

United Nations Conference on Trade and Development
Japan Bank for International Cooperation

Blue Book
on Best Practice in Investment
Promotion and Facilitation

Lao PDR



PREFACE

The Blue Book for Lao PDR comprises 11 measures, actionable over a short term of one year, to move the country towards best practice in investment promotion and facilitation.

The project is jointly carried out by the United Nations Conference on Trade and Development (UNCTAD) and the Japan Bank for International Cooperation (JBIC). The contents of the Blue Book were developed through a brainstorming session at a workshop in Bangkok on 8 and 9 September 2004, which included representatives from the public and private sectors of Cambodia. This was followed up with a national workshop on 28 October 2004 in Vientiane to endorse the measures to be included in the Book. The national workshop was hosted by Dr. Khamlien Pholsena, Director-General of the Department for the Promotion and Management of Domestic and Foreign Investment, and participants were from the public and private sectors as well as the donor community in Lao PDR.

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ABBREVIATIONS

| | |
|--------|--|
| ASEAN | Association of South East Asian Nations |
| DDFI | Department for the Promotion and Management of Domestic and Foreign Investment |
| EPD | Export Promotion Division |
| FDI | foreign direct investment |
| GDP | gross domestic product |
| IAC | Investment Advisory Council |
| ICC | International Chamber of Commerce |
| IFC | International Finance Corporation |
| IPA | Investment Promotion Agency |
| ITS | investment targeting strategy |
| JIBC | Japan Bank for International Cooperation |
| LBF | Lao Business Forum |
| LDCs | least developed countries |
| LNCCI | Lao National Chamber of Commerce and Industry |
| MAP | Marketing Action Plan |
| MCCI | Mauritius Chamber of Commerce and Industry |
| MIGA | Multilateral Investment Guarantee Agency |
| MOIH | Ministry of Industry and Handicrafts |
| MOAF | Ministry of Agriculture and Forestry |
| MPDF | Mekong Project Development Facility |
| SCCCI | Singapore Chinese Chamber of Commerce and Industry |
| SME | small and medium-sized enterprises |
| TNC | Transnational corporation |
| SWOT | strengths, weaknesses, opportunities and threats |
| UNCTAD | United Nations Conference on Trade and Development |
| UNIDO | United Nations Industrial Development Organization |
| WCF | World Chambers Federation |

ELEVEN-POINT ACTION PLAN

- 1.** Produce timely official translations of business-related laws and decrees into English.*
- 2.** Install an investor tracking system.*
- 3.** Transform DDFI's Monitoring Division into a unit focusing on building stronger relationships with existing investors in Lao PDR.
- 4.** Implement a targeted investment promotion strategy: starting with light manufacturing, including agro-processing.
- 5.** Produce an UNCTAD Investment Guide.
- 6.** Train government institutions dealing with investors to be client-oriented. *
- 7.** Fully develop a “network” of contacts across all line ministries dealing with business matters.
- 8.** Initiate pilot programme on building supplier relationships between foreign and domestic firms (i.e., backward linkages) among DDFI, MOIH, MOAF, and other agencies for the light manufacturing and agro- processing sectors.
- 9.** Establish a Lao Business Forum for existing investors (in partnership with IFC/MPDF), and host one pre-investment forum for prospective investors. *
- 10.** Build up the information base and services of national chamber to support SMEs and other businesses.
- 11.** Strengthen Provincial Chambers of Commerce and Industry.

** Actions relatively simple to implement with minimal financial requirements.*

INTRODUCTION

Background. During the third meeting of the United Nations Conference on Trade and Development (UNCTAD)/International Chamber of Commerce (ICC) Investment Advisory Council (IAC), held on 13 November 2003 in Japan, high level government and business representatives discussed ways and mechanisms to overcome impediments and bottlenecks to foreign direct investment (FDI) in Asian least developed countries (LDCs). A number of issues were highlighted with regard to strengthening the investment climate in the participating countries, in particular how best practices in other countries and regions could be more efficiently applied. The meeting participants recommended the preparation of a "Blue Book" on best practices in strengthening the investment climate.

On 14 November 2003, the Japan Bank for International Cooperation (JBIC), UNCTAD and ICC signed a Memorandum of Understanding relating to investment promotion and facilitation in the new ASEAN member states. Subsequently, UNCTAD and JBIC initiated a project aimed at documenting success stories and best practices in improving the investment climate, in particular policy and capacity-building measures, and applying them in two LDCs – Cambodia and Lao PDR.

Process. The Measures presented in the Blue Book on Best Practice in Investment Promotion and Facilitation for Lao PDR reflect the consensus from the Workshop held in Vientiane on 28 October 2004 and hosted by the Department of Management and Promotion of Domestic and Foreign Investment (DDFI). The Workshop comprised representatives from the public sector, the private sector, and the donor community. Additional stakeholder interactions were held during the Bangkok Meeting (8 and 9 September 2004) and the fact-finding mission to Lao PDR (13 to 16 September 2004), which involved in-depth interviews with numerous companies and policymakers. Additional insights from the business community were obtained through a detailed firm level survey in Lao PDR. All these valuable inputs are greatly appreciated by the research team, and it is hoped that the insights obtained can be recognized in the measures presented below.

The "Blue Book" is intended to guide Lao PDR in the process of improving the investment climate, in benefiting more from foreign direct investment, and in dealing with a range of investment-impediment related issues and public-business sector dialogue. It was compiled drawing extensively on inputs from all stakeholders, including UNCTAD, JBIC, and the ICC.

The Blue Book on Best Practice in Investment Promotion and Facilitation for Lao PDR, therefore, contains concrete and measurable activities for the government in achieving best-practices in the following three broad areas: (1) Regulatory framework for investment and impediments to investment; (2) Investment promotion strategy; and (3) Institutional development. The selection of topics and action items were guided by the following key criteria: (a) relevance to foreign investment; (b) actionable within one year; (c) not being covered by other players/donors; and (d) with a focus on action and doing – not on planning.

Monitoring implementation. Several measures require financial support from Lao PDR's development partners. There is also the need for appropriate monitoring to ensure smooth implementation. The initial follow up on the Blue Book measures will be held in the week commencing 9 January 2005 (after the ASEAN Ministerial Summit in Vientiane) either by e-mail exchange or a telephone conference. Subsequent monitoring will be undertaken on a regular basis, at the first follow up exchange.

Measure 1. Produce timely official translations of business-related laws and decrees into English

(a) Rationale and Country Context

One critical determinant of investment location is the quality of the business legal and regulatory framework. However, before foreign investors can assess the business environment, they must have access to the various business laws and regulations. Most developing countries have good translations of the investment law and often a few others such as the labor law, but generally laws in developing countries are difficult to access in terms of availability and reliable translations. Timely and properly translated laws and regulations are also necessary for existing foreign investors to assure greater compliance with the law and to help avoid arbitrariness in law enforcement. In sum, businesspeople need to have access to clear and understandable written versions of the laws and regulations governing their operations.

In Lao PDR, the legal and regulatory framework is in the Lao language and “official” English translations are absent, thereby creating uncertainty and reducing transparency. Because of the absence of official translations of laws and decrees, foreign investors cannot obtain information on their own and must instead rely on local middlemen to provide translations of the main laws and regulations. This results in unreliable information, higher costs for potential investors (both in time and money), and reduces the likelihood that potential investors will seriously consider Lao PDR as an investment location. Large firms and trans-national companies (TNCs) in particular will refrain from investing in a location that does not have a clear and transparent set of laws and regulations because they are under close scrutiny by their shareholders and often must adhere to governance standards not only in the host country but from the home country as well.

