Asian Development Bank
Support for Regional Cooperation and Integration

Thematic Evaluation Study
Asian Development Bank Support for Regional Cooperation and Integration

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NOTE

In this report, “$” refers to US dollars.

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Abbreviations

ADB – Asian Development Bank
ADBI – Asian Development Bank Institute
ADF – Asian Development Fund
ARIC – Asian Regional Integration Center
ASEAN – Association of Southeast Asian Nations
ASEAN+3 – Association of Southeast Asian Nations, People’s Republic of
China, Japan, and the Republic of Korea
BIMP-EAGA – Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN
Growth Area
BIMSTEC – Bay of Bengal Initiative for Multi-Sectoral Technical and
Economic Cooperation
BPMSD – Budget, Personnel, and Management Systems Department
CAPE – country assistance performance evaluation
CAREC – Central Asia Regional Economic Cooperation
CWRD – Central and West Asia Department
CoP – community of practice
CPS – country partnership strategy
EARD – East Asia Department
ERCD – Economic Research and Regional Cooperation Department
FTA – free trade agreement
GMS – Greater Mekong Subregion
IED – Independent Evaluation Department
IMF – International Monetary Fund
IMT-GT – Indonesia-Malaysia-Thailand Growth Triangle
Lao PDR – Lao People’s Democratic Republic
MDB – multilateral development bank
MTR – Medium-Term Review of Strategy 2020
OCO – Office of Cofinancing Operations
OCR – ordinary capital resources
OREI – Office of Regional Economic Integration
PARD – Pacific Department
PCR – project completion report
PER – project or program performance evaluation report
PRC – People’s Republic of China
PSOD – Private Sector Operations Department
PVR – project completion validation report
RCAPE – regional country assistance performance evaluation
RCI – regional cooperation and integration
RCIF – Regional Cooperation and Integration Fund
RCIFPF – Regional Cooperation and Integration Financing Partnership
Facility
RCIS – regional cooperation and integration strategy
RCP – regional cooperation policy
RCS – regional cooperation strategy
RPG – regional public good
RRP – report and recommendation of the President
RSAPE – regional sector assistance performance evaluation
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<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tr>
<td>RSDD</td>
<td>Regional and Sustainable Development Department</td>
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<td>SARD</td>
<td>South Asia Department</td>
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<tr>
<td>SASEC</td>
<td>South Asia Subregional Economic Cooperation</td>
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<td>SERD</td>
<td>Southeast Asia Department</td>
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<tr>
<td>SWOT</td>
<td>strengths, weaknesses, opportunities, and threats</td>
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<tr>
<td>TA</td>
<td>technical assistance</td>
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<tr>
<td>TES</td>
<td>thematic evaluation study</td>
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<tr>
<td>WPBF</td>
<td>work program and budget framework</td>
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<td>WTO</td>
<td>World Trade Organization</td>
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Acknowledgments

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Independent Evaluation remains fully responsible for this report.
Foreword

The rapid growth in much of developing Asia has reduced income poverty and moved many countries to middle-income status. To continue advancing, however, the region must tackle the increasingly complex challenges of, among others, slowing economic growth, rising inequality, runaway climate change, and weak governance.

The promotion of the regional cooperation and integration (RCI) agenda, a corporate-level strategic agenda of the Asian Development Bank (ADB), is recognized as having helped in fostering economic growth and addressing development challenges. One rationale behind the RCI theme lies in the benefits that can accrue from operating in larger markets due to economies of scale. Equally important, the RCI process has the potential to promote social stability, peace, and security, which are conducive to improved governance and better economic performance. The potentially win-win characteristic of gains for the cooperating entities lies at the center of this process.

The RCI agenda has considerable potential to bring out the strengths of ADB as a development partner and contributing to country outcomes. The evaluation found that ADB has made progress in mainstreaming the RCI agenda and undertaking RCI work. Various ADB departments have contributed to the RCI agenda, even as it was not a fully integrated or well-coordinated effort. Success rates for projects labelled as RCI have been above the average for all ADB supported projects, even though RCI projects are typically more complex than non-RCI ones. Key stakeholders in ADB countries’ governments and development partners have given ADB good marks for its RCI work.

There are crucial gaps and areas for improvement that must be addressed, especially in view of the vast potential for engaging in the RCI agenda. The evaluation found that the enabling environment for the mainstreaming of the RCI agenda had important weaknesses that can be dealt with. There is good justification for broadening the RCI agenda to work on issues beyond cross-border infrastructure—especially on matters of trade and investment integration, monetary and financial integration, regional public goods, notably climate change and biodiversity—as well as for deepening the RCI agenda to address the needs of some of the countries that are currently receiving inadequate attention.

The recommendations of this thematic evaluation are to broaden the RCI agenda beyond cross-border infrastructure (while maintaining the latter); deepen it with attention to fragile, island and linchpin countries; strengthen coordination across and within subregions; bolster country ownership for RCI; and develop new RCI project models. These are intended to feed into ADB’s RCI operational plan, which is currently being prepared, and to strengthen the value and impact of RCI work going forward.

Vinod Thomas
Director General
Independent Evaluation
Executive Summary

This thematic evaluation study (TES) presents the findings of a review of the Asian Development Bank (ADB) support for regional cooperation and integration (RCI). It is the first in-depth corporate-level independent evaluation of ADB support for RCI, following earlier evaluations that covered the topic at the subregional and sector levels. By assessing ADB’s RCI experience and drawing on lessons and evidence from the broader global experience, the TES provides guidance that can be used to strengthen the effectiveness of ADB’s future work in this area. The findings will feed into the RCI operational plan scheduled for approval in early 2016.

Stakeholders expect ADB to play a key role in supporting RCI as a means of improving the effectiveness of development. RCI is also a major strategic objective of ADB. The evolving RCI agenda raises a number of questions for an evaluation. How effectively is ADB supporting this agenda? What can it learn from its own experience, and what lessons have emerged from the wider global experience? How can ADB’s RCI activities be most relevant to the development needs of the Asia and Pacific region?

Global and Regional Context

The TES analyzed global and regional RCI trends over the last 20 years. At the global level, the evaluation team examined multilateral agreements (economic and monetary unions, economic unions, and customs unions) and economic integration outcomes of different regions and subregions of the world using a composite RCI indicator. At the regional level, the analysis focused on the evolution of trade patterns to detect differences in interregional, intersubregional and intrasubregional trade both within the Asian region and between it and other regions.

Four points stand out from this analysis. First, regional integration outcomes have varied considerably across the Asian subregions. East Asia and Southeast Asia have much higher levels of integration than other Asian subregions (and also most non-Asian subregions) do. By comparison, the Pacific, South Asia, and Central Asia are among the least integrated subregions in the world. Second, the main driver behind Asia’s regional integration has been the growth of trade and investment, while monetary and financial integration has lagged. Except for the more developed East Asia subregion, integration has mainly occurred through intersubregional trade.

Third, at the institutional level, regional integration in the Asia and the Pacific region is still at the stage of forming free trade agreements and doesn’t seem to be heading toward more advanced forms of integration (such as customs, monetary, and economic unions), except for the Association of Southeast Asian Nations’ (ASEAN) planned economic community set to start at the end of 2015 and some attempts in Central Asia by the Russian Federation to form a customs union. Despite progress in free trade agreements, intrasubregional trade shares in Asia and the Pacific, which are driven mainly by availability of cross-border infrastructure and related software, have not increased significantly. Overall, the development of global value chains and the rapid growth of the People’s Republic of China and India have meant that Asia’s share of world trade has increased remarkably over the past three decades. Fourth, there
appears to be substantial untapped potential for further regional integration, particularly in South Asia and Central Asia.

**Evolution of the RCI Agenda**

The scope of ADB’s RCI agenda has evolved and broadened as it implemented an array of policies, plans, instruments, and initiatives. Three broad phases can be discerned.

1994–1996. This phase corresponds to the launching of the Regional Cooperation Policy (RCP) in 1994, ADB’s first formal policy supporting regional cooperation. The RCP was straightforward and called for a phased approach based on three complementary functions: (i) providing information to countries, (ii) acting as an honest broker among countries, and (iii) leveraging public and private resources toward regional investments. In the first 3 years of the RCP, regional cooperation initiatives were limited to just two subregional programs, with only the Greater Mekong Subregion (GMS) economic program becoming active. This was the start of the RCI agenda, although in its first years it did not yet focus on regional integration.

1997–2005. In subsequent periods the RCI agenda expanded and became more complex. During the aftermath of the 1997–1998 Asian financial crisis, ADB played an important role helping to build a more resilient environment against external shocks and, in response to a request by ASEAN, it supported several important regional measures. Internally, ADB established the Regional Economic Monitoring Unit (REMU) in 1999 and it added three new programs: the Central Asia Regional Economic Cooperation (CAREC) program, the South Asia Subregional Economic Cooperation (SASEC) program, and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC). REMU was upgraded to the Office of Regional Economic Integration (OREI) in 2005, to act as the focal point for RCI knowledge and information and to drive ADB’s RCI agenda.

2006–present. OREI noted several limitations in ADB’s RCI approach, such as fragmented efforts across departments, varied quality of lending and non-lending operations, and limited support for trade and investment. As a result, in 2005 it embarked on the formulation of an RCI Strategy (RCIS). With the approval of the RCIS in 2006, ADB scaled up its support for RCI. During this period, ADB increased both the volume and the share of RCI in total operations. It then increased its focus on capacity building, economic corridors, expanding ongoing work on global and regional value chains, and more actively anticipating and mitigating (not just reacting to) external shocks.

**2006 RCI Strategy**

In 2006 the RCIS was approved. The new strategy would guide ADB’s support for the ongoing RCI program in Asia and the Pacific and represented a shift from stand-alone initiatives to a coherent and strategically focused approach. The RCIS viewed RCI not as an end in itself, but as a means to achieve ADB’s overarching objective of poverty reduction in Asia and the Pacific. The RCIS had two important features:

(i) **RCI Pillars:** (a) subregional economic cooperation programs on cross-border infrastructure and related software, (b) trade and investment
cooperation and integration, (c) monetary and financial cooperation and integration, and (d) cooperation in regional public goods; and

(ii) **RCI Roles:** (a) as a financial institution, (b) as a knowledge bank, (c) as a capacity builder—supporting countries and regional bodies to build their institutional capacity to manage RCI, and (d) as an honest broker—strengthening ADB’s role as a catalyst and coordinator of RCI for countries.

The RCIS contained a number of important changes from the 1994 RCP. First, it envisaged closer alignment of subregional cooperation strategies and country partnership strategies. Second, it advocated developing links across the different subregions and enhanced cooperation partnerships between ADB and regional and subregional bodies. Third, it provided for more coordinated policy-relevant research capacity to enable ADB to meet its knowledge bank role. Fourth, it promoted more substantial cooperation and coordination between ADB and its multilateral and bilateral development partners as well as researchers, media, nongovernment organizations, and other stakeholders to promote RCI.

In addition, the RCIS included a results-based monitoring framework with a set of outcomes, and performance indicators to monitor the progress of the strategy over the period 2006–2010. Finally, the RCIS provided institutional guidance to mainstream the RCI agenda, including a clear division of labor within ADB to implement the initiatives and activities under each of the pillars. OREI in collaboration with the RCI Community of Practice (CoP) was given responsibility for facilitating and coordinating ADB’s RCI support by providing links across concerned departments and by implementing RCI initiatives that cut across subregions.

**Strategy 2020 and Its Midterm Reviews**

In 2008, ADB’s Strategy 2020 was adopted. The strategic directions of the RCIS were aligned with Strategy 2020 at two levels: (i) regional integration is one of the three complementary strategic agendas in Strategy 2020, the others being inclusive growth and environmentally sustainable growth; (ii) RCI is one of the five core operational areas, the others being infrastructure; environment, including climate change; financial sector development; and education. In line with this new strategic agenda, ADB’s RCI lending was expected to account for an increasing portion of overall operations, reaching at least 30% of total lending by 2020.

IED’s Strategy 2020 midterm review report in 2014 recommended that ADB increase support for regional public goods (RPGs) through lending, knowledge exchange, and policy dialogue. Similarly, ADB’s follow-on midterm review of Strategy 2020 supported movement to a second-generation RCI model based on devoting more attention to promoting higher productivity and competitiveness of all economies in subregions, mitigating regional vulnerabilities, and addressing subregional inequalities.

**RCI Operations**

A large number of RCI activities were implemented before and after the adoption of the RCIS in 2006. During 2003–2014, ADB made 1,180 project approvals in support of RCI amounting to $26 billion. In terms of both number and amount, the annual share of these RCI approvals in ADB-wide operations increased over the period, although there were significant declines in several years. ADB operations supporting
RCI increased from 17% of the total number of projects approved during 2003–2006 to 24% throughout 2007–2010, and then declined slightly to 22% in 2011–2014. RCI’s highest percentage share of total ADB approvals by number of approvals was 27% in 2010 and by amount it was 28% in 2007.

**Evaluation Assessment**

ADB’s support for RCI was evaluated by the criteria of relevance, responsiveness and results.

The assessment of relevance was disaggregated to determine the alignment with RCI stakeholders’ needs and demands, alignment with international best practices, and the quality of the design. The evolution of ADB’s RCI policies and strategies (from the 1994 RCP to the 2006 RCIS to the 2008 Strategy 2020 and to the 2014 MTR) demonstrated a clear strategic progression to address critical regional issues. The RCI agenda is rated relevant in terms of its alignment with RCI stakeholders’ needs and demands. The RCI agenda also conformed closely to international good practice, as evidenced by the comparator assessment and the latest Multilateral Organisation Performance Assessment Network (MOPAN) report. The relevance of the RCIS’s design was mixed. Positive features included its demarcation of departmental responsibilities across pillars and its adoption of a flexible approach to implement RCI operations. This approach enabled a multisector and multispeed agenda to be implemented across the subregions. Less positively, the emphasis across the RCI pillars was somewhat unbalanced, with the RCIS giving pillars 2 and 3 less relevance and weight than the other two pillars.

Other ADB policies and strategies were broadly in line with the RCI agenda, but there is a concern with ADB’s regional cooperation strategies (RCSs). Both the GMS and CAREC RCSs have been allowed to lapse, without new RCSs being formulated. The absence of new RCSs has deprived ADB Management and the Board of the opportunity to monitor progress of past RCSs and to influence future directions. In terms of organizational responsiveness, the resourcing of the RCI agenda was found to be adequate, but institutional structures have not fully performed as intended. Given limited resources, the CoP did relatively well on knowledge, particularly in terms of sharing and dissemination. However, until recently, neither OREI nor the RCI CoP regularly monitored or reported on the RCIS’s results framework. This lack of monitoring and reporting was one area where OREI and the RCI CoP fell short in performing their coordination role. On the basis of this evidence, ADB was rated less than responsive in putting in place the necessary enabling environment needed to support the implementation of the RCI agenda.

The performance of completed and evaluated RCI projects was on average 81% successful, compared with ADB’s average success rate of 61%, and a non-RCI success rate of 59%. This positive performance is significant, given that RCI projects are usually more complex and have more stakeholders. Further analysis using project evaluation subcriteria indicates that part of the explanation is that RCI project designs were better than those of many non-RCI projects. This may reflect the more careful preparation of RCI projects to meet the needs of multiple stakeholders. The value addition of the RCI work was assessed positively across the four RCIS roles, particularly ADB’s role as a financial institution and as an honest broker, although the capacity builder role still needs improvement. The impacts of ADB’s RCI work are not easy to judge, but there is some evidence they were positive. Overall, ADB’s efforts were rated significant (the second highest rating out of four) in terms of the results achieved. This rating was mainly
due to the relatively high project success rates and positive results from regional and sector project evaluations.

**Proposed Framework for the RCI Agenda**

Due to the heterogeneity of the Asian subregions and their countries, the RCIS adopted a multitrack, multispeed approach. However, this flexibility had drawbacks, notably an imbalance across the pillars and insufficient attention to the needs of some countries. There is some confusion as to how the second generation RCI program envisaged in the MTR fits strategically with the current RCIS structure. It is not clear how this program would relate to any new directions stemming from the RCI operational plan currently under preparation. It would be useful for the RCI operational plan to be guided by a framework that illustrates where and how the various moving parts of a RCI agenda fit together. A framework that may be useful for guiding future RCI work is shown in Figure 30. It envisages a broadening and deepening of ADB’s RCI agenda.

**Broadening across the RCI pillars.** ADB’s RCI agenda has been dominated by pillar 1 activities, mainly transport and power connectivity, in terms of both the RCIS’s design and the operational activities and performance results achieved to date. The pillar 1 activities and results achieved have been sizable and ADB should continue work in this area. However, country demand has shifted in some subregions and there is a need to rebalance ADB’s work across the other pillars. In future, the framework envisages that ADB’s RCI work will include more pillar 2, 3, and 4 activities, which is in line with the MTR’s suggestion of focusing on second generation RCI initiatives.

**Deepening the country categories.** The RCIS mentioned the need to pay attention to the needs of smaller and disadvantaged countries, particularly small island countries. However, there was little discussion in the RCIS on approaches tailored to these countries, nor to landlocked countries. ADB’s RCI work over the period 2003–2014 has mainly been focused on low-income countries, middle-income countries, and landlocked countries. Fragile, “linchpin” (located between two subregions), and island countries have received proportionately less RCI support from ADB. In particular, island countries received only 1% of loan or grant approvals by number and 0.1% by amount. In future, the framework envisages ADB’s RCI work will provide more support to linchpin, island and fragile countries.

**Findings, Issues, and Recommendations**

The TES brings out the success registered by the projects labeled RCI relative to other projects, and calls attention to factors that contributed to this outcome. The project results, especially as they relate to a small share of the portfolio, are one part of the input needed to drive strategy. In the context of RCI as a strategic direction, the report looks at actions, including for good project results, that connect ADB’s strengths with country needs. That review is the basis of the conclusion that ADB needs to and can go much farther in its scope and scale of RCI activities and the impact sought in the region. Based on the evaluation assessment and the other findings, the following findings, key issues, and recommendations are proposed.
Findings

**Success of RCI projects.** ADB has managed to mainstream the RCI agenda and carry out RCI work as a part of its operations. The RCIS’s delineation of pillars across the departments allowed different departments to contribute to the RCI agenda, even if this was not a fully integrated or well-coordinated effort. Key stakeholders in governments and development partners gave ADB good marks for its RCI work. The MOPAN Report, which assesses MDBs’ effectiveness via a survey, ranked RCI as the highest rated cross-cutting theme in ADB.

**Main subregional cooperation programs have been effective.** The three main subregional programs, GMS, CAREC and SASEC, taken as a whole have enabled closer coordination and collaboration among countries. ADB displayed flexibility in identifying priority sectors.

There are important weaknesses in the RCI policies and strategies, some of which have been corrected during implementation. The RCIS had a number of design weaknesses, including an imbalance among the pillars, unclear delineation of trade facilitation-related activities, omission of important activities in one of the pillars, and two poorly defined RCI roles. Several of these drawbacks were mitigated or corrected during implementation of the RCI agenda. For example, although the RCIS’s pillars 1 and 2 omitted to mention the development of economic corridors, ADB has provided this form of support in its main subregional programs. Similarly, RCIS pillar 4 omitted to mention biodiversity management, although limited work has been undertaken in this area in the GMS program. There is considerable imbalance among the pillars, although these have been reduced over time, with pillar 2 activities growing somewhat.

**Wide scope for future RCI work.** The analysis of country demand indicates that overall demand for ADB’s RCI work is fairly stable. As demonstrated by an analysis undertaken by the TES, there is evidence of large untapped potential for RCI in the Asia and Pacific region.

**Key Issues**

The classification of trade facilitation-related activities needs to be clarified. The RCIS confusingly included elements of trade facilitation and related activities under both pillars 1 and 2. It also did not mention other areas of trade-related support, such as support for the development of economic corridors, special border economic zones, cross-border supply and value chains, and the associated border and behind-the-border regulatory and legal environment needed to facilitate trade and investments across borders. This lack of clarity is one of the reasons for the pillar misclassifications noted by the TES. To avoid these types of problems in the future, the RCI operational plan should clearly indicate where these activities reside within the RCIS’s pillar system.

The project approvals database contains projects with incorrect RCI pillar classifications. There were some omissions or inaccuracies in identifying the RCI pillar for particular projects. This misclassification is a general issue and it reflects widespread misreporting across other thematic areas. The database should be cleaned, mislabeled projects retagged, and new projects more rigorously vetted to ensure thematic classifications are in line with the guidelines.

Clarity is needed on what constitutes a regional project. The current regional project definition is too broad and it does not give enough emphasis to the important
regional integration work that is being undertaken by ADB. This result appears to be the reason for the large number of project misclassifications in ADB’s reporting system. Possible options to improve the definitions are either to formulate a narrower “regional project” definition or to add a new indicator to better differentiate regional integration projects from regional cooperation projects. Since ADB’s project definition is linked to its Strategy 2020 operational goal, any narrowing of the definition would necessitate a reduction in the operational goal.

There is a need to ensure that in the future subregional and cross-subregional strategic planning has Board and ADB Management direction and oversight. In recent years ADB’s RCSs in the GMS and CAREC regions were allowed to lapse without an evaluation of past performance being undertaken, nor new RCSs being formulated. In both of these regions strategic guidance is being provided by independent, region-wide strategic frameworks. On the positive side, these independent frameworks appear comprehensive and of high quality and demonstrate country ownership of the strategy. Less positively, they have deprived ADB Management and the Board of the opportunity to guide engagement and monitor progress of past RCSs and to influence future strategic directions. The need for more cross-subregional work, as identified by the MTR, is also a related strategic planning issue that goes beyond the subregional level. Given the rapidly changing economic and geopolitical realities in the subregions, it would be useful for ADB’s strategic planning processes to balance better the needs of country ownership, strategic value addition, and Board and Management oversight.

ADB needs to consider how best to address the RCI needs of graduated and middle-income countries. ADB has a growing number of graduated and middle-income members whose needs and demands (including for RCI work) are evolving. On the knowledge side, ADB has undertaken some seminal studies, such as *Asia 2050*, that have identified areas where middle-income countries need to pay more attention and has followed this up with more detailed studies (e.g., the flagship publication *Innovative Asia: Advancing the Knowledge-Based Economy*) to delve into the solutions to problems faced by middle-income countries. In addition, knowledge-sharing platforms, such as the Regional Knowledge Sharing Initiative in the PRC, are promoting South–South cooperation via mutual learning and sharing of development experience. More can be done to address middle-income countries’ RCI needs, both in terms of (i) providing international best practices to such countries, and (ii) sharing Asian countries’ best practices with other countries in Asia and the Pacific and other regions (South–South learning). Two forthcoming IED studies that should provide more guidance on how ADB should work with graduated and middle-income countries are: (i) the Corporate Evaluation Study on the Effectiveness of ADB’s Partnerships slated for completion in early 2016, and (ii) the Corporate Evaluation Study on ADB’s Support to Middle-Income Countries slated for completion in late 2016.

Ongoing and future regional initiatives will have major implications for ADB’s future RCI partnerships. Recent initiatives include the Asian Infrastructure Investment Bank, the New Development Bank, the Silk Road and Belt Initiative, and other initiatives. ADB will need to monitor these, build bridges between them and the ADB work program, and complement them when possible. ADB should be flexible in allocating staff and other resources to take maximum advantage of partnership opportunities.
Recommendations

Recommendation 1: Broaden the RCI agenda by doing more work in pillars 2, 3 and 4. In line with the RCI framework, the following changes are recommended to broaden the RCI agenda: (i) under either pillar 1 and/or 2 (see first issue on lack of clarity on the classification of trade facilitation work), undertake more activities (both lending and non-lending) for (a) economic corridors, (b) special economic zones and border economic zones, and (c) cross-border supply and value chains and the associated border and behind-the-border regulatory and legal environments needed to facilitate trade and investment movements across the border; (ii) under pillar 3, expand work (in both Southeast Asia and other subregions) for economic surveillance, deepening and harmonizing financial markets; (iii) under pillar 4, revise the pillar’s title to “Other RPGs and Cross-Pillar Issues,” and pay more attention to natural resource cooperation issues (such as transboundary water resources management, transboundary air pollution, forestry management, fisheries management, and biodiversity management) and emerging areas such as labor mobility, food security, and regional disaster risk management. It is recognized this broadening may adversely affect the likelihood of meeting the Strategy 2020 target of 30% of total operations being RCI by 2020 and, thus, should be undertaken in a phased manner.

Recommendation 2: Deepen the RCI agenda by paying greater attention to the needs of fragile, island, and linchpin countries. Certain Asian subregions and landlocked and island countries face geographical and other constraints and ADB’s RCI approaches can be better tailored to tackle these. The adoption of successful approaches from other similar regions in other parts of the world with more advanced levels of integration may be a good way of tackling these constraints (e.g., the Pacific can learn from Caribbean experience). Similarly, linchpin countries have the potential to yield high impacts from RCI activities. In line with the proposed RCI framework, ADB’s activities in the future should give greater attention to these countries to deepen the RCI agenda.

Recommendation 3: Continue the RCI agenda in pillar 1. ADB’s track record in the field of infrastructure development gives it an advantage and its well-established subregional cooperation programs have been successful (albeit in varying degrees) in coordinating the planning and implementation of infrastructure projects and the associated software. Options for continuing the RCI agenda in pillar 1 include: (i) completing the large unfinished pillar 1 agenda (not just in the individual subregions, but also intrasubregionally), including both the massive infrastructure investment program and providing cross-border systems and procedures for clearance of people and goods; (ii) assisting in addressing the emerging new regional agenda in pillar 1, including new subregional initiatives and intraregional transportation (e.g., the Republic of Korea’s Eurasia Initiative); (iii) expanding innovation and value addition within pillar 1 lending and TA support in line with the MTR agenda on knowledge and innovation; and (iv) developing new infrastructure lending and TA support by using the strong RCI platforms ADB has established as a vehicle for advancing key regionally and subregionally relevant sector agendas in many countries, including in such areas as road safety, road asset management, and logistics development.

Recommendation 4: Improve intrasubregional, intersubregional and operational/non-operational RCI work coordination. Three types of coordination problems are identified in the TES. First, there are real and perceived turf issues between regional departments working in the same subregional program. Second, there are coordination issues among the various programs even when they are not working in the same countries. Third, there is a disconnect between much of the RCI
work being undertaken by the knowledge departments on the one hand and the RCI work under the operational departments’ subregional programs on the other hand. Options should be explored to resolve all of these coordination difficulties.

To address the intrasubregional difficulties, one option that ADB may consider is to replicate in other subregional programs the East Asia Department’s successful support to CAREC for its trade facilitation working group. This kind of cross-departmental link should become the norm, rather than the exception. To address the intersubregional difficulties, ADB should make more efforts to share experiences across subregional programs to increase opportunities for cross-fertilization of successful RCI approaches. As an example, it would be beneficial to build more knowledge partnerships either through South–South knowledge exchange or by setting up knowledge hubs, as is being done already in some of the subregions. To address the operational/non-operational difficulties, ADB could consider means to foster more collaboration between the knowledge departments and the operational departments by creating better incentives for such collaboration.

Recommendation 5: Strengthen country ownership in the ADB secretariat-led subregional cooperation programs. Across the board, ADB is viewed as having done a good job administering the three secretariat-led programs: GMS, CAREC and SASEC. This good performance has been further bolstered by the high success rates of completed and evaluated projects under these programs, although CAREC’s performance has been notably lower than those of the other two. To ensure the sustainability of these efforts and foster more ownership at the country level, there is a strong rationale for ADB to encourage countries to take over more of the coordination activities of the programs over time. Even though ADB would retain its central role in the secretariats, it should be developing modalities and approaches to slowly devolve certain program secretariat functions to the countries’ governments in a phased and sequenced manner over a medium- to long-term period. This could be initiated in the GMS Secretariat as a pilot initiative, since this secretariat has been operating longest and has a more extensive internal structure than the other two. Central to this devolution process would be the provision of capacity building assistance to the countries’ national and sectoral focal points so they can assume responsibility for their added functions and roles expected of them. This devolution should be undertaken in a way that does not detract from ADB’s important honest broker role in the subregions.

