



Technical Assistance Report

Project Number: 37549
Regional–Capacity Development Technical Assistance (R–CDTA)
January 2010

Support for South Asia Regional Economic Cooperation

Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
BIMSTEC	–	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
SAARC	–	South Asian Association for Regional Cooperation
TA	–	technical assistance

TECHNICAL ASSISTANCE CLASSIFICATION

Type	–	Regional–Capacity development technical assistance (R–CDTA)
Targeting classification	–	General intervention
Sectors (subsectors)	–	Multisector: Transport, and information and communication technology (road transport, rail transport, transport management and policies; information and communication technology); energy (electricity transmission and distribution); industry and trade (trade and services)
Themes (subthemes)	–	Regional cooperation and integration (cross-border infrastructure), economic growth (widening access to markets and economic opportunities), capacity development (institutional development)
Location impact	–	Rural (high), urban (medium), national (high), regional (high)

NOTE

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

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I. INTRODUCTION

1. In line with the key operational objectives¹ of the Regional Cooperation Strategy and Program for South Asia (2006–2008),² the Asian Development Bank (ADB) has supported regional cooperation through the South Asian Association for Regional Cooperation (SAARC),³ interregional cooperation through the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC),⁴ and subregional cooperation through the South Asia Subregional Economic Cooperation Program.⁵

2. The High Level Forum on Emerging Vision for Shared Prosperity: South Asia and Beyond (the forum) was held in ADB on 16–17 April 2009 to discuss country and regional visions and priorities and to deliberate on possible approaches to, and an operational framework for, supporting regional cooperation. Secretaries and senior officials from the ministries of finance and foreign affairs of South Asian countries and their neighbors, as well as senior officials from the SAARC Secretariat, participated in the forum. The forum recognized the importance of a flexible, pragmatic, multi-track approach to advancing regional cooperation in South Asia with a focus on fast-tracking the implementation of tangible regional investment projects. The forum identified options through which ADB could support regional cooperation in South Asia and beyond, including (i) regional and interregional projects, (ii) subregional projects involving more than two countries, and (iii) bilateral projects.

3. Following the forum, ADB held consultations with the governments of South Asian countries to discuss (i) the process and operational framework for developing and implementing regional and subregional projects, (ii) potential priority regional projects, and (iii) the scope of this regional technical assistance (TA). During these meetings, governments expressed general support for the TA.⁶

4. As suggested by the forum, the TA will adopt a flexible approach that can support regional, interregional, subregional, and bilateral projects in which South Asian countries and their neighbors participate. The design and monitoring framework is in Appendix 1.⁷

II. ISSUES

5. South Asia has posted strong economic growth in recent years and increased its share of world output from 4.5% in 1998 to 6% in 2008.⁸ However, South Asia is not only the region with the largest number of people living below the poverty line, it is also the least integrated region in Asia, with an intra-regional trade share in 2008 of only 5.5%, compared to 27.1%

¹ The five key operational objectives are to (i) improve connectivity, (ii) facilitate trade and investment, (iii) develop regional tourism, (iv) facilitate cooperation in energy, and (v) promote private sector cooperation.

² ADB. 2006. *Regional Cooperation Strategy and Program: South Asia, 2006–2008*. Manila.

³ ADB. 2004. *Technical Assistance for Promoting South Asian Regional Economic Cooperation*. Manila (TA 6187-REG); ADB. 2006. *Technical Assistance for Preparing the Energy Sector Dialogue and South Asian Association for Regional Cooperation Energy Center Capacity Development Project*. Manila (TA 6368-REG); and ADB. 2008. *Technical Assistance for Promoting South Asian Regional Economic Cooperation II*. Manila (RA 6512-REG).

⁴ ADB. 2006. *Technical Assistance for BIMSTEC Transport Infrastructure and Logistics Study*. Manila (TA 6335-REG).

⁵ ADB. 2005. *Technical Assistance for South Asia Subregional Economic Cooperation III*. Manila (TA 6297-REG).

⁶ The TA is included as South Asia Subregional Economic Cooperation IV in ADB. 2008. *Regional Cooperation Operations Business Plan: South Asia, 2009–2010*. Manila. The change in TA title followed the recommendations of the forum to adopt a more flexible, project-based approach to advancing regional cooperation in South Asia and beyond.

⁷ The TA first appeared in the business opportunities section of ADB's website on 7 October 2009.

