



Technical Assistance Report

Project Number: 54132-001
Knowledge and Support Technical Assistance (KSTA)
December 2020

Republic of Azerbaijan: Strengthening Knowledge Management for More Effective Economic Policies

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 30 November 2020)

Currency unit	–	Azerbaijan manat (AZN)
AZN1.00	=	\$0.5882
\$1.00	=	AZN1.7000

ABBREVIATIONS

ADB	–	Asian Development Bank
ASAN	–	Azerbaijan Service and Assessment Network
CPS	–	country partnership strategy
KMS	–	knowledge management system
KPS	–	knowledge products and services
TA	–	technical assistance
UMIC	–	upper-middle-income country

NOTE

In this report, “\$” refers to United States dollars.

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KNOWLEDGE AND SUPPORT TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 54132-001	
Project Name	Strengthening Knowledge Management for More Effective Economic Policies	Department/Division	CWRD/AZRM
Nature of Activity	Policy Advice, Research and Development	Executing Agency	The State Agency for Public Services & Social Inno
Modality	Regular		
Country	Azerbaijan		
2. Sector		ADB Financing (\$ million)	
✓ Public sector management	Economic affairs management		0.25
	Public administration		0.13
		Total	0.38
3. Operational Priorities		Climate Change Information	
✓ Strengthening governance and institutional capacity		GHG Reductions (tons per annum)	0
		Climate Change impact on the Project	Low
		ADB Financing	
		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
		Cofinancing	
		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
Sustainable Development Goals		Gender Equity and Mainstreaming	
SDG 8.2		No gender elements (NGE)	✓
SDG 17.4			
		Poverty Targeting	
		General Intervention on Poverty	✓
4. Risk Categorization Low			
5. Safeguard Categorization Safeguard Policy Statement does not apply			
6. Financing			
Modality and Sources		Amount (\$ million)	
ADB		0.38	
Knowledge and Support technical assistance: Technical Assistance Special Fund		0.38	
Cofinancing		0.00	
None		0.00	
Counterpart		0.00	
None		0.00	
Total		0.38	
Currency of ADB Financing: US Dollar			

I. INTRODUCTION

1. The knowledge and support technical assistance (TA) will help strengthen evidence-based economic policy-making in Azerbaijan by improving the government's knowledge management system (KMS)¹. The TA will also promote sustainable responses to the country's demand for knowledge products and services (KPS).

2. The country knowledge plan under the country partnership strategy (CPS) for Azerbaijan, 2019–2023 of the Asian Development Bank (ADB) envisages the proposed TA as an important element in improving ADB's knowledge work in Azerbaijan, in line with the country's upper middle-income country (UMIC) status.² The TA is included in the 2020 TA pipeline of ADB's country operations business plan for Azerbaijan, 2020–2022.³ The TA project will be guided by the operational priorities of ADB's Strategy 2030, in particular operational priority 6.⁴

II. ISSUES

3. Azerbaijan has undergone a significant economic transformation since it regained independence in 1991 and reached an UMIC status in 2009. The economy continues to rely heavily on hydrocarbon export revenues and, hence, remains vulnerable to external shocks. Since 2016, the government has been spending significant sums on reforms to accelerate development of the non-oil economy.⁵ However, these reforms have been slow to materialize because of frequent changes in policies, reversal of institutional decisions and weak capacity to monitor the reform agenda.

4. Government KPS are typically not disseminated among agencies and are retained by individual employees of government agencies. This leads to a loss of institutional memory when the individuals who retain this knowledge leave a given agency. Resources must then be spent to regain that institutional knowledge. Moreover, the existing and inadequate coordination of silos in government-produced KPS constrain knowledge sharing and absorption in the public sector. To inform development planning and improve policy-making, the government seeks to establish an integrated knowledge management framework that will enable systematic collection, storage, screening, and use of KPS.⁶

5. A lack of regulations to protect knowledge and an absence of a dedicated government agency to act as knowledge custodian further compromises the sustainability of government KPS.⁷ The need to quickly design a comprehensive response to the coronavirus disease (COVID-

¹ The TA first appeared in business opportunities section of ADB website on 27 October 2020.

