

ASIAN DEVELOPMENT BANK

TAR: OTH 37279

TECHNICAL ASSISTANCE
(Financed by the Japan Special Fund)

FOR

FACILITATING CROSS-BORDER TRADE AND INVESTMENT

IN THE GREATER MEKONG SUBREGION

December 2004

ABBREVIATIONS

ADB	–	Asian Development Bank
CCI	–	chamber of commerce and industry
FDI	–	foreign direct investment
GMS	–	Greater Mekong Subregion
TOR	–	terms of reference
TA	–	technical assistance
UNESCAP	–	United Nations Economic and Social Commission for Asia and the Pacific

TECHNICAL ASSISTANCE CLASSIFICATION

Targeting Classification	–	General intervention
Sector	–	Industry and trade
Subsector	–	Trade and investment
Theme	–	Private sector development
Subtheme	–	Public-private partnerships

NOTE

In this report, "\$" refers to US dollars.

This report was prepared by M. Varkay.

I. INTRODUCTION

1. The rapid pace of infrastructure development in the Greater Mekong Subregion (GMS) is conducive to increased mobility of goods and people among the six countries that make up the GMS, namely, Cambodia, Lao People's Democratic Republic, Myanmar, Thailand, Viet Nam, and Yunnan province of the People's Republic of China. The region's road and bridge networks have created significant opportunities for increased trade and investment in the context of the individual countries' progressive transition from centrally planned to market economies. Mechanisms to facilitate cross-border trade and investment have emerged as an important area for regional cooperation, in order to attract GMS-wide foreign direct investment (FDI) flows and thus facilitate international market access by the region's private sector.¹ The modalities for policy coordination and cooperation on scope of reform are key to addressing the ongoing impediments to trade and investment. Examples of such impediments in relation to trade are (i) a fragmented trade logistics network characterized by high transport costs and unreliable delivery schedules due to cumbersome procedures, high import and export clearance charges at customs control points, and the absence of regional freight forwarding; and (ii) the existence of bilateral border trade agreements whose provisions are not consistently applied across all the GMS economies. In relation to investment, the impediments include (i) the absence of consolidated information on the region's investment rules and regulations, and (ii) weak subregional private sector organizations that could facilitate exchanges of information on trade and investment opportunities. The advisory technical assistance (TA) seeks to address some of these constraints.² The TA is included in ADB's GMS Regional Cooperation Strategy and Program (2004-2008).³ GMS Governments have indicated their concurrence with the goals of the TA.

II. ISSUES

2. The sustained economic growth of the GMS requires a consistent improvement in the trade and investment environment to increase the dynamism of the private sector. Even though individual GMS economies have introduced measures to reform their trade and investment policy regimes in recent years,⁴ the size of their domestic markets and of related production capacities have constrained efforts to develop a competitive manufacturing base. In order to enhance the competitiveness of the subregion in global markets, the GMS economies have recognized the need to maximize the advantage offered by their contiguous location and connectivity so as to facilitate regional contractual linkages and entry into large-scale export activities.

¹ GMS policymakers have asked the Asian Development Bank to review the constraints and opportunities that regional cooperation can address in the endeavor to enhance participation by each country in cross-border and global value chains.

² The TA first appeared in *ADB Business Opportunities* internet edition on 6 September 2004.

³ Formerly listed in the Regional Cooperation Strategy Program (2004-2008) as the *GMS Trade and Investment Facilitation*.

⁴ The rate of reduction of tariff and nontariff barriers is subject to commitments made under regional (Association of Southeast Asian Nations or ASEAN) or multilateral (World Trade Organization) trading arrangements. The Common Effective Preferential Tariff (Agreement for the ASEAN Free Trade Area) requires the harmonization of the tariff nomenclatures of all ASEAN member countries. This was achieved on 1 July 2003.

3. The emerging feature of international production, trade, and investment activities is the level of specialization and decentralization among firms and coordination among policymakers.⁵ International production networks are becoming geographically decentralized value chains⁶ that coordinate production among or within firms.⁷ The integrating mechanisms whereby these international production networks establish linkages between intermediaries are increasingly based on contract manufacturing, marketing contracts, as well as licensing and involve common technical standards and shared product-or process-related standards. To facilitate cross-border investment in the GMS and create opportunities for GMS enterprises to, for example, produce for component exports, policymakers will need to consider the potential positive externalities arising from collective action in creating consistent national enabling environments. Among the issues for policymakers to consider in relation to making the GMS an attractive destination for FDI, the following are key: (i) policy and regulatory frameworks related to FDI promotion, i.e., investment laws, double taxation agreements, standards, and dispute settlement mechanisms; (ii) trade facilitation, including customs clearance, import and export documentary procedures, standards, logistics systems, preshipment finance, and insurance; and (iii) institutional mechanisms that enable information flows and feedback between domestic and international investors and GMS policymakers, industry associations, and enterprises to streamline policy.

