI and other BMOs increased from 11.7% in 2009 to 14.6% in 2013 mirroring an increasing importance of private sector organizations and their increasing service provision to their members.

³⁰ ES2005 was omitted due to incomplete data.

³¹ ES2005 was omitted due to incomplete data.

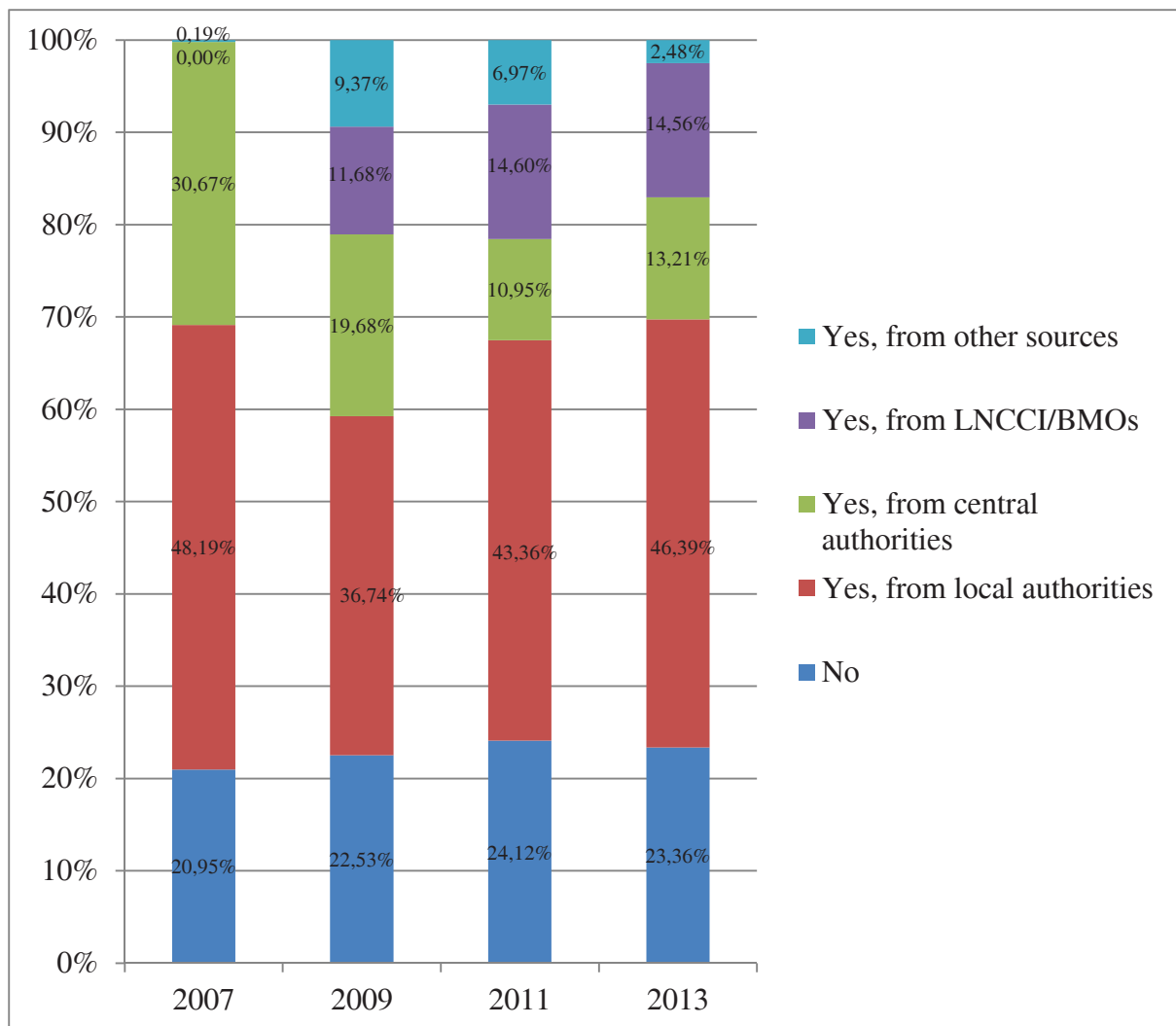
Figure 9.2-3: Development of used sources of information about business regulations

Figure 9.2-4 indicates that the percentage of enterprises being member of a business group (less formally organized increased from 26.8% in 2007³² to 41.8% in 2013. On the other hand, the proportion of enterprises that are members of LNCCI, Provincial Chambers of Commerce and Industry (CCI), and formal business associations at national level (BANL) declined from 34.2%, 24.4% and 12.2% in 2007 to 16.7%, 18.8% and 10.0% in 2013. The lack of immediate perceived benefits of membership are rather low customer orientation or representation within public-private dialogues might explain why the share of firms being member in these three more formal BMOs has diminished and on the other hand cooperation between businesses on a local and more informal level has been strengthened as a substitution. Nevertheless, the LNCCI experienced a significant recovery from the low in 2009 and its services seem to satisfy its members increasingly.

³² ES2005 was omitted due to incomplete data.

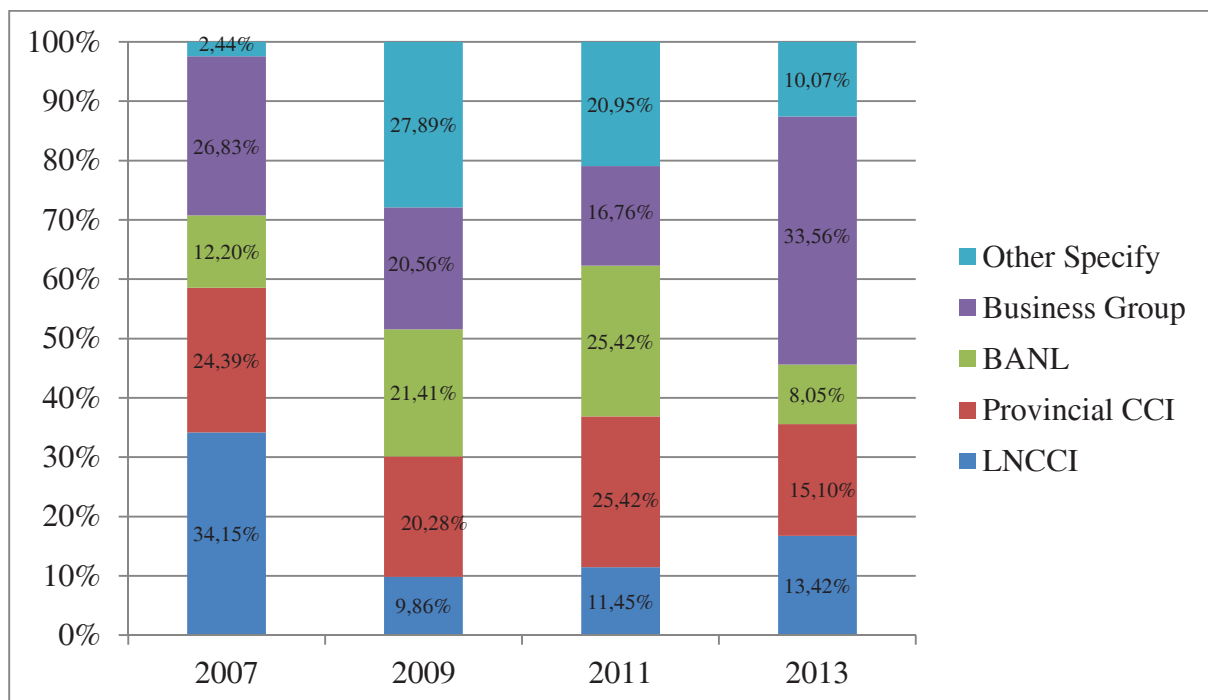
Figure 9.2-4: Development of BMO membership

Table 9.2-1 lists the many reasons firms have for participating in and being member of business organizations. Of these reasons, marketing (18.2%) was chosen by the largest proportion of firms in 2013 - up from 12.4% in 2007³³. The next two most popular reasons in 2013 were sharing information/experience (14.1%) and getting (perhaps also offering) help in problem solving (13.8%). These reasons have been consistently popular also in previous years. In addition, achieving fair competition in business and access to training have become more important reasons in recent years, as the percentage of firms choosing these reasons increased from 2.1% and 5.2% in 2007 to 9.3% and 8.8% in 2013.

Table 9.2-1: Development of reasons behind BMO membership

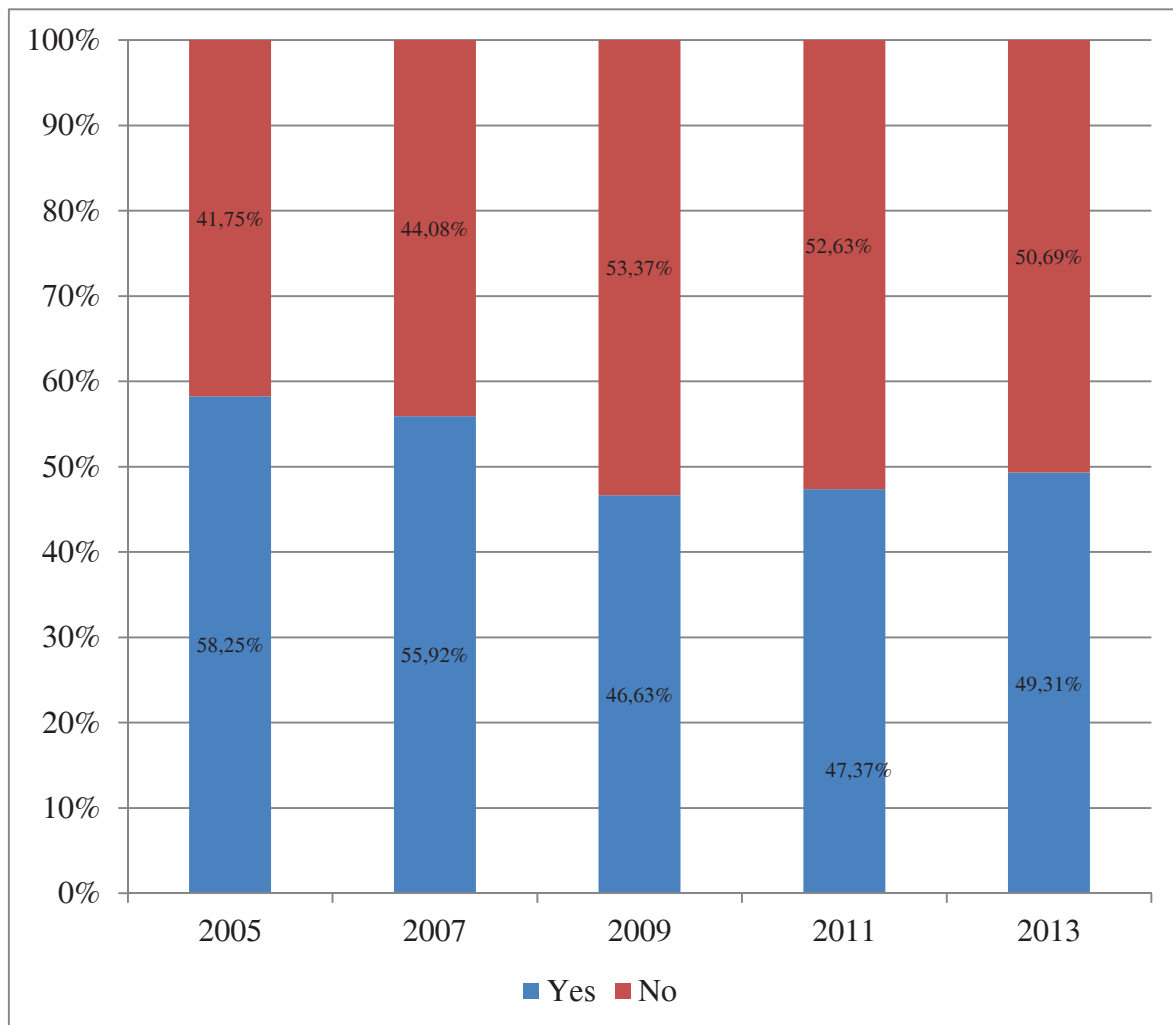
	2007	2009	2011	2013
Marketing purpose	12.37%	12.20%	11.67%	18.18%
Because of the rule/regulation	17.87%	13.72%	14.26%	9.26%
Help in problem solving	14.78%	20.12%	16.37%	13.80%
To achieve fair competition in business	2.06%	7.93%	4.70%	9.26%
Better organize business	17.18%	13.26%	11.83%	11.45%
Access to Training	5.15%	4.88%	6.65%	8.75%
More power in negotiating	0.69%	3.96%	4.86%	2.36%
Advocacy for business	1.37%	4.73%	4.38%	3.54%
Share information and experience	13.75%	12.50%	16.05%	14.14%
Access to business services	14.78%	3.05%	4.54%	8.08%
Other	0.00%	3.66%	4.70%	1.18%
Total	100%	100%	100%	100%

³³ ES2005 was omitted due to incomplete data.

9.3 Human Resource

According to figure 9.3-1, the proportion of entrepreneurs who had completed vocational and technical skills training declined from 58.3% in 2005 to 49.3% in 2013. This finding is consistent with table 9.3-1, which shows that the percentage of managers who graduated from university, public vocational or technical schools decreased by 3.6 pp and 17.1 pp between 2007³⁴ and 2013. However, entrepreneurs seem to increasingly prefer short term trainings over long term education, as indicated by the fact that the proportion of entrepreneurs, who participated in short term trainings both inside and outside their companies, increased from 6.0% and 6.7% in 2007 to 14.0% and 9.5% respectively in 2013.

Figure 9.3-1: Development of entrepreneurs with vocational and technical skills training



³⁴ ES2005 was omitted due to incomplete data.

Table 9.3-1: Development of /owners/managers and office staff obtaining professional training

Participation in training	2007		2009		2011		2013	
Manager and office staff	Freq	Percent	Freq	Percent	Freq	Percent	Freq	Percent
None	150	21.25	263	27.17	320	35.52	196	18.61
Trained in the company (Number of Person)	42	5.95	62	6.40	68	7.55	147	13.96
Short course training outside the company	47	6.66	73	7.54	83	9.21	100	9.50
Graduated from public vocational or technical school	234	33.14	210	21.69	132	14.65	169	16.05
Graduated from private school/college	85	12.04	115	11.88	87	9.66	138	13.11
Graduated from university	124	17.56	140	14.46	139	15.43	147	13.96
Other	24	3.40	105	10.85	72	7.99	156	14.81
Total	706	100	968	100	901	100	1053	100

The proportion of workers, who have not participated in any training dropped from 56.5% in 2007³⁵ to 33.7% in 2013. At the same time the share of workers who have participated in training either inside or outside their companies increased from 14.5% and 3.6% in 2007 to 21.1% and 8.0% in 2013. The proportion of workers who graduated from private schools or graduated from universities increased by 3.0 pp and 0.8 pp respectively during the period 2007-2013 (table 9.3-2).

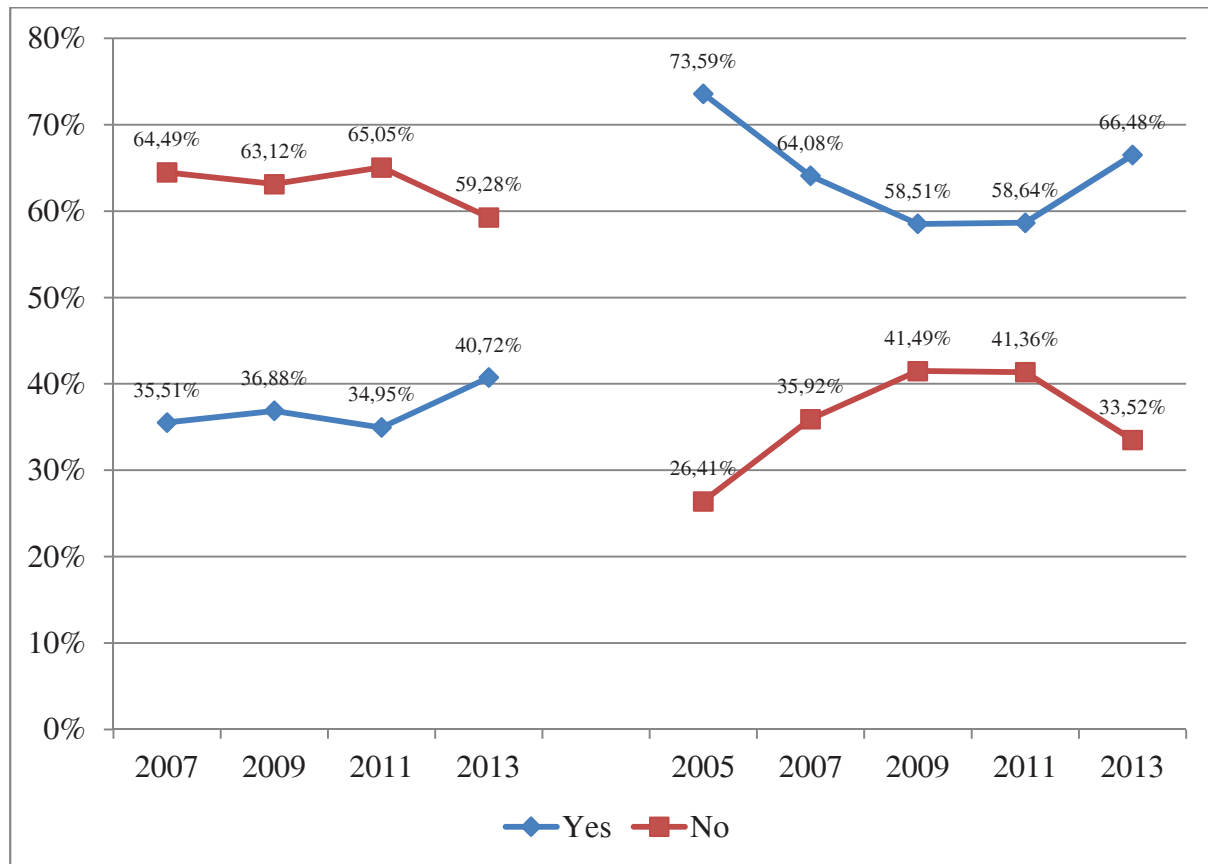
Table 9.3-2: Development of participation in professional training by workers and technical staff

Participation in training	2007		2009		2011		2013	
Worker and technical staff	Freq	Percent	Freq	Percent	Freq	Percent	Freq	Percent
None	312	56.52	364	40.85	430	52.38	300	33.71
Trained in the company	80	14.49	169	18.97	126	15.35	188	21.12
Short course training outside the company	20	3.62	68	7.63	52	6.33	71	7.98
Graduated from public vocational or technical school	92	16.67	126	14.14	88	10.72	120	13.48
Graduated from private school/college	21	3.80	35	3.93	24	2.92	61	6.85
Graduated from university	24	4.35	32	3.59	43	5.24	46	5.17
Other	3	0.54	97	10.89	58	7.06	104	11.69
Total	552	100	891	100	821	100	890	100

The left-hand side of figure 9.3-2 shows that during the period 2007-2013, the share of managers with training experience increased from 35.5% in 2007 to 40.7% in 2013. More than half, but with a decreasing dynamic, of managers start their businesses without training. Nevertheless, the majority and even more than those having not obtained any management training at all want to learn initial, but also additional management techniques to improve their businesses' performance. The proportion of managers who want to do so has increased from a low 58.5% in 2009 to 66.5% in 2013 (right-hand side figure 9.3-2).

³⁵ ES2005 was omitted due to incomplete data.

Figure 9.3-2: Development of amount of managers starting businesses with management training (left-hand side)³⁶ and managers expressing the will to learn skills to improve their businesses (right-hand side)



Even after the negative trend recovery in 2013, still a substantial proportion of managers (33.9%) do not recognize the importance of training for their employees. One explanation given by owners/managers is the lack of loyalty of staff. Quite often employees leave the company right after receiving training in order to get higher salary somewhere else, leaving the former employer with all expenses for the training. The proportion of managers, who want their employees to be trained declined from 73.6% in 2005 to a low of 54.8% in 2011, before rising again to 66.1% in 2013 (figure 9.3-3). In 2013, the skills that the largest percentage of managers wanted their employees to learn were customer service (29.3%), foreign language (17.0%) and accounting (16.0%). During the period 2009-2013 the importance of customer service skills to the owners/managers increased by 7.0 pp, skills regarding the operation of machinery and tools by 5.7 pp, accounting skills by 2.0 pp and computer skills by 1.9 pp (figure 9.3-4).

³⁶ ES2005 was omitted due to incomplete data.

