

TERMS OF
REFERENCE

OCTOBER 2024

**REFINANCING THE SCU
SOUMSOM PHATTHANA,
BOLIKHAMXAY PROVINCE**

TERMS OF REFERENCE FOR
CONSULTING SERVICES

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1. BACKGROUND

1.1. ABOUT ADA

ADA (Appui au développement autonome) is a Luxembourgish, non-governmental organisation that has been increasing the autonomy of vulnerable people in Africa, Latin America and Asia with inclusive finance since 1994, thereby contributing to achieving the sustainable development goals.

ADA leverages its resources and expertise to innovate, support local partners, implement technical support programmes, give investment advice and manage knowledge to positively and sustainably impact targeted populations.

ADA's activities focus on three main topics: youth entrepreneurship, agricultural and forestry value chains as well as access to basic services. These activities touch upon three transversal themes: climate change, gender and the use of digital technologies.

In organisational terms, the team includes around 50 employees and a dozen technical advisors in the field. ADA has an average annual budget of 19 million euros.

1.2. PROJECT SUMMARY

Over the past 15 years, LuxDev has supported the creation of Village Credit Schemes (VCSs) as part of the LAO/014, LAO/021, LAO/30 and LAO/338 programmes. The VCS is a village-owned micro-finance system that provides villagers with affordable access to credit for economic activities without the need for collateral. They don't accept savings. VCS are managed and governed by the Village Credit Committee composed of villagers. To date ADA supported the creation of 83 new VCS and the supervision of 126 VCS gathering 5 904 members, among which 1 925 are female.

Since 2019, ADA, in partnership with local co-implementors such as TACDO (Training and Consultancies Services for Development Organisations) and previously the Lao Microfinance Association (LMFA) was commissioned by LuxDev to pursue the implementation of VCSs in Bolikhamxay, Bokeo and Vientiane provinces and to establish the conditions to ensure their adequate management and long-term sustainability. In Bolikhamxay, a so-called Network Support Organizations (NSO) was created to provide the necessary support and control to the VCSs through professional staff. The institution was registered in July 2021 as a Savings and Credit Union (SCU), a financial institution regulated by the Bank of Lao PDR (BoL), under the name of SCU Soumson Phatthana (SCU SP).

In Bokeo and Vientiane provinces, support to the VCS is currently ensured by TACDO field staff supervised by a provincial coordinator.

1.3. SCU-VCS MECHANISM

The VCS is managed by its own credit committee (3 to 4 people) that approves or rejects loan applications and takes care of repayments, and by its own members who have the right to elect the committee, access loans, and approve the financial statements during the annual general assembly. The VCS structure and operations are detailed in the VCS Bylaw.

Each VCS receives part of a fund named village development fund (VDF) provided by LuxDev, which is used to lend small credits to its members (currently up to 3 million LAK per borrower). Members pay 12% interest rate per year and the principal at the end of the loan cycle (usually 1 year). In case the repayment is successful they can apply for a new loan cycle and increase the loan amount of 20%.

Part of the interest rates collected from each VCS are paid to the SCU as a contribution for the services received. In fact, the SCU provides monitoring, supervision and capacity development services through the deployment of dedicated field assistants regularly visiting the VCSs. Moreover, it offers other financial services such as wholesale loans and savings. The financial services are available to both VCSs and individual clients as long as they are shareholders.

The SCU is managed by a Board of Directors (BoD) that supervises the management and operational teams. However, it still receives technical and financial support from the project which implies that it is not yet self-sustainable. The SCU structure and operations are detailed in the SCU Bylaw.

Therefore, the VCS-SCU mechanism is characterized by the linkage of a semi-independent and semi-formal entity, the VCS, to a formal regulated financial institution that is the SCU.

1.4. CHALLENGES FACED BY VCS AND SCU

Since the VDF is a fixed sum and the maximum loan amount is currently 3 million LAK per borrower, the funds available for loan disbursement are limited. In fact, VCS credit committees are reluctant to accept new borrowers and villagers are unsatisfied and prefer not to apply for loans. However, an internal survey carried out in 2024 shows that VCS members would need up to 10 million LAK per person or even more and would be inclined to pay a higher interest rate. Even though the VCS are formally recognised by district authorities, they don't have a formal legal personality, therefore they cannot borrow directly.

On the other hand, the SCU lacks the financial resources to meet the VCS' needs since what it earns from individual clients and wholesale loans is not sufficient to serve as a basis to increase the financial services offered and the fees earned from VCS are needed to cover its running costs. One of the possible solutions would be therefore developing linkages with existing financial institutions or mechanisms that could allow for larger credit amounts and diversification of financial products, contributing to the long-term sustainability and autonomy of the financial system. Hence, ADA is looking for an experienced consultant that could assess the available mechanisms, provide a viable road map and support in the implementation of the pilot phase.

