

## V- 5 PRIVATE SECTOR ENTERPRISE PROMOTION

### V-5.1 OVERVIEW

#### 1) Distribution of Private Sector Enterprises

There are around one hundred larger-scale industries which absorb a large share of investments and trade major export commodities in Lao PDR. According to the survey entitled “Medium and Large Private Companies in Lao PDR” (Mekong Project Development Facility (IFC), March 1998), there are approximately 800 private enterprises registered at MOIH, MOF or Chamber of Commerce with assets greater than 250 million Kip and located in the urban and suburban areas of Vientiane, Savannakhet, Pakse and Luang Prabang. About half of these private enterprises are involved in production and services, and the remaining 400 in trade-related activities.

Based on the MPDF survey (111 samples), average sales or output amounted to 4,000 million Kip, while it was less than 625 million Kip for all Lao enterprises and about 1,250 million Kip for joint ventures with private Lao enterprises. Almost all of the firms with more than 2,500 million Kip in sales were either joint ventures with the state or wholly owned by foreign enterprises. Historical changes of enterprises registered by MOIH are tabulated below.

**Table V5.1 Number of Establishments Registered in MOIH**

Name of Province		1996	1997	1998	1999
Lao PDR	Large	110	119	99	108
	Medium	408	437	462	494
	Small	14,134	15,375	15,953	19,797
Vientiane Municipality	Large	74	77	60	64
	Medium	124	148	134	140
	Small	798	895	961	1,045
Khammouan	Large	14	17	18	18
	Medium	9	11	8	11
	Small	521	915	1,009	1,671
Savannakhet	Large	6	10	10	8
	Medium	41	39	41	69
	Small	1,505	1,756	1,760	1,943

Note: MOIH definition is as follows.

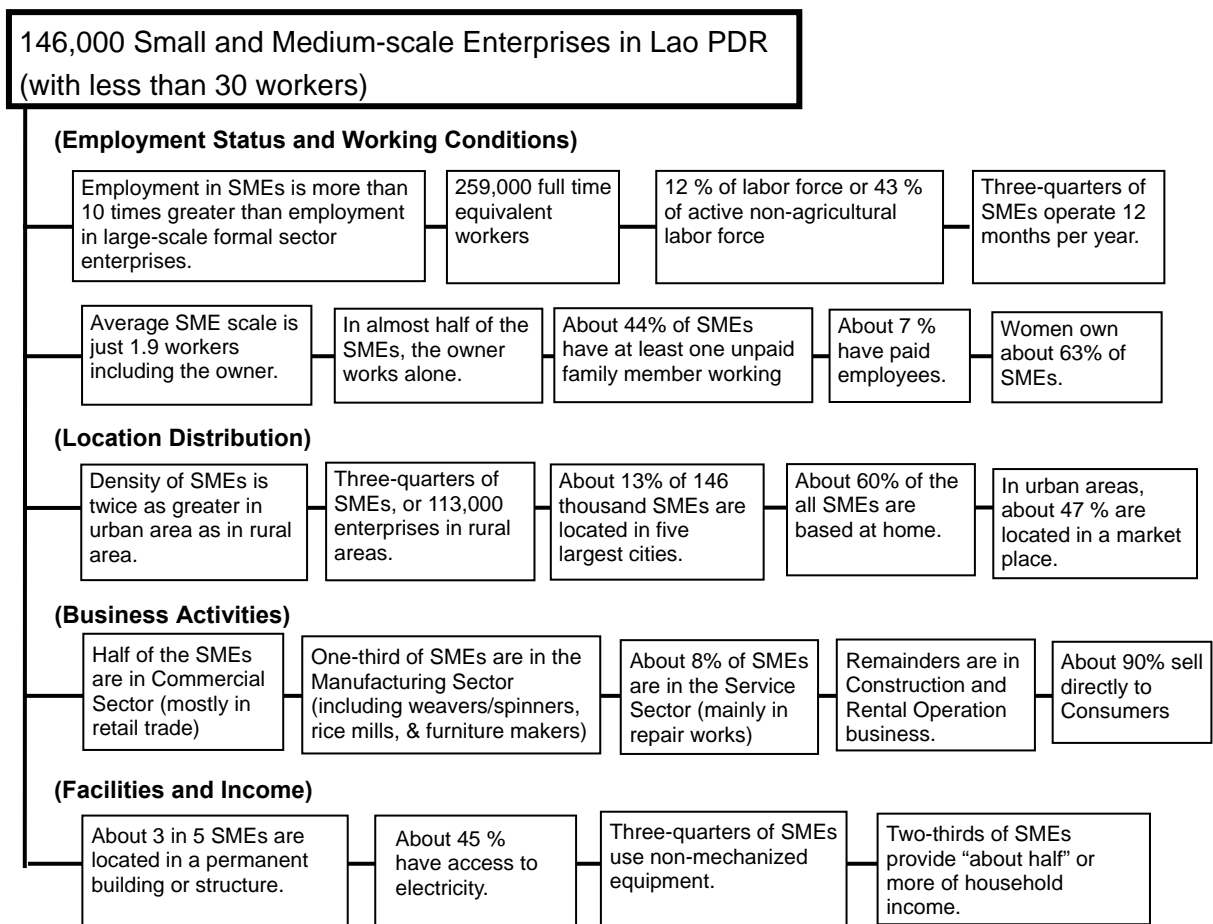
Small scale establishments: Number of employees less than 9 persons

Medium scale establishments: Number of employees between 10 to 99 persons

Large scale establishments: Number of employees more than 100 persons

Source: Ministry of Industry and Handicraft, 2000

In contrast, small and medium scale enterprises (SMEs) registered in MOIH numbered over 20,000 in 1999 and employed a large proportion of employment in the manufacturing and commerce sectors in Lao PDR. However, practical figures are quite different. According to the survey of “Small and Medium Enterprises in LAO PDR” (The Lao-German Small Enterprise Development Project, February 1996), about 146,000 SMEs (with less than 30 workers) were counted, employing 259,000 full-time-equivalent workers. Workers in SMEs accounted for 12 % of the labor force or 43 % of active non-agricultural labor force. The following chart shows the characteristics and situation of SMEs in 1996:



**Figure V5-1 Characteristics of SMEs in Lao PDR**  
(Based on the 1996 Lao-German Project)

The 1995 census indicates that the private sector employed about 93 % of the labor force, of which 91 % are farmers and self-employed people in the informal sector. The total employment in private enterprises was 51,000 persons (2%) as shown in the table V5-2.

**Table V5.2 Type of Employment, Civilian Work Force, 1995**

Type of Employment	Number	Percent Share
Subsistence Farming	1,807,000	84%
Informal Sector		
Own Account Worker	109,000	5%
Unpaid Family Worker	37,000	2%
Formal Sector		
Paid Employee/ Government	109,000	5%
Paid Employee/ State Enterprise	19,000	1%
Paid Employee/ Joint venture	8,000	0.4%
Paid Employee/ Private Employer	51,000	2%
	5,000	0.2%
<b>Total</b>	<b>2,145,000</b>	<b>100%</b>

Source: 1995 Census, Lao PDR

## 2) Business Environment in SKR

As shown in Table V5-1, registered enterprises were 18 large, 11 medium, and 1,671 small enterprise in Khammouan province and 8 large, 69 medium and 1,943 small in Savannakhet province. Two provinces shared 18 % of SMEs in Lao PDR.

Khammouan province is endowed with natural resources that attract investors. The forestry industry is developed, and mineral resources (e.g., tin, coal, gypsum and potash) are reported. An industrial zone has been planned at Nag, as the distance from Nag to the sea at the Juror Pier in Vietnam is only 150 km by road.