Figure 9.3-3: Development of amount of owners/managers who want their employees to be trained

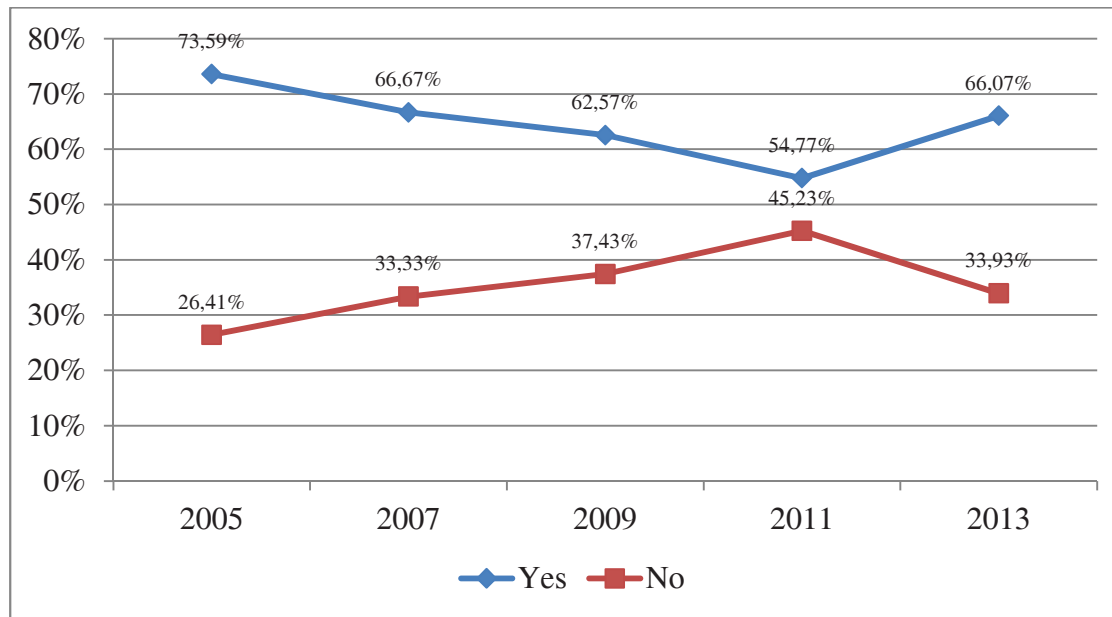
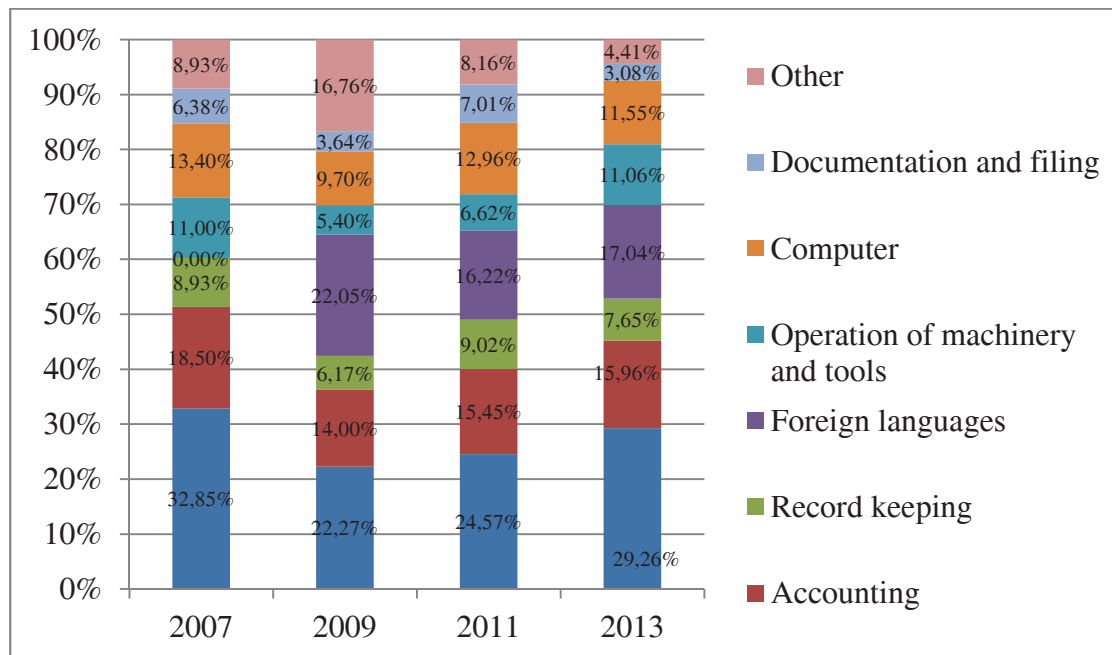


Figure 9.3-4: Development of required skill for employees, expressed by owners/managers³⁷



9.4 Use and Demand for BDS

Figure 9.4-1 shows that on average, most owners/managers have received advice about developing their businesses, ranging from a high of 90.0% in 2005 to a low of 41.4% in 2007. Some owners/managers have better understood the role of BDS in supporting their businesses development, as indicated by the shared of owners/managers using BDS has slowly improved from 41.4% in 2007 to 58.3% in 2013. Spouses and family members are important sources of

³⁷ ES2005 was omitted due to incomplete data.

business development service and advice, accounting for 10.7% and 23.6% of total firms in 2007 and 23.0% and 28.3% in 2013. Since most SMEs in Laos are family businesses, it is not surprising that many managers consult their spouses and family members for advice about developing their businesses. In contrast, the percentage of managers who consulted advisers from government agencies, development projects and professional providers through the BDS network, run by DoSMEP, declined by 2.9 pp, 8.7 pp and 7.7 pp during the period 2007³⁸-2013 (table 9.4-1).

Figure 9.4-1: Development of number of owners/managers receiving advice for developing their businesses

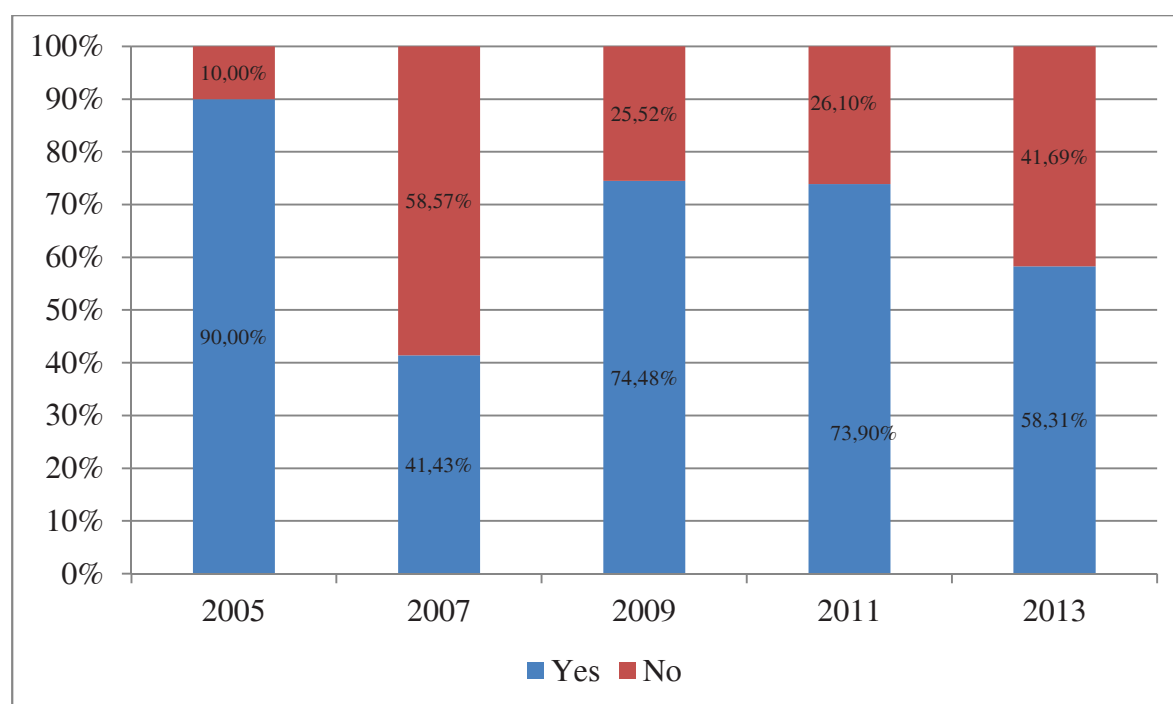


Table 9.4-1: Development of sources for business development advices

Adviser	2007		2009		2011		2013	
	Freq	Percent	Freq	Percent	Freq	Percent	Freq	Percent
Spouse	33	10.65	226	25.48	180	18.61	213	20.19
Family members	73	23.55	286	32.24	332	34.33	263	24.93
Friends	63	20.32	120	13.53	138	14.27	184	17.44
Business partners	24	7.74	22	2.48	41	4.24	50	4.74
BMOs	19	6.13	39	4.40	57	5.89	75	7.11
Government agencies	30	9.68	100	11.27	94	9.72	63	5.97
Development projects	43	13.87	5	0.56	14	1.45	48	4.55
Professional providers through BDS network	25	8.06	36	4.06	53	5.48	3	0.28
Other	0	0	53	5.98	58	6.00	29	3.13
Total	310	100	887	100	967	100	928	100

Figure 9.4.2 indicates that more than 80.0% of enterprises do not pay for advising services, as both the government and international organizations have implemented projects in order to support business development in Laos. Both media and business institutes have played an

³⁸ ES2005 was omitted due to incomplete data.

increasingly important role for business development in Laos, with the proportion of firms using these two sources increasing from 19.6% and 8.70% in 2007 to 27.4% and 11.2% in 2013 (table 9.4.2). On the other hand, the proportion of firms using advice from state agencies or civil servants dropped by 1.6% points and 22.8% points during the period 2007-2013.

Figure 9.4-2: Development of willingness to pay for business development advice

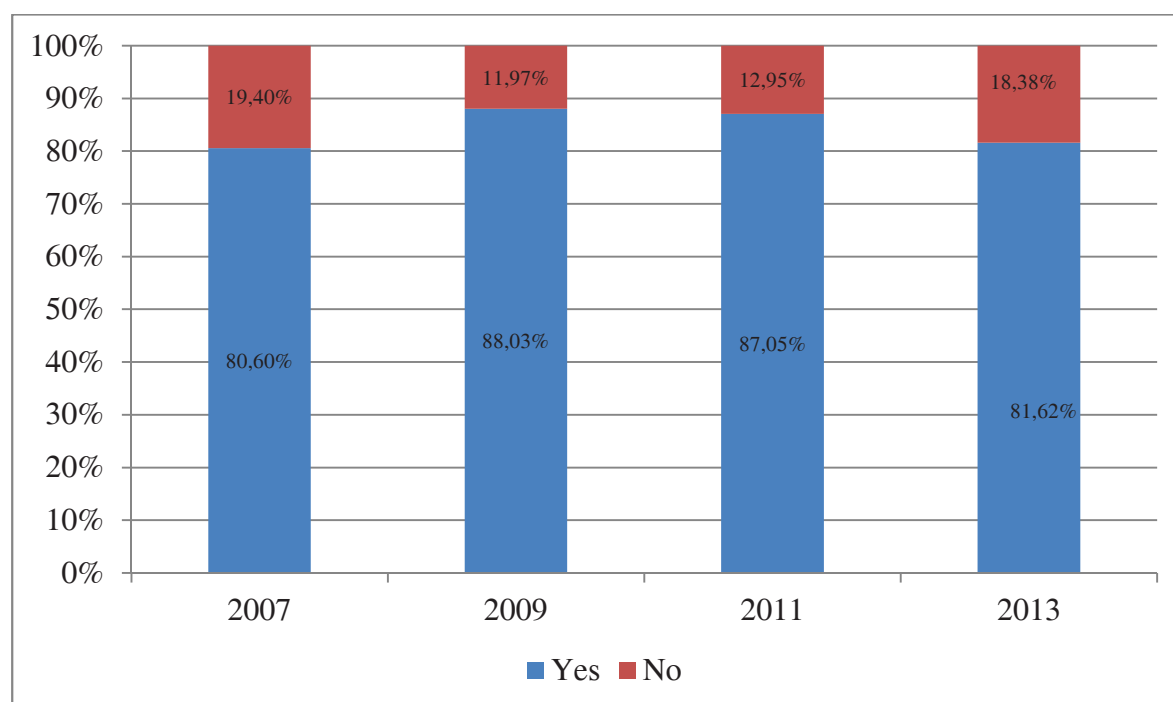


Table 9.4.2: Sources of advice for business development

	2007		2009		2011		2013	
	Freq	Percent	Freq	Percent	Freq	Percent	Freq	Percent
From media	45	19,57	41	6,82	94	14,35	155	27,43
Special seminars organized by state agencies	26	11,30	43	7,15	57	8,70	54	9,56
Special seminars organized by business institutions	20	8,70	27	4,49	51	7,79	63	11,15
Related civil servants	87	37,83	54	8,99	82	12,52	85	15,04
Promotion for BDS network	0	0,00	0	0,00	0	0,00	2	0,35
Other	52	22,61	436	72,55	371	56,64	206	36,46
Total	230	100	601	100	655	100	565	100

9.5 Access to and the Need for Finance

According to figure 9.5-1, the proportion of enterprises that received external finance decreased from 48.8% in 2005 to 41.7% in 2013. A shortage of information on credit providers and the lack of collateral are major issues that limit access to finance for micro and small entrepreneurs, as indicated by the fact that the share of firms that cannot find financial sources increased from 8.2% in 2011 to 13.7% in 2013.³⁹

³⁹ The option “No because can’t find sources” was only introduced in 2011.

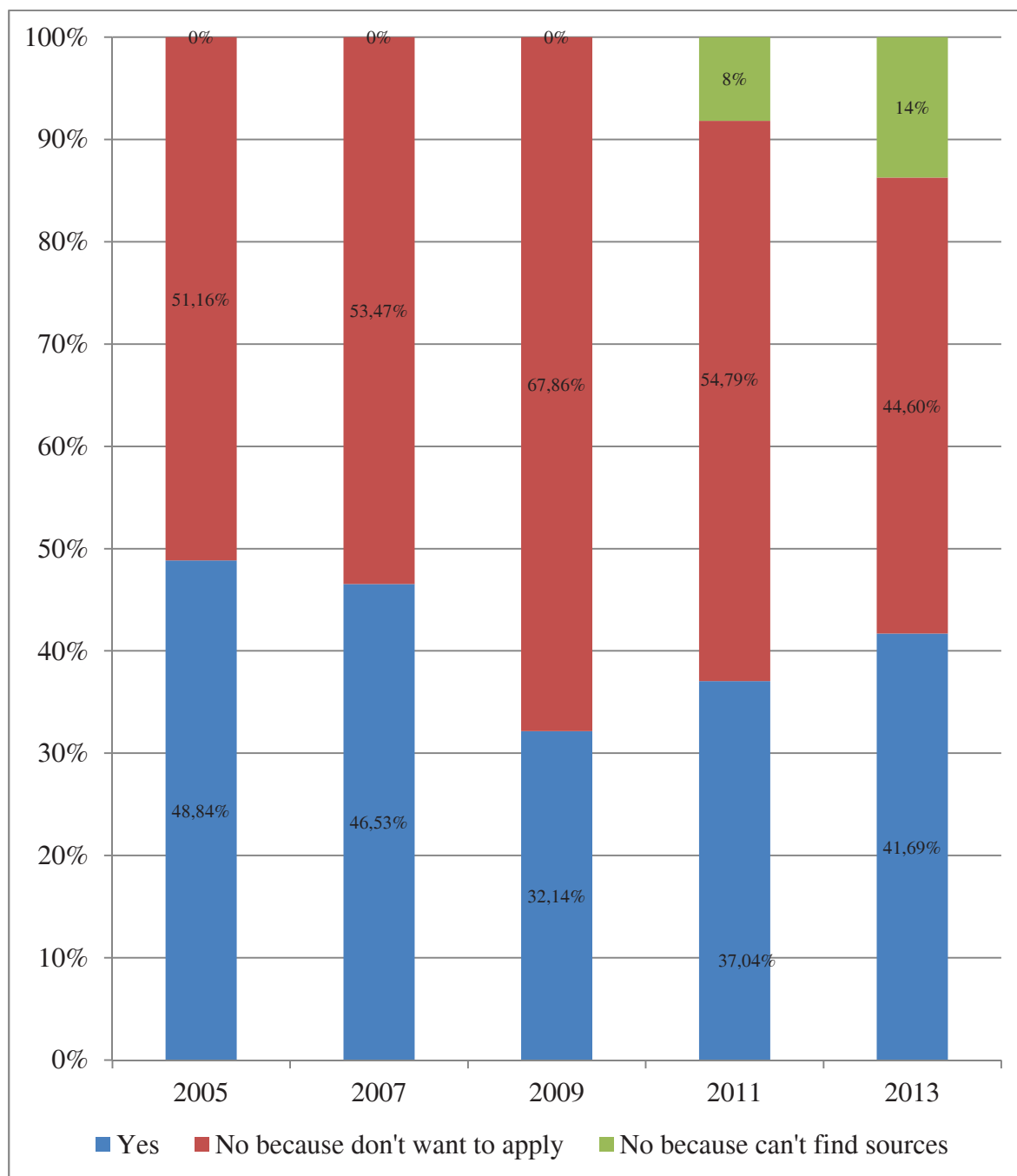
Figure 9.5-1: Development of number of businesses receiving external finance

Figure 9.5-2 shows that more than 60.0% of firms have borrowed money from a bank to support their businesses, but the proportion of firms borrowing from banks decreased from 69.4% in 2007⁴⁰ to 60.3% in 2013. It is likely that strict borrowing regulations and high collateral requirements have prompted entrepreneurs to borrow from family members instead. The percentage of firms borrowing from family members increased from 5.6% in 2007 to 16.9% in 2013 (figure 9.5-2). In contrast, borrowing from money lenders, relatives and friends declined by 6.1 pp, 2.7 pp and 1.0 pp during the period 2007-2013.

⁴⁰ ES2005 was omitted due to incomplete data.

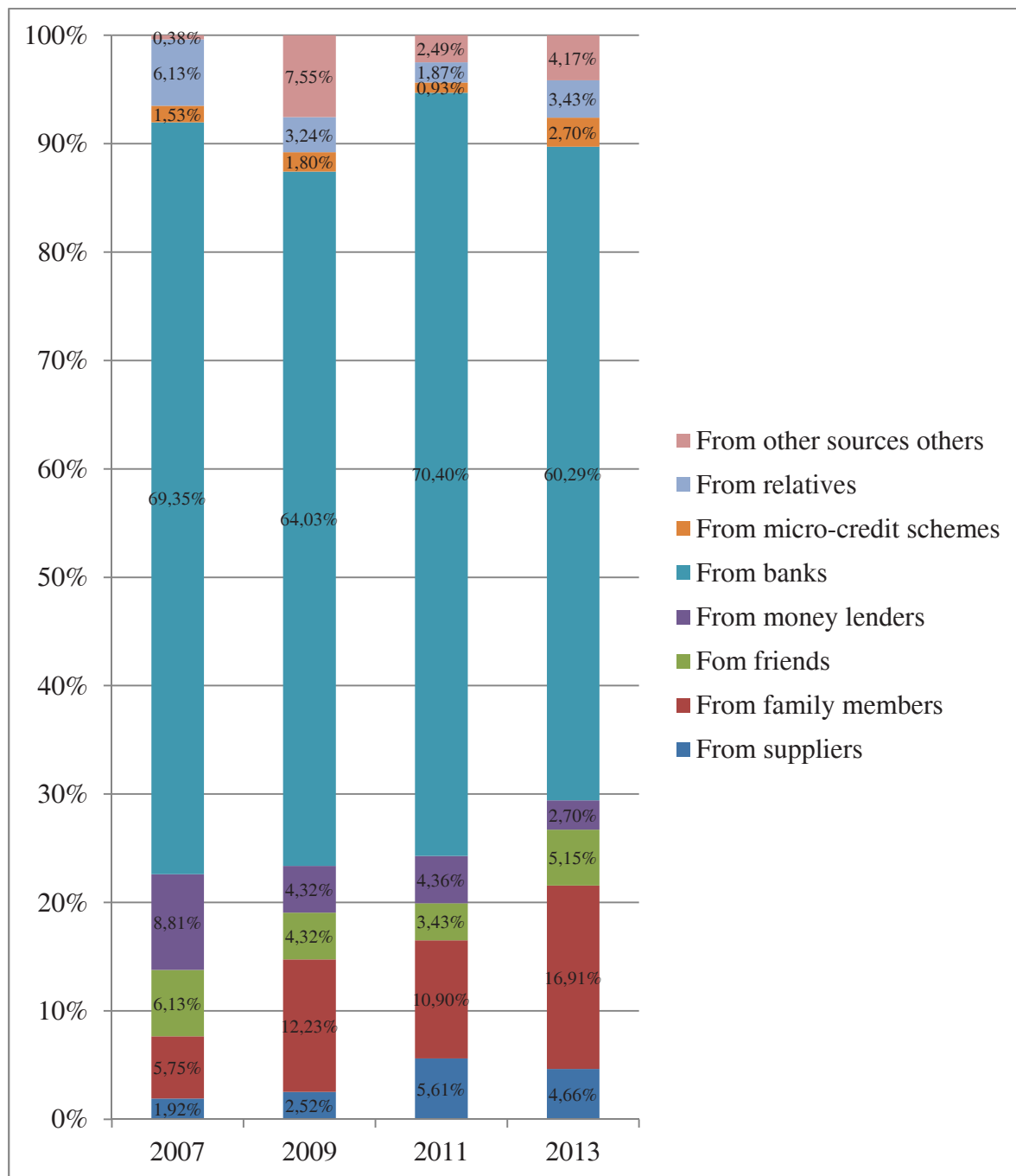
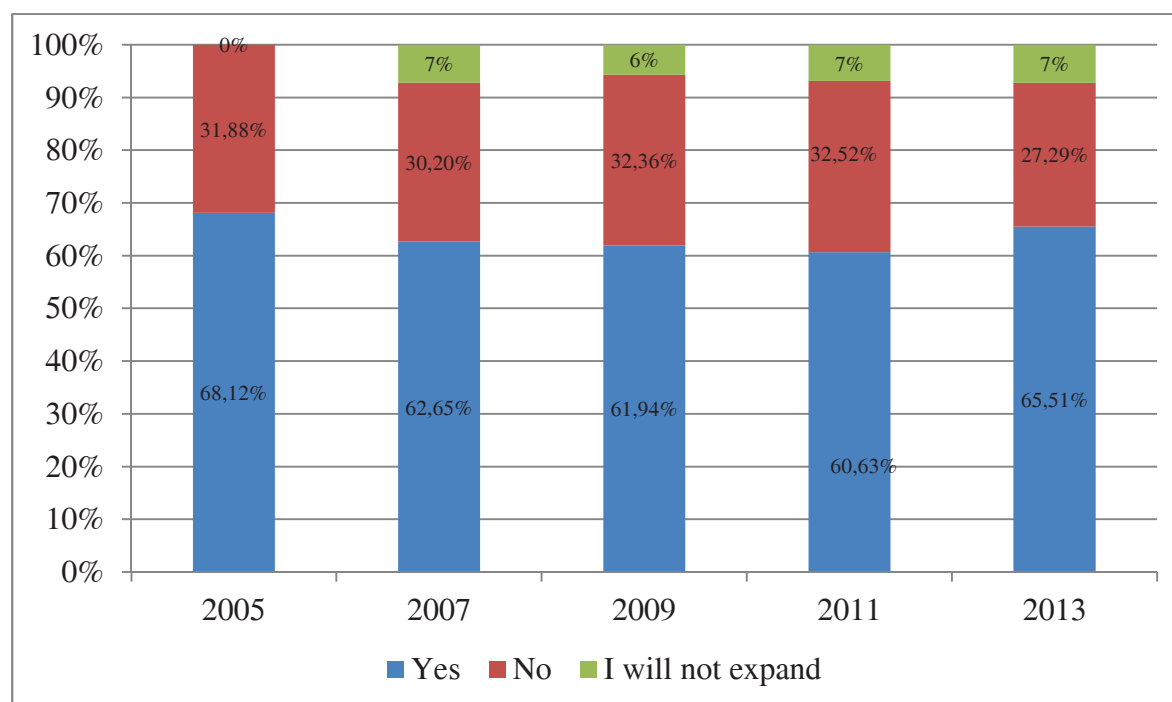
Figure 9.5-2: Development of sources for external financing

Figure 9.5-3 shows that over the period 2005-2013, more than 60.0% of firms indicated that they require funds in order to expand their businesses. This figure increased slightly from 62.7% in 2007 to 65.5% in 2013, but was still highest in 2005.⁴¹ At the same time, the share of firms that indicated they do not require funds to expand decreased by 4.6pp during the period 2005-2013 (figure 9.5-3).

