

Enterprise Survey 2011

Volume 1: Main Report



Implemented by



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1. Foreword

Foreword

Since the adoption of the “New Economic Mechanism” in 1986, but especially in the last years Lao PDR has created an economy whose dynamism few other countries in the world can rival. GDP growth rates of about 8% per year have put the country repeatedly among the top ten in the world. The country was not much affected by the global financial and economic crisis 4 years ago, which was one of the worst in living memory.

The Lao economy has opened up to the world and is bound to open up further – Laos will be officially full member of WTO by end of 2012, the ASEAN Economic Community in 2015 has the potential for a further deep integration into the ASEAN which is already now the most important source of Lao imports and destination for the exports of the PDR. This integration creates opportunities but might also bring some challenges – neighbouring country Myanmar starts to break down its decades long isolation, Vietnam will have to improve its investment environment if the old growth rates are to be achieved again, Cambodia develops an iron will to attract foreign investment etc.

The resilience and dynamism of the Lao economy depends increasingly on its private business sector which is fuelled by domestic but even more so by foreign direct investment. It is therefore of crucial importance not only for reaching the ambitious goals of the current National and Social Economic Development Plan but for the long term future of the country and its population that the business environment is competitive and creates a favourable framework for private sector development.

The *Human Resource Development for a Market Economy* (HRDME) of the German development agency GIZ focuses on this business enabling environment with its two components:

- Private sector and SME development
- Vocational education and training.

The HRDME programme has entered its third phase which emphasizes the support of counterpart organizations in their capacity development. The programme is result oriented; it aims to have a measurable impact on the social and economic development of the country. The targets of the programme are linked to a set of indicators, the biannual Enterprise Survey is a tool to measure the impact of the programme. However, due to the wealth of data and information that is produced for the different volumes of the Enterprise Survey the value of these studies are beyond simply the performance of a development programme – it gives a detailed overview of the status of the business enabling environment and its development since the baseline survey was carried out in 2005.

The Enterprise Survey gives a deep insight into the effects of laws, policies, and regulations and thus can serve as a valuable input for the decision making at the different levels of government and administration as well as for the private business organizations such as chambers and associations. Furthermore the Survey provides data and information of interest to experts, scholars, bilateral and multilateral organizations – and the business sector itself.

The Survey has been carried out by a team consisting of GIZ experts and representatives of the partner organizations of the HRDME Programme, namely MPI, MoIC including DSMEP, MoES, and LNCCI.

We want to thank the GIZ in general and the HRDME Programme in particular for this valuable study and the staff who was involved in the creation of this volume for the commitment and the sophisticated work without which the Survey would not have been possible.

Vientiane Capital, November 2012



Somchith Inthamith
Vice Minister, MPI



Kissana Vongsay
President, LNCCI

2. Acknowledgements

This report is the outcome of joint efforts by the Lao and German HRDME staff and partner organisations as well as contracted international consultants. The framework for the ES2011 was set by the respective ES2011 Task Force members whom we would like to sincerely thank for their valuable contributions. Special thanks go to HE Mr Somchith Inthamith, Vice-Minister of Ministry of Planning and Investment, who personally supported and guided the work on the report and the presentation of the results.

Based on the intention to keep, despite the changed circumstances in HRDME III, as many factors as possible unchanged for the purpose of allowing inter-temporal comparisons to previous surveys, the sample design and questionnaire were predetermined by the work of the EBS2005 Task Force. The update of the training manual as well as the training of field supervisors and enumerators was prepared and implemented by Mr Bountham Sitthimanotham. Many thanks for this professional work based on the experiences of all previous enterprise surveys.

The field work was completed in November 2011 with the assistance of lecturers and students from the Economic and Business Management Department of NUoL. The data screening and entry was done by staff of the NSD under the leadership of Mrs Phonesaly Souksavath. Following the guidance of the ES2011 Task Force, EMC consultants Hetal Petal, Ben Hymen and Eric Vandenbrink defined the focus of the data analysis and the structure of the report. They produced the main tables, diagrams and, eventually, the draft report. Therefore I would like to express also my sincere gratitude to the entire EMC team who was involved in the preparation of this survey and who bore the brunt of the workload.

However, without the continuous cooperation and commitment by my Lao and German HRDME colleagues and consultants such as Mr Bountham Sitthimanotham, Mr Michael Schultze, Dr Ramon Bruesseler and Mr Horst Bauernfeind, the finalisation of this report would not have been possible.

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 designing and implementing viable interventions that will benefit the development of the private sector and strengthen SMEs.

Vientiane Capital, November 2012


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giz
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Gesellschaft für Internationale Zusammenarbeit (giz) GmbH
Deutsche Entwicklungszusammenarbeit
Laos-German Development Cooperation

3. Abbreviations

| | |
|--------|--|
| AFTA | ASEAN Free Trade Area |
| ASEAN | Association of South East Asian Nations |
| BDS | Business Development Services |
| BMO | Business Membership Organisation |
| CPI | Consumer Price Index |
| EBS | Enterprise Baseline Survey (2005) |
| ES | Enterprise Survey (2007, 2009, 2011) |
| FDI | Foreign Direct Investment |
| GDP | Gross Domestic Product |
| GIZ | Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH |
| HRDME | Human Resource Development for a Market Economy |
| ISIC | International Standard Industry Classification |
| LBF | Lao Business Forum |
| LNCCI | Lao National Chamber of Commerce and Industry |
| MoES | Ministry of Education and Sports |
| MoIC | Ministry of Industry and Commerce |
| MPI | Ministry of Planning and Investment |
| NGPES | National Growth and Poverty Eradication Strategy |
| NSEDP | National Socio-Economic Development Plan |
| NUoL | National University of Laos |
| PPPD | Provincial Public-Private Dialogue |
| SME | Small and Medium Enterprise |
| SMEPDO | The National Small and Medium-Sized Enterprise Promotion and Development Office |
| TFP | Total Factor Productivity |
| WTO | World Trade Organisation |

4. ບົດສະຫຼຸບຫຍໍ້

4.1. ຄວາມເປັນມາ:

ໂຄງການ ພັດທະນາຊັບພະຍາກອນມະນຸດສຳລັບເສດຖະກິດຕະຫຼາດ (HRDME) ໃນໄລຍະສາມ ຂອງການ ຮ່ວມມື ລາວ-ເຢຍລະມັນ, ທີ່ດຳເນີນໂດຍ GIZ ແມ່ນມີປະສິດທິຢູ່ສາມປີ (2011-2014). ຈຸດປະສົງແມ່ນເພື່ອ ປັບປຸງສະພາບແວດລ້ອມຕ່າງໆສຳຫຼັບພາກສ່ວນເອກະຊົນ/ການພັດທະນາວິສາຫະກິດຂະໜາດນ້ອຍ ແລະ ຂະ ໜາດກາງ (SME). ທາງໂຄງການແມ່ນມີຄູ່ຮ່ວມມືຈາກພາກລັດຂັ້ນກະຊວງຈາກສາມພາກສ່ວນ - ກະຊວງແຜນ ການ ແລະ ການລົງທຶນ (MPI), ກະຊວງອຸດສາຫະກຳ ແລະ ການຄ້າ (MoIC), ແລະ ກະຊວງສຶກສາທິການ ແລະ ກິລາ (MoES), ແລະຈາກພາກເອກະຊົນໜຶ່ງພາກສ່ວນ - ສະພາອຸດສາຫະກຳການຄ້າແຫ່ງຊາດລາວ (LNCCI). ການດຳເນີນງານຂອງແຜນງານໃນໄລຍະສາມຂອງໂຄງການ HRDMEແມ່ນຕໍ່ເນື່ອງມາຈາກໄລຍະໜຶ່ງ ແລະ ສອງ, ແລະ ຍຶດໝັ້ນກັບຈຸດປະສົງທີ່ໄດ້ກ່າວຜ່ານມາ ພ້ອມກັບ ສອດຄ້ອງກັບຕົວຊີ້ວັດ ທີ່ສະແດງໃຫ້ເຫັນຜົນກະທົບຕໍ່ ການພັດທະນາທີ່ທາງໂຄງການໄດ້ປະກອບສ່ວນ ເຂົ້າແລະໃຫ້ການສະໜັບສະໜູນ.

ຂໍ້ມູນທີ່ມີການເກັບໂດຍການສຳຫຼວດວິສາຫະກິດປີ 2011 (ES2011) ໄດ້ຕອບສະໜອງຂໍ້ມູນຂ່າວສານທີ່ສຳຄັນ ໃນການຕິດຕາມກວດກາຂອງການພັດທະນາເສດຖະກິດ ແລະຂອງພາກສ່ວນເອກະຊົນ, ໂດຍສະເພາະແລ້ວແມ່ນ ກ່ຽວກັບສະພາບແວດລ້ອມການດຳເນີນທຸລະກິດ ແລະການພັດທະນາ SME ໃນປະເທດລາວ. ໂດຍການສຳ ຫຼວດຈາກກຸ່ມຕົວຢ່າງທີ່ແມ່ນຕ່າງໆໜ້າວິສາຫະກິດຈຳນວນ 728 ຫົວໜ່ວຍຈາກທ້າແຂວງ, ການວິເຄາະຈາກການ ສຳຫຼວດນີ້ໄດ້ປະເມີນການປ່ຽນແປງຂອງການດຳເນີນທຸລະກິດ ແລະ ສະພາບແວດລ້ອມຂອງການດຳເນີນທຸລະກິດ ໂດຍມີການປຽບທຽບກັບການສຳຫຼວດວິສາຫະກິດໃນປີທີ່ຜ່ານມາ (EBS2005, ES2007, ES2009). ໃນ ການປະເມີນນີ້ແມ່ນມີຄວາມຕັ້ງໃຈເພື່ອທຳການວັດແທກຜົນກະທົບຕ່າງໆຂອງ ໂຄງການ HRDME ແລະ ໂຄງການໜ່ວຍງານທີ່ກ່ຽວຂ້ອງອື່ນໆ ຕໍ່ກັບຕົວຊີ້ວັດຕ່າງໆ ແລະ ເພື່ອປະເມີນສະພາບແວດລ້ອມເສດຖະກິດ ປັດຈຸບັນໃນການເຮັດທຸລະກິດໃຫ້ກວ້າງກວ່າເກົ່າ.

ການທຳການສຳຫຼວດແມ່ນໄດ້ຮັບການຊີ້ນຳຈາກຄະນະຮັບຜິດຊອບ ES2011 (ESTF2011) ແລະໄດ້ມີ ການປະຕິບັດຢ່າງໃກ້ຊິດຕິດແທດໂດຍການຮ່ວມມືກັບໂຄງການ HRDME ແລະ ກັບບັນດາຄູ່ຮ່ວມມືກັບ ໂຄງການບໍ່ວ່າຈະແມ່ນ MPI, MoES, MoIC ແລະ LNCCI. ໃນການປະຕິບັດພາກສະໜາແມ່ນໄດ້ຮັບການ ສະໜັບສະໜູນຈາກບັນດາທີ່ປຶກສາຕ່າງໆ ພ້ອມກັບພະນັກງານຈາກກົມສະຖິຕິແຫ່ງຊາດ (NSD) ແລະ ພະນັກງານ, ນັກສຶກສາຈາກ ຄະນະເສດຖະສາດ ແລະ ການຄຸ້ມຄອງຈາກມະຫາວິທະຍາໄລແຫ່ງຊາດ (NUOL).

4.2. 10 ຜົນການສຳຫຼວດທີ່ສຳຄັນ

1. ປະເທດລາວແມ່ນໄດ້ປະເຊີນກັບການຂະຫຍາຍຕົວທາງດ້ານເສດຖະກິດໄປທາງທິດບວກ, ເນື່ອງມາຈາກ ການລາຍໄດ້ທີ່ສູງຢ່າງພົ້ນເດັ່ນຂອງຂະແໜງຊັບພະຍາກອນທຳມະຊາດ: ເສດຖະກິດປະເທດລາວໄດ້ມີການ ຂະຫຍາຍຕົວໃນອັດຕາສະເລຍ 7.5% ຕໍ່ປີນັບແຕ່ປີ 2002, ໂດຍທີ່ ຍອດຜະລິດຕະພັນມວນລວມພາຍ ໃນປະເທດ (GDP) ແມ່ນໄດ້ເພີ່ມຂຶ້ນຈົນເຖິງ 8.5% ໃນປີ 2010. ບໍ່ຄືກັບບັນດາປະເທດເພື່ອນບ້ານໃນ ພູມມີພາກ, ປະເທດລາວແມ່ນສາມາດຂ້າມຜ່ານວິກິດເສດຖະ ກິດສາກົນໄປໄດ້ດ້ວຍດີ, ເນື່ອງຈາກວ່າປະ ເທດລາວແມ່ນບໍ່ໄດ້ມີການເຊື່ອມຕໍ່ທາງດ້ານເສດຖະກິດໂດຍກົງຢັງຢູ່ໃນລະດັບທີ່ຕໍ່າ ບໍ່ວ່າຈະເປັນທາງ ການຄ້າສາກົນ ແລະ ການໄລເຂົ້າຂອງການລົງທຶນ.

ແຕ່ວ່າແນວໃດກໍຕາມ, ໃນຊຸມປີທີ່ຜ່ານມານີ້, ການໄລເຂົ້າຂອງ ການລົງທຶນໂດຍກົງຈາກຕ່າງປະເທດ (FDI) ເຂົ້າປະເທດລາວ ແມ່ນໄດ້ມີການເພີ່ມຂຶ້ນຢ່າງຕໍ່ເນື່ອງ. ການໄລເຂົ້າຫຼັກໆ ຂອງການລົງທຶນແມ່ນ ມາຈາກຂະແໜງການຊັບພະຍາກອນທຳມະຊາດ. ການລົງທຶນໃນອຸດສາຫະກຳເຂື່ອນໄຟຟ້າ, ຊຸດຄົ້ນແຮ່ ທອງຄຳ, ກົ່ວ, ຄຳ ແລະໄມ້ແມ່ນເປັນຂະແໜງການທີ່ດຶງດູດການລົງທຶນຂະໜາດໃຫຍ່ຈາກ FDI (ສະ ເລ່ຍແມ່ນຕົກຢູ່ປະມານ 1.1 ຕື້ໂດລາສະຫະລັດ) ແລະ ພັກດ້ນການສົ່ງອອກຕ່າງໆ. ກົງກັນຂ້າມກັບຂະ ແໜງການທີ່ບໍ່ແມ່ນມາຈາກຊັບພະຍາກອນທຳມະຊາດຕ່າງໆ ແມ່ນ ການເພີ່ມຂຶ້ນຂອງລາຍໄດ້ທີ່ເປັນອົງ ປະກອບໃນການເຕີບໃຫຍ່ຂອງເສດຖະກິດຂອງປະເທດລາວ ແມ່ນຢູ່ໃນອັດຕາທີ່ນ້ອຍ. ເພື່ອສະແດງໃຫ້ ເຫັນວ່າການເພີ່ມຂຶ້ນຂອງ FDI ຕໍ່ຂະແໜງຊຸດຄົ້ນຊັບພະຍາ ກອນທຳມະຊາດໄວຫຼາຍສຳໃດ, ພາຍໃນ 10 ປີ, FDI ຕໍ່ຂະແໜງການນີ້ແມ່ນກວມເອົາ 41% ໃນປີ 2000 ແລະ ໃນປີ 2010 ແມ່ນໄດ້ກວມເອົາເຖິງ 83%. ໃນຂະໜາດດຽວກັນ, ຂະແໜງການຜະລິດ ແລະກະສິກຳແມ່ນກວມເອົາພຽງອັດຕານ້ອຍໆ ຂອງ GDP ທັງໝົດໃນແຕ່ລະປີ. ອັດຕາທີ່ນ້ອຍ ຫຼືຕໍ່ານີ້ບໍ່ໄດ້ໝາຍຄວາມວ່າການລົງທຶນແມ່ນຫຼຸດລົງ, ແຕ່ ເພາະວ່າອັດຕາການຂະຫຍາຍຕົວແມ່ນບໍ່ໄວຄືກັບຂະແໜງການທີ່ອື່ນໃສ່ການຊຸດຄົ້ນຊັບພະຍາກອນທຳມະ ຊາດ.

ຄືກັບບັນດາປະເທດອື່ນໆທີ່ການຂະຫຍາຍຕົວເສດຖະກິດອື່ນໆໃສ່ການຊຸດຄົ້ນຊັບພະຍາກອນທຳມະຊາດ, ການນຳເຂົ້າຂອງປະເທດລາວແມ່ນຢູ່ໃນອັດຕາທີ່ສູງຂຶ້ນຫຼາຍໄປພ້ອມກັບການໄລເຂົ້າຂອງເງິນຕາຕ່າງປະ ເທດເຂົ້າສູ່ປະເທດ. ບໍ່ເປັນທີ່ໜ້າແປກໃຈ, ສິນຄ້າອຸປະປະໂພກບໍລິໂພກກວມເອົາເປັນອັດຕາສ່ວນທີ່ສຳຄັນ ຂອງການນຳເຂົ້າ. ຕົວຢ່າງການນຳເຂົ້າລົດໃຫຍ່ແມ່ນກວມເອົາ 16.5% ຂອງການນຳເຂົ້າທັງໝົດໃນປີ 2010. ເຖິງແມ່ນວ່າພັດທະນາດ້ານເສດຖະກິດຈະຂະຫຍາຍຕົວໄປທາງທິດບວກກໍຕາມ, ບາງຄວາມສ່ຽງ ກໍຍັງຄົງມີຢູ່ດັ່ງລຸ່ມນີ້:

- ຍັງຄົງມີປະກົດການເໜັງເຖິງຂອງລາຄາທີ່ສູງຫຼາຍທີ່ກ່ຽວພັນກັບການສົ່ງອອກ ແລະ ລົງທຶນຕ່າງໆທີ່ ຂຶ້ນກັບຂະແໜງການຊຸດຄົ້ນແຮ່ທາດ ແລະໄຟຟ້າ.
- ປະເທດລາວໄດ້ເລີ່ມສະແດງອາການເບື້ອງຕົ້ນຂອງ “Dutch Disease” ເຊິ່ງເປັນເຫດການສະພາບ ບັນຊີທຶນເກີນດຸນ, ທີ່ມີຄວາມສ່ຽງເຮັດໃຫ້ສະກຸນເງິນແຂງຄ່າ ແລະ ການປ່ຽນແປງການຈັດສັນ ເນັ້ນການລົງທຶນໃຊ້ຂະແໜງການຊັບພະຍາກອນທຳມະຊາດອາດມີຜົນກະທົບຕໍ່ການສົ່ງອອກ ຫຼື ລົງທຶນຕ່າງໆທີ່ບໍ່ແມ່ນຈາກຂະແໜງການນີ້ຫຼຸດລົງ. ເພາະອາດເສຍໂອກາດຂອງການເຕີບໃຫຍ່ຂະ ຫຍາຍຕົວຂອງເສດຖະກິດແບບຍືນຍົງໃນໄລຍະຍາວ.

2. ກຳໄລ ແລະຄວາມຄາດຫວັງຂອງບັນດາຫົວໜ່ວຍທຸລະກິດກຳລັງເພີ່ມຂຶ້ນ: ຈາກການຂະຫຍາຍຕົວທາງ ດ້ານເສດຖະກິດມະຫາພາກ ແມ່ນແນ່ນອນມີຜົນກະທົບຕໍ່ກັບບັນດາ 728 ຫົວໜ່ວຍທຸລະກິດຂອງ ຕົວຢ່າງການສຳຫຼວດ. ການເພີ່ມຂຶ້ນຂອງຄວາມອາດສາມາດໃນການໃຊ້ຈ່າຍ ແລະ FDI ໄດ້ນຳໄປສູ່ກຳ ໄລທີ່ສູງສຳຫຼັບຫົວໜ່ວຍທຸລະກິດທ້ອງຖິ່ນ. ໃນປີ 2011, 50.8% ຂອງທຸລະກິດໃນກຸ່ມຕົວຢ່າງນີ້ໄດ້ ປະສົບການກັບເພີ່ມຂຶ້ນຂອງກຳໄລເມື່ອປຽບທຽບກັບປີທີ່ຜ່ານມາ ແລະ 25% ຕອບວ່າກຳໄລແມ່ນຢູ່ໃນ ລະດັບປະມານສຳເກົ່າ. ສ່ວນໃຫຍ່ແລ້ວ (79.2%) ຂອງເຈົ້າຂອງຜູ້ຈັດການທຸລະກິດມີຄວາມຄາດຫວັງ ວ່າກຳໄລຈະເພີ່ມຂຶ້ນ (63.3%) ຫຼືຢູ່ໃນລະດັບເກົ່າ (15.9%) ໃນອະນາຄົດ. ອັດຕາຈາກການສຳຫຼວດວິ ສາຫະກິດໃນ ປີ 2011 ທີ່ຄາດວ່າກຳໄລຂອງພວກເຂົາຈະຫຼຸດລົງໃນ ປີທີ່ຈະມາຮອດແມ່ນກວມເອົາ 6.8%, ການບັນທຶກທີ່ຕໍ່າທີ່ສຸດເມື່ອປຽບທຽບກັບການສຳຫຼວດຜ່ານມາ (ຮູບສະແດງ 38). ປະກົດການ

ນີ້ສະແດງໃຫ້ເຫັນວ່າບັນດາທຸລະກິດແມ່ນມີຄວາມຄາດຫວັງໄປໃນທິດທາງບວກຢ່າງຕໍ່ເນື່ອງໃນການເພີ່ມຂຶ້ນຂອງກຳໄລໃຫ້ແກ່ທຸລະກິດຂອງພວກເຂົາໃນອະນາຄົດ, ປຽບທຽບກັບປະສົບການທີ່ໄດ້ມີການປະຕິບັດໃນການດຳເນີນທຸລະກິດແບບທີ່ຜ່ານມາຢ່າງຕໍ່ເນື່ອງ (ຮູບສະແດງ 39).

3. **ບັນດາຫົວໜ່ວຍທຸລະກິດຈາກກຸ່ມຕົວຢ່າງຢູ່ໃນລາວ ຖືວ່າຄູ່ແຂງທາງດ້ານທຸລະກິດຂອງພວກເຂົາບໍ່ເຂັ້ມແຂງ ຫຼືຕ້ອງກັງວົນ:** ບັນດາຫົວໜ່ວຍທຸລະກິດເລົ່ານີ້ບໍ່ວ່າຈະເປັນຂະໜາດໃດ ແມ່ນປະເຊີນກັບບັນຫາໜ້ອຍກວ່າເກົ່າກ່ຽວກັບການແຂ່ງຂັນໃນປັດຈຸບັນເມື່ອປຽບທຽບກັບປີ 2009. ເມື່ອເບິ່ງໃນແບບຜິວຜີນ ຫຼືບໍ່ເອົາໃຈໃສ່ ຜົນໄດ້ຮັບນີ້ສະແດງໃຫ້ເຫັນສະພາບທີ່ໜ້າຕີໃຈສຳຫຼັບແຕ່ລະຫົວໜ່ວຍທຸລະກິດ, ແຕ່ໃນມູມອງດ້ວຍລວມຈາກລະດັບອຸດສາຫະກຳ ຫຼື ຂະແໜງການ, ການມີລະດັບການແຂ່ງຂັນທີ່ຈຳກັດອາດນຳໄປສູ່ຄວາມບໍ່ມີສະເຖຍລະພາບ ຫຼືເຂັ້ມແຂງທາງດ້ານເສດຖະກິດໃນໄລຍະຍາວ, ໂດຍສະເພາະແມ່ນ ໃນນາມຫົວໜ່ວຍທຸລະກິດສາກົນທີ່ຈະເຂົ້າສູ່ເວທີການແຂ່ງຂັນຢູ່ໃນເຂດການຄ້າເສລີອາຊຽນ (AFTA) ແລະ ອົງການການຄ້າໂລກ (WTO)
4. **ສຳຫຼັບບັນດາຫົວໜ່ວຍທຸລະກິດທີ່ຮູ້ສຶກກົດດັນຈາກການແຂ່ງຂັນຕອບວ່າການເຂົ້າຫາແຫຼ່ງທຶນ ແລະ ການອຶ່ມຕົວຂອງຕະຫຼາດແມ່ນເປັນອຸປະສັກຫຼັກສຳຄັນ:** 57%ຂອງບັນດາທຸລະກິດຂະໜາດ ຈຸລະພາກແລະ 45%ຂອງບັນດາທຸລະກິດຂະໜາດນ້ອຍຈາກກຸ່ມຕົວຢ່າງການສຳຫຼວດ ຕອບວ່າການຂາດແຫຼ່ງທຶນແມ່ນເປັນບັນຫາ “ໃຫຍ່” ຫຼື “ໃຫຍ່ຫຼາຍ” (ຮູບສະແດງ 56). ບັນດາເຈົ້າຂອງທຸລະກິດທີ່ຮູ້ສຶກວ່າໄດ້ຮັບຄວາມກົດດັນຈາກການແຂ່ງຂັນແມ່ນໄດ້ເວົ້າຕື່ມອີກວ່າ ການຂາດຄວາມຫຼາກ ຫຼາຍໃນຜະລິດຕະພັນ ແມ່ນເປັນເຫດຜົນພື້ນຖານທີ່ພວກເຂົາກຳລັງພົບພໍ້. ບັນຫາພວກເຂົາຈະຍິ່ງເພີ່ມຂຶ້ນ ເມື່ອມີບັນດາຫົວໜ່ວຍທຸລະກິດສາກົນຕ່າງໆທີ່ສາມາດເຂົ້າຫາແຫຼ່ງທຶນ ແລະ ມີຜະລິດຕະພັນທີ່ມີຄຸນຄ່າເປັນທີ່ຮັບຮູ້ຖືກນຳເຂົ້າມາຂາຍຢູ່ໃນຕະຫຼາດໃນປະເທດລາວ.
5. **ຄວາມຮັບຮູ້ຂອງບັນດາຫົວໜ່ວຍທຸລະກິດຂອງການເຊື່ອມໂຍ້ທາງການຄ້າແມ່ນມີ—ໃນລະດັບທີ່ຈຳກັດ (ໜ້ອຍ)ຫາບໍ່ມີເລີຍ, ເຊິ່ງນີ້ນຳໄປສູ່ຄວາມສ່ຽງແກ່ພວກເຂົາຢູ່ໃນໄລຍະກາງຫາຍາວ:** ທຸກໆຫົວໜ່ວຍທຸລະກິດ (ນ້ອຍ, ກາງ ແລະ ໃຫຍ່) ເບິ່ງວ່າການແຂ່ງຂັນພາຍໃນແມ່ນມີຄວາມທ້າຖ່າຍ ຫຼາຍກວ່າການແຂ່ງຂັນຈາກຕ່າງປະເທດ. ການເບິ່ງແບບນີ້ກໍ່ເນື່ອງມາຈາກການຂາດຄວາມຮັບຮູ້ກ່ຽວກັບຂໍ້ຕົກລົງທາງດ້ານການຄ້າຕ່າງໆທີ່ກຳລັງຈະມີ. ຫົວໜ່ວຍທຸລະກິດຈາກກຸ່ມຕົວຢ່າງ, ພວກເຂົາແມ່ນມີຄວາມຮັບຮູ້ໜ້ອຍກ່ຽວກັບ AFTA ແລະ WTO ເມື່ອປຽບທຽບກັບປີ 2009. ໂດຍທີ່ວ່າຕໍ່າກວ່າ 30% ຂອງບັນດາຫົວໜ່ວຍທຸລະກິດນີ້ແມ່ນມີຄວາມຮັບຮູ້ກ່ຽວກັບຂໍ້ຕົກລົງທັງສອງນີ້ (ຮູບສະແດງ 50). ການບໍ່ມີຄວາມຮັບຮູ້ນີ້ໄດ້ສ້າງຂໍ້ຈຳກັດໃຫ້ບັນດາຫົວໜ່ວຍທຸລະກິດເພື່ອທຳການກ້ຽມພ້ອມໃນການເປີດການຄ້າ ແລະ ເພື່ອຍາດແຍ່ງໂອກາດຕ່າງໆຈາກທາງນອກ.
6. **ລະດັບຄວາມເພິ່ງພໍໃຈໃນບັນດາທຸລະກິດແມ່ນສູງ, ແຕ່ນີ້ອາດເປັນສັນຍາຂອງອຸປະສັກໃນໄລຍະຍາວຕໍ່ສະມັດຕະພາບການຜະລິດ:** ບັນດາຫົວໜ່ວຍທຸລະກິດໃນທຸກໆລະດັບສ່ວນຫຼາຍແມ່ນເບິ່ງການດຳເນີນທຸລະກິດຂອງພວກເຂົາໃນປັດຈຸບັນໃນແນວໂນມໃນລະດັບດີ; ມີແຕ່ສ່ວນນ້ອຍໆທີ່ເຊື່ອວ່າ ສະຖານະການດຳເນີນທຸລະກິດຂອງພວກເຂົາແມ່ນຮ້າຍກວ່າເກົ່າໃນ 2 ປີທີ່ຜ່ານມາ. ນອກຈາກນີ້, ບັນດາຫົວໜ່ວຍຕ່າງໆ ຍັງມີຄວາມໝັ້ນໃຈເພີ່ມຂຶ້ນກ່ຽວກັບການດຳເນີນທຸລະກິດຂອງພວກເຂົາໃນປັດຈຸບັນແມ່ນດີກວ່າເກົ່າເມື່ອປຽບທຽບກັບການສຳຫຼວດຂອງປີ 2009. ນີ້ເປັນການເບິ່ງໃນທາງດ້ານບວກໂດຍທົ່ວໄປ, ແຕ່

ວ່າ, ເປັນສັນຍານຄວາມສ່ຽງທີ່ມີຜົນກະທົບ ທີ່ສະແດງໃຫ້ເຫັນວ່າເຈົ້າຂອງທຸລະກິດໄດ້ລົງທຶນໃນທຸລະກິດ ແລະພະນັກງານເຮັດວຽກຂອງພວກເຂົາແນວໃດ.

- ຄວາມສົນໃຈໃນການເຝິກອົບຮົມແມ່ນໜ້ອຍ:** ປີຕໍ່ປີ, ຫົວໜ່ວຍທຸລະກິດຈາກກຸ່ມຕົວຢ່າງແມ່ນມີຄວາມສົນໃຈໜ້ອຍໃນການຕອບສະໜອງໃຫ້ການເຝິກອົບຮົມຕ່າງໆ. ໜຶ່ງໃນສົມມຸດຕິຖານທີ່ເປັນໄປໄດ້ແມ່ນເນື່ອງມາຈາກສະຖານະການປັດຈຸບັນທີ່ທາງທຸລະກິດແມ່ນໄດ້ຮັບກຳໄລເພີ່ມຂຶ້ນ ແລະ ບໍ່ຮູ້ສຶກວ່າຈຳເປັນຕ້ອງລົງທຶນໃຫ້ການເຝິກອົບຮົມແກ່ພະນັກງານ. ທາງຫົວໜ່ວຍທຸລະກິດອາດຕັ້ງຄຳຖາມໃຫ້ຕົວເອງວ່າ “ເປັນຍັງຕ້ອງລົງທຶນເຝິກອົບຮົມແກ່ພະນັກງານ ໃນເມື່ອທຸລະກິດໄດ້ມີການຂະຫຍາຍຕົວໂດຍທີ່ບໍ່ຕ້ອງລົງທຶນ?”. ຍົກເວັ້ນແຕ່ ໃນລະດັບວິສາຫະກິດຂະໜາດຈຸລະພາກ, ຜົນການສຳຫຼວດ ES2011 ໄດ້ບັນທຶກລະດັບຄວາມສົນໃຈຂອງເຈົ້າທຸລະກິດໃນຂະໜາດຕ່າງໆ ໃນການຕອບສະໜອງການເຝິກອົບຮົມໃຫ້ແກ່ພະນັກງານແມ່ນຢູ່ໃນລະດັບທີ່ຕໍ່າທີ່ສຸດ (*ຮູບສະແດງ 86*). ນັບແຕ່ມີການສຳຫຼວດວິສາຫະກິດແຕ່ ປີ 2005 ໂດຍມີອັດຕາ 7.8% ຫຼຸດລົງນັບແຕ່ ES2009 ແລະຫຼຸດລົງດ້ວຍລວມ 18.3% ລະຫວ່າງ EBS 2005 (73.1%) ແລະ ES2011 (54.8%). ຕົວເລກເຫລົ່ານີ້ ບໍ່ໄດ້ບົ່ງບອກຢ່າງຈະແຈ້ງ ຫຼືເປັນກາງ, ເນື່ອງຈາກວ່າເສດຖະກິດລາວ ແມ່ນເອົາໃຈໃສ່ເພື່ອການເຊື່ອມໂຍ່ງທາງດ້ານເສດຖະກິດທີ່ເລິກເຊິ່ງ ແລະ ໄປພ້ອມກັບການແຂ່ງຂັນກັບຕ່າງປະເທດ.
- ອັດຕາຂອງບັນດາຫົວໜ່ວຍທຸລະກິດທີ່ລົງທຶນໃນທຸລະກິດຂອງພວກເຂົາຍັງຄືເກົ່າ:** ເຖິງຈະມີການເພີ່ມຂຶ້ນດ້ວຍລວມແບບສະສົມຂອງກຳໄລ, ບັນດາຫົວໜ່ວຍທຸລະກິດຕ່າງໆໃນອັດຕາຄືເກົ່າໃນ ໄດ້ຕັດສິນໃຈ ລົງທຶນກັບທຸລະກິດຂອງພວກເຂົາໃນລະດັບສຳເກົ່າຄື ES2009. 38% ຂອງທຸລະກິດຂະໜາດນ້ອຍ, 40% ຂອງທຸລະກິດຂະໜາດກາງ, ແລະ 50% ຂອງທຸລະກິດຂະໜາດໃຫຍ່ໄດ້ຕັດສິນໃຈ ບໍ່ລົງທຶນ (ເນັ້ນ). ໂດຍອະທິບາຍວ່າຂະໜາດຂອງທຸລະກິດຂອງພວກເຂົາແມ່ນສຳເກົ່າ (*ຮູບສະແດງ 44*). ປະກົດການນີ້ອາດເປັນສັນຍານເບື້ອງຕົ້ນຂອງການເບິ່ງເສດຖະກິດໃນໄລຍະສັ້ນ ເຊິ່ງມັກເປັນເຫດການເກີດຂຶ້ນໄປພ້ອມກັບການຂະຫຍາຍຕົວຢ່າງໄວ.

7. ມີທ້າວ່າງທີ່ພື້ນເດັ່ນໃນການປະຕິບັດທຸລະກິດແບບບໍ່ເປັນທາງການ, ຈຳນວນການລົງທະບຽນໜ້ອຍກັບ ຫ້ອງການພາສີ ແລະ ການເພີ່ມຂຶ້ນຂອງການຈ່າຍພາສີແບບເປັນກ່ອນ ທຽບກັບການຈ່າຍແບບເປັນທາງການ: ອີງຕາມຂໍ້ມູນຂອງຫ້ອງການພາສີແຫ່ງຊາດ, ລາຍງານວ່າມີພຽງ 77,482 ຫົວໜ່ວຍທຸລະກິດໄດ້ຈົດທະບຽນກັບຫ້ອງການພາສີທົ່ວປະເທດລາວ ປຽບທຽບກັບຕົວເລກໃນປີ 2009 ທີ່ມີຕົວເລກຫົວໜ່ວຍໄດ້ມີການຈົດທະບຽນເທົ່າກັບ 83,181, ມີການລົດລົງ 7.3%. ຕົວເລກນີ້ອາດເນື່ອງມາຈາກການຮ່ວມຕົວຂອງທຸລະກິດ, ແຕ່ອີກເຫດຜົນໜຶ່ງທີ່ອະທິບາຍໄດ້ແມ່ນເນື່ອງຈາກວ່າ ຫົວໜ່ວຍທຸລະກິດຕ່າງໆ ແມ່ນມີຄວາມສະດວກສະບາຍທີ່ຈະດຳເນີນທຸລະກິດແບບທີ່ບໍ່ເປັນທາງການ, ແທນທີ່ຈະຜ່ານສ່ອງທາງທີ່ເປັນທາງການ. ES2011 ສຳໜັບສະໜູນການໄປຕາມເຫດຜົນທີ່ຖືກນຳສະເໜີຂໍ້ສອງ: ໃນບັນດາຫົວໜ່ວຍທຸລະກິດໃນກຸ່ມຕົວຢ່າງ, ໃນປີຕໍ່ປີພວກເຂົາໄດ້ມີການຫຼຸດການນຳໃຊ້ລະບົບພາສີເປັນທາງການ, ເລີ່ມຈາກ 53% ໃນປີ 2005 ແລະ ໄດ້ລົດລົງເຫຼືອພຽງແຕ່ 38% ໃນປີ 2011, ແລະ ອັດຕາທາງເລືອກທີ່ນຳໃຊ້ວິທີການສຳລະພາສີແບບເປັນກ່ອນໄດ້ມີການເພີ່ມຂຶ້ນ. ສະພາບການນີ້ໄດ້ສະແດງໃຫ້ເຫັນວ່າ ວິສາຫະກິດຂະໜາດນ້ອຍແລະກາງໃນປະເທດລາວ, ວິທີການຈ່າຍພາສີແບບເປັນທາງການ ແມ່ນແພງຫຼາຍ ຫຼືໃຊ້ເວລາຫຼາຍເກີນໄປ. ດ້ວຍເຫດນີ້, ໜ່ວຍງານທີ່ກ່ຽວຂ້ອງຄວນພິຈາລະນາຫາສ່ອງທາງ

ອື່ນໆ ແລະ/ຫຼືປະຕິຮູບວິທີການລົງທະບຽນພາສີ ແລະ ລະບົບການຈ່າຍໃໝ່ ເພື່ອເຮັດແນວໃດຈະເຮັດໃຫ້ ບັນດາຫົວໜ່ວຍທຸລະກິດຕ່າງໆມີສ່ວນຮ່ວມໃນການດໍາເນີນທຸລະກິດແບບເປັນທາງການ, ເຊິ່ງຖ້າເຮັດໄດ້ ນີ້ກໍ່ເປັນໂອກາດທີ່ຈະຕອບສະໜອງການຄາດຄະເນລາຍຮັບທີ່ແນ່ນອນທີ່ເປັນໄປໄດ້ສໍາຫຼັບແຫຼ່ງທຶນສໍາ ຮ້ອງແກ້ລັດຖະບານ.

8. **ມີການນໍາໃຊ້ການບໍລິການການພັດທະນາຫົວໜ່ວຍທຸລະກິດ (BDS) ສູງ, ແຕ່ຂ້ອນຂ້າງຈະເປັນມາຈາກ ໜ່ວຍບໍລິການທີ່ບໍ່ໄດ້ມາດຖະຫນາ:** 73.9%ຂອງຫົວໜ່ວຍທຸລະກິດທັງໝົດຈາກກຸ່ມຕົວຢ່າງແມ່ນໄດ້ ຮັບຄໍາແນະນໍາ BDS. ແຕ່ວ່າ ຄວາມໝາຍ/ຄໍານິຍາມຂອງ BDS - “ໃຫ້ຄໍາປຶກສາ/ແນະນໍາ ສໍາຫຼັບການ ພັດທະນາທຸລະກິດຂອງເຈົ້າ” - ແມ່ນມີຄວາມໝາຍກວ້າງຫຼາຍ. ຫົວໜ່ວຍທຸລະກິດສ່ວນຫຼາຍແມ່ນອີງໃສ່ ຄໍາແນະນໍາຈາກສະມາຊິກຄອບຄົວ ແລະ ເພື່ອນແທນທີ່ຈະແມ່ນຄໍາແນະນໍາຈາກອົງການຈັດຕັ້ງສະມາຊິກ ທາງທຸລະກິດ (ສະມາຄົມທຸລະກິດຕ່າງໆ) (BMOs), ຫ້ອງ ການໃຫ້ຄໍາປຶກສາຕ່າງໆ ຫຼື ຕົວແທນໜ່ວຍ ງານລັດຖະບານຕ່າງໆ. ມີພຽງ 7.9%ຈາກການສໍາຫຼວດຂອງວິສາຫະກິດທີ່ໄດ້ຮັບ BDS ຈາກ BMOs ແລະ ມີພຽງ 13.0%ທີ່ໄດ້ຮັບຈາກລັດຖະບານ ແລະ ຜູ້ຕອບສະໜອງໃຫ້ການບໍລິການຈາກພາກລັດ.
9. **ມີຄວາມເຊື່ອມໂຍງລະຫວ່າງທຸລະກິດທີ່ປະສົບຜົນສໍາເລັດ ກັບການເປັນສະມາຊິກ BMO, ແຕ່ວ່າຄວາມ ຮັບຮູ້ຂອງຄວາມເຊື່ອມໂຍງນີ້ພັດມີການຫຼຸດລົງຈາກຫົວໜ່ວຍທຸລະກິດກ່ຽວກັບ BMOs:** ຄືກັນໃນປີ 2009, ສະມາຊິກຂອງ BMO ແມ່ນດໍາເນີນທຸລະກິດໄດ້ດີໂດຍທົ່ວໄປ - ພວກເຂົາລົງທຶນເພີ່ມຂຶ້ນ, ຈ້າງພະນັກງານເພີ່ມຂຶ້ນ, ແລະ ຜົນໄດ້ຮັບ ແລະ ກໍາໄລຂອງພວກເຂົາກໍ່ສູງກວ່າຫົວໜ່ວຍທຸລະກິດທີ່ບໍ່ ແມ່ນສະມາຊິກ. ບໍ່ວ່າ ການເປັນສະມາຊິກຂອງ BMO ຈະເຮັດໃຫ້ວິສາຫະກິດດໍາເນີນໄດ້ດີກວ່າກໍ່ຕາມ ຫຼື ວ່າການທີ່ພວກເຂົາເປັນສະມາຊິກໄດ້ເຮັດໃຫ້ພວກເຂົາມີຄວາມກ້າວໜ້າ ເຊິ່ງເຫດຜົນແມ່ນເວົ້າໄດ້ ຫຼາຍໆເຫດຜົນ. ແຕ່ວ່າ, ເຖິງແມ່ນວ່າຈະມີການເຊື່ອມໂຍງ/ກ່ຽວພັນທາງດ້ານບວກກໍ່ຕາມ, ປະກົດ ວ່າຄວາມຮັບຮູ້ ແລະ ການມີສ່ວນຮ່ວມ BMOs ຂອງບັນດາຫົວໜ່ວຍທຸລະກິດຈາກກຸ່ມຕົວຢ່າງແມ່ນ ໜ້ອຍ. ໃນ ES2011, ມີພຽງ 25.3% ຂອງວິສາຫະກິດທີ່ໄດ້ຮັບການສໍາຫຼວດແມ່ນຮັບຮູ້ກ່ຽວກັບ ການ ສົນທະນາປຶກສາຫາລືລະຫວ່າງພາກລັດ - ເອກະຊົນຂັ້ນແຂວງ (PPPD) ແລະ ເວທີປະຊຸມປຶກສາທຸລະ ກິດລາວ (LBF). ອັດຕາຫຼຸດລົງຢ່າງສູງ 9.6%ຈາກ 34.9%ໃນES2009. ການຫຼຸດລົງນີ້ແມ່ນໄດ້ ມີການສັງເກດຢູ່ໃນທຸກຂະໜາດຂອງຫົວໜ່ວຍທຸລະກິດ. ນອກຈາກນີ້, ບັນດາຫົວໜ່ວຍທຸລະກິດທີ່ຮັບຮູ້ ກ່ຽວກັບ BMOs ແມ່ນໄດ້ປະກອບສ່ວນໜ້ອຍກວ່າເກົ່າ ແລະ ຫົວໜ່ວຍທີ່ມີສ່ວນຮ່ວມໃນປັດຈຸບັນ ແມ່ນມີຄວາມພໍໃຈໃນລະດັບໜ້ອຍກ່ຽວກັບຜົນໄດ້ຮັບຈາກ BMOs. ການມີສ່ວນຮ່ວມ ແລະ ຄວາມພໍ ໃຈໃນ BMO ຂອງສະມາຊິກແມ່ນໄດ້ຫຼຸດລົງ 13%. ຜົນທີ່ໄດ້ຮັບນີ້ສະແດງໃຫ້ເປັນວ່າຈໍາເປັນຕ້ອງມີ ການພິຈາລະນາຫາຊ່ອງທາງປັບປຸງວິທີການຂອງ BMO ແລະ ເຮັດແນວໃດໃຫ້ມີປະສິດທິພາບກວ່າເກົ່າ.
10. **ປັບປຸງຄວາມຮັບຮູ້ຂອງລັດຖະບານຂັ້ນທ້ອງຖິ່ນ ແລະ ສູນກາງ ແລະ ການເພີ່ມຄວາມຕ້ອງການ:** ໃນ ES2011 ບັນດາຫົວໜ່ວຍທຸລະກິດໄດ້ຖືກຖາມວ່າ ພວກເຂົາຮູ້ສຶກວ່າການໃຫ້ການບໍລິການຂອງ ລັດຖະບານຂັ້ນທ້ອງຖິ່ນ ແລະ ສູນກາງແກ່ພວກເຂົາເມື່ອປຽບທຽບກັບສອງປີກ່ອນໄດ້ມີການປັບປຸງ ຫຼືບໍ່. ໂດຍລວມແລ້ວ, ບັນດາຫົວໜ່ວຍທຸລະກິດທຸກຂະໜາດແມ່ນມີຄວາມພໍໃຈເພີ່ມຂຶ້ນກັບການໃຫ້ການ ບໍລິການຂອງພະນັກງານທ້ອງຖານລັດຖະບານທ້ອງຖິ່ນ ແລະ ສູນກາງເມື່ອປຽບທຽບກັບສອງປີກ່ອນ. ແຕ່ ວ່າ, ເມື່ອປຽບທຽບເປັນອັດຕາລະຫວ່າງປີການສໍາຫຼວດແລ້ວ, ລະດັບການຄຸ້ມຄອງຈັດການແມ່ນແຫ່ງບໍ່ ດີກວ່າເກົ່າ. ຕົວຢ່າງ, ໃນ ES2011, ມີພຽງ 64% ຂອງຫົວໜ່ວຍທຸລະກິດລາຍງານວ່າການໃຫ້ການ

ບໍລິການລັດຖະບານຂັ້ນສູນກາງແມ່ນມີປະໂຫຍດ, ປຽບທຽບກັບ ES2009 ອັດຕາແມ່ນຢູ່ທີ່ 73%. ປະກົດການກົງກັນຂ້າມນີ້ ສະແດງໃຫ້ເຫັນວ່າມີການປຽບແປງຂອງການຄາດຫວັງລະຫວ່າງບັນດາທຸລະກິດ. ເຫດຜົນອະທິບາຍທີ່ເປັນໄປໄດ້ແມ່ນ, ໃນຂະໜາດທີ່ເຈົ້າຂອງທຸລະກິດໄດ້ຕັດສິນຄວາມຮັບຜິດຊອບຂອງລັດຖະບານຈະຕ້ອງໄດ້ຮັບການປັບປຸງຂຶ້ນກວ່າເກົ່າ, ພວກເຂົາຄາດຫວັງເພີ່ມຂຶ້ນ ແລະ ດ້ວຍເຫດນັ້ນຖ້າເບິ່ງໂດຍລວມແລ້ວລະຫວ່າງປີການ, ອັດຕາ ຫຼື ເປີເຊັນທີ່ພວກເຂົາໃຫ້ແມ່ນຕໍ່າກວ່າ.

4.3. 8 ຄຳແນະນຳທາງດ້ານນະໂຍບາຍທີ່ສຳຄັນ

1. **ການສ້າງໃຫ້ມີຄວາມຫຼາກຫຼາຍຂອງຜະລິດຕະພັນໃນແຜນງານການສົ່ງອອກ:** ເສດຖະກິດຂອງປະເທດລາວ ແມ່ນຢູ່ໃນແນວທາງສືບຕໍ່ຂະຫຍາຍຕົວໃນ 10 ປີທີ່ຜ່ານມາ. ການສືບຕໍ່ເພີ່ມຂຶ້ນໃນການສົ່ງອອກຫຼັກກຽມຂອງຜະລິດຕະພັນຈາກລາວແມ່ນມາຈາກຂະແໜງການເຂື່ອນໄຟຟ້າ, ຂຸດຄົ້ນແຮ່ທອງແດງ, ກົ່ວ, ຄຳ, ໄມ້ ແລະ ການສົ່ງອອກບາງຜະລິດຕະພັນກະສິກຳລວມມີ ສາລີ ແລະ ຢາງພາລາ. ເພື່ອເປັນການຫຼຸດຜ່ອນຂອງບັນດາຄວາມສ່ຽງທີ່ກ່ຽວຂ້ອງກັບການເນັ້ນຕຶງຂອງລາຄາຂອງບັນດາສິນຄ້າສົ່ງອອກເຫຼົ່ານີ້, ທາງລັດຖະບານແຫ່ງ ສປປ ລາວ ແລະຄູ່ຮ່ວມມືການໃນການພັດທະນາຕ້ອງໄດ້ສຸມໃສ່ການຍົກລະດັບ/ໃຊ້ປະໂຫຍດຂອງຄວາມເປັນເອກະລັກທີ່ໄດ້ປຽບຂອງສິນຄ້າທີ່ມາຈາກລາວ. ການປະຕິບັດແບບນີ້ກໍ່ເພື່ອການສ້າງໃຫ້ມີຄວາມຫຼາກຫຼາຍຂອງສິນຄ້າສົ່ງອອກຈາກປະເທດລາວໂດຍສະເພາະແມ່ນສິນຄ້າທີ່ໄດ້ຮັບການແປຮູບ/ປຸງແຕ່ງ ຫຼື ແປຮູບໃນລະດັບໃດໜຶ່ງ. ການສ້າງໃຫ້ມີຄວາມຫຼາກຫຼາຍຂອງສິນຄ້າແຫ່ງມີຄວາມສຳຄັນເພີ່ມຂຶ້ນ ໃນຂະໜາດທີ່ມີການເໜັງຕຶງຂອງການຄ້າ ແລະ ການລົງທຶນທີ່ກ້ຽມພ້ອມເພື່ອ AFTA. ເຊິ່ງດ້ວຍເຫດນັ້ນ ການປະຕິບັດແບບນີ້ໄດ້ເປີດກວ້າງໃຫ້ຜູ້ຜະລິດຈາກລາວ ເພີ່ມຄວາມພ້ອມໃນການແຂ່ງຂັນທີ່ມີຄວາມສ່ຽງ ແລະ ຍາດແຍ່ງເອົາທຸກໂອກາດຕ່າງໆທີ່ຈະເກີດຂຶ້ນ.
2. **ການປັບປຸງລະບົບການເຜີຍແຜ່ ແລະ ແລກປ່ຽນຂໍ້ມູນຂ່າວສານກ່ຽວກັບການຄ້າເສລີ ແລະ ການເຊື່ອມໂຍງທາງດ້ານເສດຖະກິດ:** ທາງລັດຖະບານ, ຄູ່ຮ່ວມມືໃນການພັດທະນາ, *BMOs* ແລະ ອົງການທີ່ບໍ່ຂຶ້ນກັບລັດຖະບານ (NGOs) ຕ້ອງໄດ້ເນັ້ນຄວາມສຳຄັນຂອງແຜນງານໜ້າວຽກກ່ຽວກັບການເຊື່ອມໂຍງທາງດ້ານການຄ້າ ແລະການປັບປຸງຄວາມຕັ້ງໃຈໃນລະບົບການເຜີຍແຜ່ຂໍ້ມູນຂ່າວສານ ເພື່ອສ້າງຄວາມພ້ອມໃຫ້ບັນດາທຸລະກິດຂະໜາດນ້ອຍໃນການແຂ່ງຂັນກັບບັນດາທຸລະກິດຈາກຕ່າງປະເທດ. ເຊັ່ນດຽວກັນເຮັດແນວໃດໃຫ້ພວກເຂົາຊ່ວຍໃຊ້ໂອກາດຂອງການຄ້າທີ່ມີການເປີດກວ້າງນີ້ນຳ. ຈາກມຸມມອງດ້ານຍຸດທະສາດ, ຫ້ອງການຕ່າງໆຄວນເລີ່ມກະກຽມໃຫ້ບັນດາທຸລະກິດມີການເຊື່ອມໂຍງເຂົ້າຫາເຄືອຄ້າຍຕ່ອງໂສ້ການຕອບສະໜອງຕ່າງໆ ໃນພູມມິພາກ, ແລະໃຊ້ປະໂຫຍດຄວາມໄດ້ປຽບຕ່າງໆຂອງຕົນເພື່ອໃຫ້ພ້ອມກັບການປ່ຽນແປງຢ່າງກະທັນຫັນທີ່ຈະເກີດຂຶ້ນ. ໃນຂັ້ນຕົ້ນເລີ່ມຕົ້ນການປະສານງານຄວນຕ້ອງມີລະຫວ່າງລັດຖະບານແຫ່ງ ສປປ ລາວ, ຜູ້ໃຫ້ທຶນສະໜັບສະໜູນ ແລະ ຫ້ອງການ NGOs ທີ່ກ່ຽວຂ້ອງຕ່າງໆ ເພື່ອລິກລ້ຽງການເຮັດວຽກຊ້າກັນ, ແລະກະຈ່າຍໜ້າວຽກໄປໃຫ້ຂະແໜງການທີ່ກ່ຽວຂ້ອງສະເພາະ. ສາຍເຫດກໍ່ເນື່ອງຈາກວ່າແຕ່ລະຂະແໜງການອຸດສາຫະກຳ ແລະກຸ່ມທຸລະກິດແມ່ນຕ້ອງປະເຊີນກັບຄວາມທ້າທາຍ ແລະ ໂອກາດຕ່າງໆຈາກການເປີດການຄ້າເສລີທີ່ຕ່າງກັນ. ກ່ອນການປະຕິບັດ, ຜູ້ວ່າງນະໂຍບາຍຕ້ອງໄດ້ປະເມີນຢ່າງລະອຽດວ່າ ພາກສ່ວນສະເພາະໃດທີ່ເປັນສີ່ທີ່ສາມາດລະດົມບັນດາຂະແໜງການ/ພາກສ່ວນອຸດສາຫະກຳເພື່ອຈະສະໜັບສະໜູນການເປີດການຄ້າເສລີນີ້ໃດ, ມີຄວາມຄິດແຜນການສຳຄັນອັນໃດທີ່ຕ້ອງໄດ້ມີການນຳສະເໜີ ແລະ ຜ່ານສື່/ວິທີການອັນໃດຈຶ່ງຈະໄດ້ຮັບໜາກຜົນ/ຜົນປະໂຫຍດທີ່ຫຼາຍກວ່າໝູ່ໝົດ.

3. **ປ່ຽນແປງບັບປຸງ ສື່/ວິທີການເຝິກອົບຮົມ ດັ່ງນັ້ນບັນດາທຸລະກິດຈຶ່ງເຫັນຄຸນຄ່າທີ່ການເຝິກອົບຮົມຈະມອບໃຫ້:** ບັນດາທຸລະກິດຕ່າງໆໃນປັດຈຸບັນແມ່ນເຫັນຄຸນຄ່າຂອງການເຝິກອົບຮົມບໍ່ຫຼາຍ. ການບໍ່ເຫັນຄຸນຄ່ານີ້ແມ່ນເປັນບັນຫາ, ເນື່ອງຈາກການທີ່ຈະມີສາມາດຢູ່ໃນເວທີການແຂ່ງຂັນໄດ້ ຕ້ອງມີແຮງງານທີ່ໄດ້ຮັບ/ຜ່ານການເຝິກອົບຮົມ. ດ້ວຍເຫດນັ້ນ, ບັນດາຜູ້ອອກນະໂຍບາຍຕ້ອງທຳອິດຕ້ອງ ມີການສຶກສາວ່າເປັນຍັງການຕອບສະໜອງການເຝິກອົບຮົມຈຶ່ງບໍ່ເປັນທີ່ນິຍົມ/ປະຕິບັດ. ສົມມຸດຕິຖານໜຶ່ງທີ່ບົດລາຍງານນີ້ໄດ້ສະເໜີຜ່ານມາ ແມ່ນເນື່ອງຈາກບັນດາທຸລະກິດແມ່ນໄດ້ຮັບກຳໄລເພີ່ມຂຶ້ນ, ແລະ ໄດ້ໃຫ້ທັດສະນະວ່າການເຝິກອົບຮົມແມ່ນບໍ່ມີຄວາມຈຳເປັນຫຼາຍ. ແຕ່ວ່າແນວໃດກໍ່ຕາມ, ຕ້ອງມີການສຶກສາເອົາໃຈໃສ່ເພີ່ມຂຶ້ນເພື່ອໃຫ້ມີຄວາມເຂົ້າໃຈກ່ຽວກັບປັດໃຈ/ເຫດຜົນ ເບື້ອງຫຼັງທັງໝົດວ່າຍ້ອນສາຍເຫດອັນໃດການຕອບສະໜອງການເຝິກອົບຮົມຈຶ່ງບໍ່ເປັນທີ່ປະຕິບັດ. ພາຍຫຼັງທີ່ບັນຫາຫຼັກແມ່ນໄດ້ຮັບຄວາມເຂົ້າໃຈແລ້ວ, ຜູ້ອອກນະໂຍບາຍ ແລະໃຫ້ການສຶກສາສາມາດເລີ່ມວິທີການ/ໃຊ້ສີ່ຕ່າງໆຂອງພວກເຂົາໃຫ້ມີປະສິດທິຜົນເພີ່ມຂຶ້ນ ແລະ/ຫຼື ດັດປັບຫົວຂໍ້ການເຝິກອົບຮົມຕ່າງໆ ເພື່ອໃຫ້ຕອບສະໜອງຕາມຄວາມຕ້ອງການຂອງລູກຄ້າ/ຜູ້ຊົມໃຊ້. ການລິເລີ່ມການນຳໃຊ້ນະວະຕະກຳໃໝ່ໂດຍການສົ່ງເສີມການຕະຫຼາດເພື່ອສັງຄົມ ອາດສາມາດສ້າງບົດບາດການປ່ຽນແປງແນວຄວາມຄິດຂອງເຈົ້າຂອງທຸລະກິດກ່ຽວກັບຄຸນຄ່າຂອງການເຝິກອົບຮົມ. ແຕ່ອີກຄັ້ງໜຶ່ງ, ຍຸດທະສາດເລົ່ານີ້ຄວນມີການນຳໃຊ້ ໃນເມື່ອປັດໃຈພັກດັນ/ເຫດຜົນຢູ່ເບື້ອງຫຼັງຂອງແນວຄວາມຄິດກ່ຽວກັບການໃຫ້ການເຝິກອົບຮົມແມ່ນເປັນທີ່ອະທິບາຍ/ລະບຸຢ່າງກະຈ່າງແຈ້ງ.
4. **ບັບປຸງຄຸນນະພາບຂອງ BDS:** ຄືກັນກັບຫຼາຍຕະຫຼາດທີ່ກຳລັງພັດທະນາ, BDS ຢູ່ໃນປະເທດລາວສືບຕໍ່ທີ່ຈະເປັນວິທີການ “ບັນຫາພາຍໃນຄອບຄົວ”, ໂດຍທີ່ວ່າມີພຽງທຸລະກິດຈຳນວນໜ້ອຍທີ່ອີງໃຊ້/ຝັງຄຳແນະນຳຂອງຊ່ຽວຊານໃຫ້ບໍລິການ, ລັດຖະບານ ຫຼື ຜູ້ໃຫ້ທຶນຊ່ວຍເຫຼືອລ້າຕ່າງໆ. ຈາກທັດສະນະຂອງຜູ້ອອກນະໂຍບາຍ, ຄວາມທ້າທາຍແມ່ນຍັງຄົງແມ່ນວ່າຕ້ອງໃຫ້ແນ່ໃຈວ່າບັນດາ BDSແມ່ນຕອບສະໜອງຄຳແນະນຳ/ປຶກສາທີ່ມີຄຸນນະພາບສູງ, ບັນດາທຸລະກິດແມ່ນສາມາດເຂົ້າຫາພວກເຂົາໄດ້ ແລະເຊັ່ນດຽວກັນພາກສ່ວນເອກະຊົນ, ອົງການຈັດຕັ້ງຕ່າງໆ, ແລະລັດຖະບານແມ່ນມີບົດບາດສຳຄັນໃນການຕອບສະໜອງຄຳແນະນຳ/ບໍລິການເຫຼົ່ານີ້.
5. **ສຳຫຼວດຫາສາຍເຫດວ່າເປັນຍັງຈຳນວນສະມາຊິກ/ຄວາມນິຍົມຂອງ BMO ຈຶ່ງຫຼຸດລົງ, ແລະພັດທະນາແຜນງານເພື່ອບັບປຸງຄຸນນະພາບຂອງການບໍລິການ ແລະ ຕັ້ງດູດສະມາຊິກໃໝ່:** ໃນເມື່ອກ່ອນ BMOsໃນປະເທດລາວແມ່ນສາມາດບັນລຸຄວາມເປັນໄປໄດ້/ເປົ້າໝາຍຂອງພວກເຂົາ, ດ້ວຍເຫດນັ້ນແມ່ນຈຳເປັນທີ່ວ່າບາງຄຳຖາມສຳຄັນຕ້ອງໄດ້ຖືກຕອບ. ທຳອິດ, ເປັນຫຍັງ BMOs ຈຶ່ງສູນເສຍສະມາຊິກ/ຈຳນວນສະມາຊິກຈຶ່ງຫຼຸດລົງ? ຕໍ່ມາ, ເປັນຍັງລະດັບຄວາມພໍໃຈຂອງຜູ້ເຂົ້າຮ່ວມຈຶ່ງໜ້ອຍກວ່າປີທີ່ຜ່ານມາ? ຄຳຕອບຕໍ່ຄຳຖາມເຫຼົ່ານີ້ແມ່ນມີຄວາມສຳຄັນພື້ນຖານຢ່າງຕໍ່ເນື່ອງ ເພື່ອການພັດທະນາແຜນງານໃນຕໍ່ໜ້າເພື່ອດຶງດູດສະມາຊິກໃໝ່ ແລະ ເພື່ອເຮັດແນວໃດທີ່ຈະຮັກສາໃຫ້ສະມາຊິກໃນປັດຈຸບັນມີສ່ວນຮ່ວມ.
6. **ການເຮັດໃຫ້ມີປະສິດທິພາບ ແລະ ປະຕິຮູບລະບົບພາສີແບບເປັນທາງການ ດັ່ງນັ້ນໜ່ວຍທຸລະກິດຂະໜາດນ້ອຍຈຶ່ງຫັນໄປຈ່າຍແບບເປັນກ່ອນໜ້ອຍລົງ:** ຄວນຕ້ອງມີຄວາມຕັ້ງໃຈທີ່ຈະຮ່ວມມື/ ປະສານງານກັນເພື່ອຫຼຸດ -ເປັນໄປໄດ້ແມ່ນລົບລ້າງ- ການນຳໃຊ້ຂອງລະບົບຈ່າຍເປັນກ່ອນຢູ່ໃນປະເທດລາວ. ເພາະການປະຕິບັດແນວນີ້ໄດ້ສ້າງຊ່ອງວາງໃຫ້ມີການສັ່ລາດບັງຫຼວງຂອງບັນດາຫ້ອງການທ້ອງຖິ່ນ ແລະ ນຳໄປສູ່ເຮັດໃຫ້ລະດັບຄ່າໃຊ້ຈ່າຍ/ຕົ້ນທຶນສຳຫຼັບບັນດາທຸລະກິດຂະໜາດນ້ອຍແມ່ນຢູ່ໃນລະດັບສູງ ເຊິ່ງຕ້ອງໄດ້ມີການເຈລະຈາອັດຕາຕ່າງໆກັນ. ນອກຈາກນີ້ ໃນທີ່ສຸດແລ້ວແມ່ນມັນຫຍັງຈຳກັດຄວາມສາມາດຂອງ

ຫ້ອງການອຳນາດການປົກຄອງສູນກາງທີ່ຈະເກັບລາຍໄດ້ແບບເປັນປະຈຳ, ເພາະເນື່ອງຈາກວ່າເງິນທີ່ຖືກຈ່າຍເປັນກ່ອນນີ້ອາດບໍ່ສາມາດຖືກໂອນ/ຈ່າຍເຂົ້າຫາຄັງເງິນກ້ອງກາງໄດ້. ແຕ່ວ່າການທີ່ ຫົວໜ່ວຍທຸລະກິດຈະກ້າວຜ່ານຈາກລະບົບທີ່ບໍ່ເປັນທາງການມາເປັນແບບທາງການ ແມ່ນຈຳເປັນຕ້ອງມີໂຄງຮ່າງພາສີທີ່ເປັນລະບົບແລະທາງການ ທີ່ສາມາດອຳນວຍຄວາມສະດວກໃຫ້ທຸລະກິດຂະໜາດນ້ອຍໄດ້ມີສ່ວນຮ່ວມ. ໂດຍການມີລະບົບຂະບວນການການຈັດການເອກະສານທີ່ບໍ່ຍຸງຍາກ, ບໍ່ຕ້ອງເສຍເວລາຫຼາຍ ແລະຄ່າໃຊ້ຈ່າຍສູງ. ຖ້າຫາກປັດສະຈາກການປະຕິຮູບນີ້, ເສດຖະກິດຂອງປະເທດລາວແມ່ນຈະມີຄວາມສ່ຽງເພີ່ມຂຶ້ນ ໂດຍທີ່ວ່າວິສາຫະກິດຂະໜາດນ້ອຍແມ່ນຈະຖືກພັກດັນໃຫ້ປະຕິບັດທຸລະກິດແບບບໍ່ເປັນທາງການ ແລະ ລາຍໄດ້ຂອງລັດຖະບານໃນໄລຍະຍາວແມ່ນຖືກຈຳກັດ.

7. ສືບຕໍ່ສ້າງບັນພື້ນຖານທີ່ໄດ້ມີການປັບປຸງຕ່າງໆແລ້ວ ໃນຄວາມມີປະສິດທິພາບຂອງລັດຖະບານໂດຍການເຮັດແນວໃດໃຫ້ຂະບວນການລົງທະບຽນທຸລະກິດໄວຂຶ້ນ: ຫົວໜ່ວຍທຸລະກິດໄດ້ສະແດງຄວາມພໍໃຈໃນການປັບປຸງໜ້າທີ່ຮັບຜິດຊອບຂອງອຳນາດການປົກຄອງທ້ອງຖິ່ນແລະສູນກາງຕ່າງໆ, ແຕ່ວ່າໃນຂະໜາດດຽວກັນໄດ້ມີຕົວຊີ້ວັດທີ່ບົ່ງບອກວ່າການບໍລິການແມ່ນແຫ່ງບໍ່ດີກວ່າເກົ່າ. ດັ່ງທີ່ເຫັນຢ່າງຈະແຈ້ງກໍ່ຄື ໃນການລົງທະບຽນທຸລະກິດຂອງທຸກຫົວໜ່ວຍທຸລະກິດທຸກໆລະດັບ ແມ່ນໃຊ້ເວລາດົນຫຼາຍ. ມັນມີຄວາມຈຳເປັນທີ່ໜ່ວຍງານທີ່ກ່ຽວຂ້ອງຕ່າງໆແມ່ນບໍ່ພຽງແຕ່ປັບປຸງລະບົບຂະບວນການຂັ້ນຕອນການລົງທະບຽນໃຫ້ມີປະສິດທິພາບກວ່າເກົ່າ - ເຊິ່ງໄດ້ມີການປະຕິບັດແລ້ວໃນລະດັບໄດ້ໜຶ່ງພາຍໃຕ້ ກົດໝາຍວິສາຫະກິດປີ 2005 ແລະ ກົດໝາຍສົ່ງເສີມການລົງທຶນປີ 2010. ແຕ່ທີ່ສຳຄັນແມ່ນຈະຕ້ອງໃຫ້ແນ່ໃຈວ່າການປະຕິຮູບນີ້ແມ່ນຖືກປະຕິບັດຢູ່ໃນລະດັບຂັ້ນພື້ນຖານທ້ອງຖິ່ນ ແລະ ຫົວໜ່ວຍທຸລະກິດແມ່ນມີຄວາມຮັບຮູ້ກ່ຽວກັບການປະຕິຮູບນີ້.

