

Annual Environmental and Social (E&S) Monitoring Report of the MSMEPA to the World Bank (Final Draft)

Name of Organization	MSME Promotion Agency (MSMEPA)		
Completed by (name):	Mone Nouansyvong (E&S Specialist), Vilayouy Inmexai (MSME Promotion Policy Officer), Ananh Xaiavong (E&S Safeguard Officer).		
Position in organisation:	MSMEPA	Date:	31/01/2024

Portfolio Information (Financed by MSME A2F Project)

Report Covering Period:	
From:	To:
January 2023	December 2023
<i>Note: MARUHAN JAPAN BANK LAO CO., LTD covered the period from 1 July 2022 to December 2023.</i>	

Based on (1) the Biennial and Annual E&S reports submitted by the project Participant Financial Institute (PFIs) from January to June and July to December 2023, (2) Report on monitoring of the implementation of environmental and social management plans of some MSME in Savannakhet and Champasak provinces between October 10-14, 2023, including interview and report by PFIs, relevant authorities and village heads (reported separately) ; this report covers monitoring of the E&S context, implementation including compliance, risks and grievance of the sub-loan projects for the reporting period, as well as the information listed below:

1. Total approval, loans and MSMEs¹ type, size and characteristics.
2. Exposure by industry sectors.
3. Exclusion list exposures.
4. ESMS processes, supervision and monitoring, safety, social and community risks and compliance issues, and recommended corrective actions.

¹ Microenterprise (1-5 employees), small (6-50 employees) and medium private enterprises (51 to 99 employees).

1. Number and Amount of Loans and MSMEs Types and Sizes

From January 1st 2023 except Maruhan Japan Bank which counted from July 1st 2022 to December 31st 2023, the five participating financial institutes (PFIs) approved sub-loans totalling about 213 billion LAK for 101 MSMEs. These MSMEs employed 1,198 people, with 49.52 % of them managed by women. Out of this, 105² sub loans totalling about 170.50 million LAK (approximately 8,227,850 US\$³) was disbursed. On average, each reimbursed sub loan amounted to approximately 1.62 billion (78,038 US\$) (Table 1 and 2). The majority of the sub-loans or 52 sub-loans (approximately 50%), were released by Saigon Thuong Tin Bank Lao Co., LTD (SACOMBANK LAO), followed by Vietin (19 sub-loans, 18%), Lao-Viet (18 sub-loans, 17%), Maruhan Japan Bank Lao (MJBL) (14 sub-loans, 13%), with Lao-China National Bank (LCNB) accounting for 2 sub-loans or 2% of the total disbursed sub-loan.

The largest number of the sub-loan (63.81%, totally 67 sub-loans) went to the Trade Sector, followed by the Service Sector, which received 24,67%. The remaining 11.43% was allocated in the Manufacturing, Handicraft and Agriculture Sector (Figure 2a). Out of 105 sub-loans, 60 (57.14%) were for small enterprise, 42 sub-loans (40%) were micro-enterprise, and 3 sub-loans (2.86%) were medium size enterprise, respectively. The sub-loans consisted 78% in term of number and 73% in term of loan amount of Working Capital, and 22% in term of number and 27% in term of loan amount for Investment Capital (Table 1 and 2).

The sub-loans were distributed in 10 provinces, with the majority of them (72 sub-loans) located in Vientiane capital. There were approximately 5 to 9 sub-loans each in Luangprabang, Vientiane, Champasack and Savannakhet province. Attapu province had 2 sub-loans, while Oudomxay, Xiengkhouang, Saravan and Xekong each had only one sub-loan (Table 3).

No sub-loan projects were categorized as high or substantial environmental and social risk category. However, 30% (30 sub-loan projects) were classified as moderate risk, while 73% were low risk (Figure 1). Both low and moderate risk were distributed across all PFIs and sectors (Figure 2 and 3).

² According to the Finance report this amount can be different because this report is based on the Annex E Biannual Environmental and Social Monitoring Report from 5 PFIs: The regular financing phase started from January 1st, 2023 except Maruhan Japan Bank counted from July 1st, 2022 to December 31st, 2023, there was 105 sub-loans approved with the total amount of 170,505,100,000 LAK equivalent to US\$ 8.74 million.

