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Promoting South Asian Regional Economic Cooperation II

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The South Asian Association for Regional Cooperation (SAARC)\textsuperscript{1}—Asian Development Bank (ADB) collaboration is anchored on their Memorandum of Agreement, signed on 12 April 2004, aimed at promoting broad-based economic growth and social development; cross-border movement of goods, services, and people through regional cooperation; and institutional links with other regional cooperation initiatives. The first technical assistance (TA) promoting South Asian regional economic cooperation was approved by ADB on 27 September 2004, to implement regional cooperation initiatives in priority sectors.\textsuperscript{2} When the TA was completed in 2008, the SAARC Secretariat requested ADB for follow-on TA to help the SAARC Secretariat to move key decisions and outcomes of the SAARC summits, and support the activities of the SAARC Secretariat. At the 15\textsuperscript{th} SAARC Summit held in Colombo on 1–3 August 2008, several challenges and emerging concerns on food and energy security, transport and trade, and the environment and climate change were given priority attention. SAARC’s regional cooperation agenda were also increasingly focusing on the acquisition and exchange of necessary knowledge and skills to effectively implement their priorities, and in recognizing the need for harmonized standards that will facilitate trade within the region. At that time (and until now), South Asia had the lowest share of intraregional trade to total trade (averaging 5.4\% during 2005–2007) compared to other subregions in Asia. Providing support to immediate actions to meet challenges impacting the region’s goals, TA 6512 was approved by ADB in December 2008.

**Expected Impact, Outcome, and Outputs**

The TA impact was enhanced regional cooperation and integration in South Asia. The outcome was enhanced capacity of SAARC Secretariat, SAARC entities including select regional centers, and government entities of SAARC member states, as approved by the SAARC mechanisms, to effectively plan and implement regional cooperation activities. The TA outputs were: (i) initiatives for regional food security; (ii) studies and papers on trade, economic, and financial cooperation; (iii) capacity development programs for SAARC entities and training programs for SAARC officials from SAARC member states; (iv) programs to support institutional links with other regional organizations; and (v) technical and logistics support.

**Delivery of Inputs and Conduct of Activities**

The TA funds were maximized, disbursing 96.5\% of the allocated budget but requiring five extensions of its completion date for a total of 87.5 months. The extensions and provision of additional funding enabled the TA to respond to requests from the SAARC Secretariat and member countries for conducting new studies and enhancing ongoing studies. The TA amount was increased in 2014 by $225,000 and in 2015 by $525,000. These two increases financed additional activities including (i) preparation of policy briefs and conduct of thematic studies; (ii) updating of SAARC studies such as the SAARC Regional Multimodal Transport Sector Study; (iii) preparation of the roadmap for the South Economic Union (SAEU) and (iv) establishment of a working relationship between SAARC Secretariat and other regional centers/organizations. The objectives of the TA, terms of reference, and executing agency arrangements were relevant and appropriately designed. ADB performance was considered highly satisfactory.

Consultants were recruited following the Guidelines on the Use of Consultants by ADB, and in consultation with the SAARC Secretariat. There were 51 individual consultants, including resource persons, mobilized by the TA, performing either excellently or satisfactorily; and overall, they were rated satisfactory.

The TA, with support from the Food and Agriculture Organization, helped prepare project proposals on regional food security, which were then fully developed into detailed proposals. The TA completed: (i) the design of a regional coordination surveillance mechanism, which highlighted the need to initiate effective and coordinated policy actions on monetary and fiscal areas to avoid possible risks brought about by external shocks; (ii) the updating of the SAARC Regional Multimodal Transport Study; (iii) formulation of a connectivity-driven development strategy for Nepal, from a

\textsuperscript{1} SAARC comprises Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka.

landlocked to a land-linked state; (iv) conduct of diagnostic studies on sanitary-phytosanitary (SPS) and technical barriers to trade (TBT) restricting intraregional trade in Bangladesh, Bhutan, and Nepal; (v) conduct of a study on the impacts of climate change in the region, owing to many shared challenges affecting the member countries; and (vi) the development of a web-based and user-protected interface portal for SAARC statistics (SAARCSTAT) \(^3\), and institution of a designated statistics cell at the SAARC Secretariat.

