



Completion Report

Project Number: 50315-001
Technical Assistance Number: 9271
March 2020

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

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TECHNICAL ASSISTANCE COMPLETION REPORT

TA Number, Country, and Name: TA 9271-REG: Facilitating Small and Medium-Sized Enterprises Foreign Direct Investment Flows: An ASEAN+6 Case Study		Amount Approved: \$750,000	
		Revised Amount: \$750,000	
Executing Agency: Asian Development Bank	Source of Funding: Technical Assistance Special Fund (TASF-Other Sources)	Amount Undisbursed: \$75,095.09	Amount Used: \$674,904.91
TA Approval Date: 8 December 2016	TA Signing Date: 8 December 2016	TA Completion Date	
		Original Date: 30 June 2018	Latest Revised Date: 30 August 2019
		Financial Closing Date: 28 February 2020	Number of Extensions: 4
TA Type: Research and development TA	Nature of Activity: Not Applicable	TA Arrangement: Not Applicable	

Description

In the last decade or so, more small and medium-sized enterprises (SMEs) have begun to internationalize. SMEs' role in providing intraregional foreign direct investment (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 requires study. Further, issues affecting SME internationalization 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, the technical assistance (TA) was designed to (i) assess the likely impact of investment and other FDI-related provisions in the draft Regional Comprehensive Economic Partnership (RCEP) agreement for enhanced FDI flows in Association of Southeast Asian Nations (ASEAN) plus Australia, the People's Republic of China, India, Japan, the Republic of Korea, and New Zealand (ASEAN+6); (ii) identify barriers to enhanced SMEs' FDI flows; and (iii) propose policy reforms, capacity development programs, and private sector transactional support to support the potential internationalization of SMEs into enhanced FDI flows, particularly in the agriculture, manufacturing, and services sectors.

Expected Impact, Outcome, and Outputs

The TA's expected impact was economic linkages between East Asia, Southeast Asia, and South Asia enhanced. Its expected outcome was inter-subregional FDI flows promoted, especially by SMEs. Three key outputs were to be produced under the TA: (i) RCEP agreement impact analysis completed; (ii) SME foreign investors survey completed; and (iii) sectoral FDI facilitation paper completed.

Minor changes in scope and implementation arrangements and extensions of TA completion dates were made during implementation to: (i) include an additional output (report on international trade policies and regional trade agreements) and engage resource persons for the report; (ii) engage four additional national consultants to enhance the depth of analysis and the overall quality of country reports and extend the completion date to 31 December 2018; (iii) organize and partially fund an inter-subregional knowledge sharing forum on enhanced implementation of the World Trade Organization (WTO)-Trade Facilitation Agreement (TFA); (iv) engage an economics and copy editor for the country reports; (v) partially fund the high-level seminar "ASEAN 4.0: What does the Fourth Industrial Revolution mean for Cambodia's Economy and Regional Economic Integration?" and extend the TA completion date to 30 June 2019; and (vi) complete the publication of the WTO-TFA knowledge sharing forum proceedings and extend the TA completion date to 30 August 2019.

Implementation Arrangements

The TA was implemented jointly by the Regional Cooperation and Integration Thematic Group (SDTC-RCI) and the Private Sector Operations Department (PSOD) of the Asian Development Bank (ADB), with support from the Cambodia, India, Thailand, and Viet Nam Resident Missions (RMs). The scope of country-level support was developed in close coordination with the Ministry of Industry and Handicrafts in Cambodia, Ministry of Micro, Small and Medium

Enterprises in India, and the Office of Small and Medium Enterprise Promotion in Thailand. A “One-ADB” approach to implementation ensured operational relevance, good technical quality, and alignment of the TA with country needs.

The TA was implemented for almost 33 months from December 2016 to August 2019 with actual inputs of 24 person-months from one firm, ten individual consultants, and five resource persons. The performance of the consultants was satisfactory.

Conduct of Activities

The TA produced more outputs than originally proposed in the TA. These included (i) a paper assessing the impact of RCEP agreement for enhanced FDI flows in ASEAN+6 countries; (ii) an enterprise-level survey of around 1,600 SMEs with accompanying qualitative research across Cambodia, India, and Thailand; and detailed key informant interviews in all three countries; (iii) three country reports for Cambodia, India, and Thailand plus a note on Viet Nam to identify opportunities, public policy reforms, capacity development programs, and private sector transactional support for more FDI driven by SMEs and organization of validation workshops in Cambodia and Thailand, and a regional one in ADB Headquarters in the Philippines to discuss findings the way forward; (iv) intersubregional knowledge sharing forum on enhanced implementation of the WTO-TFA and publication of conference proceedings; and (v) organization of a seminar on “ASEAN 4.0: What does the Fourth Industrial Revolution mean for Cambodia’s Economy and Regional Economic Integration?”

