



**LAO PEOPLE'S DEMOCRATIC REPUBLIC
PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY**

National Assembly

NO: 011/N.A
Vientiane Capital, dated 21 December 2011

**LAW ON THE PROMOTION OF SMALL AND MEDIUM SIZED
ENTERPRISES**

**Part I
General Provisions**

Article 1. Purposes

This Law defines the principles, rules and measures on establishing and operating regarding the promotion of the small and medium sized enterprises and building competitiveness for SME to promote the production of commercial goods, trade and services business activities, aiming to create employment, raise the people's incomes and living standards, and contribute to sustainable growth of the national socio-economy development.

Article 2. Definition of Small and Medium Sized Enterprises

The small and medium sized enterprise (SMEs) are independent enterprises that are legally registered and operated according to the prevailing laws of the Lao People's Democratic Republic, and are classified into the size categories according to the business sector, the annual average number of employees, the total assets and the annual turnover basis.

The government shall issue decisions on SMEs classification in each stage of development as deemed appropriate.

Article 3. The Promotion of Small and Medium Enterprises

The Promotion of SMEs is to set policy and define measures to create the environments and conditions that facilitate the business owners to establish, operate and develop their SMEs.

Article 4. Definitions of key words

The terms used in this law shall have the meaning ascribed below:

1. **SMEs:** Small and Medium Sized Enterprises;
2. **Entrepreneurs:** are the persons who conduct or manage the business operations as their profession, through their own creativity, potential knowledge for profits seeking and are responsible of all risks, profits and losses;

3. **Business Incubation Centre** are programme designed to support the successful development of entrepreneurial companies through an array of business support resources and services, developed and orchestrated by incubator management and offered both in the incubator and through its network of contacts;
4. **Franchising:** means a practice of using another firms' successful business model include production, distribution and services;
5. **Value Chain:** means the sequence of productive processes from the provision of specific inputs for a particular product to primary product, transformation, marketing and up to final consumption;
6. **Productivity:** is an efficiency and effectiveness of production, business production by comparing the output and input such as labour, capital, raw material, time;
7. **The Asian Productivity Organization (APO):** is a Regional Intergovernmental Organisation of member's country or economic zone in Asia-Pacific, which has been established according to the convention, its mission is to contribute to socio-economic development through enhancing the productivity;
8. **Lao Productivity Organization:** is an appointed organisation by the government to perform its coordination with the Asian Productivity Organization.

Article 5. Policies on the Small and Medium Enterprise Promotion

The government encourages and promotes the development of SMEs aiming to enhance their competitiveness capability regarding the production, trade and service, by providing supports on the financial, technical, technological, marketing and scientific research and others.

Article 6. Principles of SMEs Promotion

The Promotion of SMEs shall apply main principles as follow:

1. Being in line with the sectoral, regional and national policy, strategy, socio – economic, development plans and appropriate with conditions of SMEs, as stipulated in article 9 of this law;
2. Ensuring the SMEs for the establishing, operating and developing with facility, speedy, transparency and fairness
3. Ensuring jobs creation and upgrading living conditions of citizens.
4. Acknowledging and ensuring the protection of SME's property rights and benefits, according the laws on the SMEs promotion;
5. Protecting and maintaining natural resources, environmental and social security.

Article 7. Scope of Application

This law applies to all sectors of SMEs, which are established and operated in accordance to the laws of Lao People's Democratic Republic.

Article 8. International Cooperation

The government promotes the relationship and cooperation with foreign countries, regionally and internationally on SME promotion activities, especially on the field of

productivity, by exchanging knowledge and information; the enhancement of their human resources' knowledge capacity, transferring technology, acquiring assistance and others, basing on the independence, equal and benefits of both sides, in accordance to the international agreements and conventions, that Lao People's Democratic Republic is a signatory members.

Part II

Small and Medium Sized Enterprises sectors

Article 9. SMEs sectors

The small and medium sized enterprises are classified into three categories as follow:

1. SMEs operating in production of commercial goods;
2. SMEs operating in trade;
3. SMEs operating in services.

Article 10. SMEs operating in production of commercial goods

The SMEs operating in production of commercial goods those are operating businesses in the areas of processing industry, handicraft, agriculture production, commercial goods.

Article 11. SMEs operating in trade

The SMEs operating in trade those are operating business in the area of wholesalers and retails trader activities.

