

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: ECOC

TA No. and Name TA 5942-REG: Regional Economic Cooperation in Central Asia, Phase II Year Two			Amount Approved: \$420,000	
			Revised Amount: n.a.	
Executing Agency: ADB	Source of Funding: JSF		TA Amount Undisbursed \$95,271.42	TA Amount Utilized \$324,728.58
Date			Completion Date	
Approval 02 October 2000	Signing n.a.	Fielding of Consultants various dates	Original 31 March 2001	Actual 31 December 2003
			Closing Date	
			Original 31 March 2001	Actual 31 October 2004 (expected)
Description				
<p>ADB's Central Asia Regional Economic Cooperation (CAREC) Program has followed a phased approach. The initial studies and dialogues in support of policy reforms to reduce impediments to cross-border trade and traffic under Phase I were conducted during 1997-1998. Phase II, which involved pre-feasibility analysis of previously identified high priority infrastructure investment projects and support for the continuing policy dialogue commenced in 1999.¹ Given the evolving nature of the Program, new areas and directions of activities became apparent however, including the need for a continuation of Phase II to further develop ADB's support for regional cooperation.</p>				
Objectives and Scope				
<p>The principal objective of the TA was to enhance regional economic cooperation in Central Asia by strengthening cooperation in transport, trade, and energy based on a more institutionalized approach and enhanced policy dialogue. Furthermore, the TA sought to broaden ADB's regional initiative both in terms of sectors where the ADB has strong programs of assistance to the participating governments, as well as to study the possible integration of other countries in the region.</p> <p>The TA activities were planned to focus on: (i) strengthening the institutional mechanisms for regional cooperation; (ii) enhancing and systematizing policy dialogue and consensus building to lead to further concrete progress toward project implementation; (iii) integrating Azerbaijan into the regional cooperation framework; and (iv) strengthening coordination of external agencies' efforts.</p>				
Evaluation of Inputs				
<p>Adequacy of formulation. The TA design was adequate towards achieving the main goal of providing additional support to the second phase regional cooperation activities based on an institutionalized approach and expanded coverage of the Program. In accordance with the terms of reference outlined in the TA paper, international consultants were engaged individually as sector experts to assist in preparing background papers and detailed sector studies, and in assisting in the preparatory work towards the establishment of an overall institutional framework (OIF) for CAREC.</p> <p>Implementation arrangements. The establishment of the CAREC Unit as the focal point for regional cooperation was effective in coordinating activities within ADB, with participating governments, and with other development partners and regional organizations. More importantly, the formal establishment of the OIF for CAREC in March 2002 represented a milestone in the strong partnership and trust that developed among the participating countries, ADB, and other multilateral institutions.</p> <p>One minor change in scope was required in order to provide additional financial support to Ministerial Conference of Landlocked and Transit Developing Countries on Transit Transport Cooperation at the request of the Kazakhstan Government. The Conference was held on 28-29 August 2003 in Almaty.</p> <p>A number of extensions of the completion date of the TA was requested due to the delay of planned meetings resulting from difficulties in coordinating with participating governments with the absence of institutionalized arrangements during the earlier years of the CAREC Program as well as subsequent external factors such as the 11 September 2001 event. Moreover, a reallocation of TA savings was implemented to finance the Ministerial Conferences under the established OIF, which were held in 2002 and 2003.</p> <p>Performance of consultants. Work performances of the individual consultants were satisfactory. The contents and scope of the reports were in accordance with the terms of reference. Based on the findings of the preliminary background studies undertaken on trade facilitation, there was a need, however, for a contract variation increasing the level of input of the customs/trade expert to undertake a more detailed customs sector study.</p>				

¹ The phased approach was recommended in Board policy paper, *Bank Support for Regional Cooperation*, Doc. R60-94, 11 April 1994. The CAREC Program has been supported by TA 5707-REG: *Regional Economic Cooperation in Central Asia*, for \$1.15 million, approved on 8 November 1996; TA 5760-REG: *Workshops on Economic Cooperation in Central Asia*, for \$344,000, approved on 14 November 1997; and TA 5818-REG: *Regional Economic Cooperation in Central Asia Phase II*, for \$1.35 million, approved on 11 December 1998.

