

**ASIAN DEVELOPMENT BANK**

**TAR: OTH 37575**

**TECHNICAL ASSISTANCE**

**FOR**

**SMALL AND MEDIUM-SIZED ENTERPRISE GROWTH AND DEVELOPMENT**

**PHASE II**

**December 2004**

## ABBREVIATIONS

ADB	–	Asian Development Bank
BDS	–	business development service
FY	–	fiscal year
GMS	–	Greater Mekong Subregion
IFC	–	International Finance Corporation
MPDF	–	Mekong Project Development Facility (now renamed the Mekong Private Sector Development Facility)
PDR	–	People's Democratic Republic
SME	–	small and medium enterprise
TA	–	technical assistance

## TECHNICAL ASSISTANCE CLASSIFICATION

<b>Targeting</b>	–	General intervention
<b>Classification</b>		
<b>Sector</b>	–	Industry and trade
<b>Subsector</b>	–	Small and medium-scale enterprises
<b>Themes</b>	–	Sustainable economic growth, regional cooperation, private sector development
<b>Subthemes</b>	–	Promoting economic efficiency and enabling markets

## NOTES

- (i) The fiscal year (FY) of the Mekong Private Sector Development Facility ends on June 30. FY before a calendar year denotes the year in which the fiscal year ends, e.g., FY2004 ends on 30 June 2004.
- (ii) In this report, "\$" refers to US dollars.

This report was prepared by V.C.L Tan.

## I. INTRODUCTION

1. In the context of promoting private sector small and medium enterprises (SMEs) in the Mekong Region, the Asian Development Bank (ADB) approved technical assistance (TA) for SME growth and development through the Mekong Project Development Facility (MPDF) as executing agency in 2000.<sup>1</sup> MPDF is a multidonor initiative managed by the International Finance Corporation (IFC) and supported by ADB, Australia, Canada, Finland, France, IFC, Japan, Netherlands, New Zealand, Norway, Sweden, Switzerland, and United Kingdom. MPDF's goal is to support the development of private, locally-owned SMEs in Cambodia, Lao People's Democratic Republic (PDR), and Viet Nam by (i) developing sustainable local providers of financing and other business services needed by SMEs and (ii) cooperating with relevant institutions in relation to local and foreign initiatives aimed at improving the business environment for SMEs.

2. An independent evaluation conducted in 2002 by IFC's Operations Evaluation Group that was presented to the external funding agencies rated MPDF as successful in achieving its intended development outcomes.<sup>2</sup> By the end of MPDF's 5-year operational period (phase I) in December 2002, the external funding agencies agreed to extend its work for another 5 years from January 2003 through December 2007 (phase II) to build on the achievements of phase I.<sup>3</sup> MPDF requested ADB for further TA to support its work during phase II and concurred with the goals, objective, scope, costs, implementation arrangements, eligibility criteria, and operational procedures of the TA.<sup>4</sup> The TA is included in ADB's Greater Mekong Subregion (GMS) Regional Cooperation Strategy and Program (2004–2008).<sup>5</sup> The TA framework is in Appendix 1.

## II. ISSUES

3. Private sector SMEs constitute an integral part of the economies of Cambodia, Lao PDR, and Viet Nam. In Cambodia, small-scale enterprises dominate economic activity and account for a substantial part of employment. The Lao PDR's private sector is predominantly small, with 75% of SMEs located in rural areas and becoming an increasingly important source of economic activity. In Viet Nam, the private sector accounted for 48% of gross domestic product in 2002 and 89% of employment in 2001, and Ministry of Planning and Investment estimates indicate that SMEs account for more than 90% of the private sector. Clearly, harnessing the productive potential of private sector SMEs is essential to long-term growth. The GMS Flagship Program endorsed by the GMS Summit of Leaders in 2002 identified support for SMEs as a way to enhance private sector competitiveness, economic development, and poverty reduction in the region. ADB's GMS Regional Cooperation and Strategy Program and country strategies for Cambodia, Lao PDR, and Viet Nam also support private sector

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<sup>1</sup> ADB. 2000. *Technical Assistance for Small and Medium-Size Enterprise Growth and Development in the Mekong Region*. Manila (TA 5951-REG for \$750,000, approved on 8 December 2000).