All deliverables except the country reports were delivered on time. The country reports took longer than anticipated because of an increase in scope to meet country demands that necessitated recruitment of additional resource persons and collection of more information.

Technical Assistance Assessment Ratings

Criterion	Assessment	Rating
Relevance	The TA’s objective of supporting SME internationalization especially across India and the Greater Mekong Subregion region matched well with Government priorities expressed in India’s “Act Policy,” Thailand’s “Look West” policy and Cambodia’s Industrial Development Policy. The TA received good support from Governments of Thailand and Cambodia during implementation. The TA’s scope had to be significantly increased in response to a request received from the Government of India.	Relevant
Effectiveness	The TA met its anticipated outcome on SME internationalization. All the reports were well received and endorsed by key stakeholders in Cambodia, India, Thailand, and Viet Nam. They were able to generate demand for a follow-on TA in all countries, designed to facilitate SME internationalization through implementing the recommendations of the reports. The follow-on TA was approved by ADB in December 2019. ¹ On supporting the RCEP FDI agenda, negotiations have been delayed for political reasons beyond the control of the TA and therefore it has not been possible to track if TA recommendations have been included in the discussion agenda.	Effective
Efficiency	TA scope was significantly enhanced post its approval based on country needs expressed during missions, and through formal requests. Consequently, both the number of outputs and the consultant inputs had to be increased. This is reflected in the additional 2 person-months increase for the firm, additional 2.11 person-months for 8 more individual consultants, and additional 1.23 person-months for 5 resource persons. All the additional outputs were however achieved within the budget with 10% TA money saved.	Efficient
Overall Assessment	The TA was timely and addressed an emerging agenda in many Asian economies of how to vitalize the SME sector to generate more and better quality jobs and inclusive growth, especially through leveraging the advantages offered by neighbors that are at a similar stage of development. It showed that technology driven changes, including the Fourth Industrial Revolution, have created new opportunities for SME internationalization, beyond the more traditional route through global chains. The TA produced a report that highlighted the close linkages between trade and investment	Successful

¹ TA 9937: Supporting Internationalization of Small and Medium-Sized Enterprises: Linking India and the Greater Mekong Subregion.

Criterion	Assessment	Rating
	facilitation in helping SMEs cross borders. The outputs generated provided relevant and implementable recommendations that were picked up by governments, as evidenced by the demand for a follow-on TA to support implementation of some of these. In India, the TA provided a roadmap for complementary sovereign and non-sovereign interventions for SME development. It supported the development of a public sector investment project to support SMEs through value-chain-based cluster development; as well as PSOD's "ADB Ventures" program that aims to support technology-based start-ups. Implementation was done efficiently and following a one-ADB approach that allowed for the institution to bring its best resources to bear on an innovative topic.	
Sustainability	A follow-on TA on SME Internationalization (footnote 1) has been approved by the ADB to implement the findings of the research work, and this is likely to contribute significantly to the achievement of the TA's expected impact. The TA's recommendations complement requests received from the Government of India for support around SME development, and from the Governments of Cambodia and Viet Nam for improving access to finance to support SMEs.	Likely

Lessons Learned and Recommendations

Design and/or planning	Close coordination with RMs is essential to ensure that the TA design meets client needs and is operationally relevant.
Implementation and/or delivery	When implementing an innovative TA, seeking the support of different ADB departments, each with its own strengths, can help improve quality.
Management of staff and consultants	When a TA is significantly different from what ADB has done before, and where therefore ADB and consultants have to collectively figure out how it will be implemented, a quality-based selection method may work better than a quality and cost-based selection. It gives teams the flexibility to choose the consultant who has the best experience and ideas, rather than one who is the least costly.
Knowledge building	Involving key stakeholders at all stages of the TA design, implementation, and post-implementation helps build ownership and goes a long way towards ensuring impact and sustainability. This can be done in a low-cost manner through small workshops and building partnerships.
Stakeholder participation	For multiple year TAs, it is important to regularly keep meeting with government counterparts to ensure that the TA remains relevant to their needs, and to fine tune if their needs change. It is also important to build close relationships with non-government stakeholders as it can help mitigate the risks emanating from changing government priorities and policies.
Partnership	The TA team built close partnerships with private sector bodies such as Confederation of Indian Industry and the Indo-Thai Chamber of Commerce, as well as with institutes such as Institute for SME Development. These partnerships were important in ensuring good design and successful implementation. The partnerships were also important in disseminating TA findings to government counterparts.
Replication and/or scaling up	There is potential demand from other countries for similar TA, and the methodology created through it can be replicated in other countries.
Post-TA financial resource	The follow-on TA to support the implementation of some findings of this TA is costed at \$3 million.