⁸ Source: By Purchasing Power Parity. World Bank. World Development Indicators Online.

recorded by the Association of Southeast Asian Nations.⁹ Further, recent uncertainties caused by various shocks including climate change, the spike in food prices, volatile energy prices, and the global economic crisis have challenged the growth potential of South Asia and adversely affected the lives of the region's poor. However, the recent shocks and changes in the political landscape provide a window of opportunity for countries in South Asia to renew their efforts to deepen regional cooperation to meet these challenges. Increased regional cooperation in South Asia and beyond, particularly increased regional connectivity, would allow for inclusive growth by providing increased access to markets, goods, and services across borders. Regional cooperation can mobilize private investments, counter the impact of declining financial flows, and significantly reduce the share of the population living below the poverty line.

6. Regional cooperation has recently gained momentum in South Asia. However, while regional cooperation initiatives have successfully identified potential regional projects in key sectors such as transport and trade facilitation, energy, tourism, and information and communication technology, the implementation of tangible regional projects has been limited. There is growing recognition of the need to realign regional projects with national programs as countries determine national priorities with greater focus and prioritize and implement regional projects.

7. Discussing the benefits of regional cooperation and effectively disseminating the findings of regional studies can help increase official and public awareness and support for regional cooperation initiatives in South Asia. Knowledge management can effectively spur development partner and private sector interest and involvement in contributing more significantly toward funding regional projects.

8. ADB-supported regional cooperation initiatives in South Asia have (i) identified priority regional investments, including a number of subregional pilot projects to improve regional connectivity (through the SAARC Regional Multimodal Transport Study); (ii) proposed a policy framework for BIMSTEC transport and logistics, strategies, and an implementing mechanism to enhance transport infrastructure, improve logistics, and lower transport costs (BIMSTEC Transport Infrastructure and Logistics Study); and (iii) identified subregional projects in information and communication technology, transport and trade facilitation, and tourism through the South Asia Subregional Economic Cooperation Program. Over and above these regional initiatives, countries have, through country programming, identified and implemented national projects that have strong regional potential. Hence, a rich pool of potential regional investment projects already exists that, once implemented, can bring enormous benefits to communities and countries in South Asia.

9. In line with ADB's commitment of allocating at least 30% of its operations to regional cooperation by 2020 (under ADB's Strategy 2020¹⁰), this TA will support participating countries and regional organizations¹¹ in further identifying, prioritizing, and preparing regional projects and national projects with regional implications, with the aim of promoting regional economic cooperation and economic activity among South Asian countries. The TA will fully utilize experiences and lessons from subregional initiatives and other regional cooperation initiatives and activities supported by ADB. Previous experience with subregional projects in South Asia shows that undertaking cross-border and multilateral agreements consumes time and needs to

⁹ Source: ADB Asia Regional Integration Center's Integration Indicators Database. Available: www.aric.adb.org.

¹⁰ ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank, 2008–2020*. Manila.

¹¹ Such as SAARC and BIMSTEC.

involve various stakeholders. This TA will involve key ministries, including ministries of finance and foreign affairs, as well as other stakeholders, at early stages to ensure the smooth endorsement and implementation of regional projects and agreements.

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

10. The TA is expected to enhance regional economic cooperation in South Asia. This will be gauged by increases in the movement of goods, services, information, and people in South Asia. The envisaged outcome is agreed regional cooperation activities and projects.

11. The TA will focus on (i) assisting participating countries in identifying and preparing regional projects¹² and national projects with regional implications, (ii) preparing studies and papers to support the formation of a regional cooperation agenda, (iii) providing a venue for regional dialogue, and (iv) developing regional capacity in formulating and implementing regional projects and activities.

B. Methodology and Key Activities

12. The TA will have four components: (i) preparation of regional projects, (ii) awareness building, (iii) capacity development, and (iv) technical and logistical support. The TA is designed to be flexible in order to support regional projects agreed among participating countries, including projects identified under the SAARC and BIMSTEC frameworks and ongoing subregional initiatives, bilateral projects with regional implications, and national projects with regional implications, which will serve as building blocks to wider regional cooperation in South Asia. The TA is also flexible in supporting the participation of South Asian countries¹³ and its neighbors in regional projects and activities.

13. **Preparation of regional projects.** Regional technical meetings and workshops will be organized to assist participating countries in prioritizing and preparing regional projects and national projects with regional implications in the priority sectors of transport, energy, and trade facilitation, based on the rich pool of potential regional investment projects identified earlier. These meetings can be used to discuss and develop sector road maps as needed. The TA will support high-level forums of senior government officials to be held annually to facilitate discussions on strategic directions and to obtain the endorsement of priority regional projects.

14. Studies and papers on selected regional cooperation topics will be prepared, with a focus on prefeasibility studies for priority projects. These studies will provide technical and policy advisory inputs to, and support the formulation of, South Asia's regional cooperation agenda. The studies and papers will be designed in close coordination with participating countries, regional institutions, think tanks, and other stakeholders.

