



Ministry of Industry and Commerce
Business Assistance Facility



Supporting Business Recovery through a Matching Grant Scheme: Lessons Learned by BAF II

Presentation to 18th TPSWG meeting

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10th November 2021

Supported by:



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What is BAF II ...

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ECORYS

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www.baflaos.org

Trade for Development

LCT

Australian Aid

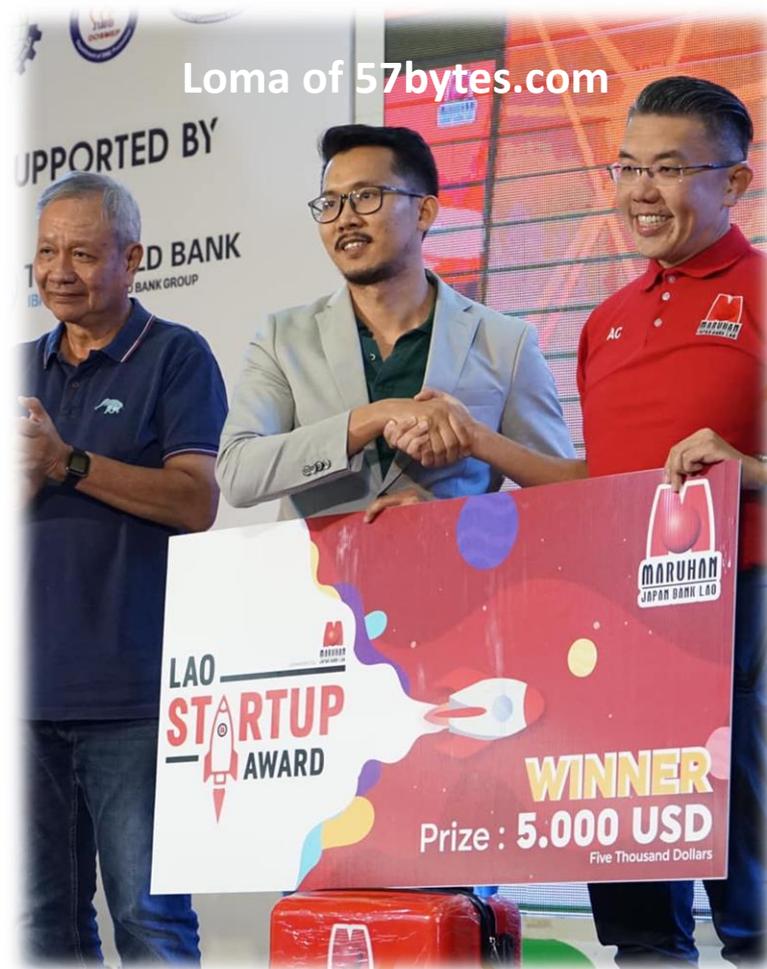
Irish Aid

USAID

THE WORLD BANK

Our mandate is to catalyse business growth

- Launched July 2019, with a team of 5.3 core team members
- Pro bono generic business advisory and mentorship to any Lao firm that requests it
- Matching grants for those firms that need to retain the technical services of business development service (BDS) providers
- Broadly sector agnostic, and nationwide in scope, with at least 40% of grantees to be women-led firms
- Light-touch instrument, boosting the BDS market in support of 'Lao Inc.'



As of end-Oct. 2021:

GRANTS

- 215 approved grants, worth US\$1.28m
- 124 grants disbursed, worth US\$700,000.
- 86 'live' grants, worth US\$524,000.
- Just 5 grant cancellations, worth US\$33,000.
- Cash remaining to be committed = US\$916,000.
- 65% of grants to women-led companies
- Spanning 11 provinces outside of Vientiane capital



Copies of our newsletter, in both Lao and English can be downloaded from our website.



Navigating a pandemic

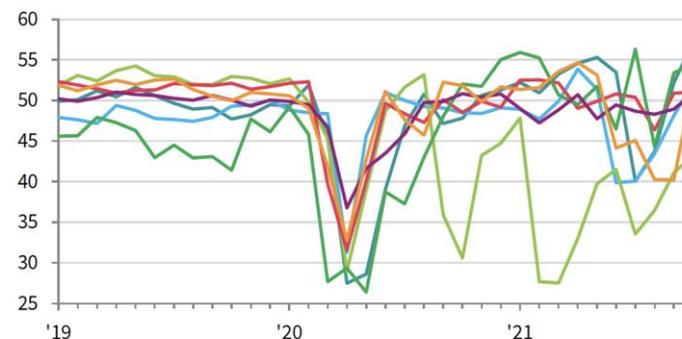
COVID-19 has been ...

