



Lao PDR - Small and Medium Enterprise Access to Finance Project (P131201)

EAST ASIA AND PACIFIC | Lao People's Democratic Republic | Finance, Competitiveness and Innovation Global Practice | IBRD/IDA | Investment Project Financing | FY 2014 | Seq No: 9 | ARCHIVED on 04-Dec-2018 | ISR34962 |

Implementing Agencies: Ministry of Finance, Ministry of Industry and Commerce

Key Dates

Key Project Dates

Bank Approval Date: 09-Jun-2014

Effectiveness Date: 15-Sep-2014

Planned Mid Term Review Date: 10-Jul-2017

Actual Mid-Term Review Date: 10-Jul-2017

Original Closing Date: 30-Jun-2019

Revised Closing Date: 30-Jun-2019

Project Development Objectives

Project Development Objective (from Project Appraisal Document)

This project aims at providing long-term funding sources for banks to provide long-term credit to SMEs. The project will support the growth of privately-owned SMEs by increasing the supply of long-term finance provided by commercial banks and by strengthening the capability of the Department for Small and Medium Enterprise Promotion (DOSMEP) to formulate and implement public policies that promote access to finance for SMEs.

Has the Project Development Objective been changed since Board Approval of the Project Objective?

No

Components

Name

1. Line of Credit to Commercial Banks to Support SME Loans:(Cost \$15.00 M)
3. Technical assistance:(Cost \$5.00 M)

Overall Ratings

Name	Previous Rating	Current Rating
Progress towards achievement of PDO	● Moderately Satisfactory	● Moderately Satisfactory
Overall Implementation Progress (IP)	● Moderately Satisfactory	● Moderately Satisfactory
Overall Risk Rating	● Substantial	● Substantial

Implementation Status and Key Decisions

For the past six months, the project has achieved significant implementation progress of both components supported by a functional project management team; and therefore the key ratings of project remain Moderately Satisfactory. Several notable achievements during this reporting period include:

Project Component 1 – Line of Credit. Currently there are four banks selected as PFIs for the project and US\$13.6 million had been transferred from DoSMEP to these PFIs. As of October 31, 2018 approved loans to SMEs by the three PFIs of the Project have cumulatively reached LAK86 billion or US\$10.7 million to 124 SMEs. The fourth PFI has recently approved the first two sub-loans. The project management team at the MoIC is committed to providing additional support to the PFIs in achieving a more rapid disbursement of loans to the SMEs.



Project Component 2 – Technical Assistance. Several activities agreed under the Work Plan for 2017/2018 have commenced and been completed. There has been major progress with the delivery of the project’s key training for the PFIs and SMEs. First, the hiring of the ILO, a consultant to deliver training for the SMEs, has been completed and the work commenced in August 2018. The training will target a minimum of 600 SMEs in Lao PDR. Secondly, a reputable international consulting firm (AFC) commenced training for the PFIs in September 2018.

Risks

Systematic Operations Risk-rating Tool

Risk Category	Rating at Approval	Previous Rating	Current Rating
Political and Governance	--	● Moderate	● Moderate
Macroeconomic	--	● Moderate	● Moderate
Sector Strategies and Policies	--	● Substantial	● Substantial
Technical Design of Project or Program	--	● Substantial	● Substantial
Institutional Capacity for Implementation and Sustainability	--	● Moderate	● Moderate
Fiduciary	--	● Substantial	● Substantial
Environment and Social	--	● Moderate	● Moderate
Stakeholders	--	● Substantial	● Substantial
Other	--	--	--
Overall	--	● Substantial	● Substantial

Results

PDO Indicators by Objectives / Outcomes

increase in long-term financing available to SMEs in participating banks				
▶ Volume of Bank Support: Lines of Credit - SME (Amount(USD), Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	6,166,280.00	10,700,000.00	15,000,000.00
Date	30-Sep-2014	28-Feb-2018	31-Oct-2018	28-Jun-2019
Comments:	<p>As the end of February 2018, US\$13.6 million had been transferred from DoSMEP to the four PFIs (ST Bank, Sacom Bank, Lao China Bank, and Lao Viet). The cumulative disbursement of loans from the PFIs to the SMEs reached LAK 86 billion or US\$ 10.7 million (US\$1= LAK 8,000) to 124 SMEs as of the end of October 2018. The (first three) PFIs expressed their optimism that they would be able to fully utilize the funds (approximately US\$12 million) by the end of 2018. To date, Sacom Bank, ST Bank and Lao China Bank have disbursed almost 99%, 95% and 68% of the amount approved, respectively.</p> <p>The financing agreement with the fourth bank (Lao-Viet Bank) as the 4th PFI has been signed and funds of US\$1.6 million has been transferred to the bank on July 6, 2018. Two first sub-loans from Lao-Viet</p>			