² ADB. 2019. *Country Partnership Strategy: Azerbaijan, 2019–2023—Promoting Diversified and Inclusive Growth*. Manila. Refer to paragraph 7 of the country knowledge plan (Appendix 2 of the country partnership strategy).

³ ADB. 2019. *Country Operations Business Plan: Azerbaijan, 2020–2022*. Manila. For the preparation of feasibility assessments, detailed designs, and project-related capacity building, the country operations business plan envisages \$15 million in knowledge support for strengthening infrastructure delivery through the Better Project Preparation Project Readiness Facility.

⁴ ADB. 2019. *Strategy 2030 Operational Plans: Overview*. Manila; ADB. 2019. *Strategy 2030 Operational Plan for Priority 6—Strengthening Governance and Institutional Capacity, 2019–2024*. Manila.

⁵ Presidential Decree No. 1138: About Approval of Strategic Road Maps on National Economy Perspectives and Main Sectors of the Economy. 6 December 2016.

⁶ There are also challenges with the state statistics system. ADB provides targeted support to the State Statistics Committee under the Data for Development regional TA project (TA 9356-REG). Several other development partners are also cooperating with the State Statistics Committee.

⁷ Regular development partner coordination meetings attended by the Azerbaijan Resident Mission suggest a strong case for the government to institute a KPS information management system.

19) pandemic has further underlined the importance of establishing a sustainable government KMS.

6. There is a growing demand for ADB-generated KPS in Azerbaijan.⁸ The country sees ADB as uniquely placed to share knowledge and build links with public and private sector stakeholders in Asia and the Pacific. The country assistance program evaluation for Azerbaijan, 2011–2017 of ADB's Independent Evaluation Department recommended that ADB carry out more analytical work on non-oil tradable sectors to support economic diversification.⁹ The CPS envisions strengthening ADB's role as a knowledge institution in Azerbaijan in line with its UMIC and resource-rich status. However, implementation of the CPS knowledge agenda is constrained by (i) the limited availability of ADB TA funding for KPS in Azerbaijan;¹⁰ (ii) ADB's lack of flexibility to respond quickly to targeted TA requests for emerging priority reforms; and (iii) the government's lack of a proper knowledge management system.¹¹

7. Azerbaijan has started to position itself as a donor. In November 2019, the government announced (i) pledges to the International Development Association (\$5 million) and the 13th replenishment of the Asian Development Fund (\$2 million); and (ii) allocation of \$2 million to the European Bank for Reconstruction and Development for delivery of knowledge and project preparatory work in Azerbaijan. In March 2020, Azerbaijan announced provision of \$5 million to the COVID-19 Fund of the World Health Organization. While Azerbaijan continues to be interested in receiving knowledge and advice, it has also started exporting knowledge. It shares expertise on digitalization of government services under the Azerbaijan Service and Assessment Network (ASAN), and shares knowledge on sovereign wealth management under the State Oil Fund of Azerbaijan.¹²

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

8. The TA is aligned with the following impact: efficiency of government spending on economic reforms improved. The TA will have the following outcome: effectiveness of economic policies improved.¹³ The planned outcome will be achieved through implementation of the outputs described in paras. 9–10.

B. Outputs, Methods, and Activities

9. **Output 1: Country knowledge system improved.** This output will support (i) preparation of a proposal to set up an integrated government KMS to store, search, share, disseminate, and evaluate KPS;¹⁴ (ii) development of a proposals to strengthen the country's institutional

⁸ Among the KPS demand areas are economic diversification, climate change, and the Fourth Industrial Revolution, which refers to a fusion of physical and digital technology and is set of highly disruptive technologies, such as artificial intelligence, robotics, blockchain and 3D printing that are transforming social, economic and political systems

⁹ Independent Evaluation Department. 2018. *Country Assistance Program Evaluation: Azerbaijan, 2011–2017*. Manila: ADB.

¹⁰ ADB has experience promoting sustainable delivery of KPS in Kazakhstan under ADB's [Joint Government of Kazakhstan and the Asian Development Bank Knowledge and Experience Exchange Program](#).

¹¹ "Tacit knowledge" comprises knowledge products and solutions generated under ADB-supported operations that remain unrecorded and unaccounted for, and hence cannot be used.

