



# Impact Assessment Survey of the Business Assistance Facility

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*Final Evaluation*

Final Report

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*Prepared for:*

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## Acronyms

|        |   |
|--------|---|
| BAF    | Business Assistance Facility                                    |
| BMO    | Business Membership Organization                                |
| CAGR   | Compounded Annual Growth Rate                                   |
| DOSMEP | Department of SME Promotion, Ministry of Industry and Commerce  |
| EMC    | Emerging Markets Consulting                                     |
| MOIC   | Ministry of Industry and Commerce                               |
| NIU    | National Implementation Unit, Ministry of Industry and Commerce |
| SME    | Small and medium-sized enterprise                               |
| TDF-2  | Second Trade Development Facility Project                       |
| VAT    | Value-Added Tax   |

## Executive Summary

The **objective** of the final impact assessment survey was to assess the impact that the Business Assistance Facility (BAF) had on firms' behaviors, operations, and performance. As the primary tool for assessing the impact of BAF, the study team interviewed 30 firms that have been supported by BAF as well as 30 firms with similar characteristics that had not been supported by BAF.

The **sample** of BAF-assisted firms was selected to reflect the range of sub-sectors and activities that have been supported by BAF to date. The sample also included firms that had been interviewed during the mid-term evaluation to analyze the long-term impact of the BAF facility. The sample of non-BAF firms was selected to reflect similar characteristics to the sample of BAF-assisted firms, in terms of location, firm size and sub-sector. The non-BAF firm also included firms that had been interviewed during the mid-term evaluation to balance the samples. In the BAF sample, 25 firms were based in Vientiane and the remaining five firms were based outside of Vientiane, while the breakdown for the non-BAF sample had 23 firms in Vientiane and seven outside of Vientiane. The firms in both samples are mostly small and medium-sized, and mostly operate in the hospitality, manufacturing and service sub-sectors. About one third of firms in the samples have some level of female ownership. All persons interviewed were either owners or senior managers of the firm.

One of the major challenges mentioned during the mid-term evaluation was **awareness-raising and outreach** about BAF. This remains a challenge, with a large number of firms not having heard about the BAF facility or having heard but misunderstanding the scope and selection criteria of the programme. This was a particularly large issue outside of Vientiane, where the BAF team did not have a physical presence.

Most of the 30 BAF-assisted firms in the survey heard about BAF through direct contact or promotion by the BAF team, with some firms hearing about BAF by word of mouth, Government officials and word-of-mouth. Interestingly, 11 of the non-BAF firms had also heard of BAF, with most hearing about it from Government officials or directly from the BAF team.

Encouragingly, BAF-supported firms were generally satisfied with the **quality of advice and support** they received from the BAF team. The general view is that the team's advice is professional, informative and clear, and recommended services that were in the best interest of the firms.

Also encouraging is that most BAF-supported firms believed the **processes relating to applying for a grant and claiming for a reimbursement** were relatively straightforward. However, firms continued to struggle to understand the application form and documentation requirements. Firms also continued to face challenges in the disbursement process due to the need to submit VAT receipts from the service providers.

A key measure of any matching grants program is the extent to which it stimulates additional private investment, rather than merely subsidizes existing investment. This concept is known as "**additionality**". When firms were asked if they would have purchased the services even without BAF funding, 22 mentioned that they would have. In principle, this means that BAF did not stimulate additional investment for most firms. Nonetheless, these results should be taken with a grain of salt, as studies of other matching grants programmes show that they induce firms to purchase services they would not have. For this report, this means that firms might be biased in their assessment of their willingness to pay for business services as they saw benefits and could see themselves—in hindsight—purchasing the services even without the BAF funding. Thus, these results should not be taken as indicative of the additionality effects of the BAF programme.

More generally, BAF was helpful in boosting firms' **confidence in the use of business service providers**. Most of the BAF-assisted firms were very satisfied with the service they purchased through BAF.

**BAF met and surpassed their main goal** of increasing the revenue growth of supported firms by 20 percent more than non-supported firms. BAF firms had year-on-year revenue growth of that was 21 percent higher than non-BAF firms. BAF firms also saw employment growth that was 13 percent higher than non-BAF firms as well as investing in more activities, such as entering new markets or purchasing productive assets, than non-BAF firms.

Overall, the findings of this impact assessment survey are largely positive: BAF firms showed higher revenue growth than non-BAF firms; are generally satisfied with the BAF team and the BAF process; and hire more employees than non-BAF firms.

Nevertheless, this report makes several **recommendations for improving the effectiveness of BAF**. Most of these recommendations involve suggestions for improving awareness-raising and outreach. Other recommendations relate to making the application process easier to understand and ensuring prospective applicants clearly understand all documents required for submitting a claim, and improving how BAF covers trade fairs.

## 1 Study Background

The Second Trade Development Facility (TDF-2) is a multi-donor funded project designed to support the implementation of the Lao PDR's trade and integration priorities. The Business Assistance Facility (BAF) is part of the "mainstreaming aid-for-trade" sub-component of TDF-2.

BAF is designed to support individual firms build their skills and experience so that they can grow and become more competitive internationally. This is achieved through two main activities: (i) direct consulting services to individual firms regarding their business growth plans; and (ii) matching grants to assist individual firms to purchase specialized business development services in support of their growth plans.

BAF commenced operations on 1st October 2013 and is set to conclude on 31st March 2017.

The Ministry of Industry and Commerce (MOIC) engaged consulting firm Emerging Markets Consulting (EMC) to conduct a final impact assessment survey of BAF after having completed the mid-term impact assessment in August 2015. The objective of the survey was to assess the impact of BAF services on the operations and performance of firms supported by BAF, by interviewing 30 firms that had been supported by BAF as well as 30 firms with similar characteristics that had not been supported by BAF.

The main goal of the final impact assessment was to quantify the impact of BAF on the firms that received funding by comparing their annual sales growth to that of firms that did not receive BAF funding. The revenue of BAF-supported firms was expected to be at least 20% higher than the revenue of non BAF-supported firms. Other indicators of performance were also compared, including the number of employees, investment in business assets or systems, and expansion into new markets. Where relevant, the results of the final evaluation were compared with those of the mid-term impact evaluation.

## 2 Study Methodology

### 2.1 Scope of work

This study assessed the impact of BAF by looking at the following aspects and outcomes.

- *Access to BAF (awareness and outreach):*

The facility's overall impact on the Lao private sector depended, in part, on the extent to which a broad range of firms are aware of the facility and the ease with which they can access it.

- *Firms' satisfaction with the BAF assistance:*

The 30 BAF-supported firms in the survey were asked about the nature, quality and user-friendliness of the BAF assistance they received.

- *Additionality:*

"Additionality" is an important outcome to measure in matching grant evaluations. It refers to the extent to which the grants have stimulated additional private investment, rather than substituted (or crowded out) private investment. Accordingly, this evaluation assessed the extent to which BAF-assisted firms would have undertaken the business development service even without the financial support provided through BAF.

