

TERMS OF REFERENCE (TOR)

Consultancy:	Assessment Study on Global and Regional ESG Landscape
Type:	Individual and/or Team of Consultancy Services
Duration	The consultancy will be carried out over a period of three months from October 1, 2024, to January 10, 2025
Location:	Mekong Institute and Field Work
Project:	Mekong Sustainable Supply Chains Transformation and Advancement

1. Background

Japanese companies have been leading in manufacturing sector in Mekong countries and have developed a regional supply chain to export products to the global market in collaboration with local SMEs. Surveys conducted for developing ASEAN-Japan Economic Co-creation Vision suggested that the supply chain should be upgraded in a sustainable manner through adopting Environmental, Social, and Governance (ESG) principles and related investment due to global business circumstances, continue business with global firms, improve competitiveness to access markets. However, one of the biggest challenges to implement ESG principle at the supply chain level is the insufficient knowledge of SMEs although some actions such as Kaizen can lead to another benefit such as less business operation cost. Therefore, based on the discussion in West East Corridor Working Group (WEC-WG) under AMEICC in 2023, Japan has decided to develop new co-creation project to accelerate ESG actions among local SMEs through capacity building with a plan of future expansion.

The basic premise of the project is that SME suppliers/component manufactures are provided with the opportunity to improve their ESG performance through an interplay of other stakeholders such as leading companies, technology providers and financing companies. These stakeholders guide SMEs in ESG adoption through technology and financing options, while SMEs identify improvement areas on ESG standards to comply global regulations and requirements of lead companies through adoption of ESG solutions accessing affordable technologies and financing options.

Based on the premise, the project titled “Mekong Sustainable Supply Chains Transformation and Advancement’ (Mekong Sustain) will (i) develop training catering to the global, regional and local demand after preparatory research and train local lecturers in the training facility (ii) provide the training to selected local SMEs and (iii) facilitate matching with solution providers and financial institutions to monitor the decarbonization process of SME suppliers in

automotive, textiles and agriculture - food industry and thereby (iv) reduce carbon footprints in the supply chains.

The project aims to understand the opportunities and challenges local SMEs are facing and develop policy proposal to Mekong countries to facilitate the private sector's transitions leading to accelerate adopting ESG principles and related investments at supply chain level at a later phase. The project focuses on the environment or decarbonization issue as climate change is the most urgent for concrete actions among ESG parameters. In addition, due to the characteristic of industries, the project in the pilot phase will target 150 SMEs in Automotive, textiles and agriculture- food industry.

2. Objective of the Consultancy

The objective of this consultancy is to provide a comprehensive understanding of ESG landscape in terms of regulations and standards in the key global markets and regional (ASEAN and Mekong countries) and to identify the challenges and opportunities related to ESG compliance for SMEs in the supply chains in key industry sectors namely automotive, textile, agriculture and food processing in Thailand, Laos, Myanmar, Vietnam and Cambodia the region. This will also require charting the supply chain networks of global companies that source from SMEs in these countries, explore, motivations and challenges of local SMEs toward decarbonization, and examining the available resources, including training centers, financial institutions, and technology solution providers.

3. Scope of Work

The consultant will undertake the following tasks:

- Gather data from 150 SMEs* to identify their major environmental impact and scope for improvements.
- Establish a baseline data set for reference on SME suppliers' decarbonization efforts, to track progress over time and measure the impact due to interventions under the project.

The consultant (team) will be assisted by the Monitoring, Evaluation and Learning (MEL) team and MekongSustain project team.

Task 1: Assess the environmental rules and compliance requirements in key global markets.

Objective:

- a. Understand existing environmental rules, regulations, standards and compliances.

Scope:

- i. Conduct a detailed review of environmental rules, regulations, standards and compliances covering the following but not limited to:
 - a. ESG principles and requirements in key Global and regional markets. This would relate to General Regulatory Framework- environmental regulations governing operations in this markets, national environmental laws align with international environmental agreements (e.g., Paris Agreement, Convention on Biological Diversity,

- b. Compliance Obligations- specific compliance obligations for businesses operating in this market, mandatory reporting requirements for environmental impact assessments, emissions, or waste management etc.,
- c. Enforcement and Penalties -enforcement mechanisms to ensure compliance with environmental regulations, penalties or sanctions exist for non-compliance, and how are they applied.
- d. Regional Differences - regional variations in environmental regulations within the country, Mekong countries and ASEAN. Highlight any significant differences and similarities.
- e. Updates and Changes- How frequently are environmental regulations reviewed and updated in this market. anticipated changes to environmental laws or regulations that may affect compliance in the near future?
- f. Comparative Analysis -market's regulatory approach compared to other major international markets, best practices
- g. Resources and Support - resources available for SMEs to ensure compliance with environmental regulations (e.g., government guidance, training programs). financial incentives or programs to support compliance with environmental regulations.
- h. Any other relevant topics are required to be included in this section.