¹² In Azeri, the word "asan" means "easy". ASAN is under the State Agency on Civil Service and Social Innovations under the President of Azerbaijan.

¹³ The design and monitoring framework is in Appendix 1.

¹⁴ ADB will add value by building an IT-based KMS in Azerbaijan. This will be ADB's first attempt at such a project in Azerbaijan by any development partner.

knowledge-management framework, including certain legal aspects;¹⁵ (iii) pilot testing the KMS in one government agency to demonstrate its usefulness in formulating policies; and (iv) capacity building in knowledge management for staff (designated “knowledge custodians”) of selected government agencies.

10. **Output 2: Knowledge delivery in Azerbaijan strengthened.** This output will support (i) extracting knowledge from completed and ongoing ADB operations in Azerbaijan to draw lessons and inform the directions for future operations in the country; (ii) supporting demand-based knowledge work in the country to respond emerging priority reforms; (iii) development of a proposal on financing arrangements for knowledge-related work in Azerbaijan, drawing on the experiences of ADB and other development partners in Azerbaijan, as well as their experiences in other UMICs.

C. Cost and Financing

11. The TA is estimated to cost \$380,000, which will be financed on a grant basis by ADB’s Technical Assistance Special Fund (TASF-other sources). The key expenditure items are listed in Appendix 2.

12. The government will provide counterpart support in the form of office space and supplies, staff time, information and data, and other in-kind contributions.

D. Implementation Arrangements

13. The Azerbaijan Resident Mission of ADB’s Central and West Asia Department will administer the TA in coordination with the Knowledge Advisory Services Center of ADB’s Sustainable Development and Climate Change Department. The resident mission will ensure that concerned sector divisions of the Central and West Asia Department and sector and thematic groups of the Sustainable Development and Climate Change Department are involved from the identification to the monitoring and supervision of the KPS delivery.

14. The implementation arrangements are summarized in the table.

Implementation Arrangements			
Aspects	Arrangements		
Indicative implementation period	December 2020–December 2022		
Executing agency	State Agency for Public Service and Social Innovation under the President of the Republic of Azerbaijan		
Implementing agencies	Electronic Government Development Center under the State Agency for Public Service and Social Innovation (output 1) State Agency on Debt Management and Financial Obligations under the Ministry of Finance (output 2)		
Consultants	To be selected and engaged by ADB		
	Individual: Institutional Development (Knowledge Management) Specialist;	33 person-months, including 10 person-months international and	\$210,000

¹⁵ The institutional analysis of the current state of knowledge management will be conducted, including the type and nature of government-generated KPS, role of state analytical organizations, use and impact of these KPS in policy-making. Such an assessment could also reveal the existing gaps in certain expertise and skills by various government agencies.

Aspects	Arrangements		
	Information Technology Specialist; Knowledge Management Specialist; Economist/Institutional Development (Knowledge Management) Specialist; Legal Expert; Information Technology Specialist; Knowledge Management Specialist; Economist	23 person-months national)	
Procurement	Workshops and seminars	1 contract	\$20,000
Disbursement	Disbursement of TA resources will follow ADB's <i>Technical Assistance Disbursement Handbook</i> (2020, as amended from time to time).		

ADB = Asian Development Bank, TA = technical assistance.

Source: Asian Development Bank.

15. **Consulting services.** ADB will engage: (i) a project coordinator (individual national consultant) to coordinate all activities under the TA, in consultation with the State Agency for Public Service and Social Innovation under the President of the Republic of Azerbaijan; and (ii) individual consultants to deliver the outputs of the TA. The project will engage individual consultants rather than a firm because of the diverse expertise required. ADB will engage the consultants following the ADB Procurement Policy (2017, as amended from time to time) and its associated project administration instructions and/or staff instructions.¹⁶

IV. THE PRESIDENT'S DECISION

16. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$380,000 on a grant basis to the Government of Azerbaijan for Strengthening Knowledge Management for More Effective Economic Policies, and hereby reports this action to the Board.

¹⁶ Terms of Reference for Consultants (accessible from the list of linked documents in Appendix 3).