- *Gender:*

This study considered the gender dimensions of BAF support, in terms of participation in the facility by female entrepreneurs and a gender breakdown of employment by firms receiving BAF assistance. The study also tried to identify any gender differences in firms' use of, or satisfaction with, the BAF assistance.

- *Impact of BAF-supported services on the performance of BAF-supported firms:*

A key target of BAF is that BAF-supported firms increase their sales at a growth rate that is 20% higher than the rate achieved by non-BAF firms. Additional quantitative and qualitative indicators of performance were collected to measure the impacts of BAF-funding on non-revenue areas of businesses.

- *Sales and employment data:*

Information on firms' employment and sales numbers – both historical and forecast – were collected from 30 BAF-assisted firms and 30 firms that had not received BAF assistance.

- *Reported short and long term impact*

Reported short term (6 months after completion of the service) and long term (over 6 months after completing the service) impacts of the BAF service on firms' operations and/or revenue.

- *Additional activities*

Information on firms' investment in their business by 1) purchasing equipment, software, or other productive assets; 2) expanding into new markets; 3) creating new products; and/or 4) other activities.

- *Expansion plans*

Information on firms' expansion plans over the next 5 years.

### 2.2 Evaluation activities

The primary tool for assessing the impact of BAF was a survey comprising two samples: 30 firms that have received BAF assistance; and 30 firms that have not received BAF assistance.



Upon commencement of the assignment, the study team (EMC) met with key stakeholders to understand their perspectives and expectations for the final impact assessment. As part of these stakeholder consultations, the study team held an initial “kick-off” meeting attended by representatives of the Ministry of Industry and Commerce (the National Implementation Unit and the Department of SME Promotion) and members of the BAF advisor team (herein referred to as the “BAF team”). The study team also consulted with a matching grants World Bank Consultant who had been involved in the design of BAF.

The study team undertook desk research by reviewing the TDF-2 Project Appraisal Document, the BAF Operations Manual, the BAF team’s database of all firms who have received BAF assistance, and other relevant documents.

In consultation with the BAF and MoIC teams, EMC selected a sample of 30 firms that had received BAF funding (herein referred to as the “BAF sample”). The sample chosen reflected the range of sub-sectors, activities, and locations that have been supported by BAF. BAF-funded firms selected needed to have completed the BAF-funded activity for at least 6 months to be eligible for the survey to guarantee that enough time had passed to observe an effect on revenue or other proxy indicators.

Once the BAF sample was finalized, the study team selected a sample of 30 firms that had not received BAF assistance in the past (herein referred to as the “non-BAF sample”). The non-BAF firms were selected so that the BAF and non-BAF samples shared similar characteristics in terms of sub-sector, firm size, location, and participation in the mid-term evaluation.

In consultation with the BAF and MoIC teams and key informants, the study team designed separate questionnaires for the interviews with BAF and non-BAF firms. The team then conducted face-to-face interviews during February and March 2017 with owners or senior managers of the 60 firms selected.

Once the data was collected, the study team analyzed the information and compared the performance of BAF firms and non-BAF firms, amongst other areas of analysis. This report was prepared to present the study results of the final impact evaluation of the BAF project.

## 2.3 Limitations

It is important to recognize several limitations of this study when interpreting the survey findings.

First, many of the firms interviewed do not keep, or are reluctant to disclose, accurate financial records. Moreover, many of the firms are not accustomed to forecasting their sales or employment numbers. Thus, the information provided by firms about their sales and employment—both historical and forecast—should be interpreted with caution.

Second, proxy indicators, such as employment growth, do not necessarily reflect business performance. For example, investment in machinery will likely decrease the number of employees a company has as they become redundant.

Third, several of the companies interviewed had common ownership. This became an issue when the study team scheduled a meeting with a non-BAF firm, but on arrival the owner of the firm was also the owner of a firm that had received BAF assistance. The sample had to change on the field to find companies that were independent of other BAF assisted firms to ensure reliability of the data.

## 2.4 Survey Sample

The firm selection methodology for the final impact evaluation followed the same process used during the mid-term impact evaluation, which took place on 28 August, 2015, as well as some additional criteria specific to the final evaluation.

The overall BAF population was stratified into groups, based on business sub-sector and location. The proportion of firms per business sub-sector and population was calculated to represent the breakdown of the BAF population (as seen in Table 1). The BAF sample was then selected to reflect, as closely as possible, the stratification of the BAF population. The non-BAF sample was selected to reflect the stratification of the BAF sample, purposely matching firms by sector and location to make the two samples as comparable as

possible. Additionally, companies interviewed during the mid-term evaluation were contacted first so we could best analyze the long-term impact of BAF.

The sample for this assessment consisted of two sub-samples: 30 BAF-supported firms (the “BAF sample”); and 30 firms that have not been supported by BAF (the “non-BAF sample”). The sample of BAF-supported firms was selected to reflect the characteristics of the total population of BAF supported firms in terms of location and sub-sector. The sample of non-BAF firms was selected to reflect similar characteristics to the sample of BAF-supported firms (number of re-interviews can be seen on Table 2).

Table 1 below presents the firm characteristics of the total population of BAF-supported firms (disbursements to date), the sample of 30 BAF-supported firms, and the sample of 30 non-BAF firms. The table highlights that the firm characteristics of the BAF and non-BAF samples closely resemble each other with respect to location and sub-sector. In the BAF sample, 25 firms were based in Vientiane, two were based in Luang Prabang, one was based in Vang Vieng, and the last 2 were based in Champasak. For the non-BAF firms, 23 firms were based in Vientiane, two were based in Luang Prabang, two were based in Vang Vieng, two were based in Champasak, and the last firm was based in Savannakhet. 37% of BAF firms interviewed were owned by women, while for non-BAF firms that figure was 30%.