Article 12. SMEs operating in services

The SMEs operating the services business those are operating businesses in the areas of services provision on tourism, transportations, banking - finance, education, health care and other services which are compliance not violate relevant regulations and laws.

Part III

The Promotion of Small and Medium Sized Enterprises

Article 13. SMEs Promotion Activities

The main SMEs promotion activities comprised of:

1. Creating an enabling environment;
2. Accessing to finance;
3. Policy on customs and taxation;
4. Creating and developing entrepreneurs;
5. Providing services on business development consultation;
6. Cooperating between SMEs and large size enterprises and foreign investment enterprises;
7. Increasing on productivity;
8. Accessing and expanding markets

9. Business clustering;
10. Allocating business location;
11. Promoting on advanced technology utilization;
12. Using and protecting intellectual property;
13. Providing and accessing to information

Article 14. Creating an Enabling Environment

The government devotes on creating an enabling environment on establishing and operating business of the SMEs, by focusing on building and improving existing regulations to be more transparent circumspect, defining methods to solve hindering issues, along with enhancing the administrative and services of the government to be more efficient, effective and transparency.

Article 15. Accessing to finance

The government facilitates to SMEs for accessing to financial resource, by establishing regulations, financial measures and credit policy.

The government has funding support policies for business banks, financial institutes on providing credit to SMEs with the reasonable interest and duration, or authorize the establishment of the specific bank for SMEs.

The bank of Lao PDR encourages, promotes and creates favourable conditions for business banks and other financial institutes to set up mechanism, improves credit structure, and produces more adequate financial products regarding the credit provision, the credit guarantee, credit leasing, co-investment and other financial activities for SMEs as to ensure the SMEs are able to easily and widely access to the financial resources.

The Ministry of Finance, the Bank of Lao PDR and the Ministry of Industry and Commerce shall issue necessary principles, rules and methods in detail, concerning the access of the SMEs to the financial resource.

Article 16. Policy on customs and taxation

The policy on customs and taxation, shall comply with the law on customs and taxation. For the special cases, mainly job creation for the vulnerable, poor peoples, to natural resources and environment protection and rehabilitation, the indigenous people's talent, local wisdom enhancement will receive customs and tax exemption or reduction that The government submits to the National Assembly or its standing committee to consider.

Article 17. Creating and developing entrepreneurs

The government supports and facilitates all interested sectors to be part of creativity and entrepreneurs development, especially female entrepreneurs, through various forms mainly the entrepreneurial training, establishing the entrepreneur centres, franchising business operation.

The government pay attention on creativity, developing and introducing common entrepreneurship curriculum into the national education system and establishing awards scheme for the emerged entrepreneurs.

Article 18. Providing services on business development consultation

The government established favourable conditions, facilitates, encourages and promotes all sectors on services provision concerning the business development consultation, by establishing the counselling service agencies or enterprises that provide services on legal and technical areas, establishing the expertise network among the eminent specialists in the fields of marketing, product development, administration.

The government supports financial to SMEs, depending on the real conditions, to afford the accessing to business consultation service.

Article 19. The cooperation between SMEs and large sized enterprises and foreign investment enterprises.

The government promotes the cooperation between the SMEs and the large sized enterprises and foreign investment enterprises, by establishing an enabling policy and favourable mechanism and also enacting necessary legislation and measures.

The large size enterprises and foreign investment enterprises shall give opportunity to the SMEs, on supplying raw materials, semi products, commodities and services as their sub-contractor network, and also to enhance the strengthen for SMEs by transferring advanced technology and skills on management.

The SMEs shall improve ability on management and technology development to ensure the effective provision of quantity and quality of commodities and services suitable to the requirements of the large sized enterprises and foreign investment enterprises.

Article 20. Increasing on productivity

The government promotes the increasing on productivity upgrade ability on competitiveness and sustainable development of SMEs by rectifying working methods and labour awareness to be more industrial and creative pattern.

The government supports all projects on enhancing the efficiency and effectiveness of commercial goods production, trade and services provision of the public and private sectors, such as training on entrepreneurs' capacity building, labour skills development, upgrading and utilising advanced technology, improving the quality and standards of the products and services.

