



Completion Report

Project Number: 43359-012
Technical Assistance Number: 7709
September 2015

Financial Sector Development in Central and West Asia

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TA No., Country and Name TA 7709-REG: Financial Sector Development in Central and West Asia			Amount Approved: \$1,500,000 Revised Amount: \$1,500,000	
Executing Agency Asian Development Bank		Source of Funding TASF-others	Amount Undisbursed: \$180,553.91	Amount Utilized: \$1,319,446.09
TA Approval Date: 14 December 2010	TA Signing Date: 14 December 2010	Fielding of First Consultant: 25 May 2011	TA Completion Date Original: 31 December 2013 Actual: 30 November 2014 Account Closing Date Original: 31 December 2013 Actual: 28 April 2015	
Description. The regional technical assistance (TA) grant of \$1.5 million was designed to increase the impact and outcomes of ADB financial sector operations in countries served by ADB's Central and West Asia Department (CWRD). It was to incorporate lessons learned in providing access to finance and develop a better understanding of credit demand, supply, and constraints in the CWRD countries. It was also to address common issues, stakeholder priorities, crosscutting training needs, synergies with other ADB operations, and targets for ADB support. This was to be accomplished through two components.				
Expected Impact, Outcome and Outputs. The impact of the TA was to improve the enabling environment for financial sector development in the region. Indicators were to track factors of financial development, including (i) ease of access to loans, (ii) quality of regulation of securities exchanges, (iii) availability of financing through local equity markets, and (iv) soundness of banks. The expected outcome of the TA was the application of an improved design for institutional, policy, and regulatory measures that address identified critical constraints to financial sector development and that contribute to enhancing the quality of future ADB financial sector interventions in CWRD countries. Performance was to target the endorsement of financial sector action plans. The TA had four outputs delivered through two components. The outputs of the first component were to prepare (i) financial sector assessments and surveys—including identification of constraints to financial sector development, (ii) crosscutting knowledge products and working papers, and (iii) product-focused action plans based on country demand. The output of the second component was training and capacity-building programs.				
Delivery of Inputs and Conduct of Activities. Delivery of inputs and conduct of activities was achieved. Of the total amount of \$1.5 million, \$180,553.91, or 12% was unutilized. TA money was not used to procure any equipment or goods. There was a delay in receiving final claims from consultants, which were lower than anticipated leaving a larger amount of TA funds unutilized than anticipated. All ten CWRD countries agreed to participate in the TA, however, of the ten CWRD countries, missions were fielded to seven: Armenia, Georgia, Kazakhstan, Pakistan, Tajikistan, Turkmenistan and Uzbekistan. Missions were not fielded and action plans were not developed for Afghanistan, Azerbaijan and Kyrgyz Republic as they were already receiving support through other TA, programs and projects. The scope of inputs and consultant's terms of reference (TOR) were well-defined. Frankfurt School of Finance and Management was engaged to (i) undertake financial sector assessments and surveys, (ii) prepare crosscutting regional knowledge products and working papers, and (iii) prepare product-focused action plans based on country demand. Securities & Investments Institute Asia-Pacific Pty. Ltd. was engaged to deliver training and capacity building programs. Consultant firms and individual consultants were selected in a timely manner.				
The TA was well formulated, including the terms of reference, however, could have been designed in a more flexible way to meet changing and additional requests by respective government agencies and processing teams in the design stage. The TA effectively met funding needs for additional consulting services and fill the gap of limited TA and staff consultancy resources. Twelve minor changes in implementation arrangements were approved to support (i) sector assessments in individual countries, (ii) further sector assessments to support project and TA design resulting from the country assessments; (iii) training and capacity building; and (iv) working papers. The TA also supported three study visits for officials from Kazakhstan, Pakistan and Uzbekistan. Fourteen individual consultants were engaged under the TA in addition to the two consulting firms, to support the above mentioned activities. In total, the consulting firms and the individual consultants were engaged for 63 person months.				
The TA implementation period was extended by an additional 11 months from December 2013 to November 2014. The TA was extended in part due to the time needed to engage the consulting firms which took nearly 6 months, and in part to provide time for the design and delivery of additional training programs. The consulting firms were both rated satisfactory. Of the individual consultants, 5 were rated excellent, 6 were rated satisfactory and 3 were not rated.				
Evaluation of Outputs and Achievement of Outcome. The outputs were achieved. Component 1. The DMF target of one survey on financial sector development needs was achieved. The survey was conducted in the ten CWRD countries. The DMF target of identifying demand for ADB financial sector assistance in at least five product areas was achieved. Identified product areas in the seven countries for which financial sector roadmaps were developed were (i) electronic banking, (ii) insurance, (iii) securities market, (iii) microfinance, and (v) agrifinance. The DMF target of preparing studies covering at least five product areas for financial sector development in at least five participating				

