



Major Change in Technical Assistance

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Enhancing Coordination of the Central Asia Regional Economic Cooperation Program

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Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
CAREC	–	Central Asia Regional Economic Cooperation
NFP	–	national focal point
OIF	–	overall institutional framework
TA	–	technical assistance
TTFS	–	Transport and Trade Facilitation Strategy
WTO	–	World Trade Organization

NOTE

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

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I. PROPOSED MAJOR CHANGE

1. An increase in technical assistance (TA) amount for Enhancing Coordination of the Central Asia Regional Economic Cooperation (CAREC) Program¹ is proposed for Board consideration.

2. The Board approved the original TA amount of \$3 million on 30 August 2012.² The proposed increase of \$2.5 million will be financed on a grant basis by the Technical Assistance Special Fund (TASF-V) of Asian Development Bank (ADB), bringing the total TA amount to \$5.5 million. The increase in TA amount will allow ADB, serving as the CAREC program Secretariat, to continue support of the program's overall institutional framework (OIF) and its related coordination mechanisms. The increased funding will meet the resource requirements needed for gradual refinements of the OIF to improve CAREC program coordination in a fast-changing global and regional environment. The changes will strengthen the impact and outcome defined in the original TA paper. The design and monitoring framework and the cost estimate and financing plan have been revised.³

II. BACKGROUND

3. The TA was formulated in response to increasing expectations of CAREC stakeholders for ADB to step up its support for the OIF and was in line with ADB's firm commitment to support the CAREC 2020 strategy,⁴ by providing financial, technical, and knowledge resources, and to assist in coordinating the program through the effective and efficient functioning of the CAREC Secretariat.⁵ The TA was scheduled for completion by 31 August 2015.

4. The TA impact will be the expansion of the total international trade volume of CAREC member countries as envisaged under CAREC 2020. The expected outcome is the enhanced overall coordination of regional economic cooperation in Central Asia. Based on the updated and enhanced design and monitoring framework, the TA outputs include (i) increased effectiveness of regional and national bodies under the CAREC OIF, and (ii) strengthened coordination support to make the OIF a more adaptive and responsive mechanism for guiding and overseeing the CAREC program. Proposed supplementary financing of \$2.5 million for the TA will support and complement other CAREC-related TA projects administered or under processing by various ADB departments.

III. IMPLEMENTATION PROGRESS

5. Since 2001, the CAREC program has mobilized more than \$22 billion of CAREC-related investments, ranking first among all regional cooperation programs supported by ADB. Of this amount, ADB financed \$8.2 billion, other multilateral institutions and donors \$9.8 billion, and

¹ CAREC member countries include Afghanistan, Azerbaijan, the People's Republic of China, Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan. The CAREC multilateral institution partners are the Asian Development Bank, the European Bank for Reconstruction and Development, the International Monetary Fund, the Islamic Development Bank, the United Nations Development Programme, and the World Bank.

² ADB. 2012. *Technical Assistance for Enhancing Coordination of the Central Asia Regional Economic Cooperation Program*. Manila (TA 8148-REG).

³ The revised design and monitoring framework is in Appendix 1. Revised Cost Estimates and Financing Plan (accessible from the list of linked documents in Appendix 2).

⁴ ADB. 2012. *CAREC 2020: A Strategic Framework for the CAREC Program, 2011–2020*. Manila.

⁵ Central Asia Regional Economic Cooperation Strategy 2020 and Overall Institutional Framework (supplementary document accessible from the list of linked documents in Appendix 2).

CAREC governments \$4.4 billion. Of these, transport has the biggest share with about 80%, or more than \$17.7 billion. CAREC ministers have consistently expressed appreciation for the continued technical and financial support and strong commitment of ADB and other multilateral institution partners, including in new challenging areas emerging in all sectors.