2. OBJECTIVES OF THE CONSULTANCY

- Actively identify and engage with banks, MFIs and funds operating in Lao PDR that could potentially provide refinancing for the SCU SP. The focus is on establishing viable partnerships that can later benefit the VCSs.
- Assess the feasibility of each mechanism identified through hands-on engagement with relevant stakeholders (e.g. SCU, financial institutions, donors). This includes evaluating financial, legal, governance and regulatory implications (including collateral requirements and interest rates), as well as aligning the refinancing strategy with the needs of SCU and VCS.
- Provide strategic guidance and support for decision-making, helping to navigate any challenges in implementing the refinancing mechanisms.
- Develop a roadmap detailing the necessary steps (activities, timeframe and resources) to set-up the preferred refinancing mechanism/s.
- Assist in the initial stages of executing the roadmap, including designing and facilitating necessary agreements and capacity-building activities for SCU and related institutions.

3. SCOPE OF THE CONSULTANCY

- i. The consultancy must focus on the SCU and VCS located in Bolikhamxay province, created under LuxDev LAO/30 programme.
- ii. The consultant must provide supporting data and information to justify the solutions proposed.
- iii. H/she should consult with relevant stakeholders such as banks, MFIs, Funds active in Lao PDR, SCU SP, VCS, project, local authorities, BoL. These consultations aim at building

consensus, refining the proposed mechanisms and ensuring that recommendations are both practical and implementable.

- iv. The consultant must confirm the legal feasibility of the identified mechanisms, ensuring that all proposed actions comply with local laws and regulations. This legal confirmation will be integrated into the practical roadmap for implementation.
- v. Draft a detailed roadmap that outlines the steps required to secure and implement the refinancing. This includes defining specific activities, timelines and resource allocations.
- vi. Provide hands-on support during the initial implementation phase, including coordinating capacity building initiatives for SCU's management and BoD, and drafting contracts.
- vii. Document the outcomes of the activities performed, including agreements made, risks identified, and steps taken towards implementation.
- viii. Compile this documentation into a final report that captures the entire process, providing clear guidance for future actions.

4. DELIVERABLES

- 1- Workplan presentation.
- 2- Interim report: Report summarizing the feasibility and risk assessments conducted for each identified refinancing mechanism. The document must include a comprehensive roadmap detailing the steps, timelines, and resources required for implementing the refinancing mechanism.
- 3- Presentation of the main findings to ADA.
- 4- Contracts.
- 5- Final report: A final report that compiles all activities, agreements, assessments, and the roadmap, serving as a reference for SCU and stakeholders.

5. IMPLEMENTATION

5.1. ROLE AND RESPONSIBILITIES OF ADA

To facilitate the assignment ADA will support:

- Discussion and validation of the proposed methodology and tools.
- Sending of programme documents (concept papers, monitoring reports) to be integrated by the consultant into its own desk review.
- Facilitation of contacts with the partners and stakeholders to be interviewed.
- Regular follow-up and milestones achievement monitoring (milestones are illustrated in the timetable with an M).
- Technical Feedback

5.2. CALENDAR AND TIMETABLE

The deadlines to be followed:

Step	Deadline 2024	Days allocation
Receipt of proposals	25/10	
Interviews	28/10	
Signing the contract with the selected consultant	28/10	
Kick-off meeting	04/11	
Sending of programme documents by ADA	04/11	
Validation of work plan	04/11	1 day
Field work	11/11	2 weeks

Submission of the interim report	25/11	1 week
ADA feedback/ report update	02/12	
Initial implementation support (contracts)		
Submission of the final report (final version)		

Timetable:

Month	October				November				December			
Week	1	2	3	4	1	2	3	4	1	2	3	4
Receipt of proposals												
Interviews												
Signing the contract with the selected consultant												
Kick-off meeting												
Sending of programme documents by ADA												
<i>Validation of workplan</i>												
<i>Field work</i>												
Submission of the interim report								M				
ADA feedback and report update												
Presentation of results to ADA												
Initial implementation support												
Delivery of the final report (final version)												

5.3. SUBMISSION OF THE PROPOSAL

The response to this call must be sent to ADA by email no later than **25/10/2024**.

Interested candidates must include in the email the following documents:

- Most updated company profile (not required for individuals)
- Detailed technical proposal including the assignment understanding and the proposed executive strategy (methodology, work plan, timeline if not in line with what proposed, milestones, availability to start)
- Financial proposal (all-inclusive budget in EURO and costs break down providing information about consultant/s rates, working hours expected for each deliverable, travel and logistics. All amounts must include VAT and/or taxes where applicable)
- CV(s) of the proposed consultant(s) and in the case of a team specify the division of roles and the incumbent
- References to previous work done on the topic and/or in Lao PDR in the past 3 years (specifying year, buyer, type of study and providing the link to the final document)
- Any other element deemed useful

The email should be sent to the following person:

Lucia Cigana (Programmes Manager)

l.cigana@ada-microfinance.lu

5.4. SELECTION OF THE CONSULTANT

Technical proposals will be evaluated against the following criteria:

- Understanding of the TOR (copy-pasting the TOR is not admitted).
- Proposed methodology.
- Qualification and experience of the consultant or team.
- Knowledge of the country and its financial inclusion background.
- References.

The financial proposal will contribute 30 % to the final selection of the consultant.



ADA - Appui au développement autonome

39 rue Glesener

L-1631 Luxembourg

Tel: +352 45 68 68 1

Fax: +352 45 68 68 68

www.ada-microfinance.org