



Technical Assistance Report

Project Number: 43193-01
Research and Development Technical Assistance (RDTA)
July 2009

Regional Economic Integration in Central Asia: Stocktaking and Experience Sharing

ABBREVIATIONS

ADB	–	Asian Development Bank
ASEAN+3	–	Association of Southeast Asian Nations, the People's Republic of China, Japan, and the Republic of Korea
CAREC	–	Central Asia Regional Economic Cooperation
CWRD	–	Central and West Asia Department
OREI	–	Office of Regional Economic Integration
RCI	–	regional cooperation and integration
TA	–	technical assistance

TECHNICAL ASSISTANCE CLASSIFICATION

Type	–	Research and development technical assistance (RDTA)
Targeting classification	–	General intervention
Sector (subsectors)	–	Public sector management (economic and public affairs management, public administration)
Themes (subthemes)	–	Regional cooperation and integration , capacity development (institutional development), governance (economic and financial governance, public administration)
Location impact	–	Regional (high impact), National (high impact)

NOTE

In this report, "\$" refers to US dollars.

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I. INTRODUCTION

1. Growing regional cooperation and integration (RCI) has brought great economic benefits and peace dividends to many economies in Asia and the Pacific. The region has taken major strides in regional economic cooperation initiatives. Increasing intraregional economic interdependence and the need to articulate a regional response to shocks have clearly demonstrated the benefits of such initiatives. The present challenge is to ensure a cooperative equilibrium between regional cooperation and national autonomy.

2. Recently, Central Asia has experienced a steady development of regional cooperation activities, including intergovernmental forums on political and security issues, trade facilitation initiatives, and programs to support infrastructure development and regional connectivity, among others. These forums, in addition to frequent policy interactions, have significantly facilitated regionalism in Central Asia.

3. In the wake of the collapse of the Soviet Union and the subsequent creation of independent states, and the ongoing global economic crisis, a new economic and financial architecture is taking shape in Central Asia. Against this background, the process of regionalism will be largely affected by how policy makers shape institutionalization in Central Asia, including decisions on organizational forms and membership issues. In February 2009, the Central Asia Regional Economic Cooperation (CAREC) Institute conducted a preliminary stocktaking and assessment of the performance of regional organizations in Central Asia.¹ Similar studies have underscored that achieving a state of cooperative equilibrium takes time and requires that all stakeholders adopt a flexible and constructive approach. Where multiple regional organizations overlap in membership and mandate, the risk of costly duplication must be addressed. This technical assistance (TA) will build on the work done by CAREC to take stock of and assess existing RCI institutions in Central Asia, and provide suggestions for enhancing their capability to deliver RCI initiatives and programs in support of their respective mandates. In addition, the TA will build the capacity of Central Asian officials on RCI-related issues. The TA will also complement *Institutions for Regionalism: Enhancing Economic Cooperation and Integration in Asia and the Pacific*, a study undertaken by ADB's Office of Regional Economic Integration (OREI).² The TA will be implemented in close cooperation with ADB's Central and West Asia Department (CWRD) and the CAREC Institute in order to assess the accomplishments of institutions in Central Asia against their given mandate, and explore policy options to strengthen institutions and identify capacity development programs. The TA will also identify factors to improve RCI activities in Central Asia by taking stock and learning from the experience of existing institutions and arrangements in other regions. The TA design and monitoring framework is in Appendix 1.³

II. ISSUES

4. Since the early 1990s, there have been repeated efforts to strengthen regional cooperation in Central Asia through the establishment of a number of regional organizations such as the Eurasian Economic Community, Economic Cooperation Organization, Commonwealth of Independent States, Shanghai Cooperation Organization, Central Asian Cooperation, Special Program for the Economies of Central Asia, and CAREC.

¹ CAREC. 2009. Experience with Regional Economic Cooperation: Lessons for Central Asia. *CAREC Notes*. Issue No. 3 (February). <http://www.adb.org/Documents/Periodicals/CAREC-Notes/CAREC-Economic-Cooperation.pdf>

² ADB. 2009. *Technical Assistance for Institutions for Regionalism: Enhancing Economic Cooperation and Integration in Asia and the Pacific*. Manila (TA 7284-REG).

³ The TA first appeared in the business opportunities section of ADB's website on 16 June 2009.

5. Central Asian regional organizations have helped build mutual confidence and trust among participating countries by providing regional platforms for governments to respond in a concerted manner to emerging global and regional issues, such as terrorism, transnational crime, environmental degradation, the spread of communicable diseases, and the contagion effect of financial and economic crises. The areas of focus of regional organizations in Central Asia are varied and include security cooperation, trade, energy, transport cooperation, natural resource management, and immigration.

