



ENCORE

Entrepreneurship Status-Quo Report

**Entrepreneurship Knowledge Centers to Foster
Innovative Entrepreneurship Practices in
Education and Research**

WP1 – Status-Quo Analysis of the Status of Entrepreneurship
Efforts in Bhutan, Nepal and Lao PDR Including a
Good Practice Catalogue (EU)

Co-funded by the
Erasmus+ Programme
of the European Union



Overview

3	Introduction
4	Aims
4	Methodology
4	Findings
4	Entrepreneurship Definition
5	Entrepreneurship Ecosystem
5	<i>Policy</i>
6	<i>Access to Finance</i>
7	<i>Culture</i>
10	<i>Support</i>
13	<i>Human capital</i>
16	<i>Markets</i>
18	Conclusion
19	References

Introduction

Entrepreneurship plays a significant role in economic growth and entrepreneurs introduce innovative technologies, products and services. The entrepreneurship also creates employment opportunities. Lao PDR needs more than 500,000 new startups entrepreneurs to boost social economic development by 2020, and Lao entrepreneurs still face challenges to grow (World Bank, 2019). The conceptual framework on entrepreneurship ecosystem of Isenberg (2010) is used to understand the status of social entrepreneurship in Lao PDR. The Isenberg (2010) designs six domains of the entrepreneurship ecosystem, including policy, finance, culture, supports, human capital and markets. The Lao PDR started opening up to the world in the late 1980s. Sub-regionally, the country is an active partner in the emerging Greater Mekong Sub-Region (GMS) Economic Cooperation Program. The GMS program plays an important role on strengthening exports to neighboring countries, facilitating the development of transport corridors, and enhancing the 12 sustainable development and management of the Mekong River. Lao PDR also engages in the Mekong River Commission (MRC), which explores opportunities for regional cooperation in the Mekong River Basin. On a broader regional and global level, Lao PDR was admitted into the Association of Southeast Asian Nations (ASEAN) in 1997 and joined the ASEAN Free Trade Area (AFTA) in 1998. The country applied for the WTO membership in 1997 and is currently in the process of accession. The membership of WTO will hasten the process of economic reform. Furthermore, it has also joined the Integrated Framework for Trade Related Technical assistance, aiming to strengthen its export competitiveness. Further, in 1997 Laos signed a trade and cooperation agreement with the European Union, which strengthened trade and economic ties with Europe and provided Most Favored Nation (MFN) treatment to Laos (Suvannaphakdy, 2013).

In the study's Bartlett, Mounghkhoumsavath and Phimmavong (2017) shows that approximately one million people between the ages of 15 and 24 live in rural areas. Compared to their parents, rural youth are better informed, increasingly mobile, and have access to a wider range of products. But they are also more exposed to the threat of trafficking, drugs, and debt, and are more likely to leave the village. In all locations, parents said they did not want their children to continue in farming. Villagers repeatedly stated that farming was hard and dirty work, with uncertain returns. They see themselves as having low social status and few opportunities for advancement. Most farmers in the uplands now want to send their children to school and

Parents see that the value of education is to ensure that children can get a job outside of the village and send money back home. Children share the aspirations of their parents. Nearly all of them would like to get jobs with the government (army, teachers, officials, etc.), which is seen as a secure source of income. The agripreneur concept, bringing together farming and entrepreneurship, has been part of agricultural extension services in countries as diverse as Nepal, Nigeria and the USA for some years. Agripreneurship is a very new idea for Laos, where agribusiness is dominated by petty traders and big investors, with very little happening in the middle, where micro-enterprises could add value to local produce. These prospective agripreneurs can learn about business planning and develop prototypes of new products in a relatively risk-free environment.

VIXATHEP (2017) studies how entrepreneurship contributes to economic development in Laos through small and medium enterprises. The study addresses the relationship between entrepreneurial human and social capital and successful entrepreneurship. The study finds that human and social capital enhances the successful entrepreneurship in SME and education is positively impacts to business growth. The implementation of government policies needs an extensive improvement and human resource development is a key for the government to achieve the target of successful entrepreneurship of SME.

The promotion of SME development received more legal support when the "Decree on the Promotion and Development of Small and Medium Sized Enterprises," the Decree No. 42/PM, was enacted on 20 April 2004. Subsequently, the Small and Medium Sized Enterprise Promotion and Development Office (SMEPDO) was established in the Ministry of Industry and Commerce. In addition, the Small and Medium Sized Enterprise Promotion and Development Committee (SMEPDC) were established based on the Prime Minister's Decision No. 23/PM, dated 8 March 2005. The SMEPDC, chaired by the Minister of Industry and Commerce, consists of 25 members representing both the public and private sectors. The Committee represents the government body, which is responsible for SME-related tasks at the central level and directly provides advice on issues related to promotion and development of SMEs to the GOL (SMEPDO, 2021).

