



Technical Assistance Report

Project Number: 48161-001
Capacity Development Technical Assistance (CDTA)
December 2014

Lao People's Democratic Republic: Strengthening Access to Finance for Micro, Small, and Medium- Sized Enterprises (Financed by the Japan Fund for Poverty Reduction)

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 17 December 2014)

Currency unit	–	kip (KN)
KN1.00	=	\$0.0001
\$1.00	=	KN8,075

ABBREVIATIONS

ADB	–	Asian Development Bank
GIZ	–	Deutsche Gesellschaft für Internationale Zusammenarbeit
Lao PDR	–	Lao People's Democratic Republic
MSMEs	–	micro, small, and medium-sized enterprises
PSME	–	Private Sector and Small and Medium-Sized Enterprises Development Program
PSME2	–	Second Private Sector and Small and Medium-Sized Enterprises Development Program
SMEs	–	small and medium-sized enterprises
SMEPF	–	SME Promotion Fund
TA	–	technical assistance

NOTE

In this report, "\$" refers to US dollars.

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CAPACITY DEVELOPMENT TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 48161-001	
Project Name	Strengthening Access to Finance for Micro, Small, and Medium-Sized Enterprises	Department /Division	SERD/SEPF
Country Borrower	Lao People's Democratic Republic Lao People's Democratic Republic	Executing Agency	Department of Small & Medium Enterprise Promotion
2. Sector	Subsector(s)	Financing (\$ million)	
✓ Finance	Finance sector development		1.50
		Total	1.50
3. Strategic Agenda	Subcomponents	Climate Change Information	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive	Climate Change impact on the Project	Low
4. Drivers of Change	Components	Gender Equity and Mainstreaming	
Partnerships (PAR)	Bilateral institutions (not client government) Official cofinancing	Gender equity (GEN)	✓
Private sector development (PSD)	Conducive policy and institutional environment		
5. Poverty Targeting		Location Impact	
Project directly targets poverty	No	Not Applicable	
6. TA Category:	B		
7. Safeguard Categorization	Not Applicable		
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		0.00	
None		0.00	
Cofinancing		1.50	
Japan Fund for Poverty Reduction		1.50	
Counterpart		0.06	
Government		0.06	
Total		1.56	
9. Effective Development Cooperation			
Use of country procurement systems		Yes	
Use of country public financial management systems		Yes	

I. INTRODUCTION

1. Findings from a recent German development cooperation through Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) Human Resource Development for a Market Economy Enterprise Survey highlighted the need for strengthening access to finance for micro, small, and medium-sized enterprises (MSMEs) in the Lao People's Democratic Republic (Lao PDR).¹ A series of consultative meetings with a wide range of stakeholders engaged in MSME sector development, including government stakeholders; civil society; MSMEs in Champasak, Luang Prabang, and Vientiane provinces; and other key development partners confirmed this need.² Government and key development partners agreed that targeted efforts to develop specific subsectors could be used as a model for increasing access to finance in other subsectors where MSMEs are actively engaged.³ Potential subsectors for consideration include tea, silk, and smallholder farming due to their linkages with ongoing interventions by the Asian Development Bank (ADB),⁴ government priorities,⁵ and the high concentration of women entrepreneurs and cultural importance to the country (tea and silk).⁶

II. ISSUES

2. A landlocked, mountainous country in the heart of Southeast Asia, the Lao PDR has a population of 6.66 million people, 26% of whom live below the national poverty line.⁷ In 1986, the Government of the Lao PDR began decentralizing control and encouraging private enterprise development. Since then, MSMEs have played an increasingly important role in the development of the local economy. Of all registered enterprises in the Lao PDR, 99% are MSMEs, which are widely considered to be the backbone of the Lao economy. According to the GIZ Human Resource Development for a Market Economy Enterprise Survey 2013, from 2005 to 2013, MSMEs' "lack of capital" has consistently been the most frequently cited 'big' or 'very big' constraint⁸ due to complex application procedures, high collateral requirements, and high lending rates (footnote 1).⁸ More than 60.0% of enterprises require external financing in order to expand their businesses and to increase output and turnover. However, the smallest proportions of those who utilize external financing are that of micro (26.6%) and small (42.0%) enterprises compared to medium (60.7%) and large firms (72.7%). Micro firms had the largest percentage of respondents (23.7%) who do not have a bank account at all. It is clear that the smaller the enterprise, the more difficult it is to access finance. The majority of MSMEs rely on internal financing, as they are unable to access to the formal credit market in the country.