15. **Awareness building.** Awareness building activities such as regional conferences and forums for various stakeholders and policy makers will be organized to provide venues for regional dialogue and information exchange. Selected regional studies can be presented and discussed in these conferences. These activities can help generate wider support for regional cooperation in South Asia.

¹² Including regional, intraregional, and subregional projects.

¹³ South Asian countries are Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka.

16. **Capacity development.** The TA will support capacity development programs that will be designed in close coordination with participating countries, key stakeholders, and regional institutions. Capacity development programs aim to enhance country and regional capacity to effectively formulate and implement regional projects and activities and will be based on successful training modules of other regional cooperation initiatives. A mix of case studies, experience sharing, on-site visits, and lectures can be used in capacity development. Other stakeholders can be invited to participate in training as appropriate.

17. **Technical and logistical support.** Technical and logistical support will be provided in ADB headquarters and selected resident missions to support the implementation of this TA, including the organization of regional meetings and forums and the facilitation of coordination among participating countries. The regional cooperation advisor will prepare semiannual progress reports to be distributed to participating countries and provide regular updates on the status of TA implementation.

18. Given the multi-country nature of the TA and the complexities of cross-border projects, it is important to involve key stakeholders, including ministries of finance and foreign affairs and other relevant line agencies, in all stages of the TA implementation. As such, promoting and supporting dialogue with key policy makers from all participating governments and enhancing stakeholders' awareness of the benefits of regional cooperation are crucial to generating support for regional cooperation in South Asia as a whole and for this TA in particular. The TA will encourage and facilitate private sector participation as appropriate. The TA is flexible in supporting the participation of South Asian countries and its neighbors in regional projects and activities and will follow SAARC guidelines of engagement where applicable.

C. Cost and Financing

19. The TA cost is estimated at \$1.5 million and will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF–IV). The detailed cost estimates and financing plan are in Appendix 2.

D. Implementation Arrangements

20. The TA will be implemented over 36 months from January 2010 to December 2012. ADB will be the executing agency. The South Asia Country Coordination and Regional Cooperation Division will be responsible for TA implementation. An ADB TA team will comprise staff of the South Asia Country Coordination and Regional Cooperation Division and other divisions, resident missions, and consultants as appropriate. The ADB TA team will closely coordinate with participating countries and other departments in ADB, including the Central and West Asia Department, Southeast Asia Department, Office of Regional Economic Integration, and Regional and Sustainable Development Department. Designated focal persons in relevant divisions of the ADB South Asia Department will assist in implementing activities and/or programs. Disbursements under the TA will be conducted in accordance with ADB's *Technical Assistance Disbursement Handbook*.¹⁴ Equipment such as computers and software will be purchased in accordance with ADB's Procurement Guidelines (2007, as amended from time to time). Equipment will be turned over to ADB upon completion of the TA.

¹⁴ ADB. 2008. *Technical Assistance Disbursement Handbook*. Manila.

21. A total of 126 person-months of consultancy services will be engaged for this TA, including 108 person-months of national consultancy. Consultants will be engaged on an individual basis in accordance with ADB's Guidelines on the Use of Consultants (2007, as amended from time to time). The outline terms of reference for consultants are in Appendix 3.

22. The components for the preparation of regional projects and capacity development will require 18 person-months of international consultancy provided by thematic experts and capacity development specialists. Thematic experts will provide advisory and technical inputs on sector and thematic studies supported by the TA. Capacity development specialists will be responsible for designing and conducting capacity development programs. These programs will be designed in close consultation with participating countries.

23. The technical and logistical support component will be undertaken by ADB. The services of three national consultants based in ADB headquarters will be required for 90 person-months. These consultants will be a (i) regional cooperation advisor, (ii) regional cooperation specialist, and (iii) program analyst and/or regional cooperation expert. They will provide technical and logistical inputs and assist the ADB TA team in coordinating with participating countries and in organizing TA activities. In-country regional cooperation specialist(s) (national consultant[s]) will be engaged in resident mission(s) for a total of 18 person-months.

24. The progress of TA implementation will be monitored through regular progress reports, reports and updates during high-level forums, and regular country consultation meetings, among other means. A TA completion report will evaluate TA achievement. Good practices and lessons will be disseminated through the meetings, and progress reports will be circulated to selected stakeholders.

IV. THE PRESIDENT'S DECISION

25. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$1,500,000 on a grant basis for Support for South Asia Regional Economic Cooperation, and hereby reports this action to the Board.

