



Technical Assistance Report

Project Number: 50315-001
Research and Development Technical Assistance (RDTA)
December 2016

Facilitating Small and Medium-Sized Enterprises Foreign Direct Investment Flows: An ASEAN+6 Case Study

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Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
ASEAN	–	Association of Southeast Asian Nations
ASEAN+6	–	ASEAN plus Australia, the People’s Republic of China, India, Japan, the Republic of Korea, and New Zealand
DMC	–	developing member country
FDI	–	foreign direct investment
PRC	–	People’s Republic of China
RCEP	–	Regional Comprehensive Economic Partnership
RCI	–	regional cooperation and integration
SMEs	–	small and medium-sized enterprises
TA	–	technical assistance

NOTE

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

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RESEARCH AND DEVELOPMENT TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 50315-001	
Project Name	Facilitating Small and Medium-Sized Enterprises Foreign Direct Investment Flows: An ASEAN+6 Case Study	Department /Division	ERCDC/EROD
Country	REG	Executing Agency	Asian Development Bank
2. Sector		ADB Financing (\$ million)	
✓ Industry and trade	Small and medium enterprise development		0.20
	Trade and services		0.55
		Total	0.75
3. Strategic Agenda		Climate Change Information	
Inclusive economic growth (IEG)	Pillar 1: Economic opportunities, including jobs, created and expanded	Climate Change impact on the Project	Low
Regional integration (RCI)	Pillar 2: Trade and investment		
4. Drivers of Change		Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Institutional development	No gender elements (NGE)	✓
Knowledge solutions (KNS)	Application and use of new knowledge solutions in key operational areas		
Partnerships (PAR)	Knowledge sharing activities Bilateral institutions (not client government) Implementation Private Sector		
Private sector development (PSD)	Conducive policy and institutional environment Promotion of private sector investment		
5. Poverty and SDG Targeting		Location Impact	
Geographic Targeting	No	Regional	High
Household Targeting	No		
SDG Targeting	Yes		
SDG Goals	SDG8		
6. TA Category:	B		
7. Safeguard Categorization	Not Applicable		
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		0.75	
Research and development technical assistance: Technical Assistance Special Fund		0.75	
Cofinancing		0.00	
None		0.00	
Counterpart		0.00	
None		0.00	
Total		0.75	
9. Effective Development Cooperation			
Use of country procurement systems		No	
Use of country public financial management systems		No	

I. INTRODUCTION

1. On 8 September 2016, the Asian Development Bank (ADB) approved its first regional cooperation and integration (RCI) operational plan to provide guidance for ADB's RCI operations in assisting developing member countries (DMCs) to harness increased benefits through improved cooperation and integration.¹ It also aims to strengthen ADB's institutional capacity to lead in advancing RCI based on a larger, more innovative RCI portfolio and high-quality RCI implementation.

2. The RCI operational plan has three operational directions: (i) stronger connectivity between economies through improved cross-border physical infrastructure, complementary software, and finance to increase market access; (ii) improved growth and business competitiveness in regional markets through new opportunities in cross-border trade, investment, technology, finance, and labor mobility; and (iii) strengthened regional public goods and collective action for cooperative multicountry mechanisms, including health, environmental and financial risk, and resilience to external shocks. The technical assistance (TA) will support the implementation of the operational direction 2 on raising competitiveness in connected markets through the facilitation of inter-subregional foreign direct investment (FDI) flows.² The design and monitoring framework is in Appendix 1.

II. ISSUES

3. Many studies have been conducted over the past three decades to examine the relationship between FDI and economic growth.³ Although the adverse effects of FDI on economic growth have been cited in some studies, many theoretical and empirical models have implied that overall FDI is beneficial for a host country's development as a stable and reliable source of finance as compared with portfolio capital flows, particularly if the host country has a certain level of absorptive capacity.⁴ This view has been widely accepted by policy makers.

4. Within Asia, domestic reforms coupled with RCI have created opportunities for increasing the flow of FDI across borders, contributing to more efficient resource allocation and the enhancement of economic growth. As a result, intraregional FDI now comprises 53% of total Asian FDI inflows. This is mostly due to the continued increase in FDI from East Asia. Regional production networks, mainly between multinational enterprises from Japan, the Republic of Korea, the People's Republic of China (PRC), and Southeast Asia, have served as drivers of intraregional investments, providing FDI opportunities in production processes. This has been enabled by ongoing efforts to improve transportation infrastructure and trade facilitation.