<sup>2</sup> ADB also rated TA 5951-REG as successful. ADB. 2004. *Technical Assistance Completion Report on Small and Medium-Size Enterprise Growth and Development in the Mekong Region*. Manila. MPDF completed 129 projects that helped create and sustain 17,050 jobs, assisted in the capacity building of more than 40 companies, and provided training to 3,720 SME managers and 2,750 bank officers. It also published 12 workbooks, of which it sold 42,905 copies, and prepared 13 research papers on private sector development issues and disseminated them to governments and external funding agencies.

<sup>3</sup> The external funding agencies approved a change in MPDF's name to the Mekong Private Sector Development Facility in phase II, but the abbreviation remains the same.

<sup>4</sup> The TA first appeared in *ADB Business Opportunities* (Internet edition) on 12 July 2004.

<sup>5</sup> Formerly listed in the Regional Cooperation Strategy Program (2004-2008) as the *Mekong Project Development Facility*.

development—fostered by SME development—as key to generating employment and pro-poor, sustainable economic growth.

4. While modest progress was seen in the three countries in relation to a number of SME initiatives,<sup>6</sup> impediments remain, and the enabling environment for SMEs in these transitional economies continues to be weak. Constraints include the absence of a clear SME development policy and coordination framework, governments' weak ability to implement policy initiatives, cumbersome and costly business registration and licensing systems, limited access to financial and physical resources (especially inadequate and/or ineffective land registration systems), limited access to international markets and quality standards, lack of a level playing field with state-owned enterprises, and ineffective enforcement of economic contracts. Furthermore, private sector SMEs in these countries are in a formative stage because of years of centralized planning and government control. Thus SMEs are often handicapped by their weak technical capacities; lack of modern management knowledge; and lack of access to information, capital, and links to foreign markets. Compounding these constraints is the low availability and poor quality of business development services (BDSs)<sup>7</sup> for SMEs, which hampers their productivity and competitiveness.

5. ADB is pursuing support for private sector SME development through a number of approaches, including (i) creating enabling business environments, (ii) reforming financial sectors, and (iii) providing direct financial assistance to SMEs. ADB has GMS and national SME and financial sector reform programs in place to carry out the first two thrusts to help governments address the regulatory and financial sector impediments to private sector SME growth. ADB provides direct financial assistance to private sector SMEs in the GMS through a regional investment fund.<sup>8</sup> In addition, ADB sees the provision of TA through regional facilities such as MPDF as complementing its public sector interventions and as a cost-effective means of delivering direct, relevant, and specific applications and assistance to the SME sector, which is characterized by small levels of investment.<sup>9</sup> The TA will therefore seek to stimulate private sector SME development in the GMS by continuing ADB's partnership with MPDF.<sup>10</sup>

6. MPDF is the largest SME facility in the Mekong region. It provides assistance to private sector entrepreneurs and organizations through three separate, but interlinked, programs: (i) the Company Advisory Assistance Program, which helps local SMEs improve their operations, develop new markets, strengthen their management, and develop sound business plans; (ii) the Business Development Program, whereby MPDF works with local institutions, business

<sup>6</sup> These include the passage of the SME Decree (or Decree 90 "Support for Development of SMEs") and Enterprise Law in Viet Nam, amendments to the Law on Investment in Cambodia, and the promulgation of the SME Decree in Lao PDR.

<sup>7</sup> BDS refers to any nonfinancial service used by an enterprise to help carry out its business functions, including training; consultancy and outsourced services for marketing, packaging, and product design; quality assurance; distribution logistics; information technology; business linkage promotion; management; finance and accounting; and advertising.

<sup>8</sup> ADB. September 2001. *Equity Investment in the Mekong Enterprise Fund (MEF)*, Manila (for \$5 million, approved on 7 September 2001). The fund is a 10-year, \$18.5 million investment fund and the first fund in the target countries of Cambodia, Lao PDR, and Viet Nam that specifically focuses on investments in locally owned, private sector SMEs. The fund was conceptualized and established through the joint efforts of ADB and MPDF.

<sup>9</sup> ADB's first application of this approach was through two regional TAs to the South Pacific Project Facility: ADB. 1996. *South Pacific Project Facility*. Manila (TA 5683-REG, for \$300,000, approved on 26 April 1996); ADB. 1999. *South Pacific Project Facility II: Private Sector Development Support*. Manila (TA 5891-REG, for \$300,000, approved on 23 December 1999).

