

# Laos: Diagnoses and regulatory assessment of SmEs in the Mekong Region

## 1. Main Findings

The main findings related to the challenges faced in the value chains analysed and policy recommendations of this study can be listed as follows:

### 1. Policy and strategy

At a broad level, there is national support to increase the participation of Small and Medium Enterprises (SMEs) in the economy and recognition of their socioeconomic contribution. However, the current policies applicable to the small-scale wood processing sector (hereafter small and micro enterprises – SmEs), which aim to down-size the sector, are inconsistent with national strategies that intend to promote SMEs.

### 2. Legal framework

Overall, while there is a sound legal framework applicable to SMEs, the one applicable to SmEs (as well as the overall timber sector) is complex. Legal reform across all sectors and agencies over the last 10 years or so has resulted in new regulations, decrees and other legal instruments that are sometimes contradictory. Old regulations remain in force (or are unrepealed) despite reforms, which causes confusion and duplicated regulatory effort and cost. This adds to the overall cost of production and potentially reduces the return to SmEs. Ineffective implementation may delegitimise the law, resulting in non-compliance. This in turn may impact the legality of timber products and SmEs' access to international markets. However, messages from certain ministries (for example, the Ministry of Agriculture and Forestry) indicate they are supportive of SmEs in theory.

Recent efforts to strengthen commitments to meet national targets to protect and increase forest cover and increase domestic processing have had a significant impact. This is particularly the case of the Prime Minister Order No. 15 dated of 13 May 2016 on strengthening strictness of timber harvest management and inspection, timber transport and business (PMO 15).

### 3. Closing of informal and non-conforming enterprises

Under the framework of PMO 15, the Government of Laos' Ministry of Industry and Commerce (MOIC) is closing the remaining, unregistered SmEs, as well as auditing registered enterprises to ensure they conform to legal requirements.

Processing facilities within or near conservation or protection forests are being closed because they are believed to be contributing to illegal logging. Other enterprises are being closed because they do not meet processing standards or other regulatory requirements.

However, SmEs make important socioeconomic contributions, particularly at the local level. They support local employment and supply wood. While some entities have significant adverse environmental impacts and should be closed, others that only fail to comply with administrative processes should be provided opportunities to address these shortcomings and continue operations. Closure of all SmEs may result in a shortfall of wood supply locally and have negative impacts on household incomes and employment.

In the absence of a local supply of timber, households may be forced to purchase wood from larger scale entities, which are more focused on export markets and charge a higher price, or enter forests to harvest it themselves.

### 4. Legal status and registration

All business enterprises are required to be registered. The Government maintains a database of registered enterprises. There is no readily available consolidated data on unregistered enterprises. However, Government reports indicate that in 2016 there were as many as 1,595 registered small-scale enterprises including 40 sawmills, 482 finished product processing factories, and 1,073 furniture manufacturers; after the issuance of PMO 15, the number of registered wood processing factories was reported at 1,354. Nonetheless, the number of unregistered enterprises remains unknown. The MOIC reports 956 household enterprises that are unregistered and are to be closed. Only 198 others are legally registered. It is difficult, however, to obtain current (2018) nationwide data on people involved in SmEs.

Many SmEs are unregistered due to the cost (both official and unofficial) and complexity of the registration process. In addition, registration exposes them to tax obligations that they can otherwise avoid.

Unregistered enterprises operate mainly in the informal sector and face challenges in securing a supply of legal raw wood. Consequently, their access to markets is limited.

### 5. Access to raw materials

For both legal and informal SmEs, access to raw materials is problematic due to Government bans on harvesting in Production Forest Areas (PFAs), suspensions on some types of concessions, including plantations, barriers to land titling, compensation and benefit-sharing, and competition for the remaining resource. The available legal sources of raw material include: 1) infrastructure areas, 2) imported timber, 3) plantation and 4) confiscated timber.

Access to timber from infrastructure projects or confiscated timber, which are both sold by Government auction, is limited due to the typically large batches that are sold. These are too costly for small enterprises. In addition, informal enterprises are unable to meet the registration requirements to participate in auctions.

Household enterprises can legally only source timber from small enterprises (level I processors). However, processors are unwilling to sell the small consignments typically sought by registered SmEs.