⁴¹ The option “I will not expand” was only introduced in 2007

Figure 9.5-3: Need for funding in order to expand business over time

9.6 Firms' Perceptions of Internal and External Constraints

9.6.1 Perceived Internal Constraints

It is quite difficult to identify the most significant internal and external constraints by simply summarizing percentages. Therefore an index to evaluate these constraints was developed and can be found in appendix 2. Perceptions of problem severity were coded as follows: 1 = “very big”, 2 = “big”, 3 = “medium”, 4 = “small” and 5 = “no problem”, responding to types of internal and external constraints. An average rating for each problem was then calculated. The lower the average scores, the more serious the constraint was perceived to be.

Trends in firms' perceptions of top three internal constraints are shown in Table 9.6.1-1. Except in the year 2007⁴², lack of capital and lack of management are perceived the most serious internal constraints. A more in depth analysis for 2013 can be found in the respective appendix.

Table 9.6.1-1 Ratings of most severe internal constraints across time

Top	2007	2009	2011	2013
1	Low productivity/efficiency	Lack of capital	Lack of capital	Lack of capital
2	Lack of market information	Lack of management	Lack of management	Lack of management
3	High labour costs	Lack of market information	Lack of market information	Low level of technology

⁴² ES2005 was omitted due to incomplete data.

9.6.2 Perceived External Constraints

Trends in firms' perception of external problems are shown in table 9.6.2-1. Over time, firms seem to perceive original external problems as being less severe as evidenced by rising total average scores. Also here, for a detailed analysis regarding 2013 data it is referred to the respective annex of this report. Too high taxes and duties, electricity prices and competition with domestic firms are among the highest ranking (most severe) external problems for enterprises in the period 2007-2013.

Table 9.6.2-1 Ratings of most severe external problems across time⁴³

Top	2007	2009	2011	2013
1	Too high taxes & duties	Too high taxes & duties	Too high taxes & duties	Competition with domestic competitors
2	Fuel prices	Competition with domestic competitors	Competition with domestic competitors	Electricity prices
3	Electricity prices	Re-registering with tax office	Electricity prices	Too high taxes & duties

⁴³ ES2005 was omitted due to incomplete data.

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Annex 1: ES2013 Questionnaire

1. Questionnaire No.		<input type="text"/> <input type="text"/> <input type="text"/>
2. Company in the sampling	① Sampling list 2005 ② Sampling list 2007 ③ Sampling list 2009 ④ Sampling list 2011 ⑤ New Sampling	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
3. Main product (ISIC code Rev. 4):		<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
4. Province Code:		<input type="text"/> <input type="text"/>
5. District Code:		<input type="text"/> <input type="text"/>
6. Ban Code:.....		<input type="text"/> <input type="text"/> <input type="text"/>
6.1. Street.....Unit.....House No..... 6.2 Company Tel:.....Fax:.....Email:..... Website:.....		
6.3 Name of respondent (1st):..... Title:..... Name of respondent (2nd):..... Title:.....		
Name of Enumerator:..... Interview date:...../...../2013 Interview time: start, end Fieldwork Supervisor: Date checked: :...../...../2013 Name of data entry: Date entered: :...../...../2013 Name of Supervisor (Central Level): Date checked: :...../...../2013		

Enumerator: ask for business card from owner-manager/interviewee and attach to this form

I. Basic data

7. Name of business (as registered): _____

8. Registration (Tax) code number:

9. Start year of business

10. Gender of the owner-manager

① Male

② Female

11. Age of owner-manager

12. Nationality of owner-manager (*SINGLE ANSWER*)

① Lao,

③ Chinese

② Vietnamese,

④ Thai

⑤ Other,

specify.....

13. Name of ethnic group of the owner-manager code attached

Name of ethnic group.....

14. Education of owner-manager (*SINGLE ANSWER*)

① no schooling,

⑤ upper secondary

② some primary,

⑥ vocational

③ completed primary,

⑦ technical

④ lower secondary,

⑧ higher

⑨ post graduated

15. Ownership and form of enterprise (as per enterprise law) (*SINGLE ANSWER*)

① Individual Enterprise

⑤ State Company

- | | |
|------------------------|------------------------|
| ② Sole Limited Company | ⑥ Mixed Company |
| ③ Limited Company | ⑦ Ordinary Partnership |
| ④ Public Company | ⑧ Limited Partnership |
| | ⑨ Cooperative |

16. Form of enterprise (as per laws on domestic and foreign investment) (*SINGLE ANSWER*)

- ① domestic
- ② joint-venture,
- ③ wholly owned foreign

☐

17. Location of business (*SINGLE ANSWER*)

- ① home, ⑤ industrial area,
- ② traditional market, ⑥ roadside,
- ③ shopping center, ⑦ other specify: _____
- ④ commercial district,

☐

18. Premise (*SINGLE ANSWER*)

- ① his/her own,
- ② rental,
- ③ Other Specify: _____

☐

19. On site utilities (*SINGLE ANSWER*)

- ① electricity only,
- ② water only,
- ③ water and electricity,
- ④ no utilities,

☐

20. How many months does the business operate per year?

21-29.

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<i>Permanent full time worker</i>	Total	Female
a. Total Number of permanent PAID & UNPAID workers (including owner / manager) a.1. <i>Number of Management/ Administration staff</i>	21. <input type="text"/> <input type="text"/> <input type="text"/>	22. <input type="text"/> <input type="text"/> <input type="text"/>
a.2. <i>Number of technical staff/worker</i>	21a. <input type="text"/> <input type="text"/> <input type="text"/> 21b. <input type="text"/> <input type="text"/> <input type="text"/>	22a.1 <input type="text"/> <input type="text"/> <input type="text"/> 22b.1 <input type="text"/> <input type="text"/> <input type="text"/>
b. Number of unpaid family members	23. <input type="text"/> <input type="text"/> <input type="text"/>	24. <input type="text"/> <input type="text"/> <input type="text"/>
c. Number of permanent paid workers	25. <input type="text"/> <input type="text"/> <input type="text"/>	26. <input type="text"/> <input type="text"/> <input type="text"/>

Logic Check: number in 21. = number in 21a. + number in 21b. = number in 23.. + number in 25

number in 221. = number in 22a.1 + number in 22b.1 = number in 24. + number in 26.

<i>Part-time worker</i>	Total	Female
a. Total Number of part-time workers	27. <input type="text"/> <input type="text"/> <input type="text"/>	27.a <input type="text"/> <input type="text"/> <input type="text"/>

Note: Part-time workers are workers who DO NOT work full time a day (8 hours, etc) and/or DO NOT work on all working days in the week, BUT work on regular basis.

<i>Temporary worker</i>	Total	Female
b. Total number of temporary workers <u>at peak</u> season	28. <input type="text"/> <input type="text"/> <input type="text"/>	28.a <input type="text"/> <input type="text"/> <input type="text"/>
c. Total number of temporary workers <u>at low</u> season	29. <input type="text"/> <input type="text"/> <input type="text"/>	29a. <input type="text"/> <input type="text"/> <input type="text"/>

Note: Temporary workers are workers who are hired to work in short-term period.

Interviewer, only ask new companies in the sample if in old sample, proceed to Q31:

30.Number of workers at start up business

31. Who are your primary (largest) customer(s)?

	Most importend	second	third
<input type="text"/>			

① individual customers,	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3
② urban merchants,	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3
③ urban businesses,	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3
④ rural merchants,	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3
⑤ rural businesses,	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3
⑥ exporters	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3
⑦ direct export (customers abroad)	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3
⑧ other.....	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3

32. Origin of inputs (*SINGLE ANSWER*)

☐

- ① gather / collect self, ④ purchase Viet,
 ② purchase Lao, ⑤ purchase Chinese,
 ③ purchase Thai, ⑥ other imports, Specify _____

33. Company assets this year 2011/12 (as stated to authorities)
(*SINGLE ANSWER*)

☐

- ① less than 100 Mill Kip,
 ② between 100-250 Mill Kip,
 ③ 250-750 Mill Kip,
 ④ 750-1.200 Mill Kip,
 ⑤ above 1.200 Mill Kip

34. Company liabilities this year 2011/12

☐

- ① less than 200 Mill Kip,
 ② between 200-400 Mill Kip,
 ③ 401-700 Mill Kip,
 ④ 701-1.000 Mill Kip,
 ⑤ above 1.000 Mill Kip

35. Turnover 2012/13 (as stated to tax office) (*SINGLE ANSWER*)

☐

- ① less than 200 Mill Kip,
 ② 200-400 Mill Kip,

- ③ 401-700 Mill Kip,
- ④ 701-1.000 Mill Kip,
- ⑤ more than 1.000 Mill Kip

II. Characteristics of the business/entrepreneur

Interviewer, only ask new companies in the sample, if the enterprise is in the old list skip to 39 and if the owner-manager respond to ① also skip to 38

36. What did you do before you started this business? (SINGLE ANSWER) ☐

- ① ran another business but closed (skip to Q37)
- ② was farmer,
- ③ was trader,
- ④ worked for government,
- ⑤ worked for family business,
- ⑥ employed by another business,
- ⑦ worked for a SOE,
- ⑧ was unemployed,
- ⑨ was too young to work,
- ⑩ others _____

Interviewer, only ask new companies in the sample, if the enterprise is in the old list skip to 39

37. Why did you close the old business? (MULTIPLE ANSWERS POSSIBLE)

- ☐ Not profitable, opportunities in new business,
- ☐ too high competition,
- ☐ increasing taxes,
- ☐ private/family reasons,
- ☐ new idea/better
- ☐ closed down by authorities,
- ☐ ran bankrupt,
- ☐ other

Interviewer, only ask new companies in the sample, if the enterprise is in the old list skip to 39

38. What was the MAIN reason for you to start this business instead of doing something else? (SINGLE ANSWER) ☐

- ① No other options available,
- ② family pressure,
- ③ inherited business,
- ④ provides better income than alternatives,
- ⑤ prefer to work for myself,
- ⑥ identified profitable opportunity,
- ⑦ some capital available,
- ⑧ other _____

Interviewer, do not ask trading and service companies:

39. What is the level of technology you mainly use in your business? (SINGLE ANSWER)

☐

- ① Hand tools/utensils,
- ② portable power tools and electrical appliance,
- ③ small fixed motorized equipment,
- ④ large machinery,
- ⑤ motorized vehicles

40. What type of communication equipment do you have? *(MULTIPLE ANSWERS POSSIBLE)*

- ☐ 1-None *(SINGLE CODE IF ANSWER IS -"NONE")*
- ☐ 2-fixed line telephone
- ☐ 3-mobile telephone
- ☐ 4-Fax
- ☐ 5-Internet/ EMAIL
- ☐ 6-Other, specify: _____

41. Do you use computers and – if yes - for what purposes? *(MULTIPLE ANSWERS POSSIBLE)*

- ☐ 1 do not use computers (Skip to Q.42)
- ☐ 2-text processing,
- ☐ 3-accounting,
- ☐ 4-customer relations,
- ☐ 5-producing own advertisement
- ☐ 6-market research
- ☐ 7-internet use
- ☐ 8-e-commerce
- ☐ 9-Other, specify: _____

42. How did your business develop in 2012/13 compared to the year before (2011/12)?

If the enterprise started between 2012/13 skip to 46

	increase	remain the same	decrease	don't know
42.1 output	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4
42.2 turnover	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4
42.3 profit	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4
42.4 number of employees	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4

43. How did your business develop during the last six months compared to the same period of the year before?

	increase	remain the same	decrease	don't know
43.1 output	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4
43.2 turnover	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4
43.3 profit	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4
43.4 number of employees	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4

44. Did you make some new investments last year (2011/12)?

☐

① Yes, I invested,

② No, I didn't invest, skip to 46

45. If you make some investment, which field did you invest?

(MULTIPLE ANSWERS POSSIBLE)

- | | |
|--|---|
| <input type="checkbox"/> 1.machinery, | <input type="checkbox"/> 6. Marketing |
| <input type="checkbox"/> 2.company buildings, | <input type="checkbox"/> 7. training |
| <input type="checkbox"/> 3.vehicles for business use | <input type="checkbox"/> 8. private cars |
| <input type="checkbox"/> 4.Advertisement, | <input type="checkbox"/> 9.private house |
| <input type="checkbox"/> 5. office equipment, | <input type="checkbox"/> 10.Other, specify_____ |

46. What are your expectations regarding the development of your business in the next 2 years? (Situation from Q42)

	increase	remain the same	decrease	don't know
46.1 output/	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4
46.2 turnover	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4
46.3 profit	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4
46.4 number of employees	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4

47 Do you have any investment plan ?

☐

① Yes, I have,

② No, I don't have, skip to Q49

48. If you have investment plan, in which fields you plan to invest?

(MULTIPLE ANSWERS POSSIBLE)

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- | | |
|---|--|
| <input type="checkbox"/> 1. machinery, | <input type="checkbox"/> 6. Marketing |
| <input type="checkbox"/> 2. company buildings, | <input type="checkbox"/> 7. training |
| <input type="checkbox"/> 3. vehicles for business use | <input type="checkbox"/> 8. private cars |
| <input type="checkbox"/> 4. Advertisement, | <input type="checkbox"/> 9. private house |
| <input type="checkbox"/> 5. office equipment, | <input type="checkbox"/> 10. Other, specify_____ |

49. If you have no investment plan, please indicate the reasons?
(MULTIPLE ANSWERS POSSIBLE)

- | | |
|---|---|
| <input type="checkbox"/> 1-No profit, | <input type="checkbox"/> 5-Satisfied with my business |
| <input type="checkbox"/> 2-No market | <input type="checkbox"/> 6-Too much bureaucracy |
| <input type="checkbox"/> 3-Lack of fund | <input type="checkbox"/> 7-Because of global crisis |
| <input type="checkbox"/> 4-Lack of raw material | <input type="checkbox"/> 8-Other, please specify_____ |

50. Do you know AEC⁴⁴, AFTA⁴⁵ / WTO⁴⁶? (MULTIPLE ANSWERS POSSIBLE)

- | | |
|---------------------------------------|-----------------|
| <input type="checkbox"/> 1 don't know | skip to 53 |
| <input type="checkbox"/> 2 Know AEC | answer 51,51a |
| <input type="checkbox"/> 3 Know AFTA | answer 52,52a |
| <input type="checkbox"/> 4 Know WTO | answer 52b, 52c |

50.a) Where did you get this information from? (MULTIPLE ANSWERS POSSIBLE)

- | | |
|---|---|
| <input type="checkbox"/> 1-Media, | <input type="checkbox"/> 5-LNCCI, CCI and business associations |
| <input type="checkbox"/> 2-Friends and family members | <input type="checkbox"/> 6-Industry and Commerce Dept. |
| <input type="checkbox"/> 3-Lao business partners | <input type="checkbox"/> 7-Other government authorities |
| <input type="checkbox"/> 4-Foreign business partners | <input type="checkbox"/> 8-Other, please specify_____ |

51. How do you think AEC will affect your business? (SINGLE ANSWER)

☐

① no effect, Skip to 52

⁴⁴ AEC= Asian Economic Community

⁴⁵ AFTA= Asian Free Trade Area

⁴⁶ WTO=World Trade Organization

- ② rather positive effect,
- ③ rather negative effect
- ④ don't know

51.a) What kind of impact do you expect from AEC?

- | | |
|--|---|
| <input type="checkbox"/> 1-new markets for export products and services, | <input type="checkbox"/> 5-less interest in investing in Laos |
| <input type="checkbox"/> 2-new opportunities to import product and services, | <input type="checkbox"/> 6-more competition by imported products and services |
| <input type="checkbox"/> 3-easier access to imported products and services, | <input type="checkbox"/> 7-better availability of qualified workers (from abroad) |
| <input type="checkbox"/> 4-more interest in investing in Laos, | <input type="checkbox"/> 8-less job opportunities for Lao workers |
| <input type="checkbox"/> 9-Other, please specify _____ | |

52. How do you think AFTA affects your business since it started in 2008?
(SINGLE ANSWER)

☐

- ① no effect, Skip to 52b
- ② rather positive effect,
- ③ rather negative effect
- ④ don't know

52.a) What kind of impact did AFTA bring to your business?

- | | |
|---|--|
| <input type="checkbox"/> 1-new markets for export products, | <input type="checkbox"/> 4-more competition by imported products and services, |
| <input type="checkbox"/> 2-new opportunities to import product, | <input type="checkbox"/> 5-more interest in investing in Laos |
| <input type="checkbox"/> 3-easier access to imported products, | <input type="checkbox"/> 6-less interest in investing in Laos |
| <input type="checkbox"/> 7-Other, please specify _____ | |

52.b) How do you think WTO affects your business since Laos became a member?

☐ (SINGLE ANSWER)

- ① no effect, Skip to 52d
- ② rather positive effect,
- ③ rather negative effect
- ④ don't know

52.c) What kind of impact did WTO bring to your business?

- | | |
|--|--|
| <input type="checkbox"/> 1-new markets for export products and services, | <input type="checkbox"/> 5-less interest in investing in Laos |
| <input type="checkbox"/> 2-new opportunities to import product and services, | <input type="checkbox"/> 6-more competition by imported products and |

HRDME Enterprise Survey 2013 for Lao PDR

services

- ☐ 3-easier access to imported products and services, ☐ 7-better availability of qualified workers (from abroad)
- ☐ 4-more interest in investing in Laos, ☐ 8-less job opportunities for Lao workers
- ☐ 9-Other, please specify_____

52.d) How does your company prepare for start of AEC in 2015?

