



Technical Assistance Report

Project Number: 40137
December 2006

The Kingdom of Thailand: Capacity Building for the Neighbouring Countries Economic Development Cooperation Agency

CURRENCY EQUIVALENTS

(as of 17 November 2006)

Currency Unit	–	baht (B)
B1.00	=	\$0.02737
\$1.00	=	B36.5300

ABBREVIATIONS

ADB	–	Asian Development Bank
AFD	–	Agence Française de Développement
MOF	–	Ministry of Finance
ICT	–	information and communication technology
JBIC	–	Japan Bank for International Cooperation
NEDA	–	Neighbouring Countries Economic Development Cooperation Agency
TA	–	technical assistance

TECHNICAL ASSISTANCE CLASSIFICATION

Targeting Classification	–	General intervention
Sector	–	Law, economic management, and public policy
Subsector	–	National government administration
Themes	–	Sustainable economic growth, regional cooperation, capacity development
Subthemes	–	Fostering physical infrastructure development, institutional development, organizational development

NOTES

- (i) The fiscal year (FY) of the Government ends on 30 September.
- (ii) In this report, "\$" refers to US dollars.

Vice President	C. L. Greenwood, Jr., Operations 2
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Director	J.P. Verbiest, Thailand Resident Mission (TRM), SERD J. Cooney, Infrastructure Division, SERD
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I. INTRODUCTION

1. In early 2006, the Royal Thai Government requested technical assistance (TA) from the Asian Development Bank (ADB) for capacity building of the newly established Neighbouring Countries Economic Development Cooperation Agency (NEDA) through discussions with NEDA and the Ministry of Finance (MOF).

2. This request is considered to be in line with the draft country partnership strategy between Thailand and ADB that will support Thailand's role and capacity in promoting subregional development and increase its contributions to the global partnership for development under Millennium Development Goal 8. ADB, Agence Française de Développement (AFD), and Japan Bank for International Cooperation (JBIC) have closely coordinated with NEDA in identifying and assessing areas for capacity strengthening and possible assistance from ADB, AFD, and JBIC. In a brainstorming retreat on 20–21 April 2006 at Nakhon Ratchasima, Thailand, NEDA, ADB, and JBIC agreed to use the record of discussion as the primary guideline for developing capacity-building support for NEDA.

3. On 1 August 2006, ADB Management approved the TA concept. ADB fielded the (i) Pre-Fact-Finding Mission¹ from 3–6 June and from 28 July–1 August 2006 to consolidate information and requests from NEDA, and coordinate support with AFD and JBIC; and (ii) Fact-Finding Mission² from 2–4 August 2006 to finalize a memorandum of understanding between NEDA and ADB. The memorandum of understanding, signed on 8 September 2006, reflects the latest mission findings and the understandings reached with the Government on the TA objectives, scope, cost, implementation arrangements, and outline terms of reference.

II. ISSUES

4. Thailand has successfully achieved sustainable economic growth since the financial crisis in 1997. Economic expansion is forecast to grow at an average annual rate of about 5% from 2006/07. During the past 3 years, economic stability has been strong and unemployment rates lower than 3%, while foreign reserves have risen to about \$58 billion, or three times greater than Thailand's short-term external debts. With robust and stable economic growth, the Government has shown a commitment to promote development in neighboring countries, based on the strong economic, social, and cultural linkages. Poverty reduction and economic growth in the Greater Mekong Subregion, for example, are closely correlated with robust growth of the Thai economy. Strong income growth in Thailand not only expands markets and business opportunities for its neighboring countries, but allows Thailand to enhance its subregional assistance to these countries.

5. As the Government aims to play a more important role in subregional development, it established NEDA in May 2005 to serve as a leading government agency to channel financing to neighboring countries in the form of concessional loans and grants for cross-border development projects. The projects financed through NEDA enhance the role of Thailand as a regional development partner in the Greater Mekong Subregion cooperation program, established in 1993 with ADB assistance.

¹ Comprising R. Nitithanprapas, External Relations Officer, Thailand Resident Mission (Mission Leader); H. Jenny, Senior Urban Development Specialist, Infrastructure Division (Co-Mission Leader); and J.P. Verbiest, Country Director, Thailand Resident Mission.

² Comprising R. Nitithanprapas, External Relations Officer, TRM (Mission Leader); J.P. Verbiest, Country Director, TRM, and J. Lynch, Principal Programs Economist, TRM.

