



Technical Assistance Report

Project Number: 46140-001
Regional—Capacity Development Technical Assistance (R-CDTA)
December 2012

Central Asia Regional Economic Cooperation: Supporting Capacity Development Needs of CAREC 2020

(Cofinanced by the People's Republic of China Regional
Cooperation and Poverty Reduction Fund)

ABBREVIATIONS

ADB	–	Asian Development Bank
CAREC	–	Central Asia Regional Economic Cooperation
CIPAR	–	CAREC Institute Performance Assessment Review
MTPP	–	medium-term priority project
SKF	–	strategic knowledge framework
SOM	–	senior officials' meeting
TA	–	technical assistance

TECHNICAL ASSISTANCE CLASSIFICATION

Type	–	Regional—Capacity development technical assistance (R-CDTA)
Targeting classification	–	General intervention
Sector (subsectors)	–	Multisector (transport management and policies, energy sector development, industry and trade sector development, agriculture and rural sector development, health programs, economic and public affairs management)
Themes (subthemes)	–	Regional cooperation and integration (trade and investments), capacity development (institutional development)
Location (impact)	–	Rural (low), urban (low), national (high), regional (high)
Partnership	–	People's Republic of China Regional Cooperation and Poverty Reduction Fund

NOTE

In this report, "\$" refers to US dollars.

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I. INTRODUCTION

1. CAREC 2020: A Strategic Framework for the Central Asia Regional Economic Cooperation Program 2011–2020¹ articulated two principal goals of cooperation for the period: (i) trade expansion through transport connectivity, transport and trade facilitation, trade openness, and energy trade; and (ii) enhanced competitiveness through improvement of connectivity, logistics and economic corridor development, and the development of related business services. The CAREC Institute² is considered one of the seven operational priorities in pursuing these objectives. CAREC 2020 called on the CAREC Institute to strengthen capacities of various stakeholders to support the achievement of CAREC's strategic goals. As a lead agency for the CAREC program,³ the Asian Development Bank (ADB) is requested by all member countries to continue its support to the CAREC Institute through technical assistance (TA).

2. Conceptualization and formulation of the proposed TA is based on the 2010 CAREC Institute Performance Assessment Review (CIPAR), various sector and subregional workshops undertaken in 2011, consultation missions to the majority of CAREC member countries, as well as recommendations received from senior officials' meetings (SOMs) and the 10th Ministerial Conference.⁴ This 2-year consultation process included extensive discussions with government officials in CAREC member countries, participants of past capacity building initiatives, development partners, and other nongovernmental organizations. Among all stakeholders, broad agreement was reached on the expected impacts and outcomes of the TA, and strong support was obtained for its detailed design and implementation. Planned activities for 2013–2015 was endorsed at the SOM and 11th Ministerial Conference held in the People's Republic of China in October 2012. The design and monitoring framework is in Appendix 1.⁵

II. ISSUES

3. Capacity building has always been a key element in promoting regional cooperation under the CAREC program. The CAREC Institute was established to (i) enhance the capabilities of CAREC government officials to engage in regional cooperation processes, and improve their capacities to plan and implement regional cooperation projects; and (ii) apply new solutions and best practices based on empirical research to regional challenges and cooperative processes, and build up policy analysis capabilities in the region. In 2010, the CIPAR confirmed progress made by the CAREC Institute in achieving its objectives and proposed a set of interim recommendations, which were endorsed by the Ninth Ministerial Conference in Cebu, the Philippines, in 2010. For the capacity building component, the CIPAR recommended (i) focusing more on areas of sector-specific interest, (ii) involving the sector coordinating committees more substantively in the design of training programs, and (iii) mobilizing more funding sources in response to the increasing needs for capacity development under the CAREC program.⁶ This

¹ CAREC 2020 was endorsed by the 10th Ministerial Conference on 23 November 2011 in Baku, Azerbaijan.

² CAREC countries established the CAREC Institute at the Sixth Ministerial Conference in 2007 as an integral component of the CAREC program. The CAREC Institute has been operating in a virtual modality to date. The CAREC Unit in ADB acts as the secretariat of the CAREC Institute.