Article 21. Accessing and expanding markets

The government encourages and promotes all sectors to support SMEs to access and expand the markets, by organising products and services exhibitions, product advertising, market survey, product introduction and participate in domestic and international exhibitions, business matching and co-investment to expand markets.

The government creates the favourable conditions and opportunities to SMEs on becoming suppliers of products and services for public procurement projects using the national budget.

Article 22. Business clustering

The government promotes the SMEs business clustering, in accordance to the laws, to create favourable conditions for enterprises to cooperate and help each other, mainly on sharing production equipment and other facilities to reduce their production and services' costs, and increase capability to supply products and services to meet the market demands.

Article 23. Allocating business location

The government creates favourable conditions to SMEs entrepreneurs on accessing to the stable business location for business operation, in production, trade and services.

The industry and commerce sector coordinates with other sectors and local authorities concerned for identifying and allocating the appropriate location for the short and long term businesses operation.

Article 24. Promoting on advanced technology utilisation

The government promotes SMEs on applying the advanced technical - technological achievement into production, trade and services.

The government provides financial assistance, encourages research and academic institutes to conduct the research and development of technology to SMEs for applying to production-business.

Article 25. Using and protecting intellectual property

The government promotes and creates favourable conditions to SMEs for creativity, invention and building knowledge-based economy, utilization of intellectual properties, also facilitate SMEs on registration, managing and protecting of intellectual property.

Article 26. Providing and accessing to information

The government promotes the provision and accessing to data and information of the SMEs, by establishing Information Centre to collect and compile data and information relating to SMEs' promotion, and establish network to provide and exchange information, mainly in forms of electronic manuals, magazines, brochures, public media and others, and also creating favourable conditions to facilitate SMEs in accessing to information easily and timely.

The government encourages sectors and organisations concerned, both public and private sectors, to join the information's provision for SMEs.

Article 27. Coordination

The Industry and Commerce Sector coordinates with other sectors, local authorities and organizations concerned to study on formulating the regulation, measures and detailed methods to implement the SMEs promotion activities, as stipulated in article 13 of this law, in accordance to the roles and responsibilities.

**Part IV
Planning for SMEs Development**

Article 28. Planning for SMEs Development

The Ministry of Industry and Commerce mainly supervises to the Department of SMEs Promotion, by coordinating with organizations concerned to study and to plan for SMEs development, to submit to the government for consideration and inclusion into annual and five years' national socio-economic development plan.

Article 29. Application and Implementation

All sectors, local administrations and related organizations concerned shall perform duties on applying and implementing the SMEs development plan, in accordance to the roles and responsibilities.

Article 30. Monitoring and Report

The Ministry of Industry and Commerce mainly supervises the Department of SMEs Promotion to monitor and evaluate and report the progress on the implementation of SMEs development plans periodically.

All sectors, local authorities and organizations concerned have to cooperate and provide information and report the results of SME development Plan implementation to the industry and commerce sector at each level periodically.

**Part V
SMEs Promotion Fund**

Article 31. Establishment of SMEs Promotion Fund

The government authorizes the establishment of the SMEs Promotion Fund, to centralise raising fund from various sources, aims to maintain stable and sustainable fund for SME promotion effectiveness.

Article 32. Purposes of SMEs Promotion Fund

The purposes of SMEs promotion fund is to accumulate the financial sources for contributing to business banks, financial institutions and credit programs concerned on providing the credits to SMEs, and to cover the budget for strengthening capacity building of SME through technical assistance project.

Article 33. Sources of SMEs Promotion Fund

The SMEs promotion fund shall receive from the following sources:

1. National budget;
2. Grants;
3. National and international loans;
4. Individual, juristic persons, or organisations voluntary contributions;
5. Other sources, which are not against regulations and laws.

Article 34. Management and utilisation of SMEs Promotion Fund

The Ministry of Industry and Commerce manages the SMEs Promotion Fund, for the utilisation of this fund should be strictly on the purpose of fund as stipulated in article 32 of this law.

The rules on management and the utilisation of this fund shall be separately stipulated.

Part VI
SMEs Promotion Organization Structure

Article 35. SMEs Promotion Organization Structure

The SMEs development organization structure comprised:

- At central level: Ministry of Industry and Commerce, which the Department of SMEs Promotion is the core body;
- At local level: Department of Industry and Commerce of provinces, municipalities and industry and commerce office of districts are responsible by sections.
- At other organisations; and
- At business sector.