8. ປັບປຸງການເຂົ້າຫາແຫຼ່ງທຶນ ເພື່ອຊ່ວຍເຫຼືອທາງດ້ານການເງິນ ບໍ່ພຽງແຕ່ແມ່ນແຜນງານການປ່ອຍກູ້/ໃຫ້ຢືມເທົ່ານັ້ນ ແຕ່ຕ້ອງໃຫ້ຮູ້ບໍລິຫານ/ນຳໃຊ້ເງິນ ແລະລົງທະບຽນທຸລະກິດນຳ: ໃນຂະໜາດທີ່ຂໍ້ມູນທີ່ສຳຫຼວດມາສະແດງໃຫ້ເຫັນວ່າ ການເຂົ້າຫາແຫຼ່ງທຶນຂອງວິສາຫະກິດຂະໜາດຈຸລະພາກ ແລະນ້ອຍໃນກຸ່ມຕົວຢ່າງການສຳຫຼວດແມ່ນໄດ້ຮັບການປັບປຸງໃນປີ 2011, ຈຳນວນຫົວໜ່ວຍວິສາຫະກິດທີ່ນຳໃຊ້ເທັກນິກລະບົບບັນຊີໃນການບັນທຶກຕິດຕາມການໃຊ້ຈ່າຍ ແລະ ການຈ່າຍພາສີແບບເປັນທາງການພັດຫຼຸດລົງ. ສັນຍານີ້ສະແດງໃຫ້ເຫັນວ່າບັນດາຫົວໜ່ວຍທຸລະກິດນີ້ແມ່ນໄດ້ປະເຊີນກັບຄວາມທ້າທາຍ/ຫຍຸ້ງຍາກໃນການເຂົ້າຫາເງິນກູ້ເພີ່ມຂຶ້ນ ຖ້າຫາກວ່າພວກເຂົາຍັງສືບຕໍ່ປະຕິບັດການເຮັດທຸລະກິດໃນພຽງກອບນອກ/ຮູບນອກຂອງເສດຖະກິດແບບເປັນທາງການ. ການຮູ້ບໍລິຫານການເງິນ ແລະ ການລົງທະບຽນພາສີຢ່າງເປັນທາງການແມ່ນບາດກ້າວທີ່ສຳຄັນສຳຫຼັບ SMEs ກູ້ຢືມເງິນຈາກທະນາຄານການຄ້າໄດ້. ດັ່ງນັ້ນ, ຄຳແນະນຳທີ່ສຳຄັນແມ່ນ ຕ້ອງເພີ່ມການສຶກສາ ແລະ ຄວາມສາມາດວິທີການເຈລະຈາຕ່າງໆໃຫ້ແກ່ SMEs ເພື່ອທີ່ວ່າພວກເຂົາຈະມີທັກສະ ແລະ ຄວາມຮູ້ທີ່ຈະສາມາດກູ້ຢືມເງິນຈາກແຫຼ່ງທີ່ເປັນທາງການໄດ້.

5. Executive Summary

5.1. Background:

The third phase of the Lao-German Programme “Human Resource Development for a Market Economy (HRDME), has a time horizon of implementation of three years (2011-2014) and aims to improve the conditions for private sector/ SME development and a needs oriented vocational education and training. It has three ministerial partners— Ministry of Planning and Investment (MPI), Ministry of Industry and Commerce (MoIC), and Ministry of Education and Sports (MoES) — as well as Lao Chamber of Commerce and Industry (LNCCI) as the umbrella organisation for the private sector in Laos. The implementation of Phase III of the HRDME Programme builds on that of Phases I and II and adheres to the defined objective as well as to the corresponding indicators capturing the development impact of Programme support.

The data collected by this year’s Enterprise Survey 2011 (ES2011) provides valuable information for the monitoring of economic and private sector development, especially with respect to the business environment and SME development in Laos. Drawing from a representative sample of 728 firms across five provinces, this analysis assesses changes in the business performance and environment against previous surveys (EBS2005, ES2007, ES2009) in an effort to measure the impacts of the HRDME Programme and other stakeholder programmes against key indicators, and to evaluate the current economic environment for doing businesses, more broadly.

The survey was guided by the ES2011 Task Force (ESTF2011) and conducted in close cooperation with HRDME and the Programme’s Lao counterparts MPI, MoES, MoIC and LNCCI. Practical implementation was supported by consultants as well as by the National Statistics Department and the Faculty of Economics and Business Administration of the National University of Laos (NUoL).

5.2. Ten Key Findings

1. ***Laos has experienced positive economic growth, fuelled by a natural resource boom:*** Laos has grown at an average of 7.5% since 2002, with GDP growth reaching 8.5% in 2010. Unlike some of its regional neighbours, Laos weathered the international crisis well, as it is less interconnected through international trade and investment flows.

However, in recent years, there has been a steady increase in FDI to Laos, primarily driven by a natural resource boom. The hydropower, copper, tin, gold, and wood industries have attracted large amounts of FDI (approximately US\$1.1 billion in 2011) and driven exports, while the non-resource sectors have comprised a continually smaller component of Laos’ economic growth. To put this surge into context, FDI for resource sectors was 41% of total FDI in 2000 and was 83% of total FDI in 2010. As such, the manufacturing and agriculture sectors represent a smaller portion of total GDP each year, not necessarily because they are shrinking, but because they are not growing as fast as resource-based sectors.

Like many countries with resource booms, Laos’ imports are aggressively trending upward as foreign exchange flows into the country. Not surprisingly, consumer goods constitute a significant portion of imports. Cars, for instance, represented

16.5% of total imports in 2010. While growth has been a largely positive development, some risks remain:

- There is inherent price volatility associated with an overdependence on minerals and electricity investments and exports.
- Laos exhibits some early symptoms of a “Dutch Disease” like scenario in which a capital account surplus, the risk of currency appreciation and changing resource allocation could crowd out non-resource based exports and erode the prospect of sustainable long run growth.

2. **Firms’ profits and expectations are rising:** The growth experienced by the macro economy has indeed trickled down to impact the 728 firms in our sample. Increased spending power and FDI has led to greater profits for local firms. In 2011, 50.8% of firms in the sample experienced increased profits compared to last year and 25% acknowledged that profits remained approximately the same. The majority (79.2%) of owners/managers expect profits to increase (63.3%) or remain the same (15.9%) in the future. The proportion of enterprises surveyed in 2011 that expect their profits to decrease in coming years was only 6.8%, the lowest recorded (*Figures 38 and 39*). This reflects on-going positive expectations about growth in future profits, reinforced by past experience (*Figure 36*) of consistent performance.
3. **Lao firms in the sample view competition as weakening:** Lao firms of all sizes perceive fewer issues surrounding competitiveness than in 2009. While on the surface this is a favourable finding for individual firms, from an industry or sector-wide perspective limited competition could leave the economy vulnerable in the long run, particularly as international firms enter the fray in greater numbers in the wake of ASEAN Free Trade Area (AFTA) and World Trade Organisation (WTO) implementation.
4. **Those firms that do feel competitive pressure often cite access to capital and market saturation as major obstacles:** 57% of micro businesses and 45% of small businesses from the sample expressed that lack of capital is a “big” or “very big” constraint (*Figure 56*). Business owners who feel competitive pressure also cite a lack of product differentiation as a primary reason for their struggles. These issues will likely be exacerbated when additional international firms with access to working capital and brand recognition enter into the Lao market space.
5. **Firms have little to no knowledge of upcoming trade integration, leaving them vulnerable in the medium to long term:** All firm types (small, medium and large) view domestic competition as a bigger challenge than foreign competition. This inward orientation is coupled with an overall lack of awareness regarding upcoming trade agreements. Firms in the sample, for instance, know less about AFTA and the WTO than they did in 2009, with less than 30% of the firms aware of each respective agreement (*Figure 50*). A lack of awareness limits firms’ ability to prepare for trade opening and to seize opportunities abroad.
6. **Satisfaction levels among businesses are high, but this could be a long run hindrance to productivity:** Firms of all sizes are mostly optimistic about their recent business performance; relatively few believe the situation has gotten worse in the past 2 years. Additionally, firms are *more* optimistic about their recent business

performance than in the previous survey period of 2009. This general optimism, however, runs the risk of adversely affecting how business owners invest in their businesses and train their staff members.

- **Less interest in training:** Year-on-year, firms from the sample are less interested in training on aggregate. One plausible hypothesis surrounding this trend is that firms are experiencing higher profits and don't feel the need to invest in training. "Why invest in training when profits have grown without it?" business may ask themselves. With the exception of micro-sized enterprises, ES2011 recorded the lowest levels of owners interested in receiving training for their staff by enterprise (*Figure 86*) since ES began in 2005 with a 7.8 percentage point decrease since ES2009 and an overall decrease of 18.3 percentage points between EBS2005 (73.1%) and ES2011 (54.8%). These figures do not portend well, as the Lao economy braces for deeper economic integration and additional competition from abroad.
 - **The proportion of firms that are investing in their businesses has remained the same:** Despite rising aggregate profits, an equal proportion of firms have decided to invest in their businesses as in ES2009. 38% of small firms, 40% of medium sized firms and 50% of large firms that decided *not to invest* (emphasis) explain that they are content with their current size (*Figure 44*). This could be an early symptom of economic myopia that often accompanies rapid growth.
7. ***There is a noteworthy shift towards informal business practices, with fewer firms registering with the tax office and an increase in lump sum tax payments versus formal payments:*** According to National Tax Office 77,482 firms were registered throughout Laos compared to 83,181 in 2009, a reduction of 7.3%. While this could imply firm consolidation, another potential reason for the decrease is that firms are more comfortable operating informally, rather than through formalized channels. The ES2011 supports the later explanation: among firms in the sample there has been a year-on-year reduction in use of the formal tax system, starting at 53% in 2005 and declining to just 38% by 2011, and a proportional rise in the use of the lump sum tax option. These trends illustrate that for SMEs in Laos, formal tax payment channels are either too costly or too time consuming. As such, stakeholders should consider how to streamline and/or reform the tax registration and payment systems to create greater incentives for firms to participate in the formal economy, ultimately providing a more predictable revenue stream for government coffers.
 8. ***There is high usage of Business Development Services (BDS), but from potentially less reputable sources:*** 73.9% of the firms in the sample receive business development services. Yet the definition of BDS – "consultancy/recommendation for the development of your business" – is exceptionally broad. Most firms rely on advice from family members and friends, rather than BMOs, consulting firms, or government agencies. Only 7.9% of enterprises surveyed received BDS from BMOs and 13.0% from government and public service providers.
 9. ***There is a positive correlation between business success and Business Membership Organisation (BMO) membership, yet a reduction in awareness, participation and satisfaction among businesses with respect to BMOs:*** As in 2009, BMO members are generally better in business – they invest more, hire more, and their turnover

and profit increases more than that of non-members. Whether the BMO membership makes enterprises better or whether they are members because they are more enlightened is open to interpretation. However, despite this positive correlation, there appears to be less awareness of, and participation in, BMOs among firms in the sample. In ES2011, only 25.3% of enterprises surveyed were aware of Provincial Public-Private Dialogue (PPPD) and Lao Business Forum (LBF), a significant 9.6 percentage point drop compared to 34.9% in ES2009. This decrease was also observed across enterprise sizes. Moreover, those firms that are aware of BMOs are participating less, and firms that are currently participating are less satisfied with BMOs' outcomes. BMO participation and BMO satisfaction among members dropped by 13 percentage points, respectively. These outcomes point to the need to consider how to improve BMO outreach and effectiveness.

10. Improved perceptions of local and national governance and increasing demands:

Firms were asked in ES2011 if they felt that both local and central government services have improved compared to two years ago. On aggregate, firms of all sizes report that they are happier with local and central authorities' performance compared to two years prior. However, the aggregate rating of governance between years has worsened. For instance, in ES2011 64% of firms report central government services helpful, compared to 73% in ES2009. This apparent contradiction likely indicates that there is a shift in expectations among businesses. A plausible explanation is that while business owners judge government responsiveness to be improving, they expect more and therefore on aggregate between years they have given lower ratings to authorities.

5.3. Eight Core Policy Recommendations

1. **Diversify export portfolio:** Laos's economy has undergone considerable growth over the past decade. The steady increase in exports has been driven by hydropower, copper, tin, gold, wood, as well as a number of agricultural commodities including corn and rubber. To mitigate the risks associated with its volatile commodities driven exports, the GoL and its development partners must focus on leveraging unique comparative advantages to diversify Laos' export portfolio especially with regard to processed or semi-processed products. Such diversification is even more critical as trade and investment flows open in the wake of AFTA, thereby opening up Lao producers to increased competitive risks and emerging opportunities.
2. **Improve outreach and information sharing regarding upcoming free trade and economic integration:** Government, Development Partners, BMOs and non-governmental organisations must sharpen their message regarding trade integration and improve outreach efforts to prepare small businesses for upcoming competition from abroad, as well as how to take advantage of opportunities as trade liberalizes. From a strategic perspective, agencies should begin to prepare businesses to link into regional supply chains, and leverage comparative advantages to brace for quick change. Initiatives should be coordinated between the GoL, private sector representatives, donors and relevant non-government agencies to avoid overlap, and tailored towards specific sectors, as each industry and business grouping will face disparate challenges and opportunities in the wake of liberalisation. Before implementation, policy makers must carefully assess what sector-specific messages

can mobilize industries to brace for liberalisation, what core ideas need to be presented, and what mediums should have the biggest impact.

- 3. *Change/improve training message so that businesses value offerings:*** Businesses appear to value training less than in the past. This is troubling, as a trained workforce is needed to remain competitive. As such, policy makers should first explore why training is less popular. One hypothesis that this report puts forth is that businesses are more profitable, and therefore view training as less necessary. However, more work must be done to understand all drivers behind trainings waning popularity. Once the key issues are understood, policy makers and educators can begin to target their messages more effectively and/or adjust trainings so that they meet the demands of consumers. Innovative social marketing initiatives could also play a role in altering business owners' perceptions of training's value, but again, these strategies should only be employed once the key drivers behind perceptions of trainings are clearly defined.
- 4. *Improve the quality of BDS:*** Like in many developing markets, BDS in Laos continues to be "a family affair," with few businesses relying on professional service providers, government or the donor community for advice. From a policy perspective the challenge remains to ensure that BDS offerings are of high quality, that they are accessible, and that the private sector, organisations, and government play a critical role in providing them.
- 5. *Explore why BMO membership/popularity is waning, and develop an action plan to improve the quality of service and attract new members:*** Before BMOs in Laos can reach their potential, a few critical questions must be answered. Firstly, why are BMOs losing members? Secondly, why is satisfaction among participants less than it has been in previous years? The answers to these questions are useful precursors to the development of an action plan to attract new members and keep current members engaged.
- 6. *Streamline and reform the formal tax system so that smaller firms are less inclined to negotiate lump sum payments:*** There should be a concerted effort to reduce – if not eliminate – the use of the lump sum system in Laos. The system creates the potential for corrupt practices among local officials and leads to high levels of overhead for small businesses that must negotiate rates. It also ultimately limits the ability of central authorities to ensure consistent revenue streams, as money may not ultimately reach coffers. However, transitioning firms from the informal to the formal system would require a formal tax structure that creates incentives for small businesses to participate, simplifies the filing process, and lowers the time and resource burden on them. Without a reform, the Lao economy runs the risk of marginalizing small entrepreneurs by pushing them to the informal sector and limiting government revenues in the long run.
- 7. *Build on recent improvements in government effectiveness by speeding up the business registration process:*** Firms have expressed improved satisfaction with local and central authorities' responsiveness, yet concurrently other responsiveness indicators have worsened. Perhaps most noteworthy is the longer time for firms of all sizes to register their businesses. It would behove relevant stakeholders to not only streamline the registration process—which has already been done to some

extent under the 2005 Enterprise Law and the 2010 Investment Promotion Law – but to ensure that reforms are implemented on the grassroots level and that firms are aware of them.

8. ***Improve access to finance not only through lending programs but via financial literacy and business registration:*** While the data illustrates that access to finance among micro and small enterprises in the sample has improved in 2011, the drop off in firms' using book keeping techniques or making formal tax payments indicates that firms may have more challenges accessing credit if they continue to operate on the margin of the formal economy. Financial literacy and formal tax registration is key step for SMEs to become viable loan candidates for commercial banks. Therefore, a key recommendation is to deepen education and advocacy efforts so that SMEs have the skills and awareness to apply for formal loans.

6. Background and Introduction

6.1. National Development Goals

Over the last two and a half decades the Government of Lao PDR (GoL) has progressed in the transition from a centrally-controlled to a market-oriented economy. The *New Economic Mechanism (NEM)*, approved in 1986, provided the impetus for the GoL to implement numerous institutional and legal reforms, to encourage free enterprise initiatives, the gradual liberalisation of domestic and international trade and investment and greater regional decentralisation in governance. This was followed by a series of reforms in the areas of land use, establishment and operation of enterprises, tax systems and banking, among others. In 2004 the *National Growth and Poverty Eradication Strategy (NGPES)* was adopted, providing a framework for GoL development plans and programs geared at economic growth and poverty eradication with the final strategic objective to overcome poverty as a social phenomenon by 2015 and to graduate from the status of a least developed country (LDC) by 2020. The NGPES has been translated into the *7th National Socio-Economic Development Plan 2011–2015 (NSEDP 2011-15)* which outlines targets and principal development activities for the current phase.

The long-term national development goal of Lao PDR is ... *to achieve sustained equitable economic growth (targeting 7.5% to 8% p.a.) and social development, while safeguarding the country's social, cultural, economic and political identity.*

The foundations for reaching this goal are based on:

- Moving steadily towards a market-oriented economy;
- Building necessary infrastructure throughout the country; and
- Improving the well-being of the people through greater food security, extension of social services and environment conservation while enhancing the spiritual and cultural life of the Lao multi-ethnic population.

The 7th Five-Year-Plan which is put under the theme “industrialisation and modernisation” is targeting an economic growths of more than 8% per year. In order to achieve this goal a total investment of 32% of GDP or approx. 16 billion USD is needed, with 50-56% to be contributed by the private sector, predominantly FDI.¹

The growth targets by economic sector of the 7th NSEDP and eventually the share of the respective sector to GDP by 2015 are:

- | | | |
|---------------|------|------|
| • Agriculture | 3.5% | 23% |
| • Industry | 15% | 39% |
| • Services | 6.5% | 38%. |

GoL increasingly acknowledges the importance of SME for a sustainable development, especially with regard to employment, however the achievement of the ambitious growths targets mainly depends on large foreign investment. A number of so-called mega projects, among them above all hydropower and infrastructure investments, are expected to contribute the lion's share to the growth.

Integration of Lao PDR into regional (ASEAN Economic Community) and international markets (admission to WTO in 2012) will change the business environment in Laos

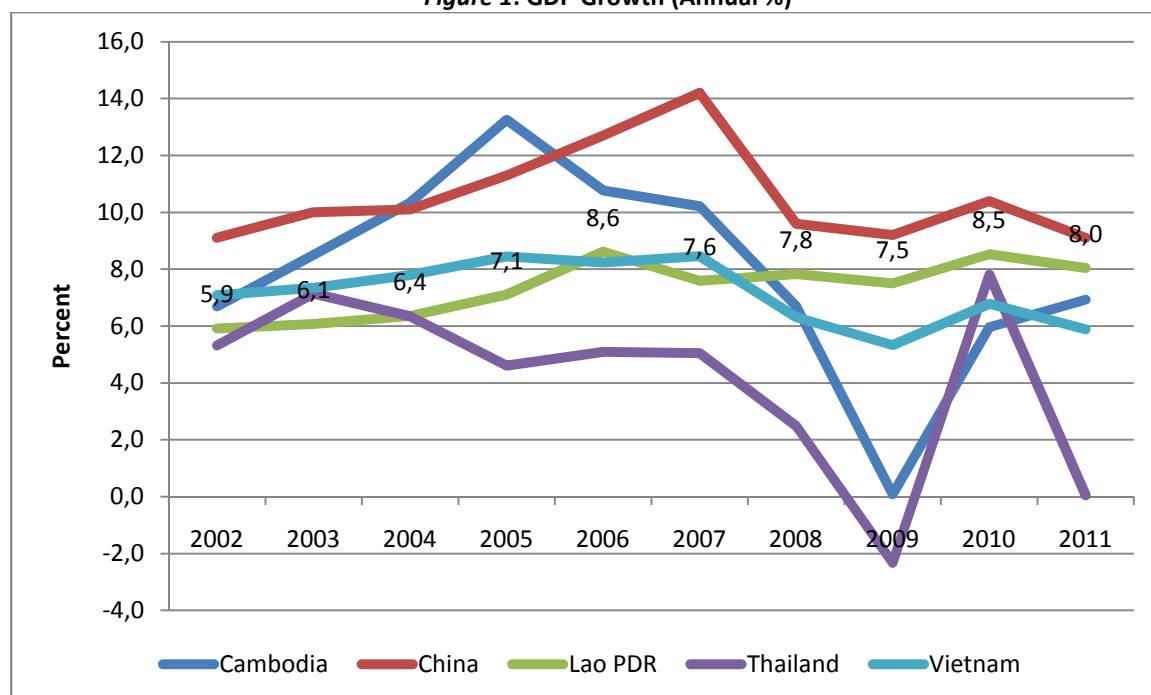
¹ Documents of the 9th Congress of LPRP, Vientiane, 2011, p. 51

fundamentally and will not only require adequate laws and regulation but also a higher level of competitiveness.

6.2. Lao PDR Economic Performance

Lao PDR has achieved rapid development since it begun transitioning to a market economy over two decades ago. In recent years, Laos' economy averaged more than 7.5% annual growth², with per capita incomes reaching \$1,130 by May 2012.³ This growth has been stable over time: even during the financial crisis in 2008-2009, Laos outperformed its peers in GDP growth, second only to China in percent change in GDP in 2008 and 2009. The World Bank projects the Lao economy to grow by 8.3% in 2012 driven by strong development in the construction, manufacturing, mining and services sectors.⁴ Laos' economy is relatively insulated from the effects of on-going crisis in Europe, as it relies more on its emerging Asian neighbours, who are expected to do comparatively well, for export demand and FDI. Nonetheless, concerns about overreliance on foreign investment in mining and hydropower for growth, and lagging competitiveness in other sectors drives concern about long-term sustainability of Laos' growth strategy.

Figure 1: GDP Growth (Annual %)⁵



6.2.1. Growth Sectors

With a small domestic market, recent GDP growth in Lao PDR has been supported by foreign investment in the natural resource sector, defined as the mining, quarry, and energy sectors. In 2010, the resource sector contributed nearly half of economic growth: 3.7% out

²World Bank, Lao PDR Development Report 2010, "Natural Resource Management for Sustainable Development"

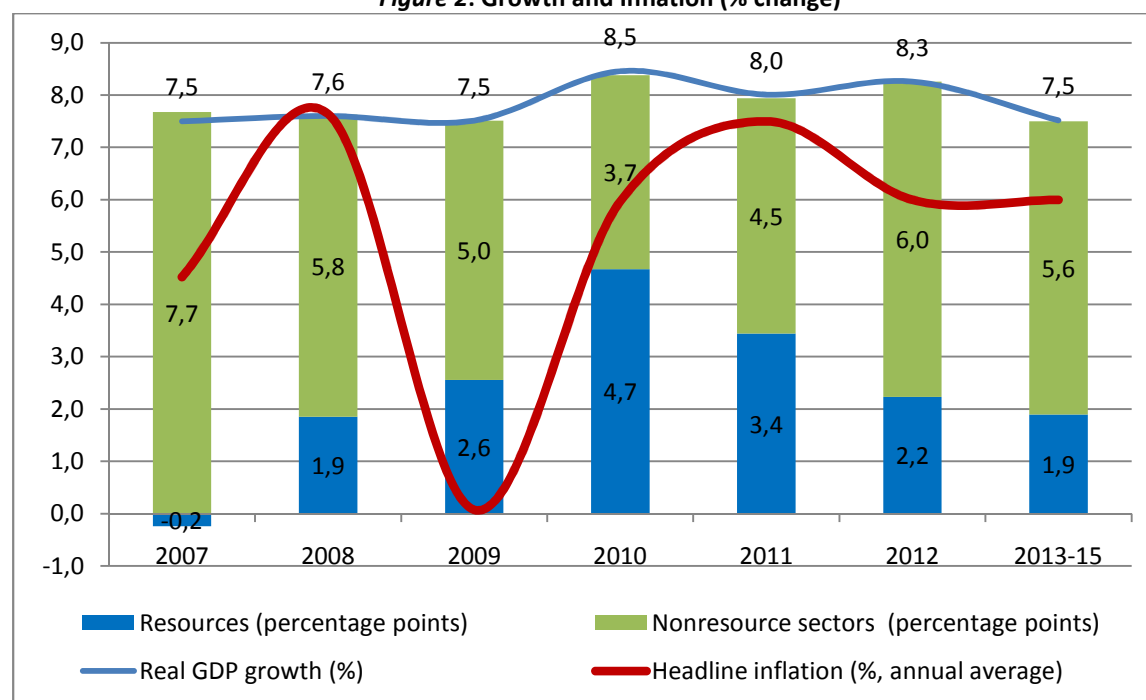
³GNI per capita (Atlas method, \$US), World Bank 2012, Annex 2, p. 21

⁴Davading, Somneuk; Phimmahasay, Keomanivone; Boyreau, Genevieve. 2012. Sustaining robust growth : mitigating risks and deepening reforms - Lao PDR economic monitor. Washington D.C. - The World Bank.

⁵GIZ Slide 5, data from www.worldbank.org

of 7.8% year-on-year GDP growth (Lao PDR Development Report 2010, p. 10), and is predicted to average between 3.0% and 3.5% of yearly GDP growth over the next decade. Mining is currently by far the largest export sector, with copper alone constituting 37% of exports between 2005 and 2010.⁶ Garments and electricity are next; the proportion that hydropower is expected to contribute to GDP growth is set to grow rapidly over the next decade, dwarfing other sectors. A robust pipeline of mining and hydropower projects evidence the likelihood of meeting medium-term growth targets of 8% set in Laos' 7th five-year plan.⁷

Figure 2: Growth and Inflation (% change)⁸



6.2.2. Monetary Policy

With a few hiccups, Laos' recent growth has been accompanied with relatively low inflation. After peaking in 2008 due to high global oil and agricultural prices, inflation dropped substantially. In April 2009, the CPI actually fell by 0.2% on a year-by-year basis, and inflation averaged between zero and one per cent for the year. However, inflation picked up again in 2011, rising to 9% in April 2011, driven by rising international food and oil prices, monetary expansion, and FDI inflows.⁹ In 2012, inflation came back down again, with the latest data showing year-on-year inflation of only 4.4%, following a cooling in energy prices and measures by the Government of Lao to reduce excess liquidity through security issuance and reign in credit growth by cutting lending to local governments and banks.¹⁰

6.2.3. Legal Framework

Since 2009 several changes have been made to Laos' legal framework:

- New Stock Market (2011) and successful IPOs

⁶World Bank, Lao PDR Development Report 2010, World Bank

⁷IMF, Lao People's Democratic Republic – Staff Report, 2011

⁸World Bank, Lao Economic Monitor May 2012, p. 5

⁹IMF, Lao People's Democratic Republic – Staff Report, 2011

¹⁰World Bank, Lao Economic Monitor May 2012, p. 5

- “In 2011, the National Assembly approved the revised General Tax Law. In effect, this introduced a transparent, turnover-based presumptive tax regime for businesses with a turnover below the VAT registration threshold. This revision eliminates minimum business tax.”¹¹
- “Lao PDR continued to make progress in its process of acceding to the World Trade Organisation, concluding bilateral negotiations with the European Union and the United States in late 2011 and with Ukraine, the last bilateral negotiation, in May” [also from World Bank, July 2, 2012]
- The National Assembly adopted the SME Promotion Law enacted by the President of Lao PDR on 16.01.2012. This law strengthens government control over SME promotion and does no longer define sizes of SMEs.

6.2.4. Trade

Lao PDR overall trade volume has grown by over 30% since 2007, with imports trending aggressively upwards. With an influx of foreign exchange and capital account surplus, domestic consumptions is driving imports into Lao PDR and outpacing export growth. Consumer purchasing power has increased leading to increases in consumer goods imports. Total exports grew to \$1.8 billion in 2008 up from \$98 million in 1990. Nevertheless Lao PDR remains relatively more closed than its neighbours, with a trade-to-GDP ratio of 77.1% in 2008, compared to a regional trade-to-GDP average well above 100%.¹²

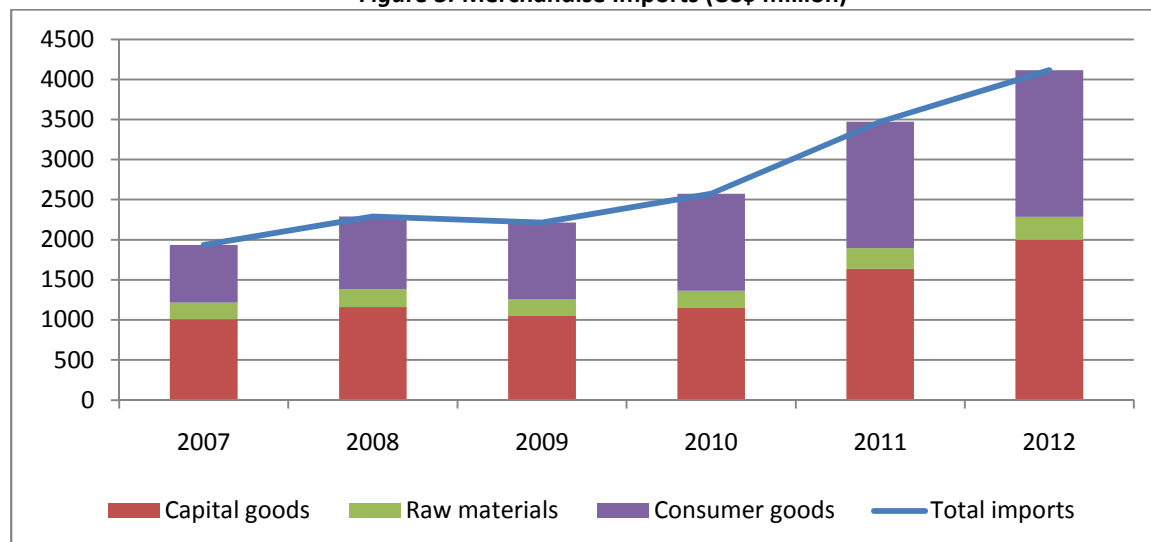
Despite strong performance and capital inflows related to FDI projects and the establishment of a new stock exchange in 2011, Laos nonetheless runs a core balance of payments (current accounts net of FDI and ODA) deficit of about 5% of GDP.¹³ Domestic demand has expanded rapidly and growing spending power has led firms to experience growing profits, with high future expectations of profit among firms. These positive expectations and consumer purchasing power likely serve to stimulate demand for imports, which would explain the recent acceleration in import volume.

This exposure in the “external position” of Lao PDR is vulnerable to changes in the value and volume of FDI flows. If foreign capital continues to enter into the country based on the continued successful consummation of resource projects, the capital account surplus will continue. However, if changes in global resource prices – a fall in the price of copper, for instance – put new projects on hold or discourage capital inflows, then the external position might abruptly change with consequent macroeconomic risks. And conversely, increased FDI may put more pressure on the Lao Kip to appreciate.

¹¹Davading, Somneuk; Phimmahasay, Keomanivone; Boyreau, Genevieve. 2012. Sustaining robust growth: mitigating risks and deepening reforms - Lao PDR economic monitor. Washington D.C. - The World Bank.

¹² WB, 2011, p. 5

¹³IMF, Lao People’s Democratic Republic – Staff Report, 2011

Figure 3: Merchandise Imports (US\$ million)¹⁴

6.2.5. FDI Trends: Increased Reliance on Mining and Hydropower

Lao PDR economic growth has been supported by substantial foreign direct investment in the resource sector. FDI has grown year-on-year since 2010, led by rising investment in the resource sector, particularly electricity and mining. The composition of exports' value has changed over the past decade, with the share of non-resource sector foreign investment to overall FDI decreasing from 59% in 2000 to 17% in 2010, even as it rose in absolute terms. FDI in sectors including light manufacturing, services, and agriculture increased 38.5% from 2004-2008, before slowing during the financial crisis. Rising world copper and gold price kept the value of Lao PDR exports from falling much in 2009 and led to their rebound to 46% growth in 2010.¹⁵ Rising world commodity prices in 2010 and 2011 increased the value of copper, by far Laos' largest export. It is expected that the resource sector's contribution to GDP will continue to grow as mining and especially hydro investment projects are consummated in coming years.

¹⁴World Bank, Lao Economic Monitor May 2012, p. 10

¹⁵ IMF 2011, page 14

Figure 4: World Commodity Prices (index 2005=100)¹⁶

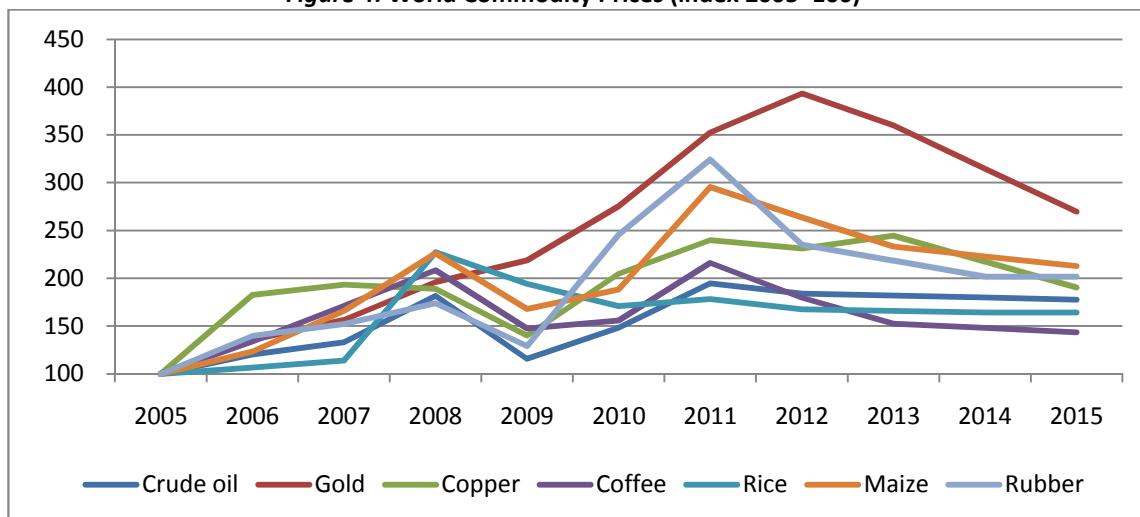
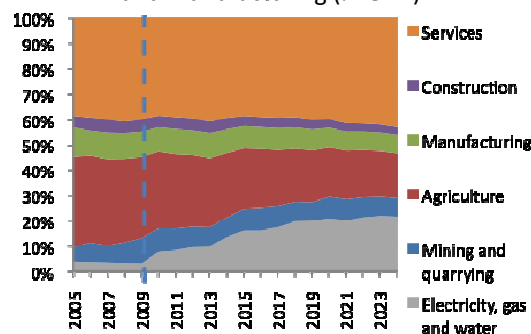
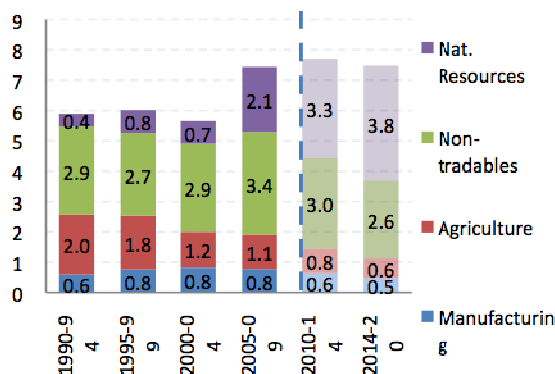


Figure 5: Contribution of hydro and mining to growth and share of economy¹⁷

Contribution of hydro and mining to growth is set to increase dramatically

Mining and hydro are growing at expense of agriculture and manufacturing (% GDP)



Productivity of firms in Lao PDR is slightly lower than regional comparators Cambodia and Vietnam, and lags far behind China, Malaysia and Thailand (World Bank 2011, p. 1). Additionally, Lao PDR exhibits an unusual pattern in which exporting firms and large firms have *lower* labour productivity than non-exporting firms and small firms. Usually, the pattern is reversed.

This finding may be attributed to exporting firms' focus on low-value added, labour-intensive sectors such as textiles and wood products. It also may be indicative of low competition in the domestic economy. In highly competitive international markets, the currency value of output is driven lower; conversely the same physical output might command higher prices in the domestic market because competition is not so intense. In that sense, the monetary value of output per unit of labour is higher for non-exporting firms not because these firms are actually more productive, but because domestic prices are higher.

Low productivity may also be driven by the negative effects of high foreign investment in extractive industries, a sort of "resource trap" that makes non-resource sector export-oriented firms less competitive both as exchange rates appreciate and investment resources

¹⁶ World Bank, Lao Economic Monitor May 2012, p. 9

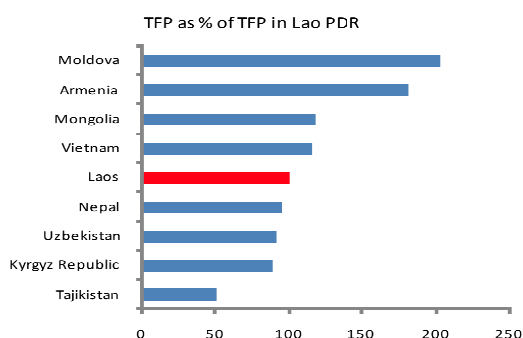
¹⁷ World Bank Investment Climate Assessment 2011, p. 5

fail to be allocated in non-extractive sector. While this is difficult to predict, a low level of integration in the global economy; indications of low competitiveness in domestic markets; short lifespan of Lao PDR export products in international markets;¹⁸ and weakness in key manufacturing sectors point to this as a risk.

Despite low average labour productivity, businesses are not worried about competitiveness, and even less worried about competition from foreign producers. Local firms concerns about competitiveness issues have actually declined since 2009. These findings, and the troubling combination of low productivity and low perceptions of competition in the export sector, indicate that export-oriented non-resource industries may be unprepared for the changes related to WTO and AFTA trade agreements. Exposure to increased global economic integration competition could cause dislocation as Lao PDR firms find themselves unprepared for competing in international markets.

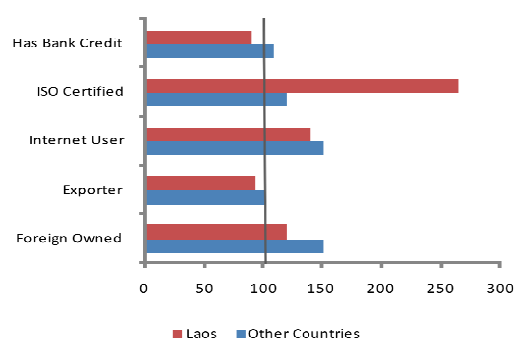
Figure 6: Labour productivity and value added per worker¹⁹

Lao PDR ranks in the middle of the sample in terms of total factor productivity



Note: TFP is calculated based upon the coefficient estimates for the country dummies from the OLS regression

Foreign-owned firms and firms with international certifications have higher levels of productivity



Note: TFP is as per cent of TFP for firms of the opposite type (e.g., domestic firms, non-exporters, non-internet users, non ISO certified, and no bank credit)

6.2.6. Outlook and Risks

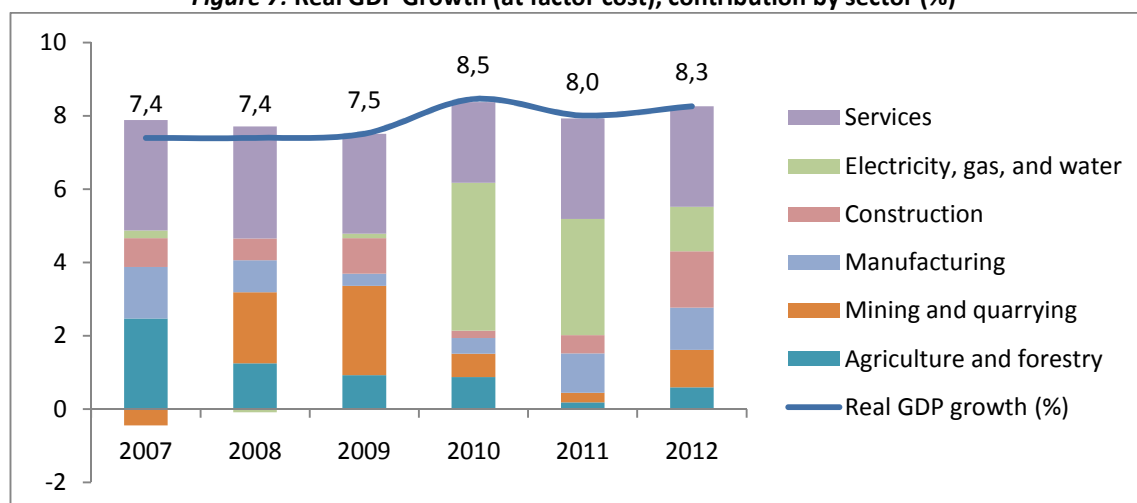
Overall, Laos' growth outlook is positive, and trade balance and current accounts trending in a positive direction, and macroeconomic framework improving with inflation and exchange rate generally stable. Nonetheless, the extraordinary growth Lao PDR seen over the past decade - and expected in the coming one - has been in large part reliant on foreign investment in copper mining and hydropower. There are several disadvantages of this. One is vulnerability of Laos' economy (or at least growth rate) to volatility in global commodity prices. A second challenge is that resource-based development does not always create a stable foundation for broad-based employment and poverty reduction. Another is the potential for exchange rate effects that could make other exporting industries less competitive. And finally, investment in the resource sector at the expense of other sectors especially agriculture and manufacturing could reinforce a false confidence - high profits

¹⁸Stirbat, Record, and Nghardsayone, June 2011, "Exporting from a Small, Land-Locked Country: An Assessment of Firm-Product-Destination Survival Rates in Lao PDR," The World Bank.

¹⁹World Bank Investment Climate Assessment 2011, page 9

despite relatively low competitiveness – that seems to be growing among Lao PDR businesses.

Figure 7: Real GDP Growth (at factor cost), contribution by sector (%)²⁰



6.3. HRDME Programme

The ‘Human Resource Development for a Market Economy’ (HRDME) Programme was agreed upon between the governments of Lao PDR and the Federal Republic of Germany in 2003 to assist in the transformation process from a centrally planned to a market-oriented economy, in line with the NGPES and NSEDP’s 2006-2010 and 2011-2015. The programme is part of the wider set-up of Lao-German development cooperation focusing on two priority areas, namely Rural Development and Sustainable Economic Development. HRDME belongs to the latter for which the governments of Laos and Germany in 2011 agreed upon a joint strategy defining ‘Private Sector Development’ as one of the main fields of action. HRDME is subdivided into two components, namely (1) private sector and SME development and (2) vocational education and training. The HRDME Programme is a nationwide programme with three ministerial partners - Ministry of Planning and Investment (MPI), The National Small and Medium-Sized Enterprise Promotion and Development Office (SMEPDO) / Ministry of Industry and Commerce (MoIC) and Ministry of Education and Sports (MoES) - as well as the Lao National Chamber of Commerce and Industry (LNCCI) as the umbrella organisation for the private sector in Laos. The programme objective reads as follows: ‘Public and private organisations in the fields of private sector development and vocational training and education exercise their mandate in a coordinated and efficient manner’. Specifically the program aims to improve the environment for business and investment through public-private dialogue (PPD), streamlining administrative procedures, the promotion of SME development and nationwide implementation of an integrated labour market-oriented vocational education and training system.

The programme was to be implemented in three phases. For each phase development objectives and indicators to measure the results of the jointly implemented activities have been defined. As a main instrument to capture the development impact a sample survey of enterprises in selected provinces and districts was developed. This Enterprise Baseline Survey (EBS) was first undertaken in 2005 and thereafter conducted in a 2 years interval (2007, 2009, 2011) combining Lao and German efforts. The availability of reliable data

²⁰World Bank, “Sustaining Robust Growth: Mitigating Risks and Deepening Reforms,” 2012, p. 6

collected on a regular basis should help to monitor the progress and the impact of joint interventions of Lao and international institutions, enterprises and organisations, in contributing to the ambitious development goals set by the government of the Lao PDR. Apart from looking back and evaluating the undertaken joint efforts in promoting the inclusive and sustainable private sector development, the survey also lays the basis for designing future interventions in a need-oriented and effective manner. The Enterprise Survey is designed in a way not to only gather quantitative data but also seeks to provide an empirical analysis on why changes, positive and negative, may have occurred.

6.4. Changes in HRDME (Phase 3) Programme

In September 2010 an appraisal mission was carried out to review and evaluate the strategy and implementation progress of the HRDME programme and provide recommendations on how to make the programme even more effective and efficient. In this line following changes in the design of the HRDME- 3 Programme have been agreed:

1. Increase effectiveness and impact, based on progress evaluations and lessons learned from HRDME Phases 1 and 2, and
2. Achieve set objectives and indicators through focusing on promising Fields of Cooperation (FoC) and geographic areas with partner organisations that share similar convictions, aims and approaches, as established during the first two phases.

At the same time other significant changes have occurred, including

- Embedding HRDME into the strategic approach of Lao-German Development Cooperation expressed also in objectives and indicators at different levels of the cooperation,
- The process of merging implementation organisations in German development cooperation, namely GTZ, DED and InWent, into the 'Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) gGmbH',
- The changes in the management of the programme.

This resulted in the adjustment of the main programme objective from "Government and private sector jointly improve the administrative, human and institutional conditions for private sector and SME development of Lao PDR" to "Public and private organisations in the fields of private sector development and vocational training and education exercise their mandate in a coordinated and efficient manner". This reflects the shift to focus more on supporting counterpart organisations in their capacity development. In this line, also the indicators have been adapted.

A key challenge for ES2011 was to take into consideration the changes of phase 3 while at the same time make sure that the survey results are still consistent and can be compared against the outcomes of the preceding surveys. Furthermore the focus of disclosure of the results has been shifted from macro-economic assessment only to a recommendation style analysis for major stakeholders, development partners and government. The ESS11 has been divided into two parts. The first one was the public presentation of the major findings which had taken place on May 11, 2012 and the publication of the entire report which is now available in this printing document in November 2012.

7. Survey Methodology and Implementation

7.1 Enterprise Survey Task Force

As in the previous HRDME enterprise surveys (EBS2005, ES2007 and ES2009), the ES2011 was managed by an ES2011 Task Force (TF) with officially assigned staff from all HRDME partner organisations (PO: MPI, MoIC, SMEPDO, LNCCI and MoES), and assigned GTZ consultants.²¹ The TF was chaired by the DIC Head of Division, Mr Bounlouane Sisomphanya. The objectives outlined above²² were the guide for the design and the conduct of the survey.

The cooperation in the TF is seen as an exercise in capacity building for concerned PO and 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 and human resource development (labour market-oriented vocational education). The ES2011 showed a higher degree of ownership of the Lao partners, especially MPI/DIC.

The sample design, the revision of the ES2009 questionnaire, the interviewer manual, organisational issues related to the field work as well as data analysis and the table of contents of the ES2011 report were decided by the ES2009-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 HRDME with its additional component of ASEAN trade issues as well as the changes occurring for HRDME phase 3.

Main coordination of the ES2011 was assumed by Mr Bounlouane Somsiphanya, later replaced by Mrs Bangthong Thipsomphanh from MPI and Mr Michael Schultze and Mr Bountham Sitthimanotham on behalf of GIZ HRDME.

7.2 Questionnaire

The questionnaire remained, for the most part, the same as the one used in previous ES. Some questions were reformulated in order to enhance the quality of answers. These adjustments followed the expressed interest of programme partners and stakeholders, especially in accordance with the new trade focus of HRDME with the aim to better reflect some major trading patterns. Additional input into the upgrading of the questionnaire was provided by partners from ADB. The questionnaire (attached in *Annex 2*) 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.

²¹ Members are listed in Annex 1

²² Section 1.3 above

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 has currently led to big discrepancies in number of registered businesses. In a publication covering data until the end of 2010 the Enterprise Registration Office states the total number of enterprises in Lao PDR to be 65.719 compared to 67.190 registered at tax offices. The differences between ERO and tax registration in different provinces reaches according to this statistic in many provinces more the 100%, reaching in Phongsaly 344 %. But even the total figure would mean that compared to the economic establishment census of 2006 the total number of enterprises in Lao PDR decreased by almost 50%. The number of enterprises registered by the end of 2011 with the tax office (as provided by Ministry of Finance) was 78.461.

Nevertheless, accessibility and reliability of tax registration data presented also some problems for the sampling of the enterprise population for the 2011 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.

As a reference for the ES2011 sample, the total number of enterprises registered with the Tax Department in Laos as of 2011 was 78,461. This means a decrease of registered enterprises of 5.67% over the two year period, if calculated on the basis of the correct addition (see note 1 to table 1) of even 6.85%. This needs, of course, further investigation.

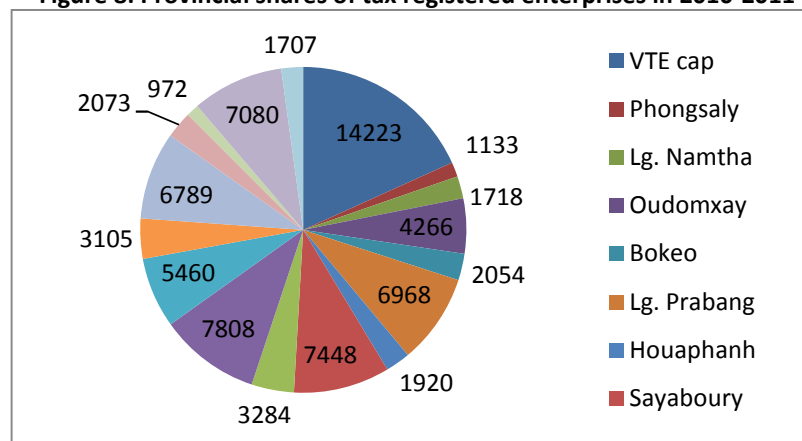
Table 1: 2010-2011 registered enterprises

| | total | total (22+23) | production | trade | | | transport | construct | banking | service | | | | category | | | | | | | registered | green card |
|--------------|-------|---------------|------------|----------|---------|-------|-----------|-----------|---------|---------|-------|--------|-------|----------|-----|------|------|------|-------|-------|------------|------------|
| | | | | domestic | mort-ex | total | | | | tourism | hotel | others | total | 1 | 2 | 3 | 4 | 5 | 6 | 7 | | |
| VTE cap | 14223 | 14223 | 863 | 5975 | 252 | 6227 | 2100 | 0 | 0 | 0 | 41 | 4430 | 6571 | 411 | 116 | 438 | 650 | 2063 | 3130 | 1857 | 8665 | 5558 |
| Phongsaly | 1133 | 1133 | 75 | 494 | 24 | 518 | 113 | 28 | 0 | 1 | 32 | 243 | 417 | 29 | 11 | 36 | 28 | 229 | 151 | 526 | 1010 | 123 |
| Lg. Namtha | 1718 | 1718 | 83 | 458 | 4 | 462 | 270 | 20 | 0 | 5 | 3 | 345 | 643 | | | | | | | | 1188 | 530 |
| Oudomxay | 4266 | 4266 | 180 | 1921 | 13 | 1934 | 608 | 31 | 0 | 3 | 17 | 1493 | 2152 | 56 | 9 | 116 | 188 | 922 | 299 | 139 | 1729 | 2537 |
| Bokeo | 2054 | 2054 | 82 | 740 | 15 | 755 | 116 | 16 | 0 | 12 | 29 | 274 | 447 | | | | | | | | 1284 | 770 |
| Lg. Prabang | 6968 | 6075 | 239 | 3030 | 0 | 3030 | 1622 | 59 | | 35 | 281 | 1702 | 3699 | 88 | 22 | 69 | 53 | 468 | 2424 | 826 | 3950 | 2125 |
| Houaphanh | 1920 | 1920 | 60 | 1235 | 17 | 1252 | 238 | 51 | 0 | 2 | 39 | 278 | 608 | 51 | 16 | 66 | 26 | 74 | 451 | 614 | 1298 | 622 |
| Sayaboury | 7448 | 7448 | 166 | 1849 | 123 | 1972 | 4335 | 28 | | 4 | 3 | 940 | 5310 | 84 | 14 | 271 | 207 | 461 | 1474 | 634 | 3145 | 4303 |
| Xieng Khouan | 3284 | 3162 | 92 | 1826 | 6 | 1832 | 578 | 52 | | 9 | 48 | 673 | 1360 | 90 | 9 | 13 | 8 | 67 | 212 | 993 | 1448 | 1714 |
| Vientiane | 7808 | 7808 | 338 | 4175 | 25 | 4200 | 719 | 81 | 0 | 69 | 323 | 2078 | 3270 | 197 | 38 | 44 | 51 | 114 | 835 | 1728 | 3007 | 4801 |
| Bolikhamxay | 5460 | 5460 | 283 | 2503 | 34 | 2537 | 579 | 80 | 0 | 3 | 25 | 859 | 1546 | | | | | | | | 4366 | 1094 |
| Khammouane | 3105 | 3105 | 182 | 791 | 35 | 826 | 264 | 39 | 0 | 0 | 4 | 469 | 776 | | | | | | | | 1784 | 1321 |
| Savannakhet | 6789 | 6789 | 419 | 1562 | 65 | 1627 | 1060 | 48 | | | 949 | 2057 | 144 | 24 | 111 | 61 | 134 | 1176 | 2453 | 4103 | 2686 | |
| Saravane | 2073 | 2073 | 108 | 539 | 7 | 546 | 198 | 27 | 5 | 0 | 0 | 232 | 462 | 65 | 4 | 15 | 15 | 3 | 206 | 777 | 1116 | 957 |
| Sekong | 972 | 1008 | 35 | 554 | 7 | 561 | 56 | 33 | 0 | 0 | 19 | 268 | 376 | | | | | | | | 567 | 441 |
| Champasak | 7080 | 7080 | 207 | 4284 | 61 | 4345 | 1029 | 38 | 0 | 11 | 29 | 1421 | 2528 | 120 | 18 | 92 | 132 | 430 | 1916 | 1746 | 4454 | 2626 |
| Attapeu | 1707 | 1707 | 74 | 684 | 11 | 695 | 4 | 23 | 0 | 1 | 1 | 909 | 938 | 56 | 4 | 22 | 15 | 9 | 2 | 11 | 547 | 1160 |
| provinces | 78008 | 77029 | 3486 | 32620 | 699 | 33319 | 13889 | 654 | 5 | 155 | 894 | 17563 | 33160 | 1391 | 285 | 1293 | 1434 | 4974 | 12276 | 12304 | 43661 | 33368 |
| central | 453 | 453 | 163 | 51 | 91 | 142 | 8 | 51 | 16 | 2 | 14 | 57 | 148 | 431 | 3 | 14 | 5 | | | | 453 | |
| total | 78461 | 77482 | 3649 | 32671 | 790 | 33461 | 13897 | 705 | 21 | 157 | 908 | 17620 | 33308 | 1822 | 288 | 1307 | 1439 | 4974 | 12276 | 12304 | 44114 | 33368 |

Source: Tax Department / Ministry of Finance

¹ The addition of data in the table as provided by MoF shows differences to the total number of registered companies for three provinces

Figure 8: Provincial shares of tax registered enterprises in 2010-2011



The total enterprise population of the selected districts of the five sample provinces (shown also in the *Figure 8* above) amounts to 47,5% of all registered enterprises in Lao PDR in 2010/11, 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 5 sample provinces, except *Luang Namtha* province, experienced mixed development trends when compared to the national average. *Luang Namtha* achieved a substantial increase of 29%, *Vientiane Capital*, *Savannakhet* showed an increase of registered businesses of 10% and 13% respectively, whereas the 2009 well performing provinces *Luang Prabang* and *Champasak* followed the national trend and had less registered businesses than two years ago.

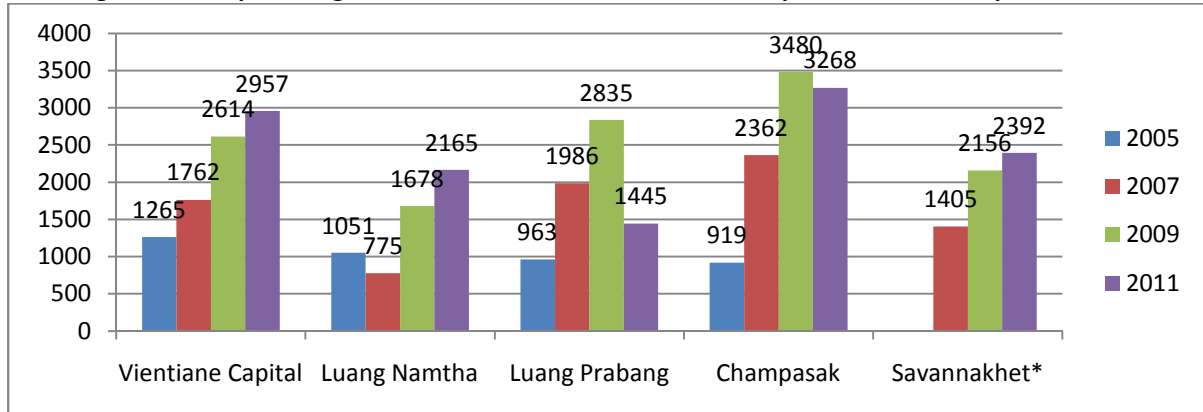
Total number of registered enterprises in *Champasak* 2010/2011 stood according to the provincial report 2011 at 7,873 units. *Pathoomphone* showed an increase of 33%, but *Pakse* and *Khong* districts experienced a drop in number of businesses. In *Khong* this was explained by a fire which destroyed the market in the district capital after which a number of shops did not reregister. *Savannakhet* reached 2010 a total number (including green card) of 7,573 (3,330) (source: tax department). Among the sample districts *Kaysone Phomvihane* district reported a total of 1,863 registered enterprises (thereof 252 newly registered in 2011) and 1,392 green cards in 2011. *Xepon* District of *Savannakhet* had in September 2011 145 registered enterprises and 38 green cards issued, according to the provided list. During the discussion the head of tax office stated a number of 204 registered businesses in the district. The special condition in *Xepon* is that all enterprises directly at the border to *Vietnam* (*Dan Savanh*) are out of reach for the local tax office because they are under direct supervision of the provincial tax office. Provincial statistics list 21 enterprises under border trade. *Outhoumphone* District had by end of financial year 2009/2010 325 registered enterprises (28 in production, 121 in trade, 109 in service, 67 in transportation), nearly 20% less than two years before. Local authorities explained this with the relocation of the *Seno* market to a new place resulting in additional need for investment of shop owners which eventually brought about a decrease in numbers of shops.

In *Luang Namtha* province all three districts showed substantial increases of number of businesses being highest in *Viengphoukha* at 56,5%, followed by *Muang Sing* (38%) and *Luang Namtha* (20,5%). The economic development shows significant growth mainly due to the provinces borders with *China* and *Myanmar*. In *Viengphoukha* *Thai* investors operate a large lignite excavation whereas *Muang Sing* is a tourist attraction.

Luang Prabang shows a very different development as authorities report for *Luang Prabang* district almost 75% less registered businesses than 2009. Also the number of registered businesses in *Nambak* decreased substantially. As the province as a whole reported a strong increase of business numbers a possible explanation may be the exclusion of "green card" businesses from the overall number.

The situation in *Vientiane Capital* is also not clear. National statistics show a sharp drop of almost 50%, information which is not supported by the increasing numbers in the three sample districts averaging 13%. Here as well one of the data sets, in this context the central level data, excludes green card businesses. However, this matter needs further research.

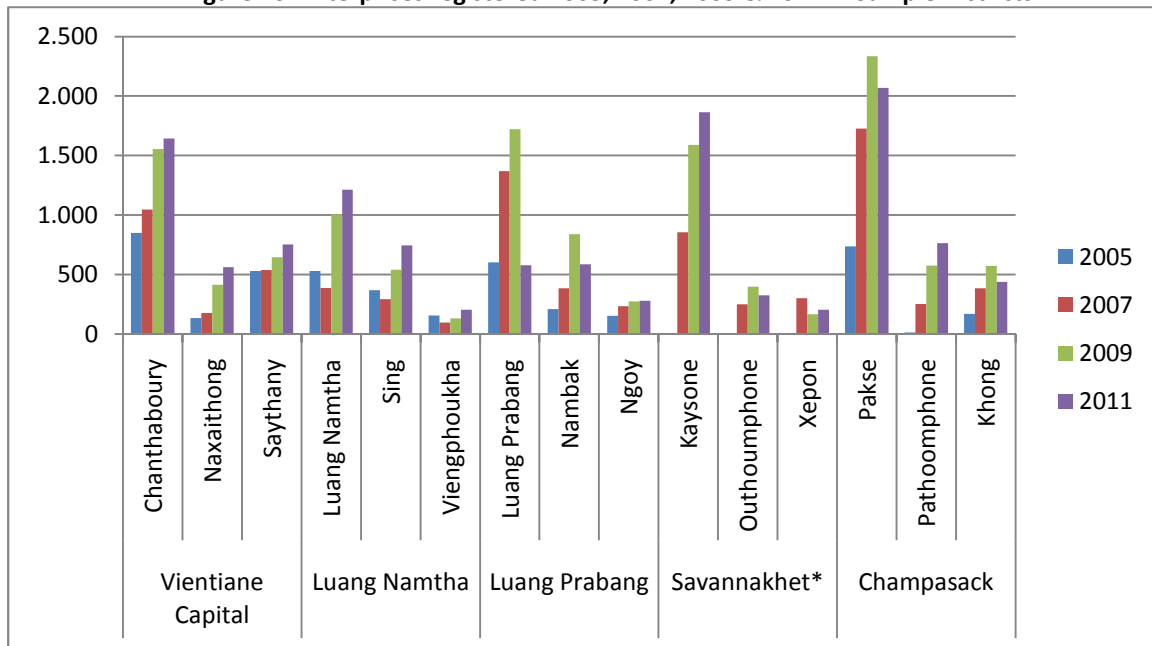
Figure 9: Enterprises registered 2005, 2007, 2009 & 2011 in Sample Districts of Sample Provinces



*Savannakhet not included in the EBS2005

The registration in the selected districts of sample provinces (see figure above and figure below) shows a mixed picture. Especially the comparison of 2011 to 2009 shows a slower increase of companies in urban centres. Information gathered on the spot show the influence of single events, such as relocation of the Seno market or administrative decisions as for Xepon. A general trend for certain types of districts, be it 'semi-urban' or 'remote', cannot be established.

Figure 10: Enterprises registered 2005, 2007, 2009 & 2011 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 EBS2005, ES2007 and 2009 were surveyed again in the ES2011.

Of the 728 enterprises surveyed in ES2011, 168 were totally "new" to the GTZ HRDME enterprise survey and 560 had participated in earlier surveys. A quite high number of 307 among the "old" companies had only participated in the ES2009 which is normal as the sample in 2009 had almost doubled compared to the earlier surveys.

Figure 11: Enterprise panels (EBS2005, ES2007, ES2009 and ES2011)

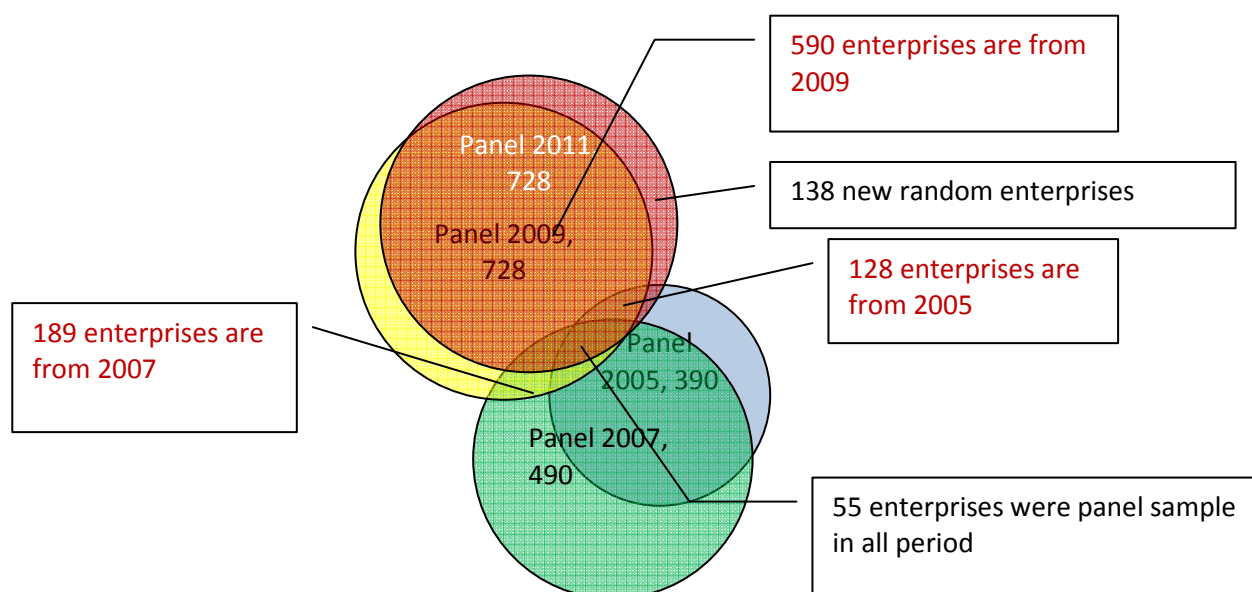


Table 2: Number of new enterprises to HRDME survey (EBS2005, ES2007, ES2009 and ES2011)

| | new | total | new | total | new | total |
|---------------------------|-----|-------|-----|-------|-----|-------|
| Vientiane Capital | 21 | 150 | 77 | 177 | 46 | 177 |
| Chantaboury | 13 | 99 | 42 | 110 | 25 | 110 |
| Naxaithong | 3 | 16 | 6 | 17 | 3 | 17 |
| Saythany | 5 | 35 | 29 | 50 | 18 | 50 |
| Luang Namtha | 39 | 80 | 42 | 76 | 18 | 76 |
| Namtha | 24 | 50 | 20 | 42 | 9 | 42 |
| Sing | 13 | 24 | 15 | 24 | 7 | 24 |
| Viengphoukha | 2 | 6 | 7 | 10 | 2 | 10 |
| Luang Prabang | 12 | 80 | 96 | 154 | 32 | 154 |
| Luang Prabang | 8 | 49 | 65 | 99 | 30 | 99 |
| Nambak | 1 | 17 | 20 | 35 | 2 | 35 |
| Ngoy | 3 | 14 | 11 | 20 | 0 | 20 |
| Sanvannakhet | 100 | 100 | 69 | 157 | 37 | 157 |
| Kaysone | 69 | 69 | 42 | 103 | 32 | 103 |
| Outhoumphone | 16 | 16 | 12 | 27 | 2 | 27 |
| Xepon | 15 | 15 | 15 | 27 | 3 | 27 |
| Champasack | 14 | 80 | 110 | 164 | 41 | 164 |
| Pakse | 12 | 64 | 82 | 123 | 30 | 123 |
| Pathoomphone | 0 | 1 | 9 | 10 | 7 | 10 |
| Khong | 2 | 15 | 19 | 31 | 4 | 31 |
| unknown | | | 1 | | | |
| Total new to surve | 186 | | 395 | | 174 | |
| Total | 490 | 490 | 728 | 728 | 728 | 728 |

Table 3: Total registered enterprises in sample districts (EBS2005, ES2007, ES2009 and ES2011)

| Location | ES2005 | ES2007 | ES2009 | ES2011 | % change '07/'05 | % change '09/'07 | % change '11/'09 | % change '11/'05 |
|--------------------------|--------------|--------------|---------------|---------------|------------------|------------------|------------------|------------------|
| Vientiane Capital | 1,265 | 1,762 | 2,614 | 2,957 | 139.3% | 148.4% | 113.1% | 233.8% |
| Chanthaboury | 850 | 1,046 | 1,554 | 1,642 | 123.1% | 148.6% | 105.7% | 193.2% |
| Naxaithong | 133 | 178 | 414 | 561 | 133.8% | 232.6% | 135.5% | 421.8% |
| Saythany | 282 | 538 | 646 | 754 | 190.8% | 120.1% | 116.7% | 267.4% |
| Luang Namtha | 1,051 | 775 | 1,678 | 2,165 | 73.7% | 216.5% | 129.0% | 206.0% |
| Luang Namtha | 529 | 387 | 1,007 | 1,214 | 73.2% | 260.2% | 120.6% | 229.5% |
| Sing | 367 | 292 | 540 | 746 | 79.6% | 184.9% | 138.1% | 203.3% |
| Viengphoukha | 155 | 96 | 131 | 205 | 61.9% | 136.5% | 156.5% | 132.3% |
| Luang Prabang | 963 | 1,986 | 2,835 | 1,445 | 206.2% | 142.7% | 51.0% | 150.1% |
| Luang Prabang | 601 | 1,370 | 1,722 | 578 | 228.0% | 125.7% | 33.6% | 96.2% |
| Nambak | 209 | 383 | 838 | 587 | 183.3% | 218.8% | 70.0% | 280.9% |
| Ngoy | 153 | 233 | 275 | 280 | 152.3% | 118.0% | 101.8% | 183.0% |
| Savannakhet | na | 1,405 | 2,156 | 2,392 | na | 153.5% | 110.9% | na |
| Kaysone Phomvihane | na | 854 | 1,590 | 1,863 | na | 186.2% | 117.2% | na |
| Outhoumphone | na | 249 | 399 | 325 | na | 160.2% | 81.5% | na |
| Xepon | na | 302 | 167 | 204 | na | 55.3% | 122.2% | na |
| Champasak | 919 | 2,362 | 3,480 | 3,268 | 257.0% | 147.3% | 93.9% | 355.6% |
| Pakse | 737 | 1,727 | 2,334 | 2,068 | 234.3% | 135.1% | 88.6% | 280.6% |
| Pathoomphone | 12 | 252 | 574 | 763 | 2100.0% | 227.8% | 132.9% | 6358.3% |
| Khong | 170 | 383 | 572 | 437 | 225.3% | 149.3% | 76.4% | 257.1% |
| TOTAL | 4,198 | 8,290 | 12,763 | 12,227 | 197.5% | 154.0% | 95.8% | 291.3% |

A number of enterprises that were in operation in 2005, 2007, and 2009 however, were not reachable at the time of the follow-on 2011 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.

