

From Control to Client Orientation

**Quick scan of the business environment
in a economy in transition**

A case in Lao PDR

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Table of Contents

Executive Summary	3
List of abbreviations	6
Introduction	7
1. Context Lao PDR	7
2. Tools and processes	8
3. Cases quick scan business environment.....	10
Case 1: Quick scan business environment in Lao PDR	10
Case 2: Quick scan regulatory business environment in Vietnam	16
4. Key issues and lessons learned.....	20
5. Challenges and recommendations.....	22
References	
Annexes	

Executive Summary

Introduction

The Business Environment Working Group of the Committee of Donor Agencies for Small Enterprise Development is organizing a conference on “Reforming the Business Environment, from assessing problems to measuring results”, from November 29 to December 1 2005 in Cairo. SNV Netherlands Development Organization (SNV) has been invited to share its experiences in reforming the business environment with a focus on business environment assessment at provincial level. The general aim of this paper is to demonstrate what a quick scan of the business environment can lead to and to identify key issues and lessons learned.

Context

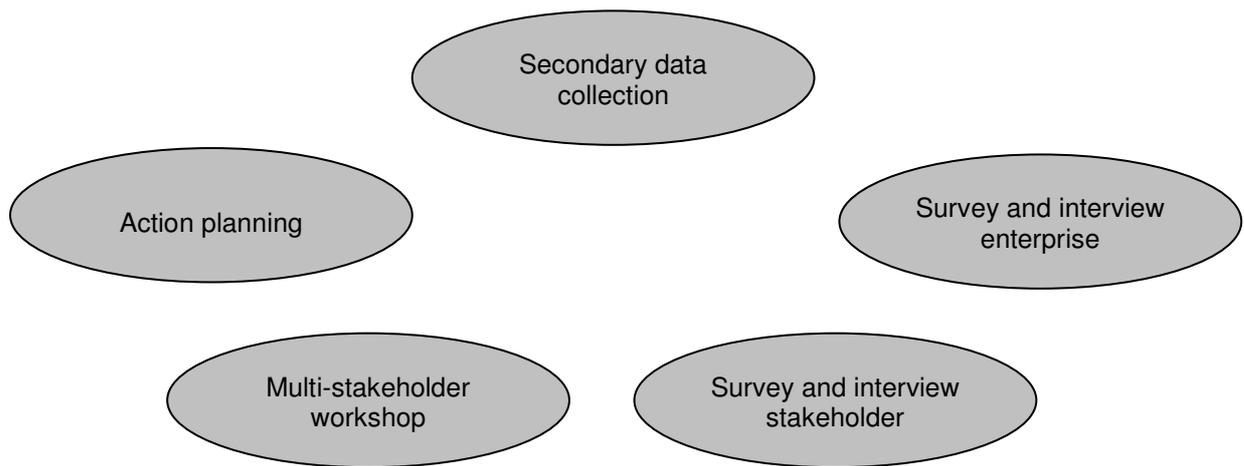
The Lao People’s Democratic Republic (Lao PDR) is one of Asia’s poorest and smallest nations. Small enterprises are the backbone of the economic development of the Lao PDR. They have enormous potential for pro-poor economic growth as these enterprises employ more and more people and generate income for poor rural households. To support the development of small enterprises, the Prime Minister’s Office upon the proposal of the Ministry of Industry and Handicrafts (MOIH) issued a decree on Development and Promotion of Small and Medium Enterprises, focusing on six key areas. The Ministry has started the implementation of the decree by establishing a Small and Medium Enterprise Promotion and Development Office (SMEPDO) at the national level. One of the key challenges for the Ministry in creating an enabling environment in a market economy is to move from a control orientation with a focus on checking if enterprises abide by the rules and regulations to a client orientation. In this approach enterprises are regarded as clients, the Ministry identifies their needs and based on this actively promotes enterprise development and removes barriers for growth. The Ministry has requested the support of SNV Netherlands Development Organisation in supporting the creation of an enabling environment for enterprise development with a focus at provincial level. It was decided to start with an assessment of the business environment.

Tools and processes

A variety of tools have been developed by donor agencies to assess the business environment. These tools all have their own strengths and weaknesses, but a quick comparison shows that a number of areas are relatively weakly developed. These include the lack of focus on small enterprises, little attention for enterprise clusters, focus on quantitative analysis (limited attention for the role stakeholders and their capacities), and the creation of a reform agenda. The methodology of Participatory Appraisal of Competitive Advantage (PACA) as developed by Meso partners and the tools for Institutional and Organizational Analysis as developed by SNV Netherlands Development Organisation partly address these limitations.

Cases in Lao PDR and Vietnam

This paper presents the major outcomes of two cases: a quick scan of the business environment in Luang Prabang and Xieng Khoang provinces in the Lao PDR and a quick scan of the regulatory business environment in Thai Nguyen province in Vietnam. For both cases the background, process of assessment, main results, conclusions and recommendations are presented. A quick scan of the business environment comprises five core components:



Key issues and lessons learned

A number of key issues and lessons learned concerning the quick scan of the business environment emerge from the cases. Ownership and participation of concerned stakeholders at the local level is a critical success factor. Therefore, a scan needs to start with and build on demand from local organizations. In assessing the business environment, it is important to involve key actors, which are involved in enterprise development in a participatory way. Furthermore, improving the business environment is a continuing process and the assessment, when properly conducted, creates momentum for follow up. There is a natural distrust between the public and private sector. Joint identification of opportunities and jointly defining roles and responsibilities helps in bridging the gap and is the first step in creating a common agenda. A quick scan at the provincial level can be done in a relatively short time and is a cost efficient approach. Based on the two cases presented the conclusion seems to be justified that it is important to pay special attention to small enterprises in scanning the business environment. Public private dialogue starts already in the assessment and a properly guided process creates momentum for follow up. The multi stakeholder workshop is a good forum to discuss roles and responsibilities of the different stakeholders. Involvement of the private sector in reforming the business environment can be improved by creating a forum for public private dialogue. Business membership organisations like associations and chambers of commerce are in a good position to take on this lobbying and advocacy role on behalf of their members. During the business scan knowledge was transferred by creating **A**wareness, **B**uilding networks and **C**apacity strengthening of local actors in conducting a business scan.

Challenges and recommendations

Based on the key issues and lessons learned from these case studies, a number of challenges and recommendations have been identified. First of all lessons learned need to be gathered to determine what tools are most appropriate in what circumstances and what is the most cost-effective way of conducting an assessment of the business environment. Secondly, it is important to pay special attention to small enterprises. One way of doing this is to disaggregate data according to enterprise size in the data collection. Additional action research and documentation of experiences is needed in this regard. Furthermore, a distinction needs to be made between the generic business environment and the specific business environment (with a focus on enterprise clusters). Thirdly, best practices and success stories for public – private dialogue at national provincial level need to be identified and disseminated. Interventions to reform the business environment run into the risk of being time consuming because of the involvement of various actors which all have their own interest. A challenge faced by donors in this regard is how to identify quick wins. Fifthly, there is a challenge in

determining the best ways to develop the capacity of local actors in creating an enabling environment for enterprise development. Finally, there is a need to develop benchmarks on how to measure performance of programs to reform the business environment and standardisation of those benchmarks.

List of abbreviations

BMO	Business Membership Organization
DOIH	Department of Industry and Handicrafts
DPI	Department of Planning and Investment
EDC	Enterprise Development Consultants
ICA	Investment Climate Assessment
ICS	Investment Climate Survey
ID/OD	Institutional Development / Organizational Development
ILO	International Labour Organization
Lao PDR	Lao People's Democratic Republic
MOIH	Ministry of Industry and Handicrafts
PACA	Participatory Appraisal of Competitive Advantage
PO	Prime Minister's Office
PPC	Provincial People's Committee
SME	Small and Medium Enterprise Development
SMEPDO	Small and Medium Promotion and Development Office
SNV	Netherlands Development Organization

Introduction

The Business Environment Working Group of the Committee of Donor Agencies for Small Enterprise Development is organizing a conference on “Reforming the Business Environment, from assessing problems to measuring results”, from November 29 to December 1 2005 in Cairo. SNV Netherlands Development Organisation (SNV) has been invited to share its experiences in reforming the business environment with a focus on business environment assessment at provincial level.