4. The Asian Development Bank (ADB) has provided assistance in the area of cross-border trade and investment facilitation in the context of its GMS Economic Cooperation Program.⁸ ADB has also provided policy and analytical support to GMS investment promotion and trade facilitation experts through the GMS Subregional Investment Working Group and the GMS Trade Facilitation Working Group. In the area of capacity building for the institutional development of the GMS Business Forum,⁹ ADB has been coordinating assistance with the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP). In the near future, the GMS Business Forum can play an important role in (i) benchmarking legal and regulatory regimes across the GMS and identifying institutional gaps, (ii) achieving economies of scale in the provision of value-added business services on a cost-recovery basis, and (iii) serving as a central location for policy and project feedback from potential international investors on the investment climate in the GMS.

5. The GMS Business Forum is an independent, nonprofit association that consists of representatives of national chambers of commerce and industry or their equivalents from the six GMS economies as core members and members of the board of directors, along with associate and corporate members. The GMS Business Forum was established in October 2000 with financial and technical assistance from ADB and UNESCAP in response to the growing need to support the GMS Economic Cooperation Program and to engage the private sector in implementing subregional initiatives.¹⁰ Appendix 1 present the GMS Business Forum's corporate strategy and business plan.

⁵ In response to heightened competition and related pressures to lower costs, increase quality, reduce delivery times, and continue to innovate, firms are reorganizing activities around their core competencies, which involves splitting activities and moving production segments, marketing, and distribution systems according to geographical advantage.

⁶ A value chain refers to the full range of value-added activities required to bring a product from its conception, though design, sourcing of raw materials and intermediate inputs, marketing, distribution, and support to the final consumer.

⁷ In sectors such as electronics, computers, automobiles, garments, shoes, and agro-industrial products.

⁸ See the GMS Development Matrix Projects at <http://www.adb.org/GMS/Projects/default.asp>.

⁹ The creation of this platform for ongoing private-public dialogue, has the potential to facilitate continuous institutional change toward greater cross-border trade and investment in the GMS.

¹⁰ Previous ADB TA has supported the GMS Business Forum (ADB. 2002. *Technical Assistance for Facilitating Cross-Border Trade and Investment for Small and Medium Enterprise Development in the Greater Mekong*

III. THE TECHNICAL ASSISTANCE

A. Purpose and Output

6. The primary purpose of the TA is to promote the competitiveness of GMS enterprises by (i) supporting a revitalized organizational model of the GMS Business Forum to facilitate a mainstreamed, institutionalized, and systematic policy dialogue between governments and the private sector on ways to promote trade and investment in the GMS; (ii) undertaking a study of the trade logistics network along selected economic corridors for review by the GMS Business Forum and the GMS working groups; and (iii) strengthening the development of sustainable, pro-business services in the GMS Business Forum. Appendix 2 sets out the TA framework.

7. This purpose will be addressed through three components.¹¹ The first component will support the development of the GMS Business Forum into a sustainable organization by helping it become (i) a legally registered organization with a corporate governance framework that meets international good practice so as to facilitate participation by international corporations and external funding agencies, (ii) a sustainable organization that provides trade and investment services to its client base on a full or partial cost-recovery basis, and (iii) a forum to coordinate the analysis of cross-border policy and regulatory mechanisms. This component will assist the GMS Business Forum to implement a credible and sustainable pro-business corporate strategy and business plan.

8. The second component will implement the findings of the trade logistics study¹² and identify policy constraints for review with governments and the private sector. This component includes a review of the trade logistics network along the east-west economic corridor and the north-south economic corridor to identify the constraints and costs of delays in the logistics chain and identify mechanisms for improving financial returns to investments. The study will be undertaken under the aegis of the GMS Business Forum, and a road map of policy reforms and implementation actions will be reviewed with policymakers and the private sector in the GMS working groups, as well as at conferences organized by the GMS Business Forum. The study will also identify development projects to facilitate the movement of goods and services along the economic corridors.

