

# SURVEY REPORT ON STARTING A BUSINESS IN LAO PDR 2023



FINAL REPORT - APRIL 2023



# Conducting a Survey on Starting a Business in Lao PDR

April 2023

(Based on Survey of Firms Registered in 2021)

Prepared for: National Implementation Unit of the Ministry of Industry and Commerce (MOIC)

Prepared by: Emerging Markets Consulting (EMC)

# Table of Contents

1	Introduction .....	5
1.1	Project Background.....	5
1.2	Consultancy Objectives and Scope.....	5
2	Overview of Starting a Business in Lao PDR.....	6
3	Administrative Requirements and Procedures.....	11
3.1	Enterprise Registration Card (ERC) Administrative Process.....	12
3.2	Tax Identification Number (TIN) Activation Administrative Process .....	14
3.3	Registering Articles of Association (AOA) .....	15
3.4	Lao Social Security Certificate Administrative Process .....	16
3.5	Company Signage Approval Process.....	18
3.6	Company Seal Producing and Usage Approval Process .....	19
4	Impact of Starting Business Reforms.....	21
5	Private Sector Experience with Starting a Business .....	24
6	Suggestions and Recommendations .....	37
	Annexes .....	39
	Technical Approach .....	39
	Interview Guideline for Sole Limited and Limited Liability Company .....	45
	Interview Guideline for Government Official Department .....	48
	Summary of Business Activities in the Negative List.....	49

## List of Tables and Figures

Table 1: Official registration fees by type of legal entity .....	9
Table 2: Official registration fees by initial capital investment .....	9
Table 3: Registration Step by Step Analysis .....	22
Table 4: .....	26
Table 5: .....	33
Figure 1: Business Registration Process Mapping.....	10
Figure 2: Enterprise Registration Card (ERC) Administrative Process Mapping .....	12
Figure 3: Tax Identification Number (TIN) Activation Administrative Process Mapping.	14
Figure 4: Articles of Association (AOA) Registration Administrative Process Mapping .	15
Figure 5: Lao Social Security Certificate Administrative Process Mapping .....	17
Figure 6: Company Signage Approval Administrative Process Mapping.....	18
Figure 7: Company Seal Producing and Usage Approval Administrative Process Mapping .....	19
Figure 8: Time Required to Start a Business In CLMV Countries .....	21
Figure 9: Surveyed Firms by Sector .....	25
Figure 10: .....	28
Figure 11: .....	30
Figure 12: Total Expenditure for Business Registration in LAK.....	35

## List of Acronyms and Abbreviations

AOA	Articles of Association
ASEAN	Association of Southeast Asian Nations
BOL	Business operating license
CLMV	Cambodia, Lao PDR, Myanmar, Vietnam
ERC	Enterprise registration certificate
ICT	Information and communications technology
ISIC	International Standard Industry Classification
IFC	International Finance Corporation
KII	Key informant interviewee/interview
LAK	Lao kip
LCTP	Lao PDR Competitiveness and Trade Project
LSIC	Lao Standard Industry Classification
LSSO	Lao Social Security Organization
LTP	Lao Trade Portal ( <a href="https://www.laotradeportal.gov.la/">https://www.laotradeportal.gov.la/</a> )
MOIC	Ministry of Industry and Commerce
NED	National Enterprise Database ( <a href="http://www.ned.moic.gov.la/">http://www.ned.moic.gov.la/</a> )
NIU	National Implementation Unit
RCSS	Registration Certificate of Social Security
TIN	Tax Identification Number
VAT	Value added tax
WBG	World Bank Group

## 1 Introduction

### 1.1 Project Background

High regulatory burden, excessive trade costs, and firms' limited capacity remain the key challenges to private sector-led growth in Laos. Despite some progress, to unlock its full economic potential by attracting higher quality private sector investment in a wider range of diversified sectors, Lao PDR is striving to significantly improve the business environment and to compensate for the natural disadvantages it faces as a landlocked economy.

To assist the Government of Laos to further deepen reforms to improve the business environment, improve connectivity with neighboring economies, and raise firm-level productivity, the Lao Competitiveness and Trade Project (LCTP) was launched with funding from the World Bank and a multi-donor trust fund. The project aims to eliminate barriers to private sector-led growth by improving the regulatory environment, lowering trade costs, and raising firm-level competitiveness.

In this context, Emerging Markets Consulting (EMC) performed the “Conducting a Survey on Starting a Business in Lao PDR” consultancy for National Implementation Unit (NIU) of the Ministry of Industry and Commerce (MOIC).

### 1.2 Consultancy Objectives and Scope

The main objective of this assignment was to carry out an assessment of how procedures for starting a business are administered in terms of steps, costs, and time using a methodology that includes both hypothetical scenarios and the result validation with private sector. The survey to confirm the latter was conducted in Vientiane Capital.

The assignment involved the following steps:

- 1) Develop a methodology for the survey, which includes questionnaire, list of key informants from concerned public sector entities as well as law firms and others for NIU's endorsement prior to the survey;
- 2) Conduct a comprehensive mapping and data collection for all relevant laws, regulations, procedures, forms, and fees affecting the process of starting a business for sole limited companies and limited liability companies – covering only domestic firms – regardless of size. Attention will be paid to how mapped laws, regulations and others factors that, may impact women differently from men in practice, e.g., with regards to language used, channels selected for dissemination, etc.
- 3) Collect quantitative data on time required to start a business in Lao PDR. Data will be gathered in a sex-disaggregated manner, based on the formal definition of



women-led and women-owned firms agreed upon by LCTP stakeholders<sup>1</sup>

4) Results verification through:

- a) Public sector consultation: The starting a business mapping was presented to line departments at Vientiane Capital as well as central Ministry level for verification and confirmation prior to finalization.
- b) Consultations with registration brokers:
- c) Individual firm consultations: To understand the detailed steps of starting a business process, private stakeholder consultation was based on face-to-face in-depth interviews, consisting of 25 randomly selected businesses that were registered in 202, as well as 3 intermediary agents.
  - i) to seek their feedback and identify any missing processes or steps;
  - ii) to understand the most binding hurdles faced in the process of starting a business in Lao PDR;
  - iii) the time and cost of compliance examined to help shed light on the most critical binding regulatory constraints.

## 2 Overview of Starting a Business in Lao PDR

Every business starts with a driven entrepreneur and a good idea. In order to start a business in Lao PDR, the entrepreneur then needs to take this idea and see where it fits within the doing business landscape, so that this fledgling business can obtain the necessary registration documents, approvals, licenses, permits, and so forth to become a profitable (limited liability) corporation with a valuable contribution to Lao PDR's economy and society.

Legally speaking, to turn this business into a corporate entity, there are essentially three broad steps depending on the activities the business intends to undertake, categorized by Lao Standard Industrial Classification numbers<sup>2</sup>. Only the third category is the focus of this report, so the totality is just briefly summarized for context and completeness of information and to help the reader understand the different channels for starting a business as well as what this report does and does not cover.

---

<sup>1</sup> The following definitions were agreed upon in the context of the LCTP project:

- **Women-owned enterprise** refers to a business where a woman's name appears in the business registration and/or operation licensing database.
- **Women-shareholders** refers to a woman whose name appears as a shareholder within a company. Regardless of the percentage of shares the woman holds, she will be counted as a woman shareholder.
- **Women-led enterprise** refers to a business where a woman's name appears in the registration database mentioned in point 1 and 2 and/or that woman is actually running the company, as CEO or MD or GD, and can make decisions on the company's behalf, even in the case when there is more than one person at the highest level of management. Regardless of the gender of the most senior person, the business will still be counted as women-led. The credit rests on the fact that a woman is not only running/managing the company, but can also make decisions for the company.

<sup>2</sup> This is a national adaptation of ISIC rev4, see <http://www.ned.moic.gov.la/index.php/en/registration/lsic-codes-en>

1) Activities on the Control List / Concessionary Activities

- These are the activities most controlled by the government for matters such as state security, public resource management, public health, etc. Consider arms manufacturing, hydropower generation, etc. A list of activities controlled by this list can be found in decree X, see Annex.
- To start a company engaged in these activities an investor needs approval from the Ministry of Planning and Investment (MPI) before moving further.

2) Activities on the Negative List

- Fairly everyday business activities that do need some monitoring and control for the public interest, usually by competent authorities that sit within line ministries with a mandate to govern, such as health, education, transportation, etc. Consider therefore businesses that own schools, public transport, etc.
- Just starting a legal company as per point 3 is not enough, but the entrepreneur also needs to apply for and be granted specific Business Operating Licenses (BOL) to allow for operation by the different ministries responsible.

3) Activities under the effect of neither list

- If no BOLs are required to operate such a business (and unfortunately in practice this can be very unclear or may evolve as the firm pivots and its activities change over time), all that is required is to form a Lao business entity.
- This is the purview of the Ministry of Industry of Commerce, where the entrepreneur needs to choose a legal form for their enterprise (there are many, see Table 1 below), and apply for its Enterprise Registration Certificate as well as related matters like a Tax Identification Number, social security, etc.

Making the process of registering a company as described under point 3 as streamlined and effective as possible has been the target of several reforms – and the scope of this report is to provide insights to contribute specifically to those types of companies.<sup>3</sup>

To make the growth more sustainable and increase Lao PDR competitiveness it will be necessary to deepen the reforms that improve the business environment. This requires simplifying regulations and making the business registration process more transparent and predictable across the different stages, it helps leveling the playing field, encourage new entry, and increase new competition as well as lessen the burden of hidden charges.<sup>4</sup>

The administrative review with the competent government authorities suggests that the Lao PDR business registration process has made drastic improvements compared to 2020 (See Figure 1), primarily by shortening some steps and executing others in parallel.

---

<sup>3</sup> And specifically the Sole Limited and Limited Liability Corporation legal entity types

<sup>4</sup> <https://www.worldbank.org/en/country/lao/brief/doing-business-in-lao-pdr>



According to the World Bank 2020 doing business report, the time required to start a business was 173 days but in 2022 the improvement of rules and regulations brought about impressive changes, requiring only 17 days (see Figure 1) to start a business. However, this improvement is only eligible for business categories which are not on the negative list.

Registration fees have also been reformed under decree No: 002/PDR dated 17/06/2021. These have also been published in Lao and English on the newly launched website of the National Enterprise Database, which serves as an information portal for prospective applicants as well as a searchable directory of registered businesses. This website is easily found using main search engines such as Google and Bing using common search terms related to business registration information.

The government fees for registering a business ultimately depend on broadly four factors:

- 1) Whether any of its activities are included in the Control List or Negative List, or whether only the basic process is required – this is the focus of the further analysis on cost and time for the purposes of this report, those associated with obtaining business operating licenses will not be considered.
- 2) The legal entity being registered (see Table 1).
- 3) The size of the initial capital investment, which adds an incremental fee for any capital investment over 1,000,000 (see Table 2).
- 4) Additional fees may be introduced during the processes based on applicant requirements such as signage or English language seal registration for example, this will be shown in the process mapping in the following section.

Further reforms are continuously in progress, and since the primary survey for this study had been conducted in the final months of 2022, some had already been drafted or implemented, including some of the recommendations this report provides. This demonstrates a sincere commitment from MOIC to improve the business environment and an encouraging willingness to consider evidence and independent advice in determining its reform agenda.

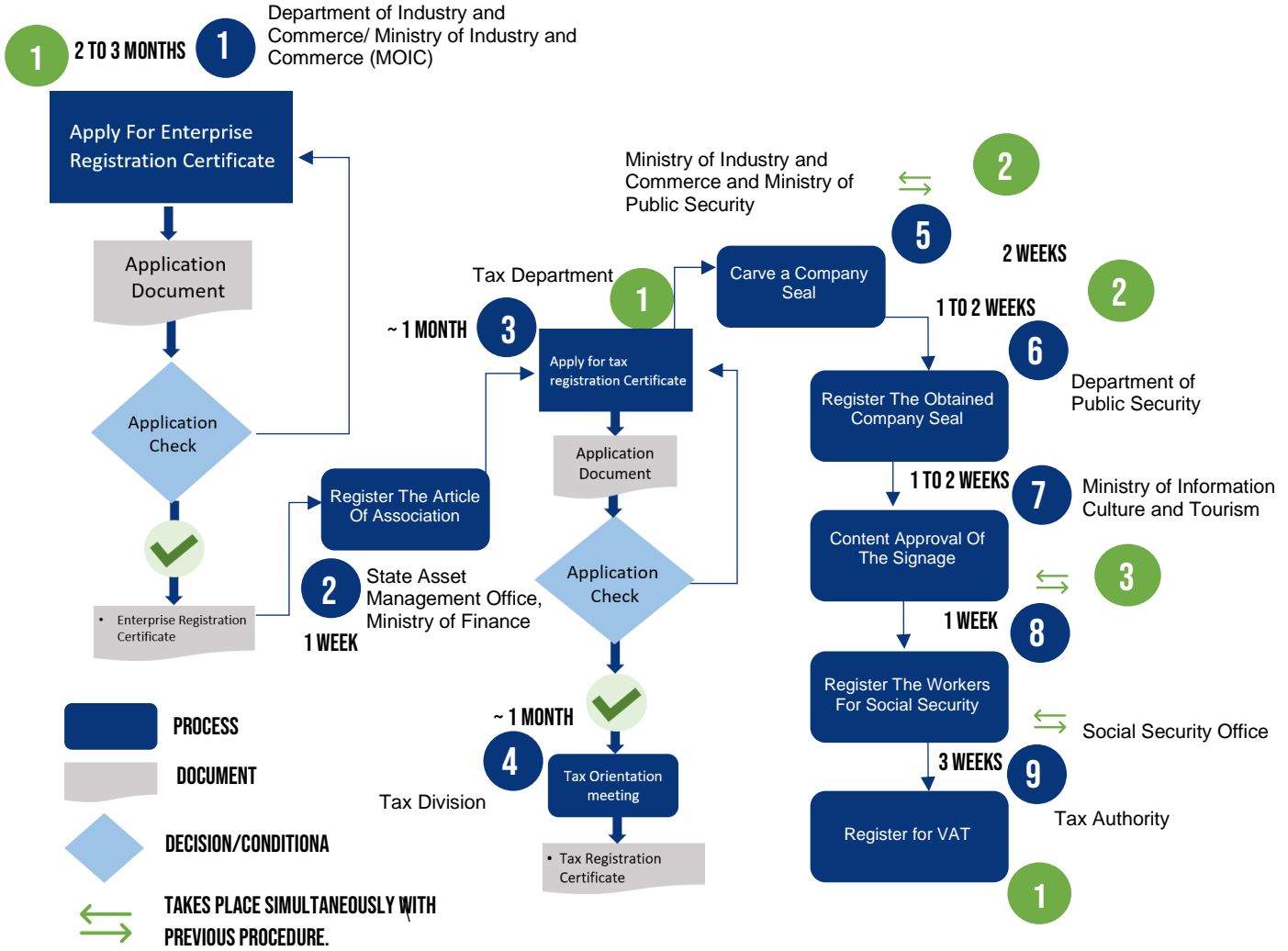
*Table 1: Official registration fees by type of legal entity*