Recommendation 6: Develop new RCI project models. Many GMS countries are moving away from the traditional RCI cross-border road and power infrastructure sectors. If it wishes to meet the Strategy 2020 target of 30% of total operations to be RCI projects by 2020, ADB should rapidly develop new RCI-related project models, including private sector and public–private partnership models to supplement, where appropriate and feasible, ADB’s conventional modalities. Another option that may be considered is to streamline institutional and procedural arrangements for the preparation of multi-country regional projects.
Management Response

On 4 November 2015, the Director General, Independent Evaluation Department, received the following response from the Managing Director General on behalf of the Management:

I. General Comments

1. The Thematic Evaluation Study assesses the Asian Development Bank’s (ADB) support for regional cooperation and integration (RCI). The study recognizes areas of achievement and identifies others for improvement. The study will provide inputs for the preparation of an RCI Operational Plan.

2. The study concludes that ADB’s work on RCI has been successful. It also rates RCI projects higher than non-RCI ones. The study concludes that past interventions in connectivity, disaster risk management, sustainable development goals, and trade and business development should remain ADB's core RCI work, but it also highlights new areas for ADB support.

3. Management agrees with the study on the need to tackle issues around (i) RCI pillar classifications, (ii) definition of “regional projects”, (iii) emerging RCI-related requirements in middle-income countries (MICs), and (iv) nature of future partnerships.

II. Response to Recommendations

4. Recommendation 1: Broaden the RCI agenda by doing more work in Pillars 2–4. Management agrees. The only caveat is that RCI operations are demand driven and based on the priorities established by the developing member countries (DMCs) themselves, which may involve operations linking pillar 1 (crossborder infrastructure) with pillars 2, 3, and 4. ADB is the secretariat of several subregional programs, and, in many instances, a financier of individual projects. The success of the programs depends largely on ownership, consensus, and simplicity when it comes to business processes. Broadening support for pillars 2 (trade and investment), 3 (monetary and financial cooperation), and 4 (regional public goods), is an interesting proposition, but this cannot happen in all the programs at the same time. Sequencing will be necessary.

5. Recommendation 2: Deepen the RCI agenda by paying greater attention to the needs of fragile, island, and linchpin countries. Management agrees. ADB will continue to include all DMCs in RCI operations. However, support for fragile and conflict affected situations and island countries has been and will remain a priority. ‘Linchpin countries’ are not a recognized category of ADB DMCs.

6. Recommendation 3: Continue the RCI agenda in Pillar 1. Management agrees. Energy and connectivity have been top RCI priorities. This is likely to remain the case in future. However, such investments need to be accompanied by interventions at the border, including those related to customs modernization and harmonization. Investments in “software” are just as important as those in physical infrastructure. More can and should be done in this area, following national and regional priorities of the DMCs.
7. **Recommendation 4: Improve intrasubregional, intersubregional and operational/nonoperational RCI work coordination.** *Management agrees.* There is a clear need to deepen intrasubregional RCI and create larger regional markets on the basis of intersubregional connectivity. There are certainly opportunities for additional joint knowledge work between the operations departments and specialized knowledge departments within ADB. There is also scope to collaborate more with other international financing institutions in these areas.

8. **Recommendation 5: Strengthen country ownership in the ADB secretariat-led subregional cooperation programs.** *Management partly agrees.* Management recognizes the concept of strengthening country ownership, but it does not agree to withdraw from the Secretariat function. Further, this has not been requested by any country. The success of several ongoing programs depends largely on the finance, coordination and “honest broker” role played by ADB, which is appreciated by development partners. Further, singling out the Greater Mekong Subregion (GMS) secretariat role as a pilot initiative may raise concerns among the GMS countries that ADB is planning to dilute its particular role as GMS secretariat.

9. **Recommendation 6: Develop new RCI project models.** *Management partly agrees.* Management is willing to try out new models, but it does not agree that these should replace the activities that are working. One possibility is for the new modalities to supplement, where appropriate and feasible. ADB has already been exploring the use of different lending modalities.
Chair’s Summary: Development Effectiveness Committee

The Development Effectiveness Committee considered the Independent Evaluation Department report, Thematic Evaluation Study: Asian Development Bank’s Support for Regional Cooperation and Integration (IN.394-15) on 10 November 2015. The following is the Chair’s summary of the Committee discussion:

1. The Development Effectiveness Committee (DEC) discussed IED’s study on ADB’s support for regional cooperation and integration (RCI) which found that: (i) ADB had successfully mainstreamed RCI work in its operations, (ii) subregional programs have facilitated closer coordination and collaboration among countries, and (iii) ADB had mitigated or corrected weaknesses in RCI policies and strategies during implementation, among others. Director General, IED informed DEC that Management agreed with the report’s first four recommendations. IED and Management held constructive discussions concerning two recommendations where there was partial agreement (on devolving some aspects of ADB’s secretariat function to enhance country ownership of subregional cooperation programs, and developing new RCI project models).

2. Classification of RCI activities. DEC members noted that the RCI-labelled projects have been rated better than average. However, the RCI classification system needs to be revisited and trade facilitation activities need to be properly classified. They pointed out that the effective evaluation or assessment of RCI projects’ performances cannot be done without a clear definition of RCI projects. Management agreed to address the issue starting with a review of the classification of RCI projects.

3. Merger of Economic Research Department (ERD) and Office of Regional Economic Integration (OREI) and internal coordination of RCI. Several DEC members inquired:

   - how the merger between ERD with OREI\(^1\) may affect ADB's RCI performance, and how Management intends to improve the role of the newly created department;
   - whether ERCD's work program for 2016 to 2018 reflects any new features that are different from past RCI activities;
   - how can ERCD ensure effective coordination on RCI work with operational and other knowledge departments in view of its heavy research and knowledge work; and
   - whether ADB has a Management-level coordinating mechanism in charge of RCI issues.

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\(^1\) ADB’s Economic Research and Regional Cooperation Department (ERCD) was created at the beginning of 2015 with the merger between the ERD and part of OREI.
4. Management mentioned that the recent merger of OREI’s major functions and ERD has resulted in the improvement of the quality of its products and their impact. This merger combined the strength of both former departments as ERD had a stronger macro team whereas OREI was focused more on the integration aspect. The more incisive analysis produced by the newly created Economic Research and Regional Cooperation Department (ERCD) is much appreciated by ADB members. ERCD collaboration on RCI knowledge work with other institutions (e.g., European Central Bank, Inter-American Development Bank) has also improved. The experience during the preparation process of the new RCI Operational Plan (RCIOP) showed that cross departmental coordination and collaboration on RCI has been improving. This can be further enhanced with the recent separation of the RCI Thematic Group (TG) from the RCI Division in ERCD as a full time unit, which aims at further strengthening coordination and collaboration with the operational departments and other knowledge departments.

5. **Reflection of RCI in country, regional and corporate strategy.** DEC members underscored the importance of mainstreaming RCI objectives and activities in CPSs. Some DEC members were of the view that there were areas under the RCI Strategy where ADB could do better in scaling up its RCI operations. DEC members tabled the following RCI issues for discussion:

- how can ADB complement and/or coordinate with other regional initiatives (e.g., the New Silk Road and One Belt One Road initiatives; the Eurasia Initiative; the Coral Triangle Initiative)?
- will ADB adopt a new RCI strategy since the last one adopted in 2006 may not be in sync with the corporate target of achieving 30% of operations for RCI?
- where are the main opportunities for ADB and how much resources should ADB put into new sectors under RCI?
- is the RCI agenda relevant to upper middle income countries (MICs) or graduated ADB members?
- had the results framework under the RCI Strategy been monitored?
- would RCI be reflected in country program and strategies and in Strategy 2030?

6. Management responded as follows:

- ADB’s support for DMCs particularly under the different subregional programs and some of the newly established or proposed regional initiatives are highly complementary.
- ADB’s RCI Strategy—particularly the four pillars—would continue to be relevant for ADB’s RCI work. To complement the RCI Strategy, a new RCI Operational Plan (RCIOP)—under preparation for completion in first quarter 2016—would update the implementation of the RCI Strategy (including the RCI project classification) and aim at providing guidance on ADB’s future RCI operations. It would also incorporate inputs from the Board (an Informal Board Seminar is planned in early 2016).
- While there is a need to broaden RCI support from pillar 1 (cross-border infrastructure) to pillars 2 (trade and investment), 3 (monetary and financial cooperation), and 4 (regional public goods), a large part of ADB financing for RCI (e.g., around 80% for GMS) is still with pillar 1, in support of connectivity, reflecting demand-driven projects and any broadening would therefore have to be anchored on such pillar 1 demand.
• The RCI agenda is relevant to MICs, and there's scope of expanding engagement with MICs, such as PRC and India, for example in the areas of regional public goods and climate change, to benefit less developed countries.

• In addition to regular reporting of subregional cooperation programs, corporate monitoring of the RCI Strategy would be strengthened under the RCIOP.

• RCI, being one of three strategic agendas and one of five core areas of operations in Strategy 2020, would continue to be incorporated in CPSs and country operations business plans (COBPs). RCI would also be embedded in Strategy 2030.

7. **Demand-driven RCI services.** Some DEC members pointed out that IED’s recommendation to focus more on regional public goods should be considered with due care because of political and economic sensitivities (e.g., water, energy). ADB should be pragmatic and selective, and should take into account its own capacity whether it could achieve stronger cooperation and integration among concerned countries. IED explained that it recommends being more selective by implementing projects and programs that have good value addition with greater impact. IED has presented evidence supporting this from project experience. Management noted RCI work is particularly challenging, as it requires both internal and external buy-in (e.g., convincing Bank staff to include RCI components in the project pipeline, consolidating differing views among DMCs, and overcoming regional political sensitivities by focusing on economic gains). Management agreed that ADB operations evolve as the clients’ demands evolve. RCI projects need to be demand-driven to ensure that the national priorities and interests of countries participating in RCI programs that are aligned with national, mutual and regional interests.

8. In terms of IED’s query about devolving ADB’s secretariat function to enhance country ownership of subregional cooperation programs, Management emphasized that ADB would remain secretariat to the subregional cooperation programs, subject to continued DMC support for such services. Management noted that ADB would continue to assess the need for institutional developments.

9. **RCI knowledge sharing.** One DEC member commented that specific knowledge is generated mainly by knowledge departments and presumably knowledge on RCI by ERCD. He inquired if there is a strong connection between regional and knowledge departments, as well as knowledge sharing with ADB members. Chair, DEC urged development of two way knowledge monitoring process: sharing with member countries ADB’s RCI activities; and receiving their feedback as well as appropriately considering the RCI dimensions during preparation of CPSs and relevant sections of the Strategy 2030. Management acknowledged the need to further strengthen ADB’s knowledge sharing work and finding effective ways to disseminate knowledge. The RCI TG Secretariat (particularly as a full time functioning TG now) serves as one effective collaboration mechanism with other departments on operationally relevant RCI knowledge work. Several joint studies are already undertaken, including a regional study on good jobs for inclusive growth (between SDCC and ERCD).

10. Other issues discussed include:

• the importance of trade and investment components in RCI activities and the need to equally emphasize monetary and financial integration, which remain very low in some regions;
• the reason for a very low level of RCI effort (only about 0.1%) directed towards the Pacific and if ADB could support regionalism not as a convener but as an implementer in Pacific countries;
• calculations on the cost effectiveness of the RCI projects that may consume longer time and more resources and whether ADB should input more resources to achieve its corporate target of 30% of operations for RCI by 2020.
CHAPTER 1

Introduction

1. This report presents the findings of a thematic evaluation study (TES) on the Asian Development Bank’s (ADB’s) support for regional cooperation and integration (RCI).

A. Purpose and Rationale

2. This TES serves several purposes. It is the first in-depth corporate-level independent evaluation of ADB support for RCI, following earlier evaluations that covered the topic at subregional and sectoral levels. By assessing ADB’s RCI experience and drawing on lessons and evidence from the broader global experience, the TES provides guidance that can be used to strengthen the effectiveness of future work in this area. The findings will feed into ADB’s RCI operation plan scheduled for approval in early 2016.

3. Stakeholders expect ADB to play a key role in supporting RCI as a means of improving the effectiveness of development. RCI is also a major strategic objective of ADB. The evolving RCI agenda raises a number of questions for an evaluation. How effectively is ADB supporting this agenda? What can it learn from its own experience, and what lessons have emerged from the wider global experience? How can ADB’s RCI activities be most relevant to the development needs of the Asia and Pacific region?

B. Terms and Definitions

4. The terms “region” and “subregion” do not have standard definitions in ADB, with the definitions varying over time depending on ADB’s institutional structure and its membership. In this report, “region” denotes the 48 ADB member countries in the Asia and Pacific region and “subregion” denotes any subgrouping of countries within the Asia and Pacific region.

5. The terms “regional cooperation” and “regional integration” are multi-dimensional concepts that do not have universally agreed definitions. ADB broadly defines regional cooperation as coordinated policies, initiatives, actions and responses by governments within a defined region or subregion. Regional integration is defined as the process through which economies become more interconnected and interdependent via market-led actions or government-led policies or a combination of both. The term “RCI” can be considered to be the combination of these two definitions.

6. The term “RCI pillar” refers to the framework presented in ADB’s 2006 Regional Cooperation and Integration Strategy (RCIS) and it is used throughout the report. The four RCI pillars presented in the RCIS are defined as follows:

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ADB’s Support for Regional Cooperation and Integration

(i) Pillar 1: Regional and subregional economic cooperation programs on cross-border infrastructure and related software;
(ii) Pillar 2: Trade and investment cooperation and integration;
(iii) Pillar 3: Monetary and financial cooperation and integration; and
(iv) Pillar 4: Cooperation in regional public goods (RPGs).

7. Linked Document 1 provides definitions of selected RCI terms as they are used in the TES, by ADB, and by some of the main development partners.

C. Objectives and Scope

8. The main objective of the TES is to determine the extent to which ADB’s RCI efforts have contributed to greater physical connectivity; trade and investment expansion; financial market development and regional macroeconomic and financial stability; and better environmental, health and social conditions in Asian countries. To do this, the study takes a two-fold approach: looking backward to assess past accomplishments against expectations, and looking forward to determine whether the RCI initiatives are still relevant to the development needs of the fast-changing Asia and Pacific region. The TES seeks to provide timely feedback and help guide the evolution of the RCI agenda and supporting initiatives within ADB.

9. The two main RCI stakeholders are the government staff involved in RCI projects in countries and staff in ADB headquarters and resident missions. Secondary RCI stakeholders include development partners, RCI project cofinanciers, beneficiaries of RCI projects, nongovernment organizations, and private sector actors. The scope of the study encompasses all ADB departments that are involved in RCI activities, with a particular focus on the Office of Regional Economic Integration (OREI), the Regional and Sustainable Development Department (RSDD), the Private Sector Operations Department (PSOD), and the regional departments (including resident missions). The TES coverage period is 2006 to 2014, although some limited assessments cover pre-RCI years.

D. Approach, Methodology, and Limitations

10. The TES comprises a number of study components, including: (i) a literature review of previous RCI evaluations, (ii) a benchmarking study for cross-subregional comparison, (iii) stocktaking of RCI projects and knowledge products, (iv) subregional case studies, (v) questionnaire surveys of ADB staff and government staff in ADB’s countries, (vi) key informant interviews, (vii) a comparator assessment of other organizations with comparable RCI activities, (viii) an assessment of one of the RCI-focused trust funds, (ix) an assessment of the untapped potential for further regional integration, and (x) a strategic options analysis of different future RCI scenarios. The various sources of information used for each of the study components were triangulated to confirm the validity of the findings. The performance assessment is based on three evaluation criteria: relevance, responsiveness, and results. The TES provides a rating for each criteria and an aggregated rating, using a four-scale rating system. The evaluation framework and the rating methodology are presented in Linked Document 2.

11. Four limitations were recognized in undertaking the evaluation:

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2 The draft TES was shared with relevant departments and offices of ADB, and their comments were incorporated, where relevant.
(i) The TES focuses its assessments mainly on the RCI pillars and the subregional programs. Within the subregional programs, the focus is mainly on the three largest programs because they have a much greater number of ongoing, completed and evaluated activities than the other smaller programs.

(ii) The TES undertook a quick assessment of the impact and value addition of ADB’s RCI work, and it should not be considered a rigorous analysis. There are inherent contribution and attribution difficulties in constructing a valid ex-post counterfactual.

(iii) The assessment of the utilization of RCI knowledge products mainly drew on the external review panel findings of previous IED reports. Beyond this review, the TES did not undertake any additional assessments of the utilization of RCI knowledge products and services.

(iv) The TES mainly focuses its assessments on regional and subregional public goods. Global public goods are selectively covered as they are the focus of other IED reports.

E. Organization of the Report

12. The report is organized as follows: Chapter 2 sets the evaluation context by describing global developments since 2006 and charts regional and subregional RCI progress. Chapter 3 describes the RCI agenda in detail, including its launch and evolution, the RCIS itself, the various subregional cooperation programs, subsequent RCI-related strategies, and details of previous RCI-related evaluations. Chapter 4 assesses the extent to which ADB aligned the RCI agenda with the needs of its RCI stakeholders. Chapter 5 reviews the effectiveness of the enabling environment that ADB put in place to implement the RCI agenda. Chapter 6 presents the RCI activities during 2003–2014, charts the performance of the completed activities, identifies impacts, and assesses the value addition of ADB work. Chapter 7 presents an overall assessment of RCI based on the three evaluation criteria of relevance, responsiveness, and results. Chapter 8 is forward-looking and provides some insights on how ADB can enhance the future RCI agenda. Chapter 9 presents findings, lessons, issues, and recommendations.
CHAPTER 2
Global and Regional Overview

13. This chapter provides a global and regional perspective on institutional efforts to support regional integration and the extent to which different economies are economically integrated.

A. Global Overview

14. Table 1 provides an overview of economic integration across the various integration stages from economic and monetary union, which is the most advanced form of integration, to multilateral free trade areas. Globally, the level of integration is highest amongst the member states of the European Union. Other countries have recently formed new agreements or expanded existing arrangements to foster deeper integration. Examples include the establishment of the Eurasian Economic Union and the creation of a customs union by the member states of the Gulf Cooperation Council. Asia and North America are relatively less integrated than other regions in the world. However, it is important to note that many countries have established bilateral free trade areas and other forms of multilateral trading arrangements that are not depicted in Table 1 (e.g., the Pacific Island Countries Trade Agreement).

15. Composite RCI indicator. In addition to the stages of integration achieved at an institutional level, variations in regional integration outcomes, such as the magnitude of intrasubregional trade and foreign direct investment (FDI) shares, need to be examined. The TES constructed a set of quantified indicators to measure regional economic integration outcomes and compared the estimated measures across different regions and subregions. Measures of integration were calculated for RCI pillars 2 (trade and investment) and 3 (monetary and financial integration) and the cross-pillar (migration and tourism). These estimates were then aggregated to yield a single

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4 Most of the existing studies on regional integration can be classified into two groups. In the first are papers that discuss regional integration at an institutional level, looking for example at subregional organizations or multilateral free trade agreements (such as those depicted in Figure 4) often referring to the stages of integration defined by Balassa (Balassa, B. 1961. The Theory of Economic Integration). Most of these studies focus on theoretical considerations and are based on qualitative arguments. In the second group are studies that investigate effective degrees of economic integration using empirical data. Most of these papers investigate only a single dimension of integration, such as the large literature on trade, or studies on migration. Notwithstanding this, the empirical evidence on regional integration outcomes is still limited. As De Lombaerde et. al. (De Lombaerde, P., E. Dorrucci, G. Genna, and F. P. Mongelli. 2008. Quantitative Monitoring and Comparison of Regional Integration Processes: Steps Towards Good Practice. CRIS Working Paper, No. W-2008/9. Tokyo: United Nations University) argue, there is a need for quantitative measures and empirically verifiable analyses of regional integration outcomes.
composite measure of overall RCI performance. Linked Document 3 provides more details on the method and sources of data used to derive these indicators.5

Table 1: Stages of Economic Integration Around the World

<table>
<thead>
<tr>
<th>Integration Stages</th>
<th>Region/Subregions Covered</th>
<th>Institutional Structures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic and monetary union</td>
<td>Carribean, Western Europe</td>
<td>CSME, EU</td>
</tr>
<tr>
<td>Economic union</td>
<td>Carribean, Western Europe</td>
<td>CSME, EEU, EU</td>
</tr>
<tr>
<td>Customs and monetary union</td>
<td>Central Africa, West Africa</td>
<td>CEMAC, UEMOA</td>
</tr>
<tr>
<td>Common market</td>
<td>East Asia, Europe</td>
<td>EEA, EFTA, CES</td>
</tr>
<tr>
<td>Customs union</td>
<td>Central Asia, Europe, East Africa, Middle East, South America</td>
<td>CAN, ECU, EAC, EUCU, GCC, MERCOSUR, SACU</td>
</tr>
<tr>
<td>Multilateral free trade area</td>
<td>Central Asia, East Africa, Middle East, North America, South Africa, South America, Southeast Asia</td>
<td>AFTA, CISFTA, COMESA, GAFTA, NAFTA, SAFTA, SICA</td>
</tr>
</tbody>
</table>

The regional economic integration seen in East and Southeast Asia is high compared to other subregions.

16. Figure 1 shows the estimates of RCI performance for selected geographical regions and subregions across the world. The regional economic integration seen in East and Southeast Asia is higher than that in Eastern and Northern Europe, and in any subregion in Latin America and Africa. The least integrated subregions are South Asia, Central Asia, and the Pacific, together with the Caribbean and Northern and Middle Africa.

17. Europe is the most integrated region in the world. Asia and the four American subregions have similar levels of integration, while Africa is the least integrated. Figure 2 provides a comparative picture of RCI performance profiles along the three pillars for four highest performing subregions across the four regions. The largest gap between Western Europe and other subregions is in monetary and financial integration.
B. Regional Overview

18. Multilayered and overlapping regional and transsubregional organizations support economic integration in the Asia and Pacific region (Figure 3). Linked Document 4 provides further details on these institutions.

19. The Association of South East Asian Nations (ASEAN) is playing a lead role in promoting Asia-wide integration, as it is around ASEAN that major groups such as ASEAN+3 and the East Asia Summit revolve (Figure 3). While institutional arrangements are in place to coordinate regional integration, a recent ADB and ADBI study\(^6\) argues that these arrangements are quite fragile as the region is reliant on: (i) intraregional trade; (ii) unilateral liberalization and tariff reductions that are non-binding, in contrast to World Trade Organization (WTO) regulations; and (iii) there is an absence of top-level structures and mechanisms to ensure bilateral trade tensions do not spill over into disputes or, worse, conflict. Furthermore, the Asia trade institutions are weak in terms of their designs, resources, delegated powers, and extent of legalization.

![Figure 3: Main Regional and Transregional Economic Integration Initiatives in Asia](image)

20. No Asian subregion has experienced significant increases in intraregional trade shares over the last decade (Figure 4). While intraregional trade in Southeast Asia stayed at about 24% of total trade, for all other subregions trade integration in 1995 was higher than in 2012, indicating that trade with countries outside their own subregion increased more than intraregional trade. Comparing these results with the development of intraregional free trade agreement (FTA) coverage (Figure 5) does not

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yield a clear pattern between FTA coverage and intraregional trade shares, suggesting there are other determinants of regional integration. One possible factor behind the high values of intraregional trade shares for East and Southeast Asia is their relatively strong enabling environment for economic integration, in areas such as cross-border infrastructure and institutional arrangements that facilitate multinational private sector activities (see Chapter 7 for further discussion).

![Figure 4: Intraregional Trade Shares](image)

**Notes:** Intraregional trade share is the percentage of intraregional trade to total trade of the region, calculated using bilateral trade data. Source: Asia Regional Integration Center (ARIC) Integration Indicators Database, ADB.

![Figure 5: Intraregional FTAs](image)

**Notes:** Intraregional FTA coverage is calculated as the percentage of country pairs within a region that maintain a free trade agreement (signed and in effect). Other forms of trading arrangements are considered to have half the weight of FTAs. The sudden jumps for South, Southeast, and Central Asia correspond to the implementation of ASEAN Free Trade Area, South African Free Trade Area, and Commonwealth of Independent States Free Trade Area. Source: ARIC FTA Database, ADB. Calculations by Independent Evaluation Department.

21. **Trade has driven mutual cooperation in Asia and the Pacific.** During the last three decades, economies in the Asia and the Pacific region have been growing rapidly. Large economies such as People’s Republic of China (PRC) and India registered growth rates of more than 7% per annum during the last decade. This rapid growth has been fueled by trade and in turn it has benefited trade, enabling the development of intra-industry vertical trade in intermediate goods. The intra-industry vertical trade process in the Asia and Pacific region was facilitated by computer-aided production systems that helped connect value chains across different geographies. The PRC’s accession to the WTO in early 2000 hastened this process, and trade and investment links between the PRC and ASEAN have multiplied. The PRC and its production networks now account for a significant share of global industrial production, a phenomenon sometimes referred to as “Factory Asia.”

22. **Multinational corporations within Asia and the rest of the world facilitated the emergence of “Factory Asia” by making capital investments, enabling sharing of product designs and technology, and engaging low-cost regional labor in their global production systems.** This process has resulted in an unprecedented level of economic development. According to the International Monetary Fund (IMF), the Asia and the Pacific region has emerged as the most important driver of global economic growth, accounting for 70% of total global growth. Internally, the growing trade levels have helped to pull hundreds of millions of people out of poverty.

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23. During 1985–2014, Asia’s trade registered rapid growth, rising from about $354 billion in 1985 to more than $9.8 trillion in 2014, yielding a compound growth rate of 11%–12% per annum (Figure 6). During the same period Asia’s share of world trade doubled from 15% to 30% (Figure 7).

24. Figure 8 shows the share of intrasubregion and intersubregion trade in Asia and the Pacific. A large proportion of the trade occurs within the ASEAN+3 subregion and Hong Kong, China. At the other extreme, South Asian economies (including Pakistan and Afghanistan) have little intrasubregional trade, but carry out substantive intersubregional trade. Thus, all subregions are active in trade whether it is intrasubregional or intersubregional. In the last few years, the production network system has started to spread to South Asia, but it is still not prominent except for Bangladesh. Box 1 presents the growth stories of the PRC and India, which illustrate the different development paths of the two largest Asian economies over the last 30 years.
Regional monetary and financial integration. Since the aftermath of the 1997–1998 Asian financial crisis and the global financial crisis of 2008–2009, Asian policy makers have undertaken various reforms and arrangements to promote regional monetary and financial cooperation. These include the establishment of a surveillance unit, the ASEAN+3 Macroeconomic Research Office (AMRO), the bilateral swaps under the Chiang Mai Initiative (CMI), the Chiang Mai Initiative Multilateralization (CMIM) which comprises the $120 billion crisis fund, the Asian Bond Markets Initiative (ABMI), and the Asian Bond Fund (ABF) initiative (see Linked Document 5 for more information). While there has been considerable progress in the development of regional financial markets, including bond markets, monetary integration in terms of achieving exchange rate coordination or establishment of a regional monetary unit remains a distant long-term goal.

The extent of regional cross-border investment and financial integration can be measured in terms of parameters such as intraregional financial flows and investments, intraregional lending, cross-border interest rates, and bond yield differentials. Selected indicators of regional financial integration in 2013 include:

(i) intraregional portfolio investments in Asia and the Pacific was 18.5% of total regional investment;
(ii) intraregional foreign direct investment (FDI) inflows amounted to 50.6% of total inflows in 2012;
(iii) intraregional debt amounted to 16% of total debt holdings while intraregional equity holdings were 23.2% of the total; and
(iv) intraregional remittance inflows were 32.4% of total inflows in 2012.

