

**Skills, access to finance, regulatory reform,
and ASEAN regional integration:**

**Challenges and policy directions
for enterprises**

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Preface

Lao People's Democratic Republic is a fast-growing economy with, at 7 per cent, the highest rate of gross domestic product (GDP) growth in South-East Asia. Its population is expected to increase by 38 per cent from 6.6 million in 2014 to 8.8 million in 2030. If the economy is to continue to grow and develop, policy-making, given the country's young and growing population, must aim to generate productive and income-generating jobs while enabling a business-friendly environment.

However, recent studies indicate that a variety of challenges in the business environment hinder further inflow of investment. In particular, a lack of skills and limited human resources consistently represent critical constraints for business. Other inhibitory factors include limited access to financial services, especially for small and medium-sized enterprises; a regulatory environment that can discourage business operations; and anticipated challenges related to South-East Asia's regional economic integration.

These circumstances suggest that enterprises in this country must take a more proactive approach to advocating and shaping policies that are aligned with private sector needs.

In relation to those needs, the Lao National Chamber of Commerce and Industry (LNCCI) has taken the lead in developing this policy report, which is predicated on a technical project supported by the International Labour Organization (ILO) Bureau for Employers' Activities (ACT/EMP) to make evidence-based policy recommendations on priority business issues. It summarizes the results of a national enterprise survey; desk reviews on issues which concern enterprises in the Lao People's Democratic Republic; and findings from consultations with the private sector and key stakeholders.

Issues under review include the following:

- skills education and training;
- access to finance;
- the legal and regulatory environment; and
- anticipated challenges related to the AEC, or Association of Southeast Asian Nations (ASEAN) Economic Community 2015.

It is hoped that the results of this policy report will assist the LNCCI and its members to better advocate for key issues and the needs of the private sector with relevant ministries, agencies, and other stakeholders. The ILO will continue to work closely with the LNCCI to accelerate its efforts to implement the policy recommendations contained in this report, aiming to create an environment conducive to enterprise growth and development.

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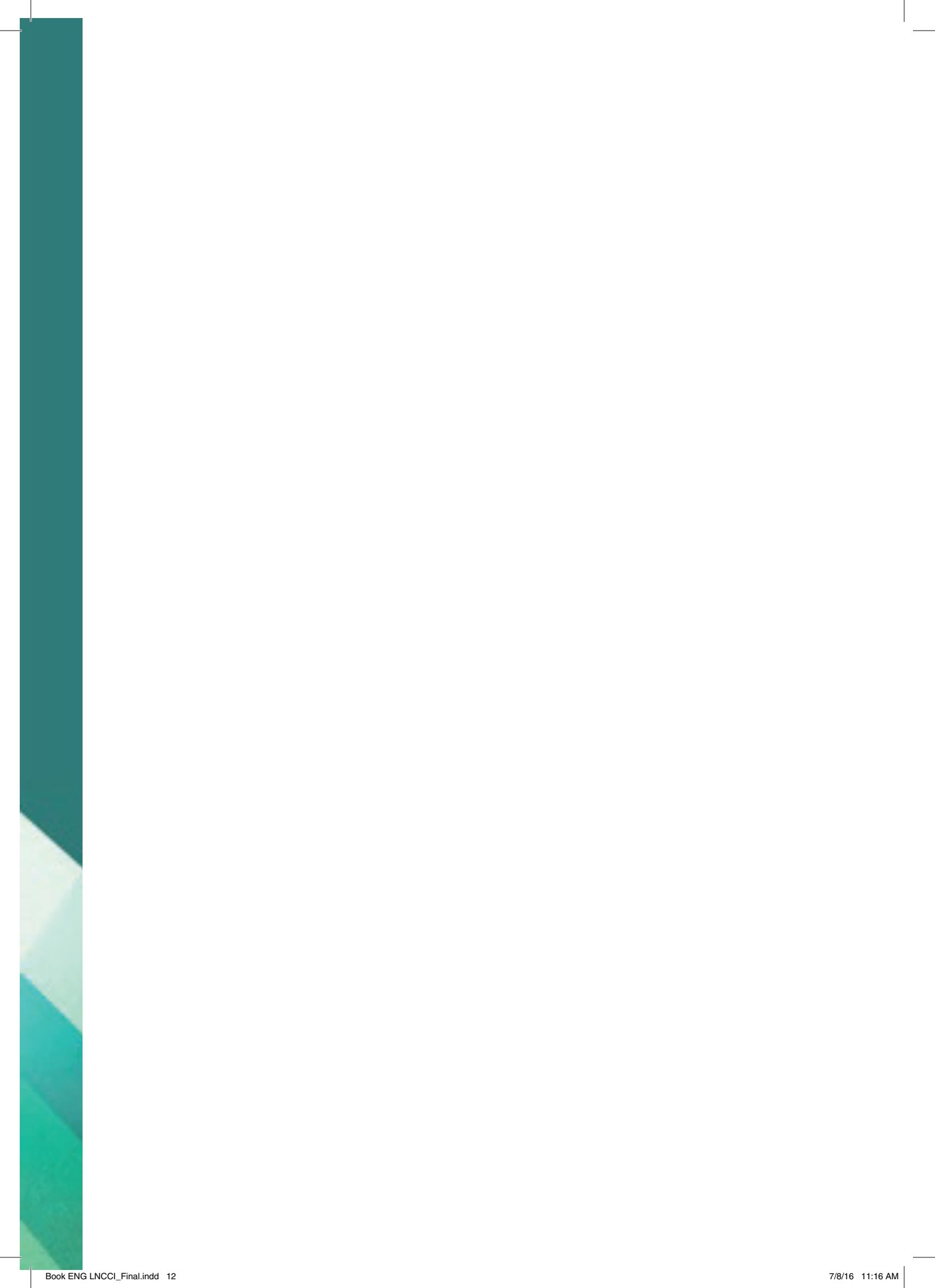
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Executive summary

In May 2014, the International Labour Organization (ILO) and the Lao National Chamber of Commerce and Industry (LNCCI), seeking a clear, data-driven understanding of the business environment of Lao People's Democratic Republic and the key constraints to enterprises across the country, commissioned an analysis of the policy environment. This was followed by a survey of enterprises in four provinces (Vientiane Capital, Luang Prabang, Savannakhet, and Champasak). In total, 404 enterprise owners and managers were asked to share their views and experiences regarding the key challenges and opportunities they faced. The sample is broadly representative of the Lao private sector, and includes enterprises of all sizes, types of ownership, and business activities (excluding agriculture). The LNCCI-ILO survey aimed to collect data on the key challenges, opportunities, and business practices of enterprises in Lao People's Democratic Republic. The survey was conducted in October 2014 using a structured questionnaire (Appendix 1) in face-to-face interviews. Highlights from the LNCCI-ILO survey and related policy recommendations are summarized below.

(1) Skills, education and training

Many enterprises face major challenges related to skills and labour shortages. These challenges apply to enterprises in all locations, in all sectors and of all sizes, particularly medium-sized and large enterprises. It is difficult to recruit and retain moderately and highly skilled employees. Importantly, and unlike many other developing countries in the region, enterprises in both the manufacturing and services sectors also compete to recruit and retain low-skilled workers.

Many enterprises, particularly large and medium-sized businesses, have responded to skilled labour challenges by providing training to their employees. Such training targets a wide range of skills, with small and medium-sized enterprises (SMEs) emphasizing marketing and customer service, while large enterprises tend to provide leadership and management training. More than half of the surveyed enterprises conduct in-house training (using internal staff), with relatively few enterprises using external training providers such as private companies, colleges, and business associations. While time is the biggest constraint for enterprises providing training to their employees, medium-sized enterprises also struggle to find suitable training courses and providers.

Key policy recommendations:

- implement a pilot sector-specific labour skills development fund;
- support an improved, stronger National Training Council and a strengthened role for the Trade Working Group in the National Vocational Qualifications Framework's governance and implementation;
- establish a dialogue structure to improve coordination between the Ministry of Education and Sports (MOES), the Ministry of Labour and Social Welfare (MOLSW), and relevant agencies;
- establish relationships with training providers and business development services;

- set up a structure to enable enterprise engagement in the Labour Market Information System;
- hold annual job fairs and other annual industry events; and
- conduct an annual survey of occupation and skill needs.

(2) Access to finance

Many respondents highlighted access to finance as a key constraint to growth of their enterprise. This was of particular concern among owners and managers of medium-sized enterprises. Wholesale and retail trade enterprises were much less likely to have taken a loan than enterprises in the mining, construction, and manufacturing sector. The main reason enterprises did not take loans is the perception of high interest rates. Most respondents believed that female business owners faced the same challenges as men in accessing finance. Indeed, most respondents felt that female owners encountered no additional, gender-specific challenges in running their enterprise.

Key policy recommendations:

- increase communication and dialogue with respect to accessing finance;
- expand criteria for collateral;
- assist enterprises applying for funds; and
- explore alternative and innovative funding sources and mechanisms.

(3) Legal and regulatory environment

Tax administration was rated as the area most in need of improvement or simplification. Similarly, in exploring possible LNCCI roles, business owners and managers were asked to select their top priorities from a range of issues important to their respective enterprises. More than any other issue, information on paying taxes was rated as “very important”. Unsurprisingly, therefore, enterprises recommended that the LNCCI focus its advocacy efforts with the Government on the issue of tax payments.

Some 20 per cent of respondents cited customs regulations as the second-greatest concern, followed by the business registration process (8 per cent). The labour law, on the other hand, did not occasion major concern, though some enterprises proposed the need for provisions on minimum wages, working hours, and recruitment. Informal payments or gifts to government officials remained an issue for many enterprises. In the previous 12 months, according to the LNCCI-ILO survey, medium-sized enterprises were most concerned about this practice, which was most common in the mining, construction, and manufacturing sectors and least common in the wholesale and retail trade.

Key policy recommendations:

- ease permit/tax application processes;
- launch a campaign to raise awareness and change behaviour;
- set up an ombudsman's office in business associations for confidential reporting; and
- hold periodic industry conferences and workshops.

(4) ASEAN Economic Community (AEC) 2015

Most owners and managers of medium-sized and large enterprises were aware that the Association of Southeast Asian Nations (ASEAN) Economic Community (AEC) would take effect at the end of 2015, although many owners and managers of small enterprises were entirely unaware of how this important development would impact them. Overall, respondents largely saw the AEC as a positive step, and were excited at the prospect of new export markets as well as cheaper imports. Unsurprisingly, however, some were wary of the potential threats of competition from cheaper imports and foreign investors. In response to these competitive challenges, many enterprises were striving to prepare for the AEC by improving the quality of their products and improving the skills of their employees through training. (This trend lends further weight to the idea that the LNCCI can assist its members by helping them to link with providers of training and enterprise development services.) Nearly all owners and managers indicated their intention to seek help or information about the AEC from various sources, including the media, government agencies, and business associations. They were particularly interested in information regarding the impact of the AEC on laws, regulations, and the hiring of foreign workers. They were less interested in information about opportunities for exports and investment. The implication for business associations such as the LNCCI was that they should focus their information dissemination on the policy and regulatory aspects of the AEC, rather than on the commercial opportunities associated with it.

Key policy recommendations:

- establish transparent and streamlined tax and regulations;
- ensure government commitment under the AEC;
- provide information on the AEC to enterprises; and
- enhance skills and competencies of workers, especially in rapidly growing sectors.

Acronyms and abbreviations

ACT/EMP	Bureau for Employers' Activities (ILO)
ADB	Asian Development Bank
AEC	ASEAN Economic Community
ASEAN	Association of Southeast Asian Nations
BDS	business development services
DOSMEP	Department for Small and Medium Enterprise Promotion
EDC	Enterprise and Development Consultants
ESJC	employment services job centre
GDP	gross domestic product
GIZ	German Agency for International Cooperation
ILO	International Labour Organization
LAK	Lao kip (currency)
LNCCI	Lao National Chamber of Commerce and Industry
LMIS	Labour Market Information System
MFI	microfinance institution
MOES	Ministry of Education and Sports
MOLSW	Ministry of Labour and Social Welfare
NA	not applicable
NDLR	National Database of Learner Records
NSEDP	National Socio-Economic Development Plan 2016–20
NTC	National Training Council
NVQF	National Vocational Qualifications Framework
ROSCA	rotating savings and credit association
SMEs	small and medium-sized enterprises
TVET	technical and vocational education and training
TWG	Trade Working Group
USAID	United States Agency for International Development
VEDI	Vocational Education Development Institute
VELA	Vocational Education in Laos
WTO	World Trade Organization

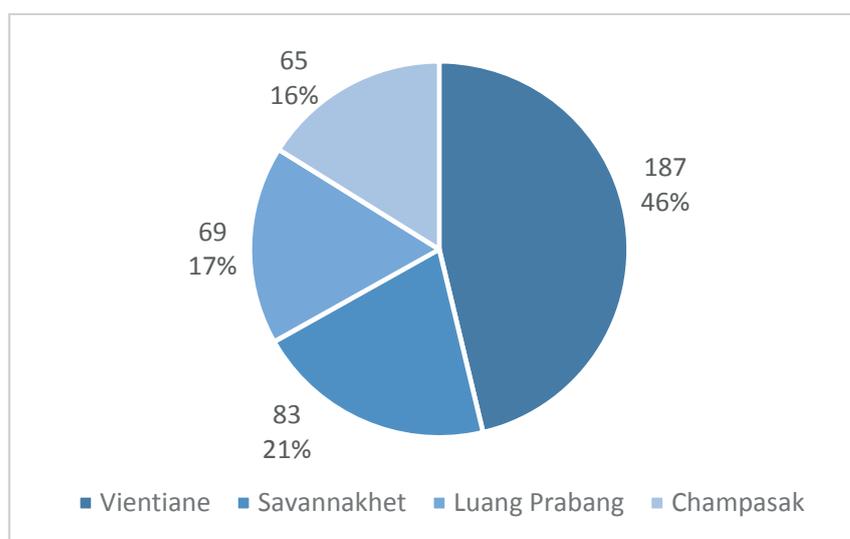
1. Introduction

Seeking a clear, data-driven understanding of the business environment as well as of the key constraints to enterprises across the country, the International Labour Organization (ILO) and the Lao National Chamber of Commerce and Industry (LNCCI) commissioned an analysis of the policy environment in the Lao People’s Democratic Republic. To this end, in October 2014 an enterprise survey was conducted in four provinces of Lao People’s Democratic Republic. The survey was conducted through face-to-face interviews using a structured questionnaire developed in close consultation with ILO and the LNCCI (see Appendix 1). The survey sample was broadly representative of the Lao private sector and included firms of all sizes, types of ownership and business activities (excluding agriculture).

The sample comprised owners and senior managers of 404 businesses located in the four major provinces of Vientiane Capital, Luang Prabang, Savannakhet, and Champasak. The breakdown of the sample, in terms of location, firm size, and sector, broadly reflects the number and type of firms operating in these locations (see Appendix 2).

Figure 1, below, shows that nearly half of the participating firms were located in Vientiane, with the remaining firms split fairly evenly between Savannakhet, Luang Prabang and Champasak.

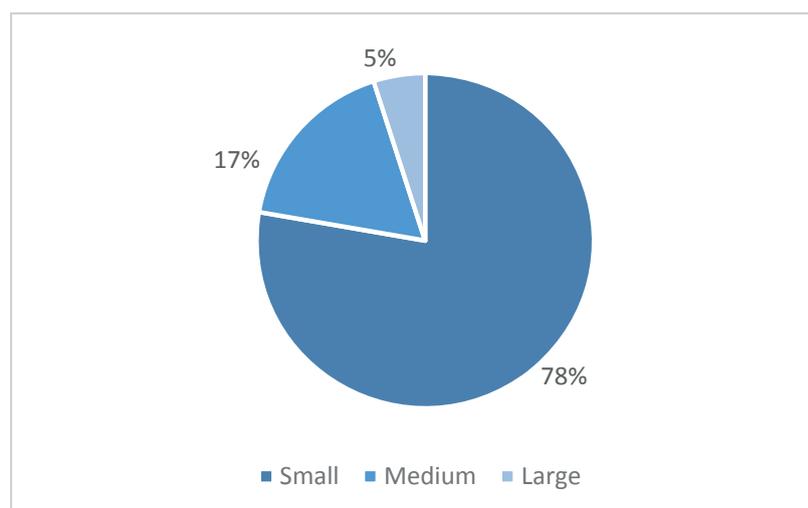
Figure 1. Sample breakdown, by province



Source: LNCCI-ILO survey, 2014.

In keeping with the actual distribution of firms in Lao People’s Democratic Republic, more than three-quarters of the sample were owners and managers of small enterprises (1–19 employees), while around 17 per cent were owners and managers of medium-sized enterprises (20–99 employees). About 5 per cent of the sample were owners and managers of large enterprises that employed 100 or more persons (figure 2).

Figure 2. Sample breakdown, by firm size (number of employees)



Source: LNCCI-ILO survey, 2014.

Following data collection and analysis of the survey results, a series of stakeholder consultations were held to validate the results and to provide a context in which to interpret them. In January 2015 the LNCCI arranged a focus group discussion at which a group of its members provided valuable feedback on the draft survey report's main findings.

In February 2015, the ILO and the LNCCI hosted a survey validation workshop attended by stakeholders from the Government, trade unions, international organizations, and the private sector. Attendees discussed the report findings, and proposed priority areas and activities for the LNCCI to consider. In March 2015, this feedback was incorporated in the final survey report.

The key findings from this survey provided a foundation for further desk research, which was undertaken in August 2015. A consultation with LNCCI members to discuss the desk research and policy direction was held later that same month. From that consultation emerged the four LNCCI policy briefs, presented for discussion with the LNCCI Board in October 2015. The policy papers provided the basis for internal LNCCI discussion that led to the identification of key priority issues. Subsequent policy recommendations and actions were discussed during consultative workshops organized by LNCCI and its members together with key working partners.

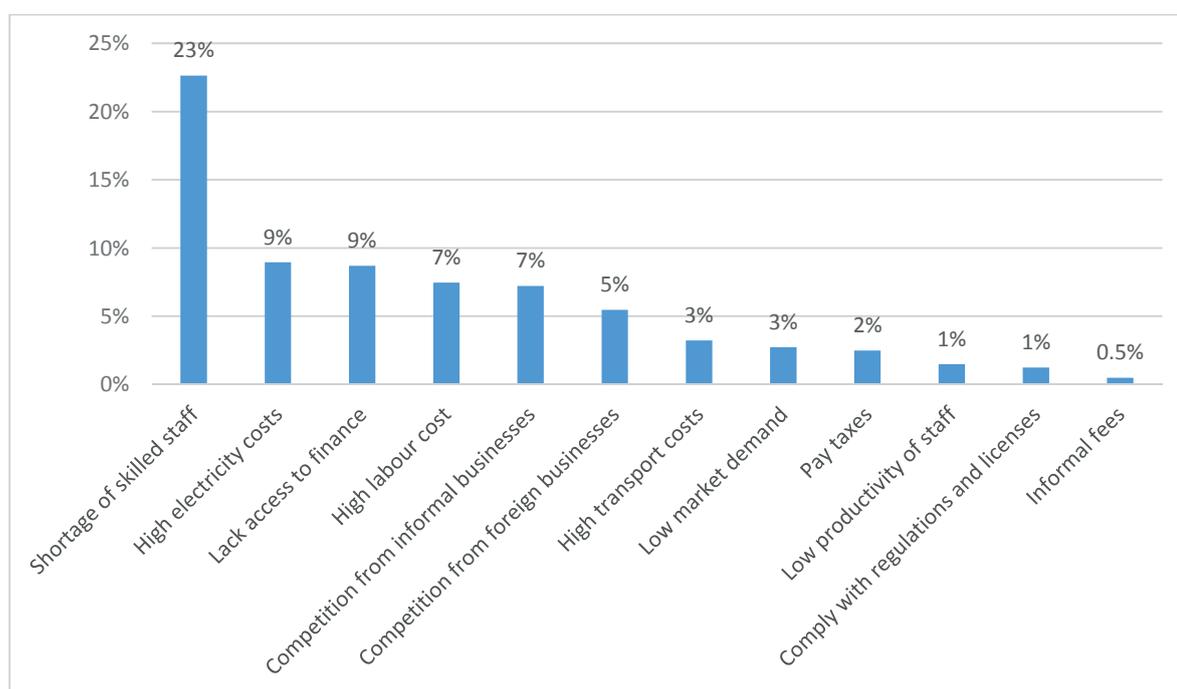
This policy report comprises seven sections, including this introduction. The next section summarizes the key business challenges. The four sections following that correspond to the four LNCCI policy briefs, and related recommendations are presented at the end of each. The last section of this report provides conclusions and summarizes the LNCCI role.

2. Key business challenges and plans for the future

One primary aim of the survey was to identify the key challenges faced by firms and thus enhance LNCCI capacity to (1) advocate with the Government and donors and (2) provide services that address its members' biggest challenges. This section briefly discusses the greatest challenges reported by business, thereby placing the rest of the paper in context.

Respondents were asked to nominate their single biggest challenge. Figure 3 shows that 23 per cent of firms identified this as a shortage of skilled workers — a result consistent with the findings of the World Bank's latest enterprise survey in Lao People's Democratic Republic, which reported 20 per cent of firms citing an "inadequately educated workforce" as their main constraint (World Bank, 2014a). About 7 per cent of firms instead identified high labour costs as their biggest challenge. Taken together, this means that nearly one-third of participants cited a labour-related issue as their greatest challenge. This finding was echoed by many stakeholders who participated in the survey validation workshop in February 2015. Alternative greatest challenges reported by significant numbers of participants included high electricity costs; lack of access to finance; competition from businesses that are not fully registered; and competition from foreign businesses. Interestingly, few respondents selected taxes, regulations, or informal fees as their biggest challenge.¹

Figure 3. Perception of greatest business challenge (respondents selected one only)



Note: In addition to the responses above, 19 per cent of respondents nominated a wide range of "other" issues as their biggest challenge, while 2 per cent answered "do not know" and 7 per cent answered "not applicable" (NA), suggesting they faced no challenges.

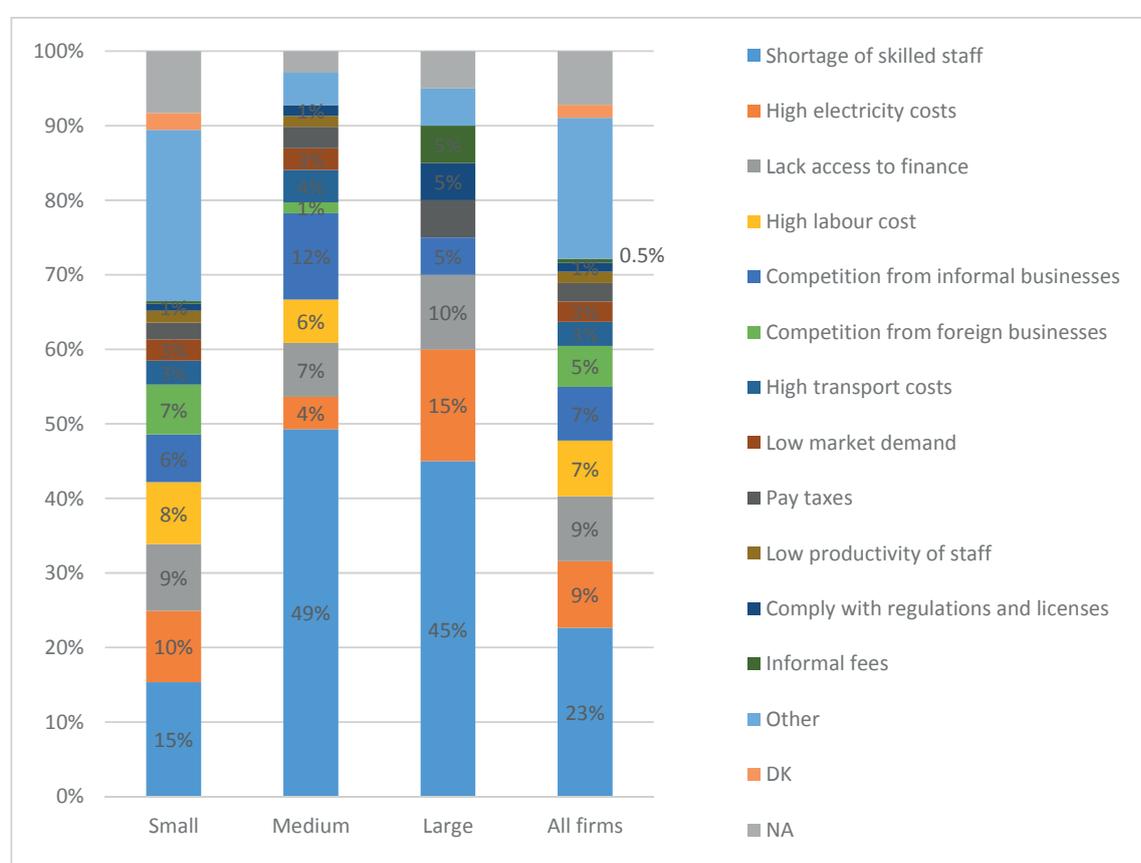
Source: LNCCI-ILO survey, 2014.