6. The need to build up NEDA's capacity as an emerging funding agency has been discussed with several development partners based in Bangkok, notably Australian Agency for International Development, European Union, France (AFD), JBIC, and World Bank. The issue has also been raised in a number of senior official and ministerial meetings on the Ayayawady-Chao Phraya-Mekong Economic Cooperation Strategy, most notably at the latest Senior Officials Meeting and ministerial retreat in Pakse, Lao People's Democratic Republic on 4 July 2006. Inside the Thai Government, the need to support NEDA has been discussed with the Ministry of Foreign Affairs, MOF, and National Economic and Social Development Board. This proposed capacity-building activity is also mentioned in ADB's draft country partnership strategy, which was extensively discussed with all major government agencies, and at a public consultation meeting on 17 July 2006.

7. Because NEDA is a new organization, support is needed to build its technical and financial capabilities to identify, appraise, and finance complex investment projects. Additionally, NEDA will need to develop a management information system and other support systems for procurement and project management; and to implement, monitor, and evaluate its development assistance.

8. A prime example of translating Thailand's forward engagement policy into action is cooperation with neighboring countries through the Ayayawady-Chao Phraya-Mekong Economic Cooperation Strategy.³ Thailand has also taken the lead to expand country partnerships and linkages across Asia through trade, investment, and sharing of knowledge and experience. Recently, the Government clearly positioned itself as an important emerging subregional development partner by establishing NEDA, a public organization under the oversight of MOF, to provide financial and TA for neighboring countries.

9. As a newly established agency with no expertise in financing international projects and TA, NEDA is looking for capacity building from international financial institutions, including ADB, AFD, and JBIC. Almost all 30 NEDA staff, including a president, two vice presidents, and eight operational project managers, have been transferred from MOF. Although the agency benefits from the staff's experience working at MOF, it still lacks (i) criteria and guidelines for international project identification, selection, preparation, and appraisal; and (ii) operations procedures for loan management, including disbursement and project implementation, and overall project management, monitoring, and evaluation. NEDA also needs to finalize its internal control mechanism for the approval of project concepts, appraisal, and reporting. Since its creation in May 2005, NEDA has eight ongoing projects in the Greater Mekong Subregion and is faced with growing demand for assistance from neighboring countries and cofinancing with international financial institutions. NEDA has a policy of tied financing using country systems for procurement and safeguards; the agency can work with other international financial institutions in parallel cofinancing.

10. To strengthen NEDA capacity, ADB, AFD, and JBIC are coordinating a comprehensive institutional and capacity-building program. The program aims to provide NEDA with the necessary technical, financial, and institutional skills in strategic planning, institutional development, and all the steps of the project cycle: identification, selection, preparation, appraisal, approval, implementation, monitoring, and evaluation. NEDA also needs specific procedures to monitor disbursement and to manage procurement activities, as well as a comprehensive information and communication technology (ICT) plan to support its activities.

³ The strategy was established under Thailand's leadership in 2003 and joins Thailand with Cambodia, Lao People's Democratic Republic, Myanmar, and Viet Nam.

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

11. The objective of the TA is to strengthen NEDA's capacity to effectively and efficiently mobilize financial resources for projects that contribute to neighboring countries' development. As a newly established agency, NEDA lacks criteria and guidelines for project selection and appraisal, operational procedures for loan management and project implementation, as well as software and information and technology support for project management. NEDA will need assistance in strengthening institutional and human resources development in these areas.

12. To respond to these requirements, ADB will provide individual consultants to review NEDA's current business model and project cycle, develop and implement a training program in project operation, and optimize NEDA's organization structure to match appropriate staffing and lending levels and the number of staff. ADB will validate safeguard, procurement, and disbursement procedures, as well as the elements and steps in the project cycle. The TA also includes an ICT plan; and the provision of software for operational support for project management and administration. NEDA staff will participate in training programs conducted by ADB, JBIC, and AFD on various aspects of development assistance, and in project missions with the project teams of the respective banks.

B. Methodology and Key Activities

13. The TA is expected to strengthen the capacity of NEDA in project operations and management. The TA will have three major deliverables: (i) diagnostic report, (ii) training, and (iii) software.

14. The diagnostic report will review NEDA's current business model and operations covering its (i) strategic plan; (ii) organization structure, staff capacity assessment, and human development plan; (iii) project cycle, including project identification, preparation, appraisal, approval, implementation, monitoring, and evaluation; (iv) disbursement and procurement system, as well as safeguard policies; (v) software; and (vi) ICT plans. The report will summarize the needs and areas for capacity building, and propose improvement and changes to NEDA's organization structure, project cycle, monitoring of legal covenants, procurement activities, and disbursement system. The report will provide the basis for NEDA to develop its own operations manual and procedures, and will validate the ICT plan as well as the project management system, including procurement, disbursement, and internal controls.