³ Based on the exchange rate on March 3rd, 2024: 1 US\$ =20,808 LAK.

Table 1 Total numbers of loan by type, sector and MSME size during regular financing phase between January-December 2023

PFIs	MSMEs	Total Sub-loan	Loan purpose		Loan purpose/Sector					Size			Female Own MSMEs	Labors
			WC	IC	Agriculture	Handicraft	Industry	Service	Trade	Micro	small	Medium		
Lao-China Bank	2	2	2	-	-	-	1	1	-	-	2	-	-	47
Laoviet Bank	17	18	13	5	1	1	-	2	14	10	8	-	11	146
Maruhan Japan Bank	13	14	11	3	-	-	-	6	8	7	7	-	5	114
Sacombank	51	52	40	12	-	2	4	12	34	21	29	2	29	658
Vietin Bank	18	19	16	3	-	2	1	5	11	4	14	1	7	233
Total	101	105	82	23	1	5	6	26	67	42	60	3	52	1,198
Average	20.20	21.00	16.40	5.75	1.00	1.67	2.00	5.20	16.75	10.50	12.00	1.50	13.00	239.60

Table 2 Total amount of loan by type, sector and MSME size during regular financing phase between January-December 2023

(Unit LAK *1.000.000.000)

PFIs	Amount Approval	Amount Disbursement	Loan purpose		Loan purpose/Sectors					Size			Female Own of MSMEs
			WC	IC	Agriculture	handicraft	Industry	Service	Trade	Micro	small	Medium	
Lao-China Bank	17,00	4,00	4,00	-	-	-	2,00	2,00		-	4,00	-	-
Laoviet Bank	27,48	27,48	19,55	7,93	2,00	1,00	-	5,40	19,08	9,70	17,78	-	11
Maruhan Japan Bank	46,05	17,04	12,31	4,72	-	-	-	6,99	10,05	5,35	11,69	-	5
Sacombank	83,17	83,05	58,05	25,00	-	2,00	5,50	23,74	51,81	21,44	55,61	6,00	29
Vietin Bank	39,62	38,92	31,14	7,78	-	2,00	3,98	11,20	21,74	4,99	32,93	1,00	7
Total	213,33	170,50	125,06	45,441	2,00	5,00	11,48	49,33	102,69	41,48	122,02	7,00	52
Average	42.66	34.10	25.01	11.36	2.00	1.67	3.83	9.87	25.67	10.37	24.40	3.50	13.00

Table 3 Number and Amount of Sub-Loan Categorized by Provinces

#	Province	Number of Sub-Loan Contracts	Number of MSMEs	Progress Value in Million (LAK)	Progress Value in Million (USD)
1	Vientiane capital	71	67	110,91	5,73
2	Savannakhet	9	9	15,60	0,78
3	Champasak	8	8	12,44	0,63
4	Vientiane province	6	6	14,60	0,72
5	Luangprabang	5	5	7,25	0,44
6	Attapue	2	2	1,80	0,09
7	Oudomxay	1	1	1,00	0,05
8	Xekong	1	1	1,20	0,06
9	Xiengkhuang	1	1	1,70	0,08
10	Salavan	1	1	4,00	0,19
Total		105	101	170,50	8,78

