



Technical Assistance Report

Project Number: 49061-001
Policy and Advisory Technical Assistance (PATA)
October 2015

Kyrgyz Republic: Accession to the Eurasian Economic Union—Capturing the Opportunities and Addressing the Risks

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 2 October 2015)

Currency unit	=	som (Som)
Som1.00	=	\$0.0145
\$1.00	=	Som68.864

ABBREVIATIONS

ADB	–	Asian Development Bank
EEC	–	Eurasian Economic Commission
EEU	–	Eurasian Economic Union
GDP	–	gross domestic product
IMF	–	International Monetary Fund
MOE	–	Ministry of Economy
TA	–	technical assistance

NOTE

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

Vice-President	W. Zhang, Operations 1
Director General	S. O'Sullivan, Central and West Asia Department (CWRD)
Director	V. Tan, Regional Cooperation and Operations Coordination Division, CWRD
Team leader	L. Sabyrova, Principal Regional Economist, CWRD
Team members	C. Espina, Senior Economics Officer, CWRD R. Hiraoka, Country Director, CWRD D. Peschel, Economist, CWRD G. Tentieva, Senior Economics Officer, CWRD

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CONTENTS

	Page
POLICY AND ADVISORY TECHNICAL ASSISTANCE AT A GLANCE	
I. INTRODUCTION	1
II. ISSUES	1
III. THE POLICY AND ADVISORY TECHNICAL ASSISTANCE	2
A. Impact and Outcome	2
B. Methodology and Key Activities	3
C. Cost and Financing	4
D. Implementation Arrangements	4
IV. THE PRESIDENT'S DECISION	5
APPENDIXES	
1. Design and Monitoring Framework	6
2. Cost Estimates and Financing Plan	9
3. Outline Terms of Reference for Consultants	10

POLICY AND ADVISORY TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 49061-001	
Project Name	Accession to the Eurasian Economic Union—Capturing the Opportunities and Addressing the Risks	Department /Division	CWRD/CWRC
Country	Kyrgyz Republic	Executing Agency	Ministry of Economy
2. Sector	Subsector(s)	ADB Financing (\$ million)	
✓ Public sector management	Economic affairs management		0.25
Industry and trade	Industry and trade sector development		0.25
		Total	0.50
3. Strategic Agenda	Subcomponents	Climate Change Information	
Inclusive economic growth (IEG)	Pillar 1: Economic opportunities, including jobs, created and expanded	Climate Change impact on the Project	Low
Regional integration (RCI)	Pillar 2: Trade and investment		
4. Drivers of Change	Components	Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Institutional development	No gender elements (NGE)	✓
5. Poverty Targeting		Location Impact	
Project directly targets poverty	No	Nation-wide	High
6. TA Category:	B		
7. Safeguard Categorization	Not Applicable		
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		0.50	
Policy and advisory technical assistance: Technical Assistance Special Fund		0.50	
Cofinancing		0.00	
None		0.00	
Counterpart		0.00	
None		0.00	
Total		0.50	
9. Effective Development Cooperation			
Use of country procurement systems		No	
Use of country public financial management systems		No	

I. INTRODUCTION

1. The Kyrgyz Republic became a member of the Eurasian Economic Union (EEU) on 12 August 2015.¹ The country's accession to the EEU is expected to have diverse and significant implications for the country's economy. With the EEU's combined population of about 180 million and its larger market, the intended free movement of goods, services, capital, and labor, and elimination of customs controls and nontrade barriers, the EEU presents significant economic opportunities to the Kyrgyz Republic. The Kyrgyz Republic's economic policies, regulations, and the legal framework need to be adjusted to those of the EEU, and the potential economic and social costs of the accession need to be minimized. It is in this context that the Government of the Kyrgyz Republic has requested the Asian Development Bank (ADB) to provide the proposed technical assistance (TA),² which was included into the country operations business plan, 2015–2017.³

2. Consultations with representatives of the government, the country's private sector and think tanks, and development partners took place during the reconnaissance and fact-finding phases of TA preparation.⁴ The government expressed its concurrence with the TA design as described in the August 2015 fact-finding mission's memorandum of understanding. The design and monitoring framework of the TA is in Appendix 1.

