



ASEAN-AUSTRALIA DEVELOPMENT COOPERATION PROGRAM (AADCP) PHASE II

TERMS OF REFERENCE FOR

Deadline Extended - Assessment on the Adoption of Digital Technology by MSMEs in CLMV Countries and Integration of CLMV MSMEs into Global Value Chain

The ASEAN Secretariat and the Australian Government, through AADCP II, invite applications from consultants for the above-referenced project.

I. Background

The Initiative for ASEAN Integration (IAI) provides a policy framework to support the participation of ASEAN's newer member states (Cambodia, Lao PDR, Myanmar and Viet Nam or CLMV) in the ASEAN integration process. The IAI Work Plan III (2016-2020) as the guiding document for this initiative is in its last year of implementation. ASEAN has developed the successor IAI Work Plan IV (2021-2025), following series of consultations at the regional and national level. Development of the IAI Work Plan IV was led by the IAI Task Force, comprising of the ten Permanent Representatives to ASEAN. The IAI Task Force provides policy guidance and directions in the development and implementation of the IAI Work Plan.

Within each Strategic Area are *Actions*, which are aligned with the commitments in the related ASEAN sectoral work plans. The IAI Work Plan IV also takes into consideration emerging trends, global and regional developments including the COVID-19 pandemic. The final draft of the IAI Work Plan IV was approved by the IAI Task Force on 31 August 2020. This will be submitted to the ASEAN Coordinating Council for endorsement and subsequently to the ASEAN Leaders in November 2020 for adoption.

AADCP II is supporting the development of the IAI Work Plan IV, as part of the "Work Planning Assistance for the Initiative for ASEAN Integration (IAI) 2021-2025" project. Following the completion of the new Work Plan, the project will support preparation of an IAI Implementation Plan to map out IAI Work Plan IV projects against ASEAN's and donors/Dialogue Partners' interests. Recognising CLMV countries' need for support in project development, it will also support drafting of up to ten project proposals addressing Actions under the strategic areas.

To provide a deeper understanding of context and challenges, assessments will be undertaken for up to five prioritised Actions, in parallel with the development of the IAI Implementation Plan and the drafting of project proposals. These assessments are to help ensure that project proposals under those five prioritised Actions are backed with evidence, up-to-date information on context, and a detailed understanding of the common issue(s)/problem(s) across CLMV countries (or minimum two countries). The assessments will inform the development of relevant project proposals.

This Term of Reference (TOR) focuses on the conduct of context assessment and problem analysis on "the Adoption of Digital Technology by MSMEs in CLMV Countries and Integration of CLMV MSMEs into Global Value Chain" related to Actions 4 and 5 under the MSMEs Strategic Area of the IAI Work Plan IV. The objectives of these Actions are to: (i) increase awareness and adoption of technology and digital tools relevant to MSMEs, with the aim of improving their overall productivity; and (ii) encourage the participation of MSMEs in global value chains through activities such as promoting exports and developing partnerships with multinational corporations (MNCs).

These Actions aim to raise the productivity of MSMEs (which account for the majority share of business entities in CLMV countries) and support their internationalisation. Achieving these goals is more pressing in light of the COVID-19 pandemic, which has disrupted supply chains and curtailed economic activity throughout the region. One critical solution is to support CLMV countries to raise awareness and adoption of digital technology relevant to MSMEs. They will also require assistance to implement export-promotion activities and develop partnerships with MNCs.

At present, CLMV countries lag behind other AMS in terms of integrating MSMEs into global value chains. For example, based on the study of ASEAN SME Policy Index 2018 on the sub-dimension of “integration into global value chain”, the gap to the best performing AMS is around 60 percent for Cambodia (ranked 8th) and Lao PDR (ranked 9th), 80 percent for Myanmar (ranked 10th), and 30 percent for Viet Nam (ranked 5th). MSMEs in CLMV countries also face several challenges that impede their adoption of technology and digital tools, including limited knowledge about available technologies and their applications, as well as the lack of funding.

During the national consultations conducted with CLMV in May 2020, feedback from CLMV countries on specific needs and gaps where the IAI can support are as follows:

Cambodia

- **Digital adoption.** Promoting Industry 4.0 and digital adoption among businesses are important policy objectives for the Cambodian government. While there is available funding from the government to support technology adoption, awareness about financing options is low among MSMEs. Further, the level of awareness of available technologies and their applications, particularly among MSMEs in rural areas and women entrepreneurs, needs to be improved.
- **Integrating into Global Value Chain (GVC).** Government policies that actively promote the internationalisation of MSMEs in global value chains need to be enhanced in order to promote capital investments and technology transfers. Furthermore, participants shared that, while the National Trade Repository has been set up, there has been limited use of the repository due to a lack of awareness and know-how by business owners.

