

## MANAGEMENT RESPONSE TO IED REPORT: THEMATIC EVALUATION STUDY ON ASIAN DEVELOPMENT BANK SUPPORT FOR REGIONAL COOPERATION AND INTEGRATION

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.<sup>1</sup>

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.

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<sup>1</sup> The options provided in the report are interesting possibilities, but adoption will depend on national and regional priorities. These specific options will not be reported in the Management Action Record System.