5. Changes in national labor costs and the maturing of production networks in more developed Asian countries such as the PRC have been driving multinational enterprises to move labor-intensive production and final goods assembly processes to lower-income countries in South Asia and Southeast Asia. Such movement of industries linked to resource-seeking FDI

¹ ADB. 2016. *Operational Plan for Regional Cooperation and Integration, 2016–2020: Promoting Connectivity, Competitiveness, Regional Public Goods, and Collective Action for Asia and the Pacific*. Manila.

² Subregion refers to the geographic area covered by an ADB regional department (e.g., East Asia).

³ For example: M. A. Almfraji and M. K. Almsafir. 2014. Foreign Direct Investment and Economic Growth Literature Review from 1994 to 2012. *Procedia – Social and Behavioral Sciences*. 129. pp. 206–213; E. Borensztein, J. De Gregorio, and J.W. Lee. 1998. How Does Foreign Direct Investment Affect Growth? *Journal of International Economics*. 45 (1). pp. 115–135.

⁴ Advantages often cited include additional capital, domestic investment, corporate tax revenues, employment, promotion of competition, access to international markets, and positive externalities in the form of technology and skills transfer. These could boost productivity, employment, export competitiveness, trade, and economic growth.

has begun to better employ excess regional savings to finance infrastructure and other needs of capital-starved countries. With the PRC having a big share of Asian FDI, efforts of other Asian countries to secure FDI have picked up in recent years. More developed Asian countries have been seeking investment opportunities in emerging Asian markets as they aim to boost growth, thus leading to cooperation opportunities among developing and industrialized countries in Asia.

6. The Association of Southeast Asian Nations (ASEAN)⁵ plus Australia, the PRC, India, Japan, the Republic of Korea, and New Zealand (ASEAN+6) account for almost 50% of the world's population and over 25% of world exports.⁶ In 2015, ASEAN+6 generated 31% of global gross domestic product, but accounted for just 19% of global FDI inflows. FDI in ASEAN+6 is dominated by ASEAN and the PRC, the two largest recipients in the developing world, together holding 70% of the group's FDI stock in 2015.⁷ Intra-ASEAN+6 investment accounts for about 30% of FDI flows to ASEAN+6 and is expected to remain a major source of FDI (footnote 7).

7. Against this backdrop, an assessment of the impact of efforts by ASEAN+6 to forge a new free trade agreement known as the Regional Comprehensive Economic Partnership (RCEP) on enhancing intraregional FDI flows assumes particular importance.⁸ This is especially so given the reduced prospects for Trans-Pacific Partnership ratification, and the continuing slowdown in global and regional trade growth. ADB has conducted studies on regional infrastructure and trade between East Asia, Southeast Asia, and South Asia.⁹ However, not much work has been done on FDI flows between these different parts of Asia. While official discussions on RCEP are ongoing, it is imperative to undertake a study on the effectiveness of the provisions in enhancing FDI flows among RCEP countries given recent trade challenges and RCEP region opportunities. Since it is unclear when RCEP negotiations will be concluded with a final text, it will be necessary to undertake an assessment using (i) an optimum high-quality FDI-enhancing scenario based on the impact of existing ASEAN+1¹⁰ bilateral investment treaties and free trade agreements on FDI flows, researching the correlation between FDI flows and agreements; and (ii) a likely scenario, if a lowest common denominator approach is adopted.

8. While the importance of FDI drivers and determinants have been assessed in studies,¹¹ there has been scant analysis of the extent to which small and medium-sized enterprises (SMEs) can help generate FDI flows in response to these drivers, particularly by taking advantage of trade agreement provisions such as those in RCEP. In the last decade or so, more SMEs have

⁵ ASEAN comprises Brunei Darussalam, Cambodia, Indonesia, the Lao People's Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam.

⁶ Government of Australia, Department of Foreign Affairs and Trade. Regional Comprehensive Economic Partnership. <http://dfat.gov.au/trade/agreements/rcep/Pages/regional-comprehensive-economic-partnership.aspx>

⁷ United Nations Conference on Trade and Development. 2016. *World Investment Report*. Geneva.

⁸ Negotiations for the RCEP were launched in November 2012 with the objective of achieving a modern, comprehensive, high-quality, and mutually beneficial economic partnership agreement that will cover trade in goods and services, investment, economic and technical cooperation, intellectual property, competition, dispute settlement, and other issues. RCEP negotiations are currently underway.