**Table 1 Firm characteristics: population versus sample**

|                                  | BAF population |            | BAF sample |            | Non-BAF sample |            |
|----------------------------------|----------------|------------|------------|------------|----------------|------------|
|                                  | Number         | % of total | Number     | % of total | Number         | % of total |
| <b>Number of firms</b>           | 208            | 100%       | 30         | 16%        | 30             | N/A        |
| <b>Location:</b>                 |                |            |            |            |                |            |
| Vientiane Capital                | 165            | 79%        | 25         | 83%        | 23             | 77%        |
| Outside Vientiane Capital        | 43             | 21%        | 5          | 17%        | 7              | 23%        |
| <b>Number of employees:</b>      |                |            |            |            |                |            |
| Small (< 20)                     | 164            | 79%        | 17         | 57%        | 18             | 60%        |
| Medium (20-99)                   | 24             | 11%        | 11         | 37%        | 11             | 37%        |
| Large (100 or more)              | 20             | 10%        | 2          | 7%         | 1              | 3%         |
| <b>Sub-sector:</b>               |                |            |            |            |                |            |
| Hospitality and tourism          | 64             | 31%        | 9          | 30%        | 9              | 30%        |
| Manufacturing                    | 33             | 16%        | 2          | 7%         | 5              | 17%        |
| Business service provider        | 16             | 8%         | 5          | 17%        | 2              | 7%         |
| Business membership organization | 13             | 6%         | 2          | 7%         | 2              | 7%         |
| Agribusiness                     | 10             | 5%         | 4          | 13%        | 1              | 3%         |
| Handicraft                       | 20             | 10%        | 3          | 10%        | 3              | 10%        |
| ICT                              | 9              | 4%         | 1          | 3%         | 1              | 3%         |
| Education                        | 12             | 6%         | 2          | 7%         | 2              | 7%         |
| Retail & Consumer                | 10             | 5%         | 1          | 3%         | 2              | 7%         |
| Other                            | 21             | 10%        | 1          | 3%         | 3              | 10%        |
| <b>Gender:</b>                   |                |            |            |            |                |            |
| Female ownership                 | 71             | 34%        | 11         | 37%        | 9              | 30%        |

Notes:

"BAF population" contains all BAF-supported firms that, as of January 2017, have already received a disbursement or have been approved but not yet received a disbursement; it excludes approvals that have been cancelled or not taken up by the firm.

"Female ownership" includes firms where at least one of the owners is female. Employment numbers sourced from the firms' BAF applications, not from the employment data collected during interviews for this assessment.

The survey team attempted to re-interview the firms from the mid-term evaluation for both BAF and non-BAF firms. The theory was that re-interviewing the same firms from the mid-term evaluation would provide for clear long-term effects of the BAF services. 12 BAF firms and five non-BAF firms were re-interviewed out of the 60 total firms.

Table 2 below provides details of the 60 respondents interviewed for this assessment. All persons interviewed were either owners or senior managers of the firm. Around one third of respondents for the

BAF sample were male while about two thirds of the non-BAF sample respondents were female. Most respondents were Laotian.

**Table 2 Respondent details**

|                               | BAF sample | Non-BAF sample |
|-------------------------------|------------|----------------|
| <b>Owner / senior manager</b> | 17 / 13    | 18 / 12        |
| <b>Female / Male</b>          | 18 / 12    | 19 / 11        |
| <b>Laotian / foreign</b>      | 29 / 1     | 28 / 2         |
| <b>Re-interview</b>           | 12         | 5              |

Table 3 compares the size and purpose of the grants for the population of BAF-supported firms against the sample of 30 BAF-supported firms. Once again, the grant characteristics of the sample are broadly representative of the total population. It should be noted that the average grant sizes in the population (\$6,225) and sample (\$4,667) are substantially lower than what was assumed in the TDF-2 Project Appraisal Document (\$8,000).

Besides the difference in average grant size, the BAF sample differed in a few ways from the BAF population. The BAF sample over-represented firms that had received between \$1,000 and \$5,000 in funding by 10 percent and firms that received less than \$1,000 in funding by three percent. The BAF sample also over-represented firms that had received funding for trade fairs, while it under represented firms that had used websites, brochure, or promotion services.

**Table 3 Grant characteristics: population versus sample**

|  | BAF population       |                   | BAF sample           |                   |
|--|----------------------|-------------------|----------------------|-------------------|
|  | <i>Number or USD</i> | <i>% of total</i> | <i>Number or USD</i> | <i>% of total</i> |
| <b>Size of grant (USD)</b>                     |                      |                   |                      |                   |
| Average grant size per firm                    | \$6,225              |                   | \$4,667              |                   |
| Grants per firm < \$1000                       | 21                   | 10%               | 4                    | 13%               |
| Grants per firm \$1000-5000                    | 103                  | 50%               | 18                   | 60%               |
| Grants per firm > \$5000                       | 84                   | 40%               | 8                    | 27%               |
| <b>Type of BAF-supported service (number)*</b> |                      |                   |                      |                   |
| Trade fair                                     | 45                   | 16%               | 8                    | 29%               |
| Website, brochure, promotion                   | 111                  | 39%               | 10                   | 21%               |
| Training                                       | 75                   | 26%               | 11                   | 26%               |
| Market research                                | 10                   | 3%                | 1                    | 3%                |
| Product/quality certification                  | 13                   | 5%                | 3                    | 8%                |
| Other  | 34                   | 12%               | 5                    | 13%               |

Note: Grant size is based on the actual grant *disbursed* for firms that have received their disbursement, and on the grant *approved* for firms that have not yet received their disbursement. Data updated to 20 March 2017

\*: Firms could apply and receive funding for more than one type of service, so there are more services than number of firms

The above-mentioned difference in grant size between the BAF population and the BAF sample could be explained by the activities that the selected firms used, as the BAF sample over-represented trade fairs, which are not as expensive as website, brochure, and promotion services. This is shown in the higher number of firms that received funding for trade fairs and the lower number of firms that were refunded over \$5,000.

### 3 Overview of Business Assistance Facility

BAF is part of the “mainstreaming aid-for-trade” sub-component of the TDF-2 program. The facility is operated as an independent implementing agency staffed by employees of an appointed business consulting firm (referred to in this study as the “BAF team”).

The facility provides two forms of assistance to individual firms and business membership organizations (BMOs):

- Direct consulting services, supplied by the BAF team, advising the individual firm or BMO on its plan to grow their business or organization
- Matching grants, to assist the individual firm or BMO financially in purchasing specialized business development services, in support of its growth plan.

With respect to the matching grants, firms can be reimbursed up to 50% of the cost of the business service they have purchased, while for BMOs the reimbursement can be up to 75% of the cost. According to the TDF-2 Project Appraisal Document (November 2012), BAF was expected to achieve the following key indicators:

- Provide matching grants to 150 firms and BMOs, comprising 15 approvals in year 1, 35 approvals in year 2, and 50 approvals in each of years 3 and 4
- Disburse a total of \$1.2 million (average grant size of \$8,000)
- BAF-assisted firms achieve sales growth 20% higher than non-assisted firms.

The contract for the operation of BAF is to run for 3.5 years (42 months) from BAF start-up. The facility commenced operations on 1<sup>st</sup> October 2013 and is scheduled to cease on 31<sup>st</sup> March 2017.

Per data supplied by the BAF team, as of 20 March 2017 the facility had disbursed a total of \$1,123,798 to 208 firms and BMOs, with an average grant size of \$6,225. Due to the fluctuation of the exchange rate between US dollars (USD) and the Special Drawing Rights (SDR), the final matching grant budget available decreased from a \$1.2 million to \$1.13 million (including tax). Under the new budget, the BAF programme disbursed 99.4% of the total budget, thus meeting their target. BAF supported firms also surpassed the goal of 20% higher sales growth than non-BAF firms, which is explained in detail on section 4.6.1.