Savannakhet province is said to be a trade and industry center, located at crossroads of routes 9 and 13. Savannakhet is one of the major centers along the East-West economic corridor. The province is also endowed with forestry resource, gypsum and copper/gold resources, and various agricultural products. A Special Economic Zone is planned at Savannakhet.

## 3) Investments in Private Sector Enterprises

In 1999, the approval of FDI licenses amounted to US\$ 146 million for 68 projects. Virtually, around 75 % of all FDI projects approved so far have had a registered capital of less than US\$ 1 million. The garment industry has made a significant contribution to urban employment by creating approximately 20,000 jobs.

Foreign investors have shown interest in various sectors including: hydropower, agriculture, mining, transport, finance, light manufacturing and service industries. Sector wise, the manufacturing sector (garments/textiles, wood-based industries and others) accounted for about 25 % of the total FDIs.

**Table V5-3 Foreign Direct Investment (Approval) by Sector 1994-1999\***

(Unit: million US\$)

	No. of Project (94-99)	Investment (mill. US\$) (94-99)	% to Total Investment	Average Investment per annum (mill. US\$)	% to Total Projects
1. Agriculture	43	90	1.9%	18.0	10.4%
2. Garments/Textile	31	36.6	0.8%	7.3	7.5%
3. Wood-based Industries	11	39.6	0.8%	7.9	2.7%
4. Other manufacturing	61	402.4	8.5%	80.5	14.6%
5. Mining/ petroleum	19	63.7	1.4%	12.7	4.6%
6. Trade	50	25.8	0.6%	5.2	12.1%
7. Hotels/tourism	16	493.6	10.5%	98.7	3.9%
8. Electric power	5	2876.2	60.8%	575.2	1.2%
9. Other	179	692	14.7%	138.4	43.0%
<b>Total investments</b>	<b>415</b>	<b>4,719.9</b>	<b>100.0%</b>	<b>944.0</b>	<b>100%</b>

Note: First 10 months for 1999

Source: IMF "Recent Economic Developments" January 2000

Total amount of FDIs in Savannakhet and Khammouan provinces up to 1998 amounted to US\$ 32-34 million. The share of FDIs by sub-sector and by country of origin in Savannakhet is shown in the tables below. Although Thailand is the largest source of FDI in Savannakhet, accounting for 45 %, there is a diversification of origins of FDI compared to the 1992-96 national average where Thailand accounted for more than 70 % of total FDIs. During the period 1995-1998, the industrial sector accounted for 62 %, followed by the service sector (36 %). FDI in the agriculture sector was quite small (1%).

**Table V5-4 FDIs by Sub-sector in Savannakhet**

(Thousand US\$)

Name of enterprise	1995	1996	1997	1998	Total	Share
<b>Industrial sector</b>	<b>10,950</b>	<b>200</b>	<b>1,740</b>	<b>816</b>	<b>13,706</b>	<b>62.4 %</b>
(1) Agro-processing	0	200	0	0	200	
(2) Garment/ textile	10,950	0	0	816	11,766	
(3) Wood-products	0	0	0	0	0	
(4) Machinery	0	0	1,740	0	1,740	
(5) Mining	0	0	0	0	0	
(6) Construction	0	0	0	0	0	
<b>Agriculture sector</b>	<b>0</b>	<b>0</b>	<b>300</b>	<b>0</b>	<b>300</b>	<b>1.4 %</b>
<b>Service sector</b>	<b>2,368</b>	<b>720</b>	<b>4,871</b>	<b>0</b>	<b>7,959</b>	<b>36.2 %</b>
(1) Hotel/ resort	2,368	720	0	0	3,088	
(2) Trade	0	0	269	0	269	
(3) Other services	0	0	4,602	0	4,602	
<b>Total</b>	<b>13,318</b>	<b>920</b>	<b>6,911</b>	<b>816</b>	<b>21,965</b>	<b>100.0%</b>

Source: Basic Statistics of Savannakhet 1998

**Table V5-5 Share of FDI by Country of Origin in Savannakhet**

(Thousand US\$)

Country	Project	Capital Cost	Share
Thailand	5	14,541	45%
China	4	4,940	15%
France	1	154	0%
Australia	1	5,000	15%
Japan	1	775	2%
Vietnam	1	249	1%
Singapore	1	3,227	10%
Finland	1	504	2%
Taiwan	1	210	1%
South Korea	1	1,566	5%
Malaysia	1	1,200	4%
<b>Total</b>	<b>1</b>	<b>32,366</b>	<b>100%</b>

Source: Basic Statistics of Savannakhet 1998

Share of FDIs by country of origin in Khammouan is summarized in the table below. In Khammouan province, the largest source of FDIs is China (Hong Kong), followed by Korea (20%), Thailand (14%), and Russia (14%).

**Table V5-6 Share of FDI by Country of Origin in Khammouan**

(Thousand US\$)

Country	Project	Capital Cost	Share
Thailand	4	5,271	14%
Korea	1	6,800	20%
Japan	1	2,000	6%
China (Hong Kong)	1	14,060	42%
Taiwan	1	1,000	3%
Russia	1	4,578	14%
<b>Total</b>	<b>1</b>	<b>33,709</b>	<b>100%</b>

Source: Basic Statistics of Khammouan 1998

In 1998, the total domestic investments amounted to 420 billion Kip. The largest share of investments was directed to the service sector including tourism, followed by commerce. It is notable that the industry and handicraft sector attracted the least numbers of domestic investment projects.

**Table V5-7 Domestic investments by Sector (1998)**

Sector	Number of Projects	Percentage
1. Agriculture/ Forestry	60	8.6%
2. Industry and Handicraft	47	6.7%
3. Commerce	107	15.4%
4. Service	483	69.3%
Grand Total	697	100.0%

Source: Bureau of Domestic Investment 2000 (verbal information)

#### 4) Institutional Support to Private Sector Enterprises

For the success of private sector enterprises (PSEs), various kinds of public supports are needed, such as financial, business law, institutions for promotion, training, information services, international cooperation programs, and strategies for export promotion. The following table shows the responsible organizations for the private sector enterprise promotion in Lao PDR:

**Table V5-8 Responsible Organizations for PSE Promotion**

	Major Functions for PSEs Promotion	Responsible Organizations
1	Governmental policies recommendations regarding PSEs (Policy and Strategies)	- Department of Industry and Department of Handicraft, Ministry of Industry and Handicraft
2	Initiation and implementation of PSEs development (Administrative support for PSEs : Executive organization)	- Ministry of Industry and Handicraft - Ministry of Commerce - Chamber of Commerce and Industry
3	Support to increase productivity among PSEs	- Ministry of Industry and Handicraft
4	Training and rural industry development	- Division of Industry in different provinces - Ministry of Education ( Informal Education Center)
5	Guidance and regulation of PSEs activities	- Ministry of Industry and Handicraft, - Ministry of Commerce
6	Advisory and consulting service provided by the government regarding to PSEs problems	- Ministry of Industry and Handicraft, - Ministry of Commerce
7	Information services regarding domestic and foreign technology and trade	- Ministry of Commerce - Ministry of Industry and Handicraft
8	Information services, training and international cooperation promotion	- Ministry of Commerce, - Ministry of Industry and Handicraft
9	Promotion of international cooperation between Lao and foreign PSEs	- CIC - Chamber of Commerce and Industry - ASEAN SME agencies Working Group
10	Export and import promotion (Overseas market survey, export and import linkage, trade information,)	- Department of International Trade, Ministry of Commerce
11	Industrial design and packages for PSEs	- Handicraft Design Center managed by Handicraft Group under the Chamber of Commerce and Industry
12	Develop financial assistance packages for PSEs	- Ministry of Finance
13	Financial assistance and technical consulting for PSEs	- Ministry of Industry and Handicraft
14	Credit guarantee and credit analysis for PSEs	- It is proposed by Ministry of Industry in Cooperation with Ministry of Finance

Source: Ministry of Industry and Handicraft, April 2000

The National Assembly enacted the Business Law in 1994. The Law classified enterprise into five groups according to the public or private nature of the ownership, namely Private enterprises, State-owned enterprises, Mixed enterprises, Joint enterprises and Collective enterprises. The Law aims at:

- (i) Both foreign and local enterprises with a registered capital of Kip 1,000,000 or more.
- (ii) Providing legal protection of the capital, property, and rights of all enterprises; and
- (iii) Setting out a framework for the formation and operation of enterprises.