<b>Legal Entity</b>	<b>Fee in LAK</b>
Individual enterprise	40,000
Sole Company limited	80,000
Ordinary partnership	100,000
Limited partnership	
Company limited	
State Company	
Public Company	
Mixed Company	

*Table 2: Official registration fees by initial capital investment*

<b>Capital Investment</b>	<b>Fee in LAK</b>
Under 1,000,00[0]	No charge
More than 1,000,000-10,000,000	20,000
More than 10,000,000-20,000,000	50,000
More than 20,000,000-50,000,000	100,000
More than 50,000,000-100,000,000	300,000
More than 100,000,000-400,000,000	500,000
More than 400,000,000-1,000,000,000	1,000,000
More than 1,000,000,000-10,000,000,000	2,600,000
More than 1,000,000,000-20,000,000,000	4,000,000
More than 20,000,000,000	6,000,000

Figure 1: Business Registration Process Mapping



	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9
173 Days 2020	2- 3 Months	1 Week	~ 1 Month	~ 1 Month	2 Weeks	1 to 2 Weeks	1 to 2 Weeks	1 Week	3 Weeks
17 Days 2022	Step 1			Step 2			Step 3		
	10 Days			5 Days			2 Days		

**-156 DAYS**

### 3 Administrative Requirements and Procedures

The information in this section has been obtained through consultations with the competent authorities, principally within MOIC, as well as analysis of relevant statutes and regulations. In essence, this represents the commitments that the government of the Lao PDR has made to the business community in terms of starting a basic business for the purpose of this analysis – thus excluding additional requirements set forth by the Control List and the Negative list, as set out in the previous section.

The key strength of this approach is that it allows for a view inside the “black box” of government department processes, which are invisible to business applicants and (most) brokers operating on their behalf. The overall views of these external actors in terms of time, cost, and difficulty will be presented in a following section, in order to provide a comprehensive view of both *de jure* and *de facto* situation with regards to obtaining the Enterprise Registration Card (ERC) and other basic requirements to starting a business.

The paragraphs will show an in-depth analysis, including a step-level process map, of the administrative processes within the competent government department pertaining to business registration of business registration for Sole Limited and Limited Liability Companies. This will follow the steps shown in Figure 1 of the previous section, and each individual step will be analyzed, before conducting a combined *de jure* / administrative process analysis and comparison with the World Bank’s last *Doing Business* findings, to the extent possible, in the next section.

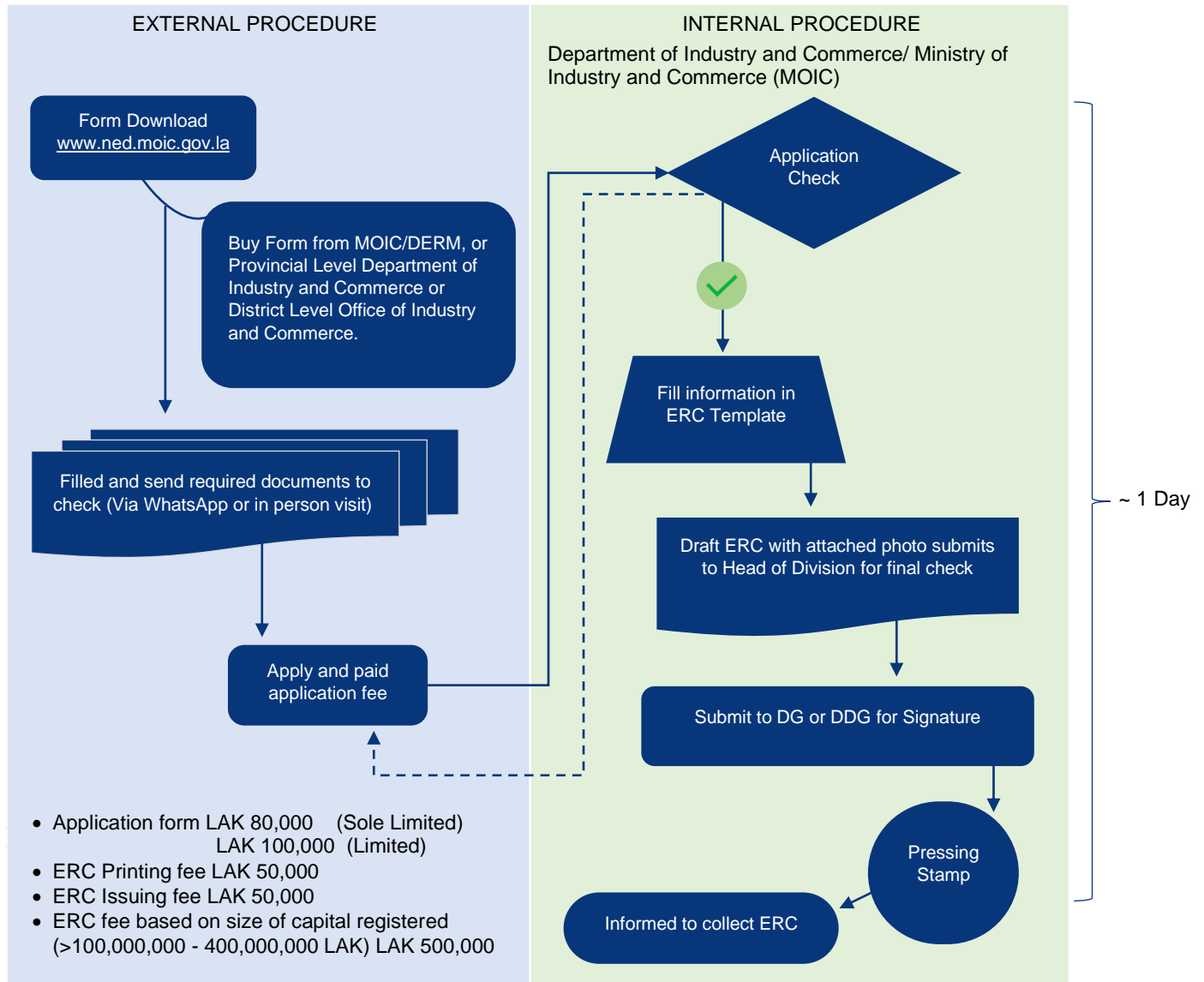
It should be noted here that the processes for Sole Limited and Limited Liability Companies vary very little on paper. The only pertinent differences are the amounts of documents required (obviously, since there are more shareholders), and associated fees which are transparently listed on the MOIC website.<sup>5</sup> This makes sense from a legal standpoint, since both types of entity have limited liability under the law and are therefore quite similar (in fact, many countries do not even have this distinction in terms of number of shareholders for LLCs). Thus, the reader can assume that the process shown is the same for both corporate forms, unless otherwise noted.

---

<sup>5</sup> <http://www.ned.moic.gov.la/index.php/en/registration/fees>

### 3.1 Enterprise Registration Card (ERC) Administrative Process

Figure 2: Enterprise Registration Card (ERC) Administrative Process Mapping



## Submit Application

The first step is to purchase the application form to start the Enterprise Registration. Department stamped application forms are available to buy at the Department of Enterprise Registration and Management, Ministry of Industry and Commerce offices at their provincial and district level offices. However, the application form is available online to download for free, but the applicant later has to pay for the official stamp fee when applying. Next, applicants would complete the application form and attach with the national ID or family book and the 3 copies of 3x4 photos need to send via WhatsApp or in-person visit to the ERC related department to check for the missing information and the documents before final submission. In the past, the applicant has to gather 8 different documents to get the ERC certificate<sup>6</sup>.

After the confirmation, applicant can submit the application to the Enterprise Registration Departments along with the incurring fee. Normally, this process requires a minimum of 1 to 2 days to process, depending on the type of business and the nationality of the owner.

## Internal Procedure

### *Application Check*

As soon as the application is received, officers from the department verify the documents to ensure the documentation provided is complete and accurate. If the application is complete and accurate, the department will acknowledge receipt to the applicant.

### *Filled Information*

Once the application has been checked, officers will initiate the further process. Which are to fill in the information to the ERC template. The Draft ERC certificate will include the applicant's photo and the printed tax ID.

### *Signed by Director*

A complete draft ERC will be sent out to the Head of the Division for the final check. Once the draft ERC is final, it will be forwarded to the DG or DDG for their signature. Only then departmental stamps will be pressed and informed the applicant to pick up the ERC.

The official time of the process from start to finish takes a maximum of 10 days. However, based on the recent internal ERC application data suggested that the entire process took a maximum of 2 days.

Most businesses can start operating once they received the ERC certificate especially firms with no operating licenses required. The remaining steps can proceed while operating the business.

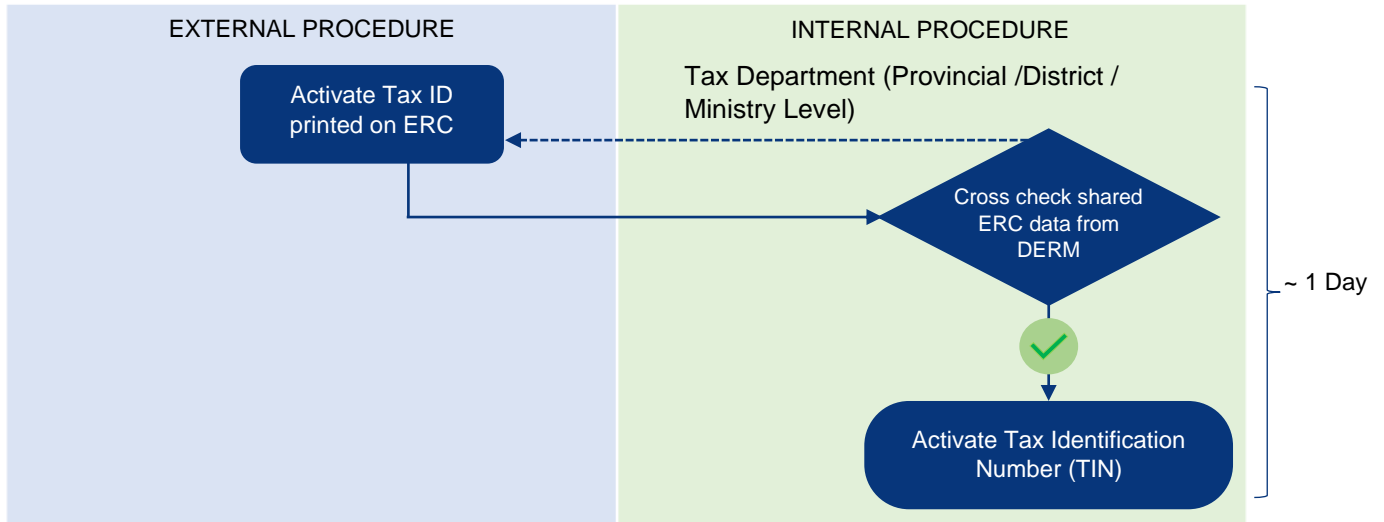
---

<sup>6</sup> 2020 Doing Business Report



### 3.2 Tax Identification Number (TIN) Activation Administrative Process

Figure 3: Tax Identification Number (TIN) Activation Administrative Process Mapping



#### External Procedure

After receiving the ERC, the business can kick off the Tax Identification Number (TIN) activation process. Based on the business registered address tax ID will be shared with the relevant tax department office from the province level to District level offices. Applicants should submit a copy of ERC and the note attached from DERM to activate the TIN at their nearest tax office. This process is free of charge.

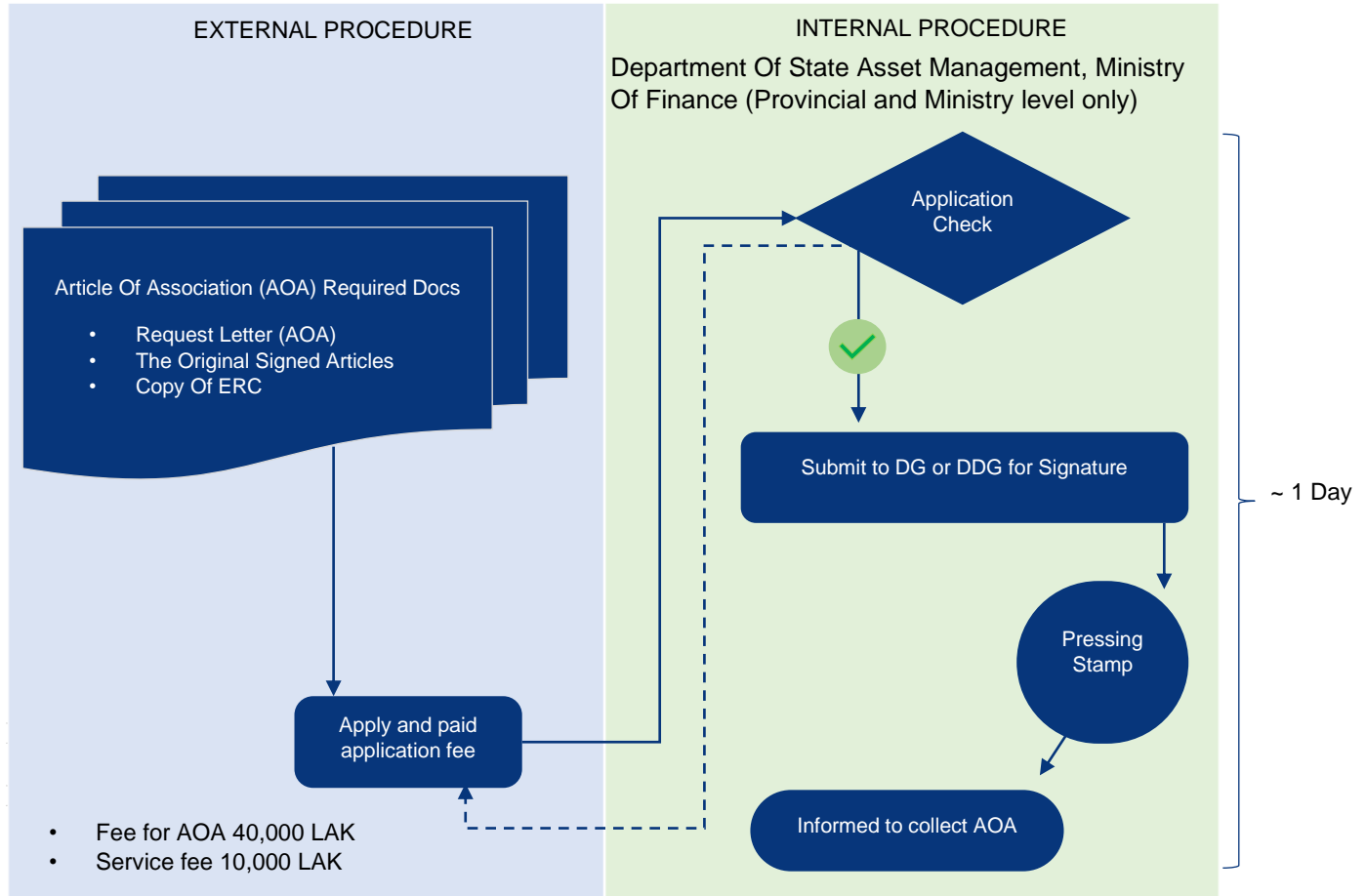
#### Internal Procedure

Tax Department receives weekly registered company information from DERM (MOIC). Nearest tax offices do the follow up with the tax ID activation, if the registered company failed to show up 5 days after the ERC is collected.