Bank are expected to be submitted to the WB for NOL in mid October 2018 (first one is currently under review by WB). Lao-Viet Bank also expect to disburse all the funds by the end of 2018.

Increase Department of SME Promotion's capacity to formulate and implement SME strategy

►SME Masterplan (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	1.00	1.00	1.00
Date	30-Sep-2014	28-Feb-2018	28-Feb-2018	07-Sep-2018
Comments:	The SME Master Plan was issued following the endorsement by the Prime Minister on 18 August 2017. A translated English version was made available in December 2017.			

Strengthen business skills of participating SMEs

►Increase in Sales by beneficiarySMEs (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	2.20	2.20	30.00
Date	30-Sep-2014	28-Feb-2018	28-Feb-2018	30-Jun-2019
Comments:	(figures are calculated on an annual basis; new data will be available in early 2019). The figure is an indicative percentage of annual increase of sales for the first year after receiving loans from the PFIs and it covers the period from September 2016 to March 2018. The data came from the PFIs and includes 34 SMEs. Currently, the DoSMEP's M&E specialist is working with the PFIs to refine the methodology to get the data and to calculate the indicator more accurately going forward. Separately, the DoSMEP team conducted interviews with a sample of SMEs and they reported that in the year 2017, their annual net sales had increased on average by 35%.			

Intermediate Results Indicators by Components

1. Line of Credit to Commercial Banks to Support SME Loans

►Direct project beneficiaries (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	121.00	176.00	200.00
Date	30-Sep-2014	28-Feb-2018	31-Oct-2018	28-Jun-2019
Comments:	This figure consists of 124 SMEs which have borrowed from the PFIs and 52 SMEs which received training on safeguards.			

▲Female beneficiaries (Percentage, Custom Supplement)

	Baseline	Actual (Previous)	Actual (Current)	End Target
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Value	0.00	62.00	62.00	20.00
►Performance of SME loans (NPLs) (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	0.00	5.00
Date	30-Sep-2014	28-Feb-2018	31-Oct-2018	28-Jun-2019
Comments:	Based on data from the three PFIs, as of the end of February 2018 all loans to SMEs were current (no NPLs).			

3. Technical assistance

►Number of DOSMEP Staff receiving training (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	75.00	75.00	30.00
Date	30-Sep-2014	28-Feb-2018	28-Feb-2018	29-Sep-2017
Comments:	From July 2017 to February 2018, an additional 30 DOSMEP staffs out of total 70 staffs of the Ministry of Industry and Commerce (MoIC) had received environment and social safeguard training. Adding this number to the previously reported number of DOSMEP's staffs receiving training of 45, the cumulative number increased to 75.			

►Number of SMEs benefiting from Technical Assistance (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	52.00	52.00	70.00
Date	30-Sep-2014	28-Feb-2018	28-Feb-2018	07-Sep-2018
Comments:	Thus far 52 SMEs had received training on E&S safeguards in the Vientiane, Savannakhet and Luangphrabang provinces.			

►Formulation of new SME Development Masterplan (2016-2020) (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	1.00	1.00	1.00
Date	30-Sep-2014	28-Feb-2018	28-Feb-2018	29-Sep-2017
Comments:	The SME Master Plan has been issued following the endorsement by the Prime Minister on 18 August 2017. A translated English version was made available in December 2017.			

►Formulation of SME Census Plan and Methodology (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
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Value	0.00	The selection process continuous and the position is being advertised.	The selection process continuous and the position is being advertised.	1.00
Date	30-Sep-2014	28-Feb-2018	28-Feb-2018	07-Sep-2018
Comments:	The process of finalizing the ToR took longer time than expected due to internal coordination challenges. Currently the position is being advertised and work will commence soon.			

