

## OPERATIONS MANUAL BANK POLICIES (BP)

*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
“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.<sup>1</sup>

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.

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

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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 fully aligns with national programs and complements and supports global initiatives.

### C. The Policy

3. ADB adopted a regional cooperation policy in 1994<sup>2</sup> that articulated its approach to promoting regional cooperation. ADB's Strategy 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.<sup>3</sup>

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.<sup>4</sup> 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 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.

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.

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<sup>2</sup> ADB. 1994. *Bank Support for Regional Cooperation*. Manila (March).

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

<sup>4</sup> ADB. 2006. *Regional Cooperation and Integration Strategy*. Manila (July).

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- Basis:** This OM section is based on:
- ADB. 2009. *Country Partnership Strategy: Responding to the New Aid Architecture*. Manila.
- 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.



## OPERATIONS MANUAL OPERATIONAL PROCEDURES (OP)

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

### 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), 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 business process similar to that of the country partnership strategy (CPS).<sup>1</sup> This includes (i) initiation, (ii) initiating paper and meeting, (iii) consultation through the strategy formulation mission, (iv) informal Board seminar, (v) a management committee meeting and subsequent confirmation of the RCS with the concerned DMC governments and regional institutions as appropriate, and (vi) the President's clearance and the ADB Board of Directors' consideration and endorsement of the RCS.<sup>2</sup>

3. It is for regional departments to decide whether to prepare a new RCS. Alternatively, an "interim RCS" may be prepared if the existing RCS expires, but uncertain circumstances prevent the launch of a new RCS. 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, concerned regional departments should collaborate in the preparation of a joint RCS.

4. To ensure quality cross-border projects and programs, the RCS is fully aligned with relevant present CPSs, and future CPSs should also be aligned with the RCS to the extent possible. 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.

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<sup>1</sup> See OM Section A2 (Country Partnership Strategy). The RCS document will have the same general content as the CPS, with the understanding that each regional or subregional program is different, and the role of ADB in each of those programs will be different. Therefore, regional departments will have broad latitude in terms of the RCS content.

<sup>2</sup> Specific guidelines for each step are similar to those provided in the OM Section A2/OP on the Country Partnership Strategy.

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5. The concerned vice presidents provide strategic guidance to and oversight of the preparation of the RCS. A regional team takes the primary responsibility for RCS preparation and implementation, with guidance from the regional management team. 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, RSDD and OREI, and other 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. The processes for the RCOBP are generally similar to those of the COBP. An indicative RCOBP is prepared annually, normally on a 3-year rolling basis, to provide information on the implementation of the RCS. The RCOBPs are approved by the President, and submitted to the Board for information. The first RCOBP in the strategy cycle will be prepared in conjunction with the RCS, but will be circulated to the Board as a separate document.

### **C. Regional Projects<sup>3</sup>**

7. Regional projects are broadly defined as those that require collective efforts and actions of two or more countries to produce goods and services which are for the good of all participating countries. 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; and/or
- (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; and/or
- (iii) facilitate regional policy dialogue that leads to regional agreements that promote trade, investment, and monetary and financial cooperation, and facilitate cooperation in regional public goods such as climate change, environmental management, and prevention of communicable diseases; and/or
- (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; and/or

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<sup>3</sup> In this section, a regional project may be regional, subregional, or interregional, as defined in OM Section B1/BP.

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- (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-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); and/or
- (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/or
- (vii) facilitate regional partnership building between the public, private sector, and civil society.

### **D. Disclosure**

8. The RCS, relevant assessments, and indicative rolling RCOBP will be disclosed in accordance with the requirements of the Public Communications Policy.<sup>4</sup>

### **E. Roles and Responsibilities**

9. 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. The Regional and Sustainable Development Department, in close cooperation with the regional departments, has primary responsibility for the fourth pillar of the RCI strategy—cooperation in regional public goods. 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, Central Operations Services Office, Economics and Research Department, Office of General Counsel, Office of Cofinancing Operations, Private Sector Operations Department, and Treasury Department) will be involved in all pillars, as appropriate.<sup>5</sup>

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<sup>4</sup> OM Section L3 (Public Communications).

<sup>5</sup> Specific operational areas of each pillar of the RCI strategy are provided in: ADB. 2006. *Regional Cooperation and Integration Strategy*. Manila (July).

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10. Although the primary responsibility for preparing the RCS and indicative 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—in collaboration with the Regional Cooperation and Integration Community of Practice—also acts as facilitator and coordinator of ADB's RCI activities by providing links across departments in implementing RCI initiatives that go beyond the boundaries covered by a single regional department.

11. An existing RCS needs to be evaluated before a new one is prepared. The originating regional department undertakes the final review of the existing RCS and evaluates the progress achieved. Experience and lessons, particularly those relating to the findings of independent regional cooperation assistance program evaluations, as made available by the Independent Evaluation Department (IED), are incorporated into the new RCS, with recommendations of the Development Effectiveness Committee of the Board.<sup>6</sup>

**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.

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and issued by the Strategy and Policy Department  
with the approval of the President.

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<sup>6</sup> In the absence of a regional cooperation assistance program evaluation, IED may validate the RCS final review. Subject to IED's concurrence, the validated RCS final review serves as the equivalent of a regional cooperation assistance program evaluation for the purpose of RCS preparation.