

Second Interim Impact Assessment Survey of the Business Assistance Facility II (BAF II)

Final Report – August 2023



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List of Acronyms and Abbreviations

BAF II	Business Assistance Facility II
BDS	Business Development Service(s)
COVID-19	Coronavirus Disease
EMC	Emerging Markets Consulting
LCT	Lao Competitiveness and Trade Project
Lao PDR	Lao People's Democratic Republic
MOIC	Ministry of Industry and Commerce
NIU	National Implementation Unit
TDF-2	Second Trade Development Facility
SMEs	Small and medium-sized enterprises
TFA	Trade Facilitation Agreement
TOR	Terms of Reference

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1 Introduction

1.1 Project Background

To assist The Government of Laos to further deepen reforms to improve the business environment, improve connectivity with neighboring economies, and raise firm-level productivity, the Lao Competitiveness and Trade Project was launched with funding from the World Bank and a multi-donor trust fund. The project aims to eliminate barriers to private sector-led growth by improving the regulatory environment, lowering trade costs, and raising firm-level competitiveness. The project has four pillars:

- A. **Improving the Business Environment:** This pillar builds on recent support under the Second Trade Development Facility (TDF-2) that started to improve company registration processes, transparency in administering operating licenses, and overall support to the PM Order. Pillar A comprises the following components: A1 (Making it Easier to Start a Business), A2 (Streamlining and Publishing Operating Licenses), and A3 (Support to Broader Business Reforms).
- B. **Facilitating Trade and Connecting to Markets:** This pillar is designed to support the government of Lao PDR in implementing the provisions of the WTO Trade Facilitation Agreement (TFA)⁵ through i) supporting operations of the Trade Facilitation Secretariat and ii) establishing a TFA Challenge Fund, which will provide necessary resources to key agencies responsible for TFA implementation.
- C. **Improving Firm-Level Competitiveness:** This pillar supports individual private enterprises in accessing business development services through a matching grant facility. The intervention aims to reduce costs internal to firms by improving company management and innovation in terms of products, markets, and distribution channels, such as e-commerce.
- D. **Supporting Better and More Inclusive Policies:** This pillar supports effective project implementation, monitoring, evaluation as well as improved economic analysis and policy-making under MOIC's leadership, and public-private dialogue under the Lao Business Forum (LBF). It also supports the transparency agenda for trade and private sector-related regulations.

In this context, BAF II, under Pillar C, is designed to support individual firms build their skills and experience, to become more competitive, as reflected in increased revenues. This is achieved through two main activities: (i) direct generic consulting services to individual firms regarding their business growth plans; and (ii) matching grants to assist individual firms to purchase specialized business development services (BDS) from third party BDS providers, in support of those growth plans.

BAF II has been in operation since May 2019 (and was formally launched in late July 2019). The first BAF II *Interim Impact Assessment Survey* was carried out and completed in August 2022. However, with extension of BAF II's operations to April 2024, from the original end date of April 2022, it has been agreed by all stakeholders to conduct a **second** BAF II *Interim Impact Assessment Survey* in 2023, the findings of which are presented in this report.

It focuses on client firms that have completed their BAF II supported activities at least one year before the survey. A *Final Impact Assessment Survey* will also be carried out in 2024.

1.2 Objectives

The objective of this second Interim Impact Survey is to assess and report on the impact of BAF II's offerings, principally by examining:

1. Sales¹ growth of fifty (50) BAF II supported firms, in comparison with the same number of non-BAF II supported firms of similar size that are engaged in the same or similar sectors.

¹ Note that the terms sales and revenue are used interchangeably in this report (as they are in the terms of reference).

2. Overall satisfaction with BAF II's offering, including, but not limited to, the accessibility and quality of its generic advisory services.

As stated in the terms of reference, the results of the survey will help inform the LCT project management, with a particular focus on: i) assessing whether BAF II is progressing adequately (particularly in the context of the COVID-19 pandemic and challenging macro environment) after three and half years in operations; ii) whether any strategic adjustments or tactical refinements to BAF II should be contemplated in its final year of operations; and iii) whether any other useful lessons can be derived that have the potential to increase BAF II's impact in its remaining life-span.

2 Survey Approach

This section briefly summarizes the survey design and implementation approach for the reader to be able to interpret and contextualize the findings. This approach has been developed in close consultation with the client and following the original terms of reference (see annex II), which specified sample sizes and sampling methodology.

2.1 Survey Design

The sample of 50 BAF II-supported firms was stratified random sampled to account for i) sub-sectors and ii) BDS activities that have been supported by BAF II to date. The sample frame was provided by the BAF team and consisted of client firms that had completed their BAF II supported activities at least one year before the survey, as per the terms of reference.

Based on a long list of non BAF client firms provided by the NIU, EMC then shortlisted corresponding firms, and again using quasi-random stratified sampling, constructed a comparable sample of 50 non BAF client firms. To be as similar as possible to the BAF sample, this accounted for the sector firms operate in, years of operation, the size of the firm, the gender of the firm owner (where data was available), and the location of the firm. In case of non-response when contacting firms for interview, the next eligible firm was selected from the reserve shortlist.

The questionnaires were designed with questions to meet the stated objectives, and based on previous BAF evaluation surveys, adjusted for learning outcomes from those survey rounds. The most impactful lesson from the previous round was that firms (especially in the non-BAF group) were often unwilling to provide exact sales figures, making estimating impact impossible in a statistically significant way. Thus, questions on relative (percentual) sales increases between years were added, which piloting showed firms were more willing to answer and thus provide more data points.

2.2 Survey Implementation

The questionnaires in Vientiane were administrated face to face by experienced Lao Consultants from the EMC team in April 2023, before the Lao New Year (Pi Mai) holiday. Those in other provinces were administered over the phone in the same period.

Data was entered from the paper questionnaires into an Excel file with data integrity checks for quality control, as well as cleaned and wrangled for data modelling and analysis.

Qualitative interviews with the BAF team and NIU were also conducted, to help contextualize findings and interpret firms' open-ended responses. A presentation of initial findings was given to the World Bank team in May 2023, and the final results were presented to the NIU and donors in August 2023.

3 Sample Characteristics

This section summarizes the characteristics of the samples of both the 50 BAF II and the 50 non-BAF II supported firms, **hereafter simply called “BAF” for simplicity**, which were surveyed in April 2023. Most interviews were conducted face to face in Vientiane Capital, while those in other locations were done over the phone.

Table 1: Summary of firms in the assessment sample geographical location

Location	Vientiane Capital	Outside	Total
BAF-supported	45	5	50
Non-BAF	45	5	50

Note: This location refers to the main business premises or head office if a firm has multiple locations.

As most BAF client firms are located in Vientiane Capital, this is where the sample firms are also concentrated. The number of non-BAF firms was matched when sampling. Other locations outside the capital city include Luang Prabang, Khammuane, Savannakhet, and Vientiane Province.

The surveyed firms were in a wide variety of sectors, reflecting the sector-agnostic approach and wide appeal of the BAF II program. Service-oriented sub sectors are more prevalent compared to agricultural and industrial ones, which is reflective of Lao PDR’s general business landscape and BAF II’s larger presence in the capital city of Vientiane.

Figure 1: Sector distribution in the sample of BAF-supported firms

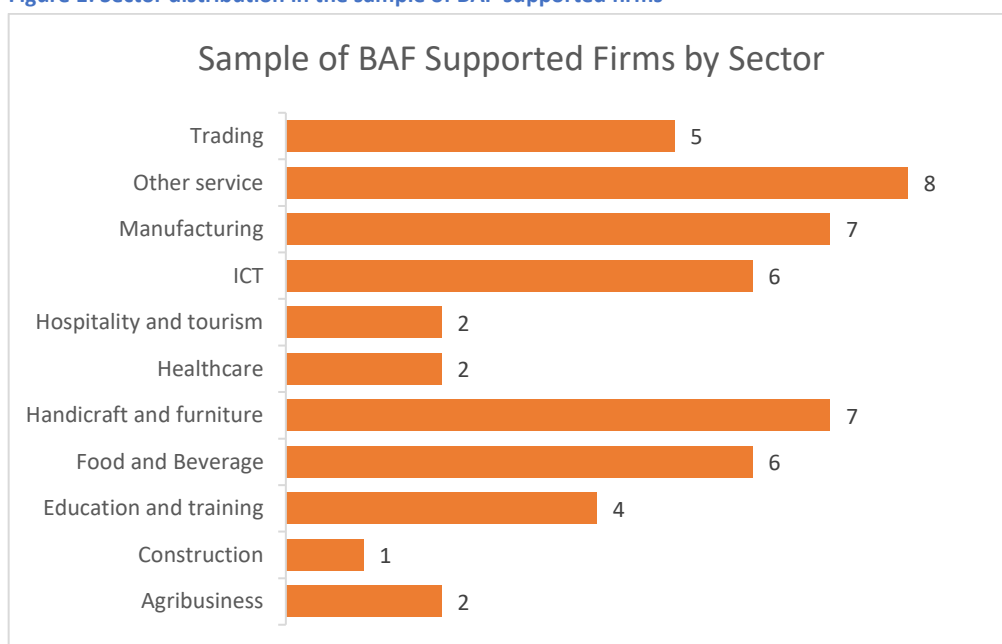
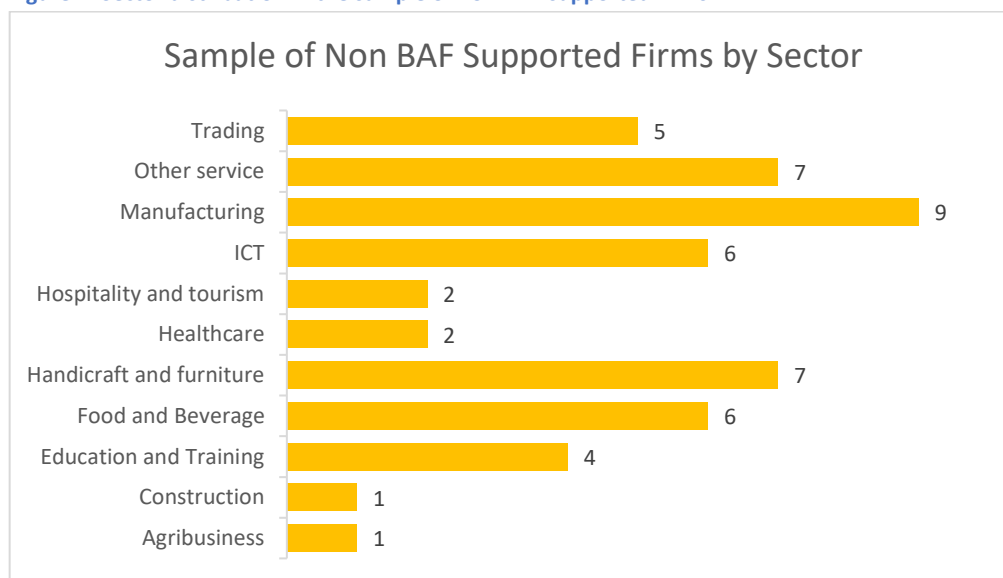


Figure 2: Sector distribution in the sample of non-BAF supported firms



In terms of firm size, this variable was more difficult to account for in sampling, since it was not known for non-BAF firms prior to the interview. At the time of the survey, the average number of total employees in the sample of BAF supported firms was 39.6 and for non-BAF supported firms this was 20.9, while the median was 15.5 and 10 respectively. Sales² was deemed not to be a reliable indicator of size, as so few firms reported exact data on it, and especially non-BAF firms often refused to provide it at all. In conclusion, BAF-supported firms were somewhat larger on average, but this may be due to some outliers, so we break it down for a closer look.

