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European Union

Terms of reference: Conduct Research and Develop Information Package(s) on the Financial Institutions, Services and Products Available for MSMEs in Lao PDR

Objective

The Lao National Chamber of Commerce and Industry (LNCCI), in cooperation with the International Labour Organization (ILO) and Plan International, with funding from the Swiss Agency for Development and Cooperation (SDC) and the European Union (EU), is seeking an external consultant to “Conduct Research and Develop Information Package(s) on the Financial Institutions, Services and Products Available for MSMEs In Lao PDR”. The purpose of this assignment is to identify, map and inform MSMEs of all financial services and products (e.g. loans, grants, micro-finance, tax breaks, etc.) from commercial and government banks as well as alternative institutions that are available for MSMEs in Lao PDR to approach in order to access finance. Special attention should be paid to financial services or products for sustainable businesses (e.g. “green financing”) as well as to MSMEs in the tourism industry which has been one of the hardest impacted by the pandemic.

Background

The Lao People’s Democratic Republic (Lao PDR) has in recent years seen strong economic growth which has contributed to reduced poverty and improved living standards. However, the country is still facing challenges when it comes to its socio-economic development. With extreme poverty falling from 46 percent in 1992 to 23 percent in 2012/13 and to 18 percent in 2018/19, the elasticity of poverty to GDP growth in Lao PDR was significantly lower compared to most neighbouring countries. Consumption growth had also been historically lower than GDP growth, with consumption growth of the bottom 40 percent lagging particularly behind¹. The country is part of the group of Least Developed Countries (LDC). With the COVID-19 outbreak, which has resulted in a global health emergency and economic crisis, Lao PDR’s development trajectory is at risk and the country could potentially face devastating consequences.

The micro, small and medium-sized enterprises (MSME) sector in Laos constitute the backbone for job creation and employment, accounting for more than 80 percent of employment in the country. The sector is already severely impacted by the COVID-19 pandemic, which has caused a nation-wide lockdown. In particular, the tourism sector has been one of the hardest impacted by the national and international lockdowns caused by the pandemic. However, if provided with support, the Lao MSME sector could play a vital role in responding to the COVID-19 crisis and in driving a sustainable and resilient recovery.

Problem statement

The MSME sector in Lao PDR has faced challenges in doing business and are further constrained following the economic downturn from the Covid-19 pandemic. In 2019, the World Bank Enterprise survey identified the top three constraints faced by SMEs as:

1) Access to Finance: because of lack of SMEs proper business and financial planning and management, low financial literacy, lack of variety of financial services offered to SMEs, especially in rural areas, and high interest rates.

¹ World Bank, NIER, Ministry of Finance (2020): Macro-Fiscal Framework and Financing for Sustainable Development. Background Paper for the Multi-Stakeholder Taskforce to Study the Impact of COVID-19 to support a Determination of the 9th NSEDP and SDG Localization in Lao PDR



2) Practices of informal competitors: practices of competitors in the informal sector – such as poor compliance with regulations combined with inconsistent enforcement by the authorities – result in an unfair disadvantage for formal firms.

Since February 2020, several surveys and assessments have been conducted to measure and understand the impact faced by MSMEs during the pandemic. Key findings² include:

- Lack of working capital
- Reduced demand of goods and services
- Supply chain disruptions
- Reduced revenue, leading to difficulty to pay salaries
- Reduced profit, leading to difficulty to meet loan repayments
- Lack of business continuity plans, meaning MSMEs are unable to plan forward

Whilst several recommendations and support has been provided pre-COVID 19 and during the crisis including, tax relief, debt restructuring, and new loans for individuals and MSMEs, there is still a need to continue this support based on the specific demands/needs from MSMEs in the next phase of Laos’ recovery. Furthermore, while banks and other financial institutions advertise their products and services, there remains a gap in information (i.e. *fine print*) as well as a consolidated source of information for accessing finance for MSMEs.

A recent survey was conducted from February to March 2021 by Plan International and LNCCI and funded by the European Union. The survey included a total of 75 businesses in the tourism industry and found that only 10 percent of tourism businesses and 3 percent of tourism suppliers reported having accessed any financial support. More than half of businesses were not aware of any access to finance programmes. Among those who were aware but could not access it, a key issue is that they lack understanding of how to apply. This calls for clear and detailed communications to increase business knowledge of what financial services and products are available and how to access them³.

Proposed intervention

The proposed assignment will provide the consortium with an understanding of the existing financial services and products, as well as the overall financial institutional framework available for MSMEs, which goes beyond just the commercial and government banks (i.e. micro-finance institutions, development organizations, etc.). This will allow the project to inform MSMEs of all the sources of finance and the diverse range of products and services available and how to access them (e.g. application processes, eligibility requirements, etc.). Particular attention should be paid to financial services or products available for sustainable businesses (e.g. “green financing”) as well as to MSMEs in the tourism industry which has been one of the hardest impacted by the pandemic.

Scope of assignment

The following section outlines the deliverables for the assignment:

Mapping of the financial institutions, services, and products available for MSMEs.

