

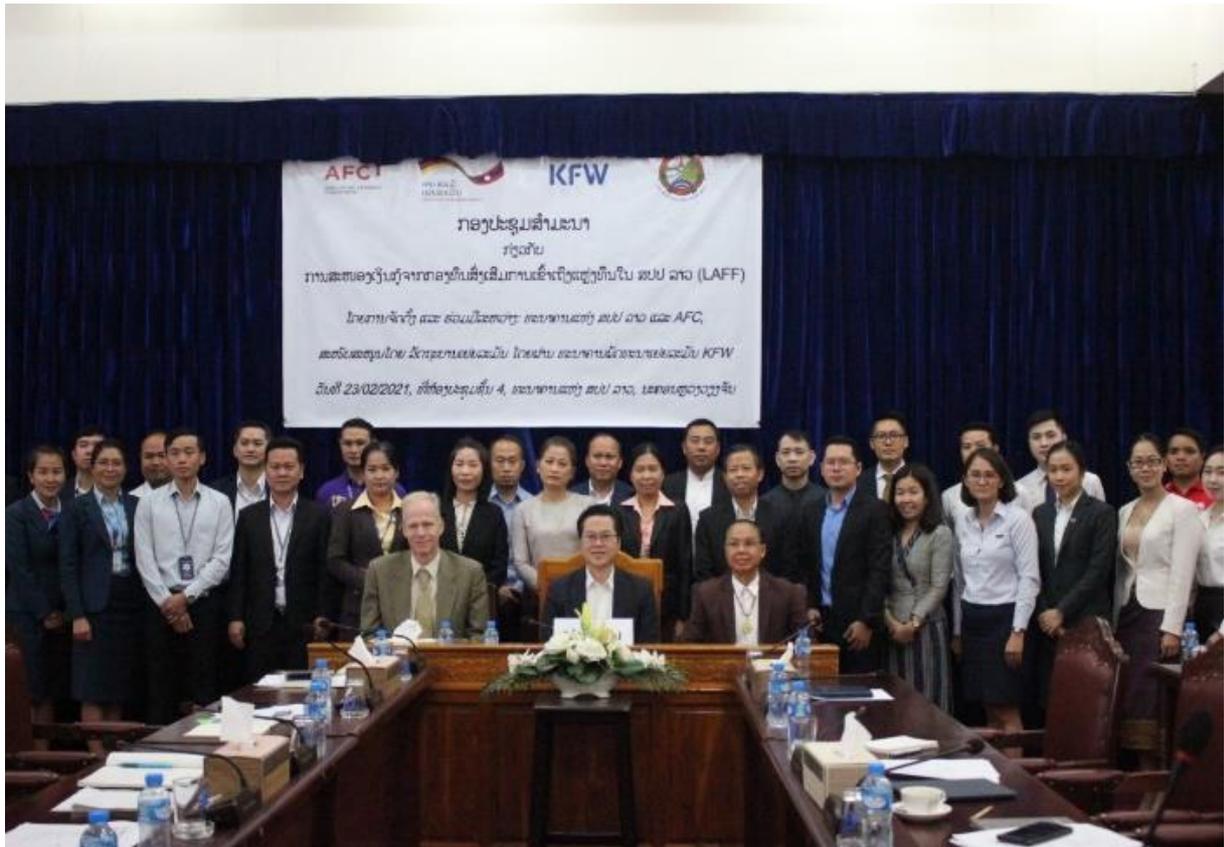


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Bank of the Lao PDR

# NEWS

Public Relations Section, Cabinet Office, Bank of the Lao PDR

**BOL**



## Opening ceremony of Lao Access to Finance Fund (LAFF) Project

On Tuesday 23<sup>rd</sup> February 2021, the Bank of Lao PDR (BOL) in partnership with Agriculture & Finance Consultants (AFC) held a technical briefing to guide the interested banks and Deposit-Taking Microfinance Institutions (DTMFIs) to apply for refinancing from the LAFF, a revolving fund of BOL, financed by the Government of Germany through KfW Development Bank.

BOL publicly released the call for Expression of Interest on 19 February on its website: the LAFF fund will offer up to 80 billion kip of refinancing at concessional rate for banks and DTMFIs to facilitate access to loans for rural households and Micro- Small- and Medium-Enterprises (MSMEs). Banks and DT-MFIs will compete for this funding by demonstrating

their capacity to manage sustainably MSME loans, how and where they intend to expand their offer to clients, and the interest rates and terms they will offer to their future MSME clients with this funding, topped to 500 million kip. LAFF is offering long-term refinancing of up to six years with an attractive annual interest rate of 5.9% for commercial banks and 6.5% for DT-MFIs. No collateral is required for the wholesale refinancing and no fees are charged.

MSMEs in Laos face difficulties in accessing adequate financing: when funding is available it is at high cost and short term, what hampers MSMEs development, especially in rural areas. It is particularly true for MSMEs that seek to modernize their production equipment to become competitive in the ASEAN Economic Community: long-term financing with low interest rate is needed for a sustainable return on investment.

The LAFF has been established in 2014 with financial support from the German Federal Ministry of Economic Cooperation and Development (BMZ) through KFW Development Bank, for the specific purpose of enhancing access to finance to MSMEs in rural Lao PDR. It was initially endowed with Euro 3 million that were lent to local banks and DT-MFI to on-lend to more than 2,524 MSEs, many of them accessing a business loan for the first time. With the success of LAFF phase I, the German Government provided additional funding worth Euro 6 million and another Euro 0.8 million for Technical Assistance to the LAFF phase II, which was kicked off in 2020.

Mr Khamkeo Visisombath, Acting-Director General of the Banking Operations Department of BOL, who chaired the technical briefing, urged the banks and DT-MFIs to apply and use LAFF funding also to reach out to new MSME-clients which did not yet have any opportunity to access formal loans, including informal MSMEs. He emphasized that LAFF can help banks and DT-MFIs with Technical Assistance to modernize their systems for assessing business loan applications and monitor proactively MSME loans.

Commercial banks and DT-MFIs have from now on up to 22 March 2021 to submit their Expressions of Interest to access LAFF refinancing: LAFF will review these and conduct a due diligence process with the goal of disbursing the wholesale refinancing in May 2021.

For more details of the call for Expression of Interest: <http://www.bol.gov.la/>  
Interested applicants (Banks and DT-MFIs only) can contact: [laff.laos@gmail.com](mailto:laff.laos@gmail.com).

Source: BOL & AFC