3. On the supply side, major constraints for micro and small entrepreneurs include lack of information on credit providers and products and the lack of collateral to secure bank loans. The

¹ GIZ. 2014. *Human Resource Development for a Market Economy Enterprise Survey 2013 for Lao PDR*. Vientiane.

² Consultation mission to the Lao PDR during 25–28 March 2014 and a fact-finding mission during 9–17 June 2014.

³ The TA will include microenterprises, which form an important part of the small and medium-sized enterprise (SME) value chain in any targeted sector.

⁴ ADB. 2011. *Report and Recommendation of the President to the Board of Directors: Proposed Loan for Additional Financing to the Lao People's Democratic Republic for the Smallholder Development Project*. Manila.

⁵ Indigenous food crop sector will also be included in the potential subsector.

⁶ ADB. 2013. *Report and Recommendation of the President to the Board of Directors: Proposed Policy-Based Loan and Technical Assistance Loan to the Lao People's Democratic Republic for the Second Private Sector and Small and Medium-Sized Enterprises Development Program (Subprogram 2)*. Manila. The TA loan of the Second PSSMEDP has five outputs: (i) enterprise registry enhanced; (ii) regulatory impact assessments institutionalized; (iii) geographical indication system established (tea and silk to be considered); (iv) SME e-commerce and export development project established; and (v) project management unit established.

⁷ ADB. 2014. *Basic Statistics 2014*. Manila.

⁸ In the GIZ Enterprise Survey, microenterprises are defined as comprising 0–2 employees, small enterprises 3–19 employees, and medium-sized enterprises 20–99 employees. The average commercial lending rate in the Lao PDR is 23.2%.

survey states that, “it is likely that strict borrowing regulations and high collateral requirements have prompted entrepreneurs to borrow from family members instead” (footnote 1). On the demand side, enterprises who have indicated lack of capital as a constraint are characterized by lack of capacity including during difficulties faced at the very inception of setting up and registering the enterprise and for some, not even having an investment and financial plan for the business.⁹

4. Since 2007, ADB has been supporting the small and medium-sized enterprise (SME) sector through the Private Sector and Small and Medium-Sized Enterprises Development Program (PSME) and the Second Private Sector and Small and Medium-Sized Enterprises Development Program (PSME2).¹⁰ Under PSME, the government implemented measures to strengthen the macroeconomic policy framework and to improve (i) SME policy development and coordination across agencies, (ii) the investment climate, and (iii) trade policy and capacity development. The PSME2 approved in October 2011 was built on the achievements of the PSME, including implementation of SME policy and access to services (including finance) and promotion of regulatory efficiency.¹¹ ADB’s involvement in improving access to finance was through policy dialogue with the credit information bureau and with Ministry of Justice in the drafting of the secured transaction decree and its implementing regulations. In addition, with budget support from the loan, the government set up the \$2 million SME Promotion Fund (SMEPF) through its internal budget process approved by the National Assembly. To date, all the funds have been disbursed. The Ministry of Finance has indicated that prior to any recapitalization of the fund, there needs to be an impact assessment on fund performance and management of the fund. Through the technical assistance (TA), ADB has an opportunity to support this assessment of the fund and help strengthen its outreach. Both the SMEPF and a proposed technology fund could be used to support the subsector selected as part of this TA. The technology fund would be directly linked to the SMEPF and would allow qualified MSMEs in the target subsector to apply for a grant for equipment needed to improve their business processes. This will enable ADB to directly support MSMEs to overcome the constraint on access to finance.