Follow-up Actions

<ul style="list-style-type: none"> Discuss complementary interventions by operations departments to support SME development, including through SME internationalization Disseminate TA methodology and findings at various forums and workshops

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DESIGN AND MONITORING FRAMEWORK

Impact(s) 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	Achievements
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)	a. a. RCEP negotiations were delayed beyond the life of the TA for reasons beyond the team's control and it has not been possible to track if TA recommendations have been included in the discussion agenda. b. A follow-on TA to implement TA recommendations, including SME internationalization facilitation programs has been approved by ADB for implementation in four countries, namely, Cambodia, India, Thailand, and Viet Nam.
Outputs 1. RCEP agreement impact analysis completed 2. SME foreign investors survey completed 3. Sectoral FDI facilitation paper completed	1. 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) 2. 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) 3a. By 2018, sectoral FDI facilitation paper, including at least one nonsovereign RCI project involving ASEAN+6 countries to be considered for	1a. Report titled "Impact of the RCEP for Enhanced FDI Flows in ASEAN+6" completed in December 2017. An earlier draft was discussed in the RCI Conference 2017 attended by around 100 participants from high level officials of government, think tanks, private sectors and academe. 1b. Knowledge sharing forum on enhanced implementation of the World Trade Organization-Trade Facilitation Agreement organized in October 2018. A book on the Conference proceedings published in November 2019. 1c. High- level seminar "ASEAN 4.0: What does the Fourth Industrial Revolution mean for Cambodia's economy and regional economic integration?" organized in Phnom Penh in November 2018. 2a. Enterprise-level survey of around 1,600 SMEs with accompanying qualitative research in India-Mekong countries (Cambodia, India, and Thailand) and detailed key informant interviews conducted in all three countries from August 2017 to June 2018. 2b. Three country reports for Cambodia, India, and Thailand completed and discussed with Governments by March 2019. A joint meeting bringing together stakeholders from all three countries organized in June 2019 to validate findings and discuss way forward. 3 a and b. Three country reports (Cambodia, India, and Thailand) produced outlining sectors capable of attracting and/or making cross-border FDI, identifying constraints and impediments, and recommending sovereign and non-sovereign action needed to promote

Results Chain	Performance Indicators with Targets and Baselines	Achievements
	<p>possible financing, completed (2016 baseline: Not applicable).</p> <p>3b. By 2018, a policy working paper and a final publication produced and disseminated (2016 baseline: Not applicable)</p>	SME internationalization by March 2019. These were discussed with Governments and a follow-on TA to support implementation of recommendations approved by ADB in December 2019.
Actual Key Activities with Milestones 1. RCEP agreement impact analysis completed 1.1 Engage individual consultants (December 2016–December 2017). 1.2 Discuss the general direction of the analysis in an inception meeting (February 2017). 1.3 Submit draft background paper (March–May 2017). 1.4 Submit final background paper (June–July 2017). 2. SME foreign investors survey completed 2.1 Engage a firm to undertake the survey and prepare the sectoral FDI facilitation papers (output 3) (August 2017–June 2019). 2.2 Submit survey design and questionnaire (August–September 2017). 2.3 Conduct enterprise-level survey (October–December 2017). 2.4 Submit report on the findings of the survey (December 2018–March 2019). 3. Sectoral FDI facilitation paper completed 3.1 Submit draft paper on sectoral FDI facilitation (September 2017). 3.2 Submit final paper on sectoral FDI facilitation (December 2018). 3.3 Complete policy working paper and publication and dissemination of the final publication (December 2018–March 2019).		
Actual Inputs Asian Development Bank: \$750,000		

ASEAN = Association of Southeast Asian Nations; ASEAN+6 = ASEAN plus Australia, the People's Republic of China, India, Japan, 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 enterprise.

^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.

TECHNICAL ASSISTANCE COST**Table A2.1: Technical Assistance Cost by Activity**
(\$'000)

Item	Amount		Actual
	Original	Revised ^a	
1. Consultants	325.0	515.3	431.0
2. Goods	0.0	0.0	0.0
3. Training, seminars and/or conferences	50.0	77.8	95.2
4. Studies	0.0	153.0	146.1
5. Surveys	270.0	0.0	0.0
6. Miscellaneous TA administration	10.0	2.2	2.6
7. Printing and Publication	20.0	0.0	0.0
7. Pilot testing	0.0	0.0	0.0
8. Contingency	75.0	1.7	0.0
Total	750.0	750.0	674.9

TA = technical assistance.

^a Resulting from reallocation among items.

Source: Asian Development Bank estimates.

Table A2.2: Technical Assistance Cost by TASF-Other Sources
(\$'000)

	TASF-Other Sources	Total Cost
1. Original	750.00	750.00
2. Revised	750.00	750.00
3. Actual	674.91	674.91
4. Unused	75.09	75.09

TASF = Technical Assistance Special Fund.

Source: Asian Development Bank estimates.