## 4 Survey Findings

This chapter presents the key findings of the survey of 30 BAF-supported firms as well as the 30 firms that have not received BAF support (“non-BAF” firms). The findings are compared to the mid-term evaluation findings where relevant.

### 4.1 Access to BAF (awareness and outreach)

During the mid-term evaluation, it was highlighted that one of the main challenges for any matching grants program for small and medium sized firms (SMEs) is to raise awareness about the programme. Lao PDR suffered from the same challenges, with the BAF team engaging in a variety of activities to raise awareness about, and interest in, the BAF scheme.

The BAF team engaged in a range of activities to raise awareness about, and interest in, the BAF scheme. These activities included:

- Conducting BAF workshops in Vientiane and other provinces
- Attending conferences and events organized for other purposes
- Sending information about BAF to directly to firms, often using the membership lists of various business membership organizations (BMOs)
- Contacting firms by telephone and following up with face-to-face meetings (especially in Vientiane Capital, but also during visits to other provinces)
- Radio advertisements twice per day

In addition, firms could access information about BAF (in Lao and English languages) from BAF brochures and the website [www.baflao.com](http://www.baflao.com). Currently, the BAF website is not operational and the server cannot be contacted.

For the mid-term evaluation, the majority of BAF firms had heard about BAF directly from the BAF team (10 out of 15 firms), the remaining having heard about BAF from their contacts, word-of-mouth, government officials (2 out of 15), and from service providers. For non-BAF firms, the majority had heard about BAF (10 out of 15 firms) from government officials, BMOs, or service providers. Non-BAF firms seemed to have a misconception regarding the eligibility criteria for BAF, which discouraged them from applying.

For the final evaluation, Government officials played a larger role in awareness raising since the mid-term evaluation, while direct contact from the BAF team proportionally decreased and other sources remained comparable. For BAF firms, direct contact from the BAF team was still the main source of awareness (11 out of 30), while contact from government officials was a close second (9 out of 30). Only one firm had heard about BAF from radio advertisements, while seven had heard about BAF from word-of-mouth.

For non-BAF firms, government officials were also the main source of awareness about the BAF programme. Of the 11 firms that were aware about the BAF programme, over half had received information from government officials (6 out of 11), and about a third had received information directly from the BAF team (3 out of 11). One firm had heard about BAF in the radio, one had heard about BAF by word-of-mouth, while two firms heard about BAF from service providers.

Non-BAF firms were also asked where they tend to receive information about Government programs or issues affecting their business. The most common responses were TV, radio, and newspapers (21 out of 30), on-line sources (22 out of 30), government departments (16 out of 30), and business acquaintances (15 out of 30). These results are different from the mid-term findings, where the most common responses were BMOs, business acquaintances, and government officials.

The 30 BAF firms, of which 25 are based in Vientiane, were asked if they believe it is harder for firms outside Vientiane Capital to access and apply for BAF. In total, 21 firms mentioned that it was harder for firms in the provinces to apply for BAF funding. Of the five firms that were based outside of Vientiane, three said it was harder while two said it was the same as for Vientiane-based firms. Firms gave various reasons why it is harder for firms outside Vientiane to access BAF, including:

- It is harder to communicate directly with BAF about the application process
- Firms in Vientiane can easily go to ask questions for more information, provincial firms are far away. BAF's provincial outreach programs are good and well-researched, but the process is still easier from Vientiane.
- BAF needs original documents, and sending documents from the provinces can be a long process. Also, documents can get lost in the mail, so documents might have to be obtained and shipped to Vientiane again
- Firms in Vientiane have more access to information and a higher likelihood of being contacted by the BAF team, also the provincial firms are mostly just family businesses

These findings are in line with the mid-term results, were firms mentioned similar issues affecting those applying from the provinces. Similar problems still remain, such as the difficulty in communicating with BAF staff (mainly due to a preference for face-to-face meetings), a lack of service providers in the provinces, and difficulties in obtaining information about the BAF programme. Nonetheless, BAF efforts have been successful in that the number of BAF firms located outside of Vientiane has more than doubled since 2015, from 15 firm to 36 firms as of the writing of this report.

## 4.2 BAF advisory service

As initially envisioned, the BAF team would have provided business advice to BAF applicants regarding in the form of “direct consulting services, supplied by the professionals staffing the facility, advising the individual firm on its strategy to grow the business.”<sup>1</sup>

The BAF team’s approach to providing business services, as reported during the mid-term evaluation, was limited to explaining the types of services eligible for BAF support and providing high-level advice on how one or more of these services might be suitable for their business. This was an informed decision due to the size of the BAF team and the opinion that providing the level of business consulting service envisaged in the Operations Manual would extend their service into the types of services that are intended to be supported through BAF (such as market research and business strategy).

The BAF supported firms were asked questions about the type and quality of initial advice they received from the BAF team.

Regarding when they were first approached by the BAF team or when they had their first meeting, 10 firms said they already had a good understanding about BAF, while 16 firms had some understanding. One firm had little to no understanding of the BAF programme and the remaining three firms provided no response. 23 firms mentioned that they had a clear idea about the service for which they were seeking BAF support.

The BAF supported firms were also asked about the type and quality of initial advice they received from the BAF team.

Overall, BAF firms were satisfied with the quality of the initial service. 19 firms rated the team’s initial advice as high quality, with 8 other firms rating the services as medium quality (three firms did not provide an answer). Some comments regarding ways to improve the quality of the initial advice were:

- A firm based in Vientiane mentioned that “[They] didn't always understand the process or requirements for submitting documents, such as making sure to keep boarding passes from flights. The BAF staff may have said it at one point, but they never provided an official checklist of necessary document.”
- A firm in based in Vientiane mentioned that “The BAF team explained which documents were necessary for the application process, but didn't explain all the finer details, such as which documents needed to be originals or which documents needed to be stamped and signed by whom.”
- A firm based in Vientiane mentioned that “More promotion of the programme would help, because many people don't know about BAF. Respondent did not know about BAF until he went to DoSMEP to do somethings, then someone there talked to him about the programme.”

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<sup>1</sup> MoIC, 2013, *BAF Operations Manual*

During the mid-term evaluation, the BAF team remarked that it placed a greater emphasis on explaining all documentation requirements to potential applicants. One of the main areas where information was not clear was the provision of tax receipts. During the final evaluation, firms continued to complain about difficulties with the tax receipts or tax records, explained in more detail in section 4.3 below.

## 4.3 BAF process

Figure 1 Steps in the BAF process



The process for applying for BAF support and receiving reimbursement once the service has been completed, as described in the mid-term evaluation, is relatively straightforward and remains unchanged.