9. The third component will support activities that will promote the credibility and sustainability of the GMS Business Forum. Eligible activities will take various forms and TA support will be contingent upon the assurance that cost recovery can be reasonably assumed ex ante. The various business service activities undertaken in support of the GMS Business Forum's clients may include (i) developing a web-based Yellow Pages of enterprises in the GMS; (ii) implementing a web-based trade hub on supply chain linkages, (iii) developing one-stop counseling services and trade facilitation services for small and medium enterprises, (iv) organizing conferences on such topics as improving the intra-GMS flow of goods and services, (v) developing a web-based foreign direct investment handbook (*GMS at a Glance*), and (vi)

Subregion. Manila [RETA 6020, \$600,000 approved in 21 December 2002]). TA support included the initial development of products and services for assisting small and medium enterprises, hands-on training for the GMS Business Forum Secretariat staff to build capacity, potential matching of business opportunities at the industry or enterprise level, and a conference.

¹¹ The three components were based on project proposals endorsed at the Third Meeting of the Trade Facilitation Working Group in December 2003, the Fourth Meeting of the Subregional Investment Working Group in July 2004, the Public-Private Sector Consultation Meeting in September 2004, and the First Meeting of the GMS Business Forum's board of directors on 30 April 2004.

¹² In 2001, ADB undertook an analysis of the region's freight forwarding industry as part of the pre-investment study for the eastern part of the east-west economic corridor.

engaging in customized research to meet private sector clients' needs. The GMS Business Forum Secretariat will manage the design and implementation of the many subcomponents of client services under the direction of its board of directors (See Appendix 1 on GMS-BF corporate governance framework).

B. Methodology and Key Activities

10. The scope of policy discussions to be implemented in the GMS Business Forum includes the following: (i) reviewing cross-border supply chain competencies and complementarities by major sectors, (ii) streamlining and upgrading GMS logistics systems, (iii) introducing reciprocal recognition of licensing and standards frameworks, (iv) streamlining cross-border customs procedures, (v) initiating reciprocal dispute settlement mechanisms, and (vi) developing double taxation treaties. The GMS Business Forum will act as a forum to provide feedback to GMS policymakers and industry associations on the requirements for facilitating investment and improving market access. These issues will be developed into topics for conferences¹³ organized by the GMS Business Forum on a cost-recovery basis for regional and international investors.

11. Core members of the GMS Business Forum, UNESCAP, and ADB reviewed and agreed to the forum's revitalized institutional, financial, and corporate governance framework on 30 April 2004. The activities approved to support the development of the GMS Business Forum into a sustainable organization include (i) the legal registration of the GMS Business Forum as an independent, nonprofit organization, including the adoption of its articles of association by the board of directors, ADB, and UNESCAP; (ii) the implementation of GMS Business Forum services on a cost-recovery basis and supported by funding from the national chambers of commerce and industry, external funding agencies, and new members of the GMS Business Forum; (iii) the staffing and capacity building of the GMS Business Forum Secretariat; and (iv) the certification of the corporate governance framework of 30 April 2004 by an internationally recognized body. The TA will also cover the operational expenses of the GMS Business Forum Secretariat, including staff salaries, rentals, communications, and travel expenses, during the 30 months of the TA up to \$195,000 or \$6,500 per month. As the GMS Business Forum generates viable activities from its services to clients, expands its membership, and moves towards self-sustainability, expectations are that the fee-based services will cover its expenses.

12. The trade logistics study, conducted in coordination with the GMS Business Forum Secretariat, will permit identification of the major constraints along the supply chains of the economic corridors and allow a review of the scope of policy reforms that will address the high costs of trade. Areas to be reviewed include transport, handling, border crossing, transit time, storage, capital carrying costs in transit and storage, availability of pre-shipment finance and insurance, and development of multimodal transport.

13. Another activity that may be eligible to receive support from the proposed TA is the FDI web-based handbook—*GMS at a Glance*—to be posted on the GMS Business Forum's web site. The handbook would provide international and regional investors with a tool for assessing the cross-border investment environment on a sector-specific basis in the GMS. The GMS

¹³ Among the topics for development are: (i) East-West Economic Corridor and Improving the Intra-GMS Flow of Goods and Services, (ii) Foreign Direct Investment Environment in the GMS, (iii) Role of Pre-shipment Export Finance in Improving the Intra-GMS Flow of Goods and Services, (iv) Developing Specialized Risk Underwriting, Insuring and Reinsuring in the GMS, (v) Achieving Internationally Accepted Technical Standards in the GMS, (vi) Strengthening Linkages between Securities Markets in the GMS, (vii) Developing Asset-Backed Securitization in the GMS, and (viii) Labour Mobility in the GMS.

Business Forum will act as a policy forum to provide GMS investment agencies, foreign direct investors, and regional chambers of commerce and industry with feedback on the similarities and differences in investment laws and regulations and available risk mitigation mechanisms. The web-based handbook will be linked to the web sites of regional investment agencies.