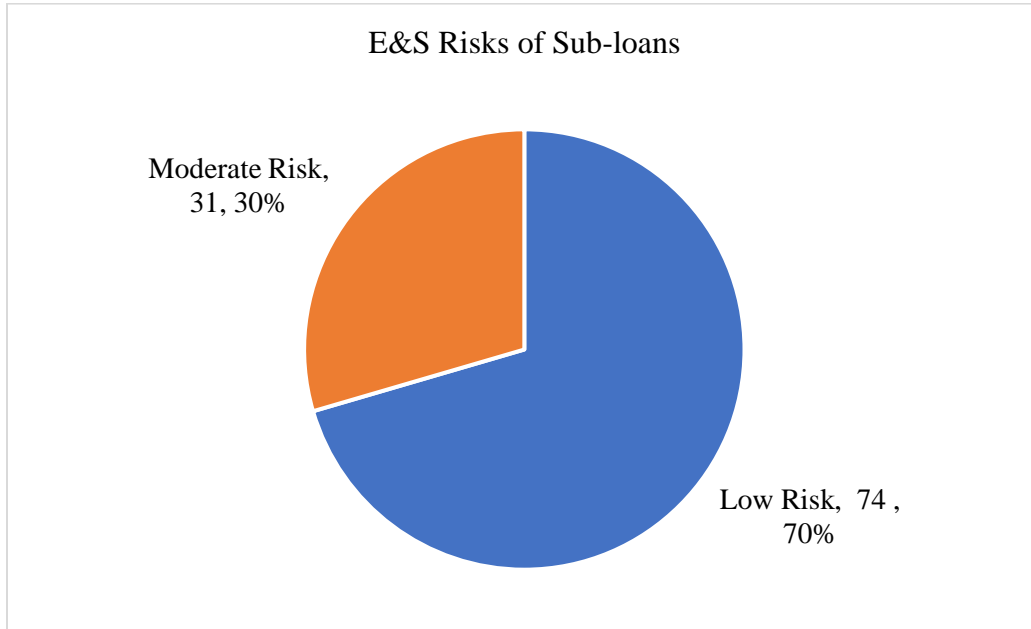


Figure 1 Number and Proportion of Sub-loans Categorized by E&S Risks

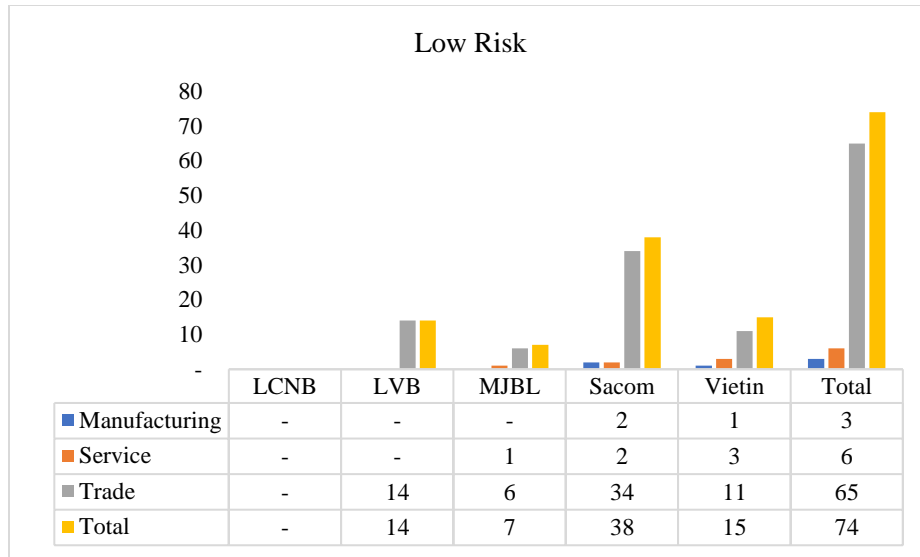


Figure 2 Number of Sub-loans Low E&S Risks Categorized by Sectors and PFIs

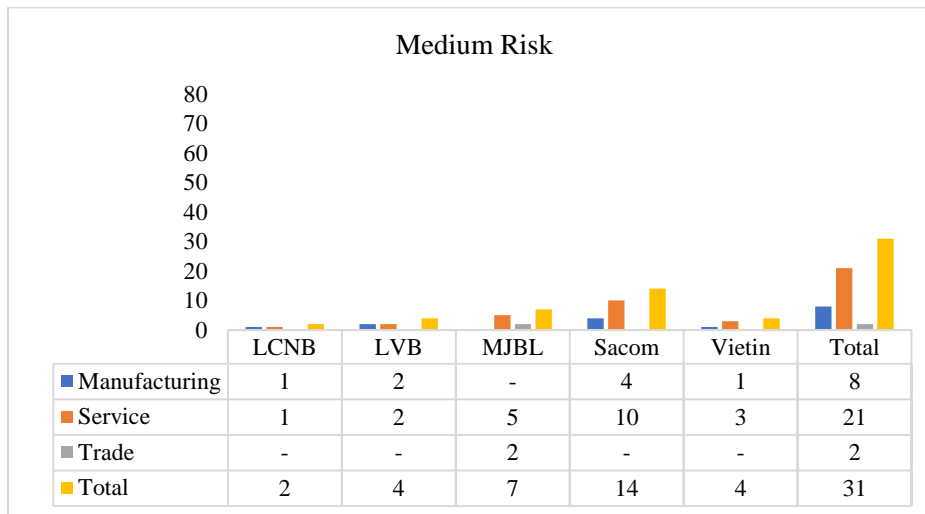


Figure 3 Number of Sub-loans Moderate E&S Risks Categorized by Sectors and PFIs

2. Exposure by Industry Sectors

There were total of 10 industrial and semi-product manufacturing enterprises, including Construction and Real Estate (e.g., accommodation), Fabricated Metal Product Manufacturing (e.g., aluminium zinc), Food & Beverages (e.g., rice mill), Leather and Allied Products (e.g., leather seat production), Plastics & Rubber (e.g., production of plastic bottles), Utilities (e.g., drinking water), warehouses, and wood products. Each manufacturing enterprise accounted for approximately 10-20% of the total (Table 4).

Figure 4 Table 6 Exposure by Industry Sectors

Industrial Sector	Outstanding exposure (in US\$)	% of portfolio
Animal Production	NA	
Apparel	NA	
Chemicals	NA	
Collective Investment Vehicles	NA	
Common Carriers	NA	
Construction and Real Estate	None	20%
Consumer Goods	NA	
Crop Production	NA	
Electrical Equipment, Appliances and Components	NA	
Fabric Mills	NA	
Fabricated Metal Product Manufacturing	None	10%
Finance & Insurance	NA	
Finishing (Dyeing, Printing, Finishing, etc.)	NA	
Fishing	NA	
Food & Beverages	None	20%
Forestry	NA	
Furniture and Related Products	NA	
Integrated Textile Operation (Spinning, Weaving/Knitting, but no Garment)	NA	