The general aim of the paper is to demonstrate what a quick scan of the business environment can lead to and to identify key issues and lessons learned. The paper starts with a short description of the context for small enterprise development in Lao PDR including the Decree on Development and Promotion of Small and Medium Enterprises in paragraph 1. This is followed by an overview of tools and processes to assess the business environment in paragraph 2. Paragraph 3 presents two cases, one in Lao PDR and one in Vietnam in which a quick scan was used to assess the business environment. Based on these two cases key issues and lessons learned have been identified, these are described in paragraph 4. The paper concludes with challenges and recommendations for donors in paragraph 5.

1. Context Lao PDR

The Lao People’s Democratic Republic (Lao PDR) is one of Asia’s poorest and smallest nations. Small and medium enterprises are the backbone of the economic development of the Lao PDR. They have enormous potential for pro-poor economic growth as these enterprises employ more and more people and generate income for poor rural households. They also provide an effective way to assist and empower women. Amongst the major bottlenecks in pro-poor economic growth are limited access to markets, financial and business services.

The long term development goal as formulated in the National Growth and Poverty Eradication Strategy of the Lao PDR is to achieve sustainable and equitable economic growth and social development whilst conserving the environment, cultural heritage, positive traditional customs and political identity.

In April 2004, the Prime Minister’s Office upon the proposal of the Ministry of Industry and Handicrafts (MOIH) issued a decree on Development and Promotion of Small and Medium Enterprise - SME decree 042/PO. The full text of the decree has been attached. The direction focuses on six key areas:

- Creating an enabling regulatory environment
- Enhancing competitiveness
- Expanding domestic and international markets
- Improving access to finance
- Encouraging and creating favourable conditions for the establishment of business organizations
- Encouraging entrepreneurial attitudes and characteristics within the society

The MOIH has started the implementation of the decree by establishing a Small and Medium Enterprise Promotion and Development Office (SMEPDO) at the national level. The SMEPDO faces a host of challenges in implementing this decree and has requested SNV to support the creation of an enabling environment for local economic development

with a focus at provincial level. One of the key challenges for MOIH in creating an enabling environment in a market economy is to move from a control orientation with a focus on checking if enterprises abide by the rules and regulations to a client orientation. In this approach enterprises are regarded as clients, the MOIH identifies their needs and based on this actively promotes enterprise development and removes barriers for growth.

2. Tools and processes

A variety of tools have been developed by donor agencies to assess the business environment. An overview of these tools is presented in table 2.1. More information on these tools can be found in *Donor approaches to improving the business environment for small enterprise*¹.

Table 2.1 Overview tools to assess the business environment

<i>Donor agency</i>	<i>Instrument</i>
Commonwealth Business Counsel	Business Environment Survey
European Bank for Reconstruction and Development	Business Environment and Enterprise Performance Survey
	The Legal Indicator Survey
Ewing Kauffman Foundation	The Global Entrepreneurship Monitor
Gesellschaft für Technische Zusammenarbeit (GTZ)	Assessment of Investment Climate
Netherlands Ministry of Foreign Affairs	Annual Business Climate Scan
International Labour Organization	Assessing the influence of the business environment on small enterprise development – an assessment guide
	Business Climate Survey
	Survey kit; how to measure the influence of national policies, laws and regulations on employment in SMEs
UNCTAD	Investment Policy Reviews
	Investment Compass
USAID	Investor Roadmap
World Bank Group	Investment Climate Assessments (ICA)
	Investment Climate Survey (ICS)

¹ Committee of Donor Agencies for Small Enterprise Development, Working Group on Enabling Environment, Simon White, 2004, *Donor approaches to improving the business environment for small enterprises*.

These tools all have their own strengths and weaknesses and it goes beyond the scope of this paper to make a comprehensive analysis. However, a quick comparison of the different tools shows that a number of areas are relatively weakly developed. These are briefly presented below.

<i>Small enterprises</i>	With a few exceptions, the tools presented focus mainly on the business environment in general and little attention is paid to small enterprises in particular.
<i>Enterprise clusters</i>	There is a little attention for the assessment of enterprise clusters. A cluster can be defined as a group of firms engaged in a particular product market in a particular location.
<i>Stakeholders</i>	Most tools are orientated towards collecting quantitative data. In order to effectively reform the business environment, there is a need to look into the actors that play a role in this environment. More statistical analysis need to be complemented by a more qualitative analysis of the institutional setting in which organizations or groups of organizations relate and reinforce each other's efforts.
<i>Reform agenda</i>	The tools are relatively weak in regards to how to take the assessment one step further in other words, how to create a common agenda for reform based on the assessment and the bottlenecks in the business environment.

In this regard two more instruments need to be mentioned:

Participatory Appraisal of Competitive Advantage (PACA)

PACA is a methodology which has been developed to kick start local economic development activities². It combines concepts of competitiveness with the principles of rapid / participatory appraisal. The purpose of a PACA is to come up with a diagnosis of competitive advantages and disadvantages of a given locality and proposals for practical activities. It introduces three concepts:

<i>Participatory</i>	The PACA concept of participation revolves around the notions that successful economic development must be based on the active involvement of those stakeholders who are relevant for economic development and that it involves a constructive relationship between the private and public sector.
<i>Appraisal</i>	PACA appraises the local economy, not only of its economic potentials, but also of the political factors.
<i>Competitive Advantage</i>	PACA focus is not identifying problems and bottlenecks, but on identifying competitive advantages or opportunities which improve the local business environment within a short period of time.

² Mesopartner, Jorg Meyer- Stamer, 2004, *Participatory Appraisal of Competitive Advantage (PACA): Launching Local Economic Development Initiatives*

Tools for Institutional and Organizational Analysis

SNV Netherlands Development Organization has developed tools to analyze the institutional setting for enterprise development and the organizations which play a role in this as part of its work in the field of Institutional Development and Organisational Development (ID/OD).

Institutional analysis rapidly gains importance in the design and facilitation of development interventions as a sustainable way for development as it involves local key organizations. The institutional setting for enterprise development is the whole of organisations, including their interrelations which at different levels influence the development of enterprises. Collaboration through networks and clusters supports their advocacy efforts, horizontal and vertical linkages, complementarities between services and enforcement of public –private collaboration. A proper understanding of the institutional setting and the interrelationships between organizations is key to enhance the functioning of such networks and clusters. An institutional analysis can facilitate this.

Capacity building of organisations involved in the delivery of services to enterprises need to be preceded by a thorough analysis of the organisation. Aim of this analysis is to improve the effectiveness and efficiency of the organisation and this will result in increased service delivery capacity. SNV has been using the Integrated Organisational Model for analyzing their capacities and developing an organizational development plan. More information on the tools for institutional and organizational analysis can be found in *Reference Guide Economic Analysis* as developed by SNV³

3. Cases quick scan business environment

Case 1: Quick scan business environment in Lao PDR

Background

As a first step in creating an enabling environment for enterprise development at provincial level a quick “Business Climate Scan” was conducted in Luang Prabang and Xieng Khouang provinces in the north of Laos. The assignment was carried out by the Ministry of Industry and Handicrafts and Enterprise Development Consultants (EDC), a local consultancy with the support of SNV Netherlands Development Organization. The main objectives of the assignment were:

- Strengthen the capacity of the MOIH to analyse, design and implement programs for reforming and improving the business environment for small enterprise development;
- Assess the business environment for small enterprise development and identify constraints and opportunities in this environment;
- Identify support needed of Department of Industry and Handicraft (DOIH) to respond to challenges in this environment.