By province, ES2011 captured between 4.8% and 10.66% of the total registered enterprises in the selected districts. In total, 5.95% of total enterprises in the targeted districts of the 5 sample provinces were surveyed providing a sound statistical foundation.

Table 4: Share of registered enterprises, by province (ES2011)

| Province | Registered enterprises (sample districts) | % of total | Sample size | % of total | Percent 4/2 |
|-------------------|---|---------------|-------------|----------------|--------------|
| 1 | 2 | 3 | 4 | 5 | 6 |
| Vientiane Capital | 2,957 | 24.2% | 177 | 24.31% | 5.99% |
| Luang Namtha | 2,165 | 17.7% | 76 | 10.44% | 3.51% |
| Luang Prabang | 1,445 | 11.8% | 154 | 21.15% | 10.66% |
| Savannakhet | 3,268 | 26.7% | 157 | 21.57% | 4.80% |
| Champasak | 2,392 | 19.6% | 164 | 22.53% | 6.86% |
| Total | 12,227 | 100.0% | 728 | 100.00% | 5.95% |

7.4 Fieldwork

Preparation for the survey took place from mid of August to November 2011, during which time the survey team worked with the ES2011 Task Force to:

- Review and adapt the questionnaire and survey manual;
- Prepare official approval letters and notices to target provinces;

- Discuss ES2011 sampling and establish plans for the field work;
- Build and train the survey team and;
- Pre-check the availability of businesses sampled in EBS2009.

Due to the unusual long rainy season of 2011 and the related damages to roads especially in northern Laos fieldwork, originally scheduled for September/October, was postponed to November. Actual fieldwork was conducted from 31. October until 15. December 2011. Challenges that impacted data collection during the fieldwork and will help the future ES2013 included:

- Incomplete or inaccurate data from the previous surveys and the Tax Offices.
- Out of date enterprise contact details from Tax Office data.
- Gaining direct access to managerial level staff. In many cases, especially in urban centres, two or more attempts were needed to meet with managers, further slowing the survey process
- Firms owned by foreigners, particularly Chinese, that were unwilling or unable (particularly given language challenges) to participate in the survey.

Actual interviews were taken by students in economics of NUoL. The total team consisted of 32 students and 4 lecturers, acting as supervisors. For fieldwork in the provinces the team was divided into two groups of 16+2 each, working from 06. until 18. November in the northern (Luang Prabang and Luang Namtha) or southern (Champasak and Savannakhet) provinces respectively. Most fieldwork time had to be spent in Vientiane Capital. Fieldwork was supported by staff from the respective Departments of Planning and Investment at province and district levels who also coordinated with local tax offices. Cooperation with local authorities was good.

8. Enterprise Characteristics, Performance and Business Constraints: ES2011 vs. Previous Years

8.1. Enterprise Characteristics and Related Changes

The ES2011 comprises a representative sample of micro, small, medium and large-sized enterprises that were formally registered in the five target provinces. It does not seek to capture the numerous informal micro-sized or family-type business establishments that comprise the broader business landscape.

The GIZ HRDME 2011 Enterprise Survey, as in EBS2005, ES2007 and ES2009, is also unique in that it applies the SME definitions in order to capture performance and constraints of the various enterprise size groups. This report therefore briefly describes the sampled enterprises with respect to:

- Enterprise Size by Employment
- Enterprise Age and Size
- Enterprise sample by ISIC
- Enterprise sample by urban/rural location
- Nationality of owners
- Source of inputs, destination of outputs
- Gender/age of owners

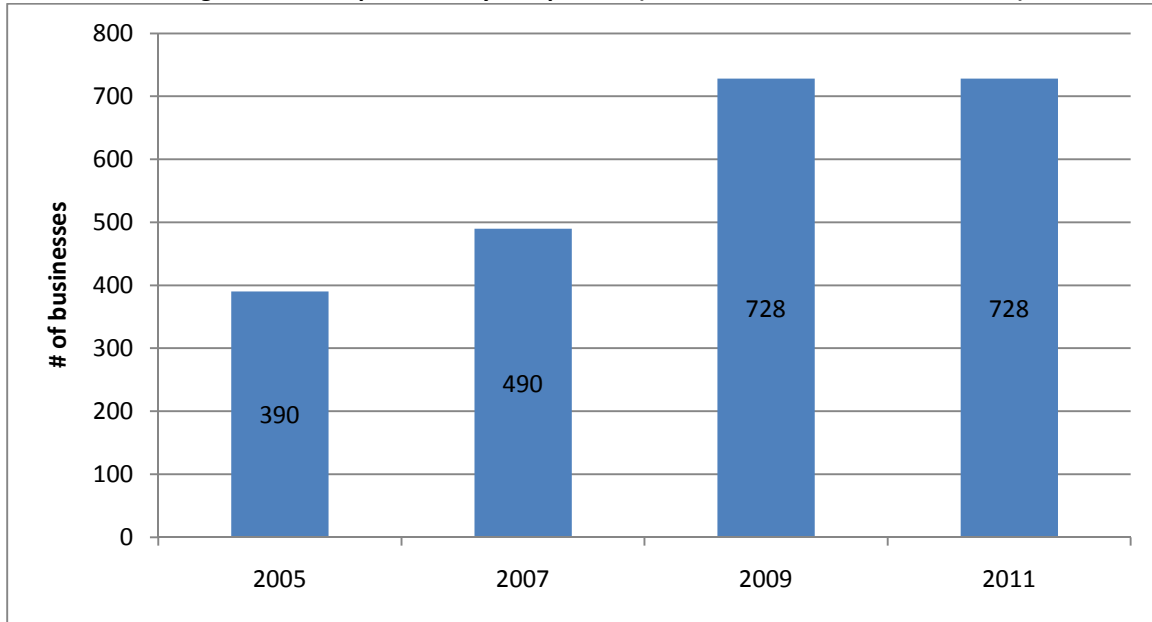
8.1.1. Enterprise Size by Employment

The definition of 'Small and Medium-sized Enterprises' (SMEs) contained in the Prime Ministers' Decree 42 is adopted in the Enterprise Survey. In ES2011, following ES2009, ES2007 and EBS2005, an additional distinction was also made between micro- and small-sized enterprises since the Decree does not set a lower limit for small enterprises, apart from stipulating that they have to be legally registered. The main reason for this distinction is to identify size-specific characteristics and performance in order to focus on the problems and constraints of enterprises with growth and development potential. The Panel Data provides additional insight into the characteristics of a subset of the sample over time. However the survey applies only the employment criterion of the SME definition and leaves the assets and turnover criteria out.

Thus the surveyed enterprises have been classified into the following categories based on the average number of staff p.a.:

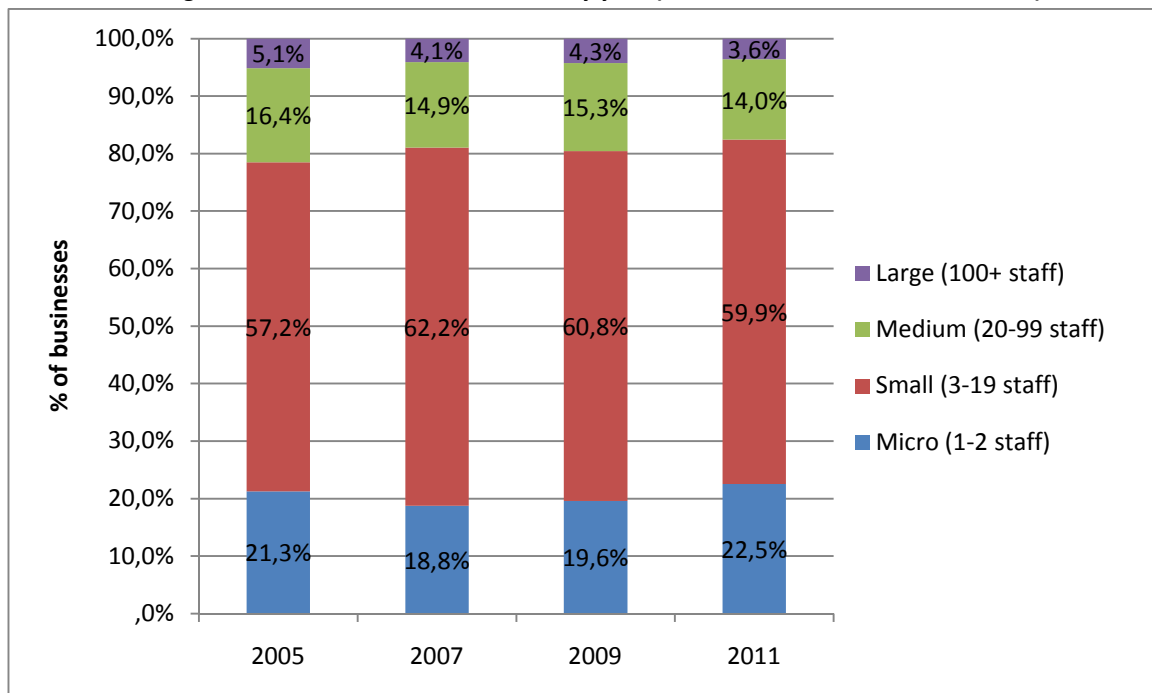
- Micro enterprises (1-2 staff)
- Small enterprises (3-19 staff)
- Medium enterprises (20-99 staff)
- Large enterprises (100 or more staff)

Figure 12: Enterprise Survey Sample Size (EBS2005, ES2007, ES2009, ES2011)

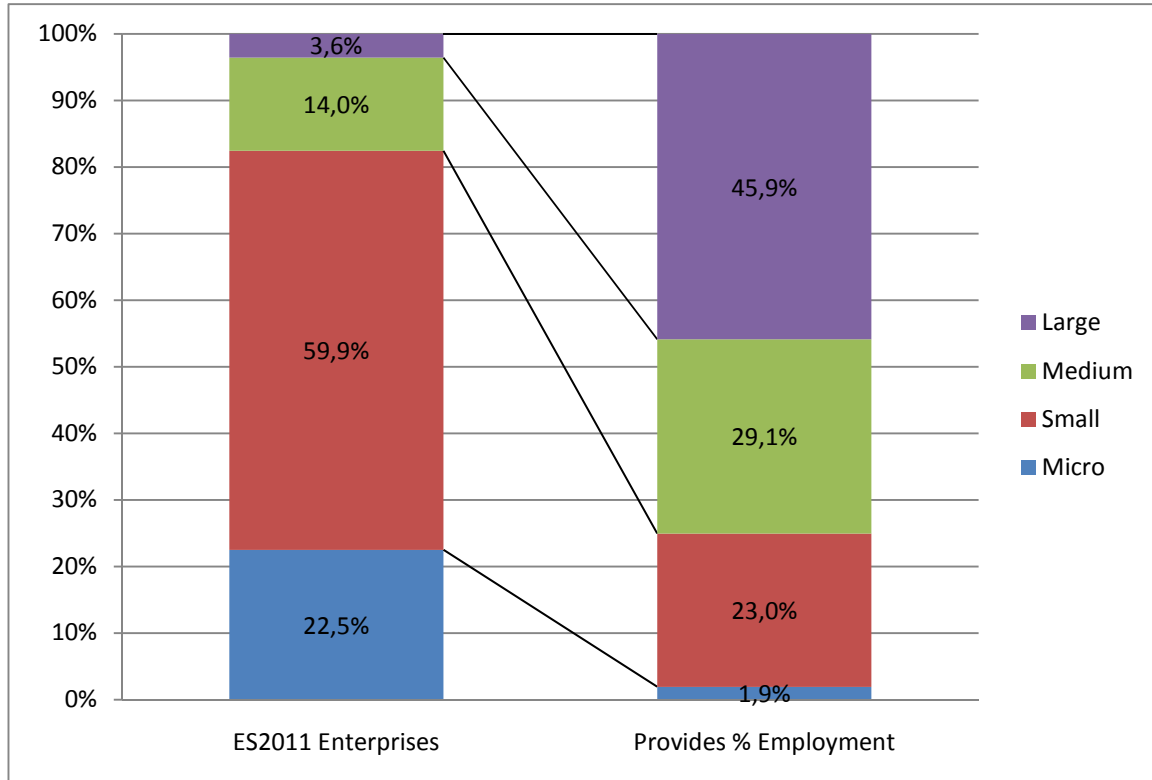


The ES2011 sample includes 728 enterprises. This is the same number as ES2009, however not all enterprises from ES2009 participated in ES2011 (see Panel Data). This represents an increase of 238 enterprises from ES2007 and 338 from ES2005 (Figure 12).

Figure 13: Business size distribution by year (EBS2005, ES2007, ES2009, ES2011)



Enterprise sample by size (according to staff employment) is consistent with the EBS2005, ES2007 and ES2009 (Figure 13).

Figure 14: Distribution by enterprise size and corresponding employment (ES2011)

In the ES2011 sample, 164 firms (22.5% of total) were defined as *micro-sized* (with up to two full time staff); 436 (59.9%) *small-sized* (with 3 to 19 staff); 102 (14%) *medium-sized* (with 20 to 99 staff) and 26 (3.6%) *large-sized* enterprises (with 100 or more staff). Table 7 (below) shows the mean and median sizes in each category.

Table 5: Average and median staffing (ES2011)

| ES2011 Sample: Total number of permanent paid and unpaid workers | | | |
|--|-------|--------|-------------------|
| Enterprise Size | Mean | Median | Total Enterprises |
| Micro | 1.6 | 2 | 164 |
| Small | 7.3 | 6 | 436 |
| Medium | 39.3 | 33.5 | 102 |
| Large | 243.0 | 150 | 26 |
| | | | 728 |

8.1.2. Newly Registered Enterprises

The ES2011 sample included 34 enterprises that were considered “newly registered,” having registered their business after ES2009 survey took place. This subset allows for analysis of potential changes that have occurred between survey periods for specific enterprise topics such as time and number of documents required to register a business between 2009 and 2011.

Table 6: Survey Sample (ES2011)

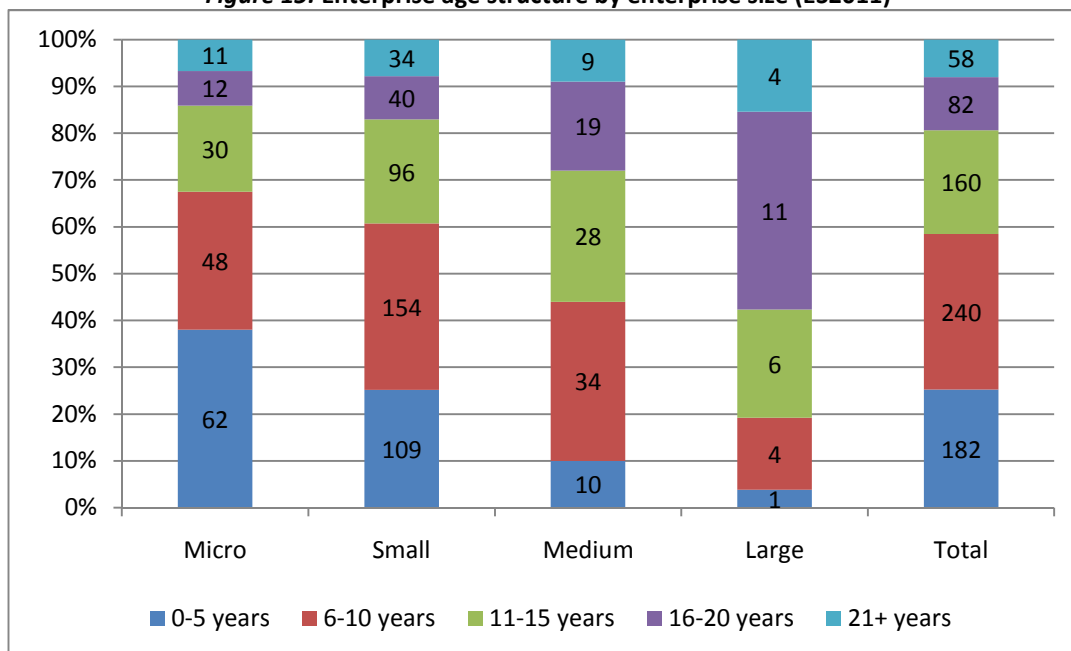
| ES2011 full data set | | |
|----------------------|-----------|----------|
| Enterprise Size | Frequency | Per cent |
| Micro | 164 | 22.5% |
| Small | 436 | 59.9% |
| Medium | 102 | 14.0% |
| Large | 26 | 3.6% |
| Total | 728 | 100.0% |

| ES2011 newly registered enterprises, 2010 or later | | |
|--|-----------|----------|
| Enterprise Size | Frequency | Per cent |
| Micro | 14 | 41.2% |
| Small | 18 | 52.9% |
| Medium | 1 | 2.9% |
| Large | 1 | 2.9% |
| Total | 34 | 100.0% |

8.1.3. Age Structure of the Sample

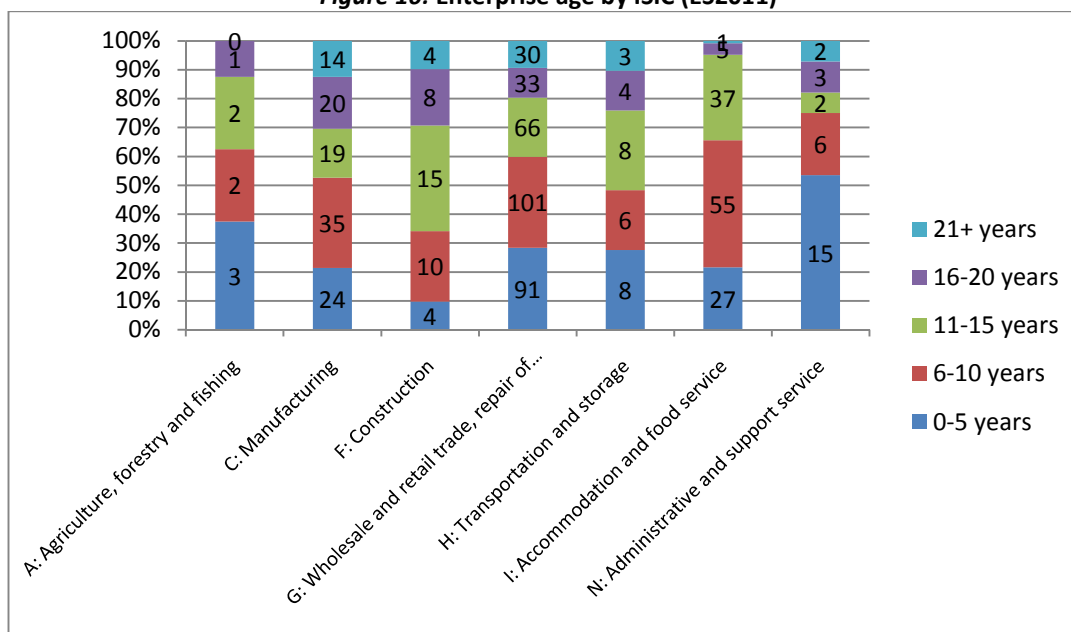
Of the 722²³ ES2011 respondents, 25% had been in operation 0-5 years, 33% had been in operation for 6-10 years, 22% for 11-15 years, 11% for 16-20 years, and 8% for 21 or more years.

Figure 15: Enterprise age structure by enterprise size (ES2011)



An examination of the age brackets by enterprise size further revealed that the older categories are more common among the larger enterprises. Among large enterprises in the sample, 15% are 21 or more years old, and 42% are 16-20 years old. On the other hand, 62% of micro-sized enterprises are more than 5 years old and remain in the size category. This may reflect the ES effort to track the same enterprises over time rather than the general age structure of businesses in Lao PDR.

Figure 16: Enterprise age by ISIC (ES2011)



²³ 6 of the 728 respondents did not provide a date for starting their business operations

Enterprise age breakdown by ISIC (Figure 16) shows that Manufacturing, Construction, and Transportation and Storage have the largest share of enterprises operating 16 or more years, while Administrative and support services have the largest share of businesses younger than 5 years old. The large share of younger businesses in services shows the dynamism of the sector relative to manufacturing, construction, and other, more established sectors.

8.1.4. Enterprise Sample by ISIC

Enterprises were classified according to the products they produce or services they provide, based on the International Standard Industry Classification (ISIC) system. ISIC codes allow for classification of products and services by 4 levels - section, division, group and class. EBS2005, ES2007, ES2009 and ES2011 used the ISIC section and division codes to classify all enterprises interviewed. The 1-digit ISIC section codes and descriptions used in ES2011 are outlined below.

Table 7: ISIC sections Rev. 4 and numbers of respective enterprises (ES2011)

| ISIC Section | Description | Total | |
|--------------|--|------------|---------------|
| | | N | % |
| A: | Agriculture, forestry and fishing | 8 | 1.1% |
| B: | Mining and quarrying | 3 | 0.4% |
| C: | Manufacturing | 112 | 15.4% |
| D: | Electricity, gas, steam and air conditioning supply | 1 | 0.1% |
| E: | Water supply, sewerage, and waste management | 2 | 0.3% |
| F: | Construction | 41 | 5.6% |
| G: | Wholesale and retail trade, repair of motor vehicles | 322 | 44.2% |
| H: | Transportation and storage | 31 | 4.3% |
| I: | Accommodation and food service | 128 | 17.6% |
| J: | Information and communications | 7 | 1.0% |
| K: | Financial and insurance activities | 8 | 1.1% |
| L: | Real estate | 0 | 0% |
| M: | Professional, scientific and technical activities | 6 | 0.8% |
| N: | Administrative and support activities | 28 | 3.8% |
| O: | Public administration and defence, social security | 0 | 0% |
| P: | Education | 13 | 1.8% |
| Q: | Human health and social work | 5 | 0.7% |
| R: | Arts, entertainment and recreation | 3 | 0.4% |
| S: | Other service activities | 10 | 1.4% |
| Total | | 728 | 100.0% |

Table 3 shows a breakdown of industries heavily tilted towards the retail, wholesale, and motorcycle repair trade in terms of numbers. Food service is the second largest sector (15.4% of enterprises surveyed) followed by manufacturing (15.4%). These numbers do not reflect the size of business or the value of their output, but merely the number of businesses surveyed in ES2011.

Consistent with ES2009, Table 3 does reflect the continued underdevelopment of commercial agriculture. While 70% of the Lao labour force is engaged in agriculture, only 8 firms out of more than 700 surveyed (1.1%) were classified in the agricultural sector. This

implies room for businesses that can add value through productivity enhancements, industrialisation of processing, quality improvement and marketing.

Figure 17: Share of enterprises, by top 5 ISIC categories (ES2011)

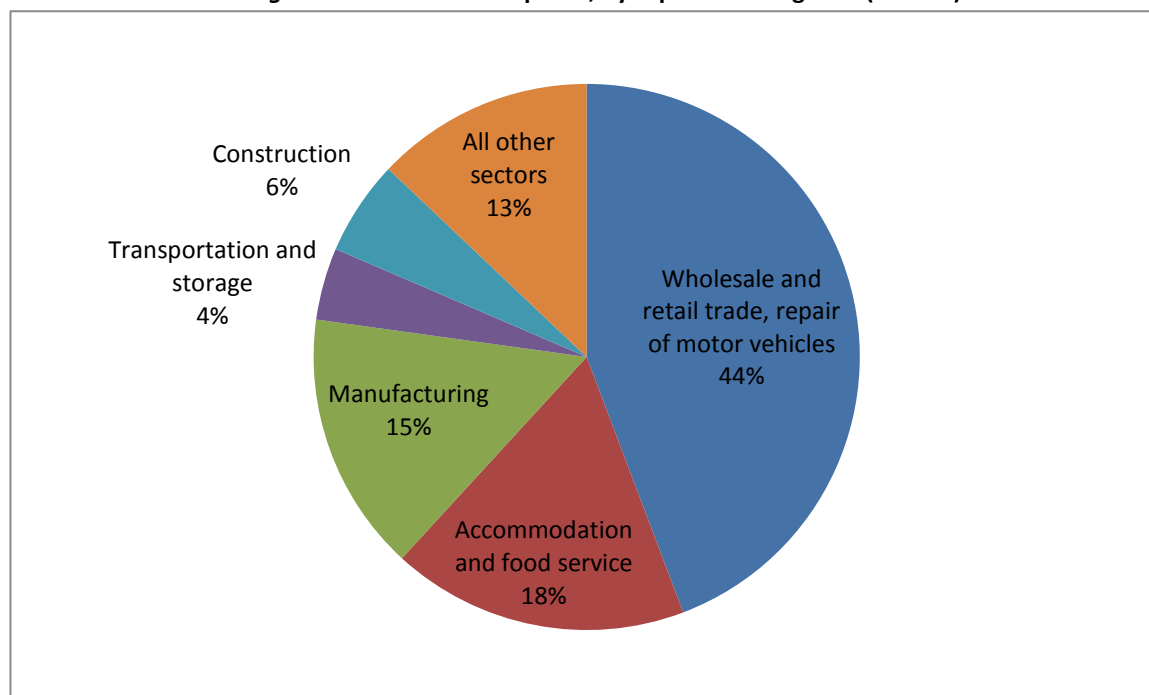
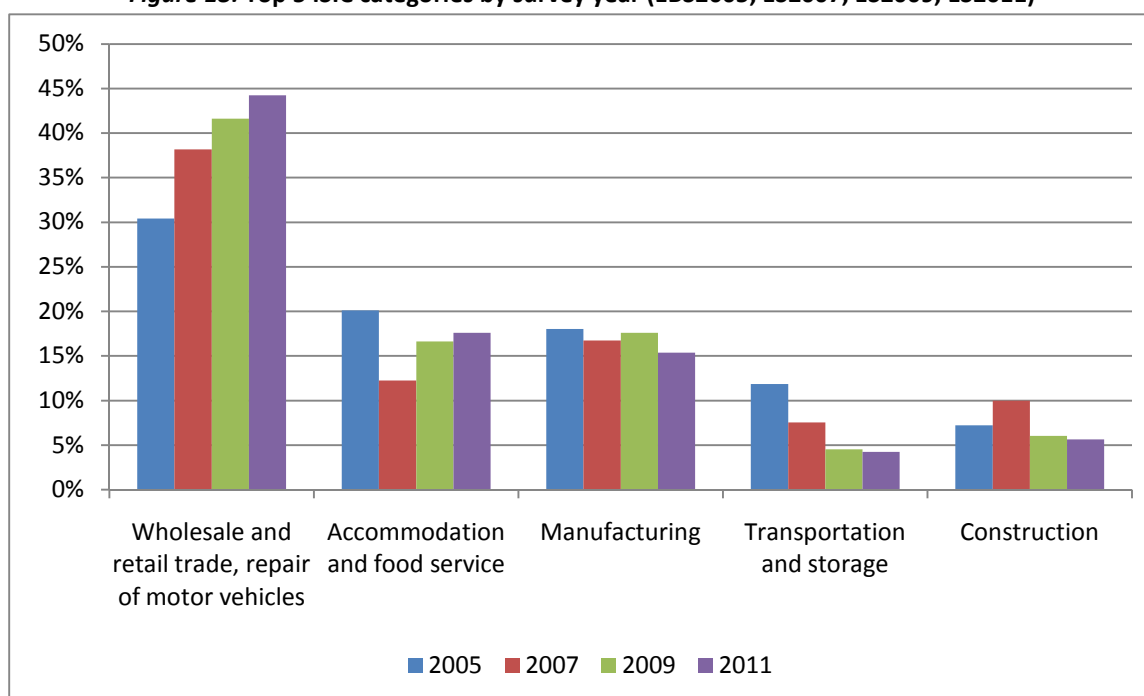


Figure 18: Top 5 ISIC categories by survey year (EBS2005, ES2007, ES2009, ES2011)



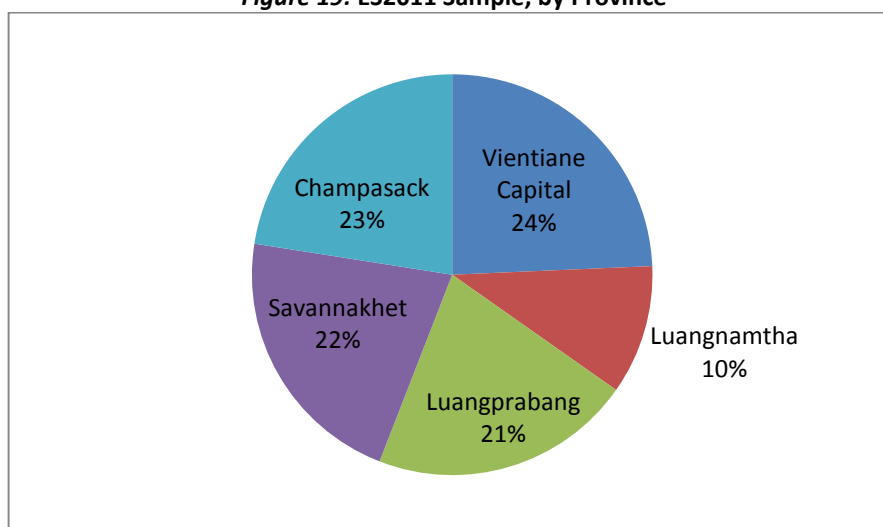
When ES2011 data is compared with EBS2005, ES2007, and ES2009, the share of wholesale and retail trade (the largest category in each survey year) has grown consistently, while the share of transportation and storage has continually fallen. The proportion of manufacturing firms captured in the survey has remained consistent, and no discernible trend can be found in accommodation/food service. The shrinking proportion of transportation and storage (logistics) enterprises captured by the sample – despite rising growth and trade, which

would drive demand for logistics services – may indicate consolidation within the sector. It will be interesting to note whether the share of construction firms, which continued a slight downward trend, increases in future enterprise surveys, as construction is projected to be a major driver of growth in 2012 and beyond.²⁴

8.1.5. Enterprise Sample by Province & Rural / Urban Locations

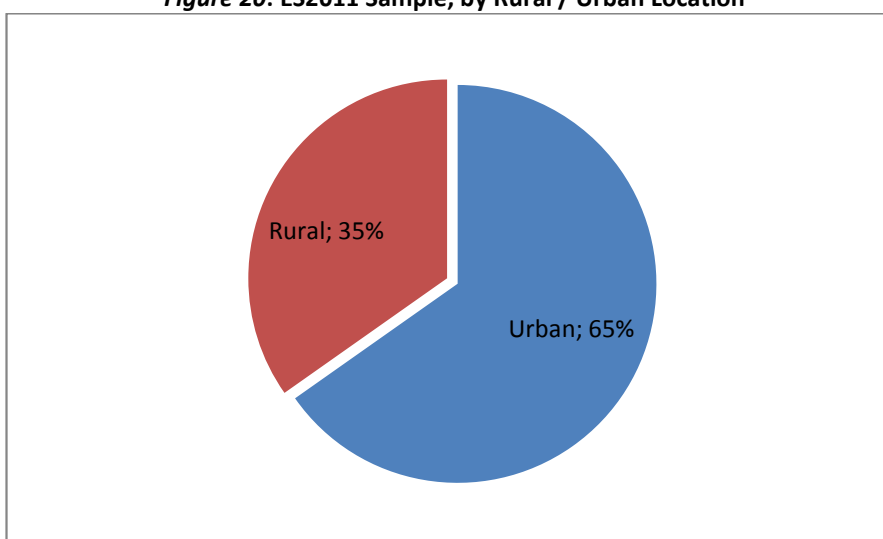
The 728 enterprises in the ES2011 sample are relatively evenly distributed among four of the five target provinces, each accounting for between 21% and 24% of the total sample. As in ES2009, enterprises in Luang Namtha comprise 10% of the sample. This smaller share is by design and is attributed to the smaller enterprise population in Luang Namtha as compared with the four other target provinces.

Figure 19: ES2011 Sample, by Province



Location within the province, segmented by 'urban' or 'rural', was also captured. The enterprises in rural locations are closely related to Rural Development programmes but are also covered by SME development efforts, i.e. by SMEPDO and the HRDME programme. Relevant information is depicted in *Figure 20* as well as in *Table 4* below.

Figure 20: ES2011 Sample, by Rural / Urban Location



²⁴Davading, Somneuk; Phimmahasay, Keomanivone; Boyreau, Genevieve. 2012. Sustaining robust growth : mitigating risks and deepening reforms - Lao PDR economic monitor. Washington D.C. - The World Bank.

The selection of districts in each sample province was according to three classifications: the 'provincial centre', 'peri-urban' district and 'rural' district to cover all settings for business development. The changes of enterprise registration in the respective districts (*Table 4*) demonstrate the relationship between the dynamics of the formal business sector and urban vs. rural locations, i.e., the more central the location more dynamic the sector.

Table 8: 'Rural' & 'Urban' Enterprises by province and district (ES2009)

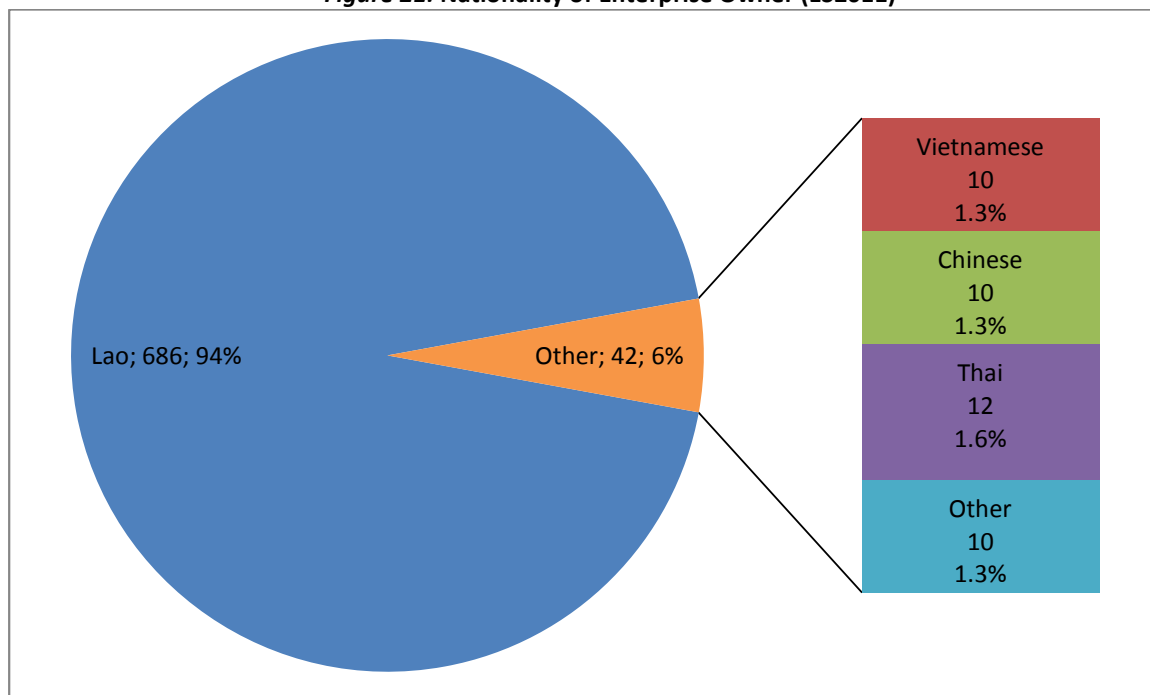
| Location | ES2011 | | | |
|--------------------------|------------|---------------|--------------|--------------|
| | N | % | % Urban | % Rural |
| Vientiane Capital | 177 | 24.3% | 62.1% | 37.9% |
| Chanthabuly | 107 | 14.7% | 100% | - |
| Sikhottabong | 1 | 0.1% | 100% | - |
| Sisattanak | 2 | 0.3% | 100% | - |
| Naxaithong | 17 | 2.3% | - | 100% |
| Xaythany | 50 | 6.9% | - | 100% |
| LuangNamtha | 76 | 10.4% | 55.3% | 44.7% |
| LuangNamtha | 42 | 5.8% | 100.0% | - |
| Sing | 23 | 3.2% | - | 100% |
| Viengphoukha | 10 | 1.4% | - | 100% |
| Long | 1 | 0.1% | - | 100% |
| LuangPrabang | 154 | 21.2% | 64.3% | 35.7% |
| LuangPrabang | 99 | 13.6% | 100% | - |
| Nambak | 35 | 4.8% | - | 100% |
| Ngoi | 20 | 2.7% | - | 100% |
| Savannakhet | 157 | 21.6% | 65.6% | 34.4% |
| KaysonePhomvihane | 103 | 14.1% | 100% | - |
| Outhoomphone | 27 | 3.7% | - | 100% |
| Sepone | 27 | 3.7% | - | 100% |
| Champasak | 164 | 22.5% | 73.8% | 26.2% |
| Pakse | 121 | 16.6% | 100% | - |
| Khong | 31 | 4.3% | - | 100% |
| Pathoomphone | 10 | 1.4% | - | 100% |
| Phonthong | 2 | 0.3% | - | 100% |
| TOTAL | 728 | 100.0% | | |

By province, Vientiane Capital has the largest share of the entire ES2011 sample (24.3%) followed by Champasak (22.5%), Savannakhet (21.6%), and Luang Prabang (21.2%). Luang Namtha has the lowest share of the sample (10.4%).

8.1.6. Nationality of Owners

The vast majority (94%) of enterprise owners surveyed are Lao citizens, essentially the same proportion as surveyed in EBS2007 (94.3%) and 2009 (93%). In terms of non-Lao enterprise owners, Asian owners dominate with Vietnamese, Thai, Chinese holding more or less equal shares of 1.3% each and "Other" owners also accounting for 1.3% of the total owner population.

Figure 21: Nationality of Enterprise Owner (ES2011)



Nationality of Owners by Size

The largest firms interviewed in 2011 were more likely than small firms to be owned by foreign nationals. Only 2% of micro-size enterprises surveyed were owned by non-Lao (in this case, all Vietnamese), while around 5-6% of small and medium enterprises owned by foreigners. In contrast, non-Lao persons owned 35% of the large enterprises surveyed, essentially the same proportion as in ES2009. Non-Laotians owned nine out of the 26 large enterprises: 4 Thai, 1 Chinese, 1 Vietnamese and 3 of other nationality.

Figure 22: Nationality of owners by size (ES2011)

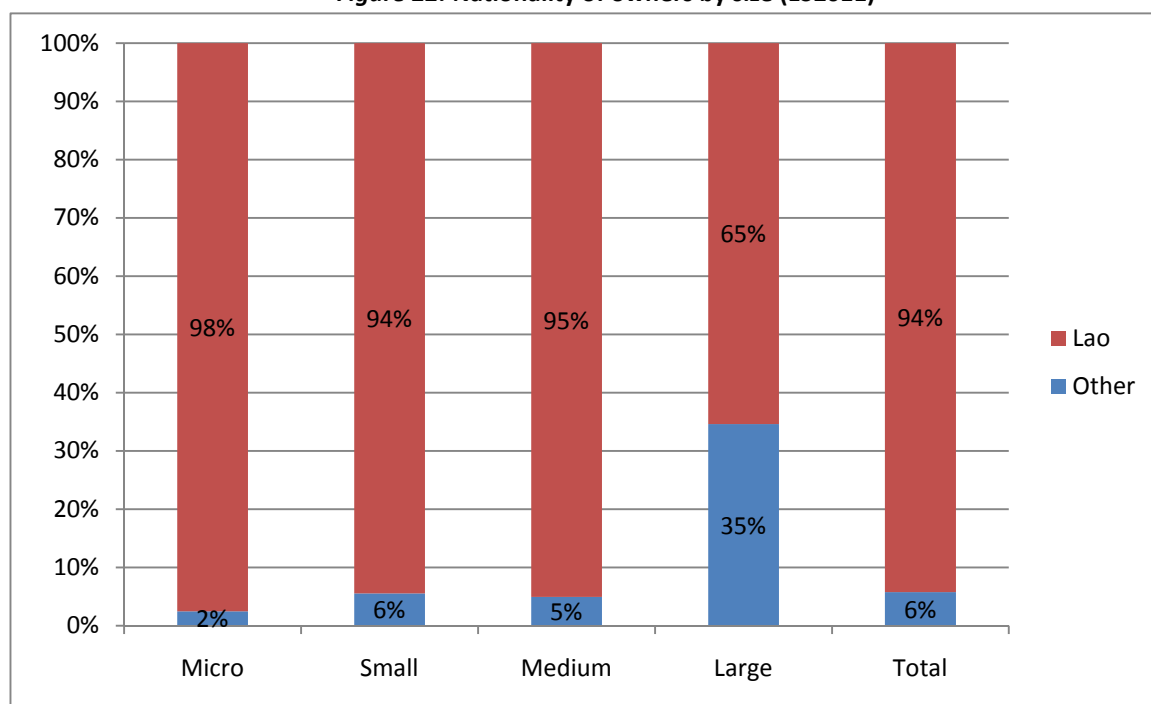
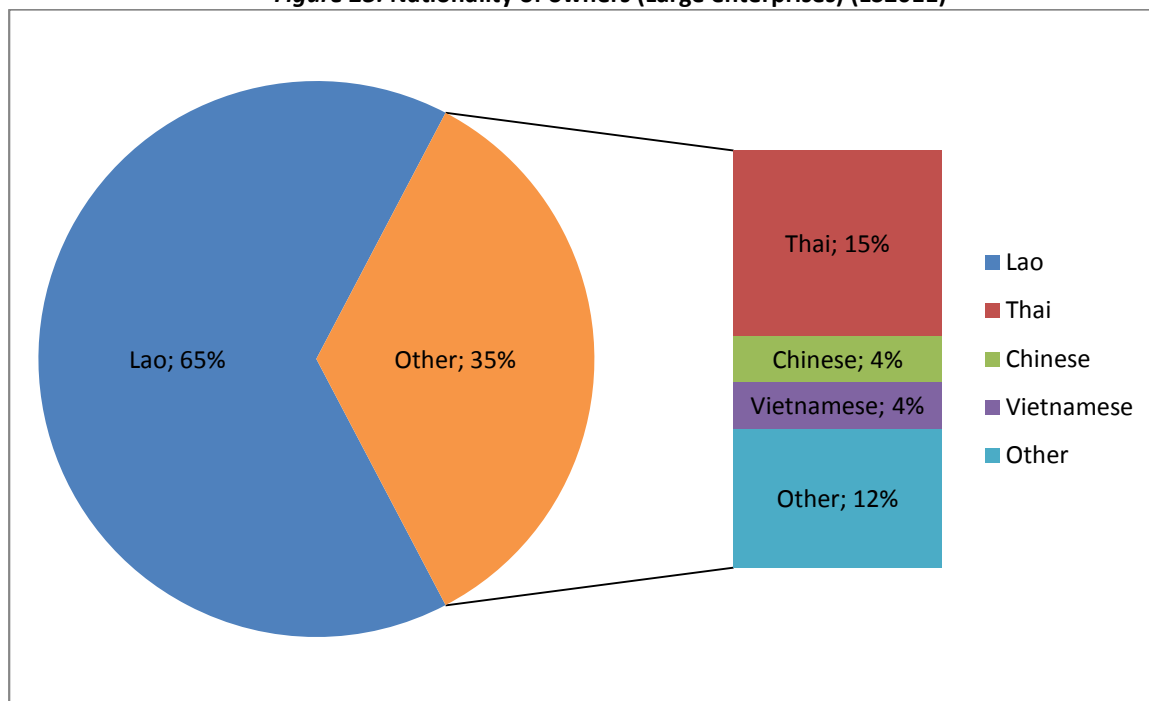


Figure 23: Nationality of owners (Large enterprises) (ES2011)

8.1.7. Source of Inputs, Destination of Outputs

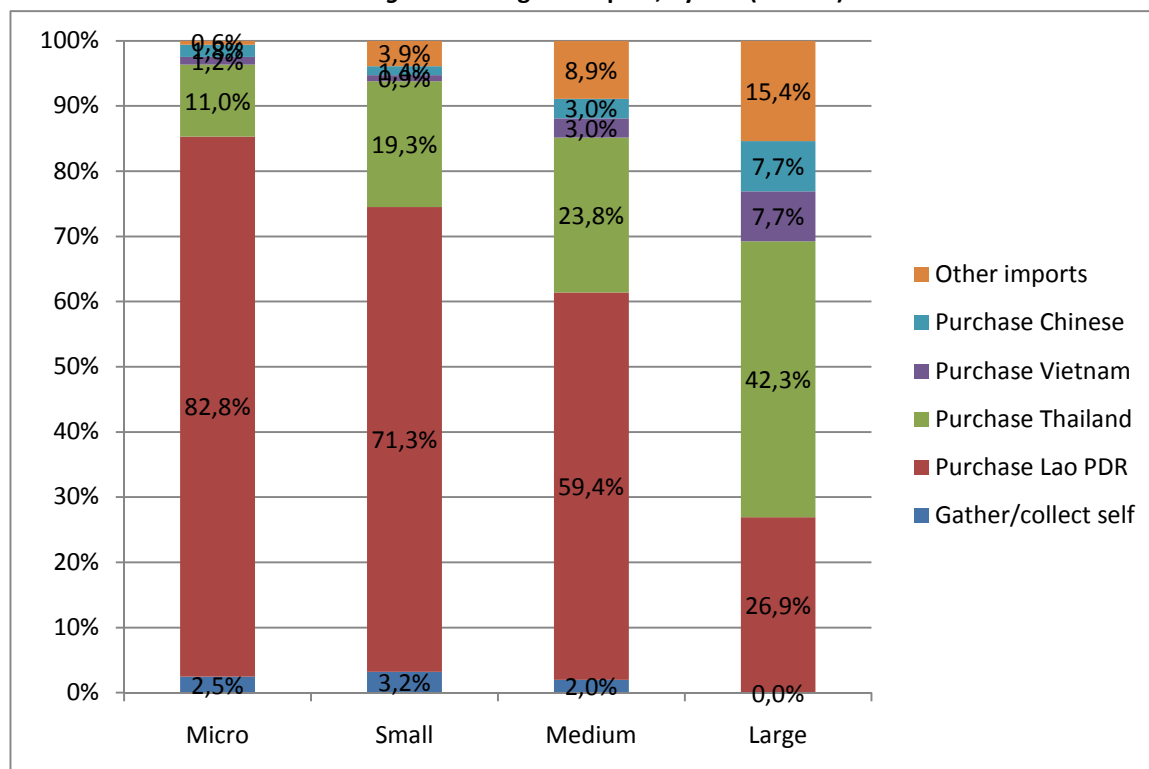
This section deals with possible changes in the deepening of the division of labour and intensifying B2B relations as well as market and export-orientation of enterprises in Lao PDR. The trade statistics show that the dominant trading partners are ASEAN countries (Section 5.1.4).

Of the 725 enterprises surveyed, 70.6% purchased their major inputs in Lao PDR, more than 16 percentage point increase over 2005, when slightly more than half (53.9%) of respondents purchased their major inputs domestically. However, only 26.9% of large enterprises purchased their inputs from within Lao.

ES2011 saw large-sized enterprises sourcing their greatest percentage of inputs (42.3%) from Thailand, and decreasing proportionally for medium (23.8%), small (19.3%) and micro (11%) enterprise sizes (*Figure 24*). It is clear that size of firm is inversely related to likelihood of sourcing domestically. This may be due to a combination of larger firms' greater access to foreign markets, greater efficiencies of scale in importing goods, and the particular sectors larger firms are engaged in such as manufacturing for export. It is worth remembering that more than a third of large enterprises surveyed were owned by foreign nationals (predominantly Thai) and would therefore be likely to have close links to suppliers in their home country.

Combining all size categories, nearly 90% of Lao enterprises surveyed in ES2011 purchased their primary inputs either domestically or from Thailand. This figure is virtually unchanged from ES2009. The fact that medium and large firms - which employ a large portion of the labour force and drive Laos' export-led growth – primarily source major inputs from abroad may signal that the domestic market is unable to offer inputs of sufficient quantity or quality. This could prove a constraint to growth.

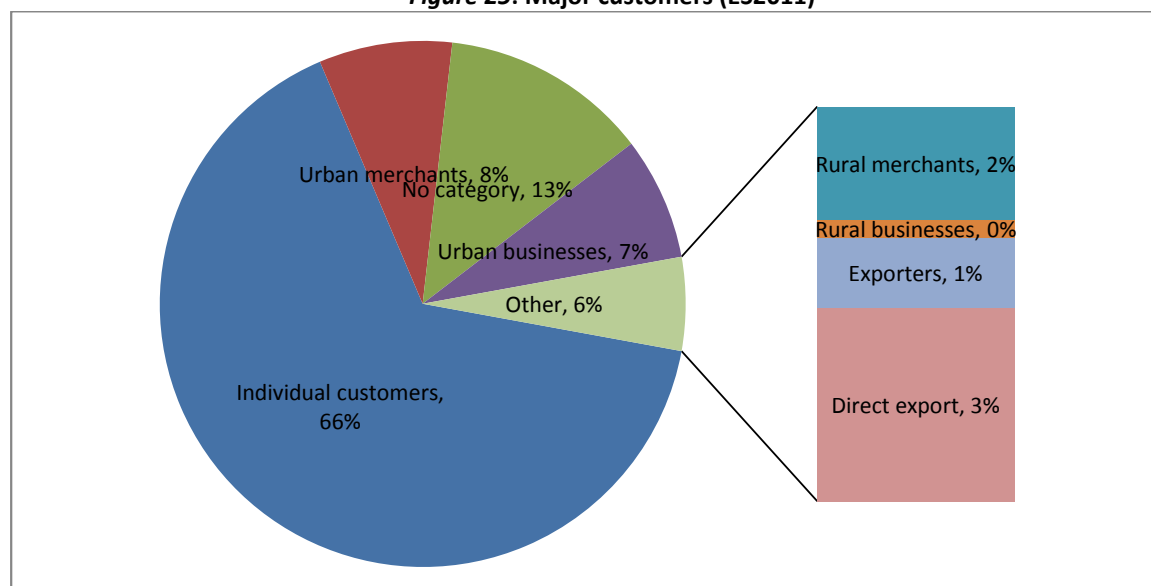
Figure 24: Origin of inputs, by size (ES2011)



Major Customers

In 2011, a majority of enterprises (66%) indicated they sold directly to “individual customers” as their primary customer base. Only 8% sold primarily to urban merchants, and an additional 7% sold primarily to urban businesses. The share of “individual customers” in ES2011 was similar to 2009, when nearly 65% of enterprises listed “individual customers” as their primary customer. At about 2.8%, the proportion of enterprises in ES 2011 who primarily sell their products directly to customers abroad decreased slightly compared with ES 2009 (3.7%). In 2011, 3.8% of enterprises counted export-oriented business (direct export and selling to exporting companies) as their primary clients.

Figure 25: Major customers (ES2011)



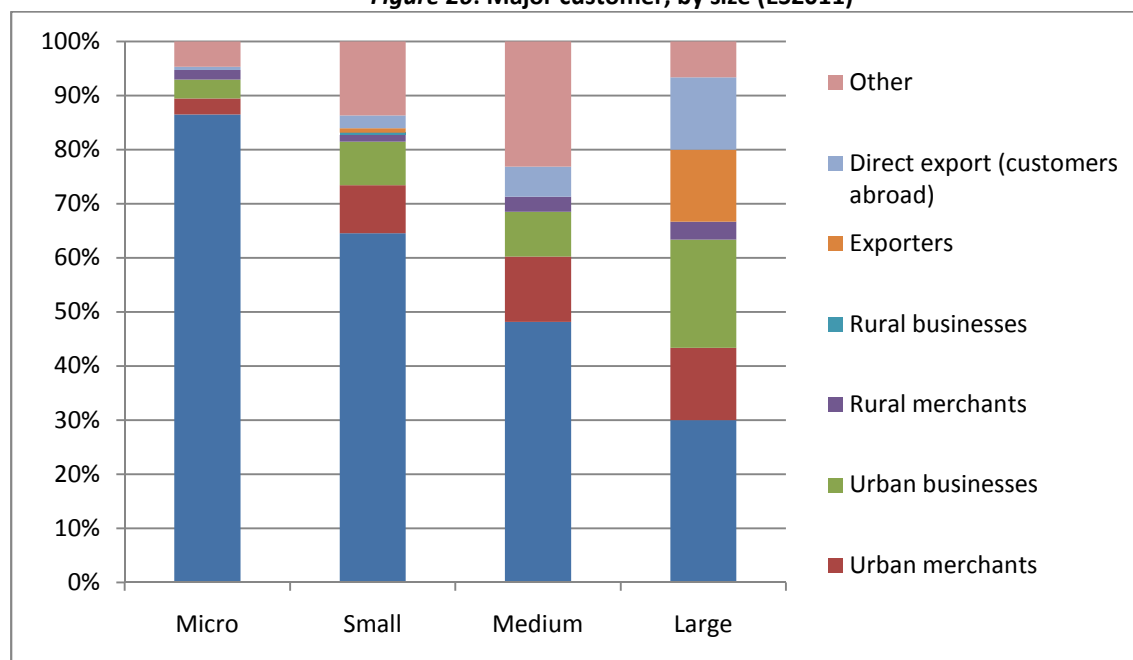
Customer by size

Segmenting major customers by enterprise size (*Figure 26*) reveals that as enterprise size increases, the share of “individual customers” as the major customer decreases. In ES2009 medium-size enterprises had the most diverse mix of ‘major customers’ while in ES2011 large-sized enterprises had taken over this position and appear to be diversifying their customer base at a faster rate.

Large enterprises diversification of customer base saw the majority (63.3%) being individuals (30%), urban merchants (13.3%) and urban businesses (20%). Large-size enterprises also have the largest percentage of customers for export, both direct and exporters (13.3%).

Despite large-sized enterprises having a more diverse customer base in ES2011, medium enterprises have the largest percentage of “other” customers at 23.2%. Micro-sized enterprises remain overwhelmingly reliant on individual customers at 86.5%.

Figure 26: Major customer, by size (ES2011)



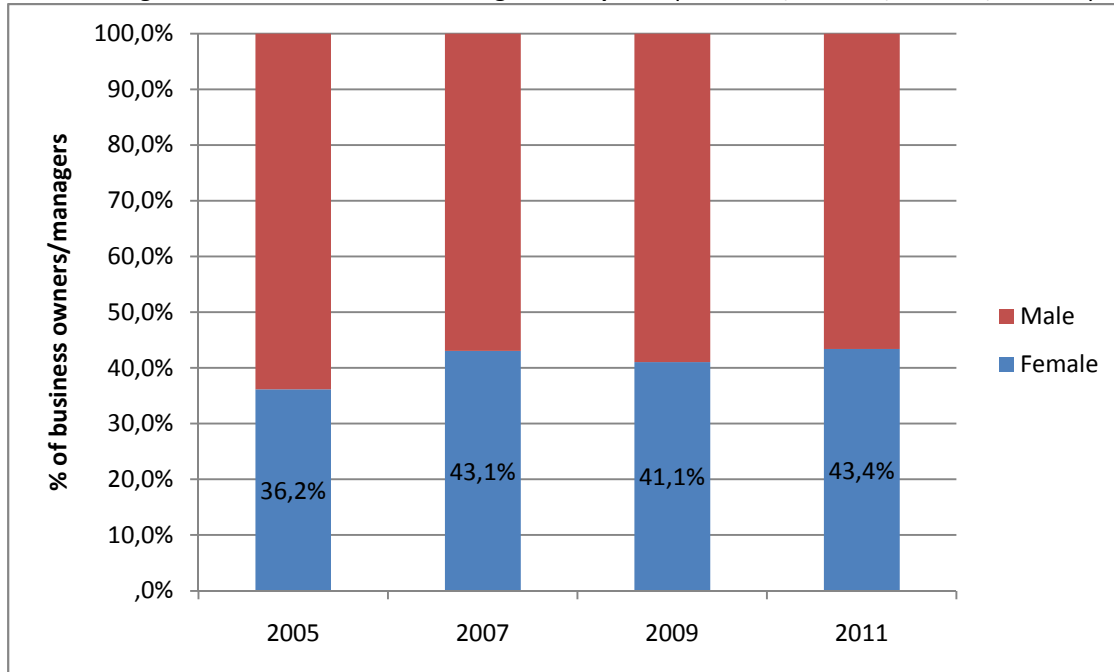
8.1.8. Gender/Age of owners

ES2011 responses relating to the gender and age of enterprise owners are generally consistent with the results reported from ES2009. The proportion of female enterprise owners is increasing, driven mainly by increasing numbers of women-owned and –managed micro-enterprises. In total, 43.4% of enterprises in ES2011 were owned or managed by women. Owners/managers of large and medium enterprises are more likely to be aged 40 or older. The observed trend of a decrease in the proportion of enterprises owned/managed by someone under 40, seen first in ES2009, continues to be evident in ES2011 results.

Gender / Age of owners

As shown in *Figure 26*, 43.4% of the ES2011 sample was women-owned or –managed enterprises, the highest number at any time since EBS2005. In context, this represents a slight increase of 2.3 points over ES2009 (41.1%). ES2009 itself showed a 2.0 percentage point drop from ES2007 (43.1%).

Figure 26: Women owned / managed enterprises (EBS2005, ES2007, ES2009, ES2011)



Women own/manage the largest share of micro-size enterprises (62.8%), increasing by 4.2 percentage points over 2009 (58.6%), and 11.7-percentage point increase over 2007 (51.1%) and a significant 25.5 percentage point increase over 2005 (37.3%). The trend of increasing women owned/managed micro-enterprises may be attributable to lower capital costs or barriers to entry for micro-sized enterprises.

Figure 27: Proportion of Female Owners (ES2011)

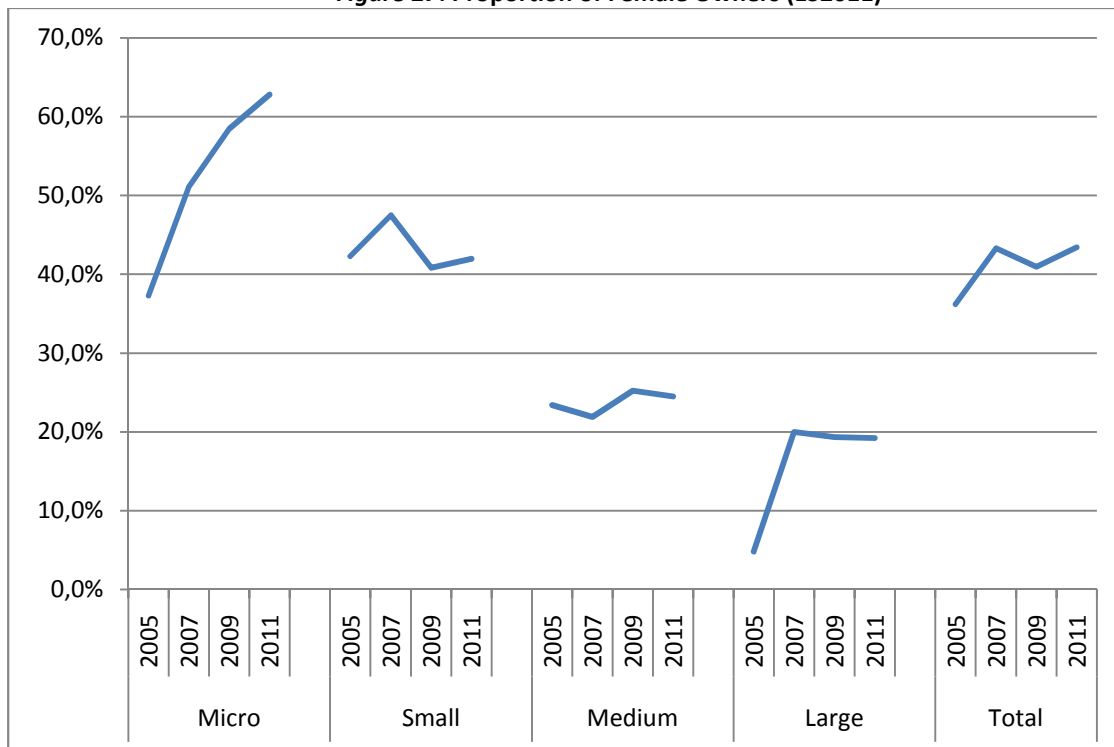
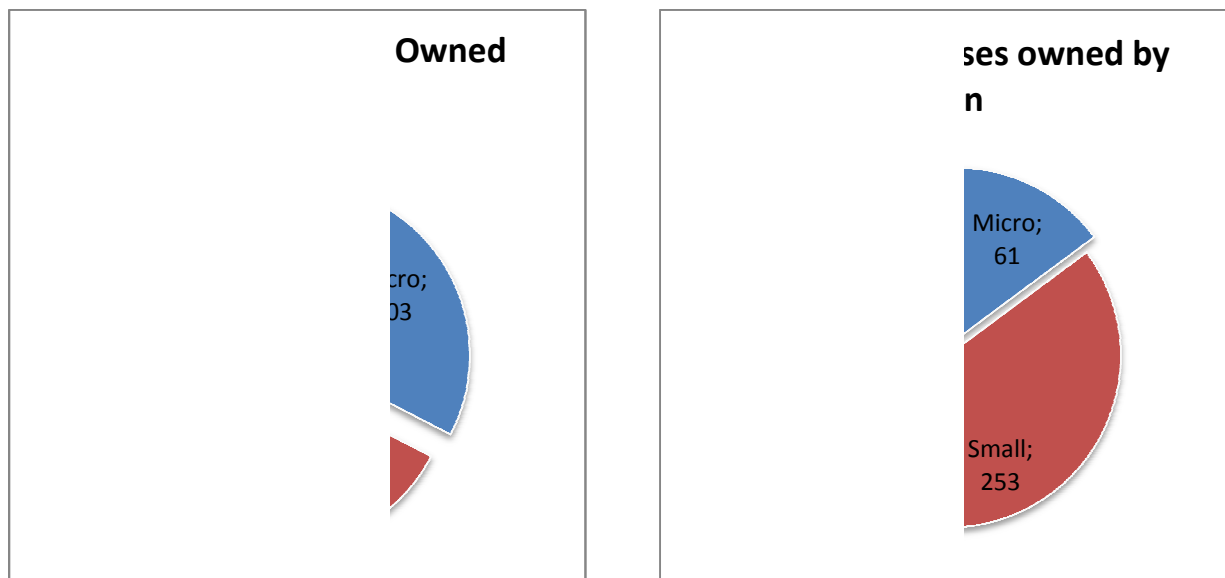
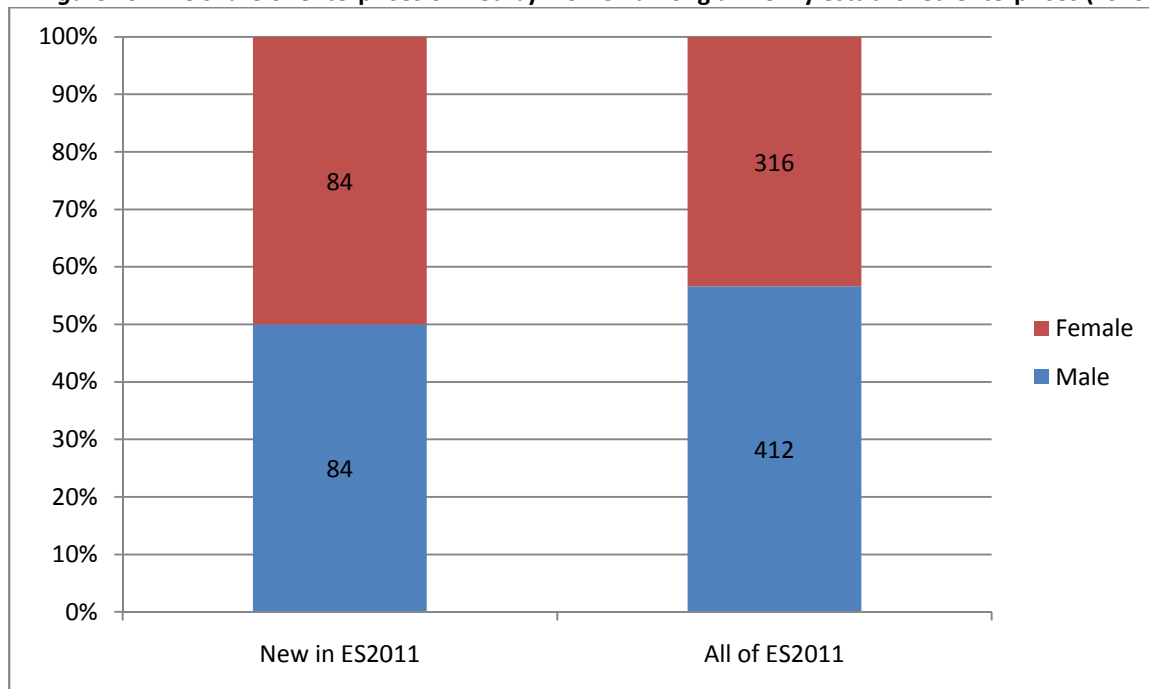


Figure 28: Size of enterprises owned by women and men (ES2011)



The gender gap becomes most apparent with medium and large-sized enterprises, where women own only about one-quarter and one-fifth of businesses respectively. The finding that businesses owned by women are generally smaller than those by men –that proportion of male owners increases with enterprise size –is consistent with previous years’ surveys. This reflects the marginalisation of women at the highest levels of economic activity. Women do comprise a much larger share of the ownership of large firms in 2011 (19%) than in 2005 (4.8%), though this level has not changed since ES2007.

