

## TECHNICAL ASSISTANCE COMPLETION REPORT

Division : OREI

|   |                      |  |   |                                |
|---|----------------------|--|---|--------------------------------|
| TA No. and Name   |                      |  | Amount Approved: \$ 300,000                           |                                |
| RETA 6071: Technical Training and Capacity Building in Support of the ASEAN Economic Surveillance Process, Phase III  |                      |  | Revised Amount: \$252,720                             |                                |
| Executing Agency:<br>Asian Development Bank   |                      | Source of Funding:<br>ADB Financing                  | Amount Undisbursed:<br>\$ 91                          | Amount Utilized:<br>\$ 252,629 |
| TA Approval Date:<br>13 December 2002   | TA Signing Date:<br> | Fielding of First Consultant{s}:<br>28 February 2003 | TA Completion Date<br>31 December 2003                | Actual:<br>31 December 2004    |
|   |                      |  | Account Closing Date<br>Original:<br>31 December 2003 | Actual:<br>12 November 2004    |
| <p><b>Description</b></p> <p>The ASEAN Finance Ministers Meeting in February 1998 initiated the idea of creating an ASEAN economic surveillance process. After extensive consultations between ADB and officials of ASEAN member governments, "Terms of Understanding for the Implementation of an ASEAN Surveillance Process" was developed. Part of this agreement was the establishment of an ASEAN Surveillance Coordination Unit (ASCU) within the ASEAN Secretariat in Jakarta that will coordinate surveillance matters between individual Ministries, Central Banks, and other institutional structures within ASEAN.</p> <p>At the request of the Chairman of the ASEAN Finance Ministers' Meeting on 10 November 1998, this technical assistance was proposed to extend support to the ASEAN Surveillance Process by way of training and capacity building activities until such time that ASCU acquires an autonomous surveillance capacity. This technical assistance (TA) was intended to continue ADB's support for enhancing surveillance-related capacity incorporating changes proposed during the evaluation of Phase II implementation.</p> <p><b>Expected Impact, Outcome and Outputs</b></p> <p>The TA's objectives were to: (i) support the training of officials from ASEAN member countries in economic and financial surveillance, and related policy making activities; (ii) assist ASCU in its economic surveillance activities, and (iii) improve information flows and ADB's knowledge of the opportunities and risks facing its DMCs.</p> <p>The TA aimed to train middle level officials from the Ministries of Finance and Central Banks of eligible ASEAN countries (Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Viet Nam) and from the ASEAN Secretariat in Jakarta. Aside from currently assigned to or would be assigned responsibilities on ASEAN surveillance, it was expected that officials nominated to the program should have the following minimum qualifications: (i) bachelor's degree (or equivalent) in economics or finance from a recognized university, (ii) at least five years relevant professional work experience, and (iii) fluent in written and spoken English.</p> <p>Key activities included a 6-week training program on macroeconomic analysis and the interrelated accounting and analytic framework used by government authorities, and on economic surveillance.</p> |                      |  |   |                                |

It was expected that at least 30 officials will be trained in economic and financial surveillance to develop the technical skills and practical experience needed to sustain and support full ownership of the ASEAN surveillance process (ASP).

### **Delivery of Inputs and Conduct of Activities**

1. The Training Course was broadly divided into two parts. The first part was an intensive review of macroeconomic analysis and the interrelated accounting and analytical framework used by government authorities in establishing their macroeconomic and financial policies. The two reference materials used extensively for this module were the IMF's "Financial Programming Policy: The Case of Turkey" and "Macroeconomic Management: Programs and Policies." The second part of the program focused on specialized topics of economic surveillance such as development of macro and micro prudential indicators financial system soundness, formulation of early warning system of economic crisis, analysis of leading economic indicators, use of global and regional surveillance information systems, issues and progress in developing a new international financial architecture, and issues relating to macroeconomic policy and poverty reduction. The reference materials used in this module were taken mostly from various ADB and IMF publications.
2. A new module on country paper preparation and presentation was included in the course. Each participant was asked to prepare a draft country paper on economic and financial monitoring before attending the course, and expanded and revised the paper during training based on the course inputs and comments of ADB staff. The revised country papers were presented as a requirement at the end of the course.
3. International consultants were engaged to prepare and present modules on macroeconomic and financial programming as well as conduct lectures on topics related to developing financial and capital markets. The module provided in depth review of macroeconomic analysis and accounting needed in the formulation of macroeconomic and financial programming. The performance of consultants hired for the project was very satisfactory. All the expected deliverables outlined in the TA were generally delivered in a timely manner.

### **Evaluation of Outputs and Achievement of Outcome**

Under this TA, four batches of training program were completed. These consisted of 48 officials from the ministries of finance, central banks and the ASEAN secretariat. The training program was found to be very useful in carrying out their surveillance related duties in their respective offices, particularly the ASEAN Surveillance reports and the ASEAN Deputies meetings.

The electronic surveillance data template for ASEAN countries, developed by an international consultant in consultation with ADB staff and ASCU officials, is now being utilized by ASEAN countries and ASCU in its economic surveillance activities.

### **Overall Assessment and Rating**

The TA was successful in training officials from ASEAN member countries and the ASEAN secretariat in economic and financial surveillance activities and related policy-making activities, in support of the ASEAN economic surveillance process. The module on macroeconomics and financial programming provided the trainees an extensive review of macroeconomic analysis that is useful in understanding and developing macroeconomic and financial policies.

In terms of TA administration, selection and engagement of consulting services under the TA have been carried out in accordance with ADB's guidelines on the use of consulting services. Due to turn over of staff at the later stage of implementation and lack of staff resources, the finalization of the TA completion

report was delayed.

### **Major Lessons**

There were several issues that limited the effectiveness of the training provided by ADB. Despite the minimum educational and professional qualifications and background set for candidates, some participants were not selected from surveillance-related departments or were unable to fully comprehend the lectures because of poor command of the English language (which also constrained their ability to write economic reports in English) and inadequate economics and statistical background. After the training program, some participants were given responsibilities that were not related to surveillance work or were placed in non-surveillance departments. The lack of high-frequency data in some countries made it difficult to undertake appropriate (as suggested during the training program) economic and statistical analyses required for surveillance work.

The feedback from the participants from the ministries of finance and central banks and the ASEAN secretariat brought together the strong points of both the 3-month and 3-week programs. The refresher course in macroeconomics, focusing on conceptual and policy aspects was slightly modified, while the on-the-job training approach was retained although in a more compact and refined manner. Taking into account the proposed changes, the 4-week program initially introduced in the last two batches in phase III will be continued.

### **Recommendations and Follow-Up Actions**

The sustained interest of ASEAN finance and deputy finance ministers in the surveillance process was noted. As a result of the positive response to the program, a fourth phase of this TA was approved on 26 November 2004, incorporating the feedback received from evaluation of the three phases.

Prepared by: Hoe Yun Jeong Designation: Economist

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