On the other hand, the Foreign Investment Law was approved by National Assembly in 1994, and renewed the previous Foreign Investment Law of 1988. The revised Foreign Investment Law is characterized as follows:

- (i) Allows foreign investors to wholly own their investments,
- (ii) Permits flexible capital structuring of joint ventures so that foreign partners may own 99 % of the total capital,
- (iii) A “one-stop” center to provide services for foreign investors, and
- (iv) Provides internationally favorable rates of profit and salary tax and import duties.

The government, then, established the Foreign Investment Management Committee (FIMC) to administer foreign investments.

### 5) Financial Support to PSEs

For financial support to PSEs, there are four state owned commercial banks, namely External Commercial Bank (Banque Pour Le Commerce Exterieur Lao), Lao May Bank, Lane Xang Bank, and the Agricultural Promotion Bank. There are also two joint venture banks, seven foreign branches, and one representative office (Standard Chartered Bank). Domestic credits accounted to 150 billion Kip in 1996, 362 billion Kip in 1997 and 704 billion Kip in 1998. Provision of credits to PSEs has been steadily increasing. Recent changes in domestic credit and interest rates are shown in the tables below.

**Table V5-9 Monetary Survey 1995-1998**

	1995	1996	1997	1998(Dec.)
	in billion Kip (end of period)			
Domestic Credit	157	150	362	704
1.Net Credit to government	1	-43	33	171
2.Credit to non-government sector	157	193	330	533
2-1. Public enterprises	28	37	69	74
2-2. Private Sector	129	156	260	459

Source: Recent Economic Developments, IMF, January 2000

**Table V5-10 Interest Rate, 1995-1998**

	1995	1996	1997	1998(Dec.)
<b>Kip accounts</b>	(percent)			
1. Agriculture & forestry	7-28	10-26	18-19	7-30
2. Industry & manufacturing	22-28	24-26	20-25	31-34
3. Construction & transportation	22-28	25-26	22-25	30-34
4. Commerce & service	22-28	26-27	24-27	32-36
<b>Baht accounts</b>	(percent)			
1. Agriculture & forestry	12-19	10-19	13-15	12-15
2. Industry & manufacturing	14-19	14-19	14-17	15-17
3. Construction & transportation	14-19	14-19	14-17	15-17
4. Commerce & service	16-19	16-19	16-17	16-18

Source: Recent Economic Developments, IMF, January 2000

It is said that the credit-debt ratio ranges between 10 and 15%, a marked improvement from an averaged 30% last year. The debts have been mainly created by domestic trade-related enterprises as a result of Kip depreciation and shrinking of domestic market demand.

In the following section, an operational outline of the External Commercial Bank (ECB) and the Agricultural Promotion Bank (APB) is described so as to see if and how SMEs can count on financial support from the state banks.

### **External Commercial Bank**

This Bank extends loans to different economic sectors, but historically designed to promote import substitution and export industries. The loans are also extended to relatively large food processing industries, construction industries, electricity, and water supply systems. The Bank issues different types of guarantees to customers inside and outside the country. An outline of the Bank operations is summarized below.

**Table V5-11 Outline of External Commercial Bank**

<b>Items</b>	<b>Responses</b>
1. Establishment	1 November, 1989
2. Main Market and Business Areas	Traditionally, international trade business in Vientiane, and a few major cities, such as Khammouan, Savannakhet and Champasak. The Bank operates the exchange service and issues letters of guarantee to customers inside and outside the country. In addition, the Bank represents a service agent for major credit cards.
3. Organization Structure	1. Total employment (1999): <u>330 staff</u> 2. Headquarters: <u>210 staff (32 staff for Loan/Credit section)</u> 3. Branches: <u>120 staff (5 places)</u> Savannakhet Branch: 40 staff (5 for Credit in charge). Khammouan Branch: 38 staff (5 for Credit in charge)
4. Major Target Customer/Sector	1. International Traders 2. Industries/Transportation/Telecom: 60% of total loan amount. Service /Trade: 30%, Other sector: 10%. The Bank is originally designed to promote domestic production industries for import-substitution and export businesses. Loans also released to infrastructure construction works, such as road construction, electricity, water and irrigation.
5. Loan Condition	1. Certificate of business license 2. 3 years previous business record 3. Condition of enterprises (Organization, staff, facilities, etc) 4. Type of project (usage of loans) 5. Contents of expenditure by loans 6. Collateral (Financials condition, Securities, Housing, Land)
6. Types of Credit and Interest Rate	1. Short Term (less than 1year), 2. Medium Term (1 to 3 years), Long Term (more than 3 years) 2. Interest Rate: Lending rate will be not more than 5 % over the deposit rate.
7. Issues on Business Operation	1. Lack of efficient business operation (need more computerization on business activities). 2. Upgrading of staff capability
8. Future Plan and Strategy	1. More support on medium size processing industries (food, metal, etc.) 2. More support for export sector enterprises.. 3. Expansion of business territory to the North.(8 branches in total)



**Industrial Development Plan**

**TableV5-12 Structure of Loans by Sectors**

(Unit: million Kip)

	1997	1998
Industry and Agriculture	48,954	94,292
Trade	23,243	49,411
Construction, Transportation and Post	20,067	45,586
Other Sectors	12,026	15,850
Total	104,290	205,139

Source: Banque Pour Le Commerce Exterieur Lao, "Annual Report 1998"

**Agricultural Promotion Bank:**

The Agriculture Promotion Bank (APB) used to be the only source of formal loans/ credit for rural farmers and groups. An outline of the APB operation is summarized below.

**Table V5-13 Outline of Agricultural Promotion Bank**

Items	Responses
1. Establishment	18 August, 1993
2. Main Market and Business Areas	The Bank has loaned farmers (association, groups and individual), private sector and state enterprises, which are related to agricultural and handicraft activities.
3. Organization Structure	1. Total employment (2000): <u>682 staff</u> 2. Branches: <u>430 staff (3 places)</u> Savannakhet Branch: 51 staff Khammouan Branch: 34 staff
4. Major Target Customer/ Sector	1. Farmers (nationwide), 2. Groups and private enterprises with the following condition. ( Farmers must be included as a member)
5. Loan Condition	1. Capability, 2. Capital, 3. Characteristics, 4. Collateral Group and agencies can borrow loans and credits from the Bank, but they should include 7-15 farmer families as members.
6. Types of Credit and Interest Rate	1. Short Term (3 month, 6 month, 9 month and 12 month). The types of activities are cultivating, animal husbandry, handicrafts and related services. 2. Medium Term (1 to 3 years). The types of activities are rice production, gardens, plant seeding and animal breeding stock production. 3. Long Term (more than 3 years). The types of activities are adult animal husbandry (Cow and buffalo), cultivation of commercial plants, fruit plants, coffee and irrigation construction works.
7. Issues on Business Operation	1. Difficulty to supply services to customers at remote areas due to inadequate public infrastructure and limited mobile means. 2. Lack of farmer's knowledge of the banking system (meaning of loans and repayment responsibility) 3. Insufficient staff knowledge for banking business operation 4. Inadequate business tools, such as vehicles for business operation at local areas.
8. Future Plan and Strategy	1. Direct business to borrowers, particularly farmers at remote areas.