Once a firm decides to apply for BAF, a member of the BAF team will advise and—where necessary—assist the firm in preparing the application. The application includes a short application form plus supporting documentation, such as a quotation from the service provider for provision of the service.

The BAF Manager assesses the application and, if it complies with the Operation Manual, forwards it to the NIU. The NIU Director makes the formal decision on behalf of the Government that the application complies with the Operations Manual. The NIU Director is then responsible for signing the Letter of Agreement between the recipient firm and the NIU.

Once the service has been completed and paid for, the firm submits its claim for reimbursement to the BAF team. As part of its claim, the firm must provide a reimbursement request letter as well as original paid tax invoices of the service provider. Firms must also supply proof of payment of profit tax on all invoices submitted by overseas service providers, and payment of withholding tax for individual consultants / service providers.

BAF supported firms were asked a series of questions about the application and disbursement process. Most firms considered the process relatively straightforward, with 22 firms rating it as easy, five rating it as difficult, and only two considering it very difficult (one firm did not provide an answer). The main reasons quoted for the process being difficult or very difficult were that the process required many forms and details, as well as taking a long time to complete. Nonetheless, many firms found the initial application to be a straightforward process with clear forms and documentation requirements.

Regarding the cash disbursement process, most firms did not report having issues with the process, with 23 firms rating it as easy, five firms rating it as difficult, and no firms rating it as very difficult (two firms did not provide responses). The main issues highlighted by respondents regarding the disbursement was that the BAF programme required many supporting documents and in too much detail. The need for supporting documentation appears to be higher now than it was during the mid-term evaluation, as new procedures had just been implemented that required firms to supply a larger number of documents than during the initial stages of the project. Nonetheless, the amount and detail of documentation required is set by the NIU, which in turn follows the documentation requirements set out by the Ministry of Finance. The BAF programme seeks to streamline the process when possible, but they are not able to change those requirements set out by the NIU and the Ministry of Finance.

Respondents were asked if the requirement to show tax receipts and/or records was a challenge during the disbursement process. Firms could select more than one challenge they had with the tax process. Twenty firms had issues with getting tax receipts from service providers, nine had difficulty with demonstrating tax compliance, six experienced delays in the disbursement process as they could not get the required documentation, and one experienced general delays in the BAF process due to the tax documentation. Seven firms did not have any issues with tax documentation.

Overall, 24 out of 30 respondents felt that the length of time to go through the whole BAF process was reasonable, four thought that it took too long, and two did not provide an answer. Similar to the comments

made during the mid-term evaluation, firms thought that the speed of the process was dependent on the firm being able to collect the required documentation as the BAF team was fast and responsive.

The quality of the BAF team, related to the application, approval, and disbursement process, was rated as “high quality” by 24 respondents. Three firms mentioned that the quality of the team was “medium quality”, and the remaining three firms did not provide an answer. These numbers are encouraging and in line with the mid-term evaluation numbers, where most respondents were very satisfied with the quality of the BAF team.

The BAF respondents made several suggestions for improving the BAF process:

- Make the responsibilities clear within NIU. Staff members should clearly know who is responsible for what so that person can answer questions as needed.
- Answers to questions and information in general should be systematized. When a staff member leaves, they take their knowledge with them and other staff members are not able to answer questions until they learn the answer, which might take time
- Lower the number of required documents, which would particularly help firms in the provinces
- Create a general checklist of documents needed and if they need copies or originals. Make this list available to all firms that are applying
- Promote the project more, particularly in the provinces

All of the firms in the BAF sample reported they would apply for funding again if the BAF programme was to continue. This shows that companies clearly see a benefit and are satisfied with the BAF programme. Some firms mentioned that having applied once and learned the process would be a large benefit and speed up the application. This shows that while the firms were all satisfied with the programme, improvements on the process for first-time firms would go a long way towards making the programme more accessible.

#### 4.4 BAF-Supported services

BAF support is available for a wide range of business services with the objective of having a substantial positive impact on long-term sales growth. When asked if they received BAF funding more than once, eight firms reported they had received funding more than once, with the remaining 22 firms saying that they had only received funding once.

The most common type of service was training, followed by trade fair and websites, brochures or promotions. The 4<sup>th</sup> most common response was “other”, which included the following responses:

- Point of Sales (POS) Software system
- Design services for new packaging
- Design services for hotel expansion
- VDO Presentation for TV commercial
- Design services for packaging room

**Table 4 BAF sample: BAF-supported services**

| Type of service                     | Description  | Number of respondents |
|-------------------------------------|--|-----------------------|
| Training                            | Marketing; IT; customer service; business management; leadership; ISO certification  | 11                    |
| Trade fair                          | Travel companies attended fairs in USA; manufacturers attended fairs in USA and Vietnam; BMOs attended fairs in Cambodia and Lao PDR provinces | 8                     |
| Website, brochure or promotion      | Upgrade firm websites and design promotional brochures   | 10                    |
| Business/market research            | Study of market penetration in Lao PDR   | 1                     |
| Production or quality certification | Production certification in garment sector   | 3                     |
| Other                               | Other responses not captured in the above categories   | 5                     |



Interestingly, only one firm mentioned having purchased market research services. The number of firms that had purchased market research services during the mid-term evaluation was also low (two firms), so this could point to a trend that firms in Lao PDR generally see little use for business consulting or market research.

The BAF firms purchased BAF-supported services from different types of service providers, including those based locally and overseas. The most common service providers were Lao-owned firms, followed closely by foreign-owned firms based overseas. The large dependence on foreign firms based overseas created documentation issues for firms that needed to provide tax documentation for the reimbursement process. These results are similar to those found during the mid-term evaluation, with the majority of service providers being Lao-owned firms or foreign owned firms based overseas.

**Table 5 BAF sample: service providers**

| Type of service provider                  | Number of respondents |
|---|-----------------------|
| Individual of Laotian nationality         | 2                     |
| Individual foreigner who lives in Lao PDR | 1                     |
| Individual foreigner who lives overseas   | 1                     |
| Lao-owned firm or organization            | 12                    |
| Foreign-owned firm based in Lao PDR       | 1                     |
| Foreign-owned firm based overseas         | 11                    |

To assess non-BAF firms' experience with, and interest in, business services, the non-BAF firms were asked if they had ever purchased these types of services in the past and if they intend to do so in the future. The majority of non-BAF firms had purchased at least one service in the past and a smaller number of firms were planning to purchase a service in the future. The most common services purchased by non-BAF firms were trade fairs; websites, brochures or promotion; and training. Similar to the mid-term evaluation findings, no firms had purchased business or market research services, although several hoped to do so in the future.