Despite these initiatives and developments, regional financial integration continues to lag behind regional trade integration and regional infrastructure connectivity. There is still much to do to achieve full regional financial integration, including harmonizing regulations and standardizing market practices in the regional market to enhance intraregional flows, strengthening the domestic investor base, and augmenting market liquidity.

The following points stand out from the analysis presented in this chapter. First, regional integration outcomes have varied considerably across the Asian subregions. East Asia and Southeast Asia have much higher levels of integration than other Asian subregions (and also than most non-Asian subregions). By comparison, the Pacific, South Asia and Central Asia are among the least integrated subregions in the world. Second, the main driver behind Asia’s regional integration has been the growth in trade and investment, while monetary and financial integration has lagged. Except

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for the more developed East Asia subregion, integration has mainly occurred through intersubregional trade. Third, at the institutional level, regional integration in the Asia and the Pacific region is still at the stage of forming FTAs and it does not seem to be heading for more advanced forms of integration (such as customs, monetary, or economic unions), with the notable exception of the Association of Southeast Asian Nation’s planned economic community set to start at the end of 2015 and some attempts in Central Asia by the Russian Federation to form a customs union. The progress in FTAs appears to have no bearing on intrasubregional trade shares, which are driven mainly by availability of cross-border infrastructure and related software. Overall, the development of global value chains and the rapid growth in the PRC and India have meant that Asia’s share of world trade has increased remarkably over the past three decades. Fourth, there appears to be substantial untapped potential for further regional integration, particularly in South Asia and Central Asia.

**Box 1: The People’s Republic of China and India Growth Stories**

Within the Asia and Pacific region, the People’s Republic of China (PRC) and India, the two largest economies in terms of population, have enjoyed significant recent growth in output and trade. Between 2005 and 2013, the PRC’s gross domestic product (GDP current $) more than quadrupled from $2,256 billion in 2005 to $9,240 billion in 2013. India’s GDP more than doubled from $834 billion in 2005 to $1,875 billion in 2013 (Figure B1.1). The PRC’s growth can be attributed to the rapid expansion of heavy industries such as iron and steel and it is driven largely by the industry and services sectors. India’s growth, on the other hand, has been driven by the expansion of services.

Growth appears to have peaked in the PRC. Its GDP growth has fallen from 11.31% in 2005 to 10.45% in 2010 and 7.67% in 2013 (Figure B1.2). Growth continued to decelerate to 7.4% in 2014 as the pace of investment slowed down. Further moderate deceleration is expected for 2015 in line with the government’s target. On the other hand, India’s GDP growth rose from 9.28% in 2005 to 10.26% in 2010, although it declined to 6.96% in 2013 (Figure B1.2). India’s GDP growth is expected to continue to accelerate in 2015 and 2016.

Trade has moved in line with growth in the PRC and India, although the proportions have been shifting over time. The PRC’s trade as a percentage of GDP has been generally declining from as much as 70% of GDP in 2006 to 50% in 2013 while India’s has been increasing from 45% in 2006 to 53% in 2013 (Figure B1.3).

CHAPTER 3

ADB’s Regional Cooperation and Integration Agenda

29. This chapter describes ADB’s regional cooperation and integration (RCI) agenda, including the rationale behind the agenda, its launch and evolution, the 2006 RCI Strategy (RCIS), the supporting subregional cooperation programs, two strategies that further refined the RCI agenda, and the findings of previous RCI-related evaluations.

A. Rationale for Regional Cooperation and Integration

30. The main rationale behind the RCI agenda lies in the economies of scale that can accrue from operating in larger markets. These gains are derived from the transaction costs and microeconomics of firms. Until the 1980s, RCI was not considered by many countries to support market-led developments, and the focus was on developing isolated, self-dependent, import-substituting closed economies. With greater emphasis on globalization, information and communication technologies, and trade-induced economic growth, economic development is now viewed as being consistent with RCI based on open economic policies.9

31. The sharing of gains from regional cooperation between countries leads to mutual trust and confidence. It helps to build harmonious policies and align procedures, thus facilitating further interaction of economic activities. The momentum generated by this process often spills over into social, political and economic integration. Products and factors of production are able to move around the integrated region freely, and find their optimal utilization levels. More importantly, the process of regional cooperation has the potential to promote social stability, peace, and security, which are conducive to improved governance and better economic performance. The win–win characteristics of gains for all cooperating entities lie at the heart of this self-perpetuating process. The literature review in Supplementary Appendix A discusses in more depth the rationale for RCI.

B. Launch and Evolution

32. Over time, the scope of ADB’s RCI agenda has evolved and broadened, as ADB has implemented an array of policies, plans, instruments, and initiatives. The following diagram approximates this broad and evolving agenda, illustrating how ADB’s RCI agenda has changed over the last 21 years (Figure 9).

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Regional cooperation. ADB, in line with its Charter, has been engaged in supporting regional cooperation among its countries since its establishment in 1966. However, it was only in 1994 that a formal policy for this support was launched—the Regional Cooperation Policy (RCP). The RCP was straightforward and called for a phased approach based on three complementary functions to promote regional cooperation: (i) providing information to countries, (ii) acting as an honest broker among countries, and (iii) leveraging public and private resources for regional investments. In pursuing these three functions ADB was expected to act as a catalyst for regional cooperation by underwriting some of the managerial and technical risk and uncertainty associated with cooperation. In the first 3 years of the RCP (1994–1996), regional cooperation initiatives were quite limited, with just two subregional programs, of which only the Greater Mekong Subregion (GMS) economic cooperation program was active. There were only a few assistance modalities provided, there was little or no attention given to the possible effects of external shocks, and limited work was done.

Regional cooperation is enshrined in the 1966 Charter Agreement Establishing the Asian Development Bank. Article 1 “Purpose” mandates ADB to “…foster economic growth and cooperation in the region.” Article 2(ii) enjoins ADB to “…utilize the resources at its disposal for financing development of the developing member countries in the regions, giving priority to those regional, sub-regional as well as national projects and programmes…” [emphasis added]. Other articles also mention “… promoting the orderly expansion of foreign trade, in particular intraregional trade” (Article 2 (iv)) and cooperation with regional organizations (Article 2 (v)).

The other program was Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA) which started in 1994, but ADB only became active in 2001.

It was only in 1994 that ADB issued its first formal regional policy—the Regional Cooperation Policy.
ADB’s Support for Regional Cooperation and Integration

done on regional public goods (RPGs). This policy was the start of the RCI agenda, although in its first years it covered only regional cooperation initiatives, and it did not yet focus on regional integration.

34. In subsequent periods the RCI agenda expanded and became more complex. In the period 1997–2005, during the aftermath of the Asian financial crisis in 1997–1998, ADB played an important role in helping to build a more resilient environment against external shocks. In response to a request by ASEAN, ADB initiated and supported several important measures. Internally, it established the Regional Economic Monitoring Unit (REMU) after the 1997–1998 Asian financial crisis to perform regional economic monitoring and surveillance, in support of the ASEAN and ASEAN+3. ADB also supported the Asia Pacific Economic Forum (APEC) and the Asia Europe Meeting (ASEM). ADB’s regional cooperation initiatives expanded to cover more knowledge work, honest brokering among countries, regional public goods (RPGs), and studies of global and regional value chains. The subregional cooperation programs rapidly expanded and two new programs were added: Central Asia Regional Economic Cooperation (CAREC), and South Asia Subregional Economic Cooperation (SASEC). REMU was upgraded to the Office of Regional Economic Integration (OREI) in April 2005, to act as the focal point for RCI knowledge and information and act as the driver of ADB’s RCI agenda. Figure 1 in Linked Document 5 provides more details of the chronological evolution of ADB’s main strategic, institutional, and flagship activities.

C. Regional Cooperation and Integration Strategy

35. In 2006, the RCI Strategy (RCIS) was approved. The strategy was designed to guide ADB’s support for the ongoing process of RCI initiatives in Asia and the Pacific and to facilitate an evolution from stand-alone programs to a coherent and strategically focused approach. The RCIS viewed RCI not as an end in itself, but as a means to achieve ADB’s overarching objective of poverty reduction in Asia and the Pacific.

36. Four pillars. As shown in Figure 10, the RCIS had four pillars: (i) subregional economic cooperation programs on cross-border infrastructure and related software, (ii) trade and investment cooperation and integration, (iii) monetary and financial cooperation and integration, and (iv) cooperation in RPGs. The RCIS aimed to help reduce poverty in countries through regional collective action that led to greater physical connectivity; an expansion of trade and investment; development of financial systems and macroeconomic and financial stability; and better environmental, health, and social conditions. The four pillars were intended to be mutually reinforcing so they could contribute to achieving ADB’s overarching goal of poverty reduction.
37. **Four roles.** In addition to the four pillars, the RCIS envisaged ADB playing four distinct roles in supporting and promoting RCI in Asia and the Pacific: (i) as a financial institution—increasing finance available for RCI projects, programs, and related technical assistance (TA), and/or helping countries mobilize funding and TA; (ii) as a knowledge bank—expanding the creation and dissemination of knowledge and information on RCI to countries; (iii) as a capacity builder—furthering support to countries and regional bodies to build their institutional capacity to manage RCI; and (iv) as an honest broker—strengthening ADB’s role as a catalyst and coordinator of RCI for countries.

38. **Four strategic thrusts.** In addition to the above pillars and roles, the RCIS envisaged four strategic thrusts to transform ADB’s support for RCI from stand-alone, activity-based programs to a coherent and strategically focused RCI program. First, the RCIS advocated a closer alignment of subregional cooperation strategies and country partnership strategies. Second, the RCIS supported initiatives that would develop links across subregions and enhance cooperation partnerships between ADB and regional bodies such as ASEAN. Third, a stronger and more coordinated, policy-relevant research capacity was established to enable ADB to meet its knowledge bank role. Fourth, it supported more substantial cooperation and coordination between ADB and its multilateral and bilateral development partners as well as with researchers, media, nongovernment organizations (NGOs), and other stakeholders to promote RCI.

39. **Results framework.** The RCIS included a results-based monitoring framework with a set of outcomes and performance indicators to monitor the progress of the strategy over the period 2006–2010. The results framework purposely did not set time-bound targets, on the assumption that the baseline data and targets to measure the progress on the indicators varied by region and activity. It was expected these indicators would be established by departments for their respective sectors and subsequently fine-tuned in consultation with concerned departments.

40. **Institutional set-up.** Figure 11 shows the institutional arrangements to mainstream the RCI agenda, including the division of labor within ADB, as defined in the RCIS. The responsibility for pillar 1—cross-border infrastructure and related software—
rests with the regional departments of ADB. The Private Sector Operations Department (PSOD) and Office of Cofinancing Operations (OCO) collaborate with the regional departments in catalyzing private sector participation and mobilizing grant funds for the operational activities of pillar 1. The primary responsibility for pillars 2 and 3—trade and investment cooperation and integration, and monetary and financial cooperation and integration—lies with OREI.12 The primary responsibility for pillar 4—cooperation in RPGs—rests with the Regional and Sustainable Development Department (RSDD).13 OREI in collaboration with the RCI community of practice (CoP) was given responsibility for facilitating and coordinating ADB’s RCI support by providing links across concerned departments and by implementing RCI initiatives that cut across subregions.

![Figure 11: Original RCI Institutional Arrangements](image)

**Figure 11: Original RCI Institutional Arrangements**

ADB = Asian Development Bank, Depts = departments, OCO = Office of Cofinancing Operations, OREI = Office of Regional Economic Integration, PSOD = Private Sector Operations Department, RCI = Regional Cooperation and Integration, RSDD = Regional and Sustainable Development Department.

Source: Independent Evaluation Department.

41. The RCI CoP14 was expected to provide strategic guidance on RCI-related issues, organize conferences and seminars to promote learning and knowledge sharing and provide technical inputs to ADB projects on RCI.15 The CoP was also responsible for administering three RCI funds: (i) the Regional Cooperation and Integration Fund (RCIF), (ii) the Investment Climate Facilitation Fund, and (iii) the People’s Republic of China Poverty Reduction and Regional Cooperation Fund.16

12 From 1 January 2015, OREI ceased to exist and its functions were taken over by other departments. The pillar 2 functions were taken over by the Regional Cooperation and Integration Division under the Economic Research and Regional Cooperation Department. The pillar 3 functions were taken over by the Regional Sustainable Development Department.

13 The Regional and Sustainable Development Department was renamed the Sustainable Development and Climate Change Department in May 2015.

14 From 22 October 2014, communities of practice have been renamed as either sector or thematic groups. Thus, the RCI CoP is now the RCI Thematic Group.


16 Administration of the People’s Republic of China Regional Cooperation and Poverty Reduction Fund was transferred to the Office of Cofinancing Operations in February 2015.
D. Subregional Cooperation Programs

42. ADB has primarily implemented its RCI agenda through subregional cooperation programs.\textsuperscript{17} The first such program, the GMS, was established in 1992, predating the launch of the RCP in 1994. It was followed in quick succession by the Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA) program in 1995 and the CAREC and BIMSTEC programs in 1997. The SASEC program was established in 2001 followed by the Indonesia Malaysia Thailand Growth Triangle (IMT-GT) program in 2006.

43. **Secretariat model.** ADB has taken the lead and serves as the secretariat for the GMS, CAREC, and SASEC programs. This arrangement contrasts with the method used to coordinate ADB’s support to ASEAN, BIMP-EAGA, IMT-GT, BIMSTEC and the Pacific Islands Forum Secretariat where ADB takes a secondary role by providing assistance for RCI initiatives. Table 2 in Linked Document 5 provides a more detailed description of all of the main subregional programs. Table 2 provides a summary of the main features of the GMS, CAREC and SASEC programs.

<table>
<thead>
<tr>
<th>Program</th>
<th>Year established</th>
<th>Member countries</th>
<th>Internal Arrangements</th>
</tr>
</thead>
</table>
| Greater Mekong Subregion     | 1992             | Cambodia, the People’s Republic of China (PRC), focusing on Yunnan Province; the Lao People’s Democratic Republic (Lao PDR); Myanmar; Thailand; and Viet Nam. Guangxi Zhuang Autonomous Region of the PRC joined the program in 2004. | • GMS Government National Coordinating Committee and National Coordinators  
• GMS Summits  
• Ministerial Meetings  
• Senior Officials’ Meetings  
• Sector Forum Meetings  
• Planning Working Group Meetings  
• Focal Group Meetings |
| Central Asia Regional Economic Cooperation | 1997 | Afghanistan, Azerbaijan, the PRC, Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan. | • Annual Ministerial Conference  
• Bi-annual Senior Officials’ Meeting  
• Sector Coordinating Committees  
• CAREC National Focal Point |
| South Asia Subregional Economic Cooperation | 2001 | Original member countries: Bangladesh, Bhutan, India and Nepal. Sri Lanka and Maldives joined in May 2014. Myanmar has observer status. | • ADB is SASEC Secretariat  
• Nodal Officials’ Meetings  
• Meetings of Working Groups and Subgroups |

Source: Independent Evaluation Department.

44. **Greater Mekong Subregion Economic Cooperation.** In 1992, six countries—Cambodia; the PRC, focusing on Yunnan Province; Lao People’s Democratic Republic (Lao PDR); Myanmar; Thailand; and Viet Nam—established the GMS Economic Cooperation Program as an activity-based subregional economic cooperation program,  

\textsuperscript{17} See para. 4 and Linked Document 1 for definitions of the terms “region” and “subregion.”
with ADB acting as the secretariat. Guangxi Zhuang Autonomous Region of the PRC joined the program in 2004. The strategic framework for the next 10 years of the GMS Program (2012–2022) has broadened the original scope to encourage greater GMS integration within ASEAN and the wider Asia region. The new strategic framework is anchored on a corridor-development approach, which expands the GMS program from conventional infrastructure to multisector investments designed to foster economic corridor development. This new approach involves stronger cross-sectoral links, better consideration of subregional economic development’s spatial aspects, more local stakeholder involvement, and more effective monitoring and evaluation.

45. **Central Asia Regional Economic Cooperation.** The CAREC Program is a project-based initiative that promotes economic cooperation in four core sectors of Central Asia: transport, trade facilitation, trade policy, and energy. It is a partnership between 10 countries and six multilateral institutions that are working together to promote development through subregional cooperation, with the aim of accelerating growth and poverty reduction. The document CAREC 2020 provides the strategic framework for the period 2011–2020 and reflects the requirements of the CAREC Comprehensive Action Plan (CAP) to move the program toward its vision of “Good Neighbors, Good Partners, and Good Prospects.” It focuses on two distinct but complementary strategic objectives: (i) expanding trade, and (ii) improving competitiveness.

46. **South Asia Subregional Economic Cooperation.** The SASEC program was established in 2001 as a project-based initiative that initially promoted economic cooperation through the enhancement of cross-border connectivity and facilitation of trade between Bangladesh, Bhutan, India, and Nepal. Subsequently, Sri Lanka and Maldives joined the program. Originally, the priority areas for cooperation were transport, trade facilitation, energy, and information and communication technology (ICT). ICT was later dropped from the program. SASEC’s internal arrangements are not as extensive as In GMS and CAREC, consisting of only nodal officials’ meeting and working group meetings.

E. **Strategy 2020 and Its Midterm Reviews**

47. In 2008, ADB adopted a long-term strategic framework, Strategy 2020. The strategic directions of the RCIS were aligned with Strategy 2020 at two levels: (i) regional integration is one of the three complementary strategic agendas in Strategy 2020—the others being inclusive growth and environmentally sustainable growth; and (ii) regional cooperation and integration is one of the five core operational areas in Strategy 2020—the others being infrastructure; environment, including climate change; financial sector development; and education. In line with this new strategic agenda, ADB’s RCI lending was expected to account for an increasing portion of overall

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19 http://carecprogram.org/. Participating countries include: Afghanistan, Azerbaijan, People's Republic of China, Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan. Participating multilateral institutions include: the Asian Development Bank—which also serves as the CAREC secretariat, the European Bank for Reconstruction and Development, International Monetary Fund, Islamic Development Bank, United Nations Development Programme, and World Bank.


operations. As part of Strategy 2020, a new operational goal was formulated where RCI lending would reach at least 30% of total lending by 2020.

48. IED’s February 2014 review of Strategy 2020 at its midterm23 recommended that ADB increase support for RPGs through lending, knowledge exchange, and policy dialogue. Similarly, ADB’s follow-on midterm review of Strategy 202024 reviewed ADB’s RCI work and supported a move to a second-generation RCI model based on paying more attention to promoting higher productivity and enhancing the competitiveness of all economies in subregions, mitigating regional vulnerabilities, and addressing subregional inequalities. In terms of the RCI pillars, the ADB review recommended more work on pillar 1 to expand connectivity and extend value chains and on pillar 2 to pay greater attention to trade facilitation and regional capacity building.

F. Other Relevant Evaluations

49. This thematic evaluation study (TES) is the first full evaluation of ADB’s RCI25 and it has drawn upon a large number of evaluations of ADB’s RCI activities, which involve all levels (corporate, regional, country, sector, and project). Most of the evaluations have been focused on RCI pillar 1 activities (further details are provided in Linked Document 6). The main findings of the GMS regional evaluations included the need to complement support for physical connectivity by providing additional support at the policy level for software, and to facilitate the formulation of a strategy to gradually make the GMS institutional structure more dependent on the member countries.

50. A literature review of previous evaluations of RCI by other development partners indicates that the following general design features are important for RCI program success: (i) strong commitment and cooperation, (ii) accurate assessment of costs and benefits to participating countries, (iii) a clear division of responsibility between national and regional institutions, (iv) accountable governance arrangements, and (v) planning for future sustainability. The literature review is presented in Supplementary Appendix A.

25 In 2009, the RCI CoP prepared a draft RCIS Review (RCI Community of Practice. 2009. Implementation of the RCI Strategy: A Review. Manila), but this was never formally issued.
CHAPTER 4

Addressing the Needs of RCI Stakeholders

51. This chapter reviews how relevant the RCI program has been in meeting the needs of its stakeholders by examining the following areas: (i) coherence of the RCI agenda’s policies and strategies, (ii) relevance of the RCIS’s design, (iii) relevance of the other RCI agenda features, (iv) consistency of the RCI agenda with countries’ expectations, and (v) conformity of the RCI agenda with international good practices.

A. Coherence of the RCI Agenda’s Policies and Strategies

52. Asia’s commitment to regional cooperation was documented at the Bandung conference in 1955. The conference noted that “development is necessary and should take place within a perspective of integration into the world economy.” This sentiment is embodied in ADB’s charter, which enjoins it to accord priority to “regional and sub-regional” projects (footnote 12).

53. The 1989 Panel Report, which took stock of ADB’s accomplishments since its establishment and appraised the forthcoming last decade of the 20th century, recommended an expanded regional role for ADB, spurring it to launch the GMS program in 1992. These documents confirm that RCI’s positioning was aligned with aspirations of the Asia and Pacific region, the national development plans of the countries, and the mandate of ADB.

54. Regional Cooperation Policy. The RCP was approved in 1994 and it identified three roles for ADB: (i) provider of information, (ii) honest broker, and (iii) the entity responsible for leveraging public and private sector resources for regional and subregional projects. The RCP placed more emphasis on the first two functions and it did not envisage a need to set up a separate department to perform this function in ADB, because it saw regional cooperation as “inherent in Bank operations.” In a limited way, the RCP provided a good starting point to implement ADB’s RCI agenda.

55. Regional Cooperation and Integration Strategy. The RCIS was approved in 2006 and it broadened the scope of regional cooperation to include economic integration. The RCIS took account of recent developments at that time, including the emergence of industrial production networks, the emergence of the internet, and the enhanced application of ICT. These developments necessitated a high volume of intraregional

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26 In 2015, the 60th commemorative conference is being held to celebrate and reinforce the commitments made in 1955.
trade in intermediate goods, a higher level of logistical support, and better transportation networks. The RCIS envisaged the need to set up separate institutional structures to drive the RCI agenda forward, including the RCI CoP. In this respect, the RCIS represented a substantial improvement over the RCP in terms of how ADB would implement the RCI agenda.

56. **Strategy 2020 and its midterm review.** In 2008 ADB adopted Strategy 2020, which took into account recent strong economic growth and progress on poverty reduction, particularly in East Asia. It recognized the emergence of new issues in the form of depletion of resources, increased environmental pollution, and growing inequalities. Strategy 2020 raised the profile of RCI by establishing it as a high-level objective as well as a set of core areas of operations, in view of the huge “unmet demand.” Less positively, Strategy 2020 virtually subsumed the 2006 RCIS, which meant that future RCI activities often no longer took guidance from the RCIS. The 2014 midterm review (MTR) of Strategy 2020 shifted the focus of the RCI agenda further away from the RCIS toward a second-generation RCI model. This new model was focused on promoting higher productivity and competitiveness of all economies in subregions, mitigating subregional vulnerabilities, and addressing subregional inequalities. The rationale for the second generation model appears to have been based on the premise that enough progress had been made putting in place the necessary physical infrastructure and it was now possible for ADB to turn some of its attention to the question of how to best exploit the improvements in connectivity and mitigate some of the environmental and social impacts of the subregional infrastructure. However, in formulating this new model, the MTR did not clearly explain how the new activities under the revised model related to the existing pillars and roles set out in the RCIS.

57. An important aspect of the RCI agenda was its open and outward-looking stance on integrating with the world economy. ADB steadfastly supported this “open regionalism” position which contributed immensely to the acceptance of the RCI agenda by the countries as well as by ADB’s development partners. Further, ADB was able to persuade countries to adopt subregional cooperation programs as per their mutual capabilities and keenness with relatively few legal, technical or institutional requirements. ADB’s RCI agenda and the subregional cooperation programs have also generally followed the “institution light” model of Asian RCI, where the number and size of formal institutional structures and mechanisms are kept to a minimum.

58. **Progressive coherence of the RCI agenda.** There has been a clear strategic progression in the development of the RCI agenda from the 1955 Bandung conference, to the 1966 ADB Charter, the 1994 Regional Cooperation Policy, the 2006 RCIS, the 2008 Strategy 2020, and finally the 2014 midterm review of Strategy 2020. Today, the shift from regional cooperation to RCI in 2006 seems straightforward, but at the time it was prescient. Similarly, there was a good rationale for the evolution of the agenda beyond the first generation model to the second generation focus on productivity-led growth, vulnerability and inequality. In this respect, ADB’s RCI-related strategies and policies have been very relevant to the prevailing global, regional and subregional contexts.

B. Relevance of the RCIS Design

59. This section evaluates various RCIS design elements, including: (i) the four pillars, (ii) the four roles, (iii) the results framework, and (iv) the institutional arrangements.

60. Appropriateness of RCI pillars. The RCIS is based on four pillars: pillar 1 (cross-border infrastructure), pillar 2 (trade and investment), pillar 3 (monetary and financial), and pillar 4 (RPGs). The RCIS noted that the weights assigned to the individual pillars would vary significantly across subregions and countries and pillar 2 would be given less weight compared with the other pillars. Pillar 1 was identified as the “core component” of ADB-supported RCI activities and it merited more attention than the others.31 The RCIS also noted that for many countries “pillar 3 would be the least relevant.”32 In this respect, the RCIS adopted an implicit hierarchy, with pillar 1 being the most important, followed by pillar 4, then pillar 3, and ending in pillar 2.

61. The main rationale for this hierarchy among the pillars appears to have been the prominent role of connectivity in RCI and the fact that infrastructure was the sector in which ADB has the most experience and a perceived comparative advantage, especially for sovereign operations. The lesser attention to pillars 2 and 3 appears to have been in part due to the view that ADB did not have enough expertise in these areas and they would be better left to more qualified institutions, such as the World Trade Organization and the International Monetary Fund. Given the progress made in alleviating the most pressing physical connectivity constraints, particularly in East and Southeast Asia, there is a strong justification for rebalancing these priorities. Such a rebalancing would give less emphasis to pillar 1 and more to pillars 2 and 3. The current emphasis on pillar 4 should be retained as there are important environmental and social risks that need to be mitigated through RPG assistance.

62. Trade facilitation and related activities were not clearly classified by the RCIS. The RCIS confusingly included trade facilitation and related activities under both pillars 1 and 2. Under pillar 1, the RCIS included trade and investment facilitation measures as among the non-lending financial assistance provided under the pillar.33 Under pillar 2, it discussed trade facilitation in some detail and indicated that future activities under the pillar would include non-lending support for research and capacity development on free trade agreements, policy dialogue on trade and investment, and some trade facilitation work.34 Thus, it would appear that lending assistance was clearly designated under pillar 1, while non-lending assistance was split between the two pillars. The RCIS did not mention other areas of trade-related support, such as support for development of economic corridors, special border economic zones, cross-border supply and value chains, and the associated border and behind-the-border regulatory and legal environment needed to facilitate trade and investments across borders.

63. In addition to the above, there are some weaknesses with pillars 1 and 4:

(i) Pillar 1: The RCIS was not consistent in how it referred to pillar 1, calling it in some places “Pillar 1: Regional and Subregional Economic Cooperation Programs (Cross-Border Infrastructure and Related Software)” and in other places “Pillar 1: Regional and Subregional Economic Cooperation

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It is not clear why the reference to the subregional programs was even necessary in the title, given that activities under the other pillars could be covered under subregional programs. A more clear description of pillar 1 would have been just “Cross-Border Infrastructure and Related Software.”

(ii) Pillar 4: The RCIS did not give sufficient attention to the large array of natural resource cooperation issues, such as transboundary water and air pollution, and subregional water, forestry, fisheries and biodiversity resources management. There was a brief discussion on managing cross-border rivers and protected areas (para. 74) and more substantially on transboundary air pollution (para. 75), but in its concluding paragraph (para. 80) the RCIS neglected to mention any of these areas as being a focus for future assistance on the RPGs. In addition, the title of the pillar should be revised to “Other RPGs and Cross-Pillar Issues” to reflect the fact that pillars 2 and 3 are also RPGs and the need to cover the emerging cross-pillar identified in the MTR, labor mobility and food security.