¹ Respondents were asked to select their greatest challenge only. Although those selected by only a few respondents — e.g. taxes (2 per cent), productivity (1 per cent), and regulations (0.5 per cent) — were not the most prevalent issues that businesses faced, they could still represent important challenges.

Different types of firms faced different types of challenges. Figure 4 shows that a shortage of skilled workers was the biggest challenge for firms of all sizes, but it was a much bigger challenge for medium-sized and large firms than it was for small firms. Notably, nearly half of all medium-sized and large firms cited a shortage of skilled workers as their biggest challenge. On the other hand, high labour costs were a more common challenge for small firms (8 per cent) than for large firms (0 per cent). This suggests that large businesses were much more concerned with skills shortages than they were with having to pay high salaries.

Other notable differences included the following: competition from informal (unregistered) businesses was a bigger concern for medium-sized firms (12 per cent) than for small firms (6 per cent) or large firms (5 per cent); and high electricity costs were a bigger concern for large firms (15 per cent) than for small firms (10 per cent) or medium-sized firms (4 per cent).

Figure 4. Biggest challenge, by firm size

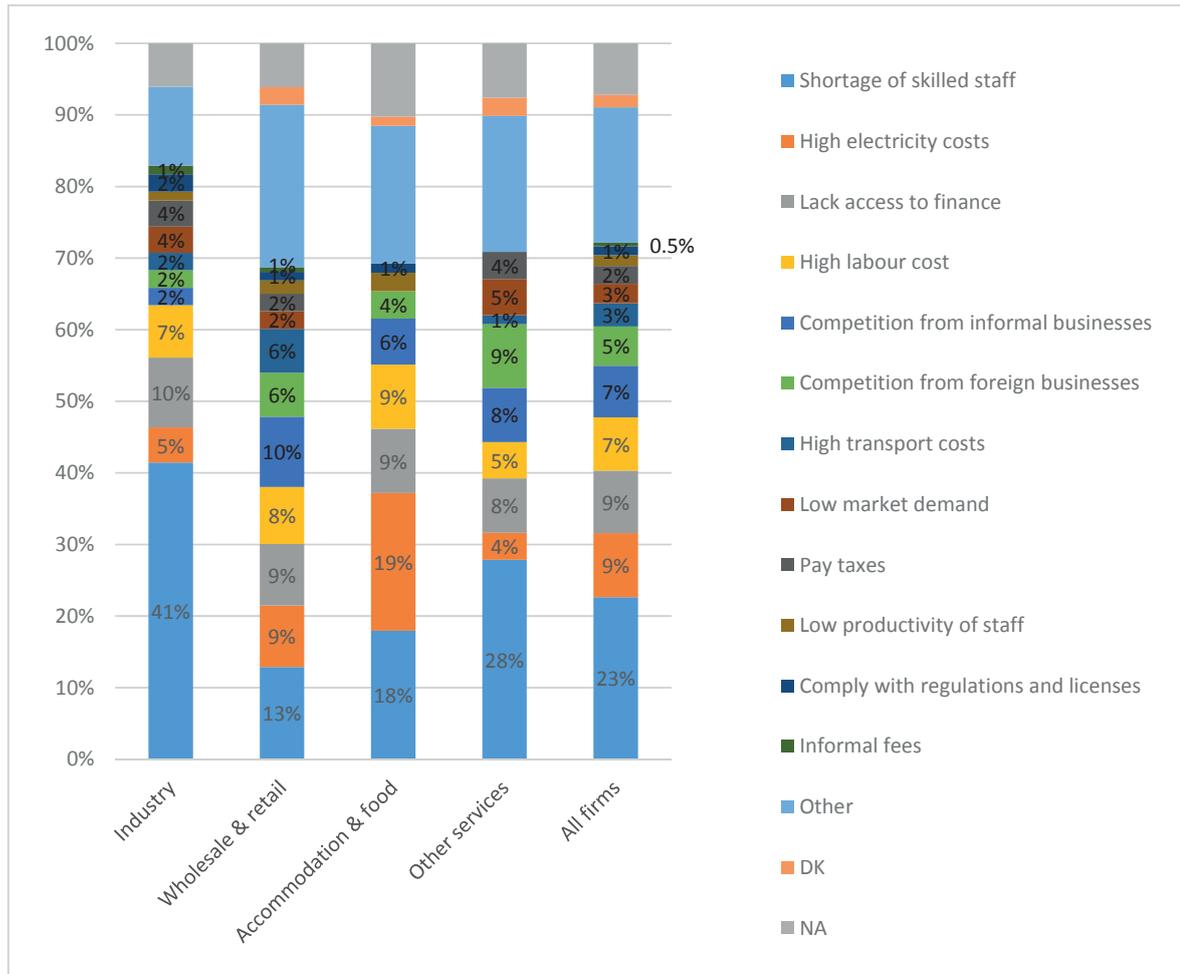


Note: Respondents from small firms nominated a much wider range of challenges that were not listed on the questionnaire, as represented in the “other” category (23 per cent).

Source: LNCCI-ILO survey, 2014.

Figure 5 breaks these challenges down by sector. The shortage of skilled workers was felt most strongly in the mining, construction, and manufacturing sector (41 per cent), followed by the “other services” sector (28 per cent). Interestingly, 19 per cent of hotels and restaurants cited high electricity costs as their biggest challenge, which was much higher than for other sectors. Competition from informal businesses was a bigger challenge for firms in the wholesale and retail trade (10 per cent) than in other sectors, while competition from foreign businesses was more of a challenge for firms in “other services” (9 per cent).

Figure 5. Biggest challenge, by sector



Note: “Industry” includes mining, construction, and manufacturing. “Other services” includes accounting, law education, health, and personal services.

Source: LNCCI-ILO survey, 2014.

It was difficult to identify differences in the challenges faced in each province, because any such differences also reflected differences in each province's sample distribution by firm size and sector. To isolate differences by province, the data were further disaggregated within each province according to firm size and sector. Due to sample size constraints, results were only analysed for the largest possible grouping: small firms in the wholesale and retail trade sector in each province.

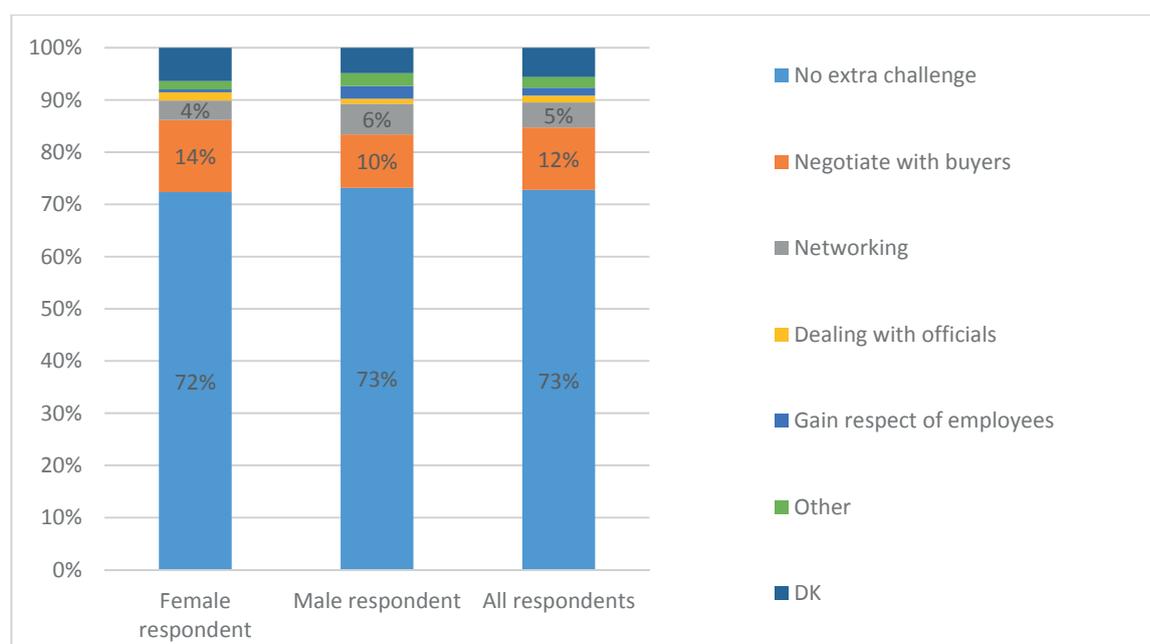
For small firms in the wholesale and retail trade sector:

- Skills shortages were a bigger challenge in Luang Prabang (19 per cent) than in other provinces (0–11 per cent).
- High labour costs were a bigger challenge in Savannakhet (20 per cent) than in other provinces (4–5 per cent)
- Competition from informal firms was a bigger challenge in Champasak (26 per cent) than in other provinces (3–14 per cent)
- Competition from foreign firms was also a bigger challenge in Champasak (19 per cent) than in other provinces (3–5 per cent).

Consistent with the above survey results, stakeholders at the validation workshop stressed that the main challenges differed according to sector and location (province). One government official also stressed the importance of looking at labour shortages by sector, province and field/discipline.

Participants were asked whether they thought female owners experienced any additional challenges compared to their male counterparts. As shown in figure 6, more than 70 per cent of participants (male and female) believed that female owners did not experience any additional, gender-specific challenges.² The only significant extra challenges appeared in negotiations with buyers (12 per cent) and with networking (5 per cent).

Figure 6. Perception of extra challenges faced by female owners

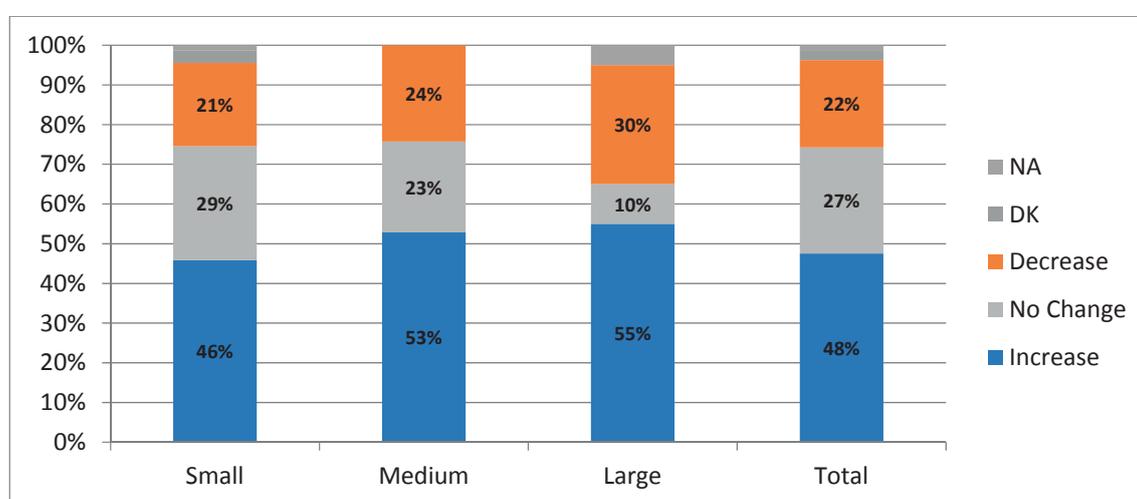


Source: LNCCI-ILO survey, 2014.

² Similarly, 72 per cent of female-owned businesses and 74 per cent of male-owned businesses felt there were no extra challenges faced by women.

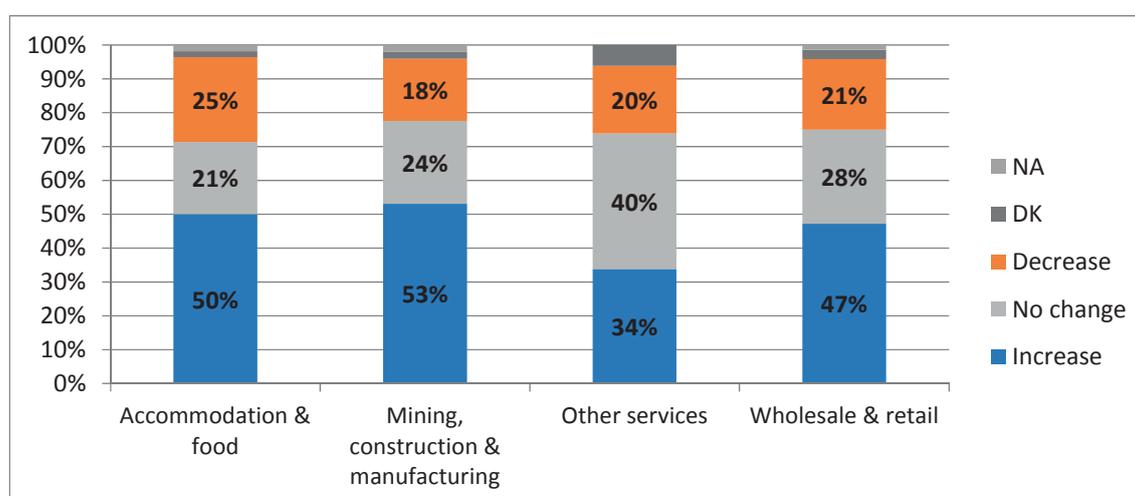
Despite the challenges to the private sector, it is important to stress that many businesses remained quite positive. Figure 7 shows that nearly half of all firms had increased their profits over the previous two years, with 27 per cent of firms having experienced no change in profits and 22 per cent suffering a decrease in profits. The results were similar for firms in all sectors. These numbers were broadly consistent with the latest German Agency for International Cooperation (GIZ) Enterprise Survey (2014), in which more than 40 per cent of enterprises improved their performance compared with the previous year. To identify differences in profitability by sector, while controlling for firm size, figure 8 shows the change in profits experienced by small firms in each sector. It shows that results were broadly consistent across sectors, although fewer small firms in “other services” had increased profits compared to other small firms.

Figure 7. Change in profit over past two years, by firm size



Source: LNCCI-ILO survey, 2014.

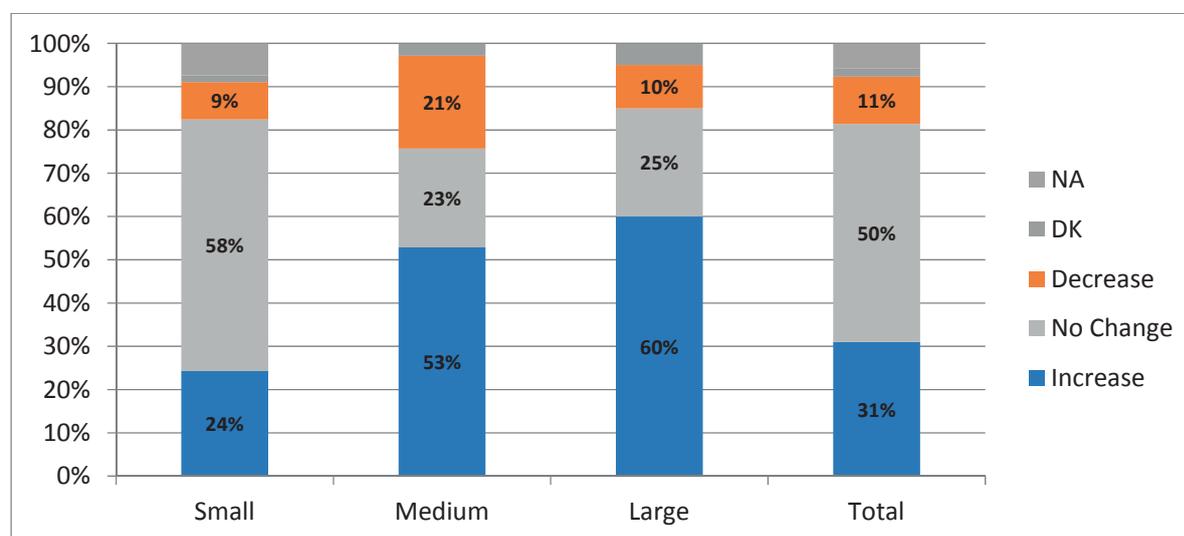
Figure 8. Change in profit over past two years in small firms, by sector



Source: LNCCI-ILO survey, 2014.

Figure 9 shows that, over the previous two years, most medium-sized and large firms increased their workforce, while the size of the workforce in most small firms remained unchanged.

Figure 9. Change in number of employees over past two years, by firm size



Source: LNCCI-ILO survey, 2014.

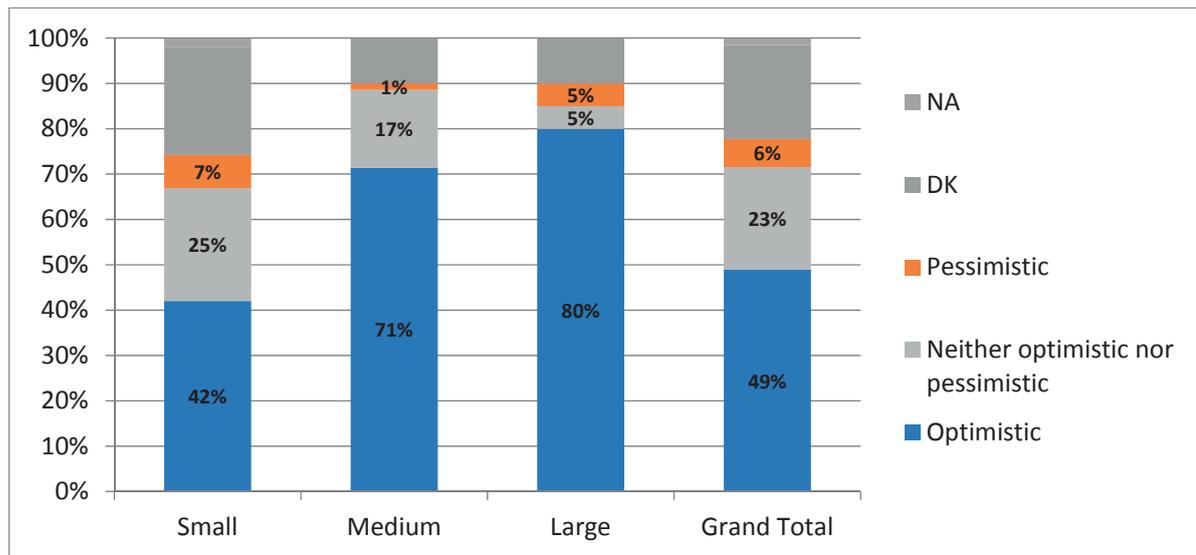
Disaggregating employment results by firm size and sector reveals interesting differences. More small firms in the mining, construction, and manufacturing sector (52 per cent) had expanded their workforce than had small firms in accommodation and food (27 per cent), other services (26 per cent), or wholesale and retail trade (13 per cent). However, the opposite results are apparent among medium-sized firms, with employment growth highest in wholesale and retail trade (71 per cent) and lowest in mining, construction, and manufacturing (43 per cent). Further research is needed to confirm and interpret such contrasting results.

In terms of future employment plans, 42 per cent of owners and managers expected to increase the size of their workforce over the following two years, with another 39 per cent expecting employment to remain unchanged. Only 5 per cent expected to reduce employment over the following two years. Owners and managers of medium-sized firms were the most optimistic regarding employment, with 70 per cent expecting to increase their workforce over the following two years.

Disaggregating future employment plans by sector and firm size echoes the finding on employment in the preceding two years: small firms in wholesale and retail were less likely to expand than were small firms in other sectors, while medium-sized firms in wholesale and retail were more likely to expand than were medium-sized firms in other sectors. Again, this issue could be explored through further research on the labour market.

Similarly, as shown in figure 10, when asked if they were optimistic or pessimistic about prospects for their business over the coming two years, 71 per cent of owners and managers of medium-sized firms and 80 per cent of owners and managers of large firms expressed optimism. In contrast, only 42 per cent of owners and managers of small firms were optimistic. Many owners and managers of small firms either were neutral (25 per cent) or didn't know how they felt about the future (24 per cent).

Figure 10. Outlook for firm over coming two years, by firm size



Source: LNCCI-ILO survey, 2014.

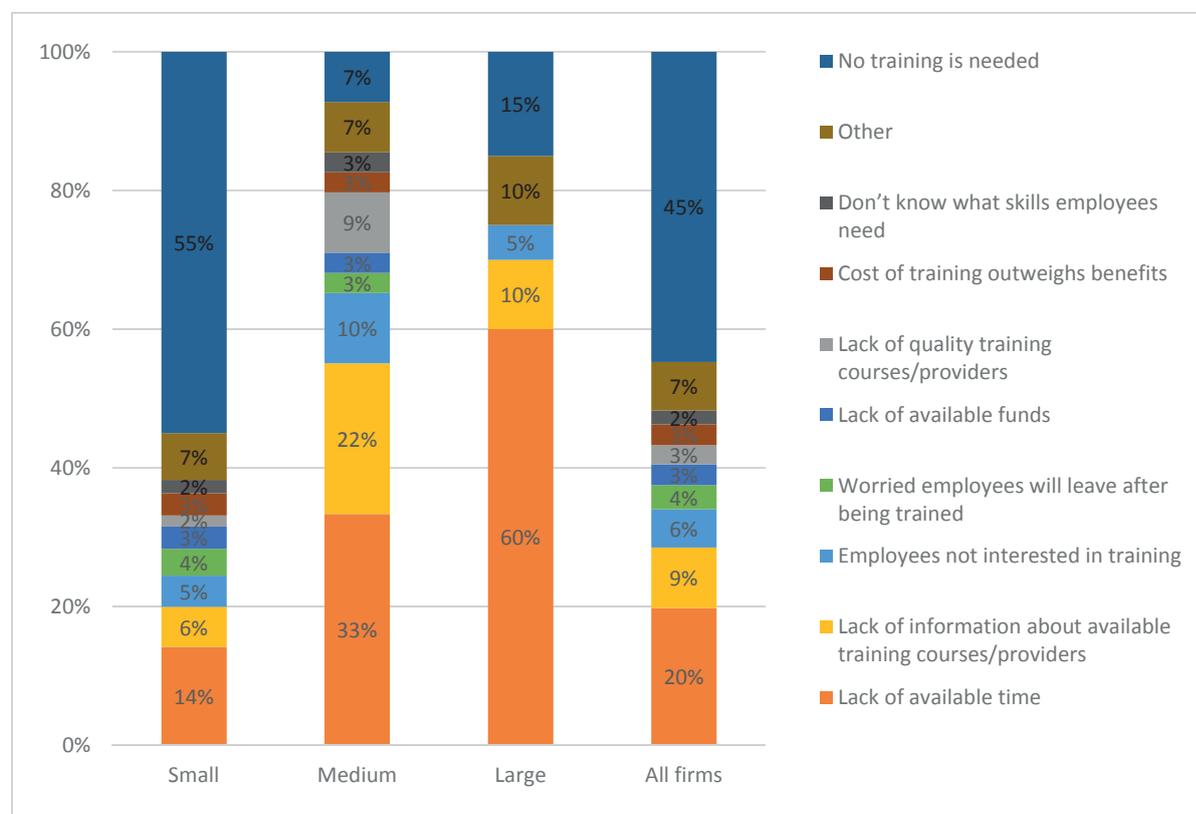
3. LNCCI policy recommendations on skills, education, and training for Lao business development

Compared to other countries in the region, Lao People’s Democratic Republic has in recent years displayed a relatively stable economic growth trend. Based on this positive track record, there is overall confidence in the market growth potential of local enterprises. A positive outlook is further supported by the prospect of ever more opportunities for Lao People’s Democratic Republic to participate in global value chains.

At the same time, opportunities to develop new enterprises and expand existing ones are accompanied by challenges that need to be addressed. One such challenge that Lao enterprises face is recruiting and retaining skilled labour.

To fully capitalize on the growth opportunity, the LNCCI believes, it is critical to address this skills challenge. To improve the country’s competitiveness in the global market, the LNCCI advocates improving national capacity to build skills, educating and training the Lao work force to meet enterprise needs. To achieve this goal, the LNCCI encourages placing labour market needs at the centre of education and training through developing stronger partnerships among all stakeholders, including the relevant government entities; education and training providers; technical and vocational education and training (TVET) service providers; industry employers; and business associations.

Figure 11. Perception of constraints to providing training, by enterprise size



Source: LNCCI-ILO survey, 2014.

More than half of owners and managers of small enterprises believed that no training was needed (figure 11). This may have reflected the nature of their enterprise (with some small enterprises having less obvious training needs) as well as a lack of understanding about how training could improve the skills of their employees to the benefit of the enterprise.

Therefore, in addition to providing medium-sized enterprises with information about training options, business associations such as the LNCCI could also emphasize to their members that training can also play a valuable role in boosting the productivity and competitiveness of small enterprises.

3.1 Seizing opportunities to compete in the global market

During the previous 20 years, the Lao economy had grown, on average, by more than 7 per cent annually (ADB, 2015). According to the LNCCI-ILO survey (2014)³ almost half of the 404 companies surveyed reported both increased profits over the previous two years and an increasing number of employees.