It was decided to use the business climate survey of the International Labour Organisation (ILO) as a basis for the assessment and adapt it for the specific purposes of the assignment. The business climate survey is a participatory exercise that contributes to economic growth, employment creation and poverty reduction by improving the local business climate through dialogue strengthening between

³ SNV Netherlands Development Organisation 2003, *Reference Guide Economic Analysis*, The Hague

government authorities and small-scale businesses⁴. The questionnaire is presented in the annex.

Process of assessment

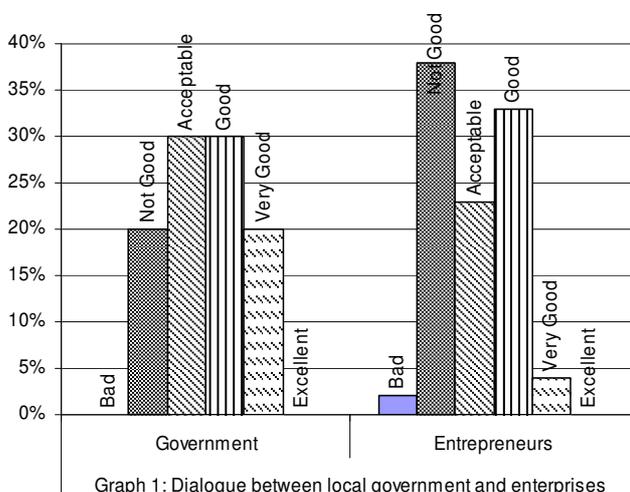
The Business Climate Scan employed the following methods:

- (1) Questionnaire survey and interviews with enterprises. It used the ILO's designed questionnaire survey on business climate, which is easy to use and enables necessary information collection in limited time and some guiding discussion/interview questions;
- (2) Questionnaire survey and interviews with stakeholders. It used semi structured interviews in combination with the ILO's designed questionnaire survey on the business climate
- (3) Secondary data collection from concerned stakeholders such as Strategic Development Plan, 2005 – 2010 – 2020, Ministry of Industry and Handicraft, Annual Report on Socio-Economic Development, 2003 to 2004 and Plan for 2004 to 2005.
- (4) Consultative meeting of multi stakeholders. This was used as a platform to allow confirmation and validation of business climate scan as well as obtaining additional inputs for the assignment.

Results

The scan provided interesting insights in the different perspectives on key issues in the business environment of the government as compared to entrepreneurs. (e.g. dialogue between local government and enterprises, taxation, access to skilled labour, access to domestic and international markets, support of local media to small businesses, access to credit and business registration). Some examples are presented below.

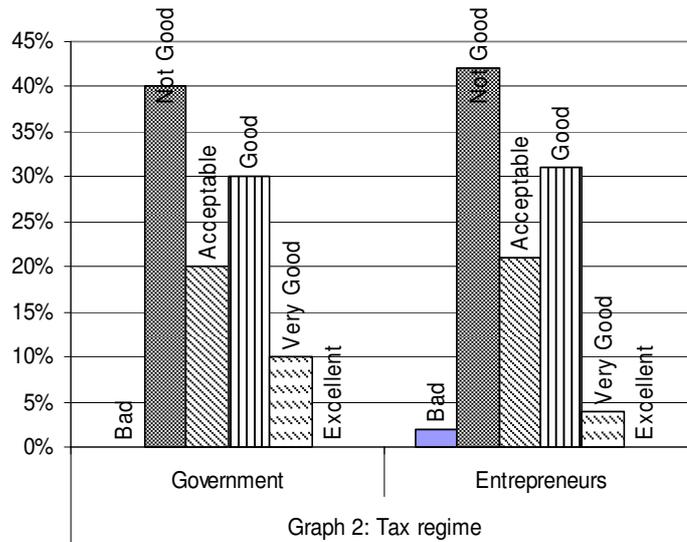
Dialogue local government and enterprises



48% of the interviewed businesses are small family businesses and average employment of the interviewed enterprises is 5 persons. On the dialogue between local government and enterprises 20% of the interviewed government officials consider this as not good as compared to 40% of the entrepreneurs. Dialogue appears to be ad hoc when key issues arise and has an informal character to which only affluent enterprises have access.

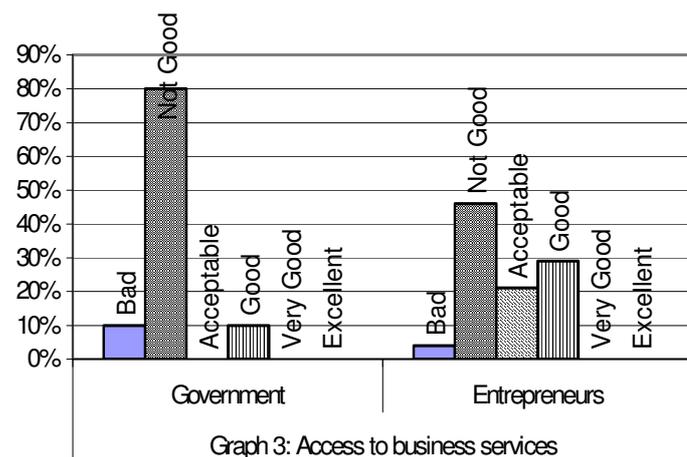
⁴ International Labour Organisation, The Business Climate Survey

Tax regime



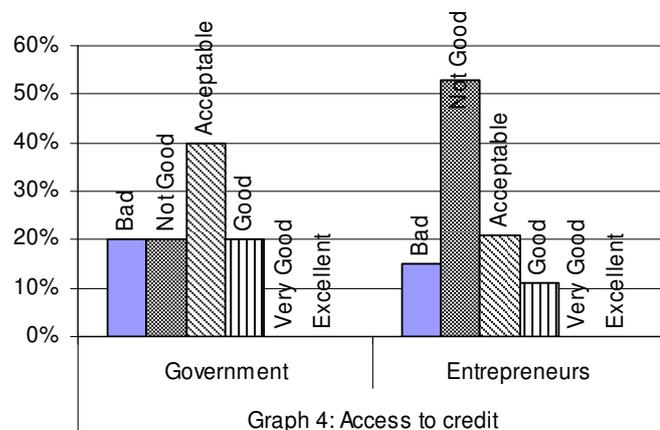
As presented in graph 2, high percentages of the interviewed government stakeholders and entrepreneurs (40% and 44% respectively) have a negative perception about the tax regime. Both sides consider the tax system not transparent and inconsistent. A lump sum tax applies to most small enterprises and this is subject to negotiation between entrepreneurs and tax collector.

Access to business services



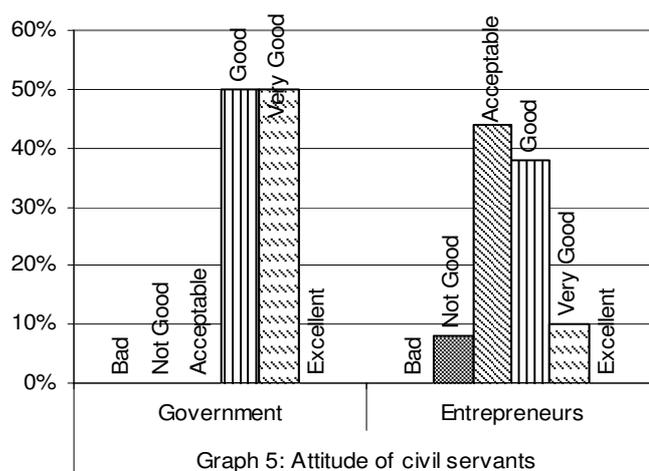
As indicated in graph 3, the government and entrepreneurs shared the opinion that there is a lot of room for improvement regarding business services. This concerns both awareness and availability of those services.