(b) An Example of Best Practice

Viet Nam’s Ministry of Planning and Investment has cooperated with a private law firm since 1992 to produce official translations of laws and decrees related to investment and conducting business in Viet Nam. The law firm translates the laws, gets them approved by the Ministry of Justice, provides copies of the official translations to the government, and has exclusive rights to package and sell these official translations.

The law firm produces and markets the “Foreign Investment Laws of Vietnam Loose-leaf Service,” which comprises over 800 laws in 16 volumes. Topics include foreign investment; taxation; banking, finance, and foreign exchange; land and premises; labor; customs and immigration; accounting and auditing; contracts; intellectual property and technology transfer; natural resources and environment; business organizations; civil code and commercial law; and others.

Additionally, the firm offers the “Vietnam Legal Update,” which is published on a monthly basis and assists business people in keeping up to date on changes in the business legal and regulatory framework.

The measure can be a costly process if undertaken by the Government, and in the creative solution found in Viet Nam, the costs are borne by a private law firm.

(c) Action Plan

It would not be possible to produce a complete set of official translations of business-related laws and regulations within one year, but this measure is intended to initiate the process of an arrangement similar to the one in Viet Nam and gradually build up the compendium of official translations. The action plan presented below aims to initiate a long-term cooperative arrangement between an international law firm in Lao PDR and the appropriate overseeing ministry or public agency that will produce a priority set of translated laws and decrees within the first year and set targets for the subsequent years. The main steps entail:

- Preparation of the necessary tender documents, including a clear terms of reference and qualifying criteria.
- Solicit proposals from international law firms.
- The appropriate committee within the public sector will review and select the law firm with the best proposal meeting the qualifying criteria.
- Prepare a contract that specifies the terms of the arrangement, including deliverables, the approval process, target dates, and length of agreement.
- Sign contract with the winning bidder.
- Embark on translating priority laws agreed to in the contract for the first year.

(d) Key Performance Indicators

- Contract signed with winning law firm by April 2005.
- First batch of high priority laws produced by September 2005.
- Second batch of laws produced by December 2005.

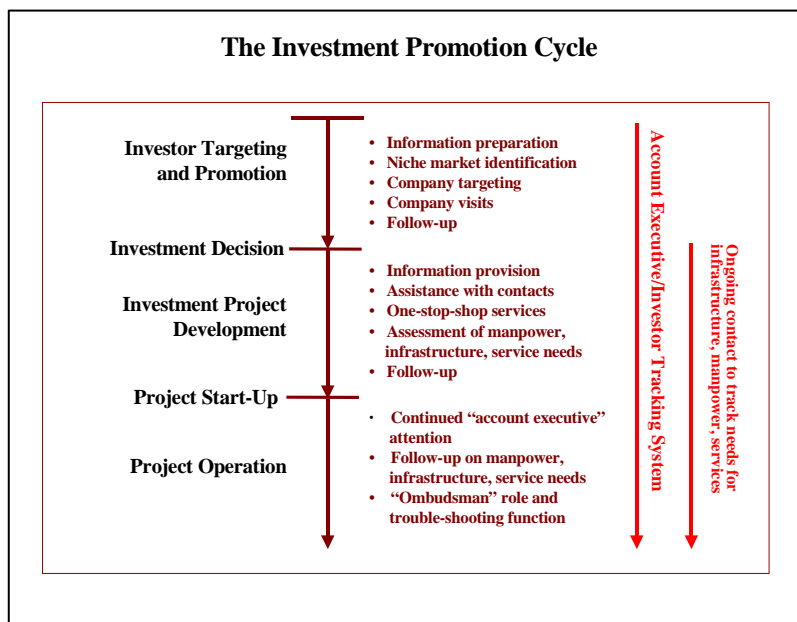
(e) Financial Implication

None for the Government.

Measure 2. Install an investor tracking system

(a) Rationale and Country Context

Effective selling requires a good investor leads tracking system which tracks prospects throughout the investment promotion cycle – from inquiry to lead to commitment to investment and beyond. Installing an investor tracking system in an investment promotion agency (IPA) will enable the Agency to more effectively manage its relationship with contacts, potential investors, and established firms. The system will allow staff to input and update contact information, and to produce reports so that management may track progress of investors through the investment process and thereafter. Investor tracking software will be used to track investor activity and



provide multiple users in an organization with features to better manage their portfolios and to provide a much more effective service to both potential and actual investors.

Under a project for DDFI (formerly known as FIMC) in 2000, Investor Inquiry, Application Tracking, and Investments Database software was installed only for the Investment Promotion Division of DDFI and not the entire DDFI. The original team that maintained the software moved to another government department, and the Monitoring Division of DDFI is using a separate tracking system based on Excel.

(b) Benchmarking and Best Practice

In general, with regard to leads tracking systems, effective IPAs exhibit a:

- Demonstrated use of tracking software, including the follow up and rekindling of leads;
- Good record of success in using the investor tracking system in a sustained and systematic manner; and
- The existence of a complete history of all investor leads and activities available to all officers and account executives in the agency.

It is highly recommended to computerize this system, and any effective system will include the following key elements:

- Investment project tracking – to accurately record the nature of the project being proposed and the major characteristics of the proposed investment.
- Contact management – monitoring the types and frequency of the contacts made with the investor to facilitate timely follow up and required actions.
- Work management – tracking the various work elements that the investment promoter needs to carry out in order to progress the investor through the investment promotion cycle. This includes correspondence, assisting with investor visits, etc.
- Investor servicing – recording the types of assistance that the investor requires both from the investment agency and from other agencies such as customs, business consultants, lawyers, etc.
- Permits and authorization tracking – maintaining a comprehensive record of all the permits and licences that the investor requires and the status of applications for these permits and licences.
- Management reporting – providing the senior management of the investment promotion agency with accurate and timely information on the processing of an investment proposal, and permitting the monitoring and evaluation of the performance of investment promotion officers.

Some additional useful features of an investor tracking system include the following:

- Tracking milestones – this registers an investment as it progresses through the investment project life cycle. The stage is updated as each key milestone is reached, and this can be automated if required. This feature can be used systematically to analyze the outcomes of investment projects – to serve as a tool for identifying areas where the investment climate needs improvement.
- Registration of source for all leads – this permits a systematic tracking of the investment promotion partners that are most active, and which can usefully be followed up more regularly.
- Automatic lead qualification – incorporating a set of system triggers: hot, active or cold classifications based on where investor prospects are within the investment cycle, and how active the prospect has been.
- Automatic “time-out” for inactive leads – once leads have been inactive for a period of time or decisions have been made that end the investor’s consideration of an investment in the respective country, the investor tracking system will inform users that the lead is being removed from active consideration.
- Record and analyze the total impact of an investment in the country, in terms of investment capital expended, annual sales turnover, employment generated, land use, and raw materials and utilities consumed.

(c) Action Plan

The basic activity will involve the installation of a software programme tailored to the country's needs, and the provision of five days training on its use and application and the development of a full implementation plan. The implementation will be done through

advisory services/technical assistance. UNCTAD and MIGA have provided such services to IPAs in Algeria, Ghana, Republic of Tanzania and Zanzibar.