(MULTIPLE ANSWERS POSSIBLE)

- ☐ 1 doing nothing
- ☐ 2 training staff
- ☐ 3 develop new product(s)/services
- ☐ 4 improving quality of product/service
- ☐ 5 searching for new market(s) in AEC
- ☐ 6 searching for new market(s) outside AEC
- ☐ 7 other, please specify_____

III. Problems and framework conditions of the business

Give respondent "problem rate" show card and ask for each items

53. Please rate in the following table internal problems your business might face currently:

Business-internal problems:	very big	big	Medium	small	no problem	don't know
a.Lack of management/	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4	<input type="checkbox"/> -5	<input type="checkbox"/> -98
b Lack of accounting skills	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4	<input type="checkbox"/> -5	<input type="checkbox"/> -98
c.Lack of technically skilled labor	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4	<input type="checkbox"/> -5	<input type="checkbox"/> -98
d.Lack of management staff	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4	<input type="checkbox"/> -5	<input type="checkbox"/> -98
e.Low level of technology	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4	<input type="checkbox"/> -5	<input type="checkbox"/> -98
f.Lack of market information	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4	<input type="checkbox"/> -5	<input type="checkbox"/> -98
g.Lack of capital	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4	<input type="checkbox"/> -5	<input type="checkbox"/> -98
h.High labour costs	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4	<input type="checkbox"/> -5	<input type="checkbox"/> -98
i.Low productivity/efficiency	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4	<input type="checkbox"/> -5	<input type="checkbox"/> -98

HRDME Enterprise Survey 2013 for Lao PDR

j. Other, specify:	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4	<input type="checkbox"/> -5	<input type="checkbox"/> -98
--------------------	-----------------------------	-----------------------------	-----------------------------	-----------------------------	-----------------------------	------------------------------

Give respondent "problem rate" show card and ask for each item

54. Please rate in the following table external problems your business might face currently:

Business-external problems:	very big	big	medium	small	no problem	don't know
a. Competition with domestic competitors	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4	<input type="checkbox"/> -5	<input type="checkbox"/> -98
b. Competition with foreign competitors	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4	<input type="checkbox"/> -5	<input type="checkbox"/> -98
c. Too high taxes & duties	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4	<input type="checkbox"/> -5	<input type="checkbox"/> -98
d. Other fees and unofficial payments	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4	<input type="checkbox"/> -5	<input type="checkbox"/> -98
e. Lack of infrastructure:						
1 - Roads	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4	<input type="checkbox"/> -5	<input type="checkbox"/> -98
2 - Water	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4	<input type="checkbox"/> -5	<input type="checkbox"/> -98
3 - Electricity	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4	<input type="checkbox"/> -5	<input type="checkbox"/> -98
4 - Telephone	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4	<input type="checkbox"/> -5	<input type="checkbox"/> -98
5 - Internet	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4	<input type="checkbox"/> -5	<input type="checkbox"/> -98
6 - Others	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4	<input type="checkbox"/> -5	<input type="checkbox"/> -98
f. Electricity prices	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4	<input type="checkbox"/> -5	<input type="checkbox"/> -98
g. Fuel prices	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4	<input type="checkbox"/> -5	<input type="checkbox"/> -98
h. Telecommunication prices	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4	<input type="checkbox"/> -5	<input type="checkbox"/> -98
i. Customs/foreign trade regulations	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4	<input type="checkbox"/> -5	<input type="checkbox"/> -98
j. Foreign currency exchange regulations	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4	<input type="checkbox"/> -5	<input type="checkbox"/> -98
k. Labor & safety regulations	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4	<input type="checkbox"/> -5	<input type="checkbox"/> -98
l. Re-registering with tax office	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4	<input type="checkbox"/> -5	<input type="checkbox"/> -98
m. Renew operating license	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4	<input type="checkbox"/> -5	<input type="checkbox"/> -98
n. Other	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4	<input type="checkbox"/> -5	<input type="checkbox"/> -98

55. If you have any problems with competitiveness, what are the main problems?
(MULTIPLE ANSWERS POSSIBLE)

- ☐ 1- no problem skip to 57
- ☐ 2-Low quality of own product/service
- ☐ 3-Too small scale of production
- ☐ 4-Unit cost/price of product/service
- ☐ 5-Unequal treatment by authorities
- ☐ 5-Protectionist measures
- ☐ 7-Other, specify.....

Interviewer, only ask new companies in the sample, old sample skip to 58:

56. Registering your business with the local authorities took? (SINGLE ANSWER)

(Whole process of licensing, until start of operation)

☐

- ① 1-5 days,
- ② 6-15 days,
- ③ 16-30 days,
- ④ 31-90 days,
- ⑤ more than 90 days

Interviewer, only ask new companies in the sample. If the enterprise in the old list skip to 58

57. (Ask new entries only) How many licenses/documents did you need to register your business? #

58. How many licenses/ documents do you need to reregister your business #

59. What type of documents do you have to submit to get the necessary licenses to run your business? (MULTIPLE ANSWERS POSSIBLE)

- | | |
|---|---|
| <input type="checkbox"/> 1-Application form | <input type="checkbox"/> 8-Criminal record, |
| <input type="checkbox"/> 2-Bank statement | <input type="checkbox"/> 9-CV of the owner |
| <input type="checkbox"/> 3-Location map | <input type="checkbox"/> 10-Asset declaration |
| <input type="checkbox"/> 4-Enterprise regulation | <input type="checkbox"/> 11-Import permit |
| <input type="checkbox"/> 5-Business plan | <input type="checkbox"/> 12-Business hand over certificate |
| <input type="checkbox"/> 6-Construction permits | <input type="checkbox"/> 13-Technical certification |
| <input type="checkbox"/> 7-Other contracts | <input type="checkbox"/> 14-Environmental impact assessment |
| <input type="checkbox"/> 15-other document, specify:_____ | |

Interviewer, only ask new companies in the sample. If the enterprise in the old list skip to 62

60. Did you have any problems when you started the business?

☐

① yes,

② no (if no skip to Q62)

Interviewer, only ask new companies in the sample. If the enterprise in the old list skip to 62

61. What were the most severe problems you faced when you started the business?
(MULTIPLE ANSWERS POSSIBLE)

☐ 1-Lack of working capital

☐ 9-Suppliers

☐ 2-Competitiveness

☐ 10-Marketing

☐ 3-Limitation of experiences

☐ 11-Lack of skilled labor in production

☐ 4-Taxation

☐ 12-Small production volume

☐ 5-Location

☐ 13-Too many procedures in business registration

☐ 6-Infrastructure

☐ 14-Product costing

☐ 7-Law enforcement

☐ 15-Language barrier

☐ 8-Lack of labor

☐ 16-Poor Banking Services

☐ 17-Other, please specify.....

62. How do you EVALUATE the current economic situation in general compared to 2 years ago? (SINGLE ANSWER)

☐

① better,

② about the same

③ worse,

④ don't know

Give respondent "helpful rate" show card and ask for each item

63. Please rate the facilitation of the central government now compared to 2 years ago regarding your businesses on the following scale:

	very helpful	helpful	neutral	unhelpful	very unhelpful
a.Now	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4	<input type="checkbox"/> -5
b.Two years ago	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4	<input type="checkbox"/> -5

Give respondent "helpful rate" show card and ask for each item

64. Please rate the facilitation of the local authorities now compared to 2 years ago regarding your businesses on the following scale:

HRDME Enterprise Survey 2013 for Lao PDR

	very helpful	helpful	neutral	unhelpful	very unhelpful
a.Now	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4	<input type="checkbox"/> -5
b.Two years ago	<input type="checkbox"/> -1	<input type="checkbox"/> -2	<input type="checkbox"/> -3	<input type="checkbox"/> -4	<input type="checkbox"/> -5

65. Did you get any notices about regulations related to your business?

(MULTIPLE ANSWERS POSSIBLE)

- ☐ 1-no (SINGLE CODE IF "NO")
- ☐ 2-yes, from local authorities
- ☐ 3-yes, from central authorities
- ☐ 4-yes, from LNCCI/BMOs
- ☐ 5-yes, from other sources, specify: _____

66. What business laws and regulations relating to your business do you know?

(MULTIPLE ANSWER POSSIBLE)

- | | |
|---|--|
| <input type="checkbox"/> 1-none (SINGLE CODE IF "NONE") | <input type="checkbox"/> 6-Accounting law, |
| <input type="checkbox"/> 2-Tax law | <input type="checkbox"/> 7-Criminal law |
| <input type="checkbox"/> 3-Investment law | <input type="checkbox"/> 8-Land law |
| <input type="checkbox"/> 4-Labor law | <input type="checkbox"/> 9-Bank regulation |
| <input type="checkbox"/> 5-Enterprise law | <input type="checkbox"/> 10-Other, please specify..... |

67. How did you get this information about laws and regulations

(MULTIPLE ANSWER POSSIBLE)

- ☐ 1-from media (Radio/TV, newspapers),
- ☐ 2-from special seminars organised by state agencies,
- ☐ 3-from special seminars organised by business institutions,
- ☐ 4-from related civil servants,
- ☐ 5-from other sources, specify: _____

68. Are you a member of any business organisation? If yes, which ones?

(MULTIPLE ANSWERS POSSIBLE)

- ☐ 1 None (SINGLE CODE IF "NONE")
- ☐ 2-LNCCI
- ☐ 3-Provincial CCI
- ☐ 4-Business Association at national level

- ☐ 5-Business Association at provincial level
- ☐ 6-Business Group
- ☐ 7-Other, specify.....

69. If you are a member, why?

(MULTIPLE ANSWERS POSSIBLE)

- | | |
|--|---|
| <input type="checkbox"/> 1-Marketing purpose | <input type="checkbox"/> 6-Access to Training |
| <input type="checkbox"/> 2-Because of the rule/regulation | <input type="checkbox"/> 7-More power in negotiating |
| <input type="checkbox"/> 3-Help in problem solving | <input type="checkbox"/> 8-Advocacy for business |
| <input type="checkbox"/> 4-to achieve fair competition in business | <input type="checkbox"/> 9-Share information and experience |
| <input type="checkbox"/> 5-Better organize business | <input type="checkbox"/> 10-Access to business services |
| <input type="checkbox"/> 11-Other, specify..... | |

70. Do you know about LBF⁴⁷ / PPPD⁴⁸? (MULTIPLE ANSWERS POSSIBLE)

- ☐ 1 no skip to 75
- ☐ 2- PPPD
- ☐ 3- LBF answer 73

71. Did you participate in PPPD processes?

☐

- ① yes,
- ② no

72. Do you think PPPD was helpful for doing business?

☐

- ① yes,
- ② no

73. Did you participate in LBF processes?

☐

- ① yes,
- ② no

74. Do you think LBF was helpful for doing business?

☐

- ① yes,
- ② no

⁴⁷ LBF= Loa Business Forum

⁴⁸ PPPD= Provincial Public Private Dialogue

IV. Skills

75. Did you (owner, manager) complete any vocational and technical skills training?

① yes,

☐

② no (if no skip to Q.78)

76. If yes, what is your profession?

1.....
2.....
3.....

77. Where did you receive this training? (*MULTIPLE ANSWERS POSSIBLE*)

☐ 1-in the family,

☐ 5-non-formal training course,

☐ 2-Self study,

☐ 6-by authorities,

☐ 3-from friends,

☐ 7-vocational or technical school,

☐ 4-project,

☐ 8-other, specify: _____

78. What type of professional training does your management and office staff have?
(*MULTIPLE ANSWERS POSSIBLE*) (Please indicate also numbers in relation to Q21a)

☐ 1-none

☐ 2-trained in the company, _____persons,

☐ 3-short course training outside the company, _____persons,

☐ 4-graduated from public vocational or technical school, _____persons,

☐ 5-graduated from private school/college, _____persons,

☐ 6-graduated from university, _____persons,

☐ 7-Other, specify _____, _____persons.

79. What type of professional training do your workers and technical staff have?
(*MULTIPLE ANSWERS POSSIBLE*)

☐ 1-none

☐ 2-trained in the company, _____persons

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- ☐ 3-short course training outside the company, _____persons
- ☐ 4-graduated from public vocational or technical school, _____persons
- ☐ 5-graduated from private school/college, _____persons
- ☐ 6-graduated from university, _____persons
- ☐ 7-Other, specify _____persons

79.a) In which fields did your staff graduate (please insert number of staff in respective level of qualification?)

	unskilled	Semi-skilled	Technician	Higher diploma	Bachelor	Master	PhD
Business administration							
Accounting							
General mechanics							
Automotive							
Construction							
Electric/Electronics							
Woodworking							
IT							
Hospitality							
Agriculture							
Finance/Banking							
Other (first important)							
Other, (second imp.)							

80. Suppose that you want to expand your business, what level of skills/training should your new employees have? (MULTIPLE ANSWERS POSSIBLE)

- ☐ 1-No skills
- ☐ 2-Some skills but no certificate
- ☐ 3-Graduated from a public vocational / technical school

HRDME Enterprise Survey 2013 for Lao PDR

- ☐ 4-Graduated from private school/college
- ☐ 5-Graduated from university
- ☐ 6-Don't know
- ☐ 7-Other, specify _____,

80.a) In which fields should your new staff graduate?

	unskilled	Semi-skilled	Technician	Higher diploma	Bachelor	Master	PhD
Business administration							
Accounting							
General mechanics							
Automotive							
Construction							
Electric/Electronics							
Woodworking							
IT							
Hospitality							
Agriculture							
Finance/Banking							
Other (first important)							
Other, (second imp.)							

80.b) Are you engaged or willing to engage in formal vocational training / DCT? ☐

- ① yes, already engaged in cooperation with(enter name of TVET school)
- ② not yet, but interested to accept apprentices
- ③ not interested.

81. Did you (owner / manager) have any management training when you started your business? ☐

- ① yes,

② no (if no skip to Q.84)

82. If yes, what kind of management training did you have?
(MULTIPLE ANSWERS POSSIBLE)

- | | |
|---|---|
| <input type="checkbox"/> 1-occupational health and safety | <input type="checkbox"/> 6-laws and regulations |
| <input type="checkbox"/> 2-cost calculation | <input type="checkbox"/> 7-quality management |
| <input type="checkbox"/> 3-business management | <input type="checkbox"/> 8-business finance |
| <input type="checkbox"/> 4-accounting | <input type="checkbox"/> 9-others, specify: _____ |
| <input type="checkbox"/> 5-marketing | |

83. From what source did you get this training? (MULTIPLE ANSWERS POSSIBLE)

- | | |
|--|--|
| <input type="checkbox"/> 1-in the family, | <input type="checkbox"/> 5-project, |
| <input type="checkbox"/> 2-from friends, | <input type="checkbox"/> 6-by authorities, |
| <input type="checkbox"/> 3-non-formal training course, | <input type="checkbox"/> 7-other, specify: _____ |
| <input type="checkbox"/> 4-vocational or technical school, | |

84. Since you started your business, did you (owner / manager) get any management training? ☐

① yes,

② no (if no skip to Q.87)

85. If yes, what kind of management training did you have?
(MULTIPLE ANSWERS POSSIBLE)

- | | |
|---|--|
| <input type="checkbox"/> 1-occupational health and safety | <input type="checkbox"/> 6-laws and regulations |
| <input type="checkbox"/> 2-cost calculation, | <input type="checkbox"/> 7-quality management, |
| <input type="checkbox"/> 3-business management, | <input type="checkbox"/> 8-business finance, |
| <input type="checkbox"/> 4-accounting, | <input type="checkbox"/> 9-others, specify: _____, |
| <input type="checkbox"/> 5-marketing, | |

86. From what source did you get this training? (MULTIPLE ANSWERS POSSIBLE)

- | | |
|--|--|
| <input type="checkbox"/> 1-in the family, | <input type="checkbox"/> 5-project, |
| <input type="checkbox"/> 2-from friends, | <input type="checkbox"/> 6-by authorities, |
| <input type="checkbox"/> 3-non-formal training course, | <input type="checkbox"/> 7-by BMO |
| <input type="checkbox"/> 4-vocational or technical school, | <input type="checkbox"/> 8-other, specify: _____ |

87. Do you (owner / manager) want to learn any skills in order to improve your own business? ☐

- ① yes,
② no (if no skip to Q.89)

88. If yes, what skills would you like to learn to improve your business?
(MULTIPLE ANSWERS POSSIBLE)

- | | |
|---|---|
| <input type="checkbox"/> 1-Formulate a business plan, | <input type="checkbox"/> 5-Informational management |
| <input type="checkbox"/> 2-Financial management, | <input type="checkbox"/> 6-Production management |
| <input type="checkbox"/> 3-Marketing management, | <input type="checkbox"/> 7-Technology management |
| <input type="checkbox"/> 4-legal framework for doing business | <input type="checkbox"/> 8-Quality management |
| <input type="checkbox"/> 9-HR management | <input type="checkbox"/> 10-Other, specify_____ |

89. Do you (owner / manager) want your employees to be trained? ☐

- ① yes,
② no (if no skip to Q.91)

90. If yes, what skills would you like your employees to learn?
(MULTIPLE ANSWERS POSSIBLE)

- | | |
|--|---|
| <input type="checkbox"/> 1-Customer service, | <input type="checkbox"/> 5-Operation of machinery and tools |
| <input type="checkbox"/> 2-Accounting, | <input type="checkbox"/> 6-Computer |
| <input type="checkbox"/> 3-Record keeping, | <input type="checkbox"/> 7-Documentation and filing |
| <input type="checkbox"/> 4-Foreign languages, specify_____ | <input type="checkbox"/> 8-Other, specify..... |

V. Business Development Services

91. Did you (owner / manager) ever get any advice for developing your business? ☐

- ① yes,
② no, if no go to Q.96

92. Whom did you ask for consultancy/recommendation for the development of your business or where did you get relevant information from ? (MULTIPLE ANSWERS POSSIBLE)

- | | |
|--|---|
| <input type="checkbox"/> 1-Spouse, | <input type="checkbox"/> 7-Development projects |
| <input type="checkbox"/> 2-Family members, | <input type="checkbox"/> 8-Professional providers through BDS network |

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- | | |
|--|--|
| <input type="checkbox"/> 3-Friends, | <input type="checkbox"/> 9-other professional providers |
| <input type="checkbox"/> 4-Business partners | <input type="checkbox"/> 10-media |
| <input type="checkbox"/> 5- BMOs | <input type="checkbox"/> 11-internet |
| <input type="checkbox"/> 6-Government agencies | <input type="checkbox"/> 12-others (please specify)_____ |

93. Did you pay for such kind of advice? If yes, how much (for the last 12 months)
(SINGLE ANSWER) ☐

- ① No
- ② up to 1 million Kip
- ③ million to 10 million Kip
- ④ more than 10 million Kip
- ⑤ don't know

94. Why did you choose this provider? (MULTIPLE ANSWERS POSSIBLE)

- ☐ 1-professional service
- ☐ 2-cost efficiency
- ☐ 3-fast delivery of services
- ☐ 4-best fit to my demand
- ☐ 5-Other, specify.....

95. How do you know about these service providers? (MULTIPLE ANSWERS POSSIBLE)

- ☐ 1-from media
- ☐ 2-special seminars organized by state agencies
- ☐ 3-special seminars organized by business institutions
- ☐ 4-related civil servants
- ☐ 5-promotion for BDS network
- ☐ 6-Other, specify.....

95.a) In which fields did you receive services? (MULTIPLE ANSWERS POSSIBLE)

- | | |
|--|---|
| <input type="checkbox"/> 1-Lao business relevant laws/regulations, | <input type="checkbox"/> 6-Effects of WTO accession, |
| <input type="checkbox"/> 2-Tax related issues, | <input type="checkbox"/> 7-Effects of AEC, |
| <input type="checkbox"/> 3-Accounting, | <input type="checkbox"/> 8-Training of staff/workers, |
| <input type="checkbox"/> 4-Access to financing/financing | <input type="checkbox"/> 9-Writing of loan/project proposals, |
| <input type="checkbox"/> 5-Role of/membership in BMOs | <input type="checkbox"/> 10-others (please specify)_____ |

VI. Business Taxes and Business Finance

96. Which type of taxes are you paying?

☐

- ① Tax according to accounting system,
- ② Lump sum tax, (IF Lump sum tax skip to Q 98)

97. What kind of taxes are you paying? *(MULTIPLE ANSWERS POSSIBLE)*

- ☐ 1-Profit tax
- ☐ 2-Excise tax
- ☐ 3-Income tax
- ☐ 4-Excise tax
- ☐ 5-Value added tax
- ☐ 6- Business Turnover tax
- ☐ 7-Other, specify.....

98. How much tax do you pay on average per month currently?

Amount: _____ kip

99. How much tax did you pay on average per month last year?

Amount: _____ kip

100. Do you have a bank account, and where? *(MULTIPLE ANSWERS POSSIBLE)*

- ☐ 1 no,
- ☐ 2-at a bank in my home town/ban
- ☐ 3-at a bank in the district center
- ☐ 4-at a bank in the provincial center
- ☐ 5-at a local savings institution
- ☐ 6-Other, please specify _____,

101. Did your business receive any external financing?

☐

- ① yes,
- ② no, because I don't need a loan (skip to Q104)
- ③ no, because of no access to source of finance (skip to Q104)

102. If yes, from what sources? *(MULTIPLE ANSWERS POSSIBLE)*

- ☐ 1-from suppliers,
- ☐ 2-from family members,
- ☐ 3-from friends,
- ☐ 4-from money lenders,
- ☐ 5-from banks,
- ☐ 6-from micro-credit schemes,
- ☐ 7-from relatives
- ☐ 8-from other sources others, specify:.....