64. Appropriateness of RCI roles. The RCIS identified four roles for ADB to support and promote RCI in Asia and the Pacific. These roles cut across the four RCI pillars, but were not all well defined in the RCIS. In particular, the capacity builder and honest broker roles needed to be better defined.

65. The capacity building role was added to the RCI agenda in 2006 by the RCIS. The RCIS did not elaborate what was expected under the capacity builder role in its chapter on operational implications (Chapter III, paras. 86-92). It is recognized that capacity building can leverage ADB’s funds and its knowledge, but more guidance would have been useful on how to do this in practice.

66. The RCIS broadly described the honest broker role as ADB being a catalyst and coordinator of RCI for the countries, but details were provided only on how it could undertake the coordination aspect (para. 92), while the catalyst aspect was neglected. Developing Asia comprises a huge variety of countries ranging from the PRC to small island economies in the Pacific. Since the ADB Charter enjoins ADB to ensure that smaller economies are specially taken care of, it would appear that part of the honest broker role should have been to ensure smaller economies and vulnerable groups receive a fair share of the value-addition derived through RCI activities. The approach and procedures required to achieve this result were not made clear in the RCIS.

67. Quality of results framework. The RCIS included a results-based framework to monitor the implementation of the strategy. There were two drawbacks with the framework. First, the RCIS decision to not include any time-bound indicators in it was based on the assumption these would be established by the operational departments for their respective sectors and fine-tuned in consultation with concerned departments. However, this follow-on work was not undertaken. The lack of targets in the results framework reduced its utility for assessing the RCIS performance. Second, the results framework included 46 activities and initiatives, which was excessive.36

68. Appropriateness of institutional arrangements. The RCIS clearly demarcated responsibilities for the various pillars to the departments and offices concerned. The

36 See paras. 93–103 for an assessment of the achievements against the results framework.
demarcation was logical and balanced and did not omit any major internal stakeholder. The only unclear feature of the RCIS demarcation of responsibilities was how OREI and the RCI CoP would undertake the overall coordination of the RCI agenda. Recent institutional changes, which have moved OREI’s functions to the Sustainable Development and Climate Change Department and the Economic Research and Regional Cooperation Department (ERCD), and converted the RCI CoP into the RCI Thematic Group, have further increased the risk of fragmentation of RCI activities.

C. Relevance of Other RCI Features

69. This section discusses features not initiated or covered by the RCIS, such as: (i) subregional cooperation programs, and (ii) regional integration’s links with other strategic agendas.

1. Subregional Cooperation Programs

70. ADB’s subregional cooperation programs have been the main vehicle for implementing the RCI agenda since the first program, the GMS, was set up in 1992. In addition to being the pioneer RCI program of ADB, GMS played an important role in defining ADB’s RCI model. It initiated the building-block approach of RCI in ADB and determined the essential pattern replicated in the CAREC and SASEC subregional programs. To an extent, GMS countries overlapped with ASEAN and other groupings in Southeast and East Asia. ADB’s RCI overtures in the larger East Asia region were also shaped by ADB’s GMS experience and learning. That being said, ADB adopted a pragmatic approach that allowed for flexibility and variations on the GMS theme to be adopted in other subregional programs. ADB’s flexible approach recognized that countries in the different subregions had varying degrees of congruence between their respective economic and financial policies and that ADB’s honest broker role is most catalytic when the congruence is greatest.

71. Following the 1997–1998 Asian financial crisis, ADB’s RCI program readily embraced financial and monetary mechanisms in the form of the Chiang Mai Initiative (CMI) to protect member countries from the global financial volatility. The CMI initiative not only covered all ASEAN members, but also attracted support from the PRC, Japan, and Republic of Korea to achieve its objective.

72. On a broader knowledge front, ADB has been able to generate a series of academic and advocacy publications in favor of RCI, with notable contributions from the Asian Development Bank Institute (ADBI). The GMS Institute (Khon Kaen, Thailand) and CAREC Institute (Urumqi, Xinjiang Uygur Autonomous Region, PRC) along with other regional research institutes and think tanks have also contributed to a better understanding of RCI. Publications produced by these bodies have played an important role in mobilizing policies in favor of RCI both within the Asian region and subregions and among global international financial institutions.

73. Taken as a whole, the three main subregional programs, GMS, CAREC, and SASEC, have been effective in enabling closer coordination and collaboration among countries, improving connectivity through cross-border infrastructure, increasing trade and investment, and addressing shared risks and vulnerabilities. The GMS has been particularly innovative by setting up a human resource development working group. The perceptions survey found that national and sector focal points appreciated the programs. More than 65% of the RCI focal points confirmed that ADB’s RCI strategies were consistent with the development priorities of country governments. The
Addressing the Needs of RCI Stakeholders

74. ADB’s subregional cooperation programs have mainly adopted one of two models to support RCI: (i) the secretariat model; or (ii) the technical support model. The key difference between the two is the degree of country ownership, and countries’ dependence on ADB for RCI support. Under the secretariat model, countries are more dependent on ADB for support, planning, guidance and funding of common subregional activities, making it relatively costly for ADB. In comparison, under the technical support model, greater ownership is vested in the countries, who organize most of the planning, guidance and support for their common subregional activities, with ADB providing technical support as needed. Neither model has incorporated a clear exit strategy, under which ADB would scale back or stop its assistance after a certain period. Initially, there was an expectation that the secretariat model was a first stage of ADB’s support and that once the countries in a secretariat-led subregion achieved a certain level of cooperation, it would be converted to a technical support model. This expectation has not materialized and the secretariat-model-led programs continue to prevail in the three subregions where they have been established.37

75. In brief, ADB displayed flexibility in identifying priority sectors and the scope of RCI activities in countries under the subregional programs. The number of RCI sectors pursued varied across subregions depending upon their level of economic development and extent of mutual trust and cooperation. Coordination and involvement of development partners varied, depending upon their level of engagement, availability of resources, and scope of RCI activities. Support for subregional programs from within ADB also varied across subregions. For example, the East Asia Department supports CAREC’s trade facilitation working group, which is led by the Central and West Asia Department, but this type of cross-departmental linkage is not found in other subregional programs. Knowledge support for subregional programs also varied across the subregions. Given the variety of RCI approaches and different levels of progress, subregions could share their experience with each other and exchange expertise. ADB could facilitate learning across subregional programs to increase opportunities for cross-fertilization of successful RCI approaches. As an example, the CAREC program has introduced very detailed transport corridor monitoring, which may be considered best practice. Other programs with substantial transport portfolios (e.g., the GMS) should consider adopting or adapting this approach. A second example would be the GMS program’s good experience in undertaking phased regional tourism and communicable disease control projects in multiple countries. Other programs with substantial regional tourism and/or health activities, such as SASEC, could learn from this. Subregional case studies for GMS, CAREC, and SASEC are summarized in Linked Document 7 and the full versions are presented in Supplementary Appendixes B, C, and D. A brief review of the other smaller subregional programs is provided in Supplementary Appendix E.

2. Regional Integration Links

76. Strategy 2020 identified three strategic development agendas (regional integration, inclusive growth, and environmentally sustainable growth) which are intended to contribute to ADB’s overarching objective of poverty reduction in Asia and the Pacific. The linkage between these agendas and between the agendas and the ultimate goal were not clearly spelled out. There is a strong rationale for considering

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37 The strengths and weaknesses of the technical support model are beyond the scope of this evaluation. See limitation in para. 11 (i).
that inclusive growth and environmentally sustainable growth are the main paths leading to poverty reduction and the main role of regional integration is to support these two agendas, as illustrated by Figure 12.

**Figure 12: Regional Integration Agenda’s Links to Other Strategic Agendas and Poverty Reduction**

![Diagram](https://via.placeholder.com/150)

Source: Independent Evaluation Department.

77. **The link between regional integration and inclusive growth needs strengthening.** The inclusive growth agenda includes three pillars: (i) high, sustained economic growth, (ii) access to economic opportunity, and (iii) social protection. One link between the regional integration and inclusive growth agendas is mainly via the social protection pillars linking to RCI agenda’s pillars 3 and 4. The second generation RCI’s focus on addressing subregional inequalities and vulnerabilities is clearly closely related to inclusive growth and strengthens the link. For example, transforming transport corridors into economic corridors, which is part of second generation RCI, would create jobs and link least developed areas to the transport corridor, both of which would contribute to inclusive growth.

78. **The link between regional integration and environmentally sustainable growth also needs substantial strengthening.** Environmentally sustainable growth includes: (i) sustainable infrastructure, (ii) environmental governance, (iii) liveable cities, (iv) natural capital, and (v) climate change. There are obvious links between (i) and the RCI agenda’s pillar 1 (cross-border infrastructure) and (iv) and (v) and the RCI agenda’s pillar 4 (RPGs). However, as noted previously, the design of pillar 4 did not pay sufficient attention to the large array of natural resource cooperation issues, such as transboundary water and air pollution, and regional water, forestry, fisheries and biodiversity resources management. Some country stakeholders cited these areas as gaps that ADB should try to fill in future. Raising the profile of natural resource cooperation issues is an important way of strengthening the link between these two agendas.

### D. Consistency with Countries’ Expectations

79. This section discusses: (i) consistency of RCI with countries’ national development plans, (ii) the extent of country coverage under the subregional economic programs and outside the programs, (iii) countries’ demand for ADB’s projects and RCI activities, and (iv) countries’ perceptions of ADB’s RCI work.

80. **Consistency with countries’ national development plans.** As shown in Supplementary Appendix F, all countries included policy statements supporting RCI of
one type or another in their national development plans. The development plans gave more attention to pillars 1 and 4 and they focused largely on the transport and energy sectors. Given this, it may be concluded that the RCI agenda was in line with the countries’ plans, although it was broader than them.

81. **ADB coverage of countries.** Table 3 shows the coverage of all ADB countries by the main subregional groupings. It can be seen that all ADB’s countries are covered by one or more programs, with the exception of Armenia, Georgia, and Timor-Leste.

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ASEAN = Association of Southeast Asian Nations, BIMP-EAGA = Brunei, Indonesia, Malaysia, Philippines, East Asia Growth Area, BIMSTEC = Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation, CAREC = Central Asia Regional Economic Cooperation, GMS = Greater Mekong Subregion, IMT-GT = Indonesia-Malaysia-Thailand Growth Triangle, SASEC = South Asia Subregional Economic Cooperation.

* Georgia participated as observer in the CAREC program in 2015.
* Timor-Leste is a special observer of the Pacific Island Forum.

82. While the coverage is comprehensive, there are a number of areas where there are opportunities for improvement. As shown in Figure 1, Central Asia and the Pacific are the two least-integrated subregions in Asia and the Pacific. They are also the two subregions with the greatest degree of geographic isolation, suggesting that isolation is a key constraint on integration for subregions. Some RCI stakeholders noted that ADB should adopt specialized approaches to deal with isolation in island economies and land-locked countries. Both ADB’s Charter and the RCIS mention the need to pay attention to smaller and disadvantaged countries and the RCIS mentioned the constraints faced by small island economies. However, there was little discussion in the RCIS on approaches tailored to landlocked and island countries and no suggestion these countries warranted more attention than others. In future, there is a strong rationale for paying more attention to landlocked and island countries in ADB’s RCI work. Supplementary Appendix G provides more information on landlocked and island countries and the constraints they face.

83. Countries located between two or more Asian subregions may play a pivotal role in enhancing connectivity between these areas. These “linchpin countries” have the potential to yield high impact from RCI activities. Myanmar, Pakistan, Papua New Guinea, and Timor-Leste are examples of such countries. In the future, ADB’s activities should give greater attention to these countries. Supplementary Appendix H provides more information on linchpin countries and the constraints they face.

There is a strong rationale for paying more attention to landlocked and island countries in ADB’s RCI work.
84. **Country demand.** The overall demand for ADB’s RCI work has been fairly stable, although at the subregional and country levels demand for RCI activities can vary widely over time in terms of pillar coverage and especially sectors of operations. This variability reflects the development levels, binding constraints and needs of each subregion and country.

85. There has been a recent shift in GMS demand for ADB’s RCI support away from pillar 1 (physical infrastructure) activities toward more economic corridor work. At the country level, this has resulted in reduced lending for expressway projects in the PRC and for subregional road projects in Lao PDR, and reduced lending for hydropower and power transmission projects in Lao PDR and Viet Nam. Compensating for this decline, there has been an increase in projects covering corridor towns, border towns, technical vocation, and educational training projects with significant regional dimensions in all three countries. This shift from large traditional pillar 1 RCI projects toward smaller economic corridor projects in the GMS is significant, as it may have repercussions on ADB’s ability to achieve its Strategy 2020 target of RCI lending reaching at least 30% of total ADB operations by 2020.

86. To gauge the robustness of ADB’s RCI lending portfolio in the near future, an assessment was undertaken of the number and amount of RCI loans in ADB’s 3-year lending pipeline for 2015–2017. This assessment is presented in Table 4 and it shows the RCI lending pipeline comprises 63 projects in the amount of $6.97 billion. Overall, about 17% of projects by number and 19% by value in the pipeline are expected to be RCI projects. Of the regional departments, Central and West Asia Department (CWRD) and Southeast Asia Department (SERD) have the most robust RCI lending portfolios, followed by EARD and South Asia Regional Department (SARD). The small RCI lending portfolio of the Pacific Department (PARD) fluctuates. Between 2015 and 2016, there is a forecast increase in the percentage of RCI loans (by number) from 19% to 22% and a decline in the amount from 24% to 20%.

<table>
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<tr>
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<tbody>
<tr>
<td>Central and West Asia</td>
<td>5</td>
<td>534.0</td>
<td>17 23</td>
<td>8</td>
</tr>
<tr>
<td>East Asia</td>
<td>2</td>
<td>42.0</td>
<td>13 3</td>
<td>2</td>
</tr>
<tr>
<td>Pacific</td>
<td>3</td>
<td>144.0</td>
<td>17 31</td>
<td>1</td>
</tr>
<tr>
<td>South Asia</td>
<td>6</td>
<td>1,062.0</td>
<td>11 13</td>
<td>5</td>
</tr>
<tr>
<td>Southeast Asia</td>
<td>8</td>
<td>1,169.0</td>
<td>28 36</td>
<td>11</td>
</tr>
<tr>
<td>All Regions</td>
<td>24</td>
<td>2,951.0</td>
<td>19 24</td>
<td>27</td>
</tr>
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Amt. = amount; no. = number; RCI = regional cooperation and integration.
Sources: Latest country operations business plans, www.adb.org; SARD.

87. **Emerging country needs.** Some of the informants interviewed indicated that RCI operations may be insufficiently aligned with country needs in emerging areas such as skills and labor mobility, food security, and regional disaster risk management (as...
distinct from national disaster risk management). In addition, some informants believed more attention should be paid to migration and human trafficking, which are growing cross-border social risks in some regions. For the Pacific countries, this shift is in line with the findings of IED’s recent ADF evaluation, which found there is “support for stepping up regional collaboration on climate change and disaster adaptation and resilience.”

88. **Country perceptions.** ADB has developed a model of RCI that has a high level of acceptance in the region. Countries’ stakeholders across the region appreciate ADB’s RCI work, in particular its systematic approach to planning RCI activities. Development partners and regional institutions also generally view ADB as doing a good job on RCI. According to the perception survey carried out under the TES, 70% of the respondents confirmed that ADB’s RCI and RCI projects were consistent with the development strategies and priorities of countries’ governments (Linked Document 8, Table 8). An equally large proportion (72%) of ADB staff felt that RCI projects were consistent with the RCI. Likewise, more than 91% of national RCI focal points considered ADB’s RCI support was in line with that of the other development partners’ RCI programs. The high level of consistency of ADB’s RCI and projects with country development strategies and priorities is supported by examples from the GMS countries. A PRC respondent noted that biodiversity conservation, poverty alleviation, climate change and environmental management cooperation are high priorities for the government of PRC, and are also focus areas of GMS projects. Likewise, a GMS focal point from Viet Nam said that RCI is highly consistent with Viet Nam’s strategies and priorities, especially in terms of human resource development. The TES’s perception survey findings are in Linked Document 8.

89. The above TES findings are corroborated by ADB’s own 2012 perception survey. This found that ADB performed well in supporting RCI, with 60% of stakeholders saying performance was excellent or good, up from the 2009 survey results, and 79% also believing that ADB places a high (36%) or medium (43%) priority on supporting regional cooperation and economic integration. A large majority of respondents believed that RCI would foster their country’s economic growth.

E. **Conformity with International Good Practices**

90. **Consistency with other multilateral development bank activities.** Overall, the multilateral development banks (MDBs) as a group has made significant progress in promoting regional cooperation and regional integration within their organizations. Linked Document 9 provides a comparator assessment of RCI programs across various MDBs. A recent study provides evidence that ADB has achieved substantial progress in promoting RCI. According to the Multilateral Organisation Performance Assessment Network’s (MOPAN) Common Approach Report on ADB (2013), RCI was the ADB cross-cutting theme most highly rated by survey respondents. The respondents considered the RCI agenda’s greatest strengths were its contributions to results on the ground and the solid direction provided by ADB’s RCI policies for achieving results in this area. One area for improvement in future noted by the report was the limited reporting on ADB’s contribution to RCI. The African Development Bank and Inter-

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39 Supplementary Appendix I provides the two survey questionnaires used in the conduct of the surveys.
41 Supplementary Appendix J provides individual comparator profiles for each of the MDBs.
Addressing the Needs of RCI Stakeholders

American Development Bank are the two other MDBs who have been particularly active in undertaking regional cooperation and regional integration activities.

91. **African Development Bank.** RCI activities involving several member countries are referred to by the African Development Bank (AfDB) as multinational operations. AfDB’s strategy for promoting regional cooperation is primarily based on two pillars: regional infrastructure and institutional capacity, with support being provided for cross-cutting interventions in the area of RPGs. Multinational operations cover projects whose objectives are best met by collaborative activities rather than by individual country actions. In this sense, multinational operations are expected to introduce complementarity to their economies. A recent evaluation concluded that multinational operations continue to be geared predominantly to single country operations, although they generally perform as well as the national projects. Regional public goods are not well defined or linked with specific operational procedures. The use of cost–benefit analysis for regional projects continues to be weak. Multinational operations are complex, and require a longer time-frame and more financial resources to prepare, and commensurate inputs are not always provided.

92. **Inter-American Development Bank.** In the Inter-American Development Bank (IADB), a transnational project is defined as involving two or more countries, while a regional public good is defined as involving three or more countries. From the experience of implementing regional projects and on the basis of two recent evaluations by its Independent Evaluation Department, the following guidance was identified for IADB:

(i) Getting the balance between the hardware and software is important. IADB had provided significant assistance for customs and other forms of software, but there was still a huge infrastructure gap in Latin America.

(ii) There is a need for IADB to apply a full range of both financial and non-financial instruments. IADB provides extensive policy dialogue on integration and trade. Capacity building is another important area for IADB, with the Integration and Trade Sector providing 20 on-line courses each year for a large number of trainees (1,000 in 2013 and 1,900 in 2014).

93. **Harmonization.** ADB has actively pursued and supported harmonization efforts (particularly in relation to software support) with regional and subregional institutions, mainly via TA-financed capacity building support. With the emergence of the economic corridor approach to provide RCI support, and the growing role of financial and monetary cooperation in the region, harmonization efforts have become even more important. This process was particularly prominent in the case of CAREC, where six other donors participated in ADB’s program. In the GMS, the harmonization has also been spurred by the existence of several subregional institutions, such as the Mekong River Commission, the Mekong Tourism Coordination Center, and the Environment Operations Center. This harmonization process has not been as active in South Asia, due to political sensitivities and ongoing social conflicts in South Asian Association for Regional Cooperation (SAARC) and amongst certain SASEC countries.

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94. Table 5 presents an assessment and rating of the relevance of ADB’s RCI agenda to the needs of RCI stakeholders. On the whole, ADB’s efforts in RCI are assessed to be *relevant*.

### Table 5: Assessment and Rating of Relevance

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Assessment</th>
<th>Rating*</th>
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<tbody>
<tr>
<td>Coherence of the RCI agenda’s policies and strategies</td>
<td>There has been a clear strategic progression in the development of the RCI agenda from the 1955 Bandung conference, to the 1966 ADB Charter, the 1994 regional cooperation policy, the 2006 RCIS, the 2008 Strategy 2020, and finally to the 2014 Strategy 2020 midterm review. The shift from regional cooperation to RCI in 2006 seems today to be straightforward, but at the time it was prescient. There was a good rationale for the evolution of the agenda beyond the first generation phase to the second generation focus on productivity-led growth, vulnerability and inequality, although the MTR could have used the existing RCIS structure as its departure point.</td>
<td>Highly Relevant</td>
</tr>
<tr>
<td>Relevance of the RCIS Design</td>
<td>The relevance of the RCIS design is mixed. On the positive side, its multi-track and multi-speed approach enabled different types of countries to be engaged together on a common platform of Asia-Pacific development. It factored-in the major changes the Asia and Pacific economies experienced in the wake of the 1997–1998 Asian financial crisis. The institutional set-up was appropriate. Offsetting this result, the emphasis across the pillars was unbalanced, with the RCIS giving pillars 2 and 3 less relevance and weight compared to the other two pillars. Also, the RCIS did not clearly classify trade facilitation work, distributing it among two pillars. Weaknesses were noted in the designs of pillars 1 and 4. The RCIS neglected to define what was expected under the capacity-building role and it was unclear on some aspects of the honest broker role. The RCIS results framework lacked time-bound indicators and had an excessive number of activities and initiatives.</td>
<td>Relevant/ Less than Relevant</td>
</tr>
<tr>
<td>Relevance of Other RCI Features</td>
<td>Other RCI features are assessed relevant on the basis of the main subregional programs (GMS, CAREC, and SASEC) being effective in enabling closer coordination and collaboration among countries, improving connectivity, increasing trade and investment, and addressing shared risks and vulnerabilities. Less positively, mutual links across the three Strategy 2020 agendas were not clearly set out, especially the relationship between regional integration and environmentally sustainable growth.</td>
<td>Relevant</td>
</tr>
<tr>
<td>Consistency with Countries’ Expectations</td>
<td>RCIS activities were broadly consistent with national development plans. All ADB countries, with the exception of Armenia, Georgia and Timor-Leste are covered by one or more programs. RCI could be strengthened by paying more attention to isolated countries (landlocked and island countries) and linchpin countries (countries between subregional programs). There is a fairly stable and robust demand for RCI activities from ADB’s countries, although the profile varies in line with the binding constraints and needs of each subregion. Perceptions surveys carried out by ADB and the TES find that countries’ stakeholders across the region generally appreciated ADB’s RCI work.</td>
<td>Relevant</td>
</tr>
<tr>
<td>Conformity with International Good Practice</td>
<td>Although RCI practices differ among MDBs, ADB’s conformity with international practice is assessed as excellent as reflected in the MOPAN report and by survey respondents.</td>
<td>Highly Relevant</td>
</tr>
<tr>
<td><strong>Overall Assessment</strong></td>
<td></td>
<td>Relevant</td>
</tr>
</tbody>
</table>

ADB = Asian Development Bank, CAREC = Central Asia Regional Economic Cooperation, GMS = Greater Mekong Subregion, MOPAN = Multilateral Organisation Performance Assessment Network, RCI = regional cooperation and integration, RCIS = regional cooperation and integration strategy, SASEC = South Asia Subregional Economic Cooperation.

*For details of rating methodology, see Linked Document 2, Table 2. For ratings calculations see Supplementary Appendix Q.

Source: Independent Evaluation Department.
CHAPTER 5

Enabling Environment for the RCI Agenda

95. The enabling environment refers to the responsiveness of ADB’s internal institutional measures including other corporate and operational strategies, organizational arrangements, work processes, and the allocation of financial resources to implement the RCI agenda and to achieve the corporate goals envisaged in the RCIS. This chapter assesses the effectiveness of the measures that have been taken.

A. Strategic Response

96. This section reviews the extent to which the intended results set out in the RCIS results framework were achieved, and the consistency of other ADB corporate, subregional and country strategies approved after 2006 with the RCI agenda.

1. Achievements Against the RCIS Results Framework

97. The RCIS’s results framework reflected the four RCI pillars and consisted of three measures: (i) outcomes, (ii) performance monitoring indicators, and (iii) key activities and initiatives contributing to outcomes. The results framework was relevant, but the lack of time-bound targets and the large number of often generic activities and initiatives (46 in total) under the results framework’s pillars made monitoring and reporting against the results framework difficult. Since the RCIS’s approval in 2006, monitoring has been sporadic at best and, apart from the partial monitoring that occurred during preparation of the uncompleted 2009 RCI Review (see footnote 24), there is little evidence of regular monitoring and few reports on the results framework. The Economic Research and Regional Cooperation Department (ERCD) prepared its first results framework assessment report in July 2015 to provide inputs to the draft RCI operational plan, which is currently being prepared.

98. ADB’s achievements against the results framework’s outcomes, performance indicators and activities are assessed below and summarized in Linked Document 10. The IED assessment of the results framework takes into account ERCD’s own assessment report, which is presented in Supplementary Appendix K. Because of the absence of any information on expected outcomes or outputs, and a consequent lack of baselines and targets to measure progress, this evaluation was limited to determining whether activities listed in the RCIS were implemented.

99. Pillar 1. Improvements in physical connectivity were impressive, particularly in the transport and energy sectors. Complementary improvements on the software side were slow to materialize, but have accelerated over time. Most performance indicators were assessed to have been achieved. Projects and programs to improve subregional transport corridors and facilitate regional and subregional energy trade, and cross-border transport agreements had all made progress. There was mixed progress on the
achievement of average travel time reduction targets and on projects and programs designed to improve digital connectivity. Recent investments in urban centers to establish better economic links with other centers in the same subregion have also contributed to integration in some subregions.

100. Almost all of the activities and initiatives (11 out of 13) were assessed to have been largely completed or at least to be progressing well. The two lagging activities were: (i) harmonization of sector regulatory standards, and the evaluation and monitoring of cross-border infrastructure projects and programs; and (ii) support for reforms to the policy environment to facilitate private sector investment in cross-border infrastructure projects, particularly cross-border logistics systems that support physical infrastructure.

101. **Pillar 2.** There were improvements in extraregional trade, while progress in intraregional trade was mixed. ADB’s contributions to these results cannot be established. Progress on activities such as the harmonization of cross-border regulations and standards to improve trade and investment was slow to materialize. Growth of intrasubregional trade was uneven, with intersubregional trade growing faster than intrasubregional trade. Growth in total trade, as shown by Asia’s global value trade in worldwide manufacturing exports, grew from 8.6% in 1995 to 16.2% in 2008.

102. Activities and initiatives were assessed to have been largely completed or at least to be progressing well. The launching of the Asia Regional Integration Center (ARIC), participation in the WTO-led Aid for Trade Initiative, implementation of the trade finance facilitation program, and the launching of the Asian International Economist Network were some of the notable achievements.

103. **Pillar 3.** There were improvements in the development, deepening, and harmonization of financial markets. There were numerous activities and initiatives to promote the regional bond market, develop multilateral currency swap arrangements under the Chiang Mai Initiative, and further integrate domestic capital markets and banking and nonbanking sectors. Through ADB’s ARIC website and other knowledge services (such as the maintenance of regional and subregional databases), there are likely to have been positive contributions to maintaining regional macroeconomic and financial stability. In terms of the activity indicators, they were assessed to have been achieved. Regional economic surveillance, regional swap arrangements and the development of the Asian bond markets all made progress.

104. All the activities and initiatives were assessed to have been largely completed or at least to be progressing well. Notable achievements include the Asian Bond Markets Initiative, Chiang Mai Initiative Multilateralization and Support for ASEAN+3 macroeconomic Research Office. Much of the work has been focused on ASEAN and ASEAN+3 countries, with relatively little activities in the other subregions.