A typical activity programme is given below:

| Activity | Time Line |
|---|------------------|
| 1 Design specification review (with background project material sent to consultant) | 1 week |
| 2. Confirm final project specifications (which will take into account DDFI's existing computer system) and signs contract agreement with consultants | 1 week |
| 3. Project review with clients, and installation of system and database design and customization according to country's needs (on site). | 2 days |
| 4. Training users to operate the new programme (on site) | 1 day |
| 5. Administrators Training, design of templates and reports Handover and review of project (on site). This activity will include the development of a complete implementation plan along with expected milestones as DDFI implements the investor tracking system | 2 days |

(d) Key Performance Indicators

- Installation of tracking software and implementation of training by June 30, 2005.
- Complete functioning of investor tracking system in place by December 31, 2005.

(e) Financial Implication

\$10,000.

Measure 3. Transform DDFI's Monitoring Division into a unit focusing on building stronger relationships with existing investors in Lao PDR

(a) Rationale and Country Context

Investment promotion usually at best results in a potential investor deciding to explore the location in person. Landing the initial investment, keeping it in the location, and possibly expanding the investment later on, however, depend in great part on the quality of services provided to the investor throughout the investment cycle. Facilitation through the site visit and investment registration process, along with continued support and troubleshooting assistance during a company's operations helps to develop satisfied investors who will stay in the location.

DDFI has a Monitoring Division that tracks the approval of investment projects, collects data on investment, and conducts other administrative work, but it does not serve as a full-service facilitation and aftercare team because of insufficient budget to proactively follow up with firms. Also, the Monitoring Division staff members are not trained as service providers to perform ongoing contact and assistance to investors.

Given the limited resources within DDFI, it is recommended that the existing Monitoring Division be transformed from its present functions into an investor facilitation and aftercare services division that will strengthen relationships with existing investors in Lao PDR. Investment facilitation for new investors is also envisaged for the retrained division, but for the immediate term the focus will be on more frequent contact and service provision for existing investors. The reason for this is that existing investors are one of the greatest sources of new investment in any particular location, and DDFI must ensure that the relatively limited number of foreign investors in Lao PDR remain there as satisfied customers.

(b) Benchmarking and Best Practice

Strong IPAs tend to possess:

- Well developed facilitation and aftercare services identified and prioritized explicitly in their investment promotion strategy;
- A clear target of working for second generation investment;
- Post-location problem-solving services for the investor clients; and
- Facilitation and aftercare services geared to 'anchoring' the investment to the location.

In order to achieve these features, many IPAs and other agencies have set up investment service centers or a specially trained team to consolidate and facilitate the services offered to investors. Among the general functions performed by investment service centers or teams are providing information and documents to investors, processing investment applications, providing matchmaking services, and help rectify problems of investors with other government agencies. An investment service team should not be

designed to assist investors only during the project application phase; rather, a range of services should be offered covering the entire investment cycle.

Most companies interested in investing in a location will make a site visit to decide if that location is ideal for them. The objectives of these site visits are normally to obtain specific information necessary for the investor's project, to meet with the appropriate government officials and private firms to discuss the business environment and specific matters, and to assess the overall quality of the location.

Normally it is best to assign one officer to manage the entire visit (often referred to as the "account executive" approach), so that the prospective investor knows exactly who is handling the visit, can address all requests to that person, and there is clear accountability for the site visit. If the visiting company is a major one, a senior IPA official ought to manage the site visit to emphasize the importance of that particular investor.

One of the keys to planning a successful visit is to tailor it to the investor's specific needs and interests. The IPA will need to identify the appropriate people in the public and private sectors who are relevant to the investor's project, such as existing investors in your location who are in the same industry and government officials who can respond to specific and important questions about the project or industry.

An investor's service needs change after commencing with the project establishment phase. In this stage, investors require a lot of assistance from the IPA in facilitating the investment approval, getting the maximum incentives offered by the Government for their project, and working through the bureaucracy to complete the registration process and obtain the required permits and licences.

Depending on the level of bureaucracy in a location and the consistency of procedures, establishing the investment project can be a frustrating experience for many investors, and they will turn to and expect assistance from the IPA's service team. Failure to provide adequate assistance through the bureaucracy in getting the project established could cause the investor to back out of the commitment. Many countries experience high rates of unrealized project approvals, partly because of getting stuck in the bureaucracy (but also because of other factors such as the investor not being able to obtain the necessary financing for the project and other reasons).

Once the investor's project is operating, the IPA's job in facilitating investors is still not over. Recall that many industries are extremely mobile these days and will quickly leave one location for another if they encounter severe constraints in their operations or the business environment deteriorates. Also, even after starting up, the investment project might have additional or unforeseen needs that the IPA can assist in resolving.

A proactive and service-friendly IPA would maintain periodic contact with the firms after they commence with operations to keep abreast of the developments and address problems early before they get more complicated. Some of the typical types of support activities that an IPA should offer investors in the implementation phase entail ongoing troubleshooting with agencies such as customs and immigration (since the company might encounter new problems after the project is operating); fostering networking opportunities among investors and with business associations; and providing value-added services such as identifying new suppliers, potential business partners, and coordination with other types of business service suppliers.

The IPA should be proactive in following up with firms periodically to identify any problems that they are having that the IPA can resolve, even with firms that have been operating in the location for many years. The periodic follow-up with investors is also useful for anticipating their future needs, and may enable account executives to identify ways to support or convince a firm to expand its operations in that location.

The IPA can expect certain kinds of after-care issues for its clients. With industries changing rapidly these days, firms in your location might need assistance in locating specialized labor or identifying advanced technology suppliers. Some firms may eventually look for new partners to help them expand their operations or to raise additional capital. Firms occasionally encounter problems with suppliers or customers that require finding replacements quickly, and the IPA's database of firms can often be a good source of this information. Also, the IPA can and should play an active advocacy role on behalf of investors to improve the local business environment, such as streamlining local procedures and paperwork, reducing the number of inspections, removing economic distortions or unfair competition rules, conducting counter-corruption campaigns, and more generally involving the business sector in the policy-making process. Often, the IPA needs to perform the role of (inter)mediator between the investor and (local) government, and facilitate government-business consultations.

Among other international agencies, UNCTAD provides advisory services to investment promotion agencies. A recent example includes assistance to the IPA in Morocco as part of a larger investment promotion strategy.

(c) Action Plan

- Review the types of services currently offered by DDFI that constitute “facilitation” and “aftercare services”, and identify priority services to be developed.
- Conduct a training needs assessment of the existing Monitoring Division officers, and identify the types of training activities to be implemented.
- Re-train the existing Monitoring Division officers to serve as DDFI's investor facilitation and aftercare services division.
- Provide DDFI with a standard “manual” on facilitation and aftercare services to guide existing officers and train future officers.

(d) Key Performance Indicators

- Completion of training needs assessment and capacity building design by April 2005.
- Implementation of capacity building and manual preparation by June 2005.
- Full transformation of the Monitoring Division into an investor facilitation and aftercare services division by December 2005.

(e) Financial Implication

\$ 20,000.

Measure 4. Implement a targeted investment promotion strategy: starting with light manufacturing, including agro-processing

(a) Rationale and Country Context

An investment promotion strategy that starts with light manufacturing is a realistic strategy that takes into account the structure of the small industrial sector in Lao PDR on one hand, and provides the way for broad-based growth on the other hand. The effort should focus on garnering special attention for agro-processing, as a large majority of the population still depends on agriculture.

