



Technical Assistance Report

Project Number: 55120-001
Transaction Technical Assistance Facility (F-TRTA)
November 2021

Central Asia Regional Economic Cooperation and the Caucasus Regional Infrastructure Preparation Facility

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Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
CAREC	–	Central Asia Regional Economic Cooperation
CWRD	–	Central and West Asia Department
DMC	–	developing member country
RCI	–	regional cooperation and integration
TA	–	technical assistance

NOTE

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

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CONTENTS

	Page
TRANSACTION TECHNICAL ASSISTANCE FACILITY AT A GLANCE	
I. THE TECHNICAL ASSISTANCE FACILITY	1
A. Justification	1
B. Outputs and Activities	3
C. Cost and Financing	4
D. Implementation Arrangements	4
II. THE PRESIDENT'S DECISION	5
APPENDIXES	
1. Cost Estimates and Financing Plan	6
2. Indicative Consultants' Input Allocation	7
3. List of Linked Documents	8

TRANSACTION TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 55120-001
Project Name	Central Asia Regional Economic Cooperation and the Caucasus Regional Infrastructure Preparation Facility	Department/Division CWRD/CWRC
Nature of Activity Modality	Project Preparation Facility	Executing Agency Asian Development Bank
Country	REG (KGZ, MON, PAK, TAJ, UZB)	
2. Sector	Subsector(s)	ADB Financing (\$ million)
✓ Water and other urban infrastructure and services	Other urban services	0.05
	Renovation and protection of cultural heritage	0.02
	Urban sanitation	0.10
	Urban sewerage	0.25
	Urban solid waste management	0.13
Industry and trade	Small and medium enterprise development	0.05
	Trade and services	0.05
Transport	Road transport (non-urban)	0.05
	Total	0.70
3. Operational Priorities	Climate Change Information	
✓ Addressing remaining poverty and reducing inequalities	GHG Reductions (tons per annum)	0.000
✓ Accelerating progress in gender equality	Climate Change impact on the Project	Low
✓ Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability	ADB Financing	
✓ Making cities more livable	Adaptation (\$ million)	0.00
✓ Strengthening governance and institutional capacity	Mitigation (\$ million)	0.00
✓ Fostering regional cooperation and integration	Cofinancing	
	Adaptation (\$ million)	0.00
	Mitigation (\$ million)	0.00
Sustainable Development Goals	Gender Equity and Mainstreaming	
SDG 1.4, 1.b	Effective gender mainstreaming (EGM)	✓
SDG 3.9		
SDG 5.c	Poverty Targeting	
SDG 6.3	General Intervention on Poverty	✓
SDG 8.9		
SDG 9.1, 9.3, 9.4		
SDG 10.2		
SDG 11.4, 11.6, 11.7		
SDG 12.8, 12.c		
4. Risk Categorization	Low	
5. Safeguard Categorization	Safeguard Policy Statement does not apply	
6. Financing		
Modality and Sources	Amount (\$ million)	
ADB	0.70	
Transaction technical assistance: Technical Assistance Special Fund	0.70	
Cofinancing	0.00	
None	0.00	
Counterpart	0.00	
None	0.00	
Total	0.70	
Currency of ADB Financing: US Dollar		

I. THE TECHNICAL ASSISTANCE FACILITY

A. Justification

1. The transaction technical assistance (TA) facility will support the preparation of ensuing regional infrastructure and connectivity projects in the Central Asia Regional Economic Cooperation (CAREC) and the Caucasus region during 2021–2023.

2. The transaction TA facility will enhance the ensuing regional infrastructure and connectivity projects by (i) reducing TA processing time, thus making project preparation more efficient, (ii) using the CAREC Program platform to strengthen multi-country coordination, (iii) maximizing the regional cooperation and integration (RCI) design elements and impacts of these projects, and (iv) further boosting the abilities of the CAREC and Caucasus region developing member countries (DMCs) to plan and prepare effective RCI operations in the future.

3. **Regional infrastructure financing challenges.** The DMCs in the CAREC and the Caucasus region face significant infrastructure financing gaps. With the exclusion of the comparatively stronger position of the People's Republic of China, the Asian Development Bank (ADB) estimates the infrastructure gap for the CAREC member countries at \$1.15 trillion at 2015 prices over the 2016–2030 period or at \$76.80 billion per year.¹ It is generally more challenging to develop and implement the regional infrastructure projects needed to fill this gap than the purely domestic ones. Regional designs are more complex, the political risks are more significant and numerous, and the full buy-in and cooperation of the countries involved is imperative. Mobilizing the necessary financing becomes more difficult as a result, particularly when private sector participation is essential.

