2021 Incheon Law & Business Forum
“Navigating the Storm: Helping MSMEs Set Sail with Legal Harmonization”

6-7 September 2021

Cesar Cordova
Senior Director Jacobs, Cordova & Associates
www.regulatoryreform.com
The Project

• 2017 Baseline
  – Transactional nature of business formalities
    • High discretion in interpreting requirements (e.g., ex ante inspections)
  – Merged and complex system to authorize registration and startup licenses (Provincial differences)

• 2018 New Business Startup Vision by MOIC
  – Splitting getting the registration number from operating licenses
  – From ex ante to ex post controls
  – Risk-based Operating licensing
  – Reform of inspection

• But pending Issues
  – Communication at window level
  – Perception by businesses
  – Provincial level situation
Key aspect of the 2018 reform: splitting the start up objectives

• Business registration should be seen as a public service and not as a mitigation of risks market failures
  – Business registration number is the “birth certificate” of businesses enabling to profit from rule of law
  – “One business – One Number”

• Start up licensing should mostly be focused on preventing market failures
  – The risks of market failures are related to the economic sector, size, location of the future business

• Ex post inspection are better to created incentives to control and mitigate risks
2019-2021 reforms of the Lao Registration System

• The targets
  Improving Doing Business “Starting business” Indicator

• The 3 pillars implementation strategy
  – Monitoring past reforms implementation
  – Communication Strategy
  – New reforms, (including new software)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rank</td>
<td>181</td>
<td>145</td>
<td>47</td>
</tr>
<tr>
<td>Time</td>
<td>173 days</td>
<td>67 days</td>
<td>3</td>
</tr>
<tr>
<td>No of Procedures</td>
<td>9</td>
<td>9</td>
<td>3</td>
</tr>
</tbody>
</table>

World Bank Doing Business (in Vientiane)
A coordinated efforts with the reform of operating licenses
Moving forward on Registration

- Registration
  - Take time
  - Including DB experts and analysis
  - Technical infrastructure (new software)

- Training and raising awareness about "registration benefits"

- Further streamlining registration

- One business, one number

- Online registration

- 17 days

- 5 days
Moving Forward on Operating Licenses

• Regulating the licensing powers of ministries and authorities
  – E-platform
  – Transparency, accountability, efficiency

• Are bottom-up reforms too difficult?
  – Informal and SMEs require a new approach based locally and organized around risks
  – See Green and Red Channels
Green & Red Channel: The “Trust but Verify” Approach

- **Obtain a certificate to operate with standards to comply**
- **Register firm**
  - **Check if activity is considered high risky**
    - **Yes**
      - **Approve**
      - **Start Business**
    - **No**
      - **Inform all authorities**
      - **Inspect randomly**
      - **Obtain a certificate to operate with standards to comply**

- **Process a Sectoral Operational License**
  - **Get ex ante approval**
    - **Yes**
      - **Approve**
    - **No**
      - **Cannot start**

© Jacobs, Cordova & Associates, 2020