- ... a global stress test for businesses
- ... an accelerator of multiple business trends
- ... and a chance to re-boot / a mindful moment (after the catatonic shock)
- Scale of impact has varied by sector, with tourism and hospitality hit particularly hard, and supply chains badly disrupted.
- It has lasted longer than many of us anticipated, although there is a growing consensus that 2022 should see an end to lockdown.
- Roughly 80% of BAF II grantees have been adversely impacted by the pandemic, and roughly a third have sought our support for BDS activities directly intended to respond to the impact of the crisis.

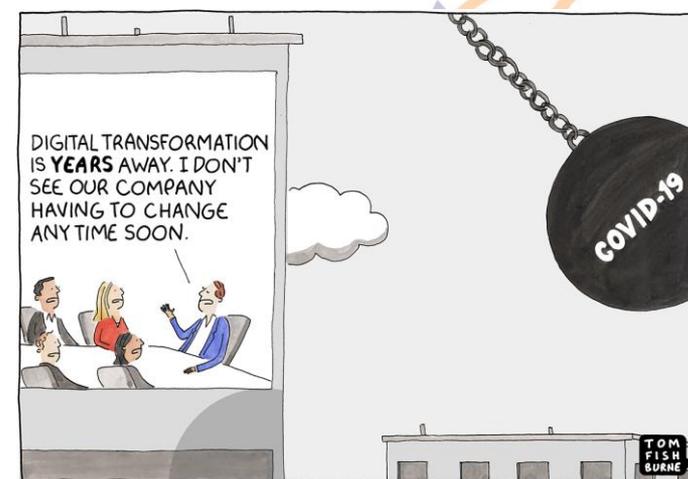
Manufacturing PMI

Indonesia / Malaysia / Myanmar / Philippines
Singapore / Thailand / Vietnam

sa, >50 = improvement since previous month



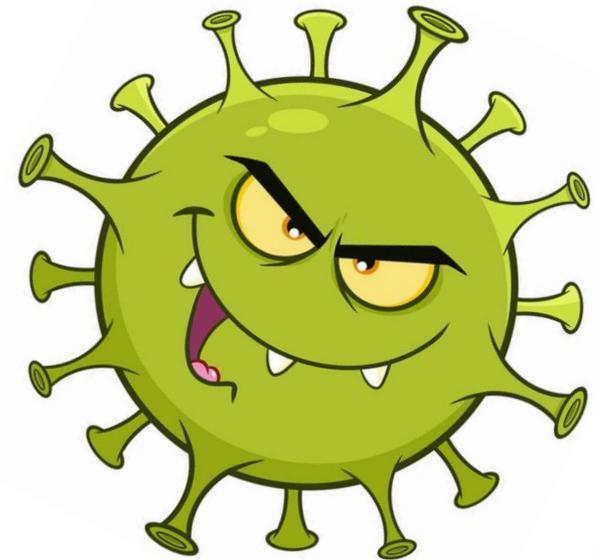
Source: IHS Markit.



BAF II did not 'pivot' during the pandemic ...

- ... partly because our clients pivoted for us
- ... and partly because most clients did not regard investing in BDS as discretionary spending that should be cut
- Rather, BDS was seen as away of attaining resilience, and preparing for the post-pandemic era
- As a result, our pipeline of applications remained robust
- We have had just 5 grant cancellations to date, cumulatively valued at less than US\$35,000
- The biggest challenges have been: i) delays in some BDS implementation by clients; and ii) travel restrictions for the team.

It was hugely important that we kept working and supporting our clients, and showing that we were not 'good weather friends'. For BAF II to be successful, clients need to be able to trust us, and we need to earn that trust. It's a partnership.



A photograph of two women in professional attire engaged in a conversation in a hallway. The woman on the left is wearing a white lace blazer and a colorful patterned skirt, holding a smartphone. The woman on the right is wearing a light blue blazer and a purple patterned skirt, holding a notebook. The background features a row of metal lockers on the left and blue perforated acoustic panels on the right. Other people are visible in the background, including a woman in a green top. A semi-transparent white box with the text "Lessons learned ..." is overlaid on the center of the image.

Lessons learned ...

