

ABBREVIATIONS AND ACRONYMS

A2F	access to financial services
AEC	ASEAN Economic Community
ASEAN	Association of Southeast Asian Nations
CCC	Cambodia Chamber of Commerce
CLMV	Cambodia, Lao PDR, Myanmar, and Viet Nam
DFAT	Department of Foreign Affairs and Trade
DMF	design and monitoring framework
FDI	foreign direct investment
fintech	financial technology
GDP	gross domestic product
GMS	Greater Mekong Subregion
ITC	International Trade Centre
Lao PDR	Lao People's Democratic Republic
LNCCI	Lao National Chamber of Commerce and Industry
M&E	monitoring and evaluation
MF	microfinance
NGO	nongovernment organization
PPD	public–private dialogue
PSD	private sector development
PRC	People's Republic of China
ST	Strategy Testing
SME	small- and medium-size enterprise
SOE	state-owned enterprise
TPP	Trans-Pacific Partnership
VCCI	Viet Nam Chamber of Commerce and Industry
YEA	young entrepreneur association

Note: In this report, “\$” refers to US dollars unless otherwise stated.



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I. LAUNCH OF THE MEKONG BUSINESS INITIATIVE

The impetus to set up the Mekong Business Initiative (MBI) came in late 2013 when government ministers attending the 19th Greater Mekong Subregion (GMS) Ministerial Conference asked the Asian Development Bank (ADB) to help GMS countries to strengthen links and synergies between national and regional business reform agendas. Government and business leaders attending the conference agreed that improving the business regulatory environment and achieving commitments on regional economic integration were critical to competitiveness and sustained economic growth. This challenging reform agenda has become the impetus for Mekong region countries requesting timely and high-quality policy advice on business environment reform.

ADB and the Government of Australia's Department of Foreign Affairs and Trade (DFAT) jointly responded to GMS leaders' request by launching MBI in 2015, after extensive government and private sector consultations. MBI, an advisory facility that promotes private sector development (PSD), business formalization, and growth in value chains in the GMS region, focuses on Cambodia, the Lao People's Democratic Republic (Lao PDR), Myanmar, and Viet Nam (collectively—CLMV). The program has two pillars: an improved business regulatory environment; and a more robust financing environment.

MBI implements its program through two primary approaches—convening public–private sector dialogues and engaging directly to support businesses and individual entrepreneurs, and especially young entrepreneurs and women.

As a regional initiative, MBI “thinks regionally and acts nationally” which means that it focuses on common regional issues, but offers national solutions. In carrying out its work, MBI also partners with strong regional and global institutions that promote good business practices, and transfers knowledge from other Association of Southeast Asian Nations (ASEAN) economies, including their approaches to adopting global best practices.

II. REGIONAL PRIVATE SECTOR DEVELOPMENT CONTEXT

A combination of economic reform and economic potential provide huge opportunities to CLMV, as well as the wider region and global community. With a population of 170 million people (about 30% of ASEAN), CLMV is richly endowed with natural resources, including natural gas, hydropower potential, minerals, fisheries, and forests. The region also has one of the lowest population densities within ASEAN, and significant agricultural potential.

A market of 170 million people, \$13 billion in foreign direct investment, and \$189 billion in exports

Since 2000, economic liberalization and reforms have significantly improved the business environment and stimulated economic growth. In 2014, CLMV foreign direct investment (FDI) and exports reached \$13 billion and \$189 billion, respectively. Over 2010–2030, the four countries are expected to average 8% growth in gross domestic product (GDP), and by 2030, per capita GDP is expected to rise to about 50% of the ASEAN average (currently about 32%).

Situated between the People’s Republic of China (PRC) and India, two of the world’s largest and most dynamic economies, CLMV are well positioned to continue their traditional role as regional trading hubs. Because of their size, growth, proximity, and fast rising middle class consumption, the PRC and India are of special importance for CLMV. It is important that the governments and businesses of CLMV understand these opportunities, and are prepared to adapt to, and take advantage of them.

Major changes are underway too with respect to FDI. Rising unit labor costs in the PRC and other Asian countries is impacting their relative efficiency, and leading producers to consider shifting to less expensive countries. CLMV could benefit greatly from this, but will need to ensure that they retain their competitive advantage by fostering a positive business environment.

ASEAN Integration – Opportunities and Challenges

In the context of these structural changes that will influence CLMV's prospects in the coming decades, ASEAN's commitment to enhance regional economic integration through the AEC is of great significance.

The ASEAN integration provides opportunities for CLMV businesses to go regional and global

AEC integration will provide opportunities for CLMV businesses to join regional and global value chains, and thereby facilitate economic diversification. Also CLMV small- and medium-size enterprises (SMEs) produce many marketable products, and these businesses have good potential to replicate and scale up their operations.

Regional cooperation offers strategic opportunities to improve the business environment. Through collaborating, GMS government and private sector partners can exploit economies of scale and comparative efficiencies to conduct activities that might otherwise not occur. For example, there are opportunities to collaborate in providing high quality public goods such as electricity and roads on a regional level which individual countries currently lack the capacity and/or resources to develop on their own. The establishment of common standards for business regulations, codes, and benchmarks can spur reforms too, as can harmonization of business rules that support intraregional trade and investment.

Countries within ASEAN have been pursuing business environment reforms under national PSD agendas in order to reach AEC targets by 31 December 2015. However, as progress has been slow and many 2015 targets were not met, a post-AEC launch agenda is being designed.¹ CLMV generally lag behind other countries in ASEAN, largely due to their limited capacity to implement reforms, and this ASEAN development gap is a risk to successful economic integration.

Constraints to the Private Sector Engine of Growth

The private sector in CLMV is still in its infancy. Except for Cambodia, all these countries have a long history of centralized planning and government control. While the business communities in CLMV are diverse, and the PSD challenges

1. ASEAN. 2013. *ASEAN Economic Community Scorecard 2013*. Jakarta.

are somewhat country specific, all face common problems in developing competitive market economies. Except for Viet Nam, these countries still have agrarian economies, with limited manufacturing.

Connections between foreign invested industries and domestic private enterprises have generally been limited too. This is partly because of the “missing middle”— the lack of larger private domestic firms. Over 95% of all enterprises in CLMV are SMEs (and overwhelmingly “small,” as opposed to “medium” scale) and they generate up to 75% of employment. Many SMEs operate informally and, as a result, face a number of disadvantages, including inability to access more affordable and longer-term financing from formal financial institutions, export their products, and participate in effective business assistance programs. The respective private sectors face many limitations to competitiveness in global markets, and they generally operate in weak business regulatory environments. Key constraints to private sector development within MBI’s focus areas include the following.

Informality that limits businesses from growing domestically and accessing regional and international markets. The majority of SMEs have problems selling into international markets because of increasingly prevalent requirements to meet quality and traceability standards. As a result, informal enterprises, many of which are owned by women, tend to trade among themselves, and rarely take advantage of the growth opportunities that come from having large, formal customers, or joining regional supply chains.

A weak regulatory environment that limits enterprise growth. Despite past and ongoing regulatory reforms spurred by efforts to comply with the requirements for regional and global economic integration, across CLMV, the legal platforms needed to support a robust private sector remain weak. PSD policies in individual countries are sometimes out of step with commitments made toward regional economic integration, and policies are often supply-driven because local business associations lack the capacity to advocate. In Lao PDR, Myanmar, and Viet Nam, SMEs are often crowded out by inefficient state-owned enterprises (SOEs), and across CLMV, private businesses suffer from poor quality infrastructure. Another problem is inconsistent application of law, which damages the credibility of the legal systems. Many businesses remain informal because the processes of business registration are too burdensome and costly, and the benefits too meager. Added together, these poor business conditions often hamper local SMEs and individual entrepreneurs. As reforms to business regulations are implemented in CLMV, and national business laws progress toward international standards, the benefits of formalization should be promoted so informal enterprises understand them and formalize.

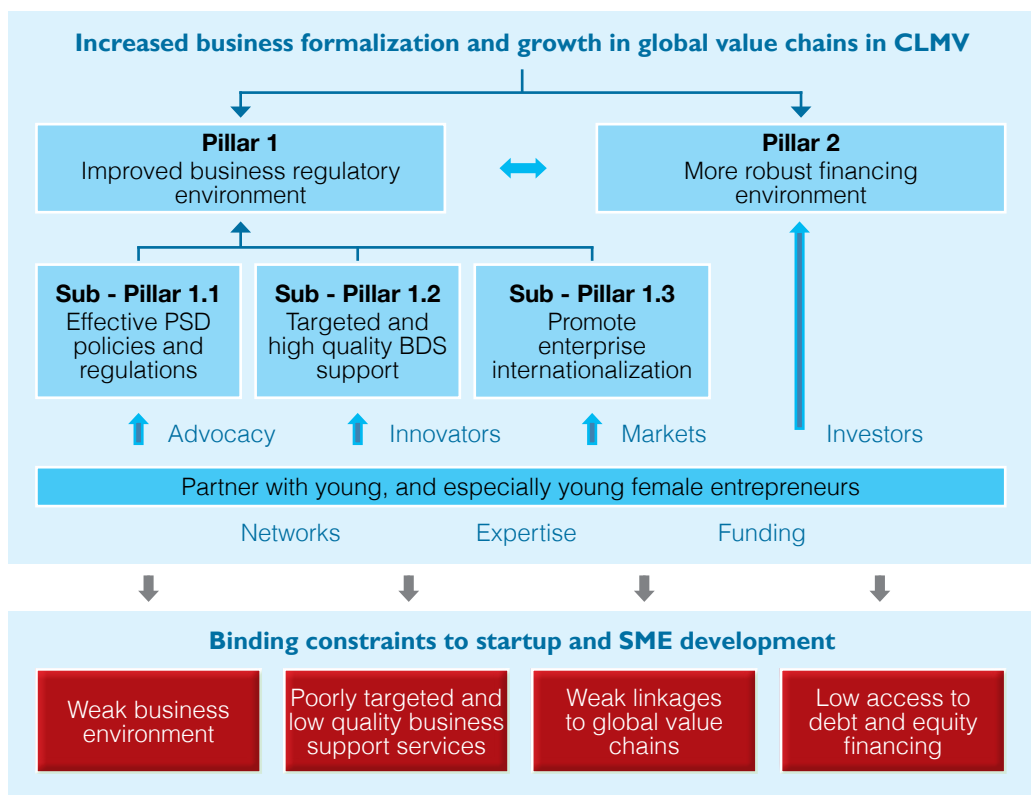
SMEs' lack of access to financial services. Owners of SMEs and individual entrepreneurs in CLMV are often unaware of available financial services, and they have difficulty defining as well as articulating their financing needs. Demand-side constraints include businesses' weak planning and accounting skills as well as their low corporate governance standards. Limited access to finance constrains SMEs' capacity to grow and innovate, and also prevents them from participating in regional and global value chains. Problems in accessing funds are exacerbated by stringent collateral requirements, poorly functioning land registration, an inefficient or non-existent registry for movable collateral, and inadequate protection of creditors' rights. Enterprise Survey data show that firms characterize access to finance as a major constraint and collateral requirements in SME lending are at 218% of collateral-to-loan ratio, which is higher than most comparator countries. Informal businesses are at an even greater disadvantage in accessing finance because formal financial institutions are reluctant to lend to them, or to consider securing a loan with anything other than immovable assets such as land and buildings.