Internet Projects	NA	

Industrial Sector	Outstanding exposure (in US\$)	% of portfolio
Leather and Allied Products	None	10%
Machinery and Other Industrial	NA	
Non-metallic Mineral Product Manufacturing	NA	
Oil, Gas and Mining	NA	
Plastics & Rubber	None	10%
Primary Metals	NA	
Printing & Publishing	NA	
Pulp & Paper	NA	
Spinning (Yarn, Including Integrated with Fiber Production)	NA	
Telecommunications	NA	
Textiles - Others	NA	
Transport Service	NA	
Transportation Equipment	NA	
Utilities	None	10%
Warehousing & Storage	None	10%
Wholesale and Retail Trade covering any of the following. Gasoline stations, dry cleaners, printing, large auto and truck fleets, photographic film processing and any operations involving the use of any chemical or biological wastes or materials.	NA	
Wood Products	None	10%
Total		100%

3. Exclusion List Exposures

Several loan applications were excluded during the reporting period. In total, 41 applications (approximately 39% of the applied sub-loans) withdrew their applications in the last year. This included 6 applicants from MJBL, 24 from Sacom, 5 from Vietin, and 6 from Lao-Viet Bank. Fourteen applicants were excluded because they were either large enterprises or did not qualify as MSMEs. Reasons for withdrawal varied, such as switching to other financial institutions, securing adequate capital elsewhere, inability to provide complete information, environmental and social risks and insufficient measures or commitment, internal applicant issues, and unspecified reasons (Table 5).

