



## Lao People's Democratic Republic: Strengthening Access to Finance for Micro, Small, and Medium-Sized Enterprises

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|--|---|--|
| Project Name   | Strengthening Access to Finance for Micro, Small, and Medium-Sized Enterprises  |  |
| Project Number   | 48161-001   |  |
| Country  | Lao People's Democratic Republic  |  |
| Project Status   | Active  |  |
| Project Type / Modality of Assistance                      | Technical Assistance  |  |
| Source of Funding / Amount                                 | <b>TA 8848-LAO: Strengthening Access to Finance for Micro, Small and Medium-Sized Enterprises</b><br>Japan Fund for Poverty Reduction US\$ 1.50 million   |  |
| Strategic Agendas  | Inclusive economic growth   |  |
| Drivers of Change  | Partnerships<br>Private sector development  |  |
| Sector / Subsector   | <b>Finance</b> - Finance sector development   |  |
| Gender Equity and Mainstreaming                            | Gender equity   |  |
| Description  | <p>The TA aims to strengthen access to finance in Lao PDR for MSMEs by addressing supply and demand side constraints as measured by the percentage increase in MSMEs in target sectors using bank or MFI loans as a source of external finance. The outcome of the TA will be strengthened capacity of MSMEs to access formal finance for working capital. This will be achieved through first, a needs assessment of barriers in identified subsectors (with selection of one subsector), capacity development of MSMEs through offering of business development services (management skills development, business plan development, and financial literacy) and awareness raising around existing financial service providers/funds present in the respective market. To increase capital availability, the TA will promote the newly launched collateral registry and provide technical assistance around development of new products and services utilizing the registry . In addition, the TA will conduct an impact assessment of and promote improved financial management of an existing SME Fund managed by the Department of Small and Medium Enterprise Promotion (DOSMEP). Finally, guidance will be provided to develop a pilot technology fund to provide technology upgrades to MSMEs in targeted sectors, while encouraging linkages to formal financial service providers.</p> |  |
| Project Rationale and Linkage to Country/Regional Strategy | <p>In line with the government of Lao PDR's strategy to develop and promote small and medium-sized enterprises (SMEs) and undertake SME trade-related reforms to help achieve sustained and inclusive economic growth (a strategy embedded in the Seventh National Socio-Economic Development Plan (NSDEP7), 2011-2015), ADB's current Country Partnership Strategy (CPS) in Lao PDR has recognized the importance of strengthening the private sector. The private sector assessment under the CPS identified access to financial services as one of the key constraints faced by SMEs in expanding their businesses. In line with the CPS objective of promoting stronger private sector enabling environment, the envisaged CDTA therefore aims to support ongoing activities in the MSME sector. This CDTA will address recommendations from the previous lending program project completion report (PSME PCR) to strengthen access to finance through demand and supply side interventions, will complement the current SME Subprogram 2 Project Loan and may contribute to a future SME development program in targeted areas or a broader access to finance initiative.</p>  |  |
| Impact   | Higher income of MSMEs in the targeted subsector  |  |

### Project Outcome

|                                |  |
|--------------------------------|--|
| Description of Outcome         | Increased quality lending to MSMEs in targeted subsector |
| Progress Toward Outcome        |  |
| <b>Implementation Progress</b> |  |

|   |   |
|---|---|
| Description of Project Outputs                                      | 1. Strengthened capacity of MSMEs to access finance<br>2. Capacity development of MSMEs to develop practices necessary to improve access formal financial services<br>3. Increased knowledge among financial service providers of best practices in MSME product design and delivery including focus on particular needs of women-owned enterprises<br>4. Conduct impact assessment and promote sound financial management for the SME Fund<br>5. Framework for pilot technology fund to help MSMEs in target sectors |
| Status of Implementation Progress (Outputs, Activities, and Issues) |   |
| Geographical Location   |   |

## Summary of Environmental and Social Aspects

|   |
|---|
| Environmental Aspects   |
| Involuntary Resettlement  |
| Indigenous Peoples  |
| <b>Stakeholder Communication, Participation, and Consultation</b> |
| During Project Design   |
| During Project Implementation                                     |

## Business Opportunities

|                     |  |
|---------------------|--|
| Consulting Services | Individual experts to be recruited: (International Total = 22 person months and National Total = 44 person months) |
|                     | 1. International Business Development and Market Analyst Advisor (1) _ 10 person months                            |
|                     | 2. International SME Financial Product Design Advisor (1) _ 7 person months  |
|                     | 3. International Monitoring and Evaluation Specialist (1) _ 3 person months  |
|                     | 4. International Gender Specialist (1) _ 2 person months   |
|                     | 5. National Business Advisory Specialist (2) _ 18 person months  |
|                     | 7. National SME Financial Product Design Advisor (1) _ 4 person months   |
|                     | 8. National Monitoring and Evaluation Specialist (1) _ 4 person months   |

## Responsible Staff

|                            |  |
|----------------------------|--|
| Responsible ADB Officer    | Hattel, Kelly L.   |
| Responsible ADB Department | Southeast Asia Department  |
| Responsible ADB Division   | Public Management, Financial Sector and Trade Division, SERD   |
| Executing Agencies         | <i>Department of Small &amp; Medium Enterprise Promotion<br/>Nong Bone Road, P.O. Box No. 474, 01005 Ban Fai Arie, Saysetha District, Vientiane Capital, Lao PDR</i> |

## Timetable

|                     |                            |
|---------------------|----------------------------|
| Concept Clearance   | 05 Sep 2014                |
| Fact Finding        | 09 Jun 2014 to 17 Jun 2014 |
| MRM                 | -                          |
| Approval            | 17 Dec 2014                |
| Last Review Mission | -                          |
| Last PDS Update     | 19 Sep 2014                |

## TA 8848-LAO

| Milestones  |              |                  |             |             |        |
|-------------|--------------|------------------|-------------|-------------|--------|
| Approval    | Signing Date | Effectivity Date | Closing     |             |        |
|             |              |                  | Original    | Revised     | Actual |
| 17 Dec 2014 | 05 Mar 2015  | 05 Mar 2015      | 31 Dec 2016 | 31 Dec 2017 | -      |

| Financing Plan/TA Utilization |              |             |               |                 |        |              | Cumulative Disbursements |            |
|-------------------------------|--------------|-------------|---------------|-----------------|--------|--------------|--------------------------|------------|
| ADB                           | Cofinancing  | Counterpart |               |                 |        | Total        | Date                     | Amount     |
|                               |              | Gov         | Beneficiaries | Project Sponsor | Others |              |                          |            |
| 0.00                          | 1,500,000.00 | 60,000.00   | 0.00          | 0.00            | 0.00   | 1,560,000.00 | 17 Dec 2014              | 375,968.71 |

Project Page

<https://www.adb.org/projects/48161-001/main>

Request for Information

<http://www.adb.org/forms/request-information-form?subject=48161-001>

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