

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: CWOC

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| TA No., Country and Name TA 6315-REG: Remittances and Poverty in Central Asia and South Caucasus | | | Amount Approved: \$1,300,000 | |
| | | | Revised Amount: | |
| Executing Agency: ADB | Source of Funding ADB TA Funding Program; Poverty Reduction Cooperation Fund ¹ | Amount Undisbursed: \$157,376 | Amount Utilized: \$1,142,624 | |
| TA Approval Date: 07 Apr 2006 | TA Signing Date: n/a | Fielding of First Consultants: May 2006 | TA Completion Date Original: 31 Mar 2008 Actual: 31 Mar 2008 Account Closing Date Original: 31 Mar 2008 Actual: 21 July 2008 | |

Description

During the country program discussions in 2005, governments of several Central Asian and South Caucasian countries raised the issue of the lack of information on remittances and their impact on poverty, despite indications that remittance inflows are large and increasing. In response, the Asian Development Bank (ADB) proposed a "Regional Technical Assistance (RETA) on Remittances and Poverty in Central Asia and South Caucasus" to finance a regional study. In December 2005, ADB missions visited Armenia, Azerbaijan, Kyrgyz Republic, Tajikistan, and Uzbekistan to discuss with government officials and other stakeholders the key features of the proposed RETA. In early 2006, the governments of Armenia, Azerbaijan, Kyrgyz Republic, and Tajikistan sent letters to ADB, confirming their interest in the TA and their agreement with its key features, including the impact, outcome, outputs, activities, inputs, cost estimates, and financing plan. To finance the study, ADB approved a regional technical assistance in the amount of US\$1,300,000 in April 2006.

Expected Impact, Outcome and Outputs

The expected impact of the TA was to increase the positive effects of remittances on poverty in Central Asia and South Caucasus. The expected outcome is improved knowledge of remittance flows and understanding of its effect on poverty in each of the Central Asian and South Caucasian countries covered by the TA, and in the region as a whole. To achieve these impact and outcome, the TA should produce the following outputs:

- (i) a regional report on the financial sector and remittances in Central Asia and South Caucasus, and
- (ii) a regional report on remittances and poverty in Central Asia and South Caucasus.

Delivery of Inputs and Conduct of Activities

The design of the TA, including the consultants' terms of reference, proved to be adequate. All inputs needed for the successful implementation of the TA, including consulting services and ADB staff resources, were provided. The performance of most consultants involved in the TA implementation was satisfactory to excellent. The use of consulting services has been carried out in accordance with ADB's guidelines. All activities envisioned in the TA report were undertaken though some were completed later than originally planned. However, publishing of the reports did not materialize on schedule and before the TA was closed.

When the TA was being processed, it was envisaged that the study on remittances in Central Asia and South Caucasus would cover only destination countries – namely Armenia, Azerbaijan, Kyrgyz Republic, and Tajikistan. Uzbekistan would be involved if its government expressed interest in the TA before implementation. However, Uzbekistan government did not express interest in the TA. It was suggested that Kazakhstan be included in the TA and part of the funds earmarked for conducting the financial sector and household surveys on remittances in Uzbekistan, including preparation of Uzbekistan reports on remittances (about US\$80,000 or 6% of the TA budget), be used to conduct a financial sector and sender surveys on remittances, and preparing a Kazakhstan country report on remittances. Adding Kazakhstan in the TA helped gain better knowledge of remittances in Central Asia and South Caucasus since Kazakhstan is a major origin country for remittance flows in the region.

Two working meetings were conducted. The First Working Meeting was held in Issyk-Kul, Kyrgyz in July 2006. The objectives were to (i) review the most recent data on remittance flows in the countries covered by the RETA, (ii) discuss methodology for the regional study on international remittances to be conducted under the RETA, and (iii) strengthen personal or working relations among people involved in the implementation. The Second Working Meeting was conducted in Kuala Lumpur, Malaysia in October 2007 where remaining issues, the data, and reports were discussed and resolved.

The first TA Review Mission visited Kazakhstan, Tajikistan, Kyrgyz Republic, Armenia, and Azerbaijan between January-February 2007. It was undertaken to review the conduct of household survey on remittances and poverty, and the preparation of individual country reports on the financial sector and remittances. The second TA Review Mission visited Tajikistan, Kyrgyz Republic, Armenia, Azerbaijan, and Kazakhstan between November-December 2007 where country seminars on remittance were conducted and explored opportunities for possible follow up projects. The purpose of the seminars was to (i) present draft country reports on remittances and results of econometric analysis of effects of remittances on recipient countries to various stakeholders and (ii) discuss policy implications of the country report findings and the econometric analysis and the need for follow-up projects with the governments of the Central Asian and South Caucasian countries, development agencies, and the private sector.