Table 4 Exclusion List Exposures

Exclusion List Exposures (Type of Activity)	Outstanding Exposure in US\$	Name of Company*	Loan Due Date	Status/ Reasons
MJBL				
1. Somxay Khai Sath Yang Individual:	0	SOMXAY KHAI SATH YANG INDIVIDUAL: More stock in kitchenware, Hotel & restaurant equipment & household Items	24-May-22	Approved by WB but rejected by customer, who switched to another financial sources/loan.
2. Siviengthong Cold Room Individual	500,000,000	Siviengthong Cold Room Individual (Mrs. Somchay SIHALATH)	4-May-23	Withdrew on 17 may 23, who did not had requirement for increasing capital this period.
3. Sihom Meesook Jewery Individual	1,500,000,000	SIHOM MEESOOK JEWERY INDIVIDUAL	6-Jun-23	Withdrew on 26 Jun 2023, MSME who did not had requirement for increasing capital this period.
4. Mr. Phounthavisack AEC trading Sole	550,000,000	Mr. Phounthavisack AEC trading Sole	16-Nov-23	Withdrew on 20 Nov 2023, MSME who did not had requirement for increasing capital this period.
Sacombank				
5. DR KLAADER	200,000,000	DR KLAADER	9-Nov-22	Withdrew on 26 May 2023 because this business is not MSME size.
6. Ly Khamany	N/A	Ly Khamany	Not submitted yet	Withdrew on 05 Dec 2022 because this business is not MSME size.
7. Sonephine Construction store	1,000,000,000	Sonephine Construction store	17-Nov-22	Withdrew on 05 Dec 2022 because this business is not MSME size.
8. Somsouk electrical store	3,000,000,000	Somsouk electrical store	17-Nov-22	Withdrew on 05 Dec 2022 because this business is not MSME size.

Exclusion List Exposures (Type of Activity)	Outstanding Exposure in US\$	Name of Company*	Loan Due Date	Status/ Reasons
9. Namphet manivong school	800,000,000	Namphet manivong school	17-Nov-22	Withdrew on 05 Dec 2022 because this business is not MSME size.
10. Phonesai Water factory	400,000,000	Phonesai Water factory	17-Nov-22	Withdrew on 05 Dec 2022 because this business is not MSME size.
11. Viengvilay Sengkhamyong Retail shop	400,000,000	Viengvilay Sengkhamyong Retail shop	18-Nov-22	Withdrew on 05 Dec 2022 because this business is not MSME size.
12. Any Carrental	1,850,000,000	ANY CARRENTAL	18-Nov-22	Withdrew on 05 Dec 2022 because this business is not MSME size.
13. Ms. Vonglatsamee Travel And Restaurant	2,000,000,000	Ms. Vonglatsamee travel and restaurant	23-Nov-22	Withdrew on 05 Dec 2022 because this business is not MSME size.
14. SAYSAMAI IMPORT Cassava Crop Annex C	500,000,000	SAYSAMAI IMPORT cassava crop Annex C	10-Jan-23	Withdrew on 11 Jan 2023 because this business is not MSME size.
15. J Com Ict Service	3,000,000,000	J COM ICT SERVICE: Electronic produce as refrigerator, television	12-Jan-23	Withdrew on 24 Mar 2023 because this business is not MSME size.
16. Hongsa Electricity store	3,000,000,000	Hongsa Electricity store	12-Jan-23	Withdrew on 11 Jan 2023 because this business is not MSME size.
17. Somlit Gold Jewelry	2,000,000,000	Somlit Gold Jewelry	2-Feb-23	Withdrew on 24 Mar 2023 because this business is not MSME size.
18. Sengaloun Gold Jewelry	2,000,000,000	Sengaloun Gold Jewelry	7-Mar-23	Withdrew on 24 Mar 2023 because this business is not MSME size.
19. Somphan Electricity store	1,000,000,000	Somphan Electricity store	7-Mar-23	Withdrew on 24 Mar 2023, SME secured adequate capital elsewhere.

