

The Future Direction of Capacity Building and the CONNEX Initiative: Role of Regional Development Banks

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**Resource rich developing countries
face several constraints when
negotiating and monitoring complex
contracts**

Key Constraints

- **Internal:**
 - **Capacity and capability challenges**
 - Weak legal and regulatory frameworks
 - Lack of specialized knowledge
 - **Difficulties in retaining qualified and experienced staff**
 - High staff turnover in key government agencies
 - **Asymmetry of information**
 - With respect to key variables of transaction
- **External:**
 - **Industry factors**
 - influencing mandate leading to the contract negotiations
 - **Fiscal and legal environment**

These are complex challenges and RDBs can play a key role in helping manage them

Risks may be unbalanced between the investors and the country



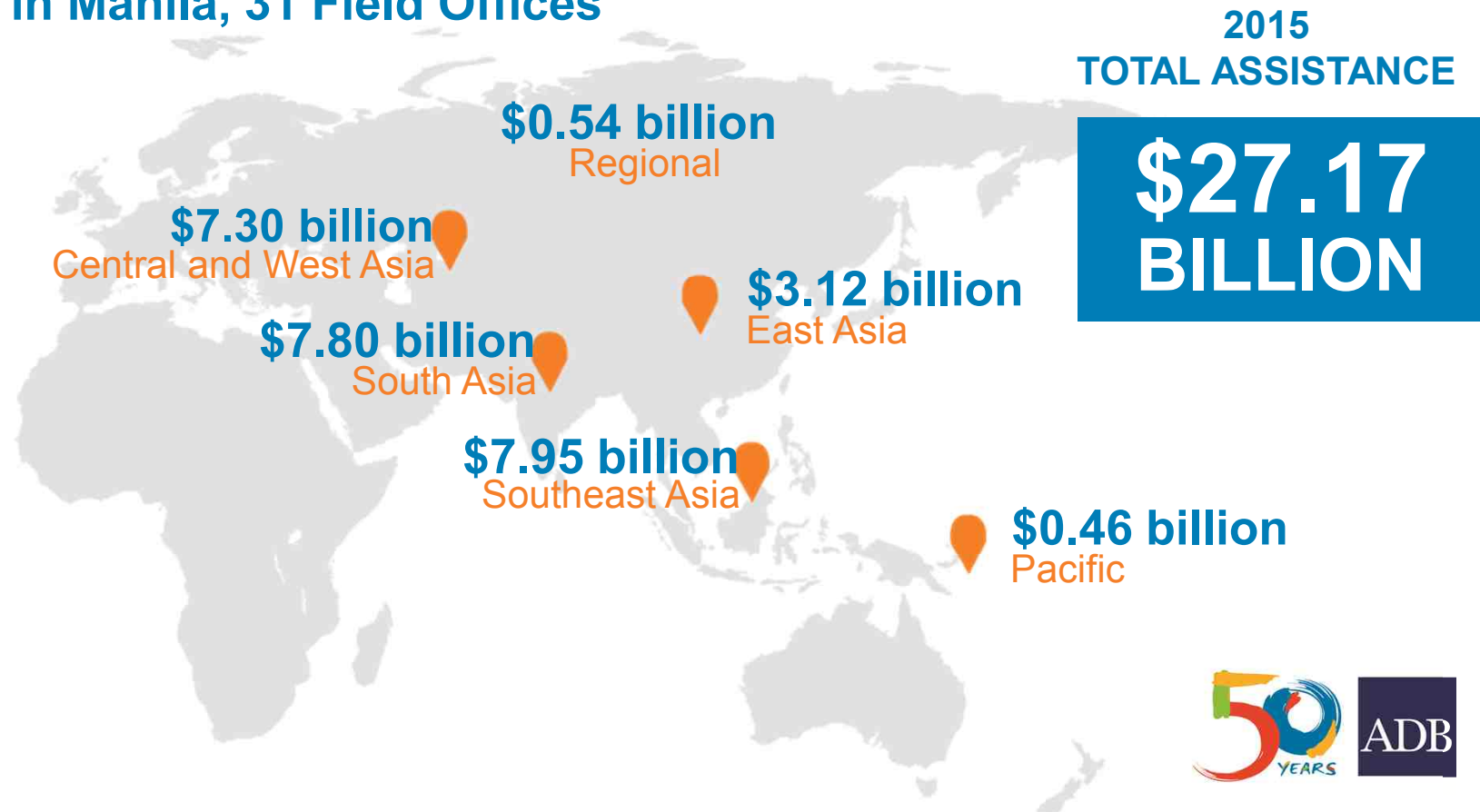
RDBs can play a role in influencing a coherent mandate to support development of a negotiation strategy leading to equal partnerships

How RDBs can help?

- Provide technical assistance and legal support including direct advice during negotiations
- Proactively identify and manage contract implementation related risks
- Provide countries with alternatives to financing development
- Help developing countries increase negotiating power

Snapshot of ADB

- 67 members; 48 in the region
- 40 borrowing members
- Japan and the United States are the 2 largest members
- HQ in Manila, 31 Field Offices



How does ADB help?

- ADB has mainstreamed capacity development into its operations:
 - 60% of ADB's technical assistance
- ADB helps developing member countries to negotiate and administer complex contracts:
 - Helps government in the planning process, project management, and negotiating capacities
 - Supports development of DMCs capability to administer long-term complex contracts
 - Involves (and finances) experts to provide consultation for contracts

How does ADB help?

- **Provides support for procurement supervision and administration of complex contracts:**
 - Learning and support, including project preparatory work
 - Technical support for negotiation of complex contracts by building capacity and skills through trainings
- **Promotes information and dissemination of development knowledge:**
 - Knowledge management and capacity development on negotiation approaches and techniques involving government and private operations
 - Partnerships throughout the Asia and the Pacific region countries, and with global institutions to foster the creation and dissemination of development knowledge, and training programs

Some examples

- ADB and OECD jointly manage an Anti-Corruption Initiative to promote transparency and curb corruption:
 - Fostering policy dialogue through Steering Committee Group Meetings and Conferences
 - Policy analysis, including thematic reviews
 - Regional seminars
- Providing strategic policies and advice for developing backward and forward linkages for extractive industries:
 - Promoting good governance and transparency in the use of oil, gas, and mining revenues in resource-rich countries, e.g. *Extractive Industries Transparency Initiative (EITI)*

Some examples

- **Advisory and technical assistance to Mongolia (2015) to help build the capacity of local governments and non-mining private sector participants:**
 - Value-chains for investment planning and market analysis
 - Learning-by-doing approach and in-house training sessions to address the capacity and institutional development in the country
- **Technical assistance loan to state-owned asset management firm in Mongolia to strengthen the firm's institutional and management capacity, that will support Mongolia's economic development**

Conclusion

- Countries face capacity and capability constraints when negotiating and monitoring complex contracts
- Governments need an effective negotiation strategy and an action plan
- RDBs are well placed to help in capacity development and service delivery, including contracting modalities and management

Thank you.

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