For a more detailed picture, and also for use in further analysis, we categorize the number of firms as small, medium, and large, as can be seen in XXX.³ This was also done using the number employees, rather than sales volume, for the following reasons:

- a) As mentioned above, many firms did not disclose exact sales, especially non-BAF
- b) For number of staff, we have a “now” datapoint, whereas sales only the past year as most recent
- c) Finally, it may be less volatile over time

Table 2: Number of firms by size category in the BAF and non-BAF support samples

Firm size	BAF Support	Non BAF	Total
Large	5	0	5
Medium	19	16	35
Small	26	34	60

Note: Large >99, Medium <100 & > 19, Small <20

This shows that the higher overall number of employees for BAF-supported firms is higher due to the presence of a small number of large firms, whereas the sample of non-BAF firms did not have any in this category.

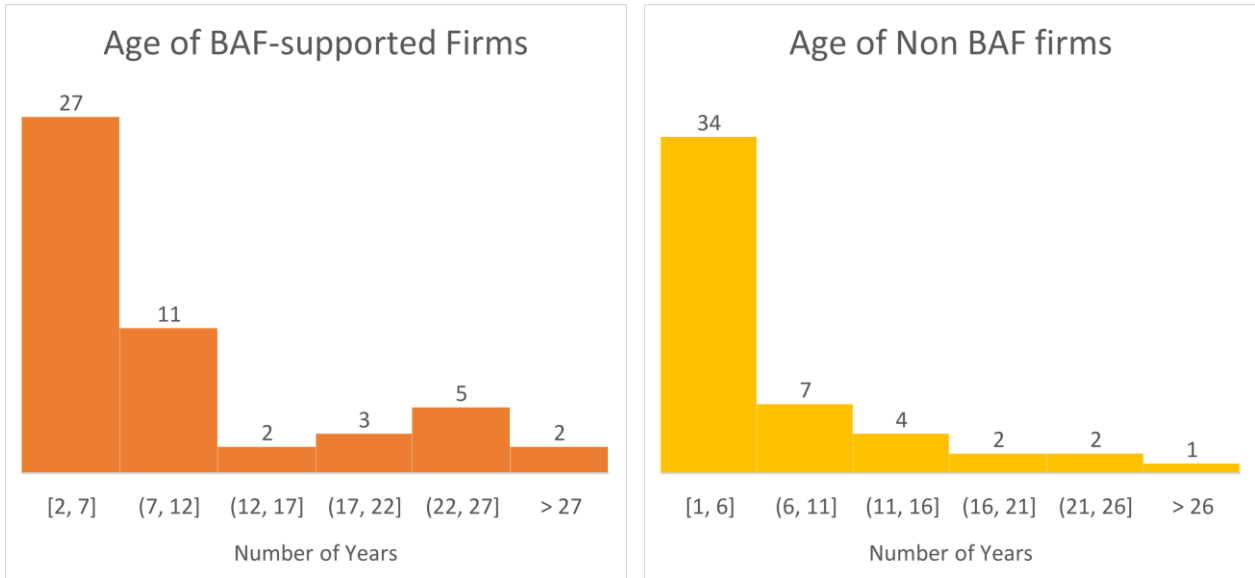
How long a firm has been in business is another useful way to examine BAF II grant beneficiaries, so Figure 3 plots the distribution of firm age across both the fifty BAF and the fifty non-BAF firms in our sample. Due

² This is used interchangeable with “revenue” in this report.

³ Following the official definition of the Lao government, Small firms have fewer than 20 employees, Medium firms have between 20 and 100 employees, and Large firms have more than 100.

to the nature of a normal business life cycle and Lao PDR’s rapid economic growth, it is not surprising to see that most businesses supported by BAF II were founded within the last five years. More established firms were also part of the BAF II program though as it had no specific mandate towards new businesses. The distribution of the sample for non-BAF firms is broadly similar due to the nature of the sampling process.

Figure 3: Histogram of firm age of both BAF and non-BAF supported firms in the sample



Note: Age is calculated as the founding year subtracted from the current year (2023), because the firms’ founding month was not known. Histogram bucket sizes of 5 years.

Regarding gender, women owned businesses are well represented in the universe of BAF II beneficiary firms, clearly resonating with female entrepreneurs. This is also reflected in the sample, which includes more than twice the number of women owned firms as male owned. The sample of non-BAF firms is a bit more balanced in this regard. See the figures below.

Figure 4: Gender of owner in sample of BAF firms

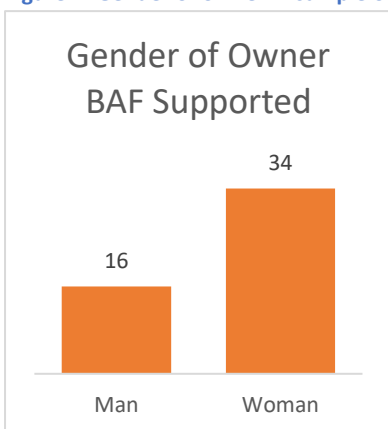
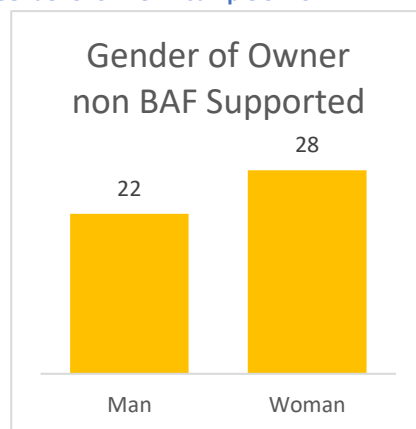


Figure 5: Gender of owner in sample of non-BAF firms



As for the sample firms’ employees, males and females are represented roughly equally, with only a slightly higher number for female employees. This is the case for both BAF and non-BAF supported firms in the sample, although slightly more for BAF firms, as can be seen in Table 2Table 3 below.

Table 3: Gender distribution at BAF and non-BAF supported firms in the sample

	Avg male staff	Avg female staff	Median male staff	Median female staff
BAF firms	18.9	20.8	5	8.5
Non BAF firms	9.7	11.2	5	3

Tests of the impact on revenue disaggregated by these factors are presented in Table 5

4 Impact of BAF II Grants

As per the first stated objective of this survey, this section presents an analysis of the impact of BAF II grants on client firms, by “examining sales growth of fifty (50) BAF II supported firms, in comparison with the same number of non-BAF II supported firms of similar size that are engaged in the same or similar sectors.”

To analyze the difference between firms that received BAF II support and those which didn’t, and to determine which factors may affect this, the survey data in Microsoft Excel was transformed via Power Query and made into a Power Pivot data model. Then sales growth and staff growth measures were created, which were analyzed against the various dimensions from the previous section (size, age of company, gender of owner, year, and sector) and tested for significance.

It should be noted that “support” here refers only to the grant scheme, and not to other services provided by the BAF business advisory team to client firms. This will be covered in the next section of the report.

Different combinations were tested for significance using two-tailed T tests, assuming unequal variances, with $\alpha = 0.05$ where the distribution approximated the Normal distribution. In several cases where the distribution was not Normal, principally where self-reported forecasts were involved, we used a more complicated Mann-Whitney U test, which compares sums of ranks of each observation. However, these turned out not to be significant, for reasons explained below, so were not explored further.

4.1 Overall Sales Growth

The most basic starting point of sales growth analysis between BAF and non BAF firms is a simple difference in yearly growth comparison between all firms in each of the samples. This data was calculated from actual sales figures when available, supplemented with self-reported relative increases from those firms that didn’t provide actual data. Seven firms (3 in the BAF and 4 in the Non BAF set) lacked some data points due to not answering the survey question.⁴ The forecasted data was more often relative than actual; very few firms had made an estimate of 2023 sales or beyond. The result of this is shown in Table 4 below.

Table 4: Overall BAF vs non BAF average sales increase by year including 2023 and 2024 forecast data

Average sales growth	2020-2021	2021-2022	2022-2023f	2023-2024f
BAF	20%	60%	35%	32%
Non BAF	-4%	31%	40%	39%
Difference	24%	29%	-5%	-7%

Note: No longer statistically significant if forecasted years included.

What jumps out from these initial results is that actual sales performance clearly favors the BAF group, whereas the gap appears to close as soon as it relies entirely on forecasts. Self-reported forecasts of sales

⁴ Either a “I don’t know” (perhaps understandably for future sales) or a refusal to answer (mostly for the Non BAF group, who do not feel an obligation to share data).

data through surveys are notoriously unreliable for any number of reasons; ranging from bounded rationality or the lack of means to accurately forecast, to social factors such as wanting to be conservative or optimistic, to the calculating depending on what answer may bring more future benefits.

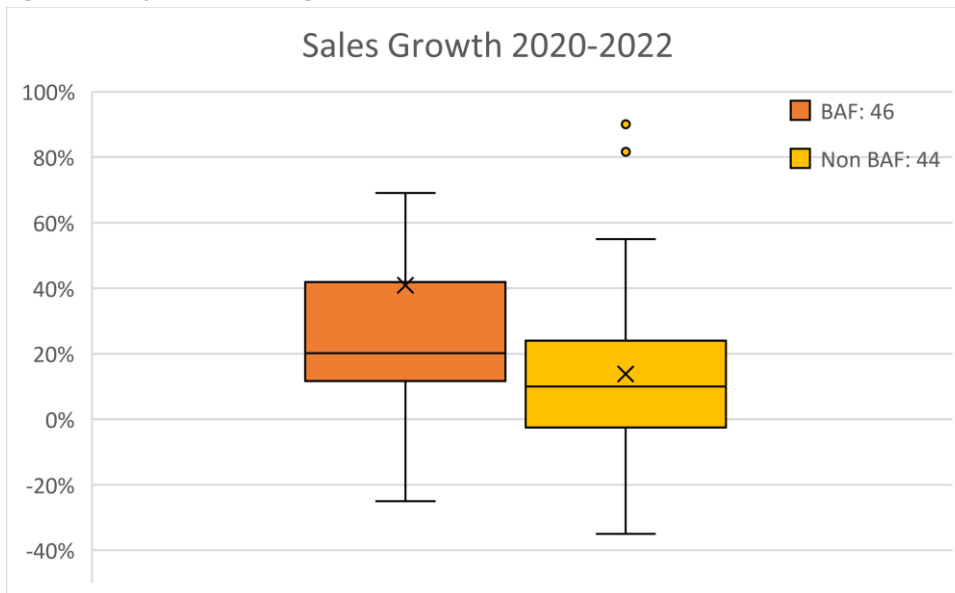
To solve this issue as objectively as possible, we used statistical significance testing, and found that if the forecasted years are included, the results are no longer significant. A two tailed T test with unequal variances with $\alpha = 0.05$ yielded a P value of 0.053. Since the distribution is also not clearly Normal, a Mann Whitney U test was explored, yielding a P value of 0.094. For more details, see Annex I on distributions and significance testing. The only statistically significant scenario, which looks Normally distributed and gives a Two tailed T test with a P value of 0.018 is the period of 2020-2022, for which actual data is available.