The harvesting and trade of high-value, precious hardwood species has recently been restricted by the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) and other conservation efforts (in addition to PMO 15). Given market preferences for these species, it has been particularly challenging for SMEs engaged in artisanal woodworking to find legal alternatives. The Government is now promoting the planting of high-value species in natural forests to bolster supply and, in parallel, focuses on improving Laos' plantation timber stocks.

## 6. Technical standards

In Laos, technical standards for the processing of timber and product specifications for export are regulated. Most SMEs are unable to meet these standards due to investment costs and training needs. As a result, they are being closed for non-compliance. The rapid development of new regulations in response to national and international policy drivers has implications for the implementation of laws by Government agencies and the ability of the SME sector to comply. This may be due to the speed at which reforms are being made or lack of awareness about the regulatory changes.

The product specifications, which are intended to standardise product quality for export markets, create a barrier for SMEs' participation. They inhibit innovation in areas where there are opportunities to utilise lower quality and small dimension raw wood and offcuts.

## 7. Technical capacity

The Government has a strong programme to support SMEs in other sectors. However, the wood processing sector faces a skills shortage in terms of developing its production to be more efficient and flexible.

While some training and capacity development is being supported by projects, there is little indication of a commitment to the development of these aspects of the SME sector. Skilled labour in the wood processing sector is often imported.

## 8. Village forests

Village forests play an important role in the supply of timber to communities in Laos. However, the laws and regulations for accessing and selling timber from village forests remain unclear. Where these norms exist, they are inconsistently implemented. If well managed and appropriately regulated, village forests have the potential to supply raw material to SMEs for production and commercial use, as well as for subsistence uses for rural communities, an important local market.

## 9. Informal Payments

Rent seeking and demand for unofficial payments continues to be a widespread problem in Laos. In this study, informal payments were reported as significant obstacles in all supply chains. Bribes are expected in the transportation of timber, and to cover the day-to-day operations of various officials. Informal enterprises are unable to avoid the payment of bribes.

## 10. Market access

Limited market access is a significant issue for SMEs. Generally, the opportunities for SMEs to distribute their products is limited by the high cost of transport, fees and charges. It was reported that micro enterprises are only allowed sell their products within their own district or province and are not permitted to export. When micro enterprises do sell in other provinces, they are subject to a 10 % turnover tax and must pay for transport permissions.

## 11. Alternative business

There is a high incidence of SmEs closing, due in to the effect of PMO15 and related strategies. Some of these entities are transitioning to activities in other sectors.

## 12. Role of SmEs in meeting domestic market demand

While no robust data is available on the size of the SmE sector, both in terms of demand for raw products and processing outputs, they play an important role in local communities in supplying timber products such as furniture, tools and building materials. In recognition of this role, in some areas, provincial authorities adopt a discretionary approach to the closing of the informal SmEs.

## 13. Access to finance

Most SmEs use their own funds to buy raw materials and production equipment. They prefer not to take out bank loans due to high interest rates and short pay back periods. Many also lack the necessary collateral required by financial institutions.

## 14. Groups and cooperatives

A Lao law enables the formation of groups, cooperative enterprises and industry associations. Some policies also promote their formation. However, there are few examples of these working effectively for SmEs in the wood processing sector. There are wood processing associations for medium and large sized companies in every province, but these are reportedly inactive and membership is not beneficial. At the national scale, however, the wood industry associations are influential and gain preferential treatment with respect to, for example, access to wood sold at auctions. They are also consulted in the setting of wood quotas and in regulatory reform processes.

## 15. Occupational health and safety

Many SmEs lack the necessary capital to set up a safe facility and to buy modern, safe equipment. They therefore do not comply with health and safety regulations. There is also a general lack of knowledge and awareness of Occupational Health and Safety Standards. Training is typically on the job or through the transfer of knowledge within families. In most facilities, working conditions are hazardous.

## 16. Small holder plantations and plantation-based enterprises

Planting of trees by farmers has mainly occurred in Northern Laos (for teak) and more recently as part of some corporate plantation investment models. Currently, the extent of farmer-owned plantations and smallholders is limited by the capacity of farmers, including access to financial resources, land availability and poor quality technical inputs. Plantations represent a relatively long-term investment for farmers and returns are delayed. As a result, many are now converting to other land uses. Much of the teak resources are being lost to development activities.