<sup>10</sup> ADB approved the VIE: SME Sector Development Program Loan in October 2004 and the CAM: SME Sector Development Program Loan in December 2004 to further strengthen the SME sectors in the two countries. ADB has benefited from MPDF's meso- and firm-level insights during the preparation of these loans.

centers, and trade associations to strengthen their capacity; and (iii) the Business Enabling Environment Program, which conducts research on specific issues facing local SMEs and the environment in which they operate, widely disseminates the results of findings on crucial SME regulatory issues, and promotes policy dialogue among governments, external funding agencies, private sector business associations, and enterprises.<sup>11</sup> MPDF's more than 7 years of operational experience has given it keen insights into the distinct demands of private SMEs and local BDS providers in each of the three Mekong countries.

7. The three MPDF programs have achieved considerable synergy, which has further strengthened MPDF's ability to provide assistance to SMEs in different forms and through the different stages of an enterprise's growth. For example, in Cambodia, the Business Development Program identified several clients for operational review by the Company Advisory Assistance, and in one case the operational review led to a substantial loan from a local bank. Concepts and business models that proved successful in the relatively more mature markets of Viet Nam are being adapted in Cambodia and to a limited extent in the Lao PDR. The *Business Edge* workbooks of the Business Development Program (easy to understand and apply training materials aimed at enhancing SMEs' managerial capacity) met with considerable success in Viet Nam (including a decent return for the local printing and distribution partner) and are being adapted for Cambodia and the Lao PDR. Challenges remain, however, such as finding capable local partners for such programs. MPDF has continued to emphasize corporate sustainability in areas such as labor relations, environmental protection, human resource development, gender equity, community relations, and corporate governance. Environmental and social reviews in accordance with World Bank and IFC guidelines are included in Company Advisory Assistance projects and are targeted for priority attention. An MPDF monitoring and evaluation framework has been refined to include new tools, such as logical frameworks, baseline surveys, and outcome evaluations.

8. MPDF has a Donor board comprising representatives from its external funding agencies, ADB and IFC, which provides strategic direction for the overall functioning of MPDF. IFC provides technical and management support. MPDF's headquarters are in Hanoi and it has field offices in Ho Chi Minh City, Phnom Penh, and Vientiane. MPDF has 6 international and 60 local staff, supplemented by consultants as needed for specific project assignments. While it charges a nominal amount for most of its services, recently it has been trying to recover an increasing portion of its costs wherever possible. Almost all its operations are funded by external funding agency support. Appendix 2 provides funding and budgetary information. MPDF (phase II) requires a total of \$29.9 million and has received commitments of around \$25.0 million. MPDF has developed close working relationships with various stakeholders, including business associations, nongovernment associations, and social and environmental groups involved in the private SME sector. External funding agencies value it as a strong partner whose extensive regional and country-specific knowledge and network they regularly tap to help them with their own SME development programs.<sup>12</sup>

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<sup>11</sup> *Business Issues Bulletins*, published every other month in Viet Nam in partnership with the national Chamber of Commerce and Industry and quarterly in Cambodia include articles such as "Implications to the Viet Nam Business Community of the Revised Draft Land Law" and "Value Chains—Opportunities and Constraints in Cambodia." Similar bulletins will be published in the Lao PDR semi-annually starting in 2005. Research studies topics include "Difficulties Companies Face in Viet Nam throughout the Registration and Start-Up Phase", and "Opportunities and Advantages for Cambodian Entrepreneurs after World Trade Organization Accession". MPDF has engaged in dialogue with the Government of the Lao PDR to establish a private sector forum.

<sup>12</sup> For example, MPDF in partnership with ADB produces *Markets and Development* bulletins every other month targeted at provincial-level authorities, the private sector, and agricultural producers to address the lack of information on business-related issues in rural areas of Viet Nam.