Lao PDR

- **Digital adoption.** Participants indicated that the tourism, handicraft, and agriculture sectors could benefit from digital adoption. These sectors have also been the most adversely affected by the COVID-19 pandemic. Like in Cambodia, a lack of awareness on technological options and/or technical know-how have hindered adoption. The government has set up an e-commerce platform for local businesses. However, it still lacks critical scale as only about 1,000 MSMEs have joined the platform.
- **Integrating into Global Value Chain (GVC).** Lao PDR has been working with various partners (e.g. International Trade Centre, World Bank Group) to promote exports of local agricultural produce (e.g. rice, coffee, vegetable). However, MSMEs have not been able to meet the international standards of quality and sometimes the quantity required. The Department of SME Promotion is conducting a study on the mechanism of “inclusive business” to foster local producers integrating into MNCs’ production. The policy on “inclusive business” will be integrated into the country’s SME Development Plan 2021-2025.

Myanmar

- **Digital adoption.** Promoting the use of technology among MSMEs is one of the key goals of Myanmar's SME Masterplan. However, participants shared that many informal MSMEs do not know how and where to get funding sources to start or expand their businesses using these technologies. It is unclear if technological adoption is well-practiced in larger organisations.
- **Integrating into Global Value Chain (GVC).** Myanmar is experiencing the challenges of accessing global and domestic production chains due to excessive rules and regulations. For example, it is onerous for businesses to start and expand a business due to excessive licensing requirements and approvals required.

Viet Nam

- **Digital adoption.** Currently, there are no national policies targeted at promoting adoption of digital technologies among MSMEs. There are also funding and human resources constraints. For example, there is insufficient training for employees on how to make use of technologies in improving the firm's processes and operations.
- **Integrating into Global Value Chain (GVC).** There have been some initiatives by the Ministry of Planning and Investment to promote exports of certain products (e.g. dragon fruit, lychee). However, the support has been limited to only a few products. Local MSMEs are often faced with price pressure when partnering with large MNCs (e.g. Walmart, IKEA). This in turn puts downward pressure on profits, forcing MSMEs to end their contracts after a single run.

The assessment will further investigate these issues, identify common gaps and problems, and generate clear and practical recommendations for addressing them within the related actions of the IAI Work Plan IV.

II. Needs and Objectives

The objective for this assignment is to provide IAI Task Force, especially CLMV representatives, with a deeper understanding of the current state of awareness and adoption of digital technology relevant to MSMEs, and their integration in the global value chain. The assessment will help CLMV prepare well-defined, evidence-backed project proposals, in line with the objectives of the relevant IAI Work Plan Action.

III. Outputs

The expected output is a **context assessment and problem analysis on the adoption of digital technology by MSMEs in CLMV countries and integration of CLMV MSMEs into global value chain** with focus on four main areas: (a) existing levels of digital adoption in CLMV countries; (b) challenges of MSME internationalisation in CLMV countries; (c) MSMEs' willingness to internationalise; and (d) government initiatives to support integration into GVCs and digitalisation. The assessment should consider emerging issues (such as the COVID-19 pandemic), identify the common gaps and problems amongst CLMV, and answer at least the following questions for each CLMV country:

- a. Existing levels of digital adoption in CLMV countries
 - In each CLMV country, which industry sectors have been prioritised by the government for digital adoption?
 - What are the existing digital technologies used in CLMV countries to improve productivity

and enable integration into GVCs? How does each technology achieve these aims?

- What is the current adoption rate (and future trends) of each technology listed? What are the challenges to scale adoption for each of these digital technologies?
- How do adoption rates differ by geography (e.g. urban versus rural), gender, sector, size of business etc.?
- How do MSME businesses owners in CLMV countries perceive digital adoption (e.g. low awareness, unfavourably due to cost, positive and optimistic)? And Why?
- What is the existing literature on MSME digital adoption in CLMV countries? Please provide a brief literature review of each study.

b. Challenges of MSME internationalisation in CLMV Countries

- How do these challenges differ by the unique nature of each firm (e.g. sector)?
- What are the costs and challenges involved in integrating MSMEs into GVCs?