In 2013, Lao People's Democratic Republic joined the ASEAN Free Trade Agreement and the World Trade Organization (WTO) further integrating with the global economy. The ASEAN Economic Community (AEC) will deepen that integration into global markets. These developments are expected to bring about changes in both the regional economy and in the economy of Lao People's Democratic Republic.

Among the enterprises surveyed, owners and managers of medium-sized or large enterprises tended to be aware of the AEC launch. Most expressed optimism rather than pessimism about its potential impact on their enterprises. To compete in the larger integrated market, enterprises prioritized improving the quality of their products or services and providing training to employees.

In this context, over 40 per cent of respondents were planning to increase their workforce over the following two years. Such a need was most noted among owners and managers of medium-sized enterprises, of whom 70 per cent confirmed the intention to increase hiring.

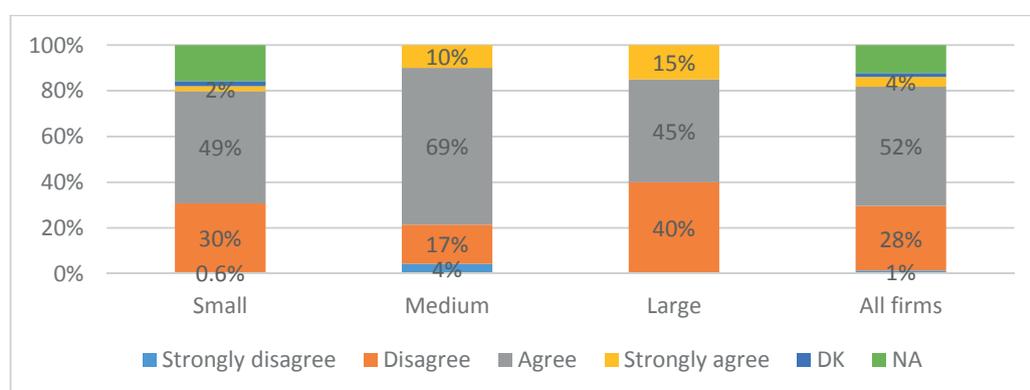
The LNCCI-ILO survey (2014) identified future employment plans among all enterprises, 42 per cent of which expected to increase the size of their workforce in the next two years, 39 per cent of enterprises expect to remain the same size, and only 5 per cent of enterprises expect to reduce employment. Some 70 per cent of owners and managers of medium-sized enterprises (the largest share) were optimistic about increasing their workforce in the following two years. Accordingly to this survey, wholesale and retail medium-sized enterprises were more likely to expand than enterprises in other sectors.

³ Supported by the ILO Enterprises Department and ILO-Norway Partnership agreement.

3.2 Greatest constraints to business growth: Challenges in recruiting and retaining skilled labour

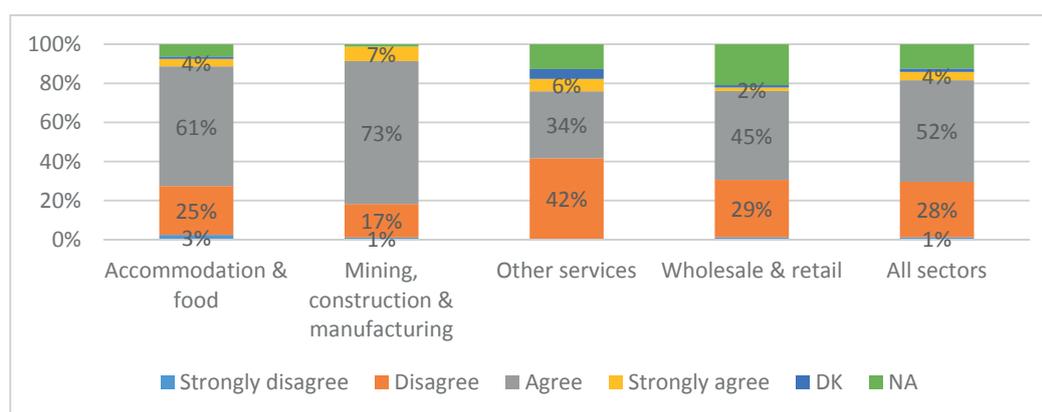
The demand for additional workforce in the Lao People’s Democratic Republic is a positive phenomenon, but meeting this demand is no easy task. Some 56 per cent of owners and managers, regardless of enterprise size, reported difficulty in recruiting and retaining medium and high-skilled workers over the previous 12 months. Among these, 79 per cent of the enterprises were medium-sized and 60 per cent were large enterprises (figure 12). The mining, construction, and manufacturing sector (figure 13) faced the greatest difficulty (80 per cent), followed by accommodation and food (65 per cent). In fact, this was the greatest reported constraint inhibiting business development and growth among all enterprises.

Figure 12. Difficulties in recruiting medium-or high-skilled workers over previous 12 months, by enterprise size



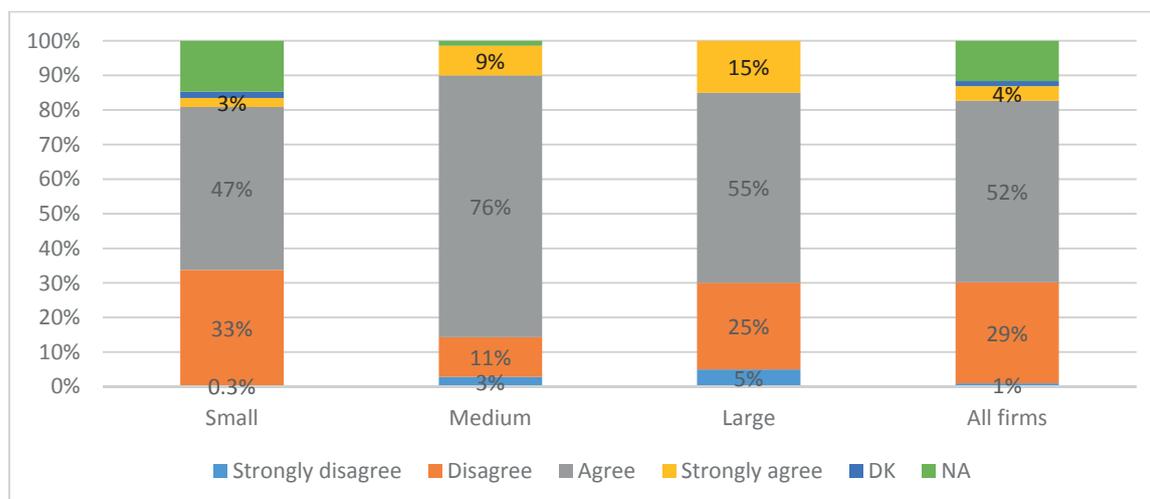
Source: LNCCI-ILO survey, 2014.

Figure 13. Difficulties in recruiting medium-or high-skilled workers over past 12 months, by sector



Source: LNCCI-ILO survey, 2014.

Figure 14. Perception of difficulties in recruiting low-skilled workers over past 12 months, by enterprise size

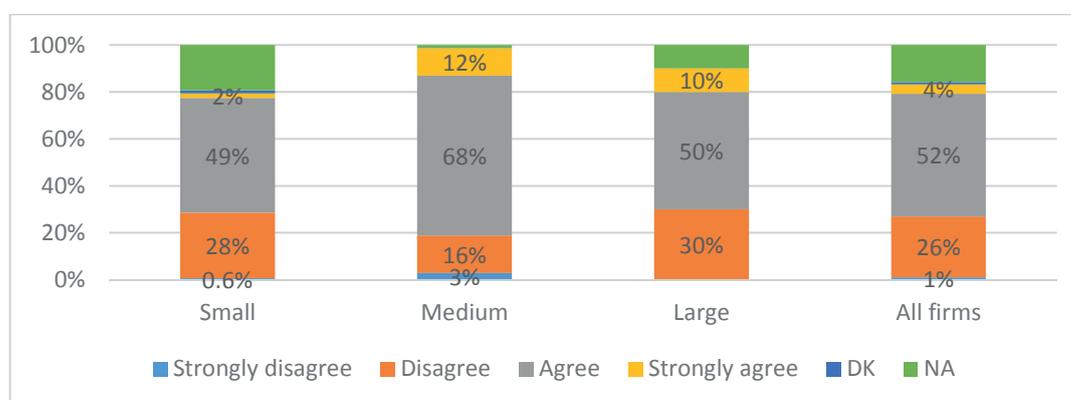


Source: LNCCI-ILO survey, 2014.

According to 56 per cent of all respondents, shortages of skilled labour had inhibited enterprise growth over the previous 12 months. As figure 14 shows, this was especially the case for respondents from medium-sized enterprises (80 per cent), less so for those from large enterprises (56 per cent) and small enterprises (51 per cent).

Owners and managers of medium-sized enterprises were affected by skills shortages much more than were other respondents. The survey results offer possible explanations for this: (1) mining, construction, and manufacturing were expanding in line with the country's economic growth, and thus new skills were in demand; and (2) some 16 per cent of survey respondents from small enterprises were in the mining sector, compared to 31 per cent from medium enterprises and 50 per cent from large enterprises. As for large enterprises (more than 100 employees), unskilled workers comprised a significant share of their workforce and were of greater concern to owners and managers of large enterprises compared to those of medium enterprises in the same sector.

Figure 15. Perception that skills shortages hindered enterprise growth over previous 12 months, by enterprise size



Source: LNCCI-ILO survey, 2014.

The mining, construction, and manufacturing sector (80 per cent) experienced the greatest difficulty, followed by the accommodation and food sector (65 per cent).

A similar challenge also prevailed in recruiting and retaining low-skilled workers. This distinctive characteristic of the Lao labour market was partly due to the migration of low-skilled Lao workers to Thailand for comparatively higher wages.

The National Socio-Economic Development Plan 2016–2020 (NSED) estimated that the country's labour pool would include 3.22 million people by 2015, equivalent to 98.7 per cent of the labour market demand. The prevailing labour structure was transitioning from agriculture to industry. Agricultural labour declined from 75.1 per cent in 2010 to 69 per cent in 2014. Industry increased from 5.5 per cent in 2010 to 7.6 per cent in 2014, and the service sector increased from 19.5 per cent in 2010 to 23.4 per cent in 2014 (Ministry of Planning and Investment, 2015).

But, the labour skills profile has yet to catch up with this shift. In 2010, the labour force profile included 60 per cent unskilled, 35 per cent semi-skilled, and fewer than 5 per cent skilled. Many analysts had observed, at the time of this writing, that this profile had not changed dramatically since then. Lao People's Democratic Republic needs to align the skills profile with the shifts in labour structure, but having the least skilled workforce among ASEAN member States will make it difficult to achieve that objective, and the socio-economic plan requires some 90,000 foreign workers (Vientiane Times, 2015).

While it remained unclear whether the actual labour pool had reached this target, at the time this report was compiled, what was clear was that labour shortages persisted. Moreover the real challenge may not lie in simply fostering a growing labour pool, but rather in enhancing its quality. The essential task at hand is to develop a local workforce that has the skills adequate to the actual job market. This will become increasingly important as Lao People's Democratic Republic continues to undergo the transition from an agrarian economy to an industrial economy. As the World Bank reported, referring to the 2012 data for the country, "Inadequately educated workforce is the most cited major constraint." Among all the other Asian countries, Lao People's Democratic Republic stands out as that country where worker skills are most criticized. The share of the Lao workforce that was uneducated was almost double that of Viet Nam in 2009, and was significantly higher than those of Indonesia and the Philippines (World Bank, 2014a, p. 51).

3.3 Existing policy measures to enhance skills, education, and training in Lao People's Democratic Republic

In recognition of the growing importance of having a skilled workforce, Lao People's Democratic Republic has introduced several related policy mechanisms. Overall, however, these have proven neither efficient nor effective in resolving the perennial shortage of skilled labour.

Among these measures is the National Training Council (NTC), which acts as an umbrella body for all for technical and vocational education and training (TVET) issues, and which serves as

an advisory body. It is mandated to facilitate cooperation between the Ministry of Education and Sports (MOES) and the Ministry of Labour and Social Welfare (MOLSW), as well as to promote cooperation with and among the public and private sectors in developing technical and vocational education. The ultimate aim is to apply an organized and well-coordinated approach to cultivating a skilled workforce. However, the NTC itself lacks the full technical capacity to reach its objectives and implement its mandate.

In line with the Trade Working Group (TWG) Notification, the TWG was established through partnership between the public and private sectors to serve as a NTC technical unit. Twelve TWGs have been established,⁴ though they generally lack the capacity to assume their roles and responsibilities, and face difficulties in playing the key role in the Government of establishing and implementing a well-structured National Vocational Qualifications Framework (NVQF).

There has been increasing cooperation with multi- and bi-donors in support of Lao TVET development. This includes development of specific programmes/projects, as well as overall partnership with counterpart institutions in other countries to develop a master plan for TVET development.

As early as 2006, it was clear that the Government could not cover the high costs of TVET infrastructure, equipment, and teacher training and qualification, and empowered the employers to be responsible for skills development of their workers. This led to the creation, under the 2006 Labour Law, of the National Skills Development Fund. To date, however, no related funds have been allocated or disbursed; effectively, the Fund was never set up. Industry representatives remain sceptical, moreover, given that the Fund faces many implementation obstacles, including enforcement of legal provisions regarding governance, accountability, and transparency (Hilal, 2013).

The Lao Government also supports public secondary and post-secondary TVET programmes that deliver formal TVET and informal basic vocational training programmes. Private schools offering diploma-level TVET courses have also been established. As of 2013–14, public and private entities were managing 164 training and skill development centres. All these centres were being under-utilized, however. For one thing they were often providing courses that failed to reflect prevailing market trends, and were therefore insufficiently relevant to labour market needs. Centres also operated in competition with each other. Furthermore, the lack of qualified teachers and trainers in the TVET schools/centres was a concern, despite training by the Vocational Education Development Institute (VEDI).

The lack of unified national competency standards also complicates the definition of clear skills development qualifications. While efforts are underway to unify various standards at five levels (basic, semi-skilled, skilled, technician, and higher technician), this is a time-consuming process, one that requires a comprehensive and coordinated approach among all institutions involved in TVET.

⁴ TWGs have been established in the following areas: automation; construction; printing; hotels and restaurants; basic business education; furniture; mining; hydro-power; Lao film; information and communication technology; handicraft; and tourism.

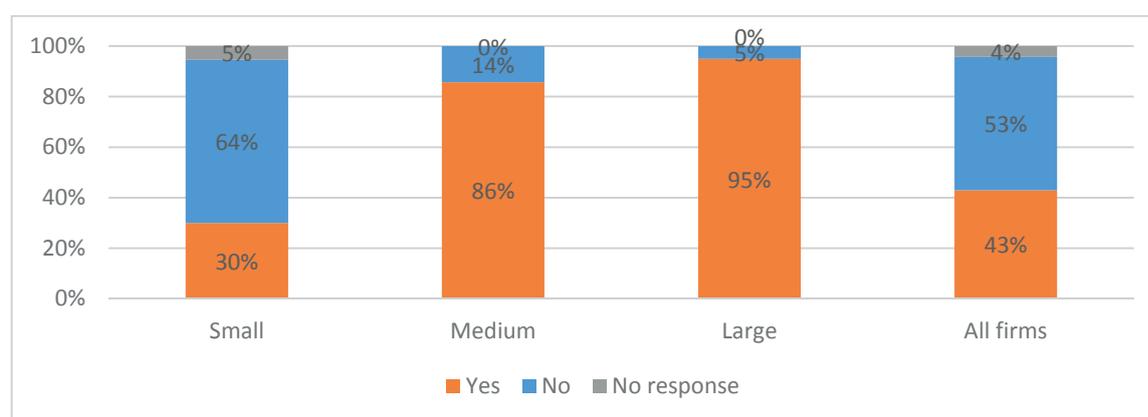
The country operates about employment services centres (ESJCs). These were created to promote the better matching of jobseeker skills with those skills needed by employers, as well as to foster closer links with training institutions. However, the ESJCs suffer from a lack of technical staff, inadequate labour market information, and insufficient infrastructure to facilitate improved labour market function and collaboration with employers.

Effective measures to address TVET development-related challenges depend crucially on collecting and monitoring accurate and timely labour market data. The Labour Market Information System (LMIS), currently being established under the MOLSW, is to replace the former population census, conducted every ten years. MOLSW faces challenges, however, in developing the in-house capacity needed to support and manage the LMIS.

3.4 Gap between demand and supply: Skills, education, and training

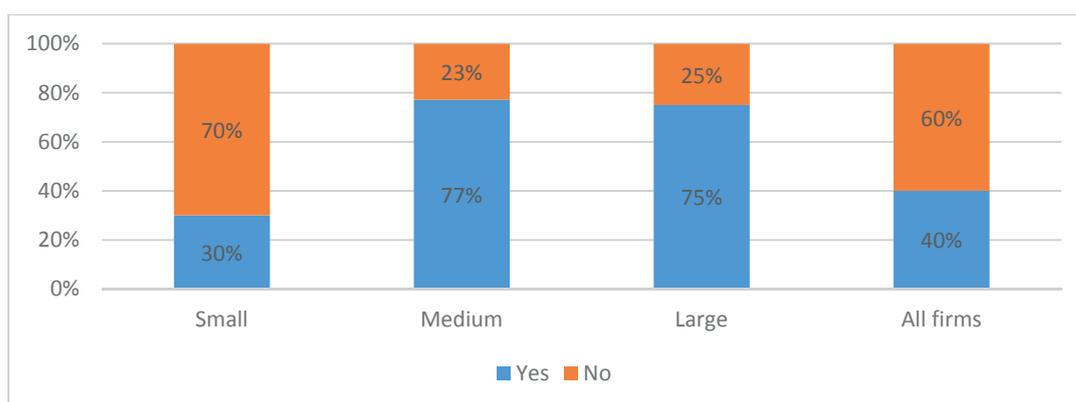
Lao enterprises do offer training to their employees but, according to a World Bank enterprise survey (2012), the proportion of employers offering formal training to workers (28.5 per cent) was lower than the average for Asia and the Pacific (an average 45.2 per cent) and the world overall (37.8 per cent). In response to the prevailing skills shortages, many companies had invested in some form of training for their employees. According to the LNCCI-ILO survey (2014), 43 per cent of all enterprises had provided training to employees in the previous 12 months. Figure 16 shows that large enterprises were most likely to provide training (95 per cent), followed by medium-sized enterprises (86 per cent), and then small enterprises (30 per cent). In comparison with countries of similar income in East Asia and the Pacific, the World Bank enterprise survey (2012) reported, only 28.5 per cent of Lao enterprises offered formal training, compared to the regional average of 44.6 per cent; and only 33 per cent of Lao manufacturing workers received formal training, compared to the regional average of 60 per cent.

Figure 16. Provision of employee training, by enterprise size



Source: LNCCI-ILO survey, 2014.

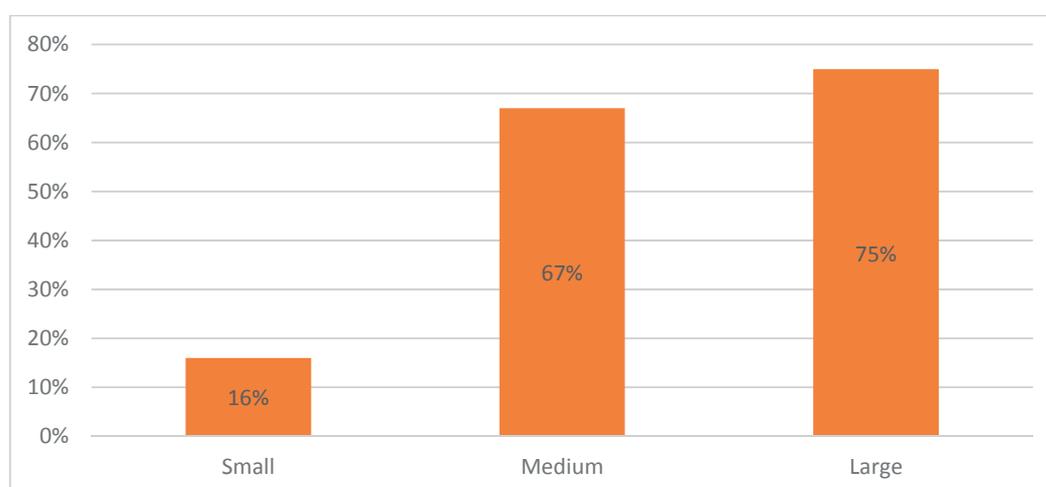
Figure 17. Firms having someone in charge of training, by enterprise size



Source: LNCCI-ILO survey, 2014.

The LNCCI-ILO survey (2014) found that enterprises had designated employees responsible for staff training, according to 77 per cent of medium-sized enterprises, 75 per cent of large-size enterprises, and only 30 per cent of small enterprises (figure 16). Similarly, they had allocated budget for staff training purposes, as reported by 75 per cent of large enterprises, 67 per cent of medium-sized enterprises, and only 16 per cent of small enterprises (figure 18).

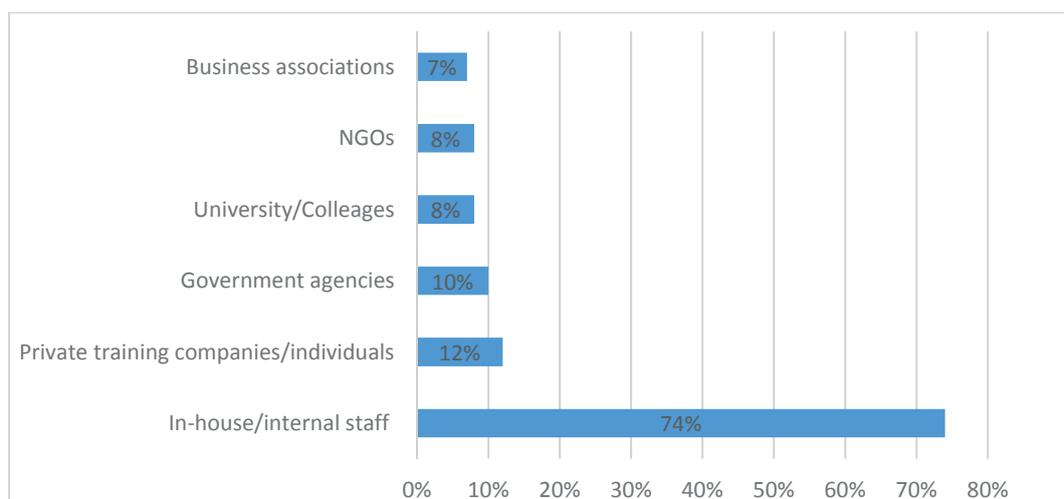
Figure 18. Share of small, medium-sized, and large enterprises allocating budget for employee training



Source: LNCCI-ILO survey, 2014.

Of the 179 enterprises providing employee training, most (74 per cent) conducted in-house training provided by internal staff (figure 19). External providers of training services include private companies, government agencies, NGOs, and business associations. Two-thirds of the responding enterprises rated the quality of training as “good”, and 24 per cent rated it as “neither good nor bad”.

Figure 19. Training sources

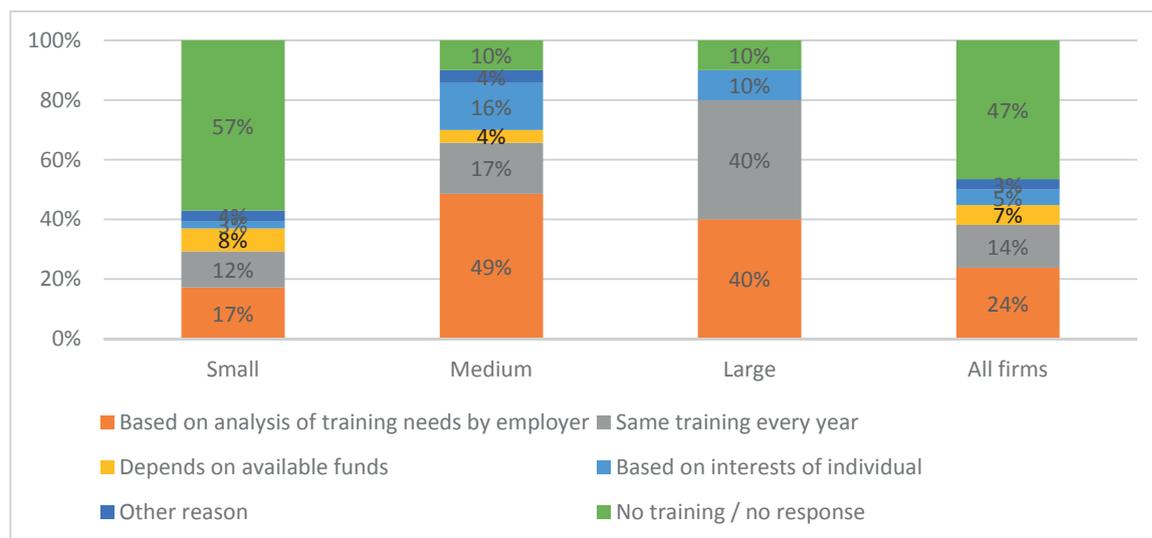


Source: LNCCI-ILO survey, 2014.

