TERMS OF REFERENCE FOR CONSULTANTS

I. International Consultants

1. South Caucasus Political Economy Assessment
   (1 consultant, 4 person-months)

Background

Political economy analysis strengthens the diagnosis of development problems, assessment of risks, and the design of more effective support, leading to better development results. The assessment will scope options for regional cooperation, opening of new transport routes within and across the region, and opportunities for joint participation in regional cooperation programs and customs or trade agreements. The assessment will consider current geopolitical realities in Armenia, Azerbaijan, and Georgia and draw scenarios and risk matrices for potential future development paths and transport and connectivity investments.

The regional political economy assessment will scope opportunities and risks of regional cooperation of the three countries among each other and with their trading partners. The assessment aims to support the prioritization of transport investments in the region for greater integration and serve as a basis for sector assessments (regional food value-chain assessment, regional tourism potential assessment, multi-modal transport assessment, and regional revealed comparative advantage assessment).

Detailed Tasks, Outputs, and Requirements

Detailed tasks include, but are not limited to the following:

- assess contesting and bargaining between interest groups with competing claims over rights and resources in the region
- understand what drives political behavior, how this shapes policies and programs, who the main “winners” and “losers” are, and what the implications are for development strategies and programs
- analyze interests and incentives facing diverse groups in society and how these generate policy outcomes that may encourage or hinder development
- understand the role of formal institutions (e.g., rule of law, elections) and informal social, political, and cultural norms play in shaping human interaction and political and economic competition
- take stock of the regional, economic, social, and other treaties and membership in international organizations that influence the decisions in the region, for example association agreements and preferential trade agreements with the EU, TRACECA, Eastern Partnership, TEN-T, CAREC, and Open Skies.
- analyze the feasibility of policy reform and transport and logistics investments that ADB and other development partners can realistically make, and the risks involved
- assess implications of tensions within and between regions for investments and development partner operations
- scope political economy implications if current transport plans are realized in the region
- elaborate on communication implications for ADB operations
Deliverables and Outputs:
- Communication plan
- Approach Paper
- Draft Assessment and presentation
- Final Assessment including executive summary
- Summary for Publication

Consultant’s Qualifications:
- Relevant degree (i.e., political science, economics)
- Regional Experience in South Caucasus Region – 10 years
- Experience with regional political economy assessments – 10 years

2. **South Caucasus Regional Agro-Food Value-Chain Assessment**
   (2 consultants, 9 person-months)

**Background**

Advancing regional agro-food value chains in South Caucasus aims at promoting food security, increasing value-addition to export products, and expanding productive capabilities and thus supporting structural transformation. Food value chains transform the traditional competitive seller/buyer relationships to a collaborative approach. Responding to the needs of these customers through strategic collaboration creates greater efficiency and profitability among food producers and distributors. It also translates to food security and greater transparency. The impact of the COVID-19 pandemic has led to a change of direction and the increased importance of physical proximity. Consumers preferring certain categories of production stay closer to the consumer in regional locations to make disruption less likely.

Improvements in the competitiveness of the regional agro-food value chains will only be achieved through the development of a robust transportation and logistics system as well as strengthening sanitary and phytosanitary standards. That will enable regional supply chains, and improved access to global markets. The South Caucasus Agro-Food Value-Chain Assessment will lay the foundation for creating a framework and approach for ensuring the movement of agro-food products through different transportation modes through the region and beyond.

**Detailed Tasks, Outputs, and Requirements**

Detailed tasks include, but are not limited to the following:
- Develop criteria for the selection of regional pilot products for export and regional value added.
- Compile current levels of agricultural production in Armenia, Azerbaijan, and Georgia for selected products of target product groups (for example pomegranate, almonds, olives, nuts, malt, blueberries, beets, grapes), which are to be chosen in consideration of the anticipated effects of climate change in the region.
- Identify the export and regional value-added potential of selected products and compose lessons-learned from previous attempts to develop export products (successes like wine and spirits: diversify export markets, as well as failed attempts) under consideration of altering growing conditions due to climate change.
- Draft action plan for the selected products to gain and sustain higher export performance with a focus on regional value-added.
• Assess the needed logistical and transport investments, as well as other infrastructure requirements for grading, sorting, waxing, cooling, certification, packaging for the selected products to become competitive and consistent export drivers, including investment proposals and regional hubs.
• Describe import requirements of certain key markets, i.e. EU, Russia, Turkey, Middle East, and People’s Republic of China and tariff and non-tariff requirements for intra-regional trade.
• Prepare recommendations for food safety and food price stability for the region.
• Consider gender and environmental impacts of the recommendations in the assessment.
• Assess current business models and recommend country-appropriate business models.
• Identify public partners in South Caucasus to drive agro-food value-chain development.
• Identify private sector partners and their incentives to support regional value chains (i.e. freight forwarders, distributors, and food producers).
• Elaborate an action plan to develop hub-centered agro-food value chains in the region that includes proposed investments in agro-logistic infrastructure.
• Hold consultative meetings with private and public stakeholders, as well as development partners that are active in that field to verify the relevance and feasibility of the recommendations and suggested investments.