All of these are management organizations on SMEs promotion.

Article 36. Rights and Duties of the Ministry of Industry and Commerce

With regard to the management of SMEs promotion, the Ministry of Industry and Commerce has the rights and duties as follow:

1. Study and formulate policies, strategy, development plans and SME Law, to submit to the government for consideration and endorsement;
2. Supervise and monitor the activities of the Department of SMEs Promotion and the SMEs Promotion Fund;
3. Study and define SMEs sizes and promotion conditions, to submit to the government for consideration and endorsement;
4. Propose on establishing the national productivity organisation to work with Asian Productivity Organization (APO), and submit to the government for consideration and endorsement;
5. Propose to enforce the emergency measures to response to the crises and natural disasters, which cause negative impact to SMEs, and submit to the government for consideration;
6. Monitor and evaluate the implementation of the SMEs annually and five years strategic development and action plans;
7. Issue the decisions, orders, directives and announcement on SMEs promotion;
8. Coordinate with organisations concerned both public and private sectors, and development partners, on implementing the SMEs policy, strategy and development plan, in accordance to the responsibilities;
9. Raise and provide the financial support to the related SMEs promotion projects implemented by various sectors;

10. Supervise the information dissemination, the training, seminars and other activities to enhance and upgrade the capacity, of the government and private sector staff;
11. Coordinate and cooperate with international organizations at the regional and international level on SMEs promotion;
12. Regularly summarised and report to the government the progress on the implementation of SMEs development plans;
13. Exercise other rights and duties as prescribed by law.

Article 37. Rights and duties of Provincial and Capital Department of Industry and Commerce

Regarding the management of SMEs promotion, the industry and commerce department of provincial, capital have the rights and duties as follow:

1. Implement the policy, strategy, development plan and the Law on the Small and Medium Enterprises;
2. Supervise and monitor the activities of the industry and commerce office of districts on SMEs promotion;
3. Provide information on the implementation of the SMEs promotion to the Ministry of Industry and Commerce, monitor and evaluate the progress on the implementation of the strategy and SMEs development plans, in province and capital periodically;
4. Coordinate with organisations concerned both the public and private sectors to implement the SMEs policies strategy and SME development plans;
5. Conduct the fund raising from various sectors for SMEs promotion projects;
6. Disseminate information, organise trainings, seminars and other activities to upgrade the capacity, knowledge and skills of the local administration officers and private sector staff, in accordance to its responsibilities;
7. Coordinate and cooperate with international organisations at the regional and international levels on SMEs promotion, as delegated;
8. Regularly summarise and report to the provincial - capital administration and the Ministry of Industry and Commerce the progress on the implementation of SME development plan;
9. Exercise other rights and duties as prescribed by related laws and assigned by the higher authorities.

For the rights and duties of the districts, municipality industry and commerce offices, concerning the SMEs promotion in stipulated separately.

Article 38. Rights and Duties of other organisations

Regarding the management of SMEs promotion, other organisations have the rights and duties as follow:

1. Establish the centre or technical institutes to support the SMEs in various areas related to the roles such as entrepreneur development, labour skills development, products development research, the training, workshop, counselling and other professional technical services;

2. Advertise, disseminate, supervise and monitor the promotion of SMEs under their sectors;
3. Regularly summarize and report to their high authority and the industry and commerce sectors at their levels the progress on the implementation of SMEs promotion;
4. Exercise other rights and duties in accordance to the roles and as prescribed by laws.

Article 39. Rights and Duties of Business Sector

Regarding the management of SME promotion, the National and Provincial Chamber of Industry and Commerce, associations and business clusters have the roles to represent the rights and benefits of SMEs, and have the rights and duties on providing counselling service on business development of all aspects.

**Part VII
Prohibition**

Article 40. Prohibitions for organisations and officers of SME Promotion

The prohibitions, for related organizations and officers responsible the SMEs Promotion, are to do not:

1. Disclose the secret information on SMEs businesses, unless the permission is allowed from SMEs units;
2. Falsify, misrepresent individual, juristic entities and any organization's information, for self profits or intentionally induce the damage to these individual and juristic entities;
3. Claim, ask or receive any bribes from business owners;
4. Dishonour the ethnicity of the SMEs promotion officers;
5. Other activities breaching the legislation and laws.

