



Technical Assistance Report

Project Number: 51253-001
Knowledge and Support Technical Assistance (KSTA)
December 2017

Capacity Building Support to the Association of Southeast Asian Nations Financial Integration: Phase II

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Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
ASEAN	–	Association of Southeast Asian Nations
CLMV	–	Cambodia, Lao People's Democratic Republic, Myanmar, and Viet Nam
SCCB	–	Steering Committee for Capacity Building Initiatives to Support ASEAN Financial Integration
SEACEN	–	South East Asian Central Banks Research and Training Centre
SLC	–	ASEAN Senior Level Committee on Financial Integration
TA	–	technical assistance

NOTE

In this report, "\$" refers to US dollars.

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KNOWLEDGE AND SUPPORT TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 51253-001	
Project Name	Capacity Building Support to the Association of Southeast Asian Nations Financial Integration: Phase II	Department /Division	ERCD/EROD
Nature of Activity	Capacity Development	Executing Agency	Asian Development Bank
Modality	Regular		
Country	REG (CAM, LAO, MYA, VIE)		
2. Sector		Subsector(s)	
✓ Finance	Central banking systems	ADB Financing (\$ million)	
			1.50
		Total	1.50
3. Strategic Agenda		Subcomponents	
Inclusive economic growth (IEG)	Pillar 1: Economic opportunities, including jobs, created and expanded	Climate Change Information	
Regional integration (RCI)	Pillar 3: Money and finance	Climate Change impact on the Project	Low
4. Drivers of Change		Components	
Governance and capacity development (GCD)	Institutional development	Gender Equity and Mainstreaming	
Knowledge solutions (KNS)	Public financial governance	No gender elements (NGE)	
	Application and use of new knowledge solutions in key operational areas		✓
Partnerships (PAR)	Knowledge sharing activities		
	Implementation		
Private sector development (PSD)	Regional organizations		
	Promotion of private sector investment		
5. Poverty and SDG Targeting		Location Impact	
Geographic Targeting	No	Regional	High
Household Targeting	No		
SDG Targeting	Yes		
SDG Goals	SDG8		
6. Risk Categorization		Low	
7. Safeguard Categorization Safeguard Policy Statement does not apply			
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		1.50	
Knowledge and Support technical assistance: Technical Assistance Special Fund		1.50	
Cofinancing		0.00	
None		0.00	
Counterpart		0.00	
None		0.00	
Total		1.50	

I. INTRODUCTION

1. The knowledge and support technical assistance (TA) will continue support for capacity building of the central banks and financial regulators of the Association of Southeast Asian Nations (ASEAN) to realize financial integration under the ASEAN Economic Community. The TA will provide capacity building programs to Cambodia, the Lao People's Democratic Republic, Myanmar, and Viet Nam (CLMV),¹ in coordination with the South East Asian Central Banks Research and Training Centre (SEACEN),² and through regional knowledge sharing with peer ASEAN central banks. The capacity building programs will be developed under the close guidance of the Steering Committee for Capacity Building Initiatives to Support ASEAN Financial Integration (SCCB) and the ASEAN Senior Level Committee on Financial Integration (SLC).³

2. The TA is included in the management-approved annual work program of the Financial Cooperation and Integration team under the Economic Research and Regional Cooperation Department (ERCD).⁴

II. ISSUES

3. The ASEAN Economic Community Blueprint 2025 is envisioned “to create a deeply integrated and highly cohesive ASEAN economy that would support sustained high economic growth and resilience even in the face of global economic shocks and volatilities.”⁵ However, substantial development gaps among ASEAN member states stand in the way of the integration. Inadequate capacity and financial infrastructure would be a potential cause of instability when the markets are integrated. The ASEAN central banks strongly believe that capacity building is of utmost importance in narrowing these development gaps and assisting all ASEAN members to fully participate in the ongoing financial integration efforts.⁶ The ASEAN Economic Community Blueprint 2025 clearly states that capacity building—together with capital account liberalization and payment and settlement systems—is one of three important cross-cutting areas.

4. The Asian Development Bank (ADB) co-chairs the SCCB and provide financial and intellectual support to ASEAN central banks. Ongoing ADB-funded TA supports both expansion of knowledge and skills and sharing of experiences among the ASEAN central banks, which

¹ Brunei Darussalam may join the capacity building programs under this TA, but the travel expenses of participants will not be covered by ADB.

² SEACEN. <http://www.seacen.org/content.php?id=3&lang=1.htm>.

³ SCCB was formed in March 2013 with the recognition that capacity gaps would impede financial integration; ADB and SEACEN co-chair the SCCB. The SLC, which comprises the ASEAN central bank deputy governors, receives progress reports from various subsector working committees, including the SCCB; evaluates the status of financial integration; and provides guidance accordingly.

