



Technical Assistance Concept Paper

Project Number: 53409-001
Knowledge and Support Technical Assistance (KSTA)
February 2020

Strengthening the Implementation of Regional Cooperation and Integration Initiatives of South Asian Association for Regional Cooperation

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KNOWLEDGE AND SUPPORT TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 53409-001	
Project Name	Strengthening the Implementation of Regional Cooperation and Integration Initiatives of South Asian Association for Regional Cooperation	Department/Division	SARD/SARC
Nature of Activity Modality	Capacity Development Regular	Executing Agency	Asian Development Bank
Country	REG (AFG, BAN, BHU, IND, MLD, NEP, PAK, SRI)		
2. Sector		ADB Financing (\$ million)	
✓ Industry and trade	Industry and trade sector development		0.15
	Trade and services		0.15
Public sector management	Public administration		0.25
Transport	Transport policies and institutional development		0.25
		Total	0.80
3. Operational Priorities		Climate Change Information	
✓	Addressing remaining poverty and reducing inequalities	Climate Change impact on the Project	Low
✓	Accelerating progress in gender equality		
✓	Strengthening governance and institutional capacity		
✓	Fostering regional cooperation and integration		
Sustainable Development Goals		Gender Equity and Mainstreaming	
	SDG 1.b	Some gender elements (SGE)	✓
	SDG 5.c		
	SDG 9.1, 9.3	Poverty Targeting	
	SDG 10.3	Geographic Targeting	✓
	SDG 17.10		
4. Risk Categorization Low			
5. Safeguard Categorization Safeguard Policy Statement does not apply			
6. Financing			
Modality and Sources		Amount (\$ million)	
ADB		0.80	
	Knowledge and Support technical assistance: Regional Cooperation and Integration Fund	0.50	
	Knowledge and Support technical assistance: Technical Assistance Special Fund	0.30	
Cofinancing		0.50	
	Republic of Korea e-Asia and Knowledge Partnership Fund (Full ADB Administration)	0.50	
Counterpart		0.00	
	None	0.00	
Total		1.30	
Currency of ADB Financing: US Dollar			

I. KNOWLEDGE AND SUPPORT TECHNICAL ASSISTANCE

1. The proposed knowledge and support technical assistance (TA) aims to support the South Asian Association for Regional Cooperation (SAARC) and its eight member states in catalyzing and implementing policies and measures directed at increasing regional cooperation and integration (RCI) levels and reinforcing the growth momentum of the region.

2. The TA is consistent, with and supportive of, the Strategy 2030 Operational Plan for Priority 7: Fostering Regional Cooperation and Integration 2019-2024, specifically with the three strategic pillars: greater and higher quality connectivity between economies, global and regional trade and investment opportunities expanded, and regional public goods increased and diversified.¹ The TA is also aligned with the country programs as all SAARC member states put premium on RCI as one key aspect to address national and regional development issues.²

A. Rationale

3. SAARC is a regional organization comprising eight member states, namely, Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka. It was established in 1985 with the objective to improve the quality of life of the people of South Asia through collective action in accelerating social progress and economic growth. During its almost 35 years of existence, significant achievements in RCI have been made.

4. For instance, 18 SAARC summits, 37 sessions of SAARC Council of Ministers (of SAARC Foreign Ministers), and 42 sessions of standing committee (of SAARC Foreign Secretaries) have been held. These led to a number of agreements on major issues such as the signing of the Agreement on South Asian Free Trade Area and the SAARC Agreement on Trade in Services, commitment to move toward South Asian Economic Union, implementation of SAARC visa exemption scheme, improvement in transport connectivity, and progress toward energy trade, among others. Memoranda of understanding (MOUs) with 25 international organizations and 26 agreements/conventions have been signed for collaborative projects in various sectors. A number of SAARC specialized bodies and regional centers have been established which serve as “centers of excellence” in specific fields. Technical committees and working groups have been established which work on specific areas of cooperation.