DESIGN AND MONITORING FRAMEWORK

Impact the TA is Aligned with Efficiency of government spending on economic reforms improved ^a			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
Outcome Effectiveness of economic policies improved	By 2022 Economic policies reflect inputs of the KMS and other KPS (2020 baseline: 0)	a. SAPSSI reports; quarterly TA consultants' progress reports	Weak coordination among government agencies. Reorganization in the government.
Outputs			
1. Country knowledge system improved	By 2022 1a. Proposal to set up government KMS to store, search, share, disseminate, and evaluate KPS prepared (2020 baseline: 0) 1b. proposal to strengthen institutional framework on knowledge management developed (2020 baseline: 0) 1c. KMS pilot-tested in 1 government agency (2020 baseline: 0)	1a. SAPSSI reports, quarterly TA consultants' progress reports 1b. SAPSSI reports, quarterly TA consultants' progress reports	Lack of ownership from the government, particularly in providing required information and data and weak interagency coordination.
2. Knowledge delivery in Azerbaijan strengthened	By 2022 2a. At least 3 knowledge products extracting knowledge from completed and ongoing ADB operations delivered (2020 baseline: 0) 2b. At least 2 knowledge products delivered in response to emerging priority reforms (2020 baseline: 0) 2c. Proposal on KPS financing arrangements in Azerbaijan submitted to the government (2020 baseline: 0)	2a-2c. Quarterly TA consultants' progress reports, K-Nexus report, TA review missions' aide memoires, and back-to-office reports	Change in priorities of the government agencies.

Key Activities with Milestones^c**1. Country knowledge system improved**

- 1.1 Recruit consultants (Q2 2021)
- 1.2 Review institutional framework, including legal aspects for government KMS (Q3 2021)
- 1.3 Complete the review of best international practices for government KMS (Q3 2021)
- 1.4 Submit first draft of institutional framework proposal for ADB review (Q4 2021)
- 1.5 Propose an agency for pilot testing and complete arrangements for pilot (Q4 2021)
- 1.6 Carry out training needs assessment and complete capacity building (Q3 2022)
- 1.7 Submit first draft of proposal to set up government KMS for ADB review (Q3 2022)

2. Knowledge delivery in Azerbaijan strengthened

- 2.1 Recruit consultants (Q2 2021)
- 2.2 Collect and screen ADB's tacit knowledge on Azerbaijan (Q3 2021)
- 2.3 Submit drafts of knowledge products based on ADB's tacit knowledge (Q3 2022)
- 2.4 Submit drafts of knowledge products in response to emerging priority reforms (Q4 2022)
- 2.5 Review legal framework for financial and budgetary arrangements for proposal for financing KPS in Azerbaijan (Q4 2021)
- 2.6 Organize workshop on dissemination of TA outputs (Q4 2022)

Assumptions for Partner Financing

N/A

ADB = Asian Development Bank, KMS = knowledge management system, KPS = knowledge products and services, N/A = not applicable, Q = quarter, SAPSSI = State Agency for Public Service and Social Innovation under the President of the Republic of Azerbaijan, TA = technical assistance.

^a Presidential Decree No. 1138: About Approval of Strategic Road Maps on National Economy Perspectives and Main Sectors of the Economy. 6 December 2016.

^b "Tacit knowledge" comprises knowledge products and solutions generated under ADB-supported operations that remain unrecorded and unaccounted for, and hence cannot be used.

^c Timelines of the milestones of the activities may change depending on quarantine and travel restrictions associated with the coronavirus disease (COVID-19) pandemic.

Source: Asian Development Bank.

COST ESTIMATES AND FINANCING PLAN (\$ '000)

Item	Amount
Asian Development Bank ^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	176
ii. National consultants	88
b. Out-of-pocket expenditures	
i. International and local travel	42
ii. Reports and Communications	24
2. Training, seminars, workshops, and conferences ^b	30
3. Contingencies	20
Total	380

Note: The technical assistance (TA) is estimated to cost \$380,000. The government will provide counterpart support in the form of office accommodation, venues for activities, communication facilities for consultants, remuneration for TA focal persons assigned, and other in-kind contributions. The value of the government contribution is estimated to account for 5% of the total TA cost.

^a Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF-other sources).

^b Includes study tours, translation, and any other administrative items.

Source: Asian Development Bank estimates.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=54132-001-TARreport>

1. Terms of Reference for Consultants