Access to credit



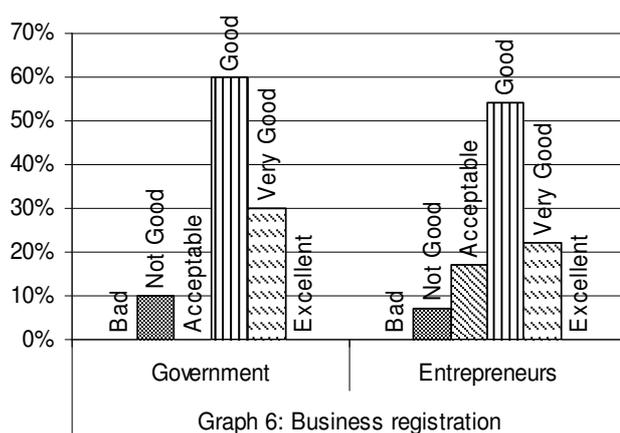
Although 60% of the government officials consider the access to credit as acceptable or good, 68% of the entrepreneurs perceive this as a problem. Key issues mentioned are interest rates, unrealistic requirements for collateral and business plans and complicated procedures to access the formal financial sector.

Attitude of civil servants towards private enterprises



According to the majority of both government officials and entrepreneurs, the attitude of civil servants towards private enterprises is good to very good. The same applies to the attitude of people in general.

Procedures for registering a business



The majority of interviewed people from both government and private sector are positive about the business registration procedures for small businesses at provincial level. However, for businesses which involve more than one sector, business registration is lengthy and complicated. Furthermore businesses which seek to invest from outside the province complained of unclear procedures and a need for promotion and facilitation instead of control.

During the business environment scan, the status of development of business membership organizations like associations and chambers of commerce was also addressed as well as issues related to the SME decree and its implementation. Regarding business membership organisations respondents observed that these are not yet effectively functioning to maximize interest of their members and take on a lobbying and advocacy role with the government. The results of the business climate scan in relation to the six policy areas specified in the SME decree are presented in the table below.

Table 3.1: Constraints and opportunities of SME regarding policy areas of SME decree

Policies	Descriptions	Constraints	Opportunities
Creating an Enabling Regulatory and Administrative Environment	<ul style="list-style-type: none"> -SMEPDO coordinates with line ministries and line agencies. -Close coordination with representatives of all relevant sectors and parties -Provision and dissemination of information on regulations relevant to SMEs 	<ul style="list-style-type: none"> - Insufficient capacity of DOIH as a focal coordinating point; and of concerned departments: staff and supportive facilities -Public-private dialogue and partnership is weakly developed 	<ul style="list-style-type: none"> -DOIH at provincial level is prepared to take coordinating role. Concerned government departments are prepared to collaborate.
2. Enhancing Competitiveness	<ul style="list-style-type: none"> -Training of potential entrepreneurs, existing entrepreneurs and the SME workforce by providing technical assistance to improve the productivity of production and service operations under, quality, technology and entrepreneurs' management skills improvement projects. 	<ul style="list-style-type: none"> -Lack skilled labour -Limited training accessibility of entrepreneurs and SME workforce 	
3. Expanding Domestic and International Markets	<ul style="list-style-type: none"> -Provide information on markets, make available assistance in conducting market research, -Implement activities to promote Lao products, -Participate in domestic and international trade fairs, and facilitate SME access to public procurement. 	<ul style="list-style-type: none"> -Lack business development services: information, market research, and other SME facilitations -Local media is not very effective yet 	<ul style="list-style-type: none"> -Strategic geographical location -Some SME participate in trade fairs through line government support -Support of Local media
4. Improving Access To Finance	<ul style="list-style-type: none"> -Make available credit guarantee schemes or -establish a specialized SME Promotion Bank to ensure that SMEs are provided with adequate credit according to established operational plans. 	<ul style="list-style-type: none"> -Lack credit accessibility of SME 	
5. Encouraging and Creating Favourable Conditions for Establishment of Business Organizations	<ul style="list-style-type: none"> -SMEPDO shall study and develop regulations to facilitate the establishment of business organizations, and -Issue regulations that facilitate and encourage the establishment of business groups, associations, cooperatives and clubs, and 	<ul style="list-style-type: none"> -Existing group/association are not functioning well 	<ul style="list-style-type: none"> -There are some forms of BMOs -There is regulation on establishment of business group/association -Strong support for such establishment from government agencies

	provide assistance to build capacity of these organizations.		concerned -Interest of businesses
6. Enhancing Entrepreneurial Attitudes and Characteristics within the Society	-Development of entrepreneurial training curricula and incorporate them into the education system and enhance the status and characteristics of entrepreneurs within the society in general.	Entrepreneurship training curricula is not incorporated into education system	-Positive attitudes of people and civil servants towards private enterprises -Entrepreneurship training available by private sector providers

Conclusions

The business climate scan in the two provinces was successfully completed through a joint effort between MOIH, SNV, provincial departments, local enterprises and other stakeholders. During the assignment the staff of MOIH acquired skills necessary to better understand private business in the province, built relationship with provincial departments with whom they will further work together. The awareness of the potential for public-private dialogue and partnership increased through the multi stakeholders' consultative meeting.

The business climate scan revealed a number of key issues confronting SMEs including dialogue between government and private business, tax treatment to small business, current quality of products and services, access to domestic and international markets; accessibility to credit, skilled labour, and business training services. The government views them more optimistic than enterprises on some aspects and vice versa. All in all, they recognize the need to improve on these issues.

Opportunities for SME development include positive attitudes of people and civil servants, support of local authorities, business registration and local media's support. The provincial government's economic development strategy is supportive to small and medium enterprise development, but there is gap between strategy and implementation.

There are business membership organizations, but they are not yet effectively functioning to maximize the interests of their members and to take on a lobbying and advocacy role with the government. However business membership organizations do not exist for most economic sectors in Xieng Khoang. Respondents from both government and public sector see a collective effort of enterprises as an important vehicle for improving the business environment.

The tourism sector is the most promising for SME promotion in Luang Prabang. It includes tours, hotels/guesthouses, restaurants and handicrafts. Adding values to these sub-sectors will be demanding and challenging. In Xieng Khoang, livestock is the most favourable sector with pro poor economic growth potential.

The SME decree is virtually new to all stakeholders. Implementing the decree by relevant government departments, the DOIH in particular will be a challenge and will need a lot of support in both expertise and physical facilities.

Recommendations on SME Decree

An important challenge to implement the SME decree is a strong and effective mechanism to lead the process. It comprises (1) a well-coordinated body with a strong leading part; (2) a well-organized business membership entity; and (3) a collective public-private platform. A good understanding about the SME decree for all stakeholders is a necessary precondition. Specifically, it is recommended that:

- *Dissemination SME decree:* SME decree should be disseminated as soon as possible to relevant stakeholders at several levels.
- *Forum for public – private dialogue:* A forum of public-private partnership should be established as a platform for discussions and operations relevant to the SME decree. This forum can also be used to raise awareness and understanding about business membership organizations and their role in promoting enterprise development.
- *Define roles and responsibilities:* Roles and responsibilities for the implementation of the decree at provincial level need to be clarified, defined and endorsed by provincial authorities. Participation of the governor or vice-governor in the process and putting the SME decree on the agenda of the socio-economic development plan will significantly help foster support of all stakeholders to the implementation of the decree.
- *Capacity development:* capacity and competency to take on a coordinating role in implementing the decree is a critical success factor. The DOIH should make sure it has sufficient qualified personnel to carry the new role including identification of specific needs such as qualified business-oriented staff.
- *Quick wins:* the SME decree could be implemented by starting with activities as proposed in the consultative meeting. It is proposed to organize a follow up planning exercise to identify quick wins and prepare an action plan at provincial level.
- *Coordinated effort:* Detailed action plan for SME implementation in the six areas needs joint effort between the secretariat and members from involved departments. Individual departments need to integrate SME development activities into their annual development plans.
- *Measuring progress:* Measuring progress on the implementation of the SME decree for individual departments and the province as a whole is crucial and this needs to be incorporated in the implementation plan.

