

**MANAGEMENT RESPONSE TO THE REGIONAL COOPERATION ASSISTANCE
PROGRAM EVALUATION FOR THE GREATER MEKONG SUBREGION:
MATURING AND MOVING FORWARD**

On 17 February 2009, the Director General, Independent Evaluation Department, received the following response from the Managing Director General on behalf of Management:

I. General Comments

1. We appreciate the considerable effort that went into the preparation of IED's Regional Cooperation Assistance Program Evaluation (RCAPE) for the Greater Mekong Subregion (GMS). The RCAPE is the first ever comprehensive evaluation of ADB's assistance to a regional cooperation and integration (RCI) program. Although there have been previous IED assessments of ADB's assistance to the GMS Program, the RCAPE represents a new, higher-level, and more comprehensive evaluation, involving both a "top-down" or strategic evaluation and a "bottom-up" or sector/project impact evaluation.

2. We commend the participatory process adopted in preparing the RCAPE. IED has been proactive in engaging ADB staff, and key stakeholders, individually (i.e., meetings at individual country and ministry/agency levels) and collectively (through participation in some sector working group meetings and the GMS Senior Officials' Meeting).

3. We appreciate the RCAPE's overall assessment of "successful" and similar "successful" ratings for the top-down and bottom-up evaluation of the regional cooperation strategy and program (RCSP). This positive assessment of the RCSP and the GMS Program confirms the overall view that ADB-assisted GMS Program is a "success" story for RCI. In this regard, we recall the concluding section of the signed Joint Summit Declaration of the GMS Leaders at their third Summit in Vientiane in March 2008: *"Fifteen years ago, it was a bold vision to foresee how much our subregion would change, or how deeply the GMS program would contribute to this change. These changes have brought significant benefits to our countries and people, and the GMS program has been an integral part of this transformation. Trade and economic linkages between our countries have increased considerably, buoyed by improvements in physical connectivity, investments in human and institutional development, a growing sense of community, and an awareness of mutual benefits from cooperative endeavors."*

4. With regard to the institutional assessment, we agree with RCAPE's observation that the activity-driven rather than rules-driven nature of the GMS Program has been advantageous for the GMS countries and for ADB, allowing for flexibility and practicality in approaching various issues and concerns. The current arrangements in the program are rooted in practical simplicity, and since they have proven effective, should be maintained. The possible exceptions would be those areas where formal agreements and rules have become necessary in order to achieve specific goals and ensure that all parties' actions are consistent with them. This will apply in the case of the implementation of the GMS Cross-Border Transport Agreement (CBTA), which may require more formal

arrangements, such as the establishment of a CBTA secretariat, to be managed and staffed by GMS nationals, which will closely monitor the Agreement's implementation and provide a platform for resolving disputes.

II. Comments on Specific Recommendations

Recommendation 1. Improve Strategic and Institutional Performance

5. **Recommendation 1(i). Bring greater clarity to translation of Strategy 2020 for RCI.** We agree with this recommendation. ADB's Long Term Strategic Framework 2008-2020 (Strategy 2020) included regional integration as one of ADB's three strategic agendas, and RCI as one of the five core areas of operations. While ADB interventions in RCI should be assessed in the context of five drivers of change identified in Strategy 2020, and our operations should, in general, be focused on five core operational areas, it was not the intention of Strategy 2020 to limit our RCI operations to the remaining four core operational areas only (one being RCI itself). In fact, Strategy 2020 explicitly identifies ADB's role in supporting regional and global public goods in sectors beyond infrastructure, environment, education, and financial sector development.

6. For example, in the health sector, Strategy 2020 posits ADB's role in responding to transmission and spread of communicable diseases through cross-border migration. The operational plan for the health sector, approved by Management on 5 November 2008, further confirms ADB's role in financing regional projects in the sector. Under ADB's RCI core operational area, Strategy 2020 does not identify any preferred sector. The intention was that the RCI program will be developed with a view to "accelerate growth and economic partnership, as well as to address common risks." The sectors for our financing are to be identified based on our analysis of regional constraints to growth and poverty reduction, financing gap for the sector, demand from DMCs, our in-house skills and ability to add value, and possibility of support from other partners.