⁹ ADB. Forthcoming. *Integrating South and East Asia: An Analysis of the Economic Effects of Intensified Regional Cooperation and Integration*. Delhi: Oxford University Press, India; M. Plummer, P. Morgan, and G. Wignaraja eds. 2016. *Connecting Asia: Infrastructure for Integrating South and Southeast Asia*. Cheltenham, United Kingdom: ADB Institute / Edward Elgar; J. Francois, P.B. Rana, and G. Wignaraja, eds. 2009. *Pan-Asian Integration: Linking East and South Asia*. London: ADB / Palgrave Macmillan.

¹⁰ ASEAN plus 1 partner (e.g., ASEAN-India Comprehensive Economic Cooperation Agreement).

¹¹ Research studies have identified factors that drive companies to undertake FDI. These motivations could be grouped into: (i) natural resource-seeking FDI to gain access to natural resources not available in the multinational company's home, (ii) market-seeking FDI to tap into a foreign customer base and export markets, (iii) efficiency-seeking FDI to reduce production costs by gaining access to new technologies or competitively priced inputs, and (iv) strategic asset-seeking FDI to gain access to foreign strategic assets. However, investment climate plays a critical overall role in determining how multinational enterprises respond to these FDI drivers.

begun to internationalize, and FDI has become an important vehicle for SMEs' participation in international activities. Thus, SMEs' role in providing intraregional FDI and, consequently, stimulating inclusive growth and development via increased employment, greater innovation, partnership with local companies, backward linkages, and adaptation of technology to local needs has to be further explored. Issues affecting SMEs (including enterprise-specific constraints to SMEs' internationalization, the extent of regional financial integration, and issues related to provisions such as investor-to-state dispute settlement for which SMEs are usually at a disadvantage) need to be scrutinized to identify the policies and incentives that potential host countries need to provide to entice SMEs to invest in their countries. In this context, ASEAN+6, with its rich tradition of open regionalism and generation of FDI, offers a fertile testing ground for an assessment of factors affecting SMEs' investment decisions.

9. This TA will (i) assess the likely impact of investment and other FDI-related provisions in the draft RCEP agreement for enhanced FDI flows in ASEAN+6; (ii) identify barriers to enhanced SMEs' FDI flows between ASEAN+6 countries; and (iii) propose policy reforms, capacity development programs, and private sector transactional support to translate likely RCEP provisions and the potential internationalization of SMEs into enhanced FDI flows in the ASEAN+6 countries, particularly SME-driven FDI for agriculture, manufacturing, and services.

III. THE RESEARCH AND DEVELOPMENT TECHNICAL ASSISTANCE

A. Impact and Outcome

10. The impact will be enhanced economic linkages between East Asia, Southeast Asia, and South Asia. The outcome will be the promotion of inter-subregional FDI flows, especially by SMEs.

B. Methodology and Key Activities

11. The TA's three key outputs are detailed in paras. 12–15.

12. **Output 1: Regional Comprehensive Economic Partnership agreement impact analysis completed.**¹² This background paper will assess the likely impact of the RCEP agreement in facilitating FDI flows between ASEAN+6 countries as well as flows from outside ASEAN+6. Apart from assessing the impacts of provisions on FDI in the RCEP agreement (expected to conclude in 2017), the background paper will examine how the formation of the RCEP as a regional block would likely affect FDI flows, specifically from outside Asia and the Pacific. Impacts on FDI based on two scenarios—best case or optimal, and a most likely case—will be assessed. The background paper will also undertake a literature review and synthesize the empirical findings of the studies that have examined the likely impacts on FDI and related flows as a result of the RCEP formation. It will also analyze the levels of FDI flows by sector to provide a basis for the selection of source countries for the survey and destination countries.

13. **Output 2: Small and medium-sized enterprise foreign investors survey completed.**¹³ This enterprise-level survey will determine the likely determinant factors and impact in the RCEP region of SME internationalization for FDI in different sectors (agriculture, manufacturing, and services). Activities will include (i) mapping SME investors in RCEP

¹² To build on existing work and minimize duplication, the analysis will draw on findings of studies on FDI by ADB and the relevant chapter of ADB. Forthcoming. *Asian Economic Integration Report 2016*. Manila.