Figure 29: The share of enterprises owned by women among all newly established enterprises (ES2011)

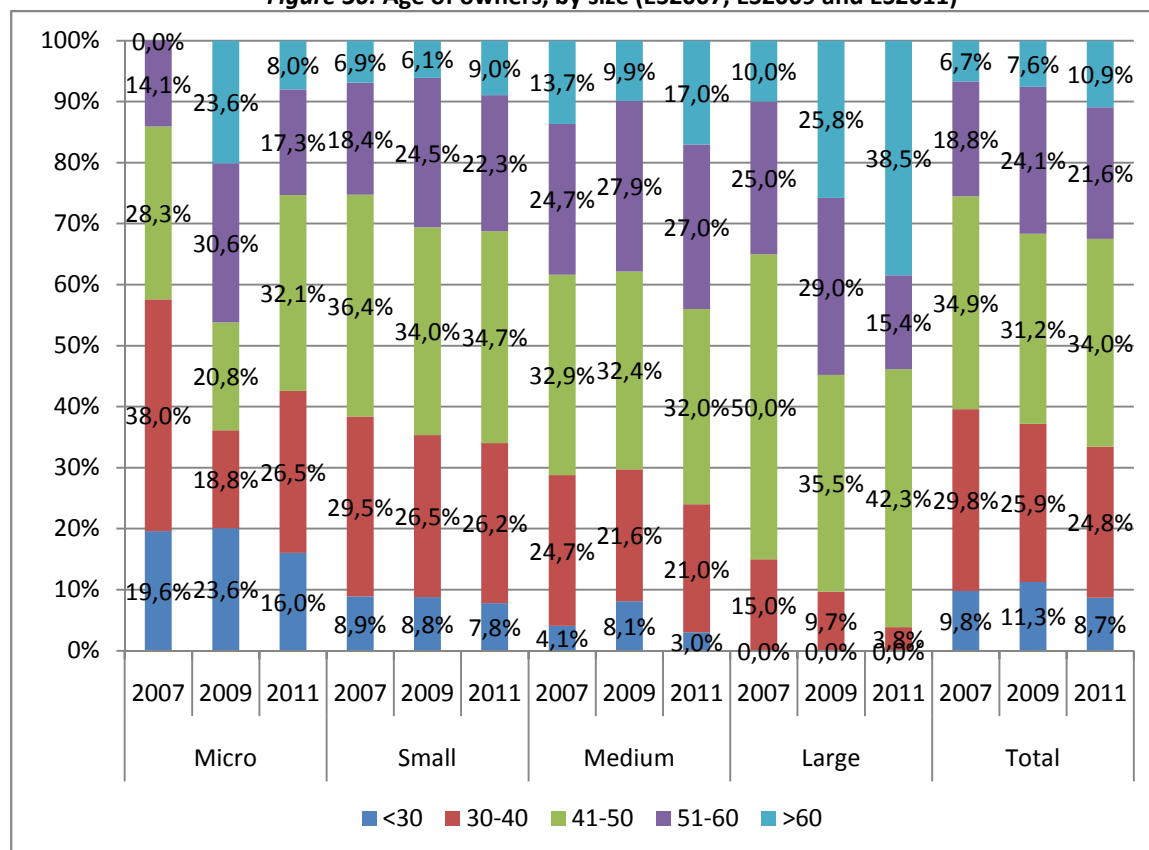


The share of women-owned and –managed enterprises among newly established enterprises (those new to ES2011), was 50%, compared with 43% among all ES2011 enterprises.

Age of owners

Examining the age of the entrepreneur by enterprise size (Figure 30), confirms the ES2009, ES2007 and EBS2005 finding that larger businesses have greater shares of older entrepreneurs and micro and small-sized enterprises have the greatest share of young entrepreneurs (<40 yrs.).

Figure 30: Age of owners, by size (ES2007, ES2009 and ES2011)



The share of owners under 40 fell most steeply among large enterprises, dropping from 15% in ES2007 to 3.8% ES2011. Over the same period, the share of owners over 60 among large companies increased from 10% in 2007 to 38.5% in 2011. One explanation for the trend is the small sample of large enterprises in the survey—a difference of three enterprises (out of a total of 26 large enterprises in ES2011) would account for all change in the share of large enterprises owned/managed by people under 40 between ES2009 and ES2011.

There was no evidence of a similar trend for medium-, small-, and micro-sized enterprises. However the direction, if not the magnitude, of the changes, illustrates a potential challenge: Large-sized enterprises accounted for nearly 50% of total employment in ES2009. An increase in the share of these older owners may point to a lack of opportunities for younger Laotian entrepreneurs, and consequentially a lack of innovation.

8.2. Enterprise Performance and Expectations

ES2011 looked at the following indicators to assess enterprise performance and expectations:

- Current situation, performance and profit
- Expectations and investment
- Firms' perceptions of competition

Overall, firms are doing well and their future expectations are generally positive. Of the sample, 50.8% of firms reported that profits increased in 2011 over the previous year. 73% of large and 57% of medium enterprises made new investments in 2011, though the percentages were lower for small (45%) and micro (40%) enterprises.

Concurrently, individual firms' concerns about competition decreased. The number of firms considering domestic competition a "big" or "very big" problem decreased to 46.7% from 49.7% in ES2009, and concerns about international competition similarly decreased to 13.2% from 19.1% in ES2009. Decreasing domestic competition, when coupled with low awareness of AFTA/WTO, points to a potential area of vulnerability for Lao firms when AFTA/WTO opens domestic markets to increased competition.

8.2.1. Current situation and performance

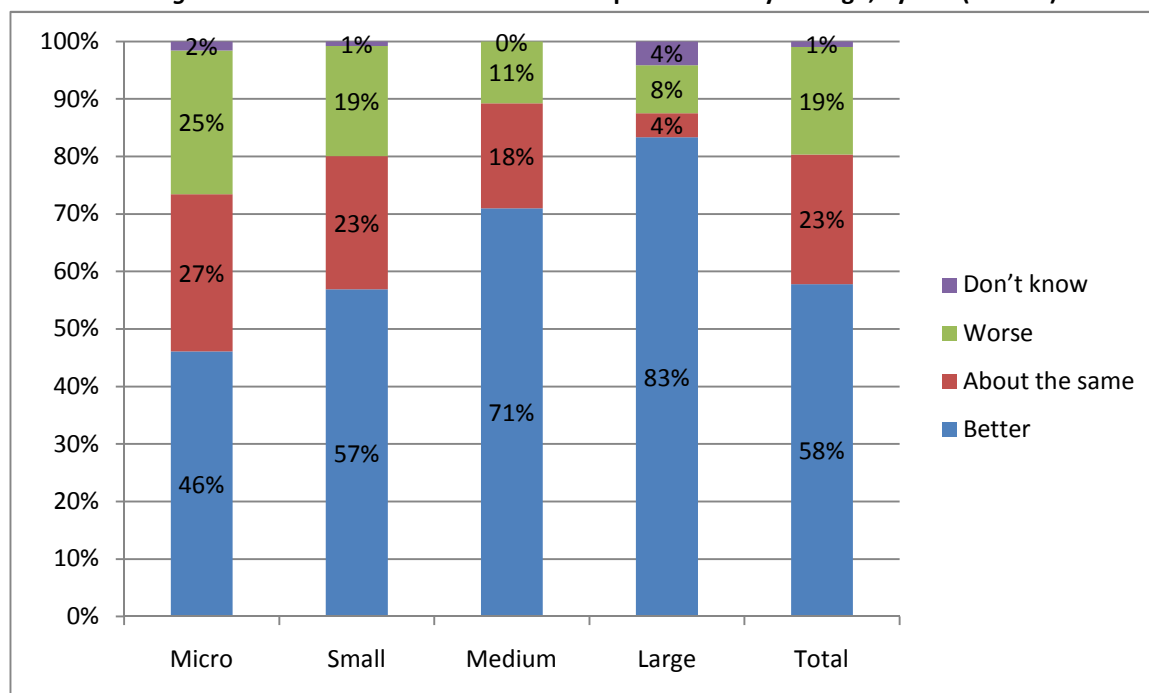
This section briefly describes the samples with respect to the following aspects:

- Current business situation compared to two years ago, by size
- Perceived enterprise performance in 2010 compared to the year before
- Profit in 2011 compared to the previous year

Current business situation compared to two years ago, by size

In ES2011, enterprise owners/managers were asked to compare their current business performance today and two years ago. The survey found that perceived performance improvement increases as enterprise size increases. 46% of micro, 57% of small, 71% of medium, and 83% of large business owners believe their current situation is better than in 2009. 58% of owners reported an improvement over two years ago, a significant increase from 44% in ES2009.

Figure 31: Current business situation compared to two years ago, by size (ES2011)



When owner responses are compared with ES2009, owners/managers have an improved perception of their business situation. In ES2011, 81% of owners/managers believed their

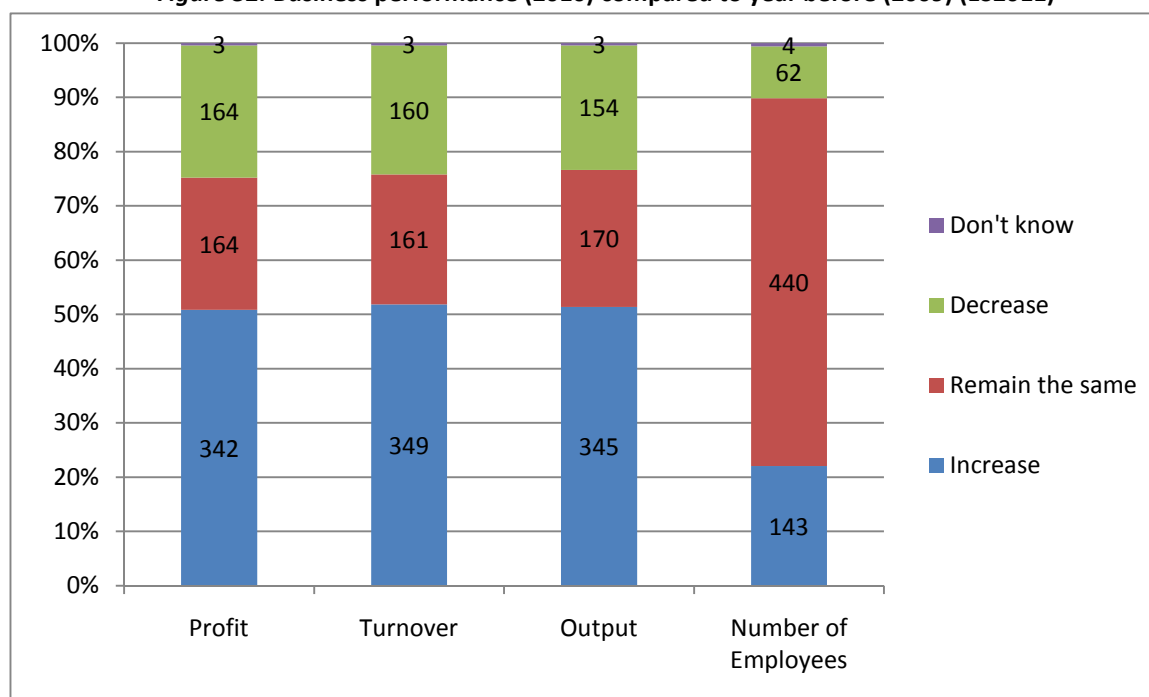
business is better than 2 years ago, an increase from 66% in ES2009. The percentage of ES2011 respondents who think their business has gotten worse also decreases from 32% in ES2009 to 19% in ES2011. One explanation for the dramatic 13% decrease is the negative impact of the global financial crisis cited by respondents in ES2009. ES2011 responses are more in line with those of ES2005 (23%) and ES2007 (16%), suggesting that the current outlook has returned to pre-crisis levels.

Perceived enterprise performance in 2010 compared to the year before

In ES2011, owners/managers were asked to compare the performance of their business in 2010 and 2009. As illustrated in *Figure 32* (below), there was a high consistency in responses to changes in level of profit, turnover, and output between 2009 and 2010. Approximately 50% of respondents reported an increase (51%, 52% and 51%, respectively); approximately 25% reported no change (24%, 24% and 25%, respectively); and approximately 25% reported a decrease (24%, 24% and 23% respectively). In contrast, 65% reported no change in number of employment between 2009 and 2010.

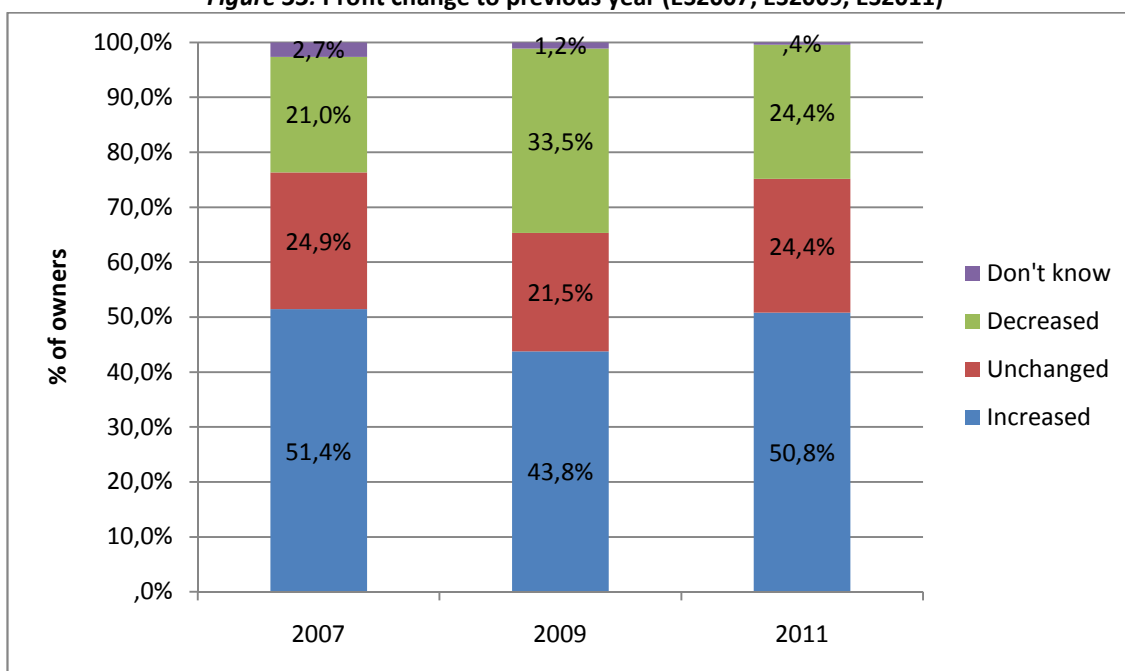
These figures are consistent with and slightly more positive than the results of ES2009, when the equivalent results were approximately 45% reporting an increase in profits, turnover and output, 20% no change, and 35% a decrease. As expected, change in employment lags other measures of firm growth.

Figure 32: Business performance (2010) compared to year before (2009) (ES2011)



In ES2011, 50.8% of businesses reported that profits had increased over the previous year (Figure 33). This represents a 15-percentage point increase from 43.8% in ES2009. The share of businesses reporting a decrease in profits shrank 9.1 points from 33.5% (ES2009) to 24.4% (ES2011), while the share of businesses reporting unchanged profits was 24.4% (ES2011), roughly consistent with previous surveys. The return of the share of businesses reporting an increase in profits to 2007 levels may indicate a return to the conditions that existed before the 2008 global financial crisis.

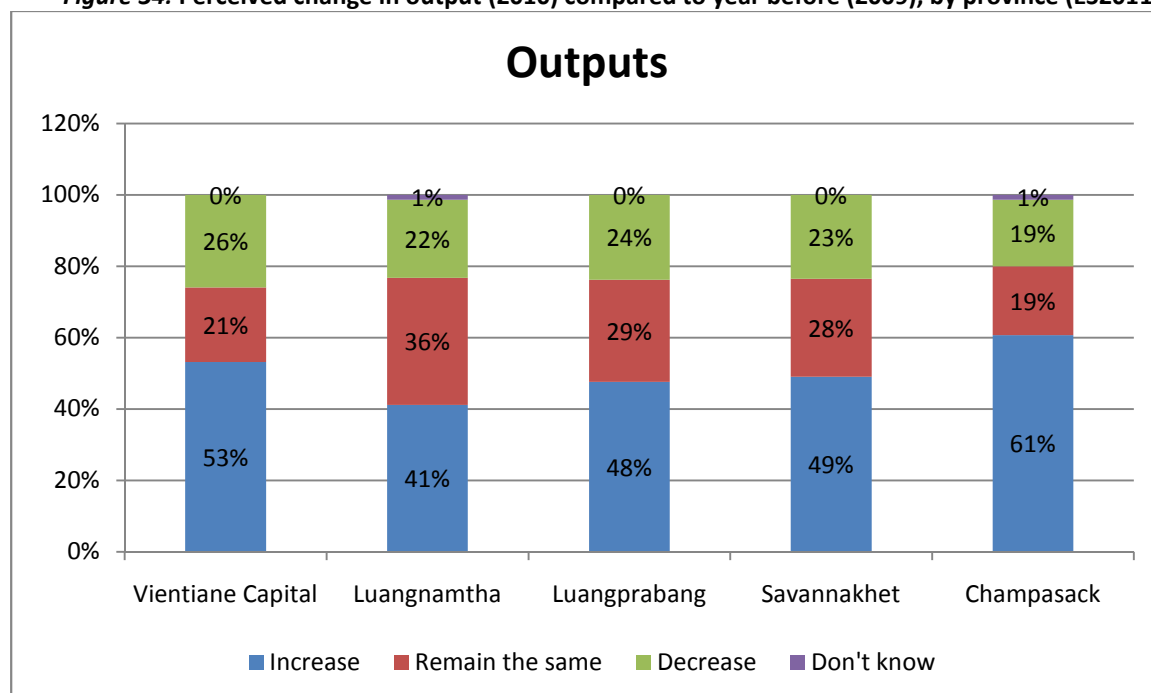
Figure 33: Profit change to previous year (ES2007, ES2009, ES2011)



Perceived enterprise performance in 2010 compared to the year before, by province

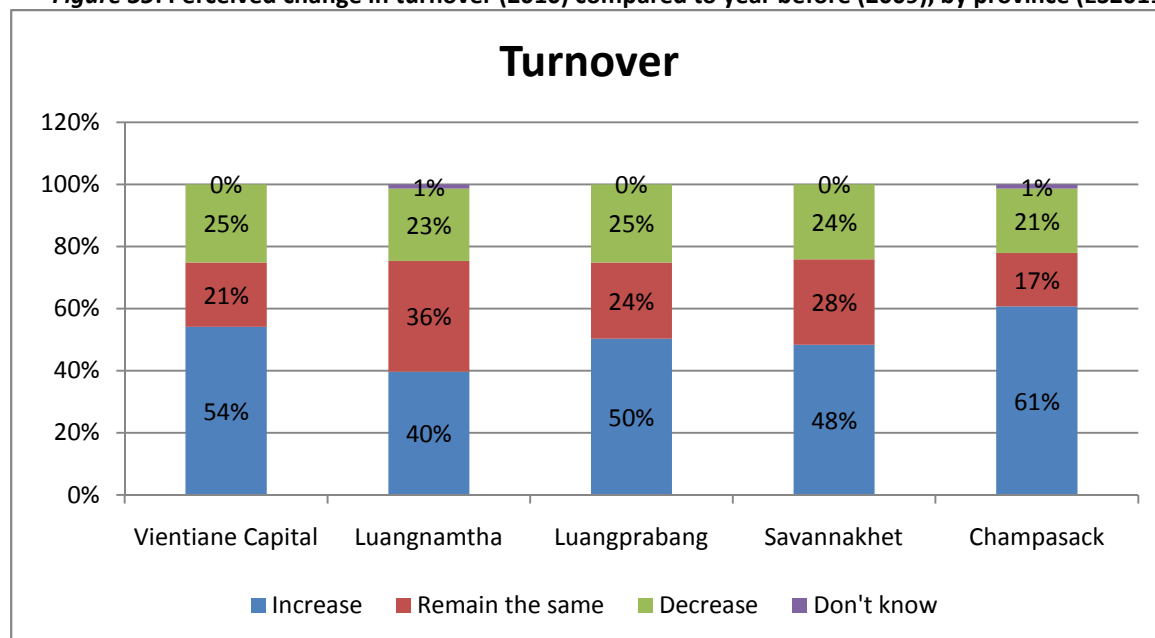
Enterprise performance indicators for output, turnover, profit and employment were also disaggregated by province. In line with the nationwide figures, approximately half of all businesses surveyed in each province perceived an increase in outputs in 2010 compared to 2009. Champasak had the largest number of enterprises reporting an increase at 61%, followed by Vientiane Capital at 53%, Savannakhet at 49%, Luang Prabang at 48%, and Luang Namtha at 41%. Enterprises in Luang Namtha had the highest percentage of outputs (36%) that remained the same compared to the year before while Champasak had the lowest percentage (19%).

Figure 34: Perceived change in output (2010) compared to year before (2009), by province (ES2011)



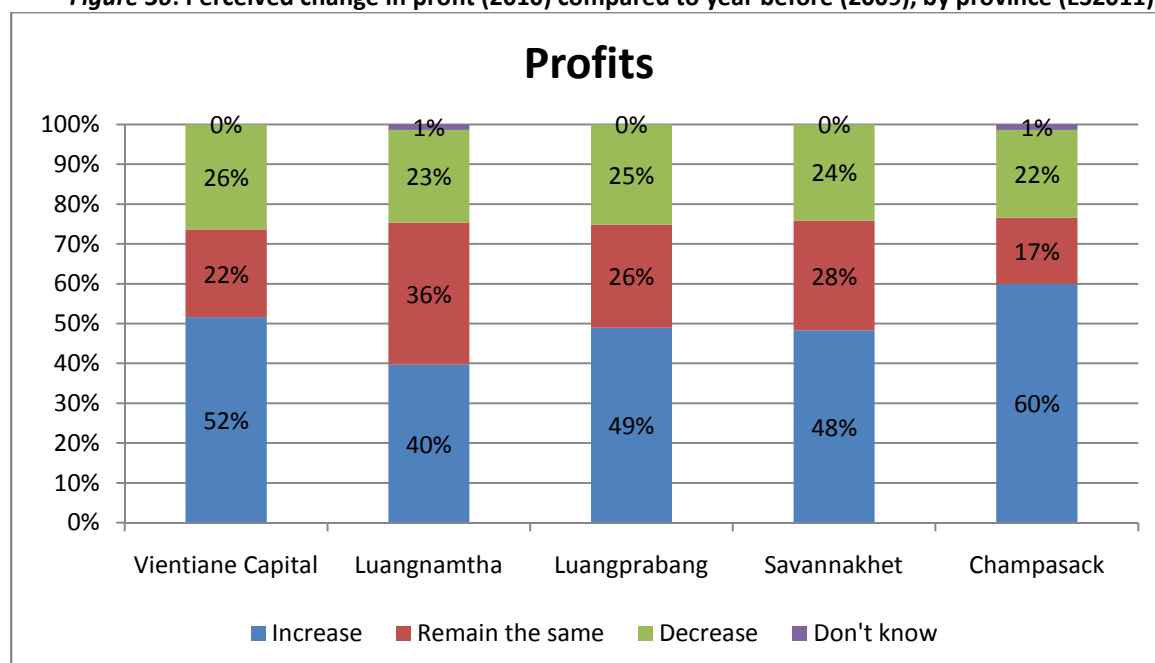
Similar to the perceived increase in output, Champasak had the highest share of enterprises reporting an increase in turnover at 61%, followed by Vientiane Capital (54%), Luang Prabang (50%), Savannakhet (48%), and Luang Namtha (40%), respectively. The share of enterprises that reported no change in turnover was highest in Luang Namtha (36%), followed by Savannakhet (28%), Luang Prabang (24%), Vientiane Capital (21%), and Champasak (17%).

Figure 35: Perceived change in turnover (2010) compared to year before (2009), by province (ES2011)



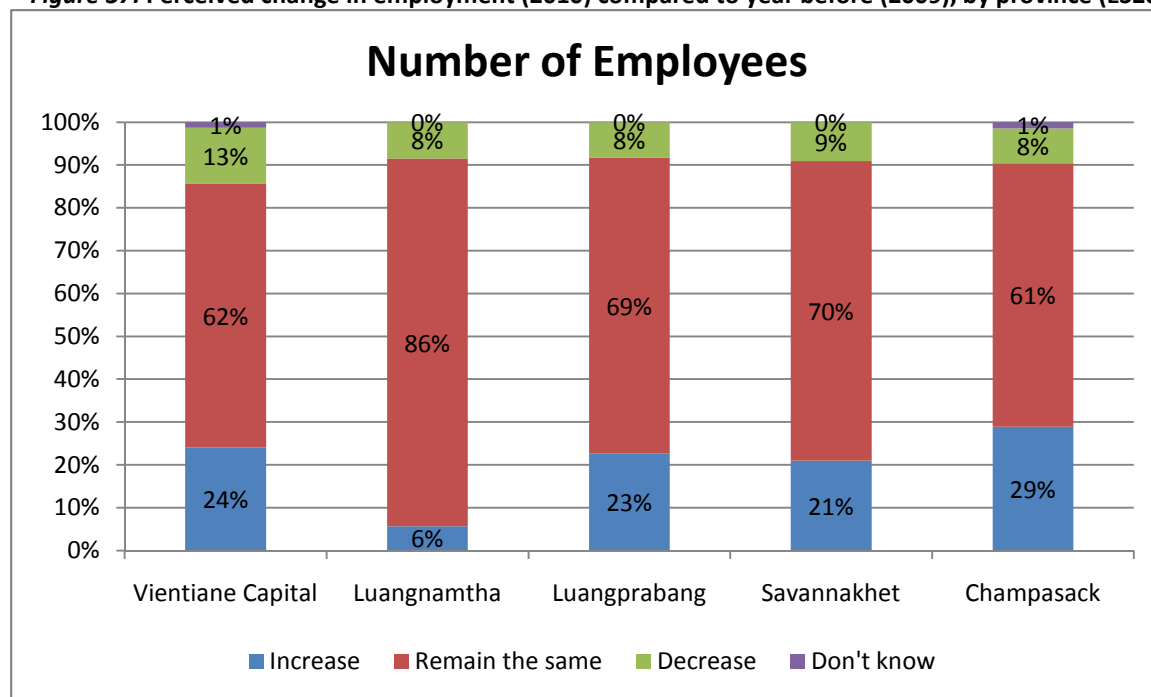
The share of enterprises reporting an increase in profit in 2010 over the year before ranked highest in Champasak (60%) and lowest in Luang Namtha (40%) with the other provinces falling in between—Vientiane Capital (52%), Luang Prabang (49%), and Savannakhet (48%). This is consistent with the perceived changes in turnover and output reported, as provinces with an increased turnover and output rate reported a higher percentage in increased profit than those with a lower turnover and output rate.

Figure 36: Perceived change in profit (2010) compared to year before (2009), by province (ES2011)



The majority of businesses surveyed in all provinces reported that the number of their employees was unchanged in 2010 over 2009. Again, the share of enterprises in Champasak reporting an increase in number of employees was highest among surveyed provinces at 29%—consistent with the responses for turnover, output and profit. It was followed by Vientiane Capital (24%), Luang Prabang (23%), Savannakhet (23%), and Luang Namtha (6%).

Figure 37: Perceived change in employment (2010) compared to year before (2009), by province (ES2011)



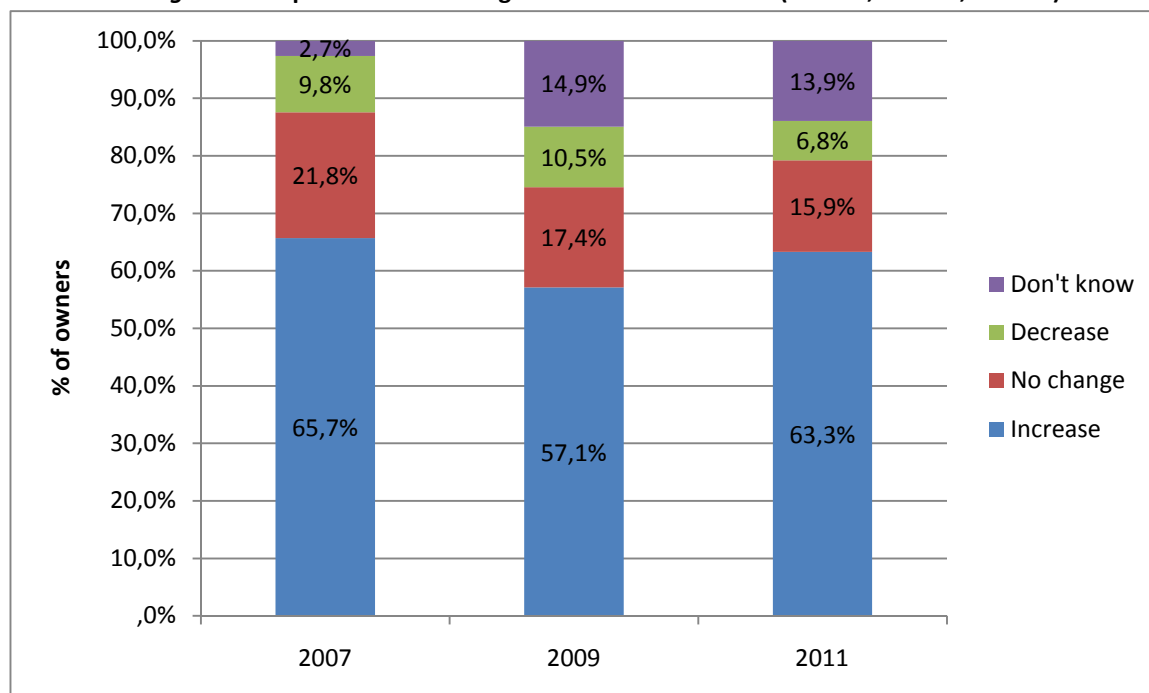
8.2.2. Expectations and Investment

This section briefly describes the sample with respect to the following aspects:

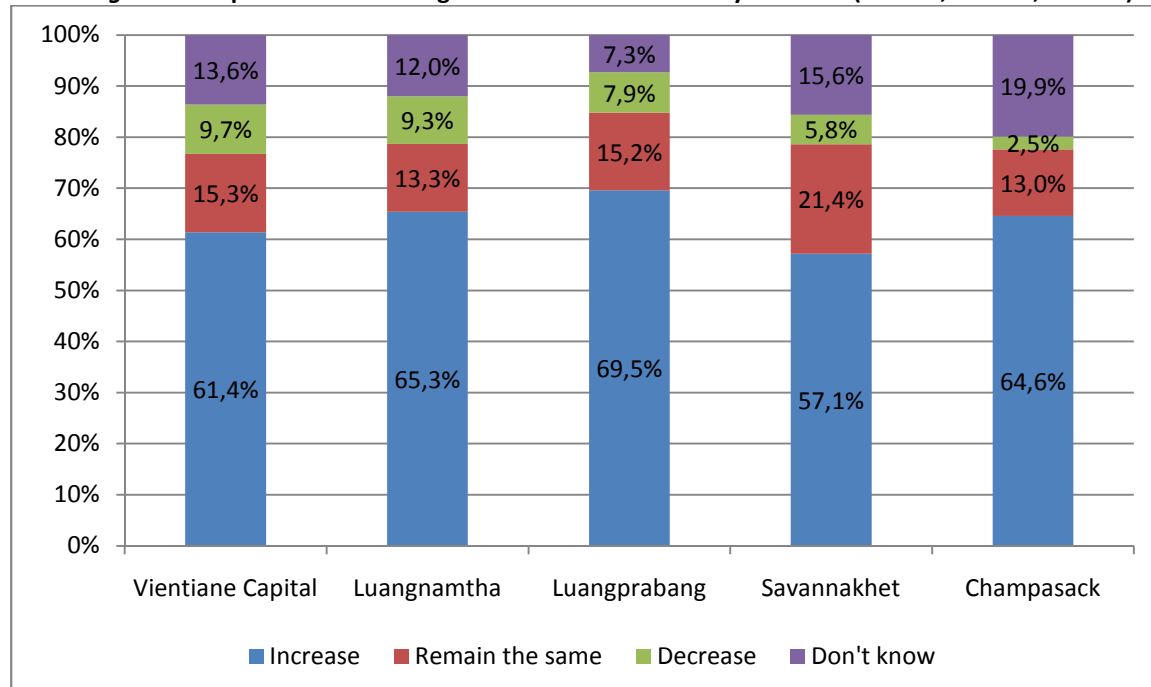
- Expected profit change in the next two years
- Enterprises making new investments
- Enterprises Investments by Province
- Enterprise Investments by ISIC Category

Expected profit change in the next two years

The majority of owners/managers (79.2%) expect profits to increase (63.3%) or remain the same (15.9%). The proportion of enterprises surveyed in 2011 that expect profits to decrease in coming years was only 6.8%, lower than in ES2007 or ES2009, and reflecting continued positive expectations about future profit growth.

Figure 38: Expected Profit Change in the Next Two Years (ES2007, ES2009, ES2011)

Expectations of profit growth by province are also positive. Over half of businesses in each province expect profits to increase over the next two years. 69.5% of enterprises in Luang Prabang expect profits to increase, followed by Luang Namtha at 65.3%, Champasak at 64.6%, Vientiane Capital at 61.4% and Savannakhet at 57.1%.

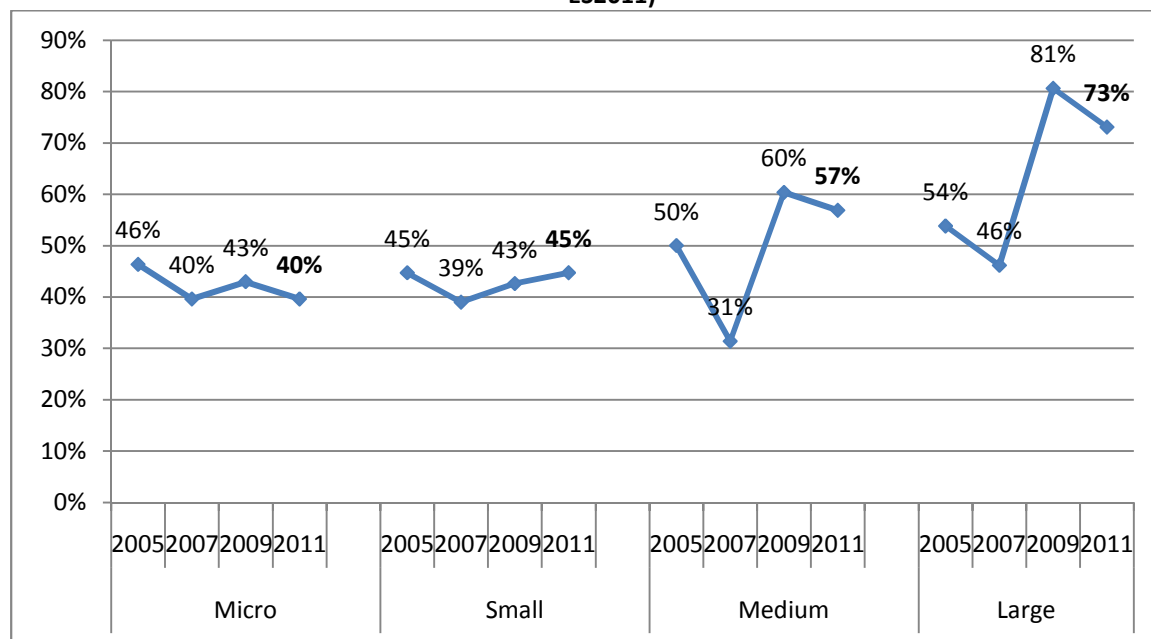
Figure 39: Expected Profit Change in the Next Two Years by Province (ES2007, ES2009, ES2011)

Enterprises Making New Investments

Across all enterprise size categories, 49.4% of enterprises reported making investments, a slight increase from 47% in ES2009. Consistent with the results reported in the earlier surveys (ES2009, ES2007, EBS2005), larger firms were more likely to report having made

new investments during the prior year in ES2011. As described in *Figure 40* (below), the ES2011 figures were 73% of large-, 57% of medium-, 45% of small- and 40% of micro-sized enterprises. This is a likely consequence of larger firms having better financial resources or collateral required to make investments.

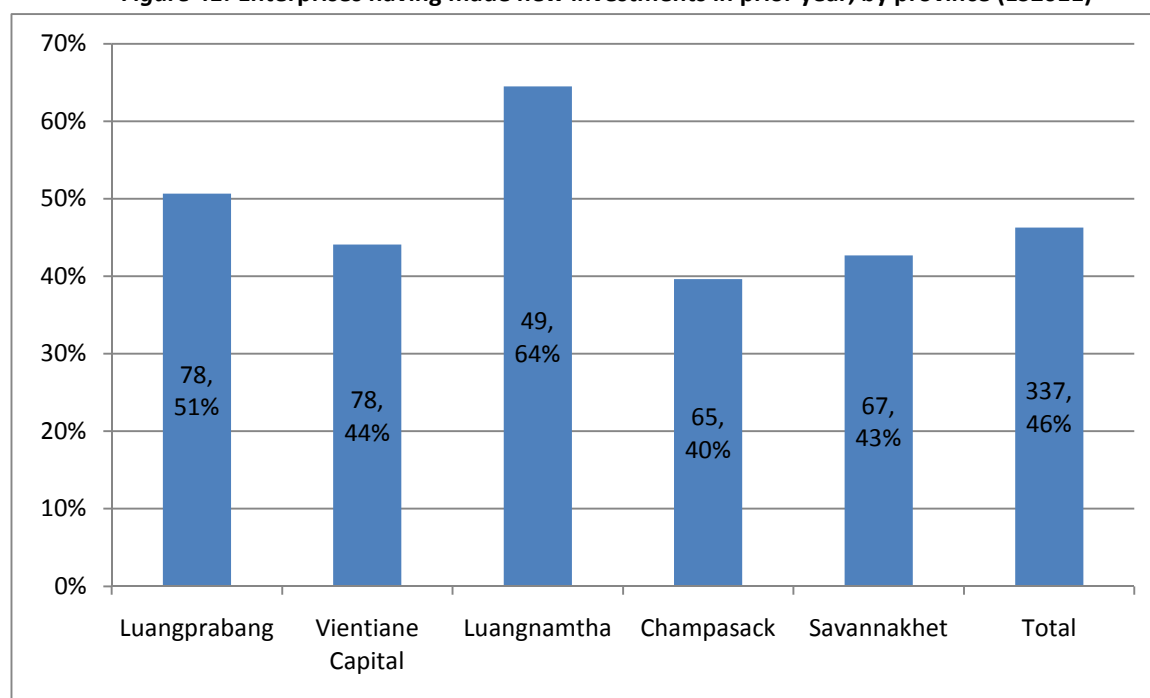
Figure 40: Enterprises having made new investments in prior year, by size (EBS2005, ES2007, ES2009 and ES2011)



Enterprises' Investments by Province

By province, the share of enterprises having made investments in 2010 was highest in Luang Namtha (64%)—18 percentage points above the 46% 5-province average—followed by Luang Prabang (51%), Vientiane (44%), Savannakhet (43%) and Champasak (40%).

Figure 41: Enterprises having made new investments in prior year, by province (ES2011)

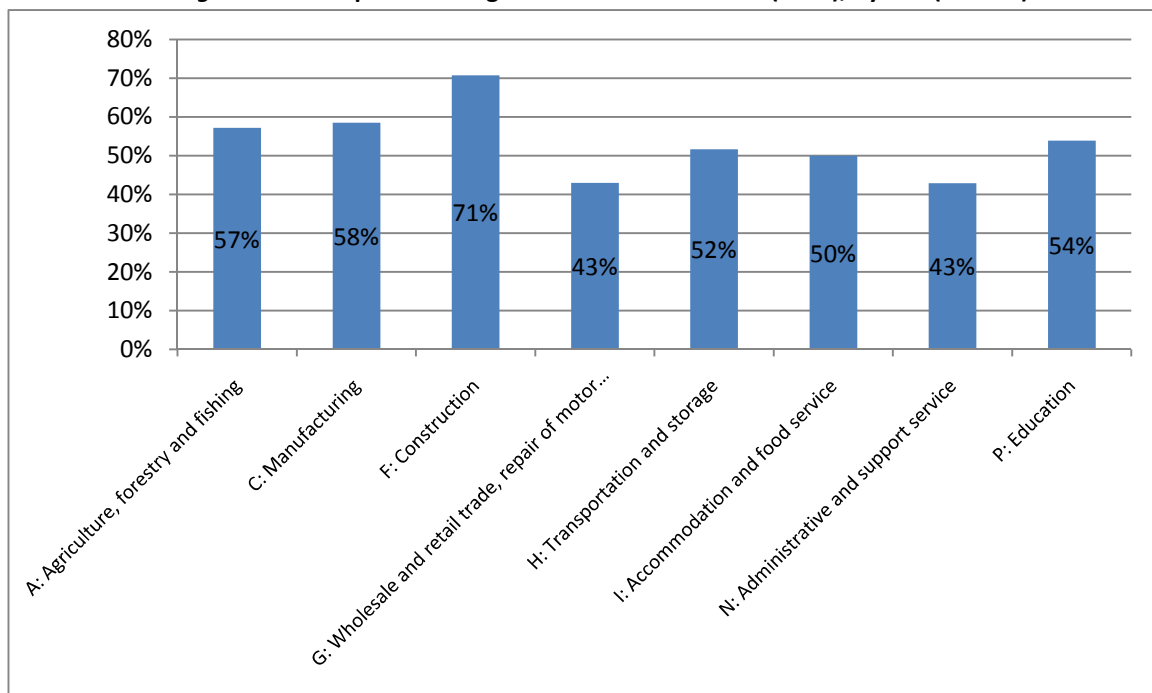


Enterprise Investments by ISIC Category

By sector, there were five ISIC categories where over 50% of enterprises made investments in 2010 (*Figure 42*). In rank order, these were: “Construction” at 71%, “Manufacturing” at 58%, “Agriculture, forestry and fishing” at 57%, “Education” at 54%, and “Transportation and Storage” at 52%. Driven largely by Construction, the median investment figure over the top 8 ISIC categories was also above 50% at 53.5%.

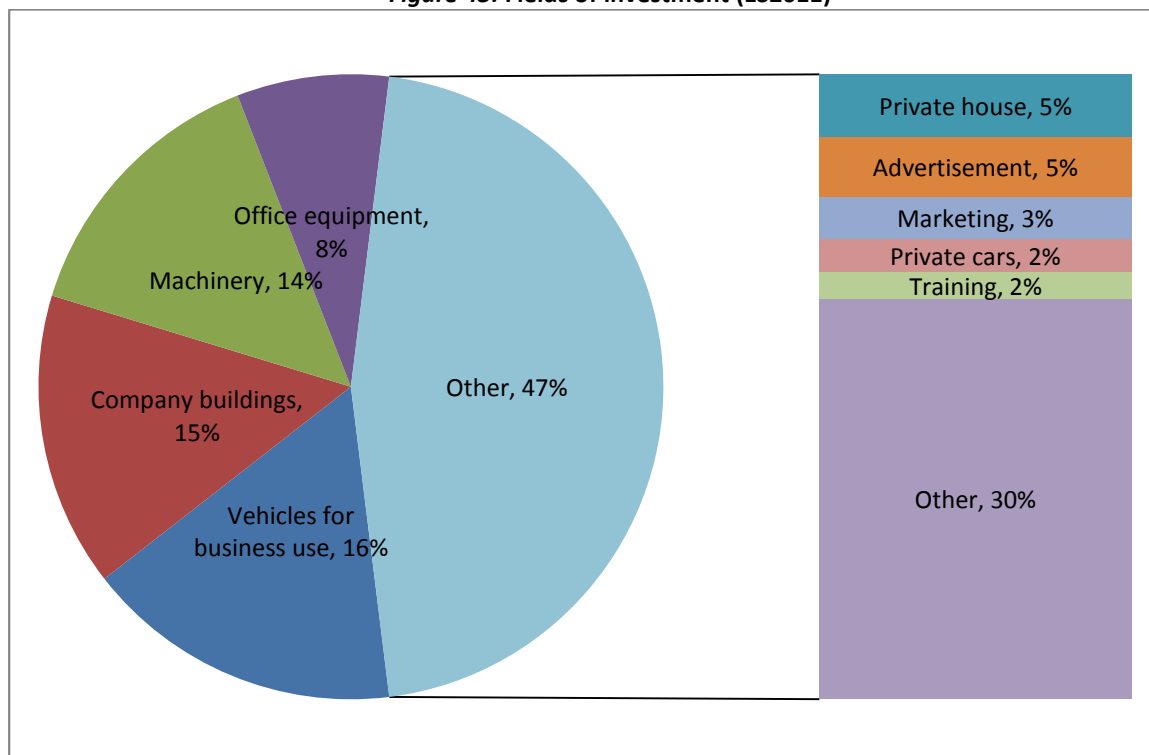
Compared with ES2009, the construction sector remained the highest, reflecting continuing growth in that sector. Among other industries, “Manufacturing” and “Education” rose into the top five. A notable change from ES2009 was “Administrative & support services,” where the share of enterprises reporting an investment in the previous year dropped by 16 percentage points to 43% in ES2011, possibly reflecting earlier overinvestment in the sector.

Figure 42: Enterprises having made new investments (2010), by ISIC (ES2011)



Fields of Investment

Of the enterprises that made new investments in 2010 (*Figure 43*), the largest share of those investments (excluding “other”) went towards “vehicles used for business” (16%), consistent with the 17% reported in 2008. “Company buildings” accounted for 15% of investments and “machinery” for 14%, both consistent with ES2009. In comparison, new investments made in 2006 and in 2004 saw the largest shares going towards “buildings” (28%) and “office equipment” (23%).

Figure 43: Fields of investment (ES2011)

Combining shares of investment into (i) “hardware” (office equipment, company buildings, company vehicles, machinery) (ii) “software” (marketing, training, advertisement) (iii) “personal” (private car, private house) and (iv) “other”, reveals that in 2010 53% of investment went towards hardware (compared to 56.6% in ES2009), 5% went towards software (compared to 7.4% in ES2009), 7% went to personnel (compared to 7% in ES2009) and 30% towards others (compared to 28.2% in ES2009).

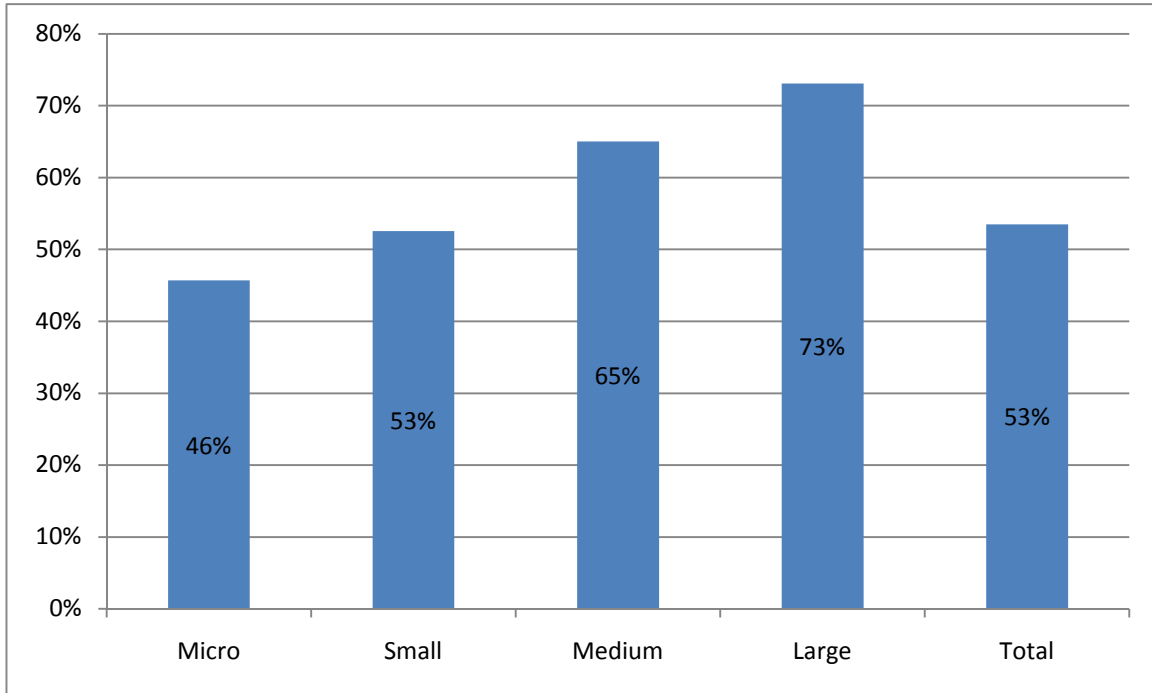
The ES data are not detailed enough to support a conclusion on the efficiency of investments. However, it is interesting to note that the share of companies investing in advertising (5%), marketing (3%), and training (2%) are comparable to the share investing in private homes (5%), and private cars (2%). Overall, a larger share of enterprises reported investment in business vehicles than advertising, marketing, and training put together, thus demonstrating the relatively low priority given to these means of increasing long term competitiveness through increased sales (advertising and marketing) and better human resources (training).

At the same time, when combined with the reported increase in expectations around future growth and profits, the lack of real shifts from 2008 shows that the current areas of investment are proving profitable for entrepreneurs, and continued investment demonstrates the expectation of continued profitability.

Enterprise Investment Plans

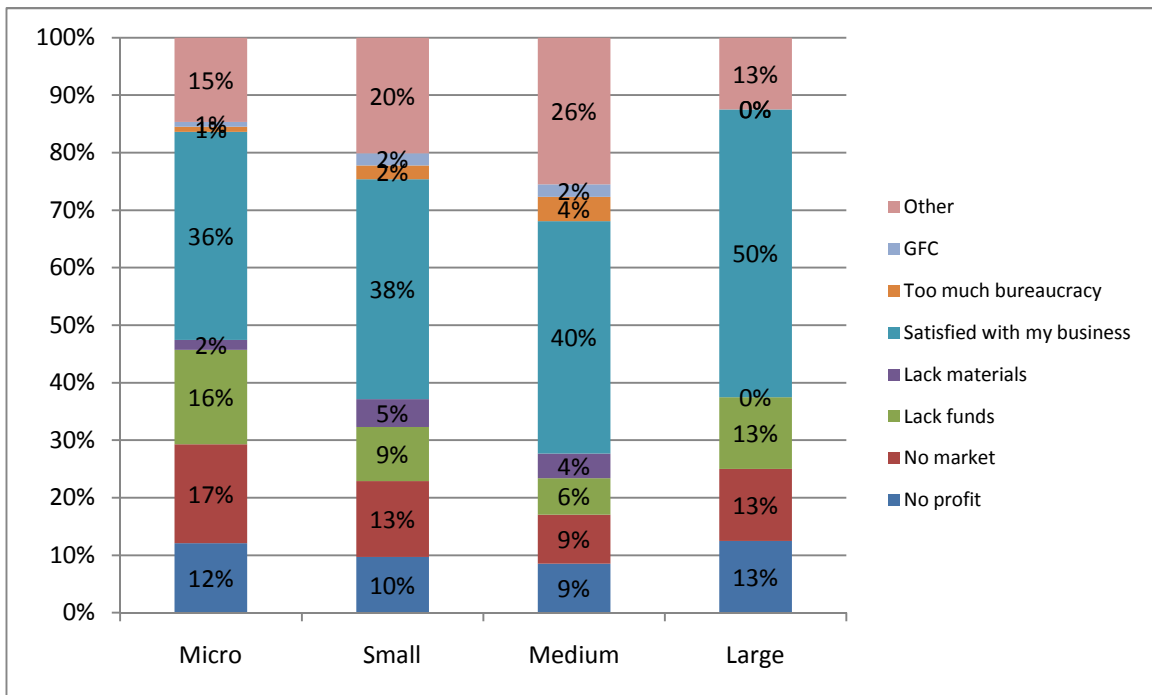
More than half of all entrepreneurs surveyed in ES2011 have an investment plan for the future (53%), as shown in *Figure 44* (below). This represents a 6.5 percentage point increase over ES2009 (46.5%). Larger enterprises are more likely to have future investment plans in place. Large-sized enterprises have the highest percentage at 73% and micro-sized enterprises have the lowest at 46%. The 53% of small-sized enterprises with investment plans is equal to the total across all enterprise sizes.

Figure 44: Enterprises with investment plans, by size (ES2011)



Business entrepreneurs without an investment plan were asked to state the reasons why no plan is in place (Figure 45). Responses in ES2011 were almost identical to ES2009. The most common response given was that the entrepreneur is satisfied with their business—about four in ten respondents in each size category chose this response. A smaller portion of enterprises also indicated lack of market, lack of profit and lack of funds as contributing factors. The global financial crisis, however, did not appear to be a major reason for businesses not planning to invest, and very few enterprises identified bureaucratic constraints as the main reason for not investing.

Figure 45: Reasons for not planning to invest in enterprises, by size (ES2011)



8.2.3. Firms' Perception of Competition

ES2011 collected information on the perceptions of enterprise owner/managers relating to competition, specifically the sources of competitive threats, and problems with competitiveness.

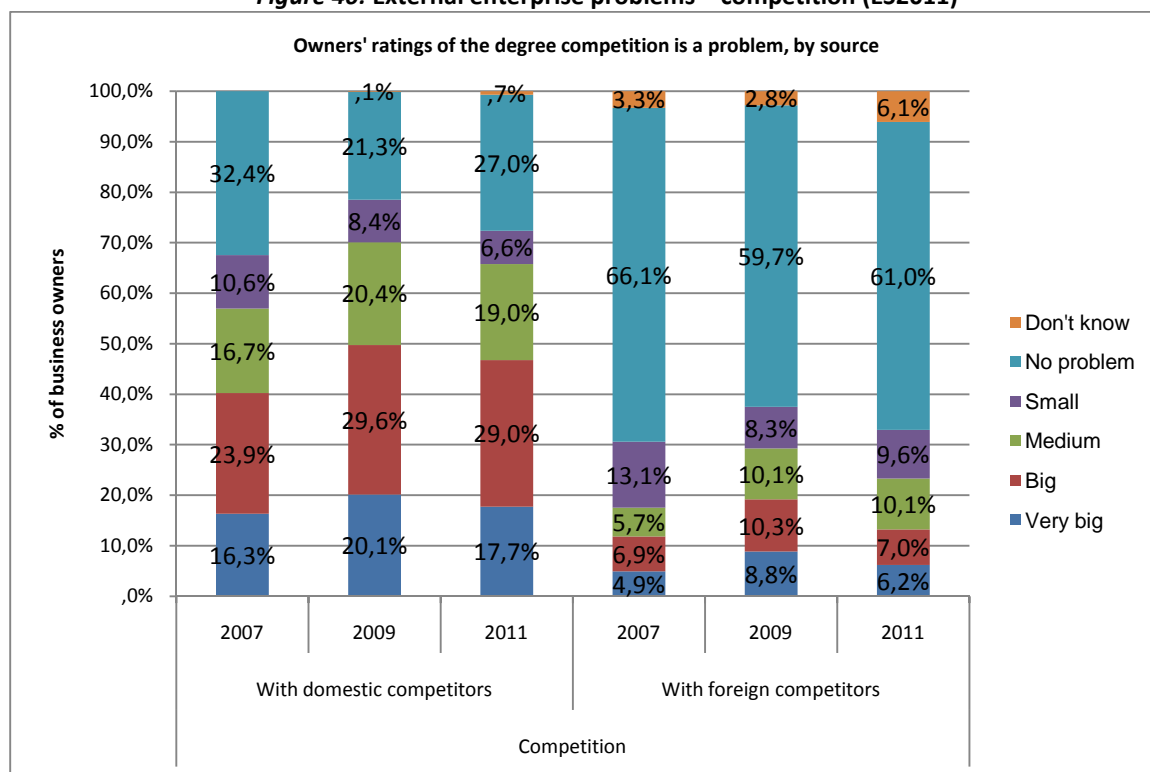
External vs. Domestic Competition

The majority of enterprise owners/managers are more concerned about domestic competition than international competition (*Figure 46*).

65.7% of enterprise owners stated that competition from other domestic firms was either a “very big problem,” “big problem” or “medium problem,” representing a 4.4 percentage point drop from 70.1% in ES2009. 33.6% of enterprise owners stated that external-domestic-competition was either a “small problem” or “no problem” compared to 29.7% in ES2009.

Almost 50% of enterprises considered domestic competition as a “very big problem” or “big problem,” compared to only 13.2% of the same perception for international competition (*Figure 46*). 61% of enterprises stated that international competition is “no problem.”

Figure 46: External enterprise problems – competition (ES2011)



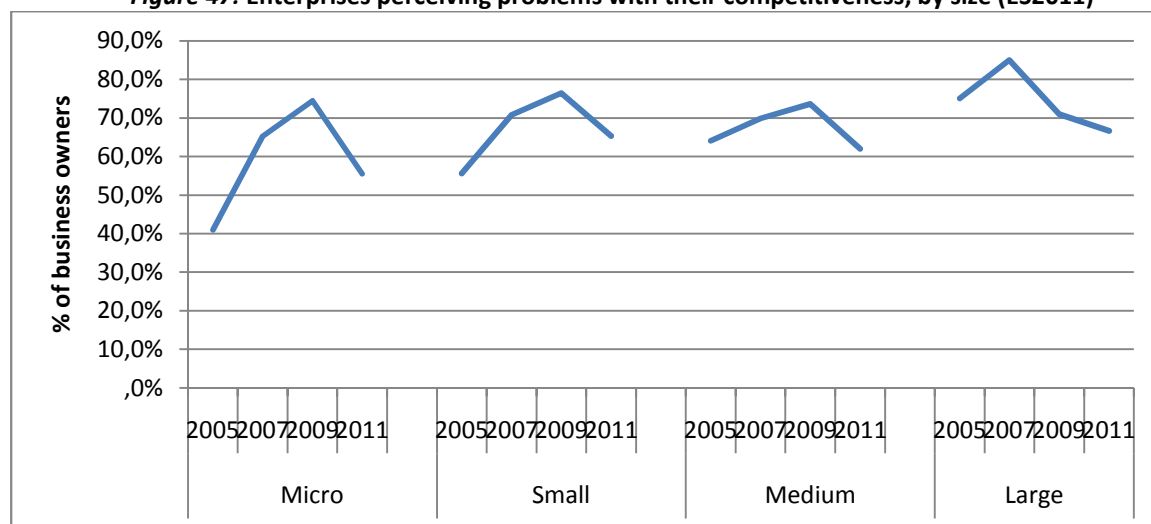
Problems with Competitiveness

Across all enterprise sizes, the majority of businesses consider competitiveness an issue (*Figure 47*). However, ES2011 found statistically significant drops in the proportion of micro-, small-, and medium-sized enterprises perceptions of competitive problems from ES2009.²⁵

²⁵The drop for micro and small-sized enterprises (19.0% and 11.1%, respectively) were significant at the 99% level. The change in the proportion of medium-sized enterprises perceiving a competitiveness problem (11.6%) was significant at the 90% level. These were calculated with an independent t-test formula. Given that many of the firms from ES2009 were surveyed again in 2011, the independent t-test understates the power of the t-

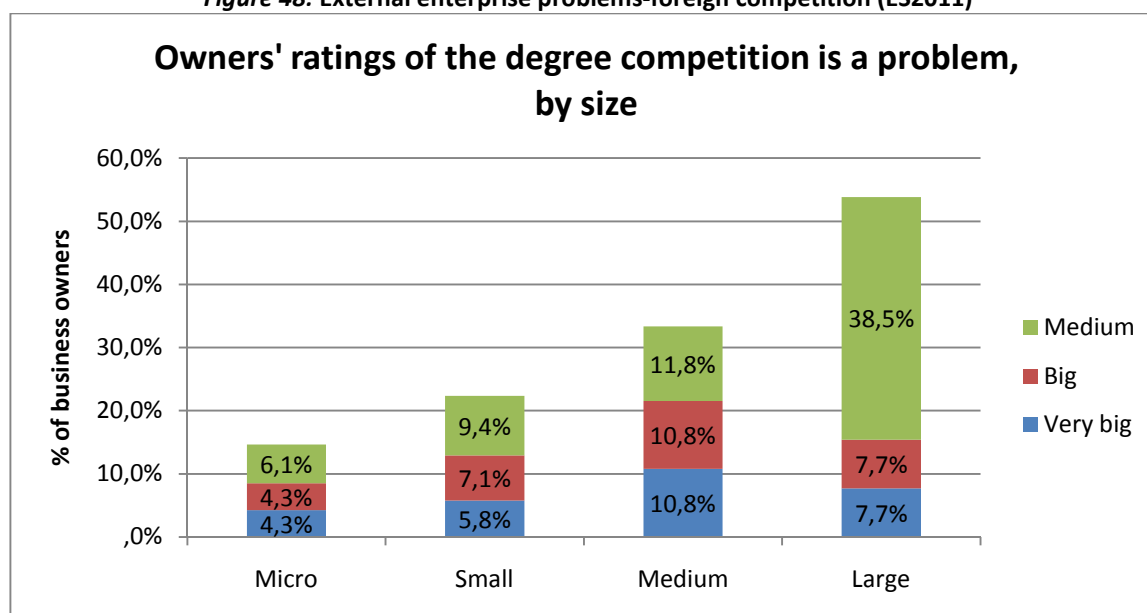
While on the surface a focus on domestic competition is a positive trend implying a more mature local business environment, the survey results point to a potential long-run vulnerability for Lao firms: lack of exposure to international competition. Combined with the widespread unawareness of coming changes related to AFTA /WTO (Section 8.3.1) and the poor bookkeeping systems (Section 8.6.4), falling perceptions of competitive pressures indicate Lao firms are unprepared for increased global competition. After AFTA and the WTO agreements enter into full force, firms that have prospered in the current environment face increased competition from international investors and exporters, and they do not currently appear to be preparing for the challenge.

Figure 47: Enterprises perceiving problems with their competitiveness, by size (ES2011)



Owners of large enterprises more frequently rated competition from foreign firms as a problem. 53.9% of large enterprise owners responded that foreign competition was a “medium” to “very large problem.” Owners of micro, small and medium size enterprises are less concerned with foreign competition ranking it at 14.7%, 22.3%, and 33.4% respectively.

Figure 48: External enterprise problems-foreign competition (ES2011)



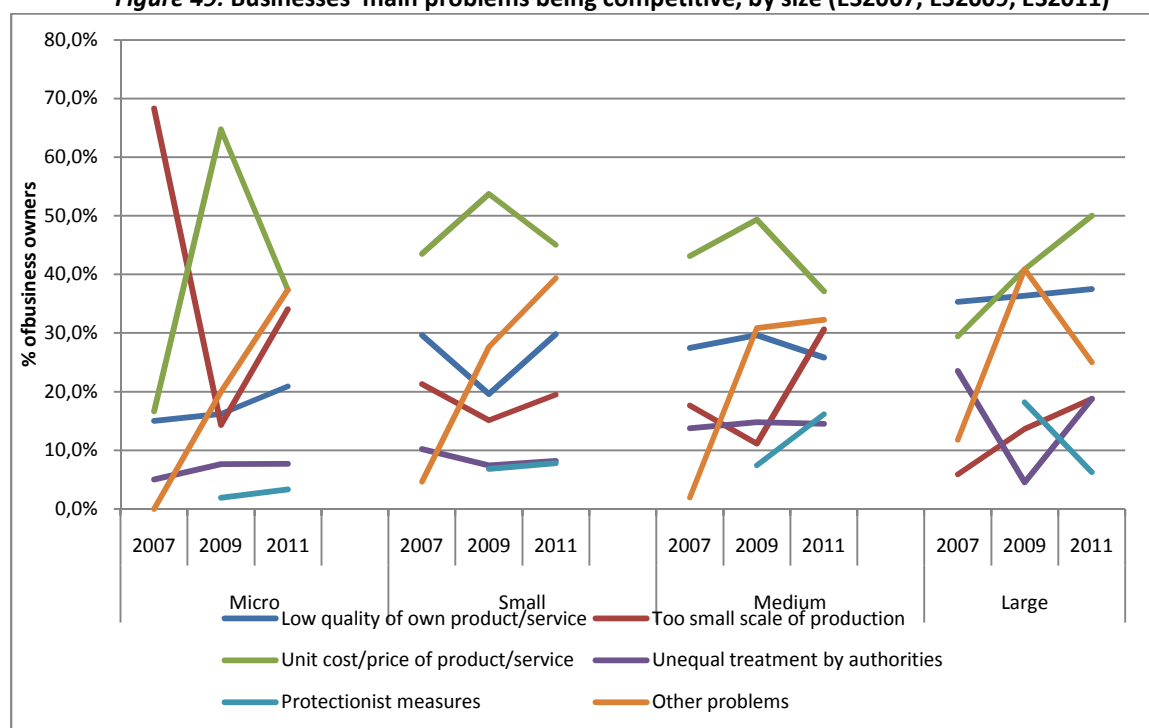
test giving a conservative estimate of significance. With a dependent t-test, the significance would likely be even higher.

Reasons given for competitive problems vary considerably by enterprise size. In some size categories they have changed considerably across ES2007, ES2009 and ES2011. In particular, the main competitiveness problem identified by micro enterprises in ES2007 was “too small scale of production. 68% of enterprises reported it as a challenge in ES2007, which then dropped to 14% in ES2009, and increased again to 34% in ES2011. Similarly, 16.7% of micro enterprises identified unit costs as a problem in ES2007, then 64.8% in ES2009, and 37.4% in ES2011.

One consistent trend is that smaller firms experience greater volatility in their main competitive problems than larger firms. Additionally, the share of businesses identifying “other problems”

Smaller firms are more susceptible to shocks and experience greater volatility year-on-year compared to larger enterprises. “Other problems” for micro, small, and medium businesses have increased from 2007 to 2011. Notably, two of the main “other problems” identified were issues around business licensing and increased transportation costs.

Figure 49: Businesses' main problems being competitive, by size (ES2007, ES2009, ES2011)



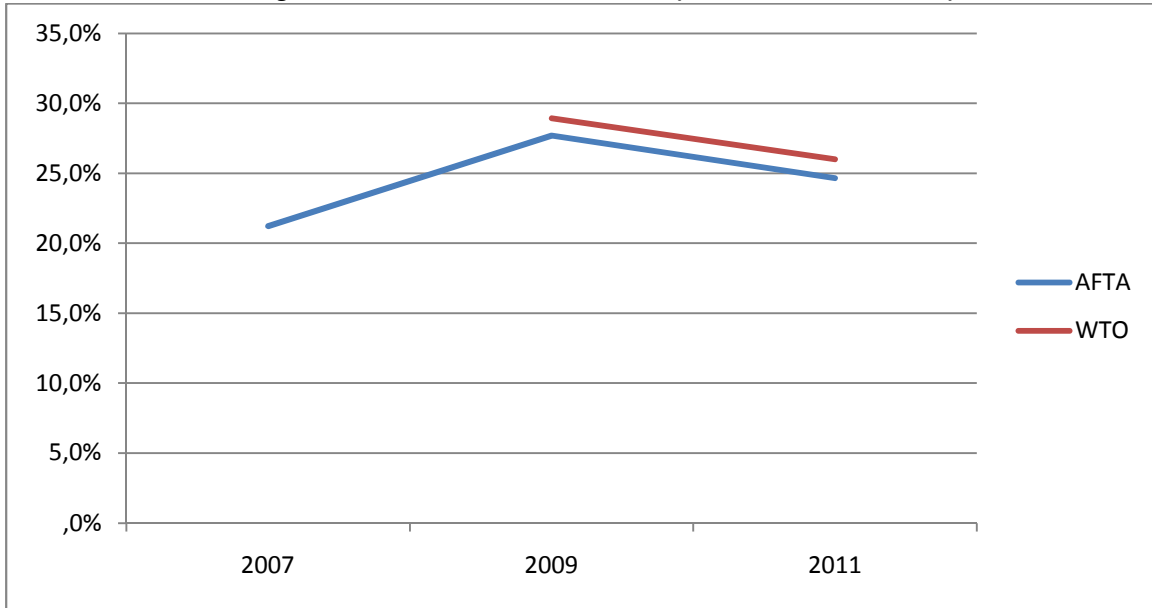
8.3. Challenges of Globalisation and Regional Integration

Lao PDR has been continuously integrating into the regional and global markets. The dominant trading partners belong to ASEAN. Progress in the WTO accession process is underway, and there is progressive compliance with requirements to reduce tariffs under the AFTA Common Effective Preferential Tariff scheme.

