

**MINISTRY OF INDUSTRY AND COMMERCE  
DEPARTMENT OF SME PROMOTION**

**MSME ACCESS TO FINANCE EMERGENCY SUPPORT AND RECOVERY PROJECT  
(MSME A2F-ESR PROJECT) IN LAO PDR**

**TERMS OF REFERENCE**

**International Credit Guarantee Specialist to Assist in the Design and Establishment of a  
Partial Credit Guarantee Facility (PCGF)**

**(REF: LA-DOSMEP-2.1-CS-INDV)**

**1. Background**

The Government of Lao PDR received financing from the World Bank Group's International Development Association (IDA) for a proposed project to assist Micro, Small and Medium Enterprises (MSMEs) and the Financial Sector, specifically Participating Financial Institutions (PFIs). The proposed Project's development objective is to provide long-term funding sources for banks to provide long-term credit to MSMEs to overcome the impact of the COVID 19 Pandemic. Negative impacts of the global COVID-19 pandemic are expected to exacerbate Lao PDR's weak fundamentals and lead to a deterioration in the macroeconomic situation, including the SME and Financial sectors. The proposed project's aims are to strengthen the capacity of financial institutions and MSMEs to sustain operations and recover from the COVID-19 emergency. The proposed project is expected to support the recovery and growth of privately-owned MSMEs by increasing the supply of long-term finance provided by commercial banks and by strengthening the capability of Department of SME Promotion to formulate and implement public policies that promote access to finance for MSMEs and strengthen the banking sector to recover from the effects of the COVID 19 Pandemic.

The proposed Project is expected to include three components: (i) Emergency and Recovery Line of Credit to MSMEs; (ii) Strengthening BOL Capacity to Supervise PCG Facility; (iii) Technical Assistance and Project Management. This project is being implemented and managed by the Department of SME Promotion (DOSMEP).

**The Objective of a Lao PCGF** is to support credit worthy loan-constrained MSMEs, in the targeted sectors, by providing credit guarantees to those that lack sufficient collateral even without a guarantee and supports these MSMEs and supports these MSMEs under the Project to develop their financial skills through the provision of technical assistance. Proposed capital for the Lao PCGF is for US \$10 million, with the capital sought from the Government of Lao PDR. A possible funding source for Government of Lao PDR could be through the World Bank supported current MSME A2F-ESR Project via the DOSMEP.

**Functions of a LAO PCGF:** A Lao PCGF would offer guarantees to banks for long term MSME PCGF will draw on the World Bank's "Principles for Public Credit Guarantee Schemes for SMEs", tailored to the Lao context. BOL established a Decision on the establishment of Credit Guarantee Companies on December 21<sup>st</sup>, 2020, which specifies principles, regulations and measures for business establishment application and activities of credit guarantee companies.

**2. Objective of the Assignment:**

As part of Component 2 under the MSME A2F – ESR Project, technical assistance is to be provided to DOSMEP by an experienced Credit Guarantee Specialist to assist in the design and establishment of a Partial Credit Guarantee Facility (PCGF), based upon the Feasibility Study for the Establishment of a Partial Credit Guarantee Facility (PCGF) which was completed on December 26, 2020.

**3. Scope of Work:**

The objective of this assignment is to assist the DOSMEP to establish a Partial Credit Guarantee Facility to support commercial banks in providing long-term loans to MSMEs. The assignment will involve in developing a comprehensive Implementation Plan for the Lao PCGF. The Implementation Plan could be structured in three phases, which could be sequenced but specific components of which can be developed simultaneously. Specifically, the three phases comprise the following:

- The first phase involves advising on mobilization of capital and technical assistance funding as a prerequisite for the launch of a Lao PCGF according to a detailed design, which should include a finalized business plan.
- The second phase involves hiring the local Lao PCGF staff, the identification of training needs, development of training material and conduct training. Specific training modules are expected to be needed on the nature of operations, needs of MSMEs, as well as on all components of the guarantee product including assessment of risk.
- The third phase pertains to market development, market demand and guarantee product design. This includes collection of inputs to finalize a Lao PCGF’s business plan, fine-tuning of the market offering for a Lao PCGF’s launch, and branding/marketing as well as building staff capacity.

#### 4. Deliverables:

No	Description of Deliverables	Deliverables	Date
1	Inception report including draft structure of final report and action plan for the assignment (including design corporate governance practices for a Lao PCGF; Design the legal framework for a Lao PCGF; Draft a comprehensive TOR for a Consulting Firm to establish the PCGF to include). (Task 1)	Inception report	3 months after signing contract
2	The Consultant should closely coordinate with Government counterparts (Ministry of Finance, Bank of Lao, financial institutions and business associations) to ensure that the new scheme will be taken up by the industry. The Consultant should ensure consultation and knowledge sharing with the government, partner financial institutions, and development partners. (Task 2)	Consultation and knowledge sharing meetings with Government counterparts (Ministry of Finance, Bank of Lao, financial institutions and business associations)	Consultation and knowledge sharing meetings – Within 3 months after completion of Task 1
3	Design the legal framework for the Lao PCGF (Task 3)	Drafted designing of the legal framework for a Lao PCGF	Designing the legal framework – Within 1 month after completion of task 2)
4	Design corporate governance practices for the Lao PCGF (Task 4)	Draft design of corporate governance practices for a Lao PCGF after legal framework for a Lao PCGF acceptable to DOSMEP and Lao Govt.	Designing corporate governance – Within 2 months after Draft design of the legal framework for a Lao PCGF accepted by DOSMEP and Lao Govt. (Task 3)

