



**OPERATIONS MANUAL
BANK POLICIES (BP)**

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These policies were prepared for use by ADB staff and are not necessarily a complete treatment of the subject.

REGIONAL COOPERATION AND INTEGRATION

A. Definitions

“Asia and the Pacific”	The geographical area covered by the Asian Development Bank (ADB).
“region”	The geographical area covered by an ADB regional department.
"subregion"	A subset of countries, usually within one region, for example, the Greater Mekong Subregion (GMS), the Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA), the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT).
“regional cooperation”	A process in which countries in an ADB defined region or subregion or in Asia and the Pacific work together to address common concerns.
“regional integration”	A process through which countries in an ADB-defined region or subregion or in Asia and the Pacific become more interconnected and interdependent.
“regional cooperation strategy” (RCS)”	A strategy for an ADB defined region or subregion in Asia and the Pacific to achieve the desired objectives of regional cooperation.
Regional Cooperation and Integration (RCI) Strategy	A strategy adopted by ADB in July 2006 to guide its support for regional cooperation and integration.
“interregional”	Involving countries of two or more regions, usually within Asia and the Pacific, for example, the Bay of Bengal Initiative for Multi-sectoral Technical and Economic Cooperation (BIMSTEC).

B. Introduction

1. Article 1 of the Agreement Establishing the Asian Development Bank (the Charter) states that ADB will foster economic growth and cooperation in the region [Asia and the Pacific] and contribute to the economic development of the developing member countries (DMCs) in the region collectively and individually.¹

2. Regional cooperation and integration (RCI) is one of the means to achieve ADB's overarching goal of poverty reduction in Asia and the Pacific by sustaining pro-poor growth. Support for RCI is, therefore, a longstanding responsibility of ADB. As a leading development financial institution in the region, ADB supports and facilitates RCI as requested by its DMCs. To maximize the benefits of RCI, ADB ensures that it complements national and global initiatives.

C. The Policy

3. ADB adopted a regional cooperation policy in 1994² that articulated ADB's approach to promoting regional cooperation. ADB's long-term strategic framework (2008–2020) identifies regional integration as one of its three strategic development agendas. It also identifies RCI as one of ADB's five core specializations that best support its agenda, reflect DMCs' needs and ADB's comparative strengths, and complement efforts by development partners.³

4. Taking into account changes in the global and regional economic landscape, ADB has developed a coherent and strategically focused approach in facilitating RCI activities. In July 2006, ADB adopted the RCI strategy to support RCI in Asia and the Pacific.⁴ The RCI strategy has four pillars: (1) regional and subregional economic cooperation programs on cross-border infrastructure and related software; (2) trade and investment cooperation and integration; (3) monetary and financial cooperation and integration; and (4) cooperation in regional public goods.

5. The aim of these four pillars is to reduce poverty in DMCs through regional collective action that leads to greater physical connectivity; expansion of trade and investment; development of financial systems and macroeconomic and financial stability; and improved environmental, health, and social conditions.

6. ADB plays four distinct roles in supporting and promoting RCI in Asia and the Pacific: (i) providing financial resources for RCI and/or helping DMCs mobilize funding for RCI; (ii) creating, consolidating, and disseminating knowledge and information on RCI to DMCs; (iii) helping DMCs and regional and/or subregional bodies build their institutional capacity to manage RCI; and (iv) acting as catalyst and coordinator of RCI for DMCs. These four functions

¹ ADB. 1966. *Agreement Establishing the Asian Development Bank*. Manila (Chapter I, Article 1).

² ADB. 1994. *Bank Support for Regional Cooperation*. Manila (March).

³ ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank 2008–2020*. Manila (April).

⁴ ADB. 2006. *Regional Cooperation and Integration Strategy*. Manila (July).

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cut across the four pillars of RCI. They are also mutually supportive and reinforcing, enabling ADB to serve as an effective facilitator in supporting and promoting RCI.