Different sizes of enterprise adopted very different approaches to the training of their employees. As figure 20 indicates, about three-quarters of medium-sized and large enterprises designated a staff member in their organization as responsible for employee training decisions. The corresponding figure for small enterprises was only 30 per cent.

Enterprises in the mining, construction, and manufacturing sector (60 per cent) were most likely to have such a person, while enterprises in wholesale and retail trade (24 per cent) were least likely. Similarly, 75 per cent of large enterprises and 77 per cent of medium-sized enterprises allocated a budget for employee training, while only 16 per cent of small enterprises had such a budget.

Figure 20. Basis on which training decisions are made



Source: LNCCI-ILO survey, 2014.

Decisions about what training is needed and who should be trained were generally based on employer assessments (figure 20). A significant percentage of large enterprises simply conducted the same training programmes every year. Relatively few enterprises based the training on the interests or wishes of the concerned individual.

Reporting results similar to those of the LNCCI-ILO survey, the GIZ enterprise survey (2013) revealed that owners and managers of large enterprises sought advice and training from government agencies, business partners, business organizations, and the Internet. Use of training and advice from providers of business development services (BDS) was minimal. Only 0.3 per cent of BDS users were enterprises.

In 2014, a study specific to the BDS market looked at 120 SMEs in Vientiane, Luang Prabang, and Champasak. It found fewer than half of them (48 per cent) had used BDS since 2012. The half of the sample that did not use the training services reported they either used their own internal (and informal) learning via peer learning (staff learns from one another, 50 per cent of the responses) or did not know of BDS providers (43 per cent).

Among the interviewed owners and managers, those from medium-sized enterprises reported higher BDS use rates (71 per cent) than those from small enterprises (41 per cent). On average, SMEs sent three to four staff for training yearly; this included seminars organized by government agencies. Half of those trained thus did not pay. The courses included training in service marketing, general management, production, human resources, and technology. Other topics were food processing, finance, accounting, transport, and legal issues. All respondents reported that the courses provided “moderate to extreme” benefits.

About 65 per cent of respondents claimed they would need BDS in one to three years’ time, 20 per cent are not sure yet, and 15 per cent reportedly did not need them. Owners and managers of medium-sized enterprises reported a greater need for BDS than those from small enterprises. Clearly, this positive trend favours BDS services. This might be even truer today, given that increasing competition, globalization, and the challenge of ASEAN economic integration are expected to continue intensifying the need for such training (EDC, 2014).

Major deterrents to the provision of training include lack of available time and difficulty in finding suitable training options due to the lack of information regarding available courses and providers, as well as the lack of good quality courses/providers.

As for future training plans, more than 90 per cent of owners and managers of medium-sized and large enterprises intended to provide training to their staff in the following 12 months, while fewer than half of the owners and managers of small enterprises intended to do so.

Reported constraints on provision of training for employees including the following:

- lack of available time (60 per cent of large enterprises, 33 per cent of medium, 14 per cent of small);
- lack of information about available training courses/providers (22 per cent of medium, 10 per cent of large, 6 per cent of small enterprises);
- employees not interested in training;
- employers worried that employees would leave after being trained;
- lack of quality training courses/providers;
- cost of training outweighed benefits;
- did not know what skills employees needed; and
- no training was needed (55 per cent small enterprises).

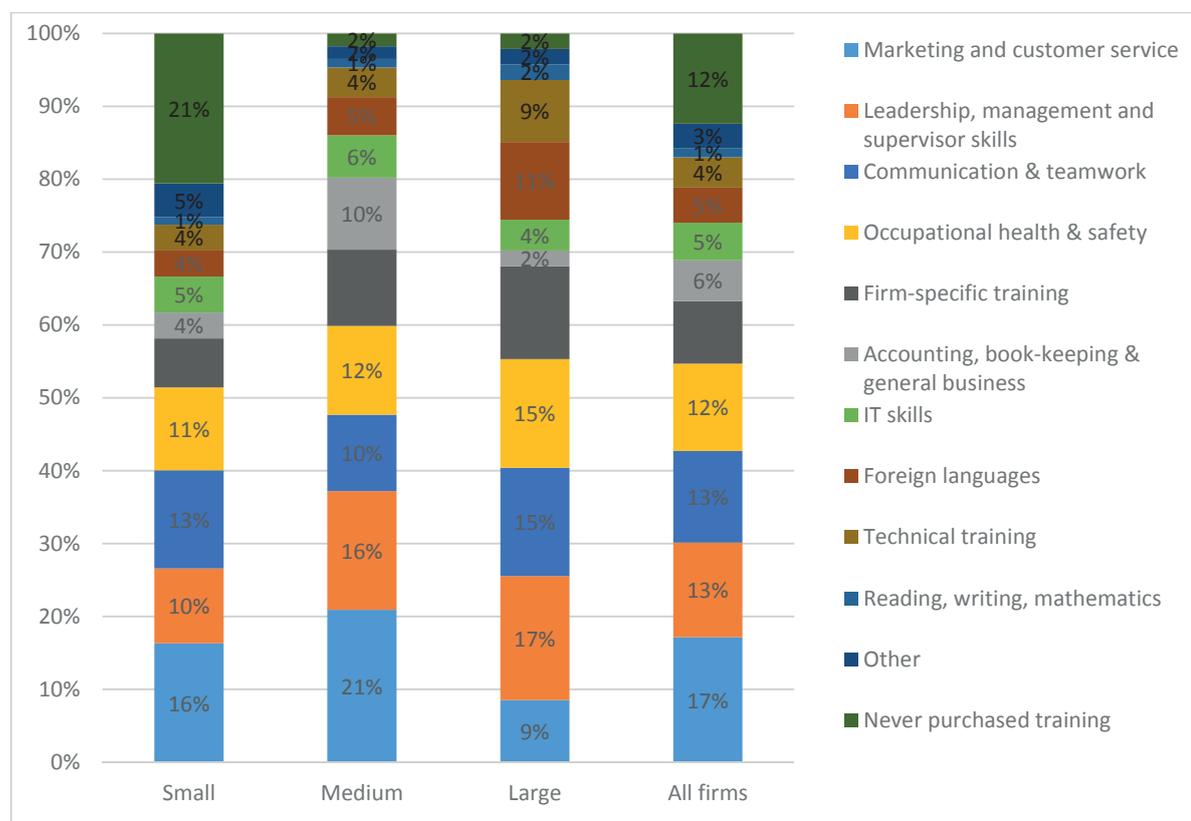
The LNCCI-ILO survey (2014) also indicated that 44 per cent of the companies hired non-permanent employees, who comprised almost 40 per cent of their total workforce. Depending on the sector, the turnover rate for these non-permanent employees could be high (e.g. in the garment sector). This could decrease employer enthusiasm for training their staff. Nevertheless, among those who did provide training, the quality of such training was mostly rated as “good”.

Large enterprises were most proactive in providing such training, while SMEs were particularly proactive in the mining, construction, and manufacturing sectors and other service sectors. While large and medium-sized enterprises had usually allocated training budget, small enterprises often did not. In addition, many of the owners and managers of small enterprises did not see the need for training, though this could be attributed to the sector in which most of them were engaged (wholesale and retail trade), an area that does not require high levels of technical expertise. Another factor could have been that some small enterprises were less aware of the benefits of staff training.

Some 30 per cent of all workers at the 404 surveyed companies had tertiary-level educations. Nevertheless, companies in general expressed dissatisfaction with the lack of or insufficient levels of practical skills on the part of employees recruited from local universities. This reflects a long-standing disconnect between the formal training provided in academia and actual skills needed on the job.

Across all enterprises interviewed, training was most needed for marketing and customer service, leadership, management, and supervisory skills. The surveyed enterprises considered the development of soft skills (customer services, leadership and management, health and safety, and communication and teamwork) as the greatest employee need. Foreign language training for staff was an additional interest among large enterprises, while accounting and bookkeeping were of special interest to SMEs (see figure 21).

Figure 21. Perception of skills that need development through training, by enterprise size



Source: LNCCI-ILO survey, 2014.

3.5 Implications for future market development

Without skilled workers, Lao enterprises cannot grow. A lack of skilled workers will have direct impacts on enterprise productivity and competitiveness, quality of products and services, innovation, and, ultimately, on profit margins. This will turn away potential foreign investors and dampen overall market development. While enterprises could replace low-skilled local labour with skilled foreign labour in the short term, this would not present a suitable long-term solution for any player in the Lao market. If low skills levels among Lao workers persist, this could encourage further migration to neighbouring countries, thereby exacerbating the domestic shortage of low-skilled labour. Employing high-skilled foreign workers, on the other hand, would eventually increase operational costs for Lao employers, as the cost of skilled labour increases and the demand for skilled labour rises within the AEC.

In addition to the apparent economic implications, furthermore, these developments may be expected to have social and political implications.

3.6 Policy recommendations

To tackle these challenges, the LNCCI proposes the following recommendations:

Pilot sector specific labour skills development fund⁵

AA tripartite working group (with representatives from Government as well as employers' and workers' organizations) should be set up to consider the feasibility of establishing a sector-specific skills fund that supports an approach to skills development which is aligned with industry needs, and which ultimately increases enterprise competitiveness. This would encourage private sector commitment to investments in skills development in certain growth industries through public-private partnerships, and would result in increased confidence among those who contribute to the fund.

Support for a more effective National Training Council (NTC) and strengthened role for the Trade Working Group (TWG) in National Vocational Qualifications Framework's (NVQF) governance and implementation⁶

- Employers' representatives should actively participate in the NTC, and nominate active TWG members at the national and regional levels, ensuring that the needs and concerns of all stakeholders are well represented in the consultation process. This in turn will ensure that the NTC has a more powerful impact in providing skills training that is actually needed by industries and specific regions.
- Increase private sector representation in the composition of TWGs.
- Provide more support, particularly financial and technical support, to strengthen TWG management and leadership capacities, helping them to fulfil their roles of providing oversight to NVQF implementation .

Enhance coordination between MOES and MOLSW and relevant agencies by establishing a dialogue structure that promotes a unified approach to skills development

Through improved collaboration, these two main ministries can deliver better results, including the development of national competency standards. Activating more open, periodic dialogues with key relevant private institutions (industry training institutions, private academic institutions, and industry representatives) will also promote more effective coordination.

Establish relationships with training providers and business development services

- Connect enterprises more closely with TVET providers in the market. Obtaining the latest LNCCI information regarding these service providers and their programmes will enable enterprises to make better decisions on the type/quality of training offered to staff.
- Build stronger partnerships between industry-specific training providers and other training providers in the ASEAN region.

⁵ See section 1.6.1.

⁶ See section 1.6.2.

- Increase collaboration between vocational training providers and leading enterprises so that practical and relevant skills are taught to the incoming workforce.

Set up a structure to enable enterprise engagement in the LMIS

Providing a means for enterprises to provide their latest and most accurate information to the national and provincial LMIS helps the Government to develop a policy conducive to creating a business-friendly climate.

Strengthen collaboration of employment services job centres and employers annual job fairs and other annual industry events

Strengthening collaboration between the employment services job centres, employers, and training institutions opens the way to more adequately addressing skills gaps and to generating more employment opportunities, especially among the youth workforce. In addition, where business associations and industry groups organize dialogues and other collaborative activities they can build more interest in industry-based skills and career paths among potential employees, especially the youth. Jobs fairs and annual industry expos provide a good opportunity for future workers to gain useful information about a variety of industries and enterprises. At the same time, such activities allow enterprises to reach a broader audience, serving as an effective and inexpensive marketing strategy.

Conduct an annual survey of occupation and skill needs

- Annual surveys of enterprises will allow the LNCCI to better advocate for the needs of members. Such surveys can provide accurate and timely data regarding actual member needs, in particular human resources recruitment and development. They also help to identify emerging trends by enterprise size, sector, and region. While participating enterprises need to make investments of time, no significant financial costs are associated with such surveys.
- Enterprises should have opportunities to communicate their workforce and skills needs. Such measures should also promote open discussion and development, in partnership with other concerned entities, of practical measures to address these needs.

3.6.1 LNCCI policy brief: Sector-specific labour skills development fund

Summary

Article 7 of the draft Decree on Labour Skill Development Fund (7 October 2015) specifies that employers must contribute to the budget of the fund relative to wages paid: “one per cent (1 per cent) of salary or wages of employees without deducting from the salary or wages from the employee but deducting from the fund of the labour unit directly”. The draft also specifies that the employer utilizes the fund for skills development of their employees. In case the employer cannot organize their own skills development program or cannot use the whole amount of the allocated fund in the same calendar year, then the remaining fund will be transferred directly to the collective Skills Creation and Development Fund.

The private sector has increasingly engaged in discussion regarding the practicability of the draft Decree. In general, however, the private sector is not yet prepared for the added cost of implementing the Labor Skill Development Fund. At the same time, although the implementation cost has the potential to reduce enterprise competitiveness, the private sector is well aware that the Fund aims to promote workforce skills development as a whole. The LNCCI, representing private sector employers, therefore proposed a sector-specific labour skills development fund pilot project. The lessons learned from implementing this pilot will assist in the potential scaling up of the Labour Skills Creation and Development Fund and its replication by the other national economic sectors.

Prevailing labour situation and its effect on the private sector

The LNCCI-ILO survey revealed that a shortage of skilled labour was the most critical issue among enterprises of all sizes and among all sectors in the country.

Around 56 per cent of enterprises agreed or strongly agreed with the statement that they had had difficulties recruiting or retaining medium- or high-skilled workers over the previous 12 months. These difficulties were especially a problem for medium-sized enterprises (79 per cent) and large enterprises (60 per cent). Interestingly, medium-sized and large enterprises also experienced difficulties in recruiting or retaining low-skilled workers, with figures of 84 per cent for medium-sized enterprises and 70 per cent for large enterprises. Most medium-sized and large enterprises agreed that these skills shortages had had a negative impact on their growth and profitability over the previous 12 months, which highlighted the harmful effect of skills shortages on the Lao private sector.

Impact of the draft decree on private enterprises

Intensive discussions of the Decree among LNCCI members from different economic sectors referenced the experiences of other countries in establishing skills development funds, which suggested the following:

- The Labour Skill Development Fund should clearly distinguish target beneficiaries, as well as related types and sources of funds. Beneficiaries include disadvantaged people, new entrants to the labour force (or those who change jobs), and existing labour force participants.
- The Decree should stimulate a greater sense of ownership concerning labour skills development in the private sector, and provide private sector employers the opportunity to systematically manage their contributions to the fund.
- The Labour Skill Development Fund should optimize benefits to employers, in particular providing skilled labour that meets the real needs of industry.
- A levy of 1 per cent adds to the employer's expenses and increases production costs. This cost comes in addition, as a result of changing of laws and regulations, to a recent 43 per cent increase in wages, 2 per cent increase in electricity charges (which will continue to increase until 2017), 1 per cent increase in water supply, and 1 per cent

increase in social security. In addition, enterprises that rely on the European market have suffered from a 25 per cent weaker Euro. These additional costs have had negative impacts on enterprise performance.

Current skills development in enterprise sectors

The LNCCI-ILO survey suggested that more than 90 per cent of medium-sized and large enterprises intended to provide training to their staff in the following 12 months, while fewer than half of small enterprises intended to do so. In general, medium and large enterprises were capable of implementing in-house staff development programmes. They had assigned a person to oversee staff training and provided a budget for it, contracting with training services providers in the private sector, the Government, non-governmental organizations (NGOs), and business associations. The following observations can be made regarding private sector labour skills development:

- most of the garment manufactures hired unskilled workers and trained them before they began working;
- skills development in the workplaces themselves was based on sector-specific skills needs;
- employers used trainers and imported equipment specific to the needs of the industry and to serve the in-house training programme (garment, furniture, mining, automation, ICT, and other sectors);
- employers sent employees for training abroad, in addition to taking advantage of in-house staff knowledge and skills transfer within the workplace (garment, furniture, mining, automation, ICT, and other sectors); and
- enterprise sectors had linked to industry training centres that were available in the markets (such as the Garment Skills Development Center, the Lao National Institute for Tourism and Hospitality, and other private vocational training centres), either directly to the training centre or through business associations and/or LNCCI.

LNCCI initiates the piloting of a sector-specific labour skills development fund

The pilot project aims to introduce the advantages of the Labour Skill Development Fund to the national business community, focusing on “strengthening ownership of the private sector towards labour skill development through the public-private partnership principle”. It means to show how such a fund can help to provide skilled labour according to a sector’s specific needs and, ultimately, increase Lao enterprise competitiveness in the context of the AEC and globalization. The project plans to focus on enterprises that meet the following criteria: (1) show real interest in participating; (2) have considerable demand for skilled labour; (3) belong to business associations that are LNCCI members, and perform their roles as employers’ representatives and board members of the NTVC comparatively well; and (4) have established a TWG with the potential to develop technically and managerially.

Levy for the Labour Skill Development Fund

The draft Decree stipulates the rate of a maximum 1 per cent of employee salary or wages. The actual levy to be applied will be calculated only after thorough, in-depth consultations with employers in the sector, and will be adjusted according to enterprise size and sub-sectors. The relevant business association will lead the process, with the LNCCI facilitating.

Proposed structure of sector-specific labour skills development fund management

The actual composition of the management of the Labor Skill Development Fund, including numbers from private enterprises and concerned government agencies, plus the structure of respective roles, responsibility, and authority will emerge by way of thorough, in-depth consultations with employers within the sector. Once again, the relevant business association will lead the process with the LNCCI facilitating.

There follows the basic structure of the Fund:

- NTC and NTC Permanent Office serve as advisors;
- the LNCCI serves as president;
- the business association of the selected sector comprises the secretariat;
- TWG is the subject specialist; and
- an external auditor will be selected.

Sector-specific labour skill development fund strengths

- The project, through public-private partnerships, can engender business-sector commitment to developing skills needed by specific sectors.
- The sector-specific fund presents a suitable first step toward establishing the national Labour Skill Development Fund, given that managing such a fund is new to the country.
- The pilot project will operate within a given timeframe and focus on a specific sector, aiming to produce concrete results that confirm the confidence of those who contributed to the fund. This is a learning opportunity, and has the potential to be scaled up and expanded to other sectors, and to provide lessons learned for the establishment of other types of skills funds.
- It is open to large-scale enterprises that are capable of managing the fund, and relies on business associations and trade working groups for efficient sector-specific fund management, thereby increasing the sense of ownership and motivation and addressing the actual labour market needs of the sector.
- It more effectively involves associations and TWGs in skills development, attracting more members and thereby strengthening a sector-based economy.
- It offers much potential for attracting technical and financial assistance from domestic and

internal organizations who have an interest in strengthening TWGs and public-private collaboration (for example, the VELA project has shown interest in strengthening TWGs and increased private participation in the process of NVQF development, and ILO is strengthening employers through the LNCCI).

Sector-specific labour skill development fund weaknesses

- The sector-specific pilot project does not apply to all sectors at once; those other sectors may also have much need of labour skills development.
- The sector-specific pilot project will be started by a sector or sectors better prepared than the others, and the fund may not be able to respond subsequently to labour needs on a larger scale.

Steps to be taken by LNCCI

The LNCCI could propose the project in detail, including project components, selected sectors, timeframe, management, operational plan, and budget.

If necessary, the LNCCI can conduct relevant surveys or research, organize public consultations with participations of public and private sectors of concern, and organize sector-specific consultations with business associations and TWGs that will be involved in the pilot project. These steps would ensure the project design presents a good model, practicable and able to fulfill the objectives of the skills development fund.

3.6.2 LNCCI policy brief: Strengthened role of the TWGs in the NVQF governance and implementation

Summary

In light of the introduction of the NVQF, the TWG is envisaged as playing an even more important role in NVQF governance and implementation, and in ensuring that the development of technical and vocational education and skills development is responsive to the needs of key national economic sectors. On behalf of the private sector, the LNCCI initiated the pilot project strengthened role of the TWGs in the FVQF governance and implementation.

NTC and TWG composition

The tripartite NTC was established in 2002 (Decree No. 035/PM). It comprises representatives of MOES, MOLSW, and the LNCCI. It consists of 33 members, and its leadership includes the Minister for Education and Sport as president, the Vice-Minister for Labour and Social Welfare as vice-president, and the president of LNCCI as vice-president. NTC membership includes 15 government representatives, 12 private sector representatives (most are presidents of business associations under the membership of LNCCI), and four other members from public and state enterprises. The NTC is a non-permanent body; the NTC Permanent Office serves as secretariat, and the TWG as technical unit. The TWG plays an important role in driving TVET development through collaboration between educational and vocational institutions and companies. The TWG Notification (No. 425/NTC/03) stipulates that the president of the

business association serves as chair of the group, and a representative from a higher education or vocational education and development institute serves as vice-chair. It stipulates that TWG members include a business association member responsible for vocational training, a representative of public TVET, a representative of private TVET, and a representative of MOLSW. The TWG's main roles as defined by the Notification involve four main areas: (1) training standards; (2) examination standards and certification; (3) curriculum development; and (4) TVET evaluation.

NVQF and challenging TWG roles

In the context of NVQF, which remains under development, TWG roles as envisaged are increasingly challenged in two main areas: (1) standards and qualifications, and (2) assessment and certification (VELA, 2015).

Some key TWGs functions are listed here:

- develop sector plans for TVET and skills development with all stakeholders;
- plan and develop standards and qualifications in support of sector plans;
- support the quality assurance body with the accreditation of learning and assessment centre providers (institutions and workplaces);
- register competency-based standards and qualifications;
- develop competency-based curricula;
- develop assessment instruments;
- register qualified learning and assessment practitioners in each sector;
- forward registration to the quality assurance body;
- award certificates or approve awards for achievement against registered qualifications and part qualifications;
- support learning and assessment processes, including recognition of prior learning;
- issue and record certificate/award data;
- forward records of learner achievements to NTC/MOES for registration in the National Database of Learner Records (NDLR); and
- verify assessment and certification procedures.

TWG performance assessment and competencies

The Desk Review (LNCCI-ILO, 2015) supplementary to the LNCCI-ILO survey described the NTC and the TWGs as ineffective in handling labour skill shortages. According to the Review, they were unable to (1) effectively stimulate collaboration between educational institutions and workplaces/companies; (2) make TVET and skills training centres more responsive to industry needs; or, as part to this, (3) provide adequate labour market information. In addition, the recent assessment of ten TWGs through interviews with their representatives indicated the TWG

swere under-performing, and lacked clarity regarding roles, responsibilities, and the structure of authority (VELA, 2015a). Key evidence in this regard is provided below:

- **Roles, responsibilities, and authority.** Only 50 per cent of the respondents displayed a general understanding of TWG objectives, and indicated the responsibilities of TWGs were clear to them, and that the TWGs have either enough or at least some authority to perform in accordance with their mandates.
- Representatives were asked if the TWG was fulfilling the following functions:
 - **providing information on industry skills needs** to NTC, including identification of new professions -- 35 per cent answered yes, while more than 50 per cent answered no;
 - **drafting competency standards** -- more than 50 per cent answered yes, more than 20 per cent answered no, and 20 per cent did not answer;
 - **developing curricula** -- merely 50 per cent answered yes, 41 per cent answered no, and 12 per cent did not answer;
 - **providing TVET policies** in general -- slightly more than 40 per cent answered yes, 53 per cent answered no, and 6 per cent did not answer;
 - **proposing examination procedures** for TVET programmes -- 6 per cent answered yes, almost 76 per cent answered no, and 18 per cent did not answer;
 - **proposing certification policies or procedures** for TVET programmes -- 6 per cent answered yes, almost 80 per cent answered no, and more than 10 per cent did not answer; and
 - **providing suggestions to improve existing training programmes** -- 12 per cent answered yes, almost 76 per cent answered no, and 12 per cent did not provide an answer.
- **Activities and implementation.** 12 per cent responded that they completed “some activities”, another 12 per cent said they completed “a few activities”, and 17 per cent said they did not complete any activities.
- **Effectiveness.** Only one respondent indicated that the TWG was very effective, while 35 per cent assessed it as “not effective”, and 59 per cent did not answer.
- **Constraints and limitations.** The main constraints reported were limited available time (35 per cent) and lack of financial resources (29 per cent). Other obstacles included limited numbers of students interested in specific subjects (24 per cent); limited human resources (18 per cent); imprecise rules (12 per cent); lack of guidance from higher authorities (12 per cent); limited TWG authority to conduct activities; and weak NTC (12 per cent). Respondents were allowed to select more than one option.

Recommendations

Overall TWGs

- Ensure TWG membership composition represents the private sector, and review the authority structures, functions, and working mechanisms of TWGs and relevant business associations.
- Strengthen the capacity of the TWG members with respect to management and leadership.
- The TWG should have a permanent office or possibly share an office with its business association (if appropriate) and have full-time personnel to enable the TWG to fulfil its functions effectively.
- In implementing TWG activities, sufficient financial support will be necessary, which may be available from the Government, the private sector, or other agencies.