II. ISSUES

3. Excluding the small island states, the Kyrgyz Republic is one of ADB's smallest developing member countries in terms of land area, population, and size of the economy. The country's real gross domestic product (GDP) is extremely volatile, reflecting significant dependency on several factors and vulnerability to external shocks.⁵ The country has strong economic ties with the Russian Federation, through remittances of the Kyrgyz workers, currency movements, trade, and investment channels.⁶

4. The Kyrgyz Republic's accession to the EEU occurs in the challenging internal and external economic environment, including economic slowdowns in the Russian Federation and in Kazakhstan.⁷ Both developments exert a downward pressure on the Kyrgyz economy, largely through the remittances and trade channels. Remittances started to fall 22.5% in the last quarter

¹ The treaty establishing the EEU was signed on 29 May 2014 by the presidents of Belarus, Kazakhstan, and the Russian Federation, and came into force on 1 January 2015. Armenia became a member of the EEU from 2 January 2015. The *Agreement on the Kyrgyz Republic's Accession to the EEU* was concluded on 23 December 2014, and its final protocols finalized on 8 May 2015. Subsequently, these legal documents were ratified by all EEU members' parliaments.

² The TA first appeared in the business opportunities section of ADB's website on 1 September 2015.

³ ADB. 2014. *Country Operations Business Plan: Kyrgyz Republic, 2015–2017*. Manila.

⁴ Among other relevant development partner assistance to the Kyrgyz Republic are the bilateral assistance on elimination of customs controls by Kazakhstan and the Russian Federation; an International Monetary Fund (IMF) assessment of the impact of the accession to the EEU; and various ongoing projects by the World Bank Group, United Nations Development Programme, and United States Agency for International Development aimed at business support, promotion of agricultural and nonagricultural value chains and exports, food safety, and others.

⁵ For example, real GDP growth in the last 5 years recorded: –0.5% (2010), 6.0% (2011), –0.1% (2012), 10.5% (2013), and 3.6% (2014). The gold sector is a key element of the economy, accounting for more than 40% of exports and more than 20% of industrial production, with the Kumtor Gold Company alone accounting for 8% of GDP.

⁶ The Russian Federation employs up to 1 million Kyrgyz citizens (about one-fifth of the population). Remittances from the Russian Federation—an important source of private consumption—are estimated at 25% of GDP.

⁷ The Russian GDP is expected to decline by 3.5% in 2015, and Kazakhstan's economic growth to slow down from the earlier 4.8% forecast to 2% in 2015. It is also expected that the feed-through effects from the Russian recession on migrant workers' transfers are expected to last longer this time than in 2009.

of 2014, and declined by more than 25% in the first half of 2015 (year-on-year). The sharp depreciation of the Russian ruble and the devaluation of the Kazakh tenge have put pressure on the som, which depreciated against the US dollar by 20% in 2014, and by 14.5% since the beginning of this year, resulting in higher inflation. Together with the lower expected gold production in 2015, the Kyrgyz Republic's real GDP growth is forecast to fall to 1.7%, down from 3.6% in 2014.⁸

5. The undiversified economy, driven mainly by gold production and remittances-backed private consumption, limits economic opportunities at home and leads to high unemployment. Given the country's limited economies of scale and significant economic vulnerabilities, regional economic integration is essential for the Kyrgyz Republic's economic prospects and its people's livelihoods.

6. The Kyrgyz Republic's accession to the EEU will impact the country's economy via the trade, migration, and investment channels.⁹ For the Kyrgyz Republic, the key issues include the elimination of customs controls at intra-EEU borders, an increase in duties on imports from outside the EEU, the adoption of the EEU technical regulations and standards, and the supply response from the specific sectors of the Kyrgyz economy, in particular, agriculture and food processing, garment, and the re-export sector.¹⁰ In addition, the Kyrgyz Republic's commitments and obligations under the World Trade Organization, of which the country is a member since 1998, would need to be reconsidered in light of the EEU membership.

7. The recurrent theme in the discussions with key stakeholders during the preparation of the proposed TA was the ensuing uncertainty as to the implications of the country's accession to the EEU. The following emerged as key issues related to the country's accession to the EEU: (i) the economic opportunities and risks to the country's economy; (ii) the considerable challenges during this transition period; (iii) the central and local government agencies' weak capacities related to the accession to the EEU; and (iv) the need for better and wider public awareness of the issues pertaining to the accession to the EEU, especially among the country's business sector.