APB credit for agriculture is channeled at below-market interest rates. However, the coverage of APB loans was limited to around 17 % of total farm households as shown in the next table.

**Table V5-14 Coverage ratio of the APB lending activities in 1998**

Items	Lao PDR totals	APB Coverage	% Coverage
District	139	117	84%
Villages	11,047	4,885	44%
Farmer Groups	13,861	N.A	--
Families	775,755	130,077	17%
Hectares	743,000	108,096	15%

Source: ADB, "Lao PDR Agriculture Strategy Study Volume 4", October 1998. P. 22

For rural farmers, it is reported that only 5 % of rural families have access to APB loans (World Bank, 1997).

APB has another important responsibility to promote farmers' handicrafts and commercial activities for supporting their subsistence income generation in the rural areas. However, based on the information obtained from the APB branch office in Savannakhet and Khammouan, no loan for household handicrafts has been made in Khammouan in 1999. Loan for rural development in Savannakhet was limited to 250 million Kip, as shown in the Table below. 196 million Kip has been over-loaned in 1999 even though the opening balance was 25 million Kip.

**Table V5-15 APB Loan in Savannakhet and Khammouan**

(Unit: Million Kip)

Items	Opening Balance	Loan	Repayment
<b>Savannakhet Branch</b>			
I. Food Production	1,723.9	8,209.2	6,041.0
1-1 Short-term	826.1	7,596.0	5,659.5
1-2 Long-term	897.8	613.0	381.4
2. Rural Development	1,087.2	252.5	104
2-1 Short Term	25.1	196.0	61.1
2-2 Long Term	1,062.2	56.5	43.1
3. Commercial Production	124.5	818.5	3411.7
3.1 Short-term	0.90	25.5	0.75
3.2 Medium, Long Term	123.5	793.0	2.7
4. Purchase of Agriculture Product	399.8	1,125.1	750.5
<b>Total</b>	<b>3,334.5</b>	<b>10,405.3</b>	<b>6,899.1</b>
<b>Khammouan Branch</b>			
I. Food Production	1,745.5	4,502.0	3,781.2
1-1 Short-term	924.4	3,937.3	3,329.8
1-2 Long-term	821.1	564.8	451.4
2. Rural Development	210.0	0.0	72.7
2-1 Short Term	0.0	0.0	0.0
2-2 Long Term	210.0	0.0	72.7
3. Commercial Production	417.2	465.9	360.0
3.1 Short-term	417.2	465.9	360.0
3.2 Medium, Long Term	0.0	0.0	0.0
4. Purchase of Agriculture Product	547.8	308.0	464.1
<b>Total</b>	<b>2,920.5</b>	<b>5,275.9</b>	<b>4,678.0</b>

## 6) Human Resources

According to the 1995 census, 74% of economically active population have either no education or incomplete primary education, 14% have completed primary education, 6% have completed lower secondary, 3% have completed upper secondary, and 3% have some kind of post-secondary education.

**Table V5-16 Economically Active Population, by Education, 1995**

Educational Attainment	Economically Active		
	Total Number and Share		With Some Education
No Education	956,275	43%	54%
Uncompleted education	685,074	31%	
Completed education	588,823 (Upper secondary + Post-secondary)	26%	
<b>Total</b>	<b>2,230,172</b>	<b>100%</b>	<b>100%</b>

Source: Census 1995

Low education levels may hamper business activities and the motivation of entrepreneurship. Only 3% of the economically active population has received the post-secondary level education. As shown in the distribution of secondary school graduates in the table below, more than half (62%) enter the workforce.

**Table V5-17 Distribution of Secondary School Graduates across Post-secondary Options, 1996/97**

	No. of Students Selecting Each Option 1996/97*	%	Post-secondary Options
Passed 1995/96 Secondary School Examination  10,251	2,594	25.0%	Enter National University of Laos (including baccalaureate degrees and diplomas)
	287	2.8%	Enter Teacher Training (11+3)
	342	3.3%	Enter Teacher Training (11+1)
	<b>665</b>	<b>6.5%</b>	<b>Go abroad for baccalaureate study**</b>
	6,363	62.0%	Enter Workforce

\*:These figures are estimates, since it is not possible to clearly separate the number of new students at NUOL directly entering the College of Foundation Studies from those entering a pre-college support program.

\*\* :Students studying abroad include only those being sponsored through by Government or international organizations. Student who are privately funded by their families are not included.

Source: Compiled from data provided by the Statistical Office and Department of Higher, Vocational and Technical Education of the Ministry of Education

On the other hand, the number of students studying abroad was 1,043 in 1996/97, including those in foreign technical and vocational schools. The distribution of students studying abroad is shown in the Table V5-18. Judging from this small number, future entrepreneurs for the international business market are quite limited.

**Table V5-18 Distribution of Students Studying Abroad**

Country	Program of Studying Abroad, 1996/97							
	Doctorate	Masters	Post-graduate	Bachelors	Higher Technical	Technical	Vocational	Total
Total	81	180	2	<b>665</b>	6	7	102	1,043

Source: Ministry of Education (1998), Statistical Office

## V-5.2 Issues to be Addressed for Private Sector Enterprise Promotion

### 1) Human Resource Limitation

As reviewed in the foregoing section, the graduates from the secondary schools are limited to a little over 10,000 persons. Over 60% of the secondary school graduates start working, and nearly 30% go on to higher education. Of the economically active population all over the country, only 3% have post-secondary educational background. Educated workers are in short supply. This is an absolute handicap to promote PSEs.

Graduates from the lower-secondary schools have limited chances to go to technical schools, as the number and capacity of technical schools are limited. Even for those graduated from technical schools or post-secondary education, their technical skills are inadequate for employment in PSEs. A survey of manufacturing enterprises in four major cities (including Savannakhet and Thakhek) endorses this fact. Entrepreneurs noted that employees have insufficient skills and are likely to quit for change in employment.

**Table V5-19 Issues in Employment Status**

Issues in Employment	Percent (multiple choice)
1. Poor employment's skill	58 %
2. Quick turnover of employment	44 %
3. Difficulty in recruiting factory workers	31 %
4. Difficulty in finding replacement	22 %
5. Difficulty in recruiting engineers	20 %

Source: JICA Expert, MOCT, September 2000.

The limitation of trained human resources for promotion of PSEs is serious, but it is not necessarily pessimistic. The expectation is that students educated abroad will return to the home country, that new graduates from NUOL will be available, and that the public officers have accumulated experiences in working off-hours for PSEs.

## 2) Small Domestic Market and Incompetitiveness

With the small and scattered population in Lao PDR and with the weak purchasing power, the domestic market is quite small. Consequently, the import substitution industry of mass-production type has little room for promotion. The questionnaire survey by GTZ-MIH endorses that market size is the principal reason for closure of enterprises.