¹³ This output will draw from ADB. 2014. *Asia SME Finance Monitor 2013*. Manila and ADB. 2015. *Asia SME Finance Monitor 2014*. Manila.

countries, identifying the types of such SMEs by assessing (a) the characteristics of SMEs able to participate in global value chains, and (b) the characteristics of SMEs that seek to internationalize on their own; (ii) analyzing constraints to SMEs' internationalization; (iii) designing an SMEs' investors survey (covering three selected source countries and the three sectors); and (iv) conducting the survey in three source countries (one country for each sector) in consultation with business associations, chambers of commerce, and think tanks in the source countries together with ADB Institute inputs. The survey results will be used to identify RCEP provisions that need to be tailored to help SMEs address barriers to FDI and provide the transactional and policy reform support to maximize the effectiveness of investment facilitation strategies for this neglected segment of investors and boost SMEs' internationalization.

14. The background paper (output 1) and the findings of the SMEs' foreign investors survey (output 2) will be discussed at an RCI roundtable conference scheduled for the second half of 2017 and subject to peer review at the conference before a policy working paper, based on the TA findings, is submitted to the ASEAN Secretariat for purposes of ongoing RCEP discussions and implementation. The survey findings will act as enterprise-level input for subsequent (i) investment facilitation policy dialogue with select destination countries in the RCEP region; (ii) support services needed to stimulate SMEs' participation in international markets; and (iii) FDI transactional support dialogue (private sector loans, investments, and/or guarantees) with potential SMEs surveyed in the investor survey.

15. **Output 3: Sectoral foreign direct investment facilitation paper completed.** The sectoral FDI facilitation paper will identify public policy reforms, capacity development programs, and private sector transactional support for FDI driven by SMEs for agriculture, manufacturing, and services in three selected ASEAN+6 DMCs. These DMCs will represent a geographically diversified range of low-income and middle-income countries, and will be selected after the first two outputs have been presented at the RCI roundtable conference.¹⁴ Those outputs will be used as a basis for identifying FDI-enhancing RCEP provisions and key constraints of SMEs' FDI actors in the RCEP country grouping, which need to be addressed in FDI destination countries in the RCEP country grouping by (i) negotiation of RCEP provisions; (ii) policy and institutional reforms to be pursued through local business associations and policy dialogue; and (iii) transactional support in the form of private sector investment, loans, and/or guarantees for SMEs seeking to invest overseas, including at least a nonsovereign RCI project involving ASEAN+6 countries to be considered for possible financing.¹⁵

16. Potential risks to successful TA implementation are major changes in global, regional, and country environments that would adversely affect priorities and policies, and therefore the prospects for RCI and enhanced FDI.

C. Cost and Financing

17. The TA is estimated to cost \$750,000, which will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-other sources). The cost estimates and financing plan are in Appendix 2.

¹⁴ Country partnership strategies and operational documents will be used as a basis for selection. To maximize the TA's development impact, countries with a small population base where nonsovereign interventions are relatively risky as well as countries with large markets will be considered for selection as destination countries.

¹⁵ ADB assistance on investment policy reform will be taken into account in formulating policy reform recommendations.

D. Implementation Arrangements

18. The TA will be implemented over 18 months from December 2016 to June 2018. The RCI Thematic Group Secretariat in ADB's Economic Research and Regional Cooperation Department will serve as the overall coordinator and be responsible for administering and supervising the TA. The RCI Thematic Group Secretariat will take lead responsibility for outputs 1 and 2, and ADB's Private Sector Operations Department for output 3. The TA team will work closely with other Economic Research and Regional Cooperation Department divisions (the Regional Cooperation and Integration Division and the Economic Analysis and Operational Support Division) by drawing on their work and seeking technical contributions. The TA team will seek inputs from the East Asia Department, South Asia Department, Southeast Asia Department, Private Sector Operations Department, Public–Private Partnership Thematic Group, RCI Thematic Group, Finance Sector Group, and ADB Institute to enhance the operational relevance of the analytical work. Partnership will be explored with a center of excellence, which is expected to provide research inputs, co-organize events, and review major TA outputs.¹⁶

19. The TA will require 2 person-months of individual international consultancy services from an international trade economist and/or macroeconomist and an international trade lawyer. Hiring individual consultants will be more beneficial because of ADB's faster mobilization and greater control in selecting experts. Outputs 2 and 3 will require a consulting firm providing international experts (5 person-months) with experience and a track record in (i) designing and conducting enterprise surveys and SMEs' FDI in agriculture, manufacturing, and services; and (ii) structuring of private sector proofs of concept. The firm will be recruited through quality- and cost-based selection using a quality–cost ratio of 90:10. Biodata technical proposal will be required. The TA will also require 24 person-months of individual national consultancy services comprising 12 person-months for a research associate and 12 person-months for a project coordinator. Resource persons will review draft studies and serve as facilitators for meetings.