TWG pilot project

The TWG project could operate in parallel with the sector-specific skill development fund pilot project which LNCCI is proposing. Important steps involving LNCCI and business associations or sector bodies in close collaboration with NTC include the following:

- provide sufficient information to the TWGs about the important role envisaged for them in the light of introducing and implementing NVQF as well as the sector's skills development fund;
- select potentially capable TWGs and their comparatively well-prepared sector bodies/business associations for the pilot project; and
- study the pilot project in detail, including (1) the structural composition of the TWG membership (with the private sector representing the larger portion); (2) the full-time and permanent TWG body; (3) the capacity development plan for its personnel; (4) the necessary legal references for the new set-up; (5) the operational project plan; and (6) the budget.

4. LNCCI policy recommendations on access to finance for business

Capital drives business establishment, operation, and expansion. Obtaining and expanding access to finance is a serious task many enterprises pursue for survival, business and human resources development, and innovation.

Many enterprises in Lao People’s Democratic Republic, especially SMEs, consider lack of access to finance as a “big” or “very big” challenge. With only a nascent credit market and regulatory framework to cater to investors and financial transactions, Lao People’s Democratic Republic competes with other countries with comparatively more advanced financial services sectors to secure domestic financial resources as well as foreign direct investment.

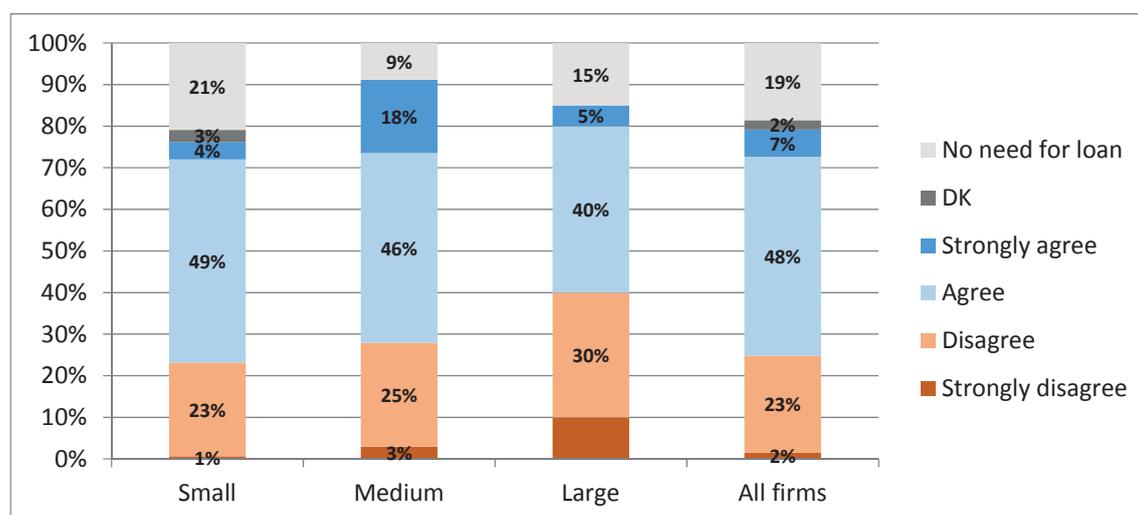
The advent of the AEC will create a bigger and more integrated market with more business opportunities. At the same time, however, it will increase competition across the region.

The LNCCI recommends a number of policy measures to address this challenge, including the following: (1) better identify the financing needs of enterprises by sector and size; (2) increase information sharing on different funding sources; (3) assist enterprises in applying for funding; and (5) explore alternative and innovative funding sources and mechanisms.

4.1. Limited access to finance: A major constraint to business development (yet not all take loans)

Regardless of enterprise size, lack of access to finance restricts business growth. According to the LNCCI-ILO survey (2014), more than half of the 404 surveyed enterprises attested to this. While this challenge was felt by owners and managers of enterprises of all sizes, it was encountered in particular by medium-sized enterprises (64 per cent), as shown in figure 22. The results were broadly similar among male and female respondents, and among enterprises operating in different sectors.

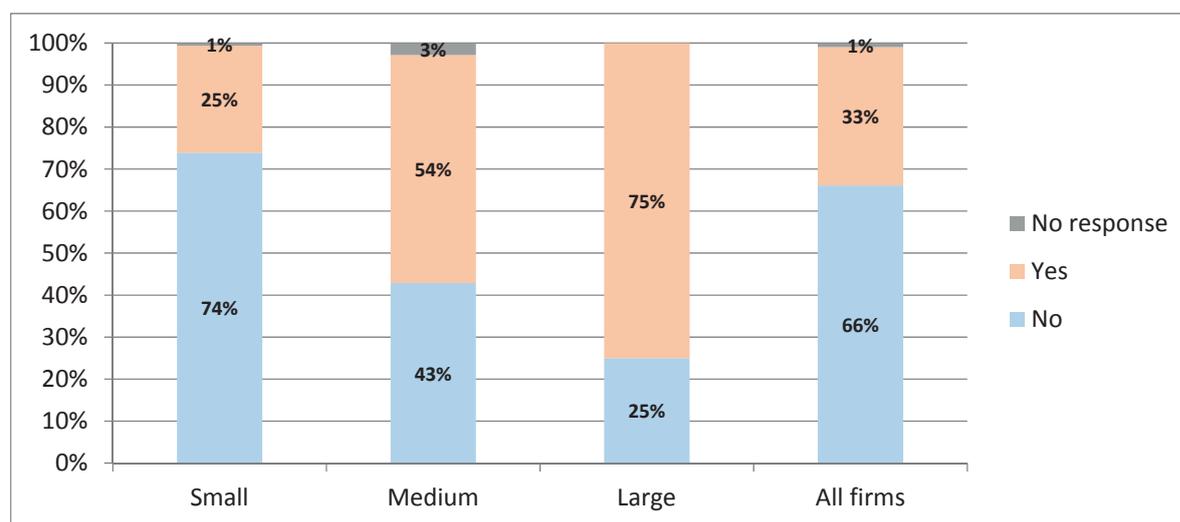
Figure 22. Perception that access to financial services is a constraint to expansion, by enterprise size



Source: LNCCI-ILO survey, 2014.

At the same time, despite the ostensible importance attributed to access to finance, few enterprises reported taking a loan in the previous three years. On average, only 33 per cent of all enterprises had such an experience, and the participation level varied greatly by size. While most large enterprises (75 per cent) were active finance consumers, small enterprises were least participatory (25 per cent) in this practice, as indicated in figure 23.

Figure 23. Loan from a financial institution in the previous three years



Source: LNCCI-ILO survey, 2014.

Of the 146 respondents who specified the type of financial institution that provided the loan, 51 per cent obtained their loan from a private commercial bank and 38 per cent from a state-owned bank. Compared with SMEs, large enterprises were less likely to have used a state-owned bank and more likely to have used a private bank. In addition, 7 per cent of respondents from small enterprises had used a village bank or rotating savings and credit association (ROSCA) to obtain small loans.⁷

In terms of sectors, half of the respondents from the mining, construction, and manufacturing sector had taken loans, compared to 26 per cent of those from the wholesale and retail trade sector.

One main reason surveyed enterprises did not take a loan was because they perceived “no need for a loan” (64 per cent). The second most common reason was the perception of high interest rates (25 per cent). Few participants complained about high collateral requirements (4 per cent), complex application procedures (3 per cent), or doubts about the application being approved (2 per cent). When asked what would make it easier to get a loan, only 133 of the 311 respondents (43 per cent) provided a suggestion, with the other 57 per cent of respondents selecting “not applicable”.⁸ Of the 133 respondents who made a suggestion, 48 per cent proposed permitting the use of a vehicle or equipment as collateral. Indeed, in 2013 the Government took steps to encourage the use of movable assets as collateral, establishing the Lao Registry Office for

⁷ A ROSCA is a group of 12 people who contribute a fixed amount every month for 12 months, with members alternating, depending on their current position in the cycle, between being lenders or borrowers.

⁸ “Not applicable” suggested either they were not seeking a loan or there was nothing that would make it easier to obtain a loan.

Security Interests in Movable Property.⁹ This allows individuals and institutions to register their financial interest in moveable assets, in the hope this will encourage financial institutions to accept such assets as collateral and thereby improve access to finance for SMEs.

Lao enterprises tend to take fewer loans (32.6 per cent) than enterprises in other South-East Asian countries (35 per cent), despite lower collateral requirements in Lao People's Democratic Republic compared to other markets. At the same time, according to the World Bank (2012), a significantly higher percentage of enterprises (81 per cent) procured capital internally, compared to enterprises across South-East Asia (74.5 per cent). This may explain why Lao enterprises have “no need for a loan”.

One positive aspect of the Lao business sector is that gender equality and women's empowerment has been integrated into actual business practices. Almost half of the business owners interviewed were female, and this sample reported only limited evidence of gender inequality in terms of ease of access to finance. While access to financial services remained a common challenge, relatively few (13 per cent) cited additional gender-specific challenges. This finding was broadly similar among both male and female respondents. Among that 13 per cent the most commonly cited additional challenges were perceptions that (1) women typically ran smaller and informal enterprises (41 per cent) and (2) women were less educated or had lesser financial management skills (40 per cent). While this has not yet been observed as a major challenge, efforts are needed to establish a gender-balanced and equal business environment from an early stage of economic and financial services market development.

4.2 Access to financial services in the Lao People's Democratic Republic more challenging than in other South-East Asian countries

Data collected on Lao enterprises regarding the raising of capital corroborate data collected at the regional level. In comparison to competing countries in South-East Asia, Lao People's Democratic Republic has a very low level of access to financial services. More specifically, the World Bank ranks the country on its worldwide scale¹⁰ in the bottom percentile since 2008 in terms of “protecting minority investors”. This is because the country lacks an appropriate legal mechanism to address insolvency. To counter this, the Government recently introduced measures for the non-resource sector to address insolvency, to protect investors, and provide access to credit. As of this writing, however, these measures had yet to be fully implemented.

With neighbouring countries such as Bangladesh and Thailand each ranking around 90 per cent and 95 per cent, respectively, for the same indicator, respectively, the current situation presents a serious challenge that Lao People's Democratic Republic would need to overcome. The longer this vacuum exists, the more difficult it will be to catch up and boost its competitiveness in a widening regional market.

⁹ This Office was established with the support of the World Bank, the Swiss Government, and the United States Agency for International Development (USAID).

¹⁰ Available at: <http://www.doingbusiness.org/> [accessed 5 Feb. 2016].

The World Bank also ranked the availability of credit to Lao enterprises extremely low. While the country had improved during the previous seven years to reach approximately 15 per cent in 2014, it still lagged significantly behind the front runners in the regional market: Bangladesh and China both reached 80 per cent in 2014.

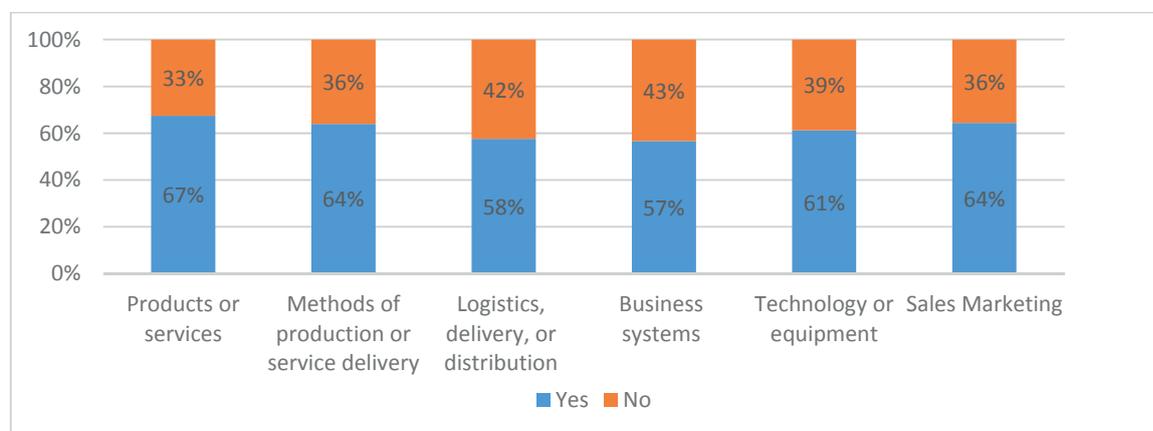
The Government has recently taken some corrective actions to improve access to credit information (World Bank, 2015a) which the LNCCI welcomes. It eliminated the minimum threshold for loan sizes entered in the credit registry database, and expanded borrower coverage to a minimum of 5 per cent of the adult population. The scope of information collected and reported by the credit bureau and registry has also been increased.

Though these are positive developments, they are not enough. More work is needed to resolve all the aforementioned challenges if the country is to position itself as a key player in the AEC in the near future.

4.3 Business development and innovation

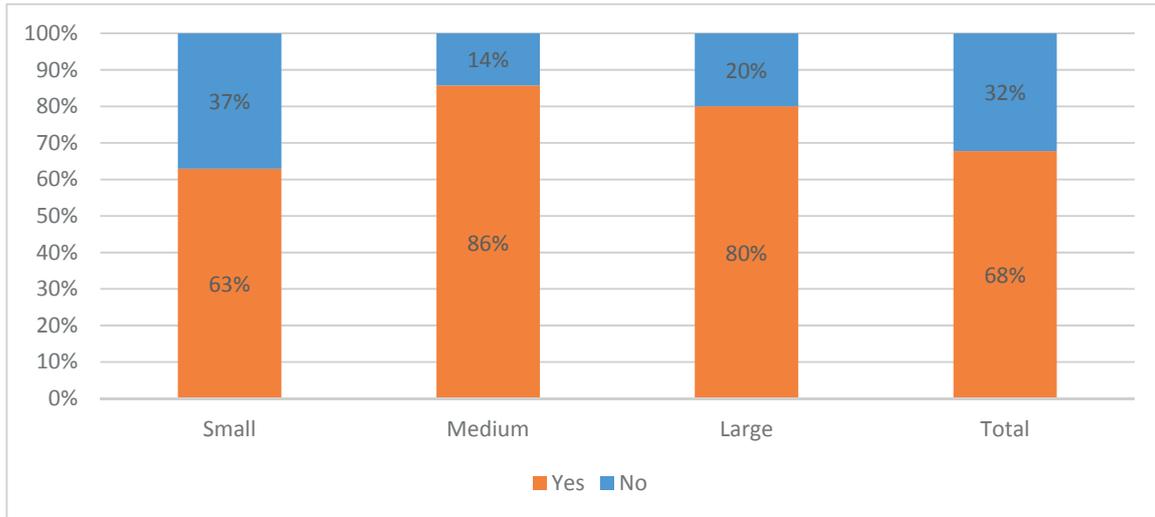
Continuous innovation and business development are essential to improving competitiveness and sustainability of enterprises in Lao People’s Democratic Republic. As shown in figure 24, slightly more than half of all participants indicated they had introduced new or improved products and processes over the previous three years, with new products or services (67 per cent) being the most common innovation.

Figure 24. Introduction of new or improved processes in previous three years



Source: LNCCI-ILO survey, 2014.

Figure 25. Introduction of new products or services

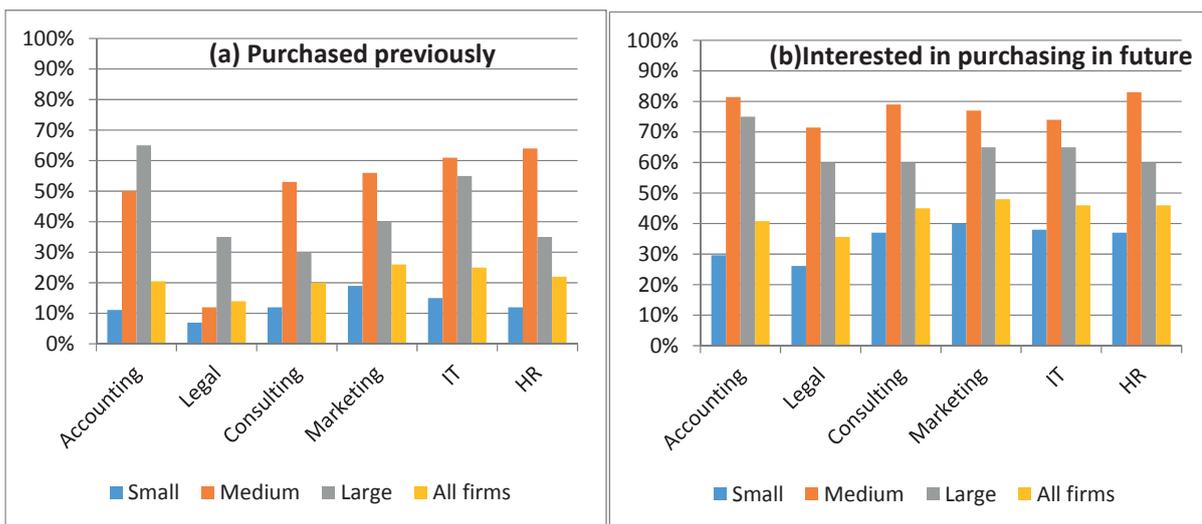


Source: LNCCI-ILO survey, 2014.

Unsurprisingly, small enterprises appeared less likely to engage in innovation than medium-sized or large enterprises. Figure 25 shows that 63 per cent of small enterprises had introduced new or improved products or services over the previous three years, compared with 86 per cent of medium-sized enterprises and 80 per cent of large enterprises.

As graph (a) in figure 26 shows, most small enterprises had not purchased business development services from external service providers in the previous three years. Fewer than 20 per cent of small enterprises had purchased any of the services listed. However, graph (b) shows 30–40 per cent of small enterprises were interested in purchasing these services in future.

Figure 26. Purchase of business development services and interest in so doing



Source: LNCCI-ILO survey, 2014.

Unsurprisingly, medium-sized and large enterprises were making greater use of these services than were small enterprises. Interestingly, medium-sized enterprises made greater use of consulting, marketing, information technology, and human resources services than did large enterprises, which suggests that large enterprises performed many of these services internally. Large enterprises made greater use of accounting and legal services than did medium-sized enterprises, possibly due to auditing and regulatory requirements.

Both medium-sized and large enterprises expressed significant interest in increasing their use of these services in future. As the private sector in Lao People's Democratic Republic continues to evolve, and as Lao enterprises strive to become more efficient in readiness for the AEC, the need for business development services is likely to increase substantially. Business associations such as the LNCCI may be able to play a role in linking their members with reputable providers of business development services, in much the same way they could do with training providers. The chamber could also help to increase member awareness of government schemes such as the Business Assistance Facility, which provides matching grants to Lao enterprises that purchase business development services from external providers.

4.4 New opportunities available to raise capital

Given prevailing challenges with raising funds, various stakeholders have introduced policy measures to alleviate the current situation.

For example, the National Socio-Economic Development Plan 2016–20 (NSEDP), provides for loans to SMEs. Among the products it introduces are a special SME Fund with the Lao Development Bank (14 billion kip [LAK]) and SME loans via three commercial banks (LAK430 million).

In collaboration with the Department for Small and Medium Enterprise Promotion (DOSMEP) under the Ministry of Industry and Commerce, the Asian Development Bank (ADB) supports a project for “Strengthening Access to Finance for Micro, Small, and Medium Enterprises” (1 January 2015 – 31 December 2016). The project aims to help enterprises more surely qualify for external finance through skills development, and to facilitate better matchmaking between supply of and demand for suitable financial products and services.

In addition, the World Bank project supporting SME access to finance provides a \$10 million grant and a \$10 million International Development Association credit. Through this project, SMEs in Lao People's Democratic Republic have acquired long-term credit to support growth and recruitment.

4.5 Policy recommendations

Lack of access to finance reduces both the capacity of Lao enterprises to reach their full potential and their capacity to invest in core areas (e.g. technology and human resources development). To help enterprises tackle these challenges, the LNCCI recommends the following policy options:

Increase communication and dialogue on accessing finance

- Establish a platform where enterprises can inform other key stakeholders such as the Government, donors, financial institutions, and potential individual or institutional investors about their financing needs.
- Ensure open and transparent communication to facilitate mutual understanding of each stakeholder group's key priorities. This will also help to clarify what contributions each stakeholder group can make to produce an optimal and practicable solution.
- The Government needs to improve information flow regarding various financial schemes provided by donors or projects, and combine information services for enterprises.

Expand criteria for collateral

- Make it possible to use vehicles or equipment as collateral when taking a loan, a measure that would provide financial assistance to many enterprises, particularly to small firms.
- The Lao Government has already initiated a process to allow the use of movable assets as collateral. In 2013, it set up the Lao Registry Office for Security Interests in Movable Property for individuals and institutions to register their financial interest in movable assets. How much this type of collateral is actually being accepted by financial institutions has yet to be determined, but measures are needed to make the practice more widely accepted and implemented.

Assist enterprises applying for funds

Enhanced awareness and understanding of application procedures and requirements for the aforementioned funds will help enterprises to increase their eligibility for and chance of receiving the funds.

Explore alternative and innovative funding sources/mechanisms

The AEC will bring about new business opportunities, at the same time attracting new investors and more diverse funding sources such as angel investment and crowdfunding. Partnering with sectoral or regional networks to exchange ideas and information will enable enterprises to explore and leverage these new opportunities.

5. LNCCI policy recommendations on enhancing the legal and regulatory environment

A stable, consistent, and transparent legal and regulatory environment is a core building block for steady, long-term economic growth. Providing a clear and efficient legal framework to guide key economic actors increases investor confidence in the market and consequently attracts more investment.

The business, legal, and regulatory environment in Lao People's Democratic Republic needs much improvement to better facilitate business operations and economic growth. In particular, the LNCCI is committed to the reform and improvement of tax administration, customs regulations, and labour regulations. The launch of the AEC in late 2015 saw enterprises preparing to participate in a more open market, and there is no better time than now to bolster the essential policy frameworks.

The Government has already introduced many new measures for enterprise development. In response, enterprises have slowly shown increased satisfaction with Government services in recent years. The LNCCI also recommends introducing new policies and reinforcing existing measures. To do this, broader and more in-depth engagement with all stakeholders will be vital in designing and implementing sensible and innovative policy mechanisms to tackle loopholes, inefficiencies, and inconsistencies.

5.1 Mixed reviews of the Lao legal and regulatory environment

In terms of a business-friendly climate, in general Lao People's Democratic Republic ranked low compared to its neighbours. On one global scale that measures overall ease of doing business, this country ranked 134 out of 189 countries (World Bank, 2015a). Some ASEAN neighbours fared much better. For example, Singapore ranked first, followed by Thailand (49) and Viet Nam (90). Following the launch of the AEC at the end of 2015, furthermore, Lao People's Democratic Republic is likely to find itself in a much more regionally competitive environment.

Several factors were responsible for the country's weak performance.

For one thing, the time needed to set up a business could still take as long as 73 days. At the national level, the country showed signs of improvement, having managed to reduce that figure from more than 90 days, the norm for the previous six years. Despite this improvement, 73 days remained the second-longest start-up time in South-East Asia (an additional 14 days were needed in Cambodia). Although Lao People's Democratic Republic was making improvements, so were the other countries in South-East Asia. Despite the improvements, then, rapid development across economies in the region left this country's ranking largely unchanged.

In addition, the quality of Lao policies and regulations designed to facilitate and promote private sector development ranked third-to-last against the other eight countries in the region (World Bank, 2015b).

The country also ranked very low in terms of providing a regulatory environment conducive to business operations. Furthermore, the gap between the frontrunner (Thailand) and Lao People's Democratic Republic was more than fourfold (World Bank, 2014b). According to the World Bank again (2012), the country ranked second to last (5.8 days) in terms of the time required for senior management in a company to comply with the requirements of Government regulations, winning over the Philippines (9.1 days) although remaining below average in South-East Asia overall (6.9 days).

On a more positive note, Lao People's Democratic Republic presented an impressive overall performance in catering for those who are "starting a business". In fact, it ranked second (50 per cent) after Bangladesh (60 per cent), based on the formal procedures required to set up and formally operate a commercial business.¹¹ These performance indicators suggested effective efforts over the previous few years to improve the Lao business climate ratings, and the LNCCI welcomed this. Concrete government actions included introducing measures to address insolvency. Moreover, under the Law for the Promotion of SMEs, the Government had eased the business registration process, promoted e-government registration practices, expedited investment approval procedures, and reduced paper document requirements when applying for a business permit. In general, enterprises reacted positively to these reforms.

The overwhelming majority of enterprises in the sample indicated that they operated as formal enterprises, with 94–96 per cent of enterprises having a business registration certificate, a tax registration certificate, and an operating license from the relevant ministry.

In total, 81 per cent of enterprises were visited by a government official or inspector in the previous 12 months, with the percentage highest for large enterprises (88 per cent). Of the enterprises that were visited, 52 per cent were visited once during the year, 22 per cent were visited twice, 18 per cent were visited three to four times, and the remaining 20 per cent were visited more than four times.

Some enterprises employed an external adviser or intermediary to help them comply with government regulations, with the figure highest for medium-sized enterprises (33 per cent), followed by large enterprises (20 per cent), and small enterprises (8 per cent).