15. The training program will be defined based on the staff capacity assessment, proposed project cycle, and capacity development programs proposed by AFD and JBIC. The training will comprise (i) training of NEDA operations staff at ADB headquarters for an equivalent of 12 staff weeks; (ii) international training of NEDA key staff for an equivalent of three staff for 10 days; (iii) training of NEDA staff at NEDA for an equivalent of 3 to 4 weeks; and (iv) hands-on training of NEDA operations staff through participation in project missions with ADB, AFD, and JBIC in the region.

16. The TA will provide some software to support operations and project management; NEDA will provide hardware as counterpart funding. The consultant will review NEDA requirements in line with operations procedures to be developed, as well as the ICT plan.

C. Cost and Financing

17. The total cost of the TA is estimated at \$290,000 equivalent of which \$200,000 will be financed on a grant basis by ADB's TA funding program. NEDA will finance \$90,000 equivalent in-kind through the provision of computer hardware, adequate office space, and counterpart staff during TA implementation. The cost estimates and financing plan are in Appendix 2.

D. Implementation Arrangements

18. NEDA will be the Executing Agency and will appoint a project director from senior management and a project coordinator from NEDA staff. NEDA and the consultant staff are to be located in the same office. The consultant will provide reports in English and NEDA will translate the TA reports at its discretion into Thai language.

19. The TA will be implemented for a period of eight months by individual consultants supported by the project team comprising ADB staff from the (i) Learning and Development Unit to assist in designing training programs and the human resources development plan; (ii) Central Operations Service Office to review the public procurement system and procedures used in the Greater Mekong Subregion, and to confirm or propose other arrangements; and (iii) Office of Information Systems and Technology to assure quality control of hardware and software requirements for NEDA operations.

20. The TA will require about 7 person-months of international and national consultants with input over 6 months starting in January 2007 and finishing in June 2007.

21. The team leader is expected to be an international consultant, and provide about 4 person-months of input to outline the operations systems and procedures for lending and project management, including internal control, procurement methods, and disbursement systems. The human resources and training specialist will be an international or national consultant with international experience and will provide about 2 person-months of input: (i) about 1 month to outline the human resources development plan, including training requirements and organizational structure; and (ii) about 1 month to provide local training. The ICT specialist will be an international or national consultant with international experience, who will provide about 1 person-month of input to review and optimize (i) requirements for hardware and software, including training requirement; and, (ii) specification of the software to be procured under the TA. The consultant will finalize a software selection matrix for NEDA consideration and selection.

22. ADB will engage the consultants in accordance with the *Guidelines on the Use of Consultants* (April 2006), as amended from time to time. The selection method will be for individual consultants under a lump sum contract. Software will be procured under direct contracting, since the selected software is likely to be proprietary with fixed price and available from an exclusive distributor. The software provided under the TA will be handed over at no cost to NEDA at the end of the TA.

23. Each consultant will be required to submit a report, at the end of the assignment, comprising (i) outline of operations systems and procedures, including project cycle, project management, procurement systems, disbursement monitoring, internal control, and safeguard policies; (ii) outline of human resources development plan, including training program and organization structure; and (iii) outline of the ICT plan, including software and hardware requirements. The diagnostic report will be submitted and approved at the end of month 6, from the beginning of the TA. An outline of the terms of reference is provided in Appendix 3. A proposed outline of the final report is included in Appendix 4.