⁴ The TA first appeared in the business opportunities section of ADB's website on 30 October 2017

⁵ ASEAN Secretariat. 2015. *ASEAN Economic Community Blueprint 2025*. Jakarta, p. 2. Implementation of the previous blueprint—ASEAN Secretariat. 2008. *ASEAN Economic Community Blueprint*—has been substantively achieved, particularly with respect to eliminating tariffs and facilitating trade. The ASEAN Economic Community Blueprint 2025 seeks to achieve the vision of building, by 2025, an ASEAN economic community that (i) is highly integrated and cohesive; (ii) is competitive, innovative and dynamic; (iii) displays enhanced connectivity and sectoral cooperation; (iv) is more resilient and inclusive, and is oriented and centered on people; and (v) is integrated with the global economy.

⁶ The importance of capacity building was clearly recognized by the ASEAN central banks, as shown in the summary report: ADB. 2013. *The Road to ASEAN Financial Integration: A Combined Study on Assessing the Financial Landscape and Formulating Milestones for Monetary and Financial Integration in ASEAN*. Manila.

constitute successful peer-to-peer learning and knowledge sharing.⁷ Flexible arrangements for bilateral learning programs introduced in the ongoing TA have fostered closer communication between the central banks of Indonesia, Malaysia, Philippines, Singapore, and Thailand and CLMV. In particular, bilateral study visits by the National Bank of Cambodia to the Bank Negara Malaysia and Monetary Authority of Singapore to learn their deposit protection schemes were linked with the Inclusive Financial Sector Development Program in Cambodia under ADB's Southeast Asia Department. The capacity building has been coordinated by the SCCB and closely monitored by the SLC, along with the ASEAN Banking Integration Framework learning roadmap developed by the central banks in conjunction with ADB and SEACEN. The roadmap shows the regulatory capacity needed for ASEAN financial integration, and was referenced by CLMV central banks in assessing their capacity building achievements and potential needs. Based on the successful implementation of the ongoing TA, and the need to further narrow capacity gaps, the co-chairs of the ASEAN SLC requested continued ADB support for the ASEAN initiatives.⁸ The ASEAN central banks expressed their wish to partner with ADB on an ongoing basis to realize ASEAN financial integration.

5. In response to the strong request from ASEAN central banks, the proposed TA will continue capacity building support to CLMV central banks based on the ASEAN Banking Integration Framework learning roadmap and the roadmaps developed by the working committees and endorsed by the SLC—addressing capital market development, financial services liberalization, capital account liberalization, payment settlement systems, and financial inclusion—with close guidance and monitoring by the SCCB and SLC.⁹ The TA will support two broad categories of capacity building programs: (i) customized training programs, which are specifically proposed by CLMV central banks, and are to be implemented by ADB and SEACEN; and (ii) tailored bilateral programs, which are provided by ASEAN central banks themselves as peer-to-peer learning and knowledge sharing through training programs and/or study visits of CLMV central bank officers to central banks of Indonesia, Malaysia, Philippines, Singapore and Thailand.

6. The TA will improve organizational capacity and knowledge, including on banking regulations and supervision, market monitoring, central bank operations, financial stability, payment and settlement systems, and new technologies in the banking sector. Compared to the existing capacity building program TA (footnote 7), this TA will endeavor to accommodate more flexible arrangements for capacity building based on the specific needs of each country. Each CLMV central bank institution will submit an annual capacity building plan. To facilitate this, a template will be created for the capacity building plan that will provide a menu of training topics and/or themes aligned with each working committee's strategic action plan, key performance indicators, and learning roadmaps. The template will allow for suggestions on how to effectively conduct the training and for proposals on the number of staff to be trained for each program. ADB will review the capacity building plans and determine whether training will be provided through a

⁷ ADB. 2016. *Technical Assistance for Capacity Building in Support of Monetary and Financial Integration of the Association of Southeast Asian Nations*. Manila. A total of 14 bilateral study visits and/or training programs for 82 CLMV staff and 5 customized programs for 110 staff were supported in 2016. In 2017, 19 bilateral programs and 6 customized learning courses for about 260 staff are expected to be supported by ADB. A minor change in TA scope was made to support travel costs associated with the customized learning programs in 2017.

⁸ The request was made by Perry Warjiyo, the deputy governor of Bank Indonesia and Diwa Guinigundo, deputy governor of Bangko Sentral ng Pilipinas as co-chairs of ASEAN SLC in a letter to ADB vice-president Bambang Susantono on 15 May 2017.