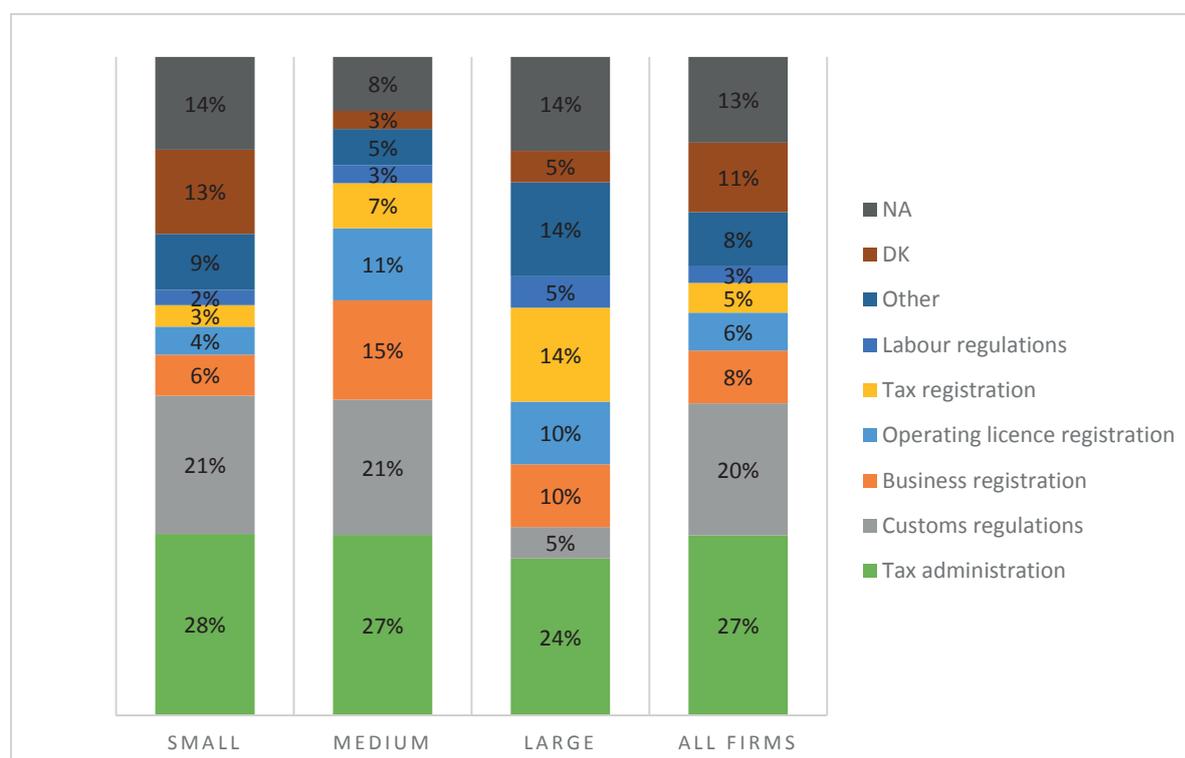
5.2 What enterprises want going forward: Reformed tax administration, customs regulations, and business registration

Companies interviewed for the LNCCI-ILO survey (2014) identified tax administration (27 per cent) as a key area requiring reform aimed at improvement and simplification. Companies complained of tax administration inconsistencies and inaccuracies which inconvenienced and confused enterprises that were actually tax-compliant (see figure 27).

Customs regulations (20 per cent) were the second-greatest concern, followed by the business registration process (8 per cent). Labour law did not raise major concern, though some enterprises expressed a preference for provisions regarding minimum wages (32 per cent), working hours (19 per cent), and recruitment (13 per cent). Few enterprises nominated provisions related to leave (holidays), pensions, collective bargaining, terminations, or anti-discrimination.

¹¹ More information is available at: <http://www.doingbusiness.org/> [accessed 5 Feb. 2016].

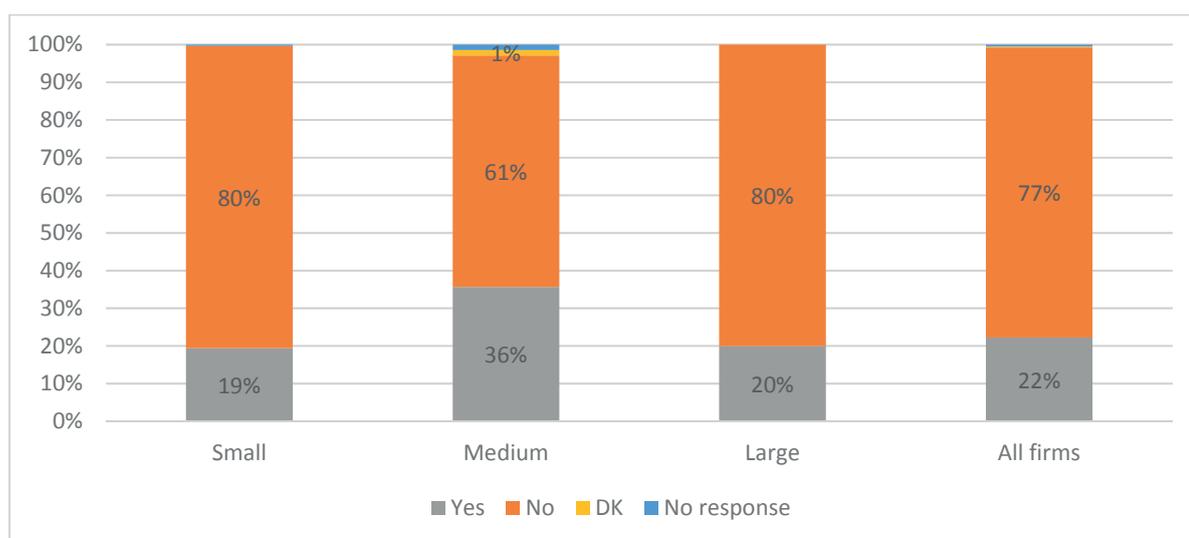
Figure 27. Perception of main area of regulation that needs improvement, by enterprise size



Source: LNCCI-ILO survey, 2014.

Informal payments or gifts to government officials remained an issue for many enterprises. The findings of the LNCCI-ILO survey indicated that medium-sized enterprises were most active in this regard over the previous 12 months (see figure 28). By sector, the practice was most common in mining, construction, and manufacturing (33 per cent) and least common in wholesale and retail trade (11 per cent). Based on location, enterprises in Champasak (28 per cent) were most likely while enterprises in Savannakhet (14 per cent) were least likely. Interestingly, this issue suggested a slight gender effect, with enterprises owned by men (28 per cent) more likely to have made a payment than enterprises owned by women (17 per cent).

Figure 28. Informal payments to officials in past 12 months, by enterprise size



Note: In total, 401 of the 404 participants answered either “yes” or “no” to this question, with one participant answering “don’t know” and two participants declining to answer.

Source: LNCCI-ILO survey, 2014.

Among the 91 respondents who specified why they made unofficial payments, the most common reason given was to maintain good relations with government officials (56 per cent), followed by a desire to smooth the process of paying taxes (19 per cent).

Around 9 per cent of respondents, primarily from medium-sized enterprises, felt that over the previous two years there had been increased pressure on their business to provide informal payments, with 28 per cent indicating there had been no change, and 1 per cent saying there had been a reduction in pressure.¹²

In total, 110 participants provided 130 suggestions regarding what could be done to reduce the need to provide informal payments. The most common of these were to launch an awareness campaign to change public acceptance of the practice (45 per cent), and to make it easier to apply for permits and taxes online (20 per cent). Only 16 per cent of responses suggested business associations should provide some kind of confidential complaints mechanism.

5.3 Policy recommendations

Many positive reforms are currently underway to improve the legal and regulatory environment. Nonetheless, the LNCCI believes existing gaps between legal provisions and actual practices need to be addressed. Consistent and even-handed application of the law is critical for business growth. Delays caused by lack of or inefficient coordination among various government bodies also present a source of frustration for the industry sector. In the light of these issues, the LNCCI recommends the following policy options:

¹² Other responses included “don’t know” (12 per cent), “not applicable” (45 per cent), and no response (5 per cent).

Ease permit/tax application procedures

- Establish and promote increased use of online platforms for application submissions, thereby reducing processing time and costs.
- Streamline tax administration and enhance transparency throughout the process.

Launch a campaign to raise awareness and change behaviour

A public information campaign can draw attention to the prevailing practice of making informal payments or gifts to government officials. Raising this as a formal agenda could change public perceptions, and help to put an end to the practice and prevent it from becoming the norm.

Set up an ombudsman's office in business associations for confidential reporting

Such a mechanism can help to maintain checks and balances among all actors in the market. It can also help to maintain transparency in the overall legal and regulatory environment.

Conduct periodic industry conferences and workshops

- Regular events of this type can help industry representatives and other key economic actors to establish professional networks to learn about new laws and regulations, exchange industry information, and forge partnerships.
- Through conferences and workshops, enterprises can voice their concerns and make suggestions on legal issues, providing inputs in the formation and implementation of rules and regulations to address existing gaps.

6. LNCCI policy recommendations on the AEC and building stronger enterprises for regional integration

The AEC was implemented in late 2015 as a key part of South-East Asia's efforts to achieve regional economic integration.¹³ The intention behind the AEC is to promote free flow of goods and services, investment, skilled labour, and capital within the newly created economic community.

Overall, the surveyed Lao business owners and managers favoured the AEC, but they were not without concerns. Forecasted gains included increased foreign investment, new and bigger exports markets, cheaper imports, and a larger pool of skilled labour. Potential losses included tougher competition against cheaper imports and foreign investors.

Firms in Lao People's Democratic Republic were getting ready to adapt to the changes the AEC would bring. To better prepare for the AEC, the LNCCI was advocating for a number of policy recommendations, including better tax regulations, implementation of the Government's commitment under the AEC, better communication of information of the implications of the AEC for the business community, and investment in the skills of the working population.

6.1 AEC: What is it, and why now?

The AEC primarily aims to create “(a) a single market and production base, (b) a highly competitive economic region, (c) a regional of equitable economic development, and (d) a region fully integrated into the global economy” (ASEAN, 2016). Among other things, it will also strengthen cooperation in human resources development and capacity building through (1) mutual recognition of professional qualifications, (2) increased cross-regional consultation on macroeconomic and financial policies, and (3) improved infrastructure and communications connectivity across the subregion. Critically for the private sector, it will increase and improve public-private partnerships to build and develop the AEC.

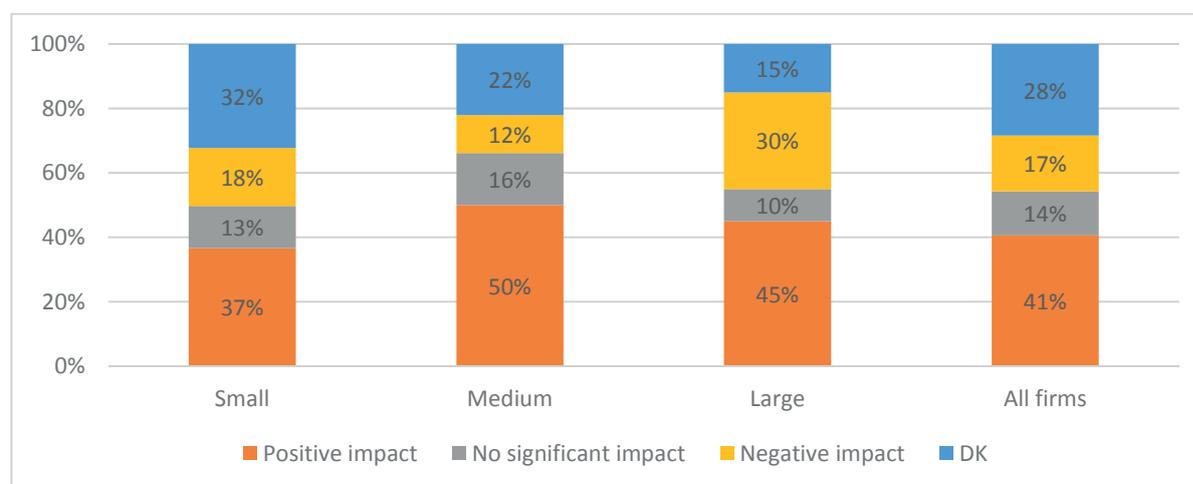
Much needs to be done, however, to raise awareness of these impending changes in the private sector. According to the LNCCI-ILO survey (2014), most owners and managers of large and medium-sized enterprises in Lao People's Democratic Republic (94 per cent) were aware of the pending launch of the AEC 2015. In contrast, most owners and managers of small enterprises (55 per cent) remained relatively unaware. Small enterprises in mining, construction, and manufacturing (71 per cent) were more aware of the AEC than were small enterprises in other sectors, particularly wholesale and retail (47 per cent). At the same time, the 2014–2015 Business Perceptions Survey indicated that, among enterprises, the AEC was actually the best-known of the main trade agreements and national trade policies to which the Lao Government has committed itself (USAID and LUNA II, 2015).

¹³ The ASEAN member countries include Brunei Darussalam, Cambodia, Indonesia, the Lao People's Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam.

6.2 Potential AEC gains and challenges for Lao enterprises

Owners and managers of medium-sized enterprises were particularly optimistic when asked about opportunities created by the AEC, with 50 per cent expecting a positive impact and only 12 per cent expecting a negative impact. Owners and managers of small enterprises displayed the least optimism (see figure 29). In general, industry anticipated that the potential benefits of the AEC would outweigh potential losses. By sector, enterprises in accommodation and food industry were most optimistic. Those in mining, construction, and manufacturing were the least optimistic.

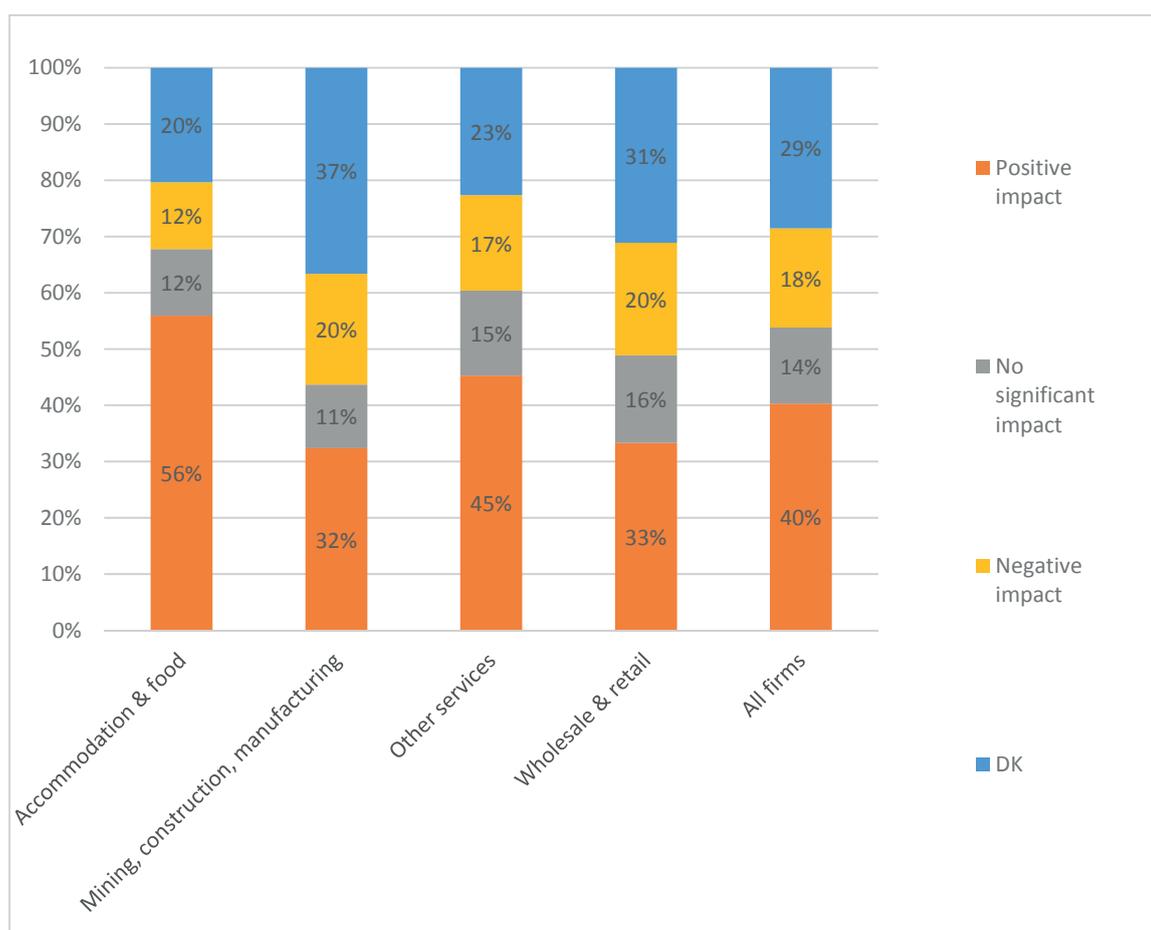
Figure 29. Perception of the impact of the AEC on their business, by enterprise size



Source: LNCCI-ILO survey, 2014.

Firms in the accommodation and food sector were most optimistic about the impact of the AEC, while enterprises in construction, mining, and manufacturing were least optimistic (figure 30).

Figure 30. Perception of the impact of the AEC on their business, by sector



Source: LNCCI-ILO survey, 2014.

Most enterprises were taking action in response to the competitive threats posed by the AEC. Around half of respondents said the main way they were preparing for the AEC was by offering higher quality services and products (figure 33).

The second-most common strategy was to provide training to their employees. This held for enterprises of all sizes but particularly for large enterprises. Disaggregating by enterprise size and sector shows that training was a more common strategy among SMEs in mining, construction, and manufacturing and other services than it was in the other sectors.

It is notable that multiple surveys conducted on the AEC led to similar conclusions regarding the potential gains and challenges identified by actors in the private sector. These are outlined below.

Potential gains

- increased access to new export markets, in particular those in China, the European Union, Japan, and other ASEAN member States (this view is mostly supported by large enterprises);
- access to hired skilled labour from other ASEAN member States (this view was supported primarily by medium-sized enterprises);

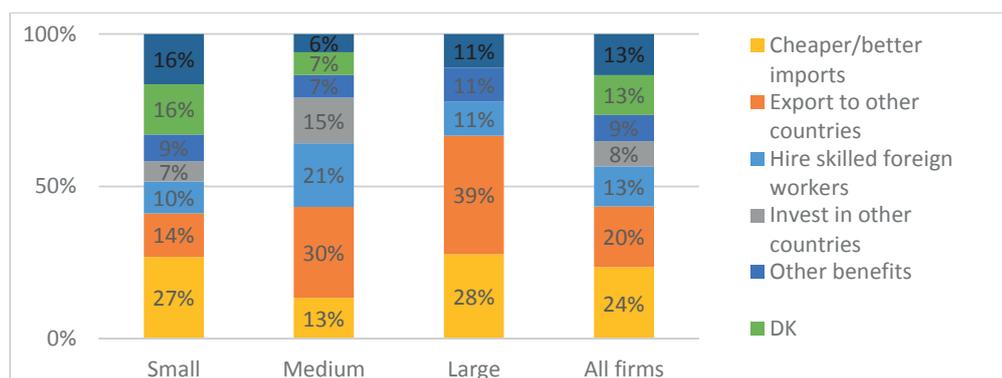
- access to cheaper imports (small enterprises were particularly looking forward to cutting their costs); and
- overall, all enterprises anticipated increased opportunities to attract foreign investors.

Potential challenges

- increased competition with providers of cheaper imported goods (large enterprises were most concerned about this potential threat); and
- increased competition with foreign investors, an outcome that could present the biggest challenge to small enterprises.

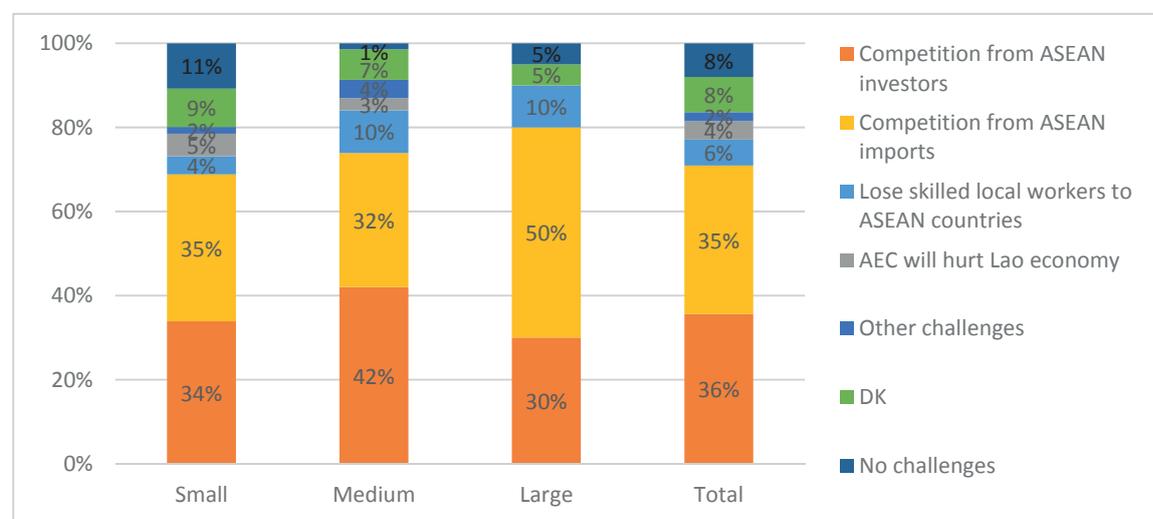
Figures 31 and 32 summarize the ILO-LNCCI survey’s report of perceived benefits and threats according to company size. Small enterprises were most excited about the prospect of buying cheaper or better imported goods, while medium-sized enterprises were looking forward to improved export opportunities and being able to hire skilled workers from other ASEAN Member States. Large enterprises were most enthusiastic about improved export and import opportunities. Nevertheless, enterprises were worried about the extra competition from ASEAN imports and investors (figure 32).

Figure 31. Perceived greatest AEC benefit or opportunity, by enterprise size



Source: LNCCI-ILO survey, 2014.

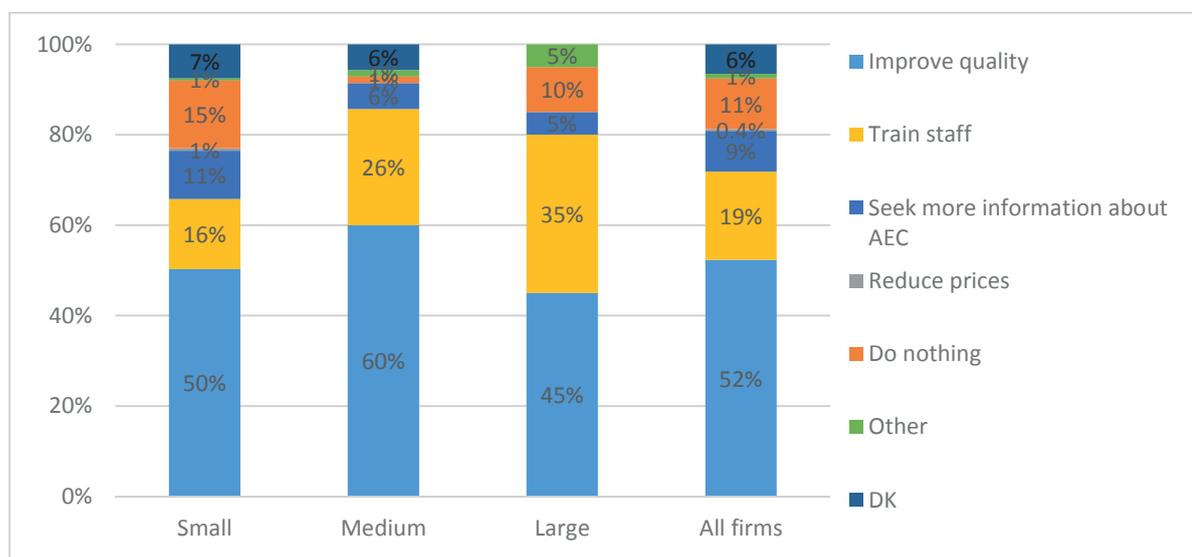
Figure 32. Perception of greatest AEC challenge or threat, by enterprise sizes



Source: LNCCI-ILO survey, 2014.

Overall, many enterprises were preparing for the AEC launch, and the most common preparation strategies were to (1) improve the quality of products and services; (2) upgrade worker skills through training; and (3) seek more information about the AEC (see figure 33).