Case 2: Quick scan regulatory business environment in Vietnam

Background

In 2004, the Provincial People's Committee in Thai Nguyen province in Vietnam planned to speed up its reform of the business environment in order to attract more investors and stimulate the development of business in the province. The People's Committee and the Department of Planning and Investment (DPI), the focal department for business development identified the following key challenges:

- How to enhance the enforcement of government policies and translate these into concrete policy guidelines at provincial level?
- How to create an enabling regulatory environment and support structure for a dynamic private sector?

SNV Netherlands Development Organisation was requested by the Department of Planning and Investment to assist in reforming the business environment.

Process of assessment

A scan of the regulatory business environment in Thai Nguyen province was initiated by DPI. It was conducted by 5 members from departments involved in SME development and the university with backstopping from a consultant of SNV.

The scan employed the following methods:

- Secondary data collection from reports available on the province to provide an overview of the situation
- Interview enterprises using questionnaires. This step gave a good understanding of SME awareness of existing SME promotion policies, enforcement of SME policies in 5 major areas: land, business registration, tax, capital and labour and their impact on business performance, problems encountered during policy implementation, participation of SME in policy review and formulation.
- Interview key departments using semi-structure questionnaire at provincial level and group discussion with district departments. The interview question included major issues identified from the SME interviews. This interview was to learn about the awareness of provincial policy makers on business problems, their attitudes and responsiveness to SME comments and the relationship between government and private sectors
- Analysis of findings
- Validation workshop with multi stakeholders

For the analysis, the study team used an analytical framework on investment environment promotion as developed by Meso-partner⁵. According to this framework, a favourable environment for doing business comprises three main factors:

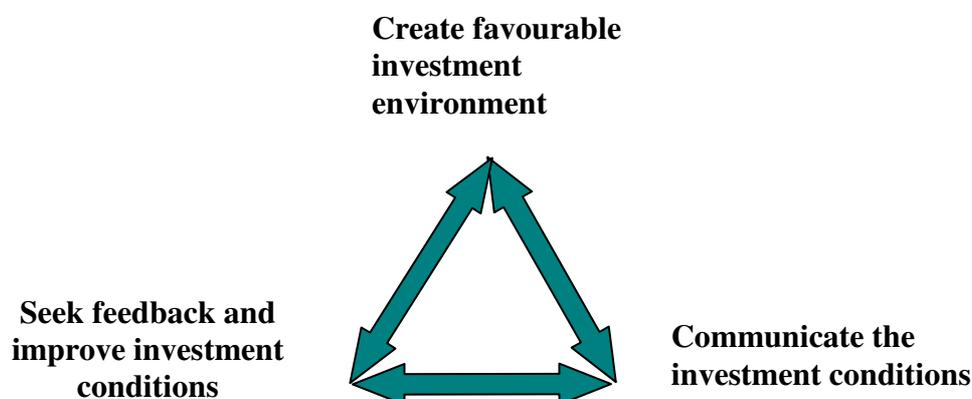
1. *The tangible elements* include demand and supply markets, infrastructure development such as: transportation, communication, quality of and cost for labour, land, tax and other financial incentives.

2. *The intangible elements attracting enterprises* include a favourable regulatory environment for investment, scope and dynamism of demand side as well as private economics sector.

3. *The intangible elements attracting investors or specialists* to come and live in the area includes housing & school quality, cultural elements, employment opportunities, entertainment services, etc.

The creation of an enabling regulatory environment for business development comprises of three main types of activities, which are interrelated as presented below.

Figure 3.1: Key components of an enabling regulatory environment



⁵ Meso partner: a German development consultancy organization

The scan focused on intangible factors relevant for enterprises, particularly on creation of an enabling regulatory environment for businesses. The framework as presented above helped in identification and follow up on issues that were rather unclear to both business community and policy makers. For example, the scan showed that changed conditions remained unknown to the majority of interviewed SMEs because communicating these investment conditions and seeking feedback were neglected. Based on this analysis more process oriented follow up was designed by provincial authorities.

Furthermore, the business environment was assessed based on criteria, which are commonly used in international practice (see the annex for details). By comparing the results of the scan with the criteria, stakeholders were convinced that the business environment in Thai Nguyen is far from enabling. Although initially, policy makers blamed the private sector, this exercise clearly pointed out bottlenecks in the business environment and implementation and communication of SME promotion policies.

Results

The assessment has concluded that Thai Nguyen province has the least attractive investment environment in comparison with the three neighbouring provinces, which has similar conditions. The province is performing poor on all three aspects of creating a favourable regulatory environment. The province meets only one out of seven criteria for an attractive regulatory investment environment. Other major findings are summarised in the table below:

Table 3.2: Summary findings business environment assessment in Thai Nguyen

Activity type	Main issues	Opportunities
Creating conditions for business development	Efforts made in introduction of incentive policies. Enterprises have somehow benefited from these policies Inconsistency in policy implementation between departments at different levels Absence of an effective collaboration mechanism to handle SME problems	DPI could take up more proactive role in coordinating activities for SME development and making sure consistent in policy implementation. Focus on
Communication of conditions	Communicate in informal and ineffective manner. This makes the access to information on incentive policies and business environment in the province very intransparent Absence of a competent agency for information provision	Appoint an agency that provides initial information to businesses. Pay more attention to communication.
Seeking for feedback and continuous improvement of conditions	Without participation of SME's in policy formulation and review, policies have not been able to tackle issues faced by SME No platform for policy dialogue	Establish forum for policy dialogue and review

Conclusions

The scan was regarded as an interesting and useful exercise for all stakeholders involved particularly for policy makers to gain more insight in the business environment and business operations. An important result is the changed perception of local authorities on the causes of poor business performance. They have identified the difficult environment for business to start and grow as an important factor in this regard and see a role for them in improving this. They have increased their understanding of the major causes of the low level of policy enforcement.

Recommendations

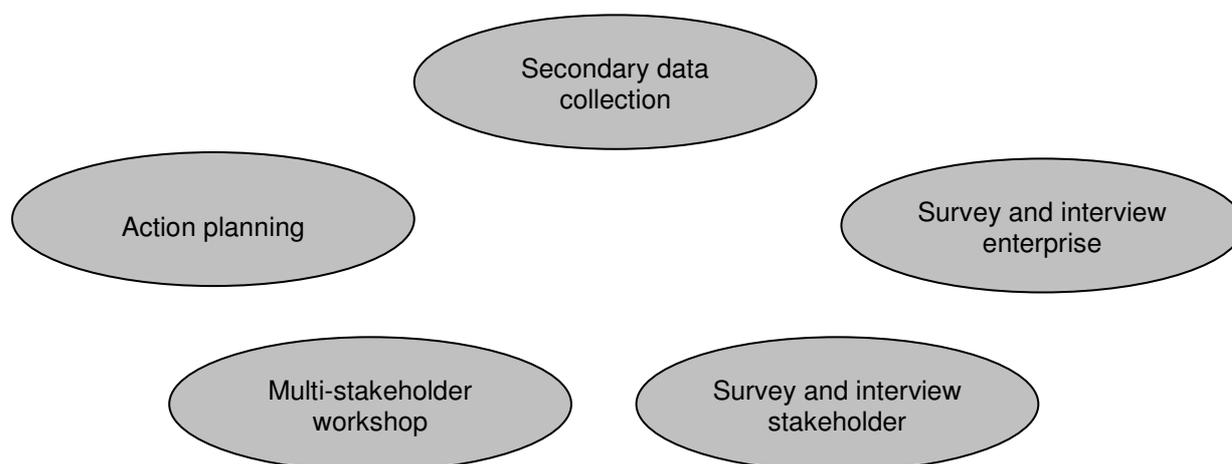
The scan resulted in a number of recommendations to the local authorities including departments in charge of SME promotion to improve the regulatory environment. The major ones are presented below.