6. Under the CAREC OIF, the CAREC program has entered into a new stage of implementation and made remarkable achievements since the TA was approved in 2012:

- (i) In October 2012, the Wuhan Action Plan was endorsed at the 11th CAREC Ministerial Conference. It charts the next steps of the CAREC program aiming at seamless connectivity and greater prosperity in the region. As a first step, CAREC governments formulated a list of medium-term priority projects and initiatives for CAREC in an effort to fully mainstream regional cooperation into their national development strategies.
- (ii) For transport, a midterm review of the Transport and Trade Facilitation Strategy (TTFS) during 2012–2013 was conducted to optimize implementation of the TTFS during 2014–2020, harmonize the TTFS and action plan with CAREC 2020, and extend existing CAREC corridors to include two new member countries—Pakistan and Turkmenistan. Building on the midterm review, the Transport Sector Coordinating Committee and the Customs Coordination Committee prepared the CAREC Transport and Trade Facilitation Strategy 2020 (TTFS 2020), which CAREC member countries endorsed at the 12th CAREC Ministerial Conference in November 2013.⁶ TTFS 2020 aims for a more integrated approach to improve transport and logistics infrastructure, and trade and transport facilitation.
- (iii) For trade facilitation, CAREC countries have intensified efforts to streamline their respective customs legal framework to align more closely with the provision of the Revised Kyoto Convention. They are also assessing the scope and cost of modernizing sanitary and phytosanitary measures to facilitate trade, considering implementation of a low-cost regional transit regime that minimizes delays and ensures prompt payment of customs duties, and improving the delivery of border services. In support of these efforts, ADB approved four TA projects in 2013.⁷
- (iv) For energy, implementation of the Energy Work Plan, 2013–2015 began, including advances in the complex project preparation activities for developing the Central Asia–South Asia Energy Corridor.
- (v) For trade policy, the 12th Ministerial Conference in November 2013 endorsed the Trade Policy Strategic Action Plan, 2013–2017. The policy goals are to increase the focus on nontariff measures and the removal of quantitative restrictions that are not compliant with the World Trade Organization (WTO); to open trade and expand trade in services and thus bring about greater regional integration; and to

⁶ ADB. 2014. *Transport and Trade Facilitation Strategy 2020*. Manila.

⁷ ADB. 2013. *Technical Assistance for Promoting Cooperation in Sanitary and Phytosanitary Measures for Central Asia Regional Economic Cooperation*. Manila (TA 8386-REG); ADB. 2013. *Technical Assistance for Coordinated Border Management for Results in Central Asia Regional Economic Cooperation*. Manila (TA 8584-REG); ADB. 2013. *Technical Assistance for Aligning Customs Trade Facilitation Measures with Best Practices in Central Asia Regional Economic Cooperation*. Manila (TA 8585-REG); ADB. 2013. *Technical Assistance for Facilitation of Regional Transit Trade in Central Asia Regional Economic Cooperation*. Manila (TA 8586-REG).

intensify efforts to assist non-WTO CAREC members with WTO accession and post-accession WTO commitment implementation.⁸ Based on the recommendation of the Trade Policy Coordinating Committee, the WTO has become an active participant in coordinating committee meetings to help strengthen capacity development of and technical assistance to CAREC countries.

- (vi) In terms of knowledge initiatives, CAREC member countries have endorsed establishment of the physical base of the CAREC Institute in Urumqi, Xinjiang Uygur Autonomous Region of the People's Republic of China and welcomed the country's commitment to start its initial operations at the end of 2014.

7. As of 15 April 2014, \$2.7 million of the \$3.0 million TA budget was committed; of this amount, \$1.8 million was disbursed.

8. The Midterm Review of Strategy 2020 attaches great importance to regional cooperation initiatives, and emphasizes the importance and complementarity of trade facilitation and capacity building to complement infrastructure being built.⁹ Regional cooperation initiatives will remain an important strategic agenda for ADB during 2014–2020. ADB is committed to providing dedicated support for trade facilitation and harmonization of standards and practices to help boost competitiveness. However, these initiatives have proven to be more complex and slow, they require more concerted efforts from all stakeholders and more effective coordination and cooperation among the key participants.