countries was achieved. Six financial sector assessments were prepared for six countries: (i) Armenia's Finance Sector: Boosting Access and Development; (ii) Tajikistan's Finance Sector: Boosting Access and Development; (iii) Georgia's Finance Sector: Boosting Access and Development; (iv) Kazakhstan's Finance Sector: Boosting Access and Development; (v) Country Assessment for Uzbekistan; (vi) Country Assessment for Pakistan. Product areas in each respective country were: Armenia—securities market, electronic banking, and insurance; Georgia—securities market, insurance and agrifinance; Kazakhstan—securities market, microfinance, insurance and banking; Pakistan—securities market, Tajikistan—electronic banking and microfinance; Uzbekistan—securities market development, electronic banking and microfinance. Two roundtable discussions on financial sector development were conducted in Tajikistan and Armenia to share and discuss the findings of the sector assessments. The DMF target of publishing working papers was achieved: Making Mobile Financial Services Work in Central and West Asia, and Making Insurance Work in Central and West Asia. The consultant reports and the two working papers are publicly available in this project's documents section at ADB.org.

Component 2. One survey on training needs for regulation and supervision of bank and non-bank financial institutions was conducted in the ten CWRD countries. Based on this survey, five regional training programs were designed and delivered: (i) Consolidated Supervision, April 2013 in Armenia; (ii) Financial Reporting and Disclosure, June 2013 in Georgia; (iii) Crisis Management and Dealing with Problem Banks, October 2013 in Kyrgyz Republic; (iv) Risk Management and Internal Controls, February 2014 in Kazakhstan; and (v) Supervision and Regulation of Electronic Banking, August 2014 in the Philippines. The DMF target of at least 2 regional or subregional training programs targeted at financial supervisors and regulators delivered on regulation and supervision of bank and non-bank financial institutions was substantially achieved. The five regional training programs exceeded the target of 2 regional or subregional training programs. However, only 37% of the trained participants were women, short of the targeted 50%. As financial sector regulators from all ten countries were invited to participate in the seminars, the seminars were all regional thus exceeding the DMF target of at least one regional seminar organized to promote enhanced regulatory cooperation. Each of the 5 regional training programs addressed the issue of regulatory cooperation and networking. The DMF target of at least 250 staff from supervisory and regulatory authorities trained is considered to be achieved. 133 staff from supervisory and regulatory authorities were trained of which 37% were women. 115 financial sector regulators and commercial bankers were trained in microfinance and small and medium-sized finance, of which 35% were women. The DMF target of at least 75% of trainees rating the training programs and seminars as effective was achieved: 48% of participants rated the seminars as excellent and 52% rated them as good, which should be considered equivalent as being rated at least as effective.

The outcome was achieved. The survey identified the need to develop specific product areas in each respective country, which were endorsed by relevant authorities. The studies in each respective country covered these specific product areas. The studies have contributed to the design of (i) Armenia Women's Entrepreneurship Support Sector Development Program; (ii) Uzbekistan Small Business and Entrepreneurship Development Project; (iii) Georgia: Improving Domestic Resource Mobilization for Inclusive Growth and (iv) Uzbekistan TA for insurance sector development. The assessments have contributed to country partnership strategies (CPSs) and country operations business plans (COBPs) for (i) Tajikistan, (ii) Armenia and (iii) Georgia. The assessments have contributed to two working papers, one on insurance sector development and one on mobile financial services.

Overall Assessment and Rating. The overall assessment of the TA is highly successful. The TA was based on government priorities to strengthen the financial sector. TA outputs contributed to the design of three loans and one TA (i) Armenia Women's Entrepreneurship Support Sector Development Program; (ii) Uzbekistan Small Business and Entrepreneurship Development Project; (iii) Georgia: Improving Domestic Resource Mobilization for Economic Growth; (iv) Uzbekistan TA for insurance sector development. The assessments have contributed to CPS and COBP for three CWRD countries: (i) Tajikistan, (ii) Armenia and (iii) Georgia. The assessments have contributed to two working papers, one on insurance sector development and one on mobile financial services. TA resources were used efficiently and at lower cost than originally anticipated, including costs for training, office operations, and national air travel.

Major Lessons. The contribution of the TA to CWPf activities underscores the benefits of regional TAs which are focused on country needs and provides a good model for replicating in other sectors and regions. The TA could have been drafted to allow for greater flexibility in supporting the needs of countries and project teams in the design of TAs, projects and programs.

Recommendations and Follow-Up Actions. The TA was highly effective in (i) identifying key areas in the financial sector which need to be further developed; (ii) supporting the design of TA, projects and programs; (iii) providing input into CPSs and COBPs; (iv) enhancing client capacity; (v) providing networking opportunities; and (vi) building ADB's relationship with key government agencies and promoting ADB as a knowledge institution. The TA proved a useful resource in meeting the funding gap of available for staff consultancy and TA.

TA = technical assistance.