The manufacturing sector accounts for 17.9% of the GDP of Lao PDR and the major manufacturing sub-sectors are food and beverages, garments, and wood processing. According UNIDO, annual exports of processed food is approximately US\$20 million, and out of this total, primary processed coffee accounts for 75%.¹

DDFI has not prepared a targeted investment promotion strategy before because of personnel limitations in the Investment Promotion Division and insufficient financial resources. The Division has received periodic training on investor targeting from various donor agencies, but no organization has committed financial and technical assistance to actually implement a strategy.

(b) Benchmarking and Best Practice

In general, with regard to targeted investment promotion, effective IPAs exhibit a:

- Clear identification of key target sectors and countries;
- Clear identification of key individuals who can help leverage projects; and
- Pro-active approaches to potential investors with proposals.

Investor targeting is often (mis)construed as picking opportunities within an industry group. In fact, most basic industrial development consulting firms provide this level of detail, and the investment targeting strategy (ITS) often uses such work as a point of departure. The real added value provided by the ITS lies in the allocation of scarce promotion resources to those opportunities which make sense from an FDI perspective. Building on this prioritization of industries for overseas promotion, the ITS then identifies target investor markets: not just likely investor countries, but complete investor profiles based on trends in the international marketplace and in related economic landscapes.

The second (and perhaps the most important) output of the ITS is the marketing action plan. This is the framework for implementation of the promotion programme and is an area that is typically not covered by location consulting firms. It provides the approach necessary for the IPA to attract the identified investor countries and firms, as well as accompanying implementation timelines and budgets. It is this marriage between abstract identification and hands-on promotion that sets the ITS apart from traditional targeting work

¹ UNIDO, *Lao PDR: Medium-term Strategy and Action Plan for Industrial Development*, 2003.

and allows IPAs to develop promotion approached based on a detailed, holistic, and actionable document.

The ITS essentially relies on an industry identification and screening process to arrive at target markets for investment promotion, and then develops marketing plans for those targets. The ITS methodology first develops a “long list”, or universe of possible activities, consisting of all industries which could be considered as candidates for international investment promotion efforts by the counterpart IPA. Those industries are then screened through three tests: a comparative analysis that compares each industry’s location requirements with the economy being promoted, a competitive analysis that examines each industry’s supporting and constraining trends (domestically and internationally), and a policy analysis that prioritizes industries deemed suitable based on government policy priorities. Note that the comparative and competitive screens are the first screening hurdle, so that an industry cannot be included based on its consistency with policy objectives if it has not passed the fundamental economic comparative and competitive analyses. Identified targets are then separated into near-term and medium-term candidates, and marketing plans are tailored to immediately promote near-term candidates for promotion.

The marketing strategy acts as the core plan for navigating the IPA management's promotion activities. In general, it outlines the broad approach that IPA management will have to undertake in selling industrial opportunities to prospective investors. The promotion strategy provides the basis for developing industry-specific marketing action. The marketing action plan (MAP) is an outline of the overall programme for promoting a particular industry in the host province or country. While the promotion strategy provides the basis for the overall approach to be undertaken the IPA, the MAP outlines this strategy as a basis to develops industry-specific approaches.

A typical MAP contains the following elements:

- **Target Investors:** the characteristics of the investor groups are described, in order to gain an understanding of who the promotion effort will be targeting. This is done in terms of nationality, type of investor, the motive for potential location in the host province, patterns of local and regional investment, and other information that may be relevant.
- **Principal Selling Themes:** the promotional emphasis or principal advantages that the host province can highlight in the customized materials and approaches in a single attractive slogan. This is obtained from a benchmarking exercise undertaken earlier.
- **Promotion Approach:** the specific combination of the various investment promotion techniques as determined by the nature of the investor and the characteristics of the industry. This is a summary of the promotion strategy applied for each industry.
- **Promotion Materials:** the optimal promotional materials are described for each sector, in general terms. Apart from the standard printed materials, management may decide to develop materials if the industry is deemed as a major industry for the area. Feature videos and CD-ROMs typically form part of such materials. At the least, an information sheet describing each industry should be developed.

- Investment Goals: the specific objectives for each sector, in terms of numbers of investments, average size of investment, employment, and other characteristics are noted. Determining investment goals is a difficult if not impossible task as it is akin to forecasting the demand. Management may use historical investment patterns as an indicator for future goals. Alternately, they may use figures from best in class locations as a target to strive for. Locating an investment is ultimately a corporate decision, and the factors involved in this decision may not always be transparent to the economic development professional. The frequency of activities towards generating the investment should be factored in the assessment of goals as well.

(c) Action Plan

In general, the major activities that need to be carried out include the following:

- Sectoral SWOT analysis and benchmarking for the sectors to be targeted;
- Development of marketing action plan, including plan for working with a broad range of partners;
- Identification of country targets;
- Survey and fine-tuning of potential investors;
- Preparation of investment promotion materials and marketing documents;
- Marketing strategy implementation, including missions to target markets and potential investors;
- Follow up activities to maximize effectiveness of activities.

Among other international agencies, UNCTAD and UNIDO provide technical assistance for targeted investment promotion. Recent examples of UNCTAD technical assistance in sector-specific targeting include Bosnia and Herzegovina and Botswana. In Botswana, the strategy encompasses a "hands-on" approach for the IPA and local firms in contacting potential investors and promoting the investment location.

(d) Key Performance Indicators

- Pulling together the investment promotion January-March 2005.
- Completion of first investment promotion mission April 2005.
- Follow up and planning for incremental FDI Quarters 2-4, 2005.

(e) Financial Implication

\$ 80,000.

Measure 5. Produce an UNCTAD Investment Guide

(a) Rationale and Country Context

UNCTAD and the International Chamber of Commerce (ICC) jointly produce a series of investment guides that is intended for the use of foreign investors who are largely unfamiliar with the countries covered. The investment guides are designed to offer overviews of potential locations for investment and pointers to sources of further information, rather than constitute exhaustive works of reference or provide detailed practical instruction.

UNCTAD and ICC's investment guides are considered "third-party" documents that are intended to offer a balance and objective account of investment conditions. Their principal advantage in drawing the attention of investors to the countries they cover is credibility. Also, the general structure and some of the specific content contained in the investment guides are the result of consultations with the private sector.

DDFI's Investment Promotion Division produces some promotional materials, but the lack of budget and expertise has resulted in only a few brochures and guidelines. A Lao PDR Investment Guide would give potential investors a clear and concise overview of the investment environment, the regulatory framework, investment procedures, opportunities, key contact agencies, and other vital information.

(b) Action Plan

- Formal request from DDFI to UNCTAD for the production of an investment guide;
- Deployment of UNCTAD consultant to undertake fact-finding mission and prepare draft investment guide;
- Conduct review of draft investment guide, revision, and final production.

(c) Key Performance Indicators

- Submit request for an Investment Guide to UNCTAD by December 2005.
- Fact finding mission, drafting, and vetting of the guide by February-November 2005.
- Publication target date by December 2005.

(d) Financial Implication

\$80,000.

Measure 6. Train government institutions dealing with investors to be client-oriented

(a) Rationale and Country Context

A client charter is a tool that is used by institutions, including IPAs, to set service standards and to improve on these standards in order to satisfy customers. A good set of standards encompassed in a client charter is important for the delivery of quality service as it clearly spells out the IPA's commitment to perform specific tasks within given time frames. It also enables the organization to compare its performance in terms of service delivery with IPAs in other countries. In general, government officials with specific understanding of investment issues will provide better customer services to investors. They will be able to comprehend the needs of investors under different situations.

