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## CASE STUDY 8 – LAO PDR

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### **Lao Business Forum: Improving the business environment through constructive dialogue**

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#### **Background**

The Lao Business Forum (LBF) was established in March 2005 in an agreement between the International Finance Corporation's Mekong Private Sector Development Facility (IFC-MPDF) and the Government of Lao PDR, represented by the Committee for Planning and Investment (CPI).

The Mekong Private Sector Development Facility is a multi-donor funded initiative set up by the International Finance Corporation in Lao PDR, Vietnam and Cambodia to reduce poverty through sustainable private sector development. The Facility works to improve the business environment, develop the financial sector and increase the capacity of managers through training.

IFC-MPDF also works in a coordinated way at the micro, meso and macro levels in selected sectors – tourism, agribusiness, garments and handicrafts – to help groups of small and medium enterprises to solve common problems and compete successfully in the global economy. IFC-MPDF's donors are the Asian Development Bank, Australia, Canada, Finland, IFC, Ireland, Japan, New Zealand, the Netherlands, Norway, Sweden, Switzerland and the United Kingdom.

The LBF is designed to improve the business enabling environment by providing a platform for effective dialogue between the business community and the government. It is also intended to facilitate information-sharing with potential investors. The LBF draws on the IFC's successes of both the Vietnam Business Forum and the Cambodia Government-Private Sector Forum.

IFC-MPDF serves as the secretariat for the Forum, assisting the public-private dialogue in Lao PDR. In this role, IFC-MPDF collaborates with CPI, the Government's coordinator for LBF, the Lao National Chamber of Commerce and Industry (LNCCI) and various associations representing the business community.

#### **Objectives**

The objectives of the LBF are to:

- Facilitate dialogue between the government of Lao PDR and the private sector, which includes the broadest private sector participation possible

- Promote consistent enforcement and non-discretionary interpretation of laws and regulations
- Remove the barriers that businesses face with regard to entry and exit
- Provide feedback on various government policies affecting the private sector
- Provide feedback on draft government laws and regulations that could affect the private sector
- Assist the Lao government in developing the private sector

## **Operations**

The Forum is a formal dialogue mechanism between the government and the private sector, both foreign and domestic. The Forum also helps strengthen the role and voice of the private sector in Lao PDR. The strength and effectiveness of the Forum stems fundamentally from a strong partnership and direct linkage between four main parties: the domestic and foreign private sector, donor countries, multilateral institutions and the Lao Government.

## **Role of the Forum**

The Forum promotes policy dialogue among these key stakeholders in order to develop a successful environment for private enterprise. All issues raised in the Forum are of interest to a significant number of private sector enterprises operating in Lao PDR, rather than individual companies.

## **LBF structure and processes**

The LBF is structured at two levels: a bi-annual forum and working groups. IFC-MPDF acts as the Secretariat for the LBF and is responsible for overall coordination and facilitation.

## **Bi-Annual Forum**

The Lao Business Forum is held twice per year, and is chaired by the Deputy Prime Minister and the President of the Committee for Planning and Investment (CPI). The LBF is an opportunity for the Working Groups listed below to inform top-level government officials about what they have achieved in their regular meetings and to identify issues that remain unresolved.

## **Working Groups**

Four Working Groups (WGs) have been established under the LBF:

1. Tourism Working Group
2. Trading & Services Working Group
3. Manufacturing Working Group
4. Energy & Mining Working Group

Meetings of the respective Working Groups take place as often as necessary during the six-month period between each bi-annual Forum, and generally at two levels. The first meeting, called the Private Sector Working Group (PSWG) meeting, is an open meeting for private sector members of the WG, and representatives of all the companies that are interested in participating.

These meetings are held ahead of the WG meetings that take place between a government Inter-Ministerial team (IMT) and representatives selected by the PSWGs.

## **Composition, leadership and role of the Working Groups**

The WGs are the engine of the LBF. Each WG is co-chaired by a senior government official, and a designated leader chosen by members of the respective PSWG. Participants in each WG are comprised of members of an IMT from relevant WG ministries, and private sector representatives chosen by the respective PSWG.

The WG meetings discuss an agreed agenda of issues that generally relate to restrictions on business, planning and prioritization, and they may decide to set up task force groups to investigate specific issues. Because each line ministry sends a representative to the WG meeting, the WGs perform the extra function of informing the respective government ministries about private sector issues.