PSD policies and programs are fragmented. The crosscutting nature of PSD means that support programs tend to be implemented by a variety of government agencies. Although well-intended, government PSD initiatives are constrained by inherited modes of central planning, the need to serve multiple sectors, and burdensome coordination and implementation processes. These result in numerous uncoordinated and fragmented policies and programs, lack of an overarching PSD policy framework, and lack of sensible crosscutting sector strategies. Development partner PSD programs tend to be implemented through different government agencies that often restricts interaction and partnering with the private sector during program design and implementation. National business reforms also need stronger links and synergies with the agenda for regional economic integration.

III. STRATEGIC FRAMEWORK

The focus of MBI’s strategic framework—business regulatory reform and improving access to financial services—continues to be highly relevant to regional and national PSD reform agendas. Based on market feedback during the first year of implementation, MBI has identified regional thematic focus areas under which to develop synergies and generate critical knowledge (Figure 1). As originally planned, in order to take advantage of opportunities, MBI will continue responding quickly to private sector and government demands.

Figure 1: MBI Strategic Framework



BDS = business development services, CLMV = Cambodia, Lao PDR, Myanmar, and Viet Nam, PSD = private sector development.
 Source: Mekong Business Initiative

Pillar 1: Improved PSD policies and programs that encourage business formalization and enterprise growth as well as integration into global supply-chains

In CLMV, although government PSD policies are often proposed and enacted, they are commonly introduced as top-down prescriptions and are not always appropriate for the domestic private sector. Often policies are ad hoc reforms intended to achieve short-term benefits, rather than the fundamental, structural reforms that are critically needed. The business environment needs of the private sector, and the importance of making a profit, have not always been fully recognized, and government policies have generally not encouraged business formalization and growth. The governments of CLMV also often invest heavily in BDS programs to increase enterprise competitiveness and help their integration into global value chains, but the quality and impact of these programs is questionable.

Many development partners, including ADB, have PSD and SME support programs in the four MBI countries. The majority of these private sector support programs are implemented in partnership with the government agencies responsible for designing and implementing business regulations and policies. MBI is complementing ongoing development partner PSD and SME initiatives through its in-built flexibility to engage with the private sector. MBI also bases its activities on diagnostics developed through extensive stakeholder consultation.

Through MBI, businesses will have a better regulatory environment and will enjoy improved access to financial services

To improve the business enabling environment, MBI will advise governments on formulation of PSD policies (sub-pillar 1.1), design of BDS programs aimed at encouraging entrepreneurship and enterprise productivity (sub-pillar 1.2), and internationalization of SMEs (sub-pillar 1.3). The MBI approach will:

- (i) Build-on and supplement existing development partner programs to advise governments during formulation of PSD policies and programs, including through the sharing of international best practices;
- (ii) Facilitate improved public-private dialogue during formulation of government PSD policies and programs so all relevant stakeholders actively participate; and
- (iii) Build the capacity of business associations so that they can engage more effectively in public-private dialogue, increase members' awareness

of policy issues, and disseminate business-friendly materials on new policies and regulations, and how to access business support services.

Pillar 2: A more robust financing environment for enterprises, particularly through the promotion of alternative financing solutions

Developing deep and robust financial markets is a long-term endeavor that will require enormous resources, both for building needed payment infrastructure, as well as building the capacity of financial regulators. Many development partners are supporting governments in CLMV in these traditional financial sector reform areas. However, due to higher transaction costs and higher perceived risks, commercial banks often find it unprofitable to extend retail payment and other financial services to the informal sector and lower-income and rural households. Commercial banks in CLMV also have limited incentive to serve the informal sector and lower income households as banks generate the bulk of their revenues from larger commercial and corporate clients. In addition, banks are now facing the high costs of adapting to increasingly stringent global banking regulations and standards.

Recent innovations in payments technology and business models that leverage mobile phone communications create opportunities to boost the outreach of banking and payment systems beyond what has traditionally been possible in lower income markets. The costs of operating payment networks are declining too as a result of innovations in mobile phone, internet, and computing technology, as well as making it easier for financial institutions to serve people previously beyond the reach of “bricks and mortar” banking operations. Technology is also enabling formerly standardized payment services to be tailored to the needs of different users and/or business processes.

Hence, financial services providers are beginning to adapt their approach and their products to the needs of lower income segments of the population. In addition to technological improvements for traditional financial service providers, opportunities are growing to introduce nonbank alternative financing models, including venture capital, “angel” investment, and “fintech.”² Regulators have

2. Venture capital is money provided to seed early-stage companies that have high growth potential but are also relatively high risk investments. An angel investor is an affluent individual who provides capital for a business start-up, usually in exchange for convertible debt or ownership equity. “Fintech” is an abbreviation for “financial technology.” One example of a fintech solution is peer-to-peer lending, which is the practice of lending money to unrelated individuals without going through a financial intermediary such as a bank or other traditional financial institution.

gradually started to rewrite the rules to allow use of some of these alternative financing tools and techniques. However, understanding of these alternative financing models remains very limited in CLMV, so MBI's efforts to help stakeholders to understand these innovations is important.

While remaining open to collaboration with other development partners in traditional financial sector reform areas through the diagnostics MBI conducts with key stakeholders, the initiative is expected to generate valuable knowledge about alternative financing models and how these could be applied across the region.

Since the introduction and promotion of these models in CLMV could significantly improve SMEs' access to badly needed finance and financial services, MBI is:

- (i) Facilitating improved public-private dialogue during the drafting or revision of financial laws and regulations so that all relevant stakeholders participate; and
- (ii) Supporting the expansion of selected alternative finance models by increasing the supply of, and demand for, these types of financial products and techniques.

Cross-cutting approach: Partnering with young, and especially young female entrepreneurs

The young entrepreneurs opening businesses are becoming more and more important, and especially so as they are taking the lead in developing the faster growing, innovative sectors in CLMV. They lack a supporting legal framework, however, as well as access to early stage investment capital and quality business development services. The region's young, energetic, and increasingly tech savvy population must be nurtured to unlock CLMV's substantial innovation potential. Partnering with the private sector is also crucial for the sustainability of MBI activities. Thus, MBI is focusing on engaging with young business people, and especially with young businesswomen, and forming strategic partnerships with these entrepreneurs across both thematic pillars and through the following approaches:

- (i) **Promoting incubation and acceleration of enterprises:** There is often sufficient liquidity in CLMV financial systems to lend to startups and early-stage companies, yet many entrepreneurs are unable to access this finance because of their weak business planning and accounting skills, as well as their low corporate governance standards. Furthermore, in addition to easier access to credit, startups and early-stage companies often need equity financing as well mentoring to develop their business management skills. Thus, supporting the few

business incubators and accelerators in CLMV offers great potential to foster entrepreneurial skills as well strengthen the private sector as a whole. Although a few incubators and accelerators have been launched by governments, nongovernment organizations (NGOs), and the private sector in CLMV, so far assessing their impact has been difficult, so MBI support will make this a priority.

- (ii) **Piloting innovative business models:** Across CLMV, many development partners are sharing international best practice PSD policies from other countries that have successfully integrated their SMEs into global value chains, including integrating SMEs with local FDI investors. MBI is supplementing this approach by extracting bottom-up policy lessons from piloting innovative business models in partnership with young, and especially female entrepreneurs, and methodically assessing the results. This is an area with little development partner focus and thus provides a unique entry point for MBI. Moreover, MBI adopts the view that the application of best practice PSD policies and innovative business models in CLMV must be tailored to local conditions, institutions, and culture. Therefore, to pilot innovative models, MBI is partnering with the private sector and extracting knowledge and lessons learned to support further scale-up and/or replication across CLMV. In supporting pilots, MBI is not necessarily focusing on SMEs but may instead partner with higher capacity medium- to large-size firms that have strong backward supply-chain links with local small and micro enterprises.

- (iii) **Increasing high-quality knowledge and information on PSD:** MBI is responding to young entrepreneurs' demands for information and knowledge about important PSD issues by conducting research and communicating this through their associations. To assess impediments to business formalization and growth, as well as access to finance and financial services, MBI has been conducting in-depth diagnostics in consultation with a wide range of stakeholders, and especially with young and female entrepreneurs. Among the media MBI uses to communicate the findings from its diagnostics and lessons learned from its projects are: (i) news and social media, as well as other online platforms; (ii) knowledge-sharing workshops, including ones on the challenges facing women entrepreneurs and successful efforts to resolve these; and (iii) regular roundtables with public and private sector stakeholders that foster in-depth discussions about MBI's focus areas.

IV. MBI VALUE PROPOSITIONS AND APPROACH

Value Propositions

Business environment reforms are often complex, take many years, and require sustained political and policy support. Under these conditions, MBI's key value propositions are that it is flexible, demand-driven, and innovative, as well as capable of promoting cross-regional knowledge-sharing and learning.

Flexible. MBI has an in-built flexibility that allows it to quickly assess, approve, and allocate resources to subprojects but also change focus if MBI's ongoing monitoring shows that a few subprojects are not progressing as expected. In such cases, MBI can quickly disengage and redirect resources to MBI subprojects that clearly show promise.

MBI offers flexible and innovative solutions to clients' needs across the region

Unlike most development assistance initiatives, MBI is being implemented independently of any government agency. This means MBI has the flexibility to collaborate with more than one government agency, and operate at both the national and subnational levels. This is important because the crosscutting nature of private sector development means that developing and implementing effective reforms in areas such as business registration and licensing, business support programs, supply chain linkages, and exports and imports, requires the cooperation of more than one government agency, and also engaging with different levels of government.

Demand-driven. Implementing programs through a government agency can constrain a development project from engaging and partnering with entrepreneurs and their associations, and also lead to supply-driven activities that do not meet the needs of beneficiaries. MBI's unique modality, however, allows it to collaborate easily with business associations and entrepreneurs, both when designing as well as carrying out MBI subprojects. Operating independently from a government agency also facilitates MBI's efforts to help the private sector raise its voice about needed reforms as well as how reforms are implemented.

Innovative. By supporting innovation, MBI has found a valuable niche for its program that complements the traditional development partner approach of shaping policy through sharing international best practice. The private sector players, who with MBI support, pilot innovative, commercially-sustainable business models, are generating knowledge and lessons learned that can be applied across the region. MBI's efforts in supporting public–private dialogue should also help government design and implement effective business-related policies, laws, and regulations, and relevant BDS support. In addition, MBI's pilots are providing 'bottom-up' knowledge about the realities of local business culture as well as the institutions set up to support the private sector. Partnering with the private sector to pilot business incubators and accelerators for innovative young entrepreneurs will not only provide entrepreneurs access to early-stage financing and mentoring on how run their business, but will also give them access to cutting-edge international innovations. To complement its innovative subprojects, MBI is also supporting public–private dialogue so that business owners can advise government on how to design innovative BDS support that leverages private sector financing and know how. MBI is providing opportunities too for entrepreneurs to access donor finance-matching programs, including the Business Partnerships Platform fund of the Government of Australia.³

As MBI is committed to piloting novel, but potentially replicable and scalable approaches, some of its initiatives are experimental. To assess the success of these, MBI has developed an M&E framework that allows ongoing assessment of projects, strategic exits, and gathering lessons learned from both success and failures (for more details, see the M&E section). MBI also uses a portfolio approach to manage subproject investment risk. This aims to identify interventions across a spectrum from quick entry, quick exit to long-term, lasting-impact subprojects. Within this range, the MBI portfolio is also expected to capture potentially higher-risk, higher-reward subprojects that might not be feasible under more risk-averse development programs. By making multiple small bets and continuously monitoring the results, the MBI team is able to take risks and try innovative approaches, while still remaining disciplined and rational. This willingness to take risks and think unconventionally on selected subprojects, increases the prospects that MBI will become a thought leader within its strategic areas of focus.