Lao Government organizations interfacing with foreign investors generally lack the necessary customer orientation and associated skills to be considered service providers as opposed to regulators or administrators. Moreover, the high use of middlemen interfacing between the foreign investors and the government agencies also hinders the development of officials' customer skills and creates more scope for inaccurate information flows.

(b) Benchmarking and Best Practice

The Uganda Investment Policy Review carried out by UNCTAD in 1999 contained an action to introduce client charters in public institutions handling foreign investors. The first stage of this process entailed training in customer care for heads of government agencies and the front desk officials. Subsequent stages involved each government agency preparing its own client charter during a workshop. The client charter included the vision and mission statement to ensure that all officers from the top of the organization to the entry-level staff understood and were unified in the agency's purpose. The client charter also specified the types of services offered by the agency, set standards for service delivery time, and clearly delineated the charges for each type of service. Upon completion of the draft client charter, private sector representatives were invited to workshops to discuss the agencies' proposals; the deliberations were then incorporated into the final charters. Each organization is then expected to display the client charter near the reception desk and also to promote the charter in the media and in their interactions with other government agencies.

Feedback given by the Uganda Investment Authority, the IPA, on the impact of the implementation of the Clients Charter is, "The effect of the Clients Charter was immediately felt. Staff in the organizations recognized and bought into the organization's vision. They had clear services they were responsible for and had clear timelines to beat. It also informed investors on the available services and how long they should take. Staffs were eager to exceed expectations. Networks were created in the process of producing the Clients Charters."

(c) Action Plan

1. Introduce “Clients Charter” in DDFI through a three-day training workshop. (And include two representatives from selected other government agencies such as Customs and Ministry of Finance)
 - Module 1. Service excellence training: To allow participants of DDFI to review investor service best practices and evaluate their own service delivery.
 - Module 2. Developing service standards specific to DDFI: To enable participants from DDFI to evaluate their existing service delivery methods and standards.
 - Module 3. Designing a client charter: To set clear, uniform and transparent service delivery standards for the future.
2. Build the capacity within DDFI to develop Clients Charter with other public institutions dealing with investors.

UNCTAD has provided Clients Charter training to Ethiopia, Lesotho, Maldives, Republic of Tanzania and Uganda. Except for Uganda, Clients Charter were introduced as one component of the UNCTAD Good Governance in Investment Promotion Programme.

(d) Key Performance Indicators

- Undergo the training activities and adopt a Clients Charter within DDFI by June 2005.
- Facilitate the adoption of Client Charters in two more investor-related agencies by September 2005.
- Facilitate the adoption of Client Charters in two more investor-related agencies by December 2005, for a total of five agencies including DDFI.

(e) Financial Implication

\$10,000 per institution training.

Measure 7. Fully develop a “network” of contacts across all line ministries dealing with business matters

(a) Rationale and Country Context

As noted earlier, many countries experience high rates of unrealized project approvals or foreign investment outflows because of difficulties with the bureaucracy. The IPA must be closely networked with other government agencies to provide investors with a variety of contacts (for information purposes) and to support the IPA’s efforts to assist investors in overcoming bureaucratic hurdles and related obstacles. For instance, the IPA might be called upon to sort out problems with other government agencies over licences or permits, customs, and tax matters.

DDFI invites relevant government agencies/ministries to its premises usually every week in order to resolve investment problems. They have established a “Committee for Investment Cooperation and Domestic Investment,” but this is not yet a formal body nor fully activated. The meetings focus on two types of issues: 1) approval of investment licences, and 2) resolving investment-related problems such as contract termination and shareholder disputes. The participants in these joint meetings are not necessarily the same people on each occasion, and many of them do not have decision-making authority, which means the issues go unresolved until senior officials become involved.

Another inter-agency issue commonly found in developing countries is the relatively low level of information exchange, particularly when procedural requirements change, leaving the IPA without proper or updated information on matters such as taxation, permits, immigration/visas, and others. Information is generally lacking in Lao PDR, and interviews with government officials revealed that minimal flows of investment or business-related information occurs between ministries and agencies.

Therefore, establishing a “network” of key contact persons in business-related ministries would greatly assist DDFI in offering more efficient services to investors and increase the flow of information between DDFI and other ministries. The network members should have sufficient decision-making authority to resolve most matters quickly when called upon, but they should not be too high-ranking (such as a minister) that their availability is severely limited. Directors and Directors General of ministerial departments would likely be ideal members for the network.

(b) Benchmarking and Best Practice

One example of an efficient inter-agency arrangement for handling investment matters is found in a state government in India. The Government of Rajasthan created Empowered Committees that are authorized to make inter-departmental decisions that are final and binding on all department and exempt from further examination. The Bureau of Investment Promotion serves as the secretariat for the two Empowered Committees (one for infrastructure development and investment and the other for all other forms of investment).

Other countries or local governments opt to establish one-stop centers that bring together working-level representatives from various ministries or agencies to help process

investment applications and issues. The Thailand Board of Investment's One-Stop Service Center is one such arrangement, but this is not feasible for Lao PDR.

(c) Action Plan

- Prepare a “concept paper” on the need for the network, participants’ roles, and processes.
- Arrange an inter-ministerial meeting to appoint representatives from each relevant ministry or agency.
- Enhance information flows between line ministries and DDFI:
 - DDFI to conduct inventory of existing (up-to-date) information from line ministries on procedures for foreign investors related to that agency.
 - IPA prepares guidelines to line ministries on types of information requested (e.g., procedures, sector data, and investment opportunities), including basic documentation formats to be filled in by line ministries.
 - Line ministries submit investment-related or sector opportunity information to IPA.
 - Update information from all line ministries at least once a year.

(d) Key Performance Indicators

- Submission of concept paper to relevant line ministries by March 2005.
- Appoint network representatives by May 2005.
- Complete inventory of existing information and preparation of information formats by June 2005.
- Submission of relevant information from line ministries to DDFI by October 2005.

(e) Financial Implication

None for the Government.

Measure 8. Initiate pilot programme on building supplier relationships between foreign and domestic firms (i.e., business linkages) among DDFI, MOIH, MOAF, and other agencies for the light manufacturing and agro-processing sectors.

(a) Rationale and Country Context

The rationale for improved business linkage programmes is persuasive for all participants in the linkage activities. The types of benefits include: (a) a more dynamic and competitive private sector (especially SMEs); (b) improved micro-economic environment conducive to the establishment of business linkages; (c) more, better quality linkages between TNCs and other foreign firms and local SMEs; (d) more quality jobs created and preserved; (e) improved competitiveness of local SMEs through technology, know-how and management skills transfer and capital injection; (f) TNCs more deeply rooted in the local economy; (g) increased capacity to attract FDI; and (h) broader and more diversified tax base for government.

The proposed programme of collaboration between DDFI, the Ministry of Industry and Handicrafts (MOIH), the Ministry of Agriculture and Forestry (MOAF), and others opens up the opportunity for domestic firms to be better informed about the demands of foreign firms. Also, such a programme can benefit foreign firms by providing information about the feasibility of their investments and/or opportunities to expand their production. This programme of integration can help ignite greater business linkages in Lao PDR.

MOIH and MOAF do not have any formal linkages programmes underway due to a lack of technical personnel and resources.