7. **Recommendation 1(ii). Take stock and chart a revised GMS strategy with a holistic approach.** We agree that future ADB assistance to the GMS Program should adopt a holistic and integrated approach, focusing more on regional benefits, and on the soft aspects of regional development, such as policy reform and harmonization, mainstreaming environmental concerns in planning, and addressing the social and environmental risks of connectivity. This RCAPE's recommendation is consistent with earlier assessments of the GMS Program, most notably the Midterm Review of the GMS Strategic Framework (2002-2012). The Midterm Review of the GMS Strategic Framework was commissioned by the GMS senior officials in 2006, endorsed by the GMS ministers in 2007, and adopted by the GMS leaders in 2008. In addition, the adoption of the economic corridor concept, and the establishment of the Economic Corridors Forum at the Third GMS Summit in Vientiane, Lao PDR in March 2008, which ADB has been supporting, is a manifestation of the GMS countries' commitment to a holistic and integrated approach to subregional development.

8. ADB has been advocating a holistic approach in supporting the GMS Program, by pursuing the three Cs (enhancing connectivity, competitiveness, and a sense of community). The indicative assistance program of lending/grant products included in the regional cooperation operations business plans

(RCOBPs) for the GMS for 2008-2010 and for 2009-2012 reflected a balanced and more diverse portfolio of priority GMS projects for ADB support. In addition to infrastructure projects, the RCOBPs have included projects on communicable disease control, biodiversity conservation corridors, flood and drought risk management and mitigation, and water supply and sanitation.

9. **Recommendation 1(iii). Develop and strengthen DMC and regional institutions under the revised GMS strategy.** We agree with the RCAPE's suggestion to establish and strengthen the capacities of member countries and regional bodies to take on responsibility for institutional arrangements. Since the GMS Program started in 1992, ADB has recognized and actively promoted country ownership of the GMS Program, and its institutional mechanisms. Para. 23 of the RCAPE recognizes that there has been increasing ownership within the region of certain forums and working groups. The current practice of GMS countries chairing GMS meetings, and the existing institutional structure will be maintained, as requested by the GMS countries themselves.

10. We also agree with the RCAPE's observation (Executive Summary, page vii) on the need to avoid over institutionalizing or applying one-size-fits-all rules-based arrangements that may jeopardize the heretofore successful and flexible arrangements of an activity-based subregional cooperation program. We believe that priority should be given to capacity development efforts to increase national capacity for regional cooperation, which is increasingly being pursued. The secondment of officials in some GMS countries to GMS national secretariat offices in other GMS countries that have well-functioning coordination processes will be explored. A regional TA on "Strengthening the Coordination of the GMS Program" is included in the program of nonlending products and services for 2010 to, among other things, review the GMS institutional structure, and improve the capacity of GMS countries in managing the GMS Program.

11. **Recommendation 1(iv). Expand Cofinancing.** We agree on the continuing need to mobilize support from other development partners, the private sector, and GMS member countries to help bridge the financing gap in the GMS Program. The RCSP laid out a well-defined strategy for an enhanced role for ADB in resource mobilization, which is very much in line with ADB's role as the lead coordinating agency for the GMS Program (paras. 117-120 of the RCSP). This has helped in securing \$3.9 billion worth of cofinancing from other development partners for 41 GMS investment projects, to date, with a total cost of almost \$11 billion, with ADB providing \$3.8 billion of its loan/grant resources. Notwithstanding these, we will continuously explore innovative ways to better engage our traditional, as well as new development partners in the GMS Program. We will aim for greater buy-in of the private sector in relevant GMS projects, and explore other innovative approaches for public-private partnerships for GMS infrastructure projects. We will continue to promote increased assistance by more developed GMS members in the financing and implementation of priority subregional projects that are located in other GMS countries.