D. Scope of the Policy

7. ADB's support for pillar 1 of the RCI strategy will cover significant lending as well as nonlending operations. ADB's support for pillars 2, 3, and 4 is primarily nonlending, although pillar 4 may involve some lending activities.

Basis: This OM section is based on:

ADB. 2006. *Regional Cooperation and Integration Strategy*. Manila.

This OM section is to be read with OM Section B1/OP.

Compliance: This OM section is subject to compliance review.

For inquiries: Questions may be directed to the Director of the Office of Regional Economic Integration.



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REGIONAL COOPERATION AND INTEGRATION

A. Introduction

1. ADB implements the regional cooperation and integration (RCI) strategy through technical assistance, loans, and grants identified in the regional cooperation strategy (RCS), the RCS midterm review, and the indicative rolling regional cooperation operations business plan (RCOBP) to ensure consistent strategic prioritization at regional and subregional levels.

B. Application of the Policy

2. The RCS follows a process similar to that of the country partnership strategy (CPS).¹ This includes (i) initiation and stocktaking; (ii) analyses and assessments; (iii) an initial consultation with governments and other stakeholders, preparation of an RCS initiating paper, and an initiating meeting with participating governments individually or through a regional forum or meeting; (iv) a formulation mission; (v) a management review meeting and subsequent confirmation of the RCS with the concerned DMC governments; and (vi) the President's clearance and the ADB Board of Directors' consideration and endorsement of the RCS.

3. RCS analysis and assessment includes analysis of global, regional and/or subregional trends; review of the broader regional and/or subregional cooperation frameworks; regional macroeconomic and poverty analysis; thematic assessment covering issues with regional or subregional dimensions, such as gender, institutional capacity development, the environment, and the private sector; assessment of emerging sectors and cross-sectoral issues; and cofinancing.

4. An RCS midterm review is conducted during the third year of a typical 5-year RCS cycle. If an RCS is prepared for 3 or 4 years, a review may not be practicable unless a change in underlying RCS assumptions or the emergence of risks triggers the need to adjust the RCS. An indicative rolling RCOBP is prepared annually, normally on a 3-year rolling basis, to provide information on the implementation of the RCS.

5. The status of RCS preparation and implementation may be included in the quarterly review of operations by management committee meetings attended by the President and the vice presidents. The vice presidents provide strategic guidance to and oversight of the preparation of the RCS and its midterm review. A regional team takes the primary responsibility for RCS preparation and implementation, with guidance from the regional management team.

¹ ADB. 2007. *Operations Manual*. Section A2: Country Partnership Strategy. Manila (21 February).

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The regional team will be led and managed by a team leader and will comprise country team leaders of participating DMCs and representatives from sector divisions within regional departments, resident missions, and other support departments, as appropriate. The regional management team comprises the regional director general, the deputy director general, the advisor(s) to the regional director general, the director of the operations coordination division, directors of the sector divisions, and concerned country directors.

6. Regional departments, in consultation with the vice president, will determine the coverage of their RCS. A regional department may have more than one RCS to cover its subregional initiatives. For example, Greater Mekong Subregion (GMS), Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA), and Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT) all fall under the Southeast Asia Department. For an RCS that involves other countries outside the geographical coverage of a regional department, the lead regional department should involve other concerned regional departments.

7. To ensure a higher level of lending and nonlending services for high-quality cross-border projects and programs, the RCS is aligned with relevant CPSs to the extent possible.

8. Coordination with regional groupings is also necessary to align the RCS with the regional priorities of DMCs, to avoid duplication, and to ensure ADB's support for RCI is consistent with the priorities of the region.

9. The processes for the RCS, RCS midterm review, and indicative rolling RCOBP; and roles and responsibilities of concerned departments are generally similar to those of the CPS. It is for regional departments to decide whether to prepare a new RCS or to continue to implement an ongoing RCS.