103. What did you use the funds for? *(MULTIPLE ANSWERS POSSIBLE)*

- ☐ 1-machinery,
- ☐ 8-training

HRDME Enterprise Survey 2013 for Lao PDR

- | | |
|--|--|
| <input type="checkbox"/> 2-business buildings, | <input type="checkbox"/> 9-supporting for exports |
| <input type="checkbox"/> 3-business vehicles | <input type="checkbox"/> 10-imports |
| <input type="checkbox"/> 4-marketing | <input type="checkbox"/> 11-Repare my private house |
| <input type="checkbox"/> 5-local inputs | <input type="checkbox"/> 12-Purchase private vehicle |
| <input type="checkbox"/> 6-office equipment, | <input type="checkbox"/> 13-Other, specify..... |
| <input type="checkbox"/> 7-land | |

104. If you are going to expand your business, do you need any financing? ☐

- ① yes,
- ② no, skip to VII additional comment
- ③ I will not expand, skip to VII additional comment)

105. How much financing do you need to expand your business?

Short term (up to 6 months) _____ Kip

Long term _____ Kip

106. From what source do you expect to receive those funds?

(MULTIPLE ANSWERS POSSIBLE)

- | | |
|---|--|
| <input type="checkbox"/> 1-from suppliers, | <input type="checkbox"/> 5-from banks, |
| <input type="checkbox"/> 2-from family members, | <input type="checkbox"/> 6-from micro-credit schemes, |
| <input type="checkbox"/> 3-from friends, | <input type="checkbox"/> 7-from other sources others _____ |
| <input type="checkbox"/> 4-from money lenders, | <input type="checkbox"/> 8-from relatives |

107. What will you use the funds for? *(MULTIPLE ANSWERS POSSIBLE)*

- | | |
|--|--|
| <input type="checkbox"/> 1-machinery, | <input type="checkbox"/> 8-training |
| <input type="checkbox"/> 2-business buildings, | <input type="checkbox"/> 9-supporting for exports |
| <input type="checkbox"/> 3-business vehicles | <input type="checkbox"/> 10-imports |
| <input type="checkbox"/> 4-marketing | <input type="checkbox"/> 11-Repare my private house |
| <input type="checkbox"/> 5-local inputs | <input type="checkbox"/> 12-Purchase private vehicle |
| <input type="checkbox"/> 6-office equipment, | <input type="checkbox"/> 13-Other, specify..... |
| <input type="checkbox"/> 7-land | |

VII. Do you have any things to say that we did not ask you?

VIII. Please feel free to add any comments:

Comments or observation from the enumerator:

Thanks for your information

Annex 2: Analysis of Internal and External Problems (ES2013)

It is quite difficult to identify the most serious internal and external constraints by simply summarizing percentages. Therefore an index to evaluate these problems was developed. Perceptions of problem severity were coded as follows: 1 = “very big”, 2 = “big”, 3 = “medium”, 4 = “small”; and 5 = “no problem”, responding to types of internal and external problems. An average rating for each problem was then calculated. The lower the average scores, the more serious the constraint was perceived to be.

After identifying the top four most serious constraints from this index, the characteristics of firms which face these constraints have been identified. This information may be used as an orientation for policy makers in order to formulate effective, fact based policies and strategies for improving the business environment. However, the information has to be set in context and has to be interpreted thoroughly with due care first.

A.2.1 Index of internal constraints

Table A.2.1-1 (see below) summarizes firms’ perceptions of internal constraints. Of the nine internal constraints included in the survey, the following had the lowest average score and are marked yellow in table A1 (i.e., were perceived to be the most severe):

- (1) Lack of capital
- (2) Low level of technology
- (3) Lack of technical skilled labor
- (4) Lack of management skills

Firms that expressed *the lack of capital* as a constraint were characterized by one or more of the following features:

- Not receiving external financing due to lack of access to financing sources
- No schooling (owner/manager education)
- Some primary education (owner/manager education)
- Limited partnership (Company’s legal status)
- Had problems when starting the business
- Vietnamese (owner nationality)
- Agriculture, forestry and fishing sector
- Mining and quarrying sector (ISIC Code)
- Water supply, sewage, etc. sector (ISIC Code)
- Luang Namtha province (Location)
- Luang Prabang province (Location)
- Size: Micro enterprises (1-2 persons)

Firms that identified *low level of technology* as a constraint were characterized by one or more of the following features:

- Sole limited company (Company’s legal status)
- Limited partnership (Company’s legal status)
- Participated in PPPD activities
- Participated in LBF activities
- Agriculture, forestry and fishing sector (ISIC Code)
- Mining and quarrying sector (ISIC Code)
- Water supply, sewage, etc. sector (ISIC Code)
- Vientiane Capital (Location)
- Luang Prabang province (Location)
- Size: Medium enterprises (20-99 persons)

Firms that identified *lack of technically skilled labor* as a constraint were characterized by one or more of the following features:

- Limited partnership (Company's legal status)
- Wholly owned foreign (Company's legal status)
- Agriculture, forestry and fishing sector (ISIC Code)
- Mining and quarrying sector (ISIC Code)
- Water supply, sewage, etc. sector (ISIC Code)
- Luang Namtha province (Location)
- Luang Prabang province (Location)
- Size: Large enterprises (100 or more people)

Firms which identified *the lack of management skills* as a constraint were characterized by one or more of the following features:

- Limited partnership (Company's legal status)
- Familiar with AFTA
- Familiar with WTO
- Participated in PPPD activities
- Participated in LBF activities
- Agriculture, forestry and fishing sector (ISIC Code)
- Mining and quarrying sector (ISIC Code)
- Luang Namtha province (Location)
- Luang Prabang province (Location)
- Size: Large enterprise (100 or more people)

A.2.2 Index of external constraints

Table A.2.2-1 (see below) summarizes firms' perceptions of external constraints. Of the 18 external constraints included in the ES2013, the following answer possibilities had the lowest average score (i.e., were perceived to be the most severe):

- (1) Competition with domestic competitors
- (2) Electricity prices
- (3) Too high taxes & duties

Firms which identified *competition with domestic competitors* as a constraint were characterized by one or more of the following features:

- No schooling (Owner/manager education)
- Limited partnership (Company's legal status)
- Profit decreased
- Number of employees decreased
- Familiar with AFTA
- Familiar with WTO
- Had problems when starting up the business
- Not receiving external financing due to lack of access to finance sources
- Mining and quarrying sector (ISIC Code)
- Real estate activities sector (ISIC Code)
- Human health and social work activities (ISIC Code)
- Luang Namtha province (Location)
- Luang Prabang province (Location)

- Size: Micro enterprise (1-2 persons)
- Size: Medium enterprise (20-99 persons)

Firms which identified *high electricity prices* as a constraint were characterized by one or more of the following features:

- Vietnamese (Owner nationality)
- Completed primary (Owner schooling)
- Limited partnership (Company's legal status)
- Profit decreased
- Number of employment decreased
- Familiar with WTO
- Have some problems when starting business
- Not receiving external financing due to lack of access to financing sources
- Water supply, sewerage, etc sector (ISIC Code)
- Other service activities sector (ISIC Code)
- Luang Namtha province (Location)
- Luang Prabang province (Location)
- Size: Large enterprise (100 above person)

The characteristics of firms which face the constraint on *too high taxes and duties* are as follows:

- Vietnamese (Owner nationality)
- Limited partnership
- Output decreased
- Number of employees decreased
- Know WTO
- Had problems when starting up the business
- Mining and quarrying sector (ISIC Code)
- Human health and social work activities sector (ISIC Code)
- Vientiane Capital (Location)
- Luang Prabang province (Location)
- Size: Large enterprise (100 or more people)

Table A.2.1-1: Firm characteristics associated with perceptions of (most severe) internal problems

Items	Business internal problems									
	Lack of management	Lack of accounting skills	Lack of technically skilled labor	Lack of management staff	Low level of technology	Lack of market information	Lack of capital	High labour costs	Low productivity/efficiency	Average
	a	b	c	d	e	f	g	h	i	
Average	3.69	3.87	3.69	3.81	3.65	3.72	3.10	3.73	3.77	3.67
Gender of owner-manager										
Male	3.74	3.88	3.71	3.86	3.66	3.72	3.17	3.73	3.81	3.70
Female	3.75	3.89	3.95	3.91	3.88	3.79	3.13	3.89	3.92	3.79
Nationality of owner-manager										
Lao	3.75	3.89	3.86	3.89	3.75	3.76	3.13	3.80	3.86	3.74
Vietnamese	3.29	3.57	3.71	3.71	4.43	3.86	2.14	4.14	4.57	3.71
Chinese	3.91	4.09	3.36	3.90	4.00	3.50	3.80	3.50	3.50	3.73
Other	3.50	4.00	3.00	3.80	4.14	3.90	4.11	4.30	4.11	3.87
Education of owner-manager										
No schooling	3.41	3.59	3.88	3.75	3.40	3.53	2.24	3.82	3.35	3.44
Some primary	3.56	3.78	4.33	4.38	3.75	3.75	2.22	4.11	4.33	3.80
Completed primary	3.63	3.72	3.73	3.83	3.70	3.76	2.94	3.72	3.76	3.64
Lower secondary	3.89	3.97	4.00	3.94	3.77	3.73	2.97	3.99	3.85	3.79
Upper secondary	3.70	3.83	3.96	4.01	3.86	3.65	3.24	3.86	3.90	3.78
Vocational	3.97	4.10	3.88	3.83	3.65	3.81	3.10	3.90	4.19	3.83
Technical	3.52	3.83	3.63	3.62	3.74	3.76	3.07	3.73	3.93	3.65
Higher	3.70	3.88	3.66	3.82	3.77	3.78	3.30	3.65	3.78	3.70
Post graduated	3.87	4.06	3.52	3.79	3.66	4.08	3.60	3.73	3.81	3.79
Ownership and form of enterprise										
Individual Enterprise	3.79	3.92	3.92	3.96	3.88	3.80	3.18	3.89	3.96	3.81
Sole Limited Company	3.31	3.50	3.21	3.36	2.91	3.17	2.75	3.39	3.11	3.19
Limited Company	3.93	4.00	3.50	3.64	3.56	3.96	3.70	3.44	3.80	3.73
Public Company	3.67	4.33	4.33	4.33	4.67	4.00	3.00	3.00	3.33	3.85
State Company	3.83	4.00	3.92	4.00	3.25	4.09	2.62	3.69	3.73	3.68
Mixed Company	4.00	4.40	3.80	4.60	4.60	4.60	3.60	3.80	5.00	4.27
Ordinary Partnership	3.75	4.13	3.63	3.50	3.86	3.63	3.75	3.75	4.14	3.79
Limited Partnership	2.00	3.33	2.33	2.67	2.67	3.67	2.33	2.67	2.67	2.70
Form of enterprise										
Domestic	3.75	3.88	3.84	3.88	3.75	3.74	3.11	3.81	3.86	3.74
Joint-venture	3.63	4.17	4.17	4.29	4.26	4.17	3.71	4.00	4.36	4.08
Wholly owned foreign	3.55	3.86	2.76	3.60	3.53	3.67	3.89	3.43	3.30	3.51
Export and non-export										
Export	3.63	3.73	3.58	3.65	3.53	3.73	3.28	3.66	3.67	3.60
Non-export	3.79	3.96	3.92	3.98	3.86	3.77	3.10	3.87	3.94	3.80
Business develop in 2013 compared to 2012										
Output										
Increase	3.67	3.82	3.76	3.77	3.74	3.75	3.12	3.80	3.89	3.70
Remain the same	3.73	3.87	3.79	3.89	3.66	3.80	3.23	3.89	3.89	3.75
Decrease	3.79	3.91	3.86	3.91	3.68	3.69	3.02	3.63	3.73	3.69
Profit										
Increase	3.71	3.86	3.78	3.78	3.82	3.78	3.22	3.86	3.93	3.75
Remain the same	3.72	3.86	3.86	3.94	3.60	3.82	3.14	3.90	3.85	3.74
Decrease	3.73	3.84	3.79	3.86	3.67	3.65	2.98	3.54	3.71	3.64
Number of employees										
Increase	3.48	3.33	3.50	3.47	3.63	3.04	3.76	3.67	3.67	3.51
Remain the same	3.82	3.96	3.97	3.84	3.84	3.19	3.91	3.94	3.94	3.82
Decrease	3.56	3.61	3.66	3.53	3.54	2.94	3.12	3.60	3.60	3.46

Table A.2.1-1 Con't: Firm characteristics associated with perceptions of (most severe) internal problems

		Lack of management	Lack of accounting skills	Lack of technically skilled labor	Lack of management staff	Low level of technology	Lack of market information	Lack of capital	High labour costs	Low productivity/efficiency	Average
		a	b	c	d	e	f	g	h	i	
Made some new investments last year (2011/12)											
	Invested last year	3.70	3.82	3.71	3.75	3.62	3.69	2.94	3.69	3.71	3.62
	Didn't invested last year	3.77	3.93	3.89	3.97	3.85	3.79	3.29	3.89	3.96	3.82
Owner-manager has investment plan for business											
	Has investment plan	3.64	3.76	3.65	3.75	3.59	3.64	2.96	3.71	3.67	3.60
	Has not investment plan	3.82	3.98	3.94	3.98	3.88	3.84	3.30	3.88	4.00	3.85
Owner-manager and AEC, AFTA, WTO											
	Don't know AEC, AFTA, and WTO	3.78	3.95	4.02	3.97	3.92	3.89	3.22	3.91	4.00	3.85
	Know AEC	3.72	3.85	3.59	3.81	3.61	3.63	3.04	3.67	3.72	3.63
	Know AFTA	3.59	3.69	3.45	3.62	3.47	3.47	2.84	3.48	3.52	3.46
	Know WTO	3.60	3.67	3.45	3.67	3.47	3.48	2.99	3.57	3.53	3.49
When owner-manager started the business											
	Have some problems	3.61	3.78	3.68	3.66	3.62	3.44	2.62	3.90	3.59	3.55
	Have not any problems	3.76	3.90	3.83	3.91	3.77	3.79	3.21	3.80	3.89	3.76
Participation in PPPD processes											
	Participate in PPPD processes	3.40	3.57	3.63	3.41	3.43	3.49	2.92	3.58	3.54	3.44
	Non-participate in PPPD processes	3.78	3.92	3.84	3.94	3.80	3.79	3.18	3.83	3.90	3.77
Participate in LBF processes											
	Participate in LBF processes	3.37	3.46	3.38	3.36	3.22	3.56	3.06	3.44	3.33	3.35
	Non-participate in LBF processes	3.78	3.93	3.86	3.93	3.81	3.77	3.16	3.84	3.92	3.78
Completion vocational and technical skills training of owner-manger											
	Completed vocational/technical skills training	3.66	3.86	3.64	3.78	3.63	3.71	3.20	3.69	3.77	3.66
	Non-completed vocational/technical skills training	3.82	3.91	3.99	3.98	3.88	3.80	3.10	3.92	3.95	3.82
Receiving some external financing											
	Received external financing	3.60	3.74	3.66	3.70	3.55	3.63	2.80	3.58	3.66	3.55
	No receive- don't need a loan	3.90	4.03	4.04	4.07	3.98	3.88	3.64	4.09	3.99	3.96
	No receive-no access to source	3.67	3.86	3.58	3.82	3.68	3.71	2.63	3.60	4.07	3.62

Table A.2.1-1 Con't: Firm characteristics associated with perceptions of (most severe) internal problems

		Lack of management	Lack of accounting skills	Lack of technically skilled labor	Lack of management staff	Low level of technology	Lack of market information	Lack of capital	High labour costs	Low productivity/efficiency	Average
		a	b	c	d	e	f	g	h	i	
By Sectors											
	Agriculture, forestry and fishing	3.50	3.50	2.60	2.80	2.20	3.00	2.33	2.60	1.75	2.70
	Mining and quarrying	1.50	1.50	1.50	1.50	2.00	2.00	1.00	2.00	2.00	1.67
	Manufacturing	3.64	3.93	3.65	3.93	3.56	3.88	3.11	3.62	3.69	3.67
	Electricity, gas, steam and air conditioning supply	4.33	4.67	4.00	5.00	4.00	4.33	3.33	3.67	4.00	4.15
	Water supply; sewerage, etc	3.40	3.40	2.40	2.60	2.50	3.20	1.40	4.40	2.80	2.90
	Construction	3.71	3.82	3.50	3.79	3.29	3.88	2.44	3.12	3.59	3.46
	Wholesale and retail trade; repair of motor, etc	3.86	3.98	4.03	4.01	3.97	3.80	3.25	3.99	4.03	3.88
	Transportation and storage	3.41	3.67	3.52	3.88	3.15	3.38	2.85	3.64	3.67	3.46
	Accommodation and food service activities	3.51	3.61	3.69	3.63	3.91	3.63	3.13	3.75	3.81	3.63
	Information and communication	3.50	3.38	3.38	3.29	3.33	3.67	3.29	4.00	3.14	3.44
	Financial and insurance activities	3.75	3.88	3.63	3.50	4.13	3.75	3.88	3.13	3.57	3.69
	Real estate activities	4.00	4.00	4.00	4.00	4.00	4.00	2.00	4.00	4.00	3.78
	Professional, scientific and technical activities	4.50	4.25	4.00	4.17	3.71	3.67	4.00	3.71	4.14	4.02
	Administrative and support service activities	3.70	4.07	3.93	4.00	3.59	3.83	3.72	4.25	4.15	3.92
	Education	4.40	4.40	3.70	4.40	3.78	4.10	3.20	3.30	3.89	3.91
	Human health and social work activities	4.50	4.50	4.50	4.50	4.00	4.50	4.50	4.50	4.00	4.39
	Arts, entertainment and recreation	4.75	5.00	4.75	4.50	3.67	5.00	3.75	4.75	5.00	4.57
	Other service activities	4.20	4.30	3.88	3.78	3.11	3.50	2.89	3.90	3.67	3.69
	Activities of extraterritorial organizations and bodies	4.00	4.33	4.00	4.40	3.25	3.67	2.50	3.50	4.17	3.76
By Province											
	Vientiane Capital	3.80	3.94	3.84	4.05	3.73	3.88	3.36	3.65	3.83	3.79
	Luangnamtha	3.41	3.58	3.79	3.62	3.89	3.45	2.47	3.75	3.89	3.54
	Luangprabang	3.59	3.75	3.62	3.57	3.49	3.60	2.62	3.66	3.61	3.50
	Savannakhet	4.01	4.09	3.98	4.11	3.93	3.86	3.63	3.96	3.95	3.95
	Champasack	3.73	3.92	3.85	3.90	3.81	3.80	3.31	4.01	4.07	3.82
By Firm Size											
	Micro Enterprise (1-2 persons)	3.90	4.01	4.12	4.07	4.04	3.76	3.01	4.06	4.04	3.89
	Small Enterprise (3-19 persons)	3.74	3.89	3.82	3.89	3.77	3.76	3.24	3.78	3.89	3.75
	Medium Enterprise (20-99 persons)	3.55	3.71	3.44	3.59	3.33	3.70	2.95	3.53	3.46	3.47
	Large Enterprise (100 and above person)	3.50	3.68	3.14	3.59	3.38	3.86	3.41	3.73	3.76	3.56

Table A.2.2-1: Firm characteristics associated with perceptions of (most severe) external problems