**Table V5-20 Reason for Closure of Enterprises**

Reason for closure	Percent (multiple choice)
<u>Too few customers</u>	<u>26.6%</u>
Shortage of funds	22.4%
Other business reason	15.8%
Sickness and family reasons	13.7%
Legal problems	8.4%
Too much competition	7.1%
Input shortages	5.5%
Found better job	0.5%
Total	100.0%
Sample size	136

Source: GTZ-MIH Small Enterprise Survey, 1995

Manufacturing industries rely mostly on imported raw materials, especially on imports from Thailand, and this makes the Lao products less competitive than imported products. Heavy dependence on imported raw materials and components is demonstrated in the table below.

**TableV5-21 Origin of Inputs for PSEs**

Origin of inputs	Manufacturing	Commerce	Services & other	Total
Gather own inputs	3.2%	0.2%	0.2%	1.2%
Lao inputs	58.7%	37.7%	17.1%	42.2%
<u>Thai inputs</u>	<u>33.8%</u>	<u>46.1%</u>	<u>68.5%</u>	<u>44.7%</u>
Chinese inputs	3.5%	6.9%	10.9%	6.3%
Vietnamese inputs	0.1%	1.5%	1.4%	1.0%
Other imports	0.6%	7.6%	2.0%	4.6%
Total	100.0%	100.0%	100.0%	100.0%
Sample size	638	1,537	389	2,564

Source: GTZ-MIH Small Enterprise Survey, 1995

Most private sector managers spend more time and effort securing imported raw materials than in dedicating themselves to manufacturing. This unstable flow of raw material creates a critical situation for manufacturing businesses. It also jeopardizes trustable business management at domestic as well as international markets.

Additionally, almost all types of enterprises employ simple and out-of-date technology to make products. Particularly, machinery used in major manufacturing factories are mainly second-hand imported from Taiwan or Hong Kong, or bought from other large factories. Such a condition degrades the quality of products in Lao PDR.

Another production problem faced by Lao owned enterprises is inadequate management system, especially in respect to financing, marketing infrastructure, and timely delivery of commodities. The management operating system itself is outdated.

### 3) Lack of Domestic Capital

Lao enterprises, particularly SMEs, find it difficult to obtain funds for incorporation of enterprises, as well as for their operation. As reviewed in Section V-5.1, 5), financial sources, both formal and informal, are quite limited for PSEs. Banks and PSEs are sensitive to depreciation of the local currency as manufacturing activities are largely depended on imported materials. The enterprise survey as cited below clearly indicates the limitation or lack of domestic capital for PSEs.

**Table V5-22 Credit Source for Private Enterprises**

Main source of credit	Urban	Rural	Total
Never any loans	77.8%	79.9%	79.7%
From family	13.2%	11.1%	11.4%
From friends	5.1%	3.8%	4.0%
From money lender	2.4%	3.0%	3.0%
From bank	1.0%	2.1%	1.9%
From elsewhere	0.5%		0.1%
Total	100.0%	100.0%	100.0%
Sample size	2,022	542	2,564

Source: GTZ-MIH Small Enterprise Survey, 1995

Even if PSEs are put into operation, a high interest rate of both bank loans and informal loans makes the PSE operation difficult and less competitive. According to the small enterprise survey by MIH, two thirds of surveyed enterprises noted that financial constraints are most serious at the time of incorporation, as noted in Table V5-23. Some measures have to be taken if PSEs are promoted in SKR, as well as in Lao PDR.

**Table V5-23 Proportion of enterprises reporting different types of problems at start business and currently**

	1st problem at start	2nd problem at start	1st problems now	2nd problem now
Percent reporting problem	60.0%	13.9%	62.4%	20.5%
Of those reporting problems				
<b>Financial problem</b>	<b>65.7</b>	8.0	<b>32.8</b>	<b>12.7</b>
Machinery problem	5.4	7.2	4.7	7.7
<b>Marketing problem</b>	<b>7.6</b>	<b>22.4</b>	<b>32.8</b>	<b>55.6</b>
Regulatory problem	1.1	8.0	3.9	3.6
Shop space problem	4.8	7.5	7.4	2.9
Input problem	1.1	3.8	5.1	6.7
Transport problem	5.8	13.3	2.7	1.6
Labor problem	2.0	3.6	4.2	0.3
Utilities problem	0.1	4.5	2.7	2.8
Technical problem	4.2	17.4	1.2	--
Other problem	2.1	4.3	2.6	6.2
Total	100.0	100.0	100.0	100.0
Sample size	454	119	426	124

Source: GTZ-MIH Small Enterprise Survey, 1995

#### 4) Trade and Investment Obstacles

For foreign investors, the largest obstacle for investment in Lao PDR is the economic environment. The macroeconomic instability, with high inflation and depreciation of local currency discourages FDIs. The current difficulties in obtaining foreign exchange in a timely manner also create serious conflicts under the business operation. Besides, intransparent public systems and the government intervention in production and transactions make it less attractive to promote FDIs. An ADB study on the East-West Economic Corridor has pointed out major obstacles in trade and investment as quoted below.

**Table V5-24 Major Trade and Investment Obstacles in Lao PDR**

Subject	Obstacles Items
1. Finance	- High inflation, - Inadequate bank financing facilities in both local and foreign currencies, - Lack of long term finance, high domestic interest rates
2. Imports	- Import quotas, - Target imports, - Import-export licenses for private sector, - Lack of international valuation standards
3. Exports	- Products are not competitive due to landlocked situation, - Lack of information on export markets and prices, - Lack of specific trade financing facilities
4. Sub-region trade	- Limited export supply, - Lack of trade information on price, quality of goods.
5. Investment	- Lack of incentives (especially high interest rates), - Lack of long term finance, high domestic interest rates, - Weak financial and foreign exchange systems.
6. Sub-region investment	- Small workforce in Savannakhet, - Unskilled labor, - Lack of specialized education and training, research and development, - Shortage of basic infrastructure (e.g., telecommunications)

Source: Extracted from "Pre-Investment Study for the Greater Mekong Sub-region East-West Economic Corridor: Annex on Trade and Investment", ADB Study Team, June 22, 2000

### **5) Inadequate Institutional Support**

The government has been trying to improve legal and regulatory frameworks to support private sector development. As noted previously, however, there still remains much to be done for their improvement. A few common issues related to the institutional support are cited below.

- (i) Frequently changing regulations without warning, without consultation, and without effective communication,
- (ii) Ongoing practice requires approvals for every procedures; e.g., firm registration and licensing,
- (iii) Unsuitable policy directions and unclear administrative responses in relation to access to foreign exchange currencies, import quotas, export licenses, and to reach various business incentives.
- (iv) Continued practices of allocating resources by administrative rather than market mechanisms, e.g., concessions, and quota systems.

As a measure to break through these constraints, it is proposed that a Special Economic Zone be set up in Savannakhet where the market-oriented business and manufacturing activities are secured and one-stop-service is made available for logistic, industrial processing and the service industry.

### **6) Problem Structure for PSE promotion**

When problems and constraints for promotion of PSEs are analyzed, it becomes clear that the central and most critical issue is a lack of entrepreneurship. How to enhance entrepreneurship for Lao people and people in SKR is the prime issue to be addressed in programming measures to be taken for promotion of PSEs in SKR.

Overall issues related to the enhancement of “entrepreneurship” are presented in the “problem structure” shown in the following pages.

Starting from this issue of entrepreneurship enhancement, the derived issues are to be looked into in the formulation of the Private Sector Enterprise Promotion for SKR. The derivated issues include the following:

- (i) Lack of properly trained labor and lack of operational funds are crucial issues in their business activities. These constraints create adverse circumstance for their business expansion including new product development.
- (ii) Lack of marketing services for expansion of domestic and international markets.
- (iii) Insufficient development of related trade function, such as wholesale function and commodity logistics.