Regional knowledge and cross-learning. ADB's strong association with ASEAN, and particularly with GMS, provides opportunities for MBI to seek

3. The Business Partnerships Platform is a competition-based, matching funds program that provides up to \$500,000 for commercially sustainable business models that generate high social impact.

partnerships with strong regional institutions that promote good business practices, and also to transfer knowledge from other ASEAN economies, as well as their approaches to adopting global best practices. These include proven public–private dialogue (PPD) models that could transfer knowledge to PPDs in CLMV. The strengthening of institutions for public–private dialogue in CLMV is greatly needed to develop effective platforms not only for dialogue with government, but also for information sharing.

Approach

The team. ADB staff at country-level are responsible for overall project management and liaising with counterparts in the Government of Australia's Department of Foreign Affairs and Trade (DFAT). The regional MBI team is based in Ha Noi and consists of full-time development practitioners with many years' experience working on private sector development in CLMV. This core team takes responsibility for overall project strategy and management, portfolio programming, subproject quality control, and knowledge and learning across the four countries. Supplementing the core team are short-term consultants, including global practice leaders within MBI's thematic focus areas, as well as part-time gender, and M&E specialists. On an as-needed basis, MBI draws on these short-term consultants both for subproject design and for implementation. Since understanding the local context is crucial, in CLMV, MBI has appointed a strong in-country team comprised of country managers and support staff. Subproject teams draw on long-term core team members, short-term global practice leaders, and in-country managers. The team also includes communications staff who are responsible for communications and outreach activities. A Ha Noi-based project administration unit is responsible for financial management, contract management, settling payments, and knowledge management (Appendix 1).

Project management. The MBI team and DFAT convene a strategic planning workshop annually to agree on strategic directions for the MBI work program in the year ahead. Progress of subprojects is monitored formally through quarterly portfolio review meetings that are led by MBI, and include DFAT participation. These formal meetings are supplemented with regular consultation and formal reporting requirements during the design of subprojects.

Subproject identification. To better target MBI interventions, the MBI team has developed a methodology that pools their knowledge on the needs, entry points, and political economies of CMLV. The team's methodology focuses on:

1. Conducting and continuing to update in-depth country diagnostics to identify key binding constraints

The country diagnostics have been developed and are constantly being updated through stakeholder consultations. Below are the core questions the diagnostics sought to answer (for a more detailed diagnostic framework, see Appendix 2):

- (i) What is the current state (profile) of small business and entrepreneurial development in the country?
- (ii) Is the business enabling environment gender inclusive, neutral, or otherwise?
- (iii) Who are the stakeholders and champions directly involved in small business development?
- (iv) Which programs are in place to support small business development?
- (v) Which legal, financial, institutional, and other hurdles (e.g. infrastructure) do small business owners face?
- (vi) Which financing sources are available to small businesses?
- (vii) What are the known constraints preventing small business development?
- (viii) Where do opportunities and entry points lie for MBI to become involved?

2. Assessing aspects of the political economy that are relevant for each possible subproject

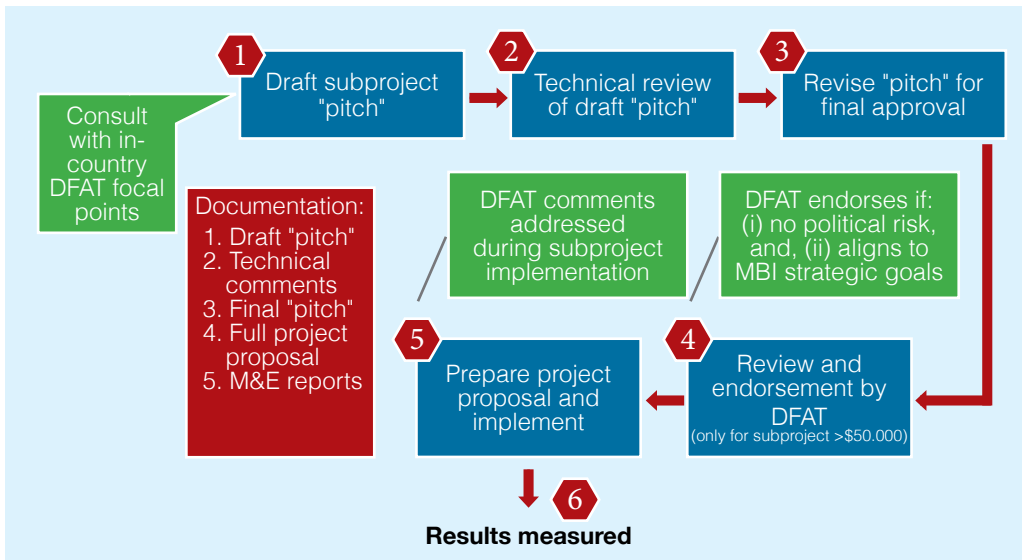
Below are a set of questions focused on identifying the underlying political economy and key stakeholder relationships, including consideration of vested interests, and institutional and political factors that could foreseeably affect the subprojects selected by the teams. Some questions considered by the country teams include:

- (i) Who initiates and drives the business regulatory reform process?
- (ii) What are the roles of big investors (foreign, domestic private, state-owned), small investors, business associations, provincial government agencies, provincial leaders, the central government, think tanks, news and social media, and so on?
- (iii) What/who is slowing down the business regulatory reform process?
- (iv) Is there active cooperation between government and business people? What form does it take? Is it formal or informal?
- (v) Who/what is holding public sector organizations/officials at different levels to account for improving the business environment, and are business leaders and associations involved in this?

3. Screening and evaluating possible subprojects using well-defined evaluation criteria

Subproject screening follows six basic steps as depicted in figure 2 and explained below:

Figure 2: MBI Subproject Investment Governance Process



DFAT = Australian Government's Department of Foreign Affairs and Trade; M&E = monitoring and evaluation.

Source: Mekong Business Initiative

Step 1. The MBI subproject team prepares a one-page subproject pitch and a PowerPoint presentation, in consultation with in-country DFAT teams.

Step 2. The MBI subproject team pitches the subproject proposal to the MBI management team (ADB project lead[s], project director, and regional manager) and technical specialists (including gender and M&E). The MBI management team assesses the subproject proposal against the following criteria:

- (i) Strong rationale – it addresses a clearly defined problem that links to the MBI theme and goals
- (ii) Pragmatic solution – it clearly explains the proposed solution to the problem and the steps needed to solve it
- (iii) Exploits MBI's uniqueness – like MBI, it is flexible, demand-driven, and/or innovative

- (iv) Sustainable and replicable – it can be replicated and sustained after MBI support ends (potential for replication across CLMV is desirable)
- (v) Balances MBI's portfolio – the timeframe, cost/benefit, and innovation vs. risk suit the mix of other subprojects
- (vi) Has identified champion/s – a leader in government or business, and/or an entrepreneur who will provide ongoing support
- (vii) Gender – it will consult with and/or engage women, and can effectively demonstrate the impact on female beneficiaries
- (viii.) Synergies with MBI's portfolio – it enhances the effectiveness of other subprojects

Step 3. The MBI subproject team revises the subproject pitch based on feedback and submits it to the MBI management team for clearance. In close consultation with DFAT, ADB project lead(s) can advance up to \$50,000 for subprojects that have urgent time dimensions.

Step 4. Revised subproject proposals that cost more than \$50,000 (excluding MBI team inputs) are shared with DFAT. DFAT comments within 5 working days on the strategic merits of the MBI subprojects. On request, MBI will pitch the subproject to DFAT. DFAT has the right to veto any MBI subproject if DFAT determines there is an unacceptable risk to Australia's political and/or commercial interests and/or the subproject proposal is not aligned with the agreed strategic direction of MBI.

Step 5. The MBI team begins implementation by preparing a full project proposal (Appendix 3), including a work plan and budget, M&E plan, and terms of reference. Technical specialists (including gender and M&E) provide technical inputs. All project documentation is stored in the MBI knowledge management system.

Step 6. During subproject implementation, MBI closely manages budget utilization and progress toward target outcomes. MBI endeavors to quickly cull poorly performing projects.

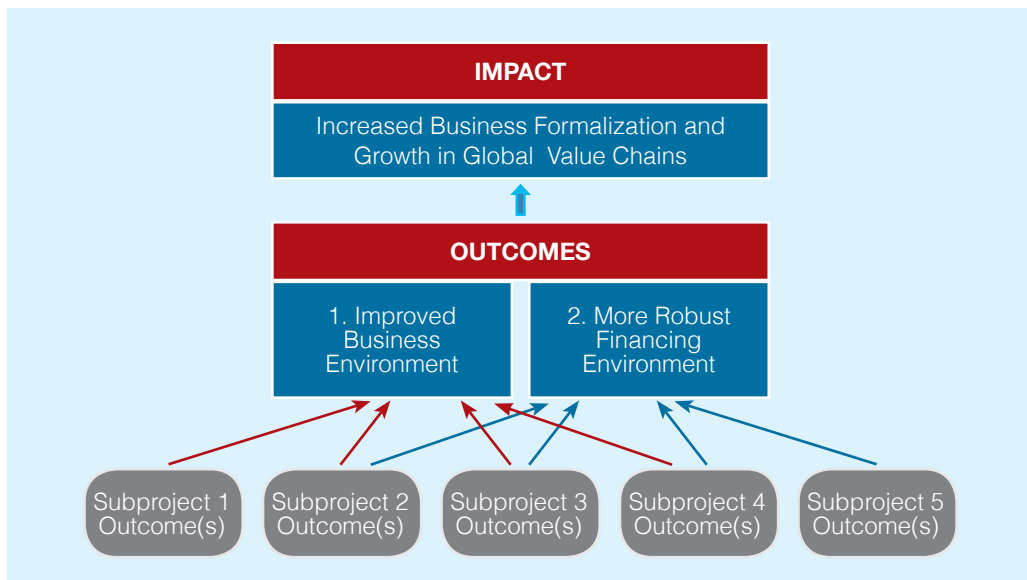
Monitoring and Evaluation (M&E). The MBI M&E framework has two tiers—at the project (MBI DMF) and the subproject levels (Appendix 4). Project-level M&E impact indicators align with the overall MBI mission and feed into the overall DMF.

At impact level, increased business formalization and growth in global value chains will be measured by the number of new business registrations, and the contribution of domestic enterprises to total exports. The project outcome of improved business enabling environment for SMEs will be measured by changes in or creation of PSD regulation and policies, more effective implementation of PSD regulations and policies and improvement in access to financial services for SMEs in high-potential value-chains. The project-level outputs are (i) Improved business regulatory environment for SMEs in CLMV, and (ii) More robust financing environment for SMEs in CLMV. The third output has been incorporated into output 1 and 2. Performance indicators were selected because of their high relevance to MBI's mission goals, and the feasibility of collecting consistently published and credible data that can be aggregated across CMLV. National-level indicators will be aggregated into regional indicators.

An M&E plan is developed for each MBI subproject. This plan includes targeted subproject outcome(s) and intermediate steps toward achieving these desired outcome(s). Each subproject outcome will feed into to the project-level M&E indicator(s) as shown in Figure 3. At the subproject level, MBI will employ elements of Strategy Testing, an innovative approach to monitoring highly flexible aid programs⁴. Strategy Testing is being used by MBI because the program often deals with complex PSD reforms that are not only technically complicated, but are also often intensely political because they challenge how power and resources are distributed. Due to the complex and fluid nature of the problems being addressed, the solutions are often not obvious or predictable when subprojects are being designed. Traditional project monitoring methods are not suitable for MBI as they are designed to track progress on pre-planned, largely linear activities where the result and the path to achieving it can be identified from the outset. However, in the case of the specific PSD reforms that MBI is working towards, reform results emerge over time in the course of implementation, and thus there is a need to track shifts in subproject outcomes and outputs. The innovative Strategy Testing approach emphasizes building strong relationships, deep knowledge, experimenting, and maintaining tight feedback loops between learning and action. Use of Strategy Testing enables the MBI team to approach their work with a more flexible, critical, entrepreneurial, and adaptive mindset.