³ More information about the CAREC program is available at www.carecprogram.org.

⁴ Summaries of proceedings of SOMs and the 10th Ministerial Conference are available at www.carecprogram.org.

⁵ The TA first appeared in the business opportunities section of ADB's website on 13 November 2012.

⁶ To date, the CAREC Institute has drawn from ADB's regional TA, Central Asia Regional Economic Cooperation Institute, 2009–2012 (TA 6488-REG, \$5.2 million, approved on 24 September 2008) for most of its programs.

TA will address these issues by taking a more integrated approach among the key components of the CAREC Institute and through closer partnerships with other stakeholders.

4. CAREC 2020 places strong emphasis on project implementation and achieving results as the CAREC program enters its second decade of cooperation. To this end, a medium-term priority project (MTPP) list accompanies CAREC 2020 and will be updated annually. For projects to be included in the MTPP list, they must have a well-developed concept, supported by a concrete financing and implementation plan, and must be reflected in the respective member country's national development plan. In order to successfully implement CAREC 2020 and the MTPP list, CAREC country capacity should be further strengthened in project and sector-related priority areas of cooperation. This should include (i) program and project development, planning, and analysis from a regional perspective; (ii) project management and implementation; and (iii) results monitoring. This TA will help meet sector capacity development needs of member countries in implementing CAREC 2020 and hence support planning and implementation of their national development plans as well.

5. The SOM held on 6–7 June 2012 in Hohhot, People's Republic of China, endorsed a strategic knowledge framework (SKF) for the CAREC Institute 2012–2017. The SKF articulates three primary components,⁷ including knowledge services, that promote knowledge sharing through capacity building interventions. It requires the CAREC Institute to focus its interventions on addressing new challenges that CAREC countries face in achieving the goals of cooperation as stipulated in CAREC 2020, namely expanding trade and improving competitiveness. This TA will contribute to effective implementation of investment and policy measures undertaken by CAREC countries across all areas of operational priority.

III. THE TECHNICAL ASSISTANCE

6. The TA will be a continuation of ADB's firm commitment to support the CAREC program through capacity building initiatives, and to complement earlier and ongoing TA projects, including (i) TA for Capacity Building for Regional Cooperation in Central Asia (2004–2008, \$950,000);⁸ (ii) TA for Strengthening Central Asia Regional Economic Cooperation, 2007–2009 (2007–present, \$9,750,000);⁹ and (iii) TA for Central Asia Regional Economic Cooperation Institute, 2009–2012 (2009–present, \$5,200,000).¹⁰

7. Since inception, the CAREC program has followed a phased approach, moving from consensus building and institutional assessments to formulation of sector strategies and action plans, and on to identification and implementation of investment projects with a regional dimension, as highlighted in CAREC 2020. Previous TAs mainly supported development of institutional arrangements and professional development in close coordination with the CAREC program. The TA will focus on addressing member countries' specific capacity development needs to implement CAREC 2020 and achieve tangible results.

⁷ As stated in the SKF, the CAREC Institute has three components: knowledge generation, knowledge services, and knowledge management.

⁸ ADB. 2003. *Technical Assistance for Capacity Building for Regional Cooperation in Central Asia*. Manila (TA 6158-REG).

⁹ ADB. 2007. *Technical Assistance for Strengthening Central Asia Regional Economic Cooperation, 2007–2009*. Manila (TA 6409-REG).

¹⁰ ADB. 2008. *Technical Assistance for Central Asia Regional Economic Cooperation Institute, 2009–2012*. Manila (TA 6488-REG).

A. Impact and Outcome

8. The expected impact of the TA is more efficient and effective implementation of priority CAREC projects¹¹ with a regional dimension and mutual benefits for CAREC countries. The expected outcome of the TA is improved capacity of the CAREC member countries to plan, manage, and implement projects that contribute to the goals and objectives of CAREC 2020. The impact and outcome of the TA will be achieved largely through development and delivery of a set of demand-driven learning programs in a sustainable manner, as outlined below.