Exclusion List Exposures (Type of Activity)	Outstanding Exposure in US\$	Name of Company*	Loan Due Date	Status/Reasons
20. Nguyen Ngoc Thanh Production and distribution of steel	800,000,000	Nguyen Ngoc Thanh Production and distribution of steel	7-Mar-23	Withdrew on 24 Mar 2023, SME secured adequate capital elsewhere.
21. Mr Soulikhan drinking store	800,000,000	Mr Soulikhan drinking store	16-May-23	Withdrew on 25 Sep 23: this sub loan because of personal reason not related to any issue of project.
22. Mr. Dethsouvang truck service	500,000,000	Mr. Dethsouvang truck service	29-Jun-23	Withdrew on 11 Jul 2023: Project informed to PFI this sub loan high potential risk for E&S and inadequate measures.
23. Mr. Bigkee Grocery store	210,000,000	Mr. Bigkee Grocery store	12-Sep-23	Withdrew on 25 Sep 23: because of personal reason not related to any issue of project.
24. Ms Ketsana-Concrete Block - Brick block	200,000,000	Ms Ketsana-Concrete Block - Brick block	2-Nov-23	Withdrew on 10 Nov 2023: PFI doesn't providing sufficient E&S documents/ information.
25. Ms. Sysavanh Rice mill	350,000,000	Ms. Sysavanh Rice mill	6-Nov-23	Withdrew on 10 Nov 2023: PFI doesn't providing sufficient E&S documents/ information.
26. Dao Heung Sponge, bedding production factory	3,000,000,000	Dao Heung Sponge, bedding production factory	Not submitted yet	Withdrew on 10 Nov 2023: PFI doesn't providing sufficient E&S documents/ information.
27. Mr Nguyen Trong Tung Steel Factory	1,450,000,000	Mr Nguyen Trong Tung Steel Factory Withdrew 20231114	13-Nov-23	Withdrew on 14 Nov 23: doesn't providing sufficient E&S documents/ information.
28. Mr Vilasack BBQ restaurant	2,000,000,000	Mr Vilasack BBQ restaurant	22-Nov-23	Withdrew on 27 Nov 23: sub loan can't complete the construction certificate on time.
Vietin				

Exclusion List Exposures (Type of Activity)	Outstanding Exposure in US\$	Name of Company*	Loan Due Date	Status/ Reasons
29. VANG VIENG PTT GAS STATION SERVICE Market construction	1,900,000,000	VANG VIENG PTT GAS STATION SERVICE Market construction	6-Apr-23	Withdrew on 6 Apr-23: SME secured adequate capital elsewhere.
30. KITCHARERN AGRICULTURED	1,900,000,000	KITCHARERN AGRICULTURED	6-Apr-23	Withdrew on 6 Apr-23: SME secured adequate capital elsewhere.
31. Mr. Bounthanom Bounsomvang owner of Prachalurnsup	1,500,000,000	Mr. Bounthanom Bounsomvang owner of Prachalurnsup	14-Jun-23	Withdrew on 21 Jul 23: PFI not providing sufficient E&S documents/ information.
32. Mr. Akaphon Signage	490,000,000	Mr. Akaphon Signage	16-Aug-23	Withdrew on 10 Nov 2023: sub loan can't complete the construction certificate on time.
33. Ms Thu Hueng resort	4,000,000,000	Ms Thu Hueng resort	20-Oct-23	Withdrew on 10 Nov 2023: PFI not providing sufficient E&S documents/ information.
Lao Viet				
1. Mr. Hongthong Chicken farm	3,100,000,000	Mr. Hongthong Chicken farm	26-Oct-23	Withdrew on 10 Nov 2023: PFI could not providing sufficient E&S documents/ information.
2. Ms. Youikham Laoderm Somnguem restaurant	3,000,000,000	Ms. Youikham Laoderm Somnguem restaurant	2-Nov-22	Withdrew on 10 Nov 2023: not providing sufficient E&S documents/ information
3. Ms Kham Pheng cassava drying factory	1,500,000,000	Ms Kham Pheng cassava drying factory	9-Nov-22	Withdrew on 10 Nov 2023: PFI not providing sufficient E&S documents/ information.
4. Ms Phutsavath PHOUNSAVATH SCHOOL INDIVIDUAL ENTERPRISE	3,000,000,000	Ms Phutsavath PHOUNSAVATH SCHOOL INDIVIDUAL ENTERPRISE	17-Nov-23	Withdrew on 20 Nov 23: sub loan can't complete the construction certificate on time.
5. Mr Khamhung Gold and Jewelry	1,000,000,000	Mr Khamhung Gold and Jewelry	20-Nov-23	Withdrew on 21 Nov 23: Project informed to PFI this sub loan high potential risk for E&S and inadequate measures.

Exclusion List Exposures (Type of Activity)	Outstanding Exposure in US\$	Name of Company*	Loan Due Date	Status/Reasons
6. Mr Somsai Mobile shop	2,000,000,000	Mr Somsai Mobile shop	28-Nov-23	Withdrew on 13 Dec 23: SME secured adequate capital elsewhere.