Task 2: Global Companies' ESG Compliance Requirements

Objective:

- a. Identify ESG compliance requirements of global companies sourcing from SMEs in Automotive, Textiles and agriculture and Food processing in Mekong countries.
- b. Understand their ESG compliance requirements.

Scope:

- i. Identify leading global companies, including Japanese companies, in the auto manufacturing, textiles, and agriculture and food industries.
 - a. Define criteria for global companies,
 - b. Compile lists of companies by industry- auto manufacturing, textile and agriculture and food industries for survey
 - c. Design the Survey methods and tools interviews with selected global and Japanese companies.
- ii. Conduct survey of selected global companies including Japanese companies in automotive, textiles, agriculture, and food processing sectors to obtain the following information but not limited to:
 - a. General ESG Compliance Requirements -ESG standards and regulations of selected global companies must adhere to in their supply chains in the automotive, textiles, agriculture and food processing sectors
 - b. Environmental Compliance-specific environmental regulations need to be followed by SMEs sourcing for global companies, assess and mitigate environmental risks associated with sourcing from SMEs in these sectors, best practices for waste management and pollution control that SMEs should adopt to remain compliant with ESG standards.
 - c. Social Compliance -social responsibility standards of global companies enforce on their SME suppliers in the Mekong countries, labor welfare including fair wages and working conditions, protection of local communities and indigenous rights in the sourcing process.
 - d. Governance Compliance-governance policies that SMEs suppliers implement to align with the expectations of global companies regarding transparency and accountability
 - e. compliance with anti-corruption and anti-bribery practices among their SMEs

- f. Sector-Specific Compliance-ESG challenges SMEs face in the automotive sector compared to textiles or food processing global companies support SMEs in overcoming the barriers to achieving ESG compliance in these sectors.
- g. Monitoring and Reporting-mechanisms are used by global companies to monitor ESG compliance among their suppliers, particularly in the Mekong countries. Companies report on their ESG performance related to sourcing from SMEs and what metrics are commonly used.
- h. Training and Capacity Building-training programs or resources available for SMEs focused on enhancing their ESG practices

Task 3: Identification of SME suppliers of selected Global and Japanese companies

Objective:

- a. To identify the SME suppliers of the selected Global companies in automotive, textiles, agriculture, and food processing sectors

Scope:

- i. In consultation with the Global and Japanese companies, industry association etc. identify atleast 200 SME suppliers of selected Global companies including Japanese companies to map their suppliers' network in the Mekong countries
 - a. Define criteria for selecting SME suppliers, compile lists of SME suppliers by industry- auto manufacturing, textile and agriculture and food industries
 - b. Create a list of 200 SME suppliers with basic information of the business

Task 4: Assessment of Training Centers

Objective:

- a. Assess the capabilities of training centers in providing ESG-related training.

Scope:

- i. Identify training centers related to automotive, textiles, agriculture and food industries in the Mekong countries.
- ii. Evaluate their capacity in terms of staff, facilities and outreach to provide comprehensive ESG training.
- iii. Review the curriculum and training methodologies used.
- iv. Suggest capacity development strategies on ESG
- v. Suggest opportunities for the Mekong Sustain project to collaborate and modalities for engagement.

Task 5: Financial Institutions for Green Financing

Objective:

- a. Identify financial institutions offering green financing products and instruments.

Scope:

- i. Identify financial institutions involved in green financing within and outside Mekong countries.
 - a. Type of Financial Institution - Banks, Credit Unions, Development Finance Institutions (DFIs), and Impact Investment Funds that specifically focus on sustainability and green initiatives.

- b. Green Financing Products - identify green financing products available, such as green bonds, green loans, sustainable mortgages, and environmentally focused investment funds.
- c. Certification and Standards: - certifications (e.g., Green Bond Principles, Climate Bonds Initiative) that affirm the institution's commitment to environmental sustainability, adherence to established ESG (Environmental, Social, and Governance) standards.
- d. Impact Measurement: - Assess if the institution has mechanisms in place for measuring and reporting the environmental impact of their financed projects.
- e. Reputation and Track Record**: - Evaluate the institution's history and reputation in the field of green financing and environmental stewardship. Look for case studies or testimonials.
- f. Regulatory Compliance: Ensure that the institution complies with local and international regulations related to green financing and environmental sustainability.
- g. Innovative Financing Solutions: - Identify innovations in financing products, such as blended finance, that can leverage private and public funds for green initiatives.
- h. Geographic Focus: Determine if the financial institution operates in Mekong countries and project sectors namely automotive, textiles, agriculture, and food processing sectors
- i. Customer Support and Advisory Services: - Evaluate the availability of advisory services to assist customers in developing green projects and securing financing.
- j. Technological Integration: - Assess if the institution utilizes innovative technologies (e.g., fintech solutions) to enhance the delivery of green finance products.
- k. Provide a summary list of financial institutions offering green financing products and instruments.