105. **Pillar 4.** Improvements have been occurring in cross-border environment, health and social conditions, with the most progress occurring in the area of health. There has been progress on the development of coordinated cross-border strategies, particularly in the areas of disaster and climate risk reduction. Also, in GMS and South Asian countries, ADB has been active in addressing unsafe mobility/human trafficking risks along with economic corridor development. Most of the activity indicators were assessed to have been achieved. A regional framework, strategies for managing cross-border issues, donor trust funds, knowledge products, and regional and subregional
networks have been set up. In the GMS, ADB has supported regional cooperation on transboundary biodiversity conversation issues, although the work has been TA-driven and there has been as yet no demand for biodiversity investments from the countries in the subregion. ADB also has established an Integrated Disaster Risk Management Fund to support the development of disaster risk measures on a regional basis within its countries. In the area of health, notable achievements include the emergency regional support for severe acute respiratory syndrome and an avian influenza project.

106. All but one of the activities and initiatives were assessed to have been largely completed or at least to be progressing well. The only lagging activity was the promotion of regional initiatives to enable private sector participation in responding to cross-border issues in areas such as the development of subregional energy markets and subregional energy trade.

107. **Overall achievements.** Overall, the TES validation findings indicate ADB was responsive in implementing the activities set out in the results framework. Pillars 1, 3 and 4 were assessed to have been largely achieved, while pillar 2 was assessed to have been partly achieved. The majority (43 out of 46) of the activities and initiatives were achieved or at least initiated. In terms of the 20 results framework indicators, most appear to have been achieved, with three exceptions: average travel time reductions, digital connectivity, and growth of intrasubregional trade. Out of a total of eight results framework outcomes, seven have been achieved, while the outcome for “harmonized cross-border regulations” was only partly achieved. In terms of actual performance, it is not possible to draw any conclusions on ADB’s contribution to the outcomes of other measures such as efficiency or effectiveness. A results framework that is more amenable to evaluation and a tracking system that would enable more regular updating, monitoring and reporting of results would be invaluable.

2. **RCI Agenda and Corporate Initiatives**

108. This subsection reviews how ADB’s recent corporate initiatives responded to the RCI agenda.45

109. **Human Resources Strategy.** The main body of the 2010 Human Resources Strategy46 focused on human resources management principles. It did not elaborate on the changing pattern of work across the three Strategy 2020 strategic agendas. In particular, the human resources results monitoring framework parameters on staff growth and skills mix evolution was too general to provide an understanding of the emphasis on RCI or the other ADB strategic agendas.

110. **Information Systems and Technology Strategy.** A new Information Systems and Technology Strategy (ISTS III)47 was approved by the Board in April 2013. The ISTS III acknowledged the changes in ADB’s operational landscape since 2008 following the realignment of ADB’s corporate objectives by the approval of Strategy 2020, the fifth general capital increase, and the 11th replenishment of the Asian Development Fund (ADF). As a result, the previous strategy (ISTS II) launched in 2004 was no longer fully capable of serving ADB’s information technology (IT) requirements and there was a need to align its IT capabilities with current strategic priorities. This ISTS III missed an opportunity to link the future IT platform with the three strategic agendas of Strategy

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45 Strategy 2020 and its midterm review are corporate initiatives, but are considered as part of the RCI agenda and, as such, are reviewed in Chapter 3.A, para. 52.
2020 (inclusive growth, environmentally sustainable growth, and regional cooperation and integration), its five drivers of change, and its five core areas of operations. This issue is particularly relevant to the preparation and monitoring of RCI operations, which possess several features not found in single-country operations. Concerns such as the occasional need to prepare individual loan documents for each country forming part of an RCI project in order to comply with the IT system were raised by informants in the operational departments.

The changing structure of the WPBF makes it difficult to follow the evolution of resource allocations for RCI over the years

111. **Work Program and Budget Framework (WPBF).** The WPBF process provides the forward-looking resource assumptions that are required to implement ADB’s corporate strategies and policies. The changing structure of the WPBF makes it difficult to follow the evolution of resource allocations for RCI over the years. The WPBF for 2006–2008 supported the RCIS that was under preparation, and addressed the theme in a main chapter. Unfortunately, the budget framework was activity and organizationally based and there was no indication of the thematic weight envisaged for RCI, or any other strategic corporate priority. RCI was less visible in the WPBFs for 2007–2009 and 2008–2010 but these documents did include a table on “Summary Impact of New Policies, Strategies, and Initiatives” that provided details on the impact and additional staff deployed against 10 thematic priorities, including RCI. Both WPBFs show one international staff member and one national officer were assigned to each regional department to work on RCI. Unfortunately, this table was dropped in subsequent WPBFs.

112. The WPBFs for 2009–2011 and 2010–2012 provided details on historical RCI achievements with graphs and tables, which showed the growing importance of RCI in past operations, but no details were provided on forward projections. The WPBF for 2010–2012 provided a graph “Links between Strategy 2020, ADB’s Results Framework, Development Effectiveness Review, and Work Program and Budget Framework,” with weights against the core macro-level priorities of Strategy 2020. The weights were as follows: RCI (15%), gender mainstreaming (40%), private sector development (30%), and environment (25%). The operational pipeline for the two subsequent WPBFs also reflected the same 15% budget level for RCI. The WPBF for 2011–2013 recognized this deficiency and stated that a cross-border financing instrument for RCI was being planned. This instrument, however, did not materialize. In terms of the associated budgets, the WPBFs for 2010, 2011, and 2012 presented a table with indicative staff allocations against sectors and themes. The total staff increase for RCI positions over the previous 3 years was seven international staff and seven national officer staff positions.

113. The WPBF for 2015–17 reflects the recommendations of the 2014 midterm review of Strategy 2020, and in its chapter on strategic priorities it comprehensively elaborates on RCI, indicating an expansion of RCI operations while also covering second generation RCI work to address slowing productivity growth and rising inequality, and to mitigate vulnerability risks. The WPBF does not address the potential new skills requirements that will be required by the second generation RCI work.

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48 WPBF 2011-2013, Appendix 7 (i): Instrument for RCI. Strategy 2020 set a target to increase RCI operations to 30% of total operations by 2020. New options for regional projects need to be considered. For example, the World Bank has a flexible modality (called a horizontal adjustable program loan) which provides considerable flexibility in preparing regional projects. The WPBF said that applicability of the instrument for ADB would be assessed and, if found useful, would be adapted. This was apparently not done.
114. **Sector strategies, policies, and operational plans.** Eight of the post-RCIS sector strategies, policies and operational plans were in line with the RCI agenda, while two were not. The 2015 Health Operational Plan acknowledged the importance of health as a RPG and stressed the importance of RCI if health projects and programs were to be effective. Similarly, the 2009 Energy Policy accorded significant weight to RCI, noting that RCI played a vital role in energy security and sustainability. Subregional power trade would help meet energy demand while maximizing scarce natural resources. The 2009 Food Security Operational Plan called for enhanced food and agriculture trade and food safety standards through effective RCI. Likewise, the 2015 Agriculture and Natural Resources Operational Plan advocated to continue and expand RCI initiatives in the sector. The 2015 Sustainable Transport Initiative Operational Plan acknowledged the importance of RCI in opening up regional supply chains by developing transport corridors and resolving cross-border transit bottlenecks. It highlighted the importance of RCI for landlocked countries. The 2011 Financial Sector Operational Plan noted the importance of RCI to the region’s financial sector for the intermediation of surplus savings. The Water Operational Plan promoted RCI among countries to address issues such as shared water resources. The 2015 Urban Operational Plan noted the importance to cities of trade corridors that connect subregional, regional, and global economic networks and provide the locus for RCI and inclusive growth in economic corridors through fostering rural-urban links. By contrast, the 2008 Education Strategy did not refer to RCI.

115. **Other strategies, policies, action plans, and operational plans.** Three of the post-RCIS strategies, policies, action plans, and operational plans for thematic and other areas were in line with the RCI agenda, while four were not. The 2006 Financing Partnership Strategy noted that mobilization of commercial resources through wider and more innovative applications of ADB’s credit enhancement instruments and syndications would complement ADB’s OCR lending in supporting public–private partnerships (PPPs), and thematic areas such as the environment, water and RCI. Similarly, the 2010 Climate Change Action Plan supported the integration of climate change into regional, national and local development plans, and ADB’s regional and country strategies. The 2011 Public Communications Policy advocated a sustained presence in key international, regional, and national media, with the view to ensuring high quality of flagship publications, on subjects such as RCI.

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59 Supplementary Appendix L provides an assessment of the corporate, subregional, and country policies and strategies and how they deal with regional cooperation and integration.
By contrast, the 2012 Public–Private Partnership Operational Plan, the 2013 Gender Equality, and Knowledge Management Action Plans and the 2011 Revised Capacity Development Action Plan did not mention RCI.

ADB’s strategic approach to RCI in disaster risk management is assessed to be partly aligned with the RCI agenda. The 2004 Disaster Assistance Policy (DEAP) focused on preventive and protective strategies, and emphasized the importance of close collaboration among development partners. The 2008 DEAP Review noted that the principles of the DEAP had been followed and that it would be useful for ADB to approach disaster management as an investment in sustainable development. It concluded that the 2004 DEAP continued to be reasonably robust and that no major changes were needed. However, it also noted that key institutional arrangements and strategic partnerships designed to underpin ADB’s approach had not been implemented. This finding indicated there had been poor progress in an environment with many important ongoing regional initiatives, such as the establishment of the Committee for Disaster Management by ASEAN and the signing of the 2005 Agreement on Disaster Management and Emergency Response. CAREC in its 2006 Urumqi Declaration identified natural disasters as a second-tier RPG. Finally, the 2014 Integrated Disaster Risk Management Operational Plan did not elaborate on the form, scope and depth of RCI, and only noted its relevance to the strategic agendas of Strategy 2020.

Project classification system. ADB’s project classification system (PCS) has evolved and undergone several positive changes to improve portfolio analysis. A substantial review of the PCS was undertaken in 2009 to ensure it reflected Strategy 2020’s priorities. A further upgrade was implemented in April 2014 to record project information on sectors, subsectors, strategic priorities and thematic areas, including RCI. Most importantly, the RCI subthemes in the PCS were fully aligned with the RCIS’s pillar structure. The revised PCS introduced a more rigorous quality control system, with the intention of improving the accuracy of the thematic classification to enable more informative portfolio analysis. At the Strategy 2020 strategic agenda level, the PCS now automatically ticks the marker for inclusive growth, but leaves it to the operations departments to select the markers for environment-sustainable growth and regional integration.

3. RCI Agenda and Subregional and Country Strategies

This subsection reviews how recent regional and country strategies responded to the RCI agenda.

Subregional cooperation strategies. Following the launch of the RCIS in 2006, the subsequent regional cooperation strategies (RCGs) were slow to realign their

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69 Governments of Afghanistan, Azerbaijan, People’s Republic of China (PRC), Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan. Joint declaration on the conclusion of the Fifth Ministerial Conference on Central Asia Regional Economic Cooperation (CAREC) in Urumqi, Xinjiang Uygur Autonomous Region, PRC. 20 October 2006.
structures and content with the RCIS. For example, the SASEC RCS, the Approach to Assisting the Pacific Region, and the CAREC RCSP Update provided few references to the RCIS and its pillars. Similarly, the regional cooperation operations business plans for the various subregional programs were slow to reflect the new pillar structure. Subsequent RCSs started to reflect the pillars of the RCIS, but tended to focus on pillar 1 (cross-border infrastructure and related software) as connectivity was seen as a higher priority than pillars 2 (trade and investment cooperation and integration) and 3 (monetary and financial cooperation and integration). Pillar 4 (cooperation in regional public goods) received more attention in some RCSs than in the past.

121. Both the GMS RCS and CAREC RCS have lapsed without new RCSs being formulated. Implicitly, the RCSs for these two programs have been replaced by long-term region-wide strategic frameworks launched by the GMS and CAREC secretariats. In the Pacific, ADB’s approach to regional assistance is contained in its overall approach to the Pacific region. Parallel to this the Pacific Islands Forum Secretariat has prepared on behalf of its membership the Frameworks for Pacific Regionalism. Currently, SASEC is the only subregion that is being guided by an RCS approved by the ADB Board. While these independent frameworks appear comprehensive and of high quality, they are not ADB strategies. Without ADB strategic frameworks, ADB Management and the Board have limited opportunity to monitor the progress of past RCSs or to influence future directions of new RCSs.

122. Unlike the RCSs, the regional cooperation operations business plans are still being prepared for each of the programs, but it is unclear how they are operationalizing strategic objectives.

123. Country partnership strategies. The country partnership strategies (CPSs) were responsive to ADB’s RCI agenda as expressed in Strategy 2020. However, few CPSs made explicit reference to the RCIS, and when such references were made they did not follow the RCIS pillar structure, thus they did not appear to be responding to the guidance the RCIS was intended to provide. Similarly, since Strategy 2020, CPS references to RCI have generally been to Strategy 2020 rather than to the RCIS. As a result, the CPSs’ alignment with RCI varied significantly in structure, depth and quality. Support targeting pillars 2, 3 and 4 of the RCIS was limited.

B. Organizational Response

124. This section assesses the extent to which ADB as an organization was responsive in creating an internal enabling environment to implement the RCI agenda. In particular, it examines the alignment of the institutional structures, and the adequacy of resources, human and financial, provided to implement the RCI agenda.

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74 Of all the RCSs, only SASEC’s RCS is still valid until end 2015.
75 Supplementary Appendix M provides a comparison of subregional strategies and the RCIS.
77 Pacific Islands Forum Secretariat. 2014. The Framework for Pacific Regionalism. Suva
1. Providing Suitable Institutional Structures

125. This subsection provides an assessment of the capacity of the institutional structures put in place in ADB to implement the RCI agenda.

126. **Regional Economic Monitoring Unit (REMU).** Following the accelerating evolution of RCI in the Asia and Pacific region during the latter part of the 1990s and in particular after the 1997–1998 Asian financial crisis, ADB’s management acknowledged the need to pay more attention to RCI, which could both mitigate the adverse economic impacts of any future crises and enhance ADB’s overall development agenda. The REMU helped facilitate annual policy dialogues held by ASEAN, ASEAN+3, APEC and ASEM finance ministers. It prepared reports, including the *Asia Economic Monitor* (AEM), carried out capacity development and institutional strengthening, and conducted research on regional financial and monetary integration.

127. **Office of Regional Economic Integration (OREI).** REMU was upgraded to OREI in April 2005, with the objective of making it the focal point within ADB for RCI knowledge and information and overseeing the overall implementation of ADB’s RCI agenda. OREI conducted a review of ADB’s RCI work and noted several limitations, including fragmented efforts across departments and offices, varied quality of lending and non-lending services for RCI, and limited support for trade and investment cooperation and integration. To address these, OREI concluded that a corporate strategy for RCI was required, with the objective of transforming ADB’s RCI support in Asia and the Pacific so it could move from stand-alone programs (e.g., GMS, CAREC, and SASEC) to a common strategy across the Asia and Pacific Region. Given the slow progress in implementing RCI in the region and the time it takes to fully operationalize a new unit, ADB’s response in creating OREI was late and it could have occurred sooner after the Asian financial crisis.

128. Initially, OREI was allocated responsibility for pillar 2 (trade and investment cooperation and integration) and pillar 3 (monetary and financial cooperation and integration), and the overall coordination function across the RCI pillars. In 2006, OREI had 11 international, three national and five administrative staff positions. A further two international positions were added in 2007. This level of resources seems inadequate given the responsibilities allocated to OREI under pillars 2 and 3 and the need to operationalize RCI across ADB. Insufficient resources appear to be the cause of the lack of progress that was acknowledged in a draft progress review by the RCI CoP in November 2009. Following the approval of Strategy 2020 in 2008, the number of OREI staff positions steadily increased and by 2014 OREI was staffed by 24 international, six national, and 12 administrative staff.

129. **Fragmentation of OREI’s functions.** In December 2014, OREI was abolished and merged with the Economic Research Department to form the new Economic Research and Regional Cooperation Department (ERCD). In ERCD, a new division entitled the Regional Cooperation and Integration Division (ERCI) is responsible for most of OREI’s previous functions: (i) monetary and financial cooperation, (ii) trade and investment cooperation, (iii) RCI special initiatives, and (iv) oversight of the RCI CoP. OREI’s finance and Asian Bond Monitoring Initiative (ABMI) teams were transferred to the Regional and Sustainable Development Department (RSDD). This change will likely further fragment responsibility for pillar 2 and pillar 3 activities, which had previously been unified under OREI.
130. **RCI Community of Practice.** The RCI CoP was established in 2006 with the objective of promoting and facilitating knowledge generation and sharing on RCI topics within and outside ADB. Activities included networking, provision of technical inputs and peer reviews of ADB RCI projects, facilitating publications on RCI, and organizing RCI training events. While initial activities were unstructured, since 2010 the RCI CoP has become more organized and has been increasingly active. For example, in 2010 the CAREC unit in CWRD organized a seminar on the vision of CAREC to 2020 that was attended by distinguished speakers. The RCI CoP was mobilized to invite participants from other ADB departments. Consultation visits by ADB staff on RCI topics and approaches were held with agencies such as the AfDB and IADB and the Initiative for the Integration of Regional Infrastructure in South America (IIRSA). The RCI CoP also provided guidance to departments in applying for funds from the three RCI trust funds managed by the RCI CoP.

131. In addition to providing a platform for knowledge generation, sharing and dissemination, the RCI CoP provided support to OREI in coordinating and monitoring implementation of the RCIS. The RCIS contained a results framework and it was expected that progress reports would be provided to the Board to track progress against this framework. However, neither OREI nor the RCI CoP regularly monitored the framework, nor until very recently was a progress report to gauge its achievements prepared. This lack of monitoring and reporting was one area where the RCI CoP fell short in performing its coordination role.

132. In terms of staff strength, the RCI CoP grew from 18 members in 2008 to 37 in 2012, reaching 56 members by the end of 2014. This is comparatively small when compared with other groups in the COP network, which on average have about 150 members.

133. **Disconnect between operational and non-operational work.** Aside from the ambiguity in the role of OREI and the RCI CoP and the lack of monitoring and reporting undertaken, another important issue is the apparent disconnect between OREI’s (and to a lesser extent the other knowledge departments’) activities on the one hand and the operation departments’ regional programs on the other. In part, this is a consequence of OREI’s narrow focus on pillars 2 and 3 of the RCI agenda, whereas operational departments have focused on pillars 1 and 4 (as per the RCIS). There is an issue as to whether the nonoperational work has served the needs of the operations departments, or adequately performed functions such as providing a pool of information and resources, expert advice that can be used in formulating theoretical and strategic visions, experience-sharing, and other areas. This weakness has been noted by key informant interviews with several operational department staff.

134. **Human resources management.** An important enabler for efficient and effective delivery of key corporate strategies such as the RCIS is a favourable corporate culture. With the support of external experts, ADB undertook a comprehensive review of its human resources management in 2009. The survey recommendations provided the basis for redesigning the human resources management model through the 2009 Our People Strategy and the 2010 Human Resources Function Strategy and Action Plan. From an organizational point of view the new Human Resources Strategy emphasized

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78 In 2015 the RCI CoP was converted into the RCI Thematic Group.
79 Prof. Frederick Starr, Chairman of the Central Asia-Caucasus Institute and Silk Road Studies Program of John Hopkins University, and Mr. Shigeo Katsu, former World Bank Regional Vice President for Europe and Central Asia.
the need for more flexibility and delegation of responsibility by holding heads of
departments and units accountable for their human resources management. However,
the development and structure of incentive systems and staff development programs
remains a centrally managed activity.

135. **Staff competencies.** Approximately 93 staff (4% of total) are currently tagged
as having an advanced competency for RCI in ADB’s Technical Skills Registry (TSR),
which maps skills of staff against the six core competencies identified in its Staff
Competency Framework. This is a very low competency rate for the amount of RCI work
being undertaken. The TSR would benefit from being restructured to allow skill profiles
to be monitored at various levels and groups against the priorities of Strategy 2020.

136. **Staff development and incentives.** Following the launch of major corporate
strategies such as the 2006 RCIS, there is a need to implement programs of continuous
development to support the attainment of corporate objectives. ADB runs
comprehensive annual in-house programs, external learning, development leave,
strategic leadership and managerial development programs, including a number of
mandatory programs for new staff. However, RCI has received limited attention, and
only in November 2008, following the approval of Strategy 2020, was a training
session on RCI held (attended by 24 staff members). A year later, in December 2009, a
similar session had 39 attendees. These events were followed by training sessions on
trade facilitation and trade policy in 2010 and 2011 (5–14 attendees). Given the
importance of advancing the RCI Agenda, this program appears inadequate. ADB runs
various recognition programs, including the Spot Award program, which recognizes
staff for excellence in RCI work.

137. **Organizational structure.** The organization structure that was revised in 2002
fragmented sector and thematic skills in numerous units and teams across the regional
departments, creating difficulties in carrying out effective and efficient RCI operations.
By definition, regional departments have a subregional focus arising from the grouping
of countries under their responsibility and at the same time they need to possess the
operational capacity to deliver RCI projects. The need to focus on both national and RCI
projects simultaneously requires operational flexibility. There are coordination
challenges when the country coverage of regional departments is not aligned with the
subregional cooperation programs, which is the case for all of the regional
departments except SARD and PARD.

138. Following the approval of the RCIS in 2006 there were no immediate specific
institutional responses to the RCI agenda. More specific RCI measures were
implemented following the approval of Strategy 2020. In December 2008, SERD
restructured to reflect ADB’s growing infrastructure operations and created an RCI
group to enhance departmental coordination in this area. The RCI group was elevated
to a division in December 2010 and renamed the RCI Coordination Division (SERC). At
the same time, CWRD, SARD, and EARD were restructured by renaming existing
divisions to reflect their role in RCI coordination. The thematic topic “trade” was added
to the titles of the Public Management and Finance divisions. These rearrangements
were resource-neutral, but aimed to enhance the focus on the coordination and
planning of RCI operations. Due to limited RCI activity in the Pacific, PARD did not see a
need for restructuring.
2. Adequacy of Resources for RCIS Implementation

139. As noted in the assessment of WPBFs, there is a lack of data at sufficient thematic detail (e.g., RCI) to enable an assessment of the adequacy of resource allocation. Nevertheless, it is possible to assess the magnitude of the measures taken by ADB management to advance the RCI agenda by tracing the evolution of staff numbers and budgets of the departments and units engaged in RCI. For this purpose indicators were prepared for two groups of departments. The operations departments (CWRD, EARD, SARD, SERD, PARD, and PSOD) form the “operations group,” and the knowledge departments (ERD, IED, OREI and RSDD) were grouped together with the Department of External Relations (DER), the Office of Information Systems and Technology (OIST) and the Strategy and Policy Department (SPD) to form the “knowledge management (KM) Group.” This division is important as the RCI agenda includes work related to projects (mainly pillars 1 and 4) and knowledge (mainly pillars 2 and 3).

140. **Staff positions.** Figure 13 shows the evolution of budgeted staff positions of international staff (IS) and total staff—IS, national staff (NS), and administrative staff (AS). Over the period 2006–2014, the growth rate of IS staff positions for the operations group and the KM group was equal at 27%. Total staff positions grew by 39% for the operations group and by 25% for the KM group. This result reflects a proportionally larger increase of NS and AS positions in the operations group, whereas the proportional increase in the KM group remained about the same. Staff growth in the operations group mirrored the average increase of ADB’s total operational approvals (loans, grants, and TA) for the same period and this result suggests that administration of the growing portfolio required more NS and AS staff. RCI approvals increased significantly in 2010 (reaching nearly 30% of the ADB total), before settling back to about 25% of total ADB approvals in subsequent years. This correlation is reflected by the rising slope of the curves of the operations group, whereas the staff position evolution of the KM group has been flatter.

**Figure 13: Growth in Budgeted Staff Positions, Operations Group and KM Group (2006–2014)**

Notes: Operations group: Central and West Asia Department, East Asia Department, South Asia Department, Southeast Asia Department, Pacific Department, and Private Sector Operations Department. Knowledge Management group: Economic Research Department, Department of External Relations, Independent Evaluation Department, Office of Information Systems and Technology, Office of Regional Economic Integration, Regional Sustainable Development Department, and Strategy and Policy Department.

Source: Budget, Personnel, and Management Systems Department.

141. The average growth in the total number of staff positions in the operational departments over the period 2006–2014 was 33.6%. In the KM group, excluding OREI, the number of total staff positions grew by an average of 22% over the same period, whereas the number of OREI staff positions grew by 121%. This result shows a high
degree of responsiveness to the importance of RCI, as OREI’s business, primarily policy, knowledge and capacity building, targets pillars 2 and 3. OREI’s work is highly resource-intensive and has significant potential to help accelerate RCI in Asia and the Pacific region, but makes a limited contribution to ADB’s RCI financing volume.

142. **Budget.** Figure 14 shows the evolution of the annual budget of the operations and KM groups during 2006–2014 and the budgets for consultants. The budget growth for staff positions in both groups is similar: 79% for the operations group and 86% for the KM group. Adding consultancy budgets lowers the growth rates slightly to 74% for the operations group and 82% for the KM group. Among the individual regional departments, the highest staff budget growth was posted by CWRD (109%) and EARD (117%). The average budget growth for regional departments was 77.6%. By comparison, PSOD’s budget grew by 210%, reflecting the significant growth in nonsovereign operations in recent years. The budget growth in the KM group was reasonably balanced among the departments except for OREI, whose budget grew by 178%, reflecting the significant investment made to strengthen its resources. Excluding OREI, the average budget growth of the KM group was 73.7%.

143. The difference in the growth percentages between staff positions and budgets reflects the additional costs arising from staff benefits. While consultancy budgets increased for both groups, the changes were minor. Over the period 2006–2014, the average underutilization of consultancy budgets was 12% for the operations group and 14% for the KM group, reaching as high as 30% in some years. This result is suboptimal as consultants can be significantly more cost-effective, and the required skills can be better targeted, providing greater flexibility and operational efficiency.

<table>
<thead>
<tr>
<th>Figure 14: Growth in Budgets and Consultants, Operations Group and KM Group (2006–2014)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operations Group</strong></td>
</tr>
<tr>
<td><strong>Knowledge Management Group</strong></td>
</tr>
<tr>
<td>$ million</td>
</tr>
<tr>
<td>$ million</td>
</tr>
</tbody>
</table>

Notes: Operations group: Central and West Asia Department, East Asia Department, South Asia Department, Southeast Asia Department, Pacific Department, and Private Sector Operations Department. Knowledge Management group: Economic Research Department, Department of External Relations, Independent Evaluation Department, Office of Information Systems and Technology, Office of Regional Economic Integration, Regional Sustainable Development Department, and Strategy and Policy Department.

Source: Budget, Personnel, and Management Systems Department.

144. The growth in staff and budget allocations for RCI only provides a proxy for ADB’s organizational responsiveness to the objectives of the RCI agenda. It cannot answer how and for what purpose the various departments deployed their resources. The only way to determine how well resources are allocated to corporate themes such as RCI would be to introduce thematic budget lines and a time recording system.
145. **Empowering the RCI Community of Practice.** The RCI community of practice (CoP), recently renamed the RCI Thematic Group, started to reach a critical mass in its membership after the approval of Strategy 2020 in 2008. The average annual CoP budget allocation for the period 2010–2015 was $62,575 with a maximum of $71,500 in 2011 and a minimum of $50,450 in 2014. This expenditure appears inadequate and shows a declining trend. Staff involvement in the CoP’s activities, in particular the work carried out by its chair, has been added to each member’s regular duties. The CoP’s staff resources have been limited, given the resource requirements for the coordination, monitoring and reporting on ADB’s RCI work. ADB has attempted to address this issue by re-designating CoPs as thematic groups and sector groups and by creating permanent staff positions as technical advisors for each thematic group.

