

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: ECOC

TA No. and Name TA 5818-REG: Regional Economic Cooperation in Central Asia, Phase II			Amount Approved: \$1,350,000		
			Revised Amount: n.a.		
Executing Agency: ADB		Source of Funding: JSF		TA Amount Undisbursed \$132,413.81 ¹	TA Amount Utilized \$1,217,586.19 ¹
Approval 11 Dec. 1998	Signing n.a.	Date	Fielding of Consultants various dates	Original 10 Dec. 1999	Completion Date Actual 31 Dec. 2003
				Original 10 Dec. 1999	Closing Date Actual 30 September 2004 (expected)

Description

ADB's Central Asia Regional Economic Cooperation (CAREC) Program, the implementation of which was initiated in 1997, follows the phased approach recommended in the Board policy paper, *Bank Support for Regional Cooperation*.² The initial studies conducted under the Phase I TA 5707-REG³ provided: (i) background economic analysis; (ii) assessment of institutions and programs concerned with regional cooperation; (iii) identification of regional infrastructure needs in energy and transport; and (iv) identification of policy deficiencies impeding development of cross-border trade and traffic. The results and recommendations of this study were then reviewed through a series of workshops held under TA 5760-REG.⁴

Phase I activities were met with keen interest by the participating governments. The studies yielded concrete recommendations for investment, further technical assistance, and other follow up work. The workshops helped sustain the momentum that was generated by the initial study, and initiated a continuing policy dialogue on overcoming barriers to the efficient cross-border movement of goods and peoples. All of these laid the groundwork for the succeeding Phase II TA 5818-REG that involved pre-feasibility analyses of identified high priority infrastructure investment projects and support for the continuing policy dialogue.

Objectives and Scope

The principal objective of the TA was to provide support for the second phase of ADB's initiative to further regional cooperation in Central Asia. The operational objectives included support for expanded trade and cross-border traffic in Central Asia through (i) continued policy dialogue in the context of trade and regional cooperation; (ii) workshops and seminars to strengthen the key public institutions; and (iii) preliminary analysis of previously identified infrastructure investments in order to identify and prioritize projects.

The TA was planned to involve the following activities: (i) support for ADB's policy dialogue in the context of regional cooperation to remove cross-border barriers and facilitate the efficient movement of goods and people; (ii) strengthen key public institutions through workshops and seminars to promote economic cooperation; (iii) support for an improved policy and regulatory environment relating, in general, to regional cooperation and, specifically, to regional trade and cross-border traffic flows and for trade in energy; (iv) preliminary technical, socio-economic, and financial analysis of the previously identified regional infrastructure investment projects with a view to prioritize such projects for implementation; and (v) identification of infrastructure needs other than those previously identified.

Evaluation of Inputs

Adequacy of formulation. The TA design was generally adequate towards achieving the main goal of supporting second phase regional cooperation activities, which consisted of sustained dialogue on policy issues, workshops and conferences, and pre-feasibility studies of selected high priority regional projects. In accordance with the terms of reference outlined in the TA paper, international and domestic consultants were engaged individually as core group and sectoral experts to assist in implementing the TA project, preparing priority regional projects, undertaking detailed sectoral studies, and organizing and facilitating the conduct of workshops and regional conferences.

Implementation arrangements. The planned establishment of national steering committees and coordination with national focal points—which were supposed to coordinate regional cooperation activities and ensure effective coordination with ADB—was hard to implement because of the frequent changes in the organizational structures of Central Asian governments at that time. Collaboration with other multilateral and bilateral agencies and regional institutions was likewise difficult to pursue without an established mechanism.

Two minor changes in scope and corresponding reallocation of funds were implemented. First, the TA provided additional financial support to the TransEurasia Conference 2000, which was organized by the Kazakhstan Government and held on 14-15 June 2000 in Astana, Kazakhstan. Second, TA savings were used to partly support the Regional Preparatory Senior Officials' Meeting held in September 2003 in Tashkent, Uzbekistan.

Performance of consultants. Work performances of the individual consultants were, in general, satisfactory. The contents and scope of the reports were in accordance with the terms of reference. However, due mainly to the difficulties experienced in the consultation process and coordination with the participating governments that caused delays in the timetable of project activities, contract variations for most of the consultants/sectoral experts had to be drawn up to increase the level of inputs of consultants and extend the completion dates of work assignments.

Review missions and other inputs. In addition to periodic consultation missions with participating governments, ADB fielded missions, particularly from the CAREC Unit and the concerned project divisions, to participate in the regional conferences. These missions provided appropriate and effective opportunities in monitoring progress of TA activities in the field, which were mostly being conducted by consultants. Moreover, ADB staff also provided inputs in the review of draft sectoral reports. Similarly, participating governments provided valuable inputs by reviewing the project reports and actively participating in the various regional conferences and sectoral country workshops.

¹ Final billing of one local consultant is currently being processed by Controllers. This is the only pending claim under the TA.

² Doc. R60-94, 11 April 1994.

³ Technical Assistance for Regional Economic Cooperation in Central Asia, for \$1.15 million, approved on 8 November 1996.

⁴ Technical Assistance for Workshops on Economic Cooperation in Central Asia, for \$344,000, approved on 14 November 1997.