We can therefore definitely say that BAF II grants had a statistically significant benefit to the client firms, increasing their sales growth about a quarter each year compared to their non BAF peers. See Figure 6 for a box-and-whiskers plot summarizing the sales performance over these two years, and xxx for each year separately.

In conclusion:

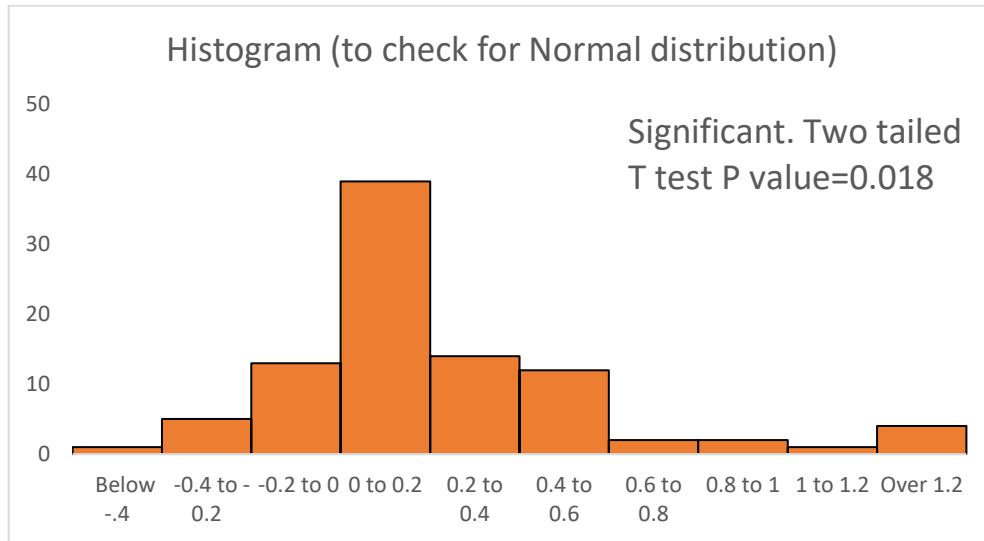
Both the average sale increase (41% for BAF and 14% for non BAF) and the median (20% for BAF and 10% for non BAF) are substantially higher for BAF client firms, with a P value of 0.018 well below an α of 0.05 and thus considered statistically significant.

Figure 6: Comparison of sales growth 2020-2022 between BAF and non BAF firms



Note: The n does not equal 50 due to missing responses for either of the two years, which include "Do not know" and refusal to answer. The actual n=x is stated in the chart legend.

Figure 7: Histogram and result of statistical significance T test for sales analysis 2020-2022



Now that the null hypothesis has been rejected and we accept that BAF II clients indeed have higher sales than comparative non-clients, we can explore which other factors might play a role in the magnitude of this difference.

4.2 Sales Growth Breakdown Analysis

As mentioned above, we test the impact of the following factors on the magnitude of the impact of BAF II activities on sales:

- Sector
- Gender of owner
- Age of firm
- Size of firm
- Combinations thereof

After testing each of them for Normal distribution approximation and P values using the 2 tailed T test of unequal variances, the picture summarized in Table 5 (below) emerges. Interesting findings from this table include:

- Young companies (less than 10 years) benefit more than average, although it should be said that there are also more of them as we have shown in Section 3.
- Male owned companies seem to benefit more than female owned ones.
- Small and/or young companies benefit more, especially if they are male owned.

A summary of further exploration of these results is presented in Table 7.

Table 5: Sales growth of significant subgroups of firms disaggregated by characteristics

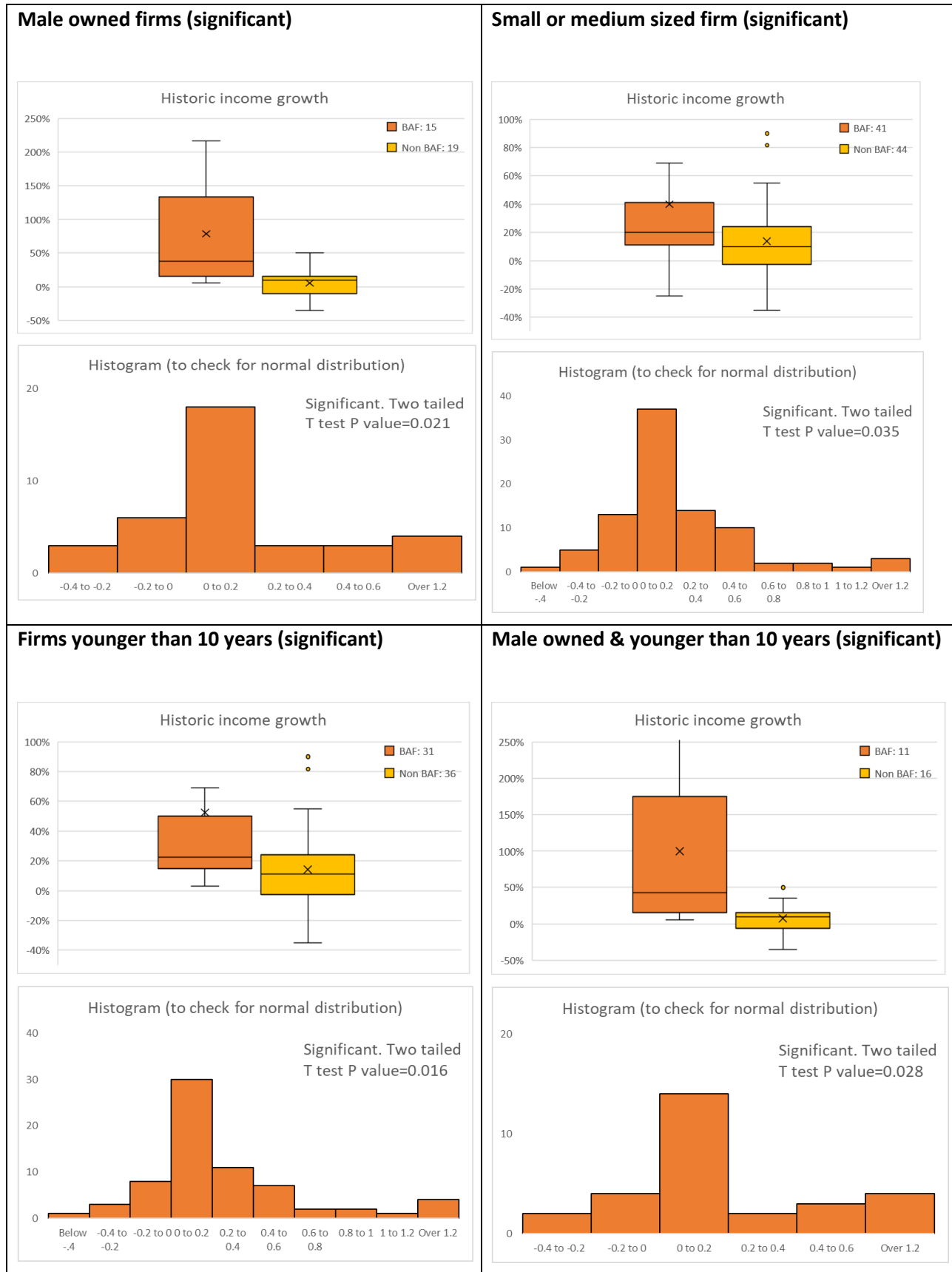
Sales growth 2020-2021	Mean of BAF firms	Mean of non BAF firms	2 tailed T-test P Value	Approximated to Normal distribution	Significant
Overall	41%	14%	0.018	Yes	Yes
Handicraft sector	10%	-15%	0.076	No	No
ICT sector	132%	1%	0.134	Yes	No
Female owned	23%	20%	0.780	Yes	No
Male owned	78%	5%	0.021	Yes	Yes
0-5 years	58%	16%	0.173	Yes	No
5-10 years	48%	10%	0.059	Somewhat	No
0-10 years	53%	14%	0.016	Yes	Yes
Med co	31%	20%	0.382	Somewhat	No
Small co	48%	10%	0.073	Yes	Close
Small <10 years	59%	11%	0.070	Yes	Close
Male owned <10 years	100%	7%	0.028	Yes	Yes
Small, male owned	127%	2%	0.175	Somewhat	No
Small & med	40%	14%	0.035	Yes	Yes

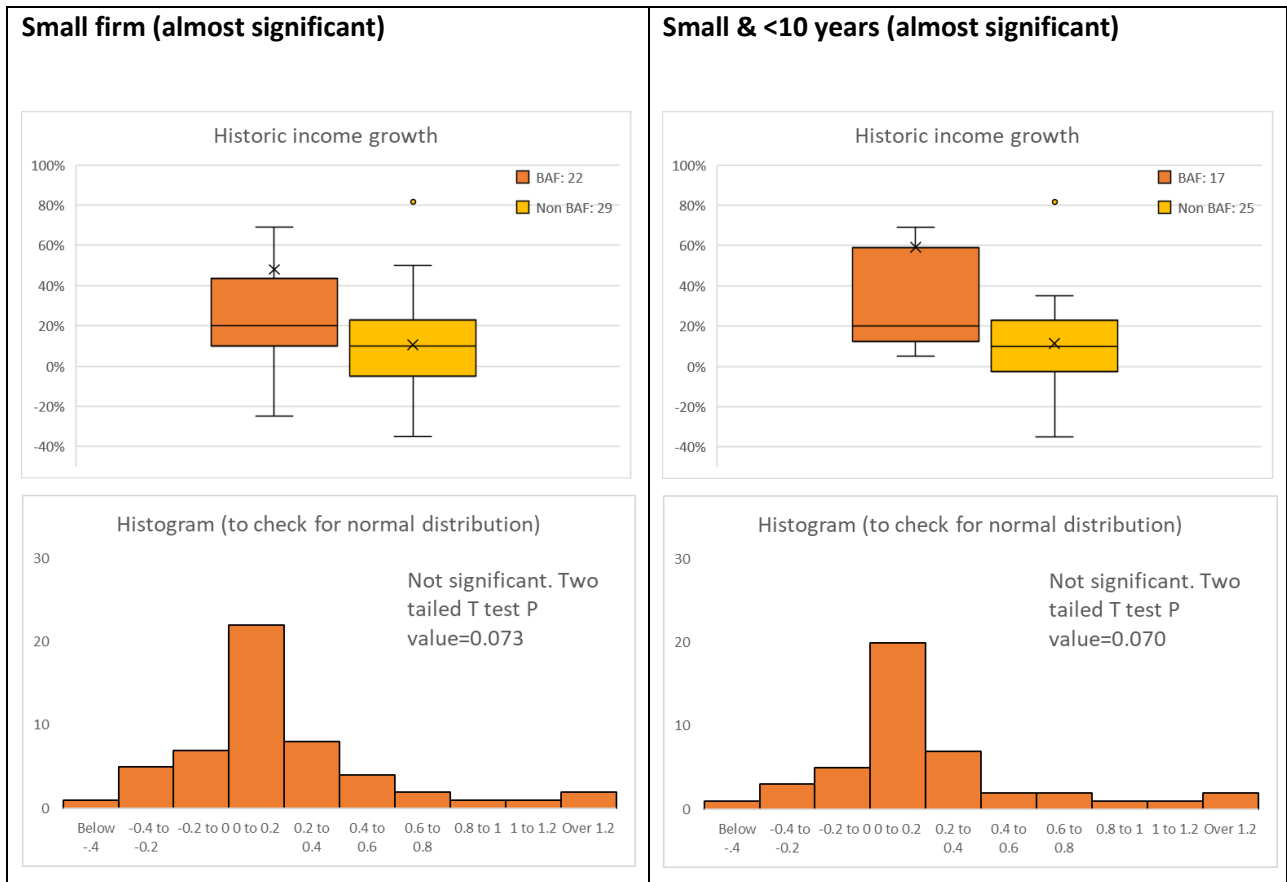
A sectoral analysis didn't yield many interesting results. This analysis is different as there are far more categories and therefore fewer businesses in each (thus median was used here). Only Handicraft, F&B, ICT, and Manufacturing are large enough to explore, and of these, only Handicraft and ICT show a reasonable difference (but neither are statistically significant). These might be explored further via the follow-up survey in 2024 or other research though.

