

# The Lao Access to Finance Fund goes forward

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**On the 5th of April 2019, the Lao Access to Finance Fund (LAFF) Management Unit of the Bank of Lao PDR (BoL) organized a roundtable workshop to exchange about LAFF.**

The main objective of the workshop was to discuss the progress, outstanding issues and the proposed ways forward under the framework of LAFF management and implementation. The workshop was chaired by Ms. Fongchinda Sengsourivong, Director General of the BoL Banking Operations Department of and LAFF Director on behalf of the LAFF's executive agency; and co-chaired by Mr. Florian Sekinger, Regional Manager Sustainable-Economic Development East Asia of KfW.

During the workshop six main topics were discussed:

1. **Partner Financial Institutions (PFI) selection:** Based on expressions of interest of 10 financial institutions (5 commercial banks and 5 deposit-taking microfinance institutions - DTMFI) and after the assessment and screening conducted by the LAFF's loan allocation preparation sub-unit, 5 financial institutions (2 commercial banks and 3 DTMFIs) were shortlisted. Further assessment conducted by the Commercial Bank Supervision Department for commercial bank applicants and the Financial Institutions Supervision Department for MFI applicants concluded that one commercial bank and one DTMFI are proposed to be considered by the LAFF steering committee.
2. **Market-based Interest rates:** According to fundamental LAFF principles, the fund will use only market-based interest rates. KfW and BoL agreed on the calculating method on market-based interest rates for the LAFF debt-finance by using the average

interest rate for long-term deposit charged by the commercial banks and DTMFIs in the Lao PDR. In conclusion, the interest rate of the LAFF debt-finance for commercial banks is currently derived to be 7.0 % nominal per annum, while for DTMFIs it is 11.50%.

3. **PFI eligibility criteria:** As agreed, the eligibility criteria for LAFF I will remain strict for banks and will be detailed over time MFIs based on an internationally oriented benchmark study to be prepared by AFC. On the other hand, the project documents for LAFF II will aim at creating more room for maneuver for the LAFF management unit (LMU) in terms of adapting core criteria depending on movements in market conditions.
4. **KYC-criteria for PFIs (background check):** The background check on owners, BoD members and core managers of PFIs is recognized as a check of utmost importance. It was agreed that the KYC-check will be done by the Commercial Bank Supervision Department and the Financial Institutions Supervision Department, and be explicitly mentioned in the respective assessment forms.
5. **Operational Manual preparation:** The development of the Operational Manual had been defined high priority by BoL during the last workshop. AFC presented the progress on the preparation.
6. **Capacity building for BoL:** The workshop participants discussed, identified and agreed on various training courses for the LAFF management unit, such as fund management, LAFF-related financial indicators and business English.

In conclusion, the workshop successfully achieved the set objectives and came up with some follow-up action points that will be further taken over by the LAFF management unit of BoL and the AFC consultant team.

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