- *Comprehensive approach:* To create an attractive environment for businesses the province should equally pay attention to implementation of policies, on communication of conditions and getting feedback from business communities for further improvement. The province needs to develop a variety of tools for communication to firms.
- *Speed up administrative reform:* The speed of administrative reform, especially in terms of land use procedures and construction licensing should be increased. It is necessary to strengthen and publicize the planning for industrial zones with a harmonized infrastructure and operation mechanism. **Make information on necessary conditions for business registration available for SMEs.**
- *Public – Private Dialogue:* Enterprises need to be involved in policy making and review. One way of doing this is to create a forum for public – private dialogue.
- *Coordination mechanism:* roles and responsibilities of different sector / departments on enterprise promotion should be clarified and a mechanism for coordination needs to be developed.

4. Key issues and lessons learned

In the cases presented in paragraph 3, the same methodologies were used in scanning the business environment. These core components of a quick scan of the business environment are presented below.

Figure 4.1: Five Core Components Quick Scan



A number of key issues and lessons learned concerning the quick scan of the business environment are emerging from the cases in Lao PDR and Vietnam and these are presented below.

<i>Demand versus supply</i>	Ownership and participation of concerned stakeholders at the local level is a critical success factor. Therefore, a scanning needs to start with and build on demand from local organizations and local initiatives (like the expressed need to support the implementation of the SME Decree in Lao PDR and the request of the Department of Planning and Investment in Thai Nguyen province in Vietnam)
<i>Multi actor approach</i>	In assessing the business environment, it is important to involve key actors which are involved in enterprise development in a participatory way to create ownership of the results. This will also help to take the assessment a step further and start developing an agenda for reform. In both cases presented, local government officials were involved in the survey of enterprises. This contributed to their understanding of the perspectives of enterprises and can be considered as a first step in developing a client orientation.
<i>Continuing process</i>	Improving the business environment is a continuing process. The assessment does not stand alone. It is a first step and creates momentum for follow up. The multi stakeholder workshops generated a lot of enthusiasm and energy and the challenge is to utilize this momentum to its fullest potential.
<i>Bridging the gap</i>	There is a natural distrust between the public and private sector. Joint identification of opportunities and jointly defining roles and responsibilities helps in bridging the gap

	and creating a common understanding of each others perspective and is the first step in creating a common agenda for reform. One of the features of the quick scan was that it identified the different perspectives of the government and the private sector.
<i>Small is beautiful</i>	A quick scan of the business environment at provincial level can be done in a relatively short time and is a cost-efficient approach to collect data on key issues in the business environment from both government and private sector perspectives. It also contributes to creating awareness regarding the business environment and building a common agenda for reform.
<i>Enterprise size</i>	In the presented cases the majority of the enterprises interviewed were micro enterprises (average size of 5 employees). Based on these cases however, the conclusion seems to be justified that it is important to pay special attention to small enterprises in scanning the business environment. There is a different dynamics between small and big enterprises (e.g. regarding business licensing, access to financial services etc.) and in order to address these issues data need to be collected and disaggregated according to size of the enterprise.
<i>Public private dialogue</i>	Public private dialogue starts already in the assessment and a properly guided process creates a good basis for follow up. During the multi stakeholder workshops, appreciative inquiry techniques were used focusing on opportunities rather than bottlenecks in the business environment.
<i>Roles and responsibilities</i>	The multi stakeholder workshop is a good forum to discuss roles and responsibilities of the different stakeholders, (Governor's Office, various departments and the private sector)
<i>Quantity vs. Quality</i>	Most tools as developed by donors tend to focus on quantitative data. A properly balanced use of quantitative and qualitative data collection is important.
<i>Involvement private sector</i>	The relevant government departments need to have a proper understanding of the business environment and the needs of the private sector in order to be able to development proper policies and guidelines. Involvement of private sector, especially small enterprises, whose voices are often ignored, in giving their feedback on the policy implementation is important to make sure that introduced policies are well addressed issues faced by enterprises. In both cases, it was suggested to improve involvement of the private sector by creating a forum for public – private dialogue. Business membership organisations like associations and chambers of commerce are in a good position to take on this lobbying and advocacy role on behalf of their members.

During the quick scan of the business environment, knowledge was transferred in various ways:

- | | |
|-------------------------------|--|
| Awareness | <ul style="list-style-type: none">• Training on creating an enabling environment for small enterprise development helped key officials of MOIH gain insight in the analysis, design and implementation of programs for reforming and improving the business environment for small enterprises.• The quick scan created awareness and understanding between different actors which play a role in the business environment |
| Building networks | <ul style="list-style-type: none">• The quick scan contributed to building relationship and a network between organizations and persons. The coordinating agency at provincial level can further develop this network for reforming the business environment. |
| Capacity strengthening | <ul style="list-style-type: none">• Learning by doing: in supporting the local organisations at provincial level in conducting this assessment, officials acquired skills in conducting a business environment scan, in facilitating multi stakeholder processes and in developing a client orientation.• Training on business assessment was given to staff of local organizations so that they can do the exercise more frequently. |

5. Challenges and recommendations

Based on the key issues and lessons learned as presented in paragraph 4, the following challenges and recommendations are identified for donors.

Assessing the business environment

There is a general agreement and common sense that the business environment should be assessed before starting an intervention. In the cases presented a quick scan was used for this purpose. However, there is a wide variety of tools and approaches and this raises the question how extensive an assessment is needed and which tools to use in which circumstances. Lessons learned need to be gathered to determine what tools are most appropriate in what circumstances and what is the most cost-effective way of conducting an assessment of the business environment.

Enterprise size and clusters

It is important to pay special attention to small enterprises in reforming the business environment as they face different challenges. Most tools as developed by donors pay little attention to this segment and additional action research and documentation of experiences is needed in this regard. Furthermore enterprise clusters often face certain constraints in the business environment which are specific for their cluster (e.g. tourism related enterprises in Luang Prabang). A distinction need to be made to the generic business environment and the specific, cluster related, environment.

<i>Public Private Dialogue</i>	In both cases presented it was recommended to create a forum for public – private dialogue at provincial level. This is a very new concept for Lao PDR and Vietnam. There is a need to identify best practices regarding these kinds of forums and success stories need to be identified.
<i>Timeframe</i>	Because of involvement of a variety of actors from both the government and private sector, interventions to reform the business environment run into the risk of being time consuming. The challenge faced by donors in this regard is to identify best ways to identify quick wins.
<i>Capacity development</i>	There is a challenge in determining the best ways to develop the capacity of local actors in creating an enabling environment for enterprise development.
<i>Performance measurement</i>	There is a need to develop benchmarks on how to measure performance of programs to reform the business environment and standardization of those benchmarks.

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ANNEX 1: SME Decree Lao PDR

(Unofficial Translation, 10 January 2005)



Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity

Prime Minister's Office

No. 42 /PM
Vientiane Capital, Date: April 20, 2004

DECREE

ON THE PROMOTION AND DEVELOPMENT OF SMALL AND MEDIUM SIZED ENTERPRISES

- Pursuant to the Law on the Government of Lao PDR No. 02/NA, dated 6 May, 2003
- Pursuant to the Business Law No. 03/94, dated 18 July, 1994
- Upon the proposal of the Minister of Industry and Handicrafts No. 149/IH, dated 12 March, 2004

Prime Minister issues

DECREE:

Chapter I

GENERAL PROVISIONS

Article 1: Purpose

This Decree defines directions and policies and establishes an SME Promotion and Development Fund and support organizations together with regulations, practices and measures, to promote sustainable growth of small and medium sized enterprises aiming at expanding commercial goods production, trading and service business activities, so as to contribute to employment creation, the raising of living standards of people, and to lay the foundations for gradual industrialization and modernization and contribute to sustainable growth of the national economy.