Table 6: Comparison of median sales increases over 2020-2022 between BAF and no BAF firms across sectors

Sector	Support	Avg, Med, Count	Median sales growth 20-22
Agribusiness	BAF	2, -5%, -5%	
Agribusiness	Non BAF	1, 15%, 15%	
Construction	BAF	1, 38%, 38%	
Construction	Non BAF	1, 15%, 15%	
Education and training	BAF	4, 21%, 20%	
Education and training	Non BAF	4, -8%, -1%	
Food and Beverage	BAF	6, 55%, 27%	
Food and Beverage	Non BAF	6, 18%, 15%	
Handicraft and furniture	BAF	7, 10%, 12%	
Handicraft and furniture	Non BAF	4, -15%, -16%	
Healthcare	BAF	2, 13%, 13%	
Healthcare	Non BAF	2, -1%, -1%	
Hospitality and tourism	BAF	2, 31%, 31%	
Hospitality and tourism	Non BAF	2, 11%, 11%	
ICT	BAF	5, 132%, 60%	
ICT	Non BAF	6, 1%, 3%	
Manufacturing	BAF	7, 29%, 20%	
Manufacturing	Non BAF	9, 29%, 16%	
Other service	BAF	6, 49%, 41%	
Other service	Non BAF	6, 28%, 22%	
Trading	BAF	5, 26%, 15%	
Trading	Non BAF	5, 22%, 8%	

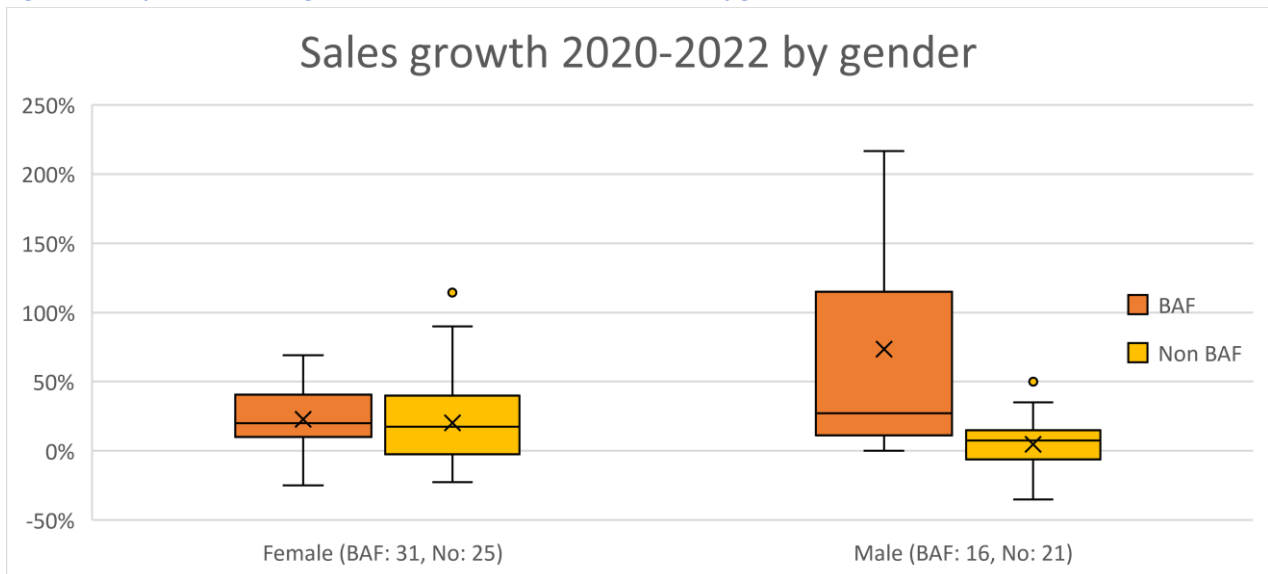
Table 7: Analysis of magnitude in sales growth for different sub-groups (with statistical significance)





Taking a comparative look at gender, sales growth seems to be less with a female owner. However, the interquartile range is much larger, so it isn't as predictable – see Figure 8, the range of the chart is much larger than usual here.

Figure 8: Comparison of sales growth between BAF and Non BAF firms by gender of owner



5 Satisfaction with BAF II

As per the second stated objective of this survey, this section presents an analysis of the experiences of client firms with various aspects of the BAF II program by assessing the “satisfaction with BAF II’s offering, including, but not limited to, the accessibility and quality of its generic advisory services.”

This assessment will be split between the two core value offerings of the BAF II program, namely i) access to the matching grant facility, and ii) other business advisory services offered by its business advisor team on a pro bono basis. Further, the assessment of the grant facility covers three areas of the process:

1. Application
2. Follow-up and approval
3. Reimbursement

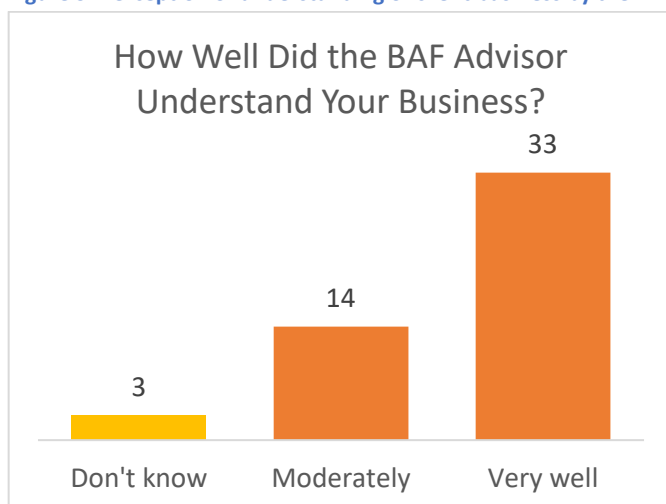
This section draws entirely on the sample of fifty BAF client firms, since the Non BAF firms did not have any experience with BAF and thus cannot be compared to measure satisfaction.

5.1 Generic Advisory Services

In addition to the grant facility, BAF II also has an “open door policy” for giving advice to firms. Its team of business advisors provides advice as a part of outreach, as well as on a one-on-one basis. In addition to advice to guide clients through the grant application process, including potential activity selection, these can be what the terms of reference refer to as “generic advisory services”.

In this case the BAF II team essentially is a provider of BDS services to clients. Understanding a clients’ business as well as team business skills are key to providing these types of services effectively. Two thirds of surveyed firms rated the teams understanding of their business as “very well”, while none reported a complete lack of understanding (see Figure 9). Interesting here is that no matter what sector the firm operated in, from IT to hospitality and handicrafts, qualitative statements from firms all express that the team understood their business model and industry, and was able to give useful advice, which speaks to the quality of the teams own overall business advisory skills.

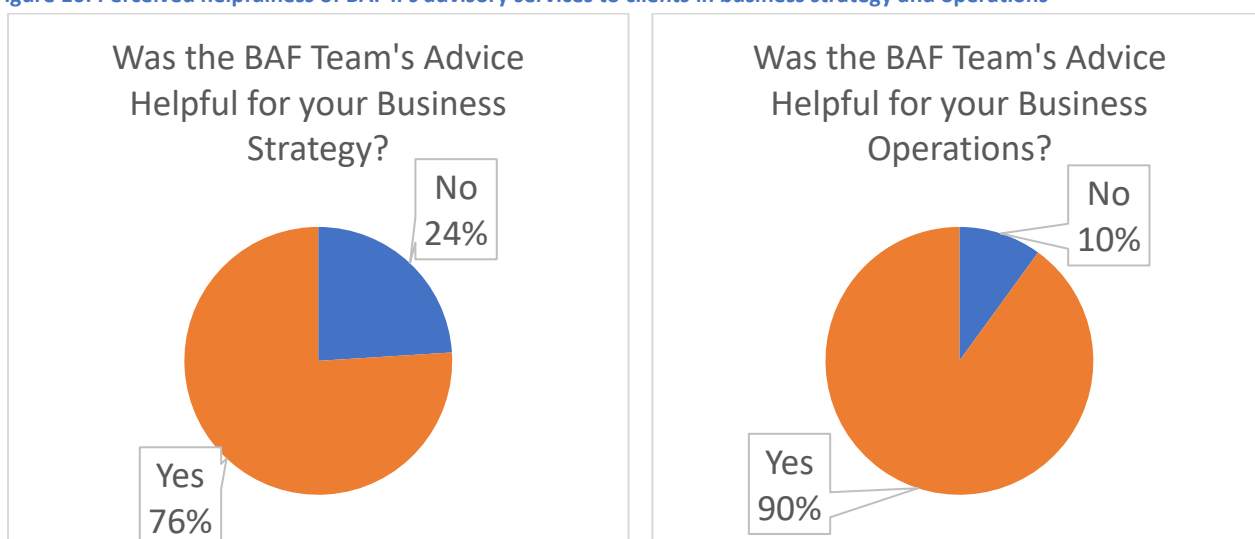
Figure 9: Perception of understanding of client business by the BAF II team



To explore this phenomenon further, firms were asked about the quality of the BAF team’s advice regarding their business strategy and operations. Strategy is typically more specific to a firm and may vary quite a bit without there necessarily being a “right answer”. It also depends a lot on the vision of the entrepreneurs and is not always obvious to the advisor and more closely guarded. Business operations are about effectiveness and efficiency in executing the business strategy. While the details of it vary across industries, it can be said to follow more standard BDS methodologies, especially within industries.

When faced with a binary (yes or no) question as to whether the BAF team’s advice was useful in either of these areas, 90% of surveyed clients reported that it was helpful with regards to operations and 76% with regards to strategy (see Figure 10). This aligns with the expectation that strategy involves more and deeper interactions with the client, and business advisory skills in operations are easier to scale and replicate. Nonetheless, in both areas the vast majority of client firms received value from the team’s advisory services.

Figure 10: Perceived helpfulness of BAF II’s advisory services to clients in business strategy and operations



The BAF advisory team also played a key role in “enrolling” client firms into the grant scheme, by not simply passively accepting applications, but by collaboratively work with prospective clients about the benefits they could potentially derive from various activities.

Firms that first made contact with the BAF team had a variety of prior knowledge regarding what they wanted to do or which service providers they wanted to hire, see the Tables below.

Table 8: Did you already have a clear understanding about the BAF program and the types of services that you could receive?