Deliverables and Outputs:
• Inception report highlighting the structure of the report and the consultation approach.
• Draft Assessment and presentation that proves the completion of all tasks above.
• Final Assessment and presentation, incorporating comments and suggestions by country stakeholders and ADB.

Consultant’s Qualifications:
• At least 10 years of advisory/operational experience with food systems and food value chain development.
• Regional Experience in South Caucasus Region.
• Experience with food value chains in South Caucasus.

3. **South Caucasus Tourism Potential Assessment**
(1 consultant, 4 person-months)

**Background**

The South Caucasus region possesses a wide range of historical and cultural heritage, unique gastronomy and local traditions, a rich and unexplored network of cities, and arresting natural endowments that traverse national boundaries. The region attracts a fast-growing number of international tourists.

The coronavirus disease (COVID-19) outbreak in early 2020 has placed significant pressure on the tourism sector in the South Caucasus region, with tourism being one of the most severely impacted sectors. International tourist arrivals decreased by up to 90% in 2020. As a result of the COVID-19 pandemic, the preference of travelers is shifting toward closer, safer, and uncrowded destinations, and countries are adapting their tourism strategies and plans to focus on domestic and intra-regional tourism in the short term. The South Caucasus region can benefit from this development and offer an exciting, yet exclusive regional tourism offering for nearby countries, like Russia and Iran, and the larger European, Middle Eastern, and East Asian markets. The
assignment will scope the tourism potential in the region, in the light of reopening gateways, changed preferences under COVID-19, national tourism strategies and plans in Armenia, Azerbaijan, and Georgia, and in alignment with the CAREC Tourism Strategy 2020.

**Detailed Tasks, Outputs, and Requirements**

Detailed tasks include, but are not limited to the following:

- Review current tourism flows within the region and characterize current and potential regional tourism in South Caucasus
- Review national and regional tourism strategies and plans and develop the comparative advantage of the region for relevant market segments
- Develop scenarios for regional tourism in South Caucasus, taking into account changing preferences due to COVID-19, opening gateways in the region, and a recovery of international, regional, and domestic tourism in the South Caucasus region
- Develop tourism approaches/niches that the region could foster to diversify tourism and link with other priority areas (for example agro-food, railway, or a regional carrier)
- Consider gender and environmental impacts of the recommendations in the assessment
- Develop recommendations for key reforms and investments in the aviation sector to support further tourism growth and attract airlines to include South Caucasus destinations
- Develop an action plan that phase tourism investments and policy/regulatory changes to facilitate regional tourism growth
- Hold consultative meetings with private and public stakeholders.

**Deliverables and Outputs:**

- Inception report with tourism scenarios
- Draft report outlining tourism approaches and an action plan for regional tourism
- Final report and presentation

**Consultant’s Qualifications:**

- At least 10 years of experience in tourism strategy formulation
- Regional Experience in South Caucasus Region
- Experience with regional tourism development

4. **South Caucasus Multi-Modal Transport Assessment**
   (3 consultants, 10 person-months)

**Background**

Each country of the South Caucasus region asserts its role as a transport hub between Asia and Europe. To realize this potential, however, the countries’ cooperation among each other is a precondition. All three countries have made significant efforts to improve soft and hard trade infrastructure—including investments to reduce travel time and facilitate trade—and align with international integration initiatives. However, blocked historical transport routes because of divided land and closed border crossing points result in high costs for trade, reducing the competitiveness of the region’s exports. New gateways can yield considerable economic benefits for the region and hence support the political peacebuilding process.

Following the ceasefire between Armenia and Azerbaijan on 9 November 2020, the countries committed to unblock all transport and economic links in the region, which has the potential to bring significant economic gains for the South Caucasus region. For Azerbaijan, a priority is
reviving the transport link from Baku, through southern Armenia, to Azerbaijan’s exclave Nakhichevan, and further to Turkey. Opening transport corridors promises significant economic gains for the South Caucasus region by reducing the cost of transit trade thus improving export price-competitiveness and lowering the costs of imports. An Armenia-Russia link through Azerbaijan could challenge the viability of Armenia’s North-South road corridor, connecting to Russia through Georgia. The North-South corridor is the largest priority investment project in Armenia and is financed by several IFIs. Also, Georgia invests with ADB financing in improving the North-South corridor to the Russian border with expectations of Armenian transit trade.