The researcher will undertake research and mapping of the financial services, products and institutions available for MSMEs to approach for access to finance, including alternative institutions

² LNCCI Survey Report on Impact of COVID-19 on Businesses, May 2020; ADB: Asia small and medium-sized enterprise monitor 2020, volume ii—covid-19 impact on micro, small, and medium-sized enterprises in developing asia; LNCCI Employer Skills Needs Survey (amid COVID-19), November 2020

³ SUSTOUR Laos Project Baseline Study, March 2021, Plan International.



beyond commercial banks and government banks. Research will include desktop research and consultation with stakeholders in the banking and financial services sector. This will include:

- Short-term and long-term financial services and products available to MSMEs and specifically women entrepreneurs, including e.g. cash grants, insurance, credit and loan products provided by traditional financial institutions as well as others such as international organizations and impact investors. This will include mapping the micro finance institution sector and requirements for accessing finance.
- Identification of financial support mechanisms that have been established as a result of COVID-19 (e.g. loans, tax breaks, credit schemes, etc.) from the Lao government and international organizations (e.g. World Bank).
- Identification of opportunities for access to finance for sustainable business in Lao PDR (e.g. *green finance*).
- Identification of any financial services or products (including grants, tax breaks, etc.) available specifically for MSMEs in the Lao tourism industry.

Prepare and present findings to project consortium members.

The researcher will summarize findings in a PowerPoint presentation and present the results to the project consortium members and should include the overall key findings of the research (see above points) as well as:

- Financial sector overview of institutions providing financial services and products for MSMEs to access in the market. Basic diagrams will be used/suggested for ease of understanding.
- There should be a specific focus and details on various financial services and products available for MSMEs in all sectors (informal and formal) beyond commercial banks and government programmes. However, particular attention should be given to MSMEs in the tourism sector.
- The findings should include criteria/requirements and where possible, process outline for MSMEs to access finance from non-traditional institutions

The PowerPoint can be between 10-15 slides to adequately capture only the key findings. Feedback will be provided by the consortium members which the consultant will incorporate into the following deliverable.

Deliver the final report outlining the key findings and results of the available financial services, products, requirements and application processes for MSMEs.

The consultant will develop high quality and visually appealing information package(s) detailing all of the available financial products, services and processes (e.g. application, eligibility, etc.) for MSMEs. These information packages will be provided to MSMEs and therefore the consultant must carefully consider how the information is presented to this target audience.

If there are financing options specific for certain sectors this can be highlighted (i.e. tourism sector). The criteria/requirements and processes should be outlined for MSMEs to access finance from traditional and non-traditional financial institutions. A draft information package(s) is submitted to the consortium for review as well as circulated to the relevant financial institutions for validation. The consultant then finalises the information package(s) based on feedback.



Deliverables

	Deliverable	Estimated Working Days
1.	Conduct a brief literature review (as proposed by the consortium) and develop a work plan for the assignment (including a list of information sources and stakeholders to interview) (3-5 pages maximum)	2
2.	Conduct desk research on available financial institutions, services and products as well application process and eligibility requirements. Summarize research findings in a succinct matrix (including sources).	3
3.	Conduct stakeholder interviews (e.g. MoIC, MoF, BoL, development banks, select development projects and other financial institutions) focused on available financial services and products for MSMEs. The consultant should also use these interviews to verify the information collected during desk research.	4
4.	Prepare and present findings to project consortium members (10-15 slides maximum) summarizing key findings. Receive feedback and incorporate it into information packages.	2
5.	Develop visually appealing information package(s) detailing all of the available financial products, services and processes (e.g. application, eligibility, etc.) for MSMEs. Submit drafts to consortium for review and circulate to all relevant financial institutions for validation.	7 (5 days for content, 2 days for design)
6.	Finalize the information packages based on feedback.	2

Duration

The contract will be from September 9 to October 31 2021 for an equivalent of 20 working days. The deadline for submitting the final information package(s) is October 31 2021.

Application

The consortium invites interested applicants to submit a detailed proposal by **September 02 at 5 PM (Vientiane local time)** to Laos.procurement@plan-international.org and copy Pengmoua.Nengthongpavue@plan-international.org with the following components:

- Financial proposal of work equivalent to 20 working days;
- Two previous examples of papers/reports/information packages focusing on the financial sector; and
- CVs of participating individuals (*If a consulting firm or company, a company profile with: a company name, registered office address, physical address, telephone numbers, date of registration, registration number, copy of registration certificate, names of directors/proprietors and name of contact person*).

Child Protection: *the consortium does not tolerate child abuse. All staff and consultants are selected and employed in line with the conditions of the organisation's Child Protection Policy. These include appropriate reference and background checks.*



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Payment

Payments are based upon output, i.e. upon delivery of the services specified in the TOR. There will be a total of two payment instalments based on the value of the budget submitted by the awarded company/consultant: (1st payment) will be made upon completion and approval of Deliverable #4 – “Prepare and present findings to project consortium members (10-15 slides maximum) summarizing key findings... Receive feedback and incorporate it into information packages”; (2nd payment) will be made upon satisfactory completion of all deliverables.

Contract Arrangement

For the services rendered, a total of 2 contracts will be issued separately by ILO and Plan International to the consultant. Each contract will be of equal value and in-line with the agreed financial proposal of the consultant.