The study of VIXATHEP (2014) evaluates the performance of SMEs in Laos in light of entrepreneurs' capacity, government facilitation, and characteristics of firms and customers using firm-level data. The findings imply the need for effective SME promotion policies and related policies, such as enhancing the effectiveness of education, both formal education and vocational/technical training; improving the dissemination and enforcement of laws and regulations related to business; and attracting more FDI and efficient foreign enterprises.

Aims

The study was carried out mainly to determine the current status of entrepreneurial ecosystems in Lao PDR, Bhutan and Nepal. Through the status-quo analysis, the intention was to identify gaps in the entrepreneurial ecosystems in the respective countries so that the gaps could be filled in with knowledge through adequate and proper training to be delivered in collaboration with partner countries, viz, Austria, Spain and Finland.

Methodology

The interview was conducted by online through ZOOM and Google Meet platform from 13th May to 28th May, 2021. The research has been carried out strictly as an academic endeavor with adherence

to the research ethical standards. Interviewees were fully briefed about the intentions of the research. The researcher obtained the oral consent of the respondents to publish. The researcher has also ensured that findings are not exaggerated or miss represented to favor a particular outcome.

The Focus Group Discussion (FGD) or Focus Group Interview (FGI) is a qualitative technique for data collection and a focus group is a group comprised of individuals with certain characteristics who focus discussions on a given topic. FGD offers a more natural environment than that of an individual interview because participants are influencing and influenced by others-just as they are in real life (Dilshad and Latif, 2013).

There are two major types of reporting focus group data: First, conducting analysis and reporting summary of the main ideas; second, giving the subject's words for words. This study project

applied the first analysis technique of reporting summary of the main ideas (Anderson, 1990) and Anderson prefers combining narrative summaries with actual quotes that explain the participant's opinions in his or her own words.

The 14 key informants were selected for this focus group discussion. Two regions of the study were divided. National University of Laos (NUOL) conducted an interview in Vientiane Capital, the central part of the country, and Souphanouvong University (SU) focused an interview in the Northern Part. National University of Laos conducted an interview in the central part. Seven key informants were selected, including Deputy Director General, Department of Small and Medium enterprise Promotion (DOSMEP), Vice-President of the Lao National Chamber of Commerce and Industry (LNCCI), Deputy head of Planning Division, Ministry of Industry and Commerce (MOIC), Vice-President of Lao Women Entrepreneur Association (LWEA), Head of Loan Division from Lao Development Bank and Faculty Dean of Economics and Business Management, National University of Laos. Another eight key informants were selected a research team from SU for participating focus group discussion, including Lao Agricultural Promotion Bank (LAPB), association of Luang Prabang Young entrepreneurs, ECO of Thansamai Group Company, Vice-president of Private Education Association and ECO of SMART Education Consulting, Deputy Director of Information, Culture and Tourism Department, Chamber of Commerce and Director of Souphanouvong University Incubation Center. Based on the cultural communication to open more confident for key informants. Therefore, the informants from policy makers, government agencies, and chamber of commerce and university professors are first group and the second group is included financial agencies, entrepreneurs, education entrepreneur and association of entrepreneurship.

Findings

The conceptual framework on entrepreneurship ecosystem of Isenberg (2010) is used to understand the status of social entrepreneurship in Lao PDR. The six domains of the entrepreneurship ecosystem introduced by Isenberg (2010): Entrepreneurship policy, finance, entrepreneurship culture, entrepreneurship supports, entrepreneurship human capital and entrepreneurship markets. The outcomes of the interview help to identify and illustrate opportunities, challenges, weaknesses and threats of entrepreneurship status in the context of Lao PDR.

Entrepreneurship Definition

Entrepreneurship is very new for the context of Lao PDR known as Nak-Thu-ra-kit in Lao term (LYEA, 2019), it is directly means Businessman and in academic definition originally translate from English. Therefore, entrepreneur is directly translated into Lao as Phou-Pa-Kop Kit-cha-karn. The informants from the interview conducted by Souphanouvong University team in summary Entrepreneurship is an active research to create the value of ideas and raw material and market opportunity for business. The value will be based on the effective mechanism to product procession and services and entrepreneurship also creates a great opportunity for employment, directly and indirectly impacts on social economic development. Some key informants define entrepreneurship as the ability and readiness of entrepreneurship to develop, organize and run a business enterprise, along with any of its uncertainties in order to make a profit. The most prominent example of entrepreneurship is the starting of new businesses or expansion of a current business. Some pointed out that Entrepreneurship is human activity or an act by which people can exploit a market opportunity to introduce their product or service to the market. However, entrepreneurship scholars, practitioners and World Bank define entrepreneurship in diverse meanings. In summary, entrepreneurship is an ideally business process, capability of collective and individual willingness to create business opportunities such as innovating a new products, new production methodology, new location, management of resources and access the new market (Mason and Brown, 2014).