4. Ladner, D. 2015. Strategy Testing: An innovative approach to monitoring highly flexible programs. Case Study No. 3. *Working Politically in Practice Series*. September. San Francisco: The Asia Foundation. <http://asiafoundation.org/resources/pdfs/AnInnovativeApproachtoMonitoringHighlyFlexibleAidPrograms.pdf>.

Figure 3: MBI Monitoring and Evaluation Framework



BDS = business development services, CLMV = Cambodia, Lao PDR, Myanmar, and Viet Nam, PSD = private sector development.
 Source: Mekong Business Initiative

The MBI approach to subproject M&E involves the following reiterative steps:

- (i) An M&E plan is developed during each subproject's preparation stage (Appendix 4C). The complexity of a subproject's M&E plan usually depends on the size of MBI's investment. Smaller investments tend to have simpler M&E plans.
- (ii) Consistent with the Strategy Testing approach, the M&E plan is a living document that is updated, when necessary, during project implementation. Adjustments could, for example, be made as a result of major external events, changes in the political context, key stakeholder decisions, or setbacks. The subproject team maintains records of consecutive versions of the M&E plan. Therefore, the evolving M&E plan becomes a useful evaluation tool.

Gender. MBI's gender approach includes the following measures. Each subproject's classification in MBI's portfolio includes one for gender mainstreaming, and MBI aims to classify at least 50% of its subprojects as gender mainstreamed (see Appendix 5 for an indicative classification of MBI subprojects). A subproject is defined as gender mainstreamed if:

- (i) The design is shaped by the views of businesswomen and/or based on a gender analysis.

- (ii) The subproject responds to constraints and opportunities affecting women.
- (iii) Businesswomen and/or gender specialists are engaged during project implementation.
- (iv) The subproject M&E plan includes specific gender indicators targeting women's participation and benefits for women.

All subproject concept papers include gender analysis.

MBI has recruited a part-time, international gender specialist to advise on gender issues during subproject design. The expert provides quality control and subproject gender analysis, and also prepares the gender dimensions of M&E plans and terms of reference. In-country ADB gender specialists in Cambodia, Lao PDR, and Viet Nam support quality control for each subproject's gender design. An ADB regional gender specialist supports gender mainstreaming for MBI subprojects in Myanmar. In addition, gender experts with technical specialties are recruited when required by specific projects.

MBI is committed to helping women in CLMV launch and expand their businesses.

MBI consulted extensively with women business leaders during the design of the initiative. Some of these women business leaders are now part of an informal Female Executive Cabinet that MBI consults during a subproject's design and implementation phases. MBI has also established formal, strategic partnerships with young entrepreneurs' associations in CLMV, and expects to create a CLMV network of young female entrepreneurs.

At every opportunity, MBI knowledge products, including country private sector assessments, incorporate analysis of gender equality gaps.

MBI is making special efforts to report on MBI success stories involving female entrepreneurs and/or groups, and communicate these widely.

Communications. The MBI communications team includes a part-time communications specialist and a communications officer. The communications team is responsible for developing communications products from the knowledge generated through MBI's operations. The communications team prepare and implement an MBI communications strategy that includes: (i) awareness campaigns to promote MBI to potential beneficiaries as well as

encourage them to propose ideas for subprojects which, if suitable, MBI could help support; (ii) communication via social media and other online platforms to disseminate knowledge generated by MBI; (iii) dissemination of key findings and lessons learned from MBI initiatives through knowledge-sharing workshops, including ones on gender issues and successful efforts to resolve them; (iv) regular private sector roundtables to foster discussions between public and private stakeholders on MBI focus areas; and (v) participation in regional and international conferences to discuss MBI findings and lessons learned. The MBI communications team works closely with the in-country ADB communications staff to organize media events.

V. PROGRAM

In 2015, the MBI team designed and built up a program by carrying out country diagnostics and constantly refining these through stakeholder consultations⁵. This process revealed regional synergies as well as country-specific issues that MBI interventions needed to consider. MBI also reviewed the many ongoing development partner PSD programs, both regional and national, and carefully considered how MBI could complement and/or reinforce these initiatives by exploiting its value-added proposition of being flexible, demand-driven, and innovative. Appendix 6 shows the indicative work plan and Appendix 7 lists brief description of MBI subprojects (both approved and in the pipeline). MBI's financial position at the end of 2015 is presented in Appendix 8.

Pillar 1 – An Improved Business Regulatory Environment

Sub-Pillar 1.1 Effective PSD policies and regulations

In CLMV, as private sector policies, laws, and regulations, as well as programs to support the private sector are often developed and implemented from the top down, and with little coordination among government agencies, MBI initiatives have been helping governments to improve their capacity to support the private sector. MBI has also been helping to improve the voice of the private sector, and especially the voice of young entrepreneurs and young women entrepreneurs, so that they can make their needs known to government.

In Viet Nam, where the government has reformed a number of private sector laws, at the request of the governments of Ho Chi Minh City (HCMC) and Da Nang, MBI has been helping to ensure that the new laws are implemented effectively at the subnational level. In Myanmar, where the government has been rapidly reforming business-related laws with assistance from a number of donors, and gaps, overlaps, and even contradictory laws are causing confusion, the government has asked MBI to develop an overarching private sector framework and action plan to harmonize the business law making process.

5. The MBI has prepared in-depth private sector diagnostics on Cambodia, Lao PDR, Myanmar, and Viet Nam.

In addition to its direct assistance to government in Viet Nam and Myanmar, through its work with business associations, young entrepreneurs' associations, and women's associations, MBI is feeding information back to up government on the challenges business owners face when registering and applying for licenses to conduct business, as well as in their day-to-day operations.

With regard to improving the voice of the private sector, MBI is helping to develop or improve platforms for private sector dialogue across CLMV, but taking quite different approaches in each country.

In Viet Nam, in partnership with government and the Viet Nam Chamber of Commerce and Industry (VNCCI), which is a well-established private sector organization, MBI has been helping to provide feedback on the success of Resolution 19, the government's commitment to cutting bureaucracy so that Viet Nam can raise its rank in the World Bank's Doing Business Index that measures the quality of the business environment. Cutting bureaucracy, however, is not an easy process as there are a myriad procedures involved and it is not clear which ones are the most time consuming and should be eliminated first. To complement the technical approaches of the development partners working with government to streamline procedures, MBI and VNCCI have jointly conducted a survey of private businesses to ask which procedures are the most burdensome. This survey explained which procedures the government had cut, and then asked respondents whether these were the right priorities for them.

The survey results showed that while in some cases, business owners found that cuts to bureaucracy were beneficial, in other cases, they prioritized different problems. In November 2015, the government and the VNCCI considered the results so important that they released them in forum attended by more than 500 people, including the deputy prime minister and other senior government officials, private sector leaders, and the news media. Based on success of this study, which was widely reported in news and social media, the government and VNCCI have agreed to repeat the study annually, using their own resources, which is exactly the kind of sustainability that MBI is aiming for in all of its initiatives.

MBI has also successfully investigated the problems facing women entrepreneurs in Viet Nam by collaborating with women's associations and groups across the country. With MBI's support, the associations asked their members with businesses to identify their main challenges, and then MBI brought delegates from the associations together to build consensus about the most important issues to ask government to resolve. MBI is now summarizing the results in a paper which the government will use to ensure that it considers the needs of women when reforming private sector laws, including the SME support law.

Both of these surveys in Viet Nam, which are now being replicated now in Lao PDR, have linked together MBI's key themes of business environment reform: improving government capacity to effectively coordinate and implement work on business-related laws; raising the concerns of entrepreneurs with the government; and improving the ability of business associations, including those which represent women, to identify, research, and present their key concerns to government.

In Lao PDR, MBI is working with the Lao National Chamber of Commerce and Industry (LNCCI) to build its capacity to carry out evidence-based analysis of private sector problems and effectively lobby with government on these. At LNCCI's request, MBI has helped set up a unit in the LNCCI to conduct research across key industries that will identify private sector constraints such as bureaucracy and the special challenges faced by women entrepreneurs, summarize research results in a paper, and follow up by presenting the results to government and lobbying for change. Once research and advocacy capacity has been developed within the LNCCI, MBI will withdraw, and the chamber will carry on conducting research and lobbying on its own.

In Cambodia, MBI is collaborating both with Cambodia Chamber of Commerce (CCC) and the Young Entrepreneurs Association of Cambodia to set up a business information center that will enable owners of new businesses to get all the information they need about how to register their business as well as meet ongoing regulatory requirements.

To support the government's efforts to set up a single window where business owners can undertake all the steps required to start a business, MBI is taking stock of all the processes required to start a business, then will survey a sample of businesses in the industries with the most SMEs (light manufacturing, agro-enterprise, tourism, and retail) to ask whether business owners' actual experience of starting a business matches the official procedures and costs.

The results of this, which are likely to show a gap between the official process and actual experience, will be something that the CCC can use to lobby government to make improvements. The CCC has also set up a hotline, which enables anyone with a business question to get advice. For example, if a local official asks for an unexpected payment, the business owner could call the hotline to check whether the payment is legitimate.

The results from the questions asked on the hotline will be fed back to government, and serious problems will be publicized through news and social media. An important aspect of this service is that it is being championed and

run by businesses. This is also a good example of providing information to businesses on the real regulations and procedures for business registration and operation so that they understand their rights. In Myanmar, MBI is taking a different approach to the same problem, and preparing a written guide on how to start a business.

Sub-Pillar 1.2 Business Development Support Programs

In recent years, governments, development agencies, NGOs, and the private sector have offered business development support programs but the impact of these on participating businesses has rarely been evaluated. In Phnom Penh in Cambodia, and in HCMC and Da Nang in Viet Nam, MBI will conduct both quantitative and qualitative surveys of a key business development support program to help the provider of the program improve it, and also to provide guidance for others offering business development support services. In early 2016, the Ministry of Commerce in Cambodia will evaluate its Business 101 Incubator Program, based on an evaluation that will be conducted by the Young Entrepreneurs' Association of Cambodia with assistance from MBI in mid-2016, the results will be applied in designing and implementing a new incubation program.

MBI is using a similar approach in Viet Nam to work with the governments of HCMC and Da Nang to evaluate and improve their business incubation programs. MBI is also in the early stages of determining how to help improve private sector and NGO-led business development support services in Lao PDR and Myanmar. As with all of MBI's efforts, the initiative is piloting approaches which, if successful, will be sustainable and also serve as models for similar approaches that can be scaled up and/or replicated.

Through a regional subproject, MBI is investigating the prospects for scaling up and replicating incubation and acceleration programs across CLMV. These could prove very valuable in stimulating the growth of startups and SMEs by providing them with facilities, advice, other business services, mutual support, and even financing. However, as the impact on SMEs has yet to be assessed in CLMV, it is difficult to tell whether the few incubators launched so far by government, NGOs, and private businesses have had a positive impact; whether they could be scaled up and replicated; and what role, if any, government should play. In 2016, to investigate these questions, MBI will partner with the University of Waterloo in Canada to use its cutting-edge benchmarking tools, which have already been used successfully in a number of countries, to survey firms that have received incubator support.