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- (iv) Lack of business supporting system, such as business management guidance, training and on-the-spot consultancy.
- (v) Necessity to increase stimulus in the enterprise business for modernization by arranging various market information means.
- (vi) Deficit of the education and training systems (lack of official training system and corporate in-service training). Educational facilities for commerce and industry fields (high school level) are important for creating skilled newcomers in the market.
- (vii) Insufficient product diversity due to limited resource utilization and limited access means to other local market.
- (viii) Lack of cooperation and Inter-business credit among local entrepreneurs as well as lack of cooperation among them.

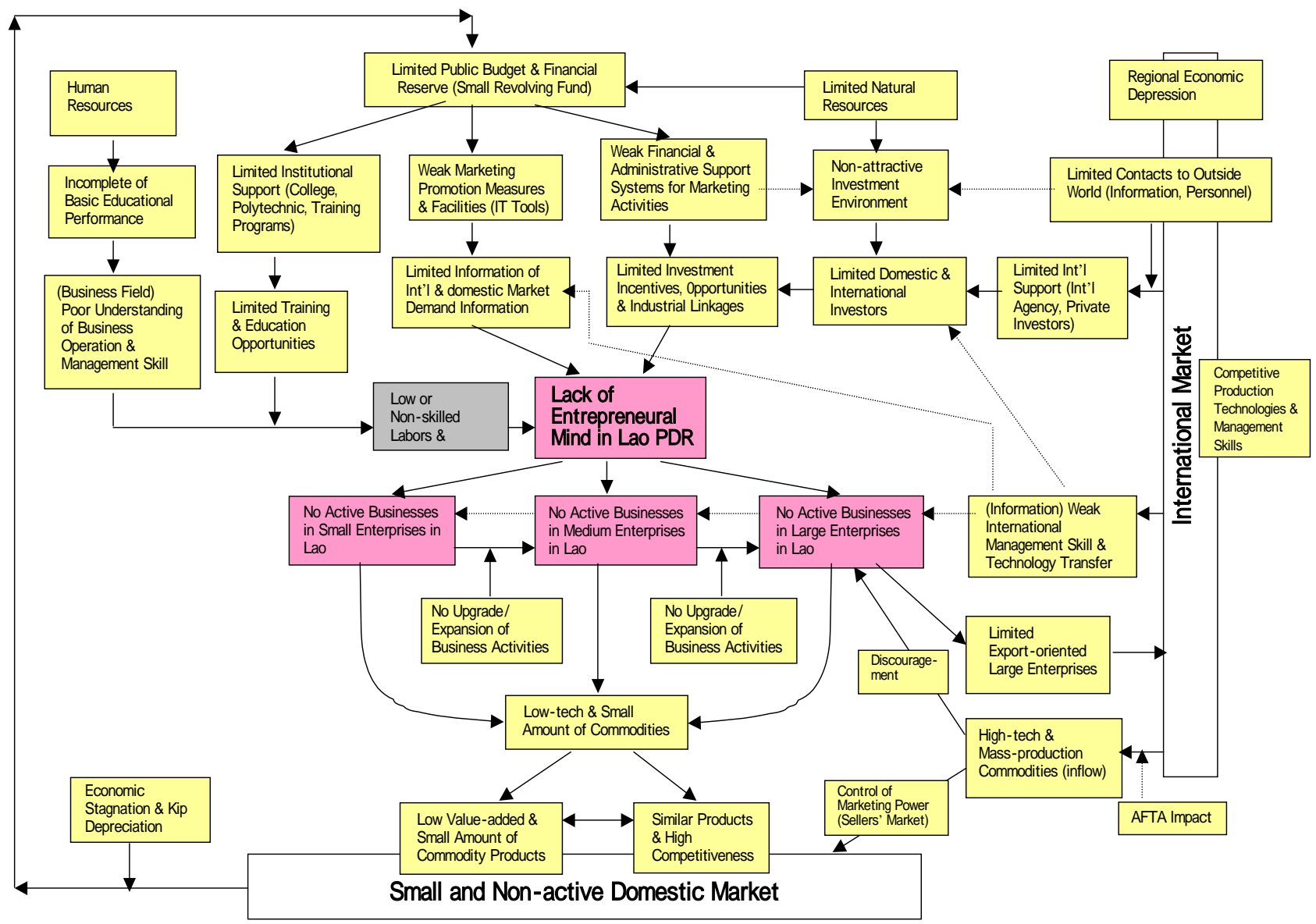


Figure 5-2 Problem Structure for Entrepreneurship Development Issues

### **V-5.3 Private Sector Enterprises Promotion Program**

In the foregoing sections, a number of constraints faced by the private sector enterprises have been pointed out. They are mainly discussed at the national level but they are quite common to all regions and provinces, including Savannakhet and Khammouan provinces. To break through these constraints and to promote private sector enterprises in SKR and eventually economic development of the region, several programs are proposed for implementation in the short and long terms. It should be noted that the proposed programs are not always implemented by themselves but are more effectively carried out in combination with other programs proposed for development of SKR.

#### **1) Promotion through Educational Development**

It has been pointed out that the lack of entrepreneurship is the central and most critical issue for promotion of private sector enterprises. In order to enhance entrepreneurship among SKR people, some measures are proposed as follows:

##### **Program for Entrepreneurship Development through Basic Education**

Although it takes time, it is desirable that entrepreneurial minds are trained from the beginning of basic education, i.e., at primary schools and lower secondary schools. The need to educate and to inspire young people to value free enterprise and entrepreneurship at this early stage of education are recognized worldwide (see Box on the following page).

Under the Human Resource Development Initiative for SKR, it is proposed that a hundred primary schools are developed in the short term and that they are equipped with some facilities to generate income for self-support (refer to Chapter I.3.3). These facilities will include (i) school forest, (ii) school enclosure for livestock breeding, and (iii) school garden for vegetable/fruit. Collection of cocoons for wild silk may also be added where available. Pupils and teachers will take care of these businesses under support by village farmers in the rural area. Through their participation in these operations, pupils can gain fundamental knowledge of production in a practical manner. It will be effective to learn not only farming exercises but also the farming business (expenditure, income and profitability). This in turn will lead to learning basic mathematics and accounting in a practical manner. Environmental education may also be introduced more practically through production exercises at schools.

At the lower secondary school education, more emphasis will be put on study of mathematics and foreign language communication. Some curricula on personal and family economic issues and access to personal skills may be

introduced in combination with mathematics and other curricula. In the rural area, farming business and local industry will be taught together with operation of school business where appropriate.

Since the proposed system of basic education is new to SKR and Lao PDR as a whole, it is recommended that experiments be initiated under the SKR development program after consultation with the provincial government, the Department of Education, and the Department of Agriculture and Forestry in Savannakhet and Khammouan. The proposed program will turn out to be effective in the latter part of the 20-year plan period.