	Number of firms
1. Yes, already had a clear understanding about the BAF program	25
2. Had some idea, but some things I did not understand	19
3. Very little understanding of the BAF program	6

Table 9: Did you already have a clear idea about what service you wanted to purchase using BAF funding?

	Number of firms
1. Yes, already had a clear idea about the service I wanted to purchase	44
2. Had some idea of possible services, but still wasn’t sure	4
3. No idea about the service I wanted to purchase	2

Table 10: Did you already have a clear idea about what service provider you wanted to engage using BAF funding?

	Number of firms
1. Yes, already had a clear idea about the service provider	35
2. Had some idea of possible service providers, but still wasn’t sure	13
3. No idea about the service providers I wanted to engage	2

Only half of surveyed firms had a clear understanding of the BAF program, and thus relied on the BAF team for guidance. Most firms however already had an idea about what kind of activities they wanted to procure, and even from which service provider. This is also due to the success in outreach and the quality of the BAF II website, of which the firms that visited it nearly three-quarters (73.7%) reported it was easy to find all the information they needed.

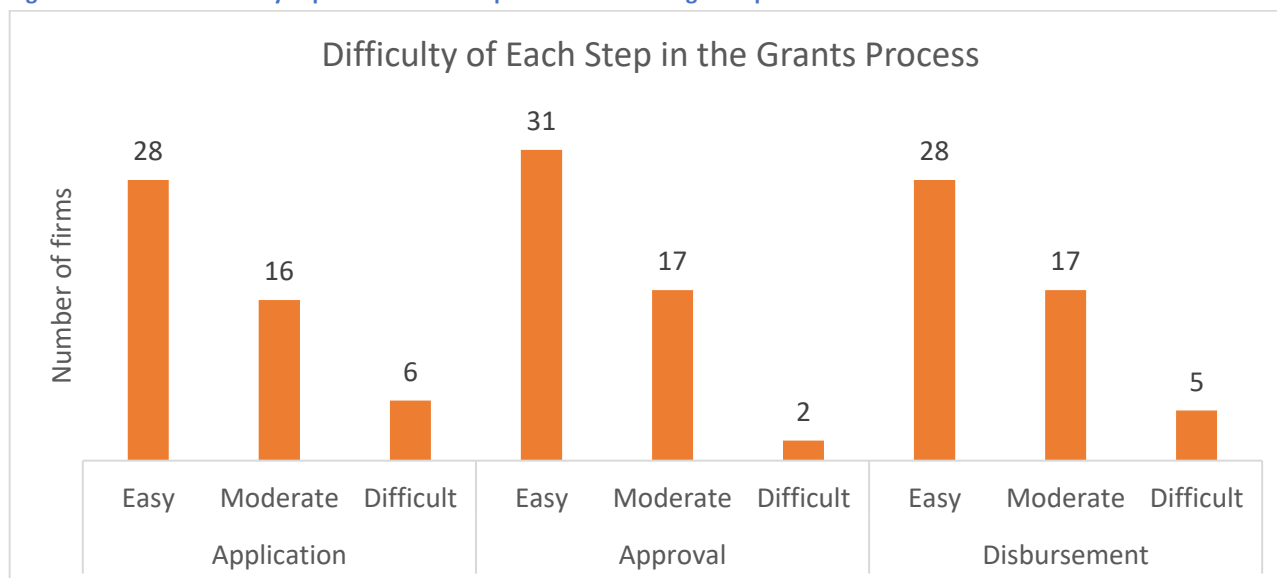
When reaching the final decision of whether to participate in the BAF II grant scheme or not, **94% of firms reported the “general advice and guidance” received by the BAF team during their decision-making process as “high”,** and the remainder as “medium”.

5.2 Grant Facility Access

As mentioned above, support during the grant facility access has been divided into three steps. First, the initial *application* phase where the client firm fills out the requisite forms with the details of their business, planned activity, budget, etc. and submits them to the BAF team. Second, a period of follow-up and communication between the firm and the team to obtain any missing information or clarify any issues, ultimately leading to *approval*. Third, after the activity has been completed, the client firm enters a *reimbursement* process in order to retrieve BAF II’s contribution to the funding of its activity.

The survey examined the experience of client firms for each of these steps independently, by asking firms to rate the level of difficulty experienced between 1. Easy, 2. Moderate, and 3. Difficult. The results can be seen in

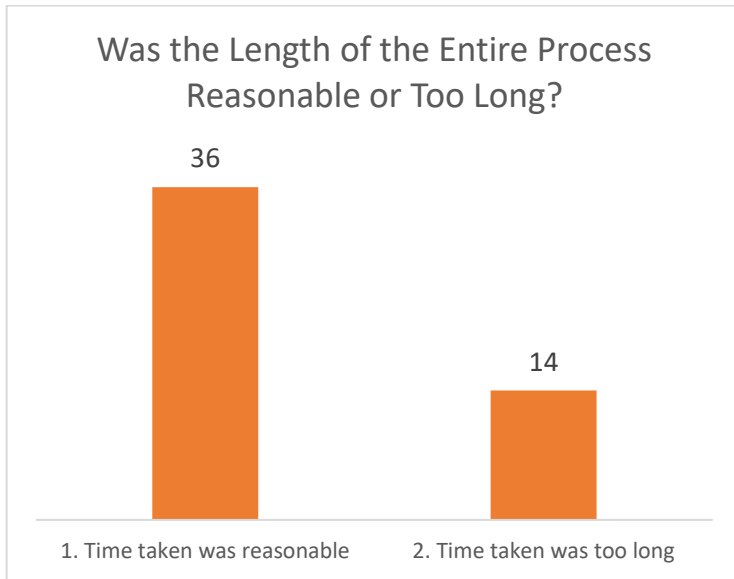
Figure 11: Level of difficulty experienced in each phase of the BAF II grants process



As can be clearly seen from this graph, there is very little difference in the difficulty experienced by firms in the different steps of the application process, with perhaps the initial application process and the reimbursement process being slightly more challenging. The other clear finding is that over half of firms rate each step of the process as “Easy”, with only very few (around 10% at most) reporting it to be “Difficult”.

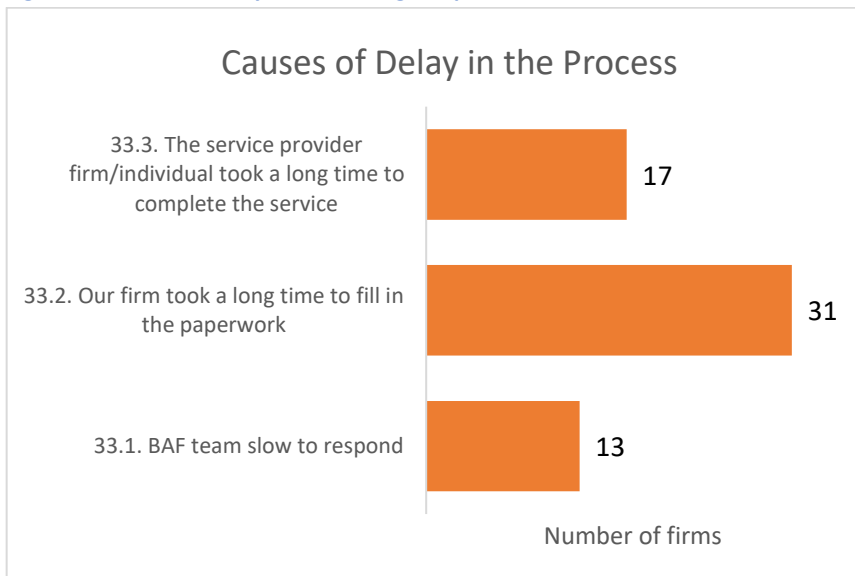
The time taken for the process varied wildly between different firms and different activities, with no specific factor being a significant influence. Respondents also generally found it difficult to remember how much time was spent by staff on each step, or even the total process, as they were not handling it personally and did not measure the hours at the time. When asked whether the BAF client firms experienced the length of the entire process as reasonable or too long, over two-thirds (72%) reported that it was reasonable (see Figure 12).

Figure 12: Perceived length of time for the BAF grant process from beginning to end.



Furthermore, any causes of delay were attributed more to the firm itself filling out paperwork (though this could indicate they found there to be too much paperwork) or to the service provider taking longer to complete their tasks than to the BAF team. Only 10% of firms attributed delays in the process entirely to the BAF team. See Figure 13 for an overview of factors.

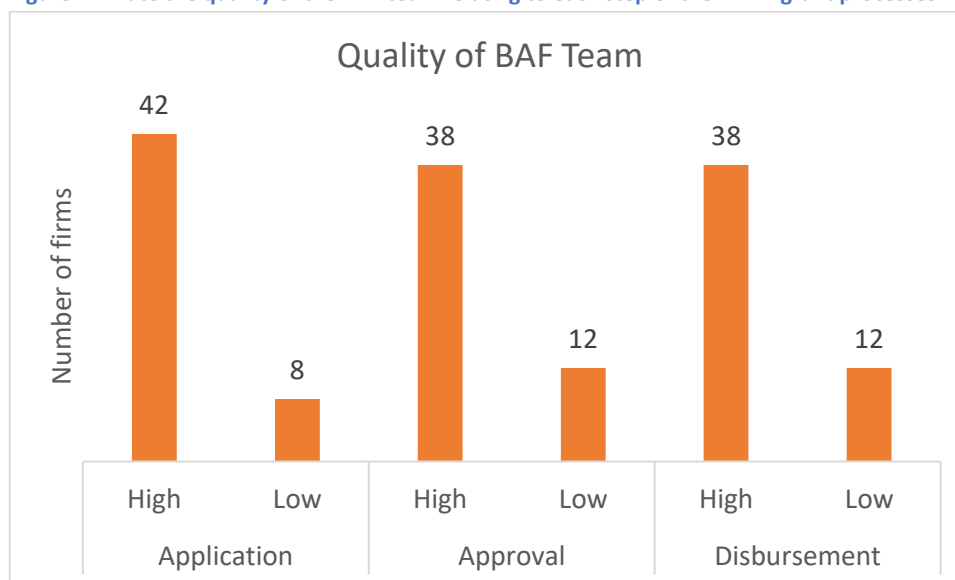
Figure 13: Causes of delay in the BAF II grant process



Note Multiple answer options possible.

The BAF team’s performance quality was also rated for each of the three steps in the process, with client firms providing a rating of either 1. Low, 2. Medium, or 3. High. Noteworthy here is that not a single firm rated the team as Low for any of the three steps, so the resulting chart looks like Figure 14. The ratings for the application phase were the best (84% rated quality as high), whereas approval and disbursement phases were identical (76% rated quality as high).

Figure 14: Rate the quality of the BAF team relating to each step of the BAF II grant processes



To further emphasize this point, **96%** of respondent firms (48/50) reported they would use the BAF program again in the future if it was available, and BAF II’s Net Promoter Score (NPS)⁵ was measured at 8.94, which is exceptionally high compared to most service industry benchmarks.

6 Other Findings

This section contains some miscellaneous findings that are worth noting for any reason, such as keeping in mind for the next survey round, think about more qualitatively, or just to mention that something didn’t yield any significant results and wasn’t excluded by accident.

For example, it should be mentioned here that there were too few firms having received multiple grants from BAF II in the sample to say anything about synergies of these benefits. It was however easier for those firms to navigate the process.

