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## Regional: Mekong Business Initiative

Project Name

Mekong Business Initiative

Project Number

48270-001

Country / Economy

- Regional
- Cambodia
- Lao People's Democratic Republic
- Myanmar
- Viet Nam

Project Status

Closed

Project Type / Modality of Assistance

- Technical Assistance

Source of Funding / Amount

TA 8785-REG: Mekong Business Initiative

| <b>Source</b>                     | <b>Amount</b>      |
|-----------------------------------|--------------------|
| Technical Assistance Special Fund | US\$ 500,000.00    |
| Government of Australia           | US\$ 10.00 million |

TA 8785-REG: Mekong Business Initiative (Supplementary)

| <b>Source</b>                     | <b>Amount</b>     |
|-----------------------------------|-------------------|
| Technical Assistance Special Fund | US\$ 500,000.00   |
| Government of Australia           | US\$ 1.30 million |

Strategic Agendas

- Inclusive economic growth
- Regional integration

Drivers of Change

- Gender Equity and Mainstreaming
- Governance and capacity development
- Knowledge solutions
- Partnerships
- Private sector development

Sector / Subsector

- **Public sector management** / Public administration

## Gender

Effective gender mainstreaming

### Description

The Mekong Business Initiative (MBI) is an advisory and advocacy facility which promotes private sector development (PSD) in the Greater Mekong Sub-region (GMS) region, with a focus on Cambodia, Lao PDR, Myanmar, and Viet Nam (CLMV). The MBI objective of promoting business environment reforms in CLMV aligns to the Asian Development Bank (ADB) Strategy 2020 strategic focus on PSD, as well as the GMS Economic Cooperation Program Strategic Framework 2012- 2022 in recognition of the critical role of the private sector as an engine of GMS development. MBI adopts a focused and strategic approach towards aligning national and regional PSD agendas. The MBI thinks regionally and act nationally in that it is a regional initiative focusing on common regional issues, but offering national solutions. Success of the MBI depends critically on its modality. The MBI design enables ADB to rapidly mobilize targeted expertise for analytical work, policy reform, and capacity building in response to government and private sector requests for assistance. Significant resources will be set aside to support reform implementation. The MBI relies on an understanding of political economy, and on in-built flexibility to disengage and change focus as circumstances require. Reforming the business environment takes many years and requires sustained political and policy support. A key feature of MBI is that it will be demand driven, can respond quickly to requests from CLMV, and provide ongoing support to implement the reforms and achieve tangible results. MBI aims to take novel approaches to PSD in the region; inevitably some of the initiatives that it undertakes will be experimental. Even if initiatives are based on sound analytical work and monitored closely, some unsuccessful reform efforts are inevitable because of their inherent complexity. Accordingly, the MBI has adopted an M&E framework that allows for close monitoring of projects to limit cost of stalled projects, allow for strategic exits, and provide a framework for learning for the future. MBI also engages and transfers knowledge from ASEAN economies outside of CLMV, as well as global best practices.

### Project Rationale and Linkage to Country/Regional Strategy

The private sector in CLMV is still in its infancy after long history of centralized planning and government control. While the business communities in CLMV are diverse in nature and PSD challenges country specific, all countries face common problems during the transition toward market economies. Despite of past and on-going regulatory reforms spurred by commitments under various free trade agreements (FTAs), across CLMV there remains an absence of a legal platform necessary to support a robust and developing private sector. Business laws are often inappropriate and poorly implemented in key areas of business formation, contracting, corporate governance, and insolvency. They are rarely used by a significant portion of the population and do not foster the economic inclusion of community groups, women's groups, associations of small farmers, and local entrepreneurs. These groups also have limited access and knowledge about finance services and their use. The low level of access to finance is partly the result of the geographical characteristics the GMS as it is costly to provide services in remote areas and partly as a result of poor regulations and lack of suitable financial products. Besides, the lack of access to information hinders the growth and participation of local businesses into the global value chains. There is need to assist entrepreneurs in the informal sector to formalize their businesses, opening opportunities to access formal financial institutions, access updated and accurate information both locally and internationally, and to take advantage of the modernization of business laws and regulations. New and rapidly