**Table 6 Non-BAF sample: experience with business services, # of respondents**

| Type of service                     | Have purchased in the past | Intend to purchase in the future |
|-------------------------------------|----------------------------|----------------------------------|
| Training                            | 14                         | 12                               |
| Trade fair                          | 20                         | 4                                |
| Website, brochure or promotion      | 18                         | 5                                |
| Business/market research            | 0                          | 7                                |
| Production or quality certification | 0                          | 3                                |
| Other                               | 2                          | 0                                |

When respondents were asked about what constrains them from purchasing these services to the extent they would like, most respondents indicated that their company does not need these types of services or that they had not considered these services for their business. Interestingly, the most common constraint for non-BAF firms during the mid-term evaluation was the cost of the services, which is a far 3<sup>rd</sup> in the current sample. For additional BAF projects, awareness raising of the benefits of services will have to be undertaken, which might otherwise decrease demand due to lack of knowledge on the side of the potential customer.

**Table 7 Non-BAF sample; reasons for not purchasing services, # of respondents**

| Description  | Number of respondents |
|--|-----------------------|
| These services are too expensive (we can't afford them)        | 8                     |
| Quality of these services is low in Lao PDR                    | 2                     |
| Don't know where to buy these services (who provides them)     | 1                     |
| I have never thought about these services for my business      | 14                    |
| My business does not need these types of services (no benefit) | 22                    |
| Another reason for not purchasing                              | 6                     |

## 4.5 Additionality

A key question for any matching grants program is whether the grants encourage spending that firms would not otherwise have undertaken, or rather just substitute for spending that firms would have undertaken even without the grant. The extent to which a matching grants program leads to additional spending is known as “additionality”.

To assess whether BAF is creating additional investment by the private sector, the 30 BAF firms were asked if they had ever purchased this type of service previously. In total, 19 of the firms had purchased this type of service previously, with only 10 firms purchasing the service for the first time and one firm not providing an answer.

When firms were asked if they would still have purchased the service even without the BAF reimbursement:

- 22 would still have purchased the service in exactly the same way, in terms of the total amount spent on the service. For these 22 firms, BAF did not create any additional spending on services.
- 1 would have spent less money on the service
- 3 would have delayed purchasing the service until a later time
- 3 would not have purchased the service at all.

In other words, per the responses provided by BAF firms, the BAF grants resulted in additional or accelerated spending in 7 of the 30 BAF firms in the sample. We are generally skeptical of these results, and believe that they misrepresent the actual willingness to purchase services of firms in Laos and the effect of BAF in inducing companies to purchase services. Firms in Laos are generally risk averse, and shy away from purchasing services as they are not tangible and effects are minimal in the short-term. The firms could also have been responding with the benefit of hindsight, and having seen the positive effects of the services they purchased they would see themselves purchasing them even without BAF funding. Thus, these results should not be taken as indicative of the additionality of BAF services.

When BAF firms were asked about their satisfaction with the services provided, 24 firms mentioned being very satisfied, five mentioned being somewhat satisfied, and one firm did not respond. These results show that the quality of services provided is generally high, which in turn will boost firms’ confidence in the use of business service providers in the future as well as increase demand through word of mouth referrals.

Firms were also asked if the services they purchased would be worth the full-service price—without the 50% BAF refund. 19 firms said that the service they purchased would still be worth it without the BAF funding. Those firms that responded negatively—that the service was not worth its value without the 50% BAF discount—were asked if the service they purchased was worth it after the 50% discount. Of the 11 firms that responded that the services were not worth their value before the BAF discount, eight said that the service was worth its value after the BAF discount and three said the service was not worth its value even after the BAF discount.

An interesting finding that came to light when setting up interviews is that many firms that applied and received BAF funding were owned by the same individual or holding company. When attempting to coordinate meeting times and schedule, it would come to light that the firm’s owner was manager for other firms that had also received BAF funding, so the team had to be very careful to separate the results from the several companies owned and managed by the same individual or management team. This finding has two ramifications:

- A large proportion of BAF funding is captured by a small number of business owners<sup>2</sup>
- The firms receiving BAF funding are already well capitalized and managed, making it easier for them to apply and receive funding than for smaller firms

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<sup>2</sup> It should be noted that there is a limit of \$200,000 of grant support for firms with common ownership, so the BAF programme was designed to account for this situation, although no holding company hit the funding limit during the duration of the BAF programme

- The larger and better capitalized firms might be able to purchase services without BAF, but it might be an easier “sell” internally for the management team to spend resources on services

## 4.6 Impact of BAF-Supported services

### 4.6.1 Impact on Revenue

As outlined in the TDF-2 Project Appraisal Document and the BAF Operations Manual, a key indicator for the success of BAF is that assisted firms increase their sales at a rate 20 percent higher than non-assisted firms.

Collecting revenue information from firms—both BAF and non-BAF—was not always possible as some firms did not want to disclose this sensitive information. When actual revenue amounts would not be shared, the data gathering team asked for year-on-year growth rate figures. Even then, the team only managed to obtain revenue information from 23 BAF firms and 20 non-BAF firms.

On average, BAF firms outperformed non-BAF firms on revenue growth and surpassed the stated goal of 20 percent higher revenue growth. The average Compounded Annual Growth Rate (CAGR) of revenue for BAF firms was 16 percent, compared to -5 percent for non-BAF firms. Therefore, BAF firms’ revenue growth rate is 21 percent higher than the revenue growth rate of non-BAF firms.

As seen on Table 8, if broken down by location, BAF firms in Vientiane performed slightly worse than average while firms outside of Vientiane performed better than average. The same pattern existed for non-BAF firms, with those in Vientiane performing worse than those outside of Vientiane. It is important to keep in mind that the number of firms outside Vientiane is small, so outliers will greatly affect the average results.

**Table 8 Average year-on-year revenue growth; # of respondents, percent growth rate**

| Type of firm      | N  | Average year-on-year revenue growth |
|-------------------|----|-------------------------------------|
| BAF firm          | 23 | 16%                                 |
| Vientiane         | 18 | 15%                                 |
| Outside Vientiane | 5  | 20%                                 |
| Non-BAF firms     | 21 | -5%                                 |
| Vientiane         | 15 | -8%                                 |
| Outside Vientiane | 6  | 3%                                  |

BAF and non-BAF firms were also asked to forecast their revenue growth for 2017 and 2018. Twenty-one BAF firms and 15 non-BAF firms provided revenue forecasts. On average, the forecasted growth rate was optimistic, with both BAF and non-BAF firms predicting growth that is significantly larger than the average year-on-year growth rate (without forecast, as seen on Table 8)

If the revenue forecasts are incorporated into the calculations for average revenue growth rate for BAF and non-BAF firms, the difference in revenue growth rate goes down by one percent, from 21 percent to 20 percent. BAF firms forecasted a year-on-year revenue growth rate of 29 percent, compared to non-BAF firms forecasted nine percent.

If broken down by location, BAF firms in Vientiane perform slightly better than average while firms outside of Vientiane perform worse than average. For non-BAF firms, the opposite is true, with firms in Vientiane performing below average and firms outside of Vientiane performing above average.