9. MPDF's comparative advantage in terms of first-hand, enterprise-level knowledge acquired through years of operational experience and its established infrastructure offer a complementary and effective way for ADB to undertake its private sector SME development thrusts. Partnership with MPDF provides ADB with practical insights on issues and possible policy enhancements. Through the TA, ADB can support consulting and MPDF's three project activity programs to meet specific enterprise-level or subsector needs in a targeted manner. For its part, ADB can continue to impart its extensive knowledge of and approaches to SME and private sector development to MPDF. For example, ADB's GMS development programs of cross-border trade and investment facilitation, business forum initiatives and discussions, and public-private consultation meetings offer MPDF opportunities for participating in regional development. ADB is also well placed to act as a facilitator between government agencies and MPDF. From its representation on MPDF's board, ADB is also able to share, coordinate, and harmonize its regional development agenda with the agendas of other external funding agencies.

### **III. THE TECHNICAL ASSISTANCE**

#### **A. Purpose and Output**

10. The goal of the TA is to stimulate the development of private sector SMEs in Cambodia, Lao PDR, and Viet Nam. Its objective is to (i) facilitate SMEs' access to financing sources and enhanced business and TA services and (ii) improve business environments through research and policy advocacy.

11. The outputs of the TA will include (i) the identification of SME needs and the provision of business services, (ii) the identification of SMEs' and local financial institutions' capacity requirements and the provision of training programs and workbooks, (iii) the development of core consulting courses and the delivery of training programs to local BDS providers, (iv) the provision of TA and training to grassroots business organizations, (v) the provision of assistance with setting up e-commerce web portals, (vi) the provision of assistance with planning and setting up business associations, (vii) the conduct and wide dissemination of research on private sector SME development issues, and (viii) the organization of policy dialogue among stakeholders.

#### **B. Methodology and Key Activities**

12. The TA will use MPDF's existing organizational and managerial capabilities. The TA's project-related and program activities will be carried out through MPDF's three programs and will benefit private sector SMEs, local financial institutions, local BDSs and training partner institutions, and business associations in Cambodia, Lao PDR, and Viet Nam. The TA will help meet the cost of consultants recruited by MPDF to undertake project-related activities and the related costs of project support programs for private sector SMEs and local institutions. TA-funded projects will address specific development reform initiatives and will have a positive, demonstrative development impact, contributing to overall reform and the regulatory requirements for promoting private sector SME development in the three countries.

#### **C. Cost Estimates and Financing**

13. The total cost of the TA is estimated at \$300,000. The TA will be financed on a grant basis from ADB's TA funding program. This grant will fund a portion of the \$29.9 million 5-year funding requirement of MPDF phase II. The TA will fund fees and remuneration, airfares, daily

subsistence payments, and other workshop and administrative and support services. Over the 24-month TA period from January 2005 through December 2006, MPDF's total consulting expenditure is projected to be approximately \$6 million, of which ADB's TA support will be \$275,000. MPDF expenditure on related workshops and training is projected at \$2 million, of which \$25,000 will be funded by the TA (Appendix 3 provides the cost estimates and financing plan).

#### **D. Implementation Arrangements**

14. MPDF will be the executing agency for the TA. Similar to the implementing arrangements for phase I, ADB will fund a portion of MPDF's operational activities, but MPDF's management team will undertake all matters relating to the design of specific assignments, the preparation of terms of reference, the selection and recruitment of consultants, and the administration of each assignment. ADB monitors MPDF's programs, including those funded by the TA, on a semiannual basis at Donor board meetings and through quarterly newsletters, annual reports, and MPDF's monitoring and evaluation reports. MPDF will closely coordinate with ADB's resident missions in the three countries to discuss TA-funded projects and SME development programs by both institutions, thereby permitting enhanced dialogue on needed reforms. In addition, potentially viable and suitable projects developed using TA funds should be referred to ADB's Private Sector Operations Department for possible financing.

15. The consultant requirements are expected to range from assignments of 2 to 6 months. ADB's TA will support the equivalent of approximately 20 person-months for five consultancy assignments and portions of related program activities. MPDF follows IFC consultant selection procedures and consultant contracts are with IFC. Accordingly, IFC consultant selection procedures consistent with ADB's *Guidelines on the Use of Consultants* will be used to select international and/or domestic consultants financed under the TA. Although IFC's guidelines for paying consultant fees and allowances will apply, TA funds should only be applied to meet costs relating to consultants recruited from ADB member countries. MPDF will seek reimbursement from ADB on the basis of claims for eligible expenditures submitted to ADB. ADB retains the right of prior approval of TA funding through ADB's Mekong Governance, Finance, and Trade Division to ensure adequate coordination of ADB and MPDF programs. Appendix 4 contains eligibility criteria and operational procedures for the TA.