IV. RATIONALE FOR THE PROPOSED CHANGE

9. The OIF provides the core of the CAREC program and comprises an annual ministerial conference, senior officials' meetings, sector coordinating committees, national focal points (NFPs) from each of the participating countries,¹⁰ and ADB as the CAREC Secretariat.¹¹ To meet the new requirements of CAREC 2020 and increasingly complex challenges, CAREC member countries asked ADB to strengthen its support to OIF to improve coordination through gradual refinements such as stronger coordinating mandates of the NFPs, stronger role for senior officials' meetings in resolving issues associated with CAREC 2020 implementation, and a stronger interface with private sector institutions. These gradual refinements require more coordination of sectors within and among the CAREC countries, more frequent consultations with public and private stakeholders,¹² and more resources from ADB as the CAREC Secretariat. Additional TA activities are needed to allow ADB to (i) effectively respond to requests from CAREC countries, (ii) continue serving as the CAREC Secretariat and help improve in-country coordination of regional cooperation activities, and (iii) address institutional capacity enhancements for CAREC going forward. These will entail an increase in the number

⁸ CAREC. 2013. *Trade Policy Strategic Action Plan 2013–2017*. Astana. http://www.carecprogram.org/uploads/events/2013/SOM-Oct-KAZ/002_107_212_Trade-Policy-Strategic-Action-Plan.pdf

⁹ ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila.

¹⁰ Each CAREC country has a CAREC NFP, usually vice-minister in rank, demonstrating strong country ownership of the CAREC program and facilitating alignment of CAREC goals into their respective national development strategies and planning process.

¹¹ Within ADB, the Central and West Asia Department (CWRD) and East Asia Department (EARD) are jointly running the CAREC program. Among the four priority sectors of CAREC, EARD leads the work in the trade facilitation sector and CWRD in other three sectors as well as plays the role of CAREC Secretariat supporting the functioning of the OIF. Both EARD and CWRD provide TAs in support of the CAREC program.

¹² Private sector representatives take part in national consultations and the private sector is a key partner in CAREC trade facilitation initiatives.

of subregional and national events that will be organized under the TA, as well as the strengthening of the CAREC Secretariat providing support to NFPs. Priorities include:

- (i) subregional workshops and related national consultations to assist CAREC countries in implementing sector strategies, such as the refined TTFS 2020 and the Trade Policy Strategic Action Plan, 2013–2017;
- (ii) special NFP meetings and national consultations to provide guidance (a) in undertaking analytical studies related to the priority thrusts of CAREC, such as the CAREC economic corridor development study, methodology refinements of the development effectiveness review, and cross-learning of other subregions and countries; and (b) in relation to the physical establishment of the CAREC Institute; and
- (iii) CAREC Secretariat coordination activities, including outreach activities to promote CAREC and regional cooperation and integration initiatives in Central Asia.

10. These activities align with the methodology and key activities of the TA and will support the achievement of its outputs and outcome (Appendix 1). The TA completion date is extended from 31 August 2015 to 31 August 2016.

V. DUE DILIGENCE

11. The increase in the TA amount is necessary to allow ADB to effectively respond to the request from CAREC member countries and to achieve the intended TA impact and outcome.¹³ It will enable the ministers, senior officials, sector coordinating committees, and ADB to continue to improve their work to (i) implement strategies and action plans in priority sectors, (ii) conduct analytical studies and prepare papers to support the formation of a regional cooperation agenda, and (iii) develop national and regional capacity to formulate and implement regional projects and activities.

12. An additional 4 person-months of international and 324 person-months of national consultants are required. The consultants will be recruited as individuals because (i) they will operate in different countries, (ii) the timing of engagement will differ between countries, (iii) their work and outputs are independent of each other, and (iv) overall management of the consultants will be performed by staff of the Central and West Asia Department. International consultants will include experts in sector and regional cooperation. National consultants will include national advisors to the CAREC NFPs, regional cooperation coordinators, sector experts, and coordinators; a regional economics officer; a regional cooperation coordinator based at ADB headquarters; a web developer and administrator; an external relations officer; and an administrative assistant. International and national resource persons will be engaged. ADB will engage the consultants in accordance with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time).¹⁴ The terms of reference for consultants have been updated.

¹³ The average cost of running the CAREC OIF from 2011 to 2013 was about \$1.5 million per year despite various cost-saving efforts to reduce the number of sector coordinating meetings per year and shorten the duration of senior officials' meetings and the ministerial conferences.

¹⁴ Outline Terms of Reference for Consultants (supplementary document accessible from the list of linked documents in Appendix 2).