146. **Financial resources for RCI operations.** The RCIS noted that its implementation would require additional resources, especially concessional, resources. The RCIS proposed a systematic exploration of possible sources of funding and during the ADF IX period (2005–2008) there was a 5% set-aside mechanism available to ADF-eligible countries on a project-by-project basis. This amount was increased to 10% for ADF X (2009–2012), and it stayed at that level for ADF XI (2013–2016). Two-thirds of the funds needed by an RCI project can be drawn from the set-aside pool with the ADF-eligible country funding the other third from its ADF allocation.\(^\text{81}\) This arrangement is subject to the project’s compliance with stipulated RCI criteria,\(^\text{82}\) and is checked by SPD. In March 2015, the President approved an OCR set-aside of $500 million per year for a pilot period of 2015–2017. Regional departments have raised concerns about the procedural requirements to access ADF funding for RCI projects, in particular in cases that target numerous countries. In such cases the speed of progress in project preparation is driven by the responsiveness of the slowest countries. This feature (and eOps requirements) have meant that mission leaders have sometimes been required to prepare numerous loan documents. This system needs to be reviewed and rationalized.

147. **Regional Cooperation Funds.** Soon after the approval of the RCIS, in 2007, ADB established the Regional Cooperation and Integration Financing Partnership Facility (RCIFPF). This provided a financing umbrella to facilitate administrative coordination of existing and new resources, primarily for TA projects provided on a joint or parallel basis by development partners alongside ADB. While this mechanism was a positive attempt to channel donor resources to support ADB’s RCI agenda, only two funds have been set up under the RCIFPF: (i) the Regional Cooperation and Integration Fund (RCIF) in 2007, with an ADB allocation of $56 million from OCR, and (ii) the Investment Climate Facilitation Fund in 2008, funded by Japan. While the RCIF was set up as a multi-donor fund, for its first 7 years it did not attract the expected donor contributions. Only in March 2014 and January 2015 were two small contributions totalling $3.6 million received from the Government of Japan. At the end of 2014 a total of $55.8 million had been committed for 55 TA projects under the RCIF. Prior to RCIFPF, the PRC contributed to a separate Regional Cooperation and Poverty Reduction Fund (PRC Fund). Table 6 presents the annual utilization of these funds, totalling $96.4 million for 132 TA projects by the end of 2014. As the RCIF was an explicit response to the RCI agenda, its performance has been separately evaluated by this TES and the results are presented in Supplementary Appendix N. While the volume of TA projects funded from RCIF represented only 8% of the total RCI TA portfolio for the period 2007–2014, its overall performance was assessed to have been successful.

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81 A paper is currently under preparation by SPD that may suggest an increase in the ADF set-aside.
Table 6: RCI Trust Fund Approvals

<table>
<thead>
<tr>
<th>Trust Fund</th>
<th>Year</th>
<th>No.</th>
<th>$ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional Cooperation and Integration Fund (RCIF)</td>
<td>2007</td>
<td>5</td>
<td>7.4</td>
</tr>
<tr>
<td></td>
<td>2008</td>
<td>14</td>
<td>11.1</td>
</tr>
<tr>
<td></td>
<td>2009</td>
<td>11</td>
<td>11.0</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>6</td>
<td>13.7</td>
</tr>
<tr>
<td></td>
<td>2011</td>
<td>5</td>
<td>4.4</td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>4</td>
<td>2.5</td>
</tr>
<tr>
<td></td>
<td>2013</td>
<td>6</td>
<td>3.2</td>
</tr>
<tr>
<td></td>
<td>2014</td>
<td>4</td>
<td>2.5</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>55</td>
<td>55.8</td>
<td></td>
</tr>
</tbody>
</table>

| Investment Climate Facilitation Fund (ICFF) | 2008 | 2   | 1.5       |
|                                            | 2009 | 2   | 2.0       |
|                                            | 2010 | 6   | 4.6       |
|                                            | 2011 | 2   | 1.8       |
|                                            | 2012 | 1   | 1.2       |
|                                            | 2013 | -   | -         |
|                                            | 2014 | 1   | 0.2       |
| Sub-Total                                 | 14   | 11.3|

| Regional Cooperation and Poverty Reduction Fund (PRC Fund) | 2005 | 10  | 4.1 |
|                                                            | 2006 | 8   | 2.9 |
|                                                            | 2007 | 9   | 4.0 |
|                                                            | 2008 | 8   | 4.3 |
|                                                            | 2009 | 3   | 2.0 |
|                                                            | 2010 | 2   | 1.0 |
|                                                            | 2011 | 2   | 1.3 |
|                                                            | 2012 | 6   | 2.6 |
|                                                            | 2013 | 7   | 3.3 |
|                                                            | 2014 | 8   | 3.8 |
| Sub-Total                                                 | 63   | 29.3|

| Grand total                                               | 132  | 96.4|

Source: Operations Services and Financial Management Department database on loans, TA, grant, and equity approvals as of 1 April 2015.

148. There were also trust funds that contributed to specific sectors. In particular for the health sector, two trust funds were established by ADB: (i) the Regional Malaria and other Communicable Diseases Threats Trust Fund (RMTF) was established to respond to the increasing threats of drug-resistant malaria and other communicable diseases in Asia Pacific, and (ii) the ADB Cooperation Fund for Fighting HIV and AIDS in Asia and the Pacific was established in 2005 with the support from the Government of Sweden. The latter fund supported HIV and AIDS risk mitigation along economic corridors, regional data sharing through the AIDS data hub, and alignment of policies and was successfully closed in 2014.

149. **Perceptions of ADB’s management of RCI trust funds.** Only about 23% of project team leaders and RCI focal point respondents indicated that they were “highly satisfied” with ADB’s management of RCI trust funds, particularly in facilitating the funding of RCI-related projects, including the review and selection of projects to be financed. A bigger proportion (42%) of total respondents were “somewhat satisfied,” while 14% were “somewhat dissatisfied” or “not satisfied” (Linked Document 8, Table 29). The following reasons were given for dissatisfaction with ADB’s management of RCI trust funds: (i) sometimes, the merits of a proposal are of secondary importance compared with efforts to ensure balance across regional departments and subregional programs; (ii) the process is not transparent and there is a need for regular updates; (iii) more should be done to mobilize funds; and (iv) fund management efficiency needs to be enhanced.
Table 7: Assessment and Rating of Responsiveness

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Assessment</th>
<th>Rating*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Strategic Response</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Achievements Against the RCIS’s Results Framework</td>
<td>The RCIS’s results framework was not regularly monitored and progress reports to the Board to track progress against this framework were not prepared, as envisaged in the RCIS. On the positive side, a progress report was prepared in July 2015 as an input to the draft RCI operational plan that was made available to the TES team. Based on a review and validation of this progress report, the TES assesses ADB as responsive overall in achieving the activities and initiatives set out in the RCIS’s results framework. Outcomes, indicators and activities under pillars 1, 3 and 4 were assessed to have been largely achieved, while those under pillar 2 were partly achieved. It was not possible to determine ADB’s contribution to the achievement of these outcomes, or the effectiveness or efficiency of these activities.</td>
<td>Responsive</td>
</tr>
<tr>
<td>Consistency of ADB’s policies, strategies and initiatives with the RCI agenda.</td>
<td>Policies and strategies were broadly in line with the RCI agenda. Sector strategies, policies and operational plans were aligned with the agenda, whereas thematic and other strategies were less aligned. The consistency of corporate initiatives with the RCI agenda was found to be mixed with the project classification system being well-aligned, work plans and budget frameworks sometimes aligned depending on the year, and the Information System and Technology Strategy less aligned. There is a concern with ADB’s regional strategies. Both the GMS RCS and CAREC RCS have lapsed and new RCSs have not been formulated. Instead, the RCSs for these two programs were implicitly replaced by long-term region-wide strategic frameworks launched by the GMS and CAREC secretariats. Currently, the only subregional program to be guided by an ADB Board-approved RCS is the SASEC Program. While the external frameworks appear comprehensive and of high quality, they are not ADB strategies. As a result, ADB’s Management and the Board no longer have the opportunity to monitor the progress of past RCSs and to influence future directions of new RCSs.</td>
<td>Less Responsive</td>
</tr>
<tr>
<td><strong>B. Organizational Response</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Institutional Structures</td>
<td>Both OREI and the RCI CoP were responsible for supporting the RCI agenda across all the RCI pillars. The RCI CoP provided a platform for knowledge generation, sharing, and dissemination, and it was expected to support OREI to coordinate and monitor the implementation of the RCIS. This relationship was anchored in the dual role of the director of OREI, who also served as the chair of the RCI CoP. The CoP was moderately effective in sharing and disseminating knowledge. However, until recently, neither OREI nor the RCI CoP regularly monitored or reported on the RCIS’s results framework. In December 2014, OREI was abolished and its functions partially merged with the Economics and Research Department (ERD) to form the new ERCD. OREI’s other functions for finance and ABMI were transferred to RSDD. This change has led to a fragmentation of responsibility for pillar 2 and pillar 3 activities. Another important issue is the apparent disconnect between OREI’s (and to a lesser extent the other knowledge departments’) activities on the one hand and the operations departments’ regional programs on the other, which has called into question the utility of some of the non-operations work in serving the needs of the operations departments.</td>
<td>Less Responsive</td>
</tr>
<tr>
<td>Resourcing the RCI Agenda</td>
<td>In general, ADB has adequately resourced the RCI agenda. Staff and budget resources have shown a steady increase, particularly for OREI and the regional departments. The RCIS highlighted the need for additional resources, in particular concessional resources. While a 5% set-aside had already been granted from ADF IX before the RCIS was approved, it was raised to 10% upon approval of ADF X, and remained at this level for ADF XI. Management is currently considering a proposal to increase the ADF set-aside. In March 2015, the President approved an annual OCR set-aside of $500 million for a pilot period 2015–2017, subject to similar eligibility procedures being adopted for the ADF set-aside. In addition, three trust funds have made resources available for TA funding. While the availability of financial resources does not seem to have been an issue, regional departments raised concerns about the procedural requirements to access ADF financing for RCI. It is not possible to express an accurate opinion of ADB’s investment for advancing the RCI agenda, without a budget line for RCI or an effective time recording system.</td>
<td>Responsive</td>
</tr>
</tbody>
</table>

**Overall Responsiveness** | Less Responsive |

ADB = Asian Development Bank, ADF = Asian Development Fund, CAREC = Central Asia Regional Economic Cooperation, CoP = Community of Practice, ERCD = Economic Research and Regional Cooperation Department, GMS = Greater Mekong Subregion, OREI = Office of Regional Economic Integration, RCI = regional cooperation and integration, RCS = Regional Cooperation and Integration Strategy, SASEC = South Asia Subregional Economic Cooperation.

*For details of the rating methodology, see Linked Document 2, Table 2. For ratings calculations see Supplementary Appendix Q.

Source: Independent Evaluation Department.
CHAPTER 6

Results: Operations, Performance, and Value Addition

151. This chapter assesses the results achieved from mainstreaming the RCI agenda in terms of operational work undertaken, performance of completed and evaluated activities, impacts of RCI work, and value addition of the RCI work against the four roles envisaged in the RCIS.

A. RCI Operations

152. A large number of RCI activities have been implemented since the adoption of the RCIS in 2006. These include project design and implementation, knowledge publications, RCI CoP meetings, training and capacity building activities, knowledge events, collaboration forums, websites, and information dissemination. This section reviews two main RCI areas of activity: (i) RCI projects; and (ii) RCI knowledge publications.

1. RCI Project Approvals

153. Evolution of RCI support toward the Strategy 2020 target. During 2003–2014, ADB made 1,180 approvals in support of RCI amounting to $26.0 billion. In terms of both number and amount, the annual share of these RCI approvals to ADB-wide operations increased over the period, although there were significant declines in several years (Figure 15). The proportion of the number of ADB operations supporting RCI increased from 17% during 2003–2006 to 24% throughout 2007–2010, and then declined slightly to 22% in 2011–2014. The 2009–2014 figures exceeded the ADB results framework target of 15% for 2012. The 2012 target for approved amounts was also exceeded over the period 2009–2014, reaching its highest level of 27% in 2010. However, the Strategy 2020 target of a minimum 30% share of RCI in total ADB operations by 2020 has not yet been achieved. As shown in Figure 15, the highest percentage share of RCI to total ADB approvals was 27% in 2010 by number and 28% in 2007 by amount. Linked Document 11 provides a detailed stocktaking of RCI project approvals.

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83 The stocktaking includes all RCI projects both from ADB’s project approvals database and the project lists provided by the various regional and subregional programs and departments. See Appendix 11 for the detailed stocktaking of RCI approvals.

154. **Pillars.** Disaggregating the amount of RCI approvals in 2003–2014 according to the RCIS four pillars\(^\text{85}\) shows that the bulk of RCI loans, grants and PSO approvals (73%) consisted of support for projects under pillar 1, relating to regional and subregional economic cooperation programs for cross-border infrastructure and associated software (Figure 16). Pillar 1 projects predominately involved infrastructure hardware, and to a lesser extent software, such as harmonization of regulations, procedures, and standards. There is an imbalance between these two aspects of cross-border infrastructure. Projects under pillar 2, trade and investment cooperation and integration, received the second largest proportion (15%). Pillar 3, covering monetary and financial cooperation and integration received 2% of approvals and pillar 4, cooperation in regional public goods projects, received 4%. The rest (6%) of the RCI loans and grants were allocated to multi-pillar sovereign loans and grant projects. Figure 16 shows that ADB’s support for multi-pillar projects increased from 2008, reaching a peak in 2010, and then decreased to about 3% from 2011–2014 (Linked Document 11, Table 3).

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85 Assignment of the pillar in loan, grant, and private sector approvals before the adoption of the RCI Strategy in 2006 was based mainly on project objectives, components, and/or theme as stated in project documents available at the ADB website. Since 2006, pillars have been specified in the project documents of RCI projects.
Figure 16: RCI Project Approvals by Pillar, 2003–2014

Loans, Grants, and Private Sector Operations ($ million)

Technical Assistance ($ million)

Notes: Pillar 1 = regional and subregional economic cooperation programs on cross-border infrastructure and related software; Pillar 2 = trade and investment cooperation and integration; Pillar 3 = monetary and financial cooperation and integration; Pillar 4 = cooperation in regional public goods.

Sources: Operations Services and Financial Management Department database on loans, TA, grant and equity approvals as of 1 April 2015; project documents; project lists for regional and subregional cooperation programs as provided by regional departments.

155. **Subregional programs.** During 2003–2014, CAREC, followed by the GMS, and SASEC were the largest subregional programs in terms of both the number and amount of RCI sovereign operations approved (Figure 17). CAREC operations peaked in 2010–2012, when ADB provided $9.5 billion of support, comprising 40% of total RCI loans, grants, and technical assistance (TA) projects in that period. The GMS provided the highest level of support in 2007 and its aggregate assistance during 2003–2014 amounted to about $5.7 billion, or 24% of ADB’s total RCI sovereign operations. SASEC support over the same period accounted for $3.9 billion, or 16% of total RCI sovereign approvals. Much smaller amounts of support went to other regional cooperation institutions such as ASEAN, BIMP-EAGA, and Pacific countries. National projects with significant subregional dimensions and/or implications received the balance (18%) of RCI public sector loans and grants. This is referred to in this study as the nonsubregional program (non-SP). Figure 17 shows that ADB’s yearly assistance to non-SP projects significantly increased during 2009–2013 compared with 2003–2008.
Sectors. The sector with most RCI projects supported by ADB loans and grants from 2003–2014 was transport and ICT (72%), with energy a distant second (15%) (Figure 18). RCI-related TA projects provided support to all sectors with the largest share going to public sector management (22%), followed by agriculture and natural resources (15%), and transport and ICT (15%).

157. Financing sources. Within ADB, loans and grants are financed by ordinary capital resources (OCR) and the Asian Development Fund (ADF). The OCR lending portion of RCI operations amounted to $14.1 billion and has mainly supported the transport sector (Figure 19). Approved OCR loans for the transport sector since 2007 averaged $1.3 billion a year. By contrast, ADF support for RCI operations was more diverse, crossing many sectors. While the transport sector still received the majority ADF share, the ADF has increasingly supported energy, agriculture, water and other municipal infrastructure projects, and RCI-related projects with multiple sector components. The performance of the ADF-financed projects is discussed in IED’s recent thematic evaluation on this topic.86

### Figure 18: Amount of RCI Loans, Grants, Private Sector Operations and Technical Assistance Approvals by Sector, 2003–2014

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ANR = agriculture and natural resources; EDU = education; ENE = energy; FIN = finance; HSP = health and social protection; IAT = industry and trade; MUL = multisector; PSM = public sector management; OSFMD = RCI = regional cooperation and integration; TAI = transport and information and communication technology; WMS = water supply, and other municipal infrastructure and services.

Sources: Asian Development Bank Operations Services and Financial Management Department database on loans, TA, grant and equity approvals as of 1 April 2015; RRPs; project lists for subregional cooperation programs as provided by regional departments.
Figure 19. Amount of OCR and ADF Financing of RCI Operations, by Sector, 2003–2014

ADF = Asian Development Fund; ANR = agriculture and natural resources; ENE = energy; FIN = finance; HSP = health and social protection; IAT = industry and trade; MUL = multisector; OCR = ordinary capital resources; PSM = public sector management; RCI = regional cooperation and integration; TAI = transport and information and communication technology; WMS = water supply, and other municipal infrastructure and services.

Sources: Asian Development Bank Operations Services and Financial Management Department database on loans, TA, grant and equity approvals as of 1 April 2015; project documents; project lists for regional and subregional cooperation programs as provided by regional departments.

158. **Assistance modalities.** ADB’s RCI project approvals throughout 2003–2014 were provided in the form of public sector loans, grants, private sector operations (PSOs), and TA. Most (73%) of the total number of approvals were TA projects. In terms of the amount of assistance, the largest share (71%), or $18.3 billion of the aggregate ADB RCI support, was public sector loans (Figure 20). Grants, amounting to about $4.5 billion, comprised 17% of the total, and TA projects, totaling $956 million, accounted for only 4%.

159. During the same period, ADB approved 14 PSO RCI projects with a combined value of $2.2 billion. This was 9% of total RCI approvals and less than one-eighth of RCI public sector loans. PSOs supporting RCI comprised 7% of the total number and 14% of the total amount of ADB’s PSO approvals (Linked Document 11, Tables 1 and 2).

160. **Operational versus non-operational RCI work.** Figure 21 shows the distribution of ADB’s RCI work between the operational departments and non-operational departments. The RCI work of the operational departments comprised 77% of the total number and 99% of the total amount of ADB’s RCI support in 2003–2014. In terms of the number of RCI projects, most of the RCI work of operational departments was support to pillar 1 projects or related to regional and subregional economic cooperation programs for cross-border infrastructure and associated software. Non-operational RCI work was mostly under pillar 4, cooperation in regional public goods, although even for this pillar there were more operational than non-operational projects.

*The RCI work of the operational departments comprised 77% of the total number and 99% of the total amount of ADB’s RCI support in 2003–2014.*
161. **Country coverage.** During 2003–2014, 27 countries received ADB RCI sovereign loans and grants (Linked Document 11, Tables 11 and 12). In the past 12 years, Afghanistan received the most by number (10%) of RCI loans and grants, followed by Cambodia (9%) and Viet Nam (9%). In terms of amount, the largest recipients were Afghanistan ($2.82 billion, 12%) closely followed by Viet Nam ($2.75 billion, 12%) and then the PRC ($2.4 billion, 10%).
The bulk (62%) of ADB's RCI sovereign loans and grant approvals, amounting to about $14.1 billion, were to support projects in low-income countries. Middle-income countries received a total of $5.5 billion (24%), while fragile and conflict-affected countries were granted close to $3.0 billion for RCI projects. Differentiating...
by type of country, a significant proportion, of ADB’s RCI support was provided to landlocked countries ($9.2 billion or 41%), while $7.0 billion (31%) went to RCI projects of growth pole countries. Linchpin and island countries received the least RCI support during 2003–2014, $1.4 billion, 6% of total sovereign loans and grants (Linked Document 11, Table 15).

163. **Single country versus multi-country RCI operations.** RCI loan and grant approvals in 2003–2014 were primarily used for single country operations (Linked Document 11, Tables 13 and 14). About 88% of the total amount of sovereign RCI loan and grant approvals went to single country projects, while only 12% went to multi-country projects. In terms of project numbers, the proportion that went to single country operations is lower, but still substantial, 75%. Single country projects qualified as RCI if their benefits were considered to spill over beyond the country to the neighboring countries in the subregion and to support RCI activities of subregional programs. However, the prevalence of these projects indicates there are too many RCI projects being justified on the basis of regional spillover and there are not enough pure regional projects.

164. **ADB departments.** SERD, CWRD, and SARD provided the largest number of approved RCI loans, grants and TA projects during 2003–2014 (Linked Document 11, Figure 2). SERD, which administers the GMS, approved 331 RCI operations or 28% of the total. CWRD is responsible for CAREC and it approved 224 loans, grants and TA projects, 19% of the total. SARD approved a total of 184 RCI operations during the period, 16% of the total.

2. **RCI Knowledge Publications**

165. Based on data collated by the RCI CoP, ADB produced 235 RCI knowledge products and publications during 2003–2014. One-third (33%) of these publications related to the general theme of RCI (pillar 1), followed by 28% on trade and investment (pillar 2), and 20% covering monetary and financial topics (pillar 3). There were also a few publications (4%) on regional public goods (pillar 4). Supplementary Appendix D provides a list of RCI knowledge publications. There has been an increasing trend in the number of RCI publications, with an average of 34 a year being produced during 2009–2014, compared with an average of four per year during 2003–2006 (Figure 22). Meanwhile, based on ADB’s newly-developed Knowledge Nexus (k-Nexus), there are a total of 5,690 documents related to RCI across all ADB departments (including ADBI), 79% of which are reports (41), awareness-raising brochures or leaflets (17%), technical or working papers (11%), andserials (9%). The rest (21%) are books, training or capacity-building materials, newsletters, RCI briefing materials or talking points, policy papers, toolkits, case studies, journals, speeches, and transcripts (Linked Document 11, Table 36).

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90 Growth pole countries refer to countries within a subregion that have a higher level of economic development than the other countries in the subregion. Examples include the People’s Republic of China, Kazakhstan, India, Indonesia, and Thailand.

91 ADB Knowledge Nexus is “a new tool to instantly see ADB’s knowledge products and services, both planned and completed.”
3. Diversification of RCI Operations

166. **Increasing multi-pillar operations.** ADB’s support for multi-pillar operations has become increasingly important, mainly reflecting the recent growing demand of ADB’s countries for economic corridor projects and other types of RCI support which cut across sectors and pillars.

167. **Wider geographical dispersion.** Aside from expanding RCI multi-pillar support, ADB’s support for RCI has increased in terms of the number of countries covered. The number of ADB countries involved in RCI projects supported by ADB increased from an average of eight during 2003–2006 to 14 countries in 2007–2010, and further increased to an average of 16 countries in 2011–2014. By the end of 2014, at least 25 individual countries had received RCI support in the form of loans and/or grants (Tables 11 and 12, Linked Document 11). Most of these countries were supported by the CAREC, GMS, and SASEC subregional programs. Most of the island countries in the Pacific were provided RCI support through subregional and/or regional project assistance.92

168. **Economic corridor work.** ADB has been supporting the development of economic corridors to increase competitiveness and productivity. This support has come especially through CAREC, GMS, and SASEC. A defining feature of an economic corridor is a coupling of infrastructure investments with trade and regulatory policy reforms and sector development plans. In general, ADB’s role has been to provide assistance in generating the required knowledge to help develop economic corridors; TA for feasibility studies and identifying policy constraints; leveraging private sector finance through public–private partnerships; and mobilizing cofinancing from development partners. Assistance for improving the urban environment in border towns and corridor towns has helped to foster better urban-rural links and to better connect these towns to other economic centers in their subregions. Examples of economic corridor development projects in the CAREC, GMS, and SASEC areas are given in Section C of Linked Document 11.

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92 These ADB RCI projects in the Pacific include (i) Establishment of the Pacific Aviation Safety Office Project (Loan 2183-REG); and (ii) HIV/AIDS Prevention and Capacity Development in the Pacific (Grant 0021); and (iii) various regional TA projects (RETAs) for the Pacific.
Private sector leverage. An important feature of ADB’s private sector operations (PSO) are their leverage impact. The $2.2 billion of non-sovereign PSO lending and equity finance in connection with the portfolio of 14 PSOs that supported RCI since 2003 yielded $14.0 billion in direct value added (DVA) co-financing, a multiplier of 6.4 times the ADB investment. Most of this leverage is derived from the Trade Finance Program (TFP). Without the TFP, the multiplier would be 0.94, which is still higher than the ADB’s DVA cofinancing target of 0.7. Most PSOs provide a demonstration effect, encouraging private sector expansion and foreign direct investment. Section C of Linked Document 11 provides more details on ADB’s private sector work.

4. Misclassifications

Project definition misclassifications. The RCI projects included in the stocktaking were either tagged as RCI in their project approval documents or subsequently declared as such by the regional departments and PSOD in their submissions to IED for this TES. Project definition misclassifications are of two types: (i) projects which neglected to include the RCI tag in their approval documents, but subsequently were indicated as RCI in the regional departments’ or PSOD’s self-declared submissions; and (ii) projects declared as RCI projects in the approval documents, but subsequently not indicated as RCI in the regional departments’ or PSOD’s submissions. Most of the misclassifications have been of the former type. Project misclassifications have occurred in at least 5% of the loan and grant projects approved. Examples of projects that could be considered as RCI are in Linked Documents 11, Table 12.

Pillar misclassifications. Some omissions or inaccuracies were noted in the identification of the pillar or subtheme of particular projects. For instance, some projects classified under pillar 2 (trade and investment) should have been recorded under pillar 1 (cross-border infrastructure). Several projects tagged as pillar 4 (regional public goods) may have been pillar 1 projects. Many RCI project documents lacked pillar categorizations. (See Linked Document 11, Table 29 for specific project approvals with “misclassified” RCI pillars.) These omissions indicate there is a need to clarify RCI concepts and definitions.

B. RCI Performance

This section provides a summary of the performance of ADB’s RCI operations based on IED’s evaluation of 58 completed RCI projects, five regional and sector evaluations, and the results of earlier assessments of selected RCI knowledge products. Linked Document 12 provides a detailed assessment of RCI performance.

Project-level evaluations. The project-level analysis is based on the performance of 58 RCI projects that ADB approved from 1978 to 2008, of which 60% were approved in the 2000s. Most (88%) of these projects provided assistance for cross-border infrastructure and other related software (pillar 1). The majority of these RCI projects were in the transport sector (79%), followed by energy (9%), industry and trade (7%),

93 Examples are projects or programs on energy efficiency, integrated road network, power sector improvement, road corridor investment, railway electrification, sustainable urban transport investment, and power sector rehabilitation.

94 These are (i) an expressway project, and (ii) a provincial roads improvement project.

95 Details of IED’s evaluations are available on IED’s webpage (http://www.adb.org/site/evaluation/main) and the findings of these evaluations can be searched in IED’s databases using the Evaluation Information System (http://lnadbg4.adb.org/oed001p.nsf/index?OpenForm).
health (2%), and multi-sector (3%). When they are allocated to RCI subregional programs, the projects evaluated were composed of GMS projects (31%), CAREC (22%), SASEC (3%), and Pacific countries (3%). The largest number of projects were for the nonsubregional program or Non-SP (40%), which included two private sector operations. The performance ratings were obtained from IED’s project performance evaluation reports (PPERs) and project validation reports (PVRs) up to the end of 2014.96

174. Figure 23 shows a summary of performance ratings of 58 completed RCI projects versus 366 non-RCI projects. Overall, 81% of the RCI projects were rated highly successful or successful, which is much higher than the 62% success rate for all of ADB’s projects, than the 59% success rate for all non-RCI projects.

175. RCI performance improved from the 1970s and 1980s (83%) to the 1990s (88%), and then declined for the projects approved in the 2000s (77%)—Figure 24. The improvement in the 1990s can be attributed to the greater attention ADB placed on RCI projects in the wake of the creation of the GMS program in 1992 and the 1994 Regional Cooperation Policy. The decline in the performance of RCI projects approved in the 2000s (71% were transport projects) is due mainly to the “less than successful” performance of CAREC transport projects.