B. Methodology and Key Activities

9. Giving more attention and resources to sector capacity building was recognized by all CAREC countries as one of the operational imperatives for the CAREC program during its next decade of cooperation. In providing knowledge services, the CAREC Institute will add specific value as a capacity building provider that addresses knowledge gaps in a regional context, as distinct from national capacity building institutions that focus on national concerns. Operationally, this means that learning programs must be designed in the context of the CAREC region, taking into account the unique circumstances of the countries and the region as a whole. Main outputs of the TA are (i) knowledge service activities included in the first three years of CAREC Institute Work Plan 2013–2017;¹² (ii) customized training modules to address specific issues faced by CAREC countries in planning and implementing CAREC projects; and (iii) a sustainable capacity building program to support implementation of CAREC 2020.

10. This value-proposition of the CAREC Institute has important implications for the design and delivery of its capacity building programs. First, the design of learning programs should be customized, including the development of learning materials. Second, knowledge service providers must be selected on the basis of their knowledge and experience of the region—especially if they are sourced from outside the CAREC region. Third, although the CAREC Institute is primarily focused on “regional” learning programs, it must endeavor to link with relevant “national” training programs to create as much synergy with these activities as possible.

11. In planning and developing the set of learning programs to be conducted under the TA during 2013–2015, the CAREC Institute will be guided by the following imperatives:

- (i) Learning programs will be categorized as strategic, managerial or operational. This will determine whether the course will focus on knowledge and/or skills, as well as the required level of CAREC participants. For any given subject area, capacity building requirements vary at different levels of the organization. For example, capacity building requirements at a junior level involve tools for data analysis. These could be generic (e.g., economic analysis, statistical measurements, forecasting, cost–benefit analysis) or sector specific (e.g., measurements of trade creation and trade diversion). The analytical tasks expected from mid-level officials require a combination of established skills and knowledge. While mid-level officials also work with data, they are expected to transform or process the data into information that is useful for management and decision making. This normally requires analysis that relates country data and/or information to knowledge about regional and global developments. The senior

¹¹ The priority sectors of cooperation under the CAREC program are transport, energy, trade facilitation, and trade policy.

¹² CAREC Institute Work Plan 2013–2017 was endorsed by the 11th Ministerial Conference on 30 October 2012 in Wuhan, People’s Republic of China.

levels in an organization are where plans, strategies, and policies are formulated. The most important skill required at this level is strategic thinking, i.e. the ability to weigh options and trade-offs in the process of advancing the country's national interest, in the context of a collective decision process.

- (ii) Learning programs will apply the appropriate pedagogical tools based on the principles of adult learning. This requires that learners be engaged actively in the learning process.
- (iii) Learning programs will strengthen partnerships with other capacity building partners in both financial and technical terms. This requires that the CAREC Institute and partner institutions have a shared understanding of the principles involved in the design of the learning program in support of the capacity building requirements of the partner institutions.
- (iv) Learning programs will include assessment tools that measure the extent to which learning objectives have been met, and overall effectiveness of the program in terms of content, pedagogy and process, learning materials, faculty, and logistics arrangement.

12. The TA will focus on strengthening the capacity development needs of CAREC countries in the priority sectors of cooperation and selected second tier areas.¹³ An indicative set of key activities to be undertaken under the TA is as follows:

- (i) In transport, development and delivery of learning programs is envisaged in the areas of investment strategy, performance-based road maintenance contracts, and road safety.
- (ii) In energy, enhancement of institutional capacity will be provided in the areas of commercial energy operations, energy sector regulation, public-private partnership arrangement, demand-side management, energy efficiency and conservation, alternative and renewable energy, and riparian issues.
- (iii) In trade facilitation, learning programs will be implemented in the areas of single window strategic development, customs inspection and risk management techniques, logistics development, and management. A user-friendly, web-based learning toolkit for designing and implementing cross-border projects will be developed.
- (iv) In trade policy, the current knowledge-sharing program on World Trade Organization accessions will be pursued. A more structured and long-term approach to capacity building in support of the World Trade Organization accession process will be further developed, in collaboration with other CAREC multilateral institutions and non-CAREC development partners.¹⁴
- (v) The CAREC Institute will conduct analytical work to identify key areas where initiatives in the priority sectors could be enhanced by special efforts in second tier areas. On this basis, and subject to availability of resources, CAREC members may initiate training activities in second tier areas.
- (vi) High-level forums, seminars, and dialogues involving internationally renowned experts on CAREC priority and cross-sector concerns will be organized from time to time, preferably in conjunction with major CAREC events.