13. Equipment to be acquired under the increase in TA financing comprises computers and other small office equipment, which will be procured in accordance with ADB Procurement Guidelines (2013, as amended from time to time) and pursuant to ADB Project Administration Instruction 5.09, section L on Purchasing Equipment and Vehicles. Disbursements will be made in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time).

14. Activities supported with additional financing will follow the implementation arrangements established under the TA. The proposed changes comply with the project administration instruction on administering grant-financed TA.¹⁵ Comments from ADB's Controller's Department, East Asia Department, Office of the General Counsel, Office of Regional Economic Integration, and Operations Services and Financial Management Department have been addressed.

VI. THE PRESIDENT'S RECOMMENDATION

15. The President recommends that the Board approve the increase in technical assistance (TA) amount for Enhancing Coordination of the Central Asia Regional Economic Cooperation Program by \$2,500,000, which will finance the change described in paras.1–2.

16. If the Board approves the recommendation, pursuant to para. 62 of Project Administration Instructions 5.09, the Director of Regional Cooperation and Operations Coordination Division of the Central and West Asia Department will be deemed to have approved an extension of the TA implementation period from 31 August 2015 to a new completion date of 31 August 2016.

¹⁵ ADB. 2009. Administering Grant-Financed Technical Assistance. *Project Administration Instructions*. PAI 5.09. Manila.

REVISED DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p>Impact The total international trade volume of CAREC member countries expands as envisaged under CAREC 2020.</p>	<p>Total international trade increased by 1.5 times (to \$3.13 billion) during 2010–2020 (baseline 2003–2010: \$0.91 billion)</p>	<p>IMF direction of trade statistics CEIC database</p>	<p>Assumptions The political situation in the CAREC region remains stable and conducive to increased regional cooperation and integration. Economies in the region continue to grow and remain stable.</p>
<p>Outcome Overall coordination of the CAREC program is enhanced.</p>	<p>By 2016, CAREC 2020 projects are included in the national development plans of member countries, and in the assistance pipelines of multilateral institution partners (including ADB) and other external development participants</p> <p>By 2016, total CAREC investments reached at least \$25 billion (baseline 2011: \$17 billion)</p> <p>By 2016, total investment in trade facilitation reached \$368 million, a 50% increase from 2012 (baseline 2012: \$247 million)</p> <p>Senior representatives of CAREC member countries, multilateral institution partners, and other development partners regularly participated in CAREC events</p>	<p>National development plans of CAREC member countries, and multiyear strategies and business plans of multilateral institution partners and other partners (e.g., World Bank's country assistance strategies)</p> <p>ADB country operations business plans in CAREC member countries</p> <p>Reports on consultations with CAREC member countries, multilateral institution partners, and other development partners involved in CAREC</p>	<p>Assumptions Member country governments are committed to CAREC and encourage their officials to promote CAREC projects and initiatives. All multilateral institution partners remain committed to the program's goals and project implementation plans.</p> <p>Risk Coordination between officials in CAREC member countries, involved in various regional cooperation schemes (e.g., CAREC, Shanghai Cooperation Organization, Economic Cooperation Organization), is poor, resulting in duplication of efforts.</p>

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p>Outputs</p> <p>1. The regional and national bodies under the CAREC OIF increase their effectiveness</p>	<p>Agreements reached during the annual meetings of CAREC regional bodies</p> <p>Each of the four priority sectors equipped with a refined or upgraded sector strategy by 2016</p> <p>The annual work plans formulated and implemented by the regional and national bodies in a timely manner.</p> <p>In each CAREC country, at least two subregional workshops or national consultations held in 2013–2016.</p>	<p>Summaries of sector coordinating committee meetings and senior officials' meetings</p> <p>New strategy and action plan documents</p> <p>Reports from the sectors and the offices of the national focal points</p> <p>Conference reports compiled by the offices of the national focal points</p>	<p>Assumptions Ministries and agencies assign competent officials to be responsible for CAREC, and mainstream such responsibilities in the officials' work plans.</p> <p>CAREC members reach consensus on exploring new areas of cooperation, and commit to follow-up work.</p>
<p>2. CAREC coordination support is strengthened</p>	<p>Regular monitoring and reporting on CAREC projects enhanced information-sharing on regional cooperation initiatives</p> <p>Review of the development effectiveness review methodology completed and endorsed in 2014</p> <p>The number of legitimate times (annual) the CAREC website is accessed reached 36,336 by 2016 (baseline 2011: 24,224)</p> <p>CAREC mobile applications launched in 2014</p> <p>Target recipients received CAREC outreach materials by 2016</p>	<p>CAREC monthly progress report</p> <p>CAREC annual development effectiveness reviews</p> <p>Methodology review report</p> <p>Technical monitoring data on website access</p> <p>CAREC program website and its publication list</p>	<p>Assumptions Ministries and agencies assign competent officials to be responsible for CAREC, and mainstream such responsibilities in the officials' work plans.</p> <p>CAREC members reach consensus on exploring new areas of cooperation and commit to follow-up work.</p>