C. Cost and Financing

14. The TA is estimated to cost \$700,000 equivalent. ADB will finance the cost of \$600,000 on a grant basis from the Japan Special Fund, funded by the Government of Japan. Participating governments will finance the remaining \$100,000 equivalent on a pro-rata basis, in kind, for amounts equal to imputed value of staff time and use of government facilities. The cost estimates and financing plan are in Appendix 3.

D. Implementation Arrangements

15. ADB will be the executing agency for TA. The implementing agency is the GMS Business Forum, supported administratively by the GMS Business Forum Secretariat and under the strategic direction and guidance of its core members and the external funding agencies. The TA will be implemented over a period of 30 months from January 2005 to June 2007. The TA will engage 13 person-months of international consulting services to help implement the first component of the TA. The domestic consultants, that is, the secretariat staff, will be engaged for a period of 30 months each for a total of 120 months. Other fixed overhead costs will include the costs of equipment, rentals, communications, and travel. The second component of the TA, the trade logistics study, will require 6 person-months of an international trade logistics expert. The individual international consultants will be selected in accordance with ADB's *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB for the engagement of domestic consultants. All procurement under the TA will be in accordance with ADB's *Guidelines for Procurement*. The terms of reference of the consultants are in Appendix 4.

IV. THE PRESIDENT'S DECISION

16. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$600,000 on a grant basis for Facilitating Cross-Border Trade and Investment in the Greater Mekong Subregion, and hereby reports this action to the Board.

GREATER MEKONG SUBREGION BUSINESS FORUM CORPORATE STRATEGY AND BUSINESS PLAN

A. Rationale

1. The Greater Mekong Subregion (GMS) Business Forum was established, in principle, with the approval of terms of reference (TOR) in April 1997 by the Seventh GMS Ministerial Conference within the framework of the GMS Economic Cooperation Program. The TOR define the role of the GMS Business Forum, including its reporting requirements to the GMS Ministerial Conference. The GMS Business Forum was formally established in October 2000 with financial and technical assistance from the Asian Development Bank (ADB) and the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP). Following the Ninth GMS Ministerial Conference and the Inception Meeting of the GMS Business Forum in October 2000, the TOR have been expanded to increase the emphasis on the GMS Business Forum's role in strengthening the capacity of the GMS's private sector in the context of supporting subregional development.

2. The GMS Business Forum is an organization that brings its members together in a subregional network to facilitate implementation of the GMS Economic Cooperation Program and to support subregional development through more extensive and effective involvement of the private sector in subregional initiatives. It relies on a network of business associations and external funding agency partners to carry out its activities.

B. Organizational Overview

3. The GMS Business Forum consists of the six chambers of commerce and industry (CCIs) of Cambodia, Lao People's Democratic Republic, Myanmar, Thailand, Viet Nam, and Yunnan province of the People's Republic of China. These CCIs constitute the board of directors. The board chairmanship is rotated among the CCIs, the six core members. Membership in the GMS Business Forum is open to international and multinational corporations and large, medium, and small business enterprises. The forum is financially supported by membership fees and technical and financial assistance by external funding agencies and international business organizations.

4. A GMS Business Forum Secretariat is responsible for providing administrative, logistical, and coordinating supports. The secretariat is led by a Managing Director, and staffed by the Conference Organizing Specialist, the Business Development Specialist and Administrative staff member.

5. As mandated by its TOR, the GMS Business Forum needs to report on a regular basis to the GMS Ministerial Conference and maintain ongoing linkages with relevant forums and working groups of the GMS Economic Cooperation Program.

C. Corporate Strategy

6. A first corporate strategy and business plan for the GMS Business Forum was jointly developed by UNESCAP, ADB, and the GMS Business Forum Secretariat and adopted at the forum's Third Annual Meeting in December 2002.¹ This strategy was further refined on 30 April

¹ GMS Business Forum. 2002. *Corporate Strategy/Business Plan for the Greater Mekong Subregion Business Forum*. Vientiane.

2004. The role of the GMS Business Forum is defined as providing private sector-related products and services to facilitate the implementation of the GMS Economic Cooperation Program and related initiatives, and more generally, to support subregional development through the activities and resources of the private sector. The forum's products and services are aimed at both domestic and foreign private sectors; GMS governments; and external funding agencies supporting subregional cooperation, such as ADB and UNESCAP.

7. The forum has a dual strategic focus and scope, consistent with the role defined in the TOR and approved by GMS ministers, as follows:

- (i) To contribute in tangible ways to effective implementation of the GMS Economic Cooperation Program by involving the private sector in selected subregional initiatives and by mobilizing the private sector to undertake complementary investment in subregional projects.
- (ii) To facilitate activities broadly supportive of the private sector's role in the subregion's development. This is a longer-term aim that builds on the GMS Business Forum's role in the GMS Economic Cooperation Program.