Entrepreneurship Ecosystem

Isenberg (2010) proposed six domains of the entrepreneurship ecosystem which include policy, finance, culture, supports, humancapital and markets.

1. Policy

The main public policy regarding entrepreneurship in Laos PDR is based on Lao enterprises law in 2015. The government of Lao PDR (GOL) privatized business development model since 1980 as an approach for economic development strategy and enhance entrepreneurship activities. In order to improve the entrepreneurship status, SMEs in particular, the government had put in place a 2016-2020 SME Development Plan, under the responsibility of the Department of SME Promotion (DOSMEP), Ministry of Industry and Commerce. It consisted of seven pillars:

Increase productivity, technology and innovation, provide certificates for innovative firms, and create matching grants for social and environmental innovation investments.

Access to funding improve entrepreneurs' financial literacy, improve bank procedures, set up support funds including the

“SME Development Fund” as well as credit associations to support entrepreneurs.

Access to consulting services, including business plan training, strategy and standardization and entrepreneurship education.

Access to local, regional and international markets by creating the database of potential export partners and service providers, establishing cooperation mechanisms between local SMEs and foreign investors, looking for financial and technical assistance for marketing access.

Building awareness on entrepreneurship through trainings and workshops, junior high school and enhance capacity building for incubator centers in universities.

Strengthen the business environment by improving regulations, policy and government procedures, and introduce IT systems to improve entrepreneurship status in Lao PDR.

Taxation and customs policy has to be considered Micro, Small and Medium Enterprises (MSME), particularly those social enterprises such as enterprises have objective to alleviate poverty, environment and social security (e.g. food security, high technology sectors, VAT and profit tax exemptions for startups 1-5 years old, funding to commercial banks to subsidies interest rates on MSME (DOSMEP, 2016).

In order to support MSMEs, the Government Lao PDR has officially launched its first small and medium-sized enterprise service center in February 2017. Its goal includes extending the reach of business policies and providing advice to business operations, including supporting information, training and consultation services on accountant, finance, law, marketing, and others (Kyophilavong, 2018). From the point of view of the representative (s?) of from LNCCI mentioned that regulatory framework set by the government somehow is overregulated which may interrupt entrepreneurship from flourishing and the policy creates more difficulties to understand the legal environment for entrepreneurial activity. It is suggested that Capacity building of the government agencies responsible for implementing the MSME Development Policy is sorely needed. SMEs policy was enforced inconsistently, depending on the location (especially in provincial) or officials in charge. Moreover, Government interventions requires private sector know-how in the design of programs and evaluation and measurement of progress, bureaucrats should be excluded as much as possible. They also mentioned that regulations applied by formal institutions did little to facilitate their businesses and that regulations were not updated, thus hindering attempts for new activities to enter the market.

However, public policy regarding entrepreneurship is not widely accessed yet and lacks participation from entrepreneurs for instance tourism industry is priority economic development sector but there is still lack of legal confidential on how taxation is treated for tourism business in comparing other business sector. Another seems to be a great policy known as one-door service in practice is still complicated. Therefore, it is better to encourage the inclusive participation for all related partners on entrepreneurship into legal on entrepreneurship. The strict enforcement on enterprise law is a very important mechanism to encourage the young local entrepreneurs in participating in development projects invested in Lao PDR.

Thansamai Group and Smart Education Consulting (interview 13 May, 2021) stress on the need of public policy improvement and a provision of more facilities for entrepreneurs. Smart Education and THansamai Group raised the interesting issue why young Lao people as well as young Chinese are not interested in the career of entrepreneurship. They see entrepreneurship as hard working and risk taker in comparing other careers, especially government employment seems to be permanent occupation and low risk for losing your job. The culture of entrepreneur is considered as impermanent career and risk takers and youth understands that government employment is an easier and more stable job comparing to private enterprises. For instance, entrepreneurs harder and take

higher risks than those working for the government. Therefore, policy makers needs to see the risks and design the policy to reduce the external risks for entrepreneurs and include the entrepreneurs as developers and a part of national development and the key actors who contributes to social economic development for Lao PDR.

Public policy also encourages private enterprises by improving legal and regulation related to business registration in order to facilitate for investment and financial accessibility such as the government of Lao PDR (GOL) cooperates with financial institutions and banks for a micro business loan minimum from 50.000.000 Lak (SMEPDO, 2021). One district one product is also created and supported by the government to drive Micro-Small-Medium Enterprises (MSMEs).

The informants from Department of SME and president of Chamber of Commerce suggested that entrepreneurship education and awareness is recommended to design in related subjects from earlier secondary school, vocational education and university to build an awareness on introduction to entrepreneurship. The supports from public policy is very significance for entrepreneurs, Economic growth and development. The government also reduced the quota of government employment, but encouraging young local entrepreneurs as a new career. The public policy, Law and legal documents related to entrepreneurship need to be more visible and accessible, and law enforcement needs to be stricter in order collect national income from taxation. It is very significant for policy makers to design a roadmap on entrepreneurship.