Once the tax department received the activation request. The requested Tax number will be punched into the system to cross-check with the stored information. If the information is correct TIN will be activated and tax guidelines for the company will be shared.

### 3.3 Registering Articles of Association (AOA)

Figure 4: Articles of Association (AOA) Registration Administrative Process Mapping



#### External Procedure

AOA registration is not mandatory to operate the business. However, it is not possible to make necessary changes such as a director name change, forming a new partnership, and being unqualified to bid the government-related tenders without AOA. Therefore, the majority of well-established businesses choose to register with the AOA.

This process starts right after ERC registration, and it can be done simultaneously with other processes. With the well-written AOA and the appropriate requested documents, the process can be done within 1 day. The applicant should submit an AOA request letter together with the original written AOA and copy of ERC to the Department of State Asset Management, Ministry of Finance applicant can choose to apply to Provincial and Ministry level offices.

## Internal Procedure

After the applicant submission, department officers will verify the documents to ensure the documentation provided is complete and accurate. If the application is complete and accurate, the officers will submit it to the DG or DDG for signature.

Once the appropriate signature has been obtained, the process can proceed to the next steps. In the following steps the stamping staff will stamp each AOA page and subsequently notify the applicant to pick up the final AOA. However, this step is expected to be voided in the near future<sup>7</sup>.

### 3.4 Lao Social Security Certificate Administrative Process

#### Submit Application

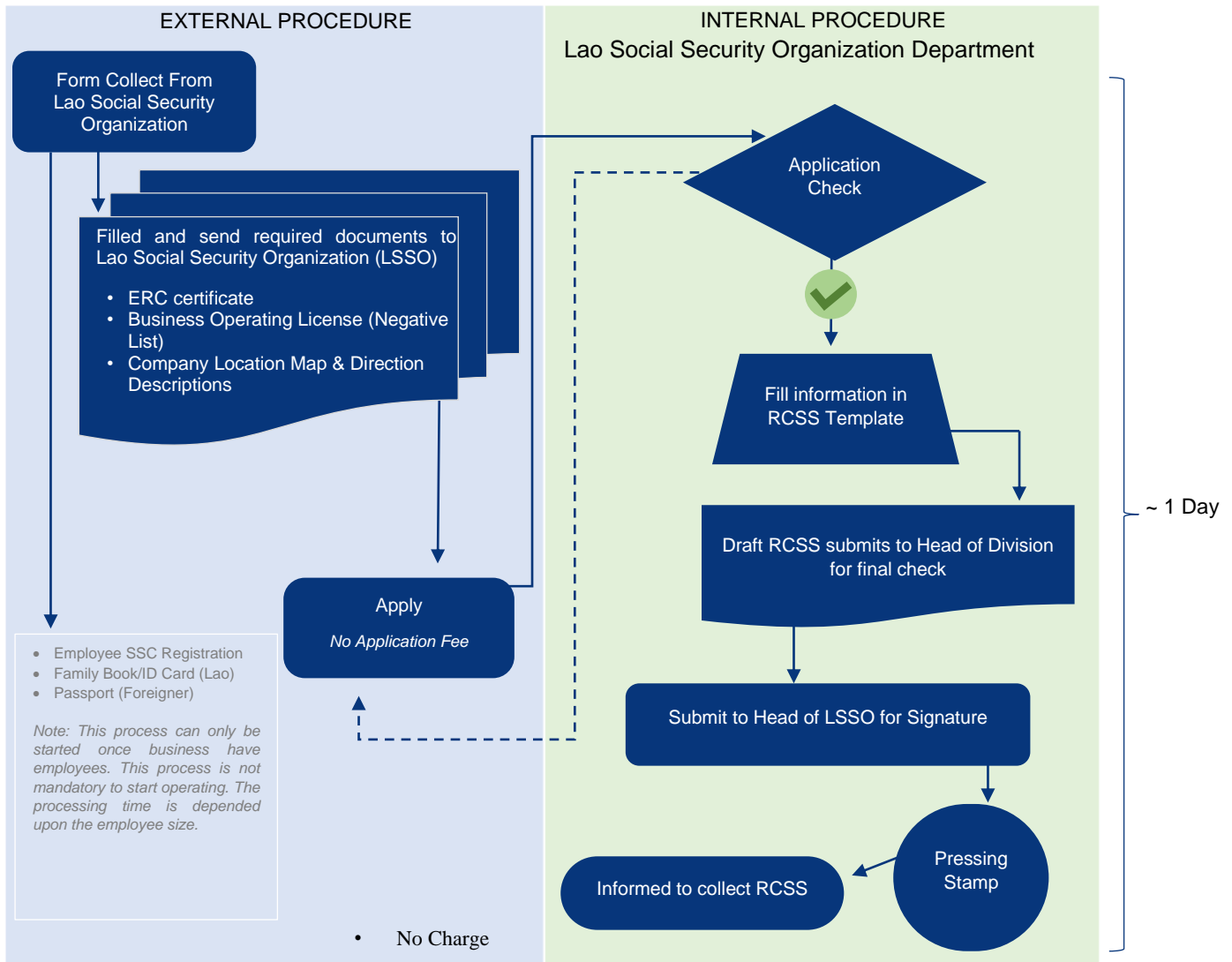
*Employer:* After acquiring the ERC certificate business can start the processing of the Registration Certificate of Social Security (RCSS). Applicants can collect the form from the Lao Social Security Organization LSSO department offices located in the provincial and district level branch. Next, applicants would complete the application form and attach the required documents as listed on the application and submit them to LSSO. However, this step can also proceed while operating the business. With the correct documents and the accurately filled application, this process can be done within 1 day.

*Employee:* It's the employer's responsibility to register the employee's social security cards. However, this process can only be started when the business has employees. Each employee has to fill out the form collected from LSSO and submit with a copy of a national ID or passport attached. The processing time depends on the employee size. If the numbers of staff are high, the processing time will be longer.

---

<sup>7</sup> Department Interview

Figure 5: Lao Social Security Certificate Administrative Process Mapping



## Internal Procedure

### Application Check

As soon as receiving the application officers from the department verify the documents to ensure the documentation provided is complete and accurate. If the application is complete and accurate, the Department will acknowledge receipt to the applicant.

### Filled Information

Once the application had been checked, the department staff will initiate to process the further steps which are to fill in the information to the RCSS template. Draft RCSS certificate will include an enterprise social security code Number.

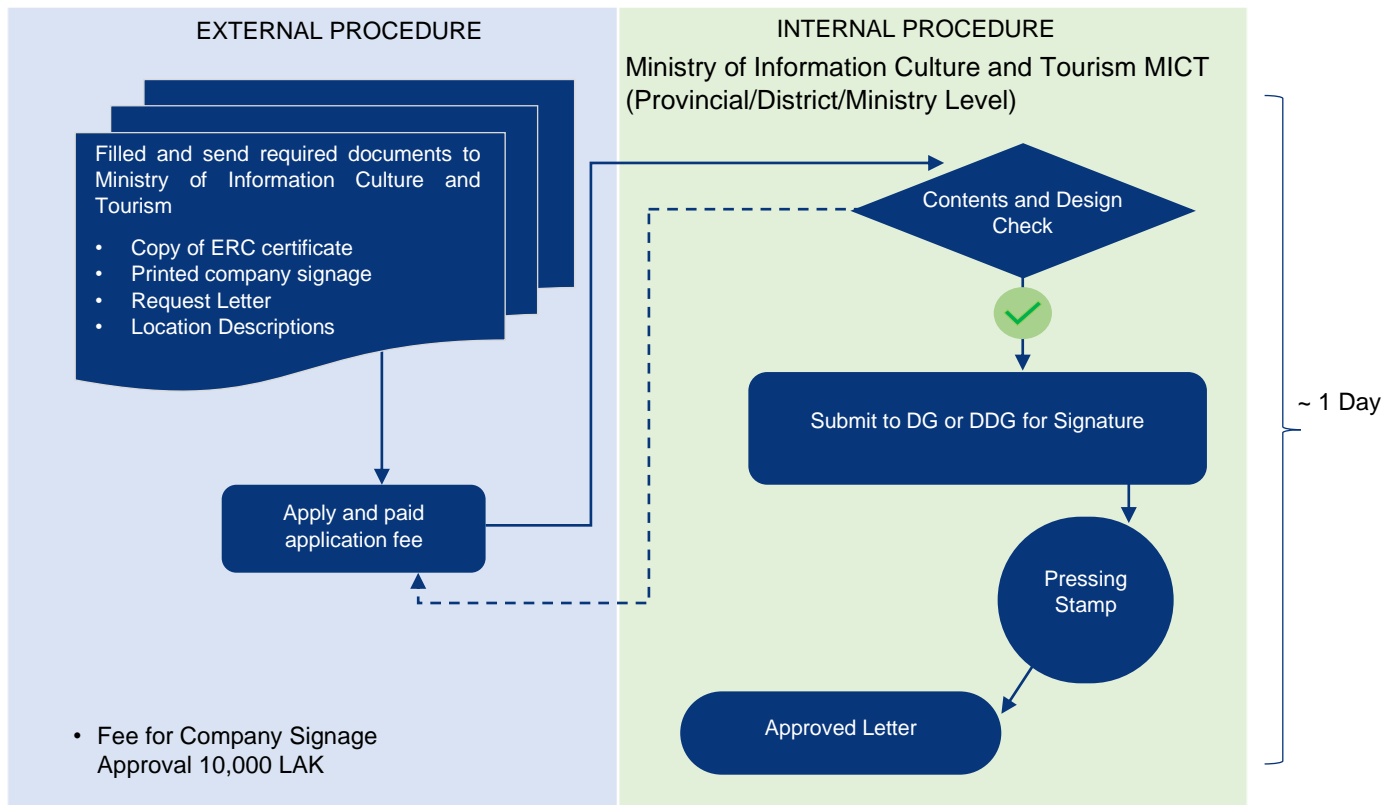
*Signed by Director*

A complete draft of RCSS will be sent out to the Head of the Division for the final check. Once the draft RCSS is final, it will be forwarded to the DG or DDG for signature. Only then departmental stamps will be pressed and informed the applicant to pick up the RCSS certificate.

The official time of the process from start to finish takes a maximum of 2 days. Most businesses can start operating once they receive the ERC certificate before processing these steps.

**3.5 Company Signage Approval Process**

Figure 6: Company Signage Approval Administrative Process Mapping



**External Procedure**

Freshly registered businesses can start to operate right after acquiring the ERC certificate without the company signage. However, if the business wants to capture the potential customer’s attention with the colourful billboard or the signage it is mandatory to register and get an approval letter from the MICT before installing new signage.

For the signage content approval application, the company must submit, a copy of ERC, printed signage design and content, request letter, and location descriptions. All the documents should submit to the Ministry of Information Culture and Tourism MICT.

Applicants can choose to submit Different levels of the department Ministry/Provincial/District it depends on the company size and business location.