Article 2: Definition of Small and Medium Sized Enterprises

Small and medium sized enterprises, or SMEs, are independent enterprises that are legally registered and operating according to the prevailing laws of the Lao PDR and are classified into the following categories:

- i. Small enterprises are those having an annual average number of employees not exceeding 19 persons or total assets not exceeding two hundred and fifty million kip or an annual turnover not exceeding four hundred million kip, and
- ii. Medium sized enterprises are those having an annual average number of employees not exceeding 99 persons or total assets not exceeding one billion two hundred million kip or an annual turnover not exceeding one billion kip.

The SME classification determines the nature of the support measures available, according to the actual situation of the social and economic development in each stage.

In coordination with relevant parties the National SME Promotion and Development Office shall issue decisions on SME classification in each stage of development as deemed appropriate.

Article 3: Categories of SMEs

Small and medium sized enterprises are classified into three categories by sector:

1. SMEs operating in the manufacturing sector,
2. SMEs operating in the trade sector, and
3. SMEs operating in the service sector.

Article 4: Scope of Application of the Decree

This Decree is applied to all SMEs that are established and operating within Lao PDR as defined by sizes and sectors in article 2 and 3 of this Decree, with the particular aim of supporting the establishment, improvement and expansion of those businesses.

Chapter II

Directions and Policies for SME Promotion and Development

Article 5: Creating an Enabling Regulatory and Administrative Environment

The National SME Promotion and Development Office shall coordinate relevant line ministries and parties to improve existing regulations through reviewing regulations and implementation methods that are hindering establishment and expansion of businesses.

New regulations shall be issued in close coordination with representatives of all relevant sectors and parties, with participation by implementing agencies to ensure that new regulations are relevant, simple, clear and enforceable.

Provision and dissemination of information on regulations relevant to SMEs shall be improved to ensure that sufficient and updated information is available.

Article 6: Enhancing Competitiveness

The Government shall promote the development of SMEs' competitiveness through training of potential entrepreneurs, existing entrepreneurs and the SME workforce by providing technical assistance to improve the productivity of production and service operations under, quality, technology and entrepreneurs' management skills improvement projects. The Government shall support and closely cooperate with organizations, academic institutions, research institutes and technical institutes in implementing projects to develop entrepreneurs and skills of the workforce.

Article 7: Expanding Domestic and International Markets

The Ministry of Commerce shall provide information on markets, make available assistance in conducting market research, implement activities to promote Lao products, participate in domestic and international trade fairs, and facilitate SME access to public procurement.

Article 8: Improving Access to Finance

The Ministry of Finance and the Bank of Lao PDR shall provide budget, appropriate and comprehensive loan products, make available credit guarantee schemes or establish a specialized SME Promotion Bank to ensure that SMEs are provided with adequate credit according to established operational plans.

Article 9: Encouraging and Creating Favorable Conditions for Establishment of Business Organizations

The National SME Promotion and Development Office shall study and develop regulations to facilitate the establishment of business organizations, issue regulations that facilitate and encourage the establishment of business groups, associations, cooperatives and clubs, and provide assistance to build capacity of these organizations.

Article 10: Enhancing Entrepreneurial Attitudes and Characteristics within the Society

The Ministry of Education shall coordinate with the National SME Promotion and Development Office in the development of entrepreneurial training curricula and incorporate them into the education system and enhance the status and characteristics of entrepreneurs within the society in general.

Chapter III SME Promotion and Development Fund

Article 11: Establishment of the SME Promotion and Development Fund

The Government is authorized to establish the SME Promotion and Development Fund to provide support to SME promotion and development programs. The SME Promotion and Development Fund shall be managed by the National SME Promotion and Development Office. Separate regulations for the management of the SME Promotion and Development Fund will be issued.

Article 12: Income of SME Promotion and Development Fund

The SME Promotion and Development Fund shall receive income from the following sources:

1. The National Budget,
2. International grants or loans,
3. Voluntary donations and contributions by individuals and organizations, and
4. Services and the collection of fees and others.

Article 13: Expenditures of the SME Promotion and Development Fund

The SME Promotion and Development Fund shall be used for the following purposes:

1. To support SME promotion and development projects,
2. To provide financial support to SMEs,
3. To cover administrative expenses of the National SME Promotion and Development Committee,
4. To pay bonuses and other rewards to staff of the National SME Promotion and Development Office,
5. To develop human resources of the National SME Promotion and Development Office, and staff and workforce of the business sector,
6. To cover administrative expenses of the National SME Promotion and Development Office, and
7. To support other activities related to SME promotion and development.

Article 14: Annual Budget of the SME Promotion and Development Fund

The annual budget of the SME Promotion and Development Fund will be considered by the National SME Promotion and Development Committee prior to being submitted to the Government for approval.

Chapter IV

Action Plan for SME Promotion and Development

Article 15: Methods for Implementation of the Action Plan for SME Promotion and Development

All SME promotion and development measures will be planned and implemented in the form of projects and programs that will be in line with socio-economic development plans and the laws of the Government.

The National SME Promotion and Development Office shall issue standards and methods in developing projects and programs, and monitoring and evaluation of program implementation.

An action plan for SME promotion and development shall be prepared, consolidated by the National SME Promotion and Development Office, and submitted to the National SME Promotion and Development Committee for consideration and approval in principle prior to presenting it to the Government.

Article 16: Contents of the Action Plan

The contents of the Action Plan shall be related to projects and activities supporting SMEs in one of the following areas:

1. Promoting and developing SMEs in each sector with special attention to those considering appropriate utilization of local resources,
2. Financial support,
3. Technical support,
4. Enhancing the capabilities of entrepreneurs of SMEs and their personnel in the areas of marketing, finance, production, personnel, management and development together with other managerial areas,
5. Promoting improvement of the quality of commercial goods production, trade and services,
6. Promoting domestic and international market expansion,
7. Providing information,
8. Promoting research and development, including transfer of modern and appropriate technology, to SMEs,
9. Promoting linkages and support between SMEs and large enterprises,
10. Encouraging clustering among SMEs for mutual assistance,
11. Promoting and developing various organizations that play a role in promoting the development of SMEs,
12. Promoting and facilitating investment in establishment and operation of SMEs,
13. Granting privileges and incentives and advising SMEs on taxation issues,
14. Promoting and advising on issues related to employment, health protection, sanitation and environmental protection,
15. Promoting and supporting copyright, patent, trade mark and other intellectual property,
16. Improving and revising rules, procedures and practices which obstruct SMEs,
17. Promoting the establishment of new SMEs,
18. Promoting SMEs to apply accounting systems,
19. Advising on regulations and practices prescribed in the laws of Lao PDR, and
20. Other activities related to promotion and development of SMEs in order to foster business expansion and competitiveness.

Chapter V

Organization System and Mandate of SME Promotion and Development Organizations

Article 17: SME Promotion and Development Organizations at National Level

The SME promotion and development organizations at national level consist of:

- The National SME Promotion and Development Committee,
- The Standing Committee of the National SME Promotion and Development Office, and
- The National SME Promotion and Development Office.

Article 18: The National SME Promotion and Development Committee

The National SME Promotion and Development Committee shall be established as a public and business partnership.

The National SME Promotion and Development Committee shall operate in the form of meetings and advise the Government on policies and SME promotion and development projects and programs.

Article 19: Membership of the National SME Promotion and Development Committee

Membership of the National SME Promotion and Development Committee consists of:

1. Minister for Industry and Handicraft as Chairman,
2. Vice Minister for Finance as vice Chairman,
3. Vice Minister for Communication, Transport, Post and Construction as a member,
4. Vice Minister for Commerce as a member,
5. Vice Minister for Agriculture and Forestry as a member,
6. Vice Governor of Bank of Lao PDR as a member,
7. Vice President of Lao Women's Union as a member,
8. Rector of National University of Laos as a member,
9. President of Lao National Tourism Authority as a member,
10. President of Lao National Chamber of Commerce and Industry as a member,
11. Director General of the SME Promotion and Development Office as a member and its permanent secretary, and
12. Fifteen business people and senior people as members, to be appointed by the Prime Minister upon recommendation of the Chairman of the National SME Promotion and Development Committee.