2. Access to Finance

Finance is the one necessary factor for Lao entrepreneurs to boost the business operation at the beginning and financial access is the one of the reasons for the relatively slow growth of small firms in Lao PDR. It has been the difficulty of obtaining working capital at affordable rates. A survey conducted by the World Bank in 2018 suggested that accessing finance was one of the main obstacles for SMEs in Laos PDR. According to statistics from the Bank of the Laos PDR in 2016, only 20% of SMEs were able to access bank loans. Financial access difficulty here is also included bank loan services, a lack of financial literacy and business plans, and they do not know how to process documents correctly in order to get an a credit approval from financial institutions, also the interviewees stated that making finance accessible to SMEs is crucial for them to grow their businesses and drive the economy since SMEs are a vital segment of the Lao economy.

One mentioned that, one of the biggest challenges to credit in Laos PDR is the disconnected between lenders and borrowers. Many SMEs transact almost exclusively in cash and fail to maintain reliable financial statements. This makes it very difficult for banks to access the profitability of the business thus, could not lend any money due to the default risk is high. It is not only about to know how to access the bank loan, it is also related to the bank policy that has a criteria of loaning only for registered enterprise and does not loan for non-registered enterprises (Interview, Lao Development Bank-LDB, 2021). Therefore, financial institutions such as commercial bank cannot give loan to such businesses, even though the owner of business may be able to take out a loan as a personal loan, those loan is quite small and if those business want to access larger loans from banks, entrepreneurs generally must provide collateral and business registration certificates, which is particularly makes it difficult for startups and small businesses. As a

result, informal SMEs lack the ability to invest, grow, and achieve the scale necessary to become competitive.

To improve access to finance for entrepreneurs, SMEs in particular, Laos' government has a few instruments in place to stimulate bank lending to SMEs. One of its main instruments is the Lao Development Bank (LDB), a specialized government owned development, which focuses on SME lending. In addition, credit lines are provided to SME lending, and associated loans are extended with an interest rate cap. Through the SME promotion and Development Fund (SPDF), the LDB can provide loans to SMEs at a capped interest rate of 9%-10% per annum. Aside from LDB, the government's fund has injected 100 billion kip in financing for SMEs via others commercial banks in the form of long-term low-interest loans. The financing will be provided to Sacombank Lao, LaoVietBank and Maruhan Japan Bank Laos, government was not charging the four banks interest, which will enable them to release low interest loans. SMEs eligible to apply for a loan must be defined in the Prime Ministerial Decree no. 25, dated January 16, 2017, which SMEs must:

- Have a clear business plan when applying for a loan
- Complete SME professional training by industry and commerce sector or authorized body
- Hold accounts in accordance with the Law on Accounting with no NPL in banking institutions

However, despite successes and sustainability achieved, the SME Fund has been facing a number of challenges in its day-to-day operation: Relevant laws and regulations, including the Law on National Budget, the Law on Audit etc. are unfavorable for operation of the SME Fund which is revolving in nature compared to other Funds. Furthermore, from the SMEs side, SMEs needs technical assistance to enhance their capacity to access to bank lending and to ensure efficient use of loans to sustain and expand businesses, and thereby be able to repayment to the bank.

The Entrepreneurs and entrepreneurship experts state that finance is basically necessary for business operation at the first start, and other important factors are professional skills, capability of business operation, experiences, employment management skills and the entrepreneurs need to be responsible and flexible to business partners. In addition, the policy makers support for the private sectors on the issue of financial policy and taxation system. Therefore, the entrepreneurs have to develop management skills, when business grows at a certain level, such as capital management, marketing management and human capital management.

3. Culture

When talking about entrepreneurial culture, it is found that entrepreneurship is not a career. Generally, parents encourage parents push their children toward a university degree and on toward white-collar office jobs in the government, international Agencies, establish companies. In the society of Lao PDR does not see any special status to successful entrepreneurs hence it was not regarded as a good career choice. Generally, the young people and students lack of entrepreneurship spirits, attitudes and skills due to entrepreneurial education and training programs. In addition, risk aversion or afraid of failure is another cultural factor affecting the establishment and sustainability of startups. Therefore, the fear of failure is one of the reasons why people do not start a business even though they might want to. As a consequence, this thread is discouraging that often constitutes a push from starting a venture. The finding also shows that Entrepreneurs need for role models or hero entrepreneurs to follow, as well as a social space to share experiences with other

entrepreneurs either in success or failure to boost enthusiasm for entrepreneurship. It is suggested from the informants to strengthen and improve mindset on entrepreneurial culture, it is needed to have initiatives business opportunities to differentiate and enlarge entrepreneurship status that can be inspired to desire entrepreneurship. Also it is crucial to make the campaign to show the model or heroes who are successful to raise awareness on entrepreneurial culture. Therefore, when a society has a better perception of entrepreneurship status, then entrepreneurship role and status would be a better support from the government and related agencies.