4. ESMS and Environmental and Social Issues Supervision and Monitoring

ESMS, and environmental and social issues, including safety and community concerns, were monitored using the provided checklist table. Additionally, the implementation of E&S actions, compliance, and grievance handling were assessed through on-site visits that included interviews with relevant parties, and these findings were reported separately.

Generally, MSMEs or sub-loans implemented E&S actions, which were monitored periodically by PFIs. No major E&S risks, non-compliance issues, or grievances were identified.

The summary of ESMS implementation results is presented in the Table 5 below. Further details on compliance with E&S actions and grievance outcomes can be found in the monitoring and site visit reports.

Table 5 ESMS and Environmental and Social Issues Supervision and Monitoring

ESMS Processes	<i>Yes/No</i>	
Have there been any updates to the ESMS or procedure?	No	If yes, please provide a copy of the updated procedure and reasons for the same.
Has Senior management signed off on the changes?	No	If yes, please provide a copy of the same.
Were any transactions rejected on an account of the exclusion list?	Yes	If yes, please provide details. A project which is located in the Mekong River buffer/conservation zone.
Were there any difficulties and/or constraints related to the implementation of the E&S procedures?	Yes	If yes, please provide details. The ESMS as well as the E&S procedures implementation is quite new, and require more efforts and commitment from PFIs and MSMEs or sub-loan projects. Particularly, t acquiring and allocating staff with a specific or certain level of E&S knowledge/experiences and financial resources. Additionally, PFIs and MSMEs face challenges in reporting implemented actions, risks, or incidents.

Were there any material environmental and social issues associated with borrowers during the reporting period in particular?	No	If yes, please provide details. Neither E&S impacts nor complaints.
Supervision and monitoring	<i>Yes/No</i>	
Have you supervised the performance of the loans?	Yes	If yes, please describe how you do this and the extent of coverage of your portfolio. Supervision of loan performance included monitoring and capacity-building support. All sub-loans recipients received an orientation about the sub-loan management and requirements, including E&S actions and indicators. Regular coordination with sub-loans including site visit were conducted, with supervision taking place during the visit. Additionally, sub-loan projects were also received support in emergency case or immediate need, by requesting for assistance.
Did you conduct client site visits?	Yes	If yes, please describe the process including any environmental and social issues considered. PFIs generally visited the sub-loan projects or clients one per month or once every 3 months during the first 3 months after sub-loan disbursement. Later, site visits occurred once every six months or a year. The project/MSMEPA occasionally joined site visit with a focussed on moderate risk sub-loans. Site visits were reported separately. During site visits, updates on business operation status were provided/recorded, and checks on E&S compliance, risks and grievance were also conducted.

Safety, Social and Community Issues	<i>Yes/No</i>	
Have there been any worker accidents, injuries on the job?	No	No. Although there was a from anomia leakage accident at an ice factory in October 2023, no injuries to the workers or neighbours were reported following the incident.

Have there been any grievances against any borrower?	No	PFIs submitted a monthly grievance report, and no complaints or grievance were reported or found.
Has there been any media coverage on a borrower?	No	No apart from anomia leakage in an ice factory.

5. Conclusion and Recommendations

In general, the majority of the sub-loans supported small enterprises in the trade sector or retail of consumer goods, with low environmental and social risks.

Last year, a total of 41 applicants (approximately 39% of the total applied sub-loans) withdrew across all PFIs. Reasons included switching to other financial institutes or sources, securing adequate capital elsewhere, inability to provide complete information, environmental and social risks, insufficient measures or commitment, and unspecified reasons.

ESMS implementation, and the E&S action plans outlined in Annex C of the sub-loan documents were reported as implemented. There were no major risks or complaints, except for anomalous leakage at an ice factory, for which risk mitigation measures were being discussed and implemented.

Moving forward, the following actions are necessary:

1. Monitor and verify the implementation of E&S actions, including capacity building and support. Conduct site visits for moderate-risk sub-loan projects such as ice and drinking water factories, among others, and propose corrective actions where necessary.
2. Review, update, and apply Lao E&S policies, including those issued by relevant sectors, as appropriate.
3. Enhance capacity building and coordination with PFIs, sub-loan projects, and key stakeholders.