#### **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 \$300,000 on a grant basis to the Mekong Private Sector Development Facility for Small and Medium-Sized Enterprise Growth and Development Phase II, and hereby reports this action to the Board.

## TECHNICAL ASSISTANCE FRAMEWORK

Design Summary	Performance Indicators and Targets	Monitoring Mechanisms	Assumptions and Risks
<p><b>Goal</b></p> <p>Stimulate the development of private sector SMEs</p>	<ul style="list-style-type: none"> <li>• Increased private sector investments in absolute amounts in SMEs and as a share of gross domestic product</li> <li>• Increased business formation and local provision of business development services</li> </ul>	<p>Statistical data on private sector investment and business activities in SMEs, business association formation, employment generation, and number and capacity of local training and business development service institutions</p>	
<p><b>Purpose</b></p> <p>Facilitate SMEs' access to financing sources and enhanced business and TA services</p> <p>Improve the business environment through research and policy advocacy</p>	<ul style="list-style-type: none"> <li>• Increased credit availability to SMEs from local financial institutions</li> <li>• Improved availability and diversity of business and technical advice to SMEs</li> <li>• Reduced cost of doing business (new or revised laws adopted to make the playing field level for the domestic private sector)</li> </ul>	<ul style="list-style-type: none"> <li>• Statistical data on financing for SMEs from local banks and other financial institutions</li> <li>• Feedback from SME clients, local financial institutions, investors, nongovernment organizations, service providers, government agencies and external funding agencies</li> <li>• Midterm and full-term independent evaluation by the Operations Evaluation Group of the International Finance Corporation</li> <li>• ADB TA completion report</li> </ul>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• Continuing reforms aimed at creating a conducive environment for private sector development (in particular, locally-owned private sector SMEs), including the creation of effective financial systems and open investment regimes</li> <li>• Conducive macroeconomic environment</li> </ul>
<p><b>Outputs</b></p> <p>1. Company Advisory Assistance Program</p> <p>Identify SME investments for funding by financial institutions</p> <p>Identify and address managerial and training match requirements (e.g., marketing skills, accounting systems, management information systems, planning)</p> <p>Facilitate environmental and social compliance, corporate social responsibility, and compliance with</p>	<ul style="list-style-type: none"> <li>• Number of SMEs screened, TA provided, volume of financing raised</li> <li>• Number and diversity of training courses conducted for SMEs, number of trainees</li> <li>• Satisfaction ratings by SMEs, training participants</li> <li>• Number of assisted SMEs improving environmental and social compliance, corporate social responsibility, or</li> </ul>	<ul style="list-style-type: none"> <li>• Annual review using MPDF's monitoring and evaluation framework</li> <li>• MPDF annual reports and quarterly newsletters</li> <li>• MPDF project progress reports, project completion reports, and outcome surveys</li> <li>• Annual and semiannual Donor board review meetings.</li> </ul>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• Active local business community</li> <li>• Active local banks and financial institutions</li> <li>• Active local business development service providers</li> </ul>

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Design Summary	Performance Indicators and Targets	Monitoring Mechanisms	Assumptions and Risks
<p>international standards such as SA 8000 as certified by the Bureau Veritas Quality International, Vietnam, and ISO 9001:2000, certified by TUV Rheinland Vietnam Ltd., Det Norske Veritas, and the Bureau Veritas Quality International</p> <p>Develop core consulting courses and deliver training courses to local consultants</p> <p>Provide TA and training to grassroots business organizations</p>	<p>international standards certification</p> <ul style="list-style-type: none"> <li>• Satisfaction ratings by SMEs</li> </ul> <ul style="list-style-type: none"> <li>• Number of training courses conducted for local consultants</li> <li>• Number of consultants trained</li> <li>• Satisfaction ratings by SMEs, training participants</li> <li>• Percentage of costs recovered from seminars and workshops conducted, fees earned by MPDF</li> </ul> <ul style="list-style-type: none"> <li>• Number of grassroots business organizations identified, screened, and assisted</li> </ul>		
<p>2. Business Development Program</p> <p>Identify capacity building and training requirements for local financial institutions and local consultants and address these through workshops and training seminars</p> <p>Certify local training partners</p> <p>Produce workbooks for end-user, and trainer manuals</p> <p>Help with setting up e-commerce web portals to aid in trade promotion</p>	<ul style="list-style-type: none"> <li>• Number and diversity of training courses developed and conducted for local financial institutions and local training agents, number of trainees</li> <li>• Number of certified local training partners</li> <li>• Sales volume of workbooks and trainer manuals</li> <li>• Satisfaction ratings by buyers of workbooks and manuals</li> <li>• Percentage of costs recovered for the production of workbooks</li> <li>• Number of e-commerce portals developed, number of website visits,</li> </ul>	<ul style="list-style-type: none"> <li>• Annual review using the MPDF's monitoring and evaluation framework.</li> <li>• MPDF annual reports and quarterly newsletters</li> <li>• MPDF project progress reports, project completion reports, and outcome surveys</li> <li>• Annual and semiannual Donor board review meetings</li> </ul>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• Active local business community</li> <li>• Active local banks and financial institutions</li> <li>• Active local business development service providers</li> </ul>