evolving technologies hold the promise of overcoming some of these obstacles but to date opportunities have not been fully explored. These constraints stifle entrepreneurship and drive up the cost of doing business, increase opportunities for corruption and dominant state-owned enterprises, affecting the competitiveness of individual CLMV, as well as their socio-economic development outcomes. Many traditional factors motivating economic cooperation present themselves in the GMS. Complementary resources and levels of income suggest opportunities for intraregional trade and investment. Economic cooperation can lower transaction costs by reducing structural and institutional impediments to movement of goods, people, and capital. By acting together, GMS partners can exploit economies of scale and competitive efficiencies enabling activities that otherwise may not occur. Given the strong economic inter-linkages among the CLMV countries, they can benefit considerably by coordinating their PSD efforts. There are opportunities for provisioning of regional public goods where CLMV countries currently lack the capacity or resources for national institutions. Establishing common regional standards and benchmarks can also spur reforms. CLMV countries are all pursuing business environment reforms under national PSD agendas to take advantage of the opportunities and overcome challenges brought about by the Association of Southeast Asian Nations (ASEAN) Economic Community (AEC) and other FTAs. Progress has however been slow. CLMV generally lag behind largely due to their limited capacity to implement reforms. The ASEAN development gap is a risk to regional economic integration.

#### Impact

A more dynamic enterprise ecosystem created in Cambodia, the Lao People's Democratic Republic, Myanmar, and Viet Nam.

## **Project Outcome**

#### Description of Outcome

Improved business enabling environment for SMEs in CLMV

#### Progress Toward Outcome

At least \$19 million resources leveraged by partners through innovation challenges and for piloting and

## **Implementation Progress**

#### Description of Project Outputs

Regional and national public-private dialogue platforms focusing on PSD and innovation issues enhanced

Regional and national markets for alternative financial services improved

Regional and national entrepreneurial innovation ecosystems strengthened

#### Status of Implementation Progress (Outputs, Activities, and Issues)

Achieved 2015-2019: 7

Progress ag. 2019 target: 175%

Achieved 2015-2019: 42

Progress ag. 2019 target: 124

Achieved 2015-2019: 64

Progress ag. 2019 target: 107%

Achieved 2015-2019: 46

Progress ag. 2019 target: 102%

Achieved 2015-2019: 6m

Progress ag. 2019 target: 133%

Achieved 2015-2019: 2

Progress ag. 2019 target: 100%

Achieved 2015-2019: 4

Progress ag. 2019 target: 100%

Achieved 2015-2019: 25

Progress ag. 2019 target: 167%

Geographical Location

Regional

## **Summary of Environmental and Social Aspects**

Environmental Aspects

Involuntary Resettlement

Indigenous Peoples

## **Stakeholder Communication, Participation, and Consultation**

During Project Design

Key activities include stake-holder analysis, bilateral consultations, focus group discussions, and national and regional-level consultation workshops with private sector, government, civil society, research institutions and academia, and other PSD stakeholders. Analytic work and evaluation of past and existing PSD reform programs are being conducted as the basis of these extensive consultations. During this process, coalitions will be formed with key national and regional counterparts and private sector reformers across the Mekong region. Several consultation workshops were arranged with fruitful results. Each country team delivered extensive internal reports from which the MBI team has moved forward to identify the initial program entry points in each CLMV country.