c. CLMV MSMEs' willingness to internationalise

- What is the current level of internationalisation among MSMEs in CLMV countries? Which parts of the GVCs do MSMEs in CLMV countries currently participate in (e.g. input market, manufacturing, logistics, retail end markets)? What are the indicators used to measure "internationalisation" (e.g. foreign trade, offshoring, level of cooperation with MNCs etc.)?

d. Government initiatives to support integration into GVCs and digitalisation

- In each CLMV country, what are the current national and local government policies that aim to support digital adoption and MSME integration into GVCs?
- What is the progress of each policy, in terms of successes and failures?
- Are there new policies in the pipeline in each CLMV country?
- Which are the main agencies in charge of digitalisation and MSMEs internationalisation in CLMV countries?
- How are government agencies working with the private sector to support MSME digital adoption and integration into GVCs? How can there be more cooperation and coordination between different stakeholders?

The report will be submitted in two stages:

1. Draft assessment report containing four country-level assessments for each CLMV country (each maximum 30 pages in length, not including annexes) and initial multi-country (regional) analysis. Annexes should at least include records of national consultations, regional workshop, and stakeholders' forum held during the formulation of the IAI Work Plan IV (2021-2025) as well as further consultations with CLMV countries.
2. Final assessment report consolidating the country level assessments, specifically summarizing regional commonalities (or between at least 2 countries) and providing general multi-country recommendations that can be transformed into IAI project proposals or used to refine existing project proposals. The final assessment report should be approximately 20 pages in length, not including annexes.

Submission of these deliverables is based on the target completion dates specified in the project work plan.

IV. Tasks/Activities

The following activities will need to be undertaken to achieve the outputs presented above. The bidder should provide details on its approach to each activity in its bid and is free to recommend additional activities.

| | Output | Activity | Person working days | Completion Date | Person(s) responsible |
|---|---|---|---------------------|--|-------------------------------------|
| 1 | Project inception report | Conceptualisation of approach, detailed framework, and preparation of project work plan. | 3 working days | One week after signing of the Special Services Agreement (SSA) | Consultant IAI & NDG Division |
| | | Preparation of project inception report. | | | |
| | | Finalisation and submission of project inception report. | | | |
| | Approval of project inception report by the ASEAN Secretariat (2 weeks) | | | | |
| 2 | Draft assessment report | Data collection, which may include desk review, survey/ questionnaire, focus group discussion, interviews, etc. | 45 working days | Week 6 | Consultant |
| | | Preparation and submission of initial draft assessment report. | 5 working days | Week 7 | Consultant |
| | | Feedback on draft assessment report from CLMV countries, relevant division(s) of the ASEAN Secretariat and/or consultants of sectoral work plans/strategies under development. | - | Week 9 | IAI&NDG Division and CLMV countries |
| | Approval of draft assessment report by the ASEAN Secretariat (3 weeks) | | | | |
| 3 | Final assessment report | Finalised assessment incorporating feedback from CLMV countries, sector experts, and the ASEAN Secretariat. The draft should be in the agreed format and contain the complete sections i.e. full draft. | 5 working days | Week 10 | Consultant |
| | | Approval of final assessment report by the ASEAN Secretariat (3 weeks) | | | |

| | Output | Activity | Person working days | Completion Date | Person(s) responsible |
|---|---|--|---------------------|-----------------|-----------------------|
| 4 | Project Completion Report | Preparation and finalisation of project completion report. | 2 working days | Week 13 | Consultant |
| | <i>Approval of Project Completion Report by the ASEAN Secretariat (2 weeks)</i> | | | | |

V. Reporting

In addition to the project output described in Section III, the Consultant will be expected to submit an Inception Report and a Project Completion Report, according to the timeline set out in Section IV. These reports will be submitted based on AADCP II Guidelines for Contractors in draft format to the IAI & NDG Division (with a copy to AADCP II) and, following the ASEAN Secretariat approval, in final form. All outputs and reports must be written in a way that is suitable for publication, although the decision on publication lies with the ASEAN.

The contractor will also provide regular (weekly, bi-monthly or as agreed with the ASEAN Secretariat) summation of activities undertaken and issues that have arisen. These will be submitted to IAI & NDG Division of the ASEAN Secretariat and AADCP II via email.

Financial reports will be submitted at invoicing in line with a payment schedule to be specified in the Special Services Agreement (SSA).