5. In line with the country partnership strategy¹² objective of promoting a stronger private sector enabling environment, this TA aims to complement and support ongoing activities in the MSME sector by ADB and other development partners.¹³ The TA will also take up recommendations to strengthen access to finance through demand- and supply-side interventions. Activities under the TA will help MSMEs overcome barriers to accessing finance through (i) traditional channels (e.g., business development services), (ii) the innovative use of seed capital (e.g., the SMEPF and technology fund), and (iii) leveraging new opportunities (e.g.,

⁹ Annex 2, Analysis of Internal and External Problems (ES2013), GIZ Enterprise Survey.

¹⁰ ADB. 2007. *Report and Recommendation of the President to the Board of Directors: Proposed Asian Development Fund Grant and Technical Assistance Grant to the Lao People’s Democratic Republic for the Private Sector and Small and Medium-sized Enterprise Development Program Cluster (Subprogram 1)*. Manila.

¹¹ ADB. 2011. Report and Recommendation of the President to the Board of Directors: Proposed Program Cluster, and Loan and Grant to the Lao People’s Democratic Republic for the Second Private Sector and Small and Medium-Sized Enterprises Development Program (Subprogram 1). Manila.

¹² ADB. 2011. *Country Partnership Strategy: Lao People’s Democratic Republic, 2012–2016*. Manila. The country partnership strategy defines ADB’s strategic approach in the Lao People’s Democratic Republic for 2012–2016, aligned with Strategy 2020 (ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank, 2008–2020*. Manila), the country’s own development strategy, and ADB’s comparative strengths, and complement efforts by its development partners.

¹³ In June 2014, the World Bank approved a \$20 million operation grant and credit to the Department of Small and Medium Enterprise Promotion to support access to finance for SMEs. A \$3 million revolving loan fund for the SME sector is being provided by German development cooperation through KfW.

the secured transaction registry)¹⁴ in the design and utilization of a wider range of financial products that can better meet the needs of MSMEs at a reasonable level of risk. These TA activities, along with an active policy dialogue regarding MSME sector coordination and strategic planning, can contribute to a possible future MSME development program or broader access to finance initiative.

III. THE CAPACITY DEVELOPMENT TECHNICAL ASSISTANCE

6. The TA will focus on both the demand for and the supply of financial services. The TA will (i) help grow businesses through skills development to improve their ability to access external finance; and (ii) help financial service providers offer better and more suitable products and services, capitalizing on the newly launched secured transaction registry. An additional focus of this TA will be addressing the particular constraints for women entrepreneurs, who often have relatively little education or business skills, and are less likely to take out a loan due to less favorable borrowing terms. The executing agency and the implementing agency support the impact, outcome, outputs, implementation arrangements, cost, financing, and outline terms of reference. Closely linked to the TA loan of the PSME2, this TA will help bridge the end of the ADB Rural Financial Sector Program and the PSME2. The TA continues ADB MSME sector engagement to create a facilitating environment and a forward-looking approach that links MSME strengthening with better access to finance and overall private sector development.

A. Impact and Outcome

7. The impact will be higher income of MSMEs in the targeted subsector as determined by baseline assessment and regular monitoring and evaluation. The outcome of the TA will be increased quality lending to MSMEs in targeted subsector, which will be measured by at least 75% approval of loan applications made by MSMEs in target subsector.¹⁵

B. Methodology and Key Activities

8. To strengthen access to finance through supply- and demand-side interventions, a series of activities will be carried out as follows:

- (i) **Output 1: Strengthened capacity of micro, small, and medium-sized enterprises to access finance.** This output comprises two components:
 - (a) Component 1 involves a needs assessment of MSMEs in selected subsectors (e.g., silk, tea, smallholder farming), with a focus on the need and ability of these MSMEs to access formal financial services. While the GIZ Enterprise Survey (footnote 1) identifies constraints for MSMEs throughout the country, there may be additional constraints particular to each subsector. A project steering committee, established by the consultant team, will contribute to developing the needs assessment. The assessment will include an analysis of differentiated needs and constraints of MSMEs owned by men and women, and the assessment report will contain recommendations that specify additional measures to be provided for MSMEs owned by women to account for constraints that

¹⁴ The secured transaction registry will enable MSMEs to obtain loans using moveable assets. Banks can lodge securities over moveable assets of the MSMEs and submit them to the registry, which protects the creditors' rights. This should stimulate SME lending and help overcome the problem of not having fixed collateral to obtain loans

