The World Bank Group conducted face-to-face interviews with top managers and business owners of 368 enterprises in Lao PDR from January 2016 through June 2016. The Enterprise Survey (ES) sample is representative of Lao PDR’s formal private sector. The ES covers several aspects of business environment along with measures of firm performance. Below are the main highlights from the survey.

**Firms in Lao PDR lag behind comparator countries in terms of annual sales and employment growth**

Between 2013 and 2015, the private sector in Lao PDR considerably underperformed the East Asia and Pacific (EAP) region in both real annual sales growth and employment growth. Annual sales in Lao PDR decreased by 21%, compared to a much more moderate decrease in the EAP region (-0.5%). Firms of all sizes had negative annual sales growth but large firms (100+ employees) were the worst performers (-36%). The annual employment growth in Lao PDR was also negative and lower than the average for EAP (-0.5% compared with 4.6%).

**Fewer firms use bank financing than in 2012, but the proportion of bank-financed investments has increased**

The percentage of Laotian firms using banks to finance purchases of fixed assets (or investments) has declined from 21% in 2012 to 16% in 2016. This percentage is also lower than the average for the EAP economies (20%). Interestingly, though, the intensity of bank use has slightly increased. The proportion of investments financed by banks has increased slightly from 9% in 2012 to 11% in 2016. However, this is comparable to the average proportion of investments financed by banks in lower middle income economies, which is 10%.

**Compared to 2012, Laotian firms spend less time to obtain permits and to comply with regulations**

Since 2012, the time required to obtain construction permits and to comply with government regulations has significantly decreased in Lao PDR. The average time to obtain a construction permit is almost one third of what it was (20 days in 2016 compared to 59 days in 2012). The “time tax”, that is the percentage of time senior managers spend dealing with regulations, is almost one quarter of what is was in 2012 (1% compared to 6%), and it is also lower than the average in the EAP region (6%).
Fewer firms in Lao PDR are offering formal training compared to 2012 and to regional comparators

The percentage of firms that offer formal training to their employees (incidence of training) has declined substantially since 2012. Only 7 percent of the firms offer formal training in 2016, a significant decline from 29% in 2012, and well below the average for the EAP region (32%). However, the intensity of training (the share of workers offered formal training) has slightly increased, from 33% in 2012 to 38% in 2016. Despite this small improvement, Lao PDR is underperforming compared to the average in the EAP region, where 63% of workers are offered formal training.

The incidence of crime and security costs are lower in Lao PDR than in comparator economies

In 2016, both the percentage of firms paying for security and the percentage of firms experiencing losses due to crime fell significantly compared to 2012. The percentage of firms paying for security fell by almost 50% (from 57% in 2012 to 27% in 2016) and well below the average in the EAP region (49%). Further, the percentage of firms experiencing losses due to theft and vandalism is only 4%, a drastic improvement from 2012 (26%) and much lower than the average of 18% in EAP. Security costs have also declined to less than 1% of annual sales, compared to 1.7% in 2012 and 1.8% in the EAP region.

Firms consider informal competitors as the biggest business environment obstacle

Among 15 areas of the business environment, 27% of firms in Lao PDR chose competition from informal competitors as the biggest obstacle to their daily operations in 2016. Tax rates and poorly educated workers were ranked 2nd and 3rd (cited by 22% and 13% of firms respectively). The top three obstacles have not changed since 2012. Also in that year, informal competitors were the biggest obstacle (cited by 18% of firms) while poorly educated workers and tax rates ranked 2nd and 3rd, cited by 17% and 15% of firms respectively. Firms’ perceptions about the provision of electricity have instead deteriorated, as this obstacle is now ranked 5th (cited by 13% of firms), while in 2009 it was ranked 9th and cited by only 4% of firms.

The Enterprise Analysis Unit is a joint World Bank and IFC team of economists, survey experts specialized in private sector development. Surveys implemented by the team reveal what businesses and firms experience across the world by interviewing representative samples of the formal, non-agricultural, non-extractive, private sector with 5 employees or more. The resulting globally comparable firm-level data is used to construct business environment indicators and measure firm performance. The findings and recommendations help policy makers identify, prioritize, and implement policy reforms that support efficient private economic activity.

For more information on the survey visit http://www.enterprisesurveys.org