⁹ The ASEAN Banking Integration Framework Learning Roadmap consists of four layers: layer 1 addresses the basic knowledge of financial markets, layer 2 addresses various risks of the business of banking, layer 3 involves banking business lines and interactions with submarkets, and layer 4 focuses on systemic risk and financial stability. Each layer is divided into several modules. Under the current roadmap there are 22 basic modules.

customized or tailored-bilateral program. To the extent possible, training programs will be conducted through visits by resource persons to CLMV central banks, rather than at separate training venues; this will result in travel cost savings, and avoid limits on the number of participants. To take advantage of their expertise, ASEAN working committees will be requested to identify possible resource persons. CLMV central bank institutions will submit impact assessment reports to the SCCB in an effort to enhance evaluations of the effectiveness of each TA training program. The evaluations will address the strategic action plan, key performance indicators, and learning roadmap of each working committee.

7. In recognition of the fact that financial integration requires support for systems and infrastructure to effectively link markets, as well as human capacity building, the TA is expected to lead to further discussions on institution building that may be funded by ADB loans, such as creation of market infrastructure in CLMV.

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

8. The TA is aligned with the following impact: effective strategies and projects to achieve ASEAN financial integration developed and implemented by the ASEAN central banks. The TA will have the following outcome: improved organizational capacity and knowledge among CLMV central bank staff. The design and monitoring framework is in Appendix 1.

B. Outputs, Methods, and Activities

9. **Output 1: New capacity building programs developed and conducted.** The proposed TA will support at least 40 training courses for about 400 staff and officers, and visits of resource persons from the 6 working committees to the CLMV. Additional learning roadmaps will be prepared to identify further capacity development needs. Lessons from the programs conducted under the ongoing TA (footnote 7) will be used in developing the new roadmaps in consultation with the SCCB.

10. **Output 2: Enhanced web portal of the steering committee for capacity building initiatives.** The SCCB web portal, which serves as the online repository for the capacity building learning materials, will be enhanced for easier pre-and post-course information sharing among participants. Members will have easy access to share and post their thoughts and ideas for other SCCB members. This will be an access-controlled portal to share materials among ASEAN central bank officials. The enhancement of the SCCB web portal will take advantage of Yammer, an ADB platform; enhancement of the website will be undertaken by ADB's Office of Information Systems and Technology, and no additional funds will be allocated for this project.

11. The SCCB co-chaired by ADB will continue to monitor the TA project's effectiveness based on the learning roadmaps and will report this to the SLC at least twice per year. The SLC will review the progress reports submitted by the SCCB in the context of achieving ASEAN financial integration and provide appropriate guidance for the SCCB, which will then be reported to ASEAN central bank governors.

C. Cost and Financing

12. The TA is estimated to cost \$1,500,000, which will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF 6). The key expenditure items are listed in Appendix 2.

D. Implementation Arrangements

13. The TA will be implemented over 24 months, from January 2018 to December 2019. ADB will be the executing agency of the TA. The Financial Cooperation and Integration team in ADB's Economic Research and Regional Cooperation Department will be responsible for implementing and administering the TA, organizing capacity building training and/or events, and engaging consultants. ADB will obtain a no-objection in writing from the relevant ASEAN member country prior to conducting or financing any activities related to this TA in the territory of that ASEAN member country.

Implementation Arrangements

Aspects	Arrangements		
Indicative implementation period	January 2018–December 2019		
Executing agency	ADB		
Implementing agencies	ERCD, ADB. The TA will be implemented with close coordination with ASEAN central banks under the SCCB. SCCB meetings will be held at least twice per year to monitor progresses of capacity building, which will be reported to the SLC for further guidance. The SLC will discuss and evaluate the status of financial integration and readiness based on the progress reports from various subsector working committees, task forces, and the SCCB. If further human resource capacity building is necessary, the SLC will provide guidance to the SCCB. Strong collaboration with ADB's Southeast Asia Department will be essential to ensure success of the TA.		
Consultants	To be selected and engaged by ADB. ^a		
	Individual international consultancy	5 person-months, intermittent	\$100,000
	Individual national consultancy	24 person-months, full-time	\$72,000
	Resource persons	7 person-months	\$30,200
Disbursement	The TA resources will be disbursed following ADB's <i>Technical Assistance Disbursement Handbook</i> (2010, as amended from time to time).		

ADB = Asian Development Bank, ASEAN = Association of Southeast Asian Nations, ERCD = Economic Research and Regional Cooperation Department, SCCB = Steering Committee for Capacity Building Initiatives to Support the ASEAN Financial Integration, SLC = ASEAN Senior Level Committee on Financial Integration, TA = technical assistance.

^a Terms of Reference for Consultants (accessible from the list of linked documents in Appendix 3).

Source: ADB.