¹⁵ Special focus will be made to include MSMEs which have failed to have a loan approved.

do not necessarily affect male-owned MSMEs (e.g., cultural restrictions, high demands on time, and lower self-esteem). Within each subsector, pilot production group organizations that can benefit most from targeted support and are interested in participating will be identified. Interviews will also be conducted with financial service providers operating in the selected subsector regions to assess their current MSME portfolios and constraints, or their interest in lending to the targeted businesses.¹⁶

- (b) Component 2 is capacity development of MSMEs to develop practices necessary to improve access to formal financial services. Working through the branches and local government offices of the Lao National Chamber of Commerce and Industry, this output will provide tailored business development services to MSMEs (at least half of which are owned by women), including management skills development, business planning, financial education, and increased awareness of available financial services and how to access them.

(ii) **Output 2: Improved financial services available to micro, small, and medium-sized enterprises.** This output comprises three components:

- (a) Component 1 involves advising financial service providers on suitable products and services for MSMEs. An international MSME financial services product design advisor will collaborate with a local counterpart to work with interested financial service providers to develop a broader range of products and services that can meet the existing and growing needs of MSMEs in the target subsector, capitalizing on the newly launched secured transaction registry. This will include collaborating with International Finance Corporation for wider roll out of the secured transaction registry.
- (b) Component 2 involves conducting an impact assessment and promoting sound financial management of the SMEPF. This output will assess how the SMEPF is being utilized; evaluate the impact to date; and identify ways to build capacity of the fund to increase utilization, particularly by women-owned enterprises.
- (c) Component 3 supports the establishment of a pilot technology fund to help MSMEs. Based on a similar matching grant fund included under SME sector development project in Cambodia, this pilot fund would be directly linked to the SMEPF and would allow qualified MSMEs in the target subsector to apply for a grant for equipment needed to improve their business processes.¹⁷ A framework and a set of criteria for the fund will be developed that ensures transparency and effective monitoring and evaluation of the usage of the funds. Criteria will be included to specifically promote participation by women-owned enterprises.

C. Cost and Financing

9. The TA is estimated to cost \$1.56 million, of which \$1.50 million will be financed on a

¹⁶ For example, under the smallholder development project financed by ADB in the Lao PDR, farmer production groups have strong negotiation power and their capacity is improved in managing the groups including finance and accounting, production plan, marketing, and accessing to finance.

¹⁷ ADB. 2008. *Technical Assistance to Cambodia for Preparing the Private Sector and Small and Medium-Sized Enterprise Development Program*. Manila.

grant basis by the Japan Fund for Poverty Reduction, and administered by ADB.¹⁸ The government will provide counterpart support in the form of counterpart staff, office accommodation, and other in-kind contributions.

D. Implementation Arrangements

10. The executing agency will be the Department of Small and Medium Enterprise Promotion, which has worked with ADB on SME sector development activities in the Lao PDR since 2006. It will be the main point of contact for TA activities and will lead the project steering committee. The Lao National Chamber of Commerce and Industry, which will be the implementing agency, and its provincial branches will serve as a hub for the business development services offered to MSMEs in the selected subsectors. The TA will be monitored through regular TA review missions as well as regular reporting by consultants on the progress of the capacity development support provided. An international and national monitoring and evaluation specialist will be engaged to assist in monitoring the program, gathering key lessons, monitoring effective implementation, and replicating the approach for possible future use. TA proceeds will be disbursed in accordance with the *Technical Assistance Disbursement Handbook* (2010, as amended from time to time).

11. The consultants will be engaged by ADB as individuals in accordance with the Guidelines on the Use of Consultants (2013, as amended from time to time). The TA will require a total of 66 person-months for international and national consultants. ADB will recruit the following experts: business development advisors, SME financial services product design advisors, monitoring and evaluation specialists, and a gender specialist.

12. Any procurement under the TA for equipment will be in line with ADB's Procurement Guidelines (2013, as amended from time to time) and will be turned over to the executing agency upon completion of TA activities. The TA is expected to commence on 1 January 2015 and end on 31 December 2016.