III. THE POLICY AND ADVISORY TECHNICAL ASSISTANCE

A. Impact and Outcome

8. The proposed TA will support the Kyrgyz Republic following its accession to the EEU, with the view of capturing the economic opportunities presented by the EEU's larger market and its free movement of goods, services, capital, and labor, and minimizing the potential economic and social costs of the accession. The impact of the proposed TA will be the improved prospects of the Kyrgyz Republic's economy within the framework of the EEU. The outcome of the TA will be the improved capacity and capability of the Kyrgyz Republic's government to

⁸ In response to the unfolding economic difficulties and to help offset the impact of the Russian economic slowdown and other external factors, the government requested the IMF to provide an extended credit facility, and the IMF approved the \$92.4 million financing package in April 2015. IMF. 2015. *Kyrgyz Republic: Request for a Three-Year Arrangement Under the Extended Credit Facility*. Washington, DC.

⁹ These implications should be distinguished from the macroeconomic shock facing the Kyrgyz economy caused by the 2014's Russian ruble devaluation and the economic slowdowns in the Russian Federation and Kazakhstan.

¹⁰ Re-export of goods, mainly from the People's Republic of China and Turkey to other countries, comprises a significant part of the Kyrgyz economy, and contributes to employment and income.

formulate and adopt sound economic and social policies pertinent to the country's accession to the EEU.¹¹

B. Methodology and Key Activities

9. The above outcome of the TA will be achieved through the following outputs and activities.

10. **Output 1: Policy advice and analytical support on the Eurasian Economic Union accession issues.** These will include policy advice and analytical support for the Kyrgyz Republic's government on strategic issues, to ensure that the Eurasian Economic Commission's decisions do not have a detrimental effect, and are in the interests of the country's development. Specific issues for analytical and monitoring support include macroeconomic impacts, adoption of the common external tariff of the EEU, impact on trade, labor and investments, coordination on specific technical regulations, and impact on selected sectors of the economy.¹²

11. **Output 2: Improved methodology, coverage, and collection of statistical data to monitor the impact of the country's accession to the Eurasian Economic Union.** The Kyrgyz Republic's national statistics have limited methodology, scope, and coverage, severely hindering a routine monitoring of economic developments.¹³ This component will focus on improving the methodology, coverage, and collection of data on "mutual trade" in the Kyrgyz Republic, compatible and "mirror" trade statistics with EEU member countries, better statistics on labor migration and remittances, and other indicators required for the meaningful monitoring of the impact of the Kyrgyz Republic's accession to the EEU.¹⁴

12. **Output 3: Tailored training and public awareness programs to capture the economic opportunities presented by the Eurasian Economic Union.** To address the dearth of information on changes in economic policies, regulations, technical standards, legislative documents, etc., both among the public and private sectors, which hinders their adaptation to the new realities of the economy, this component will focus on training and public awareness programs specifically tailored for key stakeholders: central and local governments, small and medium-sized enterprises, individual entrepreneurs, business associations, and the country's think tanks.¹⁵

13. The following key risks to the TA project's implementation need to be considered: (i) political instability that can derail the initiated economic reforms; (ii) the weak voice of the Kyrgyz Republic in the supranational bodies of the EEU, which is dominated by larger EEU

¹¹ The TA's sustainability will be one of its key principles, in the sense that the TA's outcome will go beyond the EEU accession issues.

¹² Analytical support will focus on systemic issues, such as the development of methodologies for various assessments and appropriate training of Ministry of Economy (MOE) staff. For example, the TA will develop a methodology for assessing the impact of the Kyrgyz Republic's accession to the EEU on various sectors of the economy (including agriculture, textile industry, construction materials, and others), and will conduct a pilot assessment for a selected sector of the economy; or a methodology for regulatory impact analysis of regulations of the Eurasian Economic Commission on the Kyrgyz economy.

¹³ Attempts at formal economic modeling and scenario analysis (for example, within a computable general equilibrium framework, a standard tool for assessing general economic impacts) are constrained in the case of the Kyrgyz Republic.

¹⁴ "Mutual trade" denotes exports and imports between the EEU member countries.