Another finding of note is that annualized changes in staff are not statistically significant between the two groups at all, neither for real data nor for forecasts. This could reflect any number of factors such as the fact that hiring typically needs a while to catch up to increased sales in a normal business cycle, risk aversion in certain sectors post-covid while others recover more rapidly, not all BAF funded activities necessarily leading to direct employment generation, most businesses being small to begin with, etc. This is something to explore further in the final survey round when there are more data points, as well as longitudinal ones, available for analysis.

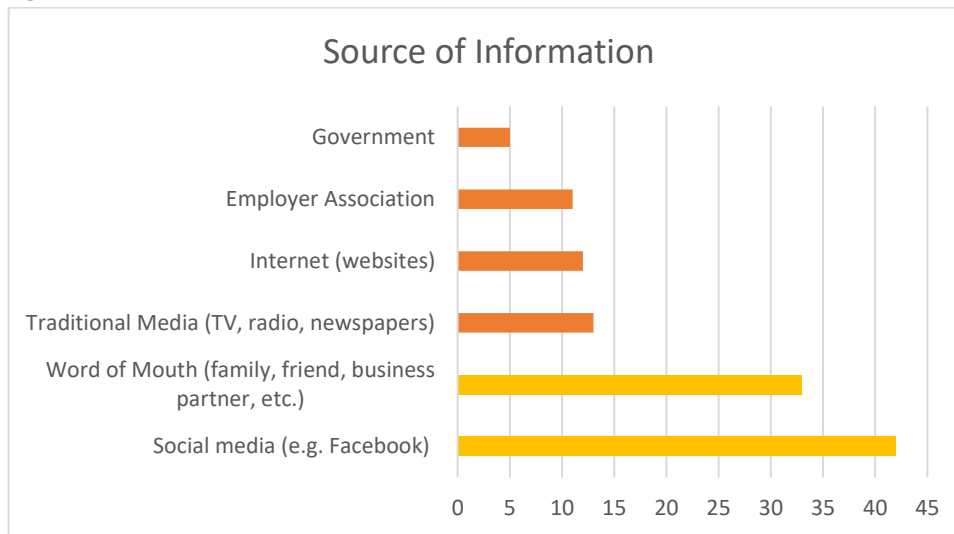
6.1 Sources of Information

Where people get their information is important when doing outreach. Considering the fact that firms in both the BAF and Non BAF groups obtained their business-related information mostly via social media as well as “word of mouth”, the BAF team has done an exceptional job with direct contact while following these trends. See Figure 15 and Figure 16. That 28%, nearly 1/3rd, of Non BAF firms sampled from a quasi-random list had heard about BAF at all⁶ prior to the survey also speaks to the efficacy of the team’s outreach campaign and the program’s reputation.

⁵ A standard metric devised by Bain & Company, commonly used to determine customer satisfaction in market research, which asks: “On a scale from 0 to 10, how likely are you to recommend this product/company to a friend or colleague?”

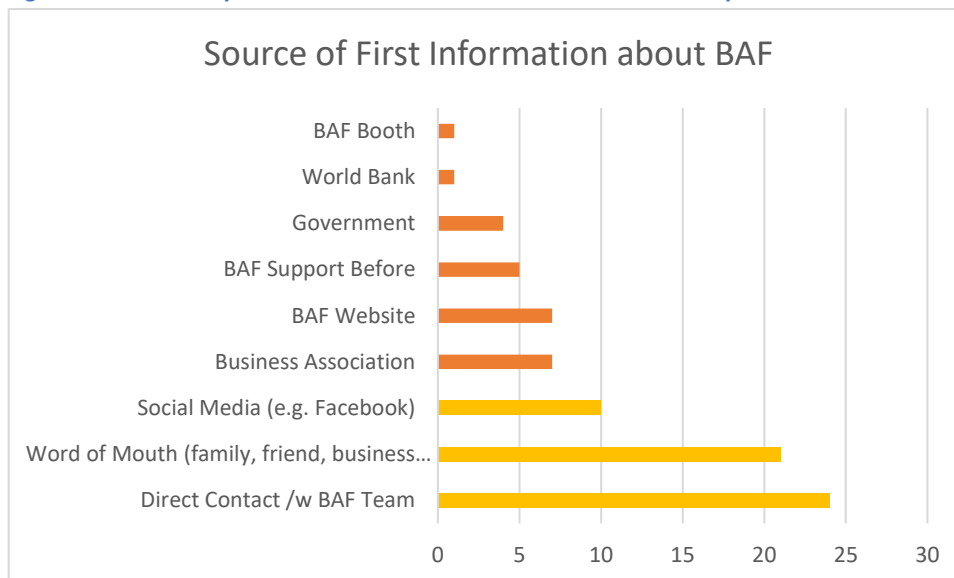
⁶ Non BAF survey questionnaire “Before today, have you ever heard of the BAF program?”

Figure 15: Where Do Firms Get Information About Business Related Issues?



Note: From all respondents. Multiple options possible.

Figure 16: Where did you first hear about the Business Assistance Facility II?

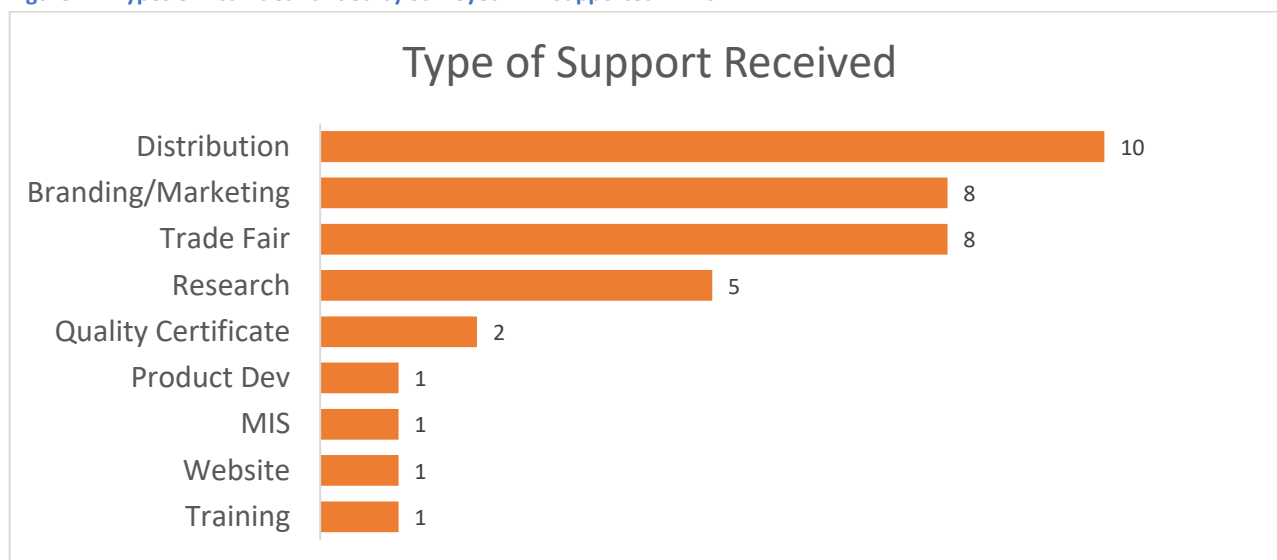


Note: From BAF group respondents. Multiple options possible.

6.2 Procured BDS Services

The services obtained by the BAF client firms surveyed focus mostly on sales and marketing of existing products, including websites and trade fair participation, while a few firms also invested in product or production process improvement related activities (see Figure 17).

Figure 17: Types of Activities Funded by Surveyed BAF Supported Firms



Of the surveyed firms, only 46% had previously purchased a similar type of service, so BAF introduced a large portion of firms to new services and thus new service providers. These service providers were overwhelmingly Lao, or at least based in Laos (see xx), indicating that services were mostly available in the local market, although COVID-19 may have restricted some firms in their search for a provider. The “Laos-Japan Institute” provided training to two firms.

Table 11: Types of service providers selected by BAF client firms by organization type, origin, and location

Type of service provider	Number of firms
Individual person (Lao Nationality)	1
Individual person (Foreign Nationality in Laos)	1
Lao-owned company	28
Foreign-owned company based in Laos	11
Foreign-owned company based overseas	7
Other (Laos-Japan Institute)	2

There were no significant differences in satisfaction from different types of services or service providers.

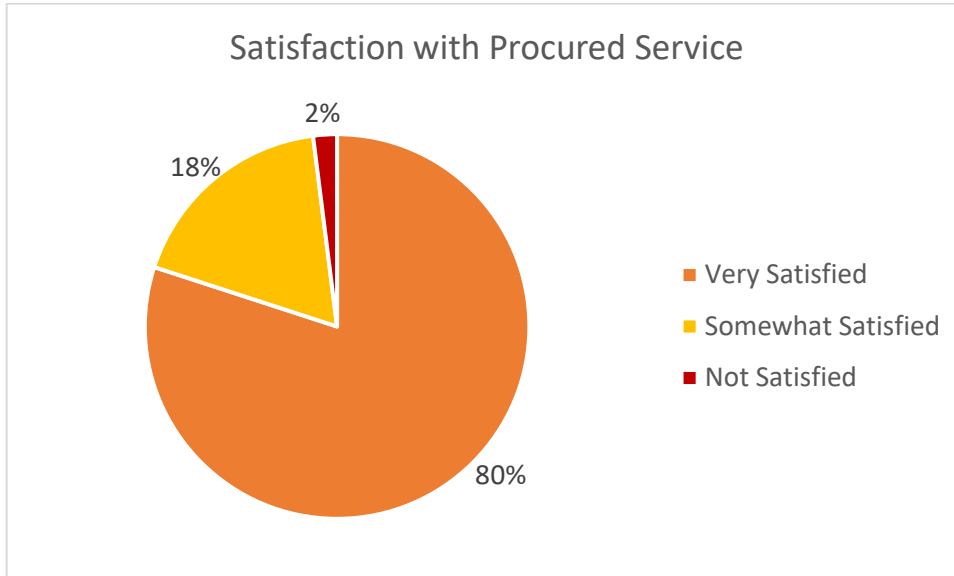
Costs were generally perceived as fair, with 76% of respondent firms believing the service they procured was worth the total price charged by their service provider. All except one firm that didn’t think it was worth the full price, reported it was worth the money it actually spent after receiving the BAF co-funding. In this context it is worth noting that the funding also covers the VAT charged by the service providers in Laos to registered firms. This increased the attractiveness especially for traditionally informal firms, provided they became properly registered. Considering the pervasiveness of informality in the Lao economy, this makes the BAF program an additional opportunity to get more businesses formalized.⁷

⁷ Emerging Markets Consulting (2017), Business Formalization in the Lao PDR: DFAT, Vientiane. Retrieved from <http://mekongbiz.org/wp-content/uploads/2017/07/Lao-PDR-Business-Formalization.pdf>

Satisfaction

Overall satisfaction with the services was high, with 80% of surveyed firms reporting they were “very satisfied” with the service they procured. Only one firm was not satisfied.⁸ See Figure 18.