Data on Financial Performance

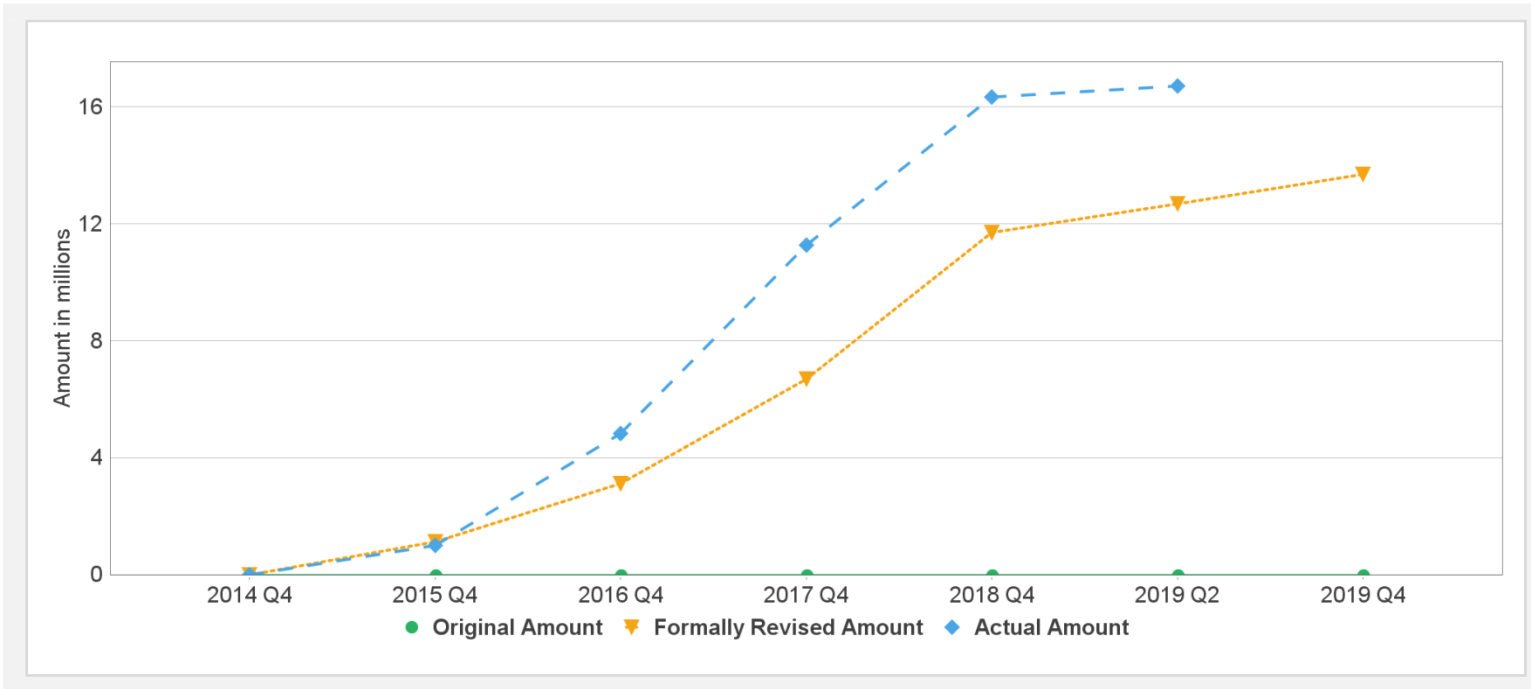
Disbursements (by loan)

Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P131201	IDA-54710	Effective	USD	10.00	10.00	0.00	9.08	0.00	100%
P131201	IDA-H9580	Effective	USD	10.00	10.00	0.00	7.62	1.45	84%

Key Dates (by loan)

Project	Loan/Credit/TF	Status	Approval Date	Signing Date	Effectiveness Date	Orig. Closing Date	Rev. Closing Date
P131201	IDA-54710	Effective	09-Jun-2014	14-Aug-2014	15-Sep-2014	30-Jun-2019	30-Jun-2019
P131201	IDA-H9580	Effective	09-Jun-2014	14-Aug-2014	15-Sep-2014	30-Jun-2019	30-Jun-2019

Cumulative Disbursements



Restructuring History

Level 2 Approved on 09-Sep-2016

Related Project(s)

There are no related projects.