Items		Business-external problems																
		Competition with domestic competitors	Competition with foreign competitors	Too high taxes & duties	Other fees and unofficial payments	e. Lack of infrastructure:					Electricity prices	Fuel prices	Telecommunication prices	Customs/foreign trade regulations	Foreign currency exchange regulations	Labor & safety regulations	Re-registering with tax office	Renew operating license
						Roads	Water	Electricity	Telephone	Internet								
a	b	c	d	e1	e2	e3	e4	e5	f	g	h	i	j	k	l	m		
Average		2.62	3.83	2.94	3.68	3.86	4.15	4.12	4.40	4.18	2.79	3.21	3.84	3.77	3.36	4.08	3.96	4.10
Gender of owner-manager																		
Male		2.74	3.86	3.08	3.74	3.83	4.13	4.19	4.41	4.22	2.89	3.25	3.80	3.79	3.38	4.07	3.90	4.04
Female		2.55	3.97	2.80	3.63	3.86	4.08	4.06	4.31	4.20	2.66	3.34	3.91	3.74	3.30	4.17	3.91	4.05
Nationality of owner-manager																		
Lao		2.64	3.92	2.95	3.68	3.84	4.10	4.13	4.35	4.22	2.78	3.28	3.84	3.78	3.36	4.12	3.91	4.05
Vietnamese		3.29	4.14	2.00	3.57	3.43	4.14	3.86	4.57	4.33	2.57	3.57	4.33	4.00	4.00	4.29	3.86	4.14
Chinese		2.73	3.67	3.30	4.10	4.36	4.36	4.00	4.91	4.56	2.82	3.36	4.36	3.55	3.00	4.56	4.45	4.36
Other		2.70	3.90	3.40	3.56	4.00	3.80	4.00	4.20	3.60	2.60	3.00	3.90	3.90	3.50	4.11	3.10	3.00
Education of owner-manager																		
No schooling		1.82	4.35	2.59	3.41	4.24	4.24	3.82	4.47	4.27	2.71	3.29	4.12	3.69	3.71	4.18	3.29	3.71
Some primary		3.44	4.25	2.75	3.44	4.33	4.67	4.22	4.67	5.00	2.67	3.33	4.11	4.00	3.25	4.44	4.22	4.44
Completed primary		2.68	3.94	2.63	3.47	3.74	3.81	3.95	4.25	4.38	2.37	2.97	3.72	3.66	3.17	4.11	3.77	3.87
Lower secondary		2.60	3.92	2.89	3.76	3.73	4.17	4.14	4.41	4.32	3.01	3.53	3.96	3.91	3.43	4.08	3.95	4.02
Upper secondary		2.71	3.83	2.95	3.81	3.95	4.06	4.18	4.32	4.32	2.73	3.32	3.88	3.86	3.43	4.22	3.97	4.17
Vocational		2.62	4.11	3.08	3.89	3.84	4.11	4.23	4.56	4.43	2.69	3.16	3.97	3.93	3.31	4.05	3.92	4.15
Technical		2.32	4.00	3.06	3.90	4.00	4.23	4.29	4.43	4.04	3.10	3.57	4.00	3.85	3.69	4.10	4.03	4.03
Higher		2.61	3.91	2.92	3.53	3.80	4.12	4.07	4.29	3.98	2.78	3.23	3.71	3.59	3.16	4.04	3.89	3.92
Post graduated		2.96	3.64	3.48	3.64	3.78	4.28	4.20	4.46	4.04	2.92	3.28	3.83	3.54	3.42	4.10	3.85	4.17
Ownership and form of enterprise																		
Individual Enterprise		2.64	3.92	2.96	3.73	3.83	4.07	4.09	4.33	4.22	2.74	3.34	3.90	3.85	3.40	4.20	4.00	4.11
Sole Limited Company		2.53	4.03	2.64	3.17	3.66	4.03	3.99	4.36	4.01	2.88	3.04	3.58	3.43	3.21	3.68	3.47	3.71
Limited Company		3.00	3.70	3.21	3.63	4.18	4.50	4.64	4.64	4.25	2.79	2.79	3.59	3.38	2.86	3.85	3.36	3.79
Public Company		2.67	4.00	3.00	4.00	4.67	4.67	4.67	4.67	4.67	3.67	3.67	2.67	2.67	2.67	2.33	3.00	2.33
State Company		2.77	3.82	3.67	4.00	4.08	4.62	4.62	4.69	4.08	3.31	3.15	4.15	4.09	3.38	4.25	3.85	4.23
Mixed Company		2.60	3.20	2.80	4.80	4.40	5.00	5.00	5.00	5.00	3.20	3.80	3.80	3.20	3.00	3.80	4.00	4.00
Ordinary Partnership		3.00	3.88	3.13	3.75	4.25	4.50	4.38	4.88	4.71	3.13	3.63	4.25	3.14	2.88	4.13	3.75	4.13
Limited Partnership		2.00	3.00	2.00	3.33	5.00	4.33	4.33	4.67	4.00	2.00	2.33	3.00	2.67	2.67	3.33	3.00	3.00
Form of enterprise																		
Domestic		2.64	3.94	2.93	3.69	3.82	4.09	4.11	4.34	4.20	2.76	3.28	3.85	3.79	3.36	4.12	3.91	4.05
Joint-venture		2.92	3.54	3.13	3.46	4.08	4.50	4.58	4.79	4.50	3.25	3.50	4.21	3.57	3.42	4.33	3.83	4.08
Wholly owned foreign		2.62	3.30	3.19	3.65	4.32	4.36	4.27	4.64	4.05	2.73	3.32	3.68	3.36	2.81	3.75	3.68	3.73
Export and non-export																		
Export		2.66	3.86	3.05	3.67	3.70	4.07	4.06	4.31	4.30	2.96	3.21	3.70	3.58	3.17	3.94	3.81	4.00
Non-export		2.65	3.93	2.90	3.69	3.91	4.13	4.15	4.39	4.17	2.70	3.32	3.92	3.84	3.42	4.20	3.94	4.06
Business develop in 2013 compared in 2012																		
Output																		
Increase		2.82	3.94	3.07	3.72	3.82	4.11	4.09	4.37	4.15	2.85	3.31	3.83	3.66	3.17	4.01	3.90	4.07
Remain the same		2.63	3.91	2.85	3.77	3.90	4.19	4.34	4.41	4.30	2.80	3.36	3.84	3.83	3.42	4.19	3.90	3.99
Decrease		2.24	3.81	2.66	3.52	3.85	4.07	4.07	4.37	4.10	2.51	3.23	3.97	3.88	3.47	4.27	3.85	4.04
Profit																		
Increase		2.78	3.97	3.10	3.73	3.85	4.14	4.15	4.38	4.18	2.84	3.32	3.86	3.70	3.19	4.03	3.96	4.13
Remain the same		2.86	4.00	2.81	3.78	3.87	4.20	4.27	4.41	4.35	2.85	3.42	3.84	3.80	3.43	4.15	3.88	3.94
Decrease		2.17	3.71	2.64	3.48	3.83	4.04	4.06	4.34	4.03	2.50	3.16	3.88	3.78	3.37	4.24	3.79	3.99
Number of employees																		
Increase		2.75	4.05	2.83	3.47	3.60	3.95	4.01	4.33	3.95	2.60	3.11	3.57	3.46	2.84	3.83	3.79	4.05
Remain the same		2.67	3.88	2.97	3.82	3.97	4.21	4.26	4.42	4.30	2.81	3.40	3.97	3.85	3.45	4.23	3.96	4.08
Decrease		2.04	3.77	2.56	3.18	3.57	3.86	3.78	4.27	3.97	2.46	3.05	3.83	3.74	3.38	4.08	3.69	3.87

Table A.2.2-1: Cont' Firm characteristics associated with perceptions of (most severe) external problems

Items	Business-external problems																
	Competition with domestic companies	Competition with foreign companies	Too high taxes & duties	Other fees and unofficial payments	e. Lack of infrastructure:					Electricity prices	Fuel prices	Telecommunication prices	Customs/foreign trade regulations	Foreign currency exchange regulations	Labor & safety regulations	Re-registering with tax office	Renew operating license
					Roads	Water	Electricity	Telephone	Internet								
a	b	c	d	e1	e2	e3	e4	e5	f	g	h	i	j	k	l	m	
Made some new investments last year																	
Invested last year	2.60	3.97	2.84	3.57	3.76	4.12	4.13	4.34	4.12	2.72	3.34	3.87	3.77	3.23	4.17	3.91	4.12
Didn't invested last year	2.68	3.87	3.02	3.76	3.90	4.10	4.13	4.38	4.27	2.82	3.26	3.84	3.76	3.42	4.09	3.90	3.99
Owner-manager has investment plan for business																	
Has investment plan	2.68	3.95	2.90	3.57	3.67	4.06	4.14	4.30	4.14	2.80	3.16	3.73	3.62	3.17	3.98	3.78	3.97
Has not investment plan	2.63	3.88	2.98	3.77	3.97	4.14	4.11	4.41	4.26	2.76	3.39	3.94	3.87	3.47	4.22	3.99	4.10
Owner-manager and AEC, AFTA, WTO																	
Don't know AEC, AFTA, and WTO	2.72	4.01	3.00	3.82	3.90	4.10	4.20	4.39	4.42	2.76	3.33	3.99	3.92	3.55	4.23	4.06	4.12
Know AEC	2.59	3.78	2.90	3.51	3.82	4.14	4.06	4.35	4.05	2.81	3.26	3.70	3.59	3.09	3.99	3.72	3.95
Know AFTA	2.44	3.66	2.80	3.43	3.66	4.06	3.93	4.25	3.88	2.71	3.24	3.67	3.44	3.00	3.96	3.62	3.90
Know WTO	2.46	3.71	2.77	3.48	3.67	4.10	3.98	4.26	3.88	2.76	3.24	3.64	3.51	3.02	3.98	3.67	3.90
When owner-manager started the business																	
Have some problems	2.33	3.84	2.75	3.67	3.67	3.97	4.03	4.26	4.00	3.00	3.51	4.06	3.81	3.18	4.00	3.63	3.66
Have not any problems	2.68	3.92	2.97	3.69	3.87	4.12	4.14	4.37	4.23	2.75	3.27	3.83	3.76	3.36	4.13	3.93	4.08
Participation in PPPD																	
Participate in PPPD	2.63	3.69	3.08	3.63	3.60	3.93	4.00	4.15	3.88	2.97	3.24	3.86	3.82	3.45	4.17	3.96	4.15
Non-participate in PPPD	2.65	3.94	2.93	3.69	3.87	4.13	4.14	4.39	4.26	2.76	3.30	3.85	3.76	3.33	4.11	3.90	4.03
Participate in LBF processes																	
Participate in LBF	2.52	3.57	3.00	3.56	3.37	3.89	3.87	4.08	3.81	2.78	3.05	3.70	3.66	3.37	3.90	3.81	3.98
Non-participate in LBF	2.66	3.94	2.94	3.70	3.89	4.13	4.15	4.39	4.26	2.78	3.31	3.87	3.77	3.34	4.14	3.91	4.05
Completion technical skills training																	
Completed	2.67	3.94	2.99	3.68	3.80	4.15	4.16	4.37	4.14	2.80	3.26	3.81	3.66	3.30	4.05	3.78	3.94
Non-completed	2.63	3.88	2.90	3.69	3.89	4.07	4.09	4.36	4.28	2.76	3.33	3.90	3.87	3.39	4.19	4.03	4.14
Receiving some external financing																	
Received external financing	2.73	3.81	2.95	3.72	3.82	4.11	4.14	4.33	4.11	2.79	3.23	3.86	3.71	3.22	4.04	3.89	4.01
No receive-they don't need a loan	2.62	4.03	3.10	3.83	3.95	4.12	4.16	4.40	4.31	2.85	3.39	3.83	3.89	3.53	4.22	4.03	4.18
No receive- no access to source of finance	2.49	3.81	2.42	3.12	3.61	4.07	3.97	4.35	4.18	2.49	3.14	3.89	3.49	3.14	4.02	3.54	3.68

Table A.2.2-1 Con't: Firm characteristics associated with perceptions of (most severe) external problems

Items		Business-external problems																
		Competition with domestic	Competition with foreign c	Too high taxes & duties	Other fees and unofficial pa	e. Lack of infrastructure:					Electricity prices	Fuel prices	Telecommunication prices	Customs/foreign trade regu	Foreign currency exchange	Labor & safety regulations	Re-registering with tax offi	Renew. operating license
						Roads	Water	Electricity	Telephone	Internet								
a	b	c	d	e1	e2	e3	e4	e5	f	g	h	i	j	k	l	m		
By Sectors																		
Agriculture, forestry and fishing		3.67	3.50	3.00	3.60	4.83	4.83	5.00	4.83	5.00	3.83	3.83	3.33	3.00	3.00	3.83	3.17	3.17
Mining and quarrying		1.00	3.50	1.50	3.00	2.00	1.50	2.00	2.50	2.00	2.50	2.00	2.50	2.50	1.50	4.00	3.50	3.50
Manufacturing		2.89	4.09	2.89	3.75	3.70	3.96	4.12	4.31	4.35	2.64	3.19	3.94	3.92	3.58	4.26	3.99	4.11
Electricity, gas, steam, etc		2.67	3.33	2.67	4.00	3.33	3.67	3.33	5.00	4.67	2.67	2.67	3.67	3.33	2.67	4.00	4.33	4.33
Water supply; sewerage, etc		2.60	4.60	2.80	3.20	3.40	3.40	3.20	3.80	4.00	2.00	3.00	4.00	4.00	4.00	4.00	4.00	4.60
Construction		2.85	3.82	3.09	3.64	4.09	4.09	4.38	4.56	4.42	2.91	2.85	3.94	3.94	3.41	4.12	4.03	4.06
Wholesale and retail trade; repair, etc		2.68	3.80	2.99	3.76	3.99	4.17	4.17	4.41	4.34	2.86	3.34	3.82	3.75	3.21	4.13	3.93	4.11
Transportation and storage		2.46	4.12	2.75	3.50	3.48	4.14	4.14	4.36	4.09	2.93	2.36	3.30	3.38	3.15	3.35	3.30	3.59
Accommodation and food service activities		2.38	4.02	2.75	3.52	3.66	4.03	4.06	4.28	4.01	2.57	3.49	3.98	3.68	3.44	4.13	3.85	3.85
Information and communication		2.25	4.00	3.38	3.14	3.88	4.88	4.50	4.50	3.88	3.38	3.14	4.38	3.86	3.83	4.50	4.88	4.88
Financial and insurance activities		2.13	2.88	2.88	3.00	3.38	4.00	3.38	4.00	3.75	2.50	2.75	3.13	3.13	3.25	3.50	3.50	3.50
Real estate activities		2.00	3.00	5.00	5.00	5.00	5.00	5.00	5.00	4.00	3.00	3.00	5.00	5.00	5.00	5.00	5.00	5.00
Professional, scientific and technical activities		3.75	3.86	2.63	4.00	4.25	4.50	4.38	4.75	4.13	3.13	4.38	4.13	4.43	3.00	4.43	3.88	4.25
Administrative and support service activities		2.47	4.07	3.23	3.75	3.77	4.13	3.90	4.20	3.62	2.90	3.37	3.73	3.71	3.33	4.14	3.73	4.03
Education		2.80	4.89	3.80	4.11	4.50	4.60	4.50	4.90	4.67	3.00	3.67	3.90	3.40	3.60	4.20	3.50	4.00
Human health and social work activities		1.00	2.00	2.50	4.00	3.50	4.50	4.50	4.50	3.50	2.50	3.00	4.00	3.50	3.00	3.50	4.50	4.50
Arts, entertainment and recreation		2.25	5.00	3.75	4.00	3.25	4.50	3.75	4.25	4.50	3.00	4.75	5.00	4.75	4.50	4.25	4.67	4.67
Other service activities		3.40	4.00	3.60	3.80	3.50	4.00	3.80	4.20	4.33	2.40	3.50	4.33	4.50	4.00	4.56	4.75	4.56
Activities of extraterritorial organizations		2.80	3.00	2.40	3.83	4.00	3.67	4.00	4.17	4.20	2.20	2.50	3.00	4.25	3.00	4.00	4.00	4.20
By Province																		
Vientiane Capital		2.66	3.75	2.82	3.49	3.73	4.20	4.04	4.41	4.08	2.79	3.32	3.84	3.71	3.58	4.20	3.89	4.08
Luangnamtha		2.31	3.67	2.89	3.86	4.25	4.12	4.12	4.42	4.46	2.55	3.42	4.04	3.68	2.95	4.04	3.79	3.88
Luangprabang		2.25	4.01	2.64	3.63	3.91	3.88	4.01	4.22	3.87	2.55	3.27	3.95	3.73	3.30	4.17	3.83	3.92
Savannakhet		2.97	3.97	3.24	3.82	3.95	4.14	4.22	4.38	4.40	2.90	3.20	3.76	3.77	3.27	4.04	4.09	4.22
Champasack		2.89	4.04	3.12	3.75	3.62	4.20	4.24	4.41	4.38	2.97	3.31	3.78	3.90	3.41	4.10	3.86	4.03
By Firm Size																		
Micro Enterprise (1-2 persons)		2.59	4.12	2.90	3.74	3.94	3.98	4.02	4.30	4.37	2.81	3.32	3.91	3.89	3.44	4.11	3.94	4.01
Small Enterprise (3-19 persons)		2.66	3.85	2.98	3.69	3.85	4.12	4.14	4.38	4.21	2.76	3.32	3.88	3.76	3.33	4.17	3.93	4.08
Medium Enterprise (20-99 persons)		2.58	3.98	2.90	3.64	3.68	4.22	4.17	4.38	4.07	2.81	3.24	3.74	3.67	3.33	4.06	3.85	3.97
Large Enterprise (100 above person)		3.29	3.43	2.82	3.41	3.68	4.45	4.41	4.50	4.00	2.73	2.82	3.45	3.29	3.00	3.55	3.32	3.82

Annex 3: ES2013 Findings by Province**Table A.3.1: Percentage share - gender of owner/manager**

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
Male	52,05	44,16	52,90	50,32	57,86	52,30
Female	47,95	55,84	47,10	49,68	42,14	47,70
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.3.2: Percentage share - age of owner/manager

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
<30	10,53	19,48	9,62	8,92	8,75	10,50
30-40	20,47	29,87	25,00	29,94	18,75	24,10
41-50	28,07	27,27	33,97	36,94	32,50	32,20
51-60	25,15	14,29	18,59	14,01	25,63	20,20
>60	15,79	9,09	12,82	10,19	14,38	12,90
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.3.3: Percentage share - nationality of owner/manager

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
Lao	95,32	96,10	94,87	95,54	92,50	94,70
Other	4,68	3,90	5,13	4,46	7,50	5,30
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.3.4: Percentage share - education of owner/manager

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
No schooling	2,92	1,30	4,49	0,00	1,88	2,20
Some primary	2,34	1,30	0,64	1,28	0,63	1,20
Completed primary	8,77	23,38	12,18	8,97	4,38	10,10
Lower secondary	11,70	22,08	20,51	15,38	15,00	16,20
Upper secondary	20,47	22,08	22,44	34,62	28,75	26,00
Vocational	6,43	7,79	10,26	7,05	10,63	8,50
Technical	5,85	0,00	5,77	3,85	3,75	4,30
Higher	26,32	19,48	20,51	24,36	26,25	23,90
Post graduated	15,20	2,60	3,21	4,49	8,75	7,50
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.3.5: Percentage share - primary (largest) customer(s)

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
Individual customers	39,40	48,09	52,19	40,52	39,56	42,94
Urban merchants	17,91	16,79	12,75	18,95	18,04	17,10
Urban businesses	18,81	12,98	10,36	15,69	13,92	14,79
Rural merchants	6,57	6,87	9,96	9,15	6,01	7,69
Rural businesses	4,78	6,11	6,77	6,86	6,33	6,12
Exporters	5,67	3,82	1,59	1,96	2,85	3,21
Direct export (customers abroad)	3,58	3,05	0,80	2,94	6,01	3,44
Other	3,28	2,29	5,58	3,92	7,28	4,71
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.3.6: Percentage share - origin of inputs

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
Gather/collect self	2,98	7,79	8,33	0,65	3,14	4,20
Purchase Lao PDR	64,29	77,92	75,00	70,32	74,84	71,70
Purchase Thailand	23,81	6,49	12,82	22,58	15,09	17,30

HRDME Enterprise Survey 2013 for Lao PDR

Purchase Vietnam	2,98	0,00	0,64	2,58	1,26	1,70
Purchase Chinese	1,79	7,79	2,56	0,65	1,89	2,40
Other imports	4,17	0,00	0,64	3,23	3,77	2,70
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.3.7: Percentage share - firms using computer

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
Yes	71,93	36,36	46,15	45,86	50,63	52,15
No	28,07	63,64	53,85	54,14	49,38	47,85
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.3.8: Percentage share - purpose of using computers

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
Do not use computer	9,14	39,84	25,77	25,00	21,41	20,50
Text processing	18,67	15,45	15,95	14,71	14,91	16,28
Accounting	19,24	17,07	17,48	16,47	18,43	18,00
Customer relations	13,14	4,07	10,74	12,65	13,82	12,06
Producing own advertisement	9,14	1,63	6,44	5,00	5,42	6,42
Market research	9,52	2,44	6,44	9,12	7,05	7,78
Internet use	17,14	15,45	14,72	14,12	14,91	15,45
E-commerce	3,62	0,81	1,23	1,76	2,71	2,38
Other	0,38	3,25	1,23	1,18	1,36	1,13
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.3.9: Percentage share - business development in 2012/13 compared to 2011/12

Output	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
Increase	44,37	45,45	41,89	41,94	43,08	43,20
Remain the same	23,18	30,30	20,95	32,26	26,92	25,68
Decrease	31,13	24,24	37,16	25,81	29,23	30,61
Don't know	1,32	0,00	0,00	0,00	0,77	0,51
Total	100,00	100,00	100,00	100,00	100,00	100,00
Turnover						
Increase	45,10	45,45	41,89	40,86	45,38	43,73
Remain the same	19,61	28,79	20,27	32,26	20,77	23,05
Decrease	34,64	25,76	37,84	26,88	33,85	33,05
Don't know	0,65	0,00	0,00	0,00	0,00	0,17
Total	100,00	100,00	100,00	100,00	100,00	100,00
Profit						
Increase	41,18	45,45	40,54	40,22	43,08	41,77
Remain the same	22,88	27,27	19,59	31,52	23,85	24,11
Decrease	35,29	27,27	39,86	27,17	32,31	33,62
Don't know	0,65	0,00	0,00	1,09	0,77	0,51
Total	100,00	100,00	100,00	100,00	100,00	100,00
Number of Employees						
Increase	19,74	6,06	17,57	21,51	22,90	18,64
Remain the same	59,87	83,33	66,89	70,97	61,83	66,44
Decrease	18,42	9,09	13,51	7,53	15,27	13,73
Don't know	1,97	1,52	2,03	0,00	0,00	1,19
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.3.10: Percentage share - business development during the last six months compared to the same period of the year before

Output	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
Increase	33,77	42,42	37,84	44,09	50,77	41,16
Remain the same	34,44	37,88	31,08	33,33	22,31	31,12

