



## **MEKONG FORUM 2013**

### **“TOWARDS MORE INCLUSIVE AND EQUITABLE GROWTH IN THE GREATER MEKONG SUBREGION”**

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**Discussion Paper  
by**

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## **Topic: The Improving Access to Trade Facilitation and Business Development Services for SMEs and Small Producer.**

### **1. Introduction**

**Lao PDR has seen strong economic growth during the past decade, driven by the exploitation of natural resources and closer regional integration.** The country is surrounded by some of the fastest growing economies in the world, and it has benefited significantly from external demand for tradable and increased foreign direct investment inflows. Real GDP grew at an average rate of 7.1 percent a year from 2001 to 2010 and is expected to increase to 7.5-8.0 percent during 2011-2015. In 2010, Lao PDR achieved a per capita Gross National Income of US\$ 1,010 and, as such, graduated from low income to (lower) middle income country status. At this pace, Lao PDR is on track to achieve its long term vision: to graduate from Least Developed Country (LDC) status by 2020.

SME play as an importance role for the socio-economic development especially in the fields of production, trade and services, their share in employment creation and their contribution to the improvement of living conditions of the people, their role in the industrialization and modernization of the country as well as in the sustainable development of the country's economy. 99.8 % of total numbers of business establishment are classified as SME and employing around 81% of total employees in business sectors.

To support SME to grow and to be competitive at market place, the provision of timely, good quality and afford able Business Development Service is critical. When trade liberalization has taken place, the tariffs will no more be an obstacle to trade, but how to enhance to flow of trade related activities in the countries and through the border will be considerable issues. The development of environment related to Trade Facilitation and Business Development Service is at the embryonic stage.

### **2. Trade Facilitation in Laos**

**Lao PDR has made significant reforms to create the enabling environment for trade over the last five years and has deepened commitments at the regional (ASEAN) and global (WTO) level.**

A key priority the trade program will be to progressively shift from a *pre* to *post* WTO accession agenda, with an increased focus on implementation of reforms and following through of commitments at a level that directly benefits the private sector. Similarly at the ASEAN level, Lao PDR will need to deliver on its commitments in areas such as tariff liberalization and the establishment of a national single window for trade facilitation.

Therefore the government of Laos had worked together with Donors and NGOs to conduct project on Trade Development Facilitation (TDF). The objective are improving competitiveness and Connectivity among SMEs, and also strengthening government capacity to support growth diversification and competitiveness

**The First Trade Development Facility (TDF-1)** focused on trade facilitation reforms for non-customs agencies, successfully laying the foundations for a Lao National Single Window; core support to WTO accession negotiations, including technical capacity development for negotiations, legal reform with a priority on sanitary and phytosanitary measures, and accession impact evaluation; as well broader support to trade related research, and sector investments in competitive sectors.

**The proposed Second Trade Development Facility (TDF-2)** aims to support government objectives to achieve high rates of economic growth that translate into meaningful poverty reduction, as outlined in the Seventh NSEDP. Increased trade, openness and integration can act as a powerful driver of pro-poor growth and catalyst for women's economic empowerment, but only if the right policies are put in place and risks are carefully managed.

### **3. Business Development Service (BDS)**

Improving infrastructure of Business Development Services to SME is one of the priority of the National SME Action Plan from 2011-2015. There is high usage of Business Development Services (BDS), but from potentially less reputable sources (Enterprise Survey 2011, GIZ-HRDME, page 20): 73.9% of the firms in the sample receive business development services. Most firms rely on advice from family members and friends, rather than Business Member Organization (BMOs), Consulting firms, or government agencies. Only 7.9% of enterprises surveyed received BDS from BMOs and 13.0% from government and public service providers.

#### **❖ Constraints of BDS development**

##### **▪ Provider's side**

- Limited resources (Staff, Products, Finance)
- Product services are limited
- Low quality of services c
- Lack of cooperation among service providers
- Small BDS market

##### **▪ SMEs side**

- Lack of information about service providers (BDS providers)
- Cost of service too high
- SMEs lack of awareness on key function of BDS provider

#### **❖ BDS Development**

BDS is one of the Priority of SME Action Plan (2011\_2013)

Focus Areas:

- Strengthening capacity of public and private institutions involved in the provision of BDS support
- Develop different tools and techniques for use in SME promotion
- Establish a database of institutions and experts with experiences and knowledge in different fields and use those institutions and experts for the provision of support and services (BDS Provider Network)

#### **4. Conclusion and Suggestion**

- Contract farming could be a model for improving access to TF and BDS for small producer
- Lowering cost of compliance for Trade Facilitation
- Making BDS provision affordable
- Subsidized BDS via matching grant
- Promote networking of BDS provider