Never underestimate the creativity and grit of the private sector



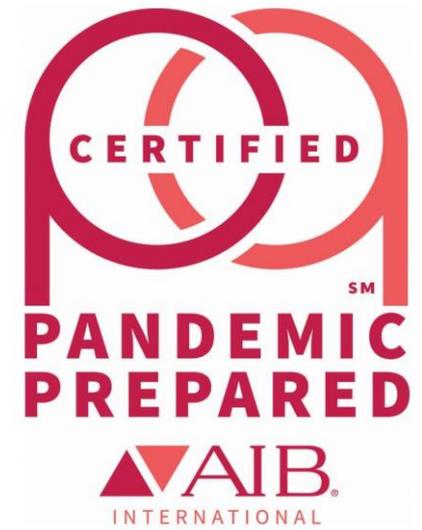
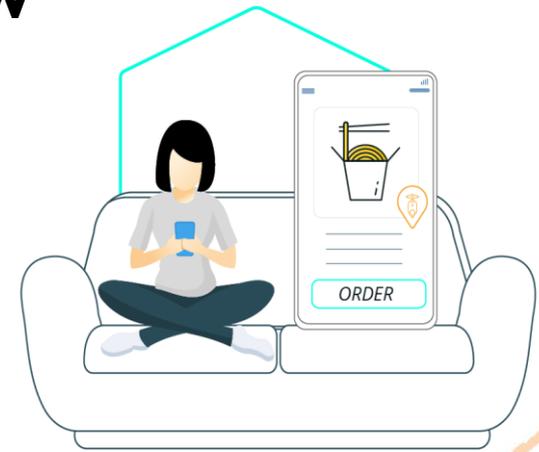
- Two companies developing business models around nutrients / protein from insects
- One botanic garden has shifted to farming various butterfly pupa for export
- One garment company had its best year ever in 2021, as demand for its garments increased during the pandemic
- One company aims to develop a zero-carbon buffalo meat farm, as well as generate fees from selling its buffalo dairy expertise overseas.
- Numerous firms have shifted to on-line sales
- Inaugural rice export direct to Europe



Would they have taken such bold steps if there was no pandemic? Probably not. Necessity is the mother of invention.

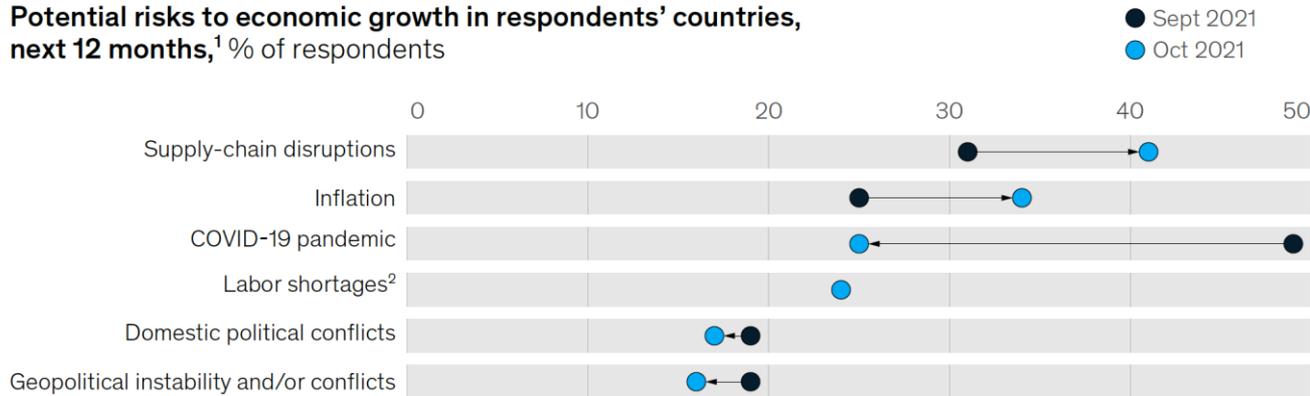
The post-pandemic context will be different for firms that aspire to grow

- Future business growth is going to be less organic in nature, and not simply scaling up
- BAF II's job will be to help firms make the necessary adjustments, including taking advantage of new opportunities
- Those adjustments will include technical inputs that are outside of firms' core competencies ...
- ... for which they will have even greater need for inputs from BDS providers ...
- ... and guidance on how to navigate through what is likely to be a more erratic market environment
- As such, we see BAF II having an even more impactful role to play in the next chapter of developing 'Lao Inc.'