**Junior Achievement of the Palm Beaches  
(USA Entrepreneurship Development Program)**

This entrepreneurship development program has been carried out by a non-profit economic education organization based on Florida, USA. Its purpose is to educate and to inspire young people to value free enterprise and entrepreneurship, understand business and economics, and prepares children to enter the workforce. Basic subjects at each level are introduced as follows:

- 1) Elementary School Program: Specific curricula for kindergarten through sixth-grade students.
  - Ourselves- A basic introduction to personal economic issues,
  - Our families- An overview of families and their economic responsibilities,
  - Our community- A study of the responsibilities of, and opportunities available to, community members,
  - Our City- An examination of career opportunities and the interdependence of business in a city.
  - Our region- A study of state and regional economics, businesses and resources,
  - Our nation- An analysis of business operations in the free enterprise system,
  - Our world- An examination of international trade.
- 2) Middle School Program: Middle and Junior high school students. The program supplement standard social studies curricula and develop communication skills that are essential to success in the business world.
  - Personal Economics- Assess personal skills, and interests, explore career options, learn job-hunting skills, and discover the value of an education. Students also learn about budgets, personal and family financial management, and the use and abuse of credit.
  - Enterprise in Action- Students learn the steps in organizing a business and producing and marketing a product, as well as the social responsibilities of business.
  - The international Marketplace- This program helps students appreciate how to connect through trade to people and culture throughout the world.
- 3) High School Program:
  - Economics: It is taught by an economic teacher in partnership with a business consultant for one semester course.
  - Company Program- Students learn about the role of business and operate their own company as part of a school-based organization, club, or classroom enterprise or as an after-school activity. During the semester or over 15 weeks, they sell stock to raise capital, elect officers, buy materials, market a product.
  - Success Now- This program takes students through an assessment of personal and academic skills.
  - GLOBE- Through an international enterprise, students learn the basics of foreign trade, set up and operate a company, work with students from other nations.

### **Program for Entrepreneurship Development through Technical Schools**

Under the Human Resource Development Initiative proposed for the education sector development in SKR (see Chapter I.3), it is recommended that an Agricultural College be set up in Savannakhet and the existing Technical Schools in Savannakhet and Khammouan be restructured and renovated. Entrepreneurship development should be promoted through education and training at these technical schools.

At the Savannakhet Agricultural College, practical and self-supporting type education and training is proposed. The College curricula are planned to include, among others, training and exercise on (i) administration and management of farming business, (ii) management of livestock breeding, (iii) management of fishery, (iv) management of forestry and the environment, and (v) entrepreneurship of agro-based industry and local industry. In the event that graduates from the college can get some small fund, they are encouraged to start up a business in their home villages and new business anywhere in the country.

Through restructuring and renovation of Savannakhet and Khammouan Technical Schools, it is also envisaged that practical training on skills and entrepreneurship are put into practice. It is recommended that all students be taught on entrepreneurship and basic knowledge of business administration. Internship or on-the-job training at enterprises in the course of study at schools will also be introduced as far as practicable. It is also recommended that the Technical Schools be linked to the National University of Laos (NUOL) and its affiliated Japan Center to develop curricula and teaching materials at the technical schools and to exchange experience in practical learning on entrepreneurship promotion.

### **Program for Entrepreneurship Development through Higher Education**

The Faculty of Economics and Management has been recently attached to the National University of Laos and the new graduate will soon come out. Most of studies at the Faculty has been made at school and no internship has been introduced in the course. Internship is effective in obtaining business experience and entrepreneurial mind, and it is suggested that the internships be introduced at NUOL. At the same time, it is recommended that the study on entrepreneurship development be introduced as a common subject in the faculties of NUOL. As a result, graduates from NUOL will become young entrepreneurs with specialized knowledge and some experience.

Graduates from universities and colleges abroad usually find it difficult to find appropriate jobs after they return to their country. As they have accumulated specific knowledge and experience, they might possibly be employed as contract-based teaching assistants/staff at NUOL and other colleges. To this end, it will be required to work out a new system of remuneration for contract-based teaching staff.

## 2) Promotion of Entrepreneurs (Short-term)

An analysis on employment in Lao PDR and in the SKR region reveals that employment in government as civil servants is significant compared to employment in the private sector. The questionnaire survey on the existing small enterprises, as given below, also reveals that nearly one third of SME owners in the urban area have previously been working as government employees.

**Table V5-25 Previous Activities of Enterprise Owners**

Previous activity of owner	Urban	Rural	Total
Farmer	9.4	42.8	38.7
Trader	8.0	4.8	5.2
Owned business	5.5	2.5	2.9
Government employee	32.7	29.4	29.8
Worked for family	29.6	12.1	14.3
Private employee	4.5	0.3	0.8
Unemployed	4.5	4.4	4.4
Too young to work	5.6	3.7	3.9
Other	0.2		0.0
Total	100.0	100.0	100.0
Sample size	582	196	778

Source: GTZ-MIH Small Enterprise Survey, 1995

### Short-term Program to Promote Entrepreneurs among Civil Servants

It is a fact that many government employees have been working off-hours in private business to add to their earnings from government. Potentially they are entrepreneurs and they are the shortest way to start business as entrepreneurs. Although there might be some negative effects in decreasing the number of government employees, it appears that the shortest way to promote private sector enterprises is to encourage them to start a business as their profession. In this context, it is encouraging that a majority of entrepreneurs in the rural area are willing to run the business in their home town as shown in the next table.

**Table V5-26 Preferred Enterprise Sites**

	Urban	Rural	Total
Location			
Home	26.1%	<u>64.6%</u>	59.6%
<u>Marketplace</u>	<u>46.9%</u>	0.2%	6.2%
Residential area	14.7%	10.7%	11.2%
Commercial dist.	2.0%	7.2%	6.5%
Industrial dist.	0.2%	0.0%	0.0%
Roadside	6.2%	9.3%	8.9%
Mobile	3.8%	8.1%	7.5%
Total	100.0%	100.0%	100.0%

Source: GTZ-MIH Small Enterprise Survey, 1995

The government employees are encouraged to accumulate capabilities for planning and supervision of private enterprises while they are in the public offices, and they are encouraged to initiate a business as their profession. For instance, an officer engaged in promotion of local industry at the district and provincial office may be encouraged to initiate his business in such an industry. This short-term program might be provisional in nature as entrepreneurship promotion through educational development as proposed above will take time to yield fruit.

### **3) Promotion through Development of Local Industry**

Under the development plan for local industries (refer to Chapter V.2), it has been proposed that a hundred new businesses can be initiated as local industries in SKR. Likewise, the agricultural development plan proposes opportunities for new businesses in crop farming, livestock, fisheries and tree crops, as well as in processing of their products. In SKR, these local industries offer good opportunities for initiating entrepreneurs.

#### **Program to Initiate Entrepreneurs in Local Industry**

The Local Industry Development Plan has proposed a hundred business opportunities to process local resources in SKR. A dozen priority programs have also been suggested. These business opportunities will not require large investments as they utilize unused materials, by-products or wasted materials.

It is now proposed that villagers and local government officers would jointly study how to promote these local industries in SKR and, if proved viable, they initiate new entrepreneurs at the village and district levels. Some of the new

businesses might be initiated in the urban area as well. Priority programs for promotion are proposed as cited below.

- (i) Bio-compost to promote organic farming
- (ii) Non-wood paper for wrapping
- (iii) Natural dye to promote textile and weaving
- (iv) Medical herbal extracts for export
- (v) Bee-culture and its processing
- (vi) Charcoal production by making use of non-commercial wood
- (vii) Bamboo processing, including use of by-products (e.g., tar liquid)
- (viii) Wood handicraft making use of unused materials
- (ix) Sericulture (wild silk, Eri-silk, mulberry-fed silk)
- (x) Cotton, natural dye and weaving
- (xi) Natural fiber, (e.g., Kapok)

It is noted that promotion of local industries should be linked to the proposed renovation of technical schools and the agricultural college in SKR. Training courses at these schools and college will be designed so that the students are trained to be engaged in and to initiate local industries.