8.3.1. Awareness of WTO/AFTA

Among enterprise owners, awareness of both the WTO and AFTA frameworks remains below 30% in ES2011 (Figure 50). At 26.0%, WTO awareness is slightly lower than ES2009 (28.9%). Awareness of AFTA similarly decreased to 24.7% in ES2011 from 27.7% in ES2009, but has increased from ES2007 (21.2%).

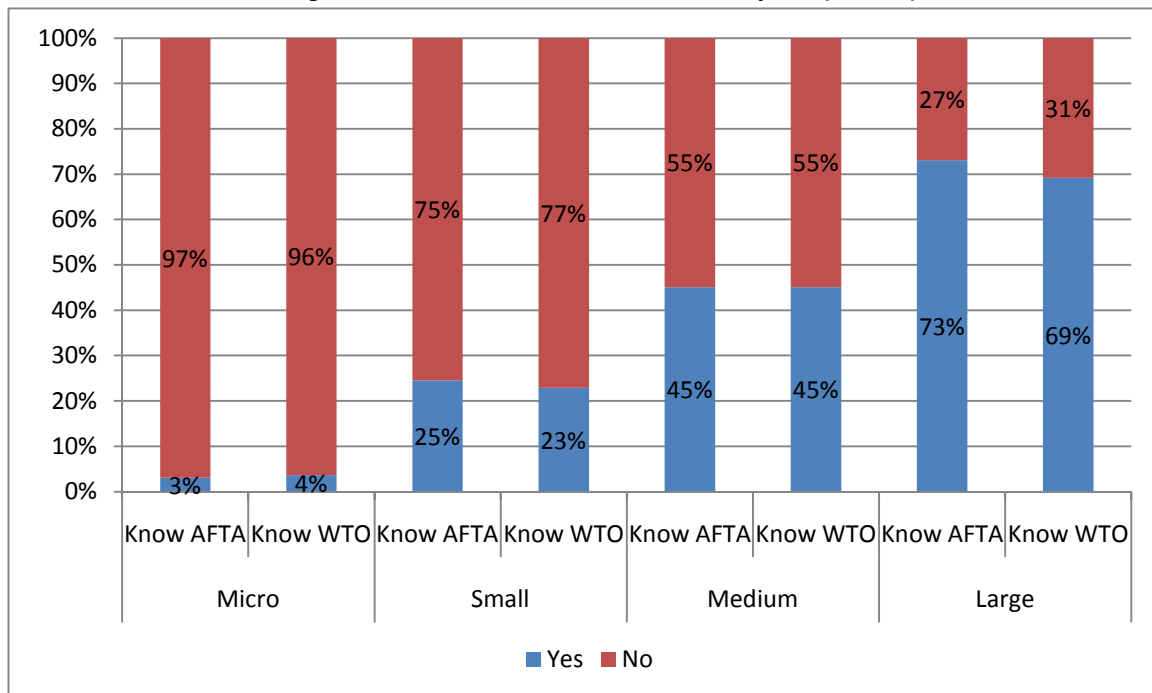
Figure 50: Awareness of AFTA &WTO (ES2007, ES2009, ES2011)



Awareness of AFTA/WTO by Size

Entrepreneur awareness of AFTA and WTO by enterprise size (Figure 51) is largely unchanged from ES2009. Within each enterprise size group awareness is roughly the same for both AFTA and WTO, and approximately the same as ES2009. Secondly, awareness of either framework increases with enterprise size: micro-enterprises report extremely low awareness (3-4%), while approximately 70% of large business owners are aware of the AFTA and WTO trade agreements. That the majority of small and medium enterprises are unaware of AFTA/WTO could be a cause for concern, as it implies a lack of preparedness for competitive pressures related to regional and global trade integration.

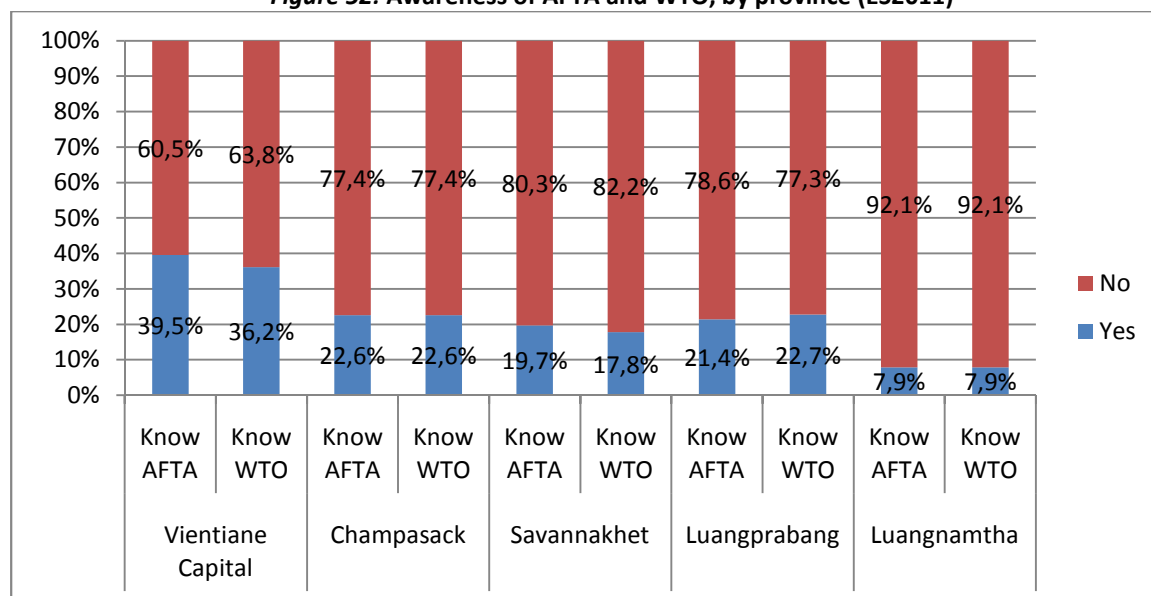
Figure 51: Awareness of AFTA and WTO, by size (ES2011)



Awareness of AFTA/WTO by province

The results by province (*Figure 52*) underscore a need for greater awareness-raising and information dissemination on related opportunities and challenges, especially those enterprises located outside of Vientiane. Fewer than 40% of firms in the capital are aware of AFTA/WTO, but this is nearly double the figure for other provinces. International trade may play less of a role in provincial economies at present, but it is expected to increase so this reveals a potential future area of challenge and opportunity.

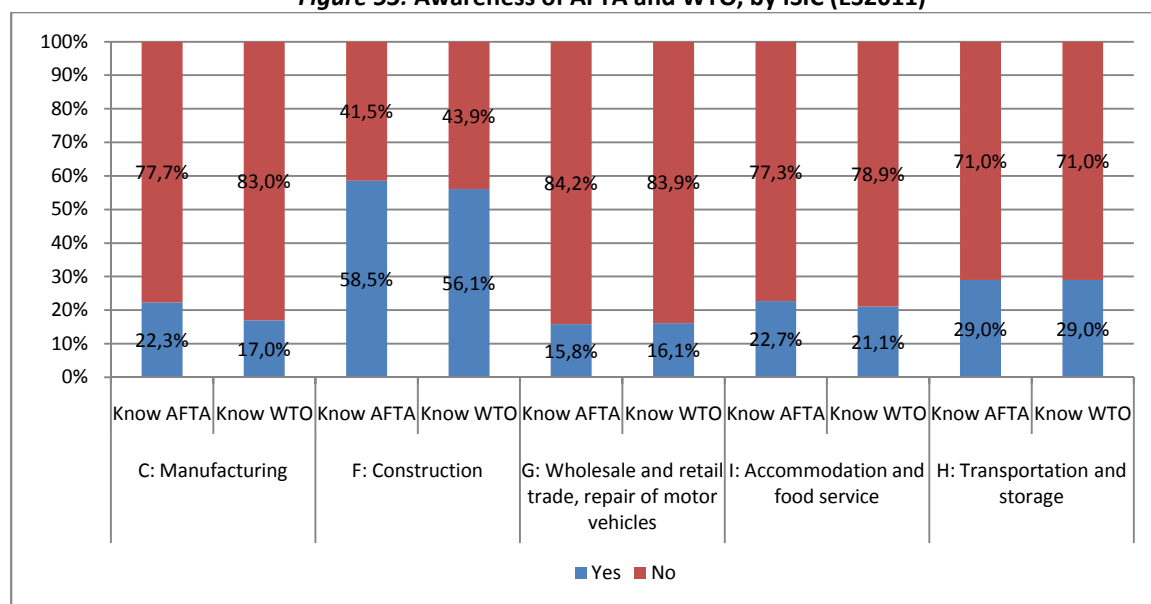
Figure 52: Awareness of AFTA and WTO, by province (ES2011)



Awareness of AFTA/WTO by industry

Awareness of AFTA and the WTO also varies significantly by industry. About 57% of enterprises in construction are aware of AFTA/WTO, compared to about 16% in retail. Surprisingly only 29% of firms in the transportation sector were aware of either. Again, the wide differences in levels of awareness of AFTA/WTO imply certain industries will not be prepared for increased competition.

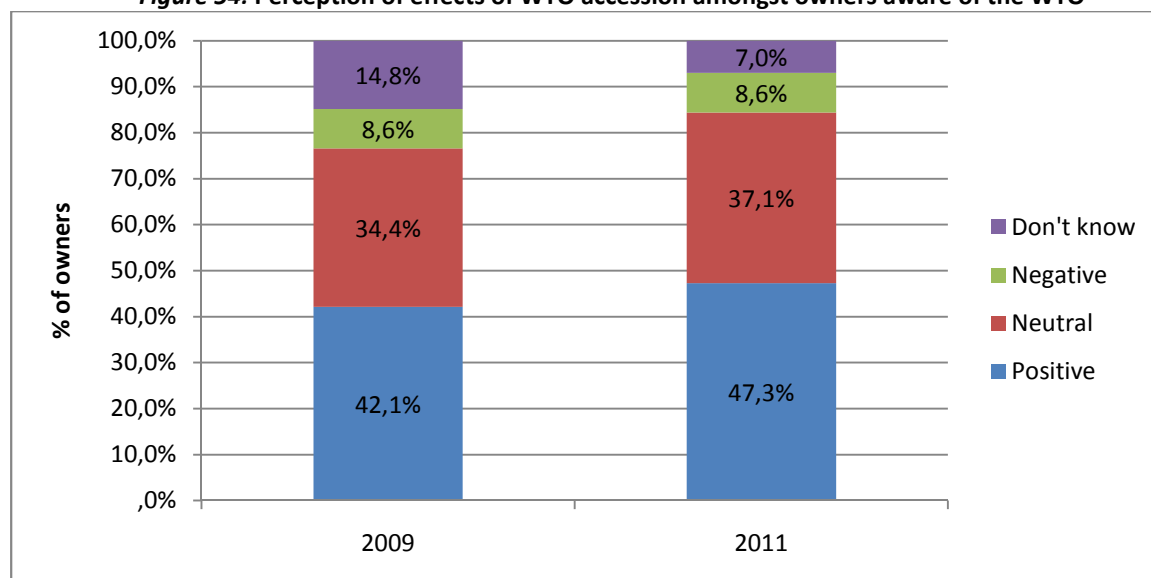
Figure 53: Awareness of AFTA and WTO, by ISIC (ES2011)



8.3.2. Perceived impact of AFTA/WTO

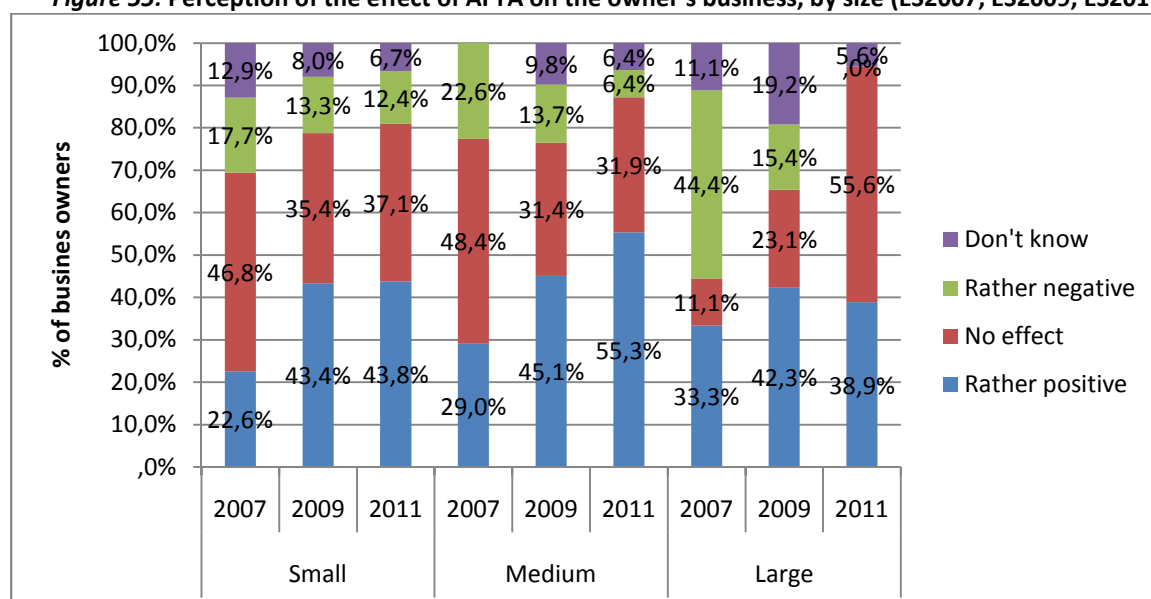
Business owners who were aware of the future WTO accession were asked a follow-up question regarding their perception of its effect upon their business. Results of ES2011 show that about half of enterprise owners (47.3%) perceived WTO accession as having a positive effect on their business. A smaller share (37.1%) perceived the effect of WTO accession on their business as “neutral” and 8.6% as “negative”. In general, owners who were familiar with WTO accession had a favourable impression of the potential impact.

Figure 54: Perception of effects of WTO accession amongst owners aware of the WTO



A parallel question has been asked about AFTA since ES2007. Analysing responses by enterprise size, medium-sized enterprises saw a rise in positive perceptions of the effect of AFTA of 10.2 percentage points to 55.3% in ES2011 from 45.1% in ES2009. Responses by owners of enterprises of other sizes remained static in comparison with small-sized enterprises remaining essentially the same from 43.4% in ES2009 to 43.8% in ES2011. Positive perceptions of AFTA among large businesses decreased only slightly from 42.3% in ES2009 to 38.9% in ES2011.

Figure 55: Perception of the effect of AFTA on the owner's business, by size (ES2007, ES2009, ES2011)



8.4. Enterprise Internal and External Constraints

This subsection deals with enterprise performance factors that can be influenced by the enterprise and its management. It briefly describes the sample with respect to the following areas:

- Assessment of top internal constraints perceived by firms
- Assessment of top external constraints perceived by firms

8.4.1. Assessment of Top Internal Constraints Perceived by Firms

In ES2011 respondents were asked to identify the degree to which certain internal constraints presented a problem to their business. The internal constraint response choices were predetermined to be consistent with ES2009 and earlier Enterprise Surveys.

In analysing the responses from EBS2005 through the present survey, “lack of capital” has consistently been the most frequently cited “big” or “very big” constraint. At 47.74% in ES2011, the most recent responses are similar to both ES2009 (50.4%) and ES2007. The next most frequently cited constraints were “lack of management skills” (23.49%), “lack of technically skilled labour” (19.75%), and “lack of market information” (19.14%).

Figure 56: Internal constraints in relation to each other (ES2011)

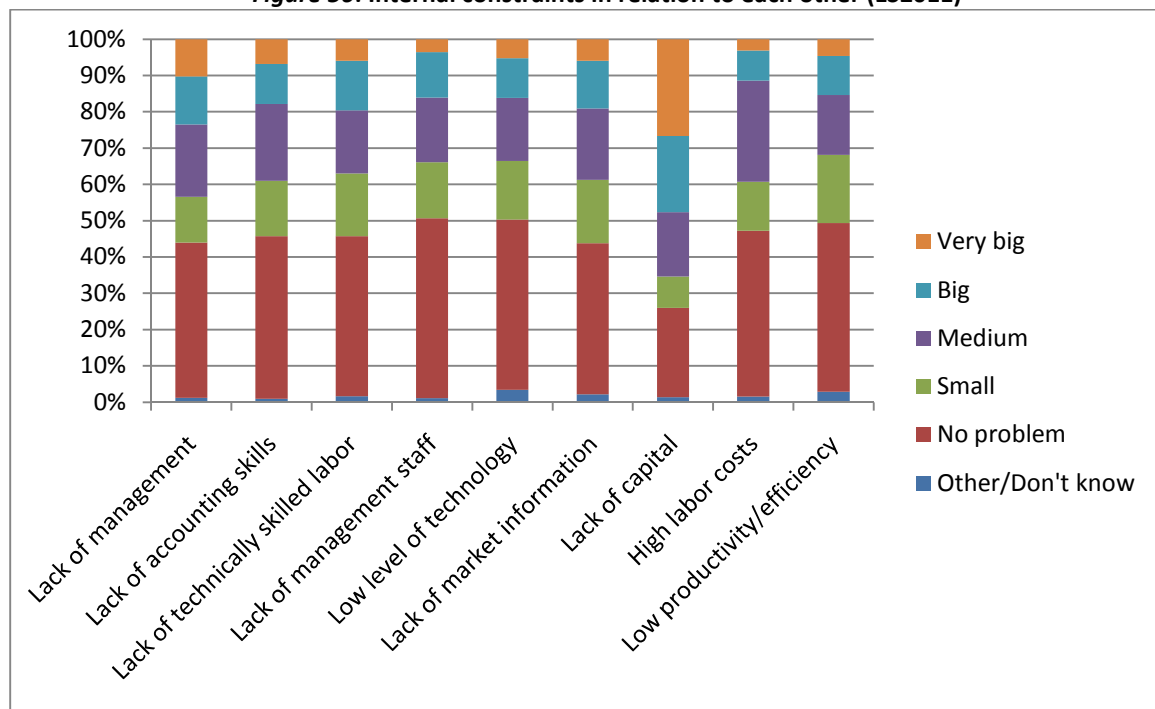
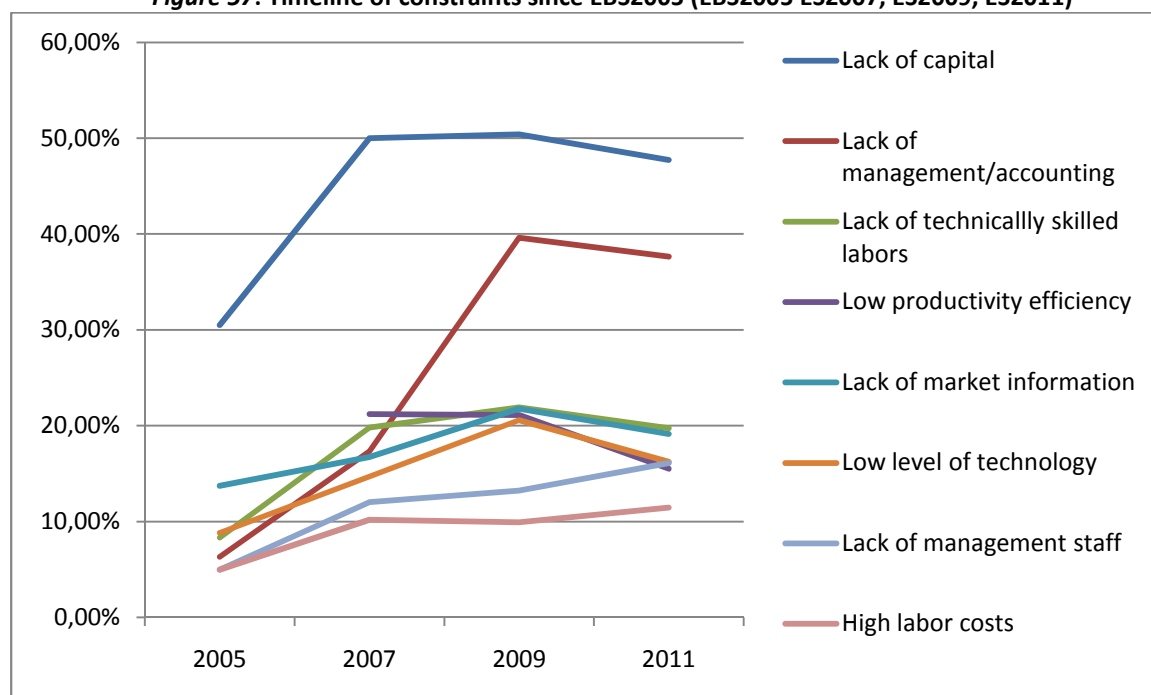


Figure 57: Timeline of constraints since EBS2005 (EBS2005 ES2007, ES2009, ES2011)

Looking at the timeline of responses from EBS2005, ES2007, ES2009 and ES2011, a second trend that stands out is the dramatic shift in the proportion of enterprises citing “lack of management/accounting” as a constraint. While other responses were consistently around or below ~20% across the three surveys, the share of enterprises that indicated “lack of management/accounting skills” as a “big” or “very big” problem appears to have increased dramatically.

This apparent trend may be explained by a change in the data collection methodology. After ES2007, the single choice “lack of management/accounting” replaced by separate choices for “lack of management” and “lack of accounting skills.” In order to make a proper comparison, these two responses from ES2009 and ES2011 were combined in Figure 57. However, the potential for double counting remains—and the responses are consistent with a large of enterprises for which both accounting and management were a big or very big problem. For example, in ES2007 17.35% of respondents thought “lack of accounting/management skills” was a “big” or “very big” problem compared to 17.72% in ES2009 and 17.88% in ES2011. Assuming this is correct, the percentage of respondents with management issues apparently increased from ES2007 to ES2011.

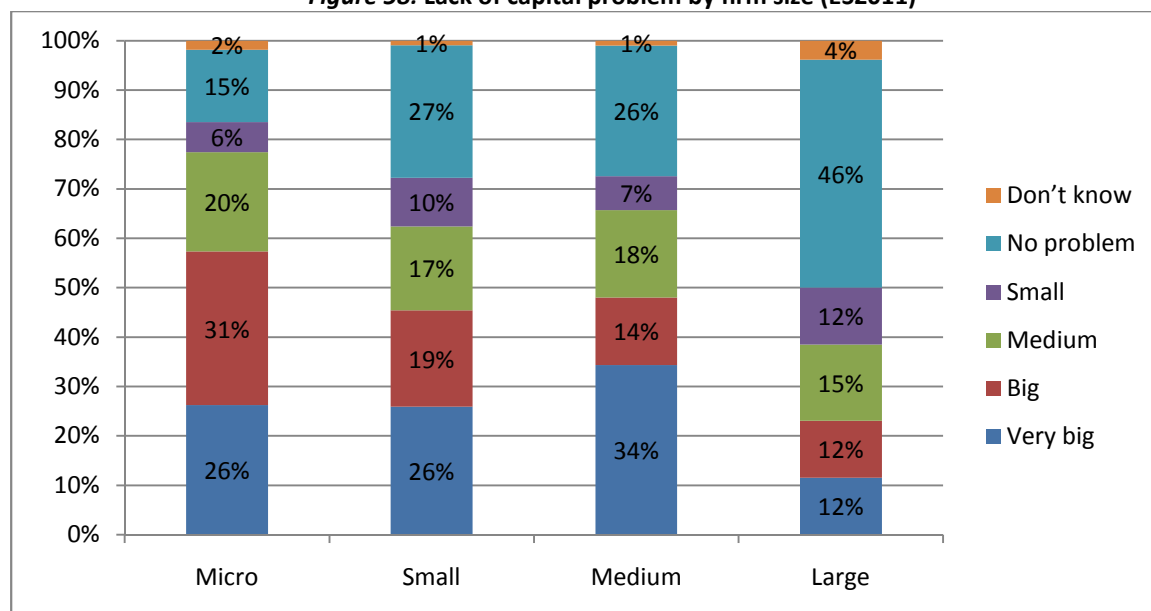
Medium-sized enterprises overall reported the highest share of “very big” internal constraints, followed by large enterprises. Micro and small enterprises generally did not report a large share of “big” or “very big” internal constraints with the major exception of “lack of capital,” where the picture is reversed: micro, small and medium enterprises reported capital as a big constraint much more frequently than larger firms.

Lack of capital was reported as a “very big” problem among 26.6% of the enterprises in ES2011. This indicates that capital constraints are perceived as a more pressing issue to businesses in Lao than other “softer” skills and staffing issues, despite attempts by the government to increase available credit. This contradiction between the national figures and what individual enterprises are seeing may indicate that available credit is unequally shared in Lao PDR, perhaps flowing more easily to state-connected enterprises or major foreign investment-related projects than to private businesses captured in the enterprise survey.

Smaller enterprises may also face challenges accessing credit because they lack modern accounting systems (see 8.6.1).

Interestingly, 46% of large businesses indicated that capital was not a problem, compared to 26% of medium-sized enterprises and 24.6% overall. This is in line with trends in comparable economies, as large firms tend to have stability and better access to capital via cash or credit.

Figure 58: Lack of capital problem by firm size (ES2011)



A potential danger exists if enterprises focus solely on the access to capital challenges versus improvements in management, skills, and efficiency which could lead to overall shortening of the cash cycle thus creating greater liquidity in the company.

The internal constraints with the second and third highest shares of enterprises reporting them as a problem were “lack of management skills” and “lack of technically skilled labour”. These findings are similar to ES2009, and are broken out by firm size in Figure 59.

Figure 59: Lack of management problem by firm size (ES2011)

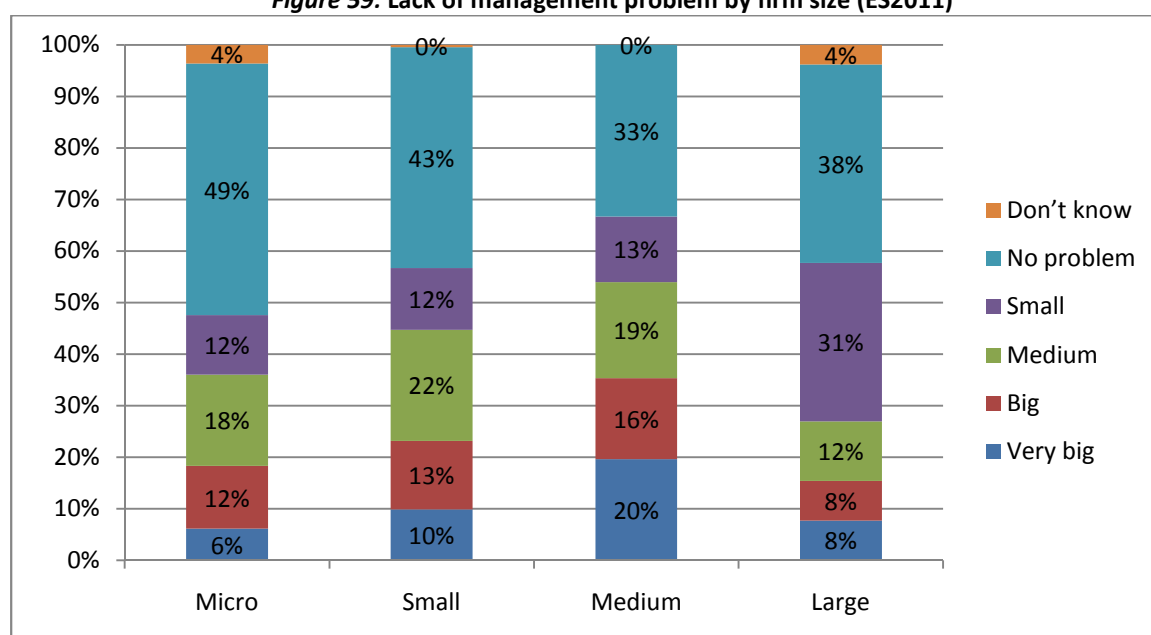
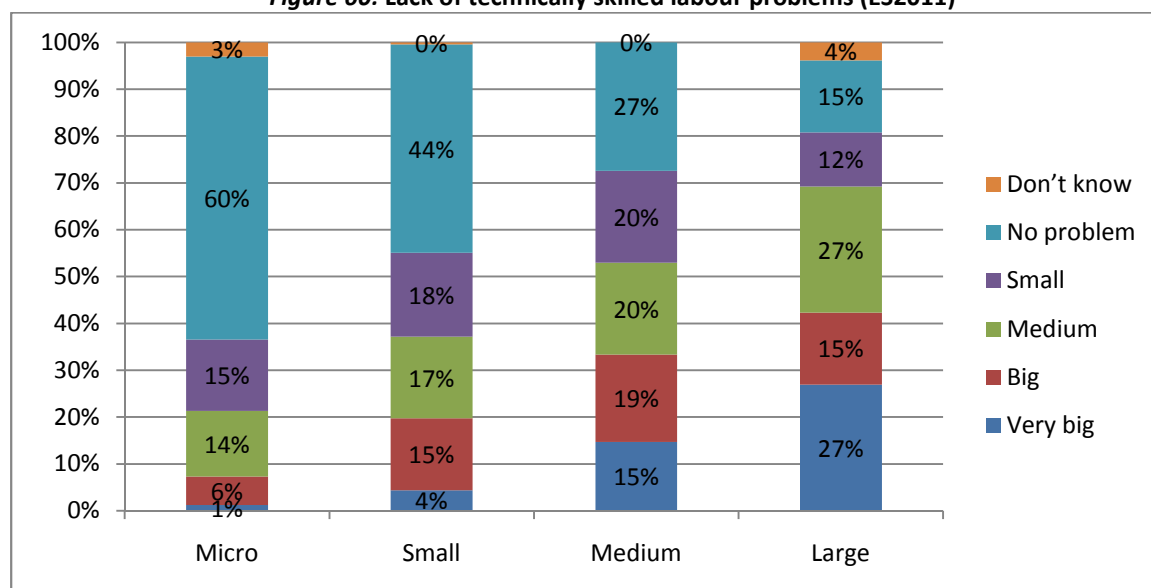
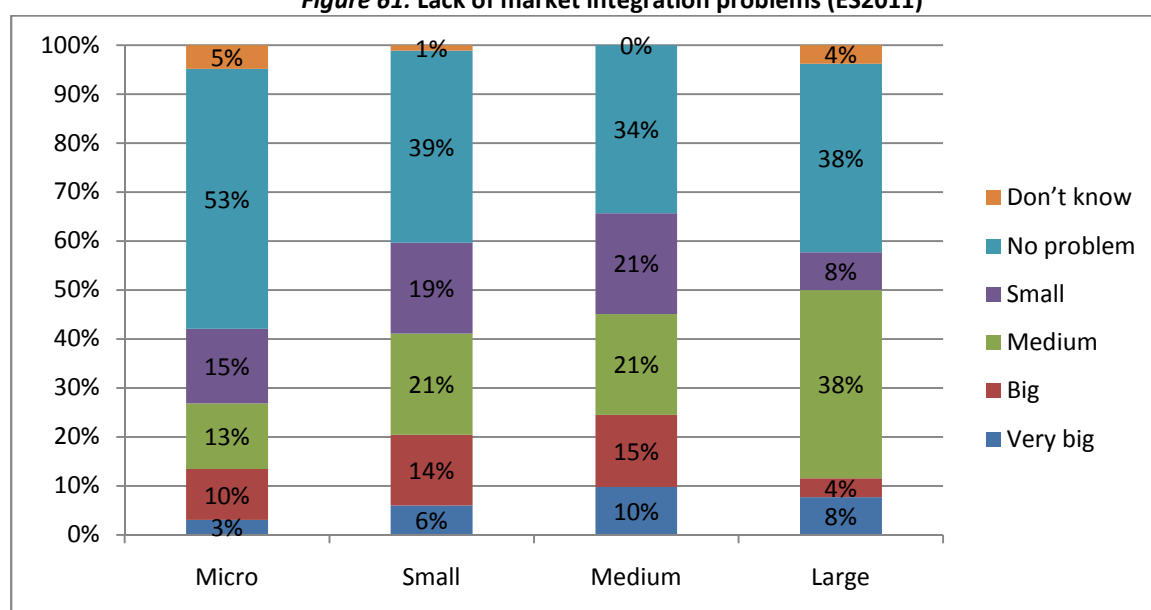


Figure 60: Lack of technically skilled labour problems (ES2011)

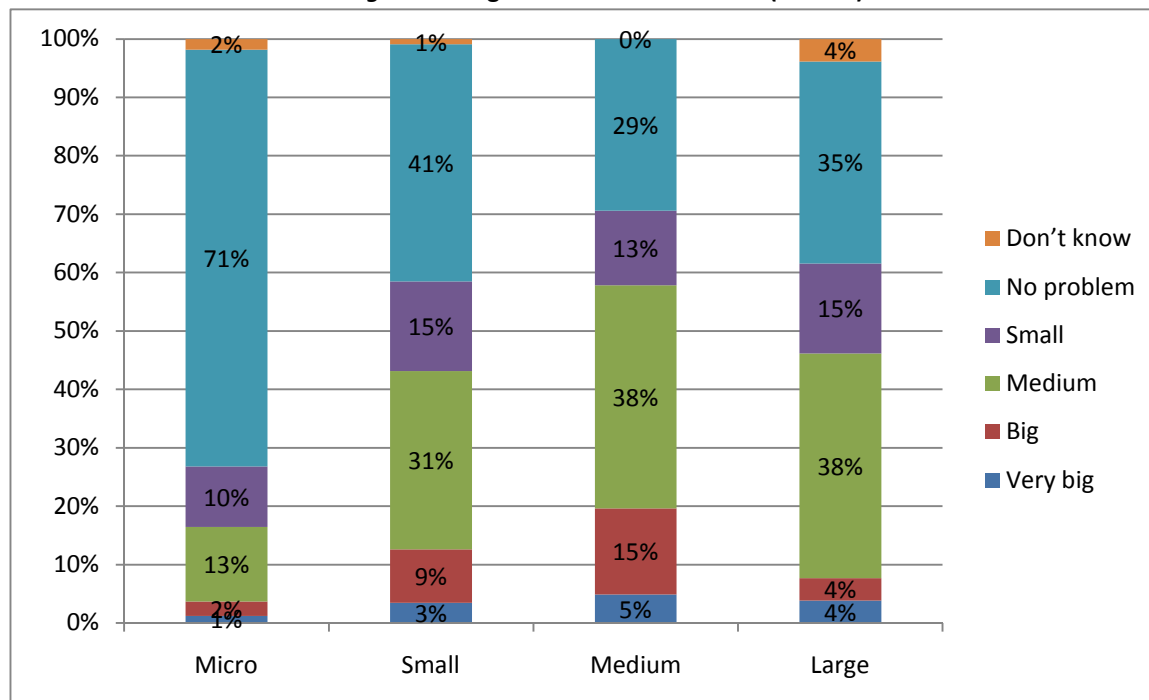
The findings relating to lack of management and lack of technically skilled labour are consistent with the hypothesis that the availability and cost of skilled workers is a constraint to growth, particularly for firms larger than micro-enterprises. As expected, micro enterprises reported the lowest share of enterprises facing challenges with management and technically skilled labour.

In ES2011, 23% of small firms, 36% of medium firms, and 16% of large firms indicated that “lack of management” was a “big” or “very big” problem. This represented an increase of 12% for small firms and 11% for medium firms and a 3% decrease for large firms from ES2009. In terms of technically skilled labour, the data did not differ greatly from ES2009 to ES2011. 19% of small, 34% of medium, and 42% of large enterprises reported “lack of technically skilled labour” as a “big” or “very big” problem in ES2011 compared to ES2009 figures of 20% of small, 38% of medium, and 42% of large enterprises respectively. Based on the data in ES2009 and ES2011, it is evident that the availability of labour remains a significant challenge for non-micro enterprises.

Figure 61: Lack of market integration problems (ES2011)

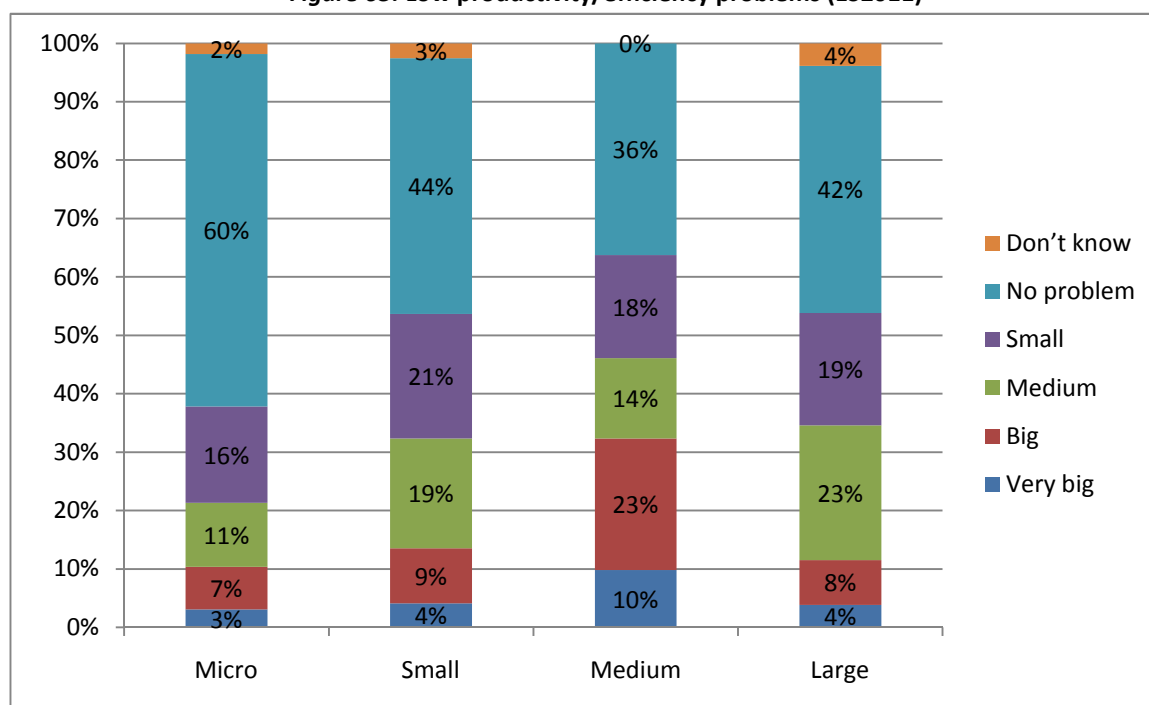
Lack of market information is a bigger problem for larger firms. Over 50% of small (60%), medium (67%), and large (58%) enterprises report lack of market information problems. Medium enterprises rate lack of market information as a bigger challenge, with 25% of enterprises indicating it as a 'very big' or 'big' problem.

Figure 62: High Labour Cost Problems (ES2011)



The high cost of labour was ranked as a problem by over half of small (58%), medium (69%), and large (61%) enterprises. Medium enterprises report the biggest challenge, with 20% indicating it as a 'very big' or 'big' problem. Together with the findings on low worker productivity, entrepreneurs may be having challenges identifying the best path to growth.

Figure 63: Low productivity/efficiency problems (ES2011)



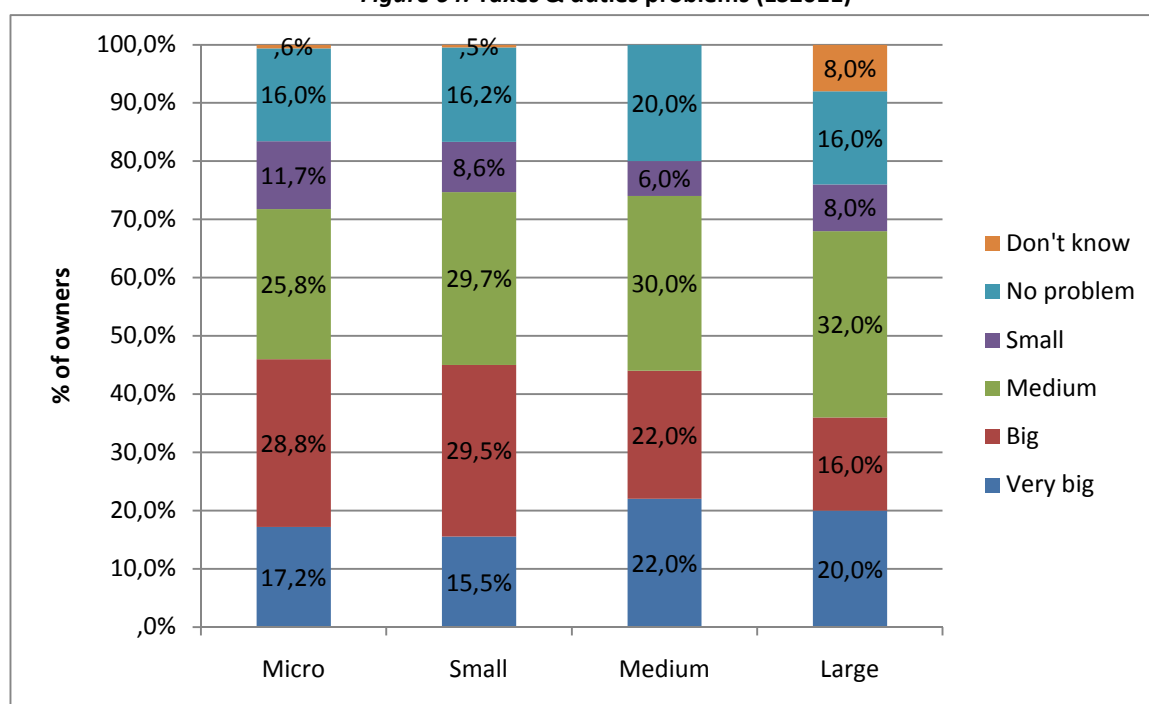
Over half of small, medium, and large enterprises report problems in management, skills, access to market information, high labour costs, and low productivity/efficiency. Though a larger share rated access to capital as a big or very big problem than other areas, the lack of the above core business competencies suggests businesses are facing several significant challenges to achieving long-term competitiveness and growth.

8.4.2. Assessment of Top External Constraints Perceived by Firms

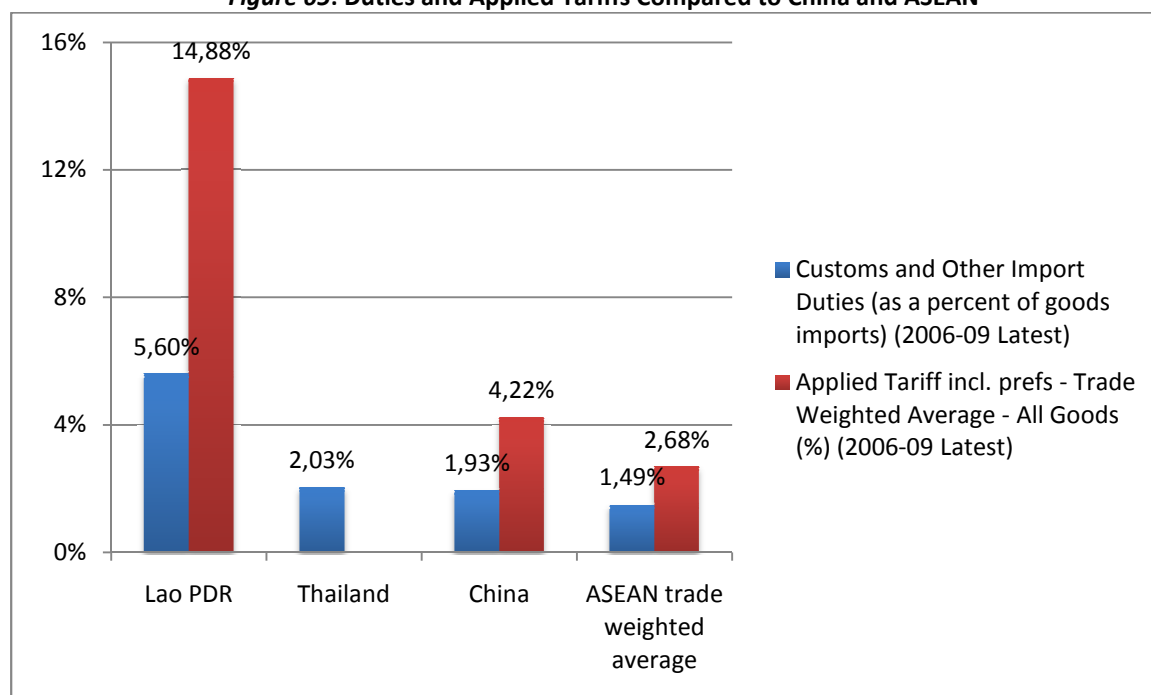
This subsection deals with the subject of business framework conditions (or how ‘enabling’ or ‘disabling’ the business environment is). This is also the subject of the ‘Private Sector and Investment Climate Assessments’ conducted by the World Bank in many countries.

In terms of external constraints, the business environment featured prominently among enterprises of all sizes in ES2011. “Taxes and Duties” were considered a “big” or “very big” problem across the board (micro: 46%, small: 45%, medium: 44% and large: 36%).

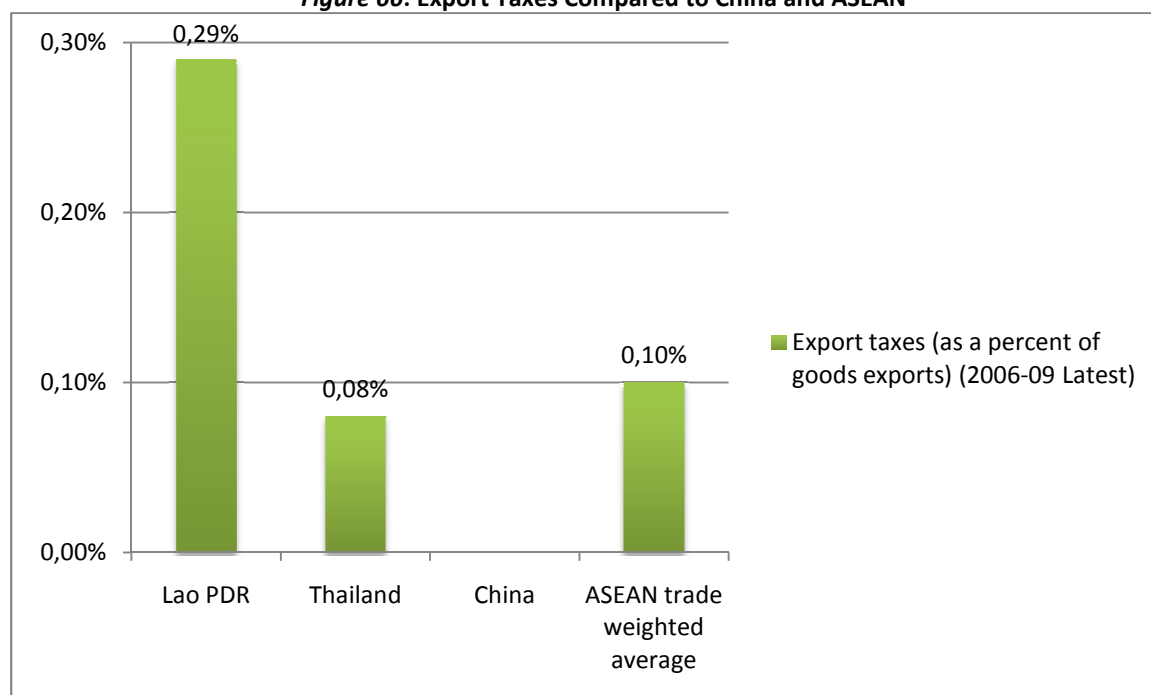
Figure 64: Taxes & duties problems (ES2011)



Data available from the World Bank put this constraint in context, suggesting that Lao PDR has high rates of duties and tariffs in comparison to the trade-weighted average of ASEAN members. As a percentage of the value of imported goods, Lao PDR’s customs and duties are 5.6% versus 2.3% for Thailand, 1.93% for China, and 1.49% for ASEAN as a whole. As a percentage of applied tariffs (including trade preferences), Lao PDR’s rates are 14.88% versus 4.22% for China, and 2.68% for ASEAN as a whole.

Figure 65: Duties and Applied Tariffs Compared to China and ASEAN²⁶

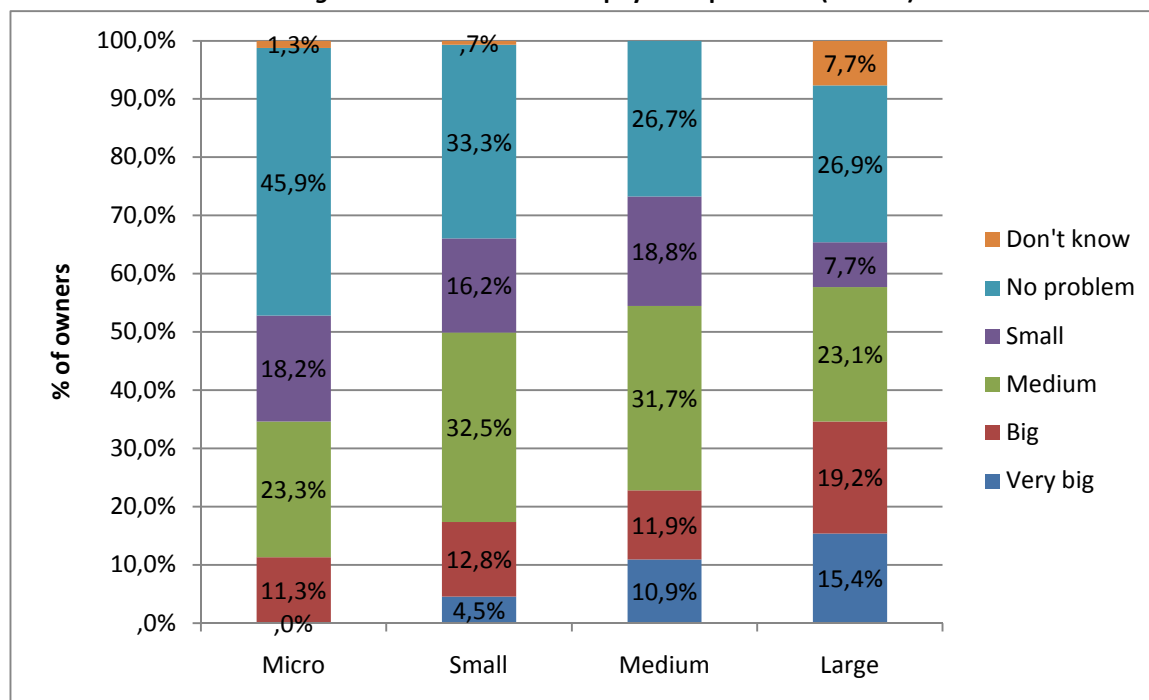
In addition, at 0.29% of exported goods, Lao PDR has higher export taxes, than Thailand (0.08%), and ASEAN's weighted trade average (0.10%).

Figure 66: Export Taxes Compared to China and ASEAN²⁷

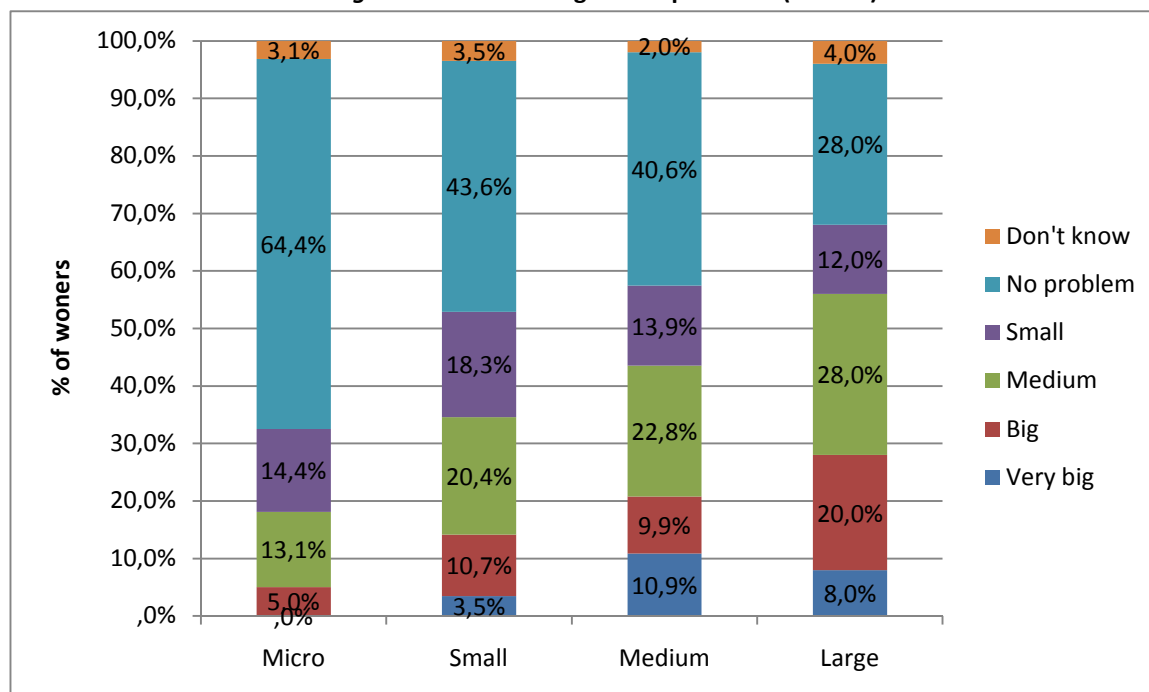
Not only do Lao enterprises face challenges with import duties and export taxes but also with “fees and unofficial payments.” The share of enterprises reporting this constraint grew in relation to firm size (micro: 11.3%, small: 17.3%, medium: 22.8% and large: 34.6%).

²⁶World Bank, World Trade Indicators 2009/2010. Accessed online 17 October 2012 at <http://www.worldbank.org/wti/>

²⁷Source: World Bank, World Trade Indicators 2009/2010. Accessed online 17 October 2012 at <http://www.worldbank.org/wti/>

Figure 67: Fees & unofficial payment problems (ES2011)

The share of firms reporting customs regulations as a big or very big problem was higher for larger sized enterprises. It was a leading constraint for both medium- (20.8%) and large-size enterprises (28%). This would imply that while the economy has seen consistent growth, the business environment in terms of the governance infrastructure has not matured accordingly.

Figure 68: Customs regulation problems (ES2011)

The cost of energy and telecommunications was considered problematic by a majority of enterprise owners. About three-quarters of enterprises considered electricity prices a problem; more than two-thirds of business owners consider fuel prices a problem; and over half regard the cost of telecommunications as an issue.

While enterprise owners consider physical infrastructure and fuel/electricity prices to be constraints, it is difficult to draw conclusions from these absolute numbers about the actual negative impact of infrastructure conditions or energy prices.

Figure 69: Electricity price problems (ES2011)

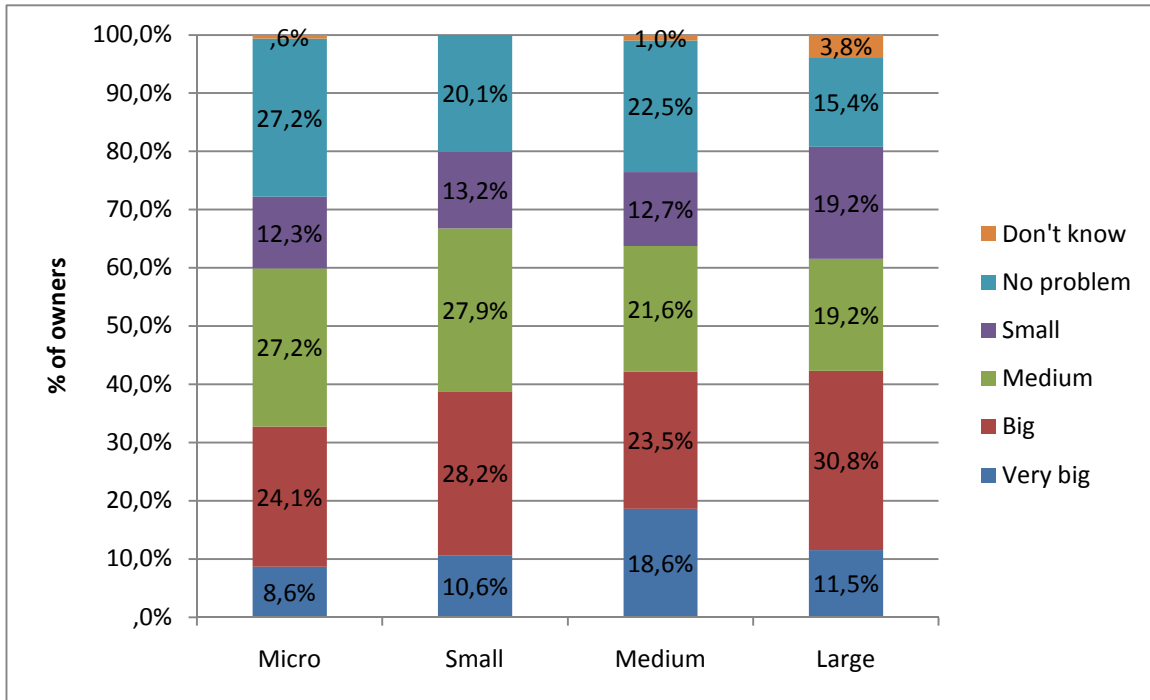


Figure 70: Fuel price problems (ES2011)

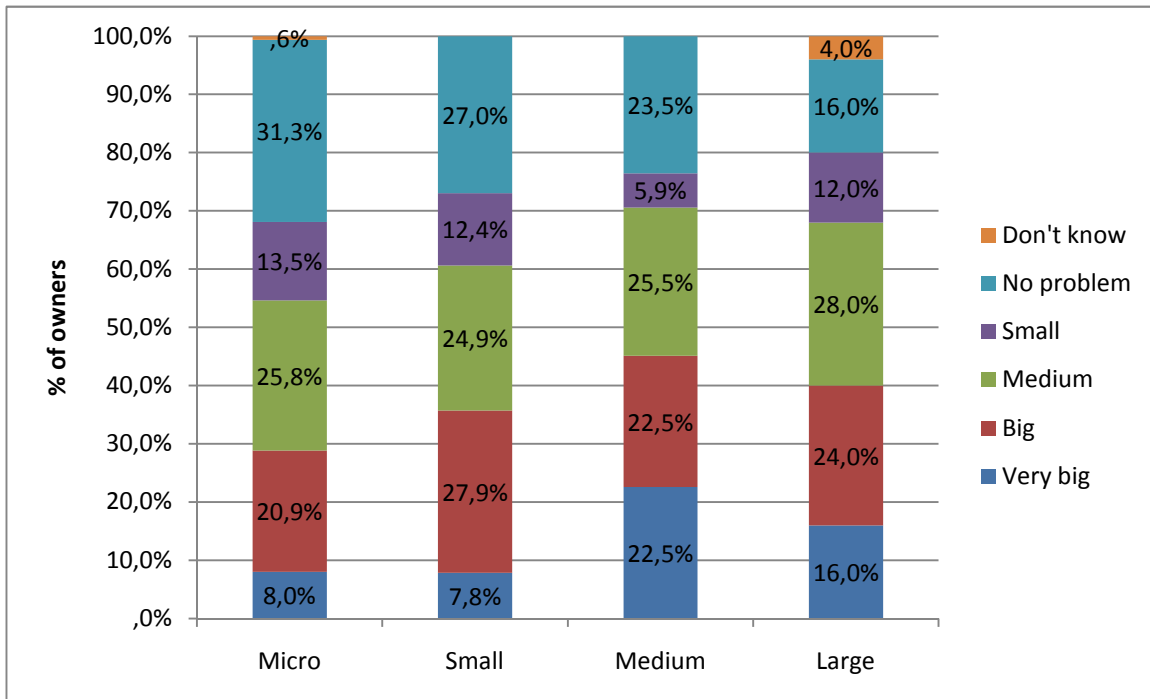
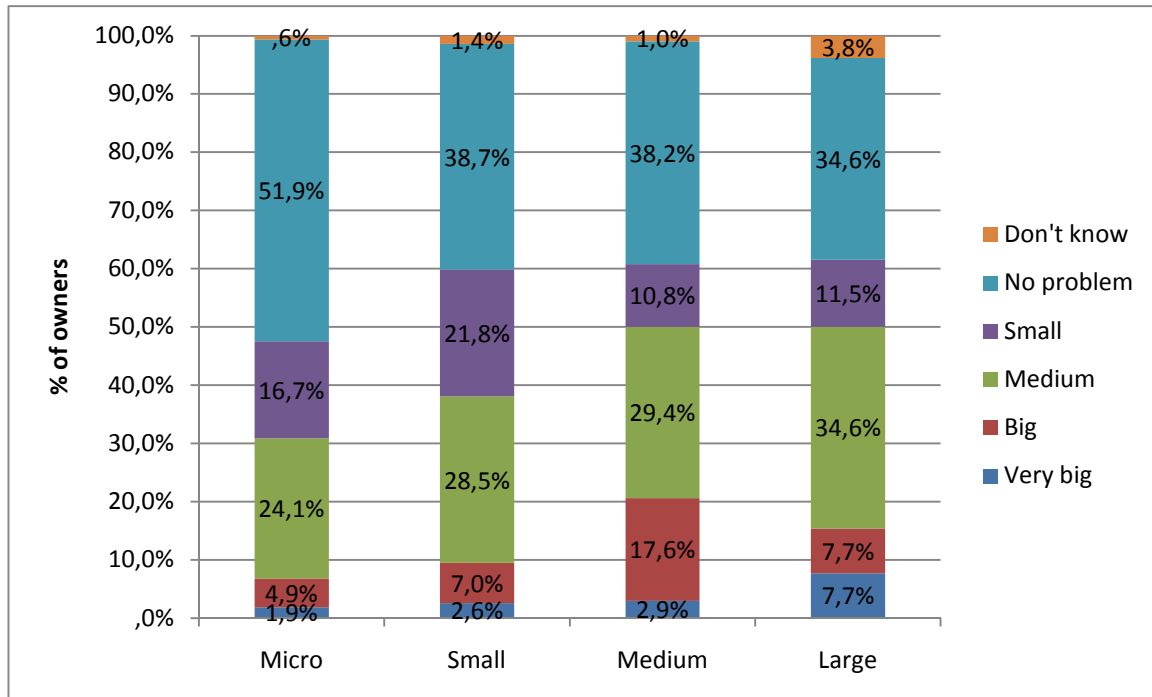


Figure 71: Telecommunications price problems (ES2011)

The condition of physical infrastructure (including roads, water, telecom and internet) was perceived by many businesses to be a constraint, although to a lesser degree than energy and telecom prices. About half of micro, small, and medium sized enterprises found poor infrastructure to be a constraint, while relatively fewer large enterprises considered it to be a constraint.