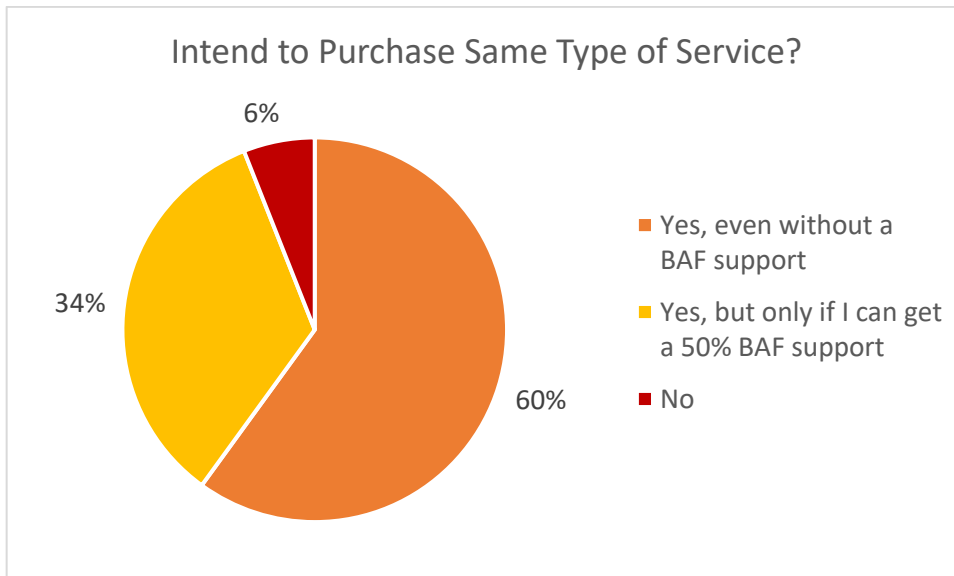
Figure 18: Overall satisfaction with services supported through BAF funding



This finding is further reinforced by the fact that 94% of firms reported they intended to purchase a similar type of service again. Of these, 62.5% (30 firms) stated they would do so even without BAF support in the future, whereas the rest would only do so with co-funding from BAF or a similar program. See Figure 19. Two notes are worth considering here:

- Whether they would use the same service provider as before was not asked.
- There is no timeframe in the question, which makes these results difficult to interpret definitively.

Figure 19: Stated intention of surveyed firms to purchase the same type of service in the future



⁸ A complaint related to the speed and responsiveness of the service provider.

Estimated Impact

That self-reported forecasts of sales proved an unreliable factor for measuring impact statistically between groups was a possibility considered when designing the survey tool. For this reason, a question that only sought to measure a business owner’s expectation was also included in a different section of the questionnaire than the one that discussed sales figures. This might reflect the subjective impression of BAF client firms, as they were asked “What long-term impact do you think the service will have on your firm’s revenues?” **all respondents expressed a strong positive expected impact, with an average expected sales increase of 41% and a median of 27.5% (n=40; as not all were willing to estimate a percentage).**

Qualitative statements from BAF clients that clearly illustrate this long-term expectation include “it will be easy for us to introduce our company to potential customers from abroad”, “the quality of our products has become higher”, “our product will become more credible in the market”, “we will be able to work more efficiently, lowering costs”, “it raised the professionalism of our brand”, etc.

Short term impacts were generally aligned with clients expectations (see Table 12), with some qualitative statements illustrative of these sentiments including “customers are becoming open to try”, “it is still difficult for our employees to get used to the system”, “the new packaging is more attractive and appears to be more encouraging”, “the website has helped us, customers are starting to use the new payment options”.

Table 12: Is the impact you see now bigger or smaller than what you hoped for when you decided to purchase the service?

Perception	Number of firms
Bigger than hoped	15
Same as hoped	32
Smaller than hoped	2
Too early to tell	1

Half of surveyed BAF client firms reported they would have performed exactly the same activity even without BAF support (see Table 13). However, it should be noted that these responses come after having been exposed to the support from the BAF business advisory team and having experienced the value brought by the activity firsthand and may be an overestimation. Some evidence to support this comes from the answers of non BAF firms in the survey (see below). Ten percent of firms would not have purchased the service without BAF at all, and the remainder would have either spent less money or delayed until an appropriate time.

Table 13: Stated intent towards purchasing activities without BAF co-funding after the fact

Would you have still purchased the activity without BAF co-funding?	Number of firms
Yes, I would have done exactly the same (service cost and timing)	25
Yes, but I would have spent less money on the service	12
Yes, but I would have delayed the service until a later time	8
No, I would not have purchased the service at all	5

Note: Asked of BAF client firms (n=50).

To provide some contrast to this, Non BAF client firms were asked about activities they would like to perform and the reasons why they did not. The answers to this are summarized in Table 14, with the main finding being that nearly two thirds of firms stated being unable to afford them.

Table 14: Main reasons why firms don't purchase services

Reason for not purchasing service	Number of firms
These services are too expensive (we can't afford them)	23
Quality of these services is low in Laos	3
Don't know where to buy these services (who provides them)	1
I have never thought about these services for my business	8

Note: Asked of Non BAF client firms. Multiple answers possible. (n=35; not all firms were interested in services)

Considering that cost was the most prohibitive factor for a comparable sample of firms, there is still room for BAF to add value in terms of co-funding as well as other services like provider matching.

7 Recommendations

The longer-term recommendations will naturally be explored further in the final impact survey report, after more data has been collected, especially related to longer term revenue growth and gender aspects. The survey team will consider these recommendations as hypotheses to test when revising the survey tool for the final round.

- Further develop the non-grant related services provided by the BAF business advisory team
 - o Improve business acumen of BAF supported firms
- Additional efforts to reach businesses outside of Vientiane Capital
 - o Satellite offices in other economic hubs
 - o Information strategies
 - o Collaborations with partners
- Embed the collection of data for impact measurement and learning
 - o At the same time, document lessons learned
- Additionally tailored support for women led enterprises
 - o More research as to why results for women led firms have so much more variance
- Explore ways of establishing BAF as a localized business model
 - o Are there opportunities to spin off BAF as a private BDS provider or risk capital platform?

8 Next Steps

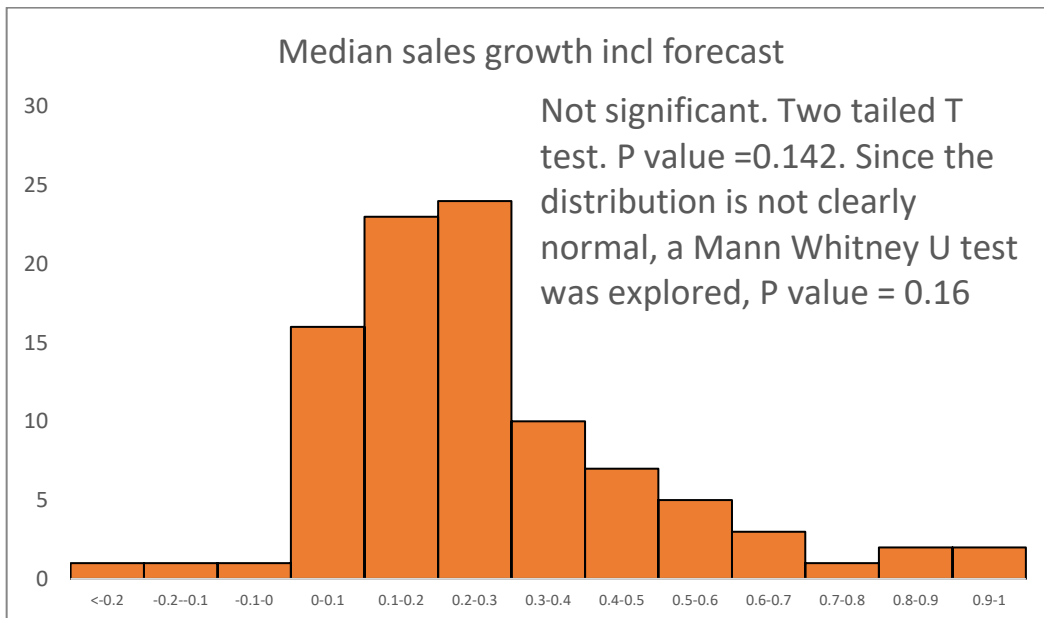
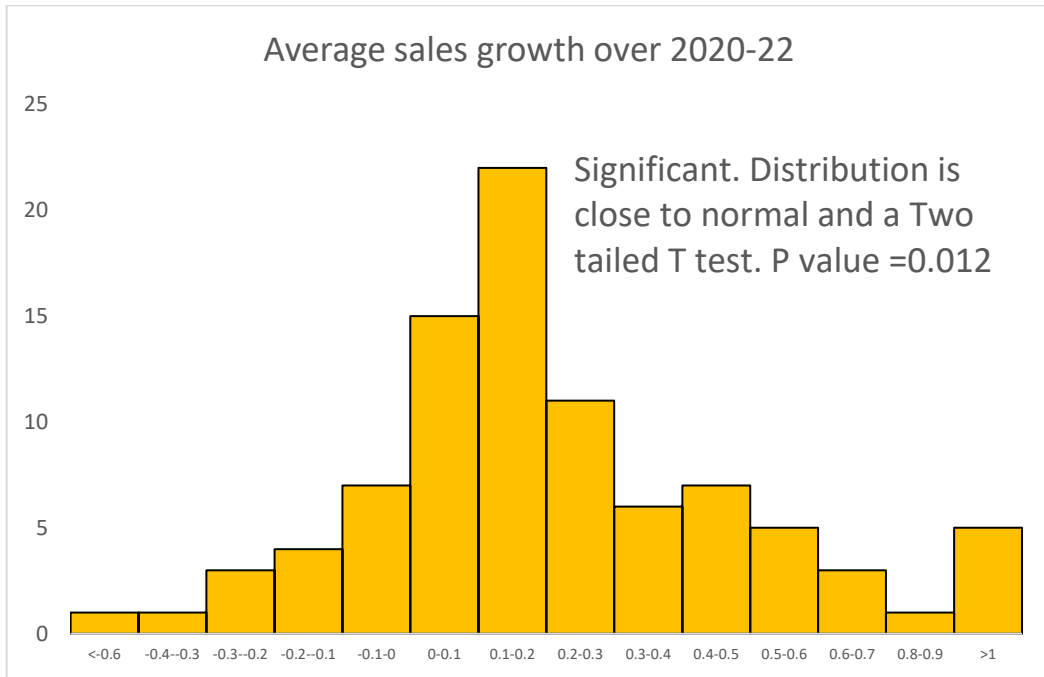
The Final Impact Assessment Survey of BAF II will take place when the program is in its conclusion, between March and June of 2024. The primary objective of this final survey will be to assess and report on the ongoing impact of BAF II's services by examining the sales growth of BAF II-supported firms that have completed their BAF-supported activities, in comparison with the same number of non-BAF II supported firms with similar characteristics.