Another point of view from the key informants defines entrepreneurial Culture as significant in entrepreneurship in Lao PDR. Cultural and political consequence is initially considered when launching a business such any activity related to investment should not have negative impact to culture and politics. For example, having Vietnamese business partners seems to be stable than other nationality partners. Another entrepreneurship culture is based on the characteristics of business operation trends. Currently, entrepreneurship in global context focuses and ensures that business operation cares about human rights, animal rights, products quality that is safe for our health and environment. In Lao PDR, environmental concern in product designed is still very new. However, culture and entrepreneurship are interrelated such as culture-based production and services, including, silk and cotton hand-made products and other traditional and cultural tourism products.

Furthermore, businessmen have to be careful with their business activities that may infringe the local traditions, otherwise, they will get complaint by local people. The norm and traditions limits and might cause a difficulty of for entrepreneurship development. Generally, Lao people earn their living mainly for self-sufficiency, which is environmental dependency and slowly live. They mainly produce to supply for their own family or community consumption only. The informant who is from the bank states that, in comparing with the fish farming, the local fish farmers raise the fish in their own farms and have has no experience in farming management and could not access the market, then Chinese men leases the land and the fish farms from the local farmers. Even though, the Chinese men pay for their immigration, including Visa and stay permit etc, they still can make more profits than the local farmers.

The informants from government agencies and policy makers proposed that the entrepreneurs need to see the market clearly to invest in a business. It would be good to start from a small scale of business to learn and grow up in a sustainable way. Educational institutes, parents, and others need to support youth to see entrepreneurship as a career and find out an innovative way to introduce entrepreneurship in different levels of education institutions to change the traditional attitudes of entrepreneurship. The limitation of cultural entrepreneurship in Lao PDR needs to build an awareness through educational institution, applied technology for new business and lessons learnt from neighboring nations as well as ASEAN nations. Moreover, their business pattern is characterized as conservative in terms of market competition; other entrepreneurs would get advantages over Lao entrepreneurship since they utilize innovational technology into their production.

4. Support

Based on the review from previous research and interview, it results that Lao entrepreneurs still lack business support. For instance professional support, infrastructure and public supports.

There are no organizations providing full-fledged incubation, acceleration, and personalized mentoring. Due to the lack of incubators, accelerators, and entrepreneurship events and workshops are rare. Even though, entrepreneurs association organized an event and exhibition of entrepreneurship to public to know a better entrepreneurship status. There is one well-known social space for entrepreneurs and employees, called Toh-Lao, it basically means a table for social space of startup consulting and a co-working provider in Lao PDR. Recently, Toh-Lao in cooperation with Lao Telecom set up the center for build up a startup community for Lao Youth. The purpose of this project is to increase in the use of information and communication technologies and can be a great help to young Lao startup Business. It is a great potential to be growth. However, there is still limitation and only few places for entrepreneurs to meet and share ideas.

Aside from Toh-lao co-working space project, LNCCI also carries out donor-funded research on the business environment. Currently, it has basic SME promotion services Center, which offers business training and seminars. The SME business center has planned to work with Toh-Lao for operating a mentorship and networking and LNCCI has proposed a "2018-2020 Strategic Private Sector Development Plan to support entrepreneurship. These efforts will require the whole governmental cooperation with related Ministries, seeks funding and technical assistance from national and international agencies such as the World Bank, GIZ, JICA, ADB, and USAID.

From our preliminary research, the study found that a variety of training courses focus on technical and vocational training (TVET) for poor households. It would be a big positive impact to consider integrated entrepreneurship in to some selected training courses to build and an awareness on entrepreneurial education. There are also oversea Chinese and Vietnamese chambers, which offers networking space for oversea Chinese and Vietnamese entrepreneurs. The incubation centers are needed in order to support people who want to start businesses, and relevant key players especially government bodies must raise awareness on the importance of service center and provide relevant skills and information to entrepreneurs. In addition, improvement of IT skills for business owners and managers are required for workshop and training. It is also recommended that it is important to support business by enhancing networking and collaboration with all business associations in Lao PDR to share knowledge and skills.

Currently, many financial institutions have become parts in boosting entrepreneurs in Laos including Micro, Small, Medium and large enterprises. Example, the senior officer of the Bank of Agricultural Promotion states that previously a single entrepreneur was not approved to loan and it is very interesting new policy to support a young entrepreneur a single entrepreneur can also loan for their business extension and Start-up business. However, there is a need of knowledge, capacity and self-development on entrepreneurship. Other supports needed for the entrepreneurship is to be provided by policy makers and related government agencies in promoting local products and services at the local, regional and international markets. Currently, the status of Lao entrepreneurs needs more supports from government agencies, policy makers and international organizations. In terms of regional integration, the informants concern that they would lose rather gain from development. Therefore, local entrepreneurs propose to the government to monitor and prioritize the professions and business for Laotian entrepreneurs.