8. Increasingly there is a growing international consensus that corporate governance – involving but not limited to decision-making transparency, consistency, documentation, accountability and review – is central to organizational sustainability and renewal. The GMS Business Forum undertook the development of a corporate governance framework in order to support facilitate the transparency and review of decision-making of the Board of Directors as well as the monitoring of service development by the Secretariat. The Corporate Governance Framework defined the role and responsibility of the Board of Directors, and the reporting structure between the Secretariat and the Board of Directors. The corporate governance framework was approved by all core members, the six regional chambers of commerce and industry, as well as UNESCAP and ADB, on 30 April 2004. The corporate governance handbook was reviewed and approved by core members during the 5th Annual Meeting of the GMS-BF in Sihanoukville, Cambodia. The corporate governance handbook was published in December 2004.

9. The forum's activities are guided by the following principles: (i) achieve GMS Economic Cooperation Program development consensus and build intra- and inter-regional partnerships, (ii) add value to national CCI programs, strengthen ties with national CCIs and thereby complement existing institutional services, (iii) provide a subregional perspective and scope in coordinating supporting activities, (iv) address gaps in trade and investment facilitation services, (v) offer services on a cost-recovery basis, (vi) build credibility with its client base, and (vii) document activities and decision-making. These principles are linked to the medium-term objective of self-sustainability. The provision of credible, valued services will translate to a growing private sector client base willing to pay for such services, which will support the medium-term viability of the GMS Business Forum.

10. The administrative support activities provided by the Secretariat include: (i) carrying out administrative functions and network management, including coordinating relationships among the core members and between the GMS Business Forum and the GMS Economic Coordination Program; (ii) preparing and delivering services to clients, that is, undertaking business development by designing and executing efficient and demand-driven services for clients; and (iii) mobilizing resources from new and traditional sources of external funding.

TECHNICAL ASSISTANCE FRAMEWORK

Design Summary	Performance Indicators and Targets	Monitoring Mechanisms	Assumptions/Risks
<p>Goal</p> <p>To facilitate increased</p> <ul style="list-style-type: none"> (i) inflows of foreign direct investment (FDI), (ii) domestic and cross-region investment, and (iii) cross-border trade, in the Greater Mekong Subregion (GMS). 	<ul style="list-style-type: none"> ▪ More FDI. ▪ Higher absolute international trade within the GMS. ▪ Higher levels of GMS individual countries' trade with the rest of the world (openness ratios – trade/gross domestic product [GDP]). 	<p>Published statistical reports from various official sources.</p>	
<p>Purpose</p> <p>Competitiveness of the GMS and improved cross-border trade and investment facilitation</p>	<p>Governments support for targets on: (i) scope and nature of public-private dialogue, and (ii) on policy reform to facilitate increased trade and investment to the GMS.</p>	<p>GMS-Business Forum (GMS-BF) public-private conferences on trade and investment.</p>	<p>Assumption</p> <p>Ongoing commitment by GMS policymakers to review issues on cross-border trade and investment.</p> <p>Risk</p> <p>Level of commitment and support to the GMS Economic Cooperation Program by regional chambers of commerce and industry (CCIs).</p>
<p>Outputs</p> <p>1. Develop the GMS-BF into a sustainable and value-added business service provider.</p>	<p>1.1. Services provided to SMEs and FDI investors as per the Corporate Governance Framework approved on 30 April 2004. First GMS-BF investor conference held by April 2005. Second investors conference held by September 2005.</p> <p>1.2. Increasing revenue streams to support gradual movement towards financial viability and self-sustainability. Results of GMS-BF cashflow operations and submitted financial statements to the GMS-BF Board of Directors by July 2005.</p>	<ul style="list-style-type: none"> ▪ Feedback from SMEs, CCIs, FDI investors, and GMS policymakers on the value-added quality and timeliness of BF services. ▪ Feedback from the GMS BF Secretariat. ▪ Quarterly and Annual business and financial reports by the GMS-BF Secretariat comparing actual work program against plan. ▪ Minutes of Board of Directors discussions, including endorsement of specific revenue generating activities targeted towards sustainability. ▪ Consultants' reports. 	<p>Assumption</p> <p>GMS Agreement on the Movements of Goods and People is signed by all participating countries by June 2005.</p> <p>Risks</p> <ul style="list-style-type: none"> ▪ Timely development and dissemination of business service products by the GMS-BF Secretariat. ▪ Government support on related policy and project objectives. ▪ Government cooperation on trade logistics study and related policy and project objectives.

