

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: ERCI

TA No., Country and Name:			Amount Approved: \$750,000	
TA 6432-REG: Private Sector-Led Integration and Free Trade Agreements in South Asia			Revised Amount: \$817,941	
Executing Agency: Asian Development Bank (ADB)		Source of Funding: Regional Cooperation and Integration Fund (\$750,000); UK Department for International Development (US\$67,941)	Amount Undisbursed: \$42,756.28	Amount Utilized: \$775,184.72
TA Approval Date: 11 December 2007	TA Signing Date: N/A	Fielding of First Consultant: 7 February 2008	TA Completion Date Original: 31 December 2009 Account Closing Date Original: 31 December 2009 Actual: 30 September 2012 Actual: 31 August 2014	
Description				
South Asia is one of the least integrated regions in the world and is characterized by modest cross-border trade and investment, limited movement of people, low transfer of technology, and poor connectivity. At the time of the TA, India-Pakistan tensions were high and the pace of South Asian integration had stalled. It was felt that a complementary route via the private sector and public-private partnerships may be useful to explore. Hence the TA emphasized this route. Facilitating increased private sector participation and harnessing more trade driven benefits through trade liberalization including free trade agreements (FTAs) would help to enhance the regional cooperation and integration (RCI) process in South Asia. So far, few studies have analyzed the potential of market-led integration in the region and the constraints on businesses participating in the RCI process. The lack of coordination among economic players and limited capacity of small South Asian economies to participate in regional accords have limited the gains that have been achieved. This TA aims to fill these gaps, with guidance from ADB's Regional Cooperation and Integration Strategy and involvement in South Asian Association for Regional Cooperation (SAARC) and other sub-regional programs and projects that foster economic links among South Asian countries.				
Expected Impact, Outcome and Outputs				
The expected impact of the TA was sustainable growth in South Asia through an integrated approach that leads to economic integration and more participation by the private sector. The expected outcome was a more competitive private sector and strengthened capacity of South Asian governments to deal with FTA issues. The TA included three major components: (i) study of private sector-led integration and FTAs in South Asia, (ii) policy dialogue and information dissemination, and (iii) capacity building.				
Delivery of Inputs and Conduct of Activities				
ADB implemented the TA, with major activities undertaken in collaboration with the Federation of Indian Chambers of Commerce and Industry (FICCI). FICCI provided technical inputs and comments on selected studies and coordinated the TA activities with the Government of India and chambers of commerce in smaller South Asian countries to ensure smooth organization of the conferences, seminars, and training programs. An ADB-FICCI working group on private sector-led integration in South Asia, comprising representatives of chambers of commerce and industry and government officials from SAARC countries, was formed in April 2010 to assess key impediments to trade and development in South Asia, develop actionable proposals to enhance private sector-led integration in South Asia, and disseminate these proposals through consultations and dialogues with governments, development agencies, and private sector associations.				
Five international consultants (four individual consultants with expertise in economics and law and an individual consultant coming from a firm, the Overseas Development Institute (ODI), were engaged for 28 person-months to prepare studies and provide research support. Five national consultants were engaged for 59 person-months to provide research, training, and administrative support. Engagement of individual consultants was timely and in accordance with ADB Guidelines on the Use of Consultants. The consultants' terms of reference were adequately formulated and the consultants provided timely inputs and delivered good quality outputs. Because of their respective expertise, some of the national consultants served as resource persons in training workshops. The TA also benefitted from the technical inputs and country coordination support provided by the South Asia Department				

including participation of some staff as resource persons in capacity building programs and conferences. ADB's performance as executing agency is rated satisfactory.

The TA was expected to be completed in December 2009, but had to be extended four times to 30 September 2012 to conduct additional research and training activities. In October 2010, the United Kingdom's Department for International Development (DFID) provided co-financing of an equivalent of \$131,250 to enhance and deepen the existing three TA components through (i) preparation of a feasibility study on reducing nontariff barriers in South Asia; (ii) high-level summit which will increase the reach and raise the level of discussion on enhancing private sector-led integration; and (iii) research with FICCI on harnessing the potential of least developed countries (LDCs) in South Asian integration. The feasibility study (i above) prepared by ODI was completed in October 2011 and a working draft of the study on harnessing the potential of LDCs was prepared in 2012. The high-level summit did not take place because the requisite clearances and consultations with South Asian governments and chambers of commerce took longer than expected. Subsequently, it was decided that the TA be closed due to lack of personnel. The funds earmarked for the summit and the study on LDCs were returned to DFID. The actual TA financial closing was delayed due to problems related to the liquidation of some advances for workshops and seminars.

Evaluation of Outputs and Achievement of Outcome

The TA delivered the following outputs:

A. Studies on private sector-led integration: (i) ADB-FICCI Key Proposals for Harnessing Business Opportunities in South Asia (March 2010). This publication was cited in March 2010 in several Indian newspapers including the Economic Times of India, Financial Express, Business Standard, Statesman, Hindustan Times, and Financial Chronicle. (ii) ADB Working Papers on Regional Economic Integration available in aric.adb.org—No. 32: Rajiv Kumar and Manjeeta Singh; India's Role in South Asia Trade and Investment Integration (July 2009) and No. 54: V.V. Desai, The Political Economy of Regional Cooperation in South Asia (July 2010). (iii) ODI and FICCI, Feasibility Study on Reducing Non-Tariff Barriers in South Asia (2011). (iv) Govinda Rao, Promoting Trade and Investment in India's Northeastern Region (January 2009).