¹⁵ Examples include the need to address unawareness among the country's businesses engaged in re-export and other trade operations regarding changes in the tax administration procedures associated with accession to the EEU, or establishment of a call center for clarification of various technical (for example, phytosanitary and veterinary) regulatory issues for companies and business associations.

member countries; and (iii) frequent turnover of government staff that may result in ineffective use of policy advice and recommendations.

C. Cost and Financing

14. The TA is estimated to cost \$600,000, of which \$500,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-V). The government will provide counterpart support in the form of counterpart staff, office space and supplies, and other in-kind contributions. The Ministry of Economy (MOE) and other relevant government agencies and departments will provide the required materials, information, and data. The cost estimates and financing plan are in Appendix 2.

D. Implementation Arrangements

15. The MOE is the state agency responsible for the overall coordination of the Kyrgyz Republic's accession matters, and it will be the executing agency for the TA. The TA will be administered by ADB. Several MOE departments and divisions will be involved in the TA, including the Department on Accession to the EEU and the World Trade Organization Issues, the Department of Technical Regulations and Metrology, the Macroeconomic Department, the Department of Strategic Planning and Regional Development, and the Department of External Aid Coordination. The MOE will assign the TA coordinator (the deputy minister in charge of the EEU accession) to support and coordinate all TA activities, and to assist with absorption of the TA outcomes into the MOE's work and activities.

16. A TA steering committee will be established under the chairmanship of the minister of economy, and will comprise senior government officials from the executing agency, the Government Staff Department, Ministry of Finance, National Statistical Committee of the Kyrgyz Republic, and other relevant agencies. The steering committee will oversee TA implementation and recommend adjustments to the TA scope, if needed. During the TA implementation, the MOE will coordinate activities of all relevant stakeholders, including the central and local authorities involved in the project, as well as the activities of other development partners in this area.

17. The TA will be implemented over 24 months, from January 2016 until December 2017. The TA will engage 12 person-months of international and 32 person-months of national consulting services in the field of macroeconomics, international trade and regional economic integration, statistics, and others. The outline terms of reference for the consulting services is in Appendix 3. The consultants will be engaged on an individual basis,¹⁶ and a national consulting firm will be engaged to implement the training and public awareness component. Resource persons (to be engaged for round tables, seminars, and study tours) will be recruited from ADB member countries using the single-source selection method. All consultants will be recruited in accordance with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). All procurement of goods will be conducted in accordance with ADB's Procurement Guidelines (2015, as amended from time to time). The equipment will be used for implementation of the TA and will be transferred to the executing agency at TA completion. All disbursement under the TA will be carried out in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time).

¹⁶ The preliminary search for potential firms in ADB member countries with suitable expertise and experience in the EEU, its policies, regulations, and institutions, has identified no such firms.

18. A series of round table discussions and workshops will be held under the TA, with participation of external experts, analytical organizations, development partners, and other relevant stakeholders. An evaluation of the TA outputs and outcomes will be carried out at the end of the TA and reflected in the TA completion report.

19. The TA will be monitored through biannual review of the TA implementation, involving submissions of progress reports by the consultants, and consultations with the government during TA review missions.

IV. THE PRESIDENT'S DECISION

20. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$500,000 on a grant basis to the Government of the Kyrgyz Republic for Accession to the Eurasian Economic Union—Capturing the Opportunities and Addressing the Risks, and hereby reports this action to the Board.