4. **Obstacles to regional coordination.** Regional infrastructure projects involve the same difficulties faced by other development efforts of regional scale or with regional benefits. Their impact will be diminished without smooth coordination between multiple countries and stakeholders. Project designs must align with each participating DMC's regional and national strategies, policies, and support mechanisms. Failure to establish effective means for such coordination due to insufficient awareness, resources, and formal communication channels can delay a project's completion or impair its outcome.

5. **Offsetting benefits.** The resulting regional benefits counterbalance the project preparation challenges for regional projects. Participating DMCs can gain access to international industrial and agricultural value chains and benefit from regional public goods. Regional projects broaden economic growth for all the DMC partners and across all sectors. Regional transport, energy, and cross-border cooperation projects can (i) generate secondary- and tertiary-level projects in various sectors such as energy, transport, health, tourism, urban, and trade sectors, (ii) trigger additional domestic investment, and (iii) promote greater participation of a diverse array of development and finance stakeholders.

6. **Delivering solutions.** The TA facility will address challenges in the project preparation, regional coordination, design, overall financing, and other issues in the proposed ensuing Central and West Asia Department (CWRD) regional infrastructure projects detailed in Table 1. These projects will help improve connectivity, build climate change resilience, and promote digital infrastructure in the CAREC and Caucasus region. The TA facility will contribute to RCI innovations, especially in sector diversification (e.g., regional tourism development) and private

¹ ADB. 2017. [Meeting Asia's Infrastructure Needs](#). Manila.

sector participation in RCI, maximizing the RCI impact under various CAREC regional sector strategies supported by regional TAs.² The TA facility will provide advantages in collaborative solution development during the preparation of the two proposed projects and any future regional infrastructure interventions identified as suitable candidates for facility support.

7. A TA facility is especially suited to (i) help effective mobilization of RCI resources across different sectors; (ii) serve as a platform for accumulating and disseminating knowledge in the design, financing, and implementation of regional infrastructure projects; and (iii) enable multisector collaboration within ADB and CWRD to optimize the RCI design and maximize the RCI impact of regional infrastructure projects. The selection of the ensuing projects to be supported by the TA facility is based on the (i) regional nature of the project and its ability to create cross-border synergies in multiple countries (e.g. involvement of at least two or more CAREC and the Caucasus region DMCs; or high regional spillover impact to neighboring countries for projects covering a single country); (ii) compliance to sustainable infrastructure development principles such as the Group of Twenty (G20) Principles for Quality Infrastructure Investment; and (iii) degree of scalability and replicability of similar projects across the region.

Table 1: Proposed Ensuing Projects

Proposed Project Title	Description
Project 1. Kyrgyz Republic: The Issyk-Kul Environmental Management for Sustainable Tourism Development Project Processing Division: CWUW, CWRD Proposed gender categorization: EGM	The project will (i) improve public health and environmental conditions; (ii) enhance livability; and (iii) boost sustainable tourism and economic development through integrated planning, institutional support, and strategic investments for the overall Issyk-Kul Lake area and in the ABEC ^a region. It is aligned with the CAREC Strategy 2030, ^b and the CAREC Program's promotion of tourism within the region under the CAREC Tourism Strategy 2030. ^c It will support the Kyrgyz Republic's plan to develop tourism under the ABEC Tourism Master Plan. ^d It will promote innovation by adopting digital infrastructure and pursue gender-inclusive tourism by adopting gender-sensitive design such as gender-sensitive sanitation facilities. The project is listed in ADB's COBP for the Kyrgyz Republic, 2021–2023 ^e and the ICPM 2022-2024 for the Kyrgyz Republic.
Project 2. Kyrgyz Republic: Road Network Climate and Disaster Resilience Improvement Project Processing Division: CWTC, CWRD Proposed gender categorization: EGM	The proposed project will improve the road network's performance and climate and disaster resilience in the Kyrgyz Republic, including the Bishkek–Torugart road, which is part of the CAREC Corridor 1 linking the Kyrgyz Republic with the PRC and other CAREC countries. It will support the repair and construction of crucial structures such as bridges, galleries, and tunnels with improvements in gender-sensitive facilities. The project is aligned with the CAREC Strategy 2030 operational clusters of (i) trade, tourism, and economic corridors; and (ii) infrastructure and economic connectivity. The project is listed in the ICPM 2022-2024 for the Kyrgyz Republic.