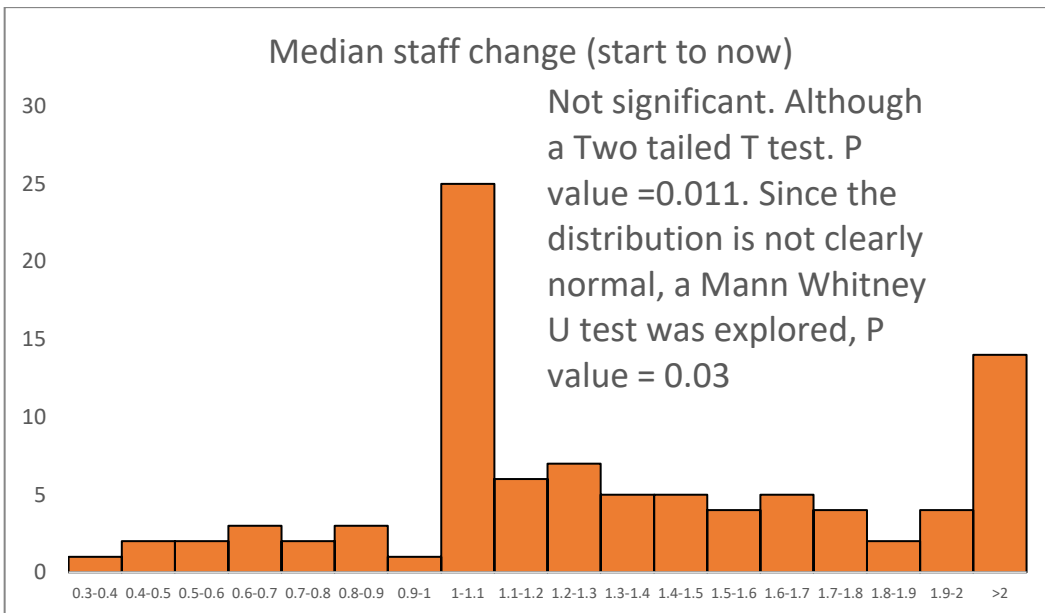
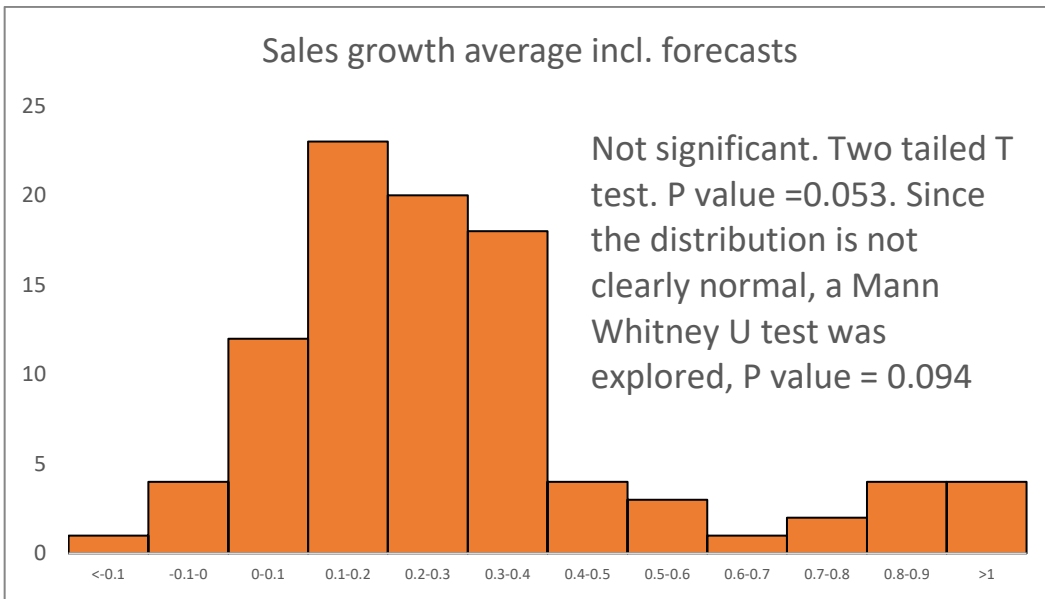
As with this interim survey, the sample of BAF II-supported firms will reflect the range of sub-sectors and activities that have been supported by BAF II to date. This survey will also cover 120 businesses, sixty firms that have received BAF II support, and sixty non-BAF II supported firms of similar size that are engaged in the same or similar sectors/sub-sectors. At least twenty BAF II supported firms in the final survey will come from the 50 firms surveyed for this report, to make an additional longitudinal analysis possible. This type of analysis, combined with the increased number of datapoints on actual sales and employment data as opposed to forecasts, will lend more weight to the impact analysis of the matching grant scheme.

Annexes

I. Significance Testing

Of the four metrics for sales growth which were tested below, only those including the actual figures were statistically significant, and also the only ones clearly approximately Normally distributed. In this case, two sample T tests assuming unequal variances could be used.





II. Terms of Reference

TERMS OF REFERENCE

For Consulting Firm to Conduct Impact Assessment Surveys of the Business Assistance Facility II (BAF II)

1. Background to the assignment

To assist The Government of Laos to further deepen reforms to improve the business environment, improve connectivity with neighboring economies, and raise firm-level productivity, the Lao Competitiveness and Trade Project was launched with funding from the World Bank and a multi-donor trust fund. The project aims to eliminate barriers to private sector-led growth by improving the regulatory environment, lowering trade costs, and raising firm-level competitiveness. As described in the Project Appraisal Document, the project has four pillars:

1. **Improving the Business Environment:** This pillar builds on recent support under the Second Trade Development Facility (TDF-2) that started to improve company registration processes, transparency in administering operating licenses, and overall support to the PM Order. Pillar A comprises the following components: A1 (Making it Easier to Start a Business), A2 (Streamlining and Publishing Operating Licenses), and A3 (Support to Broader Business Reforms).
2. **Facilitating Trade and Connecting to Markets:** This pillar is designed to support the government of Lao PDR in implementing the provisions of the WTO Trade Facilitation Agreement (TFA)⁵ through i) supporting operations of the Trade Facilitation Secretariat and ii) establishing a TFA Challenge Fund, which will provide necessary resources to key agencies responsible for TFA implementation.
3. **Improving Firm-Level Competitiveness:** This pillar supports individual private enterprises in accessing business development services through a matching grant facility. The intervention aims to reduce costs internal to firms by improving company management and innovation in terms of products, markets, and distribution channels, such as e-commerce.
4. **Supporting Better and More Inclusive Policies:** This pillar supports effective project implementation, monitoring, evaluation as well as improved economic analysis and policy-making under MOIC's leadership, and public-private dialogue under the Lao Business Forum (LBF). It also supports the transparency agenda for trade and private sector-related regulations.

The Business Assistance Facility II (BAF II), under Pillar C, is designed to support individual firms build their skills and experience, so as to become more competitive, as reflected in increased revenues. This is achieved through two main activities: (i) direct generic consulting services to individual firms regarding their business growth plans; and (ii) matching grants to assist individual firms to purchase specialized business development services (BDS) from third party BDS providers, in support of those growth plans.

BAF II has been in operation since May 2019 (and was formally launched in late July 2019), during which time it has achieved robust results against its original targets for the number of firms assisted and number of grants approved to date.

The first BAF II Interim Impact Assessment survey was carried out and completed in August 2022. However, with extension of BAF II's operations to April 2024, from the original end date of April 2022, all relevant stakeholders have agreed to conduct a second BAF II Interim Impact Assessment Survey in Q1 of 2023, as well as a Final Impact Assessment Survey in Q3 2024.

The national implementing unit is therefore seeking the services of a consulting firm to conduct both the Second Interim Impact Assessment and the Final Impact Assessment Surveys of BAF II, focusing on the qualitative and quantitative impacts on individual firms of BAF II support. Details of the specific tasks, management arrangements, as well as required qualifications and experience of the consulting firm that will undertake this task are presented below.

2. Objective of the consulting assignment

2.1 The Second Interim Survey

The primary objective of the second Interim Impact Survey is to assess and report on the impact of BAF II's offerings, principally by examining: i) the sales growth of fifty (50) BAF II supported firms, in comparison with the same number of non-BAF II supported firms of similar size that are engaged in the same or similar sectors; and ii) overall satisfaction with BAF II's offering, including, but not limited to, the accessibility and quality of its generic advisory services. The results of the survey will help inform the LCT project management, with a particular focus on: i) assessing whether BAF II is progressing adequately (particularly in the context of the COVID-19 pandemic and challenging

macro environment) after three and half years in operations; ii) whether any strategic adjustments or tactical refinements to BAF II should be contemplated in its final year of operations; and iii) whether any other useful lessons can be derived that have the potential to increase BAF II's impact in its remaining life-span.

The sample of BAF II-supported firms should reflect the range of both: i) sub-sectors and ii) BDS activities that have been supported by BAF II to date. The sample should focus on client firms that have completed their BAF II supported activities at least one year before the survey. The sample selection will be conducted in consultation with the team implementing BAF II.

2.2 The Final Impact Survey

The objective of the Final Impact Assessment Survey is to assess and report on the impact of BAF II's services by examining the sales growth of BAF II-supported firms that have completed their BAF-supported activities, in comparison with the same number of non-BAF II supported firms of similar size that are engaged in the same sector. The sample of BAF II-supported firms should reflect the range of sub-sectors and activities that have been supported by BAF II to date. The survey will cover 120 companies, sixty (60) firms that have received BAF II support, and sixty (60) non-BAF II supported firms of similar size that are engaged in the same or similar sectors/sub-sectors. The survey shall be designed in such a way as to ensure the results of this final evaluation are comparable to the results of the second Interim Impact Survey. At least twenty (20) BAF II supported firms in the final survey should come from the 50 firms covered in the second Interim Assessment.

3. Scope of work

The specific tasks include:

- Assessing the impact of BAF II services on the performance of BAF II supported firms with respect to relative sales growth. This should provide the basis for a data-driven evaluation of whether, and to what degree, BAF II is achieving its intended mandate. The primary performance indicator is that BAF II supported firms should increase their sales by twenty percent more than the rate achieved by non-BAF II supported firms, within two years of grant completion. (This will necessitate gathering annual sales growth of non-BAF II supported firms to compare their performance with that of the BAF II supported firms.)
- In addition, identifying and evaluating other improvements in firms supported by BAF II, such as, but not necessarily limited to: entry to new markets and new business opportunities, potential import substitution, employment creation and/or income gains, developing new products or services, improvements in the quality and consistency of existing products/services, adopting new business practices, enacting new investments, pursuing more sustainable business practices, etc. This is intended to evaluate BAF II's overall impact, beyond revenue growth, particularly in the context of COVID-19 resilience and recovery, and the challenging macro-environment in which Laos now finds itself.
- Assessing surveyed firms' overall satisfaction with BAF II's offerings, including but not limited to: accessibility of service, speed of response, flexibility, ability of the BAF II team to provide additional advice to individual firms, ease of making and re-imburement claims, etc.
- Assessing general awareness and interest of Lao firms in BAF II's offerings to optimize BAF II's future marketing and outreach, particularly in the context of post-COVID-19 recovery.

- Interviewing the BAF II team members to gain their insights into the BAF II instrument's strengths and weaknesses, and where there might be the potential for improvements, if any.

4. **Deliverables**

The firm will prepare a clear work plan at the outset of the assignment and indicate a detailed methodology for performing the survey. This should include:

- Survey methodology and piloting of any survey instruments, to be agreed with the NIU and the team implementing BAF II.
- Methodology and data sources to be used for the identification of BAF II supported firms, and non-BAF II supported private firms to be interviewed, based on the criteria indicated in the above section.
- Process for data collation and analysis of the survey findings.
- A draft table of contents of the report, to be agreed with NIU.
- Final Impact Assessment reports.