DESIGN AND MONITORING FRAMEWORK

Impact the Project is Aligned with Improved prospects of the Kyrgyz Republic's economy within the framework of the Eurasian Economic Union (Action Plan on Adaptation of the Kyrgyz Republic to the EEU, 2015–2016).			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
Outcome Improved capability of the Kyrgyz Republic's government to conduct sound economic and social policies pertinent to the country's accession to the EEU	2015 baseline: 0 a. The EEU policies and regulations adopted in 2016–2017 are in the interests of the Kyrgyz Republic b. Policy advice on economic and social impacts of the Kyrgyz Republic's accession to the EEU submitted to the government in 2016–2017 c. Monitoring capabilities of the economic and social impacts of the Kyrgyz Republic's accession to the EEU improved by end-2017	a–c. Government regulations and resolutions; MOE reports and website; TA consultants' reports; TA progress reports (biannual); development effectiveness briefs (ADB, yearly)	Political instability derails the economic reforms. The Kyrgyz Republic's voice in the supranational bodies of the EEU is weak.
Outputs 1. Policy advice and analytical support to the Kyrgyz Republic's government on the EEU accession issues	2015 baselines: 0 1a. At least three assessment documents (reports, policy notes, presentations, and other materials) containing strategic assessments of the EEU policies and regulations and their impacts on the Kyrgyz Republic's economy and social developments, completed by end-2017 1b. Four biannual reports on monitoring the impact of the EEU accession on the country's economic and social development completed by end 2017 1c. At least eight methodological documents (recommendations, models, and other analytical instruments on assessment of impacts of the EEU accession on the Kyrgyz Republic) developed and transferred to the government by end-2017 1d. At least 20 relevant government staff trained for the use of these analytical instruments by 2017	1a–1d. Government regulations and resolutions; MOE reports and website; TA consultants' reports; TA progress reports (TA, biannual); development effectiveness briefs (ADB, yearly)	Lack of access of TA consultants to the required documents Insufficient data and information on the impacts of the EEU on the Kyrgyz Republic's economic and social developments Weak coordination between the MOE departments, and between MOE and other government agencies
2. Improved methodology, coverage, and collection of statistical data for monitoring the impact of the country's accession to the	2015 baselines: 0 2a. At least two methodological documents with new, revised, or updated methodology, coverage, and collection of trade statistics between the Kyrgyz Republic and the EEU member countries, completed by end-2017 2b. At least two methodological	2a–2b. National Statistical Committee of the Kyrgyz Republic's reports and website; government regulations and resolutions; consultants' reports;	Collaboration and support from all relevant stakeholders is weak. Vested interests at the borders prevent reliable data

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
EEU	documents with new, revised, or updated methodology, coverage, and collection of statistics on labor migration and remittances completed by end-2017	TA progress reports (TA, biannual); development effectiveness briefs (ADB, yearly)	collection on re-export.
3. Tailored training and public awareness programs	<p>2015 baselines: 0</p> <p>3a. At least three training programs for various groups^a prepared by end-2016; at least three training programs implemented by end-2017</p> <p>3b. Television and radio programs and public awareness information materials on tax administration procedures and other issues associated with accession to the EEU published and disseminated to all target recipients by end-2017</p> <p>3c. Call center for clarification of technical (phytosanitary, veterinary, and other) regulatory issues for companies and business associations functional by end-2016</p>	3a–3c. Progress reports by the MOE, State Tax Agency, and other agencies; feedback from the targeted training and public awareness groups	Translation inadequacies hinder effective training and public awareness.

Key Activities with Milestones^b

- 1. Policy advice and analytical support to the Kyrgyz Republic's government on the EEU accession issues**
 - 1.1 Engage consulting services for the TA (January–March 2016).
 - 1.2 Finalize the detailed work plan, including the priority list of policy notes and other reports, as well as workshops and discussions, related to assessments of the EEU economic policies, legal framework, and key principles and regulations, and the required changes in the Kyrgyz Republic's economic policies, regulations and the legal framework (March 2016).
 - 1.3 Submit assessments and policy notes in line with the approved work plan (March 2016–October 2017).
 - 1.4 Conduct workshops and round tables in line with the approved work plan (April 2016–October 2017).
 - 1.5 Organize knowledge exchange seminars with staff of the Ministry of National Economy, Committee on Statistics of the Republic of Kazakhstan on the EEU-related matters (by September 2016).
 - 1.6 Submit progress reports containing the summaries of the undertaken activities and performance indicators (periodically).
- 2. Improved methodology, coverage, and collection of statistical data for monitoring the impact of the country's accession to the EEU**
 - 2.1 Finalize the detailed work plan, including the list and detailed time-based activities for the subcomponents, such as mutual trade, re-export, labor migrants' statistics, and others (March 2016).
 - 2.2 Undertake work on methodology, coverage, and collection of data on (i) mutual trade in the Kyrgyz Republic, compatible and "mirror" trade statistics with EEU member countries; (ii) statistics on labor migration and remittances; and (iii) other statistics as identified (March 2016–June 2017).
 - 2.3 Conduct workshops and round tables in line with the approved work plan (April 2016–October 2017).
 - 2.4 Submit progress reports containing the summaries of the undertaken activities and performance indicators (periodically).