Evaluation of Outputs

To enhance institutional arrangements for regional cooperation and systematize policy dialogue and consensus building, the regional TA provided additional support in the conduct of the first and second Ministerial Conferences on Central Asia Economic Cooperation held, respectively, in March 2002 in Manila, and November 2003 in Tashkent. The TA also partly financed the First Consultation Session on Central Asia Economic Cooperation in Central Asia held during the Annual Meeting of the ADB Board of Governors in Hawaii, U.S.A. in May 2001 as well as the Ministerial Conference of Landlocked and Transit Developing Countries on Transit Transport Cooperation organized by the Kazakhstan Government, which was held on 28-29 August 2003 in Almaty.

These high-level Ministerial Conferences and the Consultation Session served as invaluable venues to promote awareness and understanding of regional policy issues and the mutual benefits of increased regional cooperation. They highlighted the significance of consensus building among the participating countries as well as ADB's critical role in assisting in this process.

Background studies conducted under the TA focused on trade facilitation. A detailed customs sector study was also undertaken to provide an in-depth analysis of the issues and constraints to regional cooperation and served as an important input in the planning of future activities in support of customs cooperation. In addition, the TA conducted consultations with the Azerbaijan Government and supervised the study on the potential of Azerbaijan for regional cooperation and its possible integration into the CAREC Program. All consultants' reports were delivered as scheduled.

Finally, a CAREC website was successfully developed by the CAREC Unit as planned under the TA. The web site has continued to serve as a valuable medium for disseminating information on regional cooperation to a wider audience.

Overall Assessment and Rating

Despite the delay in its completion, which was partly brought about by external factors, the TA is rated successful. The TA was highly successful in enhancing regional cooperation in terms of (i) strengthened institutional arrangements; (ii) enhanced policy dialogues through the conduct of consultations and high-level meetings; and (iii) expanded geographic coverage to include Azerbaijan.

One concrete illustration of the success of the CAREC Program at this stage was the approval in October 2002 of the Regional Trade Facilitation and Customs Cooperation Program consisting of loans to the Kyrgyz Republic in the amount of \$15 million and to Tajikistan in the amount of \$10 million, project preparatory technical assistance amounting to \$500,000 each for both countries, and a regional technical assistance amounting to \$2 million for Trade Facilitation and Customs Cooperation. Regional cooperation activities under TA 5942—including the conduct of a detailed customs sector study, creation of the Customs Cooperation Committee under CAREC's institutional set-up, and policy dialogues during the high-level Conferences—contributed significantly to the success of ADB's regional customs cooperation and trade facilitation initiative.

Major Lessons Learned

- Political will and mutual trust is a key for successful regional cooperation to yield concrete results. ADB's future activities on regional cooperation should continue to support the OIF as a means to strengthening this process.
- In order to advance the regional cooperation initiative, it is necessary to show tangible and concrete benefits from key regional projects in priority sectors. Customs cooperation among CAREC member countries supported by this TA is a good example.
- Cooperation with development partners becomes increasingly important. Central Asia is a region where donors have been active in support of regional cooperation. To develop synergy and complementarities, closer donor coordination is required.

Recommendations and Follow-Up Actions

The OIF that guides the CAREC Program has to be strengthened further in accordance with the increasing need for an institutionalized approach in the promotion of regional cooperation and donor coordination. In particular, the Multilateral Institutions Coordination Group functioning under the OIF may collaborate actively in joint economic and sector work, operations emerging from the OIF as well as in maximizing cofinancing of regional projects.

Moreover, in order to attain stronger support for regional cooperation, the private sector has to be engaged on the range regional cooperation issues. During the Senior Officials' Meeting held in April 2004, participating governments noted that private sector participation is important in defining regional cooperation priorities and as a source of project financing.