C. Roles and Responsibilities

10. The regional departments have primary responsibility for the first pillar of the RCI strategy—regional and subregional economic cooperation programs on cross-border infrastructure and related software—with the Private Sector Operations Department and Office of Cofinancing Operations playing an important role in catalyzing private sector participation. The Regional and Sustainable Development Department, in close cooperation with the regional departments at the subregional level, has primary responsibility for the fourth pillar of the RCI strategy—cooperation in regional public goods—and is supported by the Office of the General Counsel. The Office of Regional Economic Integration (OREI) has primary responsibility for the second and third pillars of the RCI strategy—trade and investment cooperation and integration; and monetary and financial cooperation and integration—in close cooperation with the regional departments. Other offices and departments (including the Asian Development Bank Institute, the Economics and Research Department, and Treasury Department) will be involved in all pillars, as appropriate.

11. Although the primary responsibility for preparing the RCS, RCS midterm review, and indicative rolling RCOBP and implementation of the RCS rests with the regional departments, the involvement of OREI early in the process is crucial to provide consistency across subregional programs and to identify areas for future cooperation. OREI also acts as facilitator and coordinator of ADB's RCI activities by providing "horizontal links" across concerned departments in implementing RCI initiatives that go beyond the boundaries covered by a single regional department.

D. Regional Projects²

12. Projects are considered "regional" when they:

- (i) require collective efforts and actions of two or more not necessarily adjacent countries to jointly respond to cross-border issues, such as the cross-border impact of environmental degradation, international crime, communicable diseases, natural disasters, or regional economic crises;
- (ii) are national in nature but with significant regional dimensions or implications, such as a country transport system that is part of a regional transport system; a national power grid within a regional power grid; a national gas pipeline that is part of a network of regional gas pipelines; and associated agreements and protocols that allow (a) an efficient flow of goods, services, and people, (b) harmonization of standards and regulations, or (c) cost-effective communication across DMCs;
- (iii) facilitate regional policy dialogue that leads to regional agreements promoting trade, investment, and monetary and financial cooperation;
- (iv) support research and knowledge generation on issues related to the four pillars of the RCI strategy, and promote knowledge sharing and dissemination among DMCs;
- (v) support initiatives or strengthen the institutional capacity of regional groupings, such as the Association of Southeast Asian Nations (ASEAN), ASEAN+3 (ASEAN plus the People's Republic of China, Japan, and the Republic of Korea), Boao Forum for Asia, Central Asia Regional Economic Cooperation (CAREC), Bay of Bengal Initiative for Multi-sectoral Technical and Economic Cooperation (BIMSTEC), Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA), Greater Mekong Subregion (GMS), Indonesia-

² In this section, a regional project may be regional, subregional, or interregional, as defined in OM Section B1/BP.



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Malaysia-Thailand Growth Triangle (IMT-GT), Pacific Islands Forum, Council of Regional Organizations for the Pacific, South Asia Subregional Economic Cooperation (SASEC), South Asian Association for Regional Cooperation (SAARC), and Shanghai Cooperation Organisation (SCO);

- (vi) support regional partnership building with regional and international institutions, such as the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), Inter-American Development Bank (IADB), Organisation for Economic Co-operation and Development (OECD), Pacific Economic Cooperation Council, World Bank, and World Trade Organization (WTO); and
- (vii) facilitate regional partnership building between the public and private sectors, including nongovernment organizations.

E. Disclosure

13. The RCS, RCS midterm review paper and relevant assessments, and indicative rolling RCOBP will be disclosed in accordance with the requirements of the Public Communications Policy.³

Basis: This OM section is based on OM Section B1/BP and documents cited therein.

Compliance: This OM section is subject to compliance review.

For inquiries: Questions may be directed to the Director of the Office of Regional Economic Integration.

³ ADB. 2005. *Operations Manual*. Section L3: Public Communications. Manila (1 September).