Corporate investment in plantations has been promoted. Land leases and land concessions are favoured by the Government for plantation development. However, land availability and suitability is an ongoing challenge to both investment and productivity.

## 17. REDD+ linkages

Laos has been progressing REDD+ and has paid particular attention to the role of farmers as agents of deforestation and degradation. SmEs have also become the target of policies and regulations addressing deforestation and degradation, through their perceived role in the consumption of illegal wood. Policies to close SmEs are expected to help improve forest management and environmental protection.

## 18. Gender

Sector-wide information on the role of women in SmEs in Laos is difficult to obtain, and existing literature is slim. Evidence points to the sector being significantly male-dominated. Few enterprises employ women, women are steered away from pursuing careers in the timber sector due to wage disparities, they often lack access to information and markets, and face cultural barriers. However, the interviews revealed that women play an important role in many SmEs through employment in manufacturing or as business owners and financial managers. Also, women were reported in the interviews to often be delegated more detailed-oriented work, whereas men are often working with tasks requiring more strength.

The legal framework for promoting gender equality in Lao PDR contains strong elements, but significant gaps remain. The Constitution of 2003 guarantees equal rights for women and men. However, there are few legal or regulatory instruments to support women's participation in the labour force. Most regulations are gender blind in Laos. However, the 2013 Labour Law does provide a legal basis for equal wages for women, and stipulates that female employees have a right to employment in production, business and management.

The Lao Women's Union has the mandate to advance women's rights, bridging among the People's Revolutionary Party, the Government, and women in urban and rural areas. The National Commission for the Advancement of Women is responsible for the formulation and implementation of national policy for the advancement of women, and mainstreaming gender in all sectors. It operates at the sub-national level through sub-committees (Sub-Commission for the Advancement of Women), creating a broad network of gender focal points. Despite this systemic approach to gender, there is continued under-representation of women in party leadership and in key Government organisations. This increases barriers to women's access to information, services and decision making.

Despite their visibly strong economic role at the household level, Lao women are circumscribed by land-related economic dependence on men – and particularly by socio-cultural conventions and land inheritance practices that promote the 'household' and tend to discriminate against single women living alone (Daley et al 2013). Women face multiple cultural biases that result in fewer opportunities to diversify their incomes through positions in the formal labour market.

While most village-level forestry activities (including timber harvesting) are conducted exclusively by men, women make up approximately 10 % of the wood processing sector workforce, with only one female-owned company interviewed for the study. Low levels of female ownership and entrepreneurship in the wood sector contrasts with other SmE sectors, where over 40 % of enterprises are owned by women. In the Attapeu Province, as of 2017, only 6 % of furniture workshops employees were women. Of 1 049 workers in 37 registered companies, only 44 were women. Overall, in Attapeu's wood processing sector, female workers accounted for just 5 % of total workers.

While progress has been made in electing women to political leadership positions at the village, provincial and district levels, this has not translated to producer associations and development projects, where women still have little voice. The furniture and wood processor associations have limited influence over policy decisions, and even the national association appears to operate for the benefit of the few. In all cases, it is not apparent that women have either membership or voice. In any case, since the associations are not operating effectively, their capacity should first be built to increase their understanding of gender issues and the representation of women and men within the sector.

A World Bank study and a study by the United Nations Development Programme (UNDP) from 2015 on the gender dimensions of trade in Laos cite a number of barriers to women's active participation in the formal economy. These include: limited access to capital (including agricultural and forest sector inputs), skills, finance and market information; poor infrastructure in rural areas that precludes women's ability to travel to central market towns; poor labour retention; and limited access to raw materials.

These barriers to women's engagement in trade are further compounded by women's tenure insecurity. Although national law provides that men and women enjoy equal property rights, land allocation programmes in rural areas have had limited success in including women's names on temporary land-use certificates. As a result, women remain dependent on their male partners to handle decisions related to land ownership, including gaining access to finance.