ABEC = Almaty-Bishkek Economic Corridor, ADB = Asian Development Bank, CAREC = Central Asia Regional Economic Cooperation Department, COBP = country operations business plan, CWRD = Central and West Asia Department, CWTC = Transport and Communications Division, CWUW = Urban Development and Water Division, EGM = effective gender mainstreaming, ICPM = indicative country pipeline and monitoring, PRC = People's Republic of China.

^a The Almaty–Bishkek Economic Corridor is a pilot cross-border economic corridor around Almaty and Bishkek under the CAREC program. It aims to further integrate the relatively dense economic area in Central Asia and create one economic space without barriers, following a multisector approach.

^b ADB. 2017. [CAREC 2030: Connecting the Region for Shared and Sustainable Development](#). Manila.

^c ADB. 2020. [CAREC Tourism Strategy 2030](#). Manila

^d ADB. 2019. [Almaty–Bishkek Economic Corridor Tourism Master Plan](#). Manila.

² ADB. 2020. [CAREC Tourism Strategy 2030](#); ADB. 2014. [CAREC Transport and Trade Facilitation Strategy](#). 2020. Manila; ADB. 2019. [CAREC Energy Strategy 2030](#). Manila.

^e ADB. 2020. [Country Operations Business Plan: Kyrgyz Republic, 2021–2023](#). Manila. Project 1 is indicated as “Issyk-Kul Wastewater Management Project” but was changed to “Issyk-Kul Environmental Management for Sustainable Tourism Development Project.”
Source: Asian Development Bank.

8. **Applying lessons learned.** The TA facility incorporates essential findings of the midterm review of ADB’s Strategy 2020.³ This includes the review’s recommendations for ADB to better optimize and prioritize its resource use and TA resource allocation, improve the quality of project designs, reduce delays in project implementation, promote cost-efficiency in the procurement of services, maximize the value addition provided by consultant services, and achieve greater cost-effectiveness in project administration. Key lessons and recommendations from the thematic evaluation study⁴ and project completion reports on regional infrastructure development prepared by ADB’s Independent Evaluation Department⁵ will also be applied—i.e., more effective use of RCI platforms such as CAREC to advance regional infrastructure development; a concerted emphasis on good early planning and cross-country coordination; and recognition that securing sufficient funding during project preparation is important to its economic viability. The TA facility will focus on improving the capacity of DMCs in project design, preparation, and sequencing at regional level and support multi-country and inter-agency coordination.

9. **Linkage with ADB Strategies.** The TA facility will foster RCI, a prominent theme and one of the identified key operational priorities (operational priority [OP] 7) under ADB’s Strategy 2030.⁶ The TA facility is closely aligned with pillar 1 and pillar 2 of OP7 supporting higher-quality infrastructure connectivity between economies by improving transport and information and communications technology connectivity and efficiency of cross-border connectivity; and facilitating cross-border economic corridor development, including regional tourism development. It will also address OP2 (accelerating progress in gender equality)⁷ by promoting women’s economic empowerment. The TA facility also supports advancing the regional infrastructure agenda for reliable and sustainable infrastructure under operational cluster 3 (infrastructure and connectivity) and operational cluster 2 (trade, tourism and economic corridor cluster) of the CAREC 2030 Strategic Framework⁸ and the CAREC Transport Strategy 2030.⁹

B. Outputs and Activities

10. **Output 1: Project design and readiness improved.** The TA facility will provide project design and preparation support for the ensuing regional infrastructure projects. This includes preparation of (i) pre-feasibility and/or feasibility studies; (ii) economic and financial analyses; (iii) financial management assessments; (iv) cost estimates and financing plan including design of funds flow, accounting, financial reporting, and auditing arrangements; (v) poverty, social and gender analyses; (vi) consultations and surveys to ensure the participation of beneficiaries and affected people, particularly the poor and vulnerable and/or civil society organizations; (vii) risk assessment and management plans; (viii) environmental, involuntary resettlement, and indigenous peoples safeguards documents; (ix) assessments of climate risks and vulnerability; (x)

³ ADB. 2014. [Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific](#). Manila.

⁴ ADB. 2015. [Thematic Evaluation Study: Asian Development Bank Support for Regional Cooperation and Integration](#). Manila.

⁵ ADB. [Evaluation Lessons](#).