## **Composition and role of the Private Sector Working Groups**

The PSWGs include representatives from the Lao National Chamber of Commerce and Industry (LNCCI), representatives of business associations, and all persons working in private enterprises legally operating in Lao PDR that wish to attend.

Each PSWG selects approximately five people to represent its interests in the respective WG, as well as one representative to co-chair the WG. PSWG members meet prior to the formal WG meeting to review the progress of the previous LBF and WG meetings, produce position papers on issues of concern, discuss new issues and recommend an agenda for the formal WG meeting. The agenda is then forwarded to the IMT for consideration.

## **Role of the LBF Secretariat**

IFC-MPDF acts as the Secretariat for the LBF. The Secretariat maintains a database of active participants in the Forum, facilitates the discussions of PSWGs and the WGs; liaises with the Lao Government when requested; assists in the compilation and distribution of issues matrices and other documents; solicits comments from WGs on draft laws and regulations; and generally enhances the activities of the LBF by facilitating the participation of the domestic and foreign business communities.

The Secretariat also arranges meetings between government and the WGs. Finally, where appropriate, the Secretariat assists both the Government and the private sector to analyze issues constraining growth, and make recommendations based on best practices in the region and elsewhere.

The Secretariat is based in the offices of IFC-MPDF in Vientiane. It has no decision-making or policy-making powers.

## **Donor Participation**

Bilateral and multilateral donor agencies that are members of the Roundtable Meeting are invited to attend the bi-annual Forum and observe other LBF activities in order to promote an effective link between policy recommendations for private sector development and the donors whose projects support private sector development.

## **Achievements to date**

IFC-MPDF established the LBF Secretariat in May 2005 with the hiring of the LBF Coordinator. A Program Assistant was hired in September 2005.

The LBF Secretariat visited more than 300 companies in the first few months of operations to introduce the Lao Business Forum and encourage private sector participation. In July 2005, three of the four planned PSWGs were established - Tourism, Service & Trade, and Manufacturing.

The PSWGs at the moment each have about 20 members from both domestic and foreign companies. Each PSWG met 2-3 times between July and December 2005 to identify key issues that they wanted to raise with the government in the meetings with the IMT.

Dialogue consultation with the PSWGs began in September 2005. The LBF Secretariat met with the PSWGs every week during a two-month period in order to raise issues and discuss recommendations for each group; a total of 60 issues were raised by the three PSWG. These were put into a Matrix of Issues & Recommendations. Through a dialogue process, each PSWG ultimately selected ten priority issues to raise for discussion in WG meetings with the IMT.

The first formal WG meetings between the IMT and the PSWGs were held on January 11 and 12, 2006, chaired by the Team Leader of the IMT. Members of the PSWG in turn raised priority issues and made recommendations to the government to address those issues. Members of the IMT from the relevant line ministries were then asked to give a preliminary response to each issue and recommendation made. In each WG meeting, Five or six issues were mutually selected as high priority by both the private sector and government.

## **Next steps**

The first Forum will be held late February 2006, where the list of high priority issues will be discussed. With the support of the LBF Secretariat, the PSWGs and IMT will work together to try to resolve these high priority issues over the next six months.

Authors:

**Pascale Rouzies, Lao Business Forum Coordinator, IFC-MPDF**

Pascale Rouzies joined IFC-MPDF in May 2005 to coordinate the newly established Lao Business Forum. Her career includes more than ten years as a hotel General Manager with ACCOR Group, including three years as the General Manager of Novotel Vientiane. Prior to joining ACCOR, Ms. Rouzies managed her own business in Paris, France. She has also established "Konata Asia," a Lao tourism consulting company, and helped start "La Renovateur," a French language newspaper in Lao PDR.

**Trang Nguyen, Manager, Business Enabling Environment Program, IFC-MPDF**

Trang Nguyen has managed the Business Enabling Environment (BEE) Program of IFC-MPDF for the past three years, working to improve the institutional, legal and regulatory conditions under which the domestic private sector in Vietnam, Cambodia and Lao PDR operate. The BEE program was developed under her leadership, and has had significant successes in providing technical assistance to the development and implementation of key business legislation in all three countries. The Lao Business Forum is IFC-MPDF's major BEE activity in Lao PDR.