Access to formal financial institutions (and more informal credit schemes) is difficult to come by among SmEs in Laos, and there is some stigma around women seeking sources of credit.

The disparity in compensation between men and women is the most prevalent form of gender-based discrimination in Lao labour markets. Women earn less than men for the same job, with further discriminatory practices for rural, ethnic minority women, who often garner far lower wages than majority Lao Thai women in and around Vientiane.

Women tend to have less market knowledge than men. This includes knowledge of regulatory procedures and translates to difficulties in complying with the law and limited bargaining power. Both are necessary to diversify employment access at higher levels of the timber product value chains. In an increasingly difficult context for informal SmEs, women's lack of capacity to engage with Government officials and the necessity to provide unofficial payments tend to preclude women from taking leadership roles.

Ethnic women remain the most socially-disadvantaged group in Laos. Few are engaged in the formal economy, and only a quarter are literate. They are less likely to speak the Lao language and are therefore less able to engage in the markets, participate in public meetings and access information critical to their livelihoods.

In short, women face multiple barriers to accessing formal employment and ownership of SMEs. Within this context, ethnic women are further disadvantaged. The value chains are male-dominated at every node, with men having more power than women, more knowledge about markets, prices, timber species and policies. The wood processing sector is considered to be a 'male' sector unfit for women. Women's roles are confined to office support or to tasks that are not considered too physically demanding, including sanding, cleaning, finishing and packing of wood products, but they are occasionally involved in timber sale (as this is perceived as more administrative work). The net result is that women's participation in the sector is low, between 3-10 % of the workforce, with low levels of engagement in key decision-making areas, except for some involvement in the sale and management of timber to traders.

## 2. Policy Recommendations

Overall, the SmE agenda presents conflicting objectives and measures. These conflicts have arisen due to challenges in prioritising the trade-offs among environmental, social and economic objectives at the national and local level. In Laos, the Government has initiated the process of downsizing the SmE sector, with the objective of improving forest management. However, the positive benefits to forest management may be offset by adverse impacts in the SmE sector and consequential pressure on local livelihoods. Most SmEs are financially marginal and minimise their fiscal liability by participating in the informal sector. While there is a perception that such informal activities, which are largely extra-legal, are unlikely to be beneficial for forests, it is unlikely that they have the most significant negative impacts on forests compared with other activities.

The following issues and recommendations apply to all value chains in this study:

Policy Issues	Policy Options
Legal framework	<ul style="list-style-type: none"> <li>• The development of a Legality Definition in the negotiation process of a Voluntary Partnership Agreement (VPA) on Forest Law Enforcement, Governance and Trade (FLEGT) between Laos and the EU could assess the existing legal framework to identify overlapping or contradicting regulations and make recommendations for reform. There is still concern that without proper consideration for small-scale actors, FLEGT may further marginalise SmEs. Therefore, it is essential that SmE representatives are integrated in the development of Laos' VPA, in line with the mandate for the VPA to be based on consensus with stakeholder. The potential impact on SmEs of any new regulation should be evaluated, in particular that of PMO15 as well as the forthcoming Forestry Law revision (due in October 2018).</li> </ul>
Legal Registration	<ul style="list-style-type: none"> <li>• The current policy of indiscriminately closing informal enterprises should be evaluated. Some discretionary power should be given to local governments in choosing which entities to close.</li> <li>• SmEs' access to registration should be improved through the creation of new categories that better reflect the SmEs' conditions, with reduced fees. This would support the development of the micro-enterprise sector by ensuring its participation in markets for legal timber.</li> <li>• To better enable legal registration for SmEs: <ul style="list-style-type: none"> <li>- The Ministry of Agriculture and Forestry, working closely with the MOIC, should provide clear guidelines on registration procedures so that SmEs are best equipped to enter the formal sector. Donor-funded programmes and development agencies can assist in communicating legal requirements to SmEs on the ground, particularly regarding the use of legal timber, and provide other forms of technical support.</li> <li>- The Department of Enterprise Registration Management should improve their data collection and publication on registered enterprises so that progress on legal registration can be evaluated.</li> <li>- Provincial Agriculture and Forestry Offices (PAFOs) and Provincial Offices of Industry and Commerce (POIC) should improve communication on behalf of SmEs. There have been instances in which SmEs are approved by PAFOs, but not by POICs (due in part to MOIC pressure to implement PMO15).</li> <li>- MOIC should improve the language in Decision No. 0719 to make it consistent with the SmE Decree and relevant laws such as the Enterprise Law.</li> </ul> </li> </ul>
Access to raw materials	<ul style="list-style-type: none"> <li>• There are viable options to increase SmE participation in local processing, production and supply of timber products. This could be aided through: <ul style="list-style-type: none"> <li>- Revision of relevant regulations, particularly regulation No. 0719 on the legal sources of wood, No. 1726 on the auction requirements and batch sizes, and No. 96 on plantation promotion,<sup>1</sup> that describe where SmEs' wood sources should come from</li> </ul> </li> </ul>