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Design Summary	Performance Indicators and Targets	Monitoring Mechanisms	Assumptions and Risks
<p>Provide assistance with planning and setting up business associations</p>	<p>activities and business volume generated by these portals</p> <ul style="list-style-type: none"> <li>Increase in active membership of business associations and improvement in quality and quantity of services provided to members</li> </ul>		
<p>3. Business Enabling Environment Program</p> <p>Conduct research on private sector development issues and disseminate the results widely</p> <p><i>Issue Markets and Development</i> bulletins in cooperation with ADB and publish private sector discussion papers and <i>Business Issues Bulletins</i></p> <p>Organize policy dialogues</p>	<ul style="list-style-type: none"> <li>New and/or revised laws adopted incorporating MPDF's recommendations</li> <li>More information for policy advocacy provided to local governmental officials</li> <li>Satisfaction ratings by beneficiaries of MPDF's business enabling environment work</li> </ul>	<ul style="list-style-type: none"> <li>Annual review using MPDF's monitoring and evaluation framework.</li> <li>MPDF annual reports and quarterly newsletters</li> <li>MPDF project progress reports, project completion reports, and outcome surveys</li> <li>Annual and semiannual Donor board review meetings</li> </ul>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>Active local business community</li> <li>Active local banks and financial institutions</li> <li>Active local business development service providers</li> </ul>
<p><b>Activities</b></p> <p>MPDF activities carried out through three programs</p> <ol style="list-style-type: none"> <li>Company Advisory Assistance Program</li> <li>Business Development Program</li> <li>Business Enabling Environment Program</li> </ol> <p>Coordination and cooperation among ADB and other external funding agencies in relation to reform</p>	<ul style="list-style-type: none"> <li>Quality of MPDF programs and of consulting services provided, quantity of services sought</li> <li>MPDF programs and projects addressing needed policy reforms as identified by ADB, World Bank, and other external funding agencies</li> </ul>	<ul style="list-style-type: none"> <li>MPDF reports</li> <li>Donor board meetings, program report sharing, ADB resident mission meetings with MPDF staff on programs and enabling environment reform efforts</li> </ul>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>Interest on the part of SMEs and local institutions in MPDF's services</li> <li>Strong multilateral and external funding agency cooperation and coordination</li> </ul>

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Design Summary	Performance Indicators and Targets	Monitoring Mechanisms	Assumptions and Risks
<b>Inputs</b>  Consultants (Remuneration, Per Diem, and Travel)  Workshops, Training, and Related Administrative Support Services  Total	\$275,000  \$25,000  \$ 300,000	<ul style="list-style-type: none"> <li>• MPDF annual financial reports</li> <li>• MPDF annual reports and quarterly newsletters, annual and semiannual Donor board review meetings</li> <li>• ADB TA completion report</li> </ul>	<b>Assumptions</b> <ul style="list-style-type: none"> <li>• Capable MPDF management and staff</li> <li>• Availability and timely recruitment of consultants</li> <li>• To the extent possible, cost recovery and gradual phasing out of subsidies in certain programs</li> </ul>

ADB = Asian Development Bank, MPDF = Mekong Private Sector Development Facility, SME = small and medium enterprise, TA = technical assistance.