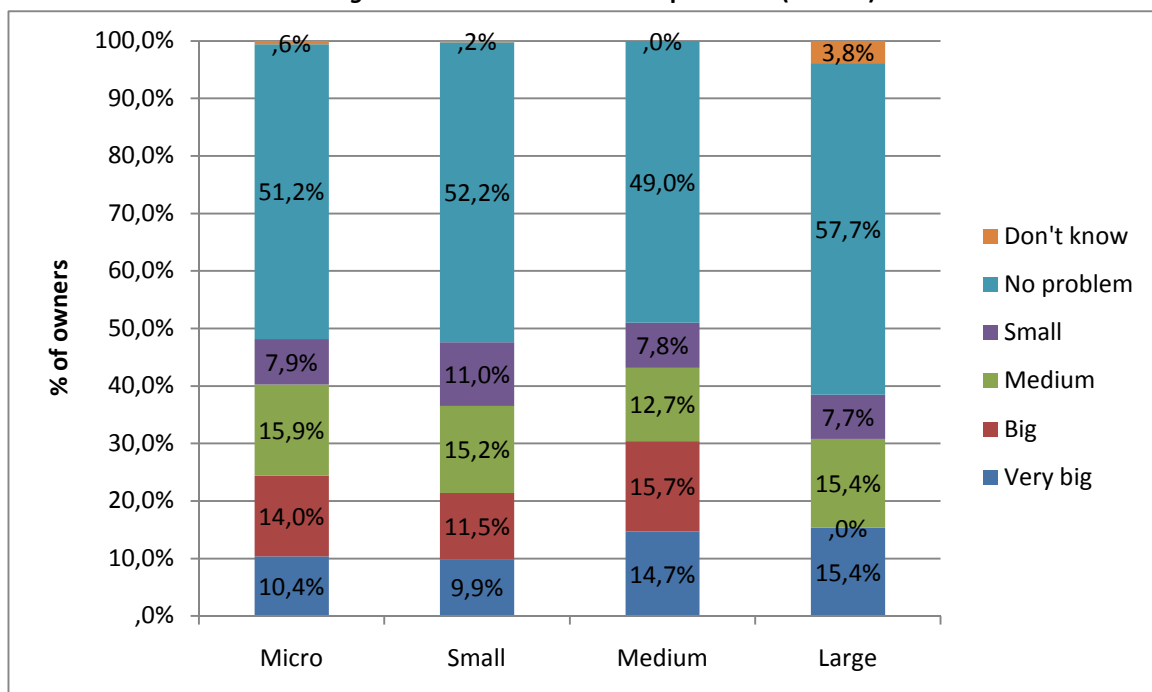
Figure 72: Road infrastructure problems (ES2011)

Figure 73: Telecommunications infrastructure problems (ES2011)

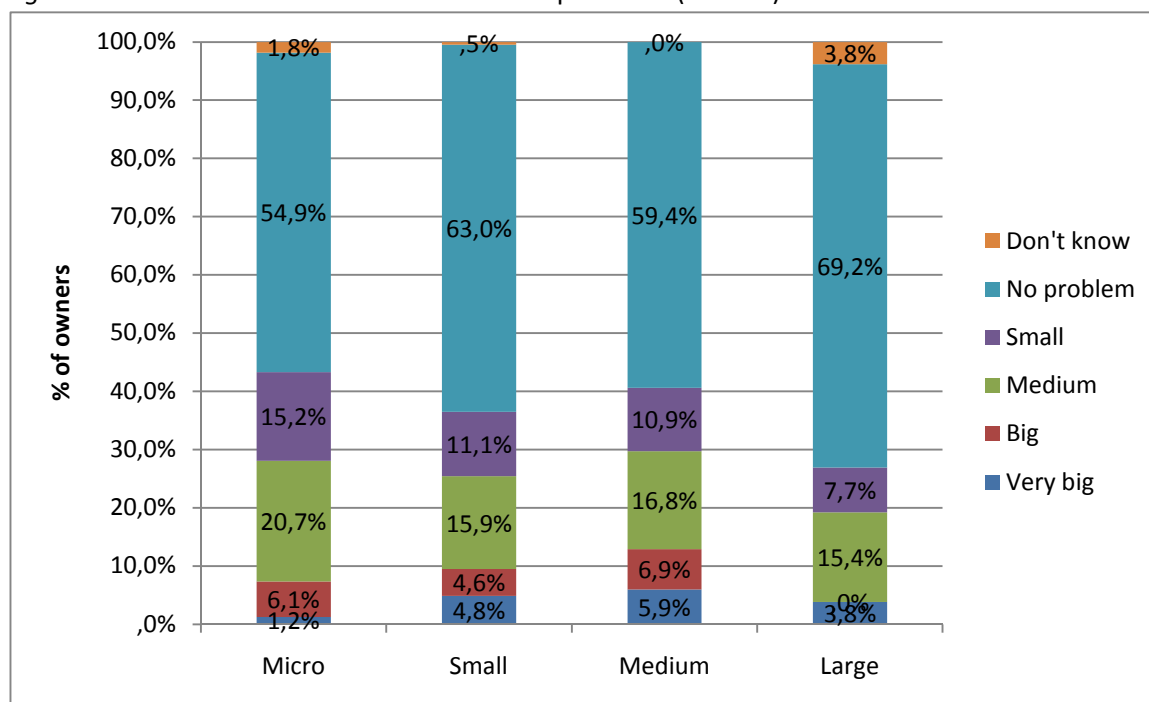
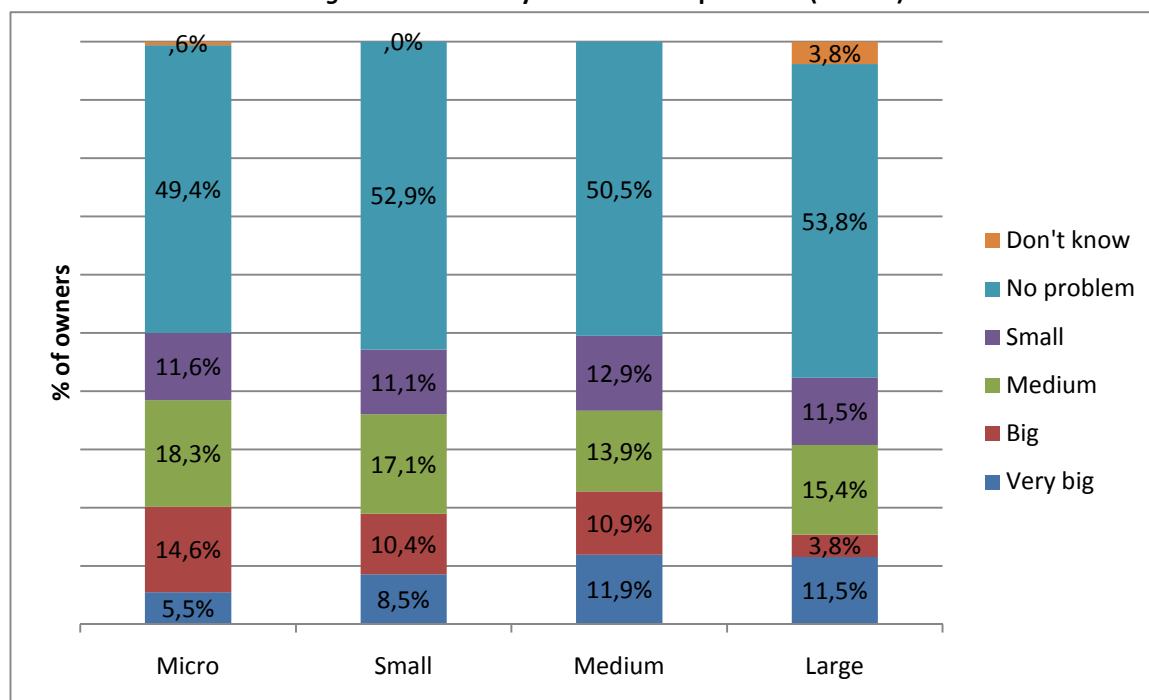
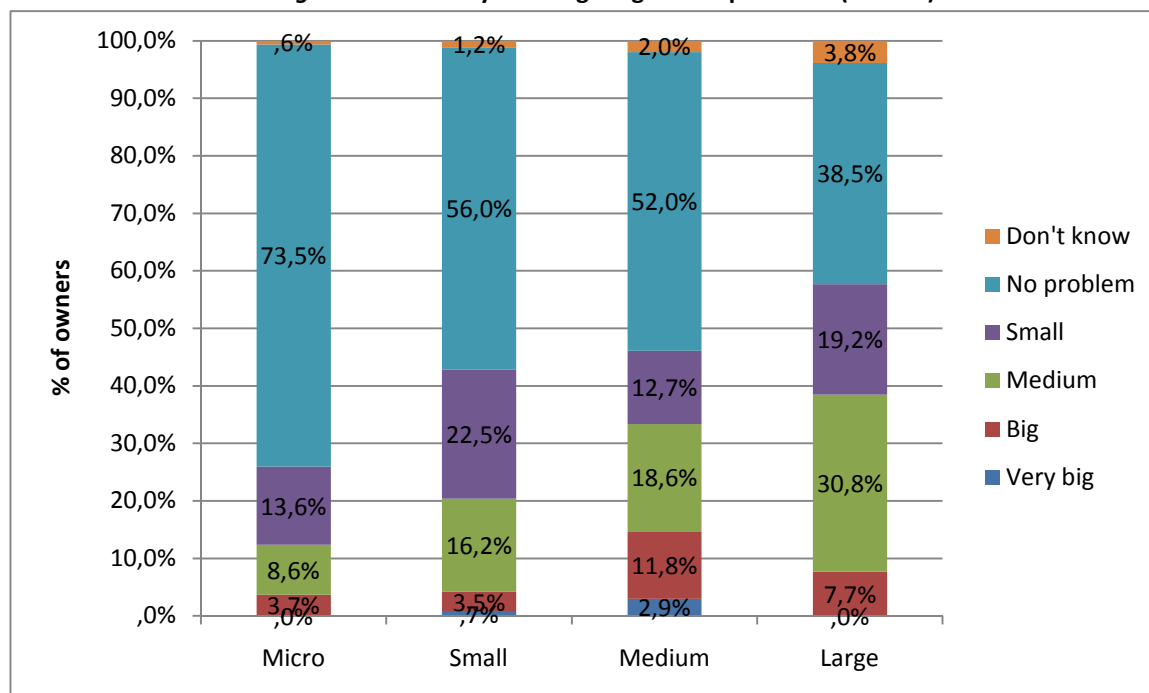
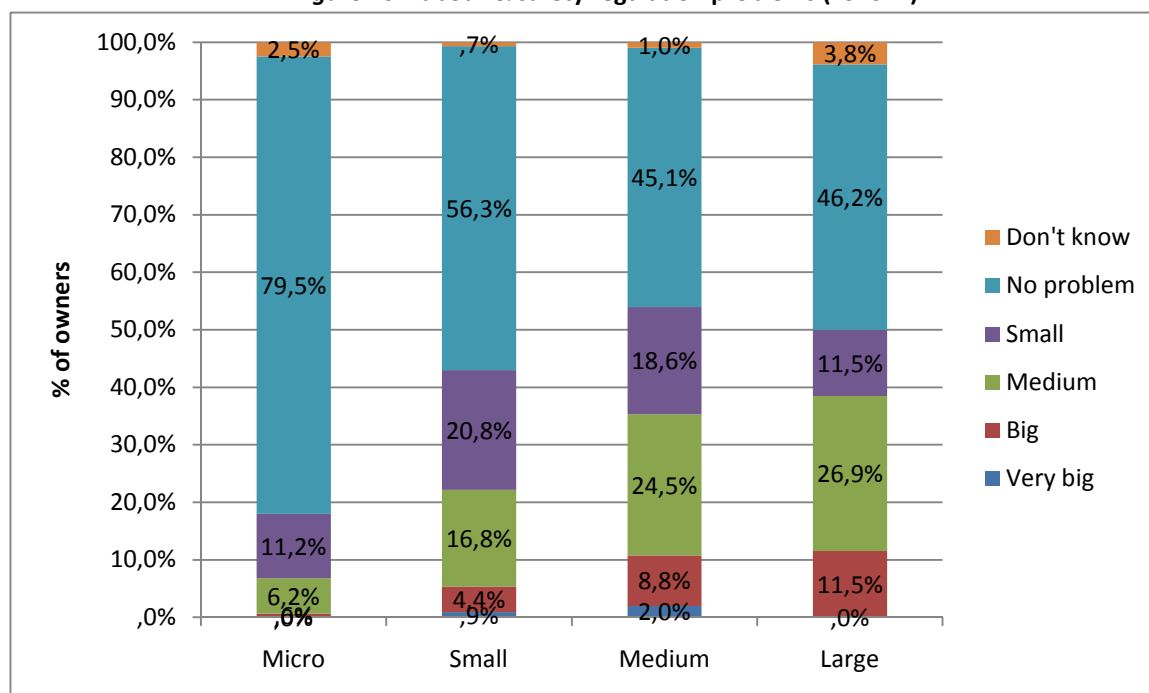


Figure 74: Electricity infrastructure problems (ES2011)



ES2011 also inquired about government regulation problems related to currency exchange and labour relations. Overall a smaller share of enterprises found these areas to be challenging compared to other external constraints.

Figure 75: Currency exchange regulation problems (ES2011)**Figure 76: Labour & safety regulation problems (ES2011)**

8.5. Human Resources, training and technology

'Human resource development' is very critical for enterprise development in a constantly changing market environment requiring product and process innovations to keep pace with those of national, regional and international competitors. The HRDME programme philosophy is based on the direct relationship between the ability of enterprises and businesses to compete and develop and the skills of management and as well as the labour force to master the growing complexity and technology content of products and production processes.

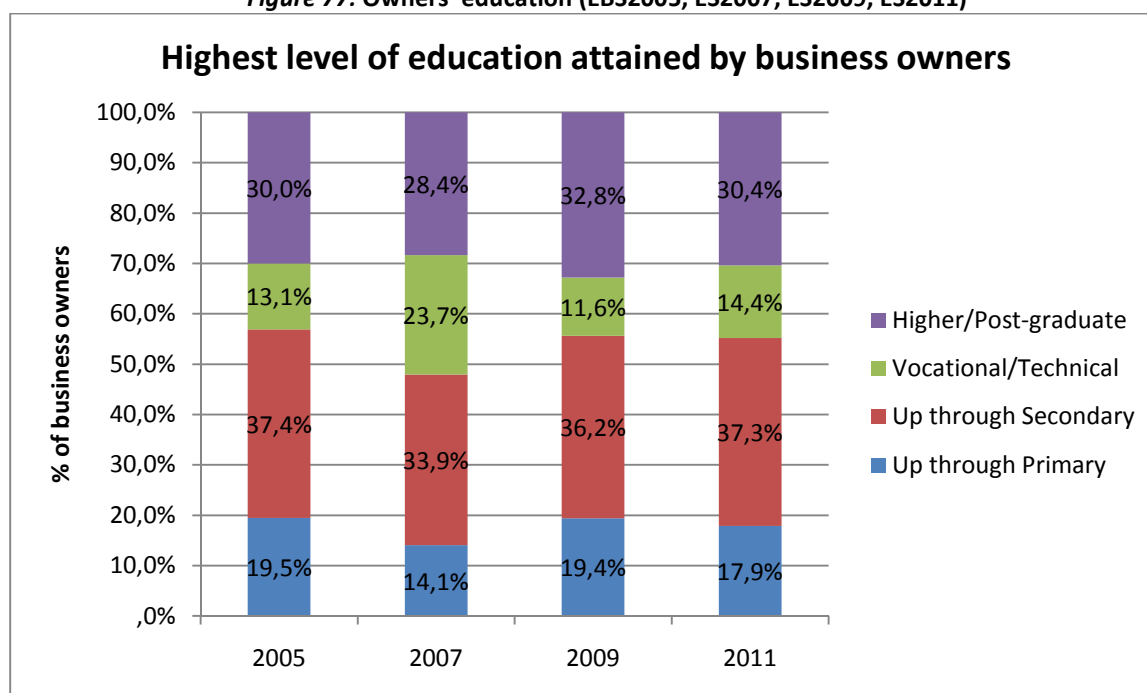
As reflected in the HRDME programme and Component 2 indicators, the share of professionally skilled staff has to increase over time in order to enable the enterprise to better master the challenges of tightening competition and increasing product quality on markets. This concerns the owners/managers as well as the staff employed.

8.5.1. Level of Training of Owner and Staff by Size/Province/Sector

Owner Figures

The highest level of education attained by business owners has not changed dramatically from ESB2005 to ES2011.

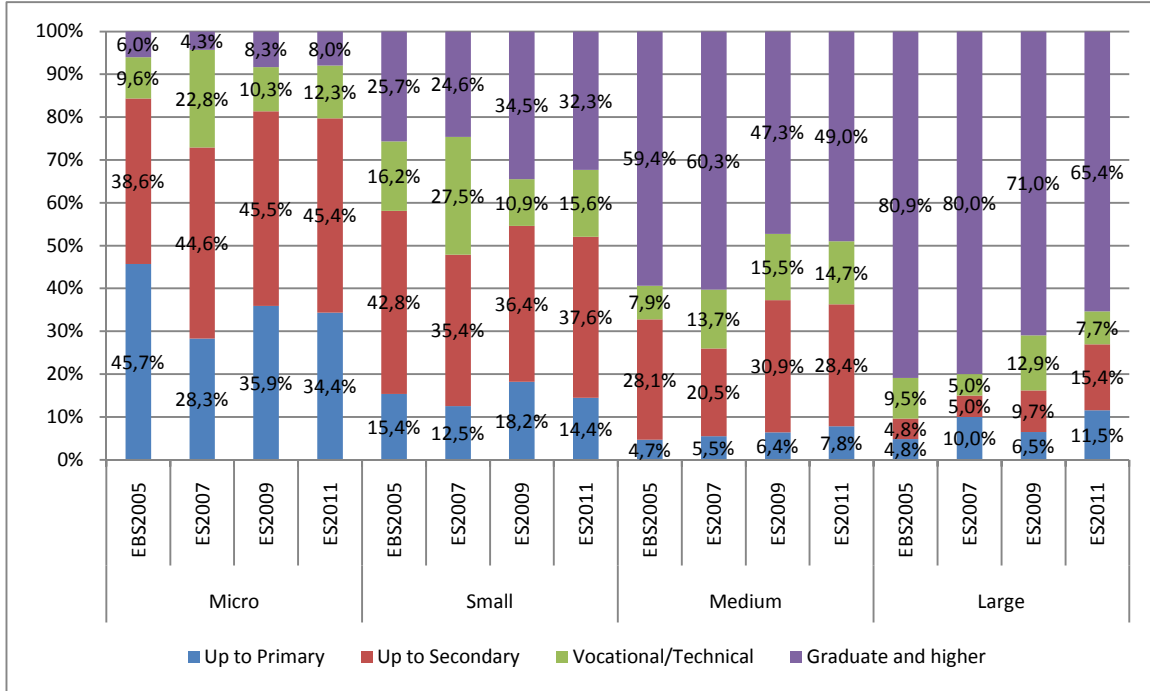
Figure 77: Owners' education (EBS2005, ES2007, ES2009, ES2011)



Owners' education levels rise in relation to enterprise size (*Figure 78*). In ES2011, 8% of owners of micro-sized businesses, 32.3% of owners of small-sized enterprises, 49% of owners of medium-sized businesses, and 65.4% of owners of large-sized enterprises had a graduate degree or higher. Higher education levels have incrementally increased among micro and small-sized enterprises between EBS2005 and ES2009 from 6% to 8.3% and from 25.7% to 34.5% respectively. However, it has decreased among owners of medium-sized enterprises 59.4% in EBS2005 to 47.3% in ES2009 and owners of large-sized enterprises from 80.9% to 71%. Between ES2009 and ES2011, higher education levels of owners by size of enterprise remained largely the same.

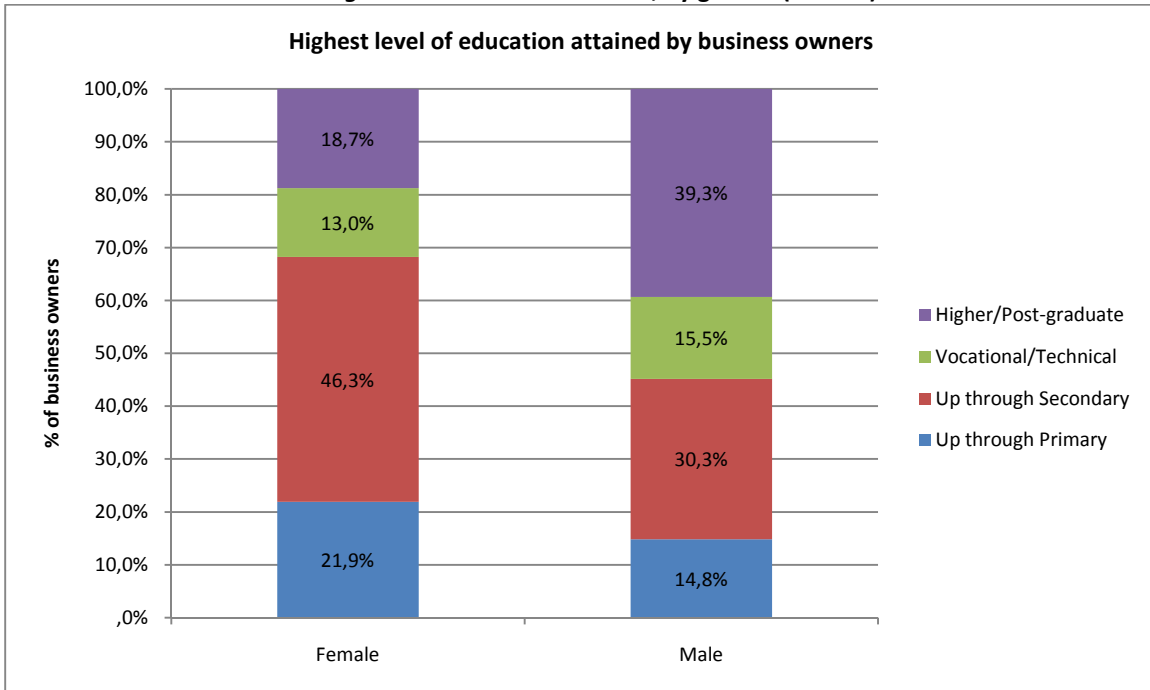
²⁸GTZ, Enterprise Survey 2009, chapter 3, 2009

Figure 78: Owners' education, by enterprise size (EBS2005, ES2007, ES2009, ES2011)



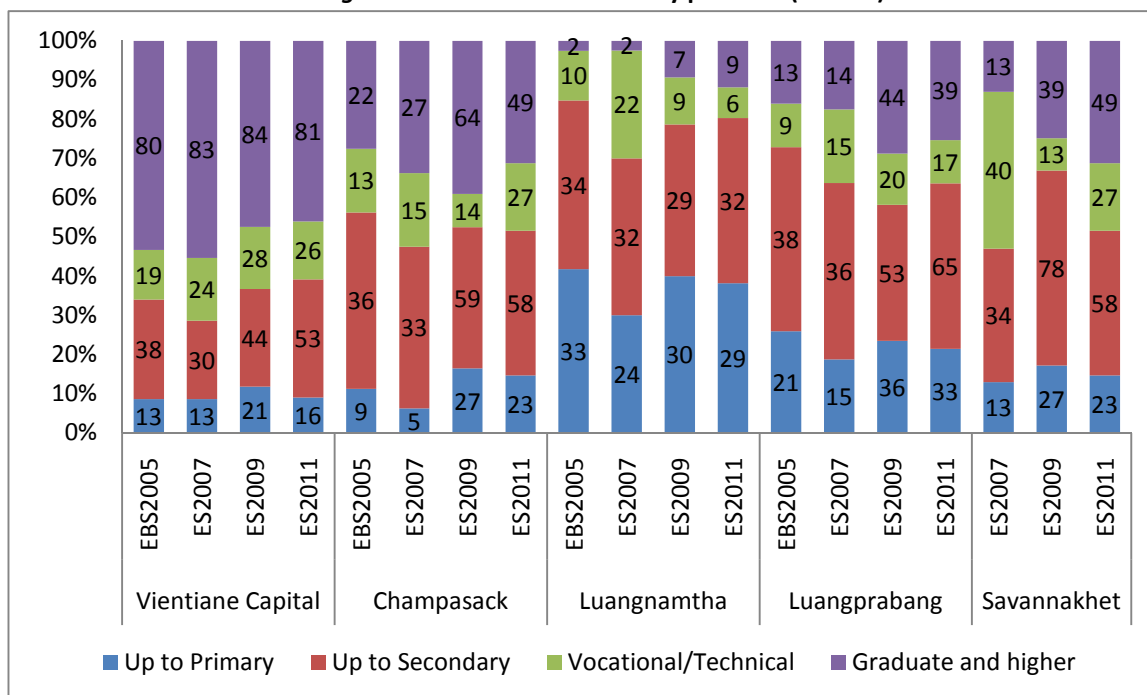
Consistent with women owning a greater proportion of small and micro-sized enterprises, whose owners tend to have a lower education level, than men, male business owners are on average twice as likely to have attained higher education than female business owners (39.3% vs. 18.7%) in ES2011 (Figure 79). The number of women owners with higher levels of education has risen slightly compared to ES2009.

Figure 79: Owners' education, by gender (ES2011)



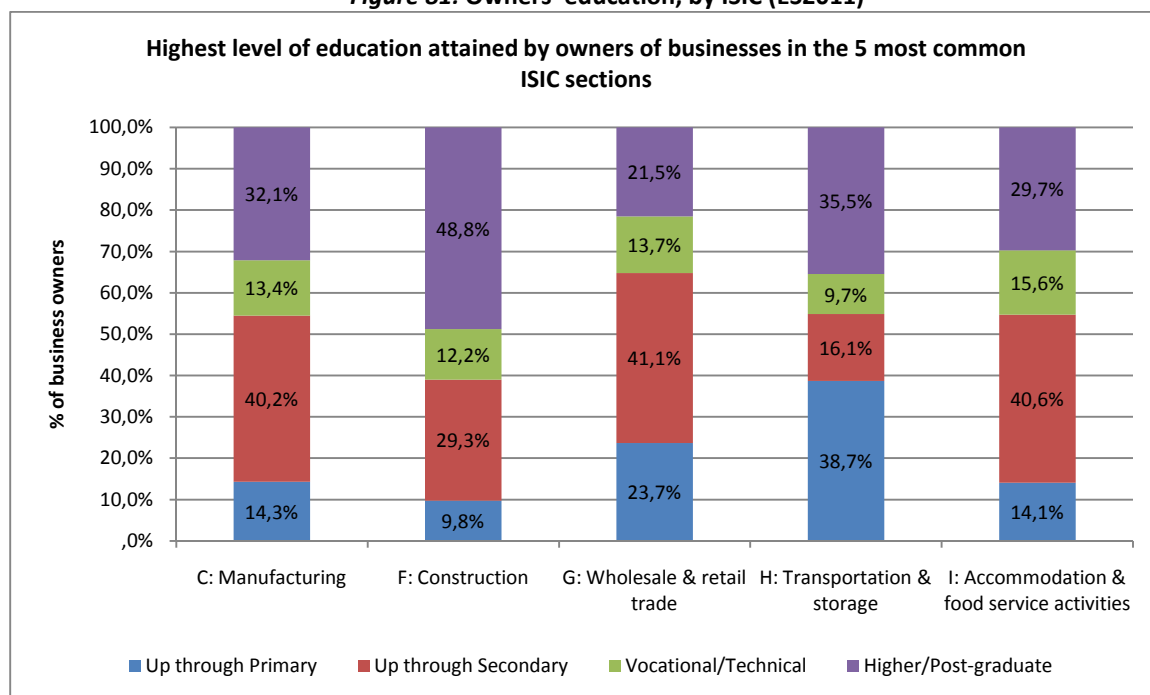
By province (Figure 80), Savannakhet is notable for the percentage rise in owners with vocational and higher levels of education from 52% in ES2009 to 76% in ES2011.

Figure 80: Owners' education by province (ES2011)



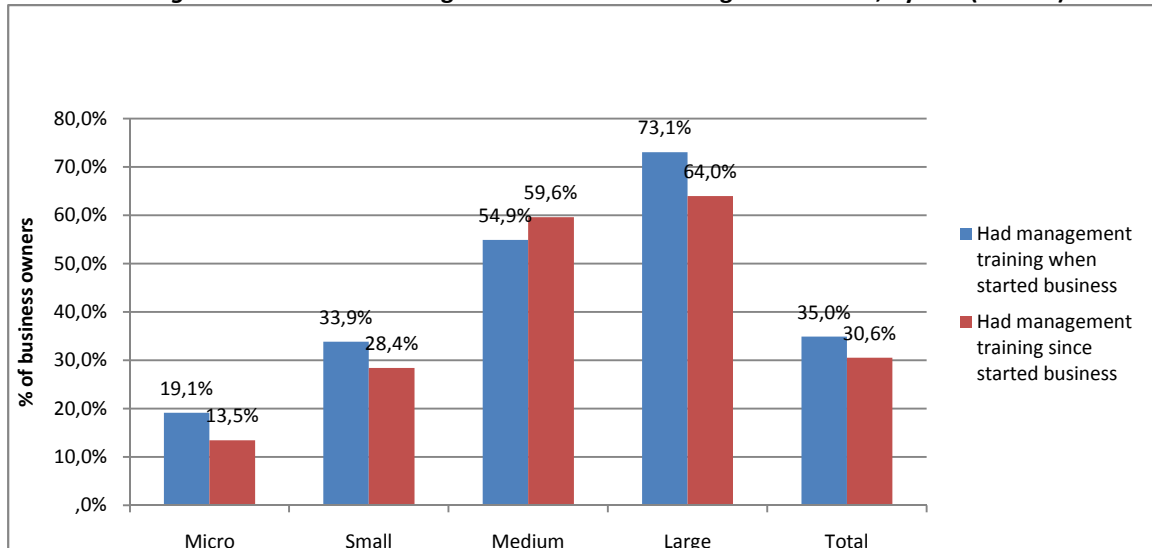
Owners' education by ISIC (*Figure 81*) shows the level of education attained by enterprise leaders in the five largest sectors captured in ES2011. Construction company owners remain the most educated, with nearly half (48.8%) having attained higher education. Slightly over a third of “transportation and storage” sector owners/managers received higher education, followed by “manufacturing” at 32.1%, but a much greater proportion of enterprise leaders in “transportation and storage” (nearly 4 in 10) had received no more than primary school education. Wholesale and retail enterprise owners on average appear to have the least amount of formal education.

Figure 81: Owners' education, by ISIC (ES2011)



The percentage of owners that had received some form of training before they started their business (*Figure 82*) remained around 35% as it has since 2007. Owners that received training after their business opened decreased slightly from 32.9% in 2009 to 30.6% in 2011. With the exception of medium-size enterprises, owners received more training prior to starting their businesses than after the businesses were operating.

Figure 82: Owners' training before and after starting the business, by size (ES2011)

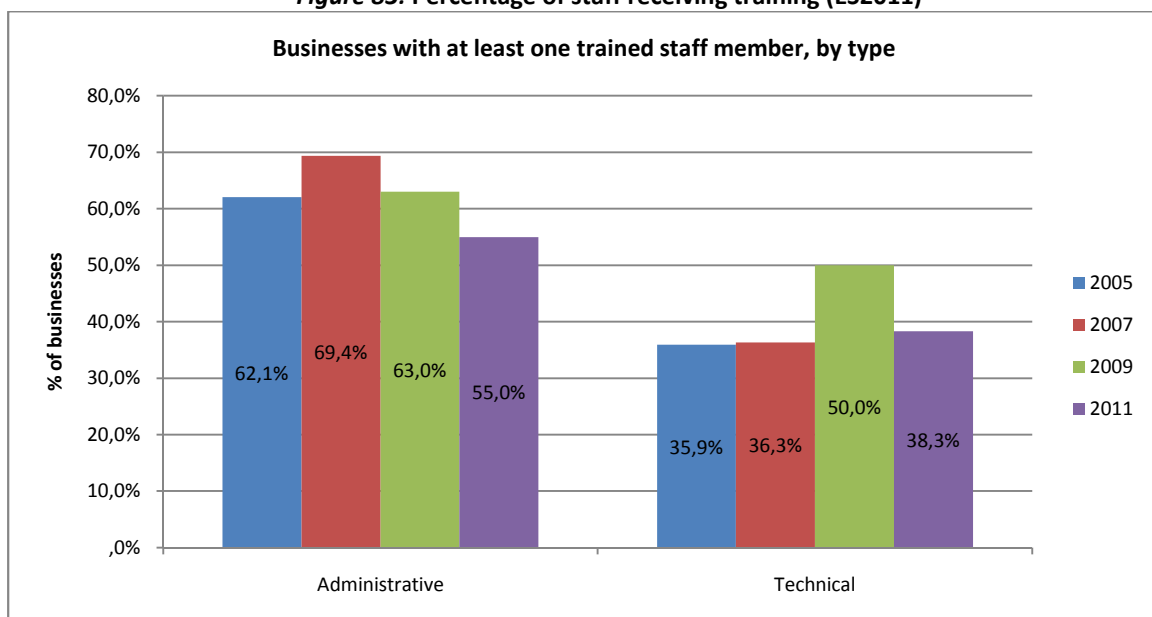


Staff Figures

The results of ES2011 show that 38.3% of the owners/managers of surveyed enterprises say they employ technical staff having received formal technical training. This represents a decrease from 50% reported in ES2009 and is below the indicator target of 50%. However, it still represents an increase over the 35.9% reported in EBS2005.

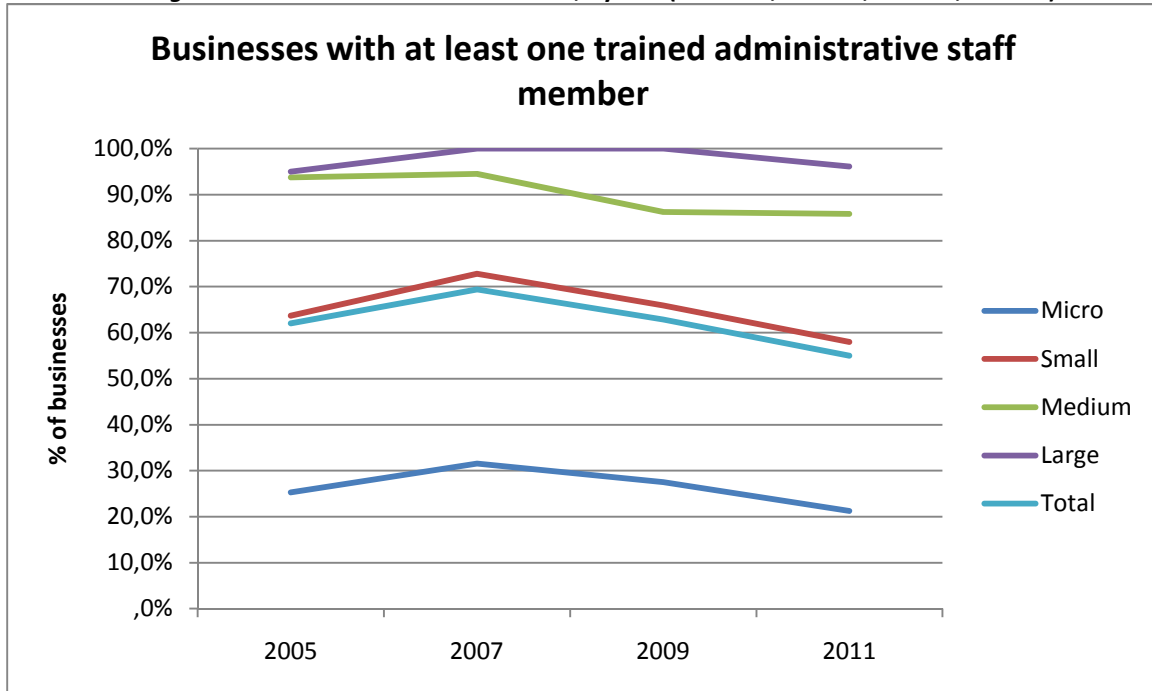
The equivalent figure for formal administrative training is 55% of businesses, also a decrease from 63% in ES2009, and the lowest figure reported across the survey periods.

Figure 83: Percentage of staff receiving training (ES2011)



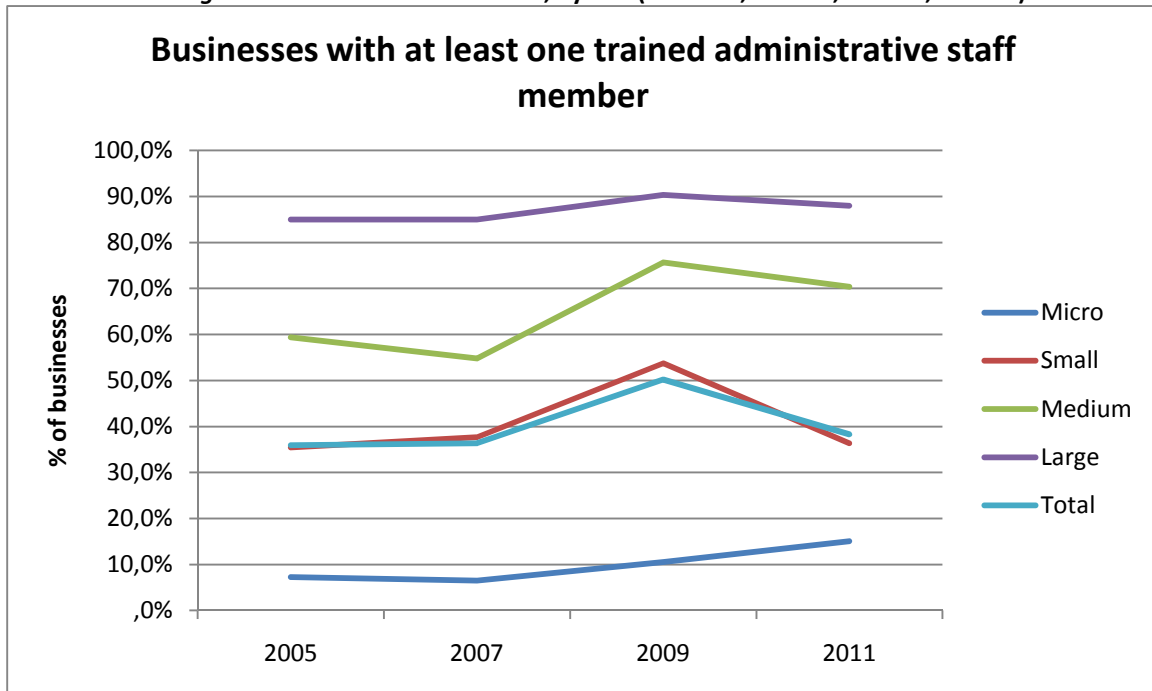
This trend may in part be due to the increase in number of micro-sized enterprises in that year's sample; but since ES2011's sample has only 22 more micro-sized enterprises than ES2009, changing size composition of the survey sample cannot fully account for the year-on-year decline.

Figure 84: Trained administrative staff, by size (EBS2005, ES2007, ES2009, ES2011)



In general, a greater proportion of enterprises employed at least one trained administrative staff than trained technical staff in 2011 (consistent with EBS2005, ES2007 and ES2009).

Figure 85: Trained technical staff, by size (EBS2005, ES2007, ES2009, ES2011)

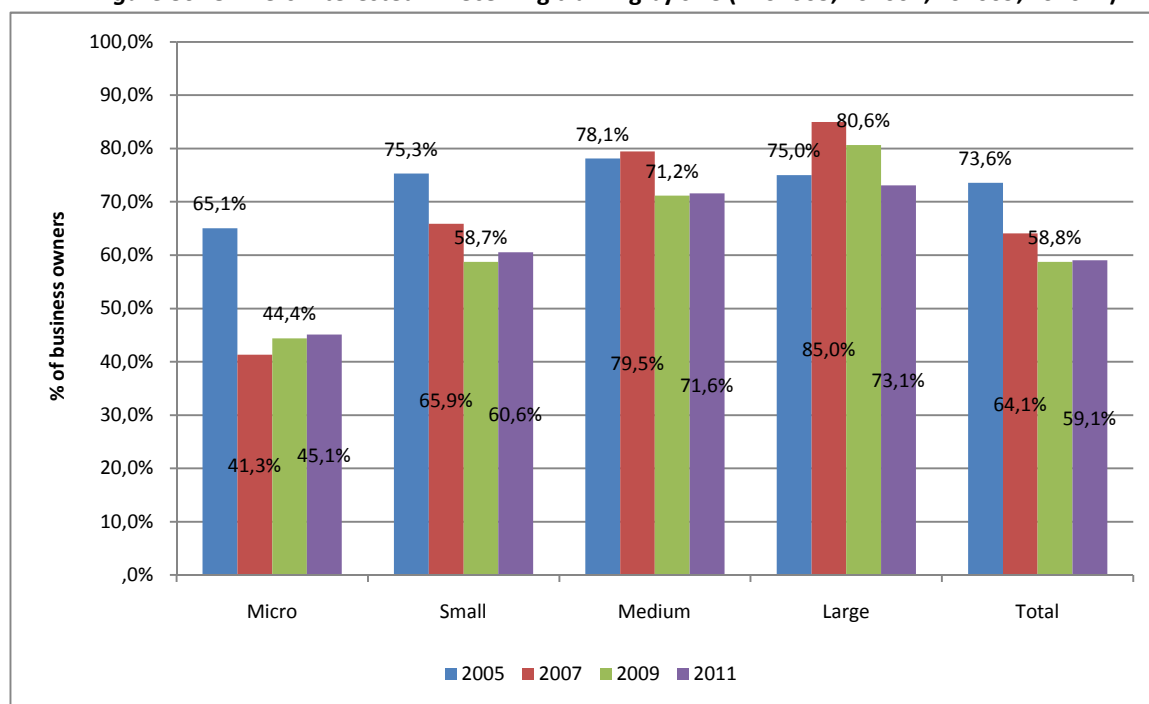


8.5.2. Perceived training needs by Size / Province / Sector

Owners Desire for Business Skill-Building

Enterprise owners/managers were asked whether they want to learn any skills in order to improve their businesses. ES2011 findings show that medium and large-enterprise managers are more interested in building skills than smaller enterprises. With the exception of micro-enterprises, around two-thirds of enterprise owners are interested in learning skills with that figure reaching above 70% for large businesses.

Figure 86: Owners interested in receiving training by size (EBS2005, ES2007, ES2009, ES2011)



Owners' Desire for Staff Training

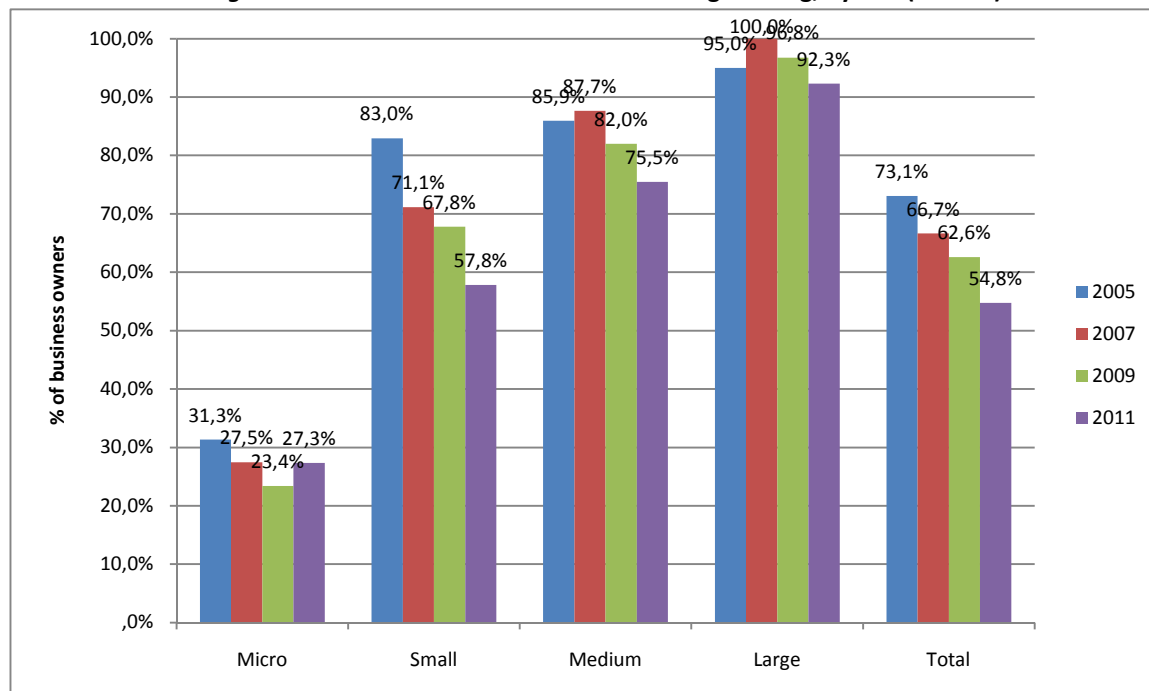
With the exception of micro-sized enterprises, ES2011 recorded the lowest levels of owners interested in receiving training for their staff by enterprise (*Figure 86*) since ES began in 2005 with a 7.8 percentage point decrease since ES2009 and an overall decrease of 18.3 percentage points between EBS2005 (73.1%) and ES2011 (54.8%). This could indicate that owners of enterprises of most sizes are satisfied with the level of training their staff already possess and do not feel that training is necessary during periods of growth or that the quality of training in the past has not met owners' expectations. It could also reflect owners' reluctance to invest in staff training because high labour mobility does not give them adequate time to recoup the investment through higher productivity.

In general and consistent with previous surveys, the larger the enterprise, the more likely the owner is to seek training for him/herself and his/her staff with trends indicating staff training is a higher priority than training for the owner. In this regard, large-size enterprises remain above 90% compared to micro-size enterprises remaining at or below 30% (*Figure 87*).

Larger-size enterprises are also more likely to comprehend the need for trained staff to implement longer-term investment/expansion plans and also have more capital available to provide skill specific training than enterprises of a smaller size.

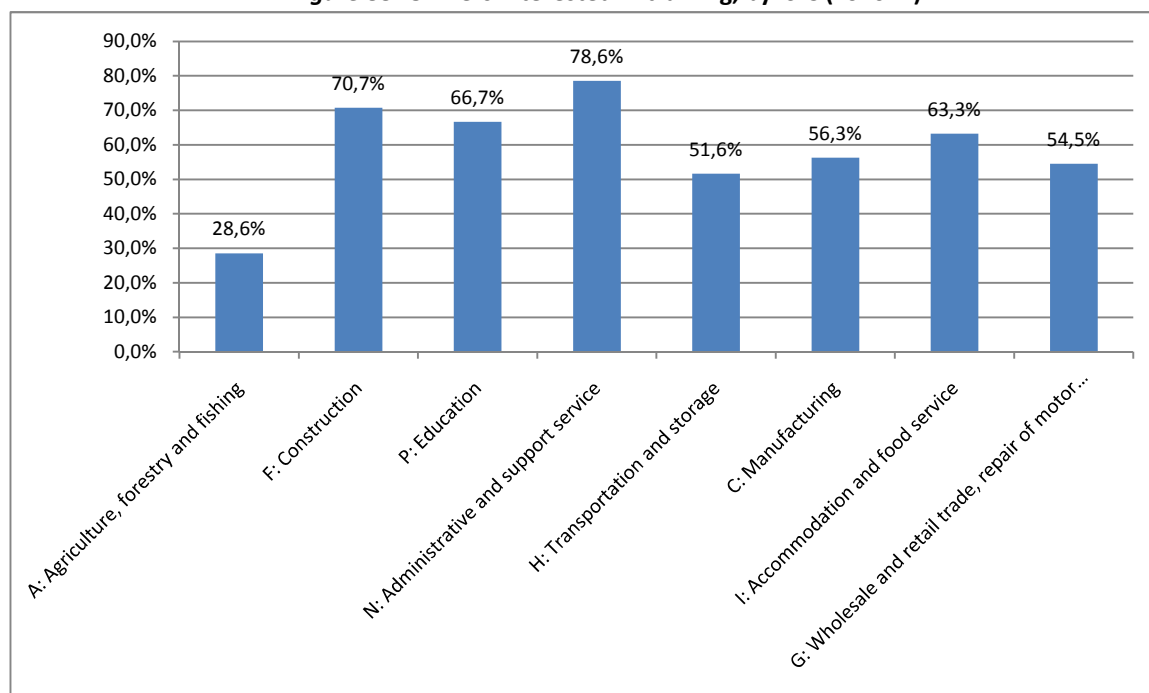
The long term decrease in interest in training could have damaging medium to long term effects, especially since the economy has experienced a decade of sustained growth and is approaching trade integration milestones. It implies a satisfaction with levels of localized growth without preparedness for increased future international competition.

Figure 87: Owners interested in staff receiving training, by size (ES2011)



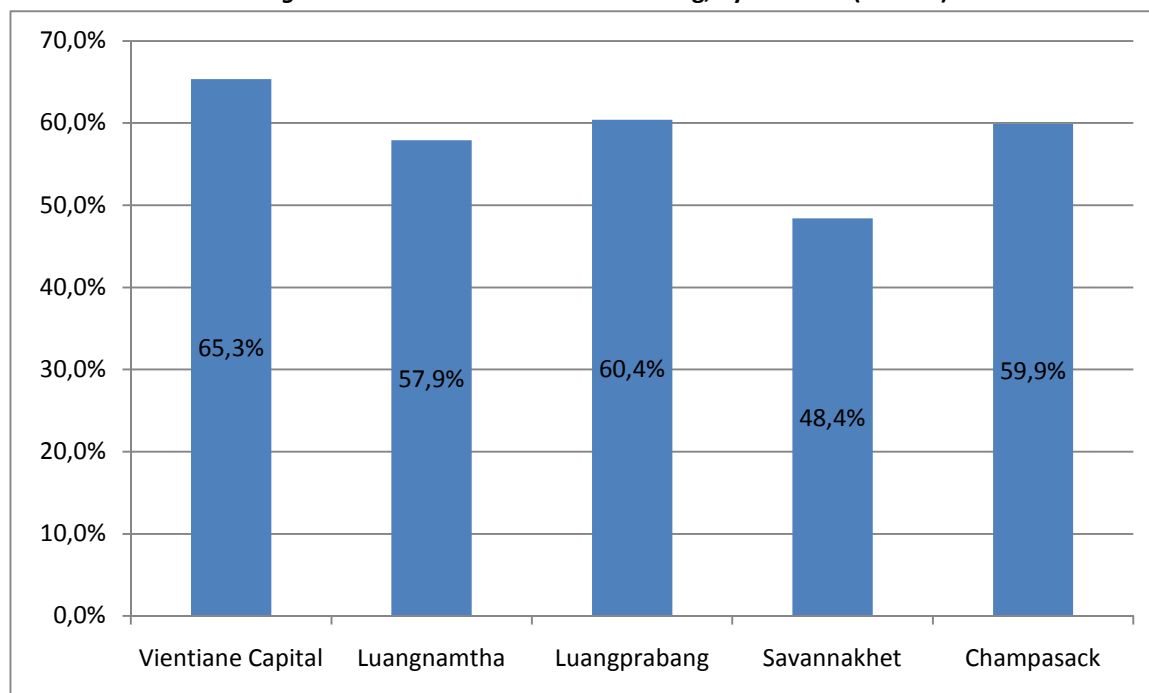
By ISIC (industries with ten or more enterprises), enterprises in Administration and support services (78.6%), Construction (70.7%), and Education (66.7%) had the highest percentage of owners wanting to improve their businesses through learning more skills, which matched the findings of ES2009 (*Figure 88*). Agriculture, forestry and fishing (28.6%) had the lowest percentage of the ISIC categories.

Figure 88: Owners interested in training, by ISIC (ES2011)



Owners interested in training by province (*Figure 89*) were most highly concentrated in Vientiane Capital (65.3%) followed by Luang Prabang (60.4%) and Champasak (59.9%).

Figure 89: Owners interested in training, by Province (ES2011)



In terms of type of skills owners would most like to learn, the top 3 skill sets remain the same for ES2011 as in ES2007 and ES2009 (*Figure 90*). Owners and managers believe marketing management, financial management and business planning are most needed for improving their businesses. Although the top 3 skill sets remain the same, ES2011 revealed a greater percentage spread across all sectors perhaps indicating that owners recognize that a diversity of skill sets are needed for success.

Figure 90: Types of training owners' desire (ES2011)

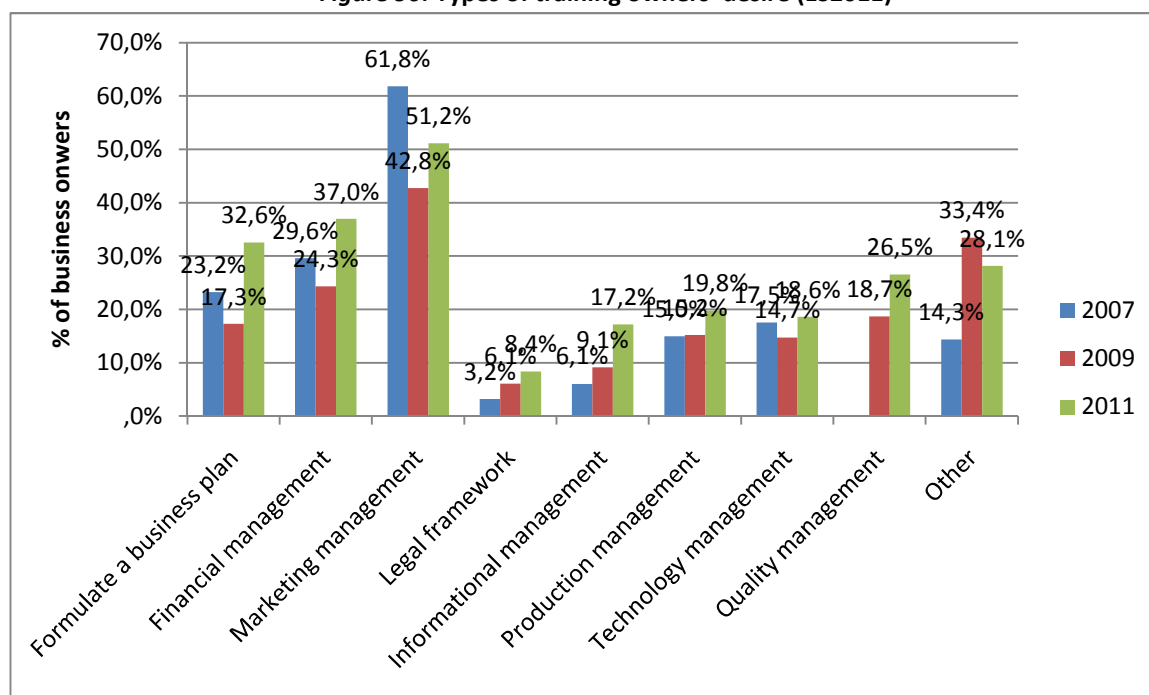
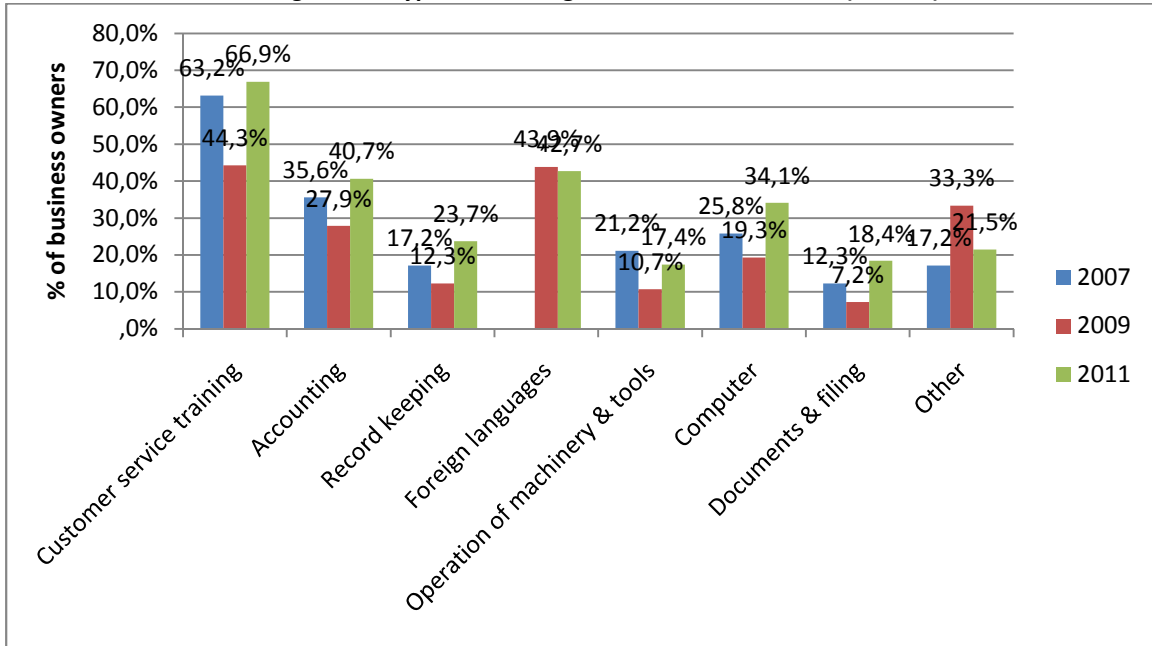


Figure 91: Types of training owners' desire for staff (ES2011)

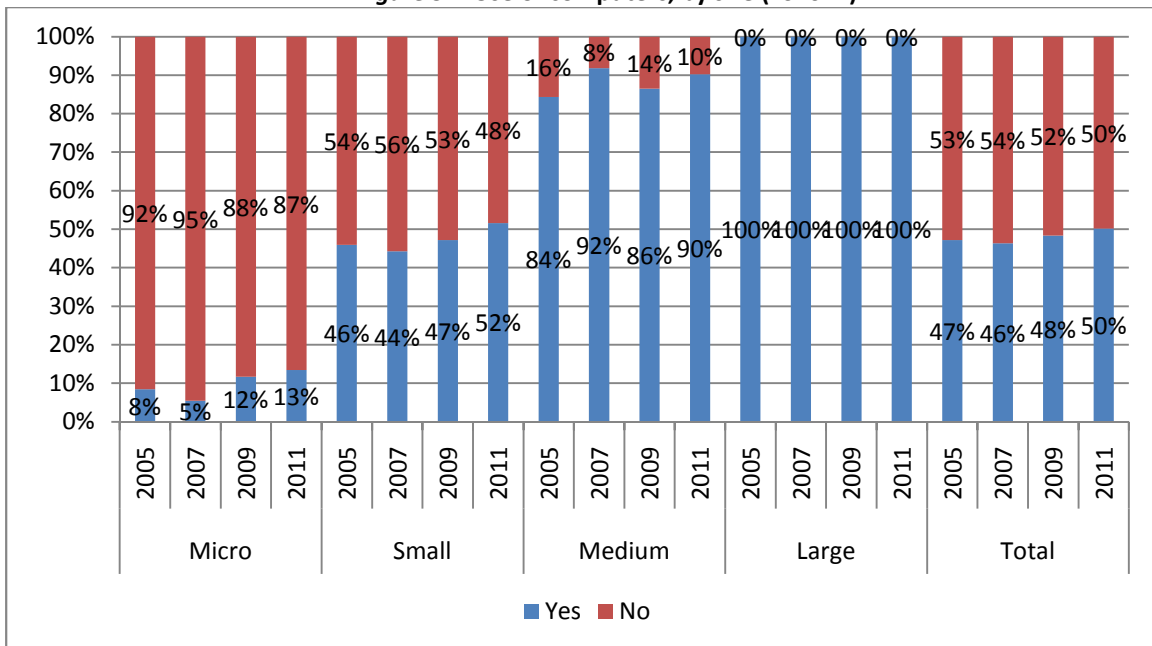


8.5.3. Level of technology used by business by Size/Province / Sector

The level of technology used and the innovation in product as well as production systems are a prerequisite to stay or become competitive in target markets, whether national, regional or international.

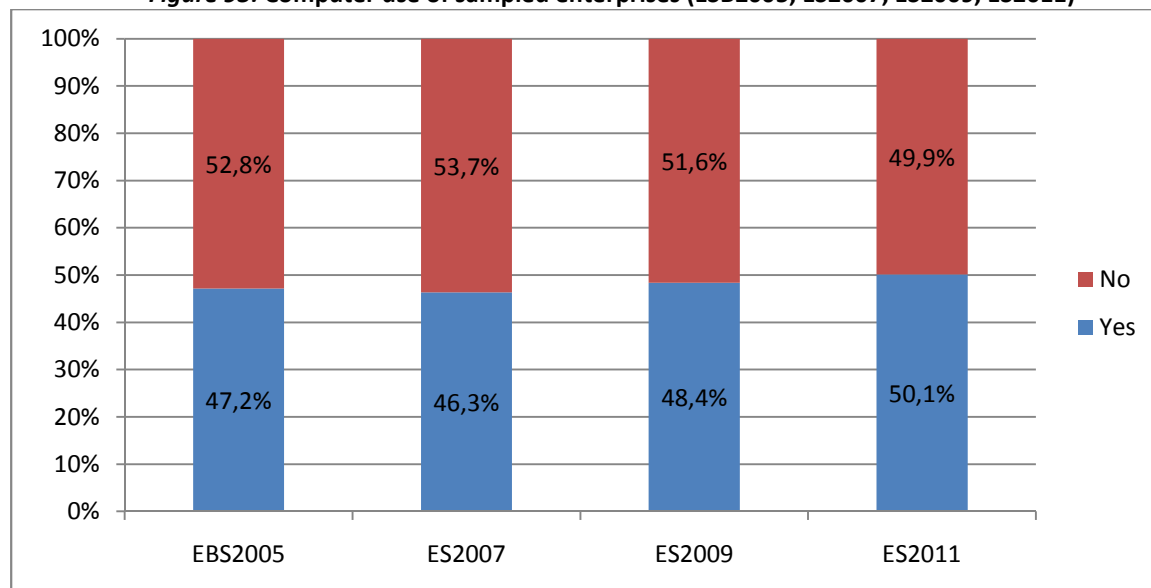
Comparing computer use by enterprise size (Figure 92) reveals the finding that larger businesses are much more likely to use computers. In all survey years, 100% of large-size enterprises have been using computers; nearly 9 in 10 medium-sized enterprises use computers. With small enterprises, that figure drops to around half; and fewer than one in seven micro-enterprises use a computer to conduct business.

Figure 92: Use of computers, by size (ES2011)



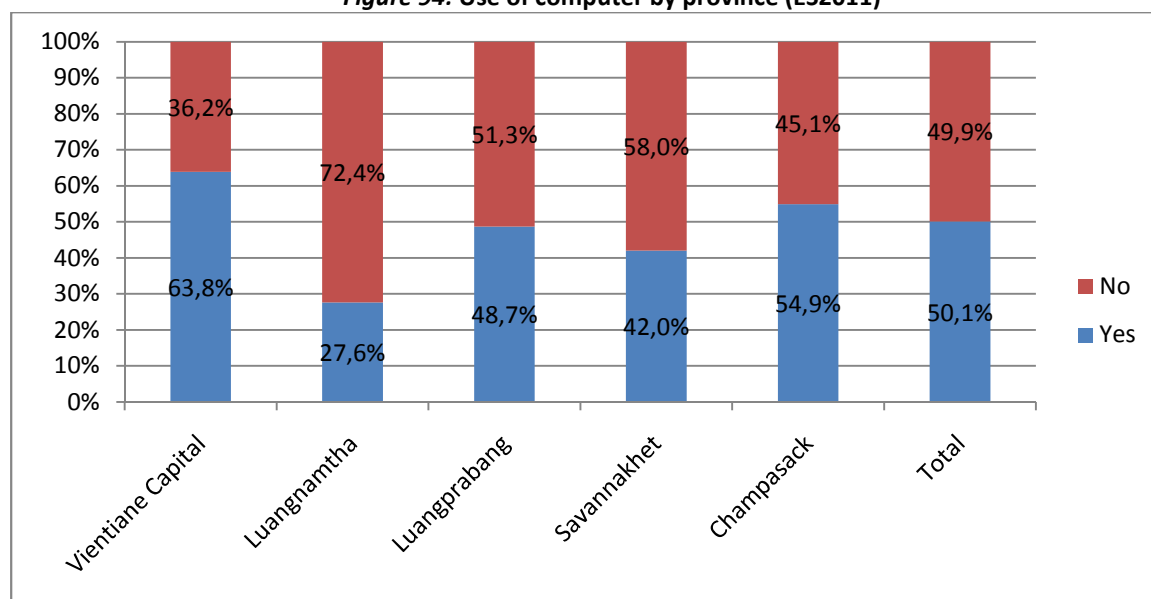
Comparing computer use among sampled enterprises (*Figure 93*) across the four ES surveys shows a small but consistent increase in the aggregate percentage of enterprises using computers. Across all firm size categories in ES2011 (with the exception of large enterprises, where computer was already 100%), computer use rose slightly, albeit by no more than 5% in any category. The largest increase was in small-size enterprises from 47% in 2009 to 52% in 2011; the first time it has risen above 50%. 90% of medium-size enterprises now utilize computers, while fewer than one in seven (13%) of micro enterprises utilize computers.

Figure 93: Computer use of sampled enterprises (ESB2005, ES2007, ES2009, ES2011)



By province, use of computers (*Figure 94*) was highest in Vientiane Capital (63.8%) followed by Champasack (54.9%) and Luang Prabang (48.7%). The lowest use of computers by province was in Luang Namtha (27.6%) and this figure impacted on the national average of 50.1%.

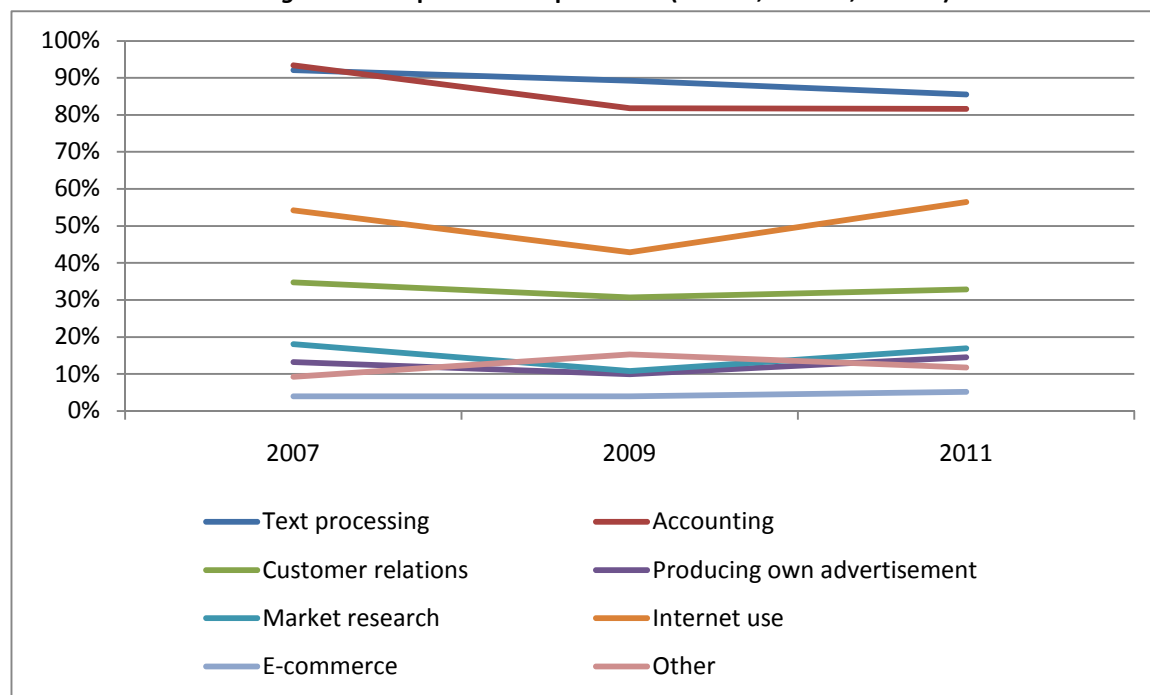
Figure 94: Use of computer by province (ES2011)



In ES2011, the purpose of computer usage (*Figure 95*) remains largely unchanged from ES2007 and ES2009 with “Text processing” (85%), “Accounting” (82%) and “Internet use”

(56%) the leading utilisations. E-commerce has still not established itself as a widespread feature of the business environment with the year-on-year average remaining at just 4%.

Figure 95: Purpose of Computer Use (ES2007, ES2009, ES2011)



8.6. Business Management

The ability to manage an enterprise, to seize opportunities and to overcome challenges posed by changing market trends (in terms of demand, price, quality, innovation, competition, trade regulations, etc.) is critical for business growth. The SME development strategy assigns great importance to the development of entrepreneurship and management skills in order to promote SME development as part of the national economy.

Decisions to invest in innovation, to scale up production, to improve productivity or to enhance product quality, for instance, require adequate business management and analytic ability. Apart from the relevant training, education and experience of owners or managers, a supportive enabling environment and organisations that can play an advisory role also facilitate these decisions.

The indicators captured by the ES2011 relate to the following:

- Use of BDS
- Membership of/participation in BMO
- Accounting Systems & Mode of tax payment

8.6.1. Use of Business Development Services (BDS)

ES2011 findings illustrate that enterprises' use of BDS (defined as "consultancy/recommendation for the development of your business") has continued at similar levels to those recorded in ES2009. Depending on enterprise size, the use of BDS in ES2011 ranged between 71% and 77% of the sample and on the margin increased in proportion to firm size category. 71.2% of micro-sized enterprises (116 out of 163), 74.4% of small-sized enterprises (323 out of 434), 75.2% of medium-sized enterprises (76 out of 101)

and 76.9% of large-sized enterprises (20 out of 26) had used BDS to develop their business. The average use of BDS across all enterprises in the panel was 73.9%.