20. Recruitment of consultants will be undertaken in accordance with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). The outline terms of reference for the consultants are in Appendix 3. Disbursement under the TA will be in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time). Complementary inputs will be provided by the government and/or other TA providing agencies. A no-objection letter from the governments of the DMCs included in the TA will be obtained before commencing or financing of the proposed activities in the territory of a DMC.

21. The TA findings and recommendations will be contained in a publication to be completed by mid-2018. Good practices and lessons from the TA will be shared through RCI Thematic Group knowledge events and posted on the RCI Thematic Group website.

IV. THE PRESIDENT'S DECISION

22. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$750,000 on a grant basis for Facilitating Small and Medium-Sized Enterprises Foreign Direct Investment Flows: An ASEAN+6 Case Study, and hereby reports this action to the Board.

¹⁶The center of excellence will be an internationally recognized regional thought leader on FDI, advocate for trade in Asia, and expert on regional trade agreements, including the RCEP.

DESIGN AND MONITORING FRAMEWORK

Impact the Technical Assistance is Aligned With			
Economic linkages between East Asia, Southeast Asia, and South Asia enhanced (Operational Plan for RCI, 2016–2020) ^a			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
Outcome Inter-subregional FDI flows promoted, especially by SMEs	a. By 2018, at least one recommendation in the policy working paper included in an ASEAN+6 RCEP discussion agenda (2016 baseline: Not applicable) b. By 2018, three selected developing member countries have investment facilitation programs designed, with at least one recommendation or program adopted by one selected developing member country (2016 baseline: Not applicable)	Consolidated study and publication	Major changes in global, regional, and country environments adversely affect priorities and policies, and the prospects for RCI and enhanced FDI
Outputs 1. RCEP agreement impact analysis completed	By 2017, a background paper assessing the likely impacts of the RCEP agreement on FDI flows in the ASEAN+6 countries and designed to underpin policy dialogue on RCEP provisions completed and presented at an RCI roundtable conference (2016 baseline: Not applicable)	Research studies Websites, publications, press releases, and other media of ASEAN+6 governments, ASEAN Secretariat, and international and regional institutions Consultants' reports Annual monitoring reports and technical assistance project progress reports Presentation materials Conference proceedings	

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
2. SME foreign investors survey completed	By 2017, an enterprise-level survey on factors affecting the internationalization of SMEs as a source of FDI in selected RCEP region source countries and sectors completed and presented at the RCI roundtable conference (2016 baseline: Not applicable)	Research studies Survey results Consultants' reports Minutes of meetings with SMEs Project progress reports Presentation materials Conference proceedings	
3. Sectoral FDI facilitation paper completed	By 2018, sectoral FDI facilitation paper, including at least one nonsovereign RCI project involving ASEAN+6 countries to be considered for possible financing, completed (2016 baseline: Not applicable) By 2018, a policy working paper and a final publication produced and disseminated (2016 baseline: Not applicable)	Research studies Enterprise-level survey results Consultants' reports Project progress reports Documentation of all technical assistance activities	
<p>Key Activities with Milestones</p> <p>1. RCEP agreement impact analysis completed</p> <p>1.1 Engage individual consultants (December 2016–January 2017).</p> <p>1.2 Discuss the general direction of the analysis in an inception meeting (February 2017).</p> <p>1.3 Submit draft background paper (March–May 2017).</p> <p>1.4 Submit final background paper (June–July 2017).</p> <p>2. SME foreign investors survey completed</p> <p>2.1 Engage a firm to undertake the survey and prepare the sectoral FDI facilitation papers (output 3) (December 2016–January 2017).</p> <p>2.2 Submit survey design and questionnaire (February 2017).</p> <p>2.3 Conduct enterprise-level survey (March–May 2017).</p> <p>2.4 Submit report on the findings of the survey (June–July 2017).</p> <p>3. Sectoral FDI facilitation paper completed</p> <p>3.1 Submit draft paper on sectoral FDI facilitation (December 2017).</p> <p>3.2 Submit final paper on sectoral FDI facilitation (January 2018).</p> <p>3.3 Complete policy working paper and publication and dissemination of the final publication (February–June 2018).</p>			

Key Activities with Milestones

Inputs

Asian Development Bank: \$750,000 Technical Assistance Special Fund (TASF-other sources)

Assumptions for Partner Financing

Not applicable.