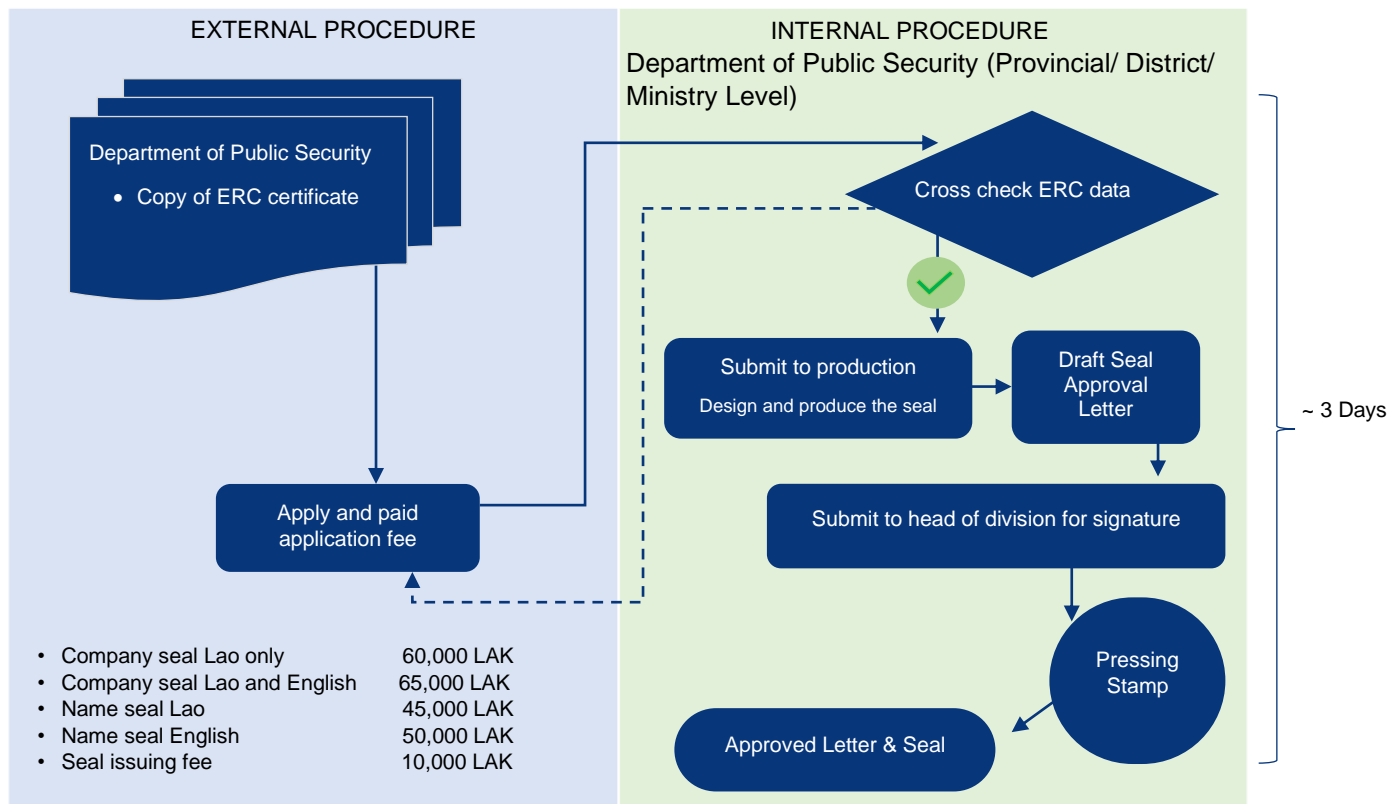
A final note here is that none of the surveyed firms for study reported being aware of any changes to the requirements for signage in recent years.

### Internal Procedure

Once the application has been received designative staff will carry out the contents and the design check once the content has been approved. The application will be forwarded to the DG/DDG or the provincial and district-level department head of the operation. It depends on the application's origin. When the signature, steps had proceeded. The stamping staff will press the approval stamp and notify to the applicant to pick it up. The entire process can be done in 1 day.

### 3.6 Company Seal Producing and Usage Approval Process

Figure 7: Company Seal Producing and Usage Approval Administrative Process Mapping





## **External Procedure**

Soon after receiving the ERC, the business can start the company seal registration process with the copy of ERC. The application should submit to the Department of Public Security. This process is not obligatory to the business it depended on the applicant's requirements of the company seal usage.

## **Internal Procedure**

After the applicant submission, department officers will verify the ERC with their internal record data to ensure the provided information is accurate. If the application is accurate, the officers will provide the appointment letter for the pick-up.

The division officer will perform the final check on ERC information before sending it to the seal producing division. The draft seal will be checked thoroughly against the ERC information before drafting the seal usage approval letter. The final produced seal and the usage approval letter will be sent to the head of division for the signature. In the following steps the stamping staff will stamp on the approval letter. The entire process can be done in between 3~5 days.

## 4 Impact of Starting Business Reforms

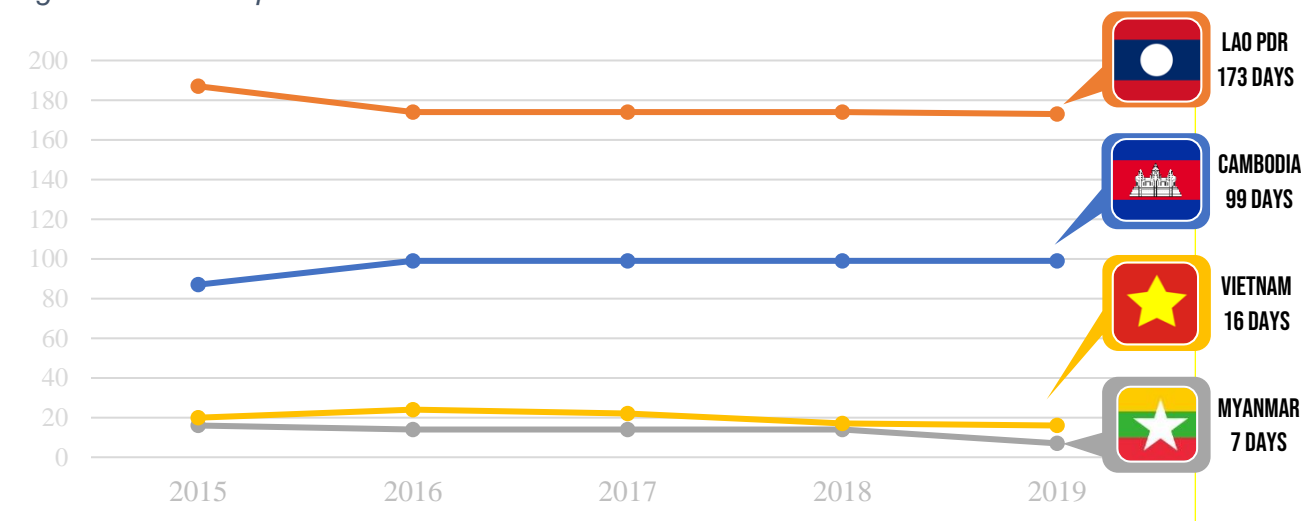
Since 2000 Lao PDR is making steady progress in implementing reforms and integrating with the fast-moving regional economies. Prior to the Covid-19 pandemic from 2015 to 2019 average Lao PDR GDP growth rate was hovering around 7% positioning itself among the fastest growing economies in the regions<sup>8</sup>.

To further sustain the economic growth, in 2018 Prime Minister issued an order No/2 on Improvement of Regulations and Coordination Mechanism on Doing Business in Lao PDR<sup>9</sup>. Based on the Prime Minister’s Order relevant ministries have brought a series of reforms to the indicator-linked areas. Which is bringing catalyzing impacts on the business registration process.

Based on 2014 World Bank data, the time required to start a business in Lao PDR was 187 days, within the span of 4 years required time to start a business had reduced to 173 days in 2019. In Cambodia, Myanmar, and Vietnam the time required to start a business was much lower than the Lao PDR.

However, as per the latest *DB* report released in 2020, Lao PDR had managed to bring positive changes in business registration environments by reducing 14 days, while Myanmar 20 to 7 days and Vietnam 20 to 16 days over the past 4 years (Figure 8).









Figure 8: Time Required to Start a Business in CLMV Countries



<sup>8</sup> World Bank Open Data

<sup>9</sup> [http://db.investlaos.gov.la/wp-content/uploads/2020/05/pm02\\_order-db\\_v-eng.pdf](http://db.investlaos.gov.la/wp-content/uploads/2020/05/pm02_order-db_v-eng.pdf)

Table 3: Registration Step by Step Analysis


2020 (DB Report)				2022 (de jure - Public Sector Interviews)			
#	Procedures	Time	Cost	#	Procedures	Time	Cost
1	ERC Certificate	2-3 months	₺ 590,000	1	ERC Certificate*	2	₺ 700,000
2	Register the AOA	1 week	₺ 90,000	2	Register the AOA 	1	₺ 50,000
3	Apply for Tax Registration Certificate	~ 1 month	₺ 125,000	3	TIN activation and provide tax guidelines. 	1	No charge
4	Attend to a Tax Orientation meeting and obtain Tax Identification Number (TIN)	~ 1 month	No charge				
5	Carved a company seal 	2 weeks	₺ 173,000	4	Company seal** •Company seal Lao only •Company seal Lao and English •Name seal Lao •Name seal English •Seal issuing fee 	3	₺ 60,000 ₺ 65,000 ₺ 45,000 ₺ 50,000 ₺ 10,000
6	Register company seal at the department of public security	1-2 weeks	No charge				
7	Obtain Approval of Content on the Company Signage	1-2 weeks	₺ 10,000	5	Obtain Approval of Content on the Company Signage 	1	₺ 10,000
8	Register the workers for social security 	1 week	No charge	6	Register the RSSC for employer and social security card for Employee *** 	2	No charge
9	Register for VAT 	3 weeks	No charge	3	Combined in TIN activation process**** (Register For VAT)	0	NA
<b>Total</b>		<b>173 Days</b>	<b>₺ 988,000</b>	<b>Total</b>		<b>10 Days</b>	<b>₺ 875,000</b>

\*ERC registration fee is based on initial investment capital size for this calculation we used an investment size of > 100,000,000 - 400,000,000 LAK any investment over the mentioned amount will be expected to pay ~100% of the current ERC fee

\*\*Company Seal Lao only 60,000+Name Seal Lao 45,000+Seal Issuing Fee 10,000=115,000 LAK.

\*\*\*Registering RSSC for employer normally took 1 day but for employee, it depends on the employee size days calculation was based on a 2 – 5 employee size companies.

\*\*\*\*TIN activation process has moved to 3<sup>rd</sup> stage.

 The Process that can be run simultaneously after acquiring an ERC certificate.

The business registration procedure has made dramatic improvements compared to 2020, DB report. Especially in the tax registration stage. In the past, applicants had to go through the entire three steps to fulfill the tax-related registration. At present, steps 3,4, and 9 from 2020 (Table 3) have been combined into one step, which is to activate the Tax Identification Number (TIN). The number was printed on the ERC. After, the TIN activation applicant will receive the information guideline, including the steps and procedure to file the tax.

The registration process of AOA remains unchanged. However, the authorities are trying to abolish AOA from the registration process in order to streamline the registration process.

Another notable improvement can be seen in the company stamp registration process. In earlier times in order to register the company seal the applicant had to go through two lengthy processes and it is mandatory to seek approval. However, in the current situation, the two steps 5 and 6 (Table 3) have merged into one step and the essential requirement status has been moved to the not obligatory status.

The registration process has brought noticeable improvements that can be done simultaneously after acquiring an ERC certificate. Previously, the company needed an AOA to activate the VAT. At present, businesses can perform the whole process concurrently once they receive the ERC.

Despite the dramatic improvements in the early part of the registration process, some steps, such as 7 and 8, remain unchanged compared to the 2020 DB report. However, in the past Obtain Approval of Content on the Company Signage was mandatory to register the company signage in 2020, but now the company can choose to register their signage depending on their requirements. If the business doesn't require the signage, it can operate without the signage. However, if the business chooses to install the signage, it will require approval from the MICT.

The steps required to register the workers for social security remain unchanged.

### **Nominal Registration Time**

Overall processing time improvement was significant compared to the 2020 DB report. Initial desk research suggested that the required time for the business registration three steps based on the regulations was 17 days, nevertheless, business registration relevant regulatory authorities' interviews revealed that the internal process required to go through the overall registration process is a maximum of 8 days. However, the mentioned time of 10 days doesn't cover the time variations of the document preparation time and applicant pick-up time.

In the past, company seal registration was one of the most time-consuming processes. as it took nearly 4 weeks to both carve and register the company seal. At present, the two

processes have been combined into one step, and only require 3-5 days to get the seal as well as the usage approval letter.

### Nominal Registration Cost

Based on the interviews with government officials and the desk research suggested that the overall business registration cost has changed slightly from LAK 988,000 to LAK 875,000. Overall, there was an approximate 11% registration cost decrease compared to the 2020 DB report. The ERC registration fee based on the investment capital hasn't changed much for the investment amount in the bracket between LAK 1,000,000-400,000,000 compared to the 2012<sup>10</sup> and 2021<sup>11</sup> official notifications. However, ERC fee changes are more visible for applications with an investment capital higher than LAK 400,000,000, resulting up to 420% registration fee jump compared to the LAK 100,000,000 - 400,000,000 investment capital which cost LAK 500,000 for ERC fee.

## 5 Private Sector Experience with Starting a Business

To expand upon and to some extent verify the findings obtained from consultations with the public sector, twenty-five currently operating firms were interviewed about their experiences with the registration process and asked for recommendations. Using some descriptive statistics, we can gain insights into the process from an external “customer-oriented” view to supplement the analysis of the statutes, regulations, and internal process analysis in the previous sections.

The survey was carried out face to face by seasoned EMC analysts and took place from December 2022 to January 2023. Firms were randomly quota sampled from a database of registrations provided by MOIC; pure random sampling was not possible because a certain number of women businesses as well as a balance of different corporate forms was required, which the quota approach achieved. All firms were registered in 2021 to capture this particular snapshot in the ongoing reform timeline, and MOIC provided the sampling frame as such. See Annex I for more details on the survey methodology.

These firms were all local, so to capture any potential differences between local and foreign firms, several brokers were interviewed as well, using more in-depth techniques. This is appropriate because foreign firms nearly always use such brokers as agents in dealing with the Lao government, due to language barriers and lack of familiarity. Additionally, since many local firms (48% of the sample) engaged such brokers as well. In this capacity these brokers were able to comment in more detail on some practical aspects of the business registration process.

---

<sup>10</sup> <https://www.mof.gov.la/wp-content/uploads/2018/11/Ordinances-of-the-President-of-the-Republic-on-Fees-and-charges.pdf>

<sup>11</sup>

<http://laoofficialgazette.gov.la/kcfinder/upload/files/002%E0%BA%9B%E0%BA%9B%E0%BA%972021.pdf>

It should be noted that this is supplementary to the firm survey, which took center stage. Supplementing primary data collection from firms themselves, rather than relying entirely on information provided by such service providers or “experts” in countries with relatively shallow pools thereof, overcomes some of the initial criticisms the team had of the DB approach, including the situation that these actors’ incentives are often not aligned with improving the environment and reducing the demand for services they provide.