Figure 96: Use of business development services (ESB2005, ES2007, ES2009, ES2011)

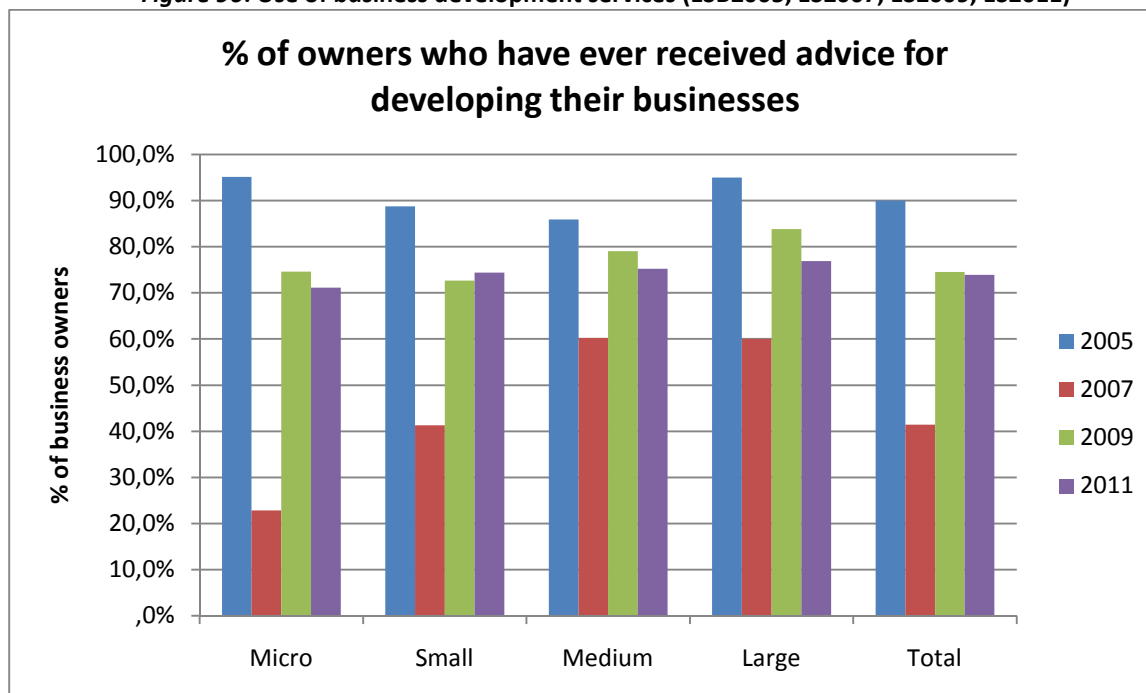
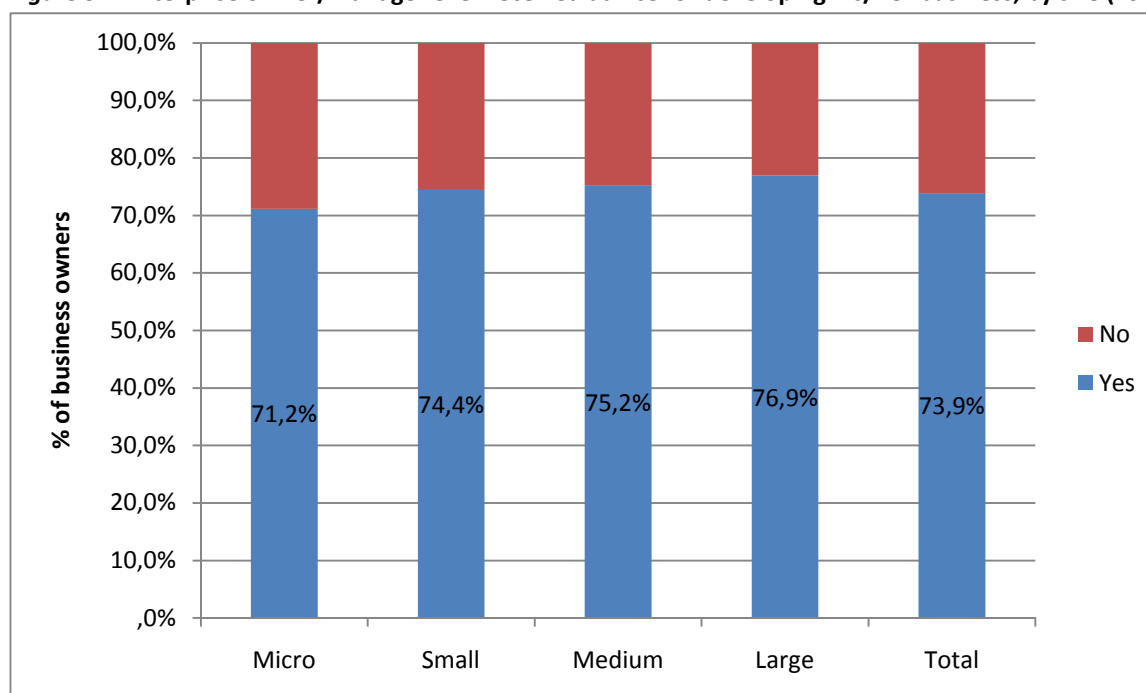
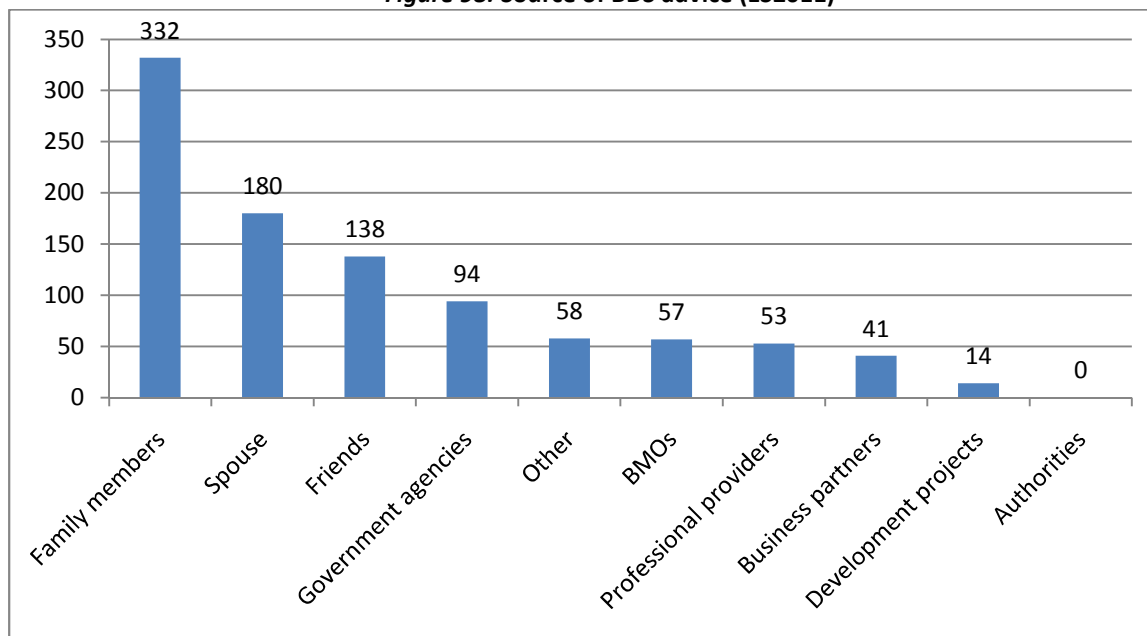


Figure 97: Enterprise owner/manager ever received advice for developing his/her business, by size (ES2011)



From a policy perspective the challenge remains to ensure that BDS offerings are accessible and of high quality. Most firms rely on receiving advice from informal sources such as family members and friends (*Figure 98*), while more formal sources of advice including BMOs, professional providers, government agencies and development projects still rank among the least used sources in the sample. While the data show entrepreneurs understand the need for BDS, the advice is of uncertain quality.

Figure 98: Source of BDS advice (ES2011)

7.9% of enterprises surveyed received BDS from BMOs and 13.0% from government and public services, totalling 20.9%, up 1.9 percentage points from 2009. The HRDME target set in EBS2005 – to increase the percentage of owners/managers receiving business services from public organisations or business associations to 20% – was therefore met by 0.9% in ES2011. Despite meeting the target, further research is needed to determine why there was a drop in enterprises receiving BDS from BMOs since ES2007 (34.0%).

8.6.2. Participation in Business Membership Organisations (BMOs)

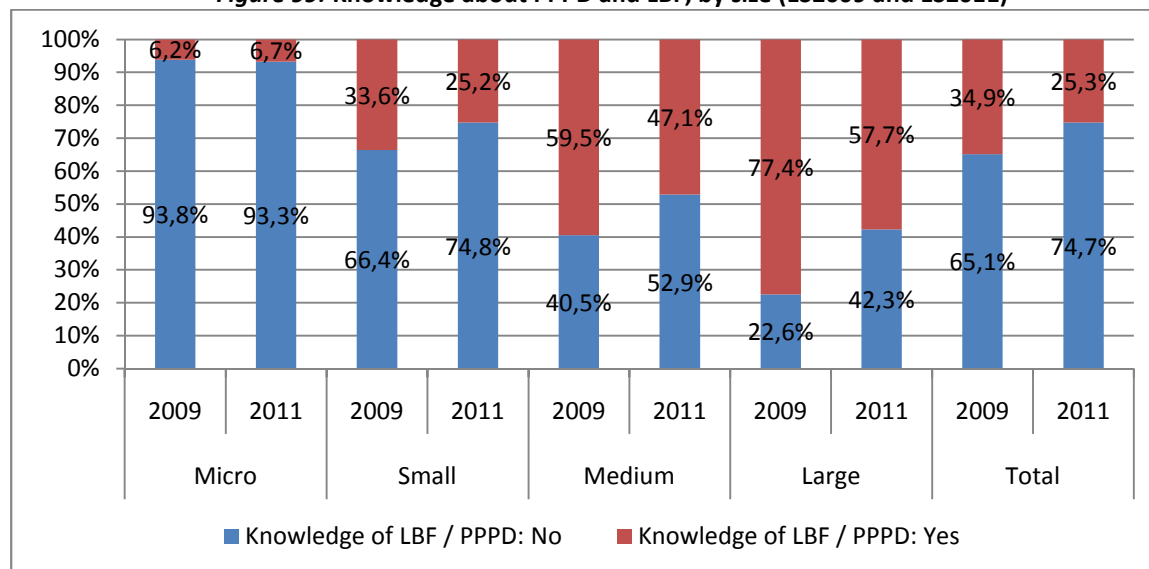
The participation of enterprises in Business Membership Organisations (BMO) reflects the endeavour by enterprise owners or managers to actively influence their business environment. Thus the questions about participation in either of the BMOs included in the survey gives an indication of the quality of the management. Two were included, the provincial-level public-private dialogue, and the national-level Lao Business Forum.

The Lao-German HRDME initiative supports the introduction and institutionalisation of provincial public-private dialogue (PPPD) fora in the two selected programme areas Luang Prabang and Champasak provinces. PPPDs allow for transparent communication channels among and between the private and the public sectors. In this dialogue process, the public and the private sector jointly identify and solve issues at the provincial level that constrain the setting up and running of businesses, with the ultimate goal of ensuring broad-based economic growth. Any issue that cannot be solved on the provincial level are then to be transferred for the consideration of decision makers at national level and discussed at public-private dialogue for a on the national level, such as the Lao Business Forum.

In ES2011, 25.3% of enterprises surveyed were aware of PPPD and LBF, a significant 9.6 percentage point drop compared to 34.9% in ES2009 and this decrease was also observed across enterprise sizes. By enterprise size, the larger the enterprise the more likely it is to have knowledge about PPPD/LBF. 57.7% of large-sized enterprises, 47.1% of medium-sized enterprises, 25.2% of small-sized enterprises and 6.7 % of micro-sized enterprises were aware of PPPD and LBF (compared to 77%, 50%, 33%, and 6% respectively in ES2009). In

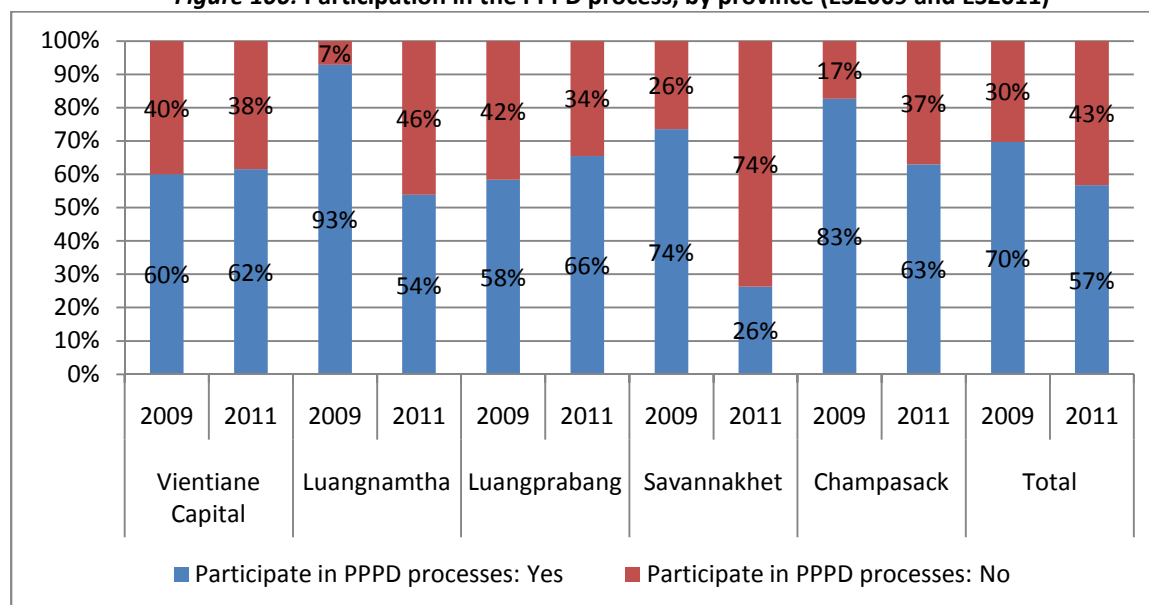
ES2011, micro-sized enterprises were the only ones that experienced increased awareness, though this increase was marginal.

Figure 99: Knowledge about PPPD and LBF, by size (ES2009 and ES2011)



In terms of participation by province (Figure 100), ES2011 saw significant decreases in many areas compared to ES2009. Participation in the PPPD process appears to fluctuate considerably between provinces year on year. Luang Namtha experienced a 39 percentage point decrease from ES2009 (93%) to ES2011 (54%), Savannakhet experienced a 48 percentage point decrease from ES2009 (74%) to ES2011 (26%) and Champasack experienced a 20 percentage point decrease from ES2009 (83%) to ES2011 (63%). Policy makers should consider the key drivers behind these swings to ensure the ultimate sustainability of the PPPD, particularly in provinces with large rural populations such as Luang Namtha or where there is less business engagement. These figures perhaps indicate that the PPPD process is not yet well enough understood or established to maintain consistent participation across enterprise size and geographic area.

Figure 100: Participation in the PPPD process, by province (ES2009 and ES2011)

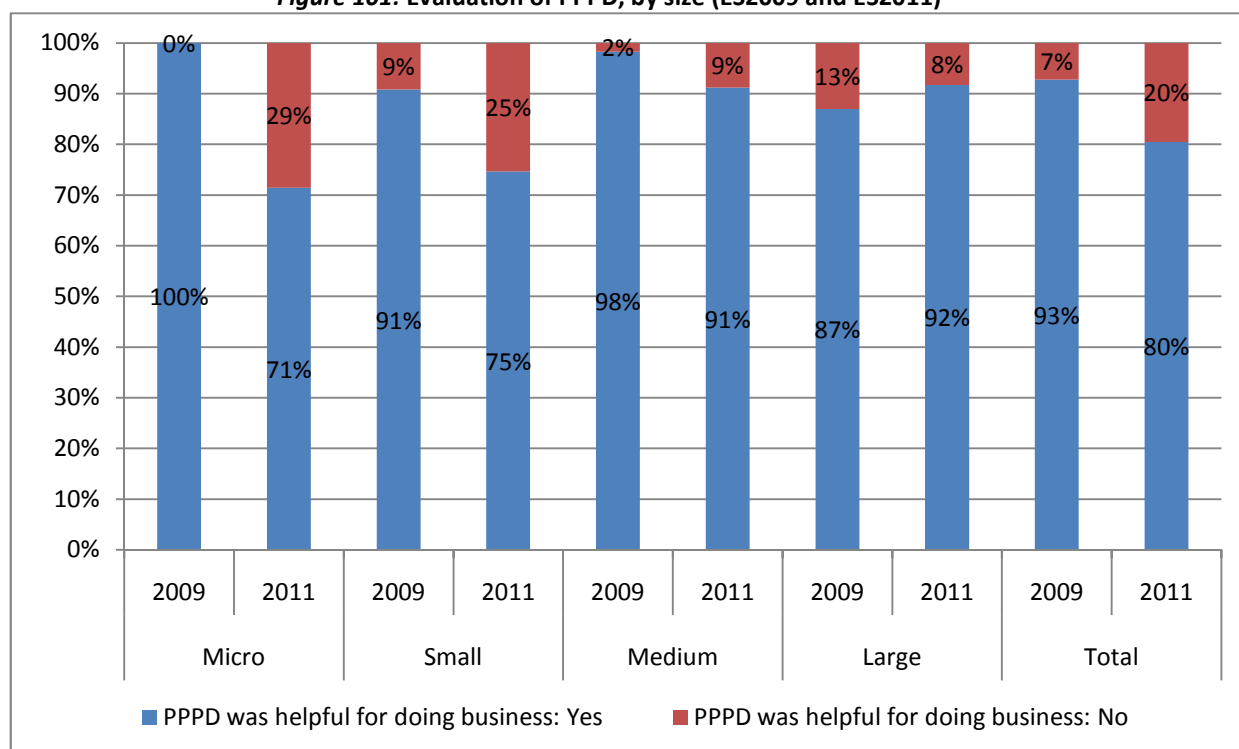


Despite fluctuations in participation, the evaluation of PPPD by participants reveals that 80% of participating enterprises consider PPPD to have a positive effect on their ability to improve their businesses (Figure 101). Yet this figure belies some troubling findings:

- Overall, positive evaluation by enterprise size fell by 13 percentage points between ES2009 (93%) and ES2011 (80%).
- The largest decline of 29 percentage points came in micro-sized enterprises (100% in ES2009 vs. 71% in ES2011) with small-sized enterprises recording a 16-percentage point drop (91% in ES2009 vs. 75% in ES2011).
- The drop was less pronounced in medium-sized enterprises (98% in 2009 vs. 91% in ES2011), while large-sized enterprises saw a 5-percentage point increase (87% in ES2009 vs. 92% in ES2011).

In conclusion, participating enterprises still give the PPPD process high marks; however, there is lower overall participation among the firms in the sample as well as a growing number of participating firms that feel the PPPD process was not helpful compared to 2009. These underlying trends indicate that policy makers and private sector representatives should reconsider how to engage more firms and improve the quality and effectiveness of the PPPD process.

Figure 101: Evaluation of PPPD, by size (ES2009 and ES2011)



8.6.3. Accounting System & Mode of Tax Payment

Provinces with higher levels of human development—a useful though imperfect proxy for institutional development and management capacity—are generally more likely to utilize the formal tax system rather than a negotiated lump sum tax, though all provinces remain below 50% (Figure 102). Vientiane-based firms from the sample have the highest percentage of formal accounting system payments at 49%, followed by Champasak at 47%.

Luang Namtha has the lowest level of formal tax payment at just 12%, given the predominance of smaller firms and the level of institutional development in that region.

Figure 102: Correlation between provincial HDI and use of formal accounting system (ES2011)

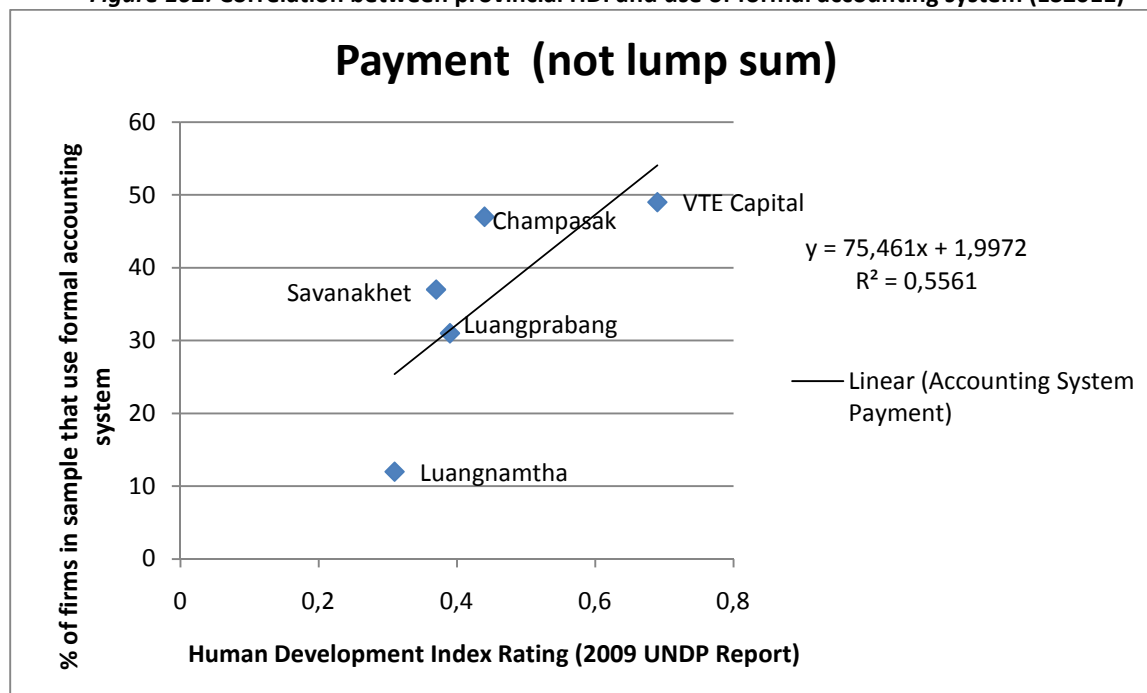
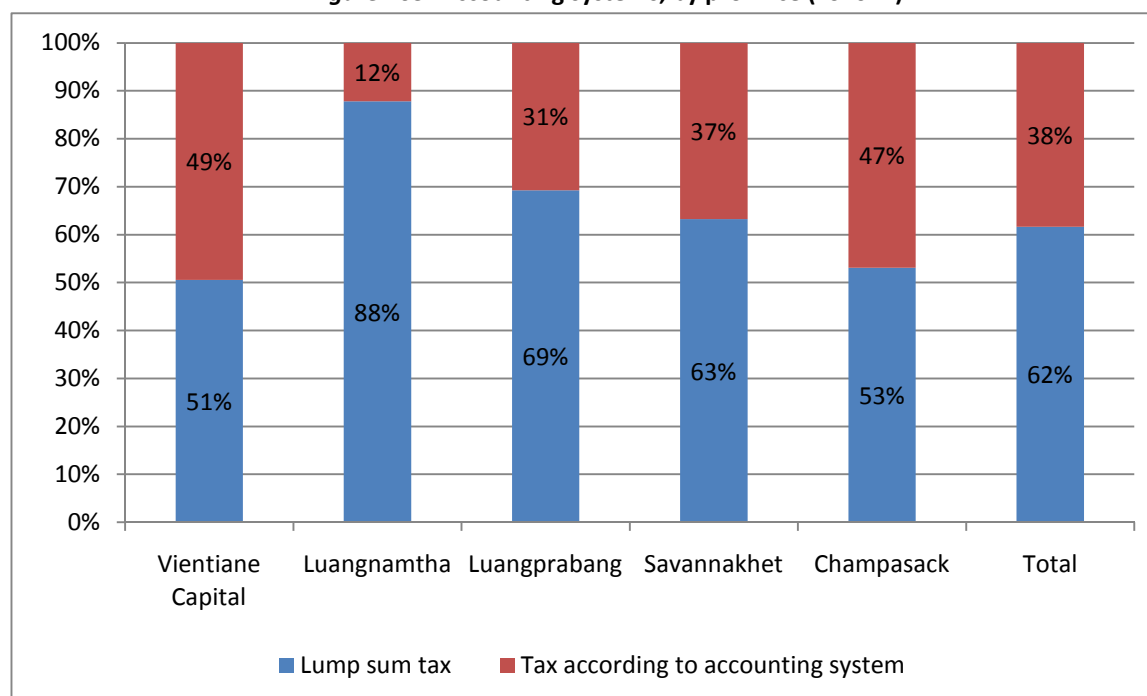
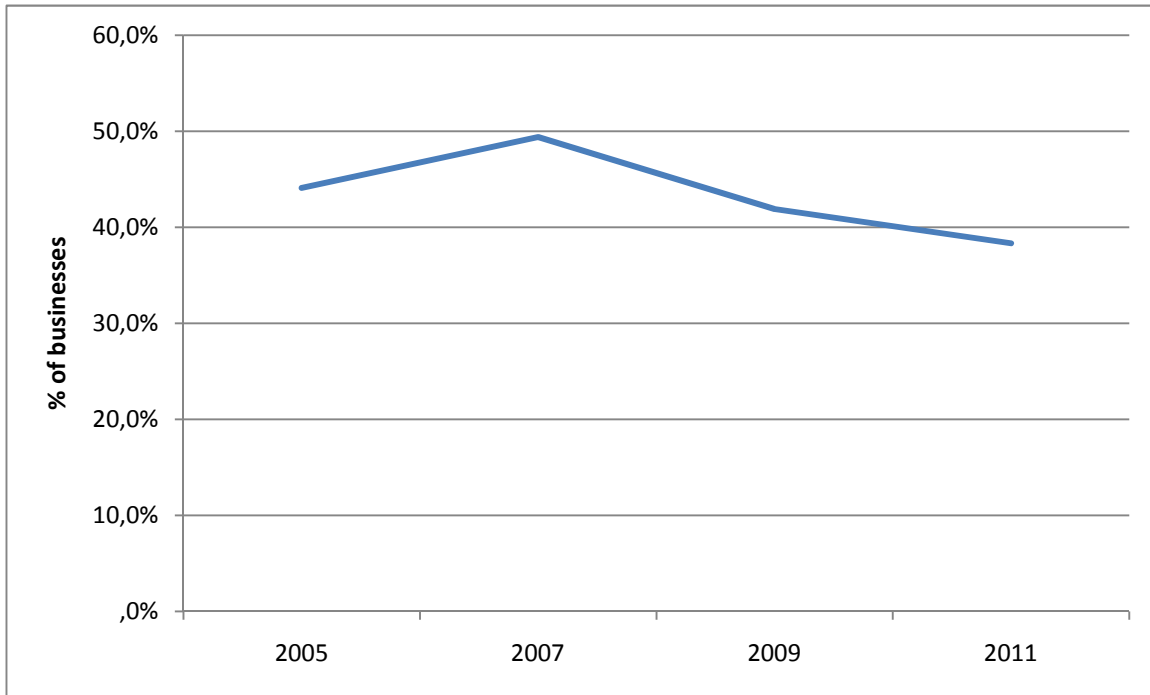


Figure 103: Accounting systems, by province (ES2011)



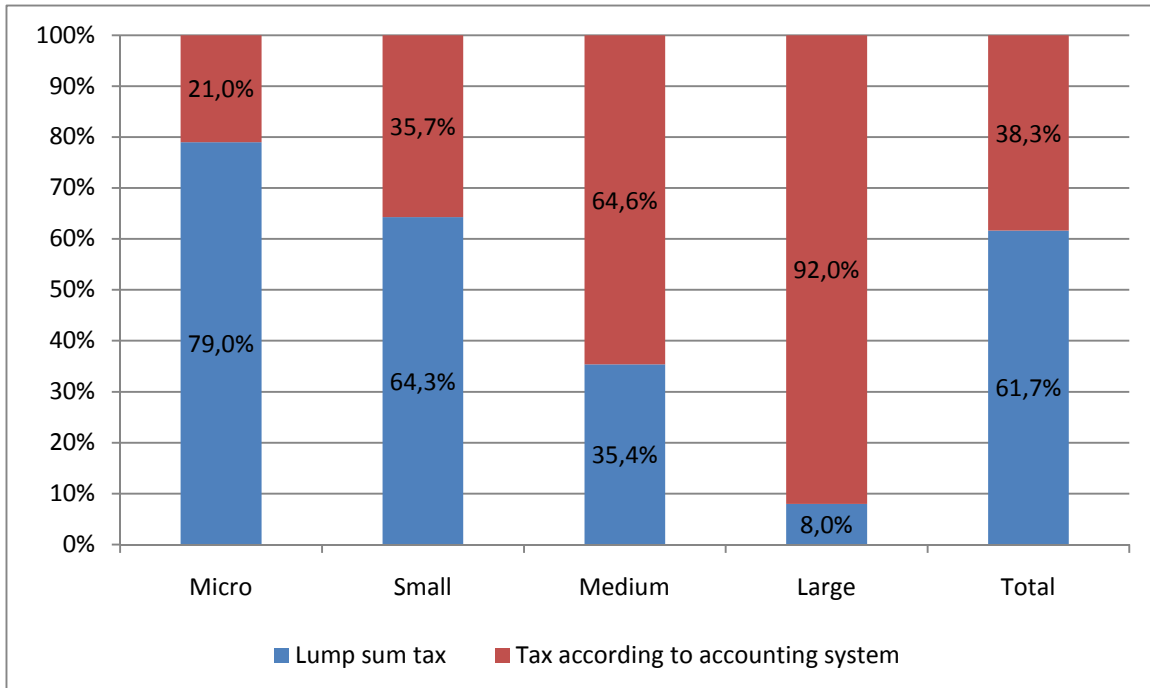
ES2011 found that only 38.3% of businesses paid taxes by using formal book keeping systems, a 3.8 percentage point decrease compared to 2009 (41.9%) and an overall drop of 5.8 percentage points since 2005 when 44.1% of businesses paid taxes calculated through book keeping (*Figure 104*). This finding indicates that within the sample there is a movement towards informal taxation structures, which could be somewhat driven by the increase in micro and small enterprises.

Figure 104: Accounting systems - % of businesses paying tax with bookkeeping (ESB2005, ES2007, ES2009, ES2011)



Not surprisingly, the larger the business, the more likely it is to pay taxes using a formal accounting system rather than a lump sum payment. The majority of micro-sized enterprises pay a non-accounted lump sum tax (79%), while the majority of large-sized enterprises in the sample use accounting systems to pay tax (92%). Small and medium sized firms have mixed results: small-sized enterprises paid 64.3% lump sum whereas just 35.4% of medium-sized enterprises negotiate a lump sum payment.

Figure 105: Accounting systems, by size (ES2011)



There has also been a continuous decline in the number of businesses in our sample that use book keeping methods to calculate their tax payments. ES2011 revealed only 38.3% of

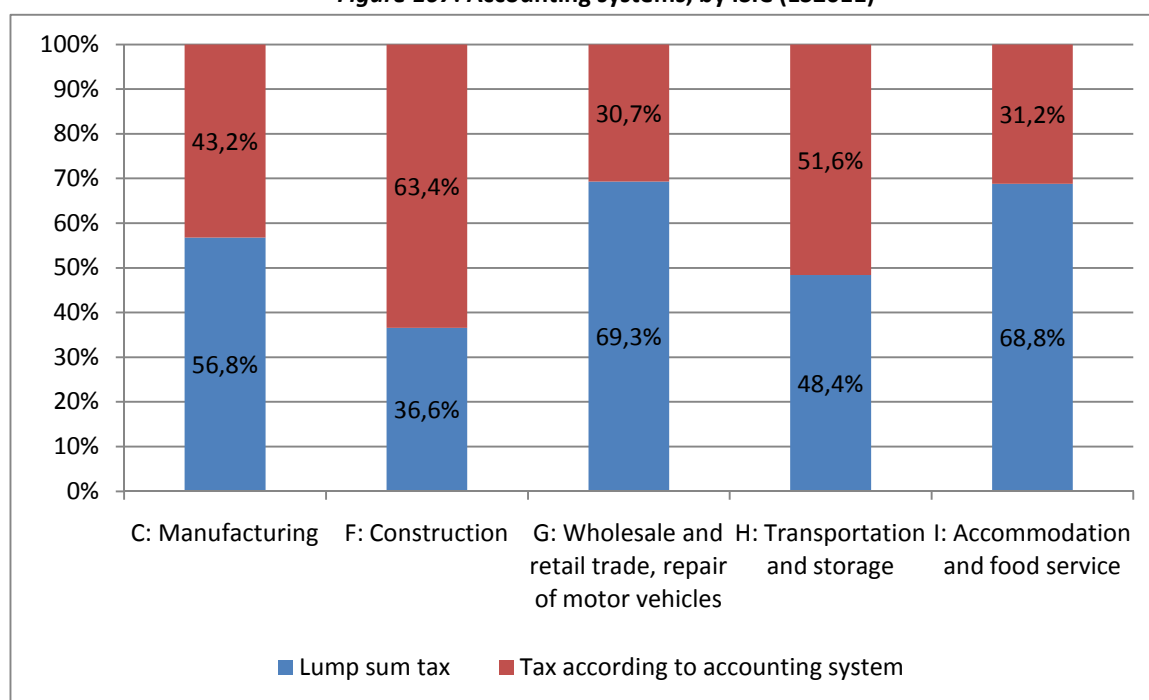
businesses use book keeping to calculate their tax payments compared to 41.9% in ES2009, 49.6% in ES2007 and 53.1% in EBS2005 (*Figure 106*).

Figure 106: Accounting systems and tax payments (ESB2005, ES2007, ES2009, ES2011)



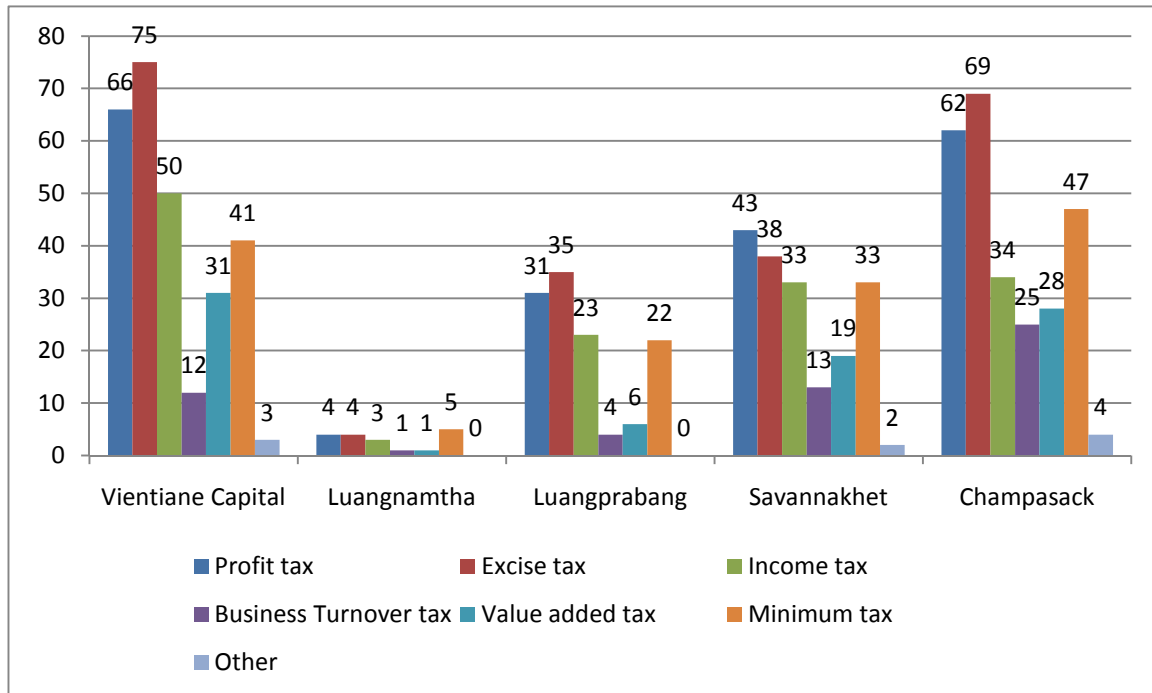
ES2011 analysis of book keeping use by ISIC (*Figure 107*) illustrates that “Construction” (63.4%), “Transportation and storage” (51.6%) and “Manufacturing” (43.2%) are the top three sectors that employ bookkeeping. “Wholesale and retail trade and repair of motor vehicles” (30.7%) and “Accommodation and food services” (31.2%) used bookkeeping to calculate tax payments the least.

Figure 107: Accounting systems, by ISIC (ES2011)



Enterprise owners by province were also asked what kind of taxes they paid (*Figure 108*). In keeping with the findings generated by province and in line with the findings of ES2009, Vientiane, Champasak and Savannakhet paid the most wide-ranging types of taxes. Excise tax and profit tax are the most cited types of tax payments, followed by income tax and minimum tax.

Figure 108: Chart kind of taxes (ES2011)



8.7. Regulatory Framework

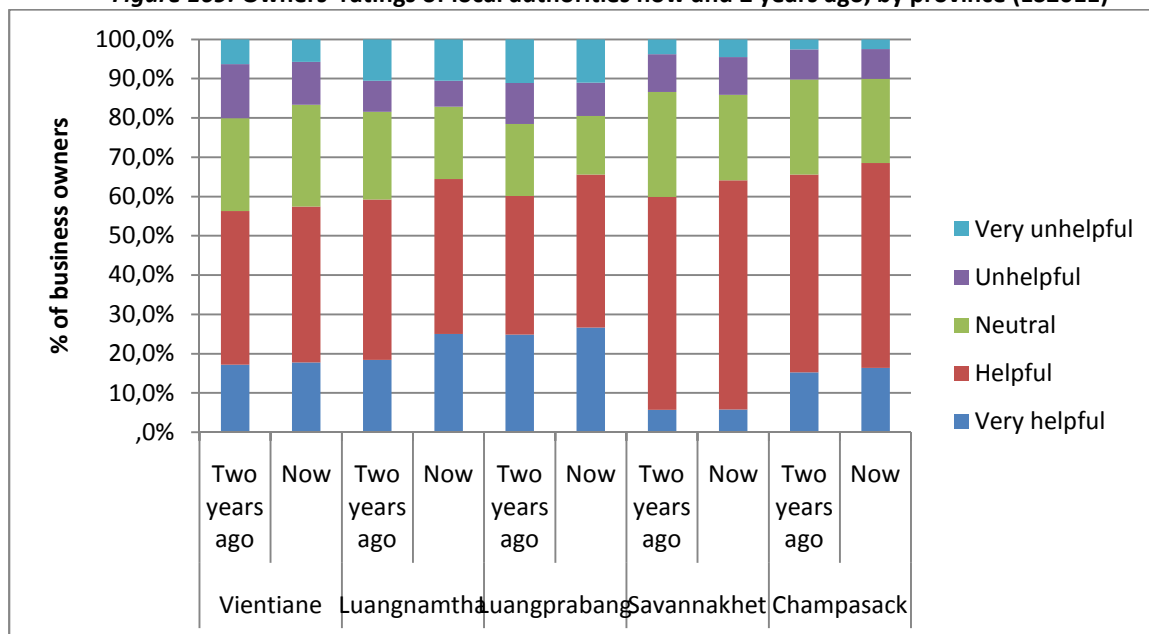
This subsection briefly describes the ES2011 sample with respect to the following three areas:

- Current Rating of Local Government Service
- Current Rating of Central Government Service
- Time Required for Business Registration
- Documents Required for Business Registration

8.7.1. Rating Local Government Service by Province/Size

By province, owners rate authorities now as performing better than two years ago. With the exception of enterprises in Luang Prabang, firms reported that authorities were “very helpful” or “helpful” at a rate 2-4 percentage points higher than two years ago. Interestingly, Vientiane Capital ranked last for both responses—a potential area for future research. In total, 63.8% of firms from the sample reported local authorities as being “helpful” or “very helpful” this year, compared to 60.2% two years ago.

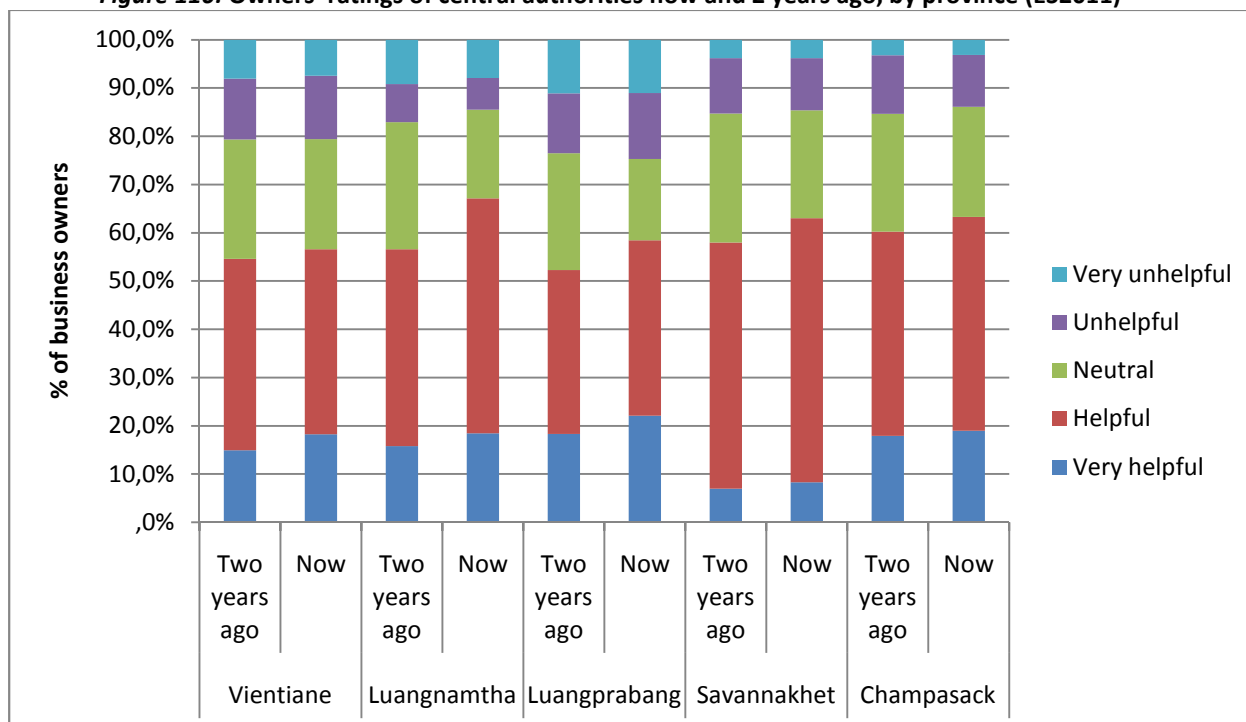
Figure 109: Owners' ratings of local authorities now and 2 years ago, by province (ES2011)



8.7.2. Rating Central Government Service by Province

In relation to owners' ratings of central government services by province, similar findings were noted as with local government services, but with even greater positive improvements on the margin. With the exception of Vientiane Capital, every province noted improvements, which ranged from 2-8 percentage points. On aggregate, 61% of firms from the sample reported local authorities being "helpful" or "very helpful" compared to 56.3% of firms rating "helpful" or "very helpful" two years ago, a difference of 4.7 percentage points.

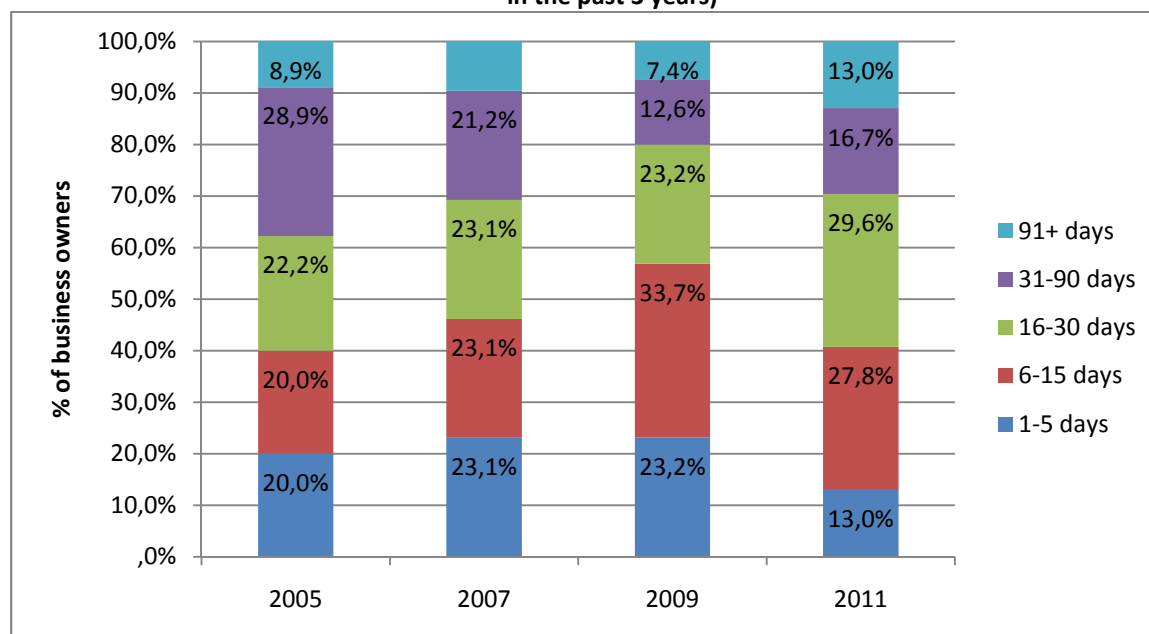
Figure 110: Owners' ratings of central authorities now and 2 years ago, by province (ES2011)



8.7.3. Time Required for Business Registration by Size

The results of ES2011 show an increase in the time required for business registration over previous years. More businesses report taking 91 or more days to register (the longest category), and fewer report taking 1-5 days to register (the shortest category) than in any previous survey period. Nearly every time category deteriorated in 2011, with a greater proportion of business in the longer categories and fewer in the shorter categories than ES2009, as seen below in Figure 111.

Figure 111: Time required for business registration (owner-reported registration times of businesses started in the past 3 years)



In ES2011 70.4% of all business registrations were completed within 1 month (30 days). This represents a 10.3 percentage point decrease from ES2009 (though a slight increase from EBS2005 and ES2007). Only 13% of business registrations were processed in 1-5 days, the lowest level since 2005 and a 10.2 percentage point decrease from ES2009. Likewise, in ES2011 13% of business registrations were processed in over 90 days, the highest level since 2005.

Analysis of the time required for registration, after disaggregating by business size (*Figure 112*) clearly shows that the increase in average time to register a new business in ES2011 was driven by a large decrease in the percentage of micro-enterprises that took 1-5 days to register. In ES2009, 63% of surveyed micro enterprises registered in only 1-5 days; in ES2011, that share fell to less than 20%, while the share taking over 90 days to register more than doubled from 4% to 10% over the same period. For small businesses in ES2011 there was also a noticeable increase in registrations that took over 90 days, increasing to 16% from 9% in ES2009.

Despite the aggregate slowdown in the speed of business registration for firms in the sample, large enterprises have fared well. 100% of large business registrations processed in 1-30 days, compared to 2007 when just 50% of business registrations were processed in that timeframe. Similarly, in 2011 71% of all medium sized business registrations processed between 1-30 days, whereas in 2007 just 65% of registrations were completed in 30 days or less. For micro enterprises the time required to register appears to be far less predictable for entrepreneurs over the survey's time horizon. For instance, 92% of micro enterprises

were registered in 1-30 days in 2009, whereas in 2011 just 50% of micro firms from the sample were registered in that timeframe.

The sample sizes for medium and large businesses are small enough that observed shifts in registration time do not greatly impact the overall picture. Given that not all enterprises in the ES2009 sample are represented in ES2011, and that the ES2011 results for micro-enterprises more closely resemble those of other enterprise sizes, one logical explanation would be that micro-enterprises are starting to follow a business registration process similar to that of other enterprises, or that existing regulations are being applied more consistently.

Figure 112: Time required for business registration by enterprise size (ES2009 and ES2011)

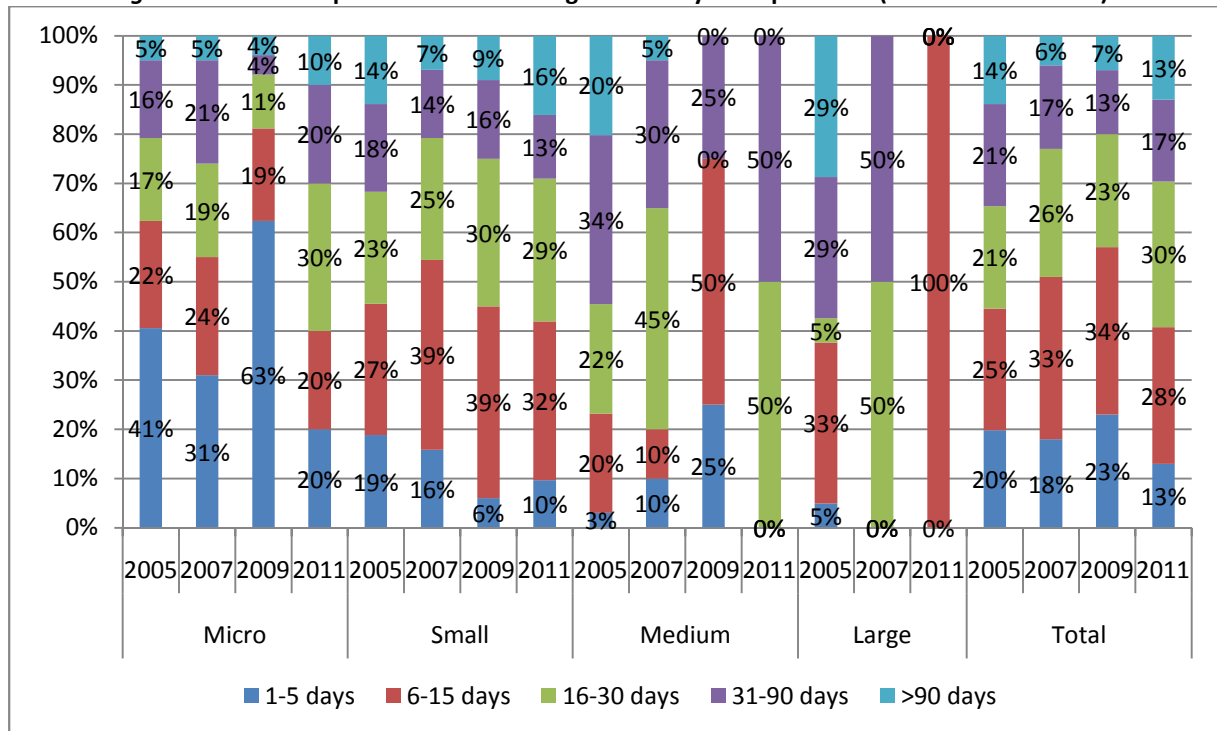
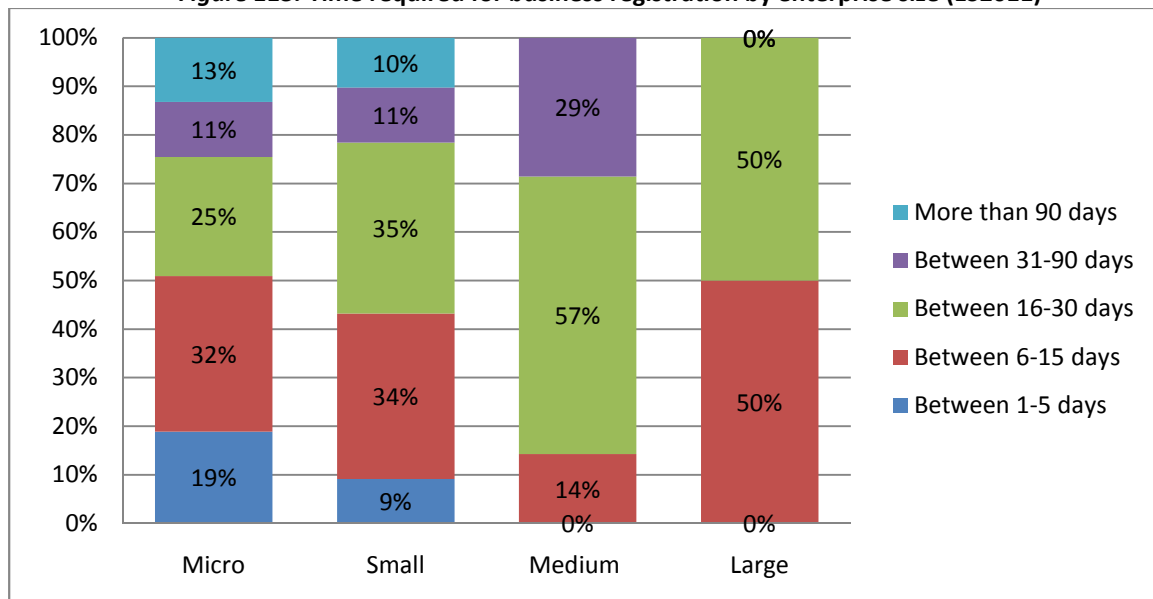


Figure 113: Time required for business registration by enterprise size (ES2011)

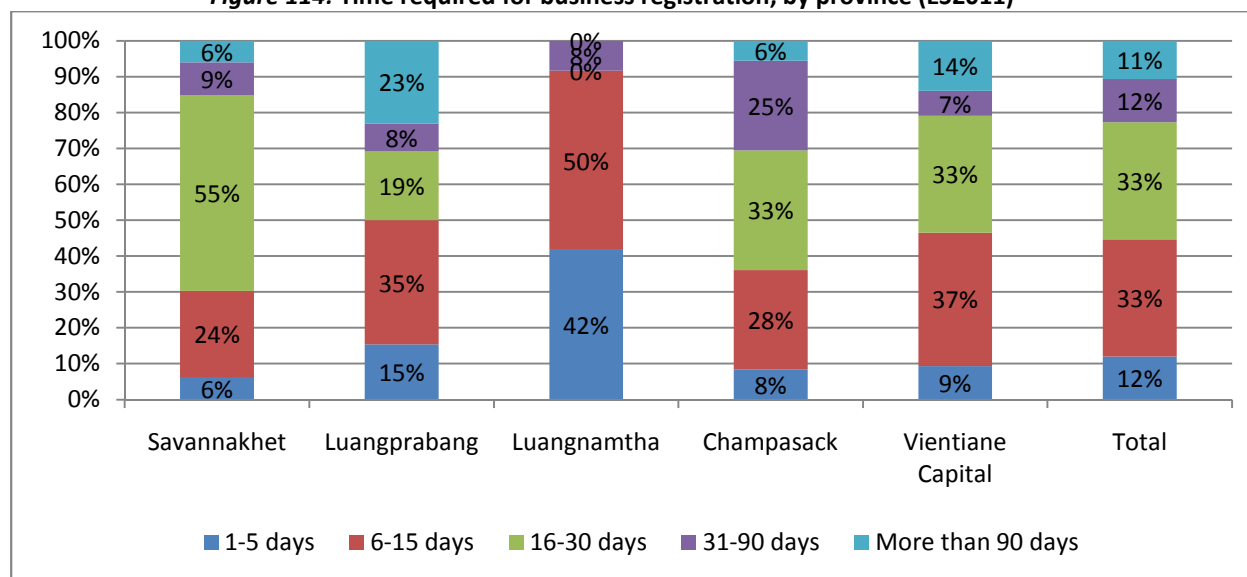


Across all enterprise sizes, 66% of businesses took between 6 and 30 days to register, compared with 57% in ES2009, 59% in ES2007 and 46% in EBS2005. Thus the overall

registration time is becoming more predictable. Greater numbers of micro- and small-sized enterprises take longer than 30 days to register (24% of micro and 22% of small, respectively) but this may be a reflection the much smaller sample size of medium and large enterprises.

By province, 78% of businesses are registered between 1 and 30 days with the majority being processed in 6 - 15 days. Luang Namtha had the highest percentage (42%) of businesses registered in 1 -5 days and Champasak had the highest percentage of businesses registered in 31-90 days (Figure 114).

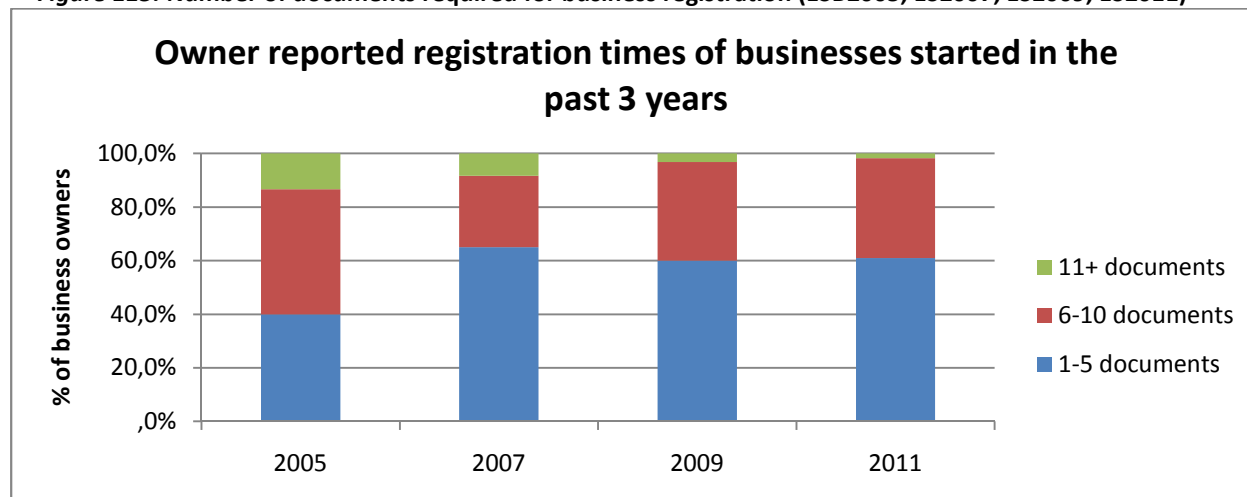
Figure 114: Time required for business registration, by province (ES2011)



8.7.4. Number of Documents Required for Business Registration

For enterprises registering anew, the number of documents required for business registration has remained virtually unchanged since ES2009. ES2011 data illustrates that 98.3% of businesses started in the last three years have required 1-10 documents with 60% requiring only 1-5 documents. Over time since 2005, the number of businesses requiring 11+ documents to register has decreased considerably from 13.3% to 1.7%. This finding portends well for the business enabling environment and may indicate that procedures and for registration are being more consistently applied throughout the country.

Figure 115: Number of documents required for business registration (ESB2005, ES2007, ES2009, ES2011)



8.7.5. Comparison with World Bank “Doing Business 2012”

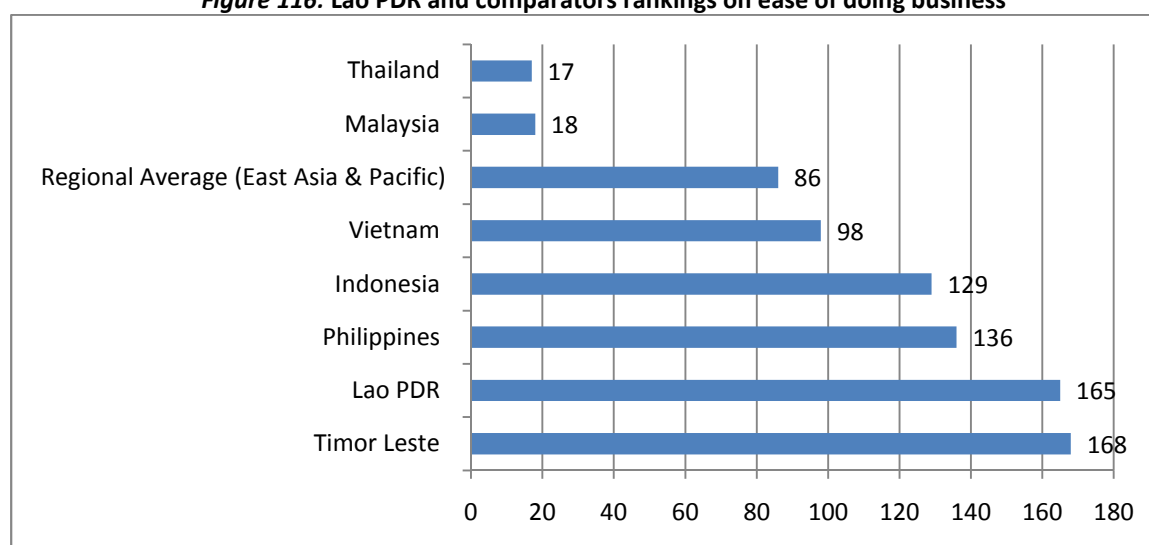
The HRDME Enterprise Survey and World Bank Doing Business report both attempt to measure the time taken to register a business, as one indicator of the overall ease of business formation in a country. The two studies differ in their methodology, leading to substantially different results. The World Bank Doing Business methodology tallies the maximum number of days for different procedures as prescribed in laws and regulations. The HRDME Enterprise Survey methodology (for EBS2005, ES2007, ES2009 and ES2011), on the other hand, surveyed businesses to determine the actual time it took them to register their business. It is this current, primary data by size, industry and province, enabling the Enterprise Survey to yield a different degree of disaggregated information.

The World Bank methodology indicates an average of 93 days and 7 procedures to start a business in 2011. The length is down from 198 days in 2005, 103 in 2007, and 100 in 2009; while the number of procedures is down from 9 in 2005, 8 in 2007, and steady at 7 since 2009. In comparing this with the ES1011 results, it is interesting to note that there has also been steady decrease in the gap between the theoretical registration time and the actual times reported in the Enterprise Survey.

Table 9: Ease of Doing Business for Lao PDR covered the period 2009 through 2012²⁹

| Indicator | Doing Business Result | | | Change (2010 to '12) |
|-----------------------------------|-----------------------|------|------|----------------------|
| | 2012 | 2010 | 2009 | |
| Doing Business Index | 165 | 167 | 165 | +2 |
| Starting a Business | 89 | 89 | 92 | 0 |
| Dealing with Construction Permits | 80 | 115 | 110 | +35 |
| Employing Workers | - | 107 | 85 | - |
| Registering Properly | 72 | 161 | 159 | +89 |
| Getting Credit | 166 | 150 | 145 | -16 |
| Protecting Investors | 182 | 182 | 180 | 0 |
| Paying Taxes | 123 | 113 | 113 | -10 |
| Trading Across Borders | 168 | 168 | 165 | 0 |
| Enforcing Contracts | 110 | 111 | 112 | +1 |
| Closing a Business | - | 183 | 181 | - |

Figure 116: Lao PDR and comparators rankings on ease of doing business³⁰



²⁹Doing Business, World Bank and IFC, 2012, pg. 8. ESP 2009, GIZ, pg. 161.

³⁰Doing Business, World Bank and IFC, 2012, pg. 7.

8.8. Business Finance

The access to Business Finance of enterprises determines to a large extent their capability to invest, innovate and expand operations and is, therefore, a critical ingredient for the dynamism of an enterprise, an industry or a size category of enterprises. In particular, the limited access to finance of SMEs impedes their speed of growth and business development.

This subsection briefly describes the ES2009 findings with respect to the following four aspects:

- Access to Finance, by Size
- Share of Loan Sources, by Size
- Shares of Firms Needing Loans, by Size

8.8.1. Access to finance

Access to finance per year in ES2011 (*Loan 1*) showed a slight increase in the number of businesses reporting receiving external financing/loans, to 38.1%, from 32.1% in ES2009. This could indicate a rebound to the higher incidence of external funding in ES2007 (46.5%) and EBS2005 (48.8%).

As in previous years, the bulk of external funding was provided by banks (*Figure 117*). 82.2% of external financing in ES2011 came from a bank, up 6.1 percentage points from 76.1% in ES2009. Looking at trends across ES2007-ES2009-ES2011, fewer businesses have relied on friends, relatives, and money lenders as sources of financing, while the percentage receiving credit from suppliers has increased to 6.5% from 3.0% in ES2009 and 2.2% in ES2007, possibly indicating greater trust between suppliers and customers and strengthening supply chain linkages.

Figure 117: Businesses receiving external financing/loans, by year (EBS2005, ES2007, ES2009, ES2011)

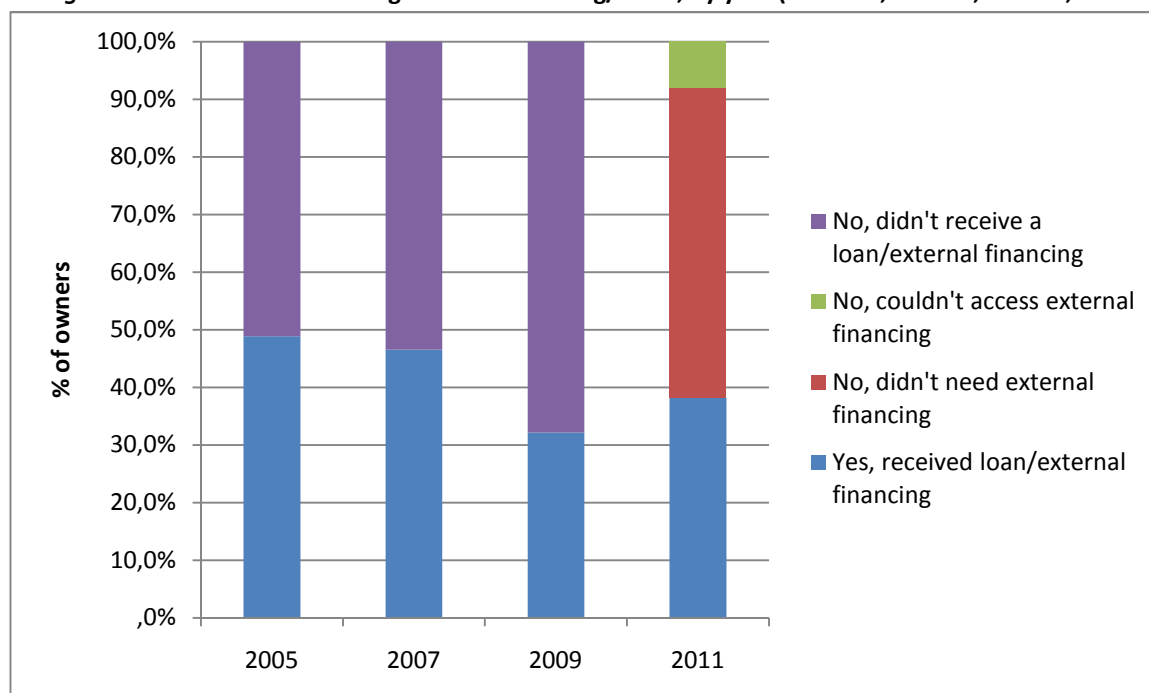
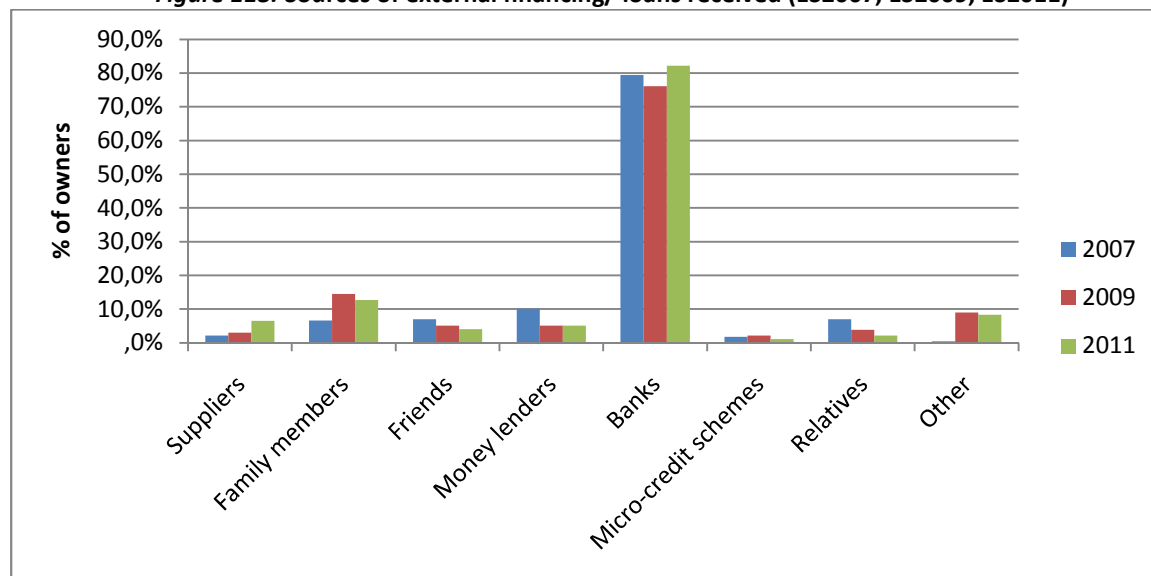


Figure 118: Sources of external financing/ loans received (ES2007, ES2009, ES2011)

8.8.2. Share of Loan Sources

ES2011 loan sources by enterprise size (*Figure 119* and *Figure 120*) show that the bank-sourced loans continue to be the major source of finance across all enterprise sizes. For micro-enterprises in particular, the bank-sourced loans comprised 33 of the 52 loans reported (63.4%), compared to a total of only 19 loans reported by micro-enterprises in ES2009. The increase in the number of loans to micro-enterprises is indicative of the success of efforts to increase the accessibility of the formal banking sector to micro-entrepreneurs. While this finding is indeed favourable, other survey results around increasing use of lump sum tax payments over formal accounting systems, particularly in micro-enterprises (see section 8.6.4), suggest micro-entrepreneurs could encounter difficulties accessing formal credit from commercial banks in the medium term.

Among small, medium, and large enterprises, the proportion of bank-sourced loans increased slightly from ES2009 to ES2011, from 97 of 149 (65.1%) to 131 of 196 (66.8%) for small; from 45 of 69 (65.2%) to 51 of 74 (68.9%) for medium; and from 15 of 20 (75%) to 11 of 14 (78.6%) for large enterprises.