IV. THE PRESIDENT'S DECISION

24. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$200,000 on a grant basis to the Royal Thai Government for Capacity Building for the Neighbouring Countries Economic Development Cooperation Agency, and hereby reports this action to the Board.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>Impact Enhance the role and capacity of Thailand as a subregional development partner</p>	<p>Meet lending target through successful project identification and appraisal</p> <p>Improve project implementation and evaluation through better systems and procedures</p>	<p>NEDA annual report and lending program</p> <p>Ministry of Finance feedback</p> <p>Client and counterpart feedback</p> <p>Development partner feedback; report on aid effectiveness</p>	<p>Assumptions</p> <ul style="list-style-type: none"> • Ongoing support from the Government • Development of accepted systems and procedures <p>Risks</p> <ul style="list-style-type: none"> • Reputation • Political will to support NEDA
<p>Outcome Emergence of Thailand as a regional financing agency and cofinancier with other multilateral and bilateral development partners</p>	<p>Number of projects appraised and submitted to the National Assembly for approval</p> <p>Number of projects cofinanced with development partners</p> <p>Number of projects under implementation rated satisfactory and better</p>	<p>NEDA annual report and lending program</p> <p>Establishment of systems and procedures specific to NEDA</p> <p>Project management and disbursement reports</p> <p>Counterpart surveys</p>	<p>Assumptions</p> <ul style="list-style-type: none"> • Cooperation and commitment of agencies concerned within Thailand and with target countries • Competitive advantage of NEDA financial products and services <p>Risks</p> <ul style="list-style-type: none"> • Efficiency of operation and administration services
<p>Outputs</p> <p>1. Framework for lending operations</p> <p>2. Outline for human resources development, including training</p> <p>3. Framework for information and communication technology (ICT)</p>	<p>Develop sound basis for project cycle by April 2007</p> <p>Training of key staff and organizational plan by June 2007</p> <p>Completion of ICT plan by April 2007</p>	<p>Consultants' reports</p> <p>TA team review mission</p> <p>Feedback from stakeholders</p>	<p>Assumption</p> <ul style="list-style-type: none"> • Willingness of the Government and Ministry of Finance to strengthen NEDA <p>Risks</p> <ul style="list-style-type: none"> • Staff turnover • Inadequate framework
<p>Activities with Milestones</p> <p>1.1 Review the project team's initial analysis, AFD and JBIC on NEDA strength-weakness-opportunity-threat analysis, project administration, and systems and procedures for project management and disbursement</p> <p>1.2 Review Thailand and target countries' procurement systems; review Thailand's public project management systems</p> <p>1.3 Review requirement for ICT</p>			<p>Inputs</p> <ul style="list-style-type: none"> • Consultants: 1.5 person-months and ADB project team • Training of 12 staff-weeks of NEDA staff with ADB

Activities with Milestones	Inputs
<p>2.1 Develop framework for operation procedures and internal control, and define project criteria for the entire project cycle: identification, preparation, appraisal, approval, implementation, monitoring, and evaluation</p> <p>2.2. Propose procurement and project management system, including disbursement, customized to NEDA operations</p> <p>3.1. Develop training plans for NEDA key staff in cooperation with AFD and JBIC's own training programs</p> <p>3.2. Propose outline for human resources development and training plan</p> <p>4.1 Develop ICT plan</p> <p>4.2 Propose software and hardware platforms suitable for NEDA's operations in coordination with proposed framework for operation procedures</p> <p>4.3 Purchase initial software for NEDA operations</p>	<ul style="list-style-type: none"> • External training of 4.5 staff-weeks of NEDA staff • Budget of \$200,000 • Government contributions of office accommodation, counterpart staff, coordination support, and hardware • Participation in cofinancing project missions with ADB, AFD, and JBIC • Cofinancing with AFD and JBIC on training of NEDA staff

ADB = Asian Development Bank, AFD = Agence Française de Développement, ICT = information and communication technology, JBIC = Japan Bank for International Cooperation, NEDA = Neighbouring Countries Economic Development Cooperation Agency, TA = technical assistance.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Total Cost
A. Asian Development Bank (ADB) Financing^a	
1. Consultants	
a. Remuneration and Per Diem	
i. International Consultants	142.15
ii. National Consultants	0.00
b. International and Local Travel	4.00
c. Reports and Communications	3.00
2. Equipment ^b	20.00
3. Training, Seminars, and Conferences	
a. Travel and Per Diem for ADB Training ^c	16.80
b. Travel and Per Diem for External Training ^d	12.60
4. Surveys	0.00
5. Miscellaneous Administration and Support Costs	0.00
6. Representative for Contract Negotiations	0.00
7. Contingencies	1.45
Subtotal (A)	200.00
B. Government Financing	
1. Office Accommodation and Transport	5.00
2. Remuneration and Per Diem of Counterpart Staff	5.00
3. Others ^e	80.00
Subtotal (B)	90.00
Total	290.00

^a Financed by ADB's technical assistance funding program.

^b Software for the Neighbouring Countries Economic Development Cooperation Agency (NEDA) operations.

^c Training at ADB for 12 staff-weeks of NEDA staff.

^d Training provided outside ADB for NEDA senior staff, equivalent to 3 staff for 10 days.

^e Hardware, such as computers, network equipment, and accessories.

Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

A. Objective

1. The technical assistance (TA) will assist the Neighbouring Countries Economic Development Cooperation Agency (NEDA) to build its institutional capacity to develop and implement its own operation plan and procedures to finance infrastructure projects in the Greater Mekong Subregion through direct loans, grants and parallel cofinancing. The TA will provide three outputs: (i) a final report providing an outline of project operations; an information and communication technology (ICT) plan; and a human resources development and training plan; (ii) implementation of a training program; and (iii) provision of software for operations.