13. Findings from the TA will be shared among key government agencies and key donor organizations active in MSME sector development. Good practices and case studies can be disseminated through the ADB website and also through the SME Finance Forum.¹⁹

IV. THE PRESIDENT'S DECISION

14. The President, acting under the authority delegated by the Board, has approved ADB administering technical assistance not exceeding the equivalent of \$1,500,000 to the Government of the Lao People's Democratic Republic to be financed on a grant basis by the Japan Fund for Poverty Reduction for Strengthening Access to Finance for Micro, Small, and Medium-Sized Enterprises, and hereby reports this action to the Board.

¹⁸ Funding from the Government of Japan was approved on 28 October 2014.

¹⁹ Managed by the International Finance Corporation, the SME Finance Forum brings together financial institutions, technology companies, and development finance institutions to share knowledge, spur innovation, and promote the growth of SMEs.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p>Impact Higher income of MSMEs in the targeted subsector</p>	<p>By end of 2018: Average income of MSMEs in target subsector increased (2015 baseline and percentage increase: to be determined during needs assessment)</p> <p>Increase in the number of employees employed by MSMEs (2015 baseline and appropriate increase: to be determined during needs assessment)</p>	<p>Subsector needs assessment report</p> <p>ADB review mission</p> <p>Monitoring and evaluation reports</p>	<p>Assumption Removing identified barriers to accessing finance will increase utilization</p> <p>Risk MSMEs in selected subsectors affected by other risk factors not related to access to finance</p>
<p>Outcome Increased quality lending to MSMEs in targeted subsector</p>	<p>By end of 2016: At least 75% of loan applications made by MSMEs in target subsector approved (baseline to be determined during needs assessment)</p> <p>50% of approved applications are for women-owned businesses</p>	<p>SME products and services advisor TA report (determined through interviews with financial service providers)</p> <p>ADB review mission</p> <p>Monitoring and evaluation reports</p>	<p>Assumption MSMEs actively make use of assistance provided</p> <p>Risk MSMEs unable to implement capacity development sufficiently</p>
<p>Outputs 1. Strengthened capacity of MSMEs to access finance</p>	<p>By end of 2016: Assessment report including indicators for monitoring changes in baseline status of subsector MSMEs</p>	<p>Subsector needs assessment report</p> <p>ADB review mission</p>	<p>Assumption MSMEs and financial service providers willing and able to provide relevant information for assessment</p> <p>Risk Difficulty in collecting data prevents accurate baseline</p>
	<p>By end of 2016: 10 training activities and/or workshops are for MSMEs in target subsector on capacity development (business planning, financial education, management skills development, understanding relevant business rules and regulations, knowing how to interact with commercial</p>	<p>Monitoring and evaluation report</p>	<p>Assumption MSMEs able to internalize and utilize capacity development provided during TA period</p> <p>Risk Additional factors beyond scope of TA prevent uptake of new financial services</p>

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
	banks and make use of services available) Monitoring and evaluation framework developed, including TA project's impact on women entrepreneurs	ADB review mission	
2. Improved financial services available to MSMEs	By 2016: 5 formal financial service providers advised on the use of secured transaction registry ^a 5 formal financial service providers utilizing secured transaction registry 1 new product introduced by each formal financial service provider	Evaluation of training: ADB review mission and TA report ADB review mission and TA report	Assumption Financial service providers interested in expanding MSME loan portfolio Risk Changes to product design and delivery are not implemented
	By 2016: Evaluation and recommendations approved by Ministry of Finance	Evaluation of training: ADB review mission and TA report ADB review mission and TA report	Assumption Sufficient level of documentation to inform evaluation Risk Proposed changes not implemented
	By 2016: Framework for establishment, implementation, and management of pilot matching grant for technology upgrade approved by the Department of Small and Medium Enterprise Promotion	Evaluation of training: ADB review mission and TA report ADB review mission and TA report	Assumption Executing agency continues interest in launching fund Risk Difficulty finding funding for grants
Activities with Milestones		Inputs	
1. Strengthened capacity of MSMEs to access finance 1.1 Needs assessment of barriers to MSMEs accessing formal financial services (with focus on key subsectors, e.g., silk, tea, smallholder farming) 1.1.1 Establish project steering committee including representatives from implementing and executing agencies in Vientiane and target region (March 2015) 1.1.2 Conduct assessment of barriers to MSMEs utilizing formal financial services, including the special needs of women-owned enterprises (March 2015) 1.1.3 Interviews with financial service providers to assess baseline of		Japan Fund for Poverty Reduction: \$1,500,000	