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>3. Awareness building regional conferences and forums</p> <p>4. Capacity development programs</p> <p>5. Technical assistance management, monitoring, and evaluation</p>	<p>studies of priority sectors by January 2012 as needed</p> <p>Regional conferences and/or forums held annually</p> <p>At least two capacity development workshops and/or seminars held by 2012</p> <p>Progress reports circulated in June and December of each year</p> <p>Project activities are completed as scheduled.</p>		<p>consensus within each participating country could vary.</p> <p>Government policies and willingness to cooperate of participating countries could change.</p> <p>Changes in government leadership and public officials</p> <p>Varied capacity in countries</p>
<p>Activities with Milestones</p> <p>1. Discussions on Regional Cooperation</p> <p>1.1 Organize high-level forums, regional consultations, and meetings (at least annually in June 2010, 2011, and 2012).</p> <p>1.2 Organize sector meetings and consultations with countries and regional organizations (to be agreed during implementation).</p> <p>1.3 Organize technical forums for ministry secretaries to achieve the necessary agreements on sectors with ADB regional projects (at least annually in November 2010, 2011, and 2012).</p> <p>2. Studies and Papers</p> <p>2.1 Prepare technical and policy studies papers (March 2011).</p> <p>2.2 Prepare prefeasibility studies of priority regional projects (January 2012).</p> <p>3. Awareness Building Conferences and Forums</p> <p>3.1 Organize annual regional conferences and forums with various stakeholders and policy makers to increase awareness of regional cooperation (2011 and 2012).</p> <p>4. Capacity Development</p> <p>4.1 Prepare capacity development programs in consultation with participating countries (December 2010).</p> <p>4.2 Conduct capacity development programs (2011–2012).</p> <p>5. TA management</p> <p>5.1 Facilitate dialogue and coordinate with participating countries (2010–2012).</p> <p>5.2 Update information and progress on regional cooperation in South Asia (2010–2012).</p> <p>5.3 Prepare progress reports (June and December 2010, 2011, and 2012).</p> <p>5.4 Prepare other TA reports and papers as required (2010–2012).</p>			<p>Inputs</p> <p>ADB \$1.5 million</p> <p>126 person-months of consultancy services: 90 person-months of consultancy services from 3 national consultants based in ADB headquarters, 18 person-months from national consultant(s) based in resident mission(s), and 18 person-months from international consultants</p>

ADB = Asian Development Bank, BIMSTEC = Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation, SAARC = South Asian Association for Regional Cooperation, TA = technical assistance.

Source: Asian Development Bank

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Total Cost
Asian Development Bank Financing^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	345.00
ii. National consultants	334.00
b. International and local travel	
i. International consultants	109.00
ii. National consultants	75.00
2. Studies, reports, and publications	35.00
3. Meetings, conferences, forums, and trainings	415.00
4. Equipment	12.00
5. Miscellaneous administration and support costs	25.00
6. Contingencies	150.00
Total	1,500.00

^a Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF-IV).
Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. Under the technical assistance (TA) Support for South Asia Regional Economic Cooperation, international and national consultants will be recruited to (i) prepare studies and papers on regional cooperation, focusing primarily on prefeasibility studies for priority projects; (ii) implement capacity development programs for policy makers and other stakeholders; and (iii) provide technical and logistical support for implementing the TA. All will be engaged as individual consultants.

2. The TA will engage international consultants as thematic experts to conduct sector and thematic studies and as capacity development specialists to undertake the capacity development component of the TA. A regional cooperation advisor, a regional cooperation specialist, and a program analyst and/or regional cooperation expert will be based in Asian Development Bank (ADB) headquarters and assist in implementing the TA. In-country regional cooperation specialist(s) based in resident mission(s) will be engaged to provide support and advice on regional and country-specific issues.

A. Studies and Capacity Development

1. Thematic Experts (international, 12 person-months)

3. International consultants will be recruited for sector studies, thematic studies, and prefeasibility studies, as appropriate. The consultants may be asked to work with other international and national consultants as appropriate. The consultants will have extensive experience in South Asia in transport, energy, trade, and/or other priority sectors. The consultants will be engaged, as required, to provide advisory and technical services. The thematic experts are expected to

- (i) undertake extensive consultations with officials, private sector representatives, and other stakeholders to assess cooperation issues and opportunities in their sector;
- (ii) analyze and prepare a paper on regional cooperation for the sector, including recommendations for projects;
- (iii) conduct prefeasibility studies for prioritized projects;
- (iv) revise and finalize completed sector reports based on reviews and comments from participating countries and ADB;
- (v) organize and facilitate consultations and participatory meetings;
- (vi) participate in meetings as approved; and
- (vii) perform other tasks as necessary.