Key Activities with Milestones^o	
3. Tailored training and public awareness programs	
3.1	Finalize the detailed work plan, including the education, training, and public awareness programs for targeted groups, including central and local governments, business, small and medium-sized enterprises, individual entrepreneurs, various associations, think tanks, and public at large (March 2016).
3.2	Prepare tool kits, guidelines, model documents when applicable, and brochures on relevant issues of the Kyrgyz Republic's accession to the EEU (March 2016–February 2017).
3.3	Conduct education and training activities in line with the approved work plan (April 2016–October 2017).
3.4	Establish a call center for clarification of technical (e.g., phytosanitary and veterinary) regulatory issues for companies and business associations (May 2016–October 2016).
3.5	Conduct workshops and round tables in line with the approved work plan (April 2016–October 2017).
3.6	Submit progress reports containing the summaries of the undertaken activities and performance indicators (periodically).
Inputs	
ADB: \$500,000 (TASF-V)	
Note: The government will provide counterpart support in the form of counterpart staff, office space, office supplies, and other in-kind contributions.	
Assumptions for Partner Financing	
Not applicable.	

ADB = Asian Development Bank, EEU = Eurasian Economic Union, MOE = Ministry of Economy, TA = technical assistance, TASF = technical assistance special fund.

^a Including central and local governments, small and medium-sized enterprises, individual entrepreneurs, various business and trade associations, think tanks, and other relevant stakeholders as identified.

^b The dates for the activities and milestones will be confirmed at TA inception phase.

Source: ADB.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Amount
Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	183.0
ii. National consultants	110.0
b. International and local travel	31.0
c. Reports and communications ^b	10.1
2. Equipment ^c	8.0
3. Study Tours ^d	
a. Resource persons ^e	9.0
b. Participants cost	15.5
4. Workshops, seminars, round tables ^f	33.0
5. Public awareness and training component ^g	60.0
6. Miscellaneous administration and support costs ^h	15.4
7. Contingencies	25.0
Total	500.0

Note: The technical assistance (TA) is estimated to cost \$600,000, of which contributions from the Asian Development Bank (ADB) are presented in the table above. The government will provide counterpart support in the form of counterpart staff, office space, office supplies, and other in-kind contributions. The value of government contribution is estimated to account for 17% of the total TA cost.

^a Financed by ADB's Technical Assistance Special Fund (TASF-V).

^b Includes reports translation cost.

^c Includes estimated cost of equipment for use by the consultants and the executing agency for the implementation of TA activities, in line with Administrative Order No. 4.02 on Asset Management and Inventory Control. All equipment will be procured in accordance with ADB's Procurement Guidelines (2015, as amended from time to time). The equipment will become the property of the Ministry of Economy at TA completion.

^d Study tours will be undertaken to the existing ADB member countries of the Eurasian Economic Union (EEU) under the first two components of the TA, to learn and use the relevant experiences and practices during the accession to the EEU.

^e Resource persons will be engaged as speakers and facilitators during the study tours. Resource persons are not expected to be engaged for more than 10 days and will be recruited from ADB member countries.

^f Includes rent of venue and other facilities, facilitators, background materials, and other related costs.

^g Includes rent of venue and other facilities, training materials, food and beverages, and other related costs.

^h Includes the cost of translation, office supplies, and advertisement and publications.

Source: ADB estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. The technical assistance (TA) will engage 12 person-months of international and 32 person-months of national consulting services in the field of macroeconomics, international trade and regional economic integration, statistics, and others. All consultants will be recruited in accordance with the Asian Development Bank (ADB) Guidelines on the Use of Consultants (2013, as amended from time to time).

A. International Consultants

2. **Macroeconomist and team leader** (6 person-months, intermittent). The team leader will lead the international and national specialists and be responsible for all TA outputs. The team leader will be a macroeconomist with preferably 15 years of international experience, including in economic development and regional integration affairs. A working knowledge of Russian language and work in the former Soviet Union countries would be desirable. The team leader will be responsible for preparation and submission of all TA progress reports and documentation.