In Lao PDR, a project on online information portals on business regulations and policies is expected to enable Lao PDR ministries to establish or upgrade online information portals that disseminate business-related information, including information on registration of Intellectual Property Rights and application for the Lao Standards certificate (under the Ministry of Science and Technology – MOST). Through implementing this subproject, MBI has been able to get to know local technology startups—connections that should prove valuable for other MBI initiatives in the country.

In Myanmar, MBI has been asked the Directorate of Investment and Company Administration (DICA), the government agency in charge of company registration and regulation, to develop a manual for SMEs on company law. With ADB assistance, DICA has streamlined company registration procedures to make it easier for businesses to incorporate, and ADB is assisting DICA in establishing an online web portal for company registration. The manual on company law, which MBI will produce in 2016, will inform small companies about their legal obligations under the reformed Myanmar Companies Act of 1914, which is expected to be approved by Parliament in early 2016.

In Viet Nam, MBI has launched a multistage and multicomponent activity to support the governments of HCMC and Da Nang in developing innovation economies. In the first phase, in 2016, MBI will support the development of an Innovation Economy Action Plan for 2016–2020 for each city; and in a second phase, MBI will support the design of innovative business support mechanisms such as business incubators and accelerators. To work with MBI on developing the innovation action plan, the HCMC government has appointed a multidepartment task force led by the Department of Science and Technology (DOST), and agreed that the plan will cover start-up programs, enterprise productivity programs, and a “public-private partnership (PPP)-lite” fund for SMEs. The government of Da Nang has created a Start-up Council with representatives from all key government agencies. Like the committee in HCMC, the Council will collaborate with MBI in developing Da Nang’s innovation action plan.

Sub-Pillar 1.3. Promoting Enterprise Internationalization

The regional subproject on piloting a business-to-business (B2B) market-place aims to enable SMEs in CLMV to engage in direct transactions with businesses in other countries to develop commercially-sustainable regional and global value chains. In 2015, MBI identified commercial partners with the necessary financial backing and industry expertise, and MBI will contribute its regulatory and trade compliance knowledge, plus its expertise in supporting SME development. In

2016, the narrowly-focused pilot in 2–3 agribusiness and textile and garment product lines will match buyers in Australia and suppliers in Viet Nam. If successful in Viet Nam, the platform will be expanded to other product lines and markets, and replicated in Cambodia, Lao PDR, and Viet Nam.

Another regional subproject aims to equip business associations and SMEs with the tools to analyze and understand international markets. In 2015, MBI teamed up with the International Trade Centre (ITC), a joint initiative of the United Nations and the World Trade Organization, to pilot an introductory course through CLMV business associations that shows entrepreneurs how to use ITC's practical tools to analyze trade flows, tariffs, and voluntary standards so they can assess their overseas opportunities. Based on strong demand for the training, in 2016, to ensure sustainability of the training, MBI and ITC will localize the training materials for each of the four countries, and train trainers who will continue giving the courses through business associations. This subproject has strong synergies with two subprojects discussed above—the regional B2B Market Place subproject and the subproject with the governments of Ho Chi Minh City and Da Nang in Viet Nam that will develop innovation action plans and other business support mechanisms.

In 2015, based on an urgent request from the private sector and government to help SMEs in key sectors to understand and take advantage of the Trans-Pacific Partnership (TPP), MBI summarized over 6,000 pages of TPP agreements in a succinct booklet. In January 2016, MBI and VNCCI jointly launched this easy-to-understand, Vietnamese-language booklet in Ha Noi. Nearly 400 participants attended this event and welcomed this highly practical approach to helping SMEs learn what the TPP will mean to them. Over 2016, MBI will work with the VNCCI to undertake five studies and publish booklets on how the TPP will impact SMEs in five key industries within agribusiness and light manufacturing.

Pillar 2 – A More Robust Financing Environment

The initial MBI approach to improving access to financial services (A2F) in CLMV focused on legal and regulatory reforms and technical assistance interventions in SME finance. While the latter still defines key MBI interventions, MBI has adjusted the approach to legal and regulatory reform in light of numerous development partner activities in this area.

Financial technology and “angel” investor networks are among the innovative approaches that MBI is promoting

The revised objectives for MBI's A2F activities are now two-fold: promoting new financial business models, channels, and products that expand SME access to financial services in two areas: the promotion of financial technology, or "fintech", and developing "angel investor" networks; and improving access to financial services for SMEs in high-potential value chains, including access to equity financing or other forms of long-term capital.

2.1 Promoting New Financial Business Models, Channels, and Products

Fintech. There are opportunities in CLMV to use emerging fintech models to extend the market for financial services beyond traditional bricks and mortar commercial banks that have not shown willingness or capacity to serve SMEs. MBI's four target countries have very low formal financial sector outreach compared to other ASEAN countries, as measured by the value of commercial lending to the private sector as a percentage of GDP. Commercial banks in CLMV largely focus on large and medium-sized firms, with some increase in consumer lending. SMEs and rural dwellers remain among the most poorly served customer segments, though in Cambodia the larger, deposit-taking MFIs are increasing their lending to rural enterprises and farmers.

Fintech is an excellent way to expand the banking sector's outreach to underserved markets. Among the fintech models that have proven useful in other countries are peer-to-peer (P2P) lending platforms that link businesses to investors who are willing to take a risk in lending to qualified borrowers. This approach could be very attractive and relevant for CLMV. Variants of P2P lending target women entrepreneurs, agribusiness, and SMEs. In 2015, MBI identified potential fintech models for each of the four MBI countries.

In addition to financing, there are several fintech models that facilitate payments. In Lao PDR, MBI staff have identified a potential partner that is developing an electronic wallet mobile phone payment platform. In Cambodia, an investment club has asked for MBI assistance in developing an Internet-based P2P lending platform for SMEs. In Myanmar, there is an opportunity to build on MBI agricultural finance work to develop mobile phone technology that reaches the rural customers of Yoma Bank.

MBI will use its resources to support the development of these fintech models, with initial focus on the online payment model in Lao PDR and the P2P SME lending platform in Cambodia. In Myanmar, no specific fintech model has been identified yet, but MBI's work on agricultural finance may identify relevant applications. In both Viet Nam and Myanmar there is scope to promote fintech through incubation and acceleration programs, which MBI will explore.

Angel investing. Business start-ups and small, growing businesses frequently need early-stage seed capital to help successfully establish themselves. In most developing countries, entrepreneurs get capital for new business ventures from their own savings and/or from friends and family. MBI's analysis of start-up support in CLMV reveals that only Viet Nam has any sort of angel investment community, and there angel investing is still in its infancy, with no online network. In CLM, the concept of angel investing is less well known, and only a few people appear to be angel investors. In Cambodia, WeCreate, a business incubator that targets women entrepreneurs, has asked MBI for help to attract angel investors, and so has the Myanmar Young Entrepreneurs' Association. Lao PDR's start-up community is still very small, but the need for angel investment is anticipated.

Across CLMV, the business incubation and acceleration initiatives that MBI may support, all seem to lack angel investors prepared to finance good start-ups. To remedy this, MBI plans to provide capacity building for potential angel investors, as well as support the creation of clubs or online networks of angel investors. There is a need as well to build an investment culture that emphasizes mentoring as much as the provision of financial resources. The promotion of angel investment can be structured to complement MBI's work in supporting incubation and acceleration of businesses across CLMV, and there is a significant opportunity to create regional knowledge and support networks related to angel investing.

2.2 Improving access to financial services for SMEs in high-potential agricultural value chains

Agricultural finance is extremely important in CLMV and, as already stated, in general, the offer of banking products and services to the agricultural sector is poor across all four countries. The biggest need, as well as the greatest opportunities to catalyze commercial agricultural finance, is in Myanmar. The country has a largely dysfunctional state-led agricultural finance system, as well as substantial regulatory barriers to the introduction of modern agricultural finance. But agricultural market opportunities are abundant, and with the impending change of political leadership in April 2016, there is a heightened sense of urgency about rural and agricultural sector development. It is likely that financial regulations can be rewritten to facilitate value chain financing, as well as to promote more working capital financing in general.

MBI has an enthusiastic partner in Myanmar's Yoma Bank, which wants to build an agricultural financing unit from the ground up, based on international best practice. In Cambodia, there are good prospects too for agricultural finance, and, as noted above, some large, deposit-taking microfinance institutions are

actively entering rural markets to lend to farmers and agribusinesses. Lao PDR offers some limited prospects, but arabica coffee and other high-value produce are profitable and may lend themselves to more commercial financing techniques. Unfortunately, Viet Nam has imposed nonmarket-based lending rates for agriculture which discourages commercial lending to the sector.

Agricultural lending programs must be built on a deep understanding of specific crop or commodity value chains. However, it takes time to examine and select the value chains that offer the most commercial value to a bank, and then identify the appropriate entry points to the value chain. Then, loan products need to be designed and piloted over the course of the crop or commodity growing season. Since the process of developing agricultural value chain financing models can be lengthy, MBI proposes to work through this full process, starting immediately in Myanmar with a willing partner (Yoma Bank). Once engaged in Myanmar, MBI will consider commercial agricultural finance opportunities in Lao PDR and Cambodia. MBI is also considering alternatives in Viet Nam for supplier or input-provider financing that would not involve bank financing; an approach that would allow application of market-determined interest rates.

2.3 Possible Future A2F Initiatives

In 2016, MBI may fund additional activities in response to urgent requests for A2F-related support. These requests will be carefully evaluated on a case-by-case basis with a sharp eye on the cost/benefit ratio. Small, one-off activities require significant inputs of MBI staff time, so such initiatives must be low risk and high impact to justify the expenditure of time and resources that are required to launch and manage small activities.