(b) Benchmarking and Best Practice

Experience shows that business linkages can offer substantial mutually beneficial "win-win opportunities" to those foreign affiliates and domestic firms that create and deepen their linkages activities.² Foreign affiliates benefit from linkages with domestic firms as they can reduce costs, enhance access to local tangible and intangible assets, increase their specialization and flexibility and adapt technologies and products better and faster to local conditions; and facilitate their local "rooting".

Foreign and domestic business linkages can be one of the fastest and most effective ways of upgrading domestic enterprises, facilitating the transfer of technology, knowledge and skills, improving business and management practices, and facilitating access to finance and markets. Strong linkages can promote production efficiency, productivity growth, technological and managerial capabilities and market diversification in local firms.

The ability of foreign affiliates' linkage activities to contribute to domestic supplier development depends, to a large extent, on the domestic markets' and local firms' capabilities. However, government interventions are essential to create an environment

² See UNCTAD, *World Investment Report 2001: Promoting Linkages*

conducive to sustainable business linkages, through policies and regulations that support the mutual interests of both foreign affiliates and domestic firms.

Parties involved could combine their efforts at supporting the creation and expansion of SMEs through various linkage options, such as seeding, outsourcing and sub-contracting. These activities could take place throughout the foreign affiliates' value chain in either forward (e.g., distribution) or backward (e.g., sourcing) linkages.

As part of their normal business operations, many TNCs take various steps to develop linkages between their foreign affiliates and SMEs in host developing countries. Some affiliates provide assistance in a broad range of areas; others may only support specific activities. The most intense relationships are those affecting the technological status of SMEs and their ability to meet the scale, quality and cost needs of the buyer.

A backward linkage programme for Lao PDR would draw upon the model adopted by the Czech Republic. This takes into account the limited presence of foreign firms and the current status of capabilities among domestic firms overall. The IPA of the Czech Republic, CzechInvest, started a practical linkages programme called the “Supplier Development Programme” (SDP). SDP comprises three main elements:

- *Collection and distribution of information* on the products and capabilities of potential domestic suppliers. This enables foreign firms to short-list and contact potential suppliers. The information on the suppliers is posted on CzechInvest’s website.
- *Matchmaking activities*: a) “Meet the Buyer” events that aim to bring together foreign firms with potential domestic suppliers. The focus is on identifying what components and services new foreign firms are seeking that could be potentially outsourced to domestic suppliers, and this service is offered by CzechInvest; b) conducting seminars and exhibitions; and c) matchmaking programme of CzechInvest whereby proposals are made to potential foreign investors or, if a foreign investor submits a request for a list of profiles of potential suppliers in the IPA’s database, then CzechInvest provides this information along with a short questionnaire for the foreign investor to complete.
- *Upgrading of selected suppliers*: CzechInvest used a pre-defined criteria for selecting domestic supplier companies to participate in an upgrading programme. The participating firms developed upgrading plans containing benchmarks that would allow comparisons with competitor firms in the European Union. The upgrading plan involved consultancy and training support from a university in the United Kingdom, covering topics such as utilization of technology, management, marketing, finance, quality assurance, and more. Upon completion of the training programme, the supplier firms are presented to banks in order to help them access finance, while banks benefit from finding more reliable customers for loans.

(c) Action Plan

In order to put in place two pilot business linkages projects, the following general steps need to be taken:

1. Identify partner institution to provide training modules and instruction for upgrading suppliers. (Likely to be an existing donor agency such as JICA, GTZ, MPDF, or others.).
2. Define criteria for qualifying suppliers in light industry and agro-processing. Criteria could include particular sub-sectors with highest potential (as agreed upon by DDFI, MOAF, and MOIH), production capacity, quality standards, professional management structure, export capability, etc.*
3. Collection and distribution of information on potential suppliers' products and capabilities. This activity should be done jointly by DDFI, MOIH, MOAF, and business associations.
4. Posting of immediate potential suppliers' profiles on DDFI website in a new section on "suppliers and outsourcing." (If no firms are deemed ready for immediate linkages with foreign firms, then this step would come after step 5.)
5. Upgrading of suppliers in selected industries: a) Participating firms prepare an "upgrade plan" (Identify support agencies such as UNIDO and MPDF to assist); b) Provide consultancy and training support; and c) DDFI, MOAF, or MOIH present trained firms to banks for potential financing of additional upgrading needs, such as production technology.
6. Arrange at least one business linkages matchmaking event to provide a forum for firms to meet and seek linkages (such as a "meet the buyers" event for foreign firms and local firms).
7. Develop a new service programme within DDFI to promote and support linkage development between foreign and domestic firms. (The transformed Monitoring Division, as proposed in measure 4 earlier, would likely be most appropriate because of its proposed facilitation and aftercare services mandate).

* In order to achieve this step, it is proposed to establish a Business Linkages Task Force – comprising a coalition of key stakeholders such as: UNCTAD, DDFI, MOIH, MOAF, IFC/MPDF, respective foreign firms in the sub-sectors, SME representatives in the respective sectors, business development service providers, and potential donors. The task force should then agree on the basic parameters for the two pilot business linkage development programmes, including: objectives, outputs, organizational framework, roles and responsibilities (based on a draft project document prepared by UNCTAD building on the experience in Brazil). Then a formal project document can be issued and funds raised to implement the project.

(d) Key Performance Indicators

- Define criteria for qualifying domestic suppliers by February 2005.
- Approach potential partner institutions for upgrading training and secure at least one commitment by March 2005.
- Create template for potential suppliers' profiles and collect relevant information (based on recommended firms from DDFI, MOAF, MOIH, LNCCI, and possibly others). To be completed for the first batch of suppliers by May 2005.
- Posting of profiles (if ready for immediate linkage arrangements) on new section of the DDFI website by July 2005.
- Commence with upgrade plans and training for first batch of participating suppliers by July 2005.
- Host one "meet the buyer" event by November 2005.
- Put in place new linkage development service programme within DDFI.

(e) Financial implication

\$200,000 (estimated).

Measure 9. Establish a Lao Business Forum for existing investors (in partnership with IFC/MPDF), and host one pre-investment forum for prospective investors.

(a) Rationale and Country Context

Public-private sector partnerships (PPPs) are increasingly used as a vehicle for development. The private sector can be an impetus for economic development, and thus more and more governments are setting up collaborative partnerships with the private sector in order to understand their perspectives and needs and to harness the business community's cooperation in jointly carrying out activities. It is critical for governments to be responsive to the inputs from and issues of concern to the business community if they desire to establish an effective and mutually beneficial partnership with the business sector.

The Government of Lao PDR has held two investor forums in an effort to engage the business community in discussions about the business environment. Recently, the International Finance Corporation (IFC) [working through the Mekong Project Development Facility (MPDF)] and the Government of Lao PDR signed a letter of intent (dated 22 October 2004) to jointly develop a Lao Business Forum (LBF) that will essentially institutionalize the two previous Investor Forums. The LBF aims to support the Government's effort to improve the business environment by:

1) providing a platform for an effective dialogue process between the business community and the Government; and

2) facilitating information sharing with investors. Included in the scope of activities in the letter of intent are the formation of working groups and joint review of progress of the LBF each year.

This new initiative between MPDF and the Government of Lao PDR has been incorporated into the Blue Book. In addition to the LBF for existing investors in Lao PDR, this measure will include at least one "pre-investment forum" intended to introduce new prospective investors to the investment environment and opportunities in Lao PDR. This pre-investment forum is a separate activity from the MPDF-led LBF and will not be covered by the funding for the LBF.