⁶ ADB. 2019. [Strategy 2030 Operational Plan for Priority 7: Fostering Regional Cooperation and Integration, 2019–2024](#). Manila.

⁷ ADB. 2019. [Strategy 2030 Operational Plan for Priority 2: Accelerating Progress in Gender Equality, 2019–2024](#). Manila.

⁸ ADB. 2017. [CAREC 2030: Connecting the Region for Shared and Sustainable Development](#). Manila.

⁹ ADB. 2020. [CAREC Transport Strategy 2030](#). Manila.

RCI and other sector assessments; (xi) policy and regulatory environment analysis and support; and (xii) innovative design for digital infrastructure utilizing information, communication, and technology systems. In particular, strong gender elements will be promoted by actively adopting gender action plans and specific gender design features in the ensuing projects.

11. Output 2: Regional project management and multi-country coordination capacity enhanced. The TA facility will support (i) an assessment on capacity, governance structure, and decision making processes in regional project design and preparation; (ii) the preparation of an institutional development and capacity building plan to address capacity needs and enhance multi-country and inter-agency cooperation and coordination, particularly in improving policy coherence, regulations, incentives, and regulatory framework in involved countries; (iii) the establishment of a project administration oversight and governance framework; (iii) capacity building and training to enhance project, financial, and contract management and the administration of environmental and social safeguards standards; and (iv) enhancement of climate resilience in project design.

12. Output 3: Knowledge sharing on regional infrastructure development promoted. The organization and financing of training, workshops, and conferences at the CAREC and Caucasus region level through the TA facility will support the accumulation, management, and sharing of knowledge by DMCs to help them develop innovative and sustainable regional infrastructure projects. Knowledge products will also be supported, when required, and the TA facility will work with the CAREC Institute to collect and disseminate appropriate lessons. The TA facility may develop and adopt effectiveness metrics that will measure the RCI impacts from ensuing projects at regional and national levels. It will also explore financing peer-to-peer learning between organizations in DMCs and developed countries.

C. Cost and Financing

13. The TA facility is estimated to cost \$700,000 which will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF 7). The key expenditure items are listed in Appendix 1.

14. The relevant governments will provide counterpart support in the form of counterpart staff, office space, office supplies, secretarial and coordination assistance, communication facilities for consultants, data acquisition, and other in-kind contributions. The Government of the Kyrgyz Republic was informed that approval of the TA facility does not commit ADB to finance any ensuing project. Subject to the availability of additional funding and assessment of the TA's facility performance, the TA facility's scope may be expanded to support other regional infrastructure projects suitable for and needing this TA facility's support. Any necessary changes in scope to reflect changes in financing, implementation plans, and consultants' terms of reference for additional ensuing projects would be made in accordance with ADB policies and procedures for administering TA projects.¹⁰

D. Implementation Arrangements

15. The TA activities for an ensuing project will start only after ADB approves the project's concept paper. ADB will administer the TA facility in close coordination with CAREC and the Caucasus region DMCs. The Regional Cooperation and Operations Coordination Division

¹⁰ ADB. 2018. Administering Grant-Financed Technical Assistance. *Project Administration Instructions*. PAI 5.09. Manila.

(CWRC) of CWRD will lead in the administration of the TA facility, together with the CWRD's Transport and Communications Division (CWTC), the Urban Development and Water Division (CWUW) and the relevant resident missions. Each of the sector divisions preparing the ensuing projects will select, administer, and supervise the consultants to support the delivery of the outputs and undertake the final evaluation of consultant performance. The Portfolio, Results, Safeguards and Gender Unit of CWRD will provide overall thematic oversight on capacity building, gender issues, financial management, and safeguard requirements. CWRC will coordinate closely with CWTC and CWUW and provide inputs to (i) enhance the RCI design of the ensuing projects, (ii) facilitate smooth coordination within the DMCs involved, (iii) administer the TA facility, and (iv) identify additional regional infrastructure projects for potential support and assist in securing the necessary additional funding.

16. The implementation arrangements are summarized in Table 2.

Table 2. Implementation Arrangements

Aspects	Arrangements		
Indicative implementation period	November 2021–December 2023		
Executing agency	ADB		
Implementing agencies	CWRC, CWTC, and CWUW of CWRD		
Consultants	To be selected and engaged by ADB		
	Firm: CQS	International: 1 person-month National: 1 person-month	\$50,000
	Individual: individual selection	International: 23 person-months National: 22 person-months	\$610,000
Procurement ^a	To be procured by consultants		
	RFQ	2 contracts ^b	\$40,000
Disbursement	The TA facility resources will be disbursed following ADB's <i>Technical Assistance Disbursement Handbook</i> (2020, as amended from time to time).		
Assets turnover or disposal arrangement upon TA completion	All fixed assets procured under the TA facility will be turned over to the project management offices of ensuing projects upon completion of TA facility activities.		