VI. LESSONS

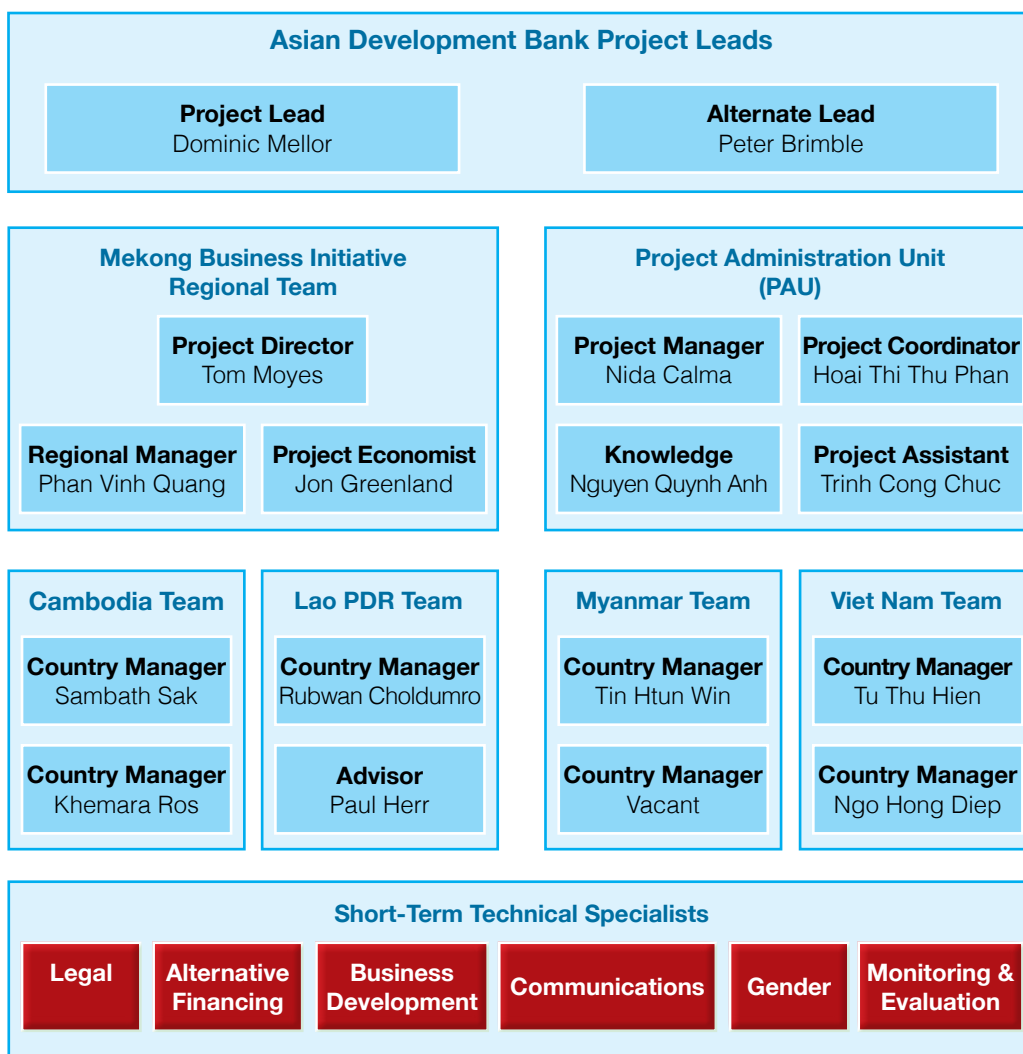
MBI should be responsive to national demand while retaining regional strategic focus. At the beginning of MBI implementation in 2015, there was some uncertainty about whether the private sector and governments in CLMV would be responsive to the demand-driven and flexible nature of MBI. However, it soon became evident that there would be no shortage of demand, and that MBI would need to prioritize subprojects carefully to avoid spreading its resources too thinly across scattered activities. Based on market feedback, the MBI team has identified regional thematic focus areas in which to develop synergies and generate critical knowledge. MBI will continue, however, to take advantage of opportunities to quickly respond to demands from the private sector and governments.

MBI must take full advantage of its ability to engage and work directly with the private sector. There are many ongoing development partner-funded PSD programs across CLMV, most of which are implemented through government agencies. A key value proposition of MBI is its flexibility to supplement other development partner activities by partnering with them, as well as engaging directly with the private sector. MBI is therefore taking every opportunity to build the capacity of business associations so they can engage more effectively in PPD, increase PPD members' awareness of policy issues, and disseminate business-friendly materials on new policies and regulations. This will facilitate better private sector engagement with government during formulation of PSD policies by ensuring that all relevant stakeholders participate, and that a sustainable and inclusive partnership is built between government and the private sector.

MBI should balance deliverability with innovation. MBI's portfolio approach allows it to take more risks than more traditional technical assistance models. It exploits this niche by engaging with both government (piloting innovative business support services) and the private sector (piloting innovative business models). This unique role often involves MBI bringing together private sector and government stakeholders and creating platforms where they can jointly develop innovative solutions to PSD and SME constraints. MBI is also focusing on engaging with young business people, and especially young businesswomen, as young entrepreneurs are taking the lead in developing the faster growing, innovative sectors in CLMV.

MBI needs to adopt a more flexible M&E approach. The traditional project monitoring methodology adopted for most development partner projects is not suitable for MBI. This is because most technical assistance projects largely implement pre-planned activities, with the result and the path to achieving it, identified from the outset. Such methods are poorly suited to MBI where specific PSD reform results emerge over time in the course of implementation, and where there is a need to track shifts in subproject outcomes and outputs. MBI is instead employing Strategy Testing, an innovative approach to monitoring subproject outcomes. The approach emphasizes building strong relationships and deep knowledge, experimenting, and maintaining tight feedback loops between learning and action.

APPENDIX I: MBI TEAM STRUCTURE



Source: Mekong Business Initiative

APPENDIX 2: MBI DIAGNOSTIC FRAMEWORK AND OUTLINE

1. General overview of the small business sector
 - (i.) Basic economic data
 - (ii.) Level of informality
 - (iii.) Participation of women

2. Environment for business formation and growth
 - (i.) Assessment of ease and procedures for establishing a business
 - (a) Steps to business formation/registration and licensing (general)
 - (b) How companies are registered and connected across agencies
 - (ii.) Availability of information for new or growing companies
 - (iii.) Availability of financing and other support for businesses that are starting up

3. Stakeholders involved in small business growth and their activities/programs
 - (i) Government agencies/windows/champions
 - (a) Small business support programs
 - (b) Small business financing programs
 - (ii) Industry or private sector support groups and programs (and who they target)
 - (a) Chambers of Commerce
 - (b) Industry groups
 - (c) Other private sector initiatives
 - (iii) Development partner activities to support small business
 - (a) Players
 - (b) Priorities
 - (c) Programs
 - (d) Funds available
 - (e) Track record
 - (iv) Lending bodies and other funding sources
 - (a) Financing and lending programs targeting small businesses
 - (b) Conditions of financing or lending programs targeting small businesses
 - (c) Known issues

4. Known issues and constraints hindering small business development

- (i) Institutional issues: Identify any start-up/formalization/growth procedures that work against small business
 - (a) Assess reasons for these barriers (e.g. corruption)
- (ii) Regulatory constraints: Identify known hurdles or gaps in the legal system preventing small business formation, growth, and inclusiveness
- (iii) Access to finance constraints: Identify hurdles or gaps in the financial sector preventing the financing of new or expanding businesses
- (iv) Infrastructure constraints: Identify what's missing in the country or system that poses constraints on business creation or growth
 - (a) Identify infrastructure not utilized or implemented despite being legally available
 - (b) Identify any private enterprise promotion trials that have failed
- (v) Detractors: whose interests could be harmed by improving the environment for small business?

5. Initial assessment of opportunities and entry points for the MBI program

- (i) Identify requests from government or the private sector for specific action
- (ii) Identify ongoing initiatives (including those of development partners) where MBI could become involved
- (iii) Identify gaps or constraints that MBI could fill (on its own or by partnering)
- (iv) Identify other known specific needs that may not be addressed or supported
- (v) Identify potential for Australian trade or expertise
- (vi) Identify successful programs and lessons MBI should learn
- (vii) Using the opportunities above, offer initial priority ranking in terms of:
 - (i) Need
 - (ii) Ease of, and rationale for MBI entry/participation
 - (iii) Relationship to cross cutting issues:
 - (a) Gender inclusion
 - (b) Mission goals
 - (c) Ability to measure success
 - (iv) Likelihood of partnering
 - (v) Expected timing and cost (to extent known)
 - (vi) Intensity of barriers and possibility for resistance

6. Recommended local contacts and next steps

- (i.) Identify priority stakeholders for mission dialogue
- (ii.) Suggest next steps for the team
- (iii.) Suggest whether additional resources need to be applied to understand or participate in a recommended intervention

APPENDIX 3: PROJECT PITCH

Country: Cambodia, Lao People's Democratic Republic, Myanmar, Viet Nam, or Multicountry	Mekong Business Initiative focus area(s): Private sector development policy (1.1), Business development services programs (1.2), Small and medium-sized enterprise internationalization (1.3), and/or A2F (2)
Indicative Cost: \$xxx,xxx	Timeframe:
Gender mainstreamed: Yes/No	Key stakeholders:

Project Description	Brief description of the proposed Mekong Business Initiative (MBI) subproject
Rationale	Define the problem and clearly link to MBI goals and theme
Solutions offered	Explain proposed solution to problem and how the proposed solution is sufficient to create the desired impact
Leveraging MBI's uniqueness	How does the proposed intervention leverage MBI's uniqueness? Flexible - can work across different agencies and bodies responsible for private sector development Demand-driven – can engage and partner directly with the private sector Innovative – can take risks where potential impact is high
Scalable & Sustainable	Initiative can be scaled and/or replicated, and sustained following MBI support, including to other Mekong countries (i.e., ripple effect)
Risk management	Adequate time-frame, cost vs. benefit, innovation vs. risk
Supporters and champions	Government, business leaders and/or entrepreneurs who will drive process
Gender	Is the proposal potentially gender mainstreamed? Design shaped by views of businesswomen and/or based on a gender analysis Responds to constraints and opportunities affecting women Engages with businesswomen and/or gender specialists during implementation
Synergies with other MBI initiatives	Highlight any links to other MBI subprojects

APPENDIX 4: MBI MONITORING AND EVALUATION FRAMEWORK

A. Project-Level Impact Indicators

Goal/Impact: Increased business formalization and growth in global value chains

Impact	Indicator	Country	Baseline (year)	2015	2016	2017	Source(s) / Notes
Increased business formalization	Active enterprises registered ('000)	Cambodia	45.4	51.3	-	-	Business Registration Department, MOC
		Lao PDR	99.7	103.1	-	-	National Enterprise Database, MOIC
		Myanmar	53.7	54.4	-	-	Directorate of Investment and Company Administration
		Viet Nam	482.6	527.5	-	-	Enterprise Development Agency, MPI
		TOTAL	681.8	735.9	-	-	
Growth in global value chains	Share of exports by domestic enterprises (%)	Cambodia	23.3	20.2	-	-	Estimated using Trade Map data
		Lao PDR ^a	53.9	53.3	-	-	Department of Import-Export, MOIC
		Myanmar	43.5	42.4	-	-	Department of Customs, MOC
		Viet Nam	37.4	31.8	-	-	General Statistical Office, MPI
		TOTAL	37.2	32.1	-	-	
<p>Lao PDR = Lao Peoples Democratic Republic; MOC = Ministry of Commerce; MOIC = Ministry of Industry and Commerce; MPI = Ministry of Planning and Investment.</p> <p>^a Lao PDR's share of exports by domestic enterprises has been approximated by nonmineral exports as a share of total exports.</p> <p style="text-align: right;"><i>Source: Mekong Business Initiative.</i></p>							

B. Project-level Outcomes and Subproject Classification

Outcome 1 Doing Business Indicators (Source: World Bank)	Improved Business Environment - Identification of PSD regulatory and policy reform needs - Changes in, or creation of, PSD regulations/policies - More effective implementation of PSD regulations/policies
MULTICOUNTRY	MULTI-3: Pilot B2B Market-Place
	MULTI-4: Supporting the Business Incubator Industry
	MULTI-5: Training on International Market Analysis Tools
	MULTI-6: Empowering Young Entrepreneurs and Start-Ups
CAMBODIA	CAM-1: Increased Transparency on SME Registration and Licensing
LAO PDR	LAO-2: Voice of the Private Sector in Lao PDR
	LAO-3: Online Information Portals on Business Regulations and Policies
MYANMAR	MYA-1: Myanmar PSD Framework and Action Plan
	MYA-3: Company Law Guide for SMEs
VIET NAM	VIE-1: SME Policy and National Strategy
	VIE-2: Voice of the Private Sector in Viet Nam
	VIE-3: Supporting Innovation and PSD
	VIE-4: Helping SMEs make the most of TPP

Outcome 2 Share of private sector lending (Source: central banks)	More Robust Financing Environment - Promote new financial business models, channels, and products that expand SME access to financial services - Improve access to financial services for SMEs in high-potential value chains, including access to equity financing or other forms of long-term capital
MULTICOUNTRY	MULTI-1: Promoting Financial Innovation and Alternative Financing
	MULTI-2: Developing Agribusiness Value Chain Financing Models
LAO PDR	LAO-1: Lao PDR SME Listing Board Feasibility Study
MYANMAR	MYA-2: Support for a Commercial Microfinance Industry in Myanmar

B2B = business to business, Lao PDR = Lao People's Democratic Republic, PSD = private sector development, SME = small and medium-sized enterprise, TPP = Trans-Pacific Partnership.