B. Detailed Tasks

1. Part I: Operation Systems and Procedures (Team Leader)

2. The consultant will be designated as team leader and will be responsible for ensuring efficient and effective TA implementation. In addition, the consultant will review NEDA's project cycle, procurement arrangements, disbursement monitoring, project management, and internal controls. The consultant will work with NEDA staff, Agence Française de Développement, Japan Bank for International Cooperation (JBIC), and the project team to propose (i) a framework for operations procedures; and (ii) an updated project cycle with detailed criteria for project identification, preparation, appraisal, approval, supervision, and evaluation, including steps for internal approval and quality control for project concept and appraisal as well as project implementation and safeguard requirements. Specifically, the consultant will undertake the following:

- (i) Evaluate the level and complexity of the operations systems and procedures required and appropriate for NEDA's activities.
- (ii) Review the loan covenants for existing projects financed by NEDA on reporting requirements; and financial, safeguard, and procurement methods. Review the suitability of the public procurement system in Thailand, in the region (Greater Mekong Subregion) for international aid, especially considering NEDA's tied-aid policy, to minimize reputational risk; and draft a matrix of strengths and weaknesses of each country's procurement system to assess reputational risk. Assess other procurement methods and guidelines from "Federation Internationale des Ingenieurs Conseils" (FIDIC) and the Asian Development Bank (ADB), as required.
- (iii) Review the public project management system in Thailand, especially from the Ministry of Public Works and its suitability for use by NEDA (considering the experience of NEDA operations staff). Review the reporting requirements and advise NEDA accordingly.
- (iv) Propose and validate selected procurement systems, project management, disbursement monitoring, and internal control.
- (v) Define the level of reporting by consultants, contractors, and suppliers to NEDA during project preparation and implementation; as well as the requirement for internal reporting by NEDA staff to management and by management to the board of directors.

- (vi) Finalize the framework for NEDA's lending operations, project cycle, outline of operations systems and procedures, and internal control.
- (vii) Define, with the project team and the country director, any requirements for TA.

2. Part II: Human Resources Development and Training Plan (Human Resources and Training Specialist)

3. The consultant will coordinate with the project team to initiate work on the human resources development plan and define a training program. The consultant will undertake the following:

- (i) Assess NEDA staff capacity. Coordinate with the JBIC consultant on recommendations for the organization structure.
- (ii) Outline of a human resources development and training plan, taking into consideration the training to be provided by JBIC and Agence Française de Développement.
- (iii) Implement a training program over 3 weeks in Bangkok. Define, in collaboration with NEDA, the criteria for external training and training at ADB headquarters.

3. Part III: Information and Communication Technology Plan and Software (Information Technology and Communication Specialist)

4. Work will be undertaken to develop an outline and framework for an ICT plan to support NEDA and identify software to help with project operations. Specifically, the consultant will undertake the following:

- (i) Define the requirements for hardware and software based on NEDA staff capacity, and proposed organization structure and lending program. Coordinate with the other two consultants and with JBIC.
- (ii) Finalize the specification for software to be purchased under the TA.

4. Reporting

5. Reports will be prepared in English. NEDA will prepare executive summaries in Thai language and will decide which reports and sections require full translation. NEDA will be responsible for all the translation work. Reports will be submitted in both electronic and paper form. All data and analyses will be consolidated and provided to NEDA in electronic form.

6. Each consultant must prepare a final report, initially in draft form, at the end of the assignment. The team leader in charge of part I will be responsible for consolidating the final report (diagnostic report), which will include an (i) outline of operations systems and procedures, including project cycle, project management, procurement system, disbursement monitoring, and safeguard policies; (ii) outline of the human resources development plan, including training plan and organization structure; and (iii) outline of the ICT plan, including software and hardware requirements. The final report will be submitted and approved at the end of month 6, from the beginning of the TA. A proposed outline of the final report is included in Appendix 4.

7. Five hard copies of the draft final report and 10 hard copies of the final version will be provided to ADB at the end of month 6.

C. Study Schedule

8. The TA is expected to commence in October 2006 for about 6 months. Parts I and II will overlap to the extent possible. Part III will occur once the operations systems and procedures are agreed with NEDA, but not later than month 4 after the start of the TA. A tentative study schedule is proposed in Table A3.

Table A3: Tentative Study Schedule

Consultant	Jan 2007	Feb 2007	Mar 2007	Apr 2007	May 2007	Jun 2007
Team Leader (4 months)	■	■	■	■	■	■
Human Resources Development Training (2 months)		■		■	■	
Information and Communication Technology (1 month)				■	■	

Source: ADB estimates.

OUTLINE OF THE FINAL REPORT

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