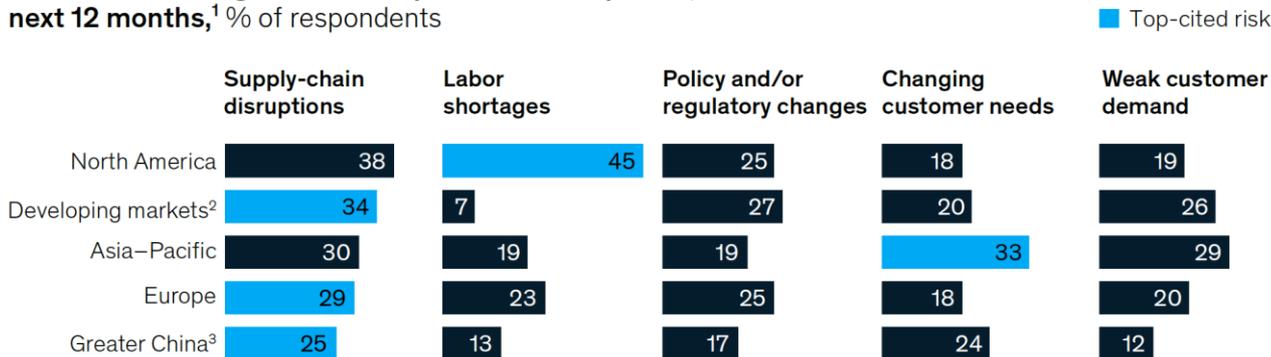


... latest McKinsey global survey

Potential risks to economic growth in respondents' countries, next 12 months,¹ % of respondents



Potential risks to growth for respondents' companies, next 12 months,¹ % of respondents



- Likely to be a K-shaped recovery for different sectors of the Lao economy
- Which suggests different kinds of BDS support will be needed

¹Out of 16 risks that were presented as answer choices. North America, n = 170; developing markets, n = 166; Asia-Pacific, n = 98; Europe, n = 265; and Greater China, n = 100.

²Includes India, Latin America, Middle East, North Africa, South Asia, and sub-Saharan Africa.

³Includes Hong Kong and Taiwan.

The online survey was from October 11 to October 15, 2021, and garnered responses from 902 participants representing the full range of regions, industries, company sizes, functional specialties, and tenures. To adjust for differences in response rates, the data are weighted by the contribution of each respondent's nation to global GDP.



Future prospects ...

Cautiously optimistic for 2022

- A more resilient and confident corporate sector will emerge ...
- ... and more willing to make bolder step changes
- The BDS 'industry' itself will also be transforming, both in terms of content and delivery
- BAF II's job continues to be empowering firms to make strategic decisions for sustainable growth, and catalyse the provision of quality BDS to execute those decisions successfully
- And we look forward to being able to conduct more advisory and grant work outside of Vientiane, as restrictions are lifted

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BAF II Case Study No. 4
September 2021

Loca
Website: <https://loca.la>

Sector: Transport
BDS activity: Digital mapping software
BDS provider: Freelance

Adding some vroom! to ride-hailing in Laos
About the company
Established in 2018, Loca is Laos' first and most successful ride hailing company. Its approach to firms like Lyft, Uber and Grab is to use their smart phone to book a car and their smart phone for a pre-agreed fee (see below) disrupting the market.

Looking to the future
Technological advances being made across a wide range of business activities are radically altering the way we go about day-to-day living. Just look at the extent to which we, as consumers, are migrating towards the use of e-commerce and ordering on-line. The pandemic did not stop this trend: it actually accelerated it. The same is true for services like transport and logistics – moving goods and people from point A to point B, as efficiently as possible. One spin off has been the growth in 'gig workers' – people who are not formally employees of a company, but nonetheless sell their services, either as their primary source of income, or as an additional income source. Loca's business model is based in large part on the principles of this new 'gig worker' economy.

Some useful lessons
The pace of merger and acquisition activity in the app-driven car hailing 'space' has been intense in recent years, and Loca needs to ensure that its position in the Lao market is not overtaken by rivals. Some of those potential rivals have deep financial pockets, and Loca cannot assume that it will remain the only player in Laos. The development of its own proprietary data mapping platform should give it a competitive advantage over its rivals, and help in its efforts to maintain a dominant market share.

The pandemic has been a testing time for all firms, requiring companies to look at 'pivoting' their business models to: i) mitigate the downturn in some fields of business; and/or ii) take advantage of new business opportunities that have arisen. As such, the pace of business evolution has been accelerated by COVID-19. Previously reliant on foreign tourists and expats for a large part of their total revenue stream, Loca had to pivot towards the development of new service offerings, including a courier service for parcels and food delivery. The new data mapping platform has helped Loca significantly in these new streams of business. This suggests that a willingness to be creative and flexible is one of the best ways of achieving resilience during these challenging times.

Want to learn more about BAF II, and explore whether we can help your business to grow? Go to www.bafilaos.com and let's start a conversation.

Australian Aid, Irish Aid, USAID, THE WORLD BANK

The impending railway as a 'Deus ex machina' for Laos ?



It may not technically be a bullet train, but it could be a shot in the arm for the Lao economy.

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**Thank you for
your attention.**

For more information and contact details, go to: www.baflaos.com



www.t4dlaos.org