**Table 9 Forecasted average year-on-year revenue growth; # of respondents, percent growth rate**

| Type of firm      | N  | Average forecasted growth for 2017 and 2018 (only) | Average year-on-year revenue growth, including forecast |
|-------------------|----|--|---|
| BAF firm          | 20 | 33%  | 29%   |
| Vientiane         | 16 | 35%  | 30%   |
| Outside Vientiane | 4  | 39%  | 27%   |
| Non-BAF firms     | 15 | 16%  | 9%  |
| Vientiane         | 10 | 18%  | 7%  |
| Outside Vientiane | 5  | 15%  | 12%   |

#### 4.6.2 Impact on Employment

In case the team was not able to collect enough reliable revenue data, firms were asked for proxy indicators of business growth, employment being one of them. Almost all BAF and non-BAF firms provided actual employment numbers, while a smaller proportion provided forecasted growth in employment.

On average, employment growth was 13% higher for BAF firms, while forecasted employment growth was 11% higher for BAF firms. If broken down by location, average employment growth for BAF firms in Vientiane was significantly higher than for non-BAF firms, while the gap between BAF and non-BAF firms was even larger for firms located outside of Vientiane. Forecasted growth followed the same pattern, with BAF firms showing larger forecasted employment growth than non-BAF firms on all locations.

**Table 10 Actual and forecasted employment growth; # of respondents, percent growth rates**

| Type of firm      | N  | Average year-on-year employment growth | N  | Forecasted year-on-year employment growth |
|-------------------|----|--|----|---|
| BAF firm          | 29 | 14%                                    | 27 | 16%                                       |
| Vientiane         | 24 | 11%                                    | 22 | 12%                                       |
| Outside Vientiane | 5  | 31%                                    | 5  | 32%                                       |
| Non-BAF firms     | 29 | 1%                                     | 24 | 5%  |
| Vientiane         | 22 | -1%                                    | 19 | 5%  |
| Outside Vientiane | 7  | 8%                                     | 5  | 6%  |

#### 4.6.3 Impact on other business areas

In addition to growth in employment, the team also asked for activities that firms had performed which might point towards growth in the company. The additional activities the team asked for were:

- Expanded into new markets (national or international)
- Invested in equipment, software, or other productive asset
- Created new products
- Other activity

The rationale was that businesses that invested in additional activities did so because they were in a better financial position, potentially caused by having obtained the BAF-funded services. BAF firms were asked about activities they had performed after completing their BAF-funded activities, while non-BAF firms were asked about the activities they had performed in the past three years.

BAF firms performed more activities than non-BAF firms. This could mean that BAF firms are in better financial position or appreciate the benefits of services more after their BAF-funded activities, and thus encouraging them to purchase more services than non-BAF firms.

Close to half of all BAF firms had performed at least one additional activity since the completion of their BAF-funded services. Fourteen firms mentioned having expanded into new markets; 14 invested in equipment, software, or other productive asset; 14 created new products; and 3 performed other activities.

For non-BAF firms, slightly over half of firms had perform some activity within the past three years. Nine firms mentioned having expanded into new markets; 16 invested in equipment, software, or other productive asset; six created new products; and one performed other activities.

**Table 11 Activities performed by BAF and non-BAF firms**

| Type of activity  | BAF firm | Non-BAF firm |
|---|----------|--------------|
| Expanded into new markets (national or international)       | 14       | 9            |
| Invested in equipment, software, or other productive assets | 14       | 16           |
| Created new products  | 14       | 6            |
| Other activity  | 3        | 1            |

### Case Study – Unexpected effects of BAF funding

A 10-year old IT firm had been affected by stagnating sales and not being able to sell to clients other than small local businesses, which provide low profit margins. The firm applied and received approval from BAF to take a study trip to India to learn about the dynamic IT sector and what could be applied back in Laos.

When the founders returned to Laos, they had many ideas on how to reach higher-value companies, but they faced a major barrier: the image of their well-established company. Customers, both current and potential, had a clear image about the firm, which was that it provided reliable IT services but could not provide the quality of services needed by large clients.

To jump this barrier, the founders decided to open a new company targeting higher-value clients, while the already established firm continued to service their usual market segment. Starting the new company required forming new partnerships with industry leaders, but this idea all started from the BAF-funded study trip to India.

## 4.7 Firms' suggestions for improving BAF

The 30 firms in the BAF sample provided a range of ideas and suggestions for ways in which BAF—or a possible successor to BAF—could be improved. The suggestions in this section are from the firms in the sample, and do not necessarily reflect the views of the study team. Moreover, they reflect the perceptions of these individual firms, whom may not be aware of all the activities undertaken by the BAF team.

Before asking for suggestions on improving the BAF programme, BAF firms were asked if they would recommend other firms to apply for BAF funding. All 30 BAF firms responded positively, saying they would recommend the BAF programme to other firms. All 30 BAF firms also mentioned that they would like to see a continuation or a new BAF programme as it would benefit them and the SME sector in Laos.

Continuation of the BAF programme and increased awareness were the two main suggestions made by firms. Firms wanted to see the programme continue so they and other SMEs could expand their business and become more competitive, particularly as there is increased pressure from well-funded and more experienced foreign firms that are coming into Laos to do business. Increased awareness was mainly mentioned as a means to benefit the SME sector, as firms believed that small firms and firms in provinces had not heard of the programme due to insufficient marketing efforts. The social media presence of the BAF programme was mentioned as one of the areas that could be improved to increase awareness about the programme.

Similarly to the comments made during the mid-term evaluation, some firms suggested that the BAF programme should expand the disbursement percentage to over 50% for specific activities; provide the disbursement before the firm has actually paid for the services or pay for them directly to the service provider; and expand the possible activities to the purchase of equipment and repair of existing equipment. These comments are not surprising, but they are also unrealistic and denote a general misunderstanding of what the goal of the BAF programme is.

Other programmatic recommendations proposed were:

- BAF should allow and fund a maximum of two people to attend trade fairs. When attending trade fairs, it is normally better to send two people, but BAF will only fund the expenses for one person.
- BAF should refund actual expenses for trade fairs if they are within a % range (above or below) the target budget. For trade fairs, firms are supposed to submit a budget of expected expenses. When looking for reimbursement:
  - If the firm spent above the budget, then they only get refunded up to the budget amount.
  - If they spend below budget, then BAF will only refund the actual expenses, not up to the budget amount.
- Additional assistance from BAF for small firms. The amount and detail of documents in general—and the tax documents in particular—required by BAF continue to be a problem for small firms, even if the details are explained beforehand. As previously mentioned, BAF is limited in this regard as the documentation requirements for reimbursement are set by the NIU and the Ministry of Finance.