(NB: Information on SME suppliers financing needs will be used as reference provided under the baseline study of SME Supplier conducted in parallel to this assessment study as part of the project)

Task 5: Identify Environmental Technology Solutions

Objective:

- a. Identify environmental technology solutions.
- b. List providers of environmental technology solutions

Scope:

- i. Identify environmental technology solutions and manufacturers/ providers in automotive, textiles, agriculture and food industries.
 - a. Categorize technologies into segments such as renewable energy, pollution control, sustainable agriculture, smart waste management etc.
 - b. Compile a list of technologies that address specific environmental challenges including product features, scalability, and user-friendliness of the technology solutions.
 - c. List the companies with the solutions having a strong industry presence and positive reputations. - Ensure that providers have relevant certifications.
 - d. Contact shortlisted providers to request brochures and detailed product specifications including photos of the product.
 - e. Services offered on after sales, leasing and financing, training, repair and maintenance, distributors network etc.
 - f. Pricing structures of providers and analyze any associated costs (installation, maintenance, etc.).
- ii. Create a database of environmental solution technologies and suppliers' details
 - a. Utilizing the information at i. create a database to present the information

- b. Adopt an appropriate tool to present the information spreadsheet (e.g Excel) for a simple setup or a more robust database tool (like Microsoft Access or a custom SQL database) for complex entries.

*This activity might require visit to Japan to survey/identify environmental technology solutions manufacturers besides the desk research.

(NB: Information on SME suppliers technology needs will be used as refence provided under the baseline study of SME Supplier conducted in parallel to this assessment study as part of the project)

Task 6: Inputs for Training Curriculum

Objective:

- a. Suggest training topics and inputs for an ESG training curriculum for SME suppliers.

Scope:

- i. Utilize findings from Tasks 1-5.
- ii. Propose relevant training topics.
- iii. Provide recommendations for the contents of the training curriculum.

4. Deliverables

- Inception Report: Detailing the consultant's understanding of the tasks, approach, and timelines.
- Interim Report: Summarizing findings and progress of each task.
- Final Report: Comprehensive report covering all tasks, analysis, and recommendations.
- Presentation: Executive summary presentation for stakeholders summarizing the key findings and recommendations.

5. Duration

The consultancy will be carried out over a period of three months from October 1, 2024, to January 10, 2025.

Task	Delivery date
Inception Report	October 15, 2024
Inception Report Presentation to the project team	October 18, 2024
Interim Report	November 30, 2024
Interim Report presentation to the project team	December 06, 2024
Final Report	January 06, 2025
Final Report presentation to the project team	January 10, 2025

6. Required Qualifications and Experience

The prospective service provider is expected to meet the following minimum requirements:

- At least 10 years of practical experience in conducting similar studies on ESG compliance, corporate sustainability, or related areas.
- Proficient understanding of global and regional ESG regulations and standards.
- Knowledge of the relevant industrial sectors sustainability indicators selected for the assessment
- Experience in conducting surveys/interviews and engagement with large companies.
- Experience working in the Mekong /ASEAN countries would be beneficial
- Capability to deploy strong multidisciplinary experts required for the analysis, communication and presentation expertise
- Experience in conducting training needs assessments and developing training curricula.
- Excellent analytical, writing, and presentation skills.
- Capability to deploy good communication expertise in English language

7. Budget

The available budget for the study is 25,000 USD. This includes professional fees and any travels within Mekong countries (travel to Japan is not included).

8. Submission of Proposals

Interested Service providers are requested to submit:

- A technical proposal detailing the approach and methodology for completing the tasks.
- CVs of the consultant(s) demonstrating their qualifications and experience.
- Examples of previous work relevant to the tasks outlined in the scope of work.
- Shortlisted proposals will be required to present the study approach, methodology, team etc. via online meeting.

Proposals should be submitted electronically **by September 25, 2024**

to procurement@mekonginstitute.org

and cc to dutta@mekonginstitute.org

9. Evaluation Criteria

The proposals will be evaluated based on the following criteria:

- Understanding of the scope of work.
- Proposed methodology and approach.
- Relevant experience and qualifications of the team.
- Experience of conducting similar studies.

Only shortlisted service providers will be contacted for the next steps.

10. About Mekong Institute

Mekong Institute (MI) is an intergovernmental organization founded by members of the Greater Mekong Subregion (GMS). MI serves the GMS countries, namely Cambodia, P.R. China (Yunnan Province and Guangxi Zhuang Autonomous Region), Lao PDR, Myanmar, Thailand, and Vietnam by providing, implementing, and facilitating integrated human resource development (HRD), capacity building programs, and development projects related to regional cooperation and integration.

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