3. To maximize the opportunities offered to the Kyrgyz Republic by the membership in the Eurasian Economic Union (EEU), and to alleviate potential costs and risks during the transition period associated with accession to the EEU, the macroeconomist, in collaboration with other consultants, will provide support and advice to government agencies on the following issues:

- (i) development of methodology for analyzing the impact of the Kyrgyz Republic's accession to the EEU on the selected sectors of the economy (including agriculture and food processing, textile industry, construction materials production, trade, construction, and others); support in carrying out a pilot analysis of one of the sectors chosen by agreement with the Ministry of Economy (MOE);
- (ii) methodological support in establishing a system of regulatory impact analysis of regulations and policies of the Eurasian Economic Commission (EEC) and other bodies of the EEU on the Kyrgyz economy, development of principles and rules for determining the priority directions for the analysis of the regulatory impact analysis of acts and decisions of the EEU, undertaking a pilot regulatory impact analysis of the most significant decisions, and training of MOE staff and other relevant agencies in such an analysis (together with the international consultant on international trade and regional integration and national consultants on macroeconomics, legal, and social issues);
- (iii) methodological support in the adaptation of the system of macroeconomic and budgetary forecasting to procedural interaction with the EEC (e.g., using consensus forecast of oil prices, global economic growth, imports, and other exogenous variables, modification of the method of budgetary forecasting);
- (iv) development of opportunities for exchange of experiences between relevant staff of the Kyrgyz Republic government and their colleagues from other EEU member states working in the field of macroeconomic management, statistics, tax administration and other fields (together with an expert on statistics and other members of the group); and
- (v) organization of expert discussions, round tables, and other types of professional and public debate to discuss and disseminate the analytical products of the TA (together with other members of the group).

4. **Economist on international trade and regional integration** (3 person-months, intermittent). The consultant will preferably have at least 15 years of international experience, including in international trade, economic development, World Trade Organization issues, and regional integration. A working knowledge of Russian language and work in the former Soviet Union countries would be desirable. The consultant will support the government on the following issues (in addition to those mentioned in the tasks of the macroeconomist above):

- (i) development of methodology for the analysis of the common external tariff of the EEU and its dynamics;
- (ii) development of methodology for analyzing the impact of changes in domestic economic policies in the Russian Federation, Kazakhstan, and other countries of the EEU, on the Kyrgyz economy (e.g., impact of the Russian import substitution policy or Kazakhstan's policy of intensive agriculture development on the Kyrgyz export to these countries);
- (iii) analytical support for issues of nontariff regulation (veterinary, sanitary and phytosanitary, and technical types of control), e.g., development of recommendations—on the basis of cost–benefit and institutional analyses—on introduction of new laboratories, certification procedures, and of adaptation of businesses to the new or modified requirements; and
- (iv) development of methodology for analysis of external shocks that have a direct impact on the EEU members, and through them, on the Kyrgyz Republic (e.g., the fall in global oil prices, western sanctions, etc.).

5. **Statistics expert** (3 person-months, intermittent). The consultant will have at least 10 years of professional experience, including in statistics on international trade and balance of payments, labor migration, and others. A working knowledge of Russian language and work in the former Soviet Union countries would be desirable. The consultant will work closely with other team members in delivering the TA outputs. The consultant will support the government on the following issues (in addition to those mentioned in the tasks of the macroeconomist above):

- (i) methodological support for development and implementation of information and recording system of the Kyrgyz Republic's imports and exports from and to the EEU countries of goods by rail, air, and road transport modes for the State Tax Service, the State Customs Service, and the National Statistical Committee;
- (ii) analysis of the effectiveness or assessment of the ongoing National Statistics Committee's work on "mutual trade" statistics between the Kyrgyz Republic and other EEU members; development of recommendations to improve the system, taking into account all possible sources of data, including the "mirror" statistics; and
- (iii) development of recommendations for improving the labor migration statistics, including the clarification of the conceptual framework (e.g., who constitutes a migrant worker), improving accounting of foreign workers in the country, and exploring possibilities of using the European Union and other regional integration arrangements' experiences in labor movement statistics.