Evaluation of Outputs

In support of a continued policy dialogue in the context of regional cooperation, the regional TA financed several country and regional meetings. The TA financed a regional workshop on Trade Policy in Central Asia in December 1999 in Almaty, Kazakhstan. It also supported a series of country workshops in the areas of trade (April/May 2000), transport (July 2000), and energy (August 2000). In addition, it financed a Regional Transport Conference held in Almaty, Kazakhstan in September 2000, and a Regional Energy Conference held in Bishkek, Kyrgyz Republic in July 2001. Finally, the TA provided partial financial support to the TransEurasia Conference 2000 and the Regional Preparatory Senior Officials' Meeting (see previous section on evaluation of inputs).

The country workshops and regional conferences served as valuable forums for each of the governments to indicate their own priorities with respect to required investments. Thus, they provided solid basis for further refining the projects and incorporating the technical comments by the government. These forums likewise served to identify other potential projects for further study. Similar to the ones conducted under the Phase I TA, these workshops and conferences once again underscored the importance of continued policy dialogue and consensus building among participating countries and ADB's critical role in assisting to promote this dialogue. Furthermore, they served as venues to promote awareness of concerned sector ministries and agencies of regional policy issues and developments as well as the benefits of increased regional trade.

Detailed sectoral studies conducted by consultants were also completed under the TA. These included regional studies on: (i) transport sector (October 2000); (ii) electric energy (December 2000); (iii) trade cooperation among the CARs (October 2000); and (iv) trade cooperation between PRC and the CARs (January 2000). The study on the potential of regional cooperation for Tajikistan was also completed (November 2000). The sectoral reports provided detailed pre-feasibility studies for high priority regional projects, which served as important background materials for follow-up project preparation. The study on Tajikistan provided the basis for the sequent membership of the country in the CAREC Program.

Completion of the studies and conduct of the various workshops and conferences were delayed largely due to the complexities in the government consultation process. Moreover, coordination between ADB and the consultants underwent certain organizational adjustments with the establishment in April 2000 of the Central Asia Regional Economic Cooperation Unit (CARECU).

Overall Assessment and Rating

The TA is rated successful. From a technical standpoint, the TA was highly successful in terms of achieving the main goal of furthering regional cooperation in Central Asia. The pre-feasibility studies conducted under the TA provided important technical and socio-economic analysis for high-priority regional projects. The workshops and conferences were successful in bringing together key government institutions for a continuing and sustained dialogue on and increased awareness of policy issues in the context of regional cooperation.

One concrete indication of the early success of the regional cooperation initiative at this stage was the approval in October 2000 of parallel loans for the Almaty-Bishkek regional road rehabilitation, which was one of the projects identified under the CAREC Program as high priority. This involved the rehabilitation of this important section of the regional road network, a cross-border agreement between Kazakhstan and Kyrgyz Republic, and technical assistance to ensure that policy deficiencies do not inhibit the trade and traffic that would naturally develop with an improved infrastructure system.

However, the TA suffered from some difficulties in terms of implementation arrangements and project administration resulting in the extension of the TA completion date for a number of times. Complexities in communication and coordination with governments due mainly to frequent changes in government organizational structures as well as other external factors caused delays in the completion of studies and conduct of workshops and conferences. For example, the Ministerial Conference on Central Asia Trade and Investment Facilitation, initially planned for November 2000, was postponed a few times. These postponements were due to the persistent need for further consultations with participating governments as well as difficulties with coordinating with UNDP, originally a co-sponsor of the event. The Conference was later overtaken by the 11 September 2001 event and finally replaced by the First Ministerial Conference held in March 2002.

Major Lessons Learned

- Regional cooperation is a long ongoing process. The key determinant for the success of regional cooperation initiatives is stronger and more sustained commitment and support of all participating countries relative to national projects as evidenced by the time required for and delays in planned meetings and activities. ADB's future support should aim to strengthen consensus and mutual understanding in this regard.
- Real hurdles in promoting regional cooperation were the lack of proper understanding of the actual benefits and costs of regional cooperation, and relatively poor information sharing. Therefore it is critical to put more efforts in quantifying costs and benefits of potential regional projects and improving the information network.
- Capacity building measures are more urgently required for the success of the regional initiative given that regional cooperation projects require more time and effort (such as intensive communication with other countries), and specific skills (such as a balancing of interests of participating countries).

Recommendations and Follow-Up Actions

An overall institutional framework (OIF) to guide the CAREC Program has been formally established in early 2002. The OIF has thus far been proven relatively effective with the conduct of 2 ministerial conferences and senior officials' meetings, convening of the customs coordinating committee, and creation of a number of ad-hoc project working groups. Other sectoral coordinating committees are also being formed at this time. National focal points and representatives to the multilateral institutions coordination group, which are expected to coordinate CAREC activities, have been identified. Nevertheless, this framework needs to be strengthened further in accordance with the increasing need for institutional arrangements and donor coordination.

Moreover, in response to the governments' call for strengthened capacity for regional cooperation at the national level, a TA for this purpose is currently being implemented by ADB (TA 6158-REG, for \$950,000, approved on 18 December 2003). The TA is expected to develop a comprehensive capacity building assessment plan to specifically strengthen the OIF as well as enhance information, experience and knowledge exchange on regional cooperation.