Capacity and institutional development activities, which were also integral elements of the studies conducted under the TA, were carried out through meetings, workshops, trainings, field visits at the ASEAN Secretariat and International Rice Research Institute, top level visits of SAARC Secretariat to ADB headquarters, and annual informal meetings of the SAARC Finance Ministers on the sidelines of the ADB Annual Meeting of the Board of Governors.

**Evaluation of Outputs and Achievement of Outcome**

**Output 1.** This output was achieved and exceeded the TA target for detailed regional food security project proposals. From a list of 10 priority projects on food security, seven were fully developed, five of which were completed and submitted to higher SAARC authorities.\(^4\) For the fifth proposal on the control of transboundary animal diseases (footnote 5) in South Asia, a TA was approved by ADB in October 2014 funded by the Japan Fund Poverty Reduction. Six other priority food security projects had been submitted to the SAARC Secretariat and SAARC Agriculture Center. As of the original completion date, 100% of the activities under output 1 were completed and no additional activity was added during the extension.

**Output 2.** This output was achieved with more than three studies prepared on priority and emerging concerns of SAARC. The studies were (i) of high quality, and (ii) highly relevant in the deliberation of SAARC concerns and formulation of its policy agenda. These were also highly responsive to SAARC summit declarations, and were approved, accepted, and/or endorsed by SAARC entities and member states. The studies and institutional capacity building measures benefitted the SAARC Secretariat, SAARC Agriculture Center, SAARC Expert Group on Development of Capital Markets, Fifth Meeting of SAARC Finance Ministers, Seventh Meeting of the Inter-Governmental Expert Group on Finance Issues, Fourth Meeting of the SAARC Inter-Governmental Group on Transport, and SAARC national statistical and nodal offices.

Results of output 2 activities include: (i) data on trade services, which were essential in South Asian Free Trade Area (SAFTA) and SAARC Agreement on Trade in Services (SATIS) negotiations; (ii) codification of variations in the level of development of capital markets led to the development of more harmonized and integrated capital markets in South Asia; (iii) development of regional coordinated surveillance mechanisms, which reinforced the need for the member states to strengthen their respective surveillance systems to ensure economic and financial stability; (iv) the 18th SAARC Summit held in Kathmandu on 26–27 November 2014, which launched the final report on the study on regional economic integration in SAARC, including a detailed road map for a SAEU\(^6\); (v) comprehensive reports on SPS and TBT studies, which recommended priority regulatory and legislative measures that will facilitate more trade within the region and in the global market; (vi) coordination mechanisms for the South Asian Regional Standards Office, which led to harmonization of standards in South Asia; (vii) the climate risks study, which provided doable actions and recommendations for harmonizing policies, mobilizing finance for scaling up, strengthening institutional linkages, and generating strategic knowledge; and (viii) the SAARCSTAT web portal, which provided a good base for maintaining and monitoring SAARC statistical information. All original activities under output 2 were completed by 2014 but additional activities, such as preparation of policy briefs, conduct prefeasibility, and thematic studies on various fields, were added in 2015.

**Output 3.** This output was achieved and the TA performance targets for an assessment of regional centers’ capacities, and capacity development and training programs undertaken had been realized. Notable achievements under output 3 include: (i) development of a 3-tier online training programs for SAARCSTAT, which was approved by the member states’ heads of national statistical offices;\(^6\) (ii) designation of the SAARC Statistical Training Center in Kolkata, India as the Statistical Training Institute; (iii) consensus reached for bilateral and multilateral power trade in the region through support for meetings of SAARC Council of Experts of Energy Regulators; and (iv) endorsement of the report on South Asia Regional Power Exchange. All original activities under output 3 were completed in 2012 but additional activities, such as