Activities with Milestones	Inputs
<p>finance available to targeted subsectors (March 2015)</p> <p>1.2 Capacity development of MSMEs in selected target subsector to improve access to formal financial services</p> <p>1.2.1 Work plan for providing TA to individual MSMEs developed (April 2015)</p> <p>1.2.2 Workshops and on-site trainings conducted for MSMEs through local chambers of commerce (May 2015–December 2016)</p> <p>2. Improved financial services available to MSMEs</p> <p>2.1 Increased knowledge among financial service providers of best practices in MSME product design and delivery</p> <p>2.1.1 Assessment of current MSME products and services offered by selected formal financial service providers (April 2015)</p> <p>2.1.2 Work plan developed for training on secured transaction registry (in collaboration with the International Finance Corporation) and engaging financial service providers on the development of appropriate product development for MSMEs (April 2015)</p> <p>2.1.3 Training on usage of secured transaction registry conducted in collaboration with the International Finance Corporation (April–July 2015)</p> <p>2.1.4 Guidance provided on development of appropriate MSME product development utilizing registry for selected financial service providers (July 2015–July 2016)</p> <p>2.2 Conduct impact assessment and promote sound financial management of the SME Promotion Fund</p> <p>2.2.1 Consultation with the Department of Small and Medium Enterprise Promotion and Ministry of Finance on the design of impact assessment of the SME fund (March 2015)</p> <p>2.2.2 Impact assessment of SME fund utilization conducted, including findings and recommendations and work plan (April 2015)</p> <p>2.2.3 Capacity building provided to the SME Promotion Fund to improve utilization (May 2015)</p> <p>2.2.4 Evaluation of changes to fund management and implementation (December 2015)</p> <p>2.2.5 Detailed report on the SME Promotion Fund with monitoring and evaluation indicators submitted to Ministry of Finance to justify any request for increasing fund capitalization (December 2015)</p> <p>2.3 Framework for pilot technology fund to help MSMEs in target subsectors</p> <p>2.3.1 Draft framework for MSME technology fund completed (May 2015)</p> <p>2.3.2 Advise the Department of Small and Medium Enterprise Promotion on the launch of technology fund (July 2015)</p>	<p>Note: The government will provide counterpart support in the form of counterpart staff, office accommodation, office supplies, and other in-kind contributions.</p>

ADB = Asian Development Bank, MSMEs = micro, small, and medium-sized enterprises, SMEs = small and medium-sized enterprises, TA = technical assistance.

^a The secured transaction registry will enable MSMEs to obtain loans using moveable assets. Banks can lodge securities over moveable assets of the MSMEs and submit them to the registry, which protects the creditors' rights. This should stimulate SME lending and help overcome the problem of not having fixed collateral to obtain loans.

Source: Asian Development Bank.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Amount
Japan Fund for Poverty Reduction^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	594.0
ii. National consultants	392.0
b. International and local travel	173.0
c. Reports and communications	40.0
2. Equipment ^b	6.0
3. Training, seminars, and conferences	100.0
4. Surveys	20.0
5. Miscellaneous administration and support costs ^c	40.0
6. Contingencies	135.0
Total	1,500.0

Note: The technical assistance (TA) is estimated to cost \$1,560,000, of which contributions from the Japan Fund for Poverty Reduction are presented in the table above. The government will provide counterpart support in the form of: counterpart staff, office accommodation, office supplies, and other in-kind contributions. The value of government contribution is estimated to account for 4% of the total TA cost.

^a Administered by the Asian Development Bank.

^b Equipment includes laptops, software, a printer, office furniture, fixtures, and fittings.

^c This item includes translation costs, administrative support, and logistics.

Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

A. International Consultants

1. **Lead business development and market analyst advisor and team leader** (10 person-months, intermittent). The consultant should have a postgraduate degree in banking or finance; at least 10 years of recognized professional experience in business administration, marketing, organizational development, management, or other relevant fields; and at least 10 years of professional experience in strategic planning and management, organizational change, and corporate planning in the public or private sector in developing countries. Experience in Southeast Asia and knowledge of the micro, small, and medium-sized enterprise (MSME) sector in the Lao People's Democratic Republic (Lao PDR) are preferable.

2. Working closely with the national business development advisors, the international and national small and medium-sized enterprise (SME) financial service product design advisors, the international and national gender specialists, and key government and nongovernment agencies, the consultant will undertake the following tasks:

- (i) Establish terms of reference for a project steering committee, and invite key government entities (implementing and executing agencies), community leaders in communities where subsectors are located, and other relevant development partners to be part of the committee.
- (ii) Conduct assessment of market, growth, employment potential, financing structure, and use of formal financial services of selected subsectors in specific regions.
- (iii) Within each subsector, assess the value chain of MSMEs involved in producing outputs.
- (iv) Assess capacity development needs of businesses in the value chain, including specific needs of women-owned enterprises (with input from the international and national gender specialists).
- (v) Conduct interviews with financial service providers to assess baseline of finance available to targeted subsectors.
- (vi) Determine which subsector can benefit the most from the technical assistance (TA) approach.
- (vii) Recommend specific gender-differentiated training to be provided to improve business systems and the ability of business to access finance and increase growth projections.
- (viii) Ensure a consultative process in the development of MSME business and market opportunities through discussions with the government, private sector, business support agencies, civil society organizations, and other key stakeholders.
- (ix) Prepare a report containing in-depth analysis on the various business options and recommendations for submission to the project steering committee.
- (x) Develop a 5-year business plan or strategy with a comprehensive market analysis and business potential for the alternative(s) favored by the stakeholders for review and approval by the project steering committee.
- (xi) Prepare a detailed implementation plan of business development with the steps needed for implementation.
- (xii) Through on-the-job training and involvement of the national business development advisor, develop organizational and individual capacities with a focus on building MSME staff and management skills and competencies in

leadership, business plan development, and external finance plan to sustain and grow business.

3. **Small and medium-sized enterprise financial product design advisor** (7 person-months, intermittent). The advisor should have a postgraduate degree in law, finance, or business. The advisor will have at least 10 years of experience with MSME finance with significant recognized professional experience working on product development using a secured transaction registry. Experience in Southeast Asia and knowledge of the Lao PDR's MSME sector are preferred.

4. The advisor will be responsible for increased knowledge among formal financial service providers of best practices in SME product design and delivery through the following:

- (i) assessment of current MSME products and services offered by selected formal financial service providers;
- (ii) work plan developed for training on secured transaction registry (in collaboration with the International Finance Corporation) and engaging financial service providers on development of appropriate product development for MSMEs;
- (iii) training on usage of secured transaction registry in close collaboration with the International Finance Corporation; and
- (iv) guidance provided on development of appropriate MSME product development utilizing registry for selected financial service providers.

5. Working with the team leader, the advisor will work to strengthen the governance process of the SME Promotion Fund and advise the fund partners (the Department of Small and Medium Enterprise Promotion and Lao Development Bank) on ways to adapt the design and delivery of fund products and services. These will include, but not be restricted to, the following activities:

- (i) impact assessment of the SME Promotion Fund utilization conducted, including findings, recommendations, and work plan;
- (ii) capacity building provided to the SME Promotion Fund to improve utilization;
- (iii) evaluation of changes to fund management and implementation; and
- (iv) detailed report on fund, with monitoring and evaluation indicators submitted to the Ministry of Finance to justify any request for increasing fund capitalization.

6. The consultant will also work with the Department of Small and Medium Enterprise Promotion and the consultant team to draft the framework and advise the Department of Small and Medium Enterprise Promotion on the launch of the SME technology fund.

7. **Monitoring and evaluation specialist** (3 person-months, intermittent). The specialist should have a postgraduate degree in law, finance, or business, and should have a minimum of 7 years of professional experience, including experience in finance or a related field. Experience in Southeast Asia is preferred.

