

Improving the Business Environment in order to Support SMEs in Laos

Phonesavanh Sitthideth

Deputy Director General, Enterprise Development Research Institute, Lao Academy of Social and Economic Sciences (LASES), Lao PDR

The main purpose of this paper is to enhance the business environment in Laos in order to facilitate the growth of small and medium-sized enterprises (SMEs). Micro-, small-, and medium-sized enterprises (MSMEs) play important roles in socio-economic development, especially in the production of goods, trade, and services, employment, income generation, and livelihood improvement, as well as making contributions to industrialization, modernization, and continuous economic growth. MSME development not only requires low costs but also uses mainly domestic resources and the labor force. The regulatory environment for business development has improved across all provinces in the Lao PDR, but more needs to be done to accelerate the country's economic recovery from the coronavirus disease (COVID-19) pandemic. The government takes steps to reduce regulatory requirements to encourage companies to register formally, improve transparency, and remove informal charges levied on enterprises. In order to improve the business environment for growing SMEs, this study recommends that the government and relevant policy makers focus on (i) strengthening the institutional, regulatory, and operational environment, which is related to the development of legislation and regulatory policies affecting SMEs. (ii) Facilitating SME access to finance; (iii) Enhancing access to markets and internationalization; (iv) Boosting productivity, innovation, and adoption of new technologies; (v) Stimulating entrepreneurship and human capital development. Lao PDR is one of the countries in Southeast Asia that has the fastest growing youth population. To tap into this potential, the country could develop policy measures to foster entrepreneurship.