Figure 33. Main way of preparing for AEC, by enterprise size



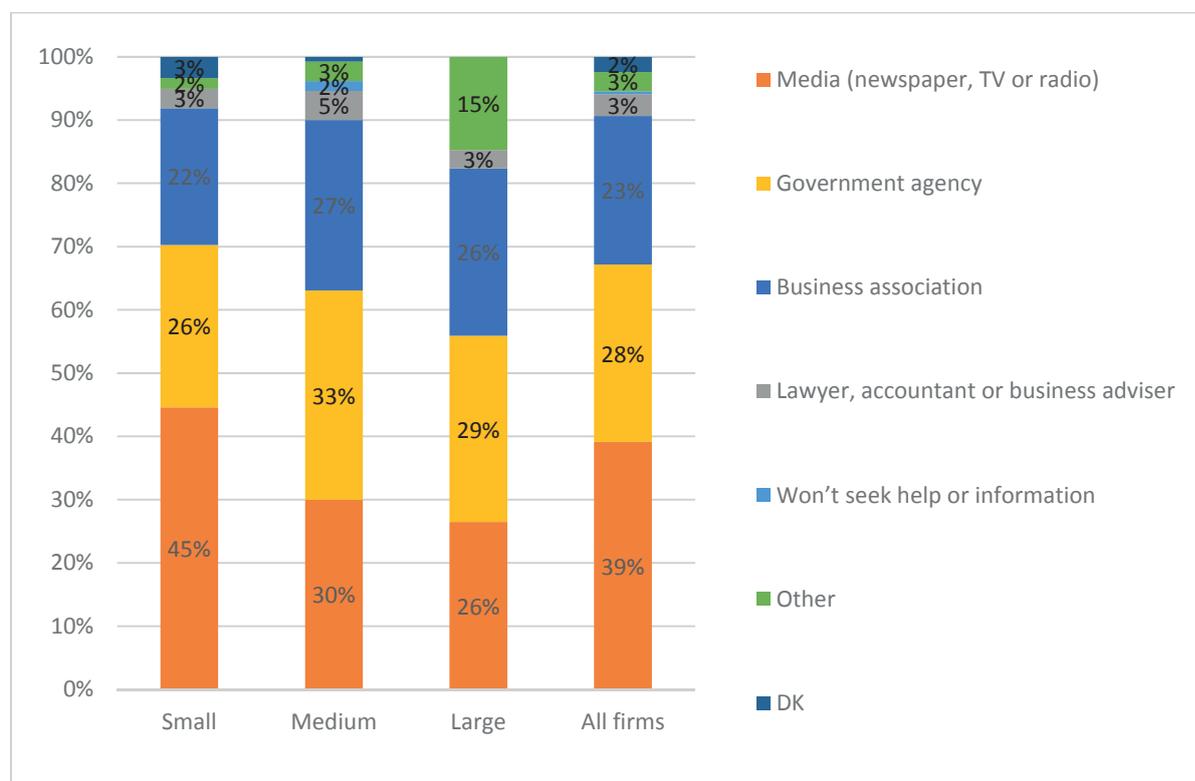
Source: LNCCI-ILO survey, 2014.

Under the third strategy, above, the priority is learning about the possible impact of the AEC on laws and regulations (40 per cent of respondents), and the possibility of employing foreign workers (25 per cent of respondents). More specifically, most of the companies were seeking information regarding AEC impact on tax laws, customs regulations, and enterprise regulations (see figure 34). Many enterprises reported that reform in the tax administration was essential for business development. The prevailing practice lacked transparency and consistently imposed unnecessary burdens on enterprises, especially those that were in fact tax compliant. There was less interest in learning about opportunities for export and investment.

Although transparency in government administration was not a pressing concern, some companies did report giving informal payments or gifts to government officials. The main reason was to maintain a good relationship with the Government. This practice was most

prevalent in the mining, construction, and manufacturing sector.

Figure 34. Source of information or help concerning the AEC, by enterprise size



Source: LNCCI-ILO survey, 2014.

6.3 Policy recommendations

Given the above findings, the LNCCI recommends the following measures:

Establish transparent and streamlined tax and regulations

Transparency and consistency in tax administration and payment will be critical elements of enforcing tax compliance in a new business environment.

Ensure government commitment under the AEC

- Monitoring and review mechanisms need to be set up to ensure that the Lao Government is meeting its AEC commitments, including provisions to increase opportunities for companies to reach bigger markets, more investors, and better resources, while achieving lower operation costs.
- This can also help companies to improve the quality of their products and services. In addition, it will help to ensure accountability among all stakeholders.

Provision of information regarding the AEC to enterprises

- Relevant information needs to be conveyed via various communication channels to reach a broader base of industry and public groups across sectors.

- Seminars and workshops at provincial, national, and regional levels can help promote awareness and understanding of major trade and business policies and agreements, including those related to the AEC.

Enhanced skills training for workers

- Closer coordination and more proactive participation is required on the part of all stakeholders -- including the Government; enterprises, skills, education and training providers; and business associations -- to clearly identify and assess skilled labour supply and demand.
- More information regarding available options and proposals for new measures need to be exchanged to produce practicable solutions to alleviate the existing mismatch between skilled labour demand and supply. A greater number and quality of more highly skilled labour can significantly increase the competitiveness of Lao People's Democratic Republic in the AEC.

7. Conclusions and role of LNCCI and other chambers

7.1 Role of LNCCI and other chambers

In total, 43 per cent of enterprises in the sample were LNCCI members (some of them by way of provincial chambers of commerce), i.e. 31 per cent of small enterprises, 84 per cent of medium-sized enterprises, and 90 per cent of large enterprises.

The most common reasons small enterprises were not members was that they had never heard of LNCCI (57 per cent) or felt that LNCCI did not represent their interests (13 per cent).

At the validation workshop, stakeholders acknowledged the need for the LNCCI to make itself more relevant to SMEs. Boosting membership among SMEs was considered an important LNCCI goal. It was suggested that the LNCCI provide “a helping hand” to SMEs by providing basic business advisory services. One international organization suggested that the LNCCI look at the activities of chambers of commerce in other countries in the region to identify good-practice approaches to advocacy and service delivery. It was further suggested that the LNCCI focus on providing cost-effective services to its members by making use of low-cost information dissemination mechanisms, for example posting updates on the LNCCI website.

Of those respondents who indicated some level of satisfaction with the LNCCI (or provincial chamber), 8 per cent were “very satisfied” and another 84 per cent were “satisfied” (with only 8 per cent “not satisfied”).

The 106 respondents cited a total of 301 benefits of being a LNCCI or provincial chamber member. As figure 43 shows, the most common benefits of membership were perceived to be access to new business networks (55 per cent of respondents) and to events, conferences, and workshops organized by LNCCI (47 per cent). Interestingly, only 29 per cent of respondents

considered the fact that LNCCI represented their interests to Government to be a membership benefit, while only 20 per cent considered training provided by the chamber to be a benefit.¹⁴ It was difficult to interpret this question, since low scores could imply either that the LNCCI did not provide this service effectively or that the service in question was not a key reason for being a member.

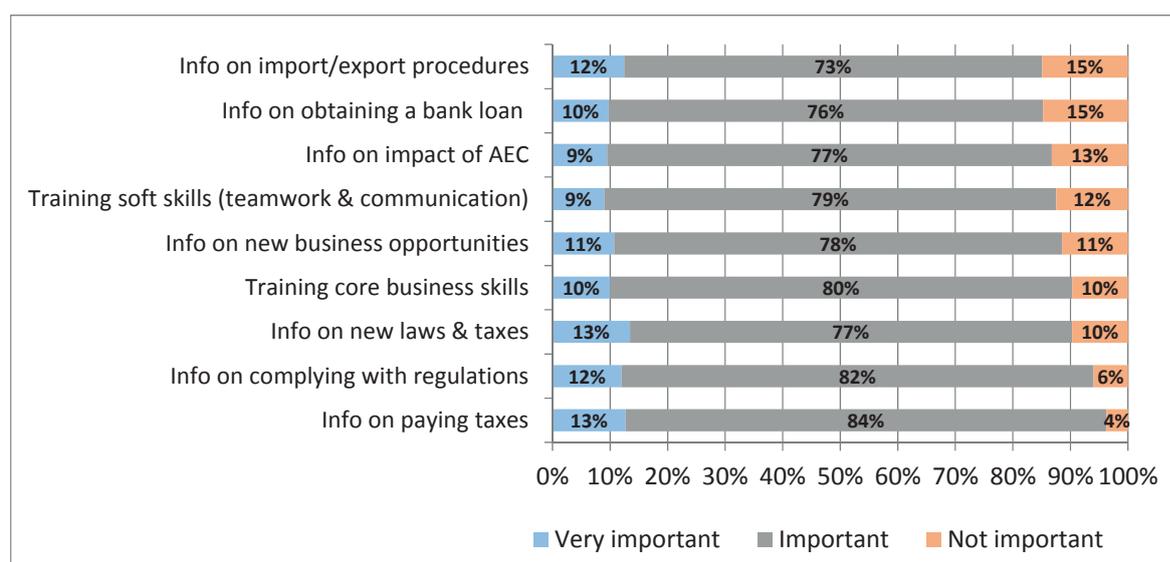
Figure 35. Benefits of LNCCI membership, percentage of respondents



Source: LNCCI-ILO survey, 2014.

When asked to rank the importance to their enterprise of nine particular topics or activities, most respondents ranked all nine options as either very important or important (figure 36). Information on paying taxes elicited the highest “very important” rating and the lowest “not important” rating.

Figure 36. Importance of selected topics to the enterprise

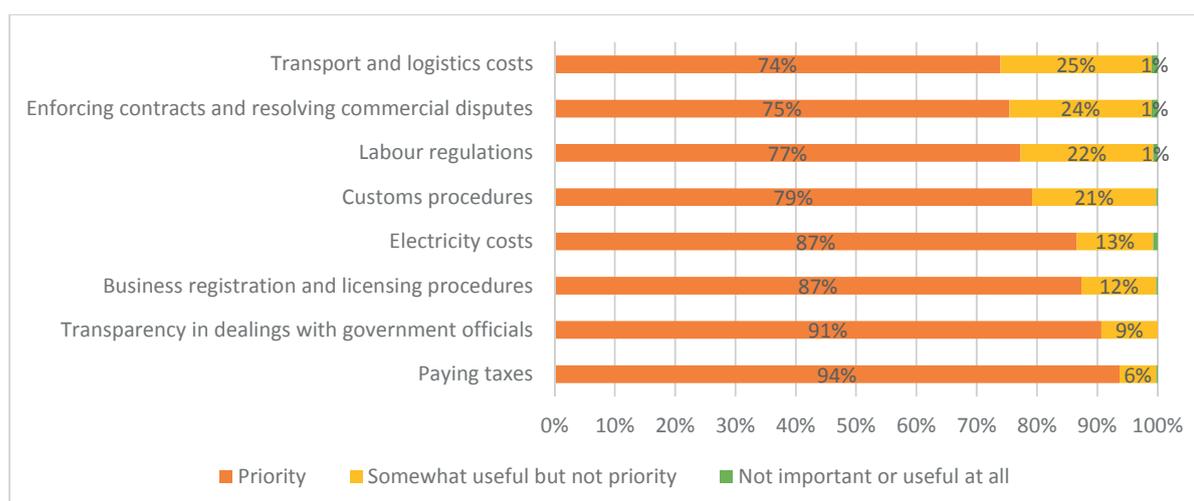


Source: LNCCI-ILO survey, 2014.

¹⁴ Nineteen per cent of respondents provided a variety of answers not listed on the questionnaire.

Figure 36 masks important differences in response based on the size of the enterprise. In particular, 20–30 per cent of medium-sized enterprises rated most topics as very important, compared to 5–10 per cent of small enterprises and 0–10 per cent of large enterprises. This was consistent with other survey findings which suggested that medium-sized enterprises were particularly eager to receive information and advice, while small enterprises perceived a lesser need for information and large enterprises were more likely to feel they had such information already (i.e. from their own internal sources).

Figure 37. LNCCI priority areas



Source: LNCCI-ILO survey, 2014.

Finally, participants were asked to indicate the areas on which LNCCI should focus its advocacy efforts with the Government (figure 37). All 12 areas were rated as a priority. For most respondents, however, advocacy with respect to paying taxes (94 per cent) topped the list, followed by transparency in dealings with government officials (90 per cent).

These findings suggest that the LNCCI and the provincial chambers need to address a broad range of issues in their advocacy efforts with the Government. Advocating for transparent and streamlined arrangements relating to taxation, regulation, and other interactions with government officials are among the most important, but are by no means the only areas that the chambers need to focus on.

These findings will come as no surprise to the chambers, which are already aware of the wide range of challenges confronting the private sector.

7.2 Conclusions

This comprehensive survey of enterprises' key challenges and common business practices highlights important results with implications for the LNCCI's advocacy work and other services it provides to its members.

A clear finding of this survey is that many LNCCI members face major challenges related to skills and labour shortages. These challenges apply to enterprises in all sectors, in all locations,

and of all sizes, in particular medium-sized and large enterprises. Business owners and managers find it difficult to recruit and retain employees with medium and high skills as well as those with more limited skills.

The underlying reasons for skills and labour shortages are interrelated and complex, and involve long-term challenges related to (1) education at all levels; (2) labour productivity; (3) labour migration to Thailand; and (4) a lack of labour market information to better match skilled labour supply and demand.

Challenges relating to skills, education, and the labour market are likely to remain at the forefront of private sector concerns for many years to come. Consequently, the LNCCI should build its capacity to provide evidence-based advocacy on these issues, and to develop a reputation as the leading private sector voice on these issues.

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Appendixes

Appendix 1. National firm survey questionnaire

NA = not applicable.

	Administration				
1	Name of interviewer				
2	Date of interview				
3	Start time				
4	End time				
5	Name of enterprise				
6	Address of enterprise	6.1	No.		
		6.2	Street		
		6.3	Town/village		
		6.4	Province		
7	Enterprise website				
8	Enterprise telephone number				
9	Name of respondent				
10	Gender of respondent	<input type="checkbox"/>	1 = Man	<input type="checkbox"/>	0 = Woman
11	Job title of respondent				
12	Owner or manager	<input type="checkbox"/>	1 = Owner (If yes, go to Section A)	<input type="checkbox"/>	2 = Manager (If yes, go to Q.13 below)
13	Gender of owner	<input type="checkbox"/>	1 = Man	<input type="checkbox"/>	0 = Woman

General information about the enterprise

A. General information about the enterprise							
A1	When did your enterprise start in Lao PDR?	_____ / _____ (YYYY/MM)					
A2	In which industry does your enterprise operate? Note: if operate in more than one industry, select the <u>main</u> industry.	<input type="checkbox"/>	B	Mining and quarrying	<input type="checkbox"/>	K	Financial and insurance activities (banks, MFIs, insurance)
		<input type="checkbox"/>	C	Manufacturing (garments, food/beverage processing, chemicals, furniture, handicrafts)	<input type="checkbox"/>	L	Real-estate activities
		<input type="checkbox"/>	D	Electricity, gas, steam and air-conditioning supplies (hydropower, other electricity)	<input type="checkbox"/>	M	Professional, scientific and technical activities (legal, accounting, consulting, marketing, architecture, engineering, science)
		<input type="checkbox"/>	E	Water supply; sewerage, waste management activities	<input type="checkbox"/>	N	Administrative and support service activities (HR agency, travel/tour agency, security, gardening)
		<input type="checkbox"/>	F	Construction (buildings, civil engineering, electrical, plumbing)	<input type="checkbox"/>	P	Education (schools, colleges, universities, training centres)
		<input type="checkbox"/>	G	Wholesale and retail trade; repair of motor vehicles (wholesale trade and retail sales of all goods, including vehicles, agriculture, food, beverages, tobacco, household goods and machinery; mechanics)	<input type="checkbox"/>	Q	Human health and social-work activities (hospitals, doctors, dentists, clinics)
		<input type="checkbox"/>	H	Transportation and storage (buses, taxis, airports, airlines; warehousing; postal/courier services; logistics)	<input type="checkbox"/>	R	Arts, entertainment and recreation (gambling, lottery tickets, sports, gymnasiums, amusement parks)
		<input type="checkbox"/>	I	Accommodation and food service activities (hotels, restaurants, food stalls, bars)	<input type="checkbox"/>	S	Other service activities (laundry, hairdressing, massage)
		<input type="checkbox"/>	J	Information and communication (telecom services, internet, radio, newspaper, IT services)			

A3	How many workers are employed in your enterprise?	_____ total employees		Of which _____ are women			
A4	Of these, how many are non-permanent staff?	_____ total non-permanent staff		Of which _____ are women			
A5	How many are young staff (aged 15–24)?	_____ total young staff (aged 15–24)		Of which _____ are women			
A6	How many completed tertiary education (university/college)?	_____ total with tertiary education		Of which _____ are women			
A7	How many staff have left the business in the last 12 months?	<input type="checkbox"/>	1= _____		89= Don't know/NA		
A8	What was the annual sales of your enterprise in 2013? Answer in kip (Laotian currency) or US\$.	<input type="checkbox"/>	1= LAK _____	<input type="checkbox"/>	2= US\$ _____	<input type="checkbox"/>	89= NA/Don't know
A9	Ownership of the enterprise	<input type="checkbox"/>	1=	100% Lao privately owned			
		<input type="checkbox"/>	2=	100% foreign owned			
		<input type="checkbox"/>	3=	Lao private/government joint venture			
		<input type="checkbox"/>	4=	Lao private/foreign joint venture			
		<input type="checkbox"/>	5=	Lao government/foreign joint venture			

Business challenges and plans for future

B. Business challenges and plans for future			
B1	What is the biggest challenge experienced by your business? Please select one.	<input type="checkbox"/>	1= Shortage of skilled staff
		<input type="checkbox"/>	2= High labour costs (high wages)
		<input type="checkbox"/>	3= Lack access to finance
		<input type="checkbox"/>	4= Competition from businesses that are not fully registered or don't pay all taxes
		<input type="checkbox"/>	5= Competition from foreign businesses and imports
		<input type="checkbox"/>	6= Low productivity of staff
		<input type="checkbox"/>	7= Comply with regulations and licenses (time-consuming or expensive)
		<input type="checkbox"/>	8= Pay taxes (time-consuming or expensive)
		<input type="checkbox"/>	9= High transport costs
		<input type="checkbox"/>	10= High electricity costs
		<input type="checkbox"/>	11= Informal fees or gifts requested by authorities
		<input type="checkbox"/>	12= Low market demand for my product or service
		<input type="checkbox"/>	33= Other, <i>please specify:</i> _____
		<input type="checkbox"/>	89= Don't know
<input type="checkbox"/>	99= NA (no challenges)		
B2	In your opinion, do women business owners face any additional challenges or difficulties in running a business in Lao PDR? If so, what is the biggest challenge they face? Please select one.	<input type="checkbox"/>	1= No extra challenge for women business owners
		<input type="checkbox"/>	2= More difficult for females to negotiate with buyers
		<input type="checkbox"/>	3= More difficult for females to network and build business relationships
		<input type="checkbox"/>	4= More difficult for females to deal with officials
		<input type="checkbox"/>	5= More difficult for females to gain the respect of their staff
		<input type="checkbox"/>	33= Other, <i>please specify:</i> _____
		<input type="checkbox"/>	89= Don't know

	Please select one for each question	1= Increase	2= No change	3= Decrease	89=DK / 99=NA
B3	Compared to <u>two years ago</u> , has your business <i>profit</i> increased or decreased?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> / <input type="checkbox"/>
B4	Over the <u>next two years</u> , do you expect your business <i>profit</i> to increase or decrease (compared to now)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> / <input type="checkbox"/>
B5	Compared to <u>two years ago</u> , has your business increased or decreased the <i>number of employees</i> ?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> / <input type="checkbox"/>

B6	Over the <u>next two years</u> , do you expect your business to increase or decrease the <i>number of employees</i> ?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> / <input type="checkbox"/>
	Please select one for each question	1= Optimistic	2= Neither optimistic nor pessimistic	3= Pessimistic	89=DK/ 99=NA
B7	Are you optimistic or pessimistic about prospects for <u>your business</u> over the next two years?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> / <input type="checkbox"/>
B8	Are you optimistic or pessimistic about prospects for <u>the Lao business sector in general</u> over the next two years?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> / <input type="checkbox"/>

Skills, education, and training

C. Skills, education, and training						
	To what extent do you agree with the following statements related to your enterprise?	1= Strongly disagree	2= Disagree	3= Agree	4= Strongly agree	89=DK / 99=NA
C1	In the past 12 months, my enterprise has had difficulties in <i>recruiting or retaining low-skilled</i> labour.	<input type="checkbox"/> / <input type="checkbox"/>				
C2	In the past 12 months, my enterprise has had difficulties in <i>recruiting or retaining medium- or high-skilled</i> labour.	<input type="checkbox"/> / <input type="checkbox"/>				
C3	In the past 12 months, skill shortages have negatively impacted my enterprise's ability to grow or expand.	<input type="checkbox"/> / <input type="checkbox"/>				
C4	In the past 12 months, skill shortages have negatively impacted my enterprise's <i>profitability</i> (through higher wage costs or lower efficiency).	<input type="checkbox"/> / <input type="checkbox"/>				

	When recruiting for skilled positions, please indicate the importance of each of these attributes in the selection process. Please tick one for each attribute.	1= Not important at all	2= Not important	3= Important	4= Very important	89=DK / 99=NA
C5	Work ethic/honesty/attitude	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> / <input type="checkbox"/>
C6	Communication and teamwork	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> / <input type="checkbox"/>
C7	Problem-solving and decision-making skills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> / <input type="checkbox"/>
C8	Technical knowledge or skills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> / <input type="checkbox"/>
C9	Is somebody within your enterprise in charge of training for your employees?	<input type="checkbox"/>	1=	Yes	<input type="checkbox"/>	0= No
C10	Does your enterprise have a budget for training?	<input type="checkbox"/>	1=	Yes	<input type="checkbox"/>	0= No
C11	How does your enterprise make decisions about which employees receive training, what type of training, and how much to spend on training? Please select one.	<input type="checkbox"/>	1=	Based on the interests and wishes of the individual		
		<input type="checkbox"/>	2=	Based on an analysis of training needs by the employer		
		<input type="checkbox"/>	3=	We do the same training every year		
		<input type="checkbox"/>	4=	The amount of training depends on available funds/budget for training		
		<input type="checkbox"/>	33=	Other, <i>please specify</i> : _____		
		<input type="checkbox"/>	99=	NA (no training)		
C12	Over the past year, did your enterprise purchase/provide training for employees?		1=	Yes		0= No If No, go to C17
C13	Who provided the training? Please tick all that apply.	<input type="checkbox"/>	1=	Provided in-house by our own staff		
		<input type="checkbox"/>	2=	University or vocational training college		
		<input type="checkbox"/>	3=	Private training company or individual trainer		
		<input type="checkbox"/>	4=	Employer or business association		
		<input type="checkbox"/>	5=	Government agency or department		
		<input type="checkbox"/>	6=	Development organization or NGO		
		<input type="checkbox"/>	33=	Other, <i>please specify</i> : _____		
		<input type="checkbox"/>	89=	Don't know		

C14	How would you rate the quality of training programmes you have purchased? Please select one.	<input type="checkbox"/>	99=	NA (no training)
		<input type="checkbox"/>	1=	Good
		<input type="checkbox"/>	2=	Neither good nor bad
		<input type="checkbox"/>	3=	Bad
C15	What are the three main topics in which your employees have <i>received training</i> ? Please select three (maximum).	<input type="checkbox"/>	99=	NA (never purchased training)
		<input type="checkbox"/>	1=	Marketing and customer service
		<input type="checkbox"/>	2=	Leadership, management and supervisor skills
		<input type="checkbox"/>	3=	Accounting/book-keeping/general business skills
		<input type="checkbox"/>	4=	Occupational health and safety
		<input type="checkbox"/>	5=	Communication and teamwork
		<input type="checkbox"/>	6=	IT skills
		<input type="checkbox"/>	7=	Basic reading, writing or mathematics
		<input type="checkbox"/>	8=	Foreign languages (English, Chinese, etc.)
		<input type="checkbox"/>	9=	Business-specific training that cannot be learned outside the enterprise (e.g. specific procedures of the enterprise)
		<input type="checkbox"/>	10=	Technical training that could also be applied in other enterprises (e.g. electrical skills, sewing skills)
		<input type="checkbox"/>	33=	Other, <i>please specify</i> : _____
C16	What are the three main topics in which there is the greatest need to develop the skills of your employees? Please select three (maximum).	<input type="checkbox"/>	99=	NA (never purchased training)
		<input type="checkbox"/>	1=	Marketing and customer service
		<input type="checkbox"/>	2=	Leadership, management and supervisor skills
		<input type="checkbox"/>	3=	Accounting/book-keeping/general business skills
		<input type="checkbox"/>	4=	Occupational health and safety
		<input type="checkbox"/>	5=	Communication and teamwork
		<input type="checkbox"/>	6=	IT skills
		<input type="checkbox"/>	7=	Basic reading, writing or mathematics
		<input type="checkbox"/>	8=	Foreign languages (English, Chinese, etc.)
		<input type="checkbox"/>	9=	Firm-specific training that cannot be learned outside the enterprise (e.g. specific procedures of the enterprise)
		<input type="checkbox"/>	10=	Technical training that could also be applied in other enterprises (e.g. electrical skills, sewing skills)
		<input type="checkbox"/>	33=	Other, <i>please specify</i> : _____