Article 20: Criteria and Qualifications for Business People and Senior People Members

The National SME Promotion and Development Committee business people and senior people members shall have knowledge, competence and expertise, with more than 5 years experience in the field of business. They shall operate SMEs and be selected by representatives of the private SME sector.

The qualified members must possess the following additional qualifications:

1. be Lao national,
2. not be a bankrupt,
3. not be an incompetent person, and
4. not have been imprisoned, except for an offence committed through negligence or carelessness.

Article 21: Service Term of Business People and Senior People Members

The service term of business people and senior people members is three years (one term) from the date of appointment and they can be appointed for multiple terms.

Business people and senior people members shall vacate office upon:

1. death,
2. resignation,
3. being removed by decision of the Cabinet, or
4. lacking qualifications and others.

In case a business or senior people member, for any reason, vacate office prior to completion of his term, if there is an appointment of a new business or senior people member as replacement, the new appointed member shall hold office only for the remaining term of his predecessor.

Article 22: Meetings of the National SME Promotion and Development Committee

At meetings of the National SME Promotion and Development Committee, the presence of at least 2/3 of members is required to constitute a quorum. Regular meetings shall be held once every six months. In case of urgent matters, extraordinary meetings may be held at any time.

Article 23: The Standing Committee of the National SME Promotion and Development Office

Not more than nine members of the National SME Promotion and Development Committee shall be appointed as members of the Standing Committee of the National SME Promotion and Development Office to administer operations of the National SME Promotion and Development Office.

Mandate and membership of the Standing Committee shall be defined by the Chairman of the National SME Promotion and Development Committee.

Article 24: The National SME Promotion and Development Office

In the beginning the National SME Promotion and Development Office shall be set up as a technical office at departmental level under the auspices of the Ministry of Industry and Handicrafts to coordinate all matters related to SME promotion and development.

The National SME Promotion and Development Office shall consist of its Director General, who is appointed and dismissed by the Prime Minister upon the proposal of the Chairman of the National SME Promotion and Development Committee; Deputy Director Generals and technical staff are appointed and dismissed by the Chairman of the National SME Promotion and Development Committee.

The National SME Promotion and Development Office shall have independent financial status, its own seal and bank account and shall be managed by its Standing Committee.

Decisions on the establishment and operation of the National SME Promotion and Development Office shall be issued by the National SME Promotion and Development Committee.

Article 25: Authority and Duties of the National SME Promotion and Development Office

1. To act as a secretariat for the National SME Promotion and Development Committee in the formulation of policies and plans for SME promotion and development and to facilitate the operation of the National SME Promotion and Development Committee,
2. To define SMEs according to socio-economic conditions in each locality,
3. To manage the SME Promotion and Development Fund according to policies and decisions of the National SME Promotion and Development Committee,
4. To implement, monitor and evaluate SME support projects and annual SME development plans,

5. To report progress on SME promotion projects to the National SME Promotion and Development Committee and seek for approval of quarterly plans,
6. To disseminate information on legislation and regulations, SME support projects and socio-economic development plans of the Government to SMEs,
7. To upgrade knowledge and skills of the Government and private sector staff on SME promotion and development,
8. To coordinate all parties involved in the implementation of SME promotion and development projects,
9. To cooperate with international organizations in SME promotion and development,
10. To advise relevant agencies, State Owned Enterprises and the private sector in the implementation of SME promotion plans, and
11. To exercise other authorities and perform other duties as assigned by the National SME Promotion and Development Committee and as prescribed by law.

Article 26: Local SME Promotion and Development Organizations

1. The Government shall support and facilitate establishment of local SME promotion and development organizations as public-business partnerships in the form of production groups, associations, cooperatives and the like to suit the actual situation in each locality.
2. Existing Departments of Industry and Handicrafts in municipalities, provinces and special zones shall perform duties of promoting and developing SMEs at the local level, and coordinate with the National SME Promotion and Development Office, production groups, associations, cooperatives and others.
3. The National SME Promotion and Development Office shall develop and issue regulations on the status, authority and duties of local SME promotion and development organizations, including associations, production groups, cooperatives and others related to SME promotion and development at local level.

Article 27: Role of Provincial Governments, Municipalities and Special Zones

Authorities of provinces, municipalities and special zones are responsible for incorporating SME development policies and measures defined in this Decree into their socio-economic development plans according to the actual conditions of their localities.

Authorities of provinces, municipalities and special zones shall assist, cooperate and coordinate with the National SME Promotion and Development Office and local SME support organizations in developing and implementing SME promotion and development projects in their localities according to the actual situation in each locality.

SME development promotion programs and projects using State budget resources in the localities shall comply with the guidelines to be issued by the National SME Promotion and Development Office.

Authorities of provinces, municipalities and special zones shall provide six monthly reports on results achieved, the difficulties encountered and the solutions recommended on SME promotion and development in their localities to the Government through the National SME Promotion and Development Office.

Chapter VI
FINAL PROVISIONS

Article 28: Implementation

The National SME Promotion and Development Committee, relevant ministries, t ministry equivalent organizations and local authorities shall organize and strictly and realistically implement this Decree.

Article 29: Effectiveness

This Decree comes into effect on the date of its signing.

Prime Minister

ANNEX 2: Questions Business Climate Survey ILO



Business Climate Survey

please tick in this column if you find a question very important

		BAD 	NOT GOOD	ACCEPT-ABLE	GOOD	VERY GOOD	EXE-LENT 	IMPORTANT QUESTION) 
1	How do you find the attitudes of people in your area towards private enterprises?							
2	How do you find the attitudes of civil servants in your area towards private enterprises?							
3	Do you find the local media (television, radio, newspapers) helpful for small enterprises?							
4	How do you regard the support of the local authorities to small enterprises in your area?							
5	How do you regard the procedures for registering a private business in your area?							
6	How do you regard services and products produced by private enterprises in your area?							
7	How do you regard the possibility for enterprises in your area to access credit?							
8	How do you regard the possibility for enterprises in your area to access raw materials?							
9	How do you regard the possibility for enterprises in your area to access markets within the country?							
10	How do you regard the possibility for enterprises in your area to access international markets?							

please tick in this column if you find a question very important

		BAD 	NOT GOOD	ACCEPT-ABLE	GOOD	VERY GOOD	EXE-LENT 	IMPORT ANT QUESTI ON) 
11	How do you regard the possibility for enterprises in your area to access land?							
12	How do you regard the possibility for enterprises in your area to access skilled labour?							
13	How do you regard working conditions in small enterprises in your area?							
14	How do relations between business owners and workers affect businesses in your area?							
15	How is the access to business management training in your area?							
16	How is the access to business services, such as accounting services, legal services, information and marketing services in your area?							
17	How do you regard the willingness and capacity of small entrepreneurs to help each other and work together for common needs?							
18	How do you regard the dialogue between local government and enterprises in your area?							
19	Do you regard the treatment of small enterprises by the tax authorities as fair?							
20	How do you regard the overall business climate in your area?							

Is there anything you would like to add about the business climate in your area?
Thank you for answering our questions!

ANNEX 3: Criteria Business Environment

1. Quickly dealing with requests, and obstacles of the enterprises (e.g. fast issuing license).
2. A reliable and transparent information provider as well as one-stop policy is in place.
3. Effective support given by relevant sectors/departments for business development.
4. The sensitiveness, pro-activeness, determination, and hospitality of the local governors.
5. Friendly environment between the State and private enterprises.
6. Frequent dialogs between the investors and the government organizations.
7. Transparent legal system.