¹ Contributor: the Government of the United Kingdom.

Instead of producing two regional reports as stipulated in the TA paper (due to time constraints in preparing and publishing two regional reports during implementation) the outputs of the TA were changed as follows: (i) a regional report on remittances in Central Asia and South Caucasus; and (ii) country reports on remittances in individual countries of Central Asia and South Caucasus covered by the TA.

ADB provided adequate support to TA implementation and this support can be rated as satisfactory.

Evaluation of Outputs and Achievement of Outcome

The TA produced useful outputs as follows: (i) a draft regional report on remittances in Central Asia and South Caucasus; (ii) draft country reports on remittances in individual countries of Central Asia and South Caucasus covered by the TA. Unfortunately, TA timing did not allow for publication of reports at the time of TA closing.²

The draft regional report not only examined the relationship between remittances and financial sector development and effects of remittances on poverty in Central Asia and South Caucasus, but also described patterns of migration and remittance flows and profile of remittance senders and receivers in the region, assessed effects of remittances on household behavior, and provided general equilibrium analysis of effects of remittances inflows on Armenia and Kyrgyz Republic. Preparing such a draft report permitted a better utilization of the rich dataset on remittances in Central Asia and South Caucasus that has been compiled in the process of TA implementation.

The proposed changes in the TA activities reflected the proposed changes in the TA outputs and the fact that no country report on remittances and poverty in Kazakhstan has been prepared (because Kazakhstan was treated as a remittance-sending country) and, it was decided not to prepare a country report on the financial sector and remittances in Azerbaijan (to avoid duplication with EBRD, which conducted a study on remittances and financial sector development in Azerbaijan). The proposed changes in TA activities also accounted for additional activities that are not provided for in the TA paper but have been undertaken to ensure that the intended impact and the expected outcome of the TA are achieved (e.g. conducting a working meeting to revise the questionnaire for household surveys on remittances after the pilot survey).

Several surveys were conducted under the TA. A household survey on remittances covering a total of about 14,200 households was conducted in Armenia, Azerbaijan, Kyrgyz, and Tajikistan, using common sampling methodology and questionnaire. A survey of financial institutions –commercial banks, money transfer operations (MTOs), and other institutions providing remittance transfer services and a total of 900 individuals receiving remittances through MTOs were surveyed in Armenia, Kyrgyz, and Tajikistan. Finally, institutions providing remittance transfer services and about 1200 remittance senders were surveyed in Kazakhstan. Primary data collected through these surveys were combined with secondary data obtained from various government agencies to analyze remittance flows in the region and assess their effects on financial sector development, household behavior, poverty and inequality. The design of the household survey produced rich dataset that lends itself to analysis beyond remittances.

Aside from the reports, the preliminary results of cross-country analysis were presented to government officials and various stakeholders during county seminars conducted in Armenia, Azerbaijan, Kazakhstan, Kyrgyz, and Tajikistan in November 2007. During the seminars, government officials and stakeholders were also given presentations on mobile banking as a way of facilitating remittances. The seminars were well prepared. Appropriate participants were selected. Good quality exchange of ideas took place. The audience turnout was larger than anticipated indicating high interest in the topic.

Overall, the participants were very optimistic and enthusiastic about the findings of the reports. The findings further established the importance of remittance for many households in the region. They also look forward to the publications and disseminating it to their respective countries. The findings from the reports could also serve as guide for governments, development agencies, and the private sector to work together to remove legal and regulatory barriers to remittance flows through formal channels, reduce costs of remittance transfers through these channels, improve their accessibility for remittance senders and receivers, increase the use of financial services by remittance senders and receivers, attract their savings into financial institutions, and assist remittance receiving households in investing their saving productively.

The preliminary findings were also presented during the Annual Meeting 2007 and received positive feedback. The Swiss National Bank also organized a seminar on remittances and the financial sector in October 2007, some preliminary findings were presented during the Swiss Constituency Meeting. It was also received with much interest and the Government of Switzerland would welcome an opportunity to possibly cofinance technical assistance projects.

Overall Assessment and Rating

The TA was successful. It produced the expected outputs and outcome. However, its implementation required more time and ADB staff resources than envisaged in its design (i.e. publication).

Recommendations and Follow-Up Actions

- It is recommended that ADB builds on the analytical work done under the TA to demonstrate benefits of remittance to sending and receiving countries.
- It is recommended that ADB disseminates country and regional reports by publishing the reports to Central Asia and South Caucasus.
- Lastly, it is recommended that ADB assess the feasibility of a regional program/project loan based on the findings/recommendations of the country and regional reports and rich dataset from the household survey.

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² At the time of the TA closing, the responsibility for further processing of the draft reports for publication was transferred to staff of CWGF. As of the date of this TCR, CWGF staff were reviewing the draft reports and processing them for publication.