The first business law declared in Legal and related regulations on enterprises in 1994. In 2005, some clauses of the business law were improved and it was changed from a Business Law into an Enterprise Law. The law was improved again in 2016 (Ministry of Justice, Department of Legal Service, 2016). Other related enterprises legal includes the Law of on SMEs, Law of on Promotion Investment, Foreign Direct Investment

Promotion and regulations of on investment such as Tourism Law. However, it is still really needed for strong cooperation between public and private sectors for this movement.

5. Human capital

According to the interview, the finding shows that human capital and skills are one of the biggest constraints faced by entrepreneurs in Lao PDR. The underlying causes of labor shortages are complex and interrelated, involving challenges with education system, wage and policy. However, human capital is the key to startups and business growth. Actually, many people want to start their business but they do not know how to start their business and grow successfully. They lack of basic knowledge and skills on entrepreneurship and business management to enable them to start their business.

Entrepreneurs really agree that entrepreneurship and business education is very important, especially training center is really needed. Most of Micro, small and Medium entrepreneurs receive informal education from family members and friends. Indeed very few have formal vocational training. Mainly, the informants are concerned on with the issue of lacking of professional human resources. Especially, skill gaps such as Knowledge of business formalization procedures, basic financial literacy and business operation skills. In addition, from the demand side of labor challenge that Laos' entrepreneurs faced also a lack of employees with sufficient soft skills for the modern workplace. This happened due to the current educational system that does not provide the skills required by entrepreneurs.

Furthermore, the key informants indicated this was largely representative of the entire ecosystem. Entrepreneurs attributed this to a gap in the higher education curriculum, requires subjects related to Social entrepreneurship and English communication skills to develop for self-learning via online and social media. Another issue is that there are very few role models, or successful entrepreneurs with well-known local businesses to learn from (Kyophilavong, 2018). Yet, a wave of younger people is showing more interest and enthusiasm for entrepreneurship, particularly in tech-related sectors. Recent efforts have been geared towards training and retraining of entrepreneurs, some universities are creating entrepreneurship centers and most of the government schemes are realizing the need is not only provide funding for infrastructure but also needs financial support for human capacity building in entrepreneurial ecosystem. Training courses and workshops catered toward soft skills can be supported by the government, as well as private sector organizations such as the Lao National Chamber of Commerce and Industry (LNCCI).

Human capital is skilled and qualified entrepreneurs as well as skilled employees in the enterprises. Human capital is high investment for the enterprises. There are many cases that local enterprises import the skilled labors from overseas instead of employing unskilled local population. The informants, especially entrepreneurs complain that vocational education and higher education need to improve the curriculum and cooperate with the market to ensure qualification of the students learn based on market needs such as critical thinking, IT Skill and professional communication. Lessons learnt from current education, at the moment there are needs to open more opportunity for stakeholder's participation and to focus more on practices, which students can experience from intensive training. Bases on the current curriculum, there is also a needs to extend student internship longer than three months. For example, if

a student from the Architecture Department was assigned to design a five-star hotels which he/she has no experience about five-star hotels is. Therefore, human capital is a key for sustainable business (Polchalern, 13th May, 2021). The supports from whole cooperation among government agencies, financial agencies, and education institutions are very important (Vongsouvanh, 13th May, 2021).

Especially, the educational entrepreneurship is needed to prioritize and motivate the youth to see entrepreneurship is as a new area of occupation. Educational Institutions have been promoting entrepreneurship courses in both vocational and higher education institutions in Lao PDR in all business courses and non-business courses to enhance capacity building in the area of entrepreneurship (Salitxay, 13th May 2021).

In terms of human capital in the aspect of Entrepreneurship, it is very important to learn and experiences entrepreneurship by him/her innovative idea and started a small business and learns from family business. In conclusion, the best mechanism for entrepreneurship knowledge transfer as human capital is learning by doing. This could be done through educational institutions, entrepreneurs associations and training (Yilatchay, 13th May, 2021).

Education is required for startup business that require more specific technical skills may be able to find these through networking with like-minded entrepreneurs in co-working spaces and events, or encouraging their employees to take online courses and engage in on-the-job training. However, in order to implement plans and strategy for the promotion of more effective entrepreneurial education, there are several issues and challenges to overcome. First, entrepreneurship education requires well-trained and has experienced entrepreneurship career. Second, learning materials and literature on entrepreneurship to support entrepreneurship are also limited in terms of language and ICT skill to access data sources. Third, there is a lack of funding to support planning and strategy, as most of funding for higher education depends on donors. Therefore, it is essential that training and capacity building for lecturers and teachers on these issues must be provided. Also, development of relevant teaching materials, documents, and case studies about this area are necessary. The government should provide funding to support these activities in collaboration with private sector and education institutes.