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Design Summary	Performance Indicators and Targets	Monitoring Mechanisms	Assumptions/Risks
<p>2. Trade Logistics Study, and Review of Policy Coordination and Project Development to Overcome Constraints.</p> <p>3. Develop an information search tool to overcome existing information inadequacies on investment in the GMS – the FDI Handbook “GMS at a Glance”.</p>	<p>1.3. Increasing membership in the GMS-BF. Membership drive initiated in June 2005 and results submitted to Board of Directors in August 2005.</p> <p>2.1. Constraints to the development of the freight forwarding industry are identified. Results of Trade Logistics study distributed to Government and GMS-BF Board of Directors by July 2005.</p> <p>2.2. Identification of reforms and implementation of procedures to facilitate competitive freight forwarding and trade logistics in the GMS. Reviewed with Government and private sector by August 2005.</p> <p>3.1. Posting of FDI investment handbook on the GMS-BF website by May 2005.</p> <p>3.2. Documented investment information system comprising (i) well-structured database, (ii) internet-based searchable database application, and (iii) Cross-referenced information for FDI investors, GMS policymakers on investment laws, regulations, incentives and procedures. July 2005.</p>	<ul style="list-style-type: none"> ▪ Feedback from GMS policymakers and CCIs on consultant reports and analysis. 	

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Design Summary	Performance Indicators and Targets	Monitoring Mechanisms	Assumptions/Risks
<p>Activities</p> <p>1. Enhancing the GMS-BF's sustainability.</p> <ul style="list-style-type: none"> ▪ GMS-BF is registered as an independent business organization by March 2005. ▪ Articles of Association are signed by all board of director members, and endorsed by ADB and United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) by February 2005. ▪ Corporate governance framework certified by an internationally accepted body by March 2005. ▪ Viable financial plan and revenue generating activities developed and implemented. ▪ Full staffing of the GMS-BF Secretariat by March 2005. ▪ Office equipment for GMS-BF purchased and installed by end-January 2005. ▪ Conferences and trade facilitation services organized on a cost-recovery basis. ▪ Other four service areas, implemented on a "neither profit-nor-loss" basis. 	<p>Legal registration completed.</p> <p>Articles of Association formally adopted.</p> <p>Corporate Governance Framework certified.</p> <p>Financial plan and new revenue generating activities endorsed by the GMS-BF Board of Directors at inception of TA and on an annual and quarterly basis.</p> <p>GMS-BF Secretariat fully staffed and operational.</p> <p>Conferences are consistently well attended by the private sector with participation from CCIs, government and international donors.</p> <ul style="list-style-type: none"> ▪ Conferences and trade facilitation services represent an important profit centre for the GMS-BF. ▪ GMS policy coordination facilitated by conferences. 	<ul style="list-style-type: none"> ▪ Quarterly and Annual financial reports submitted to the GMS-BF Board of Directors. ▪ Minutes of the meetings of Board of Directors. ▪ Feedback from FDI investors and GMS policymakers on the value-added information content of BF services. ▪ TA progress reports. ▪ ADB review missions and consultations with the Government and other stakeholders. 	<p>Assumptions</p> <ul style="list-style-type: none"> ▪ International consultants engaged on a timely basis. ▪ Strong GMS-BF Board of Directors participation and support. <p>Risks</p> <ul style="list-style-type: none"> ▪ Client willingness to pay for GMS-BF is realized according to financial plans. ▪ Competence of GMS-BF Secretariat staff to ensure high quality of activities.

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Design Summary	Performance Indicators and Targets	Monitoring Mechanisms	Assumptions/Risks
<p>2. Trade Logistics Study, and Review of Policy Coordination and Project Development to Overcome Constraints is implemented.</p> <p>3. Development of FDI Handbook "GMS at a Glance" is implemented.</p>	<p>Consultant reports. Information collection and processing, analysis research, interviews, discussions, systematization of feedback from governmental agencies, regional and international investors, financial institutions.</p>	<p>ADB review missions and consultations with the Government and other stakeholders.</p>	
<p>Inputs</p> <p>1. Consultants</p> <p>2. Administrative and Operational Support for the GMS BF</p> <p>3. Workshops and Conferences</p> <p>4. Equipment</p> <p>5. Miscellaneous Expenses</p> <p>6. Contingencies</p> <p>Total - \$600,000</p>	<p>\$325,000</p> <p>\$195,000</p> <p>\$20,000</p> <p>\$10,000</p> <p>\$5,000</p> <p>\$45,000</p> <p>Total - \$600,000</p>	<ul style="list-style-type: none"> ▪ TA progress reports. ▪ ADB review missions and consultations with the Government and other stakeholders. ▪ GMS-BF Board of Directors Minutes ▪ GMS-BF monthly cashflow statements ▪ GMS-BF semi-annual audited financial statements 	<p>Assumptions</p> <ul style="list-style-type: none"> ▪ Consultants are competent. ▪ Resources are used efficiently.