¹³ The second tier areas of cooperation under the CAREC program include communicable disease control, agriculture, disaster risk management, and climate change adaptation and mitigation.

¹⁴ CAREC. 2012. *Trade Policy Sector Progress Report and Work Plan 2011–2012*. Manila.

C. Cost and Financing

13. The TA is estimated to cost \$1,900,000, of which \$1,500,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund—comprising \$1,100,000 from TASF-IV and \$400,000 from TASF-other sources; and (ii) \$400,000 by the People's Republic of China Regional Cooperation and Poverty Reduction Fund, which will be administered by ADB. The governments of Afghanistan, Azerbaijan, the People's Republic of China, Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan will provide counterpart support in the form of counterpart staff, secretarial assistance, office supplies, and other in-kind contributions. The cost estimates and financing plan are in Appendix 2. As a general rule set out by the CAREC countries, the CAREC Institute is required to seek support, both in funding and in kind, from the CAREC participating governments, development partners, and other institutions for all capacity building activities under the TA.

D. Implementation Arrangements

14. The TA will be implemented over 36 months, during January 2013–December 2015. ADB will be the executing agency, and ADB's CAREC Unit in the Central and West Asia Regional Department—acting as the implementing agency and the secretariat of the CAREC Institute—will be responsible for overall and day-to-day implementation of TA activities. The CAREC Unit will work closely with ADB's East Asia Regional Department to implement the TA. Although a work plan for the CAREC Institute will be reviewed regularly by the CAREC SOMs, ADB will obtain no-objections from CAREC participating countries before the TA project undertakes specific activities.

15. About 25 person-months of international and 15 person-months of national consultant inputs will be required to provide advisory and technical services under the TA. The consultants and resource people will be specialists in the areas of transport, energy, trade facilitation, financial and economic analysis, and other fields related to implementation of CAREC 2020. As the TA will involve different activities consisting mostly of straightforward assignments, consultants and resource people will be selected and engaged by ADB as individuals, based on their qualifications and experience in accordance with ADB's Guidelines on the Use of Consultants (2010, as amended from time to time). The outline terms of reference for consultants are in Appendix 3. The proceeds of the TA will be disbursed in line with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time).

16. The TA will be monitored by sector coordination committees and ADB's CAREC Unit, as secretariat of the CAREC Institute. Evaluation of the TA's outputs will be done through the periodic performance review of the CAREC Institute, with the assistance of the CAREC National Focal Points in all member countries. TA implementation will also be reviewed during the CAREC biannual SOMs. Good practice and lessons learned from the TA will be documented in the progress reports submitted to CAREC SOMs and posted at www.carecprogram.org.