#### **Program to Initiate Entrepreneurs in Agro-based Industry**

Under the Agriculture Development Plan, various products have been newly proposed for promotion in SKR, particularly crops other than paddy, livestock, fisheries and fruit. Entrepreneurs are invited to promote their processing and marketing.

Of particular interested in processing and marketing are the livestock products, e.g., cattle, pig, native chicken, and duck. Farmers in SKR are versed in their production to some extent, but they have little knowledge on processing and marketing. Contract farming offers chances for local entrepreneurs as well. Most probably, final processing of these livestock products may at first be canalized through neighboring countries but in longer terms it may be executed in SKR. Processing and marketing offer many chances for local entrepreneurs.

#### **4) Promotion through Strengthening Marketing and Logistics**

Villagers, urban people and existing enterprises have limited access to markets, particularly to export markets. Under the Market Promotion Initiative, SKR development plan envisages to institutionally strengthen the marketing systems for local products. Private sector enterprises will be greatly encouraged by the proposed Market Promotion Initiative.



### **Program to Strengthen Marketing System**

In order to promote competitiveness of regional products in international markets, it is proposed to set up a Market Center and a Local Product Market Promotion Center in Savannakhet SEZ. The Market Center is particularly for the promotion of high value added wood-products, while the Local Product Market Promotion Center is for promoting local industries. These centers will assist local enterprises to find out international markets, and they would facilitate the creation of new business in marketing.

The Local Product Market Promotion Center is of particular interest for promotion of entrepreneurship because it will assist in the creation of new business for niche products to be produced in the region.

#### **The Craft Promotion Center (Thailand Case)**

Divisions of the Ministry of Industry like the Thai Handicraft Promotion and the Regional Industrial Promotion Center provide the following marketing support to small enterprises:

- 1) Permanent showroom in the Craft Promotion Center, a display center of handicraft products from all parts of Thailand.
- 2) Craft Information Center, provides all concerning information, booklets, statistics, references of handicrafts production and marketing.
- 3) Forum where producers and buyers can meet.
- 4) Arrange exhibition and fair of cottage industries and handicrafts.

### **Program to Strengthen Logistics and Transport Industry**

Savannakhet and Khammouan are located at the crossroads of a major transportation network. When routes 8, 9, 12 and 13 are improved, opportunities are offered to promote logistics service industry and transport industry. In Savannakhet particularly, SEZ has been planned and logistics and/or transport industries can be located there with certain incentives for their operations. By making use of this opportunity, private sector enterprises are invited to initiate logistics business and transportation business in Savannakhet.

Logistics service industry will induce a variety of related business, e.g., warehousing, some processing at warehouse or factories, packing, freight

forwarding business, and information service business. A course to be redesigned at Savannakhet Technical School might possibly be oriented towards training on logistics and transportation business.

#### **5) Promotion through Institutional Strengthening**

Although private sector enterprises are promoted and operated privately, some institutional support will be required. For promotion of private enterprises in SKR, the following programs are proposed for implementation:

##### **Program for Formation of Associations**

Individual enterprises have limited power in their business operation, including procurement of materials, marketing and finance. It is therefore proposed that associations be formed by sub-sector or by location. An example is the association of livestock farmers in Savannakhet. When they proceed to export marketing or processing industry, the association will play a key role in industrialization. It would also facilitate obtaining financial support to expand farmers' activities.

##### **Program to Establish Entrepreneurship Promotion Center**

It is desirable that the provincial governments join promotional activities of private sector enterprises. Since the current provincial office is organized sector-wise, no officer is in a position to support promotion of entrepreneurship and private sector enterprises.

It is therefore recommended that a task force or center be established in the provincial governor's office to promote and coordinate the promotion of entrepreneurship and private sector enterprises in each province. As noted in above, officers in the proposed center will plan and coordinate for new businesses, and some of them may proceed to be partners in such a new businesses.

#### **6) Promotion through Financial Support**

As reviewed in Section V.5.2, the financial constraints are quite serious in promoting private sector enterprises. To this end, it is recommended that a Regional Development Fund be established in each province.

##### **Program to Establish Regional Development Fund**

It is proposed in the SKR Development Plan to set up a Regional Development Fund in each province. The Fund will have multiple functions or sub-programs. It is planned that a sub-program be designed for promotion

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of private sector enterprises, either by participating in equity or by extending loans for operations. Details of the Fund operation will be further studied.

With the above proposed programs, it is expected that the private sector enterprises in Savannakhet and Khammouan provinces would be promoted step by step in the course of the 20-year plan period.

Table 5V-27 Proposed Sector Programs and Projects by Phase

Target	Phase 1	Phase 2	Phase 3
	~ 2005	~ 2010	~ 2020
<b>1. Human Resource Development</b>	<ul style="list-style-type: none"> <li>▪ <b>Program for Entrepreneurship Development through Technical Schools</b> <ul style="list-style-type: none"> <li>-- Restructuring and Renovation of Savannakhet and Khammouan Technical Schools</li> <li>-- Setting up the Savannakhet Agricultural College (Education and Training)</li> </ul> </li> <li>▪ <b>Short-term Program to Promote Entrepreneurs among Civil Servants</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Program for Entrepreneurship Development through Technical Schools</b> <ul style="list-style-type: none"> <li>-- Strengthening the linkage of NUOL and Japan Center with Technical Schools in terms of developing curricula and teaching materials</li> </ul> </li> <li>▪ <b>Programs for Entrepreneurship Development through Higher Education</b> <ul style="list-style-type: none"> <li>-- Introduction and practicing of internship program</li> <li>-- Introduction of contract-based teaching assistants/staff at NUOL and other colleges</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Program for Entrepreneurship Development through Basic Education</b></li> </ul>
<b>2. Market Sector Development</b>	<ul style="list-style-type: none"> <li>▪ <b>Program to Initiate Entrepreneurs in Local Industry</b> <ul style="list-style-type: none"> <li>-- Local Industry Promotion with unused materials, by-products or waste materials</li> <li>-- Opening training course at renovated technical school and newly established agricultural college</li> </ul> </li> <li>▪ <b>Program to Initiate Entrepreneurs in Agro-based Industry</b> <ul style="list-style-type: none"> <li>-- Development of processing and marketing on livestock products</li> </ul> </li> <li>▪ <b>Market Promotion Initiative</b> <ul style="list-style-type: none"> <li>-- Strengthening of the marketing system for local products</li> </ul> </li> <li>▪ <b>Program to Strengthen Logistics and Transport Industry</b> <ul style="list-style-type: none"> <li>-- Program for Formation of Associations by sub-sector or by location</li> <li>-- Facilitation of financial support</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Program to Strengthen Marketing System</b> <ul style="list-style-type: none"> <li>-- Market Center</li> <li>-- Local Product Market Promotion Center in Savannakhet SEZ</li> </ul> </li> <li>▪ <b>Program to Establish Entrepreneurship Promotion Center</b> <ul style="list-style-type: none"> <li>-- Plan and coordinate for new businesses, and partnerships for new businesses</li> </ul> </li> </ul>	
<b>3. Financial Service Improvement</b>	<ul style="list-style-type: none"> <li>▪ <b>Program to Establish Regional Development Fund</b> <ul style="list-style-type: none"> <li>-- Establishment of a Regional Development Fund in Savannakhet and Khammouan provinces</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Program to Establish Regional Development Fund</b> <ul style="list-style-type: none"> <li>-- Establishment of the Regional Development Fund in other provinces</li> </ul> </li> </ul>	