96 The project performance evaluation reports, project validation reports and project performance audit reports were circulated from November 1995 to February 2015 while project completion reports (PCRs) were from June 1991 to June 2014.
Ignoring the ratings when small numbers of projects were involved, Figure 25 shows that the relatively high success rate of RCI projects is derived mainly from GMS projects (94%), loan projects (82%), and pillar 1 projects (80%). Among the subregional programs, CAREC projects were rated lowest at 69%, reflecting the more difficult project implementation conditions in this subregion. The overall performance of non-SP projects also received a relatively low rating of 74%.

By sector, the success rate of RCI transport projects was 78%, lower than the overall RCI success rate. These projects performed better compared than non-RCI transport projects, which had a combined success rating of 65% (Figure 26). Notwithstanding the small number of RCI projects evaluated, the success ratings were higher than those of non-RCI energy, health, industry and trade, and multi-sector projects.
The higher success rate of RCI projects reflects their higher rating for relevance, effectiveness, efficiency, and sustainability (Figure 27). RCI projects were all (100%) rated highly relevant or relevant, compared with 82% of the non-RCI projects. In terms of effectiveness, 86% of the RCI projects and only 60% of non-RCI projects were rated highly effective or effective. The better performance of RCI projects, particularly in terms of their relevance and effectiveness, may be due to: (i) better project designs resulting from more scrutiny by stakeholders and a better understanding of countries’ needs and priorities, (ii) strong country ownership, (iii) strong commitment of executing and implementing agencies, (iv) timely and effective resolution of project issues, (v) well-coordinated project activities, and (v) efficient use of adequate resources. Linked Document 12, Table 11 provides a comparison of RCI and non-RCI project performance by region.
Recent evaluations. In addition to the above evaluation results, four evaluation reports completed in 2015 were selected by IED to provide up-to-date inputs into the TES. The projects evaluated by these reports span all four RCI pillars, cover different assistance modalities, and take place in a wide range of countries. They were: (i) the Lao Northern Economic Corridor Project; (ii) the Trade Finance Program (TFP); (iii) the Asian Bond Market Initiative Technical Assistance; and (iv) the GMS Communicable Disease Control (CDC) Project. The results of the evaluations lend further support to the finding of strong positive RCI project performance. Although the TFP corporate evaluation study did not provide a rating, it acknowledged the TFP’s successful role in addressing the market gap between the supply and demand of trade finance and the large increase in the share of intraregional transactions supported by the TFP during 2009–2013. The technical assistance performance evaluation report (TPER) of the TA projects supporting the Asian Bond Market Initiative (ABMI) rated them successful overall, and the project performance evaluation report (PPER) on the GMS CDC also rated the project successful overall. In the case of the GMS northern economic corridor project in Lao PDR, although the overall performance rating was less than successful, the PPER noted significant regional benefits in terms of reductions in transport costs and the increase in trade volumes. All of these evaluations provided suggestions to further enhance the impact of future ADB support for RCI. Linked Document 12, Section B provides details of these four evaluations.

Private sector evaluations. Of the 14 PSOs supporting RCI, two projects, the Regional Mekong Enterprise Fund (RMEF) and the Cambodia Power Transmission Line (CPTL) have been evaluated by IED. The former project was rated less successful due to low ratings for “development outcomes and impacts” and “ADB investment profitability.” The latter project was rated highly successful.

Technical assistance project evaluations. Self-assessments of 278 completed RCI TA projects posted an overall 88% success rate. The highest TA project success rates were in the education, health, and water and other municipal services sectors as well as those classified under RCI multi-pillar (Linked Document 12, Tables 2 and 3).

Subregional and sector evaluations. Compared with individual project evaluations, subregional and sector evaluations have the advantage of taking a more medium- to long-term and programmatic perspective on ADB’s RCI performance. As of end 2014, IED had undertaken two subregional evaluations (the GMS regional country assistance performance evaluation and South Asia country partnership strategy final review validation) and three sector evaluations (GMS transport and trade, GMS energy and GMS tourism). While the scope and depth of these sector evaluations vary, they generally followed the same methodology. As summarized in Figure 28, 80% of the sector evaluations (four out of five) rated ADB’s support successful. ADB’s RCI support was rated highly for relevance, strategic positioning, institutional assessment, and others.

Self-assessments of 278 completed RCI TA projects posted an overall 88% success rate.

101 Some subregional cooperation programs have developed results frameworks to monitor their RCI activities. For example, the CAREC program developed a results framework and since 2009 has regularly monitored this and reports annually on it in its CAREC Development Effectiveness Review.
102 Strategic positioning was only assessed in more recent evaluations.
effectiveness, efficiency, sustainability, and ADB performance. Impact and value addition were the two ratings which scored lowest, although the impact was based on a small sample.

For your reference:

**Figure 28: Results of Subregional and Sector Evaluations**

- **Value Addition, 60% (3 of 5 Substantial)**
- **Impact, 67% (2 of 3 Substantial; 2 not rated)**
- **Sustainability, 100% (4 of 4 Likely, 1 not rated)**
- **Effectiveness, 80% (4 of 5 Effective)**
- **Efficiency, 80% (4 of 5 Efficient)**
- **Relevance, 100% (2 of 5 Highly Relevant; 3 of 5 Relevant)**
- **Strategic Assessment, 80% (4 of 5 Substantial)**
- **Institutional Assessment, 80% (4 of 5 Substantial)**

*Overall Rating: Successful, 80% (4 of 5 Successful)*


183. **Quality assessment of selected RCI-related knowledge publications.** Two previous evaluation studies prepared by IED provide assessed selected knowledge products, including 22 RCI-related knowledge publications. The first was an evaluation of the performance of the Asian Development Bank Institute (ADBI) in 2011,\(^{103}\) and the second was an assessment of ADB’s knowledge products and services (KPS) in 2012.\(^{104}\) Both studies engaged an independent external review panel to assess the quality of a sample of ADB and ADBI publications. Under the 2012 study on ADB’s KPS, the external review panel reviewed and rated 89 sample publications using the following criteria: (i) relevance and policy applicability; (ii) clarity and focus; (iii) quality of analysis, level of knowledge, and (iv) value addition of flagships.\(^{105}\) In IED’s 2011 evaluation of the performance of ADBI, the external review panel conducted individual assessments of the quality of 69 selected ADBI research products during 1998–2009 from the perspective of ADBI’s research mandate. Most of these publications were rated highly relevant and useful, and of international quality in terms of substance and presentation. See Linked Document 12, Tables 5 and 6 for the assessment results.

Most of these publications were rated highly relevant and useful, and of international quality in terms of substance and presentation.

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\(^{105}\) The rating scale used was: 1 = strongly disagree with statement, 2 = disagree with statement, 3 = neutral or undecided on statement, 4 = agree with statement, 5 = strongly agree with statement, or N/A = statement is not applicable to this publication.
184. **Perceptions of RCI focal points in countries on RCI results.** About 69% of RCI focal points were “highly satisfied” with the actual results of ADB’s RCI efforts in their country and subregion. The rest (31%) were “somewhat satisfied” (Linked Document 8, Table 43).

185. **Perceptions of project team leaders on RCI results.** About 64% of ADB staff project team leaders respondents were “somewhat satisfied” with the results of RCI projects and operations against target outputs or outcomes, while close to 28% were “highly satisfied” (Linked Document 8, Table 42).

C. **Impacts**

186. The impacts of ADB’s RCI work can be assessed at different spatial and functional levels, and at different time horizons. An assessment of the short- and medium-term impact of RCI work across the regional, subregional, country, and project levels is provided below.

187. **Regional.** The RCIS did not clearly set out the impacts it expected from implementing the RCI agenda in the Asia and Pacific region, apart from some very general long-term statements included in the results framework. The RCIS recognized that RCI is not an end in itself, but only a means of achieving ADB’s overarching objective of poverty reduction in Asia and the Pacific. The potential contributions of the RCI agenda to Asian poverty reduction could be through direct links between cross-border infrastructure and beneficial impacts on poverty, such as improved access to markets, health services, and education, as well as via indirect links through increases in productivity and growth. Also, there could be a beneficial impact in that the projects address the adverse environmental and social effects of cross-border issues which disproportionately affect the poor. Unfortunately, there is relatively little direct evidence of the extent to which these avenues actually contributed to poverty alleviation across the Asia and Pacific.

188. **Subregional.** IED has prepared two subregional evaluations to date: a regional country assistance performance evaluation (RCAPE) of the GMS in 2008 and a South Asia country partnership strategy (CPS) final review validation in 2010. Only the GMS RCAPE assessed and rated impact as one of its evaluation criteria; the South Asia CPS final review validation found it was too early to assess the impacts, since not enough projects had been completed. The GMS RCAPE assessed the overall impact of ADB’s GMS work as modest (second highest on a four-point scale) with the transport and energy sectors being rated on the high side and the environment, health and other social sectors being rated a bit lower. At the project level, the RCAPE found that ADB’s support had resulted in some increased economic activity in the form of new industries and special economic zones being planned along roads, new livelihood opportunities in local cross-border trade, and better access to health services. At the national level, it found the impact on small economies—such as Cambodia and the Lao PDR—to have been greater than the impact on larger economies—such as Viet Nam—mainly because the larger economies had better access to trade points, including seaports. The direct non-economic impacts of GMS transport, trade, and tourism projects were found to be a concern, in particular the failure to integrate environmental considerations into road project planning. Some completed GMS transport projects had negative impacts such as illegal logging, wildlife trade, deforestation, deterioration in road safety, and in a few cases adverse resettlement impacts.
Results: Operations, Performance, and Value Addition

189. Several studies have attempted to assess the impacts from ADB’s RCI work within subregions. A study carried out in the GMS found a lack of direct project impact in three projects evaluated in transport, health, and tourism. The lack of impact was particularly strong with respect to income, total expenditure, and food consumption, suggesting there had been very little change in poverty reduction. The lack of evidence of impact was partly attributed to the limited availability of data and the short time between the beneficiary survey and the completion of the projects. Another study carried out in the South Asia region could not conclude whether poverty had been reduced as a result of ADB’s RCI work in the subregion due to missing data. For CAREC, the Development Effectiveness Review (DEfR) evaluates the progress made over the year by all the components of the CAREC Program toward achieving the goals originally defined in the CAP. Based on the 2013 DEfR, the CAREC Program implemented 146 investment projects worth $22.4 billion and 221 technical assistance projects worth $334 million from 2001 to 2013. In 2013, the roads and railways built or upgraded contributed to a shortening of border-crossing time. CAREC countries continued to trade at levels equivalent to about two-thirds of their gross domestic products (GDPs), and intra-CAREC trade improved modestly in proportion to total CAREC trade. Nevertheless, logistics performance still needs to be strengthened, and intraregional energy trade and the share of foreign investments in the GDP showed no definite trends.

190. **Country.** In many cases, ADB’s RCI work had significant impacts on its countries. For example in Lao PDR, the series of ADB-financed hydropower projects allowed the country to earn more export revenues and expand rural electrification. They also had an important demonstration effect. Lao power exports increased from 5%-6% of GDP in 2008 to over 10% of GDP in 2014, a very significant increase. The expansion of hydropower and the increased availability of electricity in the domestic market allowed the spread of rural electrification within the country. The financing of these projects (and in particular the cofinanced Nam Theun 2 Hydropower project in 2005) had an important demonstration effect both in Lao PDR, which has seen the number of planned and ongoing hydropower schemes increase dramatically, and in the GMS subregion. Another example is the ADB RCI work in Cambodia in 1994, which resulted in a reduction in the distrust and animosities left over from the civil war. In this respect, ADB’s RCI work provided a peace dividend.

191. **Projects.** Based on project performance evaluations or validations of project completion reports, 43 of 46 RCI projects (93%) had positive impacts, i.e., ranging upwards from marginal, moderate, significant/substantial to highly significant. About 70% (32) of these successful projects were assessed to have achieved significant/substantial impacts or highly significant impacts. These RCI projects were made up of 32 (82%) transport projects, three (9%) industry and trade projects, and one (3%) health project. The main impacts achieved by the successful RCI transport projects included: (i) promotion of international trade and transit through railway connections to the border; (ii) economic growth and better cooperation with other countries in the region through road improvements; (iii) reduced poverty because of greater access to employment and income, better access to markets and social services, and lower prices for transport services, food, and other daily necessities due to lower transport costs; (iv) significant increases in regional or cross-border trade and tourism;

(v) annual increases in both national GDP and trade; and (vi) economic, commercial, environmental, and social benefits to the target port users and the country in general through improvements to port facilities, and speedier and more economical transport links.

192. For two successful RCI energy projects, the significant impacts attained were: (i) a more extensive supply of electricity to people and businesses, including the provision of electricity to more than 50,000 rural households; (ii) export and foreign exchange earnings from the sale of surplus electricity; (iii) exceptional economic returns on the country’s investment; and (iv) a mutually beneficial power trade between countries. These two projects demonstrated that cooperation in power trade is workable and that the economic benefits from interregional linkages can be substantial. Similarly, RCI projects on tourism and customs modernization generated positive socioeconomic impacts, such as a significant rise in employment, a substantial increase in the volume of trade, and a huge growth in foreign exchange earnings.

193. In conclusion, the impacts of ADB’s RCI work are intrinsically difficult to measure, although it is possible to make some inferences. First, most of the available evidence of impact occurs over the short and medium terms; evidence of the long-term impacts for most of ADB’s RCI work is not yet available. At the regional level, there was little firm evidence of the impact of ADB’s RCI work, partly because of the nature of much of ADB’s RCI infrastructure lending, which does not lend itself to rigorous impact assessment. However, there was some limited quantitative and anecdotal evidence that ADB’s work has had an impact at subregional, country and project levels. In future, consideration should be given to better measuring ADB’s impact through innovative means, including surveys and rigorous impact assessments of ADB’s completed RCI projects.

D. Value Addition by RCI Roles

194. The RCIS envisaged four distinct roles for ADB in supporting and promoting RCI in Asia and the Pacific: (i) acting as a financial institution; (ii) acting as a knowledge bank; (iii) serving as an honest broker; and (iv) building capacity. An assessment of ADB’s value addition in these roles is provided below.

195. Financial institution. The RCIS broadly outlined this role as providing financial resources for RCI projects, programs, and related TA and/or helping ADB’s countries to mobilize funding and TA. Between 2003 and 2014 ADB approved a large number of RCI projects, many of which attracted substantial cofinancing from development partners. It also used a broad range of financing mechanisms and assistance modalities in its RCI operations, including loans, grants, TA projects and private sector operations (PSOs). Judging by the performance assessments of completed RCI projects presented in Chapter 6 (Section B), the projects were successful. In terms of mobilizing funding, there were achievements, but there is scope for improvement. While the 180 public sector loans totaling $18.4 billion were accompanied by an additional $4.8 billion (or 26%) in direct value added cofinancing, this is still comparatively modest. By contrast, ADB’s PSO RCI projects consisting of $2.2 billion of loan and equity non-sovereign financing leveraged $14.0 billion in additional external financing, a multiplier of 6.4 times of ADB’s own exposure. In its future RCI operations, ADB should seek to leverage more external sources of financing, including the private sector and domestic markets.

196. Knowledge bank. The RCIS indicated that this role would entail ADB establishing a stronger and more coordinated policy-relevant research capacity to
create, consolidate, and disseminate RCI knowledge to countries, and to identify opportunities, needs, benefits, and lessons on what works well in RCI and what does not. It indicated that OREI should enhance its research capacity in pillars 2 and 3 and that there should be greater coordination and information sharing across OREI, RSDD, the Economics and Research Department (ERD), and ADBI. There is evidence ADB has improved its policy-relevant research capacity, with the quality of pillar 2 and 3 knowledge publications being comparable to or higher than other knowledge publications. There is less evidence of information sharing among the knowledge departments in order to minimize duplication and maximize synergies.

197. **Honest broker.** The RCIS broadly described the honest broker role as ADB acting as the catalyst and coordinator of RCI for its countries. There is strong evidence that ADB’s secretariat support role for the three main regional or subregional programs was crucial in ensuring the build-up of successful operations. ADB has also used its neutral position to broker agreement on projects such as the Nam Theun 2 Hydropower Project and the Northern Economic Corridor Project in Lao PDR. In terms of coordination, since 2006 ADB has increased its efforts to coordinate with regional and non-regional institutions. Formal partnerships were established with the ASEAN Secretariat, the ASEAN+3 Macroeconomic Research Office, Asia-Pacific Economic Cooperation (under the APEC Finance Minister’s process), the Boao Forum for Asia, the Greater Mekong Railway Association, the SAARC Secretariat, the United Nations Conference on Trade and Development, the United Nations Economic and Social Commission for Asia and the Pacific, the World Customs Organization, and WTO. Key country stakeholders often cited this as one of the most important roles that ADB played and consistently gave high marks in this area. The recently completed PRC country assistance performance evaluation also highlighted the importance that PRC stakeholders accorded to ADB’s honest broker role.108

198. **Building capacity.** This was a new role that was added to the other three roles at the time of the approval of 2006 RCIS. The RCIS did not clearly define this role, only broadly stating it was intended to help countries and regional and/or subregional bodies build their institutional capacity to manage RCI. There is strong evidence that ADB has assisted countries to build national capacity through programs such as the GMS Phnom Penh Plan and provision of assistance to national focal points in the countries, but efforts to build regional and subregional capacity are less apparent. In the GMS, the Phnom Penh Plan has been phased out after more than a decade of implementation and in its place a new inter-subregional approach has been put in place, which took into account the recommendations in IED’s review of the Phnom Penh Plan under the 2008 GMS RCAPE. Both the 2008 GMS RCAPE and the 2010 South Asia RCS Final Review Validation rated capacity building efforts in their respective regions to be modest, with the RCAPE indicating that regional capacity building efforts needed to be strengthened vis-à-vis national efforts. There is still need for improvement in this role.

199. **Perceptions of value addition.** Of the four roles envisaged in the RCIS, half (51%) of RCI focal points regarded ADB’s role as a “knowledge bank” as the role in which it added the most value. Half of the project team leaders (52%), on the other hand, envisaged the most valuable RCI role of ADB to be that of an “honest broker.” Overall, team leader and focal point respondents think that the most valuable RCI roles of ADB are as a “knowledge bank” (45%) and as a “capacity builder” (41%)—Linked Document 8, Table 41. Overall, ADB has done well across the RCI roles, especially as a financial institution and as an honest broker.

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institution and as an honest broker. However the capacity building role is the area where it could improve the most.

200. Table 8 presents the assessment and rating of ADB’s RCI activities. On the whole, ADB’s efforts are assessed to have had significant results.

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Assessment</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>RCI Operational Results</td>
<td>ADB’s project approvals have grown rapidly since 2003. Pillar 1 has been the main focus of loans, grants and private sector operations, while pillar 4 has received the bulk of the technical assistance support. The Central Asian Regional Economic Cooperation and the Greater Mekong Subregional Economic Cooperation Programs received about two-thirds of ADB’s RCI assistance. ADB also produced an increasing number of RCI knowledge publications over the same period. There has been a notable diversification of ADB’s RCI work over the period, with an increasing amount of its support being allocated to multi-pillar work. In addition, ADB’s RCI activities have become more diverse across ADB’s countries. However, there have been some shortcomings. First, there have been numerous incidences of misclassifications of projects, including the project definition and the pillar classifications. Second, the number of single-country RCI projects has dwarfed the number of multi-country RCI projects, indicating that most of the RCI projects are being justified on the basis of regional spillover.</td>
<td>Significant</td>
</tr>
<tr>
<td>Performance of Evaluated RCI Activities</td>
<td>The performance of completed and evaluated RCI projects was on average 81% successful, compared with ADB’s overall average success rate of 61%, and non-RCI success rate of 59%. This positive performance is significant, given that RCI projects are usually more complex and have more stakeholders. Further analysis using project evaluation subcriteria indicates that part of the explanation is due to the fact that RCI projects had better project designs than many non-RCI projects, perhaps reflecting the more careful preparation of the projects to meet the needs of the multiple stakeholders.</td>
<td>Substantial</td>
</tr>
<tr>
<td>Impact</td>
<td>The impacts of ADB’s RCI work are intrinsically difficult to measure. At the regional level, there is little firm evidence of ADB’s impact through its RCI work, partly because of the nature of much of ADB’s RCI infrastructure lending, which does not lend itself to rigorous impact assessment. However, there is some limited quantitative and anecdotal evidence that ADB’s work has had an impact at the subregional, country and project levels.</td>
<td>Not Rated</td>
</tr>
<tr>
<td>Value Addition Across the RCI Roles</td>
<td>Overall, ADB has done well across the RCI roles, especially as a financial institution and as an honest broker roles. There is room for improvement in the capacity building role.</td>
<td>Significant</td>
</tr>
<tr>
<td>Overall Relevance</td>
<td></td>
<td>Significant</td>
</tr>
</tbody>
</table>

* For details of the rating methodology, see Linked Document 2, Table 2. For ratings calculations see Supplementary Appendix Q.
Source: Independent Evaluation Department.
201. Overall, ADB’s implementation of the RCI agenda is rated successful (Table 9). ADB’s efforts are rated relevant, less than responsive, and significant on a four-scale rating system.

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Assessment</th>
<th>Weighted ratinga</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Relevance</td>
<td>Relevant</td>
<td>0.77</td>
</tr>
<tr>
<td>2. Responsiveness</td>
<td>Less than responsive</td>
<td>0.50</td>
</tr>
<tr>
<td>3. Results</td>
<td>Significant</td>
<td>0.78</td>
</tr>
<tr>
<td>Overall ratingb</td>
<td>Successful</td>
<td>2.05</td>
</tr>
</tbody>
</table>

* The weights used were 33.3% (relevance), 33.3% (responsiveness), and 33.3% (results). For details of the rating methodology, see Linked Document 2, Table 2. For the ratings calculations, see Supplementary Appendix Q.

b  Highly successful > 2.7; successful 2.7 ≥ S ≥ 1.6; less than successful 1.6 > PS ≥ 0.8; unsuccessful < 0.8.

*Note: See Supplementary Appendix S for detailed evaluation criteria ratings.

Source: Independent Evaluation Department.

202. The RCI agenda is rated relevant as it addresses the needs of RCI stakeholders. The evolution of ADB’s RCI policies and strategies (from the RCP in 1994, to the RCIS in 2006, to Strategy 2020 in 2008, and to the MTR in 2014) demonstrates a clear strategic progression and coherence (para. 51). The RCI agenda conformed closely to international good practice, as evidenced by the comparator assessment and the MOPAN report (para. 83). The relevance of the RCIS’s design was mixed. Positive features included its demarcation of departmental responsibilities across pillars and its adoption of a flexible approach toward RCI operations, enabling a multisector and multispeed agenda across the subregions. On the less positive side, the emphasis across the RCI pillars was unbalanced, with the RCIS giving pillars 2 and 3 less relevance and weight than the other two pillars. Also, the RCIS did not clearly classify trade facilitation work, distributing it among two pillars. Additional weaknesses were noted in individual pillars 1 and 4. The relevance of other RCI features and consistency with countries’ expectations were generally good, although the regional integration strategic agenda’s link to other agendas could be further clarified and various RCI terms and definitions clarified. Countries and development partners gave high marks to ADB. Further details of the relevance criterion and subcriteria ratings are presented in Table 5 at the end of Chapter 4.

203. ADB was rated less than responsive in putting in place the necessary enabling environment needed to support the implementation of the RCI agenda. Other policies and strategies were broadly in line with the RCI agenda, but there is a concern with ADB’s regional strategies. Both the GMS RCS and CAREC RCS have been allowed to lapse without new RCSs being formulated. Implicitly, the RCSs for these two programs have been replaced by long-term region-wide strategic frameworks launched by the GMS and CAREC secretariats. While the strategic frameworks appear comprehensive and of high quality, they are not ADB strategies and their absence has deprived ADB Management and the Board of the opportunity to monitor the progress of past RCSs.
and to influence future directions of new ones. In terms of organizational responsiveness, the resourcing of the RCI agenda was found to be adequate, but the institutional structures did not perform as intended. Given available resources, the CoP did a relatively good job on the knowledge side, particularly in terms of sharing and disseminating knowledge. However, until recently, neither OREI nor the RCI CoP regularly monitored or reported on the RCIS results framework. This lack of monitoring and reporting was one area where OREI and the RCI CoP fell short in performing their coordination role. Further details of the responsiveness criterion and subcriteria ratings are in Table 7 in Chapter 5.

204. Overall, ADB’s efforts were rated significant (the second highest rating out of four) in terms of the results achieved. This result was mainly due to the relatively high project success rates and positive results from regional and sector evaluations. Notably, the performance of completed and evaluated RCI projects was on average 81% successful, compared with ADB’s average success rate of 61%, and non-RCI success rate of 59%. This positive performance is significant, given that RCI projects are usually more complex and have more stakeholders. Further analysis using project evaluation subcriteria indicates that part of the explanation is due to the better project designs for RCI than many non-RCI projects, perhaps reflecting the more careful preparation of the projects to meet the needs of the multiple stakeholders. The value addition of the RCI work was assessed positively across the four RCIS roles, particularly ADB’s roles as a financial institution and as an honest broker, although the capacity builder role still needs improvement. The impacts of ADB’s RCI work are not as easy to judge, but there is some evidence they were positive. Further details of the responsiveness criterion and subcriteria ratings are presented in Table 8 in Chapter 6.
CHAPTER 8

Looking Forward: Enhancing ADB’s RCI Agenda

205. This chapter provides some insights into how ADB could enhance its RCI agenda in future. It provides a brief overview of the untapped potential for RCI in Asia and the Pacific, followed by a discussion of RCI in the future and an assessment of strategic options. Finally, it proposes a conceptual framework to guide future RCI work.

A. Comparative Untapped RCI Potential in Asia and the Pacific\(^{109}\)

206. When looking at future strategic options, the untapped RCI potential in the Asia Pacific region is a useful starting point. This analysis uses the composite index of overall RCI performance in Chapter 2 and relates it to a number of empirical measures for the enabling environment that can improve RCI outcomes (e.g., the quality of cross-border infrastructure and institutional arrangements to facilitate multinational private sector activities). The magnitude of the untapped RCI potential among Asia’s five subregions and 15 other regions globally is estimated using data envelopment analysis (DEA).\(^{110}\)

207. The underlying assumption behind DEA is that regions that feature the same enabling environment for economic integration should be able to produce similar levels of regional integration outcomes. It is important to note that the resulting estimates are based on currently available resources and conditions rather than on potential future developments. Therefore, the study does not seek to generate forecasts of further integration potential corresponding to possible scenarios of enhancements in economic conditions or political changes. Instead the analysis compares levels of integration outcomes across different regions and identifies those regions that, relative to others, seem to have achieved lower levels of RCI than they should have, given the enabling environment. Figure 29 plots overall RCI performance for a global sample of 20 geographical regions against a measure of the respective enabling environment and shows the resulting frontier. More detailed information on the method and sources of data is presented in Linked Document 12, Section A.


\(^{110}\) DEA represents a non-parametric approach for the estimation of production “frontiers” and can be used to measure relative efficiency rates across a set of comparable production units.
On average, Asia’s level of overall RCI performance is about 40% of its estimated potential, suggesting there is large scope for further increases in regional integration levels.

The DEA scores corresponding to Figure 29 are reported in Linked Document 12, Table 1, where smaller values represent larger potential for increased integration levels. Based on these results, all Asian regions have considerable scope for higher levels of integration and there is a need to identify the constraints that impede the subregions from achieving their potential. The values for East and Southeast Asia indicate that these regions currently achieve about 60% of their RCI potential. South and Central Asia achieve about a third of their potential. The values for the Pacific and Oceania (Australia and New Zealand) indicate even higher untapped potential, although these results should be considered with caution. On average, Asia’s level of overall RCI performance is about 40% of its estimated potential, suggesting there is large scope for further increases in regional integration levels. The results indicate that all continents feature regions with considerable untapped integration potential, which corresponds to the findings of heterogeneous RCI performance levels within continents. Focusing solely on trade integration yields similar results (see Linked Document 12, Section A).