B. National Consultants

6. **Macroeconomist and deputy team leader** (12 person-months, intermittent). The specialist will undertake relevant macroeconomic work, coordinate the work of national consultants, and be responsible for interaction of the consulting team with the government bodies of the Kyrgyz Republic. The consultant will be an expert in macroeconomics with at least

15 years of experience in government and international development projects. The consultant will support the government on the following issues:

- (i) a pilot analysis of the impact of the Kyrgyz Republic's accession to the EEU on one of the sectors of the economy, selected in consultation with MOE (together with the international consultant and macroeconomist);
- (ii) a pilot regulatory impact analysis of most significant acts and decisions of the EEC (economic aspects); development of recommendations on institutional, procedural, and operational issues of regulatory impact analyses of the EEC decisions in the Kyrgyz government; training of relevant MOE and other agencies' staff in such an analysis (together with the international consultant and macroeconomist and national consultants on legal and social issues); and
- (iii) support for the adaptation of the systems of macroeconomic and budgetary forecasting to the interaction procedures with the EEC.

7. **Social and labor market expert** (6 person-months, intermittent). The expert will have at least 10 years of experience in government or international development projects. The consultant will support the government on the following issues:

- (i) a pilot analysis of the impact of the Kyrgyz Republic's accession to the EEU on one of the sectors of the economy selected in consultation with MOE (social aspects), and
- (ii) a pilot regulatory impact analysis of most significant acts and/or decisions of the EEC on social aspects of the Kyrgyz economy.

8. **Legal expert** (6 person-months, intermittent). The expert will have at least 10 years of legal experience in government or international development projects, as well as experience of working on harmonization of the legislation of the Kyrgyz Republic with the legal framework of the EEU. The legal expert should have strong knowledge of the EEU framework, policies, rules and regulations, including those for accession; strong knowledge of the Kyrgyz Republic's policies, laws, rules, and regulations that may be affected by the accession; and experience in accession to, or other similar integration with, regional or other international arrangements similar to the EEU, including on revising legal frameworks, laws, rules and regulations to conform to, adapt to, or accommodate the regional or international arrangements acceded to. The consultant will support the government on the following issues:

- (i) a pilot regulatory impact analysis of most significant acts and/or decisions of the EEC (legal aspects); and
- (ii) an analysis of changes in the investment and business climate of the Kyrgyz Republic in the context of the EEU and development of recommendations for its improvement (together with the international consultant and macroeconomist).

9. **International trade and international regional integration expert** (4 person-months, intermittent). The expert will have at least 10 years of experience in government or international development projects. The consultant will support the government on the following issues:

- (i) development of methodology and analysis tools of the common external tariff and its dynamics;
- (ii) a pilot analysis of the impact of changes in the domestic economic policies of the Russian Federation, Kazakhstan, and other EEU countries on the Kyrgyz economy; and
- (iii) a pilot analysis of external shocks that have a direct impact on the EEU members, and indirect impact on the Kyrgyz Republic.

10. **Statistics expert** (4 person-months, intermittent). The expert will have at least 10 years of experience in government or international development projects. The consultant will support the government on the following issues:

- (i) development and implementation of information system for recording Kyrgyz imports and exports of goods from and to the EEU;
- (ii) assessment and improvement of the statistical system of “mutual trade” with the members with the EEU; and
- (iii) improvement of labor migration and remittances statistics.

11. **Training and public awareness specialists.** A consulting firm will be engaged under an output-based contract, and will work closely with other TA team members, government counterparts, and other stakeholders on coordinating and organizing the training and public awareness programs related to the Kyrgyz Republic’s accession to the EEU. The consultant will support the government on the following issues:

- (i) organization of training of (a) entrepreneurs and business associations; (b) government staff; (c) representatives of civil society and media; and (d) other groups as required, on new rules and regulations in the context of the EEU, including on changes in the taxation regime, customs procedures, sanitary and phytosanitary measures, technical regulations, statistics, and others; and
- (ii) public awareness campaign on the conditions and practical implications of the Kyrgyz Republic’s accession to the EEU, preparation of relevant television and radio programs, and publication and dissemination of various analytical materials and information.

12. All national consultants will participate in the interagency interaction and cooperation, in line with their main expertise, and in discussions of the analytical products under the TA.

C. Short-term Experts and Resource Persons

13. Short-term experts and/or resource persons will be engaged to prepare presentations and analytical materials on specific topics, and to act as discussants or panelists on related policy issues.