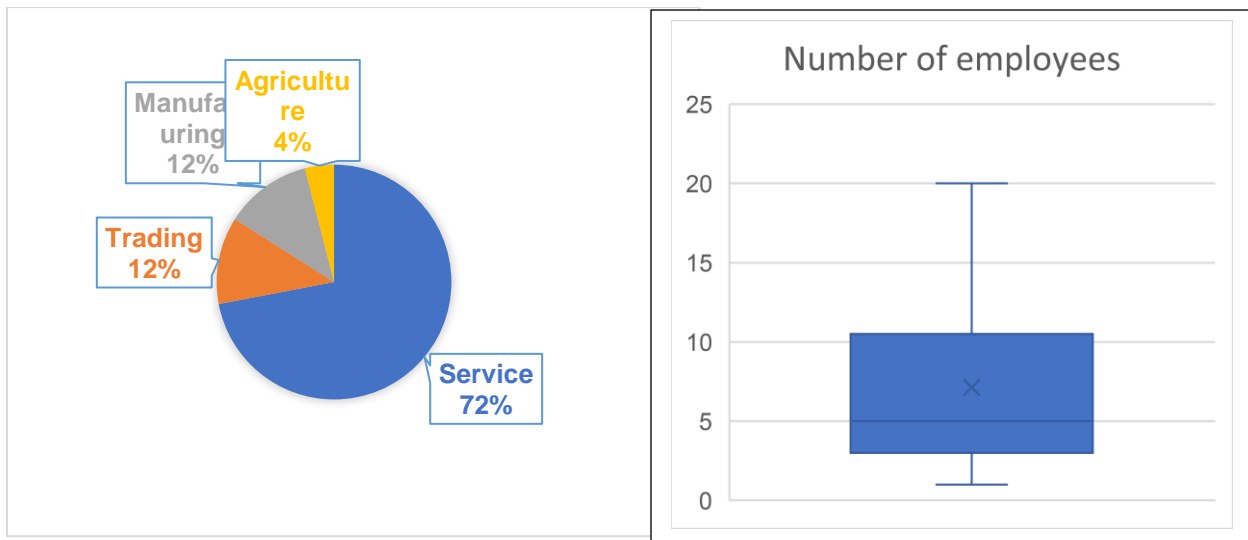
A total of twenty-five firms and three brokers were surveyed for this assignment. The following section summarizes some of this sample’s pertinent characteristics.

### Profile of Surveyed Firms

Of the twenty-five surveyed firms, the majority (72%) is engaged in the services sector (see Figure 9) Regarding size in terms of currently employed number of staff, these firms range from 1 to 20 employees, with an average of around seven and a median of five. The majority (76%) had an initial investment capital of 1 million LAK or less, with a few outliers to 20 and 50 million LAK in the trading and manufacturing sector. Because the sample aimed for a 50/50% split, 12 firms are Sole and 13 are Limited Liability Companies; however, there was no correlation between the legal form and any of the aforementioned variables, including size.

In all graphs and numbers quoted in this section the sample size n=25, unless otherwise noted in place. In cases where it is smaller, this is usually because the respondent didn’t answer the question (didn’t want to answer or did not know), or the question was not applicable for the respondent because they did not carry out certain activities. These reasons will be noted where relevant as well.

Figure 9: Profile of Sample Firms by Sector and Number of Employees





Regarding participation of women, female entrepreneurs are well represented in the sample, with 60% of firms having at least one women shareholder, and 44% of firms having a woman as the representative listed on the Enterprise Registration Certificate. (ERC). Data has been disaggregated to highlight the potential differences for female entrepreneurs compared to the total, using two definitions which are provided below; based on the parameters given in section 2 (see Table 4 below).

In addition to the firm survey, of the three interviewed brokers, two were women. All of them operated their business on a freelance basis and were not formally registered. The information obtained from them was qualitative and is presented alongside the survey results where contextually relevant rather than having its own dedicated section.

Table 4: Number of women businesses in the sample

Type	Definition	% of firms in sample
<b>Women-owned enterprise</b>	A business where a woman's name appears in the business registration <i>and/or</i> operation licensing database*.	<b>44%</b>
<b>Women-shareholders</b>	A woman whose name appears as a shareholder within a company. <i>Regardless of the percentage of shares the woman holds, she will be counted as a woman shareholder.</i>	<b>60%</b> of which 53% (8) are JVs with male shareholders
<b>Women-led enterprise</b>	A business where a) a woman's name appears in the <i>registration database mentioned in point 1 or**</i> b) <i>that woman is actually running the company, as CEO or MD or GD, and can make decisions on the company's behalf, even in the case when there is more than one person at the highest level of management.</i>	<b>64%</b>

Notes: \*Since this study did not cover operating licenses, this is assumed here to be the name of a woman being listed as the representative on the ERC. \*\* Slightly adapted from the original definition which stated "and/or"; logically if either can be the case than this definition is an inclusive disjunction and will include firms where women have significant decision-making capacity even if they are not the representative listed on the ERC.

In absolute terms, this means that within the sample of 25 firms, according to the above definitions (where "women-owned" means named on the ERC) there were 11 women-owned enterprises, 15 women-shareholders enterprises, and 16 women-led enterprises.

The gender of the ERC listed representative was determined from the database provided by MOIC for sampling and verified by the interviewers. Both the shareholder structure and role of women in the decision-making of the enterprise were determined by the interviewers during the survey and subsequent follow-up by inquiring about their job titles and responsibilities.

## Findings

### *Process*

On a very positive note, none of the surveyed firms were rejected during the registration process. Only in a few instances were applicants required to re-do certain steps, but all for valid reasons such as illegible identification documents, or the company name conflicting with a pre-existing one. Another positive finding is that women entrepreneurs in the sample did not report any significantly different obstacles to their male counterparts. It should be noted that the widespread use of brokers may make this difficult to determine for sure, but encouragingly two of the three interviewed brokers were themselves women.

Considering their overall success rate, it is perhaps then also not surprising that virtually all respondent firms were correctly able to identify the required documents, necessary activities to obtain these documents, and whether copies or originals are required. The initial documents were generally understood as:

- Application form obtained from Province or Central level of MOIC (District level cannot process limited liability entities)
- ID (copy)
- Family Registration book (copy)
- 2 to 3 photos (3x4)
- CVs of Shareholders

As to the sources of this information, most (44%) of respondents reported having received it from a government agency (DOIC/MOIC) or LNCCI, with others having received the information directly from their broker (28%), friends and family (16%), and in a surprisingly small number of cases, the internet incl. Facebook (12%) – though there may be some overlap here if the government or broker supplied information was found online.

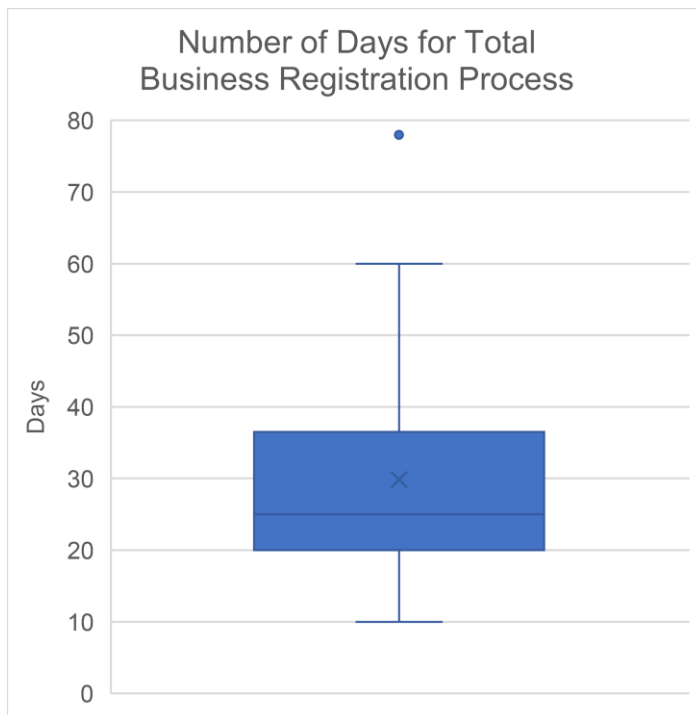
These documentary requirements, as well as the fact that the documents in question can only be collected and submitted in person rather than electronically did create some difficulties for applicants (or their representative brokers), having to visit government offices multiple times. The same applied for making payments, which all respondents reported had to be done manually.

In terms of these visits, around 2-3 times was the norm across respondents, but some reported as many as 5 visits were necessary. However, this could have been related to business operating licenses in addition to the ERC however, as these matters were often conflated. Furthermore, applicants generally reported that waiting times at the government offices were not long – a situation which some attributed to Covid-19 measures.

### Time perception

The surveyed firms reported a wide range in terms of number of days for completing the registration process. Ranging from 10 to 78 days, with an average of about 30 and a median of 25 (see Figure 10 for a detailed boxplot).

Figure 10: Number of days to complete the registration process (all firms)

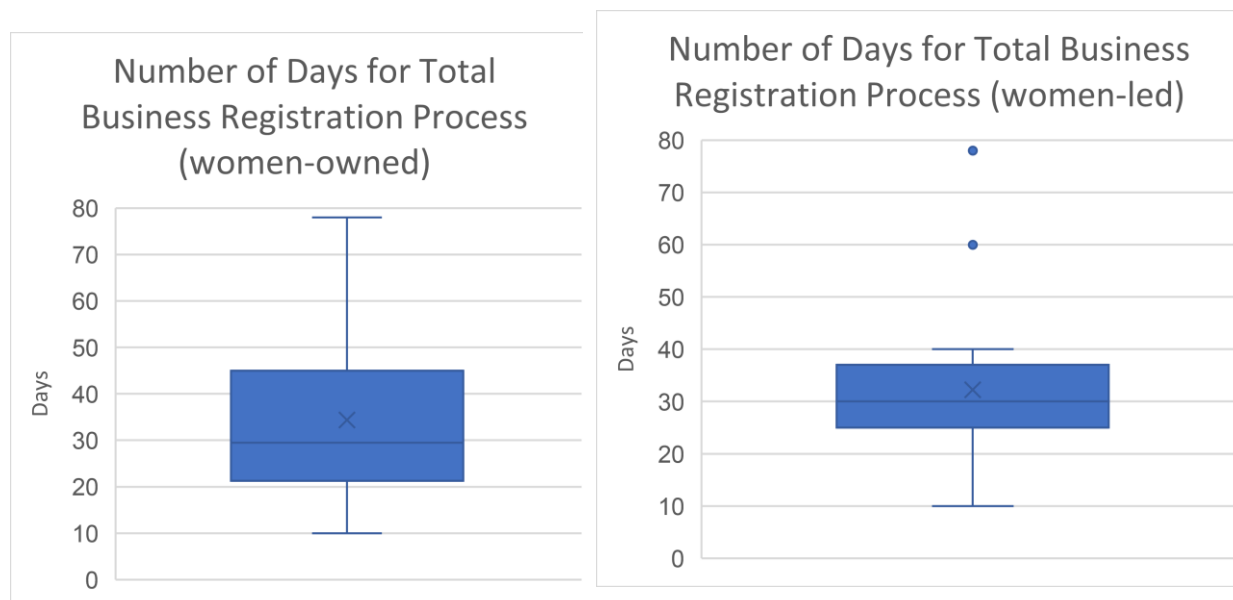


Note: n=24 due to one non-response. The x in the middle of the plot denotes the average (mean).

Regarding women businesses, we see that for both women-owned and women-led firms the total registration process also ranged from 10 to 78 days – i.e., both extremes of the spectrum were women entrepreneurs. The average and median for women-owned firms were 34.4 and 29 days respectively, while for women-led firms this was 32.3 and 30 days, which is comparable (see Figure 11).

Contrasting the responses from women firms with those of the entire sample, we see that the number of days to start a business is slightly longer. Compared directly with their surveyed male counterparts, women-led firms take 133% as long to register, with an average of 32.3 days compared to 24.2 days.

Figure 11: Number of days to complete the registration process (women businesses)



Note women-owned: n=10, due to one non-response

Note women-led: n=15, due to one non-response

When interpreting this finding, it should be strongly emphasized that this is almost certainly an overestimation beyond the scope of the process this study aims to capture – for basis of comparison with DB2020 and recent reforms at MOIC in 2021 – primarily including the time spent procuring the required business operating licenses, which 50%<sup>12</sup> of respondents required, and it is not known how many or what their circumstances might have been.

Other issues related to the quality of this particular datapoint, as well as more generally, are likely to include:<sup>13</sup>

- The time of incorporation for all respondents was in 2021, so they would have gone through the application process sometime during or even slightly before this year.
  - Some of the reforms were still relatively new at that time, information scarcer, not every official or even broker being used to them fully yet, etc.
  - Impact of Covid-19 would have been uncertain.
- Inaccurate reporting due to poor memory of the respondent, misremembering downtime on the applicant’s side getting documents ready for example, weak

<sup>12</sup> One respondent “did not know”, so n=24 here.

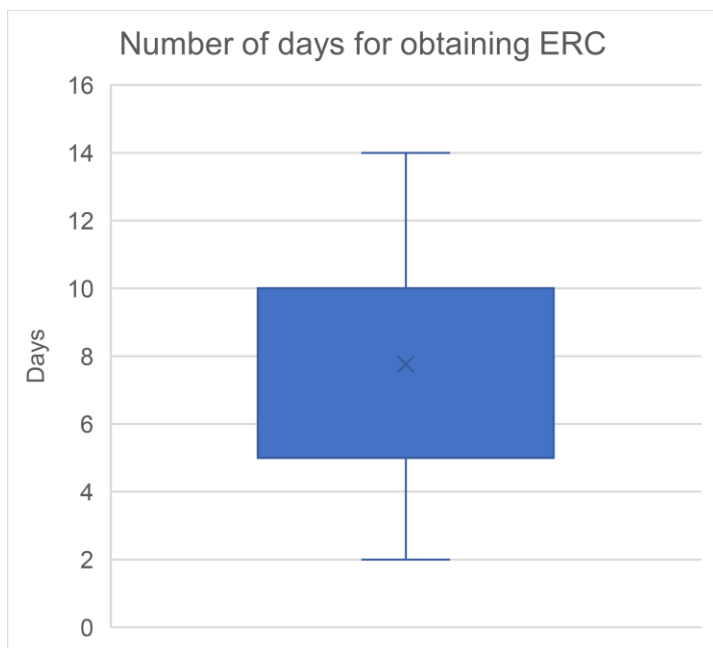
<sup>13</sup> Rather than only interviewing firms a long time after the fact, this author would also advocate, resources and opportunities permitting, to “shadow” some applicants going through the process. This might overcome some interviewer/interviewee biases and allow for additional contextual observations and collection of receipts.

understanding of the concept of business days (weekends, holidays, etc.) and other well-known recall and framing biases in surveys.

- The prevalence of using brokers by so many applicants, who may have multiple clients and other activities slowing things down.