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Robert S. Boumphrey  
Director, MKGF

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Rajat Nag  
Director General, MKRD

**MEKONG PRIVATE SECTOR DEVELOPMENT FACILITY PHASE II EXTERNAL FUNDING AGENCY COMMITMENT STATUS  
AND BUDGET**

**Table A2.1: Mekong Private Sector Development Facility Phase II, External Funding Agency Funding Status  
(as of 30 June 2004)**

External Funding Agency	Currency	Commitment		Disbursed Amount			Undisbursed Amount		
		Amount	\$ Equivalent	Currency	Amount	\$ Equivalent	Currency	Amount	\$ Equivalent
<b>Approved</b>									
Rolled over from MPDF I (including Canadian International Development Agency fund)	\$		3,014,600	\$		3,014,600			
Australia	\$		539,600	\$		400,000	\$		139,600
Canada	Can\$	3,700,000	2,769,300	Can\$	1,000,000	762,835	Can\$	2,700,000	2,006,465
IFC	\$		5,000,000	\$		2,000,000	\$		3,000,000
Japan	\$		500,000 <sup>a</sup>	\$		500,000	\$		0
Netherlands	€ (f)	500,000	573,119 <sup>a</sup>	€	500,000	568,333	\$		4,786
New Zealand	NZ\$	900,000	574,110	NZ\$	300,000	192,060	NZ\$	600,000	382,050
Norway	NKr	15,000,000	2,203,979	NKr	5,500,000	811,907	NKr	9,500,000	1,392,072
Sweden	SKr	20,000,000	2,646,033	SKr	8,000,000	1,051,031	SKr	12,000,000	1,595,002
Switzerland	SwF	5,000,000	3,708,392	SwF	5,000,000	3,708,392	SwF		0
United Kingdom	£	1,500,000	2,668,680	£	450,000	738,675	\$	1,050,000	1,930,005
<b>Total Approved</b>			<b>24,197,813</b>			<b>13,747,833</b>			<b>10,449,980</b>
<b>Agreements in process</b>									
Netherlands	€	608,000	696,913						
<b>Under Consideration</b>									
ADB	\$		300,000						
Australia			TBD						
Finland			TBD						
<b>Potential Commitments</b>									
Japan			TBD						
Netherlands			TBD						
<b>Subtotal</b>			<b>TBD</b>						
<b>Total</b>			<b>25,194,726</b>						

IFC = International Finance Corporation, MPDF = Mekong Private Sector Development Facility, TBD = to be determined.

<sup>a</sup> Annual contribution.

Source: Mekong Private Sector Development Facility data.

**Table A2.2: Mekong Private Sector Development Facility Phase II, Actual and Projected Operational Budget  
January 2003 to December 2007  
(\$)**

<b>Item</b>	<b>First Half CY2003 Actual</b>	<b>FY2004 Actual</b>	<b>FY2005 Projected</b>	<b>FY2006 Projected</b>	<b>FY2007 Projected</b>	<b>First Half FY2008 Projected</b>	<b>Total</b>
<b>Company Advisory Assistance Program</b>	644,613	1,355,161	1,266,500	1,225,500	1,125,500	512,750	6,130,024
Financing and Advisory Assistance	547,921	790,850	816,438	817,000	716,227	307,650	3,996,086
Viet Nam			362,294				
Cambodia and the Lao PDR			454,144				
Consultant Development Program	96,692	354,645	143,897	0	0	0	595,234
Linkages	0	209,666	306,165	408,500	409,273	205,100	1,538,704
<b>Business Development Program</b>	1,138,206	3,060,723	2,583,000	2,211,000	1,621,000	560,500	11,174,429
Business Edge	466,866	1,092,499	983,149	818,889	748,154	280,250	4,389,807
Viet Nam			860,255				
Cambodia and the Lao PDR			122,894				
Bank Training Center	260,269	666,449	435,714	456,238	249,385	0	2,068,055
Viet Nam Bank Training Center			312,820				
Cambodia Institute of Banking			122,894				
Business Associations Support Initiative	182,581	529,485	670,328	584,921	498,769	280,250	2,746,334
Viet Nam			391,025				
Cambodia and the Lao PDR			167,582				
International Garment Training Center			111,721				
Trade Promotion	228,490	772,290	493,809	350,952	124,692	0	1,970,233
<b>Business Enabling Environment Program</b>	242,938	427,483	980,000	1,000,000	1,000,000	200,000	3,850,421
<b>Administration and Overhead</b>	1,023,565	2,054,683	1,830,000	1,800,000	1,500,000	500,000	8,708,248
<b>Total Expenditures</b>	<b>3,049,322</b>	<b>6,898,050</b>	<b>6,659,500</b>	<b>6,236,500</b>	<b>5,246,500</b>	<b>1,773,250</b>	<b>29,863,122</b>