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3 SAARC Group on Statistics. [http://www.saarcstat.org/content/welcome-saarcstat](http://www.saarcstat.org/content/welcome-saarcstat).
4 The five detailed project proposals were on (i) enhancing agricultural productivity of smallholder farmers in selecting water-limited areas; (ii) promoting balanced use of agricultural inputs in selected intensively cropped areas; (iii) pre- and post-harvest management and value chain development; (iv) upgrading of food safety; and (v) institutionalization of SAARC mechanisms for the control of transboundary animal, aquatic animal, and plant diseases.
5 The seven recommendations to be given priority were: (i) reduction/removal of non-tariff barriers and para-tariff barriers; (ii) energy cooperation; (iii) trade facilitation measures; (iv) investment cooperation; (v) reduction of products in sensitive lists; (vi) SATIS; and (vii) connectivity improvement (in rail, road, air, and maritime sectors).
6 SAARC Group on Statistics. About SAARCSTAT. [http://www.saarcstat.org/content/about-saarcstat](http://www.saarcstat.org/content/about-saarcstat); Training courses identified for SAARC nations. [http://www.saarcstat.org/content/training-courses-identified-saarc-nations](http://www.saarcstat.org/content/training-courses-identified-saarc-nations); and On-line Training Programme. [http://www.saarcstat.org/content/online-training-programme](http://www.saarcstat.org/content/online-training-programme).
designing and implementing training programs to address institution building needs for SAARC Secretariat, were added in 2015.

**Output 4.** This output was achieved as effective interaction and exchange of information between SAARC and other regional institutions had taken place and resulted in their desired objectives. The important avenues were meetings and workshops participated in by relevant officials of SAARC Secretariat and member states, visits by SAARC Secretariat officials to ADB headquarters and other regional institutions, and the informal meetings of the SAARC finance ministers held between 2009 to 2018. While 100% of the original activities under output 4 were already completed by 2011, new activities, such as establishing working arrangements between SAARC Secretariat and other regional centers/organizations with respect to knowledge sharing field visits, were added in 2015 as requested by the SAARC Secretariat.

**Output 5.** This output was achieved through technical and logistics support for various meetings, workshops, and training program. Of the 55 events organized under the TA, nine were held during 2008–2011 and 46 were held during 2012–2017, following the SAARC Secretariat’s request for additional capacity building programs. The last event was held in 2017. About 1,120 senior officials benefitted from the trainings. Reports on these events were of high quality and submitted to the SAARC Secretariat in a timely manner.

**Outcome.** The achievement of the TA outcome was satisfactory, based on the performance indicators. The various studies, workshops, and capacity building programs under the TA enabled the recipients from the member states to gain new skills or improve their existing skills. The various channels of dialogue and interaction among the SAARC member states for their inputs and feedbacks on matters under deliberation were also effective.

**Overall Assessment and Rating.** Overall, the TA is successful. The TA was relevant as it was able to address the SAARC’s development needs. A key TA output is the detailed road map for the SAEU, which encapsulates the measures needed by SAARC to achieve economic integration. The TA was effective as it achieved the intended outcome and all outputs in the original design and monitoring framework. Extension of the TA was due to additional activities requested by the SAARC Secretariat, which supported the TA outcome and outputs. The TA recommended road maps on other SAARC priorities, which are ready for implementation by the SAARC bodies and member countries. Although the TA used 95% of its allocation, it is rated less than efficient given the extensions needed to complete all the activities. The TA is rated sustainable, given that the SAARC Secretariat and member countries continue to include in its priorities the outputs of the TA, such as the study on regional economic integration, which is being used as basis for regional policy discussion.

**Major Lessons.** Key lessons learned from implementing the TA are as follows: (i) strong political commitment is needed from all participating countries to ensure that the studies and dialogue that the TA had supported will result in genuine collaborative action as, oftentimes, in SAARC, this does not happen for a variety of reasons; (ii) engendering such political commitment should be part of ADB’s policy dialogue, whenever possible, at the national level and at the subregional level, when invited to SAARC meetings; and (iii) there is a need to focus on key areas of cooperation where progress or “quick wins” can be achieved to strengthen the momentum for cooperation, rather than spreading assistance too thinly across a wide range of areas. The TA avoided activities that would potentially touch upon contentious issues such as those related to trade agreements.

**Recommendations and Follow-Up Actions.** Future technical assistance to support SAARC, if at all, should be focused on areas where concrete progress can be made and where ADB has comparative advantage in terms of technical expertise. Such assistance should pave the way for planning and implementing concrete subregional projects that ADB and other development partners can support. It should also be coordinated well with ongoing or planned technical assistance of ADB for other related subregional cooperation programs, such as the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), South Asia Suregional Economic Cooperation (SASEC), and Central Asia Regional Economic Cooperation (CAREC) given the common membership and similarities in priority sectors of cooperation.

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