6. Regional organizations in Central Asia have varying comparative advantages. The Shanghai Cooperation Organization has done notable work in providing a forum for regional leaders to discuss common border, security, and economic issues. The Eurasian Economic Community has created a regional forum for its members to reach common ground on sharing water resources and the treatment of migrants. The Economic Cooperation Organization and the Special Program for the Economies of Central Asia focus on trade integration and facilitation, and are undertaking reforms to increase their effectiveness. CAREC has made significant progress in transport, trade facilitation and policy, energy, and cross-border infrastructure, among other areas; and is unique among regional organizations in Central Asia because it serves as a coordination mechanism among multilateral institutions, in addition to fostering cooperation among participating countries.

7. Most regional organizations in Asia (and those in Central Asia in particular) can be broadly categorized as being either program-based, or network and/or institution-based. Program-based organizations, such as CAREC, focus on specific activities of mutual interest to a particular set of countries within the region. Network and/or institution-based organizations, such as the Shanghai Cooperation Organization, aim to either create integrated, region-wide frameworks or identify a set of general agreements for participating members as the basis for cooperation. Some of these institution-based groupings have their own secretariats with permanent staff and independent budgets.

8. Overall, program-based regional groupings in Central Asia may increase in prominence in the future due to their effective reconciliation of long-term benefits with short-term socioeconomic costs. Network and/or institution-based regional groupings could also remain significant in the region due to their important role in promoting economic growth and maintaining peace and stability.

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

9. The expected impact of the TA will be improved effectiveness of Central Asian RCI institutions in promoting regional priorities in a changing regional and global economic landscape. The expected outcome of the TA will be policy recommendations to improve the effectiveness of RCI institutions in Central Asia.

10. The expected outputs of the TA include (i) a stocktaking and assessment report on existing RCI institutions in Central Asia; (ii) research papers on RCI institutions in Central Asia; (iii) workshops and seminars to discuss research papers and disseminate their findings; and (iv) training programs for relevant government officials and regional institutions in Central Asia on selected RCI topics.

B. Methodology and Key Activities

11. The TA will provide support to Central Asian countries in institutional strengthening and capacity development. It will engage the services of international and national consultants to undertake technical studies, organize workshops and seminars, and conduct capacity development and other activities.

12. The TA will take stock of and assess the accomplishments of existing RCI institutions in Central Asia against their given mandate. Building on the work of CAREC and others, the TA will explore potential policy options for enhancing RCI institutional capacity to deliver RCI initiatives and programs, and to fill the gap between the mandates and accomplishments of RCI institutions. Regional institutions and arrangements in the People's Republic of China (PRC) and Mongolia, which are both members of CAREC, will also be studied. Three main techniques will be used to assess the accomplishments of RCI institutions against their initial mandate: (i) in coordination with CWRD, consultants may interview key officials from RCI institutions and/or stakeholders in the line ministries using a questionnaire designed to identify specific institutional issues, including self-assessment by the institutions; (ii) the consultants will create a detailed list of the institutions' attributes and achievements; and (iii) a survey among opinion leaders in the region will be conducted under a separate TA (footnote 2), focusing on their perceptions of RCI institutions. These inputs will be consolidated and conclusions presented in a project report.

13. The TA will also review the status of financial cooperation among Central Asian economies and compare it with progress made by ASEAN+3 economies, including cooperation in regulatory issues, particularly among transition economies. Lessons and experience from East Asia—including examples of financial cooperation such as the Chiang Mai Initiative and the Asian Bond Markets Initiative—can offer direction for Central Asian countries to promote financial integration and cooperation on key policy initiatives and regulatory issues. These exercises will be conducted against the backdrop of lessons from other parts of Asia and the Pacific, and other areas of the world. The outcomes of the stocktaking and assessment work may be presented to appropriate regional forums, including CAREC ministerial meetings.

14. The TA includes a capacity development component. The training programs will be identified jointly by OREI and CWRD. The content of the training programs will be decided in close coordination with CWRD—following the RCI training needs that have already been identified by CWRD for Central Asia and in line with the CAREC Institute work plan for 2009–2011. The capacity development component of the TA can be integrated with CAREC's leadership development initiative or public sector management short courses program. One of OREI's comparative advantages in capacity development is its long-established training program on regional economic and financial monitoring. Relevant subjects from the training program can be integrated with CAREC's leadership development initiative.⁴ At the request of CWRD, OREI can also design separate training programs on financial cooperation and integration by drawing on the experience of the Asian Bond Markets Initiative, Chiang Mai Initiative, and the Asia–Pacific Economic Cooperation Financial Regulators Training Initiative.