COST ESTIMATES AND FINANCING PLAN

(\$'000)

Item	Total Cost
A. Asian Development Bank Financing^a	
1. Consultants	
a. International Consultants	
i. Remuneration and Per Diem	265
ii. International Travel	60
2. Administrative and Operational Support for the GMS Business Forum (salaries, rentals, communications, travel) ^b	195
3. Workshops and Conferences ^c	20
4. Equipment ^d	10
5. Miscellaneous Administration and Support Costs	5
6. Contingencies	45
Subtotal (A)	600
B. Government Financing^e	
1. Office Accommodation and Transport	40
2. Remuneration and Per Diem of Counterpart Staff	30
3. Other	30
Subtotal (B)	100
Total	700

GMS = Greater Mekong Subregion.

^a Financed by the Japan Special Fund, funded by the Government of Japan.^b Monthly costs are estimated at \$6,500, comprising \$4,800 for salaries, \$900 for rentals, \$500 for travel, and \$300 for communications.^c Regional workshops on the scope of activities offered by the GMS Business Forum for national, regional, and international private sectors and GMS governments.^d Includes two computers, a photocopying machine, and a scanner.^e Expenses funded on a pro-rata basis by the Governments of Cambodia, Lao People's Democratic Republic, Union of Myanmar, Thailand, Viet Nam, and the People's Republic of China.

Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

A. International Consultants

1. A team of international individual consultants will be engaged to provide advisory and technical services in undertaking the various tasks under the technical assistance (TA). The TA will require a total of 19 person-months of international consulting services.

1. Business Forum Development and International Market Access Specialist (13 person-months)

2. The business forum development and international market access specialist should be a regional trade economist with a keen Greater Mekong Subregion (GMS) perspective and extensive experience in providing advisory services to international and regional business forums and associations. The consultant's services will be performed over 13 person-months on an intermittent basis. In support of the GMS Business Forum Secretariat's managing director, the consultant will be primarily responsible for the following activities:

- (i) Undertake the legal registration of the GMS Business Forum as an independent, nonprofit organization, including the full adoption of its articles of association by the board of directors and core members and endorsement by the Asian Development Bank and the United Nations Economic and Social Commission for Asia and the Pacific (first quarter of 2005).
- (ii) Develop realizable financial plans and viable revenue-generating activities in support of the corporate strategy with the objective of moving the GMS Business Forum toward self-sustainability after the TA period. The activity also includes obtaining committed funding support from the national chambers of commerce and industry, the external funding agencies, and the international business associations and chambers of commerce to finance short- to medium-term GMS Business Forum activities (first quarter of 2005).
- (iii) Provide advice on staffing and building the human resource base of the GMS Business Forum Secretariat and mentor new staff to ensure that the secretariat functions as a cohesive team with a shared mission statement (first quarter of 2005).
- (iv) Facilitate the certification of the corporate governance framework developed and reviewed by the GMS Business Forum's board of directors on 30 April 2004 by an internationally recognized body (first quarter of 2005).
- (v) Develop and implement training programs to increase the capacity of the GMS Business Forum Secretariat in (a) implementing web-based directories, (b) implementing a web-based trade hub, (c) providing a one-stop counseling service and trade facilitation services for small and medium enterprises, and (d) developing and promoting customized research and competitive and relevant investor conferences for the GMS (first and second quarters of 2005 with periodic review during the third and fourth quarters of 2005).
- (vi) Organize conferences and develop conference topics, including economic corridors and improving the intra-GMS flow of goods and services, investment environment for priority industries in the GMS, preshipment and postshipment finance in improving the intra-GMS flow of goods and services, environment for foreign direct investment in the GMS, and achievement of internationally accepted technical standards. (The first conference is to be initiated by April 2005 and the second conference by September 2005, with subsequent

conferences initiated every quarter. Periodic monitoring and mentoring effective until July 2007.)

- (vii) Supervise the work program and outputs of the international trade logistics expert (January 2005–July 2005).