ASEAN = Association of Southeast Asian Nations; ASEAN+6 = ASEAN plus Australia, the People's Republic of China, India, Japan, the Republic of Korea, and New Zealand; FDI = foreign direct investment; RCEP = Regional Comprehensive Economic Partnership; RCI = regional cooperation and integration; SME = small and medium-sized enterprises.

^a Asian Development Bank. 2016. *Operational Plan for Regional Cooperation and Integration 2016–2020: Promoting Connectivity, Competitiveness, Regional Public Goods, and Collective Action for Asia and the Pacific*. Manila.

Source: Asian Development Bank.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Amount
Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	168.0
ii. National consultants	107.0
b. International and local travel	40.0
c. Reports and communications	10.0
2. Meetings and conferences ^b	
a. Resource persons or facilitators	20.0
b. Meetings and conferences	30.0
3. Surveys	270.0
4. Printing and publication	20.0
5. Miscellaneous administration and support costs	10.0
6. Contingencies	75.0
Total	750.0

^a Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF-other sources).

^b Includes Asian Development Bank staff as resource persons.

Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

A. International Consultants: Individual

1. **Trade economist and/or macroeconomist, and international trade lawyer** (2 consultants, 2 person-months). The trade economist and/or macroeconomist should have at least 10 years of relevant experience and at least a master's degree in economics or a related field. The international trade lawyer should have at least 10 years of relevant experience and at least a bachelor's degree in law. The consultants should have proven knowledge and extensive work experience in analyzing free trade agreement (especially investment) provisions, and will preferably have adequate experience working with international financial institutions and participating in trade and investment negotiations. In collaboration with the project team leader and other Asian Development Bank (ADB) staff, the consultants will

- (i) provide an analysis of foreign direct investment (FDI) flows by sector between the countries comprising the Association of Southeast Asian Nations (ASEAN) plus Australia, the People's Republic of China (PRC), India, Japan, the Republic of Korea, and New Zealand (ASEAN+6), which could serve as a basis for selecting the source countries to be included in the small and medium-sized enterprise (SME) foreign investor survey;
- (ii) undertake a literature review and synthesize the empirical findings of the studies that have examined the likely impacts on FDI and related flows as a result of the formation of the Regional Comprehensive Economic Partnership (RCEP);
- (iii) undertake an economic and legal analysis of investment, trade, and other FDI-related provisions of the draft RCEP agreement;
- (iv) assess an optimum, high-quality FDI-enhancing scenario based on the impact of existing ASEAN+1¹ bilateral investment treaties and free trade agreements on FDI flows, researching the correlation between FDI flows and agreements, and a likely scenario if a lowest common denominator approach is adopted; and
- (v) prepare a background paper on RCEP agreement analysis to determine the likely impact of the various provisions of the RCEP agreement (particularly the investment chapter) in facilitating FDI flows from capital-surplus ASEAN+6 countries to capital-deficit ASEAN+6 countries based on the available text of the draft agreement and the two scenarios.

B. International Consultant: Firm

2. **Consultant firm** (5 person-months). The firm, whether an academic institution, research center, or consulting company, will be engaged to undertake the enterprise-level survey, summarize the results of the survey, and provide concrete FDI facilitation proposals in three selected ASEAN+6 developing member countries. The firm should be able to provide sector specialists with at least 10 years of relevant experience who have proven knowledge and extensive work experience on SMEs (specifically agriculture, manufacturing, and/or services); structuring private sector participation or public-private partnerships in FDI, particularly SMEs; and regional cooperation and integration (RCI). In collaboration with the project team leader and other team members, the firm will

- (i) design the enterprise-level survey, including determining the sample and preparing the questionnaires;
- (ii) conduct interviews;
- (iii) analyze and summarize the results of the survey in a paper; and

¹ASEAN plus 1 partner (e.g., ASEAN-India Comprehensive Economic Cooperation Agreement).