B. Policy dialogue and information dissemination: (i) ADB-FICCI High-level Conference on Harnessing Business Opportunities for South Asian Economic Integration, 17–18 November 2009, New Delhi. The conference brought together 134 participants including high-level government officials and private sector representatives from SAARC countries, the SAARC Secretariat, SAARC Chamber of Commerce and Industry, and ADB (led by the Managing Director General at that time) to discuss challenges faced by the private sector in fostering South Asian integration. Business-to-business meetings were held on the second day of the conference. (ii) Seminar on Global Financial Crisis and Implications for South Asia, 24 March 2009, Colombo. Around 60 senior officials from the Ministry of Finance and Central Bank, Sri Lanka participated. (iii) ADB-FICCI Seminar on the Role of the Private Sector in South Asian Economic Integration, 16–17 October 2008, Colombo. A total of 16 senior representatives of business associations from SAARC countries (except Maldives) and ADB staff participated in the seminar organized around five sessions of stock taking of South Asian integration, opportunities and impediments to private sector participation in South Asian integration, strengthening the role of the private sector in South Asian integration, the multilateral trading system and regional trade, and the way ahead. (iv) Second Empirical Conference of International Trade and Finance organized by the Indian Institute of Foreign Trade, 16–17 December 2010, New Delhi. The TA financed the participation of two professors who served as resource persons.

C. Capacity building-training workshops: (i) Designing, Negotiating, and Implementing FTAs in South Asia (for trade officials), 3–10 June 2008, Bangkok; (ii) Trade Policy for Sri Lanka (for ministry of finance officials), 20–23 March 2009, Bentota and Colombo; (iii) Introduction to Concept, Tools, and Methods for South Asian Integration (for chambers of commerce officials and analysts) in partnership with FICCI, 13–16 May 2009, Singapore; (iv) Regional Economic and Financial Monitoring (REFM) in South Asia (including a roundtable discussion on development challenges in Asia) (for ministry of finance and central bank officials) in partnership with the Central Bank of Sri Lanka, 14–18 September 2009, Colombo¹; (v) Designing, Negotiating and Implementing FTAs in Asia (for trade and foreign affairs ministry officials) in partnership with Indian Institute of Foreign Trade, 11–16 April 2010, New Delhi; and (vi) New Issues in Trade Policy: Challenges and Responses from Asia (for trade officials), 22–26 August 2011, ADB Headquarters.

The TA outputs enhanced the awareness and understanding of private sector organizations and policy makers in South Asia of the major obstacles to promoting RCI, and hence garnering its benefits, and provided policy options to address them. The training programs provided the much needed capacity building of trade and other government institutions to deal with FTAs and other RCI issues at a time when South Asia was beginning to increase its engagement in FTAs.

¹ This training program was modeled on ADB's successful REFM course and adapted with a regional focus on South Asia. In response to requests from the participants, the training program was subsequently offered to South Asian finance and central bank officials on a regular basis and financed through other TAs.

Overall Assessment and Rating

This is the first ADB TA program to support South Asia in facilitating private sector-led integration. Overall, the TA was successful in terms of relevance, quality of outputs, and impact. FICCI and other stakeholders indicated that the studies were useful and of good quality. The TA reports and papers attracted wide media attention and were considerably downloaded from the Asia Regional Integration Center (ARIC) website² because of practical solutions proposed to problems identified. In their remarks to FICCI in March 2010, the US Department of State commended them for the ADB-FICCI report. The training programs were of good quality, conducted by experts in the field making use of studies from the TA, and considered useful by the country participants according to training evaluations.³ The number of training programs (six) exceeded the TA target of one FTA training course. The number of FTAs ratified⁴ in SAARC countries rose from 19 in 2007 to 28 in 2013 and capacity building under the TA may have contributed to this trend.

Major Lessons

Major lessons were as follows: (i) the close partnership with FICCI (a critical private sector chamber in South Asia) contributed significantly to the successful conduct of the TA activities. Being a knowledge unit in ADB, OREI had limited engagement with non-governmental stakeholders in South Asia and FICCI served as its gateway to key private sector organizations in the region. (ii) The TA's impact may have been enhanced if it were formally a part of ADB's country and regional technical assistance plans in South Asia.

Recommendations and Follow-Up Actions

South Asian regional integration has made progress during the TA period but more knowledge work is required to support the RCI agenda. ADB consultations with South Asian chambers of commerce and governments during TA implementation highlighted a demand for follow up assistance from ADB and other agencies to support private sector-led integration in South Asia. A follow-up TA (TA 7791-REG: Capacity Building for Implementing Private Sector-Led Integration in South Asia) was, therefore, proposed and subsequently approved on 16 March 2011.

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² The two working papers and the ADB-FICCI report have been downloaded from the ARIC website by over 1,700 times. The report was also posted in other websites (e.g., FICCI) but download statistics are not available.

³ For example, participants of the REFM course in September 2009 gave an overall positive evaluation with 92% rating it as excellent or good (of which 39% indicated excellent). The participants also requested follow up training programs

⁴ Signed and in effect.