5	<p>Draft a comprehensive TOR for a Consulting Firm to establish the PCGF to include:</p> <ul style="list-style-type: none"> <li>• Human Resource policies and practices;</li> <li>• Establish Risk Management, capacity, and operational practices for a Lao PCGF;</li> <li>• PCGF's Management Information System (MIS);</li> <li>• Establish the financial management practices for the PCGF;</li> <li>• Design external reports to meet the requirements of the Bank of the Lao PDR (BOL);</li> <li>• Design the initial loan/guarantee product for a Lao PCGF;</li> <li>• Client Liaison and Reporting.</li> </ul> <p>(Task 5)</p>	Drafted a comprehensive TORs for a Consulting Firm to establish the PCGF to include).	Drafted a comprehensive TORs for a Consulting Firm to establish the PCGF – Within 1 month after the corporate governance practice for a Lao PCGF accepted by DOSMEP and Lao Govt (Task 4)
6	<p>Assist DOSMEP in selecting a qualified Firm and qualified local PCGF staff to establish the PCGF and supervising the work of the selected Firm, in the establishment of the PCGF.</p> <p>(Task 6)</p>	Supervising the work of the selected Firm, in the establishment of the PCGF and training local staff as applicable	Selected Firm to complete all facets of TOR for establishment of the PCGF within 15 months of selection
7	<p>Draft report on lessons learned and recommendations for additional technical assistance with respect to the PCGF if required.</p> <p>(Task 7)</p>	Draft Report	1 month after the selected Firm completes establishment of the PCGF to the satisfaction of DOSMEP and Lao Gov
8	<p>Final Report</p> <p>(Task 8)</p>	Final Report	1 weeks after DOSMEP's comment and final report acceptable to DOSMEP

#### 5. Institutional Arrangements and Client's inputs

The selected International Consultant will work under the overall supervision of BOL, Project Director and Project Manager. The selected Consultant will also be required to work in close collaboration with another International Consultant (IC) and National Consultant (NC) under separate TORs, and other key stakeholders involved in the MOF, PFIs, World Bank Team- Laos, Commercial Banks, and MSMEs, etc. as required. BOL and DOSMEP will provide the selected Consultant with access to documents relevant to the assignment such as the feasibility report etc. and will assist in facilitating meetings with key counterparts and selected PFIs, MSMEs, and other stakeholders and will work cooperatively with the IC and NC to ensure effective delivery of contract deliverables. BOL and DOSMEP will also provide the selected Consultant with office space and furniture, including internet access for work purposes. Contractual arrangement will be managed by DOSMEP, Ministry of Industry and Commerce. DOSMEP will provide necessary facilities for working and training, including local staff, interpreter, office space and IT to enable efficient working of the Consultant. The

Consultant will be supported by a local consultant with specialization in the relevant areas needed to complete this assignment.

## **5. Duration of the Assignment**

The assignment will be for approximately for about 100 days over a period of 24 months to be extended if required, during the period of project including about 4 trips to Laos during the contract period. The consultants time and duration required may be adjusted subject to project requirements. Consultants will work in Laos as well as from home as needed by DOSMEP. During the period of contract with project, the number of working days might be amended according to real practice and with mutual agreement between the Consultant and DOSMEP, subject to approval by DOSMEP and the World Bank.

## **6. Confidentiality and Conflict of Interest**

The consultants undertake to comply with the World Bank's policies and rules with regard to corrupt and fraudulent practices, conflict of interest and confidentiality. The Consultants shall maintain confidentially on all sensitive information obtained during the assignment and shall not publish wholly or in part the findings or such information, without prior written consent by DOSMEP.

## **7. Credit Guarantee Specialist (International). Experience and Qualifications**

To be considered for the position, candidates shall meet the following qualification requirements:

- Minimum post-graduate degree qualification in management, economics, finance, banking or a relevant discipline;
- Have at least 10 years' experience in partial credit guarantee facilities and experience dealing with micro, small and medium-sized enterprise (MSME) finance in advanced and also developing countries in order to assist the PCGF to implement operating procedures, risk management, portfolio management, transparency practices, governance structure, marketing, development of products, and staff development;
- An assignment on establishing PCGFs performed in the past 3 years is a strong advantage;
- Working experience in Laos is essential;
- Experience in designing, managing and implementing evaluations in complex programs; such experience related to MSMEs sector is an advantage;
- Excellent (English) verbal and written communication skills; and
- Excellent work planning, organization sense, reporting, interpersonal and team working skills in differing cultural context.

## **8. PAYMENT PROCEDURE:**

Details of payments and deliverables will be stated in the contract to be signed between the Consultant and DOSMEP. DOSMEP will pay the consultant: (i) Fees based on the deliverable which will be define in the payment milestone in the contract: and (ii) Reimbursables based on the actual expenditure as agreed in the contract.