8. Working with the team leader, the monitoring and evaluation specialist will

- (i) develop a baseline level of skills for businesses in value chain of targeted sector;
- (ii) develop a monitoring and evaluation plan to be carried out during the TA; and

- (iii) carry out systematic monitoring of demand- and supply-side capacity development, and monitor results that can help adapt capacity building at midpoint of the project.

9. **Gender specialist** (2 person-months, intermittent). The specialist will have a minimum of 5 years of professional work experience in academia, at a research institute, or with a development partner specializing in gender issues. A postgraduate degree in social sciences is required, and demonstrated experience related to financial services for women is preferred. Experience in Southeast Asia is also preferred.

10. Working with all team members, the gender specialist will

- (i) support each team member in their respective deliverables and (a) improve outcomes for women-owned and/or women-managed MSMEs, and (b) address gender gaps wherever they are identified on both the supply and demand side of access to finance; and
- (ii) work with the international monitoring and evaluation specialist to help design and monitor indicators that demonstrate whether and how much women are benefiting from the interventions.

B. National Consultants

11. **Business advisory specialists** (two specialists, 18 person-months, intermittent). The specialists should have a degree in business administration, economics, or a related discipline and at least 5 years of professional experience in business development services. Knowledge of the Lao PDR's MSME sector is required. Experience in working for international aid organizations is preferable. Working with the team leader, the business advisory specialist will

- (i) assist in all aspects of the terms of reference as required;
- (ii) collect and analyze required data and information, and make these available in English in an organized, readable form;
- (iii) assist in the preparation of guidelines, mandates, manuals, and training materials, and in the delivery of workshops and training, including translation of documents and interpretation;
- (iv) undertake other tasks as necessary for the efficient implementation of the TA as may reasonably be required by the team leader;
- (v) document knowledge gained through the TA that can be applied after completion of TA; and
- (vi) contribute as required to the inception, quarterly progress, midterm, draft final, and final reports.

12. **Small and medium-sized enterprise financial product design advisor** (4 person-months, intermittent). The advisor should have a degree in business administration, economics, or a related discipline and at least 5 years of professional experience in business development services. Knowledge of the Lao PDR's MSME sector is required. Experience in working for international aid organizations is preferable. Working with the team leader and the international SME financial product design advisor, the national advisor will

- (i) assist in all aspects of the terms of reference as required, including an assessment of current MSME products and services offered by selected formal financial service providers, development of a work plan for conducting training on

- the secured transaction registry (in collaboration with the International Finance Corporation), and engagement of financial service providers on development of appropriate product development for MSMEs;
- (ii) offer training on usage of the secured transaction registry in collaboration with the International Finance Corporation, and provide guidance on MSME product development utilizing registry for selected financial service providers;
 - (iii) collect and analyze required data and information, and make these available in English in an organized, readable form;
 - (iv) assist in the preparation of guidelines, mandates, manuals, and training materials, and in the delivery of workshops and training, including translation of documents and interpretation;
 - (v) undertake other tasks necessary for the efficient implementation of the TA as may reasonably be required by the team leader;
 - (vi) document knowledge gained through the TA that can be applied after completion of the TA; and
 - (vii) contribute as required to the inception, quarterly progress, midterm, draft final, and final reports.

13. **Monitoring and evaluation specialist** (4 person-months, intermittent). The specialist should have a degree in business administration, economics, or a related discipline and at least 5 years of professional experience in business development services. Knowledge of the Lao PDR's MSME sector is required. Experience in working for international aid organizations is preferable. Working with the team leader, the monitoring and evaluation specialist will

- (i) assist the international monitoring and evaluation specialist in all aspects of the terms of reference as required;
- (ii) collect and analyze required data and information, and make these available in English in an organized, readable form;
- (iii) assist in the preparation of guidelines, mandates, manuals, training materials, and in the delivery of workshops and training, including translation of documents and interpretation;
- (iv) undertake other tasks necessary for the efficient implementation of the TA as may reasonably be required by the team leader;
- (v) document knowledge gained through the TA that can be applied after completion of TA; and
- (vi) contribute as required to the inception, quarterly progress, midterm, draft final, and final reports.