HRDME Enterprise Survey 2013 for Lao PDR

Decrease	31,13	19,70	31,08	22,58	26,92	27,55
Don't know	0,66	0,00	0,00	0,00	0,00	0,17
Total	100,00	100,00	100,00	100,00	100,00	100,00
Turnover						
Increase	36,60	43,94	37,84	44,09	52,31	42,37
Remain the same	29,41	33,33	27,70	33,33	17,69	27,46
Decrease	33,99	22,73	34,46	22,58	30,00	30,17
Don't know	0,00	0,00	0,00	0,00	0,00	0,00
Total	100,00	100,00	100,00	100,00	100,00	100,00
Profit						
Increase	33,55	43,94	37,16	43,01	50,39	40,82
Remain the same	31,58	33,33	25,00	34,41	18,60	27,72
Decrease	34,87	22,73	37,16	22,58	31,01	31,29
Don't know	0,00	0,00	0,68	0,00	0,00	0,17
Total	100,00	100,00	100,00	100,00	100,00	100,00
Number of Employees						
Increase	17,11	9,09	14,86	21,51	27,91	18,71
Remain the same	65,79	84,85	66,89	68,82	62,02	67,86
Decrease	15,79	4,55	15,54	9,68	9,30	12,07
Don't know	1,32	1,52	2,70	0,00	0,78	1,36
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.3.11: Percentage share - firms investing last year (2011/12)

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
Yes, I invested	45,10	48,48	55,03	40,00	38,69	45,40
No, I didn't invest	54,90	51,52	44,97	60,00	61,31	54,60
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.3.12: Percentage share - expectations regarding the development of business in the next 2 years

Output	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
Increase	64,33	68,83	64,10	63,69	65,63	64,91
Remain the same	18,13	16,88	21,15	18,47	21,25	19,42
Decrease	8,77	5,19	10,26	11,46	8,13	9,15
Don't know	8,77	9,09	4,49	6,37	5,00	6,52
Total	100,00	100,00	100,00	100,00	100,00	100,00
Turnover						
Increase	65,50	68,83	65,38	64,33	68,75	66,30
Remain the same	17,54	16,88	17,95	17,20	18,13	17,61
Decrease	10,53	5,19	12,18	11,46	8,13	9,99
Don't know	6,43	9,09	4,49	7,01	5,00	6,10
Total	100,00	100,00	100,00	100,00	100,00	100,00
Profit						
Increase	63,74	66,23	64,10	63,69	67,92	65,00
Remain the same	19,30	18,18	17,31	17,83	16,98	17,92
Decrease	10,53	6,49	12,18	11,46	9,43	10,42
Don't know	6,43	9,09	6,41	7,01	5,66	6,67
Total	100,00	100,00	100,00	100,00	100,00	100,00
Number of Employees						
Increase	48,50	46,75	50,00	46,50	48,10	48,11
Remain the same	36,53	42,86	41,03	44,59	43,67	41,54
Decrease	6,59	2,60	1,28	4,46	3,16	3,78
Don't know	8,38	7,79	7,69	4,46	5,06	6,57
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.3.13: Percentage share – prevalence of investment plan

	Vientiane	Luang	Luang	Savannakhet	Champasack	Total
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HRDME Enterprise Survey 2013 for Lao PDR

	Capital	Namtha	Prabang			
Yes, I have	49,71	36,36	41,67	39,49	40,63	42,30
No, I don't have	50,29	63,64	58,33	60,51	59,38	57,70
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.3.14: Percentage share - areas planned to invest in

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
Machinery	15,25	14,29	10,57	11,81	6,38	11,76
Company buildings	23,32	26,53	27,64	23,61	29,79	25,74
Vehicles for business use	14,35	18,37	18,70	15,97	16,31	16,18
Advertisement	6,73	4,08	6,50	8,33	6,38	6,76
Office equipment	11,66	8,16	11,38	6,94	9,22	9,85
Marketing	9,87	10,20	4,88	11,11	11,35	9,56
Training	4,93	0,00	1,63	6,25	4,96	4,26
Private cars	0,90	0,00	1,63	2,08	3,55	1,76
Private house	1,79	2,04	1,63	0,69	0,71	1,32
Other	11,21	16,33	15,45	13,19	11,35	12,79
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.3.15: Percentage share – reasons for not investing

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
No profit	14,60	11,29	23,81	11,76	11,19	14,88
No market	14,60	14,52	12,70	13,45	20,90	15,40
Lack of fund	11,68	17,74	21,43	13,45	11,94	14,88
Lack of raw material	5,11	1,61	3,17	5,88	4,48	4,33
Satisfied with my business	40,15	40,32	26,19	43,70	37,31	37,20
Too much bureaucracy	3,65	1,61	3,97	0,00	1,49	2,25
Because of global crisis	2,19	1,61	0,00	0,00	1,49	1,04
Other	8,03	11,29	8,73	11,76	11,19	10,03
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.3.16: Percentage share - knowledge of AEC, AFTA or WTO

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
Do not know	19,80	41,03	43,05	55,90	37,82	37,45
Know AEC	35,64	24,79	23,32	23,59	27,31	27,88
Know AFTA	20,46	17,09	15,25	8,72	15,55	15,80
Know WTO	24,09	17,09	18,39	11,79	19,33	18,87
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.3.17: Percentage share - information sources about AEC, AFTA and WTO

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
Media	41,32	48,98	61,63	51,72	47,69	48,97
Friends and family members	14,88	6,12	12,79	12,64	14,62	13,79
Lao business partners	13,22	2,04	11,63	5,75	10,00	10,52
Foreign business partners	7,44	2,04	2,33	4,60	6,15	5,69
LNCCI and business associations	9,50	12,24	8,14	12,64	7,69	9,83
Industry and Commerce Department	6,61	10,20	1,16	5,75	3,08	5,34
Other government authorities	6,61	12,24	1,16	4,60	5,38	5,86
Other	0,41	6,12	1,16	2,30	5,38	0,00
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.3.18: Percentage share – assumed effect of AEC on business

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
No effect	20,37	17,24	19,23	13,33	26,15	20,10

HRDME Enterprise Survey 2013 for Lao PDR

Rather positive effect	59,26	72,41	61,54	57,78	50,77	58,90
Rather negative effect	12,96	6,90	7,69	13,33	7,69	10,40
Don't know	7,41	3,45	11,54	15,56	15,38	10,70
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.3.19: Percentage share - assumed kind of impact of AEC on business

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
New markets for export products and services	19,57	18,92	26,92	20,55	19,75	20,97
New opportunities to import product and services	20,65	24,32	24,36	26,03	16,05	21,63
Easier access to imported products and services	9,24	16,22	14,10	9,59	6,17	10,15
More interest in investing in Laos	15,22	16,22	14,10	19,18	23,46	17,22
Less interest in investing in Laos	2,72	0,00	0,00	0,00	1,23	1,32
More competition by imported products and services	17,93	10,81	10,26	19,18	19,75	16,56
Better availability of qualified workers (from abroad)	8,15	5,41	6,41	4,11	6,17	6,62
Less job opportunities for Lao workers	5,98	5,41	3,85	1,37	6,17	4,86
Other	0,54	2,70	0,00	0,00	1,23	0,66
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.4.20: Percentage share - effect of AFTA on business since its start in 2008

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
No effect	32,26	30,00	15,15	37,50	41,67	31,10
Rather positive effect,	50,00	65,00	69,70	56,25	44,44	55,10
Rather negative effect	8,06	0,00	0,00	6,25	8,33	5,40
Don't know	9,68	5,00	15,15	0,00	5,56	8,40
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.4.21: Percentage share - kind of impact from AFTA on business

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
New markets for export products	13,04	3,57	15,91	15,79	10,26	12,06
New opportunities to import product	18,84	28,57	25,00	26,32	15,38	21,61
Easier access to imported products	18,84	25,00	22,73	5,26	10,26	17,59
More competition by imported products and services	24,64	10,71	9,09	26,32	20,51	18,59
More interest in investing in Laos	17,39	17,86	27,27	26,32	30,77	23,12
Less interest in investing in Laos	4,35	3,57	0,00	0,00	7,69	3,52
Other	2,90	10,71	0,00	0,00	5,13	3,52
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.4.22: Percentage share – effect of WTO on business since Laos became a member

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
No effect	34,25	40,00	17,07	45,45	36,36	33,00
Rather positive effect	47,95	55,00	68,29	45,45	47,73	52,50
Rather negative effect	9,59	-	-	4,55	4,55	5,00
Don't know	8,22	5,00	14,63	4,55	11,36	9,50
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.4.23: Percentage share –kind of impact from WTO on business

	Vientiane	Luang	Luang	Savannakhet	Champasack	Total
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HRDME Enterprise Survey 2013 for Lao PDR

	Capital	Namtha	Prabang			
New markets for export products and services	21,21	10,00	25,35	23,08	14,81	20,37
New opportunities to import product and services	16,16	15,00	19,72	15,38	16,67	17,04
Easier access to imported products and services	14,14	30,00	16,90	15,38	14,81	16,30
More interest in investing in Laos	13,13	25,00	11,27	30,77	18,52	16,30
Less interest in investing in Laos	4,04	0,00	2,82	0,00	3,70	2,96
More competition by imported products and services	18,18	0,00	12,68	3,85	18,52	14,07
Better availability of qualified workers (from abroad)	6,06	15,00	5,63	7,69	7,41	7,04
Less job opportunities for Lao workers	5,05	0,00	4,23	0,00	3,70	3,70
Other	2,02	5,00	1,41	3,85	1,85	2,22
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.4.24: Percentage share - preparation for start of AEC in 2015

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
Doing nothing	21,67	28,89	27,47	31,58	25,23	25,48
Training staff	20,69	8,89	19,78	19,74	15,89	18,39
Develop new product(s)/services	17,73	15,56	20,88	13,16	14,02	16,67
Improving quality of product/service	18,72	28,89	20,88	13,16	20,56	19,54
Searching for new market(s) in AEC	13,79	11,11	8,79	13,16	9,35	11,69
Searching for new market(s) outside AEC	4,93	4,44	1,10	2,63	3,74	3,64
Other	2,46	2,22	1,10	6,58	11,21	4,60
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.4.25: Percentage share – perceived internal problems

Lack of management skills	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
Very big	7,02	1,30	7,05	1,91	3,13	4,44
Big	8,77	24,68	20,51	10,19	17,50	15,26
Medium	24,56	31,17	15,38	16,56	20,00	20,53
Small	13,45	15,58	19,87	26,75	20,00	19,42
No problem	44,44	25,97	36,54	43,31	38,13	39,11
Don't know	1,75	1,30	0,64	1,27	1,25	1,25
Total	100,00	100,00	100,00	100,00	100,00	100,00
Lack of accounting skills						
Very big	4,68	1,30	3,85	0,64	2,50	2,77
Big	8,77	18,18	16,67	7,01	8,13	10,96
Medium	19,30	27,27	18,59	20,38	23,13	21,08
Small	18,71	25,97	21,79	23,57	24,38	22,47
No problem	45,61	25,97	38,46	44,59	39,38	40,36
Don't know	2,92	1,30	0,64	3,82	2,50	2,36
Total	100,00	100,00	100,00	100,00	100,00	100,00
Lack of technically skilled labor						
Very big	5,85	1,30	5,77	4,46	6,25	5,13
Big	11,70	16,88	12,82	8,28	6,88	10,68
Medium	18,13	18,18	25,64	15,92	18,75	19,42
Small	17,54	25,97	19,23	23,57	22,50	21,22
No problem	42,69	35,06	32,05	43,95	37,50	38,70
Don't know	4,09	2,60	4,49	3,82	8,13	4,85
Total	100,00	100,00	100,00	100,00	100,00	100,00
Lack of management staff						

HRDME Enterprise Survey 2013 for Lao PDR

Very big	4,09	0,00	6,41	1,27	2,50	3,19
Big	8,77	15,79	15,38	7,01	10,63	10,97
Medium	15,20	32,89	21,79	15,29	20,00	19,58
Small	18,71	19,74	21,15	30,57	21,88	22,64
No problem	50,29	27,63	30,77	43,95	39,38	39,86
Don't know	2,92	3,95	4,49	1,91	5,63	3,75
Total	100,00	100,00	100,00	100,00	100,00	100,00
Low level of technology						
Very big	8,19	0,00	10,90	3,82	5,63	6,39
Big	7,02	14,47	13,46	6,37	9,38	9,58
Medium	23,39	21,05	17,95	17,20	16,88	19,17
Small	19,30	22,37	11,54	24,20	20,00	19,17
No problem	36,26	39,47	33,33	35,03	35,63	35,56
Don't know	5,85	2,63	12,82	13,38	12,50	10,14
Total	100,00	100,00	100,00	100,00	100,00	100,00
Lack of market information						
Very big	5,26	3,95	10,26	5,73	1,25	5,42
Big	9,36	21,05	12,82	5,73	9,38	10,56
Medium	17,54	28,95	12,18	18,47	23,75	19,17
Small	22,22	11,84	26,92	29,94	25,63	24,58
No problem	41,52	30,26	31,41	34,39	28,75	33,75
Don't know	4,09	3,95	6,41	5,73	11,25	6,53
Total	100,00	100,00	100,00	100,00	100,00	100,00
Lack of capital						
Very big	17,54	20,78	26,28	9,55	13,13	17,06
Big	14,04	42,86	32,05	10,19	16,88	20,80
Medium	16,96	12,99	10,90	23,57	21,25	17,61
Small	16,37	11,69	11,54	19,75	15,63	15,40
No problem	33,92	10,39	17,95	35,67	28,75	27,18
Don't know	1,17	1,30	1,28	1,27	4,38	1,94
Total	100,00	100,00	100,00	100,00	100,00	100,00
High labour costs						
Very big	3,51	1,32	3,21	3,82	3,75	3,33
Big	14,62	15,79	17,95	5,10	6,25	11,53
Medium	26,32	22,37	25,64	21,66	17,50	22,78
Small	19,88	26,32	13,46	24,20	24,38	21,11
No problem	32,75	32,89	37,82	39,49	41,88	37,36
Don't know	2,92	1,32	1,92	5,73	6,25	3,89
Total	100,00	100,00	100,00	100,00	100,00	100,00
Low productivity/efficiency						
Very big	5,85	1,32	7,69	1,91	3,75	4,44
Big	8,77	5,26	13,46	7,64	5,00	8,33
Medium	21,05	28,95	19,23	18,47	14,38	19,44
Small	15,79	28,95	23,08	20,38	20,63	20,83
No problem	39,77	32,89	32,05	35,67	41,25	36,81
Don't know	8,77	2,63	4,49	15,92	15,00	10,14
Total	100,00	100,00	100,00	100,00	100,00	100,00
Other						
Very big	20,00	0,00	0,00	33,33	40,00	31,25
Big	0,00	0,00	0,00	16,67	20,00	12,50
Medium	0,00	0,00	0,00	0,00	0,00	0,00
Small	0,00	0,00	0,00	16,67	0,00	6,25
No problem	40,00	0,00	0,00	33,33	40,00	37,50
Don't know	40,00	0,00	0,00	0,00	0,00	12,50
Total	100,00	0,00	0,00	100,00	100,00	100,00

Table A.4.26: Percentage share – perceived external problems

Competition with domestic competitors	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
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HRDME Enterprise Survey 2013 for Lao PDR

Very big	25,88	12,99	31,41	14,01	20,00	21,81
Big	27,65	66,23	37,18	28,66	25,00	33,47
Medium	17,65	6,49	14,74	20,38	19,38	16,81
Small	11,76	5,19	7,05	19,11	16,25	12,64
No problem	16,47	9,09	8,97	17,20	18,75	14,72
Don't know	0,59	0,00	0,64	0,64	0,63	0,56
Total	100,00	100,00	100,00	100,00	100,00	100,00
Competition with foreign competitors						
Very big	4,12	7,79	4,49	4,46	5,63	5,00
Big	16,47	7,79	10,26	12,74	9,38	11,81
Medium	16,47	24,68	10,90	10,19	7,50	12,78
Small	11,76	20,78	20,51	19,11	18,75	17,78
No problem	38,82	32,47	46,15	45,86	46,88	43,06
Don't know	12,35	6,49	7,69	7,64	11,88	9,58
Total	100,00	100,00	100,00	100,00	100,00	100,00
Too high taxes & duties						
Very big	16,96	3,90	16,67	7,64	12,50	12,48
Big	26,90	44,16	33,33	23,57	22,50	28,43
Medium	28,07	22,08	26,92	26,75	24,38	26,07
Small	12,28	10,39	12,18	17,83	19,38	14,84
No problem	15,20	15,58	9,62	22,29	20,00	16,64
Don't know	0,58	3,90	1,28	1,91	1,25	1,53
Total	100,00	100,00	100,00	100,00	100,00	100,00
Other fees and unofficial payments						
Very big	11,70	3,90	2,56	4,46	5,63	5,96
Big	16,37	7,79	17,95	12,74	10,63	13,73
Medium	16,37	25,97	26,28	18,47	24,38	21,78
Small	22,81	22,08	19,23	16,56	20,00	19,97
No problem	32,16	38,96	33,33	40,76	37,50	36,20
Don't know	0,58	1,30	0,64	7,01	1,88	2,36
Total	100,00	100,00	100,00	100,00	100,00	100,00
Lack of infrastructure: Road						
Very big	10,53	1,30	5,77	5,10	9,38	7,07
Big	14,04	11,69	13,46	8,92	16,88	13,18
Medium	14,04	12,99	16,03	19,75	13,13	15,40
Small	14,04	9,09	12,82	17,20	21,88	15,67
No problem	46,78	64,94	51,28	47,77	37,50	47,85
Don't know	0,58	0,00	0,64	1,27	1,25	0,83
Total	100,00	100,00	100,00	100,00	100,00	100,00
Lack of infrastructure: Water						
Very big	5,85	5,19	8,33	3,18	1,88	4,85
Big	5,26	3,90	12,82	7,64	7,50	7,77
Medium	11,70	16,88	13,46	17,83	13,75	14,42
Small	17,54	22,08	13,46	14,65	21,88	17,48
No problem	59,06	51,95	51,92	56,69	54,38	55,20
Don't know	0,58	0,00	0,00	0,00	0,63	0,28
Total	100,00	100,00	100,00	100,00	100,00	100,00
Lack of infrastructure: Electricity						
Very big	7,60	5,19	6,41	1,27	2,50	4,58
Big	7,02	6,49	8,33	7,01	6,25	7,07
Medium	15,20	14,29	19,23	17,20	10,00	15,26
Small	14,04	19,48	10,26	17,20	26,88	17,34
No problem	56,14	54,55	55,77	57,32	54,38	55,76
Don't know	0,00	0,00	0,00	0,00	0,00	0,00
Total	100,00	100,00	100,00	100,00	100,00	100,00
Lack of infrastructure: Telephone						

HRDME Enterprise Survey 2013 for Lao PDR

Very big	1,75	3,90	1,92	0,64	1,25	1,66
Big	1,75	2,60	8,33	1,91	0,63	3,05
Medium	12,28	7,79	14,74	15,92	13,13	13,31
Small	21,05	19,48	14,10	21,66	25,00	20,39
No problem	63,16	66,23	58,33	59,24	58,75	60,61
Don't know	0,00	0,00	2,56	0,64	1,25	0,97
Total	100,00	100,00	100,00	100,00	100,00	100,00
Lack of infrastructure: Internet						
Very big	2,34	1,30	7,10	1,27	1,88	2,92
Big	8,19	1,30	7,10	3,18	1,88	4,72
Medium	14,04	7,79	10,97	10,19	7,50	10,42
Small	15,20	11,69	11,61	12,74	20,00	14,58
No problem	45,03	45,45	36,77	51,59	46,88	45,14
Don't know	15,20	32,47	26,45	21,02	21,88	22,22
Total	100,00	100,00	100,00	100,00	100,00	100,00
Lack of infrastructure: Other						
Very big	0,00	0,00	0,00	0,00	0,00	0,00
Big	7,14	0,00	20,00	0,00	0,00	6,06
Medium	7,14	0,00	80,00	12,50	0,00	18,18
Small	7,14	0,00	0,00	0,00	16,67	6,06
No problem	35,71	0,00	0,00	87,50	83,33	51,52
Don't know	42,86	0,00	0,00	0,00	0,00	18,18
Total	100,00	0,00	100,00	100,00	100,00	100,00
Electricity prices						
Very big	24,12	20,78	20,51	12,74	13,13	18,06
Big	21,76	31,17	32,05	29,30	24,38	27,22
Medium	24,71	28,57	21,79	26,75	26,25	25,28
Small	11,18	11,69	21,15	16,56	21,88	16,94
No problem	18,24	7,79	3,85	14,01	13,13	11,94
Don't know	0,00	0,00	0,64	0,64	1,25	0,56
Total	100,00	100,00	100,00	100,00	100,00	100,00
Fuel prices						
Very big	11,11	7,79	10,26	10,19	10,00	10,12
Big	17,54	9,09	16,67	16,56	15,63	15,81
Medium	25,73	35,06	28,21	32,48	29,38	29,54
Small	16,96	29,87	23,72	24,20	23,75	22,88
No problem	27,49	18,18	19,87	16,56	21,25	21,08
Don't know	1,17	0,00	1,28	0,00	0,00	0,55
Total	100,00	100,00	100,00	100,00	100,00	100,00
Telecommunication prices						
Very big	7,02	1,30	1,92	5,73	3,75	4,30
Big	7,02	6,49	8,33	8,92	14,38	9,29
Medium	21,64	20,78	21,15	22,93	20,63	21,50
Small	19,30	28,57	25,00	25,48	20,00	23,02
No problem	41,52	41,56	38,46	34,39	38,75	38,70
Don't know	3,51	1,30	5,13	2,55	2,50	3,19
Total	100,00	100,00	100,00	100,00	100,00	100,00
Customs/foreign trade regulations						
Very big	8,19	3,90	3,21	5,10	3,75	4,99
Big	8,77	10,39	14,74	5,73	8,75	9,57
Medium	22,81	28,57	19,23	24,20	16,25	21,50
Small	14,04	20,78	21,15	21,66	23,13	19,97
No problem	37,43	31,17	33,33	30,57	36,25	34,12
Don't know	8,77	5,19	8,33	12,74	11,88	9,85
Total	100,00	100,00	100,00	100,00	100,00	100,00
Foreign currency exchange regulations						
Very big	9,94	7,79	12,18	11,46	8,13	10,12