## During Project Implementation

ADB is the Executing Agency. A project administration unit (PAU) is placed in the Viet Nam resident mission (VRM) and undertake (i) TA management and oversight, (ii) financial management, (iii) fiduciary responsibilities, and (iv) M&E MBI strategic focus and work programs will be guided by an annual steering group meeting involving the ADB, development partners, private sector, and the Government. MBI implements a structured decision-making process involving: (i) analytical work to identify priorities, supplemented by discussion, dissemination and advocacy with stakeholders and policy makers, (ii) a project management group to screen and review assistance requests from CLMV countries, recommend interventions, and agree target outcomes, and (iii) a M&E framework to track progress and measure results. MBI activities are implemented with the close consultation with stakeholders to ensure ongoing support for MBI programs. If particular initiatives or reform programs stall because of external factors, resources can be shifted to other areas or countries where progress is rapid or where unforeseen requests are received. In this way momentum is maintained over the MBI program as a whole. MBI will take a decentralized approach to strengthen donor coordination, and enable ADB, along with partners, to engage in meaningful policy reform dialogue with governments and the business community. The MBI has offices and country managers in each Cambodia, La PDR, Myanmar, and Viet Nam. The regional approach of the MBI both supports and leverage many existing development partner PSD activities, at the same time fill in the gaps which non of development partner has made intervention. It coordinates with all these ongoing reform efforts and acts as a region-wide umbrella for PSD that is both inclusive and growth oriented. Close coordination with national-level PSD activities of the Government of Australia will be essential. The MBI works closely with ADB regional and country teams so that private sector components of ADB's regional/country partnership strategies and regional/country operations business plans can be informed by MBI analytical work and policy initiatives can be aligned to policy-based loans and grants in the region. Effective coordination with GMS program activities will be necessary. The MBI reinforces operational linkages to the Private Sector Operations Department at every opportunity.

## Business Opportunities

### Consulting Services

The MBI has recruited 15 out of 17 full-time consultants (6 international for 216 person-months, and 10 national for 300 person-months). These consultants has been hired through firm or individual consultant selection. Additionally, the short-term consultants (estimated 95 person-months of international consultants and 40 person-months of national consultants) will be hired mainly on lump-sum contract basis for specific outputs. There are 5 international short-term consultant have been hired so far. Consultants will be engaged by ADB in accordance with the Guidelines on the Use of Consultants (2013, as amended from time to time). Areas of consultancy expertise needed include (i) PSD, (ii) commercial law, (iii) access to finance, (iv) knowledge management and communication, and (v) M&E

### Procurement

Procurement of equipment and information technology solutions will firm up during implementation of MBI based on requests for assistance. It is envisaged that it will cover funding for electronic registry information technology solutions, financial infrastructure for alternative collateral registry systems, database and software,

computers, printers, and communications equipment.

## Contact

Responsible ADB Officer  
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Southeast Asia Department  
Responsible ADB Division  
Viet Nam Resident Mission (VRM)  
Executing Agencies  
*Asian Development Bank*

## Timetable

Concept Clearance  
28 Aug 2014  
Fact Finding  
24 Mar 2014 to 14 May 2014  
MRM  
-  
Approval  
03 Dec 2014  
Last Review Mission  
-  
Last PDS Update  
08 Feb 2020

## Funding

### TA 8785-REG

|                               |               | Milestones       |               |                 |        |               |
|-------------------------------|---------------|------------------|---------------|-----------------|--------|---------------|
| Approval                      | Signing Date  | Effectivity Date | Closing       |                 |        | Actual        |
|                               |               |                  | Original      | Revised         |        |               |
| 03 Dec 2014                   | -             | 03 Dec 2014      | 30 Nov 2017   | 30 Jun 2020     |        | 30 Sep 2020   |
| Financing Plan/TA Utilization |               |                  |               |                 |        |               |
| <b>Counterpart</b>            |               |                  |               |                 |        |               |
| ADB                           | Cofinancing   | Gov              | Beneficiaries | Project Sponsor | Others | Total         |
| 1,000,000.00                  | 11,300,000.00 | 0.00             | 0.00          | 0.00            | 0.00   | 12,300,000.00 |
| Cumulative Disbursements      |               |                  |               |                 |        |               |
| Date                          | Amount        |                  |               |                 |        |               |
| 17 Jun 2022                   | 11,718,013.17 |                  |               |                 |        |               |

Request for Information <http://www.adb.org/forms/request-information-form?subject=48270-001>

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