Source: Mekong Business Initiative.

C. Subproject-level Monitoring and Evaluation Plan (Template)^a

Project logic	Milestone description	Indicator	Data collection/analysis method	Timeframe	Status
Final outcome					
Intermediate Outcome 1					
Outputs					
Intermediate Outcome 2					
Outputs					

Progress report and analysis

Context, strategy and direction - Did the subproject meet key stakeholder, partner or beneficiary demand? Did it remain relevant?
Where there any changes in political, economic, social, organizational climate that affected the subproject and its intended outcome?

Brief narrative, quarterly or by end of project

Management, governance and outputs - How was the subproject managed and were allocated funds spent in a cost-efficient way?
Was progress made in line with plans, did outputs meet required standards and were they appropriate to the intended audience or target group?

Brief narrative, quarterly or by end of project

Uptake - Are people aware of, accessing, using and sharing the work?

Brief narrative, quarterly or by end of project

Outcome
What progress was made towards subproject outcomes? Where there any unexpected (positive or negative) outcomes? If categorized as gender mainstreamed, how has the subproject contributed to gender related outcomes?

Brief narrative, quarterly or by end of project

Lessons learned and good practice
And any other comments useful for MBI and future learning

Brief narrative, quarterly or by end of project

^a Consistent with the Strategy Testing approach for monitoring and evaluation that Mekong Business Initiative is using, each subproject monitoring and evaluation plan is a living document that will be updated from time to time based on new information, including unexpected road-blocks to reform

Source: Mekong Business Initiative.

APPENDIX 5: INDICATIVE MBI SUBPROJECT GENDER CLASSIFICATION

		Consult	Analyze	Engage	Measure	GEN
OUTCOME IMPROVED BUSINESS ENVIRONMENT						
MULTI	Multi-3: Pilot B2B Market-Place	Yes	Yes	Yes	Yes	Yes
	Multi-4: Supporting the Business Incubator Industry	Yes	Yes	Yes	Yes	Yes
	Multi-5: Empowering Young Entrepreneurs and Start-Ups	Yes	Yes	Yes	Yes	Yes
	Multi-6: International Market Analysis	Yes	Yes	Yes	Yes	Yes
CAMBODIA	CAM-1: Business Information Centre	Yes	Yes	Yes	Yes	Yes
LAO PDR	LAO-2: Voice of the Private Sector in Lao PDR	Yes	Yes	Yes	Yes	Yes
MYANMAR	MYA-1: Myanmar PSD Framework and Action Plan	Yes	Yes	Yes	No	No
VIET NAM	VIE-1: SME Policy and National Strategy	Yes	Yes	Yes	No	No
	VIE-2: Voice of the Private Sector in Viet Nam	Yes	Yes	Yes	Yes	Yes
	VIE-3: Innovation and PSD (Phase 1)	Yes	Yes	Yes	No	Yes
	VIE-4: Helping SMEs make the most of TPP	Yes	Yes	Yes	Yes	Yes
OUTCOME MORE ROBUST FINANCING ENVIRONMENT						
MULTI	MULTI-1: Promoting Financial Innovation and Alternative Financing	Yes	Yes	Yes	Yes	Yes
	MULTI-2: Developing Agribusiness Value Chain Financing Models	Yes	Yes	Yes	Yes	Yes
LAO PDR	LAO-1: SME Board	No	Yes	Yes	No	No
MYANMAR	MYA-2: Support for Commercial Microfinance Industry in Myanmar	Yes	Yes	Yes	No	No
Percentage of gender mainstreamed MBI subprojects						73%

B2B = business-to-business; Lao PDR = Lao Peoples' Democratic Republic; PSD = private sector development; SME = small- and medium-size enterprise; TPP = Trans-Pacific Partnership

Notes:

Design: The design is shaped by the views of businesswomen and/or based on a gender analysis.

Respond: The subproject will respond to constraints and opportunities affecting women.

Engage: Businesswomen and/or gender specialists will be engaged during project implementation.

Measure: Subproject monitoring and evaluation plan includes specific gender indicators targeting women's participation and benefits.

GEN: Subproject is categorized as a gender-mainstreamed MBI subproject.

Source: Mekong Business Initiative.

APPENDIX 6: INDICATIVE MBI WORK PLAN 2016-2017

ACTIVITY	Cost Estimate (\$'000)	2016												2017											
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1. PSD Policy																									
MULTI-3: Pilot B2Business-Business (B2B) Market-Place	250																								
Build Technology Platform																									
Business Development (buyer and supplier identification)																									
Incubate suppliers and match with buyers																									
MULTI-4: Supporting the Business incubator Industry	600																								
Evaluate selected incubator programs																									
Support design of new pilot incubator programs																									
Pilot selected incubator programs																									
MULTI-5: Training on International Market Analysis Tools	110																								
Conduct training in Cambodia, Lao PDR, and Myanmar																									
MULTI-6: Empowering Young Entrepreneurs and Start-Ups	250																								
Support development of ASEAN Young Entrepreneurs Council Strategy																									

Establishment of information portal on business regulations and policies																					
MYA-1: Myanmar PSD Framework and Action Plan	100																				
Facilitate public-private dialogue on draft PSD framework report																					
MYA-3: Company Law Guide for SMEs	50																				
Prepare Company Law Guide through consultations																					
Launch Company Law Guide																					
VIE-1: SME Policy and National Strategy	200																				
Facilitate public-private dialogue on SME Law and policy																					
VIE-2: Voice of the Private Sector	200																				
Business talks and private sector forum to raise voice																					
Capacity building and training for business associations on selected policy																					
VIE-3: Innovation and PSD (Phase 1)	500																				
Support city government prepare innovation and PSD action plans																					
Evaluate business support services																					

MYA-2: Support for Commercial Microfinance Industry in Myanmar Carry out MF industry benchmarking study Organize consultative forums and events on MF development Ongoing exposure trips for MF regulators	100																		

ASEAN = Association of Southeast Asian Nations; GMS = Greater Mekong Subregion; LNCCI = Lao National Chamber of Commerce and Industry; LSCO = Lao Securities Company Office; MF = microfinance; PSD = private sector development; SME = small- and medium-size enterprise, YEA = young entrepreneurs association, YEA = Young Entrepreneurs Association of Cambodia.

Source: Mekong Business Initiative.

APPENDIX 7: BRIEF MBI SUBPROJECT DESCRIPTION

(as of 31 March 2016)

MULTICOUNTRY

APPROVED/ACTIVE

MULTI-1: (A2F) Promoting Financial Innovation and Alternative Finance. This activity aims to make financial services more accessible and affordable to small and medium-sized enterprises (SMEs) by promoting financial technology solutions and nonbank financing options for SMEs and start-ups. Alternative financial solutions such as crowdfunding, peer-to-peer lending, and angel investing—which combines expertise with funding—are revolutionizing the financial sector in other parts of the world. However, these financing options are not yet available—or are at a nascent stage—in Cambodia, Lao People's Democratic Republic, Myanmar, and Viet Nam (collectively, CLMV). Mekong Business Initiative (MBI) will work with market players in CLMV to promote product development, expand product and service offerings, and work with regulators, where appropriate, to support sound regulations that facilitate financial innovation. MBI will share lessons learned in this thematic area across CLMV.

Progress to date and plans. MBI has identified potential models and partners in Lao PDR (mobile money platform), Viet Nam (SME credit app developed by Commonwealth Bank of Australia), and Cambodia (SME peer-to-peer lending platform). The knowledge extracted from supporting these models will support outreach and policy advocacy on alternative financial instruments. In the second quarter of 2016, MBI will develop “angel investor” networks, starting in Cambodia and Viet Nam, and then roll out the same across Lao PDR and Myanmar. MBI will initiate reviews and assessments of fintech models that are being developed or have launched in CLMV, and schedule knowledge-dissemination events to raise public awareness of the opportunities to expand financial outreach through fintech.

MULTI-2: (A2F) Developing Agricultural Value Chain Financing Models. This project will comprise two components: (i) carrying out agricultural market research to identify 3–4 high-potential agricultural value chains, starting in Myanmar; and (ii) designing and pilot testing of agricultural value chain financing models with a commercial bank (or banks) willing to focus on the identified high-potential value chains. MBI will pioneer this initiative in Myanmar where the need for commercial agricultural finance is most acute, and then adapt the Myanmar approach to Cambodia, Lao PDR, and Viet Nam, if appropriate.

Progress to date and plans. A partner in Myanmar has been identified and project terms of reference agreed. Recent agricultural value chain studies and reports in Myanmar have been collated. MBI will contract consultants or a firm to carry out project component activities in Myanmar, starting in the second quarter of 2016. Later in the year, MBI will consider replicating the approach in CLV.

MULTI-3: (Policy) Piloting a Business-to-Business (B2B) Market-Place. MBI will partner with selected commercial partners to develop and pilot a B2B market-place that enables SMEs in CLMV to engage in direct transactions with their counterparts in other countries, and thereby support their integration into global value chains. The objective is to create a commercially sustainable platform that achieves social impact. Commercial partners will bring funding and industry expertise, while MBI will bring regulatory expertise as well as experience on trade compliance, and SME business development support needs. The platform will not be a standard e-commerce site that matches suppliers and buyers, but instead it will aim to provide product validation services, and create markets by incubating and accelerating the growth of SMEs. The pilot will initially be very focused—matching buyers and suppliers in 2-3 agribusiness and textile/garment product lines, and between Viet Nam and Australia. Over time, MBI will consider expanding the platform to other product lines and markets.

Progress to date and plans. MBI has identified commercial partners with the necessary financial backing and industry expertise. Business and financial plans are currently being developed.

MULTI-4: (Policy) Supporting the Business Incubator Industry. Incubation and acceleration programs hold great promise for increasing the capacity of SMEs. Although a few incubators and accelerators have been launched by government, nongovernment organizations, and the private sector in CLMV, so far it has been difficult to assess their impact. Questions also remain about the replicability and scalability of these programs, and whether the government has a role to play in developing the industry.

Progress to date and plans. MBI is considering partnering with the University of Waterloo to apply cutting-edge benchmarking tools that assess the impact of business incubator programs. The approach is based on a survey of firms that have received support, and it has already been applied in a number of countries.

MULTI-5: (Policy) Training on International Market Analysis Tools. This activity aims to equip business associations and SMEs with the tools to analyze and understand international markets. MBI will partner with the International Trade Centre (ITC) to conduct a series of technical assistance activities to build the capacity of business associations, SME advisors, and SMEs on the use of practical tools developed by the ITC that allow users to analyze trade flows, tariffs, and voluntary standards. There are strong synergies between this activity and other MBI subprojects, including MULTI-3 and VIE-3.

Progress to date and plans. MBI gauged demand from the business community by conducting introductory courses on ITC tools. This confirmed strong demand for the proposed training. To ensure sustainability, MBI and ITC will conduct training-of-trainer courses on the ITC tools, and localization of the training materials.