15. The TA will actively engage the RCI institutions and their stakeholders in Central Asia during and after implementation. Knowledge products of the TA, including research papers and

⁴ CAREC leadership development initiative courses include (i) leadership, styles, approaches, practice, and communication; (ii) negotiation, persuasion, and influence; (iii) strategic thinking and planning; (iv) public sector management; and (v) public sector finance.

stocktaking and assessment report will be translated into Russian and an extensive dissemination and outreach program will be carried out in consultation with CWRD and the Department of External Relations. CWRD and OREI will also disseminate the key messages of the study at the next ADB Annual Meeting in Tashkent.

C. Cost and Financing

16. The TA is estimated to cost \$900,000, which will be financed on a grant basis from ADB's TA funding program (Technical Assistance Special Fund-IV). The cost will cover remuneration, travel and per diem of consultants, trainings, workshops, publications, and miscellaneous expenses. The detailed cost estimates and financing plan are included in Appendix 2.

D. Implementation Arrangements

17. Consultations with Central Asian countries and CAREC will be undertaken in collaboration with CWRD. No-objection letters will be obtained from relevant countries once the location of workshops and other outreach activities have been identified. Three workshops and two training courses will be organized as part of this TA to gather inputs and conduct outreach activities.

18. International experts with expertise and experience in regional cooperation issues such as macroeconomics, financial and monetary integration, international relations, and other relevant fields will provide assistance in implementing the TA. An international consultant with knowledge of RCI institutions and a deep understanding of the structure of transition economies in Central Asia will be hired as the principal consultant. Another international consultant will be engaged to undertake a study of the status of financial cooperation in Central Asia and how it can support ongoing regional trade cooperation. Resource persons will also be engaged to undertake specific functions (e.g., undertake peer reviews of background papers, participate as discussants at workshops, write special notes, and hold training programs for capacity development programs on selected topics).

19. A wide range of experts will be required and, therefore, all consultants will be selected on an individual basis. The consultants will work separately based upon their individual responsibilities, assignments, and outputs. OREI will be responsible for project implementation as well as administration and coordination of consultancy work. The consultants will be selected and engaged by OREI in close consultation with CWRD. Due to the complex and unique nature of regional cooperation in Central Asia, CWRD management will provide briefings for the international consultants prior to the commencement of their consultancy work to ensure effective conduct of TA activities. A national consultant, who will be based in OREI and report to OREI staff managing the TA, will serve as the project coordinator and research assistant to help in project administration and implementation. To improve dissemination of the knowledge products (the research papers and stocktaking report) from the TA in Central Asia, Russian translation service providers and typesetters will be hired to translate, edit, and typeset the Russian translation of the publications. To successfully implement this TA, two OREI professional staff will allocate much of their work plan to this TA.

20. The TA will require 30 person-months of international consulting services, 24 person-months of national consulting services, and 15 person-months of resource persons' services. The expertise of the consultants will range from political science to economics, and will include editors, workshop facilitators, and project administrators. The consultants will be selected and

engaged in accordance with *ADB Guidelines on the Use of Consultants* (2007, as amended from time to time). The terms of reference for consultants and resource persons are included in Appendix 3. The TA is expected to be completed over an 18-month period from July 2009 to December 2010.