2. Trade Logistics Expert (6 person-months)

3. The international trade logistics expert will undertake a study of the costs and constraints of trade along the north-south and east-west economic corridors. The consultant's main responsibilities will be to investigate trade logistic costs and to prescribe solutions and recommend interventions in relation to policy and administrative reforms, as well as physical infrastructure needs. The scope of work includes the following:

- (i) The requirement to (a) quantify the effects of the inefficiencies of logistics, the current infrastructure networks, the supporting services, and the regulatory impediments on firms' competitiveness and productivity; (b) prioritize policy, procedural, and physical constraints along the economic corridors; (c) compare these to internationally recognized benchmark and standards; and (d) recommend policies and interventions to reduce inefficiencies and improve the competitiveness of GMS exporters.
- (ii) The analysis will (a) identify bottlenecks in the areas of market access, capacity to fill international orders, and logistics practices (transportation, handling, storage, border clearance, documentation, etc.); (b) measure the costs of and time for moving products on selected routes both within the region and to international markets; (c) quantify the impact of these costs on firm-level competitiveness in responding to markets, demand, and competition; and (d) identify causes—policy distortions, administrative procedures, proficiency of stakeholders, access to finance, etc.—that raise costs. The compiled data will reflect cost, time, and reliability factors in obtaining inputs (where applicable) and delivering products to final markets.
- (iii) The study will identify modalities for reform in (a) market access and business linkages to improve enterprises' access to overseas markets (including the development of export market access funds, trading companies, buying houses, and trade service centers); (b) quality and environmental standards; (c) access to trade finance for export production; (d) simplified trade documents and streamlined border clearance procedures; (e) modern border management, including the development of consistent risk assessment procedures; (f) multimodal transport development, including access by international freight forwarders to GMS markets and ways to facilitate participation by regional freight forwarders in the Federation of International Freight Forwarders Association; (g) modal integration by strengthening cargo transfer facilities and inland freight transport.

B. Domestic Consultants

4. The domestic consultants will implement the six service areas (see reference in para. 9 of the main text) of the GMS Business Forum. The Asian Development Bank will provide support to the consultants during January 2005–July 2007. The TA will require a total of 120 person-months of domestic consulting services.

1. Managing Director (30 person-months)

5. The managing director will have

- (i) comprehensive knowledge of the GMS trade and investment environment in at least three GMS members;
- (ii) ability to draft briefing positions for public communication by the chair and/or directors;
- (iii) experience with business-to-business e-commerce, including Electronic Data Interchange - buyer and seller linkages;
- (iv) knowledge of foreign direct investors' concerns, including double taxation, bilateral investment treaties, insolvency laws, and pledge and collateral laws;
- (v) demonstrated ability to maintain value-based, results-oriented budgetary expenditure summaries for input to the board of directors; and
- (vi) demonstrated ability to mentor and supervise specialist personnel.

2. Conference Organizing Specialist (30 person-months)

6. The conference-organizing specialist will have

- (i) experience in organizing conferences,
- (ii) sense of urgency and appreciation of deadlines,
- (iii) capacity to tailor conference themes to a variety of audiences,
- (iv) ability to handle several tasks simultaneously, and
- (v) demonstrated ability to carry out large assignments through to successful conclusions.

7. The following is a tentative list of initial conferences, targeting four or five conferences per year:

- (i) east-west corridor and improving the intra-GMS flow of goods and services,
- (ii) foreign direct investment environment in the GMS,
- (iii) priority industry investment environment in the GMS,
- (iv) role of pre-shipment export finance in improving the intra-GMS flow of goods and services,
- (v) developing specialized risk underwriting, insuring, and reinsuring in the GMS,
- (vi) achieving internationally accepted technical standards in the GMS,
- (vii) strengthening linkages between securities markets in the GMS,
- (viii) developing asset-backed securitization in the GMS, and
- (ix) labor mobility in the GMS.

3. Business Development Specialist (30 person-months)

8. The business development specialist will have

- (i) the ability to direct networks of sales agents,
- (ii) an understanding of GMS economies and the potential role of the GMS Business Forum,
- (iii) the ability to handle several tasks simultaneously,
- (iv) the ability to speak convincingly before a variety of public groups, and
- (v) a willing to travel regularly and work on his or her own.

9. In addition, the business development specialist may be required to

- (i) have experience in advising small and medium enterprises on funding requests and export and import pre-shipment finance;
- (ii) be sympathetic to the concerns of small and medium enterprises;
- (iii) have a network of contacts in GMS governments, banks, and nonbank financial institutions;
- (iv) be familiar with credit and trade finance underwriting concepts;
- (v) have experience with preparing credit-funding requests to banks and nonbank financial institutions;
- (vi) be able to handle several tasks simultaneously; and
- (vii) have the ability to speak in an advocacy context with officers of banks and nonbank financial institutions.

4. Administrative Staff Member (30 person-months)

10. The administrative staff member will have knowledge of Microsoft Word and Excel, be fluent in written and spoken English, and be able to draft official correspondence with minimal supervision.