- Make the BAF process clearer and obvious. BAF should not assume that firms understand the process because it is outlined in documents, as firms continue to have issues complying with the requirements and mentioning that they were not aware of the number of documents and the amount of detail that those documents needed to have.
- Allow for firms to submit several activities in one proposal but to be paid for each activity individually. This would help the smaller firms that do not have the cash flow or financial resources needed to complete all activities and then get reimbursed.
- Stipends for experts hired though BAF should be reimbursable. Currently, BAF does not reimburse stipends that should be provided when experts come from abroad or from a different city and need to stay overnight for several days. These costs are quantifiable and can be quite large if the expert needs to stay for several weeks while providing the contracted service.

The above programmatic recommendations should be kept in mind when and if a new BAF programme is designed and implemented in Lao PDR.

## 5 Conclusion

Several key themes and conclusions emerge from the research and analysis conducted for this final impact assessment.

The **main conclusion** is that BAF funding appears to have positive long-term impact on firms' revenue growth. BAF firms that provided revenue figures (or revenue growth figures) had CAGR of revenue that was 21% higher than for non-BAF firms. It is important to remember that while the actual sample of firms that provided revenue figures was small, the data still points towards a general increase in revenue for BAF firms that was not reported by non-BAF firms. The BAF programme also seemed to have an impact on employment, with BAF firms hiring 13% more employees per year than non-BAF firms

**Awareness and outreach** about the BAF programme remains low, particularly for firms in the provinces. This finding is in line with the mid-term evaluation, which showed that BAF was making efforts to increase the awareness of the programme. It appears then that the efforts did not go as far as needed or were not the right type of awareness raising activities.

Related to awareness and outreach, a much larger proportion of firms than in the mid-term evaluation reported that they had been approached directly by government officials or BAF employees to join the BAF programme. This measure appeared to be an effective way to increase the number of firms that applied and received funding, but could lead to selection biases from the part of the personnel contacting the firms. Without more details about how the BAF team or the government officials mentioned selected firms to contact, it is hard to say if there was any actual bias in how they selected the firms, but it is something to consider when designing follow-up programmes.

The majority of firms were satisfied with the quality of advice provided by BAF during the **initial consultation**. Most firms had an idea of what they wanted to use the BAF funding for, but there is anecdotal information that firms changed and even decreased the number of services they sought to use the funding for after consulting with BAF advisors. This shows that the BAF advisors were honestly trying to provide the best service to firms, not just to disburse as much money as fast as possible.

Firms predominantly considered the **BAF process** to be straightforward and "easy". Most firms believe that the time taken to prepare their application and receive approval for the BAF-supported activity is reasonable, which is in line with the mid-term evaluation findings. Nonetheless, firms still complained about the quantity and detail of the documents required by BAF, which points towards firms understanding the process in paper, but having trouble complying with the requirements when they are applying for reimbursement.

Firms were predominantly happy and satisfied with the **quality of the services provided by the BAF team**. The quality of the BAF team was rated as "high quality" by almost all BAF firms, which is in line with the mid-term results. It is encouraging that while there are issues that firms are dealing with during the BAF process, the firms do not see the BAF team as part of those issues.

**Tax documentation** continues to be an issue for firms, with two thirds reporting that they had at least one sort of tax issue that complicated their compliance with the tax documentation requirements. The largest issue for firms was obtaining tax receipts from foreign service providers while around one third of firms had general issues with tax compliance. These tax issues were also reported during the mid-term evaluation.

The BAF programme only provided **additionality** for a small number of firms. Most BAF firms would have purchased the BAF services even without the BAF funding, with less than one third of firms mentioning that they would not have purchased the services without the funding. As previously mentioned, we are skeptical of these results and don't believe them to be indicative of the actual additionality created by the BAF programme.

Most firms were pleased with the **quality of BAF-supported services**. No firm was dissatisfied with the services they received, and a few firms were only mildly satisfied. A benefit of having most firms very satisfied with the services they obtained is that this will increase the confidence of firms to obtain services in the future and spread word-of-mouth about the benefits that firms can get from services.

No need or low awareness about services were the **main barriers to purchasing services**. Awareness about how services can improve businesses appears to be low, which stops firms from purchasing them. The cost of the service is a secondary issue if firms are not interested or aware that purchasing services could help them improve their business.



## 6 Recommendations

Overall, the findings of this assessment are positive: BAF firms outperformed non-BAF firms in most quantitative metrics, such as revenue and employment growth. BAF firms were also very satisfied with the programme and the services they obtained. Nevertheless, the study team has identified several key areas where BAF could be refined with a view to improving its effectiveness, if and when, future matching grants facilities are developed in Lao PDR.

### 6.1 Awareness Raising

A large number of firms mentioned that awareness raising about the BAF programme could be improved, as smaller firms and those firms in the provinces are generally unaware that the BAF programme exists. The BAF team attempted to improve this situation by using radio and TV advertisements, and there appears to have been moderate success: the number of firms based outside of Vientiane (and Vientiane province) more than doubled since the mid-term evaluation, but as a proportion of all firms it decreased by 1%.

The main recommendation for BAF would be to effectively use social media, particularly Facebook, to reach people in the provinces. Small firms in the provinces are not generally interested in joining workshops, particularly if they are organized by the government. A well-crafted Facebook page in Lao, linking to the BAF web page (also in Lao), would go a long way towards disseminating information in the provinces.

### 6.2 BAF process

Similar to the findings from the mid-term evaluation, some BAF firms continue to have issues complying with the amount and detail of the paperwork required by BAF. One of the main recommendations would be to create a list of documents needed for each specific type of service, as firms were sometimes confused when BAF would require additional documents than the general ones outlined in the documentation provided to firms. Additionally, BAF should not assume that firms understand the actual process and difficulties that they might encounter in trying to obtain some of the documentation required by BAF. To improve this situation, BAF should verbally walk through the process with the firms so they know exactly what documents they need, how to obtain them, and if they need to be originals or copies. An explanation of the tax documentation and potential issues in obtaining it is particularly important.

Another potential recommendation would be for BAF to recommend to firms that they look for service providers in the BDS network operated by DOSMEP. In parallel, BAF should encourage service providers to become members of the BDS network, so they can be more easily found by firms.

### 6.3 Services

Obtaining reimbursements for trade fairs had additional complications compared to other reported services. Firms mentioned that when they apply for funding to attend a trade fair, they need to set an estimated budget and are only allowed to send one person. As mentioned before, firms have issues with this as:

- If the actual expenses are higher than the budget, then BAF only pays up to the budget
- If the actual expenses are below budget, BAF only pays for the actual expenses

To improve this, BAF could pay for expenses that go above budget but are still within 5% of the estimated budget. This would encourage firms to try to stay within budget but also not punish them if they go slightly above. One of the main complaints by firms was that BAF only allows one person to be sent per trade fair. This requirement was imposed by NIU/Ministry of Finance, but if this was changed a significant number of firms would see it as a positive development.