(b) Benchmarking and Best Practice

In order to be effective, the business sector must organize itself in such a way as to present a coherent position to the Government on the wide range of issues being dealt with. In general, this will often require the involvement of business associations and groupings and the development of practical projects and solutions to business impediments.

A critical element in any public-private partnership process is that both public and business sectors must agree on a set of operating procedures and rules. Clear objectives and goals need to be agreed upon, and they must be realistic and measurable. In this manner, both sides will be clear about what has to be done and how to determine when the targets or goals have been achieved. Mechanisms need to be agreed upfront as to who will take responsibility for implementing each action and each party must be assigned clear

responsibilities for monitoring progress. Some useful tools in this process are the keeping of minutes of all meetings with a careful focus on action items and responsibilities and time frames, and an effective monitoring framework.

(c) Action Plan

The Action Plan for the LBF is under preparation by IFC/MPDF and the Lao Government along the lines of their forthcoming Memorandum of Understanding.

The Action Plan for the pre-investment forum would entail:

- Identification of and commitment from appropriate speakers at the pre-investment forum, including key IPA officials, other relevant agencies' representatives, and respected domestic and foreign investors.
- Careful screening of potential participants, and subsequently sending invitation letters.
- Preparation of press releases and press kits.
- Holding the pre-investment forum
- Follow-up with the participants to pursue potential interests in investing in Lao PDR.

(d) Key Performance Indicators

Again, this will be determined by MPDF and the Lao Government as the LBF is planned.

For the pre-investment forum, the main performance indicators are:

- Drafting of proposed agenda by end February 2005.
- Identification of speakers.
- Collecting information on potential invitees, screening, and sending invitation letters completed by May 2005.
- Hosting pre-investment forum by September 2005.

(e) Financial implication

The Letter of Intent between IFC and the Lao Government states that the operational costs for the LBF will be US\$200,000, and IFC will sign a document with the Duchy of Luxembourg to provide this contribution in full.

For the pre-investment forum, the anticipated cost is \$25,000.

Measure 10. Build up the information base and services of national chamber of commerce and industry to support SMEs and other businesses (utilizing the Internet to achieve this)

(a) Rationale and Country Context

Chambers of commerce and industry generally perform two broad sets of development functions: reducing transaction costs and resolving collective action problems. One aspect of reducing transaction costs is that chambers of commerce and industry can help reduce the various “search” costs that businesses typically incur. For instance, firms often incur costs in searching for new customers (either domestically or abroad), suppliers, service providers, technology, and specialized expertise. Costs refer not only to the money involved in compiling information but also in terms of time. In transitional economies such as Lao PDR, these search costs are even higher because of the nascent business sector and the relatively low levels of organization and information. Search costs particularly affect SMEs because of the lack of resources available to them for information technology and research, and also because their networks are not as well developed as larger firms.

Chambers of commerce and industry can play a critical role in reducing search costs for its members by means of achieving economies of scale in the compilation and provision of the information required by firms. Hence, it is important for chambers to develop their information base, make it accessible to members, and continuously update it.

Greater attention by the Lao National Chamber of Commerce and Industry (LNCCI) to SME support issues could significantly contribute to the growth of SMEs. One aspect of this new SME focus would be on making information about the market, quality standards, public sector issues, etc. more accessible to SMEs. LNCCI has an Export Promotion Division (EPD) that is designed to promote and develop Lao exports by providing advisory services to exporters and SMEs seeking to expand their export volume. The services consist of providing information on overseas market opportunities and establishing trading networks. EPD is mainly focused on international trade, and thus a more comprehensive set of information and services for SMEs would be beneficial.

(b) Benchmarking and Best Practice

What kinds of information should be included in a chamber’s information base? A full range of data about doing business in that country and the domestic economy might include:

- Competitiveness indicators (e.g., the World Economic Forum)
- Business environment
- Export performance
- Human capital and labor market
- ICT infrastructure
- Investment (domestic and foreign; inflows and outflows)
- Taxes and tariffs
- Operating costs for industry and services
- Business legal and regulatory frameworks
- Labor productivity

- Trade regime
- Benchmarks on main competitor countries.
- Standard documents and forms required for trade, setting up a business, licences, permits, and membership in the chamber
- Upcoming chamber activities
- Special programmes of the chamber (see below for SME programmes)

Chambers should also provide information that helps link local producers with distant markets, including data on:

- General international trends in investment and trade
- Markets
- Prices in key markets
- Competitors (firm level, not country level)
- Trade policies in major foreign trade partners

The database enables the chamber of commerce and industry to provide chamber executives, members, and others with efficient information and keeps data and forms in an organized and accessible manner. Providing instant information to members then becomes another high-value added service from the chamber.

Well developed chambers of commerce and industry often create on-line databases through their websites. One example of an excellent web-based information base is the Mauritius Chamber of Commerce and Industry (MCCI) (www.mcci.org). MCCI set up six main sections of the website, including four devoted to providing quick and accessible information related to conducting business. Some of the key sub-headings of these sections are shown in the table below:

| Information Sections of MCCI's Website | | | |
|---|---|--|--|
| Doing Business | International Trade | Economy | Our Members |
| <ul style="list-style-type: none"> - Support services - Setting up an enterprise - Private sector institutions | <ul style="list-style-type: none"> - Tariffs and taxes - Trade statistics - Export and import sectors - Multilateral agreements - Bilateral agreements - Procedures for exports - Procedures for imports | <ul style="list-style-type: none"> - Economic indicators - Main economic sectors - Infrastructure - Exchange rate policy | <ul style="list-style-type: none"> - MCCI application form - Alphabetical listing - Search for members - Sectoral groups |

Another example is the Singapore Chinese Chamber of Commerce and Industry (SCCCI) for its SME-related information section of the website (www.sccci.org.sg). In its "SMEs One-Stop Service" section of the website, SCCCI has provided information on government development assistance programmes for SMEs. Each programme is briefly described and the name and contact information of the responsible government agency are included. Other sections of the SMEs One-Stop Service provide information on banks and financial services, consultants, insurance, and legal services.

Likewise, LNCCI could provide a section on its website for SMEs with information about donor-sponsored training programmes, government finance programmes, business services, and other content such as starting a business. However, because SMEs in

developing countries often do not have their own access to the Internet, chambers should provide a place for members to access the Internet. Access to the Internet and the special SME content in the website become another important service provided by the chamber and should be publicized to encourage more SMEs to join.

New or enhanced business development services provided by LNCCI also need to be developed and would complement the SME information database. Business development services for SMEs could include training, consultancy, and support in marketing.

The World Chambers Federation (WCF) of the International Chamber of Commerce (ICC) prepared useful guidelines for developing a chamber of commerce and industry website:

- To ensure members, potential members and other relevant parties are able to get in touch with your chamber, devote a section to contact information including: e-mail addresses, telephone and fax numbers, and street and mailing addresses. A section about your chamber should also introduce key chamber representatives, including relevant chamber staff and board members. Consider a section that highlights successful elements of the local economy.
- One of the principle roles of a chamber is to offer services to its members. Therefore, utilize your chamber web site as a forum where members can learn of available chamber services and upcoming chamber events. A chamber web site provides the chamber with its own on-line publishing forum and chambers should take advantage of this medium to announce their news to the public, and post their recent press releases.
- An integrated web site allows members to contact not only your chamber, but other members as well. You can create on-line networking opportunities by publishing links to member web sites and listing the chamber directory. Recognizing the role of government in the business sector, consider including links to relevant government web sites, explaining government programmes for economic and business development.³

WCF also prepared a simple content checklist for a chamber website:

- Contact information for the chamber
 - Key contacts
 - Phone numbers
 - Fax numbers
 - Street address
 - Mailing address
 - Email addresses
- Information about the chamber
 - Staff
 - Board members
 - Committee members
 - Membership profile, statistics, and list
 - History of the chamber

³ WCF, *Chambers Communications: A Guide to Preparing Publicity and Publications for Chambers of Commerce*, 2003.