ADB = Asian Development Bank, CWRC = Regional Cooperation and Operations Coordination Division, CWRD = Central and West Asia Department, CWTC = Transport and Communications Division, CWUW= Urban Development and Water Division, CQS = consultants' qualification selection, RFQ = request for quotation, TA = technical assistance.
^a Procurement Plan (accessible from the list of linked documents in Appendix 3).

^b Household surveys, workshop materials, small office supplies.

Source: Asian Development Bank.

17. **Consulting services.** ADB will engage both individual consultants and a consulting firm following the ADB Procurement Policy (2017, as amended from time to time) and its associated staff instructions.¹¹ For the consulting firm, the consultants' qualification selection method will apply, and bio-data technical proposal will be requested. An output-based contract shall be used.

II. THE PRESIDENT'S DECISION

18. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$700,000 on a grant basis for the Central Asia Regional Economic Cooperation and the Caucasus Regional Infrastructure Preparation Facility, and hereby reports this action to the Board.

¹¹ Terms of Reference for Consultants (accessible from the list of linked documents in Appendix 3).

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Amount
Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	411.0
ii. National consultants	65.0
b. Out-of-pocket expenditures	
i. International and local travel	100.0
ii. Surveys ^b	10.0
iii. Reports and communications	10.0
iv. Miscellaneous administration and support costs ^c	5.0
2. Trainings, seminars and conferences ^d	50.0
3. Surveys ^b	20.0
4. Miscellaneous technical assistance administration costs ^e	5.0
5. Contingencies	24.0
Total	700.0

Note: The technical assistance (TA) is estimated to cost \$700,000 of which contributions from the Asian Development Bank are presented in the table. The government will provide counterpart support in the form of counterpart staff, office space, office supplies, secretariat and coordination assistance, communication facilities for consultants, data acquisition, and other in-kind contributions. The value of government contribution is estimated to account for 1% of the total TA cost.

^a Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF 7).

^b Including all types of surveys to ensure project quality and effectiveness.

^c Including translation and research assistant costs.

^d Including trainings on ADB's new procurement framework and other ADB procedures and workshops/seminars on due diligence results. Also including travel of ADB staff acting as resource persons. ADB (Budget, Personnel, and Management Systems Department; and Strategy and Policy Department). 2013. Use of Bank Resources: Regional Technical Assistance and Technical Assistance vs. Internal Administrative Expenses Budget. Memorandum. 26 June (internal).

^e Including editing, printing, and translation costs.

Source: Asian Development Bank estimates.

INDICATIVE CONSULTANTS' INPUT ALLOCATION
(person-month)

Item	Total	TRTA Facility	Project 1 Low Risk	Project 2 Low Risk
<u>International</u>				
Regional Cooperation Specialist	3.0	3.0		
<u>National</u>				
Regional Cooperation Coordinator	6.0	6.0		
<u>International</u>				
Water and Urban Development Specialist/Team Leader	4.5		4.5	
Wastewater Treatment Plant Specialist	2.5		2.5	
Municipal and Environmental Services Specialist	2.0		2.0	
Financial Due Diligence Expert	1.5		1.5	
Economist	1.5		1.5	
Public Private Partnership and SME Specialist	1.0		1.0	
Environment Safeguards and Climate Risk Specialist	2.0		2.0	
Social Safeguards and Resettlement Specialist	1.5		1.5	
Procurement and Contract Management Specialist	2.0		2.0	
Gender Specialist	1.5		1.5	
<u>National</u>				
Water Supply and Sanitation Specialist (NAT)	6.0		6.0	
Economics and Finance Specialist	3.0		3.0	
Gender and Social Development and Resettlement Specialist	4.0		4.0	
Environmental and Climate Risk Specialist	3.0		3.0	
<u>International</u>				
Bridge and Structure Engineering Specialist (Team Leader)	1.0			1.0
<u>National</u>				
Bridge Network Engineering Expert	1.0			1.0

Source: Asian Development Bank estimates.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=55120-001-TARreport>

1. Terms of Reference for Consultants
2. Procurement Plan