5. However, while SAARC has scored some successes on these fronts over the years, there are still notable challenges that impede the achievement of the full potential of RCI in the region, particularly, the timely implementation of agreed RCI initiatives. South Asia remains one of Asia’s less integrated sub-regions. The region scored 0.435 on the Asia-Pacific Regional Cooperation and Integration Index (ARCII), which is below the average regional integration index of 0.495.³

6. To illustrate, intraregional trade in 2018 accounted for around 6.3% of total trade while intraregional foreign direct investment (FDI) was a meager 0.1% of total FDI for SAARC countries.

¹ ADB. 2018. *Strategy 2030 Operational Plan for Priority 7: Fostering Regional Cooperation and Integration 2019-2024*. Manila.

² Six member states of SAARC are part of the SASEC (Bangladesh, Bhutan, India, Maldives, Nepal, and Sri Lanka) with the vision of boosting intraregional trade and cooperation in South Asia, while also developing connectivity and trade with Southeast Asia. Afghanistan and Pakistan are members of CAREC which aims to promote development through cooperation, leading to accelerated growth and poverty reduction.

³ The Asia-Pacific Regional Cooperation and Integration Index (ARCII) captures the contributions of six different aspects of regional integration. These include trade and investment, money and finance, regional value chain, infrastructure and connectivity, movement of people, and institutional and social integration.

This is in stark contrast to the figures for the same period for Southeast Asia which were recorded respectively at 23.1% and 16.5%, East Asia at 35.5% and 46.4%, and Central Asia at 7.6% and 2.9%.⁴ This is in large part due to the high cost of intra-SAARC trade, e.g., trade costs encountered by SAARC countries with their neighbors are higher compared to the cost of trading with the European Union and United States. The enormous potential of regional trade remains underexploited with gravity models showing that total goods traded within the sub-region could be worth \$67 billion, almost thrice the actual trade of only \$23 billion.⁵ This underscores the need to further enhance efforts to improve trade facilitation and infrastructure connectivity in the region, among others. According to ARCII, South Asia scores the lowest in infrastructure and connectivity among all the sub-regions in Asia.

7. A study reveals that the low level of RCI in SAARC countries is not a reflection of poor complementarities among SAARC member states but rather the absence of appropriate compliance with the agreed reforms and undertaking further initiatives that could help unlock South Asia's growth potential.⁶ Clearly, there is scope for improving integration by reducing transport costs, improving logistics infrastructure, promoting trade in services sector, substantially reducing barriers to trade, pursuing monetary and financial integration, providing platforms for broader knowledge sharing, and enhancing collective actions on regional public goods including climate change, among others.

8. **Previous ADB Assistance.** ADB has been supporting the SAARC in the following areas: (i) research and knowledge dissemination; (ii) capacity building and institution strengthening; and (iii) regional policy dialogue.⁷ In 2004, ADB and the SAARC Secretariat signed an MOU to establish a cooperative relationship with a view to promoting regional cooperation among the SAARC member countries. Under the MOU, ADB and the SAARC Secretariat agreed to support the efforts of the countries to attain sustainable poverty reduction by promoting: (i) programs and activities that will accelerate broad based economic growth, social development, and good governance; and (ii) cross-border movements of goods, services, and people through regional cooperation among the countries. They also agreed to promote programs and activities designed to establish institutional linkages between SAARC and other regional cooperation initiatives such as South Asia Subregional Economic Cooperation (SASEC) and Central Asia Regional Economic Cooperation (CAREC).

9. **Further Assistance to SAARC.** The SAARC Secretariat in November 2019 requested for ADB's continued financial and technical support to further promote RCI in the SAARC region. The proposed TA will build on the work completed and lessons learned from ADB's previous and ongoing support to SAARC. These include, among others, engendering political commitment from SAARC member states to ensure that the studies and dialogues will result in genuine collaborative actions, projects, and programs to accelerate achievement of development outcomes.

