

TECHNICAL ASSISTANCE COMPLETION REPORT¹

Division: CWRD/CWOC

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| TA 5968-REG: A Comparative Assessment of Economic Development in Central Asia | | | Amount Approved: \$250,000 | |
| | | | Revised Amount: | |
| Executing Agency: Asian Development Bank | | Source of Funding: TASF | Amount Undisbursed: \$76,785.14 | Amount Utilized: \$173,214.86 |
| TA Approval Date: 20 December 2000 | TA Signing Date: n.a. | Fielding of First Consultant: 1 March 2001 | TA Completion Date Original: 31 August 2001 Account Closing Date Original: 31 August 2001 | Actual: 31 August 2003 Actual: 31 October 2003 |
| Description (Background and Rationale) A decade of transformation from centrally planned to market-based economic systems brought about profound changes in Central Asia. A better understanding of economic fundamentals in terms of performance, constraints, and prospects was required for ADB to step up its support for economic development and regional cooperation in Central Asia. Accordingly, an in-depth regional economic study was deemed necessary to provide analytical insights into economic policies and management, drawing on lessons learned and setting out a vision for future economic growth and cooperation. Such intellectual underpinning was also required for enhanced policy dialogue and consensus building with governments in Central Asia. For this purpose, the research and development regional technical assistance (TA) was conducted. The TA also aimed to strengthen ADB's role of catalyzing subregional economic development and cooperation and status as a leading regional knowledge resource. | | | | |
| Expected Impact, Outcome and Outputs The expected impact of the TA was the development of an analytical framework for a new round of subregional cooperation initiatives to promote inclusive growth in Central Asia and the provision of analytical underpinning to policy dialogue with the Central Asian countries, including Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan. The expected outcome of the TA was (i) systematic assessment of the impact of the 10-year transition on regional economic development and the current growth environment; (ii) enhanced understanding of economic structure, strength, and potentials of individual economies in the region, and (iii) identification of key policy and regulatory constraints and the way forward to future growth that best benefits the poor. | | | | |
| Expected output of the TA was a report containing (i) a paper on long-term economic fundamentals, key policy constraints, and comparative advantages of economies within Central Asia; (ii) three papers on the issues of the poverty reduction, institutional support for private sector development, and fiscal decentralization; and (iii) a synthesis volume summarizing major findings of the TA and key recommendations from consultations with participating governments. | | | | |
| Delivery of Inputs and Conduct of Activities Four international experts were recruited in the area of comparative macroeconomics; poverty issues; private sector development; and public finance. Selection and engagement of consulting services and procurement under the TA was carried out in accordance with consulting services and procurement guidelines. The consultants were fielded on a timely basis, though the completion date was extended to enable planned dissemination of research findings and an expanded TA scope to include best practice of foreign direct investment policy. | | | | |
| The consultants performed field visits, organized in-country seminars, and provided satisfactory reports under adequate supervision of ADB TA task manager. The TA received adequate support from | | | | |

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participating countries (Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan). A regional consultation workshop was held in Almaty on July 2001 with participants from all five Central Asia countries, to disseminate analytical results from part of the project.

In addition to the planned economic paper and three thematic papers, a synthesis of comparative assessment of economic development in Central Asia was jointly produced by the consultants and the TA task manager. At the request of the participating countries, the paper on institutional support for private sector development was expanded from the initially envisaged scope to include best practice of foreign direct investment policy including approach to fiscal incentives and reforms.

Evaluation of Outputs and Achievement of Outcome

The TA prepared a synthesis of comparative assessment and four papers: (i) long-term economic fundamentals, key policy constraints, and comparative advantages of economies in Central Asia, (ii) impact of transition on poverty and poverty reduction in Central Asia, (iii) evolution of the institutional framework for supporting private sector development in Central Asia, and (iv) decentralization and intergovernmental fiscal relations in Central Asia. Major findings were disseminated to participating countries through in-country seminars and a dissemination seminar in ADB in March 2002. These reports were considered timely and useful in that they provided both participating countries and ADB with a better understanding of the economic fundamentals in countries in transition, thereby contributing to participating countries' development of their own growth and poverty strategies and policies, and also, ADB's operational strategies and programs to support for economic development and regional cooperation in Central Asia. Particularly, the common development constraints (e.g. their land-locked status) and challenges (e.g. the need to diversify their exports and to increase trade and investment) illustrated the need for cooperation among Central Asian countries through transport connectivity and subregional trade and investment.

Overall Assessment and Rating

The TA was rated successful following Independent Evaluation Department (IED) guidelines. Although the TA was extended by about two years to enable planned dissemination of research findings and, at request of the participating countries, to include best practice of foreign direct investment policy under the thematic paper on institutional support for private sector development, it produced the expected outputs and outcome. The major findings of the TA were considered useful analytical reference by ADB and the participating countries in policy dialogue on a range of development issues faced by countries in transition to a market-based economic system.

Major Lessons

The experience of this TA suggests that research and development technical assistance is likely to be successful when the subject is relevant to the need of the participating countries, and in this instance, as these countries were set to assess the evidence from the past decade on the transition, growth and poverty, and to analyze future prospects for economic development and poverty alleviation. The TA also provided insights for ADB's rising support in this region. The TA was extended largely to enable planned dissemination of research findings, and the extension could have been avoided or reduced with better in-country coordination and logistical support which were not available during the early years of ADB operations in Central Asia.

Recommendations and Follow-Up Actions

The major findings of the synthesis of comparative assessment and the four thematic papers were considered useful inputs in subsequent economic, thematic and sector work undertaken by ADB for the Central Asia countries. Similar studies should be undertaken periodically to update ADB knowledge on the region. The findings also served as useful analytical reference in participating countries' development policy making at the time. No follow-up actions are required.

Note: The TCR was not undertaken at the time of TA completion and was undertaken now to complete the TA record.