

DRAFT GUIDELINE
PRIVATE SECTOR DUE DILIGENCE ASSEMENT

I. Introduction

The private sector due diligence is a process to be used to assess or investigate private enterprises prior to engagement and partnership. It is an integral part of AEIF application screening and it should be therefore accomplished before AEIF grant selection process in order to ensure that PICSA would initiate partnership with the promising enterprises who are able to create impacts to PICSA beneficiaries.

This guideline is to facilitate and guide provincial development advisors and AEIF teams who will then work directly with enterprises to assess and identify whether or not the enterprise should be selected for further AEIF grant application steps. The guideline will also evaluate the enterprises' need of technical and financial support that PICSA and development partners can provide in a more collaborative manner aiming to achieve PICSA objectives.

II. Purpose of due diligence

The main purpose of due diligence is to facilitate and guide the selection process of private enterprises prior to formulation of partnership under AEIF matching grant in the way that enable value chain development. Ensuring that enterprises would have sufficient capacity to implement the proposed investment successfully as well as to benefit for PICSA target beneficiaries.

III. Process and tool

The due diligence will be carried out by AEIF team when enterprise has expressed their interest in engaging with AEIF application. Since the first contact of enterprise, the AEIF team should organise the initial discussion with contacted enterprises about due diligence assessment and should also prepare for filed screening. It is essential that AEIF team and enterprise must be cleared about this process.

Assuming the enterprise clears about this assessment, due diligence screening against criteria should be then undertaken immediately after the discussion. The consultation among team will then be organised to analyse and recommend about the result. If the potential enterprise passes the pre-screening process, due diligence report will be sent to DSEDC for final decision.

Based on the recommendation of AEIF team, DSEDC will review, consider and decide whether to approve or decline engagement with enterprise. The approval letter shall be issued and signed by director of DSEDC. If the result is positive regarding to due diligence criteria. Since result of due diligence is approved, the enterprise will be

informed, encouraged and facilitated to further steps of AEIF grant application process.

Due diligence criteria

The following are assessment criteria that provincial development advisor and AEIF team could be applied to examine the enterprises' capacity and their willingness in PICSA matching grant.

1. Establishment due diligence;
2. Operational and management capacity;
3. Environmental due diligence;
4. Technical capacity;
5. Financial capacity leads to PICSA matching grant;



Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity

Province:.....

District:

**Partnership for Irrigation and Commercialisation of
 Smalholder Agriculture**

PRIVATE SECTOR DUE DILIGENCE

Proposed investment title:

Entrepreneur name: Name of enterprise:

Business registration number: Business location:

Contact details:

Assessment of enterprise according to each specific criterion:

Please tick (v) the appropriate answer.

No	Criteria	Yes	No
Criteria 1	Establishment due diligence	<input type="checkbox"/>	<input type="checkbox"/>
	Does enterprise have been legally registered regarding to application laws?	<input type="checkbox"/>	<input type="checkbox"/>
	Does enterprise hold tax license and tax payment records	<input type="checkbox"/>	<input type="checkbox"/>
	Does enterprise have been operational in agri-business over 6 months	<input type="checkbox"/>	<input type="checkbox"/>
	Does enterprise be in lawsuits or prominent prior lawsuits?	<input type="checkbox"/>	<input type="checkbox"/>
	Does enterprise have good reputation and recognition in operating business? not banned by government?	<input type="checkbox"/>	<input type="checkbox"/>
Criteria 2	Operational and management capacity		
	Does enterprise's owner or manager have educational status, professional or management experience in agri-business?	<input type="checkbox"/>	<input type="checkbox"/>
	Does enterprise have capacity and experience in supporting farmers and linking to farmers to markets?	<input type="checkbox"/>	<input type="checkbox"/>
	Does enterprise have stabled or increased demand for specific agricultural commodities?	<input type="checkbox"/>	<input type="checkbox"/>
	Does enterprise have risky associated with market volatility? If so, do they have plan to minimize those risks?	<input type="checkbox"/>	<input type="checkbox"/>

	Does the enterprise plan or will plan to improve its workplace and working environment in order to improve performance?	<input type="checkbox"/>	<input type="checkbox"/>
	Does enterprise have safety equipment for staff and workers, including the equipment for handling of hazardous and the prevention of occupational accidents?		
	Does enterprise commit to bring benefit or income to farmer groups? Eg, plan to develop buying contract with PICSA farmer group.	<input type="checkbox"/>	<input type="checkbox"/>
Criteria 3	Environmental due diligence		
	Does enterprise's business activities harm to environmental conditions? Whether or not release pollutions and degrade environmental conditions?	<input type="checkbox"/>	<input type="checkbox"/>
	Does enterprise release waste water to natural water resources without treatment?	<input type="checkbox"/>	<input type="checkbox"/>
	Does enterprise have capacity to climate change resilience? (tolerant to droughts, floods)?	<input type="checkbox"/>	<input type="checkbox"/>
Criteria 4	Technical capacity		
	Does enterprise have staff who are skilled for value adding activities?	<input type="checkbox"/>	<input type="checkbox"/>
	Does enterprise invest in technology that would support to proposed investment?	<input type="checkbox"/>	<input type="checkbox"/>
	Does enterprise apply appropriate techniques and technology? Eg, machinery for grading.	<input type="checkbox"/>	<input type="checkbox"/>
Criteria 5	Financial capacity		
	Does the enterprise have good financial situation?	<input type="checkbox"/>	<input type="checkbox"/>
	Does the enterprise have appropriate financial management system and accounting records?	<input type="checkbox"/>	<input type="checkbox"/>
	Does enterprise have overall investment cost-effective?	<input type="checkbox"/>	<input type="checkbox"/>
	Is enterprise willing to engage with AEIF matching grant and commitment to make their financial contribution in proposed investment?	<input type="checkbox"/>	<input type="checkbox"/>

Declaration of technical assessment result and recommendation:

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Assessment Team	Signature
Name.....	
Position.....	
Organization.....	

Name..... Position..... Organization.....	
Name..... Position..... Organization.....	



Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity

Province:.....

District:

Partnership for Irrigation and Commercialisation of
Smallholder Agriculture

REPORT ON PRIVATE SECTOR DUE DILIGENCE

Proposed investment title:

Entrepreneur name: Name of enterprise:

Business registration number: Business location:

Contact details:

I. Introduction to conducting due diligence

[insert 1 or 2 paragraphs describe date of conducting, who and how many people involve...]

II. Enterprise description

[Insert 1-2 paragraph summarise description of the enterprise]

III. Due diligence assessment result

[insert discussion and analysis against criteria into the below table]

Criteria	Descriptive Analysis
Criteria 1: Establishment due diligence	This section is where the team will explain what they have discussed, analysis and result. [Note: copy of relevant certificates/licences should be attached]
Criteria 2: Operational and management capacity	This section is where the team will explain what they have discussed, analysis and result.

Criteria 3: Environmental due diligence	This section is where the team will explain what they have discussed, analysis and result. [Note: certificate from Natural resource and environment office should be attached, if any.]
Criteria 4: Technical capacity	This section is where the team will explain what they have discussed, analysis and result.
Criteria 5: Financial capacity	This section is where the team will explain what they have discussed, analysis and result. [Note: Bank statement of enterprise should be attached, if any.]

IV. Conclusion and recommendation

[insert a paragraph to conclude and recommend if enterprise should come to application process or not]

Assessment Team	Signature
Name..... Position..... Organization.....	
Name..... Position..... Organization.....	
Name..... Position..... Organization.....	