**Detailed Tasks, Outputs, and Requirements**

Detailed tasks include, but are not limited to the following:
- Review current intra-regional and inter-regional traffic data
- Based on TRACECA model, estimate traffic potential until 2035 as base scenario
- Make assumptions on future opening of transport gateways in the region, considering road, rail, air and sea transport
- Estimate transit traffic for the scenarios with diverted and induced travel demand
- Elaborate potential for regional air traffic for tourism
- Estimate investment needs to facilitate 2035 traffic requirements and considering low-carbon transport options
- Consider gender and environmental impacts of the recommendations in the assessment
- Provide policy, regulatory, and investment recommendations on the promotion of mode shift and multimodal transport use in a regional level
- Hold consultative meetings with private and public stakeholders.

**Deliverables and Outputs:**
- Inception report reflecting available data sources and assumptions  
- Draft report and presentation
- Final report and presentation

**Consultant’s Qualifications:**

**Transport Economist**
- At least 10 years of experience in transport planning
- Regional Experience in South Caucasus Region
- Experience with TRACECA model or equivalent

**Transport Modeler**
- At least 10 years of experience in transport modeling
- Experience with TRACECA model or equivalent

**Engineer**
- At least 10 years of experience in transport planning
- Experience with TRACECA model or equivalent
5. **Regional Revealed Comparative Advantage Assessment**

*Background*

The South Caucasus region has a promising economic potential. All three countries have made significant efforts to improve soft and hard trade infrastructure—including investments to reduce travel time and facilitate trade—and align with international integration initiatives. However, blocked historical transport routes because of divided land and closed border crossing points result in inflated costs for trade, reducing the competitiveness of the region’s exports. Following the ceasefire between Armenia and Azerbaijan on 9 November 2020, the countries committed to unblock all transport and economic links in the region, which has the potential to bring significant economic gains for the South Caucasus region. The Regional Revealed Comparative Advantage Assessment aims to assess the economic potential in terms of regional value chains for merchandise exports through using a regional product space to depict the joint regional economic complexity.

Economic complexity is a powerful tool to analyze the development potential of national and regional economies. Its methods use high resolution data on the activities that are present in locations to predict the development dynamics of countries, cities, and regions. These methods can predict the economic activities a region will enter or exit in the future as well as an economy’s expected level of income, economic growth, income inequality, and emissions.

**Detailed Tasks, Outputs, and Requirements**

Detailed tasks include, but are not limited to the following:

- Assess existing data and prepare necessary assumptions for a regional South Caucasus product space
- Compute trade metrics, including revealed comparative advantage (RCA), diversity, proximity (both for countries –proximityC– and for products –proximityP–), economic complexity index (ECI) and product complexity index (PCI) for the South Caucasus region in relation to the world for the past 15 years;
- Based on the metrics calculated, build product space / networks to show and identify exporting opportunities, considering only those products that the region exports with RCA;
- Conduct the same analysis at the intra-regional level (i.e., South Caucasus region= world);
- Include Sub-national date where available
- Create visualization of regional product space for Armenia, Azerbaijan, and Georgia
- Based on the above tasks, draft a report:
  - Use the Economic Complexity Index to predict countries’ expected level of income, economic growth, income inequality, and greenhouse gas emissions.
  - Predict and explain the dynamics of which products or industries are more likely to grow in the future
  - Identify areas of spatial concentration for manufacturing in the region.
  - Formulate detailed recommendations for the region and individual countries to increase economic complexity and export promotion for selected pilot products
  - Outline the necessary investments and regulatory changes necessary to implement the recommendations
  - Outline the risks to the implementation of the recommendations
- Hold consultative meetings with private and public stakeholders.
Deliverables and Outputs:
- Inception report reflecting available data sources and assumptions
- Draft report and presentation
- Final report and presentation

Consultant’s Qualifications:
- The consultant is required to have advanced qualifications in economics, business administration, statistics and/or related disciplines. At least 10 years of relevant work experience are required, including experience in data analysis and data visualization. Strong analytical, writing and communication skills in English are required.
- Minimum General Experience 10 Years
- Minimum Specific Experience (relevant to the assignment) 10 Years
- Regional/Country Experience Preferably

6. **South Caucasus Regional Cooperation Approach**
(2 consultants, 5 person-months)