⁴ Regional integration indicators for Asia as cited in the Asian Economic Integration Report 2019/2020 of ADB.

⁵ Kathuria, Sanjay. 2018. *A Glass Half Full: The Promise of Regional Trade in South Asia*. *South Asia Development Forum*. Washington, DC. World Bank.

⁶ ESCAP. Subregional Office for South and South-West Asia. 2012. *Regional Cooperation for Inclusive and Sustainable Development Report 2012-13*. New Delhi.

⁷ ADB provided six TAs to SAARC, namely, [TA 6187: Promoting South Asian Regional Economic Cooperation](#); [TA 6368: Preparing the Regional Technical Assistance on Energy Sector Dialogue and South Asian Association for Regional Cooperation \(SAARC\) Energy Center Capacity Development Project](#); [TA 6476: South Asian Regional Cooperation in 2030: The Potential Role of India and Pakistan](#); [TA 6512: Promoting South Asian Regional Economic Cooperation II](#); [TA 7529: Study on a South Asia Regional Power Exchange](#); [TA 8736: South Asian Association for Regional Cooperation Food Security through Control of Transboundary Animal Diseases](#).

10. SAARC covers resources-rich and some of the fastest growing countries in ADB's Central and West Asia Department and South Asia Department, and complements other RCI programs including CAREC and SASEC for which ADB serves as secretariat. The TA will explore greater synergies with ongoing or planned operations of ADB for the two subregional cooperation programs and further strengthen cooperation with SAARC to move forward inter-subregional RCI agenda.

B. Proposed Solutions

11. The proposed TA will allow ADB to respond to the request of SAARC Secretariat for continued support to further enhance RCI in the region.

12. The TA's outputs are as follows:

- a. **Analytical studies on priority regional development issues produced.** The analytical studies will produce operationally relevant knowledge and identify regional projects that have the potential to be included in the respective country's operational plan and ADB regional lending pipelines. Topics that will be covered include transport connectivity, trade and investment, and other priority regional development issues. The transport study will focus on linking South Asia with Central Asia by all modes of transport and further updating the SAARC Regional Multimodal Transport Study.⁸ The study on trade and investment will explore the harmonization of 8-digit harmonized system tariff lines and harmonization of 8-digit customs tariff in SAARC countries.⁹ Other analytical studies may also be conducted as needed.
- b. **Capacity building, knowledge sharing, and policy dialogues organized.** The topics to be covered include the following: (i) climate change to review the implementation of Thimphu Statement on Climate Change, and Roadmap for implementing the Study on Climate Risks in the SAARC Region and to suggest ways forward based on current status;¹⁰ (ii) poverty reduction to review the SAARC Plan of Action on Poverty Alleviation in light of the 2030 Development Agenda; (iii) regional economic integration to review the progress toward South Asia Economic Union, particularly in the seven prioritized areas¹¹ as well as in the implementation of the World Trade Organization Trade Facilitation Agreement; and (iv) regional financial cooperation to further enhance the effectiveness of the Informal Meeting of the SAARC Finance Ministers to be held at the sidelines of the ADB annual meetings. The TA will endeavor to organize some of these activities in

⁸ The SAARC Regional Multimodal Transport Study serves as the regional transport blueprint to improve regional connectivity and facilitate the movement of goods and people among the SAARC member-states. It is a key reference material for SAARC member states to plan and develop their respective regional transport projects.

⁹ All SAARC Member States have different 8-digit tariff lines. An effort to harmonize these is yet been made although upon recommendations of the Sub-Group on Customs Cooperation, all 8-digit Harmonized System lines have been submitted by the member states for the purpose of harmonization.

¹⁰ Titled "Climate Risks in the Region: Ways to Address the Social, Economic, and Environmental Challenges," this study was commissioned under the directive of the Thimphu Statement on Climate Change adopted by the Member States of SAARC at the Sixteenth SAARC Summit in April 2010. The study was supported under TA-6512 (REG): Promoting South Asian Regional Economic Cooperation II and TA-8572 (REG): Action on Climate Change in South Asia (2013-2018).