IV. THE PRESIDENT'S DECISION

17. The President, acting under the authority delegated by the Board, has approved (i) ADB administering a portion of technical assistance not exceeding the equivalent of \$400,000, to be financed on a grant basis by the People's Republic of China Regional Cooperation and Poverty Reduction Fund, and (ii) ADB providing the balance not exceeding the equivalent of \$1,500,000 on a grant basis for Central Asia Regional Economic Cooperation: Supporting Capacity Development Needs of CAREC 2020, and hereby reports this action to the Board.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p>Impact Efficient and effective implementation of priority CAREC projects</p>	<p>By 2017, at least 50% of projects included in the CAREC Program's 2012 medium-term priority project list are completed or under implementation.</p>	<p>Annual CAREC Development Effectiveness Review publication</p>	<p>Assumptions CAREC countries continue strong engagement and commitment to greater regional economic cooperation</p> <p>Macroeconomic and political stability prevails in the region</p>
<p>Outcome Improved capacity of CAREC countries to plan, manage, and implement projects and activities that contribute to the goals of CAREC 2020</p>	<p>By end-2015, at least 50% of the projects identified in the CAREC Program's 2012 medium-term priority project list will have completed all internal reviews and approvals on timely basis.</p> <p>By end-2015, most capacity building activities under the CAREC Institute will be done in collaboration with local institutions in both financial and technical terms.</p>	<p>Annual CAREC Development Effectiveness Review publication</p> <p>Summaries of proceedings of CAREC sector coordinating committee and senior officials' meeting</p>	<p>Assumptions Necessary measures will be taken by the government to apply the knowledge and skills learned</p> <p>CAREC program mainstreamed into the national development agenda in all participating countries</p> <p>Risk Frequent changes in officials responsible for CAREC program</p>
<p>Outputs Development and delivery of demand-driven learning programs on CAREC-related concerns at the strategic, policy, and sectoral levels on a sustainable basis</p>	<p>At least 350 CAREC government officials will have participated in CAREC Institute training activities during 2013–2015 implementation period.</p>	<p>Reports on the CAREC Institute at the semiannual CAREC SOM</p> <p>Joint Ministerial Statement of the 14th CAREC Ministerial Conference</p>	<p>Assumptions Cooperation and collaboration with other development partners in capacity building initiatives are further strengthened</p>

Activities with Milestones	Inputs								
1. Development and delivery of demand-driven learning programs on CAREC-related concerns at the strategic, policy, and sectoral levels on a sustainable basis	ADB: \$1,100,000 Technical Assistance Special Fund (TASF-IV) ADB: \$400,000 (TASF-other sources)								
1.1 Further assessment of capacity development needs within CAREC countries to implement CAREC 2020 on a continuous basis by the SOM and sector coordinating committees	<table border="1"> <thead> <tr> <th data-bbox="816 394 1141 415">Item</th> <th data-bbox="1149 394 1435 415">Amount (\$'000)</th> </tr> </thead> <tbody> <tr> <td data-bbox="816 415 1141 447">Consultants</td> <td data-bbox="1149 415 1435 447">900.00</td> </tr> <tr> <td data-bbox="816 451 1141 483">Seminars</td> <td data-bbox="1149 451 1435 483">300.00</td> </tr> <tr> <td data-bbox="816 487 1141 558">Administrative and support cost</td> <td data-bbox="1149 487 1435 558">100.00</td> </tr> </tbody> </table>	Item	Amount (\$'000)	Consultants	900.00	Seminars	300.00	Administrative and support cost	100.00
Item	Amount (\$'000)								
Consultants	900.00								
Seminars	300.00								
Administrative and support cost	100.00								
1.2 Conduct learning programs at the strategic, managerial, and operational levels (continuing during the course of the TA)	Contingency 200.00								
1.3 Organize as needed high-level forums, seminars, and dialogues on CAREC priority concerns involving internationally renowned experts (at least once per year, and, preferably, in conjunction with other major CAREC events)	People's Republic of China Regional Cooperation and Poverty Reduction Fund: \$400,000								
1.4 Setup of a CAREC Institute steering committee (Q4 2012–Q1 2013)	<table border="1"> <thead> <tr> <th data-bbox="816 787 1141 808">Item</th> <th data-bbox="1149 787 1435 808">Amount (\$'000)</th> </tr> </thead> <tbody> <tr> <td data-bbox="816 812 1141 850">Training and conferences</td> <td data-bbox="1149 812 1435 850">400.00</td> </tr> </tbody> </table>	Item	Amount (\$'000)	Training and conferences	400.00				
Item	Amount (\$'000)								
Training and conferences	400.00								
1.5 Conduct assessment study on various possible mechanisms for sustainable capacity development for CAREC (Q4 2014–Q3 2015)	Note: The governments of Afghanistan, Azerbaijan, the People's Republic of China, Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan will provide counterpart support in the form of counterpart staff, secretarial assistance, office supplies, and other in-kind contributions.								
1.6 Mobilize financial and in-kind resources for the CAREC Institute									