B. Future RCI Considerations

The evolution of the RCI landscape has a significant impact on the scope, focus and form of ADB’s future RCI agenda. The following areas will need to be considered when planning future RCI initiatives, as well for the preparation of future ADB long-term strategies.

Infrastructure gap: Infrastructure deficits affect industrialized and developing countries alike. Good infrastructure spurs economic growth, but economic growth itself demands even better infrastructure. Most industrialized countries, which typically have lower GDP growth figures, are close to reaching an equilibrium between growth and the size of the infrastructure deficit. In the developing world, higher GDP growth
coupled with inadequate infrastructure investments over numerous years, have caused the deficit to continue to rise. The 2007–2008 global financial and economic crisis made clear the benefits of RCI and infrastructure investment as the Asian countries that had invested significantly in infrastructure suffered less from the consequences of the crisis. In 2009, ADBI and ADB launched a joint major flagship study on the Asian infrastructure deficit. This study estimated the national infrastructure deficit to be $8 trillion, plus $290 billion in specific regional infrastructure, translating to an annual investment volume of $750 billion. These findings set the stage for the first year of implementation of ADB’s new long-term Strategy 2020. More recently, Japan has committed $110 billion to finance public–private infrastructure development in Asia over the next 5 years. This financing is expected to be channelled through Japan International Cooperation Agency and Japan Bank for International Cooperation, and is aimed at demonstrating Japan’s support for the construction of high-quality infrastructure through human resource development and technological transfers. In addition, the Republic of Korea also launched the Eurasia Initiative which aims to link energy and logistic infrastructure (such as rail networks, oil and gas pipelines, and electricity grids) across Europe and Asia. This integration was to be followed by the gradual elimination of trade barriers, leading to the establishment of a vast free trade zone.

211. Disaster risk management. Tsunamis, earthquakes, disease epidemics, environmental degradation, and climate change have all had an impact on the Asia and Pacific this century. While the economic consequences of these events include lower economic and productivity growth, the social consequences are often devastating for the populations directly affected. Enhanced RCI, by virtue of well-coordinated multilateral actions and relief efforts can provide an effective safeguard to mitigate the adverse impacts of such events. A special report published by the intergovernmental panel on climate change in 2012 argued that risk-sharing mechanisms such as insurance, and national, regional, and global risk pools can increase resilience to climate extremes. The Framework for Disaster Risk Reduction 2015–2030 adopted by the UN member states in March 2015 has seven global targets related to disaster risk reduction to be met by 2030. There is scope for ADB’s RCI efforts to encourage greater cooperation within and between the various ADB subregions and to establish regional cooperative mechanisms in disaster risk management.

212. Sustainable development goals. The Millennium Development Goals (MDGs) set targets to be achieved by 2015 and new Sustainable Development Goals (SDGs) have been adopted at the UN Special Summit for Sustainable Development in New York in September 2015. The SDGs will have profound implications for the way in which development finance will be allocated in coming years. This issue was addressed by the Development Committee of the World Bank Group’s Board of Governors, which issued a Communique on 2 April 2015 that was jointly prepared by the regional MDBs, the IMF, and the World Bank Group, calling for a paradigm shift in development finance

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to unlock the resources needed to achieve the SDGs. It advocated “intelligent development finance” that goes beyond filling financing gaps and can be used strategically to unlock and leverage additional resources, catalyse private capital flows, and increase domestic resource mobilization. Five of the 17 SDGs are directed at climate and the environment, with three of these directly related to regional and global public goods: combat climate change and its impacts; conserve and sustain marine resources; and protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification and halt biodiversity loss.

213. **Trade and business developments.** A number of recent developments in the region are likely to have an impact on RCI trade and business environment in future and ADB’s role in supporting RCI. Progress in regional economic integration among the ASEAN countries has been so strong that formation of ASEAN Economic Community (AEC) which was targeted for 2020 has now been advanced to 2015. It is hoped that the AEC will transform ASEAN into a region with free movement of goods, services, investment, skilled labour, and freer flow of capital. The Regional Comprehensive Economic Partnership (RCEP) aims at setting up a free trade agreement involving 16 Asia-Pacific countries (the 10 ASEAN nations, Australia, the PRC, India, Japan, Republic of Korea, and New Zealand). Negotiations have been ongoing since 2013 and are expected to be concluded in 2015. Like the RCEP, the Trans-Pacific Partnership (TPP) aims to create a free trade environment among 12 countries on both sides of the Pacific. These countries are Australia, Canada, Chile, Mexico, New Zealand, Peru and US, on the one hand, and the Asian countries of Brunei Darussalam, Japan, Malaysia, Singapore and Viet Nam on the other.

214. **Emerging PRC initiatives and priorities.** The PRC has launched a number of important new regional initiatives. These include, among others, the China–Pakistan Economic Corridor Initiative, and the Silk Road Economic Belt and the 21st Century Maritime Silk Road, collectively known as the Belt and Road Initiative. Under this initiative, roads, railways, seaports, oil and gas pipelines and other related infrastructure will eventually connect East Asia through Central Asia, with Europe, Russia, West Asia, South Asia, the Persian Gulf, and the Mediterranean. The maritime component of the Belt and Road Initiative will connect coastal eastern PRC with archipelagic Southeast Asia, the Pacific, India, Sri Lanka, Pakistan, Iran and Iraq, Mombasa in Africa, and the Mediterranean, northern Africa, and Europe through the Suez Canal. This new initiative complements ongoing regional initiatives the PRC has been pursuing for many years: (i) the Pan-Beibu Gulf Economic Initiative, which targets maritime connectivity with the archipelagic Southeast Asia, and (ii) the Greater Tumen Initiative, which focuses on Northeast Asia bordering the People’s Republic of China (PRC), Mongolia, the Republic of Korea and the Russian Federation. There is some uncertainty on the degree of overlap between the new Belt and Road Initiative and the ongoing Pan-Beibu Gulf Economic Initiative, with some indications that the latter will eventually be absorbed by the former.

215. **Newly established development banks, facilities, and funds.** The PRC is a leading figure in two new institutions to finance infrastructure in Asia and other regions. The Asian Infrastructure Investment Bank (AIIB), headquartered in Beijing, is

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116 The China–Pakistan Economic Corridor (CPEC) aims to connect Gwadar Port in southwestern Pakistan to China’s northwestern autonomous region of Xinjiang, via a network of highways, railways and pipelines to transport oil and gas. The economic corridor is considered central to China–Pakistan relations and will run about 3,000 km from Gwadar to Kashgar. Overall construction costs are estimated at over $46 billion.

Looking Forward: Enhancing ADB’s RCI Agenda

expected to start operations with a capital base of $100 billion before the end of 2015. As of October 2015, 57 countries from all continents of the world are prospective members of AIIB. The second new entrant in Asia’s infrastructure financing landscape is the New Development Bank (NDB), being created by the five leading emerging economies: Brazil, the PRC, India, the Russian Federation, and South Africa (collectively referred to as the BRICS). The NDB will be headquartered in Shanghai and will have an initial capital base of $50 billion. It is planned to become operational in 2016. The BRICS countries have decided to set up a contingent reserve arrangement (CRA) facility, with five countries as contributing parties to create a $100 billion pool of committed resources. The CRA will provide a framework for members to access support through liquidity and precautionary instruments in response to actual or potential short-term balance of payment pressures. The Green Climate Fund (GCF) is another relatively new initiative which aims to assist developing countries in adaptation and mitigation practices to counter climate change. The GCF, which is under the framework of the United Nations Framework Convention on Climate Change, is based in Incheon, Republic of Korea.

216. **Recent East Asia, Southeast Asia, and South Asia initiatives.** A recent RCI initiative is the Bangladesh-China-India-Myanmar (BCIM) Economic Corridor, which aims to establish a multi-modal corridor between the four countries, with its centerpiece being the construction of a four-lane expressway linking them. This initiative could also facilitate a link to a port city in Myanmar. Recently, the PRC agreed with Pakistan to pursue the development of a road and economic corridor from the newly opened land port in Karasu in western Xinjiang Uygur Autonomous Region, PRC, through Tajikistan and Pakistan to the southern Pakistan port city of Gwadar.

217. India has long been contemplating a road connection through Myanmar to Thailand and the BCIM initiative has helped renew its interest in pursuing an expressway link to connect India with Bangkok. A recent ADB and ADBI publication has estimated that the prospective economic benefits from connecting South Asia and Southeast Asia are large.\(^{118}\)

218. **Recent Central Asia and South Asia initiatives.** A major RCI initiative being pursued jointly by Tajikistan, Afghanistan, Pakistan and India (TAPI) is the TAPI Gas Pipeline Project, which has been conceptualized with the help of ADB and supported with significant TA over past 10 years. Upon completion, the project will export 33 billion cubic meters of natural gas per year from Turkmenistan to Afghanistan, India, and Pakistan over the next 30 years. In November 2014, the TAPI Pipeline Company Limited (TPCL) was established with equal shareholdings by the four state gas companies in the participating countries. The project will be implemented as a build-operate-transfer project managed by a commercial consortium leader. In Central Asia, the Eurasian Economic Union (EEU)\(^{119}\) is planning to leverage the resources of the Eurasian Development Bank (EDB) headquartered in Almaty to increase subregional infrastructure development among its member countries.\(^{120}\) Another recent Central

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\(^{118}\) ADBI and ADB. 2015. *Connecting South Asia and Southeast Asia.* Tokyo: ADBI. The study estimates that connecting the two regions with highways, railroads, ports and energy trading would require $73 billion in investment. The potential welfare gains are estimated at $375 billion (8.9% of GDP) for South Asia and $193 billion (6.4% of GDP) for Southeast Asia.

\(^{119}\) Members as of October 2015: Belarus, Kazakhstan, Kyrgyz Republic, Russian Federation, and Tajikistan.

\(^{120}\) Members as of October 2015: Armenia, Belarus, Kazakhstan, Kyrgyz Republic, Russian Federation, and Tajikistan.
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Asia–South Asia initiative is the Shanghai Cooperation Organization\textsuperscript{121} which is expanding to include India and Pakistan as full members.

C. Strategic Options

219. This TES has developed three hypothetical scenarios to help stimulate debate on strategic options for ADB in future. The scenarios are deliberately extreme. They are: (i) ADB focuses exclusively on knowledge and research, (ii) ADB establishes special subsidiaries for RCI operations and research, and (iii) ADB creates a super-secretariat to manage multiple sub-regional country clusters covering the entire Asia and Pacific region. At present ADB support for RCI is closest to scenario (i), and provides the common denominator for all three scenarios, which are expected to align with the existing operational priorities at ADB. The scenarios are examined using a strengths, weaknesses, opportunities and threats (SWOT) analysis against the current RCI institutional arrangements at ADB. The SWOT analysis presented in Linked Document 12, Section C, takes an institutional perspective and focuses on how the hypothetical institutions would achieve the objectives of Strategy 2020 and the RCI agenda.

220. The SWOT analysis shows that each scenario has strengths and weaknesses and non-captured opportunities and threats. However, some important overall observations can be made. In general, fragmentation across departments and across pillars is a constraint on the implementation of strategically coherent and successful RCI operations. Effective horizontal cross-fertilization and cooperation would be a minimum remedy to this problem. However, a unified RCI business complex, organized in business streams corresponding to the objectives of Strategy 2020, and having an exclusive mandate to deliver RCI outputs, would probably be the most effective way of addressing this fragmentation. A delineation between attention to national issues with RCI relevance and RCI outputs that are regional, involving two or more countries, may also warrant consideration. This distinction is important because of the uniqueness of these types of RCI operations, which have multiple debtors and stakeholders, and require, for example, special IT systems for portfolio management and risk exposure assessment.

D. Proposed Framework for the RCI Agenda

221. Due to the heterogeneity of the Asian subregions and ADB’s countries, the RCIS adopted a multi-track, multi-speed approach. However, this flexibility had drawbacks, notably an imbalance across the pillars and insufficient attention to the needs of some countries. There is also some confusion as to how the second generation RCI work envisaged in the MTR strategically fits with the current RCIS structure, as well as how this would relate to any new directions stemming from the RCI operational plan currently being prepared. It would be useful for the RCI operational plan to be guided by a framework that illustrates where and how the various moving parts of a RCI agenda fit together. Figure 30 proposes a framework that may be useful for guiding future RCI work. It envisages a broadening and deepening of ADB’s RCI agenda.

\textsuperscript{121} The Shanghai Cooperation Organization (SCO) is an intergovernmental organization founded on 15 June 2001 in Shanghai by the People’s Republic of China, Kazakhstan, Kyrgyz Republic, Russia, Tajikistan, and Uzbekistan. The main objectives of the SCO are to (i) strengthen relations among member states; (ii) promote cooperation in political affairs, economics and trade, scientific-technical, cultural, and educational spheres as well as in energy, transportation, tourism, and environmental protection; (iv) safeguard regional peace, security, and stability; and (v) create a democratic, equitable international political and economic order.
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222. **Broadening across the RCI pillars.** ADB’s RCI agenda has been dominated by pillar 1 activities, mainly transport and power connectivity, both in terms of the RCIS’s design and in terms of operational activities and results achieved. Pillar 1 activities and results have been sizable and ADB should continue working in this pillar. However, as noted in Chapter 4, country demand has shifted in some subregions and ADB needs to rebalance its work across the other pillars. In the future, the framework envisages ADB’s RCI work would move gradually right across the pillars to include more pillar 2, 3, and 4 activities. This is both in line with the MTR’s suggestion of focusing on second generation RCI initiatives, as well as with the new SDGs directed at climate and the environment.

223. **Deepening the country categories.** The RCIS mentioned the need to pay attention to the needs of smaller and disadvantaged ADB members, particularly small island countries. However, it included little discussion on approaches tailored to these countries, or to the needs of landlocked countries. ADB’s RCI work over the period 2003–2014 has mainly been focused on low-income countries, middle-income countries, and landlocked countries. Fragile, linchpin and island countries have received proportionately less RCI support from ADB. In particular, island countries received only three loans or grants ($27.7 million) during the period, representing just 1% of loan or grant approvals by number and 0.1% by amount (Linked Document 11, Table 21). In
future, the framework envisages that ADB’s RCI work would move down the ADB member categories to include more RCI work in linchpin, island and fragile countries.

224. The intention of the proposed framework is to provide guidance for ADB’s future work and for this reason it is not prescriptive about the exact areas (boxes) for future work. It is recognized that the degree of broadening and deepening would not be uniform, but would depend on the country and the prevailing subregional context. For example, financial integration will not be relevant for isolated economies with low levels of domestic savings so the corresponding box in the framework would not involve any work. As a result, the strategic movement should not be viewed as a wholesale shift from the top-left corner to the bottom-right corner of the framework. Instead, it should be viewed as a gradual expansion of ADB’s activities to selectively include more work in the bottom and right boxes, where ADB to date has been relatively less active.
The preceding chapters bring out the success registered by the projects labeled RCI relative to other projects, and call attention to factors that contributed to this outcome. The project results, especially as they relate to a small share of the portfolio, are one part of the input needed to drive strategy. In the context of RCI as a strategic direction, the report looks at actions, including for good project results, that connect ADB’s strengths with country needs. That review is the basis of the conclusion that ADB needs to and can go much farther in its scope and scale of RCI activities and the impact sought in the region. This chapter presents key findings, key issues, and recommendations.

A. Findings

226. **Success of RCI projects.** ADB has managed to mainstream the RCI agenda and carry out RCI work as part of its operations. The RCIS’s delineation of pillars across the departments allowed different departments to contribute to the RCI agenda, even if this was not a fully integrated or well-coordinated effort. Key stakeholders in governments and development partners gave ADB good marks for its RCI work. The MOPAN Report, which assesses MDBs’ effectiveness via surveys, ranked RCI as the highest rated cross-cutting theme in ADB.

227. **Main subregional cooperation programs have been effective.** The three main subregional programs, GMS, CAREC, and SASEC, taken as a whole have enabled closer coordination and collaboration among countries. ADB displayed flexibility in identifying priority sectors.

228. **There are important weaknesses in the RCI policies and strategies, some of which have been corrected during implementation.** The RCIS had a number of design weaknesses, including an imbalance among the pillars, unclear delineation of trade facilitation-related activities, omission of important activities in one of the pillars, and two poorly defined RCI roles. Several of these drawbacks were mitigated or corrected during implementation of the RCI agenda. For example, although the RCIS’s pillars 1 and 2 omitted to mention the development of economic corridors, ADB has provided this form of support in its main subregional programs. Similarly, RCIS pillar 4 omitted to mention biodiversity management, although limited work has been undertaken in this area in the GMS program. There is considerable imbalance among the pillars, although these improved over time, with pillar 2 activities growing progressively.

229. **Wide scope for future RCI work.** The analysis of country demand indicates that overall demand for ADB’s RCI work is fairly stable. As demonstrated by the DEA analysis
in the preceding chapter, there is evidence of large untapped potential for RCI in the Asia and Pacific region (Figure 29).

B. Key Issues

230. The classification of trade facilitation-related activities needs to be clarified. The RCIS confusingly included elements of trade facilitation and related activities under both pillars 1 and 2. It also did not mention other areas of trade-related support, such as support for the development of economic corridors, special border economic zones, cross-border supply and value chains, and the associated border and behind-the-border regulatory and legal environment needed to facilitate trade and investments across borders. This lack of clarity is one of the reasons for the pillar misclassifications noted in Chapter 6. To avoid these types of problems in the future, the RCI operational plan should clearly indicate where these activities reside within the RCIS’s pillar system.

231. The project approvals database contains projects with incorrect RCI pillar classifications. There were some omissions or inaccuracies in identifying the RCI pillar for particular projects. This misclassification is a general issue and it reflects widespread misreporting across other thematic areas. The database should be cleaned, mislabeled projects retagged, and new projects more rigorously vetted to ensure thematic classifications are in line with the guidelines.

232. Clarity is needed on what constitutes a regional project. The current regional project definition is too broad and it does not give enough emphasis to the important regional integration work that is being undertaken by ADB. This result appears to be the reason for the large number of project misclassifications in ADB’s reporting system. Possible options to improve the definitions are either to formulate a narrower “regional project” definition or to add a new indicator to better differentiate regional integration projects from regional cooperation projects. Since ADB’s project definition is linked to its Strategy 2020 operational goal, any narrowing of the definition would necessitate a reduction in the operational goal.

233. There is a need to ensure that in the future subregional and cross-subregional strategic planning has Board and ADB Management direction and oversight. In recent years ADB’s RCSs in the GMS and CAREC regions were allowed to lapse without an evaluation of past performance being undertaken, nor new RCSs being formulated. In both of these subregions strategic guidance is being provided by independent, region-wide strategic frameworks. On the positive side, these independent frameworks appear comprehensive and of high quality and demonstrate country ownership of the strategy. Less positively, they have deprived ADB Management and the Board of the opportunity to guide engagement and monitor progress of past RCSs and to influence future strategic directions. The need for more cross-subregional work, as identified by the MTR, is also a related strategic planning issue that goes beyond the subregional level. Given the rapidly changing economic and geopolitical realities in the subregions, it would be useful for ADB’s strategic planning processes to balance better the needs of country ownership, strategic value addition, and Board and Management oversight.

234. ADB needs to consider how best to address the RCI needs of graduated and middle-income countries. ADB has a growing number of graduated and middle-income members whose needs and demands (including for RCI work) are evolving. On the knowledge side, ADB has undertaken some seminal studies, such as Asia 2050, that have identified areas where middle-income countries need to pay more attention and has followed this up with more detailed studies (e.g., the flagship publication
Innovative Asia: Advancing the Knowledge-Based Economy) to delve into the solutions to problems faced by middle-income countries. In addition, knowledge-sharing platforms, such as the Regional Knowledge Sharing Initiative in the PRC, are promoting South–South cooperation via mutual learning and sharing of development experience. More can be done to address middle-income countries’ RCI needs, both in terms of (i) providing international best practices to such countries, and (ii) sharing Asian countries’ best practices with other countries in Asia and the Pacific and other regions (South–South learning). Two forthcoming IED studies that should provide more guidance on how ADB should work with graduated and middle-income countries are: (i) the Corporate Evaluation Study on the Effectiveness of ADB’s Partnerships slated for completion in early 2016, and (ii) the Corporate Evaluation Study on ADB’s Support to Middle-Income Countries slated for completion in late 2016.

235. Ongoing and future regional initiatives will have major implications for ADB’s future RCI partnerships. Recent initiatives include the Asian Infrastructure Investment Bank, the New Development Bank, the Silk Road and Belt Initiative, and other initiatives. ADB will need to monitor these, build bridges between them and the ADB work program, and complement them when possible. ADB should be flexible in allocating staff and other resources to take maximum advantage of partnership opportunities.

C. Recommendations

236. Recommendation 1: Broaden the RCI agenda by doing more work in pillars 2, 3 and 4. In line with the RCI framework in Figure 30, the following changes are recommended to broaden the RCI agenda: (i) under either pillar 1 and/or 2 (see first issue on lack of clarity on the classification of trade facilitation work), undertake more activities (both lending and non-lending) for (a) economic corridors, (b) special economic zones and border economic zones, and (c) cross-border supply and value chains and the associated border and behind-the-border regulatory and legal environment needed to facilitate trade and investment movements across the border; (ii) under pillar 3, expand work (in both Southeast Asia and other subregions) for economic surveillance, deepening and harmonizing financial markets; (iii) under pillar 4, revise the pillar’s title to “Other RPGs and Cross-Pillar issues,” and pay more attention to natural resource cooperation issues (such as transboundary water resources management, transboundary air pollution, forestry management, fisheries management, and biodiversity management) and emerging areas such as labor mobility, food security, and regional disaster risk management. It is recognized this broadening may adversely affect the likelihood of meeting the Strategy 2020 target of 30% of total operations being RCI by 2020 and, thus, should be undertaken in a phased manner.

237. Recommendation 2: Deepen the RCI agenda by paying greater attention to the needs of fragile, island and linchpin countries. Certain Asian subregions and landlocked and island countries face geographical and other constraints and ADB’s RCI approaches can be better tailored to tackle these. The adoption of successful approaches from other similar regions in other parts of the world with more advanced levels of integration may be a good way of tackling these constraints (e.g., the Pacific can learn from the Caribbean experience). Similarly, “linchpin countries” have the potential to yield high impacts from RCI activities. In line with the proposed RCI framework in Figure 30, ADB’s activities in the future should give greater attention to these countries to deepen the RCI agenda.
238. **Recommendation 3: Continue the RCI agenda in pillar 1.** ADB’s track record in the field of infrastructure development gives it an advantage and its well-established subregional cooperation programs have been successful (albeit in varying degrees) in coordinating the planning and implementation of infrastructure projects and the associated software. Options for continuing the RCI agenda in pillar 1 include: (i) completing the large unfinished pillar 1 agenda (not just in the individual subregions, but also intrasubregionally), including both the massive infrastructure investment program and providing cross-border systems and procedures for clearance of people and goods; (ii) assisting in addressing the emerging new regional agenda in pillar 1, including new subregional initiatives intraregional transportation (e.g., the Republic of Korea’s Eurasia Initiative); (iii) expanding innovation and value addition within pillar 1 lending and TA support in line with the MTR agenda on knowledge and innovation; and (iv) developing new infrastructure lending and TA support by using the strong RCI platforms. ADB has established as a vehicle for advancing key regionally and subregionally relevant sector agendas in many countries, including in such areas as road safety, road asset management, and logistics development.

239. **Recommendation 4: Improve intrasubregional intersubregional and operational/non-operational RCI work coordination.** Three types of coordination problems are identified in the TES. First, there are real and perceived turf issues between regional departments working in the same subregional program. Second, there are coordination issues among the various programs even when they are not working in the same countries. Third, there is a disconnect between much of the RCI work being undertaken by the knowledge departments on the one hand and the RCI work under the operational departments’ subregional programs on the other hand. Options should be explored to resolve all of these coordination difficulties.

240. To address the intrasubregional difficulties, one option that ADB may consider is to replicate in other subregional programs the East Asia Department’s successful support to CAREC for its trade facilitation working group. This kind of cross-departmental link should become the norm, rather than the exception. To address the intersubregional difficulties, ADB should make more efforts to share experiences across subregional programs to increase opportunities for cross-fertilization of successful RCI approaches. As an example, it would be beneficial to build more knowledge partnerships either through South–South knowledge exchange or by setting up knowledge hubs, as is being done already in some of the subregions. To address the operational/non-operational difficulties, ADB could consider means to foster more collaboration between the knowledge departments and the operational departments by creating better incentives for such collaboration.

241. **Recommendation 5: Strengthen country ownership in the ADB secretariat-led subregional cooperation programs.** Across the board, ADB is viewed as having done a good job in administering the three secretariat-led programs: GMS, CAREC, and SASEC. This good performance has been further bolstered by the high success rates of completed and evaluated projects under these programs, although CAREC’s performance has been notably lower than those of the other two. To ensure the sustainability of these efforts and foster more ownership at the country level, there is a strong rationale for ADB to encourage countries to take over more of the coordination activities of the programs over time. Even though ADB would retain its central role in the secretariats, it should be developing modalities and approaches to slowly devolve certain program secretariat functions to the countries’ governments in a phased and sequenced manner over a medium- to long-term period. This could be initiated in the GMS secretariat as a pilot initiative, since this secretariat has been operating longest
and has a more extensive internal structure than the other two. Central to this devolution process would be the provision of capacity building assistance to the countries’ national and sectoral focal points so they can assume responsibility for the added functions and roles expected of them. This devolution should be undertaken in a way that does not detract from ADB’s important honest broker role in the subregions.

242. **Recommendation 6: Develop new RCI project models.** Many GMS countries are moving away from the traditional RCI cross-border road and power infrastructure sectors. If it wishes to meet the Strategy 2020 target of 30% of total operations to be RCI projects by 2020, ADB should rapidly develop new RCI-related project models, including private sector and public–private partnership models, to supplement, where appropriate and feasible, ADB’s conventional modalities. Another option that may be considered is to streamline institutional and procedural arrangements for the preparation of multi-country regional projects.
APPENDIX: LIST OF LINKED DOCUMENTS AND SUPPLEMENTARY APPENDIXES

Linked Documents

1. Glossary of Terms and Definitions

2. Evaluation Framework and Rating Methodology

3. Status of Global, Regional and Subregional Integration Efforts

4. Global and Regional Institutions

5. RCI Initiatives, Institutional Structures, and Processes

6. Previous Evaluation Studies

7. Summary of Subregional Case Studies

8. Summary of ADB Staff and Countries’ Perceptions Survey Results

9. Comparator Assessment

10. Validation of Regional Cooperation and Integration Results Framework Achievements

11. Summary of RCI Stocktakings

12. Regional Cooperation and Integration Performance

13. Future Strategic Directions
Supplementary Appendixes (available from IED upon request)

A. Literature Review
B. Case Study of Greater Mekong Subregional Program
C. Case Study of Central Asia Regional Program
D. Case Study of South Asia Subregional Program
E. Quick Review of Other ADB Regional and Subregional Programs
F. Regional Strategies of Selected Countries
G. Regional Cooperation and Integration in Landlocked and Island Countries
H. Regional Cooperation and Integration in Linchpin Countries
I. Survey Questionnaires
J. Comparator Profiles
K. Achievements of the RCIS’s Results Framework Self-Assessment
L. Corporate, Subregional and Country Policies and Strategies Dealing with RCI
M. Comparison of RCIS versus Subregional Strategies
N. Regional Cooperation and Integration Fund Assessment
O. Detailed RCI Project Stocktaking
P. Detailed RCI Knowledge Product Stocktaking
Q. Evaluation of Selected Sovereign Loan and Grant Projects and Non-Sovereign Operations
R. Evaluation Criteria Ratings