6. Markets

The entrepreneurship market means the needs of entrepreneurship in the context of Lao PDR. In terms of technical assistance and training on regulatory framework required by markets, Capacity of entrepreneurs in gaining market access also becomes a concerning issue as a result of increasing market competition and more complexity consumers' behaviors. Two major constraints related to market access are limited an access to market information and ability to enter new market. Entrepreneurship is recognized as a career, which is needs a strong support from the government and international agencies. It seems to be a hard-working responsibility with high risks in comparing to government employment. It is an interesting lesson learnt from a case of Indian entrepreneurs who invested for education and returned to contribute to the development of entrepreneurship in their home country (Chalernpol, 13th May 2021). Currently, the market still requires a comprehensive marketing mechanism via online and events for customer accessibility. There is a reason why consumption and non-consumption in our home country is more expensive than in our neighboring countries. The reason is that main products are imported rather than exported (SOMPHANVILAY, 13 May 2021).

For the marketing information, there is a lack of comprehensive, accessible information on investment activity in Lao PDR. Information on investments in Lao PDR is not aggregated and publicized by in Internet platforms or in any others forms. Published information is believed that it can provide useful insights into market conditions and current trends for entrepreneurs which can lead them to enter to market efficiently due to the fact that they will be able to build up an in-depth picture of what customers want, how they behave and which of their marketing approaches work. For this challenge, government and relevant organization should built up information center and ensure easily access such as a channel of network platform to introduce new products, it also would help to develop information accessibility. It is a challenge for the local entrepreneurs to access regional and international marketing. It is recommended to analyze the market strategy and analyze the strength, weaknesses, opportunities, threats, and then design for regional and international market as well as learns to cope with the accidental issue of disease spread (YILATHCHAI, 13th May 2021).

In addition, resources management and production are also significant for manufacturing and causes of high price even produce in the country when comparing to import products. Another challenge mentioned by interviewees is to enter a global market requires expertise and knowledge on global market requirement of World Trade Organization (WTO). This will require additional advisory and preparatory technical assistance and policy reforms. The government of Lao PDR should introduce a regulatory environment that helps facilitate entrepreneurs to access a global market.

Discussion and Conclusion

In conclusion, this study aims to answer two main questions in order to draw an overview of entrepreneurship ecosystem and identify entrepreneurship environment in the Lao PDR. Based on the findings from both document research and interviews with key informants from relevant selected organizations who play importance role in entrepreneurship development, it is confirmed that entrepreneurship in Lao PDR is adversely influenced by several challenges.

In fact, terminology of entrepreneurship came to its existence when the government of Lao PDR introduced the new market mechanism to drive Lao economy since 1986. Entrepreneurship ecosystem bases on the conceptual framework of Isenberg (2010). The Policy regarding entrepreneurship mainly bases on enterprise law and even the law and other related legislations on enterprises had been improved, but stakeholder participation is still limited. Therefore, the policy focuses more on benefits for public authorities and policy makers and entrepreneurs are the risk takers. It is suggested that, to develop the entrepreneurial ecosystem in Lao PDR is to raise awareness and improve a practical policy and inspiring entrepreneurs, and establish learning platforms through workshops and solution activities of innovative entrepreneurship.

The issue of finance is not the most important factor for operating business. The most important factors from the interview is are the mission, experiences and human capital. However, entrepreneurs state that the finance is the second important factor when he/she wants to extend more business

activities. Human capital is a very important factor as it requires high entrepreneurship skill and employment management to be able to access regional and international market. The cultural entrepreneurship in Lao PDR is considered as a risky and hardworking career. Even though, the government reduces the quotas for government employment and promotes entrepreneurship as a career in order to encourage the youth to change their attitudes to engage more in entrepreneurship than waiting for government employment. In order to achieve the aim of the government, it needs supports from all stakeholders and promotion through various media and appropriate channels to empower local entrepreneurs to gain from development projects in Lao PDR.

The establishment of an entrepreneurship support office and entrepreneurship training center like incubation as a one stop shop to access information and services. It also would be great to empower existing ecosystem entrepreneurship players, such as Toh-Lao and SME Center should organize trainings, workshops and facilitating for entrepreneurship experiences sharing. This could then develop into a network of coaches and even angel investors. Entrepreneurial education requires improving a better collaboration among higher education, vocational education, high school and related associations. Thus, a capacity building program is also contributed to financial institutions, credit assessments, enabling and lowering costs of SME lending by reducing reliance on hard collateral.

Lastly, it should improve platforms for connecting ecosystem stakeholders and networking, to increase collaboration amongst entrepreneurs, potential investors, mentors, and specialized support associations.