Background

A South Caucasus Regional Cooperation Approach (SCRCA) will be developed to help unleash the economic potential of the South Caucasus region—comprising Armenia, Azerbaijan, and Georgia—in the new realm of reopening gateways following the 2020 Armenia-Azerbaijan ceasefire. The SCRCA will assess the benefits of economic cooperation within and beyond the region, amidst political uncertainties. The approach will provide options to identify and optimize international and domestic gateways and provide a roadmap for the region to regain its historical significance for trade and transit. Blocked historical transport routes because of divided land and closed border crossing points result in high costs for trade, reducing the competitiveness of the region’s exports. New gateways can yield considerable economic benefits for the region and hence support the political peacebuilding process.

Based on the prepared South Caucasus Political Economy Assessment, South Caucasus Regional Agro-Food Value-Chain Assessment, South Caucasus Tourism Potential Assessment, South Caucasus Multi-Modal Transport Assessment, and the Regional Revealed Comparative Advantage Assessment, the SCRCA 2022–2026 will be developed, including development partner engagement approaches, and trade potentials with neighboring countries. The cooperation approach will help prioritize investments to attract regional transit trade through an investment plan to help implement the approach.

Detailed Tasks, Outputs, and Requirements

Detailed tasks include, but are not limited to the following:
- Review sector and political economy assessments
- Conceptualize a strategic approach to regional cooperation and integration for South Caucasus
- Draft South Caucasus Regional Cooperation Approach
- Hold consultative meetings with relevant public and private stakeholders in the region, including representatives of civil society organizations
• Prepare an investment plan in line with national investments and indicative investments of development partners
• Incorporate comments and finalize South Caucasus Regional Cooperation Approach

Deliverables and Outputs:
• Inception report
• Draft South Caucasus Regional Cooperation Approach and presentation
• Final report and presentation

Consultant’s Qualifications:
• At least 10 years of experience in regional economic analysis
• Regional experience in South Caucasus Region

II. National consultants

7. Economists
   (6 national consultants—for Armenia, Azerbaijan, Georgia, 18 person-months)

Background

A South Caucasus Regional Cooperation Approach (SCRCA) will be developed to help unleash the economic potential of the South Caucasus region—comprising Armenia, Azerbaijan, and Georgia—in the new realm of reopening gateways following the 2020 Armenia-Azerbaijan ceasefire. The SCRCA will assess the benefits of economic cooperation within and beyond the region, amidst political uncertainties. The approach will provide options to identify and optimize international and domestic gateways and provide a roadmap for the region to regain its historical significance for trade and transit. Blocked historical transport routes because of divided land and closed border crossing points result in high costs for trade, reducing the competitiveness of the region’s exports. New gateways can yield considerable economic benefits for the region and hence support the political peacebuilding process.

Based on the prepared South Caucasus Political Economy Assessment, South Caucasus Regional Agro-Food Value-Chain Assessment, South Caucasus Tourism Potential Assessment, South Caucasus Multi-Modal Transport Assessment, and the Regional Revealed Comparative Advantage Assessment, the SCRCA 2022–2026 will be developed, including development partner engagement approaches, and trade potentials with neighboring countries. The cooperation approach will help prioritize investments to attract regional transit trade through an investment plan to help implement the approach. This assignment will support the preparation of different assessments that lead to the preparation of the SCRCA.

Detailed Tasks, Outputs, and Requirements

Detailed tasks include, but are not limited to the following:
• Work with the international sector experts to gather information and data to facilitate the preparation of the Regional Agro-Food Value-Chain, Tourism Potential, Multi-Modal Transport, and Regional Revealed Comparative Advantage assessments
• Develop recommendations to conceptualize a strategic approach to regional cooperation and integration for South Caucasus
• Prepare and join consultative meetings with relevant public and private stakeholders in the country
• Support the international experts in finalizing the sector reports
• Support to arrange dissemination meetings with relevant stakeholders

Deliverables and Outputs:
• Stakeholder maps for sector assessments
• Successfully conducted stakeholder meetings
• Inputs to draft sector reports and SCRCA
• Collected feedback to sector reports and SCRCA
• Support to the dissemination of final report

Consultant’s Qualifications:
• At least 10 years of experience relevant to the assignment in agro-food value chains, tourism, transport assessments, tourism or export promotion.
• Relevant degree in economics, business
• Excellent English language skills

III. Resource persons

8. International and National Resource Persons

ADB may engage resource persons for short periods to review studies and participate as presenters, facilitators and/or discussants in related forums, meetings, and workshops.