The answers to many of these questions were beyond the scope of this research study, and fortunately a clearer and more positive picture emerges when analyzing the time spent on each step, most importantly obtaining the Enterprise Registration Card (ERC). Disregarding a few obvious outliers, the time reportedly spent on this step by the applicants ranges from 2 to 14 days, with an average of a bit less than 8 days and a median of 10.<sup>14</sup>

Figure 12: Number of days for obtaining the ERC (all firms)



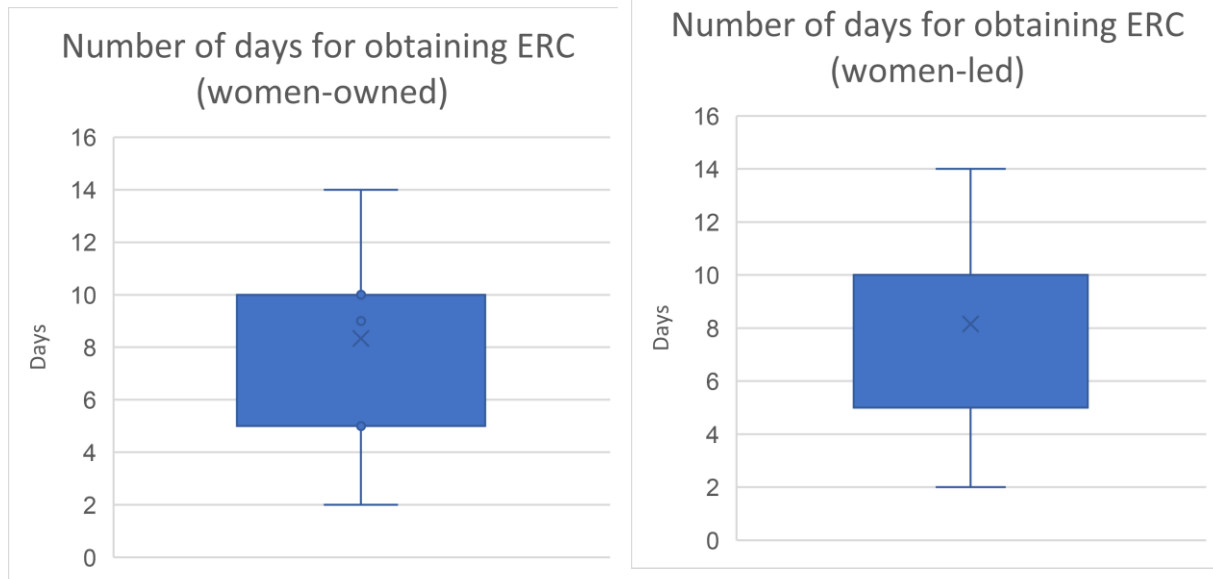
Note: N=21, due to 2 non-response and two extreme outliers at 67 and 25 days respectively which were removed after data cleaning to make the graphic legible. The respondents either misunderstood the question or there were some exceptional circumstances involved. The x in the middle of the plot denotes the average (mean).

Regarding women businesses, we see that for both women-owned and women-led firms the process of obtaining the ERC also ranged from 2 to 10 days – i.e., both extremes of the spectrum were women entrepreneurs. The average and median for women-owned firms were 8.3 and 10 days respectively, while for women-led firms this was 8.2 and 30 days, which nearly identical (see Figure 13).

<sup>14</sup> Had the two significant outliers not been removed, the average would have been 11 days, and the median still 10.

Contrasting the responses from women firms with those of the entire sample, we see that the number of days to start a business is slightly longer. Compared directly with their surveyed male counterparts, women-led firms take 114% as long to register, with an average of 8.15 days compared to 7.125 days. Due to the small sample size this difference can be considered negligible.

Figure 13: Number of days for obtaining the ERC (women businesses))

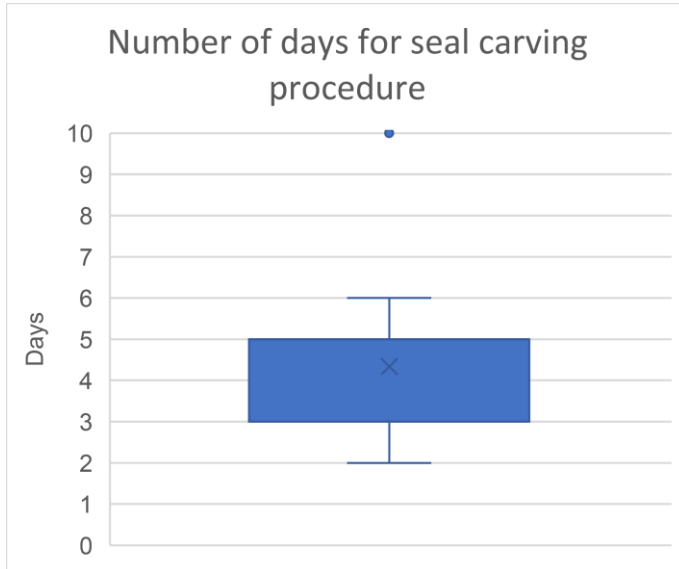


Note women-owned: n=9, due to 2 non-response  
 Note women-led: n=13, due to 3 non-response



Another step followed by most respondents was the carving of the company seal. For all respondents, this reportedly took an average of 4.3 days with a median of 5 days.

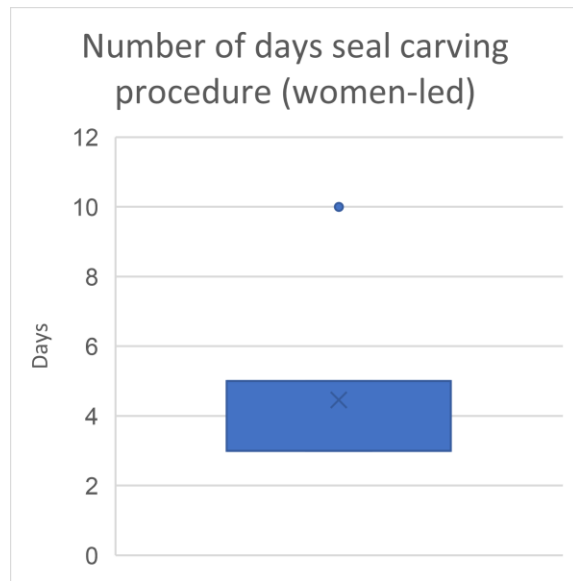
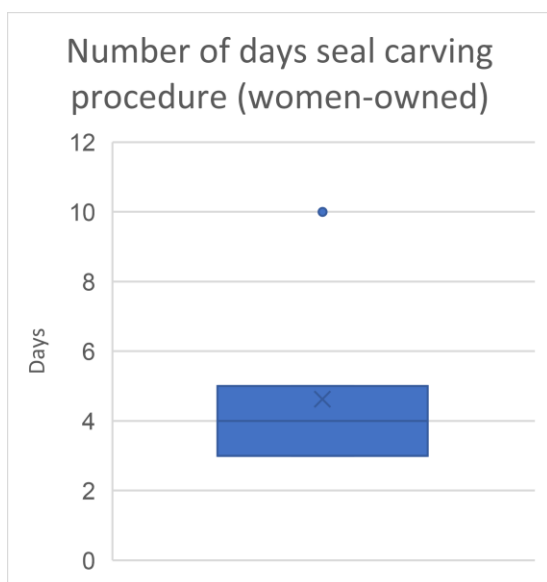
Figure 14: Number of days for carving seal procedure (all firms)



Note: N=21 due to non-response (Don't Know or N/A). The x marks the average (mean).

Regarding women businesses, we again see very little difference here. The average and median for women-owned firms were 4.6 and 4 days respectively, while for women-led firms this was 4.5 and 5 days (see Figure 15). Compared directly with their surveyed male counterparts, women-led firms only take 109% as long to process the company seal.

Figure 15: Number of days for carving seal procedure (women businesses)



Note women-owned: n=8, due to three non-response. Note women-led: n=13, due to three non-response.

The days reportedly spent on the other process steps have fewer date points which are generally are less distributed, and therefore easier to represent in a table format rather than graphically (see Table 5 below). There were no significant differences between male and female owned or managed businesses.

Finally, it should be noted that the two steps “Company Seal Usage Approval Process” (now a part of the “Company Seal Producing” step, and “VAT Registration” (now a part of the overall “Tax Registration”), sensibly did not receive any responses other than Don’t Know or N/A – they are therefore not included here at all.

The reason the sample size for these responses varies so widely and is generally below the total sample size of 25 is due to the following:

- 1) By far the most prevalent reason for a low n is that the surveyed firms simply did not follow this procedure, so for them it simply did not apply e.g., N/A. Anecdotally, to provide some examples, several businesses got started without signing up with social security or did not request approval for company signage because they did not require a sign, and various such reasons.
- 2) Removal of extreme outliers in data cleaning. As with the ERC process some firms reported unrealistic responses which were removed. This was only done in a few instances and with the utmost care.
- 3) Some respondents did not know the answer (because their broker was not transparent with them for example) or refused to give one.

*Table 5: Summary of Miscellaneous Extra Steps*

<b><i>Application Step</i></b>	<b><i>Summary of Time Reported</i></b>	<b><i>Comment*</i></b>
<b>Registering AOA</b>	~1 working week	N=6, four of those report 5 days
<b>Tax Registration</b>	1 day	N=13, twelve of which report 1 and one 2
<b>Tax Orientation</b>	1 day	N=19
<b>Company Signage Approval</b>	1 or 10 days	N=4, split 50/50; not enough data
<b>Social Security</b>	~1 working week	N=3; [2,5,7]

*Note The n mentioned in each row refers to the number out of the total sample who answered the question.*

Finally, as part of this analysis, the respondents were asked how long the overall application process “should take” in their opinion. Exactly half of respondents answered 10 days or more, so seemed to be relatively satisfied with that – 5 days for ERC and 5 days for the rest (mainly stamp) seemed a popular option for some reason. Of those, half again seemed fine with a total of 20 days. The other half of respondents reported

somewhere between 3 and 5 days as more reasonable. There was no clear correlation with any other variables, including gender, other than the time the interview took place; the later in time, the longer became acceptable and/or social desirability bias came in – so the author recommends taking these numbers with a grain of salt and aim for the most efficient process regardless of what people might find acceptable when asked on the spot by interviewers ultimately employed by the government.

### Cost

An analysis of cost from this data is a lot more difficult than that of time, as there is significant variability between firms, and respondents often report amounts that vary quite widely from the official fees promulgated by the government. There are likely four main reasons for that:

- The fees presented on the website are lump sum, but in practice they are being charged at different steps in the process. This makes it hard for the respondents to remember, and the researchers to disaggregate. As seen earlier with the process maps, there are often also optional fees that may not apply to everyone.
- The prevalence of brokers in this sector may charge completely differently from the official fees. Interestingly, the research team asked respondents several questions regarding how much more they would think it would cost to hire a broker compared to self-service (inconsistent answers – some more, some less), how much the actual broker fee charged to them was – a question to which an astonishing 100% of the responses was that they did not know.
- Reported amounts may include informal fees, as demonstrated by the fact that 42% of firm respondents reported paying informal fees (but not how much, and no receipts seem to have been collected or available as part of the data), and all three brokers offered “expedition fees” on a regular basis to get the process done faster.
- Finally, again, fees for the business operating licenses, outside the scope of this research, will be hard to disaggregate for the applicants and/or their brokers.

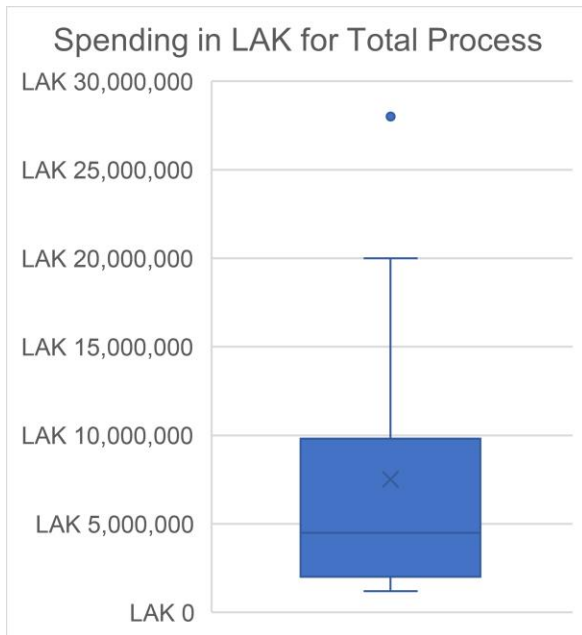
Due to all these reasons as well as the small and diverse sample size a statistical measure of actual cost is impossible to justify as practically useful. Regarding what they opined the cost for obtaining the ERC specifically should be, several respondents noted amounts in the range of several million LAK – somewhere between 1 and 5 million – as a reasonable expense.<sup>15</sup> The majority however preferred not to give an answer.

Nonetheless, with all its caveats, an analysis of the total amount reportedly spent by the surveyed firms is presented in Figure 16. No potential outliers were removed in the spirit of this analysis, resulting in a range between 1.2 million and 50 million LAK, with an average total expenditure cost of LAK 7,521,250 and a median of LAK 4,500,000.

---

<sup>15</sup> Considering the current minimum and median values shown, this may not actually be that far off the mark.