HRDME Enterprise Survey 2013 for Lao PDR

Big	15,20	33,77	18,59	17,20	15,63	18,45
Medium	18,13	28,57	23,08	25,48	26,25	23,72
Small	12,87	15,58	17,31	16,56	15,63	15,53
No problem	38,60	14,29	27,56	24,84	26,88	28,02
Don't know	5,26	0,00	1,28	4,46	7,50	4,16
Total	100,00	100,00	100,00	100,00	100,00	100,00
Labor & safety regulations						
Very big	1,75	2,60	0,64	1,91	1,88	1,66
Big	2,92	6,49	6,41	7,01	7,50	5,96
Medium	21,64	19,48	17,31	17,20	10,00	16,92
Small	15,20	25,97	23,72	23,57	28,75	23,02
No problem	50,88	44,16	48,08	40,13	39,38	44,66
Don't know	7,60	1,30	3,85	10,19	12,50	7,77
Total	100,00	100,00	100,00	100,00	100,00	100,00
Re-registering with tax office						
Very big	8,19	2,60	3,21	3,18	4,38	4,58
Big	8,77	11,69	10,26	3,82	11,88	9,02
Medium	17,54	27,27	22,44	18,47	15,00	19,28
Small	15,79	18,18	24,36	26,75	23,75	22,05
No problem	47,95	37,66	36,54	44,59	38,75	41,61
Don't know	1,75	2,60	3,21	3,18	6,25	3,47
Total	100,00	100,00	100,00	100,00	100,00	100,00
Renew operating license						
Very big	3,51	1,30	3,21	1,27	3,75	2,77
Big	8,77	9,09	10,90	5,73	8,75	8,60
Medium	16,96	27,27	20,51	12,10	14,38	17,20
Small	16,96	19,48	18,59	29,30	23,13	21,64
No problem	52,05	37,66	44,23	48,41	45,63	46,60
Don't know	1,75	5,19	2,56	3,18	4,38	3,19
Total	100,00	100,00	100,00	100,00	100,00	100,00
Other						
Very big	11,11	0,00	0,00	14,29	0,00	10,00
Big	11,11	0,00	0,00	0,00	0,00	5,00
Medium	22,22	0,00	100,00	0,00	0,00	15,00
Small	0,00	0,00	0,00	14,29	0,00	5,00
No problem	11,11	0,00	0,00	71,43	100,00	45,00
Don't know	44,44	0,00	0,00	0,00	0,00	20,00
Total	100,00	0,00	100,00	100,00	100,00	100,00

Table A.4.27: Percentage share - problems with competitiveness

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
No problem	39,29	28,26	31,05	43,82	50,58	39,49
Low quality of own product/service	14,29	16,30	12,11	16,29	12,79	14,14
Too small scale of production	14,29	17,39	15,79	11,80	8,72	13,32
Unit cost/price of product/service	16,07	30,43	26,84	16,29	15,12	19,86
Unequal treatment by authorities	4,91	2,17	1,58	3,37	1,16	2,80
Protectionist measures	7,59	2,17	3,16	1,12	3,49	3,86
Other	3,57	3,26	9,47	7,30	8,14	6,54
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.4.28: Percentage share – evaluation of the current economic situation in general compared to 2 years ago

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
Better	59,33	61,29	61,03	76,19	65,49	64,30
About the same	23,33	29,03	16,18	16,19	16,81	19,60

HRDME Enterprise Survey 2013 for Lao PDR

Worse	14,67	9,68	22,79	5,71	13,27	14,10
Don't know	2,67	0,00	0,00	1,90	4,42	1,90
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.4.29: Percentage share - facilitation of the central government now compared to 2 years ago

Now	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
Very helpful	30,54	16,88	18,83	10,83	24,05	20,76
Helpful	38,92	46,75	48,05	46,50	41,14	43,90
Neutral	16,77	19,48	16,23	26,11	24,05	20,62
Unhelpful	8,38	14,29	14,29	14,65	10,76	12,20
Very unhelpful	5,39	2,60	2,60	1,91	0,00	2,52
Total	100,00	100,00	100,00	100,00	100,00	100,00

Two years ago	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
Very helpful	23,03	7,79	10,32	9,80	21,02	15,28
Helpful	38,18	46,75	50,32	47,06	43,31	44,84
Neutral	23,03	27,27	23,23	24,84	24,84	24,33
Unhelpful	10,30	15,58	11,61	16,34	10,83	12,59
Very unhelpful	5,45	2,60	4,52	1,96	0,00	2,97
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.4.30: Percentage share - facilitation of the local authorities now compared to 2 years ago

Now	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
Very helpful	33,53	15,58	24,03	12,74	24,68	23,00
Helpful	41,32	55,84	48,05	47,13	42,41	45,86
Neutral	15,57	20,78	18,18	24,84	24,05	20,62
Unhelpful	6,59	7,79	8,44	14,01	8,86	9,26
Very unhelpful	2,99	0,00	1,30	1,27	0,00	1,26
Total	100,00	100,00	100,00	100,00	100,00	100,00

Two years ago	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
Very helpful	28,48	10,39	18,30	10,46	19,11	18,30
Helpful	41,21	53,25	47,06	49,02	44,59	46,24
Neutral	17,58	28,57	24,18	24,18	27,39	23,83
Unhelpful	9,09	7,79	9,15	15,03	8,92	10,21
Very unhelpful	3,64	0,00	1,31	1,31	0,00	1,42
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.4.31: Percentage share - receiving notification about regulations related to businesses

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
No	17,78	18,09	22,40	28,11	28,35	23,26
Yes, from local authorities	41,78	58,51	46,88	48,11	42,78	46,18
Yes, from central authorities	17,33	15,96	13,02	8,65	11,34	13,15
Yes, from LNCCI/BMOs	20,44	7,45	13,02	14,05	12,37	14,38
Yes, from other sources	2,67	0,00	4,69	1,08	5,15	3,03
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.4.32: Percentage share - knowledge of business laws and regulations

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
None	5,37	10,83	15,79	15,55	8,35	10,43
Tax law	19,26	29,94	21,98	16,35	18,63	19,89

HRDME Enterprise Survey 2013 for Lao PDR

Investment law	14,07	12,10	14,24	16,09	16,92	15,05
Labor law	13,70	12,74	15,17	12,60	12,63	13,39
Enterprise law	17,78	17,20	14,24	17,43	14,99	16,34
Accounting law	9,44	3,18	3,72	6,43	10,06	7,47
Criminal law	7,04	9,55	7,12	5,09	6,21	6,67
Land law	5,56	1,27	4,33	5,63	6,00	5,11
Bank regulation	7,22	1,91	1,86	2,95	4,28	4,25
Other	0,56	1,27	1,55	1,88	1,93	1,40
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.4.33: Percentage share - knowledge about LBF for PPPD

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
No	70,37	74,12	79,29	83,13	76,57	76,79
Know PPPD	11,64	15,29	11,83	10,24	12,57	11,99
Know LBF	17,99	10,59	8,88	6,63	10,86	11,22
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.4.34: Percentage share - participation in PPPD processes

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
Yes	54,55	100,00	80,00	70,59	81,82	75,53
No	45,45	0,00	20,00	29,41	18,18	24,47
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.4.35: Percentage share – helpfulness of PPPD for business

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
Yes	86,36	76,92	90,00	94,12	100,00	90,43
No	13,64	23,08	10,00	5,88	0,00	9,57
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.4.36: Percentage share - participation in LBF processes

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
Yes	64,71	100,00	80,00	63,64	73,68	72,41
No	35,29	0,00	20,00	36,36	26,32	27,59
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.4.37: Percentage share – helpfulness of LBF for business

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
Yes	85,29	100,00	93,33	90,91	94,74	90,80
No	14,71	0,00	6,67	9,09	5,26	9,20
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.4.38: Percentage share - Owner/manager completed any vocational and technical skills training

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
Yes	54,97	48,05	48,72	39,35	53,75	49,24
No	45,03	51,95	51,28	60,65	46,25	50,76
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.4.38: Percentage share - source of training

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
From family members	11,17	4,08	4,17	6,59	8,78	7,89
Self study	16,49	2,04	8,33	9,89	8,78	10,74
From friends	10,11	4,08	3,33	3,30	8,11	6,71

HRDME Enterprise Survey 2013 for Lao PDR

Project	12,23	16,33	35,83	19,78	15,54	19,30
Non-formal training course	14,89	8,16	6,67	10,99	8,11	10,40
By authorities	5,85	32,65	16,67	10,99	15,54	13,42
Vocational or Technical school	21,81	16,33	12,50	21,98	18,24	18,62
Other	7,45	16,33	12,50	16,48	16,89	12,92
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.4.40: Percentage share - level of skills/training new employees should have

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
No Skills	4,79	12,17	10,04	7,47	3,02	6,76
Some skills but no certificate	22,68	40,00	34,54	29,05	24,91	28,66
Graduated from a public vocational / technical school	23,96	19,13	18,88	21,99	21,13	21,39
Graduated from private school/college	16,93	6,96	10,44	9,54	13,21	12,26
Graduated from university	19,81	14,78	18,07	14,94	21,89	18,43
Do not know	2,88	2,61	3,61	9,54	6,04	5,07
Other	8,95	4,35	4,42	7,47	9,81	7,44
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.4.41: Percentage share - engaged or willing to engage in formal vocational training / DCT

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
Yes, already engaged in cooperation	28,82	18,18	19,23	19,87	23,27	22,42
Not yet, but interested to accept apprentices	10,59	11,69	11,54	12,82	6,92	10,58
Not interested	60,59	70,13	69,23	67,31	69,81	66,99
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.4.42: Percentage share - owner/ manager with management training when starting business

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
Yes	45,03	35,06	38,46	36,31	45,63	40,80
No	54,97	64,94	61,54	63,69	54,38	59,20
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.4.43: Percentage share – existing kind of management training of owner/manager

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
Occupational health and safety	9,60	13,04	12,12	13,74	9,36	11,07
Cost calculation	10,40	10,87	4,55	13,74	7,39	9,47
Business management	18,40	21,74	25,00	18,13	25,62	21,40
Accounting	15,60	4,35	10,61	12,64	13,30	12,92
Marketing	12,40	4,35	13,64	12,09	14,78	12,67
Laws and regulations	12,00	15,22	12,12	8,79	7,88	10,46
Quality management	10,00	6,52	6,82	12,09	10,34	9,84
Business finance	6,80	0,00	3,03	6,59	4,43	5,17
Other	4,80	23,91	12,12	2,20	6,90	7,01
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.4.44: Percentage share - owner/manager getting any management training after starting businesses

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
Yes	50,29	40,26	45,51	33,12	53,75	45,20
No	49,71	59,74	54,49	66,88	46,25	54,80
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.4.45: Percentage share - received kind of management training of owner/manager

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
Occupational health and safety	9,43	15,79	11,25	12,43	8,62	10,56
Cost calculation	8,61	8,77	5,00	11,83	7,76	8,35
Business management	18,44	22,81	21,88	20,12	25,00	21,46
Accounting	14,34	3,51	6,25	10,06	13,36	11,02
Marketing	11,48	7,02	14,38	15,38	15,09	13,46
Laws and regulations	13,93	15,79	16,25	9,47	7,33	11,83
Quality management	11,48	8,77	10,63	14,20	10,34	11,37
Business finance	6,56	1,75	3,13	5,92	3,45	4,64
Other	5,74	15,79	11,25	0,59	9,05	7,31
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.4.46: Percentage share - owner/manager, who want to learn any skills

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
Yes	74,27	68,83	64,74	54,14	70,63	66,40
No	25,73	31,17	35,26	45,86	29,38	33,60
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.4.47: Percentage share - skills owner/manager like to learn to improve businesses performance

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
Formulate a business plan	13,05	18,98	16,00	14,34	15,26	14,94
Financial management	13,05	9,49	15,56	13,97	13,31	13,36
Marketing management	17,23	24,82	17,33	16,18	22,40	19,02
Legal framework for doing business	4,96	2,19	4,00	4,78	4,87	4,45
Informational management	6,27	7,30	5,78	8,09	4,22	6,19
Production management	9,66	6,57	4,89	7,72	7,14	7,55
Technology management	11,49	5,11	7,11	10,29	7,47	8,91
Quality management	10,97	14,60	10,22	10,29	12,01	11,32
HR management	10,18	5,84	11,56	11,76	8,44	9,89
Other	3,13	5,11	7,56	2,57	4,87	4,38
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.4.48: Percentage share - owner/managers in need for their employees to be trained

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
Yes	75,44	58,44	60,26	63,06	68,13	66,00
No	24,56	41,56	39,74	36,94	31,88	34,00
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.4.49: Percentage share – skills, owners/managers like their employees to learn

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
Customer service	24,21	42,86	30,30	27,10	33,21	29,28
Accounting	15,26	16,48	18,69	13,74	16,97	15,97
Record keeping	8,68	4,40	8,59	7,25	7,01	7,65
Foreign languages	16,05	19,78	18,69	16,03	17,34	17,05
Operation of machinery and tools	15,00	5,49	5,05	14,89	7,75	10,98
Computer	12,89	9,89	12,12	10,69	10,70	11,56
Documentation and filing	4,21	0,00	1,52	3,82	2,95	3,08
Other	3,68	1,10	5,05	6,49	4,06	4,41
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.4.50: Percentage share - owners/managers getting advice for developing their businesses

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
Yes	67,25	63,64	65,38	47,77	49,38	58,30
No	32,75	36,36	34,62	52,23	50,63	41,70
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.4.51: Percentage share - source of business advice or business development service

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
Spouse	17,01	23,47	26,92	20,21	16,24	20,25
Family members	21,49	34,69	29,06	25,00	21,32	25,00
Friends	20,60	14,29	17,52	15,43	15,23	17,40
Business partners	5,07	1,02	4,27	4,26	7,11	4,75
BMOs	8,06	5,10	5,13	7,45	8,63	7,13
Government agencies	5,07	5,10	4,27	6,91	8,63	5,89
Development projects	5,07	2,04	3,85	5,85	4,57	4,56
Professional providers through BDS network	0,60	0,00	0,00	0,00	0,51	0,29
Other professional providers	5,37	3,06	3,85	4,26	3,55	4,28
Media	5,37	2,04	2,14	2,13	5,08	3,71
Internet	5,67	2,04	1,28	3,72	6,09	4,09
Other	0,60	7,14	1,71	4,79	3,05	2,66
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.4.52: Percentage share - mode of tax payment

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
Tax based on accounting system	59,06	37,66	47,44	31,21	44,38	44,90
Lump sum tax	40,94	62,34	52,56	68,79	55,63	55,10
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.4.53: Percentage share - kind of taxes paid

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
Profit tax	27,14	25,81	29,09	26,72	25,54	27,00
Excise tax	23,05	11,29	12,73	20,61	27,17	20,59
Income tax	16,36	30,65	24,85	16,03	18,48	19,61
Business Turnover tax	5,58	3,23	6,06	6,11	5,43	5,55
Value added tax	9,67	9,68	7,27	16,79	9,78	10,36
Minimum tax	15,61	19,35	18,79	11,45	12,50	15,17
Other	2,60	0,00	1,21	2,29	1,09	1,73
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.4.54: Percentage share - location of bank

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
No bank account	11,11	8,99	13,26	10,15	12,81	11,50
At a bank in my home town/ban	11,52	6,74	4,97	6,60	8,87	8,11
At a bank in the district center	32,92	35,96	32,04	28,93	30,05	31,54
At a bank in the provincial center	40,33	48,31	49,72	52,28	45,81	46,77
At a local savings institution	1,65	0,00	0,00	1,52	0,49	0,88
Other	2,47	0,00	0,00	0,51	1,97	1,20
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.4.55: Percentage share - businesses receiving external financing

	Vientiane	Luang	Luang	Savannakhet	Champasack	Total
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HRDME Enterprise Survey 2013 for Lao PDR

	Capital	Namtha	Prabang			
Yes	40,94	45,45	46,79	38,22	38,75	41,60
No because don't need finance	44,44	37,66	39,10	52,23	46,25	44,70
No because can't find sources	14,62	16,88	14,10	9,55	15,00	13,70
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.4.56: Percentage share - sources of external financing of companies using external finance

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
From suppliers	7,48	5,00	5,26	3,80	1,15	4,66
From family members	17,76	17,50	15,79	18,99	14,94	16,91
From friends	6,54	0,00	5,26	5,06	5,75	5,15
From money lenders	6,54	0,00	0,00	1,27	3,45	2,70
From banks	49,53	77,50	63,16	60,76	62,07	60,29
From micro-credit schemes	4,67	0,00	2,11	3,80	1,15	2,70
From relatives	3,74	0,00	3,16	2,53	5,75	3,43
From other sources others	3,74	0,00	5,26	3,80	5,75	4,17
Total	100,00	100,00	100,00	100,00	100,00	100,00

Table A.4.57: Percentage share – firms, receiving external financing for expanding their business

	Vientiane Capital	Luang Namtha	Luang Prabang	Savannakhet	Champasack	Total
Yes	59,65	77,92	79,49	53,50	63,75	65,50
No	33,33	12,99	13,46	35,67	33,13	27,30
I will not expand	7,02	9,09	7,05	10,83	3,13	7,20
Total	100,00	100,00	100,00	100,00	100,00	100,00

Annex 4: Raw Data

Attached to the printed ES2013 is a data CD, containing the anonymized raw data for the period 2005 to 2013 in Excel format, the respective questionnaires as well as codes. Furthermore and for reasons of completeness this CD contains all HRDME Enterprise Surveys for Lao PDR from 2005 to 2013. The data on that CD can also be obtained upon request from GIZ Laos, giz-laos@giz.de.

The data collection was done by final year students and teachers of FEBM/NUoL, external consultants and HRDME project partners in the years 2005, 2009, 2011 and 2013. Only in 2007 this task was assumed by Indochina Consulting Co. Responsible for the data entry and cleaning was the Lao Statistics Bureau (LSB) at MPI in 2005, 2009 and 2011. Indochina Consulting Co. assumed that task in 2007 and Ms. Salika Khoonbarthao and her team in 2013.

For coding of administrative units (province, district and village) the coding lists of the LSB in its respective versions have been applied. Similarly, LSB codes for ethnic groups are used here. For coding of sectors the ISIC codes have been applied in its respective version. Each question in the questionnaire is coded with a distinct number, which corresponds to the column heads of the raw data in the Excel files.

According to the concept and methodology of the HRDME Enterprise Survey for Lao PDR the idea was to keep the sample as constant as possible by tracing the same firms over time. Therefore originally 390 companies in three districts each of originally four provinces (Luang Namtha, Luang Prabang, Vientiane Capital and Champasak) were – based on tax registry – randomly selected. However, at least two substantial changes took place: in 2009 it was decided to add Savannakhet as the fifth province, increasing the sample to 490 companies. In 2009 and in order to adjust to major shifts in business development in Lao PDR the ratio among the provinces was adjusted to better reflect the actual situation. Consequently new additional random sampling took place increasing the number of enterprises in the sample to 728.

As not all enterprises could be found for consecutive surveys (especially ES2009, ES2011 and ES2013) the drop-outs have been replaced by enterprises randomly selected among the newly (since the previous survey) established ones. Thereby unfortunately in some cases in 2009 and 2011 the identification number of the old enterprises has been used for the new one. Thus, in some cases it is challenging to trace a particular enterprise back through all past surveys by just using the identification number.

About GIZ Laos

The Lao People's Democratic Republic is experiencing rapid economic growth but still is among the least developed countries. The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, as part of the Lao-German Development Cooperation, is supporting the Lao Government in reaching its ambitious development goal to raise its standing by 2020. GIZ is a German federal enterprise that is implementing projects primarily on behalf of the German Government. It offers demand-driven, tailor-made and effective services for sustainable development.

GIZ has been active in Laos since 1993 and is currently running numerous projects in two main priority areas: supporting rural development and economic cooperation. Moreover, we participate in regional programmes, for example with the Mekong River Commission.

More than 250 staff members bring our projects to life. GIZ has been operating in Laos primarily on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ), but also implements projects on behalf of the German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB). We work closely together with German KfW and cooperate with a number of other development partners in Laos, including the Swiss Agency for Development and Cooperation (SDC), Australian Aid and MMG/Lane Xang Minerals Ltd.

Please visit our website www.giz.de/laos for further information on GIZ's work in Laos and worldwide.



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