C17	What is the main constraint in providing training to your employees? Please select one.	<input type="checkbox"/>	99=	NA (no training is needed)			
		<input type="checkbox"/>	1=	Employees are not interested in training			
		<input type="checkbox"/>	2=	Lack of available time to train staff			
		<input type="checkbox"/>	3=	Lack of available funds to train staff			
		<input type="checkbox"/>	4=	Lack of information about available training courses or providers			
		<input type="checkbox"/>	5=	Don't know what skills employees need to develop			
		<input type="checkbox"/>	6=	Lack of good quality training courses / providers			
		<input type="checkbox"/>	7=	Worried that employees will leave after being trained			
		<input type="checkbox"/>	8=	Cost of training outweighs the benefits			
		<input type="checkbox"/>	33=	Other, please specify: _____			
C18	Do you intend to provide or purchase training to your employees in the next 12 months?	<input type="checkbox"/>	1=	Yes	<input type="checkbox"/>	0=	No

Access to finance

D. Access to finance							
	To what extent do you agree with the following statement related to your enterprise?	1= Strongly disagree	2= Disagree	3= Agree	4= Strongly agree	89=DK/ 99=NA	
D1	Lack of access to finance is a major constraint on the ability of your enterprise to operate or expand.					<input type="checkbox"/> / <input type="checkbox"/>	
D2	In the last three years, has your enterprise had a line of credit or a loan from a financial institution?	<input type="checkbox"/>	1=	Yes	<input type="checkbox"/>	0=	No
D3	If 'No', what is the main reason why your enterprise has not had a line of credit or a loan? Please select one.	<input type="checkbox"/>	1=	No need for a loan (i.e. have sufficient capital).			
		<input type="checkbox"/>	2=	Application procedures are complex.			
		<input type="checkbox"/>	3=	Interest rates are too high.			
		<input type="checkbox"/>	4=	Collateral requirements are too high.			
		<input type="checkbox"/>	5=	Do not think it would be approved.			
		<input type="checkbox"/>	33=	Other, please specify: _____			
		<input type="checkbox"/>	99=	Not applicable			
D4	If 'Yes', what types of financial institutions granted your enterprise a line of credit or loan in the last 3 years?	<input type="checkbox"/>	1=	Private commercial bank			
		<input type="checkbox"/>	2=	State-owned bank or government agency			
		<input type="checkbox"/>	3=	Microfinance institution (MFI)			
		<input type="checkbox"/>	4=	Village bank or ROSCA			
		<input type="checkbox"/>	5=	Credit from a supplier or advance from a customer			
		<input type="checkbox"/>	6=	Moneylenders, friends or relatives			
		<input type="checkbox"/>	33=	Other, please specify: _____			
		<input type="checkbox"/>	99=	NA (no line of credit or loan in last three years)			

D5	What would make it easier for your enterprise to obtain a loan? Please select one.	<input type="checkbox"/>	1=	More information on what type of loans are available and how to apply		
		<input type="checkbox"/>	2=	Assistance with completing loan application		
		<input type="checkbox"/>	3=	Having financial records for the business		
		<input type="checkbox"/>	4=	Able to use vehicles or equipment as collateral (not just land)		
		<input type="checkbox"/>	5=	Banks need to be more willing to lend to businesses like yours		
		<input type="checkbox"/>	33=	Other, <i>please specify</i> : _____		
		<input type="checkbox"/>	99=	NA		
	To what extent do you agree with the following statement relating to Lao PDR in general?	1= Strongly disagree	2= Disagree	3= Agree	4= Strongly agree	89=DK/99=NA
D6	Female-run businesses face additional challenges in accessing finance compared to businesses run by males.	<input type="checkbox"/>				<input type="checkbox"/> / <input type="checkbox"/>
D7	If D6 = Agree or Strongly agree: What do you think is the main reason for these additional challenges? Please select one.	<input type="checkbox"/>	1=	Female-run business tend to be smaller and informal, which makes it harder to obtain a bank loan.		
		<input type="checkbox"/>	2=	Females are perceived to have lower education or lack financial management skills.		
		<input type="checkbox"/>	3=	Lending by banks is biased towards males for cultural or social reasons.		
		<input type="checkbox"/>	4=	Land (to be used as collateral) is usually in the husband's name.		
		<input type="checkbox"/>	33=	Other, <i>please specify</i> : _____		
		<input type="checkbox"/>	99=	NA (no additional challenges)		

Innovation and business development

	E. Innovation and business development				
	During the last three years, has your enterprise introduced any new or improved...	1=Yes	0=No		
E1	products or services?	<input type="checkbox"/>	<input type="checkbox"/>		
E2	methods of production or service delivery?	<input type="checkbox"/>	<input type="checkbox"/>		
E3	logistics, delivery, or distribution methods?	<input type="checkbox"/>	<input type="checkbox"/>		
E4	business systems (e.g. accounting or IT system)?	<input type="checkbox"/>	<input type="checkbox"/>		
E5	technology or equipment?	<input type="checkbox"/>	<input type="checkbox"/>		
E6	sales or marketing methods?	<input type="checkbox"/>	<input type="checkbox"/>		
	Please indicate if you have purchased any of these services from an outside enterprise or person <i>in the last three years</i> . If "yes", please indicate whether the quality of service was satisfactory or unsatisfactory	0=No	1=Yes	If yes: 3= Quality atisfactory	If yes: 4= Quality unsatisfactory

E7	Accounting or auditing (not internal accounting staff)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
E8	Legal	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
E9	Business consulting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
E10	Marketing or advertising	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
E11	IT	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
E12	HR (training or recruitment)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Please indicate if you are interested in purchasing any of these services from an outside enterprise or person <i>in future</i> .	0=No	1=Yes	89=DK	
E13	Accounting or auditing (not internal accounting staff)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
E14	Legal	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
E15	Business consulting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
E16	Marketing or advertising	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
E17	IT	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
E18	HR (training or recruitment)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Readiness for increased economic openness

	F. Readiness for increased economic openness					
F1	Are you aware of the ASEAN Economic Community (AEC), 2015?	<input type="checkbox"/>	1=	Yes	<input type="checkbox"/>	0= No (If “No”, go to section G)
		1=	2=	3=	89=DK	
		Positive impact	No significant impact	Negative impact		
F2	In your opinion, what impact will the AEC have on your business?					
F3	In your opinion, what will be the <i>greatest</i> AEC benefit or opportunity for your business? Please select one.	<input type="checkbox"/>	99=	No benefit or opportunity.		
		<input type="checkbox"/>	1=	Your enterprise will have more opportunities to export to other countries.		
		<input type="checkbox"/>	2=	Your enterprise will have more opportunities to invest in other countries.		
		<input type="checkbox"/>	3=	Your enterprise will be able to buy cheaper or better imported goods or services.		
		<input type="checkbox"/>	4=	Easier to hire skilled foreign workers.		
		<input type="checkbox"/>	33=	Other, <i>please specify</i> : _____		
		<input type="checkbox"/>	89=	Don't know.		

F4	In your opinion, what will be the <i>biggest challenge or threat</i> of the AEC to your business? Please select one.	<input type="checkbox"/>	99=	No challenge or threat.
		<input type="checkbox"/>	1=	Your enterprise will face more competition from ASEAN imports.
		<input type="checkbox"/>	2=	Your enterprise will face more competition from ASEAN investors setting up business in Lao PDR
		<input type="checkbox"/>	3=	Your skilled local workers will move to other ASEAN Member States
		<input type="checkbox"/>	4=	The Lao economy overall will be hurt by AEC, which will hurt your business
		<input type="checkbox"/>	33=	Other, <i>please specify</i> : _____
		<input type="checkbox"/>	89=	Don't know
F5	How is your enterprise preparing for the AEC? Please select one.	<input type="checkbox"/>	1=	Do nothing
		<input type="checkbox"/>	2=	Train staff
		<input type="checkbox"/>	3=	Improve quality of services or products
		<input type="checkbox"/>	4=	Reduce prices
		<input type="checkbox"/>	5=	Seek more information about AEC
		<input type="checkbox"/>	33=	Other, <i>please specify</i> : _____
		<input type="checkbox"/>	89=	Don't know
F6	Where will you seek help or information about the AEC? Please tick all that apply.	<input type="checkbox"/>	1=	Won't seek help or information
		<input type="checkbox"/>	2=	Government agency or department
		<input type="checkbox"/>	3=	Business association (LNCCI or other)
		<input type="checkbox"/>	4=	Lawyer, accountant or business adviser
		<input type="checkbox"/>	5=	Media (newspaper, TV or radio)
		<input type="checkbox"/>	33=	Other, <i>please specify</i> : _____
		<input type="checkbox"/>	89=	Don't know
F7	What kind of training or information service about AEC would your enterprise be interested in? Please tick all that apply.	<input type="checkbox"/>	1=	Not interested in training or information
		<input type="checkbox"/>	2=	Information on changes to laws or regulations as a result of the AEC
		<input type="checkbox"/>	3=	Information on what the AEC means for hiring foreign workers
		<input type="checkbox"/>	4=	Information on new export opportunities to ASEAN region
		<input type="checkbox"/>	5=	Information on new investment opportunities in other ASEAN member States
		<input type="checkbox"/>	33=	Other, <i>please specify</i> : _____
		<input type="checkbox"/>	89=	Don't know

Legal and regulatory environment

G. Legal and regulatory environment				
	Does your business have ...	1=Yes	0=No	89=DK
G1	business registration certificate? (Ministry/Department of Industry and Commerce)			
G2	tax registration certificate? (Tax Department)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
G3	lump sum tax registration? (Tax Department)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
G4	operating licence? (from other ministries/departments)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

G5	If “No” to G1, G2, or G4 : If your business is NOT formally registered as a business or for tax purposes, or does not have an operating licence from the relevant ministry, what are the main reasons for not registering? Please select all that apply.	<input type="checkbox"/>	1=	Not aware the business needs to be registered			
		<input type="checkbox"/>	2=	Don’t know where to register			
		<input type="checkbox"/>	3=	Too expensive to register			
		<input type="checkbox"/>	4=	Takes too long to register			
		<input type="checkbox"/>	5=	Too complicated or confusing to register			
		<input type="checkbox"/>	6=	Don’t want to pay tax			
		<input type="checkbox"/>	7=	Don’t want officials asking for informal fees or payments			
		<input type="checkbox"/>	33=	Other, <i>please specify</i> : _____			
		<input type="checkbox"/>	89=	Don’t know			
			1=	0=	89=DK		
			All activities are covered	Only some activities covered			
G6	If “Yes” to G1, G2 or G4: Do your certificates and licences cover <u>all</u> of the activities of your business, or do some of your business activities operate outside the formal system? Please select one.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
G7	How many times during the past 12 months was the enterprise visited by a government official or inspector?	1=	_____ times				
		0=	Zero times (none)				
		89=	Don’t know				
G8	Has your enterprise ever employed an out-of-house adviser or intermediary to help comply with government regulations (e.g. tax, labour, planning)?	<input type="checkbox"/>	1=	Yes	<input type="checkbox"/>	0=	No
	To what extent do you agree with the following statements related to your enterprise?	1=	2=	3=	4=	89=DK/ 99=NA	
		Strongly disagree	Disagree	Agree	Strongly agree		
G9	Business registration is simple and not too time-consuming.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/> / <input type="checkbox"/>	
G10	Customs regulations are simple and not too time-consuming.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/> / <input type="checkbox"/>	
G11	Labour regulations are simple and not too time-consuming.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/> / <input type="checkbox"/>	
G12	Tax administration is simple and not too time-consuming.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/> / <input type="checkbox"/>	

G13	In your opinion, what is the main area of regulation that needs to be improved or simplified to make it easier for your business to operate? Please select one.	<input type="checkbox"/>	1=	Business registration process
		<input type="checkbox"/>	2=	Tax registration process
		<input type="checkbox"/>	3=	Operating licence registration process
		<input type="checkbox"/>	4=	Customs regulations
		<input type="checkbox"/>	5=	Labour regulations
		<input type="checkbox"/>	6=	Tax administration
		<input type="checkbox"/>	33=	Other, please specify: _____
		<input type="checkbox"/>	89=	Don't know
G14	Which of these areas of labour law is the biggest challenge to your enterprise? Please select one.	<input type="checkbox"/>	1=	Minimum wages
		<input type="checkbox"/>	2=	Working hours
		<input type="checkbox"/>	3=	Leave provisions (e.g. holidays)
		<input type="checkbox"/>	4=	Pensions / social security
		<input type="checkbox"/>	5=	Collective bargaining
		<input type="checkbox"/>	6=	Provisions on striking
		<input type="checkbox"/>	7=	Recruitment / hiring
		<input type="checkbox"/>	8=	Terminating employment/ redundancies
		<input type="checkbox"/>	9=	Anti-discrimination provisions (gender/disability)
		<input type="checkbox"/>	33=	Other, please specify: _____
		<input type="checkbox"/>	99=	NA (i.e. no labour law challenges)

Dealing with government officials

H. Dealing with government officials							
H1	During the last 12 months, has your enterprise provided informal payments or gifts to government officials to enable your business to operate smoothly?	<input type="checkbox"/>	1=	Yes	<input type="checkbox"/>	0=	No
H2	If "Yes", why was the informal payment or gift provided? Please tick all that apply.	<input type="checkbox"/>	1=	To obtain a license, permit or government service			
		<input type="checkbox"/>	2=	To speed the process for obtaining a license, permit, or government service			
		<input type="checkbox"/>	3=	To smooth the process of paying taxes			
		<input type="checkbox"/>	4=	To win a government contract			
		<input type="checkbox"/>	5=	To stop officials from interfering in my business			
		<input type="checkbox"/>	6=	Just to keep good relations with government officials (no specific reason)			
		<input type="checkbox"/>	99=	NA (didn't make any informal payments or gifts)			

		1= Increase	2= No change	3= Decrease	89=DK / 99=NA	
H3	Compared to two years ago, has there been an increase or decrease in the amount of pressure on your business to provide informal payments or gifts?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	/	
H4	In your opinion, what could be done to reduce the need to provide in formal payments or gifts to government officials? Please tick all that apply.	<input type="checkbox"/>	1=	Make it easier to apply for a permit or pay taxes online (via the internet).		
		<input type="checkbox"/>	2=	Receive more information on formal fees and processes.		
		<input type="checkbox"/>	3=	Business associations should have some way for their members to complain confidentially about their dealings with Government officials.		
		<input type="checkbox"/>	4=	Launch an awareness campaign to change public acceptance of informal payments and gift-giving.		
		<input type="checkbox"/>	33=	Other _____		
		<input type="checkbox"/>	89=	Don't know		
		<input type="checkbox"/>	99=	NA		

LNCCI role

I. LNCCI role										
I1	Is your enterprise currently a member of LNCCI or a provincial chamber of commerce?	<input type="checkbox"/>	1=	Yes	<input type="checkbox"/>	0=	No	<input type="checkbox"/>	99=	DK
I2	If I1 = Yes: What are the benefits of being a member? Please select all that apply.	<input type="checkbox"/>	1=	Access to new clients, customers, and business networks.						
		<input type="checkbox"/>	2=	Membership is good marketing/branding for my business.						
		<input type="checkbox"/>	3=	I am required to be a member by law/regulation.						
		<input type="checkbox"/>	4=	They provide information on new laws and other issues that affect my business.						
		<input type="checkbox"/>	5=	They represent my interests and raises my concerns with the Government (e.g. Lao Business Forum).						
		<input type="checkbox"/>	6=	They provide advice and support that helps me develop my business.						
		<input type="checkbox"/>	7=	They organize events, conferences, and workshops.						
		<input type="checkbox"/>	8=	They provide training.						
		<input type="checkbox"/>	33=	Other, please specify: _____						

		1= Very satisfied		2= Satisfied	3= Not satisfied
I3	If I1 = Yes: Overall, please indicate your level of satisfaction with LNCCI (or provincial chamber).			<input type="checkbox"/>	<input type="checkbox"/>
I4	If I1 = No: What is the main reason for not being a member? Please select one.	<input type="checkbox"/>	1=	Not aware about LNCCI / never heard about LNCCI.	
		<input type="checkbox"/>	2=	LNCCI is not relevant or useful to my business.	
		<input type="checkbox"/>	3=	LNCCI does not represent my interests.	
		<input type="checkbox"/>	4=	LNCCI does not provide a high quality of service.	
		<input type="checkbox"/>	5=	LNCCI fees are too high.	
		<input type="checkbox"/>	33=	Other, <i>please specify</i> : _____	
	Please indicate the level of importance of the following topics or activities to your business.	1= Very important		2= Important	3= Not important
I5	Information on new laws and taxes	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
I6	Information and advice on complying with existing business regulations	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
I7	Information and advice on import/export procedures	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
I8	Information and advice on paying taxes	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
I9	Information and advice on accessing new business opportunities within Lao PDR and in other countries	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
I10	Information and advice on how to obtain a bank loan – different types of lending products, preparing a loan application, etc.	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
I11	Information on what the ASEAN Economic Community (AEC) will mean for my business	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
I12	Training on core business skills — management, financial record-keeping, customer service, etc.	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
I13	Training in soft skills — teamwork, communication, etc.	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	Please indicate the policy areas on which you think LNCCI should focus its advocacy efforts with the Government.	1= Priority		2= Somewhat useful but not a priority	3= Not important or useful at all
I14	Business registration and licensing procedures	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
I15	Labour regulations — hiring, firing, etc.	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
I16	Paying taxes			<input type="checkbox"/>	<input type="checkbox"/>

I17	Customs procedures (import/export)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I18	Transparency in dealings with government officials	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I19	Electricity costs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I20	Transport and logistics costs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I21	Enforcing contracts and resolving commercial disputes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I22	Access to finance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I23	Labour shortages	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I24	Skills gaps in labour market	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I25	Promoting strategic sectors/industries	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

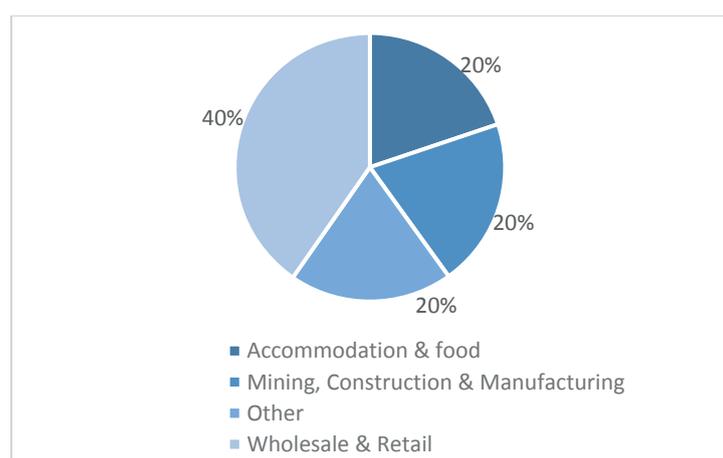
Appendix 2

Survey sample breakdown

An alternative (but less common) measure of enterprise size is annual sales, with small enterprises defined as having annual sales of up to \$50,000, medium-sized enterprises up to \$125,000 and large enterprises more than \$125,000. Based on this alternative measure, of the 280 participants that provided sales figures, 73 per cent represented small enterprises, 10 per cent represented medium-sized enterprises, and 16 per cent represented large enterprises.

Figure 38 shows the sector distribution of the sample. Around 40 per cent of the sample operated in “wholesale and retail trade”, which included import/export trading enterprises, convenience stores, and retail shops selling a broad range of items such as clothing, electronics, and household appliances. Other sample participants are grouped into broad sectoral groupings: accommodation and food services (hotels and restaurants); other services (e.g. accounting, law education, health); and mining, construction, and manufacturing.

Figure 38. Sample breakdown by sector



Source: LNCCI-ILO survey, 2014.

Table 1 breaks down the sample by sector and enterprise size. In some areas of this report, results for small enterprises and medium-sized enterprises are further disaggregated by sector; this has not done for large enterprises, however, due to the limited number of large enterprises in the sample.

Table 1. Sample breakdown by sector and enterprise size

Sector	Small	Medium	Large	All sizes
Accommodation and food	56	21	3	80
Mining, construction, and manufacturing	49	22	11	82
Other services	65	10	4	79
Wholesale and retail trade	144	17	2	163
All sectors	314	70	20	404

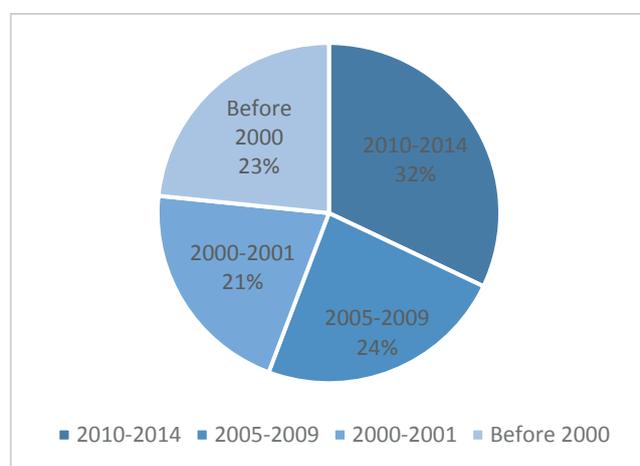
Source: LNCCI-ILO survey, 2014.

In terms of ownership structure, 91 per cent of responding enterprises were fully Lao-owned, with 4 per cent foreign owned, 3 per cent Lao-foreign joint ventures, and 2 per cent joint ventures involving some government ownership.

Around 43 per cent of participating enterprises indicated that they were members of the LNCCI, with another 50 per cent saying they were not members and 7 per cent (mostly small enterprises) saying they did not know whether they were members. Unsurprisingly, LNCCI membership was much higher among medium-sized enterprises (84 per cent) and large enterprises (90 per cent) than among small enterprises (31 per cent).

Of the 404 persons interviewed, 85 per cent were owners of the enterprise while the other 15 per cent were senior managers.

In terms of the age of the enterprises surveyed, about one-third of enterprises were relatively new, having been established since 2010 (figure 39).

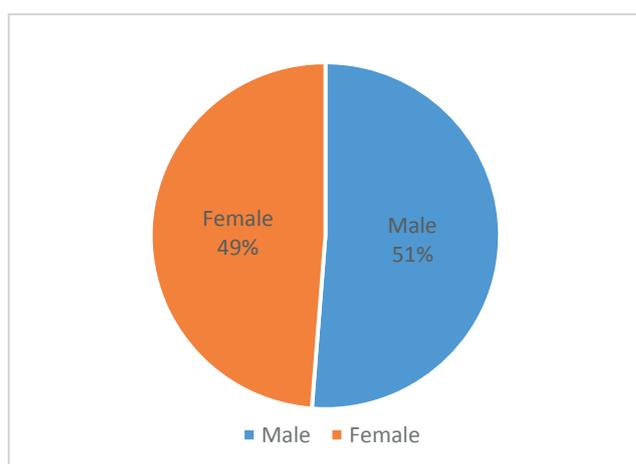
Figure 39. Sample breakdown by year of establishment

Source: LNCCI-ILO survey, 2014.

The gender breakdown of the sample was evenly split between male owners and female owners of the 404 enterprises surveyed (figure 40).¹⁵ There was a relationship between gender and enterprise size, with female owners accounting for 54 per cent of small enterprises, 34 per cent of medium-sized enterprises and 20 per cent of large enterprises. This was consistent with other surveys, where female ownership was concentrated in small enterprises (see for example GIZ, 2014).

¹⁵ Females also make up 49 per cent of the 404 persons answering the questionnaire (including owners and managers).

Figure 40. Sample breakdown by gender of owner



Source: LNCCI-ILO survey, 2014.

Table 2 provides a summary of the employees in the 404 enterprises in the sample. In total, the 404 enterprises employed 12,794 workers, with females making up 35 per cent of the workforce. Female employment was higher in small enterprises (48 per cent) and medium-sized enterprises (45 per cent) than in large enterprises (28 per cent). Around 44 per cent of the enterprises surveyed hired some non-permanent employees, totalling 5,050 people (representing 39 per cent of the total workforce).

Young employees (aged 15 to 24 years) represented around one-third of all workers. Females made up 43 per cent of young workers, compared to 27 per cent of workers aged 25 years and older. Around 30 per cent of all workers had a tertiary-level education. For the 106 enterprises that specified their employee turnover, the median annual turnover was 16 per cent.¹⁶

Table 2. Characteristics of employees working in surveyed enterprises

Category of employee	Total	Percentage (%)	
		Male	Female
Total	12 074	65	35
Non-permanent	5 050	61	39
Young (age 15–24 years)	4 013	57	43
Tertiary educated	3 611	46	34

Note: Some respondents did not provide a gender breakdown of employees. The total column includes employment numbers for all respondents, regardless of whether they provided a gender breakdown. The percentages in the male and female columns only include those respondents who provided a gender breakdown.

Source: LNCCI-ILO survey, 2014.

¹⁶ Employee turnover is measured as the number of employees who left during the previous 12 months as a percentage of total employees at the time of the survey.