¹¹ The seven recommendations to be given priority are: (i) reduction/removal of nontariff barriers and para-tariff barriers; (ii) energy cooperation; (iii) trade facilitation measures; (iv) investment cooperation; (v) reduction of products in sensitive lists; (vi) SAARC Agreement on Trade in Services; and (vii) connectivity improvement (in rail, road, air, and maritime sectors).

collaboration with mutually recognized partners. Other topics may also be included upon discussion with SAARC.

13. These outputs will result in the following outcome: implementation of RCI initiatives in SAARC enhanced. The TA will be aligned with the following impact: regional cooperation and integration levels among member states of SAARC increased.¹²

14. The TA approach is considered for this project since the proposal is not directly linked to ADB-financed projects, but instead promotes knowledge generation and seeks to build capacity of SAARC and its member states.

C. Indicative Technical Assistance Budget and Financing Sources

15. The TA budget is estimated to cost \$1,300,000, of which (i) \$300,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-6, \$225,000 and TASF-Others, \$75,000), (ii) \$500,000 will be financed on a grant basis by ADB's Regional Cooperation and Integration Fund, and (iii) \$500,000 will be financed on a grant basis by the Republic of Korea e-Asia and Knowledge Partnership Fund and administered by ADB.

D. Implementation Arrangements

16. ADB will administer the TA through the Regional Cooperation and Operations Coordination Division, South Asia Department in close consultation with the SAARC Secretariat and member states, Central and West Asia Department, RCI Thematic Group, and other relevant units/departments of ADB. ADB will engage a number of individual consultants for the implementation of TA activities, following the ADB Procurement Policy (2017, as amended from time to time) and its associated staff instructions. The indicative implementation arrangements are summarized in Table 1.

Table 1: Indicative Implementation Arrangements

Aspects	Arrangements		
Indicative implementation period	March 2020–March 2022		
Executing agency	ADB		
Implementing agencies	ADB		
Consultants	Package title	Selection method	Engaged by
	5 international consultants	Individual consultant selection	ADB
	9 national consultants	Individual consultant selection	ADB
Disbursements	The TA resources will be disbursed following ADB's <i>Technical Assistance Disbursement Handbook</i> (2010, as amended from time to time).		

ADB = Asian Development Bank, TA = technical assistance.

Source: Asian Development Bank.

¹² The design and monitoring framework is in Appendix 1.

II. DELIBERATIVE AND DECISION-MAKING ITEMS

A. Risk Categorization

17. The TA is categorized as low risk. ADB has implemented previous regional TAs for SAARC. Similarly, this TA does not exhibit any of the characteristics of a complex TA nor is an exception to a policy and does not involve cost recovery. It is neither a delegated TA nor requires transfer of funds from ADB to other entities. The TA does not involve knowledge partnership, integrity concerns nor pilot testing of a project approach. There are no areas warranting closer scrutiny.

B. Scope of Due Diligence

18. The South Asia Department will undertake due diligence to prepare the TA report addressing the following items: (i) rationale for the TA; (ii) outputs; (iii) cost estimate, TA budget, and specific financing sources, including confirmation of eligibility of proposed expenditures under ARTCF guidelines; (iv) description of consulting services; (v) implementation period and arrangements; and (vi) applicable optional provisions. In addition, the following aspects will be carefully assessed: (i) size and implementation period, and (ii) administrative efficiency.

C. Processing Schedule

19. The processing schedule by milestone is shown in Table 2.

Table 2: Processing Schedule by Milestone

Milestones	Expected Completion Date
1. TA concept approved	February 2020
2. TA report approved	March 2020
3. TA endorsed by the SAARC Secretariat	April 2020

SAARC = South Asian Association for Regional Cooperation, TA = technical assistance.