Policy Issues	Policy Options
	<ul style="list-style-type: none"> <li>- Development of guidelines on the preparation of log batches for timber auctions that are more suitable for SmEs (smaller batches)</li> <li>- Development of guidelines on supply chains control of raw material to assist SmEs in undertaking and recording product inventory (input-output data), together with the development of a simple timber flow database, particularly for timber sale data</li> <li>- Development of guidelines and technical assistance to facilitate SmEs' shift away from illegal, high-value timber species (e.g. CITES-listed rosewood species) to legal alternatives</li> <li>- Review or reduction of obstacles (taxes, fees, etc.) that elevate production costs and make SmEs uncompetitive</li> <li>- Facilitation of SmE groups in conducting group purchases and provision of training in timber input-output procedures</li> <li>- Clarification and amendment of the current legal framework governing the use of timber from village forests, to ensure it can constitute a legal source of commercial timber. This may include, but should not be limited to, granting rights to commercialise timber from village forests as part of the ongoing Forestry Law revision.</li> <li>- Strengthening of linkages in SmE forest product value chains through donor-led projects such as KfW's programme on village forests (VFMP).</li> <li>- Recognition of collective village land rights to strengthen communities' tenure security, for both agricultural and forestland</li> <li>• In addition, efforts should be made to increase SmEs' access to legally available and affordable timber sources, as opposed to CITES-protected rosewoods and other high-value species that can no longer be legally or sustainably harvested. This is a matter of broadening market scope to a) plantation timber, or b) other hardwood species with similar characteristics but without the conservation/CITES issues. SmEs are keen to learn and change their business model, but need proper support to do so. This could be accomplished through: <ul style="list-style-type: none"> <li>- Assistance to SmEs to cultivate and access plantation-grown timber as an alternative to high-value species that are endangered or otherwise not legally accessible (while addressing barriers for SmEs associated with plantation grower groups)</li> <li>- Further guidance from MOIC on marketing and processing standards</li> <li>- Training by National University of Laos (NUoL) or development partners (for example, ACIAR, RECOFTC) for the SmE processing sector, particularly enterprises working with 'new' species</li> <li>- Further research from NUoL, NAFRI, and others to determine appropriate species that can be cultivated by SmEs</li> </ul> </li> </ul>

<sup>1</sup> Decree No. 96 does not refer to the size of processor, but could be clarified to apply equally to SmEs as well as larger operators. This would increase SmEs' ability to cultivate plantations as a source of legal raw material.

