

## LESSONS FROM THE MEKONG BUSINESS INITIATIVE

1. **Background Information:** In December 2014, the Asian Development Bank (ADB) approved \$10,500,000 (\$10,000,000 from the Government of Australia) for regional policy and advisory technical assistance to promote private sector development in emerging Association of Southeast Asian Nations (ASEAN-4) markets, consisting of Cambodia, the Lao People's Democratic Republic, Myanmar, and Viet Nam (collectively CLMV). The TA, also referred to as the Mekong Business Initiative (MBI), sought to improve the business-enabling environment in CLMV.

2. **ADB's** Southeast Asia Department (SERD) and the Private Sector Operations Department (PSOD) are jointly responsible for implementing it. MBI partners strategically with industry and business groups, especially those representing young and women entrepreneurs. MBI's approach is to engage directly with the private sector to ensure interventions are market-driven, and its flexibility allows it to be experimental and pilot novel approaches.

3. **MBI Approach:** MBI has three outputs that aim to improve the overall business environment.

- (i) **Output 1 (Policy Dialogue):** MBI determines industry problem statements by conducting market diagnostics and stakeholder consultations. MBI has focused on agriculture, tourism, financial services, and smart cities. MBI partners with business association and groups, particularly those representing the interests of young and women entrepreneurs, to advocate for policies that unlock the potential for innovative business models and disruptive technology solutions to industry problems.
- (ii) **Output 2 (Alternative Finance):** MBI engages with governments to improve the enabling environment for promoting alternative financing, with a focus on financial technology (FinTech), by supporting regulatory reforms, building the capacity of regulators, and through education and outreach programs that promote greater awareness of the benefits of financial technologies.
- (iii) **Output 3 (Innovation):** MBI identifies, incubates, and scales innovative business models for impact. MBI leverages ADB convening power, government relationships, and corporate networks to connect solution providers with local partners. MBI also de-risks entry into emerging ASEAN markets through targeted business support services and funding support for pilot testing.

4. **Status of TA Implementation:** By the end of 2017, all TA outcome targets were achieved.<sup>1</sup> Industry partners have contributed more than \$6 million towards MBI activities. MBI has leveraged more than \$14 million from third-party investors and financial institutions in order to reach thousands of startups and SME. See table 1 for examples of impactful technologies and business models that ADB has identified, deployed, and scaled for impact. MBI has generated considerable visibility, including over 1,700 positive media stories and 3.3 million social shares during 2016 and 2017. Key activities include:

- (i) **Policy.** MBI provided technical support to local governments to set-up and sustain urban innovation hubs that provide grants and business support services to local

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<sup>1</sup> For details see MBI annual reports at <http://www.mekongbiz.org/publications/>

startups.<sup>2</sup> MBI also partnered with business associations and groups to create five public-private dialogue platforms that influenced 16 business regulations and policies relating to SME and startup support, innovation, and alternative finance.

- (ii) **Alternative Financing.** MBI partnered with financial institutions and entrepreneurs to pilot six alternative financing business models including agricultural value chain financing products and financial technology solutions. These solutions mobilized more than \$9 million for SMEs and farmers. MBI also leveraged ADB operations including a \$100 million SME credit line to a commercial bank that helped scale one of the solutions.<sup>3</sup>
- (iii) **Innovation.** MBI successfully partnered with both the private and public sectors to operate 10 entrepreneurship and innovation support programs. These include industry accelerator programs for agricultural technology (Agritech), travel tech, FinTech, and technology solutions for urban development and climate change.<sup>4</sup> The programs attracted nearly one thousand applicants and successfully accelerated nearly 50 technology companies as measured by investment raised and new corporate partnerships developed. They culminated in high profile technology showcase events at the GMS Summit of Leaders, the GMS Agriculture Ministers' Meeting, and the Mekong Tourism Forum.
- (iv) **Gender.** MBI launched the Women's Initiative for Startup and Entrepreneurship (WISE) program to encourage more female participation across MBI innovation activities. MBI has also formed coalitions of women-owned business groups to ensure the views of women-owned businesses are adequately reflected in public-private dialogue.

5. **Key Lessons:** An independent midterm evaluation (IMTE) found the TA to be highly relevant and noted that the MBI modality and resourcing were appropriate, efficient and effective.<sup>5</sup> The evaluation concluded that it was too early to deem MBI activities sustainable but highlighted that MBI's approach of partnering with the private sector and capacity-building regional and national institutions boded well for sustainability. The evaluation also highlighted the need to evolve MBI's design and monitoring framework to collect more detailed, impact-oriented indicators, with gender disaggregation to better assess the impact and additionality of the interventions. Key lessons relevant to the proposed ADB Ventures Facility included:

- (i) **A country-specific approach** should be taken that builds on existing innovation ecosystems. Given the significant variation in innovation ecosystem development across emerging ASEAN countries, the MBI should tailor its approach to the unique challenges of each country.
- (ii) **Involve industry and end-users** upfront to ensure 'demand pull' for technology solutions. The MBI's market access programs under output 3 could be further enhanced by systematically involving industry up front in the design of the programs. MBI could consider setting up industry advisory boards to advise on key industry problems.

<sup>2</sup> The Saigon Innovation Hub in Ho Chi Minh City, and the Da Nang Business Incubator in Da Nang.

<sup>3</sup> ADB. 2017. *Senior Loan, An Binh Commercial Joint Stock Bank, Expanding Micro, Small, and Medium Enterprise Lending Project (Viet Nam)*. Manila.




<sup>4</sup> <https://match.mekongbiz.org/>; <http://mist.asia/>; <https://fintech.mekongbiz.org/>; <https://www.smartcityvn.com/>.

<sup>5</sup> [www.mekongbiz.org//mbi-midterm-evaluation/](http://www.mekongbiz.org//mbi-midterm-evaluation/)

- (iii) **Leverage ADB's convening power** among existing government and corporate networks to help deploy and scale solutions. ADB has extensive networks through past and on-going operations that MBI should tap during design and implementation.

6. Table 1 are examples of impactful technology and business solutions that ADB has identified, deployed, and scaled. Kiu and Padco were supported through the Mekong Business Initiative. Gold Farm was supported through the 'Promotion of Investment in Climate Technology Products through Venture Capital Funds (Subproject 1)'.

**Table 1: Examples of How ADB Additionality and Private Sector Technology Combined To Produce Impact**

			
<b>Problem</b>	High SME rejection rate by banks as they lack credit history	Farmers in India lack access to affordable mechanization solutions	Open burning of rice straw generates significant emissions
▼	▼	▼	▼
<b>Solution</b>	Kiu's affordable ERP solution enables AI-driven credit scoring to reduce credit risk	Gold Farm is an affordable mobile-based platform for on-demand booking of farming equipment	Padco harnesses microorganisms that turn rice straw and root into fertilizer without pretreatment
▼	▼	▼	▼
<b>Support</b>	Kiu identified through fintech market expansion program. ADB Helped Kiu deploy and scale including \$100 million SME credit line to one commercial bank	Gold Farm identified through the PowerStart cleantech accelerator in India, managed by CIIE/Infuse Ventures with backing and support from ADB	Padco identified through agritech market expansion program. Padco gained new customers that will help increase deployment by 300x hectares in Viet Nam
▼	▼	▼	▼
<b>Impact</b>	Reach over 8000 additional SMEs that generate employment	Higher farm yields for 2500+ clients	Reduction of 364,000 tons carbon emissions

ADB = Asian Development Bank; ERP = enterprise resource planning; SME = small- and medium size enterprises  
Source: Asian Development Bank