Source: Asian Development Bank.

PRELIMINARY DESIGN AND MONITORING FRAMEWORK

Impact the TA is aligned with Regional cooperation and integration levels among member states of SAARC increased (defined by TA)			
Results Chain	Performance Indicators With Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
Outcome Implementation of RCI initiatives in SAARC enhanced	By 2022: At least two policy recommendations for improved RCI adopted for implementation by SAARC member states and Secretariat (2019 baseline: not applicable)	Minutes of SAARC meetings	Prolonged decision making leading to delays in acceptance and adoption of policy recommendations
Outputs 1. Analytical studies on priority regional development issues produced	By 2022: 1a. At least one study each on transport linkage with Central Asia, SRMTS, and harmonization of tariffs submitted to SAARC Secretariat (2019 baseline: 1) 1b. At least 2 dissemination workshops for the studies organized (2019 baseline: 1)	1a. Final study on transport and trade 1b. Consultants reports, workshop documentation, meeting minutes, and workshop procedures	Delay in the governments' submission of inputs
2. Capacity building, knowledge sharing, and policy dialogues organized	By 2022: 2a. At least 10 capacity building, knowledge sharing, and policy dialogue activities conducted (2019 baseline: 8) 2b. At least 80% participants of workshops, trainings, and learning events, with at least 30% women, reported increased knowledge and awareness on select thematic areas (2019 baseline: not applicable)	2a. Consultants reports, workshop documentation, meeting minutes, and workshop procedures 2b. Evaluation reports on training sessions	Competing work priorities affect participation of targeted staff in training programs

Key Activities with Milestones

1. Analytical studies on priority regional development issues produced

- 1.1 Hold consultation meetings with SAARC Secretariat and government agencies to identify the scope of analytical studies on transport (linking South Asia with Central Asia by all modes of transport and further updating the SRMTS), trade (harmonization of 8-digit HS tariff lines and 8-digit customs tariff), and other topics that may be deemed important by stakeholders (Q2 2020–Q3 2020)
- 1.2 Gather relevant data and conduct review of literature to support the abovementioned analytical studies (Q3 2020–Q4 2020)
- 1.3 Prepare draft study reports (Q4 2020–Q1 2021)
- 1.4 Conduct stakeholder consultations to present drafts and preliminary findings (Q2 2021–Q3 2021)
- 1.5 Finalize the reports by incorporating the comments from stakeholders (Q3 2021–Q4 2021)
- 1.6 Organize workshops to disseminate the results of the studies (Q4 2021–Q1 2022)

2. Capacity building, knowledge sharing, and policy dialogues organized

- 2.1 Assess training needs of SAARC Secretariat and member states (Q2 2020–Q3 2020)
- 2.2 Conduct policy reviews and dialogues and align results with the design of capacity building programs in the areas of climate change mitigation and adaptation, transport connectivity, trade facilitation, monetary and financial integration, and poverty alleviation, among others (Q3 2020–Q4 2020)
- 2.3 Conduct capacity building training programs (Q1 2021–Q4 2021)
- 2.4 Organize regional workshops, seminars, and conferences, and other knowledge events (Q1 2021–Q4 2021)

TA Management Activities

- Recruit consultants (Q2 2020)
TA inception and review missions (Q3 2020)

Inputs

- ADB Technical Assistance Special Fund: \$300,000 (TASF-6, \$225,000 and TASF-Others, \$75,000)
Regional Cooperation and Integration Fund: \$500,000
Republic of Korea e-Asia and Knowledge Partnership Fund: \$500,000

Assumptions for Partner Financing

Not Applicable

ADB = Asian Development Bank, HS = Harmonized System, Q = quarter, RCI = regional cooperation and integration, SAARC = South Asian Association for Regional Cooperation, SRMTS = SAARC Regional Multimodal Transport Study, TA = technical assistance.

Source: Asian Development Bank.