CY = calendar year, FY = fiscal year, PDR = People's Democratic Republic.  
Source: Mekong Private Sector Development Facility data.

**COST ESTIMATES AND FINANCING PLAN**  
(**\$**)

<b>Item</b>	<b>Total Cost</b>
<b>Asian Development Bank (ADB) Financing <sup>a</sup></b>	
1. Consultants (Remuneration, per diem, and travel)	275,000
2. Workshops, Training, and Related Administrative Support Services	25,000
<b>Total</b>	<b>300,000</b>

<sup>a</sup> Financed on a grant basis from ADB's technical assistance funding program.  
Source: ADB estimates.

## ELIGIBILITY CRITERIA AND OPERATING PROCEDURES

1. Regional technical assistance (TA) funds may be used to meet the costs of consultants recruited by the Mekong Private Sector Development Facility (MPDF) for specific project assignments as detailed here. The Asian Development Bank (ADB) and the International Finance Corporation (IFC) will enter into an agreement on mutually acceptable terms and conditions incorporating the following eligibility criteria and operating procedures.

- (i) Consultants will work on specific assignments undertaken by MPDF in accordance with its objective of promoting viable private sector small and medium enterprise (SME) projects, thereby contributing to self-sustaining economic growth in the Mekong region.
- (ii) Viable and suitable projects developed using TA funds will be referred to ADB for potential financing by ADB's Private Sector Operations Department.
- (iii) Each consultant will be selected and engaged in accordance with IFC's consultant recruitment procedures that are consistent with ADB's *Guidelines on the Use of Consultants*. In particular, MPDF will ensure that qualified candidates from all ADB member countries are eligible for consideration for any assignment to be financed by the TA.
- (iv) Eligible expenses under the TA are fees, airfares, and subsistence payments to consultants and for workshops, training, and support services determined in accordance with IFC's standard procedures and guidelines.
- (v) Work undertaken by the consultants will be carried out in, or related to, projects in Cambodia, Lao People's Democratic Republic, and Viet Nam.
- (vi) Consultants may be individuals or firms. Individual consultants, whether recruited directly or through a firm, will be nationals of ADB member countries. A consulting firm, whether directly engaged, or providing an individual consultant, will be from an ADB member country.
- (vii) Except as ADB may otherwise agree, TA funds will not be applied to assignments for privatizing public sector enterprises or for projects involving enterprises that have majority government ownership.
- (viii) Except as ADB may otherwise agree, TA funds will not be applied to any single consulting assignment with a total cost exceeding \$90,000 equivalent.
- (ix) MPDF will submit claims to ADB for reimbursement of eligible expenses under the TA. Such claims will provide details required by ADB, including the name and country of the project; name, address, and nationality of the consultant; and expenditure category (fees, travel expenses, subsistence expenses, workshop, training, support services, etc.). Upon review and acceptance of the claim for reimbursement, ADB will remit the reimbursement to the International Bank for Reconstruction and Development, account number 2000192003489, Swift Bic Code: PNBPUS3NNYC, Wachovia Bank, NA, New York.
- (x) MPDF will submit to ADB quarterly newsletters and annual status reports covering all its projects and hold semiannual Donor meetings. In addition, MPDF will also supply ADB with project progress reports, project completion reports, and outcome evaluation reports for projects specifically funded by ADB's TA. Staff from the MPDF offices in the three countries will meet regularly with ADB resident mission staff to discuss TA-funded projects and the SME development programs of both institutions. This will ensure close coordination and information sharing, allowing input for dialogue on needed reforms, with the government concerned.
- (xi) TA-funded projects will have a demonstrative, positive development impact. They will also support reform and/or regulatory processes to promote private sector

SME development in Cambodia, Lao People's Democratic Republic, and Viet Nam.