- (iv) based on outputs 1 and 2, prepare a paper on sectoral FDI facilitation for three selected ASEAN+6 developing member countries, comprising concrete FDI facilitation proposals in terms of policy and institutional reforms and private sector investment, financing, and/or guarantee support for particular SMEs seeking to invest overseas, including at least a proof of concept for one nonsovereign RCI project involving ASEAN+6 countries to be considered for possible financing.

C. National Consultants: Individuals

3. **Research associate** (12 person-months). The research associate, with at least 5 years of relevant experience, will be an economist with experience in collecting and analyzing economic data and handling research projects. The research associate should have strong oral and written communication skills. Familiarity with issues concerning RCI in Asia will be an advantage. Under the supervision of the project team leader, the research associate will be based in ADB headquarters and will

- (i) provide research and editorial assistance for studies and papers produced under the technical assistance (TA);
- (ii) prepare RCI-related knowledge products, as may be requested by the project team leader and/or TA team members;
- (iii) attend and provide support to ADB missions conducted under the TA, if needed;
- (iv) assist in the preparation of the publication and other materials under the TA; and
- (v) provide administrative support as may be requested by the project team leader and/or TA team members.

4. **Project coordinator** (12 person-months). The project coordinator, with at least 5 years of relevant experience, will have solid experience in coordinating events like conferences and workshops, and administering TA projects. The coordinator should have knowledge in administration, organization, and the publication process, as well as strong communication skills. An academic background in economics or a related area; experience in coordinating work, preferably in similar assignments in an international institution; and familiarity with issues concerning RCI in Asia will be an advantage. Under the supervision of the project team leader, the coordinator will be based in ADB headquarters and will

- (i) assist the project team by arranging meetings and preparing materials;
- (ii) communicate with governments, other consultants, resource persons, and ADB staff in relation to the preparation of the TA outputs;
- (iii) provide administrative and operational support such as preparing budgets, minutes of meetings, and draft TA progress reports; and processing payments;
- (iv) coordinate logistical arrangements for meetings and conferences, including travel, hotel reservations, payments, distribution of materials, and venue arrangements;
- (v) liaise with the Department of External Relations and other ADB departments concerned about the production of the TA publication; and
- (vi) perform other tasks as required by the TA team.

D. Resource Persons

5. **Resource persons** (about 5–8 resource persons, 1.5 person-months total). ADB will engage resource persons who are experts in select RCI topics for short periods to review draft studies and papers; and participate as facilitators or discussants in meetings and conferences, book launches, and other events.

OUTLINE OF THE FINAL REPORT

EXECUTIVE SUMMARY

- I. FOREIGN DIRECT INVESTMENT FLOWS IN THE ASSOCIATION OF SOUTHEAST ASIAN NATIONS (ASEAN) +6 REGION: PROGRESS, OPPORTUNITIES, AND CHALLENGES**
 - A. Analysis of Data on Foreign Direct Investment Flows by Sector in ASEAN+6 Countries
 - B. Regional Comprehensive Economic Partnership: Economic and Legal Analysis of Investment, Trade, and Other Foreign Direct Investment-Related Provisions
 - C. Literature Review: Empirical Findings on Impacts of Regional Comprehensive Economic Partnership on Foreign Direct Investment
 - D. Impacts on Foreign Direct Investment: Best Case and Most Likely Case Scenarios

- II. A SURVEY OF SMALL AND MEDIUM-SIZED ENTERPRISES: ENHANCING FOREIGN DIRECT INVESTMENT OPPORTUNITIES IN ASEAN+6 COUNTRIES**
 - A. Mapping of Small and Medium-Sized Enterprise Investors in ASEAN+6 Countries
 - B. Factors Affecting Small and Medium-Sized Enterprises' Global Value Chain and Foreign Direct Investment Participation: Sample Firms in Agriculture, Manufacturing, and Services in Three Source Countries

- III. SECTORAL FOREIGN DIRECT INVESTMENT FACILITATION PROGRAMS FOR THREE SELECTED ASEAN+6 DEVELOPING MEMBER COUNTRIES**
 - A. Assessment of Economic Environment and Investment Climate in Selected Developing Member Countries
 - B. Policy Reforms and Institutional Capacity Development Needs to Address Constraints and Market Failures in Selected Developing Member Countries
 - C. Small and Medium-Sized Enterprises Transactional Support: A Pipeline of Investment, Financing, and Guarantees Projects
 - D. Proof of Concept for a Nonsovereign Regional Cooperation and Integration Project Involving ASEAN+6 Countries for Possible Financing

SUMMARY AND CONCLUSION