



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI



Simplifying Business Registration in Lao PDR

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Executive Summary

In Lao PDR business registration is undertaken by the Enterprise Registration and Management Department of the Ministry of Industry and Commerce, in Vientiane, as well by district and provincial authorities. Different authorities have different requirements for documentation and in some cases different fee structures. The system is paper based. There is no one database of entities and consequently online searching is not possible.

Lao PDR has dropped in the World Bank rankings for overall ease of doing business from 139 to 141. Its ease of starting a business ranking is 164 and distance to frontier score is 72.56 (a drop from 2017 where it was ranked 160 and an improvement in its distance to frontier score which was 72.42 in 2017.)

The Prime Minister recently issued Decree Number 2 setting a target to move to a double-digit World Bank ranking by 2020.

The first step towards modernisation is comprehensive law reform, which would also force administrative reform.

The best contribution New Zealand can make at this stage would be to provide advice about how to undertake a policy and law reform exercise to ensure new legislation is optimally designed to enable a modern, efficient online regime. Once reforms are at an advanced stage NZCO could consider a more detailed support programme to reform the registry, including supporting the implementation of an online registry system.

Scope of Project

This project was identified as a priority in the Initiative for the ASEAN Integration Workplan III for assistance to Cambodia, Lao PDR and Myanmar. This recognises that they are the member states which are in greatest need for assistance to meeting standards identified in ASEAN workplans for business registration simplification.

This part of the project aims to simplify business registration processes in Lao PDR through assisting the government to simplify the procedures, enhance coordination between relevant authorities and modernise its registration regime by implementing an electronic online registry system based on good regulatory practices. By introducing enabling technology and reducing the number of required procedures, cost and time taken for business registration processes, Lao PDR can achieve greater transparency, and meet cost and service standards. An online registry system can be the enabler to support an electronic one stop shop which enables low-cost, efficient registration practices and effective information sharing.

Diagnostic Findings

In summary, our diagnostic findings are:

- Registration takes place with district, provincial or central authorities. The requirements differ with each, as do the time frames and the cost.
- Authorities impose additional requirements beyond those specified by the law.

- The Lao National Chamber of Commerce and Industry *Provincial Facilitation for Investment and Trade Index (ProFIT) Measuring Economic Governance for Business Development* makes the following findings:
 - Between 40 % to 50% of business registrations in the larger provinces take longer than a month to complete; some take more than 3 months.¹
 - Formal or official business registration charges are often not published so it is not clear whether just the formal charges vary or whether the variation is due to informal charges.²
- There is a desire to make business registration easier but the scale of the challenge and the implications for administrators did not seem to be so well appreciated.

We expand on these findings below.

Lao PDR provides for the registration of a number of different categories of businesses³. These are registered with district, provincial or central registries according to the type of business and its size. The following national statistics on businesses registered were obtained from the ERM website:-

- a. Individual Enterprises = 128,374
- b. Sole Company Limited = 12,571
- c. Company Limited = 5,207
- d. State Company = 153
- e. Public Company = 26
- f. Mixed Company = 25
- g. Ordinary Partnership = 47
- h. Limited Partnership = 129
- i. Co-operative = 48

The Vientiane registry was well organised, and the files were in pristine condition. There is a central electronic database used for interested parties to view statistics but no client facing online system to transact with the registry. Searching of files is manual as are all registration services. Processes with the tax department are made by hand delivered hard copy documents. We did not see any significant reforms underway at present. The registry has an IT consultant who is focussing on IT security and infrastructure issues but not design of registration processes. The consultant mentioned that the World Bank is planning an online system, but we have not been able to find any other information on that to date.

Although the registry told us it generally takes 10 days to register, we were told by others that registration could take 30 to 60 days, if not longer. The latter is confirmed by the Lao Chamber of Commerce.

¹ Lao National Chamber of Commerce and Industry *Provincial Facilitation for Investment and Trade Index (ProFIT) Measuring Economic Governance for Business Development* 2018 page 17

² Ibid page 18

³ Individual Enterprise, Sole Company Limited, Company Limited, State Company, Public Company, Mixed Company, Ordinary Partnership, Limited Partnership and Co-Operative.

There is a compliance regime for Limited Companies, but it seems to take a while for businesses to be removed from the register, so it is not clear if the number of registered Limited Companies reflect operating businesses.

Authorities require information to register a business that is additional to that prescribed by law. To change this, however, will require political will and leadership.

The Lao National Chamber of Commerce and Industry ProFIT report states that there is room for improvement. In relation to starting a business recommends that provinces limit unnecessary checks and inspections and by publishing fees and costs on websites.⁴ This would not be enough to enable Lao PDR to increase its World Bank ranking nor its distance to frontier score. To do so would require one national online system for registration with set fees, simplified processes and reduced procedures. This in turn would disempower local offices, which would become offices merely for accepting documents and helping customers without online access.