Article 41. Prohibitions for entrepreneurs

The prohibitions for entrepreneurs are to do not:

1. Provide false information concerning the status of their business;
2. Falsify, misrepresent individual, juristic entities and any organization's information, for business profits or intentionally induce the damage to these individual and juristic entities;
3. Impose or offer any bribes to organizations and government officers responsible SMEs promotion;
4. Other activities breaching the legislations and laws.

**Part VIII
INSPECTION**

Article 42. SMEs Promotion Inspecting Organization

SMEs promotion inspection organization comprised:

- Internal inspection committee, which is the same organization of SMEs promotion management, as mentioned in article 35 of this law;
- External inspection committee include National Assembly, State Inspection Authority and Counter-Corruption Organisation, State Audit Organisation.

Article 43. Purposes of the inspection

The purposes of SMEs promotion inspection are to ensure the SMEs promotion practice and management to be efficient, effective and complied with the related regulation and law.

Article 44. Planning of the inspection

The inspection committee shall establish their periodic inspection planning to monitor and evaluate SMEs promotion activities, that involved all aspects of the implementation and the results of the promotion activities as specified in the action plan.

Article 45. Contents of the inspection

The inspection contents consisted of:

- The implementation the strategic and action plans of the SMEs promotion implementing system;
- The formulation of regulations, measures and methods to effectively solving the issues found during the inspection;
- The report of the inspection results.

Article 46. Forms of the inspection

The three forms of inspection are:

- Regular inspection;
- Inspection with a notice in advance;
- Spot inspections (without a notice in advance).

The regular inspection is executed according to the scheduled plan, which must be executed at least one time per year;

The inspection with a notice in advance is the inspection which is executed when and where necessary, by informing in advance to the target firm at least 24 hours;

The spot inspection is the inspection which is executed whenever necessary without prior notice to the target firms.

The inspection can be executed through relevant documents and executed at a specific venue.

Article 47. External Inspection

The purpose of external inspection is to inspect the SMEs promotion implementing, the management and audit organizations to ensure their strengths, transparency and equitability.

The external inspection comprises of:

1. Inspection by National Assembly, as stipulated in the Law on the Oversight by National Assembly;
2. State Inspection Authority and Counter-Corruption Organisation, as stipulated in the Law on the State Inspection;
3. Inspection by State Audit Organisation, as stipulated in the Audit Law.

Article 48. Report and Solution of inspection results

The inspection committee shall establish the minute, report together with the issues found and possible solutions to the authorities concerned for consideration the result of inspections.

The inspection committee shall be responsible before the laws, regarding the report of the inspection results and the confidentiality of the documents of the SME promotion activities.

Article 49. Rights and Obligations of the inspected Targets

The inspected targets have the rights and obligations as follow:

1. Request to the inspection committee to submit the agreement of the inspection;
2. Complain to the authorities concerned about the false process results of the inspection, referring to the principle concerned;
3. Provide the facilitation for the execution of the inspection committee, provide related documents, information, witness and evidence and answer to the queries related to the inspection matters, in accordance to the requirements of inspection committee.

**Part IX
Budget, Logo and Seal**

Article 50. Budget

The government allocates specific budget for SMEs promotion by stipulate into the national budget nomenclature.

The budget management and use should be in accordance to the Law on National State Budget.

Article 51. Logo and Seal

The SMEs Promotion implementing has its own logo and seal, for official use.

**Part X
Policies to the outstanding performance persons and
Measures against the violators**

Article 52. Awards to the outstanding performance persons

Individuals, juristic persons or organizations that contribute to the implementation the SMEs promotion with effectiveness results, will receive the honorific congratulation certificates and other privileges as prescribed by regulations concerned.

Article 53. Measures against the violators

Individuals, juristic persons or organizations that violate the SMEs Promotion Law, mainly the prohibitions, will be warned, educated, disciplinary action, fined and criminal punishment, depending on the degree of the violation committed cases, or pay the civil compensation according to the related laws.

**Part XI
Final Provisions**

Article 54. Implementation

The government of Lao People's Democratic Republic is responsible for implementing this Law.

Article 55. Effectiveness

This law enters into force sixty days after its promulgation by a decree of the President of the Lao People's Democratic republic.

Any regulations, provisions and rules that are inconsistent with this law all are invalid and cancelled.

President of National Assembly
[Seal and signature]

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