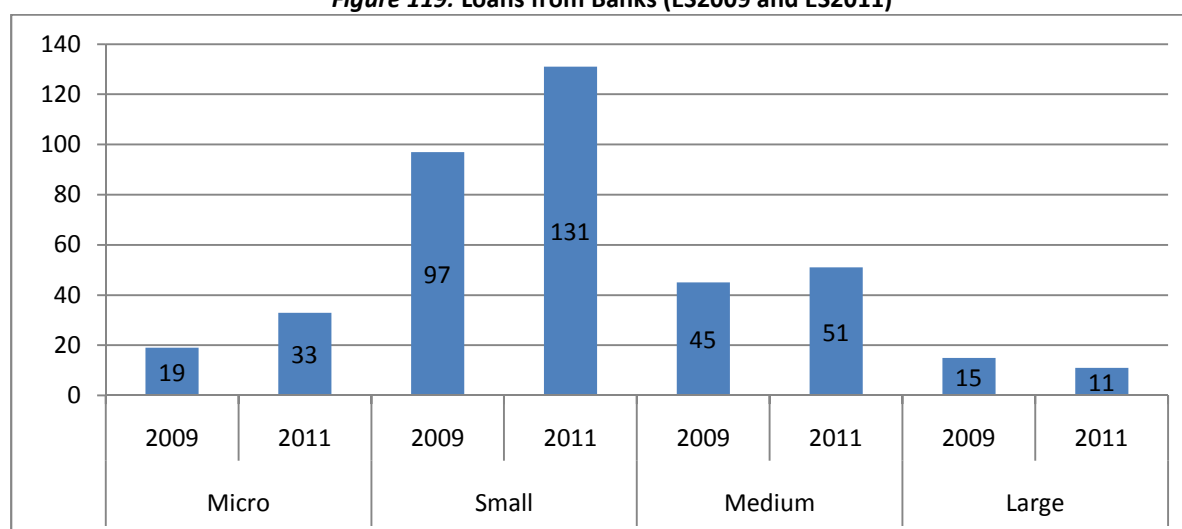
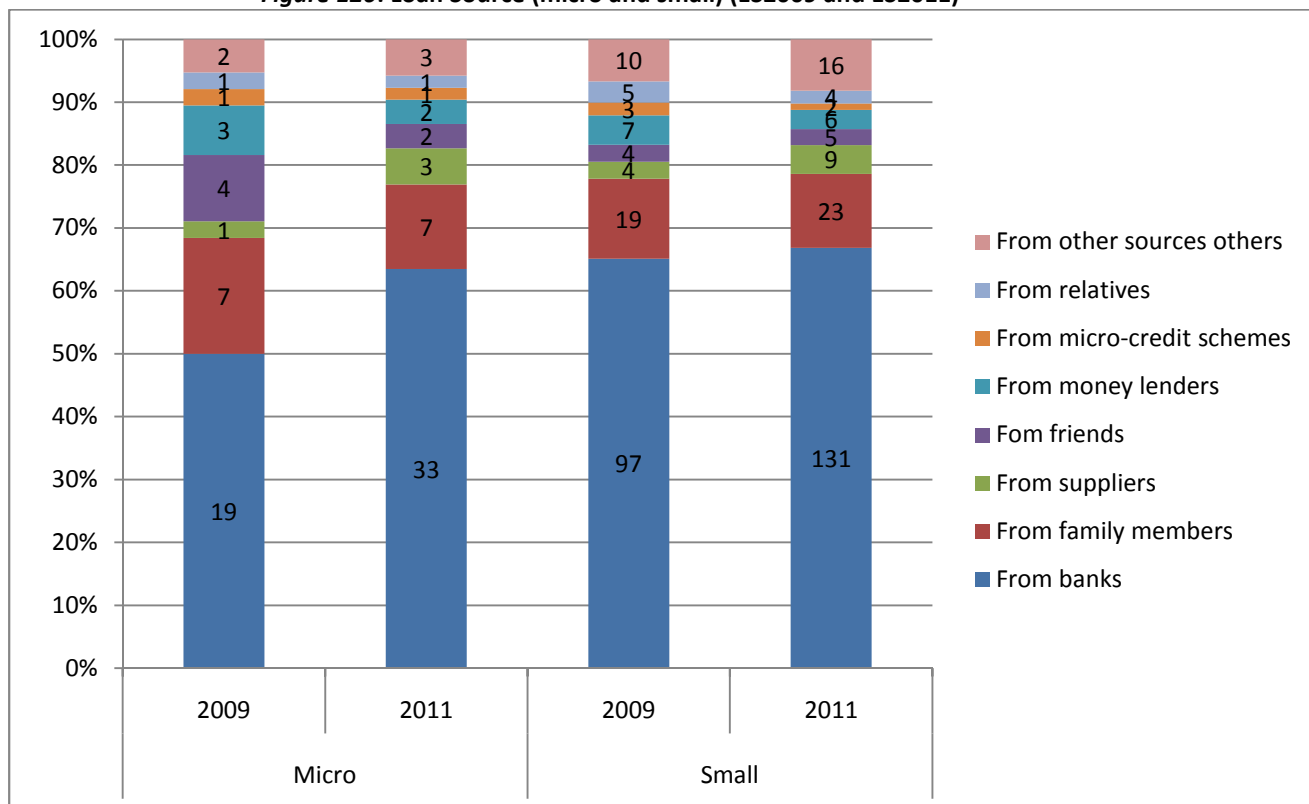
Figure 119: Loans from Banks (ES2009 and ES2011)

Figure 120: Loan Source (micro and small) (ES2009 and ES2011)



8.8.3. Future Financial Needs

The majority of enterprises surveyed in ES2011 (60.63%) stated they would require external financing in order to expand their business operations. Approximately one third (32.52%) do not require external financing to expand, while less than a tenth (6.85%) of enterprises stated they had no plans to expand (Figure 121).

Of the enterprises that would seek external financing, the vast majority (90%) expected to source these funds through the formal banking sector (Figure 121).

Figure 121: Enterprises needing financing in order to expand business (ES2011)

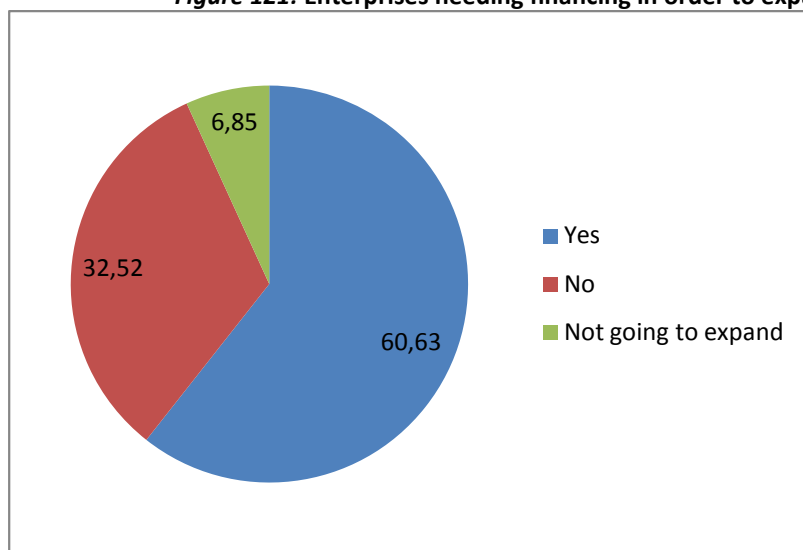
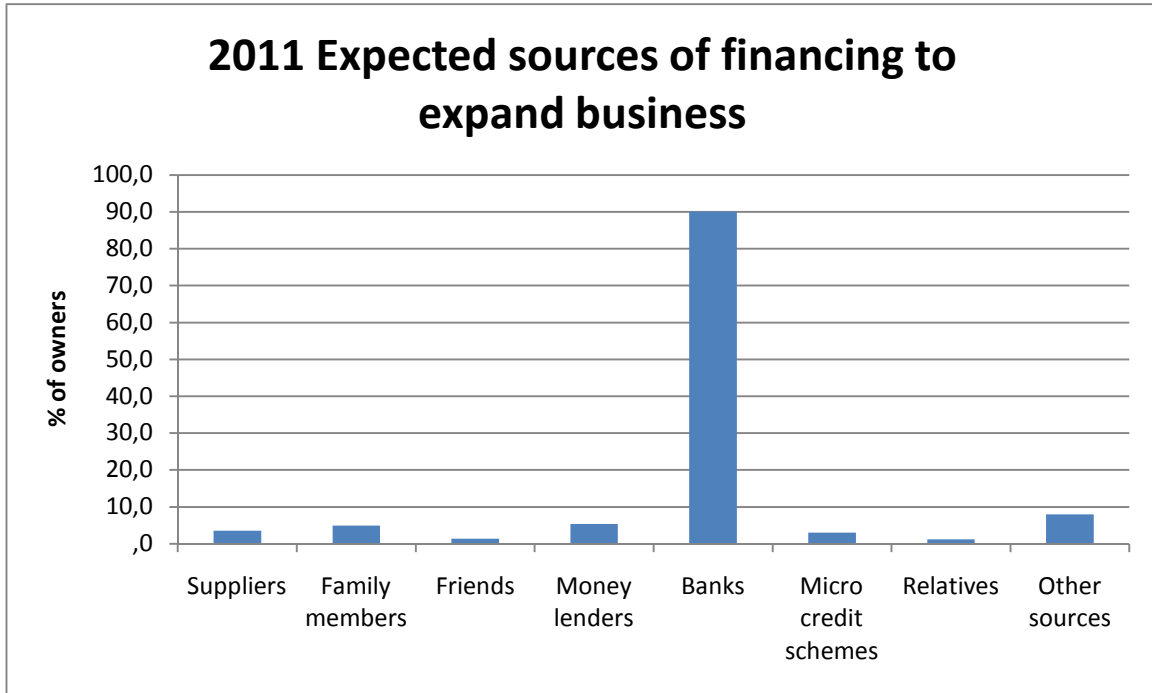


Figure 122: Expected sources of financing for business expansion (ES2011)



9. Panel Data: Tracking Changes across EBS2005 – ES2007 – ES2009 – ES 2011 Panel

This chapter focuses on a panel sample of 551 enterprises that were interviewed in the ES2009 and ES2011. The following sections trace and compare company-level changes from 2009 to the most recent finding in 2011.

9.1. Survival (or “Tracking”) Rate of Enterprises

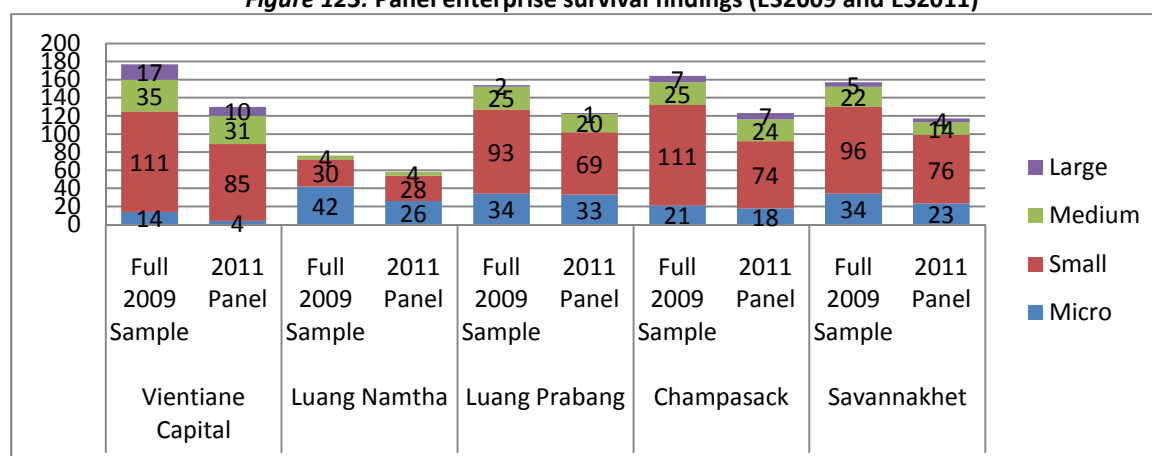
Of the total 728 sample enterprises in ES2009, 551 could be traced again in ES2011, representing an approximate “survival” rate of 75.6%.³¹ Of the 177 enterprises that were not traceable, findings generally show that:

The majority (approx. 84.7%) of non-traceable enterprises were micro- and small-sized enterprises, compared with approximately 75% in ES2007-ES2009. Interestingly, while in ES2009, the proportion of non-surviving micro and small-sized enterprises was roughly even at 38.0% and 40.0% share of the micro and small-size categories, respectively, in ES2011, the share of non-surviving small enterprises was roughly 61.6% to 23.2% for micro enterprises. Small enterprises therefore represent a significant and growing sub segment of non-surviving firms.

Similarly the share of “non-surviving” medium and large enterprises changed significantly, from 15.1% and 15.0% respectively in ES2007-ES2009 to 10.2% and 5.1% in ES2009-2011. The data indicates that since 2009 medium and large firms are dying at a slower rate, whereas small firms are dying at a quicker rate.

By province, Vientiane Capital had the highest proportion of non-traceable enterprises, at 26.5%, while Luang Prabang had the lowest proportion of non-traceable enterprises, at 20.2%. Interestingly, the variation in the traceability of enterprises was dramatically reduced between ES2009 and ES2011. In ES2009, the difference between the highest and lowest traceability rates by province was approximately 40%, compared to only 6.4% in ES2011. However it is difficult to conclude whether this effect is attributable to better data collection or a real change in the business environment.

Figure 123: Panel enterprise survival findings (ES2009 and ES2011)



³¹ As noted in the ES2009 report, the unique identifiers needed to track specific enterprise-level pane data from EBS2007 and ES2007 were not available at the time of analysis. The similar comparison made in the ES2009 report was based on self-reported participation in previous HRDME Enterprise surveys, and therefore could not be identified for panel analysis in ES2011.

9.2. Evolution of the Size of the Enterprises

Enterprise evolution of the same 551 panel enterprises was also tracked from 2009 to 2011 to determine positive or negative change in terms of total number of employees.

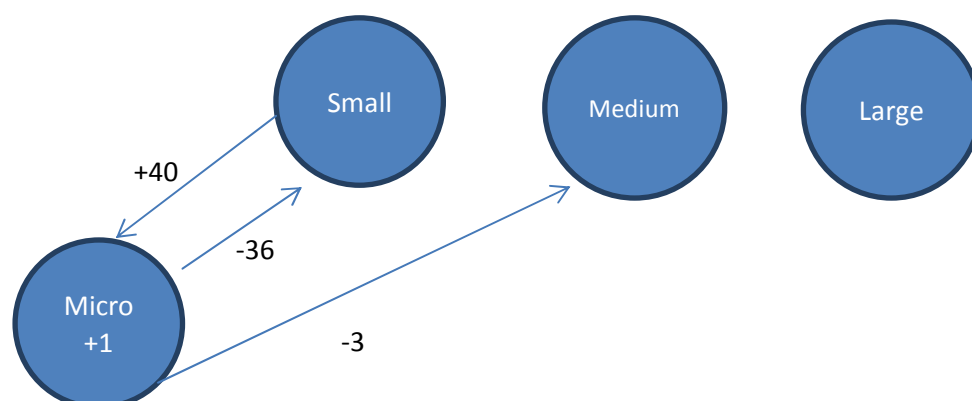
The breakdown of 551 enterprises by size in 2009 was: 103 micro-size enterprises, 337 small-size enterprises, 88 medium-size enterprises, and 23 large-size enterprises.

Figure 124: Tracked panel enterprises, by size (ES2009)

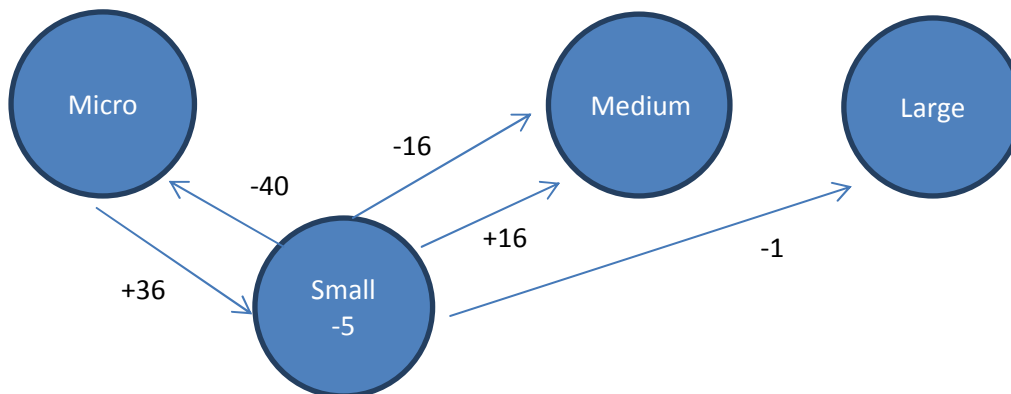


In the micro-enterprise size bracket, the number of enterprises increased by 1 in 2011. However, the marginal growth in microenterprises was not paralleled by a decrease in employment. When individual staffing in each of the 551 panel enterprises was tracked, the analysis revealed that 39 enterprises had moved into larger size categories (36 had moved from micro to small-size and 3 moved from micro to medium-size enterprise brackets) while 40 existing small-size enterprises decreased employees and fell into the micro-enterprise size category.

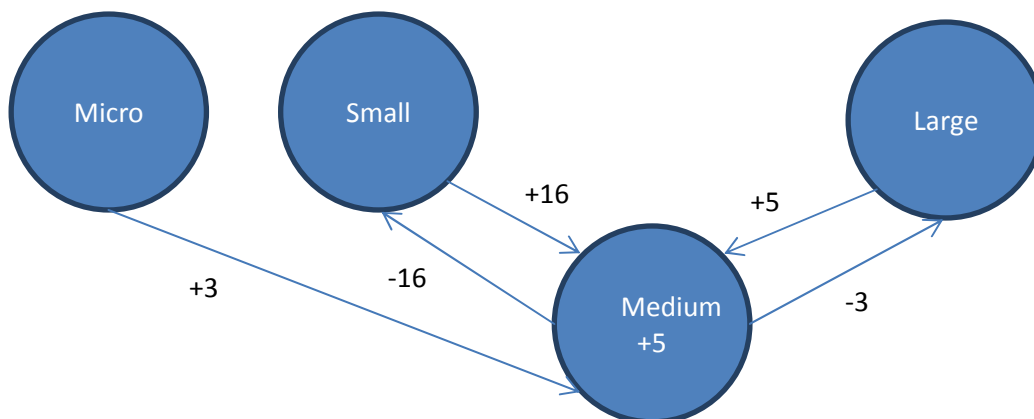
Figure 125: Evolution of micro-enterprise size category (ES2009 to ES2011)



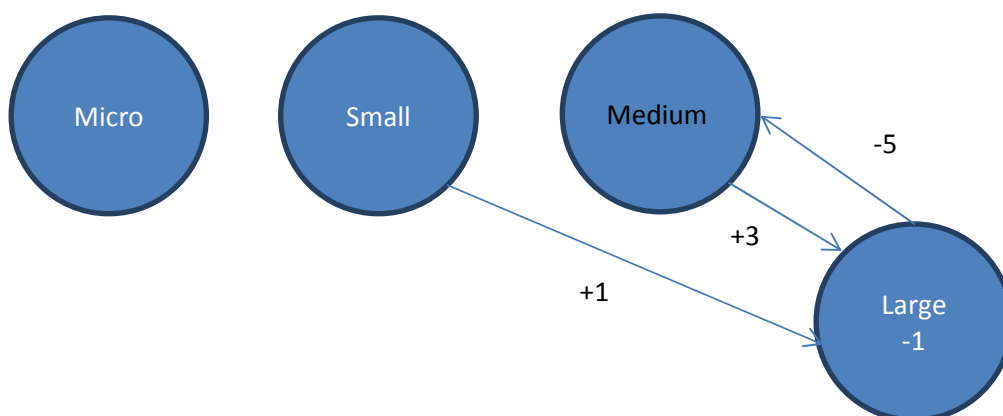
In the small-size enterprise bracket, there was a net decrease of 5 enterprises in 2011. When individual business employment was tracked, analysis revealed that 16 small enterprises increased employment and joined the medium enterprise size category, while another 16 medium enterprises decreased employment and joined the small enterprise size category. Interestingly, 1 enterprise increased employment significantly enough to move the small enterprise category into the large enterprise size category.

Figure 126: Evolution of small-enterprise size category (ES2009 to ES2011)

In the medium-size enterprise bracket, there was a net increase of 5 enterprises in 2011. As previously discussed, 3 micro- and 16 small-enterprises increased employment to join the medium-sized enterprise category, while 16 medium-sized enterprises decreased employment to join the small size category. Additionally, 3 medium-size enterprises increased employment to join the large enterprise size category, while 5 large enterprises reduced employment to join the medium size category.

Figure 127: Evolution of medium-enterprise size category (ES2009 to ES2011)

Lastly, in the large-size enterprise bracket, there was a net decrease of 1 enterprise in 2011. While the individual changes in category have been discussed above, it is interesting to note that while the net change was only 1 enterprise (or less than 5% of the total), 5 enterprises, or 22% of the total, decreased employment and joined the medium size enterprise category.

Figure 128: Evolution of large-enterprise size category (ES2009 to ES2011)

In total, between 17% and 38% of enterprises in each size category changed categories between 2009 and 2011. Key takeaways from these staffing level changes between 2009 and 2011, by size, are:

Micro-size Enterprises:

- 62% of micro-size enterprises (0-2 employees) remained in their size category.
- 38% increased staffing and reached higher size brackets.

Small-size Enterprises

- 83% of small-size enterprises (3-19 employees) remained in their size category.
- 12% decreased employment and joined the micro-enterprise size category.
- 5% increased employment and reached higher size brackets.

Medium-size Enterprises

- 78% of medium-size enterprises (20-99 employees) remained in their size category.
- 18% decreased employment and joined a smaller size category.
- 3% increased employment and reached higher size brackets.

Large-size Enterprises

- 78% of large-size enterprises (100+ employees) remained in their size category.
- 22% decreased employment and joined the medium-enterprise size category.

Thus there has been both up- and downward migration in category size between 2009 and 2011, with upward movement dominating in the micro size groups and downward migration in the remaining groups (small, medium, and large).

9.3. BMO Members

BMO member development compared with non-BMO member development among the 551 panel enterprises was also tracked from 2009 to 2011.

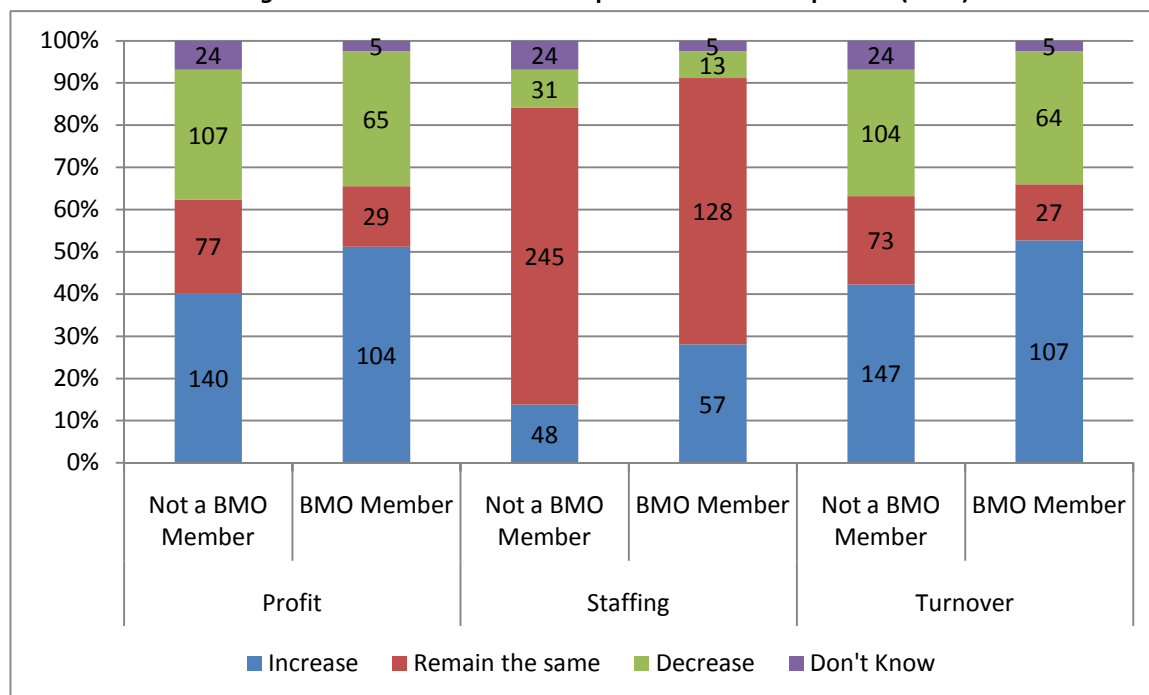
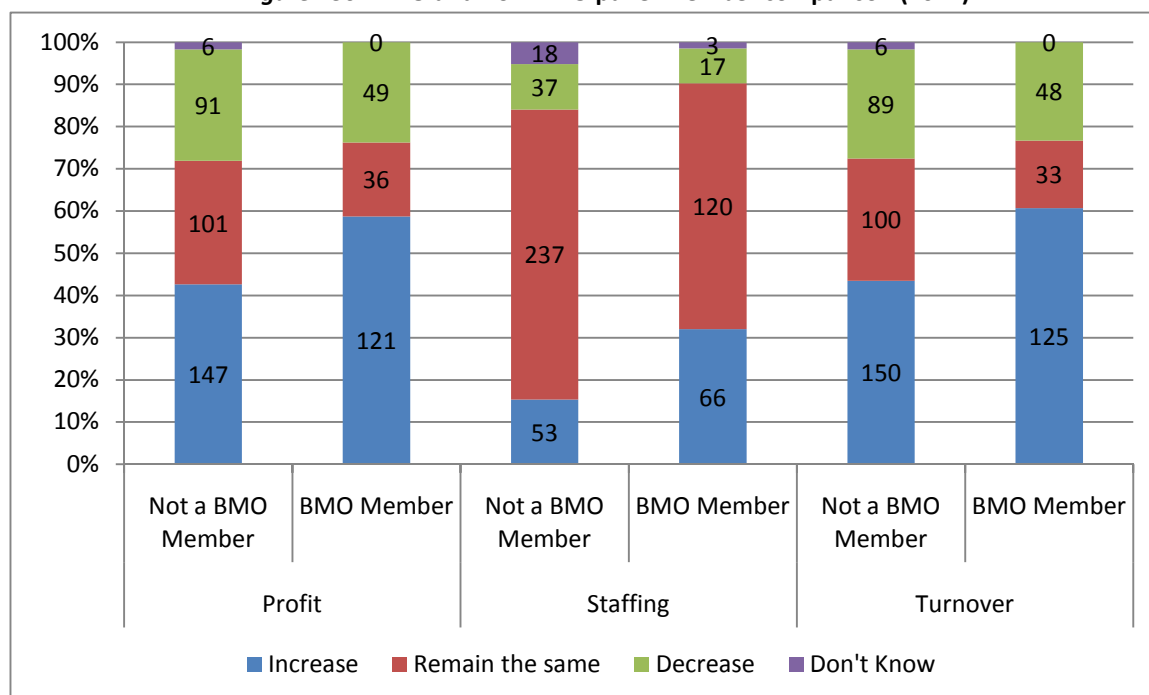
In 2009, (Figure 129) there was a clear difference between the performance of BMO members and non-BMO members in terms of enterprise staffing, profit and turnover. The share reporting an increase in staffing was over two times greater for BMO members than

non-members (28% vs. 13%); the share reporting an increase in profit was 27% greater for BMO members (51% vs. 40%); and the share reporting an increase in turnover was 25% higher (53% vs. 42%). Additionally, the share of businesses reporting that staffing, profit and turnover remained the same was greater for BMO members than non-members.

Interestingly, however, the share of BMO members reporting a decrease in profit, staffing, and turnover, was uniformly higher than for non-members. One possible explanation for this inconsistent result is the higher share of non-BMO members that were unable to answer the questions about changes in profit, staffing, and turnover—only 5 BMO members within the panel were unable to answer these questions, while 24 non-BMO members were unable to do the same. If the non-responses are included as decrease, then BMO members were consistently less likely to report a decrease in profits, staffing, and turnover.

In 2011, the same 551 panel enterprises were examined to determine if the differences among the performance of BMO members and non-BMO members remained valid (*Figure 130*). The findings supported the 2009 data. Among the 551 panel enterprises, the share reporting an increase in staffing was over 109% greater for BMO members than for non-members (32% vs. 15%), as well as 38% and 40% greater for profit (59% vs. 43%) and turnover (61% vs. 44%), respectively. Consistent with this, proportionally fewer BMO members reported that these indicators stayed the same, or decreased. The share of BMO members reporting that staffing stayed the same was 15% lower than for non-BMO members (58% vs. 69%); the share reporting that profits stayed the same was 40% lower (18% vs. 29%); and the share reporting that turnover stayed the same was 45% lower (16% vs. 29%). The share of BMO members reporting that staffing decreased was 23% lower than for non-BMO members (8% vs. 11%); the share reporting that profits decreased was 10% lower (24% vs. 26%); and the share reporting that turnover decreased was also 10% lower (23% vs. 26%).

BMO membership was consistent with a greater share of increased staffing, profits, and turnover across the panel from 2009-2011. This is similar to the observation from ES2009 looking at a similar comparison across 2007-2009. While the trend is consistent across both time periods, the difference between BMO members and non-BMO members is smaller across 2011-2009 than 2007-2009. This may be due to a variety of factors, including: (i.) differences in the enterprises that comprise the panel, (ii.) an improvement in the business environment which has mitigated some of the advantage of BMO membership; and/or (iii.) defections among well performing firms that once were BMO members and no longer see the value of membership, thereby bringing non-BMO indicators up.

Figure 129: BMO and non-BMO panel member comparison (2009)**Figure 130: BMO and non-BMO panel member comparison (2011)**

9.4. Access to Finance

Among panel enterprises, businesses that were receiving external financing were compared with businesses that were not receiving external financing during the 2009-2011 period.

Among members of the present panel in 2009, the share of businesses reporting an increase in staffing was 68% greater for those that had received financing than among businesses that had not received financing (26% vs. 16%); the share of businesses reporting an increase in profits was 21% greater (50% vs. 41%); and the share of businesses reporting an increase in turnover was 18% greater (51% vs. 44%).

Among members of the present panel in 2011, the share of businesses reporting an increase in staffing was 25% greater for those that had received financing than among businesses that had not received financing (25% vs. 20%); the share of businesses reporting an increase in profits was 18% greater (54% vs. 46%); and the share of businesses reporting an increase in turnover was 21% greater (56% vs. 46%).

The ES2009 report stated that, “In 2007... there was little difference in performance – in terms of enterprise staffing, profit, and turnover, between businesses that had received financing and business that had not received financing.” In 2009, however, there was a clear difference—businesses receiving external financing clearly outperformed those that had not.

Access to finance was consistent with a greater share of increased staffing, profits, and turnover across the panel from 2009-2011, and consistent with the finding from ES2009. While the results for 2009 are consistent across both panels, the effect is smaller in 2011 than 2009. There are many possible explanations for how financing effects were mitigated. For one, it takes time to receive return on investment from external financing. Secondly, the data do not detail the scale of external financing—firms may be taking out smaller loans following the economic crisis, which in turn means external financing has less net impact. Lastly, the decreased effect of external financing may illustrate a core determinant of strong firms: those that were able to continue accessing finance during the economic crisis were able to weather the dip in demand, whereas those who could not suffered—hence the strong effect in 2009. By the 2011 survey, demand had picked back up, boosting the positive results for all firms.

Figure 131: With and without access to financing panel member comparison (2009)

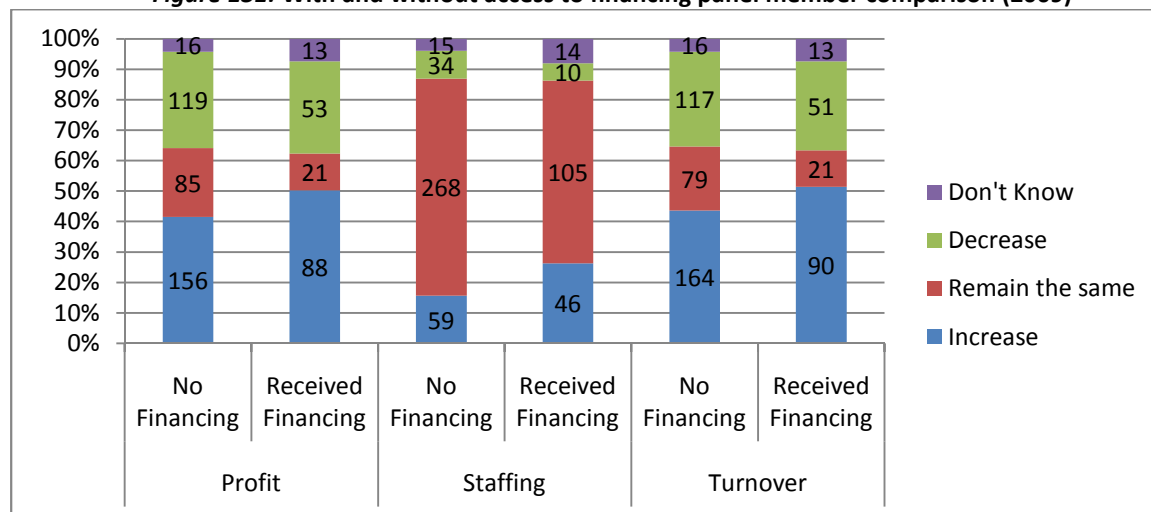
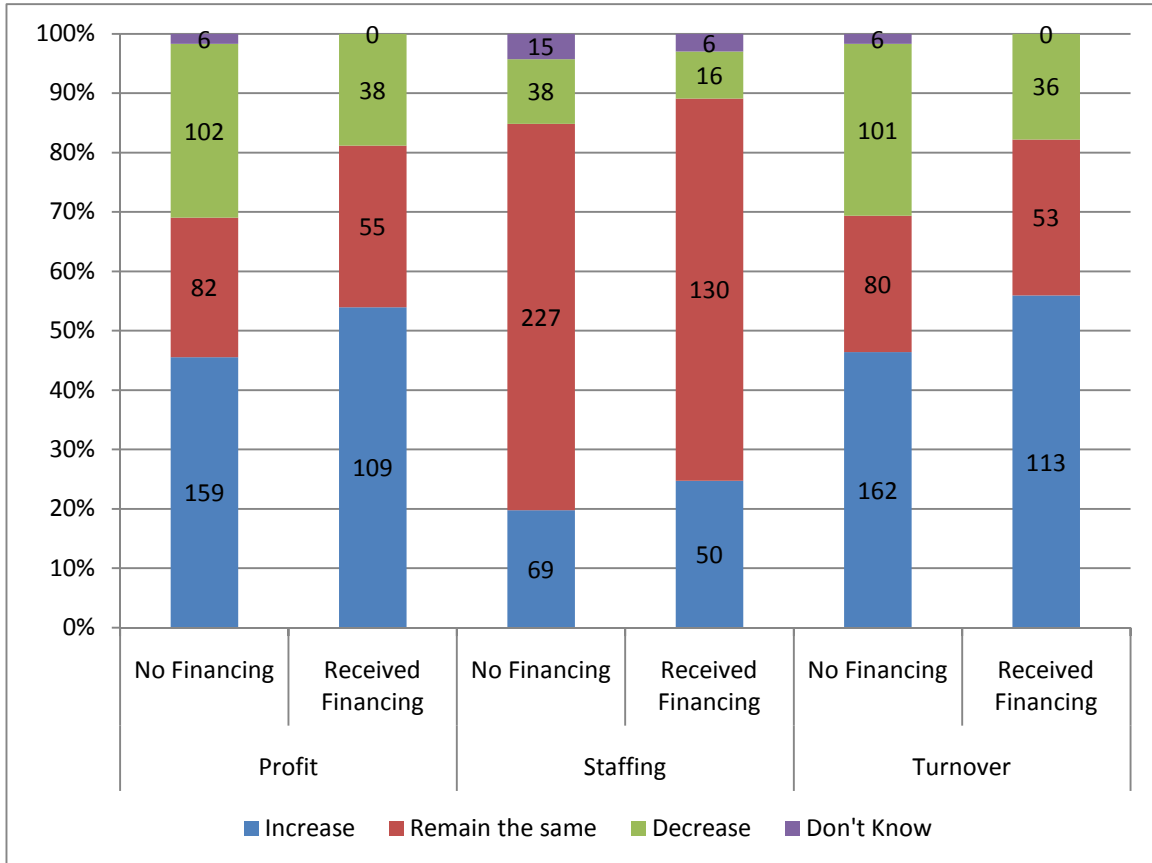


Figure 132: With and without access to financing panel member comparison (2011)



Annex 1: Presentation of Preliminary Findings

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***Enterprise Survey 2011 Preliminary Findings
Trends in the Lao PDR Enterprise Sector***

Vientiane, Laos
May 11, 2012

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Report Outline



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2. Survey Methodology and Implementation
3. 2011 Findings Related to Program and Component Objectives and Indicator
 - 3.1 Key Indicator Assessment for those Programmatic Indicators Included in the TOR
4. Enterprise Characteristics, Performance and Business Constraints: ES 2011 versus Previous Years
 - 4.1 Enterprise Characteristics/Related Changes
 - 4.2 Enterprise Performance and Expectations
 - 4.3 Challenges of Globalization and Regional Integration
 - 4.4 Enterprise Internal and External Constraints
 - 4.5 Human resources, training and technology
 - 4.6 Business Management
 - 4.7 Regulatory Framework
 - 4.8 Business Finance
5. Panel Data
6. Summary of Findings, Conclusions and Recommendations

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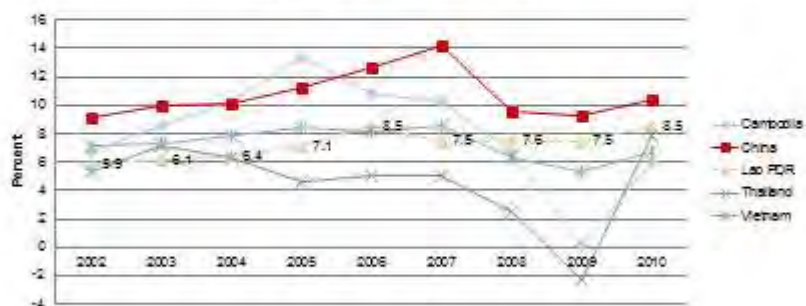
Lao PDR has experienced rapid growth and businesses are earning more, but the data indicates challenges ahead for enterprises to increase competitiveness.

- Lao economy has experienced robust growth over the past 10 years, recently the natural resource sector is driving the growth
- Supporting this growth is a considerable increase in foreign direct investment
- The increase in natural resources demand and foreign investment has appreciated the LAK, leading to increased buying power for consumers
- Increase in domestic consumption is supporting revenue growth for enterprises but those consumers will have greater options post AFTA and WTO implementation
- The appreciation of the LAK applies pressures on export driven enterprises, such as manufacturing and agriculture, to increase productivity in order to remain competitive in the target markets

This mid-term review only contains preliminary data and findings.

Lao GDP has experienced consistent growth from 2002-2010, enduring the global financial crisis favorably compared to some neighboring countries.

GDP Growth (Annual %)

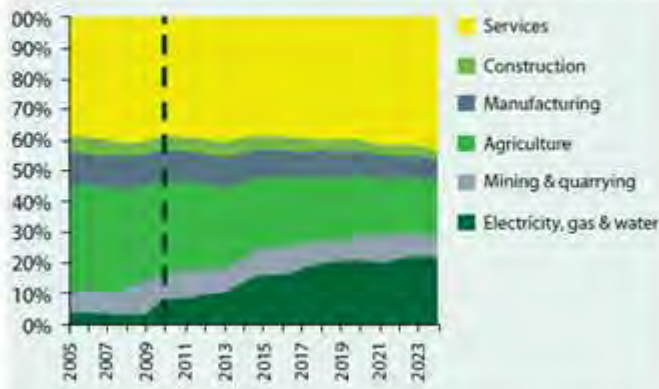


Source: www.worldbank.org



Background and Introduction
Economic Performance

Services and agriculture are Lao's two largest sectors, but mining and hydropower are surging and representing a large share of forecasted growth.



Source: 'Lao PDR Investment Climate Assessment: Policies to Promote Growth in the Non-Resource Sectors' Poverty Sector and Economic Management Sector Department, East Asia and Pacific Region, The World Bank 2011 (8).



Background and Introduction
Economic Performance

The surge in FDI in recent years has been a largely positive development; however, the disproportionate nature of FDI flowing to the resource sector could lead to some long-term instability.

- FDI has grown year-on-year since 2010
- FDI for non-resource sectors in proportion to total foreign direct investment has declined from 59% in 2000 to 17% in 2010 due to the rapid development of the resource sector
- Increasing reliance on natural resources means that Lao FDI flows and exports will be subject to the inherent price volatility associated with minerals and electricity
- Reliance on these sectors contributes to currency appreciation, which can particularly affect non-resource exports



Source: 'Lao PDR Investment Climate Assessment: Policies to Promote Growth in the Non-Resource Sectors' Poverty Sector and Economic Management Sector Department, East Asia and Pacific Region, The World Bank 2011 (8).

The surge in FDI in recent years has been a largely positive development; however, the disproportionate nature of FDI flowing to the resource sector could lead to some long-term instability.

- Lao PDR's Position in ASEAN and Future Challenges
- National Development Goals
- HRDME Program

Lao PDR has experienced rapid growth and businesses are earning more, but the data indicates challenges ahead for enterprises to increase competitiveness.

- Among businesses surveyed, competition is of much less concern and optimism is widespread
- The business enabling environment appears to have improved marginally
- Data from the survey backs up the hypothesis that Lao P.D.R enterprises have experienced growth, but are not well positioned for the opportunities which lie ahead in light of AFTA, WTO, and further liberalization of international trade:
 - Business owners appear less interested in training their staff and themselves to increase capacity and productivity;
 - Firms claim lower levels of competition, likely the result of increased availability of capital flows and the resulting increase in domestic consumption;
 - Less concerned about the impact of AFTA, or are completely unaware and unconcerned about the impending increase in competition.

This mid-term review only contains preliminary data and findings.



Favorable Trends
Trade

With the influx of foreign exchange and a capital account surplus, trade is increasing with imports outpacing exports.

- There is a general upward trend in both imports and exports
- Regional trade appears to mirror aggregate trade
- Like many countries with resource booms, Laos's imports are aggressively trending upward
 - Consumer purchasing power has increased, leading increases consumer good imports
 - In 2011, vehicles represented approximately 16.5% of total imports



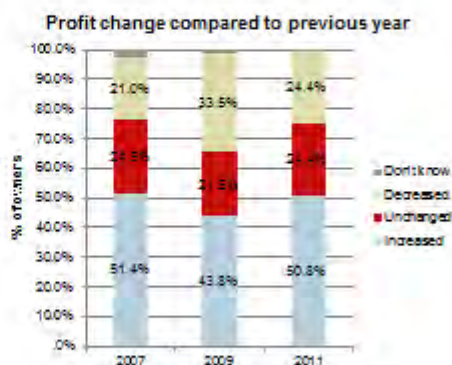
Source: Trademap. ASEAN Countries for this analysis include Viet Nam, Thailand, Indonesia, Malaysia, Singapore and Cambodia



Favorable Trends
Profits

Increased FDI and growing spending power of consumers has led firms within the sample to experience growing profits.

- Earnings: The amount of firms that have experienced increased profits improved by 16% from 2009
- Expectations: The amount of firms from the sample that expect their profits to increase over the next 2 years rose by 11% since 2009

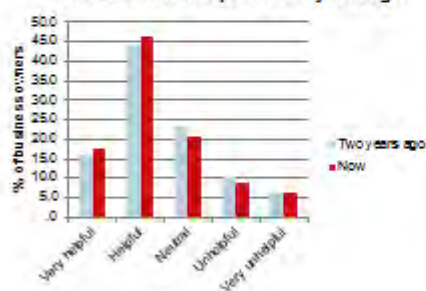




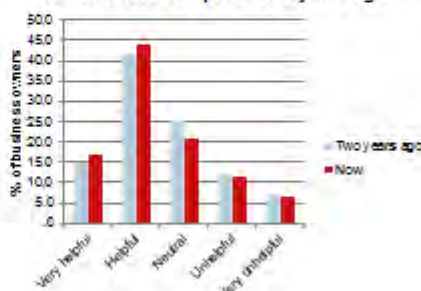
Favorable Trends
Governance

Business in the sample have reported marginal improvements in support from local and central authorities compared to two years ago.

Owners' rating of local government services now compared to 2 years ago



Owners' rating of central government services now compared to 2 years ago

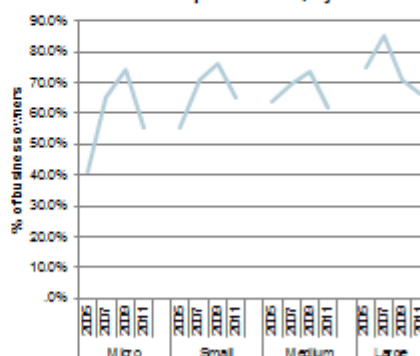


Opportunities/Challenges
Competition

Lao businesses are experiencing a euphoric climate due to increased profits, with local firms viewing competition as less of an issue than in the past.

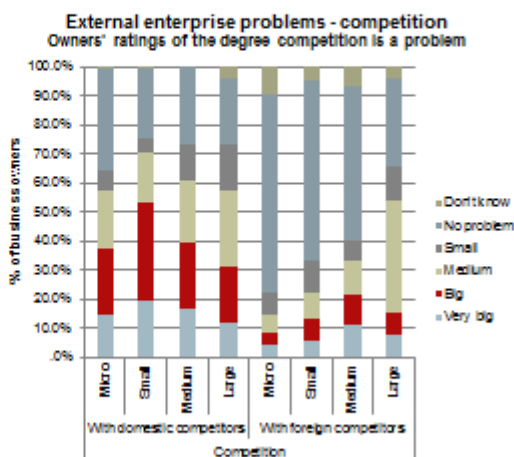
- Lao firms of all sizes perceive fewer issues surrounding competitiveness than in 2009
- On the surface this is a favorable finding
- But the current environment may point to long-run vulnerability for Lao businesses:
 - If individual firms don't feel competitive pressure, whole sectors may be becoming less price competitive
 - After AFTA and the WTO agreements enter into full force, firms that have benefited from the current situation will need to compete against international investors and exporters

Enterprises perceiving problems with their competitiveness, by size

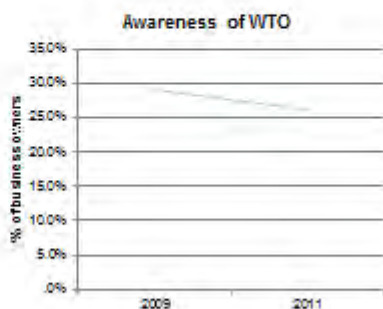
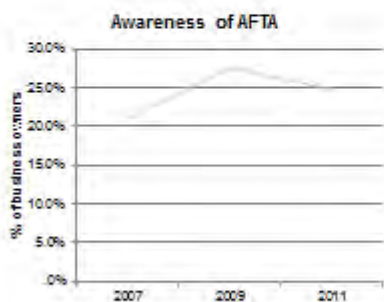


Overall, businesses perceive bigger challenges with domestic competition than foreign competition.

- All firm types view domestic competition is a bigger challenge than foreign competition –even large companies
- Overall the results point to an economy that has not yet experienced much foreign competition and may be vulnerable as trade continues to open



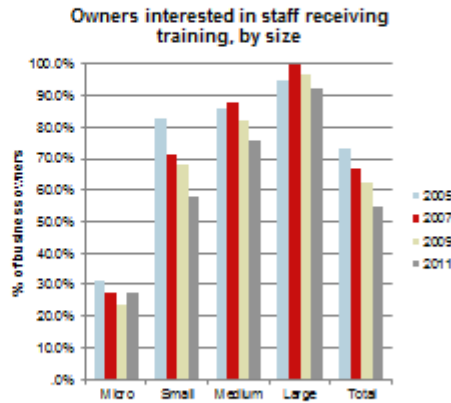
A lack of awareness among firms regarding free trade agreements limits their ability to leverage available resources and prepare for the opportunities which will present themselves after trade liberalization.



Year-on-year business owners are less interested in their staff receiving training on aggregate.

•There are several potential hypotheses for this lack of interest

1. Firms are experiencing greater profits and don't feel the need for training during periods of growth
2. Institutions offering training are not conveying the proper message to business owners regarding the value of training
3. The quality of trainings has not met owners' expectations in the past
4. A combination of these factors

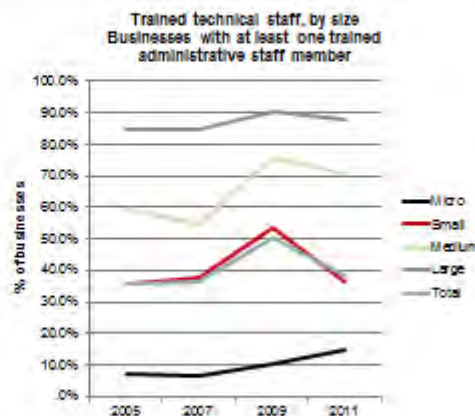


Lao businesses from the sample are losing technically trained staff, though microenterprises are improving in this category.

•Micro-enterprises are the only business segment in which the proportion of firms with trained technical staff is on the rise

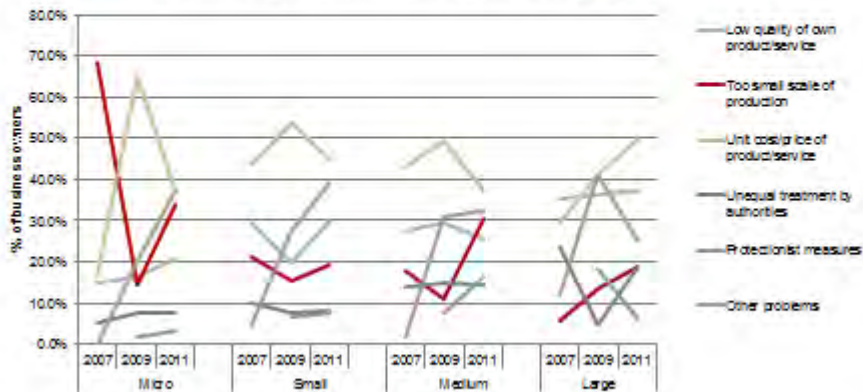
•Why?

- Technical staff from larger businesses may be leaving to start their own micro-ventures
- Year-on-year improvements in small business training accessibility



Smaller firms are more susceptible to shocks and experience greater volatility year-on-year compared to larger enterprises.

Businesses' main problems being competitive, by size



Lao PDR has seen significant growth of GDP and consumer buying power, but the data illustrates that firms may be vulnerable to challenges and unprepared to seize opportunities from upcoming trade liberalization.



This mid-term review only contains preliminary data and findings.

Annex 2: Preliminary Assessment and Recommendations

HRDME Human Resource Development for a Market Economy

Vientiane, Laos, May 11, 2012

Enterprise Survey 2011
Preliminary Assessment and Recommendations

Prof. Dr. Eckart Koch
University of Applied Sciences, Munich
AGEG Consultants
koch@hm.edu; <http://eckart-koch.de>

1

Enterprise Survey 2011 - Assessment and Recommendations

1. Initial Results - Summary
2. Some Initial Assessments
3. Some Open Questions
4. ASEAN Economic Community
5. Economic Community
6. European Examples
7. Regional Integration - Challenges
8. Recommendations

2

Enterprise Survey 2011 - Assessment and Recommendations

1 Initial Results - Summary

Firms in the sample

1. claim **lower levels of competition** and view competition as less of an issue than in 2009
2. view **domestic competition a bigger problem** than foreign competition
3. are less concerned about the **impact of WTO and AFTA**, or are completely unaware of this
4. have experienced **increased profits** and expect their profits to increase over the next 2 years as well
5. report that both local and central **authorities have improved** their services
6. are **losing trained staff** - technical and administrative
7. are **less interested in training** - their staff and themselves as owners

3

Enterprise Survey 2011 - Assessment and Recommendations

2 Some initial assessments

1. If firms don't feel **competitive pressure**, whole sectors may become less competitive.
2. Firms until now have benefited from the current situation. As they have to compete against international investors and exporters in the future they may become more **vulnerable** in the long-run.
3. As they are unaware of the effects of global or regional integration they will also not be able to **benefit** from opportunities of open markets.
4. Lack of interest in **human resources development** would enforce threats and reduce chances

4

Enterprise Survey 2011 - Assessment and Recommendations

3 Open Questions

1. What are the reasons for lacking awareness / information?
2. Is "awareness" even sufficient? What about knowledge and consequences?
3. If enterprises are not aware about WTO and AFTA, what about ASEAN Economic Community (AEC)?
4. What is the reason that relevance of exporters or foreign customers for SME is low and decreasing from 7 to 4%?
5. How can businesses be successfully developed without trained staff? .
6. What kind of training is required? (short term, long term, subjects)
7. High unit costs are rated as a major problem but "other problems" are on the rise. What are "other" competition problems - tax and finance?
8. What kind of government support is needed and appreciated and has improved?

5

Enterprise Survey 2011 - Assessment and Recommendations

4.1 ASEAN Economic Community - Open markets and competition

WTO and ASEAN / AFTA are playing an important role right now.

But ASEAN Economic Community (AEC) may be even more important. in future
It envisages (among others)

- a single market and production base,
- a highly competitive economic region,
- a region of equitable economic development, and
- a region fully integrated into the global economy.

www.aseansec.org/18757.htm

6

Enterprise Survey 2011 - Assessment and Recommendations

4.2 ASEAN Economic Community - Areas of Cooperation

The AEC **areas of cooperation** include (among others):

- **human resources development** and capacity building;
- **recognition of professional qualifications** and standardization
- **closer consultation on macroeconomic and financial policies**;
- **enhanced infrastructure and communications connectivity**;
- **integrating industries across the region** to promote regional sourcing

all aspects are highly relevant for enterprises - but are they aware of?

www.aseansec.org/18757.htm

7

Enterprise Survey 2011 - Assessment and Recommendations

5.1 Regional Integration - Whip for Business Competition

Free flow of goods and services

⇒ removal of NTB and introduction of common standards

Economic Community
= Common Market
= Regional Integration

Free flow of investments

⇒ new competitors next door

Free flow of labour

⇒ pressure on wages and productivity

Protection of local privileges ↓

Impact of foreign markets ↑

so ...

- New facts are created (rules, free access...)
- Tendencies will be intensified (competition, productivity ...)
- Processes accelerated (information, needed adaptation ...)

8

Enterprise Survey 2011 - Assessment and Recommendations

5.2 Regional Integration: Opportunities and Risks



Opportunities and Risks are underestimated - why?

Booming economy due to exports of natural resources >
 high domestic consumption > increasing profits > focus on local market

9

Enterprise Survey 2011 - Assessment and Recommendations

6 European Examples - Although, every country is different, but ...

Greece

- currency appreciation
- increasing imports
- relying on formerly strong sectors
- decreasing exports
- no innovations
- lax taxation system

- losing competitiveness
- high unemployment

Spain

- currency appreciation
- cheap money went in one strong construction sector (employment generation in the beginning only)
- high labour costs
- lacking competitive export sector

- less competitiveness
- high unemployment

Ireland

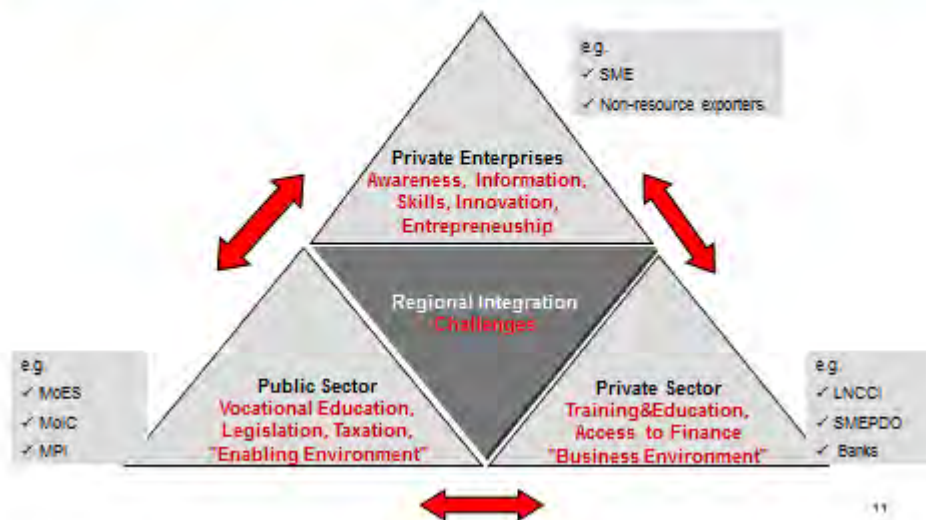
- cheap money / low interest rates
- attract foreign investors through favourable investment conditions
- attract new technology and jobs

- booming economy, competitiveness
- increasing employment

10

Enterprise Survey 2011 - Assessment and Recommendations

7 Regional Integration - Challenges



Enterprise Survey 2011 - Assessment and Recommendations

8 Recommendations

Strengthen SMEs to better withstand the challenges of a more liberalized business environment through a comprehensive **Public- and Private Sector Strategy**:

- Increased **role of non-resource sector** for sustainable growth and employment generation (for employment shifting from primary sector)
- **Stimulate export industries** - usually more competitive than non-export industries, through **investments in non-resource sectors**.
- Innovations, such as **upmarket manufactured products**
- Access to attractive, focused **vocational training** and education (full-time, part-time)
- Access to information and cooperation through **institutionalized networking**
- Access to **finance** through reducing barriers, such as bureaucracy, high collateral and expected informal payment (and better administrative skills at SME level)
- Reduce high unit labour costs by **increasing productivity** through attracting foreign-owned enterprises and through improved skills and technologies
- Increase investment in agriculture and consider **high value agricultural export** industries to boost productivity
- Reduce tax burden and increase transparency of **tax system**

12

see also: World Bank: Lao PDR - Investment Climate Assessment, 2011

Annex 3: Questionnaire



ສາທາລະນະລາຍ: ເຂົ້າສູ່ລາຍຮັບສູງສຳລັບການພັດທະນາເສດຖະກິດສຳລັບການພັດທະນາ
 Lao-German Programme on Human Resource Development for Market Economy
 Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH



(Rev. 1: 15 Decembre 2011)

Enterprise Survey Questionnaire 2011

| | | | | | |
|--|--|--|----------------------|----------------------|----------------------|
| 1. Questionnaire No. | | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| 2. Company of which sample survey of 2009: | | <input type="radio"/> Old Sampling List <input type="radio"/> New Sampling List <input type="radio"/> Both Lists | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| 2.1. Company in the sampling | | <input type="radio"/> Old sampling list 2005 <input type="radio"/> Old sampling list 2007 <input type="radio"/> Old sampling list 2009 <input type="radio"/> Old sampling list 2005-2007 <input type="radio"/> Old sampling list 2007-2009 <input type="radio"/> Old sampling list 2005-2009 <input type="radio"/> None in the old sampling list | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| 3. Main product (ISIC code Rev. 4): | | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| 4. Province: | | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| 5. District: | | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| 6. Ban: | | <input type="text"/> | <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:..... | | | | | |
| | | | | | |

Address:
 Ban Thachalangsay,
 Vientiane
 P.O. Box: 10838, Lao P.D.R.

Telephone:
 (+ 856-21) 353605

Telefax:
 (+ 856-21) 312 408

Email:
 HRDME-Laos@gtz.de
 hrme.lao@etfao.com

Enumerator:.....

Interview date:...../...../2011 Interview time: start, end

Fieldwork Supervisor:

Date checked: :...../...../2011

Name of data entry:

Date entered:/...../2011

Name of Supervisor (Central Level):

Date checked: :...../...../2011

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.

| <i>Permanent full time worker</i> | Total | Female |
|---|---|--|
| a. Total Number of permanent PAID & UNPAID workers (including owner / manager) | 21. <input type="text"/> <input type="text"/> <input type="text"/> | 22. <input type="text"/> <input type="text"/> <input type="text"/> |
| a.1. Number of Management/ Administration staff | 21a. <input type="text"/> <input type="text"/> <input type="text"/> | 22a.1 <input type="text"/> <input type="text"/> <input type="text"/> |
| a.2. Number of technical staff/worker | 21b. <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 |
|------------------------------------|-------------------------|-------------------------|-------------------------|
| ① individual customers, | <input type="text"/> -1 | <input type="text"/> -2 | <input type="text"/> -3 |
| ② urban merchants, | <input type="text"/> -1 | <input type="text"/> -2 | <input type="text"/> -3 |
| ③ urban businesses, | <input type="text"/> -1 | <input type="text"/> -2 | <input type="text"/> -3 |
| ④ rural merchants, | <input type="text"/> -1 | <input type="text"/> -2 | <input type="text"/> -3 |
| ⑤ rural businesses, | <input type="text"/> -1 | <input type="text"/> -2 | <input type="text"/> -3 |
| ⑥ exporters | <input type="text"/> -1 | <input type="text"/> -2 | <input type="text"/> -3 |
| ⑦ direct export (customers abroad) | <input type="text"/> -1 | <input type="text"/> -2 | <input type="text"/> -3 |
| ⑧ other..... | <input type="text"/> -1 | <input type="text"/> -2 | <input type="text"/> -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

33. Company assets this year 2010 (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 2010

- 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

35. Turnover 2010 (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 39

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

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

- | | |
|--|---|
| <input type="checkbox"/> Not profitable, | <input type="checkbox"/> new idea/better opportunities in new business, |
| <input type="checkbox"/> too high competition, | <input type="checkbox"/> closed down by authorities, |
| <input type="checkbox"/> increasing taxes, | <input type="checkbox"/> ran bankrupt, |
| <input type="checkbox"/> private/family reasons, | <input type="checkbox"/> 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, | ⑤ prefer to work for myself, |
| ② family pressure, | ⑥ identified profitable opportunity, |
| ③ inherited business, | ⑦ some capital available, |
| ④ provides better income than alternatives, | 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 for what purposes? (MULTIPLE ANSWERS POSSIBLE)

- | | |
|---|--|
| <input type="checkbox"/> 1 do not use computers | |
| <input type="checkbox"/> 2-text processing, | <input type="checkbox"/> 6-market research |
| <input type="checkbox"/> 3-accounting, | <input type="checkbox"/> 7-internet use |

- 4-customer relations, 8-e-commerce
 5-producing own advertisement 9-Other, specify: _____

42. How did your business develop in 2010 compared to the year before (2009)?
 If the enterprise started between 2009-11 skip to 46

| | increase | remain the same | decrease | don't know |
|--------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| 41.1 output | <input type="checkbox"/> -1 | <input type="checkbox"/> -2 | <input type="checkbox"/> -3 | <input type="checkbox"/> -4 |
| 41.2 turnover | <input type="checkbox"/> -1 | <input type="checkbox"/> -2 | <input type="checkbox"/> -3 | <input type="checkbox"/> -4 |
| 41.3 profit | <input type="checkbox"/> -1 | <input type="checkbox"/> -2 | <input type="checkbox"/> -3 | <input type="checkbox"/> -4 |
| 41.4 number of employees | <input type="checkbox"/> -1 | <input type="checkbox"/> -2 | <input type="checkbox"/> -3 | <input type="checkbox"/> -4 |

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

| | increase | remain the same | decrease | don't know |
|--------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| 41.1 output | <input type="checkbox"/> -1 | <input type="checkbox"/> -2 | <input type="checkbox"/> -3 | <input type="checkbox"/> -4 |
| 41.2 turnover | <input type="checkbox"/> -1 | <input type="checkbox"/> -2 | <input type="checkbox"/> -3 | <input type="checkbox"/> -4 |
| 41.3 profit | <input type="checkbox"/> -1 | <input type="checkbox"/> -2 | <input type="checkbox"/> -3 | <input type="checkbox"/> -4 |
| 41.4 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 (2010) ?

- ① Yes, I invested,
 ② No, I didn't invest, skip to 45

45. If you make some investment, which field did you invest?
 (MULTIPLE ANSWERS POSSIBLE)

- 1.machinery, 6. Marketing
 2.company buildings, 7. training
 3.vehicles for business use 8. private cars
 4.Advertisement, 9.private house
 5. office equipment, 10.Other, specify _____

46. What are your expectations regarding the development of your business
 in the next 2 years? (Situation from 41.1 to 41.4) Increase, Remain the same or Decrease

| | increase | remain the same | decrease | don't know |
|---------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| 44.1 output/ | <input type="checkbox"/> -1 | <input type="checkbox"/> -2 | <input type="checkbox"/> -3 | <input type="checkbox"/> -4 |
| 44.2 turnover | <input type="checkbox"/> -1 | <input type="checkbox"/> -2 | <input type="checkbox"/> -3 | <input type="checkbox"/> -4 |

| | | | | |
|--------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| 44.3 profit | <input type="checkbox"/> -1 | <input type="checkbox"/> -2 | <input type="checkbox"/> -3 | <input type="checkbox"/> -4 |
| 44.4 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 49

48. If you have investment plan, in which fields you plan to 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_____ |

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 AFTA / WTO? (MULTIPLE ANSWERS POSSIBLE)

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

51. How do you think AFTA has affected your business? (SINGLE ANSWER)

- ① no effect,
- ② rather positive effect,
- ③ rather negative effect
- ④ don't know

52. How do you think WTO will affect your business after become a member?
(SINGLE ANSWER)

- ① no effect,
- ② rather positive effect,
- ③ rather negative effect
- ④ don't know

III. Problems and framework conditions of the business

Give respondent "problem rate" showcard 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 |
| k.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" showcard 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 |
| i. 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 |
| j. 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 |
| k. 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 |
| l. 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 |
| m. 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 |
| 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:

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)

- | | |
|--|--|
| <input type="checkbox"/> 1-Lack of working capital | <input type="checkbox"/> 9-Suppliers |
| <input type="checkbox"/> 2-Competitiveness | <input type="checkbox"/> 10-Marketing |
| <input type="checkbox"/> 3-Limitation of experiences | <input type="checkbox"/> 11-Lack of skilled labor in production |
| <input type="checkbox"/> 4-Taxation | <input type="checkbox"/> 12-Small production volume |
| <input type="checkbox"/> 5-Location | <input type="checkbox"/> 13-Too many procedures in business registration |
| <input type="checkbox"/> 6-Infrastructure | <input type="checkbox"/> 14-Product costing |
| <input type="checkbox"/> 7-Law enforcement | <input type="checkbox"/> 15-Language barrier |
| <input type="checkbox"/> 8-Lack of labor | <input type="checkbox"/> 16-Poor Banking Services |
| | <input type="checkbox"/> 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:

| | 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)

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

67. How did you get this knowledge? (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
- 5-Business Group
- 6-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 LBF / PPPD? (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

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)

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

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

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)

- 1-occupational health and safety
- 2-cost calculation
- 3-business management
- 4-accounting
- 5-marketing
- 6-laws and regulations
- 7-quality management
- 8-business finance
- 9-others, specify: _____

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

- 1-in the family,
- 2-from friends,
- 3-non-formal training course,
- 4-vocational or technical school,
- 5-project,
- 6-by authorities,
- 7-other, specify: _____

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)

- 1-occupational health and safety
- 6-laws and regulations

- 2-cost calculation,
- 3-business management,
- 4-accounting,
- 5-marketing,
- 7-quality management,
- 8-business finance,
- 9-others, specify: _____,

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

- 1-in the family,
- 2-from friends,
- 3-non-formal training course,
- 4-vocational or technical school,
- 5-project,
- 6-by authorities,
- 7-by BMO
- 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)

- 1-Formulate a business plan,
- 2-Financial management,
- 3-Marketing management,
- 4-legal framework for doing business
- 5-Informational management
- 6-Production management
- 7-Technology management
- 8-Quality management
- 9-HR management
- 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)

- 1-Customer service,
- 2-Accounting,
- 3-Record keeping,
- 4-Foreign languages, specify _____
- 5-Operation of machinery and tools
- 6-Computer
- 7-Documentation and filing
- 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 ask Q.96

92. Whom did you ask for consultancy/recommendation for the development of your business? (MULTIPLE ANSWERS POSSIBLE)

- | | |
|--|--|
| <input type="checkbox"/> 1-Spouse, | <input type="checkbox"/> 5- BMOs |
| <input type="checkbox"/> 2-Family members, | <input type="checkbox"/> 6- Government agencies |
| <input type="checkbox"/> 3-Friends, | <input type="checkbox"/> 7-Development projects |
| <input type="checkbox"/> 4-Business partners | <input type="checkbox"/> 8-Professional providers |
| | <input type="checkbox"/> 9- 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-Other, 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,
- 2-business buildings,
- 3-business vehicles
- 4-marketing
- 5-local inputs
- 6-office equipment,
- 7-land
- 8-training
- 9-supporting for exports
- 10-imports
- 11-Repare my private house
- 12-Purchase private vehicle
- 13-Other, specify.....

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:

| |
|-------|
| |
| |
| |
| |
| |
| |



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