2. Capacity Development Specialists (international, 6 person-months)

4. International consultants with expertise in capacity development and extensive knowledge of regional cooperation issues in South Asia will be engaged to develop the capacity of policy makers and other stakeholders who will be identified in close consultations with participating countries. They may be asked to work with other international and national consultants as appropriate.

5. The main tasks of the international consultants will include, but will not be limited to, the following:

- (i) assess capacity building requirements;

- (ii) prepare a capacity development plan and, following its approval, implement it;
- (iii) conduct training programs as approved by ADB and participating countries; and
- (iv) monitor progress in implementing capacity building.

B. Technical and Logistical Services and Support

1. Regional Cooperation Advisor (national, 30 person-months)

6. A regional cooperation advisor based in ADB headquarters will
- (i) provide advice on matters related to TA administration, including the coordination, consolidation, and monitoring of various activities under the TA;
 - (ii) assist in preparing regional cooperation operations business plans for South Asia;
 - (iii) assist in formulating the new regional cooperation strategy for South Asia;
 - (iv) prepare background papers, briefing papers, and presentation materials for meetings, conferences, and other TA events;
 - (v) review, comment on, and edit consultants' reports and other documents and papers as required;
 - (vi) prepare and update progress reports on TA activities and related projects, as well as newsletters and other publications as required;
 - (vii) prepare semiannual progress reports and summaries of proceedings of meetings, in coordination and consultation with ADB focal persons;
 - (viii) assist in implementing TA activities and meetings, as well as joint activities with other regional cooperation programs; and
 - (ix) participate in and assist ADB missions, conferences, workshops, seminars, and meetings.

2. Regional Cooperation Specialist (national, 30 person-months)

7. A regional cooperation specialist will be based in ADB headquarters and
- (i) assist in carrying out studies and papers related to regional cooperation, including project profiles of regional projects;
 - (ii) assist in preparing regional cooperation operations business plans for South Asia;
 - (iii) assist in formulating the new regional cooperation strategy for South Asia;
 - (iv) prepare presentations and papers relating to regional cooperation activities in South Asia;
 - (v) develop, maintain, and update the information system and webpage covering all TA activities;
 - (vi) prepare monitoring reports and coordinate with participating countries and sector experts on TA implementation matters;
 - (vii) assist in organizing meetings and other regional cooperation activities; and
 - (viii) participate in and assist ADB missions, conferences, workshops, seminars, and meetings.

3. Program Analyst and/or Regional Cooperation Expert (national, 30 person-months)

8. A senior program analyst and/or regional cooperation expert based in ADB headquarters will support the organization of regular meetings, workshops, forums, and activities for identifying and prioritizing projects in South Asia. The consultant will
- (i) support strategic regional activities by liaising with participating countries and ADB project officers regarding the implementation of regional cooperation,

- including organizing workshops and meetings in close collaboration with internal and external stakeholders;
- (ii) facilitate the appropriate protocol required for events and coordinate all necessary logistical arrangements for the conduct of the TA and other regional cooperation events such as conferences, meetings, workshops, delegation visits, including venue and travel arrangements, disbursements of per diem to participants, and the liquidation of expenses;
- (iii) strengthen the knowledge-management system of the ADB South Asia regional cooperation and integration team, including developing, maintaining, and updating the databases of regional cooperation activities in ADB, development partners, and regional organizations in South Asia;
- (iv) compile all final prints and electronic version of pertinent reports, speeches, and other documents;
- (v) gather data and provide inputs for preparing progress and accomplishment reports, a regional cooperation strategy, and other papers as necessary; and
- (vi) undertake other tasks as needed.

4. In-Country Regional Cooperation Specialist(s) (national, 18 person-months)

9. Nationally recruited consultant(s) based in resident mission(s) will
- (i) assist ADB in TA implementation by liaising and coordinating with the government and coordinating with the regional cooperation and integration team and other resident missions and sector experts to ensure the smooth flow of documents and communications among all stakeholders involved in TA implementation;
 - (ii) establish and maintain, through regular contact and consultation, working relationships with the key government agencies responsible for regional cooperation;
 - (iii) help prepare conferences, workshops, seminars, and meetings under the TA, as well as assist in preparing meeting documents;
 - (iv) prepare TA documents and papers, including progress reports as required;
 - (v) manage the database on TA implementation;
 - (vi) participate in ADB missions, conferences, workshops, and meetings as required;
 - (vii) carry out specified regional studies; and
 - (viii) carry out tasks related to regional cooperation as required.