- Chamber services
 - How to join: cost, benefits, on-line registration
 - Information for chamber members
 - Chamber events calendar

- Chamber directory
- Business information
 - Information about local business sectors
 - Information about local economic development
 - Information about business development programmes
 - Links to relevant government sites
- Press releases
- Media package
- Sponsors & advertisements
- Site map
- Search function
- Links to related sites
- Member companies
- Relevant government departments

Some additional points to note about website development, and especially for the SME section of the website, are the following:

- Keep the website fairly simple so that information is easy to find and accessible quickly.
 - Avoid animation (visitors will be businesspeople, not children).
 - Minimize graphics (to make it faster to download).
 - Make it easy to navigate from section to section, page to page.
 - Keep the site content and layout consistent over time (so that repeat visitors can find information again), but be sure to update information and data.

- After launching the upgraded website and the new SME section, notify the business community (namely chamber members and other business associations) and government ministries/agencies about the database.

- Periodically disseminate selected new data and indicators to the appropriate chamber members and other business associations.
 - Send only relevant and important documents/data.
 - Type(s) of document/data to disseminate may vary, depending on the type of firm.
 - Periodic disseminations of data generate continued interest in the database.

- Disseminate key indicators/data to other chambers of commerce.
 - This helps to increase international collaboration.
 - Also, it enables the chamber to acquire useful data and benchmarks from other chambers.

(c) Action Plan

Track 1:

1. LNCCI will prepare a formal request for technical assistance from the World Chamber Federation on developing a comprehensive database for SMEs and a communications strategy.⁴ Include in the request the connection with UNCTAD, JBIC, and the Blue Book project. The ICC WCF has already expressed willingness to assist in this area and also to collaborate with UNCTAD in seeking funding sources.
2. Conduct technical assistance programme from WCF.

Track 2:

1. LNCCI should begin accumulating laws, decrees, and regulations related to business and investment, and make them available for consultations with chamber members and other visitors.
2. LNCCI to initiate contact with relevant public and private sector agencies providing services, training, and finance programmes for SMEs. Compile and organize according to categories the names of programmes, a brief description of the SME programme/service, and contact information of the programme managers.
3. Conduct survey of members on new priority services that could be provided by the chamber.
4. Based on the survey results, prepare proposal for technical assistance to provide training to the chamber on new services.

(d) Key Performance Indicators

- Submit request to WCF for track 1 actions by end of January 2005.
- Complete technical assistance programme from WCF by December 2005.
- For track 2, commence process of accumulating laws, decrees, and regulations in December 2004 and complete by March 2005.
- Chamber to initiate contact with public and private sector SME programme providers by December 2005 and complete "inventory" by February 2005.
- Implement and complete survey of chamber members on types and quality of services provided by the chamber by July 2005. (Asia Policy Research will provide the questionnaire.)
- Submit proposal for technical assistance on new chamber services to appropriate organization by September 2005.

(e) Financial Implication

\$30,000.

⁴ LNCCI has a tentative arrangement with MPDF for upgrading its website, and therefore no action under the Blue Book is necessary for the website if the formal agreement is concluded.

Measure 11. Strengthen Provincial Chambers of Commerce and Industry.

(a) Rationale and Country Context

The functions and benefits of chambers of commerce and industry are widely known, and thus a thorough description of these is not necessary here. In summary, among some of the most important functions and benefits are the following:

A. Reduce transaction costs

1. "Search" costs:

- Firms often incur costs in searching for new customers, suppliers, services, technology, and expertise.
- All members gain from the provision of information, yet the cost is frequently beyond the capacity of many members, especially small firms.
- Chambers can help achieve economies of scale in reducing search costs.

2. Enforcement costs:

- Property rights and contract enforcement are often weak in developing countries.
- Weak legal systems mean that reputations and reliable information on reputations are more important.
- Chambers around the world often keep information on firms that do not uphold agreements.

B. Resolve collective action problems

1. Standards

- Low quality products from one firm harms the reputation of all firms in an industry.
- Chambers often help to set and enforce standards, especially those suited to international markets.
- Sometimes chambers set and enforce product specifications so linkages with other products are possible.

2. Training

- Individual firms often cannot afford or lack incentives to train employees.
- Chambers can help reduce training costs, especially for SMEs.

3. Upstream-downstream coordination

- Chambers help bring together different interests of firms within an industry or supply chain.
- For example, facilitate the supply, price, and quality coordination between upstream and downstream firms.

4. Horizontal coordination

- Coordination among producers in the same sector.
- Prevent "ruinous competition" in product markets.
- For example, regulate the capacity to ensure that prices for chamber member products are not allowed to decline due to overproduction.

C. Government interface

- Chambers provide a channel between their members and the bureaucracy and represent the interests of the business sector as a whole before the government.
- Chambers participate in the framing and/or implementation of public policy.
- Chambers lobby government in the interests of the members.
- Chambers defend the interests of their members and influence the policy making process to the benefit of the chamber/business community.

- Chambers should play a role in building consensus within the business sector and conveying to government the results of these efforts.

Lao PDR currently has seven provincial chambers of commerce and industry, but they are experiencing difficulties in providing services to their members. According to LCCI, the key problems the provincial chambers face are inadequate basic facilities and a lack of efficient management.

(b) Benchmarking and Best Practice

In developed and developing countries alike, provincial and often municipal chambers of commerce are established to articulate the concerns of the local business community. Local levels of government administration may have different regulations (or obstacles) affecting local businesses compared to the national context, and therefore provincial or municipal chambers of commerce perform important functions catering specifically to the needs of local businesses.

The World Chambers Federation (WCF) of ICC has developed several manuals and publications on setting up and operating new chambers of commerce, especially in the areas of: (a) services to members; (b) membership development and retention; and (c) chamber administration. In particular, WCF has produced a “New Chamber of Commerce Start-up Kit” that lists the essential elements of a successful chamber; explains the purpose and history of chambers of commerce; details the responsibilities of the chamber’s Board of Directors; and contains many other important guidelines, suggestions, and ready-made tools for establishing chambers of commerce. This documentation could be said to be the best representation of best practice in the area of establishing and managing chambers of commerce.

(c) Action Plan

- LNCCI will prepare a formal request for technical assistance from the World Chamber Federation on enhancing the operations, services, and other aspects of the provincial chambers of commerce. Include in the request the connection with UNCTAD, JBIC, and the Blue Book project. The ICC/WCF has already expressed willingness to work in this area and also to collaborate with UNCTAD in seeking funding sources.
- Conduct technical assistance programme from WCF.

(d) Key Performance Indicators

- Submit request to WCF by end of January 2005.
- Complete technical assistance programme from WCF for at least three provincial chambers of commerce by December 2005.

(e) Financial Implication

\$30,000.