PIPELINE

MULTI-6: (Policy) Empowering Young Entrepreneurs and Start-Ups. MBI will partner strategically with young entrepreneurs and start-up communities on a number of activities within MBI's thematic focus areas. There is strong demand from the regional young entrepreneur associations (YEAs) to partner with the MBI on policy and advocacy. Within each YEA, MBI will identify women entrepreneurs and develop needs-based approaches to supporting women entrepreneurs.

Progress to date and plans. A subproject proposal is being processed. The MBI team have met with YEAs in CLMV on a number of occasions, including an informal group meeting at the ASEAN Investment Summit in Kuala Lumpur in November 2015. Agreement was reached to work together, both on a regional and national level. The YEAs of CLMV are sharing their strategic work plans with MBI and identifying priority activities for 2016 and 2017.

CAMBODIA

APPROVED/ACTIVE

CAM-1: (Policy) Increased Transparency on SME Registration and Licensing. MBI will work with business associations and enterprises in Cambodia to document the gaps between formal and actual implementation of business regulations on registration and licensing. The objective is to enable better access to information for businesses and promote transparency in implementing related laws, regulations, and procedures. This should help enterprises to register and operate formally. As part of this, MBI will help the Young Entrepreneurs Association of Cambodia (YEAC) and the Cambodia Chamber of Commerce (CCC) to establish a Business Information Center to provide information on business registration, licensing processes, requirements for inspections, etc. The Ministry of Industry and Handicraft is setting up a one-roof service for SMEs so business associations can use information from the Business Information Center to support policy advocacy.

LAO PDR

PIPELINE

LAO-1: (Policy) Raising the Voice of the Private Sector in Lao PDR. The Lao National Chamber of Commerce and Industry (LNCCI) has requested support from MBI to assist in the revision of the Decree on the Establishment and Function of LNCCI and in establishing a think tank under the LNCCI that will improve the chamber's capacity to prepare evidence-based policy analysis and engage in policy advocacy. The LNCCI has also asked MBI to help them engage effectively in the 2016 ASEAN chairmanship event.

Progress to date and plans. A subproject proposal is being processed with relevant stakeholders and will be submitted for approval and implementation in the first quarter of 2016.

APPROVED/ACTIVE

LAO-2: (A2F) SME Listing Board. A feasibility study for a possible “People’s Alternative Market” for SME listings will be carried out at the request of the Lao Securities and Exchange Commission Office (LSCO). The study will determine whether Lao PDR is ready for a second exchange and/or special board tailored to SMEs, whether such a board is feasible, and what technical and legal requirements must be met to successfully create the SME listing board. This work will enable MBI to deepen its understanding of Lao financial markets, which is important for supporting further SME-focused programming.

Progress to date and plans: Preparation of the feasibility study is under way: (i) a memorandum of understanding was signed with LSCO; (ii) two technical experts have been engaged; and (iii) consultations and interviews with selected stakeholders began in January 2016. The project is expected to be completed during first quarter 2016.

PIPELINE

LAO-3: (Policy) Online Information Portals on Business Regulations and Policies. Various ministries, including the Ministry of Commerce and Industry (MOIC), and the Ministry of Science and Technology (MOST) have requested support from MBI to assist in establishing or upgrading online information portals. These will disseminate information on business regulations and policies, including business registration and licensing (under the MOIC), and registration of Intellectual Property Rights and application for the Lao Standards certificate (under the MOST).

Progress to date and plans: The project with the MOIC has been temporarily stalled for political economy reasons and MBI is now focusing on the MOST information portal. The project is expected to be completed by the third quarter of 2016. MBI is seeking out and engaging with local technology start-ups during implementation of this subproject.

MYANMAR

APPROVED/ACTIVE

MYA-1: (Policy) Myanmar PSD Framework and Action Plan. The Myanmar government sought assistance from MBI to develop a coherent and comprehensive national PSD framework and action plan, which will serve as a foundation for PSD policies and reform initiatives across government ministries, and align with relevant development partner initiatives.

Progress to date and plans. The subproject was approved in 2015 and deliverables 1 (International Best Practices in PSD) and 2 (Assessment of Reforms and Gaps) were submitted to government in 2015. The MBI team is now working with staff from the Asian Development Bank (ADB) to put these deliverables together, based on intensive consultation with businesses and reform-minded government officials. The action plan (deliverable 3) was completed in the first quarter of 2016, after a series of joint consultations with public and private sector stakeholders. MBI will likely offer implementation support to the government in areas where MBI has a comparative advantage.

APPROVED/ACTIVE
MYA-2: (A2F) Support for the Commercial Microfinance Industry in Myanmar.

A group of large commercial microfinance institutions (MFIs) have requested MBI assistance to raise a list of key policy and regulatory issues with the regulatory authority—the Financial Regulatory Department of the Ministry of Finance—as well as help to promote more open and constructive dialogue between regulators and industry players on the development of the microfinance industry.

Progress to date and plans. In 2016, MBI will produce a focused benchmarking survey that compares Myanmar's microfinance regulations in all key areas to those in Cambodia, Indonesia, and the Philippines. The initiative may also fund exposure trips for Financial Regulatory Department staff to the comparator countries and/or bring ASEAN regional regulators to Myanmar to share their experiences of building dynamic, commercial microfinance sectors.

PIPELINE

MYA-3: (Policy) Company Law Guide for SMEs. The Myanmar government agency in charge of company registration and regulation, the Directorate of Investment and Company Administration (DICA), has been undertaking key reforms to streamline procedures for company registration, make it easier for businesses to incorporate, and support new and newly registered companies. ADB has been assisting DICA with the reform of the Myanmar Companies Act 1914 which is expected to be approved by Parliament in 2016, and will involve establishing an electronic company registry. DICA has asked MBI for help in preparing an information guide for small companies on their legal obligations under the reformed Myanmar Companies Act.

Progress to date and plans: The subproject proposal began implementation in the first quarter of 2016.

VIET NAM
APPROVED/ACTIVE

VIE-1: (Policy) Improving SME Policy and National Strategy. The Ministry of Planning and Investment is preparing a new SME Support Law and the National SME Development Action Plan 2016–2020. Business associations and think tanks have requested MBI's support to improve their capacity to engage in effective public–private dialogue during drafting of these SME policies and regulations.

Progress to date and plans: In January 2016, MBI facilitated a consultation workshop with the Ministry of Planning and Investment, the business community, and academia to review the draft National SME Strategy and Action Plan. MBI is providing ongoing training to business associations to increase their capacity to engage in policy advocacy during preparation of the SME policies and regulations.

VIE-2: (Policy) Raising the Voice of the Private Sector in Policy Development.

This is a multistakeholder exercise in which MBI works with business associations, news and social media, as well as others to help the private sector improve their voice and participation in policy making. This involves MBI training business associations on how to make their case to policy makers, and how to work with, and leverage news and social media in policy advocacy. MBI is also providing support for several business associations as they advocate for their members on selected policy topics. The objective of this is to provide good examples for other associations to replicate.

Progress to date and plans. MBI partnered with the Viet Nam Chamber of Commerce and Industry (VCCI) in 2015 to undertake a study on the private sector’s perceptions of policy reforms under Resolution 19. Resolution 19 is a high-level political commitment by the Government of Viet Nam to improve Viet Nam’s Doing Business ranking by taking time-bound actions to simplify business processes and procedures. The launching of the study in November 2015 was attended by the deputy prime minister and other senior government officials, and private sector leaders. The event received wide media coverage, and the government and the VCCI have since agreed to repeat the exercise in 2016.

Since October 2015, MBI has been partnering with women’s business associations and groups in undertaking a study on the impact of policies supporting women-led businesses and female labor-intensive industries. Ongoing country-wide consultations with national and provincial women’s business associations and targeted surveys will culminate in a position paper that will be used in dialogue between the private sector and relevant government agencies.

In January 2016, MBI, in partnership with the Viet Nam Consulting Group held the Business Talk workshop and TV program in HCMC. The first topic was on “Innovation Made in Viet Nam.” The objective was to build and promote an innovation-oriented business community, link potential investors and mentors to the innovation and start-up community, and provide information and strengthen networking within the innovation and start-up community. The workshop attracted significant interest from the business community, with over 200 participants. Post-event social media coverage was also very high. Based on this success, the Viet Nam Consulting Group and MBI have agreed to continue the series on other topics throughout 2016.

VIE-3: (Policy) Supporting Innovation and PSD. This is a multistage and multicomponent activity under which MBI supports the governments of Ho Chi Minh City (HCMC) and Da Nang in developing innovation economies—first through the development of an Innovation Economy Action Plan for 2016–2020; and second, through support in designing innovative business support service mechanisms. In a possible third phase, ADB could provide finance for the proposed mechanism.

Progress to date and plans. The government of HCMC has confirmed a Party Resolution for the city to work with MBI on developing a framework and action plan 2016–2020 to foster innovation and private sector development. To work with the MBI team, the HCMC vice chair has created a multidepartment task force which is led by the Department of Science and Technology (DOST). The action plan will cover start-up programs, enterprise productivity programs, and a “public-private partnership (PPP)-lite” fund for SMEs.

The government of Da Nang, through the vice-chairman of the People’s Committee, has also requested support from MBI to prepare a 5-year framework and action plan 2016–2020 for the newly created Start-up Council. The council, which was set up under the People’s Committee with representatives from all key government agencies, is tasked with fostering innovation and entrepreneurship.

VIE-4: (Policy) Helping SMEs Make the Most of the Trans-Pacific Partnership Agreement (TPP). In response to strong and urgent demand from the private sector and government, MBI is conducting research on the impact that the TPP will have on SMEs in Viet Nam and the sectors most likely to be affected. The knowledge products produced for this subproject will be practical tools that enable SMEs to understand and take advantage of the TPP.

Progress to date and plans. In January 2016, MBI and VCCI co-organized a conference in Ha Noi to launch a business guide on the TPP. Over 6,000 pages of TPP agreements have been summarized in Vietnamese in a succinct booklet using business-friendly language. Nearly 400 participants attended the conference and the business community welcomed the highly practical approach to helping SMEs learn about what the TPP means to them. MBI is now also working with VCCI to produce five sectoral studies that analyze the impacts and opportunities of the TPP for SMEs in specific industries.

APPENDIX 8: MBI FINANCIALS AS AT END 2015

Item	Original Allocation			Actual Payment
	ADB	DFAT	Total	Total
1 Consultants	340,000	6,120,000	6,460,000	991,849
2 Equipment and Information Technology Solutions	50,000	1,230,000	1,280,000	9,863
3 Rent and Office Furniture	20,000	310,000	330,000	73,330
4 Seminars, Workshops, and Conferences	50,000	860,000	910,000	132,528
5 Publication and other Media	20,000	180,000	200,000	18,348
6 Surveys, Studies, Impact Monitoring	0	500,000	500,000	0
7 Miscellaneous Administration and Support Costs	10,000	110,000	120,000	0
8 Contingencies	10,000	690,000	700,000	0
TOTAL (% of total funding)	500,000	10,000,000	10,500,000	1,225,918 12%

ADB = Asian Development Bank, DFAT = The Government of Australia's Department of Foreign Affairs and Trade.
Source: Mekong Business Initiative.

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BÁO CÁO THƯỜNG NIÊN

2015 - 2016

SÁNG KIẾN HỖ TRỢ KHU VỰC TƯ NHÂN VÙNG MEKONG

CHỊU TRÁCH NHIỆM XUẤT BẢN
GIÁM ĐỐC - TỔNG BIÊN TẬP

TRẦN ĐOÀN LÂM

Biên tập: Bùi Hương Giang
Bìa và trình bày: Nguyễn Hoàng
Sửa bản in: Quỳnh Anh

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