12. We believe that in addition to the needed financing, the increasing complexity and scope of the GMS Program will require new ways of harnessing the huge knowledge reservoir of development partners. This will involve, for instance, enhancing partnerships through the conduct of economic, sector and thematic work under the GMS Program.

13. **Recommendation 1(v). Make coordination more effective.** We agree with this recommendation as effective coordination lies at the core of ADB's role in the GMS Program. Even now, efforts are being undertaken to further improve coordination. Cross-participation by GMS sector working groups, such as between those for agriculture and the environment, is now a common practice. In transport and trade facilitation, various conferences, workshops, and meetings are being undertaken to bring together and coordinate the work of different agencies involved in cross-border movements of vehicles, goods and people, e.g., customs, immigration, health inspection, transport, and trade; at both the national and local levels.

14. We note that the Economic Corridors Forum (ECF), established at the Third GMS Summit of Leaders, provides a platform for strengthening cooperation among the influenced areas in the North-South, East-West, and Southern Economic Corridors. The ECF aims to improve coordination between central and local governments, between public and private sectors, and between the GMS sector working groups in the comprehensive development of influenced areas of the GMS corridors.

Recommendation 2. Improve Program and Project Level Performance

15. **Recommendation 2(i). Emphasize regional benefits.** We agree with the recommendation. We note that ADB will continue to give due emphasis on the additionality of regional benefits. In this regard, we will continue to make sure that design and monitoring frameworks for GMS projects clearly identify and measure regional benefits. These will be reviewed closely at all stages of project processing, and adjusted accordingly during project implementation. We are placing high priority in making the CBTA work given its important role in unlocking the potential huge regional economic benefits arising from freer flows of people and goods along GMS road corridors.

16. **Recommendation 2(ii). Engage in greater policy dialogue.** We support the RCAPE's suggestion that ADB should engage in greater policy dialogue to reduce the negative externalities of RCI. We note a GMS Human Resource Development Strategic Framework and Action Plan (SFAP), being developed with ADB's funding and technical support in close consultation with the GMS countries, is expected to be endorsed by the GMS ministers in May 2009. The SFAP emphasizes the need to address negative externalities associated with RCI, including the risks of communicable diseases and human trafficking, and the implications of RCI on health, labor and migration, and social and educational linkages. The SFAP will recommend measures for strengthening regional institutional links and mechanisms for regional cooperation. ADB will consider providing support to priority activities, particularly those that address cross-border issues, as well as those that are affected by subregional integration. In addition, ADB is implementing a regional TA on "HIV Prevention and Infrastructure: Mitigating Risk in the GMS", which will enhance leadership support and institutional policies for addressing HIV risks in the context of infrastructure projects. In the environment, ADB is supporting the GMS Core Environment Program, which is mainstreaming environmental considerations in GMS development. In tourism, ensuring the preservation of cultural heritage and equitable distribution of benefits from tourism is a key objective of an ongoing ADB-supported GMS investment project in Lao PDR and Viet Nam.

17. **Recommendation 2 (iii). Support the implementation of policy and procedural reforms.** We agree with this recommendation. This recommendation is consistent with conclusions and recommendations of the Midterm Review of the GMS Strategic Framework. With ADB support, GMS countries are giving increased emphasis on the soft elements of cooperation to complement and maximize the benefits from the subregional infrastructure, such as the CBTA and the Regional Power Trade Operating Agreement. There are also ongoing and planned investment projects in Cambodia, Lao PDR, and Viet Nam on communicable disease control. Under the Core Agriculture Support Program, ADB has provided regional TA for transboundary animal disease control.

18. **Recommendation 2(iv). Pay more attention to results monitoring and evaluation.** We agree on the need to establish baseline indicators to track progress and compare costs and benefits of investments, which can be achieved through a more effective framework for monitoring and evaluation. ADB recently approved a regional technical assistance project to assess the socio-economic benefits of GMS projects, designed to enhance development effectiveness of interventions under the GMS Program. The RETA will do this by evaluating the socio-economic effects of selected GMS projects, providing quantitative estimates where feasible in a manner that could later provide guidance in the design, implementation, monitoring and evaluation of other GMS projects.