Figure 16: Total Expenditure for Business Registration in LAK



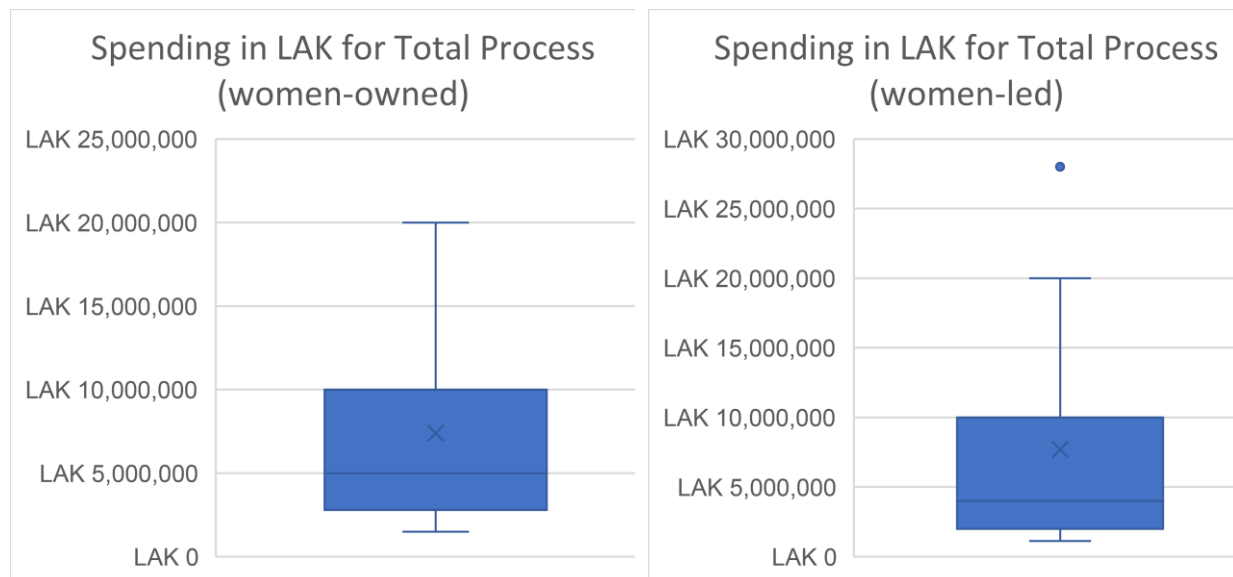
Note: n=24, one firm (a large one as well) declined to answer. In addition to the 28 million outlier dot in the plot, there were 2 other values of 20 million and 1 value of 18 million, deeming it relevant enough to include.

Somewhat aligned with these findings, interviewed brokers reported charging the same fees for Sole Limited (LAK 80,000) and Limited Company (LAK 100,000) as officially published by the MOIC for the ERC for a 10-day turnaround, but were able to add that they can provide express service of 1-3 days for LAK 350,000 to LAK 500,000. All three brokers reported the same amounts for these services, as well as the following: LAK 50,000 for Tax Activation application form, LAK 350,000 for company seal within 5 days, but LAK 850,000 for within 1 day.

Regarding women businesses, we see that the average and median registration costs for women-owned firms were LAK 7,390,909 and LAK 5,000,000 respectively, while for women-led firms this was LAK 7,708,000 and LAK 4,000,000, which is nearly identical to each other, as well as the overall sample and their male counterparts (see Figure 17).

The finding here then is that registration costs do not appear to vary between male and female entrepreneurs. This is perhaps not surprising given the set fees, and some variance may be explained by the employ of brokers by nearly half the sample.

Figure 17: Total Expenditure for Business Registration in LAK (women businesses)



Note women-owned: n=11

Note women-led: n=15, due to one non-response

There were no differences identified between local and foreign entrepreneurs or investor according to interviewed brokers.

### Qualitative Bottlenecks

It is encouraging to see that all but one respondent firm rated the overall difficulty of the registration process as “Medium” (with one reporting “Low” and none “High”). When reporting about the level of difficulty associated with each specific application step, it is also encouraging to note that virtually all respondents mentioned none or “little” difficulty for any particular step.<sup>16</sup> Interestingly this is the case regardless of whether the applicant had used a broker to complete the process or not.

When broadly asked whether they had any suggestions on how to smooth the registration process, or which steps they would like to skip in order to make it more convenient, none had any suggestions apart from being able to do at least parts of the process online with digital documentation.<sup>17</sup> Only a few respondents mentioned having to wait for the Tax Orientation, but this seems only natural as it is inefficient to hold for every applicant individually.

<sup>16</sup> The highest of the three difficulty scale answer options was only reported by one respondent for one activity (Tax Registration).

<sup>17</sup> Though others expressed concerns that older and less ICT-savvy entrepreneurs might struggle

## 6 Suggestions and Recommendations

It should be noted that these recommendations reflect the “snapshot” situation of business registration in 2021. While they follow from the study results, the presentation of the final report and discussions with MOIC indicate that many of these are already underway or have since materialized, which is of course encouraging for the next time this snapshot survey is done.

Eliminate potentially unnecessary steps (potentially Seal entirely) and parallelize internal workflow.

- Even though many countries in Asia still use Seal, will become superfluous as digital signatures etc. gain more widespread adoption (Singapore essentially cut time to 1 day by removing this and putting everything online).
- Doing this has been the dominant approach so far and has proven successful by the findings of this report in combining several steps, saving time. However, there is a limit to it – at some point you’ve reduced starting a business to one online form. This does not need to be the immediate goal, but more can be done while thinking further ahead.
- Reduce reliance on senior officials (DDG/DG level) to get certain steps done.

Go digital as much as possible; document submission portal, digital payment portal, etc. – remove requirements for obtaining / submitting hard copies and presence in person. The private sector keeps requesting this as well, including firms surveyed for this report.

- A useful litmus test for practicality is that if someone can open bank account, they should be able to start a company in its most basic form (without operating licenses that line agencies can and should still use to monitor and control public services such as quality standards, public health and safety, fair competition, etc.)
- Make sure systems between different public services are integrated as much as possible, put safeguards in place for data integrity and security as requested by the private sector and public – sensitive documents such as ID cards, resident certificate, criminal certificate, etc. need to be safe.

Increase transparency of fees (and time expectancies or indications) for every step of the registration process, and issue official receipts

- Publish how much each activity or step in the process costs the applicant and why, don’t just provide a lump sum figure in public sources such as the website.
- Whilst having this transparency, do endeavour to minimize the amount of payment touchpoints to reduce the number of steps overall.
- Include all the optional fees in this, just be transparent. Expedited or after-hours service charges should be perfectly reasonable and acceptable to many entrepreneurs.
- Doing this makes it easier for prospective entrepreneurs to engage brokers or have a go at it themselves, putting the choice in their hands.

- It also makes it harder for brokers to cheat clients, or for people to blame the government if something doesn't go according to plan – increasing public trust in doing business. This is immensely important to increase business formalization and increase Lao PDR's fiscal space via tax income, foreign exchange reserves, etc.

Make it clearer how long it will take and how much any specific business should pay to become fully registered and licensed, this includes providing information on where to obtain business operating licenses and how much their associated fees are likely to be – this does not have to be completely exact immediately and will evolve over time anyway.

- MOIC has a unique opportunity to do this for a variety of reasons, including because it is a) the initial registration entity that every business comes into contact with and b) now has a useable platform in the NED website where some business activities are already searchable, but the information is still limited or often missing.
- Clearly differentiate for potential entrepreneurs and investors between these initial ERC registration requirements and others. Explain what controlled/concessionary activities are, what the Negative List is, in “plain language”. Most people can't work with ISIC/LSIC codes – these can be included but put it in simple terms; the NED has already made a start in this.

Set up an internal continual improvement and aftercare process to ensure reforms are happening in practice and are happening everywhere in the country.

- Listen to entrepreneurs' voices after going through these processes and determine whether anything at all is still not going well, or what more can be done to support businesses, directly related to registration or even beyond. Are certain line ministries especially difficult to deal with for example? Is there a role for inter-ministerial or public-private dialogue and engagement there?
- Collect information on the competent department's own performance and use it to learn, including where to publish the information that people need at the time they need it – is it websites, social media, perhaps an instant messaging hotline that is needed? Keep asking questions as an organization and use the answers to continue to learn and improve relevant capacity to fulfill core functions and support businesses.

# Annexes

## Technical Approach

### Phase I: Preparation

The main goal of phase one is to gather all relevant secondary data associated with procedures for starting a business in terms of steps, costs, and business operations, and gain a deeper understanding of the enabling environment. The outputs of this research phase will be to inform project approach, develop the field plan and identify target stakeholders.

A key first step will be the kick-off meeting with NIU, to have in-depth discussions to clearly understand the goals and outcomes of the assignment, and the key partners that should be included in the study.

The secondary data reviewed will include:

- Preliminary bibliography of reference material provided by the NIU/DPC, as well as additional relevant documents and analyses undertaken by NIU and partner agencies.
- Current government legislation and regulation on the type of documentation, licenses, fees, time, and regulatory requirements required for starting business in Lao PDR. Business registration for sole limited companies and limited liability companies – covering only domestic firms – regardless of size.
- Review of relevant laws and previous studies associated with business registration.
- An analysis of the relevant ministries involved in establishing current procedures, and that are capable of implementing reforms to business registration in Lao PDR.
- An overview of other public and private sector groups and stakeholders active in business registration in Lao PDR.

The results of the secondary data review will be used to inform the generation of a comprehensive methodology for the broad overview and macro- and micro- level process analysis, as well as later phases of the project.

Survey Approach:

**Private Sector:** We will be conducting face-to-face in-depth interviews with each identified locally owned private business utilizing discussion guides mixed with questionnaires to collect the details of the process which they experienced. Data will be collected using both qualitative and quantitative methods.



**Public Sector:** For better understanding of the internal process and procedures of the registration process from the respective departments, we will conduct face-to-face in-depth interviews with each identified public stakeholder utilizing a structured discussion guide.

**Sample Size:** EMC will allocate the sample size that is statistically significant. In-depth interviews will be conducted with the 40 different stakeholders including 30 different private stakeholders, and 10 different public departments.

Differences between the World Bank *Doing Business* survey and this survey.

For the purposes of this survey, the same definition of ‘starting a business’ will be used, as that used in the World Bank DB Report. However, there will be a slight difference on a few points between this report and the WB DB report.

- The WB DB report mainly focuses on Limited Liability Companies but this report will focus on both types of companies, sole limited companies and Limited Liability Companies.
- The WB DB conducted the survey interviews solely with lawyers while this survey will also include interviews directly with the companies. The WB DB report records the procedures only for locally owned companies, while this survey will include the analysis of foreign-owned firms.
- The WB DB report shortlists the firm that has start-up capital equivalent to 10 times the income per capita, while this survey aims to capture diverse opinions from different sizes of organizations, different company types, different industries, and gender-based within the 2021 registered company list.

### **Final Deliverable: 3 weeks after contract signature**

An Inception Report detailing the work plan and methodology to complete the broad overview and macro level mapping and analysis.

This Phase relates to **Deliverable 1** of the ToR, and will contain:

- Inception report on results from desk review of the starting a business procedure in Laos based on the World Bank 2020 report on conducting business in Lao PDR and National Enterprise Database.
- A detailed work plan (including timing and duration) for the proposed period of fieldwork and subsequent phases of the assignment for starting business in Laos.
- Lists of data and information, such as previous reports and the company registration data to collect from the NIU.
- If available, any previous related work done by the different governmental agencies or other development institutions.
- Lists of agencies, individuals, and other parties with whom the firm would like to meet.

- Requests for any changes to the ToR which the firm believes are warranted, and proposed dates for the submission of key deliverables.

## **Phase II: Data collection (Desk research, KII and/or FGD)**

The objective of Phase II will be to implement the methodology for the broad overview and macro- level analyses developed in Phase I. EMC will collect qualitative data to supplement the secondary data review.

This is where the EMC team differentiates itself. The core team has extensive experience and networks conducting interviews with stakeholders representing the government, public sector, private sector, and industry leaders from previous assignments, particularly in Cambodia, Laos and Myanmar. In all phases, qualitative data will be obtained through a combination of key informant interviews (KIIs), Focus Group Discussions (FGDs) and, where necessary, stakeholder workshops. The best format to obtain this data will be dependent on the stakeholder and will be identified via consultations with NIU team.

EMC will utilize this experience to:

- 1) Complete interviews with stakeholders identified for the overview.
- 2) Begin to interview stakeholders specific to macro-level processes.

The background research carried out in Phase I will be triangulated with initial stakeholder feedback to generate the completed broad overview. The steps for sole limited firms and limited liability companies' business registration will be mapped out.

EMC will collect quantitative data in a sex-disaggregated manner during the quantitative data collection, based on the formal definition of women-led and women-owned firms agreed upon by LCTP stakeholders.

In Phase II, EMC will finish interviewing those stakeholders specific to macro level processes. Coupled with the previous broad overview, this data will be used to create the completed macro level process mapping and assessment.

EMC will analyze each macro level process – identifying:

- The steps required for each process
- The time, cost, documentation, and level of authority required for each step
- The stakeholders necessary for each step (government and private sector)
- Bottlenecks and unnecessary steps in each stage (where applicable)
- Possible areas of reform and improvement – a preliminary set of process improvements.

## **Selection Criteria**

**Private Sector:** Private stakeholders will be shortlisted based on the NIU-provided list. Stakeholder selection criteria will consist of locally owned, registered in 2021, and focus

on different types of stakeholders including 12 sole limited companies and 12 limited liability companies. Within these 2 types of companies, women and male led businesses will be divided proportionally. In Lao PDR some businesses hire a broker or law firm to conduct the registration. Therefore, EMC will also interview 3 brokers and 3 law firms for a better understanding of the overall process.

**Discussion Guide and Questionnaires:** To conduct in-depth interviews with the private sector stakeholders EMC will utilize the discussion guides mixed with questionnaires designed to capture both qualitative and quantitative data. Before the interview questionnaire will be shared with the private sector respondents, and the interviewees will be utilized semi-structured questionnaires to capture both qualitative and quantitative data. All the answers from the questionnaires will be filled lead by interviewee. (Please see sample Discussion Guide on following Annex page)

**Public Sector:** In order to compare and understand the current and previous business registration steps EMC will interview 10 different department officials who are part of the registration process.

**Discussion Guide:** EMC will conduct face-to-face in-depth interviews with the 10 different departments using structured discussion guides. Before the interview questionnaire will be shared with the relevant departments, and the interviewees will be utilized questionnaires as a guideline during the interviews. All the answers from the questionnaires will be noted by interviewee. (Please see sample Discussion Guide on Annex page)

### **Final Deliverable: 12 weeks after contract signature**

A first Draft Report will be developed - detailing 1) the complete broad overview 2) agreements on licenses for the micro-level assessment and 3) An assessment of the overall legislative framework for business registration processes.

This Phase relates to **Deliverable 2** of the ToR, and will contain:

- Completed micro mapping for business registration of sole limited companies and limited liability companies.
- Completed assessment of the underlying legislative framework of the business registration and actual application of laws and regulations that affect each process; and, issues, risks and challenges anticipated and mitigation measures.