IV. THE PRESIDENT'S DECISION

21. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$900,000 on a grant basis for the Regional Economic Integration in Central Asia: Stocktaking and Experience Sharing, and hereby reports this action to the Board.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/ Indicators	Data Sources/ Reporting Mechanisms	Assumptions and Risks
<p>Impact</p> <p>Improved effectiveness of Central Asian regional cooperation and integration (RCI) institutions to promote regional priorities in the changing global economic landscape</p>	<p>Inclusion of RCI issues in the economic policy agenda of Central Asian countries</p> <p>Timely and articulate responses from Central Asia to economic issues that have regional and global impact</p> <p>Effectiveness of policy dialogue and interaction among countries in Asia and the Pacific</p>	<p>Number of regional policy dialogues</p> <p>Number of articles in popular media and policy journals referring to the importance of RCI in Central Asia</p> <p>Existing regional mechanisms (e.g., the ministerial conference)</p> <p>Feedback from the Central Asia Regional Economic Cooperation (CAREC) Institute</p>	<p>Assumptions</p> <p>Strong political commitment of Central Asian governments</p> <p>Active involvement of the CAREC Institute</p> <p>Risk</p> <p>Lack of support from Central Asian governments</p> <p>Current global economic crisis</p>
<p>Outcome</p> <p>Policy recommendations and suggestions to Central Asian policy makers to improve the effectiveness of RCI institutions in Central Asia</p>	<p>Number of RCI-related policies introduced by Central Asian governments</p> <p>Number of governing bodies of RCI institutions in Central Asia that deliver improved projects and initiatives</p> <p>Presentation to CAREC ministerial meetings</p>	<p>Citations from meetings and reports of RCI institutions in Asia and the Pacific</p> <p>Records of RCI institutions in Asia and the Pacific</p> <p>Feedback from members of RCI institutions in Asia and the Pacific</p>	<p>Assumptions</p> <p>Participation of scholars and ADB staff</p> <p>Risk</p> <p>Lack of interest from regional institutions</p>
<p>Outputs</p> <p>Stocktaking and assessment report comparing the accomplishments of existing institutions in Central Asia with their mandates</p> <p>Research papers on RCI institutions in Central Asia</p> <p>Workshops and seminars to discuss research papers and</p>	<p>Reports published</p> <p>Number of workshops organized</p>	<p>Generation of quality papers at workshops</p> <p>Number of regional institutions and arrangements included and assessed</p>	<p>Assumptions</p> <p>Timely recruitment of consultants</p> <p>Availability of competent consultants</p> <p>Risk</p> <p>Lack of interest from regional institutions</p>

Design Summary	Performance Targets/ Indicators	Data Sources/ Reporting Mechanisms	Assumptions and Risks
<p>disseminate their findings</p> <p>Training programs for relevant government officials and regional institutions in Central Asia on selected RCI topics</p>			
<p>Activities with Milestones</p> <p>July–December 2009</p> <ol style="list-style-type: none"> 1. Select consultants 2. Visit institutions 3. Undertake stock taking and assessment work 4. Hold regional workshops <p>January–December 2010</p> <ol style="list-style-type: none"> 5. Complete training needs assessment 6. Select trainees and training topics 7. Prepare training curriculum 8. Conduct training programs 			<p>Inputs</p> <ol style="list-style-type: none"> 1. Consultants: \$480,000 2. Training, seminars, and conferences: \$230,000 3. Miscellaneous administrative support: \$100,000 4. Contingency: \$90,000

Source: Asian Development Bank estimates.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Amount
Asian Development Bank Financing^a	
1. Consultants	480.0
a. Remuneration and Per Diem	
i. International Consultants	270.0
ii. National Consultants	40.0
b. International and Local Travel	170.0
2. Training, Seminars, and Conferences	230.0
a. Resource Persons	50.0
b. Training Program	130.0
c. Dissemination	50.0
3. Miscellaneous Administration and Support Costs	100.0
4. Contingency	90.0
Total	900.0

^a Financed by the Asian Development Bank's technical assistance funding program (TASF IV).
Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. This research and development technical assistance (TA) will utilize the services of international and national consultants, and resource persons. International consultants will assist (i) in preparing the analytical and policy studies, and some of the background papers; (ii) the authors of background papers; and (iii) in organizing some of the workshops related to the study. Research assistants will help the international consultants gather relevant material for the study. The background papers will be analytical and policy studies that synthesize the existing literature and develop new approaches to the strengthening and streamlining of existing regional cooperation and integration (RCI) institutions in Central Asia, and the creation of new RCI institutions. Academic institutions or research institutions will help organize some of the workshops and seminars held outside ADB headquarters. National consultants will facilitate overall TA administration—including research, data analysis, logistics, and communication—and will help coordinate within ADB to ensure the smooth delivery of the final report and related publications. Resource persons will be engaged to participate in workshops and conferences to provide comments and enrich the discussion. They may be hired to prepare short essays and notes on technical aspects of the study.

A. International Consultants

1. Institutional Governance Expert (6 person-months, intermittent)

2. The institutional governance expert will have deep knowledge of the theoretical and empirical literature on institutions that support regionalism, and will be familiar with the structure and trends of economics and politics in Central Asia. The expert will assist ADB staff in finalizing the study. The expert will be responsible for conducting a comprehensive analysis of the external political environment and the internal organizational structure of institutions that support regionalism in Central Asia, including a discussion of their effectiveness. The expert will help identify several titles and authors of background papers to be used in the study, maintain proper communication with these authors, and provide feedback on their work. The expert will help organize a workshop on the topic of his expertise and attend most of the workshops that will be held in 2009.