Our impression of the scale of the change required has not been fully appreciated. It might be useful for Lao authorities to visit DICA in Yangon in due course to see the online system there. Another option would be to visit the New Zealand Companies Office. (Note that Michael Brosnahan along with the New Zealand Registrar of Companies met Lao Chamber of Commerce and Ministry of Industry and Commerce officials in May last year at the ASEAN Policy Dialogue on Business Registration in Kuala Terengganu.) Any visit should include the relevant member of the National Assembly along with officials.

Recommendations

The following recommendations are presented for further consideration and discussion:-

- Prior to considering the introduction of an online system and the associated business processes the supporting legislation needs to be developed and enacted. The Lao National Chamber of Commerce's recently published report seems to have generated enthusiasm for reform and, although we did not test this, may provide a suitable platform for establishing a project of policy and legislative reform for simplifying business registration.⁵
- The law reform will need strong high-level support.
- Useful guidance as to how to undertake law reform to enable the implementation of a modern registry is contained in a recent UNCITRAL report *Draft legislative guide on key principles of a business registry*⁶. We recommend that Lao authorities use this report as a guide.
- The section *Legislative drafting considerations* (page 8 to 11) provides a roadmap for reform which we recommend. We do not recommend, however, a phased reform process (as described at paragraph 28) for Lao PDR. We recommend reform leading directly to one national online system for registration.

⁴ Ibid page 61

⁵ The Chamber of Commerce was supported to undertake the research and produce the report by the Mekong Business Initiative (ADB) and Australian Aid. The Asia Foundation provided guidance.

⁶ UNCITRAL *Draft legislative guide on key principles of a business registry* [A/CN.9/WG.I/WP.109 - Draft legislative guide on key principles of a business registry](#)

- UNCITRAL makes a number of recommendations for states wishing to have micro, small and medium sized enterprises operate in the legally regulated economy. These recommendations, which we endorse, include:
 - Establish a system of registration that facilitates the operation of businesses.
 - Ensure the law is simple and predictable i.e. eliminating unnecessary discretionary powers held by the registry.
 - Make registration publicly accessible, simple, user-friendly and time and cost efficient.
 - Make the rules, procedures and service standards under which the business registration system operates public and transparent.
 - Use standard forms and provide guidance on how to use them.
 - Maintain currency of the information held by the registry and share information amongst relevant public authorities.
 - Provide for electronic transactions.
 - Use a unique identifier which can enable transactions with other authorities (e.g. tax department).
 - Ensure guidance on how to register is widely available and free of charge.
 - Specify the language in which information is to be submitted.
 - Operate a compliance regime to ensure the information on the register is current.
 - Make transactions, searching and paying fees able to be done electronically.
 - Make searching simple and free.
 - Set fees at a low level that does not exceed recovery of costs of the registry.
 - Develop staff capability.
- In addition, we recommend that a legislatively prescribed re-registration process is used when implementing a new legislative regime.
- The Asian Development Bank has experience in advising countries about reform of their business registration law, and the ability to provide draft legislation. We recommend that the ADB be approached to see if it can provide assistance under the Mekong Business Initiative. The World Bank Group through the International Finance Corporation also provide similar advisory and consulting services.
- New Zealand could assist by hosting a delegation from Lao PDR at the New Zealand Companies Office to enable the delegation to see how an online registration system works, or by accompanying a Lao PDR delegation to DICA to see how Myanmar has implemented reform.

Once improved supporting legislation is realised, New Zealand could provide technical expertise to improve the business enabling environment in general and to help modernise the registry in its structure and workflows. Activities could include:-

- Business processing mapping – documenting existing business processes to identify activities that can be improved, reduced or eliminated.
- Business transformation - potentially looking at centralising functions at central, provisional and district levels e.g. improved work flow processing, consolidating teams and introducing a multi-skilling approach, implementing kiosks for walk in customers.
- Identifying business requirements – developing new business processes and helping to resolve any transition issues that may occur when moving from one system to another.
- Sourcing the ICT solution – typically a partnership is established with a vendor to deliver an ICT solution that is fit for purpose including integration and hosting options.

- Managing ICT vendors and expectations of the host registry – this to ensure the ICT solution is fit for purpose and is workable.
- User acceptance testing – simulating customer business scenarios.
- Client segmentation - modelling allows the team to focus on relevant customers and their needs.
- Stakeholder engagement – the level of engagement may vary from developing strategy, participating in seminars and or workshops, to proving promotional material.
- Building registry capability – staff working in a paper based registry often need to have specific skills development when migrating to an electronic registry. Also hosting staff from overseas jurisdictions to learn on the job is another tool used to good effect from time to time.
- Training – training staff to manage work queues, backend processes and technical maintenance of an electronic register. Can also include training of system users/stakeholders.
- Go live and post go live support – working closely with the registry, system integrators and customers to support a seamless transition.

People and Organisations Consulted

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