### **Phase III: Analysis and report writing**

In Phase III, EMC will implement the methodology for the assessment of the licenses for Micro-Level mapping, analysis, and assessment. EMC will supplement data gathered from previous phases with micro-level specific stakeholder interviews and focus group discussions. For this in-depth review, EMC will identify the working groups, law

firms/brokers, private sector stakeholders and government teams associated with each license and obtain a comprehensive review of each – including:

- Process & workflow maps for each license and the implementing ministry / agency.
- Gather feedback and identify any missing processes or steps.
- Identify the most binding hurdles faced in the process of starting a business in Laos
- Assess the transparency and consistency of each process (with respect to cost, time, officials involved etc.)
- Stakeholder opinions on the suitability of the process.
- Bottlenecks / unnecessary steps in each process (where applicable)
- Possible areas of reform and improvement – a preliminary set of process improvements.

The above information will be used to develop an overall assessment of each selected license – including performance indicators related to ease, time, suitability, cost, quality and satisfaction levels associated with the process.

The information from the interviews will be used to assess each step required to complete the business registration process.

With the collected information, EMC will compare the registration process against the 2020 World Bank's *Doing Business* (DB) identified steps.

- In the first stage the process will be compared based on the desk reviews. Comparing the 2020 World Bank identified steps and the current identified steps.
- In the second stage the process will be compared with the 2020 World Bank report and the current administrative steps that are required to complete the registration. Focus will be on missing steps, current required steps, and the status of eliminated steps, if they remain in place or have been eliminated at the operational level. This analysis will be based on the public sector interviews' results.
- In the third stage the process will be compared with the current identified steps and the private stakeholder interviews identified steps. The analysis will be based on both qualitative and quantitative data points such as average time requirement, average cost in each step and the average recorded steps.
- In the fourth stage identified steps will be discussed with the private sector law firm and the broker to further strengthen the study outcome.
- The final stage will include consultation with the public sector line departments at Vientiane Capital as well as central Ministry level for verification and confirmation prior to finalizing the report.

### **Confidentiality of the survey respondents**

Interviews Questionnaires were designed to capture as much information as possible. However, at EMC we always set high priority on confidentiality of the survey respondents and the sensitive information they provide is necessary to ensure the greatest degree of

survey participation, integrity and confidence in the quality of the data. Therefore, prior to every interview we make sure that, their name and identities will be anonymous. In that way, respondents will be more open to talk about their experiences and opinions on the study subject.

#### **Final Deliverable: 14-16 weeks after contract signature for Deliverable 3 & 4**

A draft Full Report will be developed - detailing 1) a complete assessment of existing processes at the macro and micro level and 2) preliminary recommendations for improving processes identified through project work.

Preliminary findings of the assignment will then be presented to key NIU/DPC and line departments at Vientiane Capital as well as central Ministry level for verification and confirmation prior to finalization

This Phase relates to **Deliverable 3** of the ToR, and will contain:

- Progress to date against the previous schedule.
- Complete fully detailed process map.
- Identified issues related to the FDI firms.
- Problems experienced, resolved and outstanding.
- Issues and risks anticipated to arise during the completion of the fieldwork including access to data sources.
- A full presentation of preliminary findings to the NIU/DPC team.

Upon the incorporation of feedback received from the written and presented draft report, EMC will coordinate the preceding activities to develop a comprehensive report that satisfies the objectives described in the ToR.


This Phase relates to **Deliverables 4** of the ToR, and will contain:

- Consolidate all findings of the overall assessment of each process by finalization of feedbacks and recommendations in the final report.
- Complete document showing the maps and the detailed analysis of each process.
- Matrix showing procedure name, duration of procedure, agencies, cost (to businesses and to the agency) involved in each activity.
- Proposed high-level remedial action and potential areas for simplification of the business registration processes.
- High level presentations and executive summary.
- Methodology followed and main tasks performed.
- Results achieved, conclusions and lessons learned.

Finally, EMC will develop a presentation of the full report delivered in a joint workshop of the Government of Lao PDR (line departments) and the NIU/DPC for senior management and policy makers.

## Detailed workplan

▲	Fri 7th October 2022 (Bank of Lao PDR & National Teacher's Day)
	Mon 10th October 2022 (Ending of Buddhist Lent)
	Tue 11th October 2022 (Boat racing festival)
⬡	Tue 8th November 2022 (That Luang Festival)
★	Fri 2nd December 2022 (Lao National's Day)
●	Fri 30th December 2021 (Compensation Day of the end of the year day)
	Mon 2 <sup>nd</sup> January 2023 (Compensation Day of New Year)

	19 <sup>th</sup> Sep - 3 <sup>rd</sup> Oct	▲ 4 - 18 <sup>th</sup> Oct	19 <sup>th</sup> Oct - 2 <sup>nd</sup> Nov	⬡ 3 <sup>rd</sup> - 25 <sup>th</sup> Nov	★ 26 <sup>th</sup> Nov - 2 <sup>nd</sup> Dec	● 03-30 <sup>th</sup> Dec	01-20 <sup>th</sup> Jan	21 <sup>st</sup> Jan - 2 <sup>nd</sup> Feb
Kick-Off Meeting								
Literature Review And Details Inception Report								
KII/Secondary Data Collection								
Execution Analysis & Validation								
<b>First:</b> Administrative Process Mapping								
<b>Revised:</b> Administrative Process Mapping								
Draft Report								
Final Report And PPT								

## Interview Guideline for Sole Limited and Limited Liability Company

The following questionnaire will be used while conducting the interviews with Sole Limited and Limited Liability Company to capture both qualitative and quantitative data. Keep in mind the starting time with consistent time management you will be able to get through the interview within 30 to 45 minutes.

Activity
<p>Introduction</p> <p>Explain to the respondents about the purpose of the project and, how it is important to Identified the particular opportunities and challenges in business registration process.</p>

Please Tick Or Write In the following Appropriate Box.				
1. Company Name				
2. Respondent Gender	Male	<input type="checkbox"/>	Female	<input type="checkbox"/>
3. Company Owner	Male	<input type="checkbox"/>	Female	<input type="checkbox"/>
4. Company Director	Male	<input type="checkbox"/>	Female	<input type="checkbox"/>
5. What sector does your company operate in?	Manufacturing	<input type="checkbox"/>		
	Service	<input type="checkbox"/>		
	Agriculture	<input type="checkbox"/>		
	Construction	<input type="checkbox"/>		
	Trading Wholesale and Retailing	<input type="checkbox"/>		
	Other -----			
6. Numbers of employees	Male		Female	
	Full Time			
	Part Time			
7. How many days did it take to register your company (the whole process)				
8. Type of company	Sole Limited	<input type="checkbox"/>		
	Limited Liability	<input type="checkbox"/>		
9. Company Registered Fund (In KIP Million)				
10. How much money did you spend in overall registration process. (In KIP Million)				
11. How did you obtain your business registration, operating license and permits to start your business?	Filed by myself or by my staff Use external services (law, consulting firm, Individual Agency) <input type="checkbox"/>			
12. How much did you pay for the broker or agency?				
13. Registration experience difficulty level	Low	<input type="checkbox"/>	Medium	<input type="checkbox"/>
			High	<input type="checkbox"/>
14. How would you recommend to your friend and family for registering the business?	Do it yourself	<input type="checkbox"/>	Hire Agency	<input type="checkbox"/>
15. Before registering a company where you seek for company registering information.	Visit to the DOIC/MOIC/LNCCI	<input type="checkbox"/>		
	Internet (Including Facebook)	<input type="checkbox"/>		
	Ask friends and family	<input type="checkbox"/>		
	Find agency or broker	<input type="checkbox"/>		
	Other	<input type="checkbox"/>		
16. Do you think companies in your sector will have to pay informal charges to obtain the business registration?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
			Don't know	<input type="checkbox"/>
17. Please tell us your experience in completing the following procedures for business registration.				
Obtain the Enterprise Registration Certificate (ERC)	Most Difficult	<input type="checkbox"/>	Least Difficult	<input type="checkbox"/>
			Not Difficult	<input type="checkbox"/>
			Don't Know	<input type="checkbox"/>
Register the Articles of Association	Most Difficult	<input type="checkbox"/>	Least Difficult	<input type="checkbox"/>
			Not Difficult	<input type="checkbox"/>
			Don't Know	<input type="checkbox"/>
Apply for Tax Registration Certificate	Most Difficult	<input type="checkbox"/>	Least Difficult	<input type="checkbox"/>
			Not Difficult	<input type="checkbox"/>
			Don't Know	<input type="checkbox"/>
Attend to a Tax Orientation meeting and obtain Tax Identification Number	Most Difficult	<input type="checkbox"/>	Least Difficult	<input type="checkbox"/>
			Not Difficult	<input type="checkbox"/>
			Don't Know	<input type="checkbox"/>
Carve a company seal	Most Difficult	<input type="checkbox"/>	Least Difficult	<input type="checkbox"/>
			Not Difficult	<input type="checkbox"/>
			Don't Know	<input type="checkbox"/>
Register company seal at the department of public security	Most Difficult	<input type="checkbox"/>	Least Difficult	<input type="checkbox"/>
			Not Difficult	<input type="checkbox"/>
			Don't Know	<input type="checkbox"/>
Obtain Approval of Content on the Company Signage	Most Difficult	<input type="checkbox"/>	Least Difficult	<input type="checkbox"/>
			Not Difficult	<input type="checkbox"/>
			Don't Know	<input type="checkbox"/>



Register the workers for social security	Most Difficult	Least Difficult	Not Difficult	Don't Know
Register for VAT	Most Difficult	Least Difficult	Not Difficult	Don't Know
18. Process Stage Analysis: Obtain the Enterprise Registration Certificate (ERC)	Numbers Of Days .....		Process Not Required	<input type="checkbox"/>
19. Process Stage Analysis: Register the Articles of Association	Numbers Of Days .....		Process Not Require	<input type="checkbox"/>
20. Process Stage Analysis: Apply for Tax Registration Certificate	Numbers Of Days .....		Process Not Require	<input type="checkbox"/>
21. Process Stage Analysis: Attend to a Tax Orientation meeting and obtain Tax Identification Number (TIN)	Numbers Of Days .....		Process Not Require	<input type="checkbox"/>
22. Process Stage Analysis: Carve a company seal,	Numbers Of Days .....		Process Not Require	<input type="checkbox"/>
23. Process Stage Analysis: Register company seal at the department of public security	Numbers Of Days .....		Process Not Require	<input type="checkbox"/>
24. Process Stage Analysis: Obtain Approval of Content on the Company Signage	Numbers Of Days .....		Process Not Require	<input type="checkbox"/>
25. Process Stage Analysis: Register the workers for social security	Numbers Of Days .....		Process Not Require	<input type="checkbox"/>
26. Process Stage Analysis: Register for VAT	Numbers Of Days .....		Process Not Require	<input type="checkbox"/>
27. Did you have to obtain an operating license and other permits to start your business	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>

**Business Registration Process analysis:**

1. What are the necessary activities that a firm has to take in order to acquire a particular document?
2. Are copies of documents accepted in lieu of original documents?
3. How does a firm submit a request for a particular document?
4. Are there instructions that provide a firm on how to prepare the request for a particular document? If yes, do the instructions clearly specify what you have to do or what information you have to provide?
5. Overall, how many steps can you skip by hiring a third-party agency?
6. Did you get rejected or resubmitted during the registration process? What are the main reasons for rejection or resubmission?
7. How does a firm collect the requested document (manually or electronically)?
8. How many times does the firm visit the government authority involved until a certificate/license/permit is obtained?
9. During the business registration process which process do you think is the longest and how it can be improved?
10. As a business owner which document gathering and preparing took extra time and if you can which one process, you would like to skip for the smooth registration process? (Without affecting the major requirements set by the government.)
11. In your opinion in the overall registration process which part is repetitive?
12. If some parts or the entire registering process move online what would be the major barrier for you to register online? (eg. Payment, technical., etc)

**Time analysis:**



1. How much time does it require to finish each step (ERC, Stemp, Social Security)?
2. On average how many days difference between third-party agency involvement and non-involvement?
3. In your opinion how long the entire registration process should take?

Cost analysis:

1. How much on average does it cost to complete each step? (ERC, Stemp, Social Security)
2. What is the method of payment in the overall process?
3. How much is the price difference between the involvement of a third-party agency and non-involvement?

Suggestions for improvement:

1. What are the problems/bottlenecks you encounter in terms of procedures and regulations?
2. What are the improvements that you would like to see in the near future?

Are there any changes in the company signboard registration? Just to confirm (In Lao PDR, before operating a business every business should register their shop banner at the local authority office. Does it still require? if yes, What are the requirements to register? )

## Interview Guideline for Government Official Department

The following questionnaire can use be as a guideline for Government Official Department. Keep in mind the starting time, with consistent time management you will be able to get through the interview within 30 to 45 minutes.

<b>Activity</b>
<p><b>Introduction</b> Explain to the respondents about the purpose of the project and, if necessary, ask them whether the steps and the key stakeholders' involvement and document requirement align with our initial finding.</p>
<p><b>Business Registration Process analysis</b></p> <ol style="list-style-type: none"> <li>1. What are the necessary steps and documents required for the business registration process? (ERC, Stamp Social Security) Or how does your office involve or used to involve in the enterprise registration process?</li> <li>2. What are the internal procedures after submitting the application by the businesses?</li> <li>3. How do businesses get information about the application process. How does government ensure businesses get access to required information easily?</li> <li>4. Do you think inter-department/internal communication/coordination throughout the application process is smooth? If yes how it works? If not why?</li> <li>5. What are the main reasons for rejection or resubmission? How many in percentage?</li> <li>6. What are the common mistakes that most business owners make during the registration process?</li> <li>7. In your opinion what are the major barriers for businesses registration?</li> </ol>

8. How is your department planning to simplify the registration process in order to increase the business owner's involvement in the registration process instead of the middleman?
9. How much time does it require to finish the following document? Ask relevant departments (ERC,Stamp,Social Security)
10. Normally how long does it take to process the registration internally? Please explain the time difference between the internal process and issuing stage.
11. In your opinion on average how long should the business registration process take?
12. Based on your experience what percentage of firms register themselves without using a broker or agency?
13. If the registration process moves online what would be the barrier for the local business and the department?
14. In your opinion, what are the problems/bottlenecks for the businesses in terms of regulations that need to be fulfilled?
15. Are there any upcoming regulation amendments related to the (ERC,Stamp ,Social Security) that can impact directly or indirectly to the registration process?
16. Are there any changes in the company signboard registration? Just to confirm (In Lao PDR, before operating a business every business should register their shop banner at the local authority office. Does it still require? if yes, what are the requirements to register? )

## Summary of Business Activities in the Negative List

See attached Excel file.



Business%20that%20  
need%20BOL%20fr