2. Financial Sector and/or Regulatory Expert (6 person-months, intermittent)

3. The financial sector and/or regulatory consultant will be a renowned expert on regional financial cooperation and integration, with knowledge of several institutional arrangements in different parts of the world. The consultant will assist ADB staff in finalizing the section of the study related to lessons and experiences from other regions in creating RCI institutions, with a focus on financial cooperation, including regulatory issues. The consultant will be responsible for conducting a selected review of historical experiences of the development of RCI institutions in Central Asia, and for conducting a comparison with relevant experiences from ASEAN+3 countries. The consultant will help identify several titles and authors of background papers to be used in the study, maintain proper communication with these authors, and give them feedback on their work. The consultant will help organize a workshop on the topic of his or her expertise and attend most of the workshops that will be held in 2009.

3. Economist and/or Political Scientists (15 person-months total, intermittent)

4. About 10 economists and/or political scientists will be hired to write background papers to support and complement the findings and analyses conducted under different sections of the

study. The selected consultants will work in close coordination with the principal consultant responsible for their section and the lead consultant overseeing the entire study. The consultants will have extensive knowledge of the theoretical and empirical literature on their assigned subject, and will be familiar with the structure and trends of economics and politics in Asia and the Pacific. The consultants will be asked to participate in three of the study-related workshops to present their papers and receive feedback from other study members, including ADB staff. The papers will be submitted to ADB in their final format by mid-December 2009.

4. Manuscript Editor (3 person-months, intermittent)

5. A manuscript editor will be hired to edit the background papers prepared for the study and the draft report. The manuscript editor will ensure that the language used in the papers and their content are consistent.

B. National Consultants

1. Project Coordinator and/or Research Assistant (18 person-months)

6. A national consultant will serve as project coordinator with responsibility for overall TA administration. The consultant will have an academic background in economics and/or political science, and possess strong analytical and communication skills. The consultant will also have relevant experience in similar assignments involving the preparation and coordination of reports for international institutions. Under the supervision of ADB staff, the consultant will perform various tasks, including but not limited to the following: (i) maintaining proper communication with international consultants and resource persons involved with the study; (ii) ensuring timely delivery of the background papers and the draft report; (iii) reviewing documents and other papers related to the study; (iv) guaranteeing smooth completion and publication of the report; and (v) organizing the work of the local editorial team, including manuscript editors, copy editors, and typesetters.

2. Typesetter (3 person-months, intermittent)

7. A typesetter will be hired to typeset all study-related material to be published. The typesetter will ensure that the text, tables, figures, etc. are properly included and the publications are in an orderly and clear format. The typesetter will work in close coordination with the manuscript editor and the project coordinator.

3. Translation Service Providers (3 person-months total, intermittent)

8. The study will be translated into Russian. To provide complete translation services, one translator, one editor, and one typesetter will be hired. The editor will ensure the accuracy and quality of the translation, and the typesetter will typeset the translated report.

C. Resource Persons (15 person-months total, intermittent)

9. About 10 consultants—with expertise in economics, finance, international relations, regional and global institutions, and other fields—will be engaged as resource persons to serve as discussants in study-related workshops and conferences, and to conduct training programs and prepare ad hoc written material—such as short essays or boxes—that require specific knowledge and expertise. Resource persons will work closely with ADB staff, the lead consultant, principal consultants, and the project coordinator; and their engagement will be assessed on a case-by-case basis. If required, they will also prepare some background papers on selected topics and attend workshops, as appropriate.

Table A3: Summary of Consultants and Resource Persons

	Position	Persons	Type	Person-Months	Timing of Assignment
A.	International Consultants				
1.	Institutional Governance Expert	1	Individual	6	July 2009– December 2010
2.	Financial Sector and/or Regulatory Expert	1	Individual	6	July 2009– December 2010
3.	Economists and/or political scientists	10	Individual	15	July 2009– December 2010
4.	Manuscript editor	1	Individual	3	July 2009– December 2010
	Subtotal (A)	13		30	
B.	National Consultants				
1.	Project Coordinator and/or Research Assistant	1	Individual	18	July 2009– December 2010
2.	Typesetter	1	Individual	3	July 2009– December 2010
3.	Translation service providers	3	Individual	3	July 2009– December 2010
	Subtotal (B)	5		24	
C.	Resource Persons	10	Individual	15	July 2009– December 2010
	Total	28		69	

Source: Asian Development Bank estimates.