VI. Project Management

The project will be funded by the ASEAN-Australia Development Cooperation Program II and managed by the IAI & NDG Division of the ASEAN Secretariat. The consultant should be responsible for organising and conducting the scheduled activities in collaboration with the host countries and the ASEAN Secretariat.

The Program Planning and Monitoring Support Unit (PPMSU) of AADCP II will provide technical support to IAI&NDG Division for the implementation of this project, as required.

VII. Scope of Services

The consultancy will be undertaken over a **continuous effective period of fifteen (15) calendar weeks** with approximately **sixty (60) person days** of professional services. Work will commence immediately after contract signing.

VIII. Qualifications

In its proposal, the bidder should demonstrate:

- A minimum of 8-years work experience (for individual consultant, or the team leader of an entity/consortium) of conducting applied research activities, particularly within the context of designing development project or intervention;
- In-depth knowledge and understanding of MSMEs' technology, MSMEs value chains, internalisation of MSMEs in ASEAN and CLMV;
- Extensive knowledge of policies and institutional issues on MSMEs particularly in CLMV countries;
- Understanding of gender and social inclusion mainstreaming into MSMEs' policies and supply chain networks;
- Experience in facilitating engagements with government, private sector, academe, and wider civil society;
- Experience in preparing analytical reports of the same scale and nature;
- Having existing local networks or industry connections in relevant sectors in CLMV countries is beneficial;
- Having local offices/associates in CLMV countries will be an advantage; and

- Experience working with the ASEAN Secretariat and AADCP II on projects with similar scope and characteristics will be considered added value.

IX. Bidding

Interested consulting firms are invited to submit a proposal in response to these Terms of Reference. This proposal should be in two parts: **Technical** and **Financial components**.

The Technical component should present the following information:

- A brief discussion indicating the bidder's understanding of the needs of the project;
- A brief analysis of key issues;
- A methodological discussion of how the bidder proposes to address those needs including assessment of key issues, analytical strategies that will underlie the project, specific techniques to be utilised including sampling techniques, and practical discussion of possible limitations in carrying out the project;
- A detailed work plan that specifies activities to be undertaken, expected outputs and deliverables, resources to be utilised and timing;
- Staffing and management plan;
- A discussion on how measures to ensure the future sustainability of the outcomes of the project will be addressed;
- CVs of all proposed experts;
- Brief discussion of firm's past experience in undertaking similar work and brief summaries of all projects undertaken.

The Financial component should specify:

- 1) Professional fees of expert(s);
- 2) Management and/or operational fees (if any), which include all costs incurred by the person/entity/company for internal coordination, communication, travels and any other associated project management cost;
- 3) Applicable taxes such as VAT, GST, PPN. See Section IX point 3 for an additional note on tax liability.

Activity costs for experts and participants such as reimbursable expenses for airfare, other travel costs and daily subsistence allowance for workshops, meetings, and all other agreed activities do not need to be included in the Financial Component. These items will be discussed with the preferred contractor during the finalisation of the scope of services. Costs will be based on prevailing ASEAN Secretariat rates.

X. Submission of Application

Applicants should send their application with a cover letter, materials specified in Section IX above and other supporting documents with "**Assessment on the Adoption of Digital Technology by MSMEs in CLMV Countries and Integration of CLMV MSMEs into Global Value Chain**" as the subject via email to tender@aadcp2.org, no later than **15 December 2020 at 05:00pm Jakarta time**.

For Frequently Asked Questions (FAQ), please visit <http://aadcp2.org/questions-and-clarifications-assessments-in-support-of-iai-work-plan-iv-project-proposals/>

Any queries on the TOR should be sent to contact@aadcp2.org with the subject line:

” Query Assessment on the Adoption of Digital Technology by MSMEs in CLMV Countries and Integration of CLMV MSMEs into Global Value Chain “.

IX. Additional Notes on Terms and Conditions of the Project

1. Any future studies/reports/analysis in any form of intellectual property rights (including but not limited to patents, copyright and any related rights) submitted by the Contractor to ASEAN arising out of or in connection to the services performed by the Consultant to ASEAN shall belong to the ASEAN Secretariat under the name of **ASEAN** only;
2. Successful bidder shall agree to be bound and sign the Special Services Agreement (SSA) with all requirements under the terms and conditions provided therein, including but not limited to the AADCP II Guidelines for the Contractors attached to the SSA.
3. As an intergovernmental organisation, ASEAN shall not be responsible for any tax(es), levy, tax claim or any tax liability which may be imposed by any law in relation to any amount payable by the ASEAN Secretariat.