ADB = Asian Development Bank, CAREC = Central Asia Regional Economic Cooperation, CAREC 2020 = A Strategic Framework for the CAREC Program 2011–2020, SOM = senior officials' meeting.
Source: Asian Development Bank.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Amount
A. Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	600.00
ii. National consultants	100.00
b. International and local travel	150.00
c. Reports and communications	50.00
2. Training, seminars, and conferences	300.00
3. Miscellaneous administration and support costs	100.00
4. Contingencies	200.00
Subtotal (A)	1,500.00
B. People's Republic of China Regional Cooperation and Poverty Reduction Fund^b	
1. Training, seminars, and conferences	400.00
Subtotal (B)	400.00
Total	1,900.00

Note: The technical assistance (TA) is estimated to cost \$2.1 million, of which contributions from the Asian Development Bank (ADB) and the People's Republic of China Regional Cooperation and Poverty Reduction Fund are presented in the table above. The governments of Afghanistan, Azerbaijan, the People's Republic of China, Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan will provide counterpart support in the form of counterpart staff, secretarial assistance, office supplies, and other in-kind contributions. The value of the governments' contribution is estimated to account for 10% of the total TA cost.

^a Financed by ADB's Technical Assistance Special Fund (TASF-IV = \$1,100,000 and TASF-other sources = \$400,000).

^b Administered by the ADB.

Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. The technical assistance (TA) will require about 25 person-months of international and 15 person-months of national consultant inputs. Given that many of the activities are under development, the number of person-months is indicative and for planning purposes. Detailed terms of reference for specific tasks will be prepared as a more detailed work program for the Central Asia Regional Economic Cooperation (CAREC) Institute is finalized and endorsed. The Asian Development Bank (ADB) will engage all consultants according to its Guidelines on the Use of Consultants (2010, as amended from time to time).

A. International Consultants

2. The following international consultants will work under the supervision of ADB staff.

1. Resource People (10 person-months)

3. Prominent speakers from academia and government bodies will be invited to give presentations on CAREC strategic and priority concerns at high-level forums, seminars, and dialogues organized under this TA.

4. Technical people may be engaged to assist in the preparation of, and make presentations to, high-level conferences, seminars, and training events organized under this TA.

2. Sector Experts (15 person-months)

5. Individual consultants with at least 10 years of work experience in the required field of expertise will be engaged to provide the following services:

- (i) Advise the CAREC sector coordinating committees on capacity development needs in priority sectors.
- (ii) Advise the CAREC secretariat on proposals for capacity development activities in second tier areas.
- (iii) Develop user-friendly, web-based knowledge and learning tool kits to facilitate preparation and implementation of the medium-term priority projects.
- (iv) Design and conduct specific learning and skills development programs for implementing CAREC 2020 in, but not limited to, the following sectors and subsectors: (a) energy: developing and implementing international commercial project agreements, design and operation of domestic and international power markets, and economics of energy efficiency and renewable energy; (b) transport and trade facilitation: performance-based contracting for road maintenance, road safety, and modernization of border crossing related management techniques; (c) trade policy: knowledge-sharing seminars on World Trade Organization accession; and (d) selected second tier activities: agribusiness development, communicable disease control, and disaster risk management.
- (v) Conduct performance review of the CAREC Institute prior to TA completion.

B. National Consultants

1. Program Coordinating Analyst (5 person-months)

6. Individual national consultants with adequate work experience and local knowledge from CAREC countries will be engaged to assist the international consultants and ADB staff on

various assignments by preparing background documents, collecting relevant information, translating materials for dissemination, and managing logistical arrangements for the delivery of conferences, seminars, and training events organized under this TA.

2. Local Resource Persons (10 person-months)

7. Resource persons with extensive regional and local knowledge in specific areas of regional cooperation may be engaged to work closely with ADB staff in preparing specific materials, and make presentations at workshops and other training events.