14. **Consulting services.** The TA will require 15 person-months of individual international consultant services, with the consultant engaged as a capacity development expert on a lump-sum basis with a provision for out-of-pocket expenditures. The TA will also require a program coordinator as a national consultant for 24 person-months (continuous). ADB will engage the consultants in line with the ADB's Procurement Policy (2017, as amended from time to time) and the associated project administration instructions and TA staff instructions. Resource persons will be engaged as guest speakers during the customized training programs. The Financial Cooperation and Integration team will select, supervise, and evaluate the consultants.

Disbursements under the TA will be made in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time).

IV. THE PRESIDENT'S DECISION

14. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$1,500,000 on a grant basis for Capacity Building Support to the Association of Southeast Asian Nations Financial Integration: Phase II, and hereby reports this action to the Board.

DESIGN AND MONITORING FRAMEWORK

Impact(s) the TA is Aligned with ASEAN central banks developed and implemented effective strategies and projects to achieve ASEAN financial integration (project defined)			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
Outcome Organizational capacity and knowledge among CLMV central bank staff improved	By 2020, at least 75% of the participants applied newly acquired knowledge and skills in their workplace. Baseline 2017: 0	a. Post-learning evaluation and survey b. TA progress report, including SCCB meeting reports	Unexpected financial shocks and the political sensitivity of actions causes ASEAN member states to withdraw from the integration effort
Outputs 1. New capacity building programs developed and conducted 2. Enhanced SCCB web portal using Yammer as platform	By the end of 2019, 40 new bilateral and customized learning programs developed and conducted by ASEAN 5 and SEACEN together with ADB for about 400 CLMV central bank staff and officers. Baseline 2017: 0 programs, 0 staff By the end of 2019, at least 1,000 visits to and downloads from the enhanced SCCB web portal. Baseline 2017: 0	TA progress report including SCCB meeting reports Website analysis reports	High employee turnover in institutions where training is conducted

<p>Key Activities with Milestones</p> <p>1. Capacity building program conducted</p> <p>1.1 Develop plans for 2018 bilateral training programs from ASEAN 5 and for customized training programs from SEACEN based on the annual capacity building plans from CLMV (January–March 2018)</p> <p>1.2 The SCCB to discuss the plans and coordinate with the proponents as necessary (March 2018)</p> <p>1.3 Conduct training programs (March–December 2018)</p> <p>1.4 The SCCB to monitor implementation of the capacity building programs and evaluate them according to the learning roadmaps (April–September 2018)</p> <p>1.5 Develop plans for 2019 bilateral training programs from ASEAN 5 and for customized training programs from SEACEN based on the annual capacity building plans from CLMV (January–March 2019)</p> <p>1.6 The SCCB to discuss the plans and coordinate with the proponents as necessary (March 2019)</p> <p>1.7 Conduct training programs (January–December 2019)</p> <p>1.8 The SCCB to monitor implementation of the capacity building programs and evaluate them according to the learning roadmaps and report to the SLC regarding next steps (April–September 2019)</p> <p>2. Use of web portal enhanced</p> <p>2.1 ADB to create a data repository section in the web portal (January 2018)</p> <p>2.2 ADB to collect all information and learning resources used in relation with the learning roadmaps, and share these through the portal (January 2018–December 2019)</p> <p>3. Additional roadmaps created</p> <p>3.1 The SCCB to coordinate with ASEAN working committees and develop learning roadmaps if requested (January–March 2018)</p> <p>3.2 The SCCB to discuss the learning roadmaps and report to the SLC (March 2018)</p>
<p>Inputs</p> <p>ADB: \$1,500,000</p>
<p>Assumptions for Partner Financing</p> <p>Not Applicable</p>

ADB = Asian Development Bank; ASEAN = Association of Southeast Asian Nations; ASEAN 5 = Indonesia, Malaysia, Philippines, Singapore, and Thailand; CLMV = Cambodia, Lao People's Democratic Republic, Myanmar, and Viet Nam; SCCB = Steering Committee for Capacity Building Initiatives to Support ASEAN Financial Integration; SEACEN = South East Asian Central Banks Research and Training Centre; SLC = ASEAN Senior Level Committee on Financial Integration; TA = technical assistance.

Source: Asian Development Bank.

COST ESTIMATES AND FINANCING PLAN

(\$'000)

Item	Amount
Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	100.0
ii. National consultants	72.0
b. International and local travel	70.0
2. Training, seminars, workshops, forum, and conferences	
a. Resource persons ^b	360.0
b. Venue rental and related facilities	50.0
c. Participants ^c	800.0
3. Contingencies	88.0
Total	1,500.0

^a Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF 6).

^b ADB staff are also regarded as resource persons.

^c Travel expenses for of Cambodia, Lao People's Democratic Republic, and Viet Nam central bank participants to customized courses implemented in coordination with South East Asian Central Banks Research and Training Centre.

Source: Asian Development Bank estimates.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=51253-001-TARreport>

1. Terms of Reference for Consultants