Policy Issues	Policy Options
Technical standards	<ul style="list-style-type: none"> <li>• State-mandated product dimensions should be eliminated. More flexibility should be introduced in the technology allowed for different types of operators. This would include a revision of Decision No. 0719/MOIC and regulation No. 2005/MOIC.</li> <li>• For SmEs to operate efficiently, they should be given access to improved machinery and technology. Again, engaging in the sector would be contingent on the ability of participants to obtain legal status.</li> </ul>
Training & capacity development	<ul style="list-style-type: none"> <li>• To increase the capacity of the SmE sector to meet technical standards, it is recommended to: <ul style="list-style-type: none"> <li>- provide access to SME associations to training facilities, such as the NUoL Faculty of Forestry, which works jointly with government and industry to pilot value-added processing capacity. This could also encourage SmEs to join associations</li> <li>- provide training to factory owners and workers on workshop arrangements, layout and production flow</li> <li>- provide training on business management</li> <li>- provide training on factory standards and operational health and safety</li> <li>- provide training on input/output monitoring and chain of custody guidelines to ensure legal raw materials are used in their production</li> <li>- provide training in business planning and marketing</li> <li>- provide training in group formation and group administration</li> <li>- organise study tours for SmEs to visit large timber processing and furniture companies to learn about demand from other markets with new product designs</li> <li>- share knowledge on new products and how to produce them (for example, engineered wood products instead of traditional solid wood products that require a lot of timber)</li> </ul> </li> <li>• MOIC's Department of SMEs or DOIH could take the lead in enhancing SmEs' ability to meet technical standards to boost Laos' value-added wood processing sector as part of their PMO15 implementation strategy.</li> <li>• These actions could support or interact/partner with existing programmes, such as: projects of the Australian Centre for International Agricultural Research (ACIAR), which include a capacity building component to support companies with the development of engineered products; the VELA (Vocational Education in Laos) project, to use their carpentry workshops in different provinces to train SmEs; and initiatives of the Responsible Asia Forestry &amp; Trade (RAFT), to build capacity among small processing enterprises through supported capital investment.</li> <li>• The above measures could also link to other donor activities and funding, such as the REDD+ initiatives of the Food and Agriculture Organization of the United Nations (FAO) and KfW Development Bank programmes focused on village forests, the EFI-FAO pilots in the Attapeu and Khammouane Provinces focused on SmEs, and FLEGT projects such as those supported by GIZ and the EU.</li> </ul>

Policy Issues	Policy Options
Market access	<ul style="list-style-type: none"> <li>• Enterprise registration of entities operating in the informal sector should be promoted by communicating the benefits provided, including increased market access (for example, markets in other provinces, markets for legal timber).</li> <li>• An ‘amnesty’ on the closure of those entities that are operating without registration should be granted and they should be allowed to register without penalty. A review of the categories in Decision 0719 should be carried out to include a new category for micro-entities and a period of time (for example, one year) to allow them to meet the required standards. The rules regarding inter-village, inter-district and inter-province transport of timber and associated fees should be clarified.</li> <li>• The performance of officers at checkpoints should be assessed and monitored to reduce rent-seeking activities.</li> </ul>
Cooperatives or group formation	<ul style="list-style-type: none"> <li>• A memorandum of understanding between MOIC and the Ministry of Agriculture and Forestry that supports and promotes the granting of permission and registration of small enterprise groups should be drafted.</li> <li>• Guidelines for the formation of enterprise groups or associations should be developed.</li> <li>• Tax exemptions to registered groups should be provided.</li> <li>• Membership to association or groups should be encouraged through training or access to timber, for example by providing preference to association or group members at auctions. This is being piloted in the Attapeu province and should be further scaled up.</li> </ul>
Access to finance	<ul style="list-style-type: none"> <li>• Through appropriate lending organisations, options for preferential loans and low interest rate options for registered enterprises and members of enterprise groups or associations should be investigated.</li> </ul>
Data on SmEs	<ul style="list-style-type: none"> <li>• To enable better data on the scope of the SmE sector and small-scale forest product supply chains, and in particular to understand the number of unregistered enterprises or enterprises needing technical assistance, MOIC should coordinate with its district and provincial offices to visit, inspect and record all enterprises. Donor support could bolster institutional capacity to achieve this goal. Other sources of information should include: <ul style="list-style-type: none"> <li>- Implementation of MOIC regulation on input/output monitoring</li> <li>- Data from Log Landing 2, which should be archived and assessed</li> </ul> </li> </ul>
FLEGT and REDD+	<ul style="list-style-type: none"> <li>• FLEGT: <ul style="list-style-type: none"> <li>- The FLEGT process in Laos has to date been successful in encouraging and supporting the revision to several important legal instruments. However, given that most SmEs are unregistered and the implications this will have for the VPA, the FLEGT office should support relevant agencies to encourage clarity on policy positions and reform relevant regulations as outlined above. Development partners engaged in the FLEGT process to date (for example, EFI, FAO, GIZ or WWF) should continue channelling funds into SmE support.</li> </ul> </li> </ul>