Activities with Milestones	Inputs														
<p>1. The regional and national bodies under the CAREC OIF increase their effectiveness</p> <p>1.1 Organize and conduct four or more CAREC ministerial conferences (minimum of one annually in 2012–2015)</p> <p>1.2 Organize and conduct six or more CAREC senior officials' meetings in 2013–2016 (two or more annually)</p> <p>1.3 Organize and conduct 15 or more meetings of the sector coordinating committees for energy, trade policy, trade facilitation, and transport (2013–2016)</p> <p>1.4 Organize and conduct two or more national coordination meetings in each CAREC member country (2013–2016)</p> <p>1.5 Conduct subregional and national consultation workshops and meetings with ministries and agencies involved in CAREC (2013–2016)</p> <p>1.6 Liaise closely with national and sector focal points (2013–2016)</p> <p>1.7 Conduct study on strengthening national coordination mechanisms (second quarter 2015, in cooperation with the CAREC Institute)</p> <p>2. CAREC coordination support is strengthened</p> <p>2.1 Coordinate all CAREC activities (2012–2016)</p> <p>2.2 Formulate an outreach plan (third quarter 2014) and implement it (2014–2016)</p> <p>2.3 Carry out CAREC outreach activities, including updating the CAREC program website, launching new mobile applications, and organizing events and forums for public–private partnership (2013–2016)</p> <p>2.4 Complete the development effectiveness review methodology revision and apply the methodology to the compilation of annual reports (2013–2016)</p> <p>2.5 Liaise with multilateral institution partners and other key stakeholders of the CAREC program (2013–2016)</p> <p>2.6 Monitor developments in other RCI programs involving CAREC countries (2013–2016)</p> <p>2.7 Update the CAREC 2020 priority project lists (prior to the annual CAREC ministerial conference)</p>	<p>Current: ADB: \$2.3 million (TASF-IV) ADB: \$0.7 million (TASF-other sources)</p> <p>Additional: ADB: \$2.5 million (TASF-V)</p> <p>Total: ADB: \$5.5 million</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Item</th> <th style="text-align: right;">Amount (‘000)</th> </tr> </thead> <tbody> <tr> <td>Consultants</td> <td style="text-align: right;">2,660.0</td> </tr> <tr> <td>Equipment</td> <td style="text-align: right;">20.0</td> </tr> <tr> <td>Training, seminars, and conferences</td> <td style="text-align: right;">2,380.0</td> </tr> <tr> <td>Surveys</td> <td style="text-align: right;">50.0</td> </tr> <tr> <td>Miscellaneous administration and support costs</td> <td style="text-align: right;">180.0</td> </tr> <tr> <td>Contingencies</td> <td style="text-align: right;">210.0</td> </tr> </tbody> </table>	Item	Amount (‘000)	Consultants	2,660.0	Equipment	20.0	Training, seminars, and conferences	2,380.0	Surveys	50.0	Miscellaneous administration and support costs	180.0	Contingencies	210.0
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ADB = Asian Development Bank, CAREC = Central Asia Regional Economic Cooperation, IMF = International Monetary Fund, OIF = overall institutional framework, RCI = Regional Cooperation and Integration, TASF = Technical Assistance Special Fund.

Source: Asian Development Bank estimates.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/MC/?id=46134-001-4&change=1>

1. Revised Cost Estimates and Financing Plan

Supplementary Documents

2. Central Asia Regional Economic Cooperation (CAREC) Strategy 2020 and Overall Institutional Framework
3. Outline Terms of Reference for Consultants