Appendix 1:

ENCORE - Focus Group Discussion Participants

- | | |
|--|---------------------------|
| 1. Lao Agricultural Promotion Bank (LAPB): | Mr. Duangchia PHENGSAVATH |
| 2. Association of Luang Prabang Young entrepreneurs: | Mr. A-khom PHOMMAHARN |
| 3. CEO of Thansamai Group Company: | Mr. Bounkham PHONCHALERN |
| 4. Vice-president of Private Education Association: | Mr. Inlaeng VONGSOUVANH |
| 5. CEO of SMART Education Consulting: | Jonathan |
| 6. Deputy Director of Information, Culture and Tourism Department: | Mr. Sisavath YEELATCHAY |
| 7. Chamber of Commerce: | Bounthieng SOULIVANH |
| 8. Director of Souphanouvong University Incubation Center: | Dr. Timnoy SALITXAY |

References

- Asian Development Bank (ADB). (2017). Country Partnership Strategy Lao People's Democratic Republic, 2017–2020 More Inclusive and Sustainable Economic Growth, August 2017
- Aspen Network of Development Entrepreneurs (ANDE). (2013). Entrepreneurial Ecosystem Diagnostic.
- Anderson, G. (1990). Fundamentals of educational research. London: The Falmer Press.
- Bartlett, A; Mounghkounsavath, S; and Phimmavong, B. (2017). Promoting agricultural Entrepreneurship in Laos, RURAL 21: 32-33.
- DOSMEP. (2010). Small and Medium Sized Enterprises (SMEs) Development Plan (2016-2020). Department of SME Promotion (DOSMEP), Ministry of Industry and Commerce, Vientiane, Laos.
- DOSMEP. (2016). Small and Medium Sized Enterprises (SMEs) Development Plan (2016-2020). Department of SME Promotion (DOSMEP), Ministry of Industry and Commerce, Vientiane, Laos.
- DOSMEP. (2016). SME Access to Finance, Department of SME Promotion (DOSMEP), Ministry.
- Dilshad, R and Latif, I. (2013). Focus Group Interview as a Tool for Qualitative Research: An Analysis, Pakistan Journal of Social Sciences (PJSS), 33 (1): 191-198.
- Chalernphol, B. (13th May, 2021). CEO of Thansamai Group. Luang Prabang, Lao PDR. Interview.
- Mason, C and Brown, R. (2014). Entrepreneurial ecosystem and growth oriented Entrepreneurship, OECD. Retrieved from entrepreneurial-ecosystems.pdf (oecd.org)
- Ministry of Justice, Department of Legal Service. (2016). Enterprise Law (Amended), National Assembly of Lao PDR.
- Phommahan. A. (13th May, 2021). CEO of Lao Green, President of Young Entrepreneur Association, Luang Prabang Province, Lao PDR. Interview.
- Small and Medium Sized Enterprise Promotion and Development Office (SMEPDO). (2021). Government of Lao PDR [online]. Available from: <http://www.smepdo.org/info/1/?lang=1>
- Somphanvilay, K. (13th May, 2021). Deputy Director of Industry and Commerce, Luang Prabang Province. Interview.
- Soulivanh, B. (13th May, 2021). CEO of Inter Lao Travel Agency, President of Chamber of Commerce, Luang Prabang Province. Interview.
- Smart Education Consulting. (13th May, 2021). CEO of Smart Consulting, Luang Prabang, Lao PDR. Interview.
- Suvannaphakdy, S. (2013). an Empirical Study of Trade and Foreign Direct Investment in Laos. A Dissertation Submitted to the Graduate School of Economic Sciences in Partial Fulfillment of the Requirements for the Degree of Doctor of Philosophy in Economics. Hiroshima Shudo University.
- Vixathep, S. (2017). Entrepreneurship, Human and Social Capital and Government Policy in Small and Medium Enterprise Development in Laos, Japan Social Innovation Journal, 7 (1): 33-50.
- VIXATHEP, S. (2014). Entrepreneurship, Government Policy and Performance of SMEs in Laos, GSICS Working Paper Series.
- Vongsouvanh, I. (13th May, 2021). Founder of Bright Center (School of Languages), Vice President of Private School Association, Luang Prabang, Lao PDR. Interview.
- Young Entrepreneurship Association (YEA). (2019). Regulation of Establishing Young Entrepreneurship Association.
- World Bank. (2018). Lao PDR SME Access to Finance Project: Mid-term Review Mission, the World Bank.
- World Bank. (2019). Doing Business 2019: Training for Reform. Accessed at http://www.worldbank.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2019-report_web-version.pdf



For more information visit our website!

Find us here:

 Encore EU | Facebook

 encore.fh-joanneum.at

Co-funded by the
Erasmus+ Programme
of the European Union



The European Commission's support for the production of this publication does not constitute an endorsement of the contents, which reflect the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein. Project number: 617589-EPP-1-2020-1-AT-EPPKA2-CBHE-JP