Policy Issues	Policy Options
	<ul style="list-style-type: none"> <li>- The Thematic Expert Group on Processing and Trade, which is working to develop Laos' timber Legality Definition as part of the VPA, has benefitted from civil society participation to date. Lao civil society (non-profit associations, or NPAs) should be provided a seat at the table throughout the VPA development process.</li> <li>- Laos' Legality Definition should include a structure for legal timber from village forests, for commercial and/or non-commercial use.</li> <li>• REDD+: <ul style="list-style-type: none"> <li>- REDD+ projects should develop a model for small-scale forest management that prioritises both conservation areas and production/processing, resulting in carbon payments and legal timber. The GIZ-supported CLIPAD project is already piloting such a model.</li> </ul> </li> </ul> <p>For both FLEGT and REDD+, donors should make civil society engagement and representation a prerequisite for any project aiming to support SmEs. Lao NPAs can serve as both a conduit to SmEs themselves, and a means to circumvent institutional overlap and contradictory legal frameworks.</p>
Gender issues	<ul style="list-style-type: none"> <li>• Further research into the role of women in the processing sector should be supported. Barriers to participation and options for specific roles and positions suited to women should be identified, taking into account their other livelihood needs. This might include flexible or seasonal working options. Development agencies active in the Lao forest sector should support capacity-building programmes targeted at SmEs to ensure men and women are equally represented at all levels of the value chain.</li> <li>• Specific support for potential women entrepreneurs and women-owners of SmEs: although the timber sector is not particularly attractive to women entrepreneurs, some barriers could be removed to enable those women interested in establishing SmEs to access the start-up finance and working capital to do so. Non-Lao ethnic groups' access to markets and financial services is very limited. Middlemen control market prices. In addition, women are traditionally less mobile and poor public infrastructure adds to the costs of small enterprises, which are often based on handicrafts derived from wood or non-timber forest products. Provision of training and business development services, including access to finance, targeted to these groups could afford opportunity to build such small enterprises.</li> <li>• Work should be undertaken with the Lao Women's union and the National Commission for the Advancement of Women and Sub-Commissions for the Advancement of Women to: <ul style="list-style-type: none"> <li>- Build understanding of gender issues in SmEs</li> <li>- Mainstream these issues in national policy processes</li> </ul> </li> </ul>

Policy Issues	Policy Options
	<ul style="list-style-type: none"> <li>- Build understanding within sectoral ministries (particularly those responsible for forestry and small industry) of the gendered implications of legal and regulatory frameworks, and of the necessary services to promote effective household-based and more advanced SmEs in the wood processing sector</li> </ul> <p>These institutions should work closely with the MOIC, the Lao Chamber of Commerce and Industry, and other government agencies to mainstream gender in all policies and programmes targeting SmEs.</p> <ul style="list-style-type: none"> <li>• Trade associations: Much work is required to build the capabilities at sub-national and national levels of representative associations. As part of this wider institutional support, gender issues should be mainstreamed, to ensure understanding and reach to women in the sector, and to increase women’s representation, employment and business ownership.</li> <li>• Regulatory assessment: Most of the norms regulating the wood processing sector are gender blind, but many probably have a gendered impact. As part of the VPA process, a gender assessment of these regulations could be carried out, including analysis of their potential effects on women at different levels of the value chain.</li> <li>• Land tenure security: Land tenure aspects lie outside the scope of this study. Nonetheless, they constitute a critical constraint to the further participation of women in small business where land is necessary as collateral for access to finance. The lack of knowledge of legal rights to land and joint titling to protect women’s land rights within the household remains a major problem in rural areas. The National Land Management Agency should carry out public information campaigns, as well as public sector training on rules and processes. Forthcoming revisions to the Forestry Law and Land Law should also explicitly include land titling for women.</li> </ul>

### About the EU FLEGT Facility

The EU FLEGT Facility supports the European Union, its Member States and partner countries in implementing the EU FLEGT Action Plan. The European Forest Institute has hosted the Facility since 2007. The Facility has its headquarters in Barcelona, Spain, with additional offices in Brussels, Belgium; Joensuu, Finland; and Kuala Lumpur, Malaysia.

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