



Regional Cooperation Strategy and Program

South Asia (2006–2008)

CURRENCY EQUIVALENTS

(as of 31 December 2005)

Afghanistan	Currency Unit	–	afghani (AF)
	AF1.00	=	\$0.0201
	\$1.00	=	AF49.72 ¹
Bangladesh	Currency Unit	–	taka (Tk)
	Tk1.00	=	\$0.0151
	\$1.00	=	Tk66.23
Bhutan	Currency Unit	–	ngultrum (Nu)
	Nu1.00	=	\$0.0222
	\$1.00	=	Nu45.05
India	Currency Unit	–	Indian rupee/s (Re/Rs)
	Re1.00	=	\$0.0222
	\$1.00	=	Rs45.00
Maldives	Currency Unit	–	rufiyaa (Rf)
	Rf1.00	=	\$0.0782
	\$1.00	=	Rf12.78
Nepal	Currency Unit	–	Nepalese rupee/s (NRe/NRs)
	NRe1.00	=	\$0.0139
	\$1.00	=	NRs72.00
Pakistan	Currency Unit	–	Pakistan rupee/s (PRe/PRs)
	PRe1.00	=	\$0.0167
	\$1.00	=	PRs59.77
Sri Lanka	Currency Unit	–	Sri Lanka rupee/s (SLRe/SLRs)
	SLRe1.00	=	\$0.0098
	\$1.00	=	SLRs102.11

¹ As of 14 December 2005

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
ASEAN	–	Association of Southeast Asian Nations
BIMSTEC	–	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
CAREC	–	Central Asia Regional Economic Cooperation
CSATTF	–	Central and South Asia Transport and Trade Forum
CSP	–	country strategy and program
DFID	–	Department for International Development
DMC	–	developing member country
ECO	–	Economic Cooperation Organization
EU	–	European Union
FDI	–	foreign direct investment
GDP	–	gross domestic product
GMS	–	Greater Mekong Subregion
ICT	–	information and communications technology
IPF	–	indicative planning figure
JBIC	–	Japan Bank for International Cooperation
MDGs	–	millennium development goals
MOU	–	memorandum of understanding
OCR	–	ordinary capital resources
OREI	–	Office of Regional Economic Integration
PRC	–	People's Republic of China
RCSP	–	regional cooperation strategy and program
SAARC	–	South Asian Association for Regional Cooperation
SAFTA	–	South Asian Free Trade Area
SAGQ	–	South Asian Growth Quadrangle
SASEC	–	South Asia Subregional Economic Cooperation
SECSCA	–	Subregional Economic Cooperation in South and Central Asia
TA	–	technical assistance
TAP	–	Turkmenistan-Afghanistan-Pakistan
USAID	–	United States Agency for International Development

NOTES

- (i) The fiscal year of the Government of Afghanistan ends on 20 March.
- (ii) The fiscal year of the Government of Bangladesh ends on 30 June.
- (iii) The fiscal year of the Government of Bhutan ends on 30 June.
- (iv) The fiscal year of the Government of India ends on 31 March.
- (v) The fiscal year of the Government of the Maldives ends on 31 December.
- (vi) The fiscal year of the Government of Nepal ends on 15 July.
- (vii) The fiscal year of the Government of Pakistan ends on 30 June.
- (viii) The fiscal year of the Government of Sri Lanka ends on 31 December.
- (ix) In this report, "\$" refers to US dollars.

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CONTENTS

	Page
EXECUTIVE SUMMARY	i
I. BACKGROUND	1
II. DEVELOPMENT TRENDS	2
A. Accelerated Growth and Stability	2
B. Poverty Reduction	6
C. Social Development	6
D. Future Development Goals	8
III. ACCELERATED DEVELOPMENT THROUGH COOPERATION	8
A. Increasing Trade and Investment	9
B. Improving Infrastructure Connectivity	10
C. Promoting Joint Prospects to Develop National Resources and Tourism	11
D. Minimizing Negative Externalities and Conflict	12
IV. REGIONAL COOPERATION IN SOUTH ASIA	12
A. Regional Cooperation by South Asian Countries	12
B. ADB's Support for Regional Cooperation and Subregional Cooperation in South Asia	15
V. MAJOR LESSONS LEARNED	18
A. Ensure Strong Political Commitment and Ownership	18
B. Focus on Quick-Yielding Projects	19
C. Provide Effective Institutional Framework for Implementing Projects	19
D. Achieve a Balance between Hard and Soft Infrastructure	19
E. Fund Subregional and Regional Projects	20
F. Involve the Private Sector	20
VI. THE ADB STRATEGY	20
A. Vision and Goal	20
B. Operational Objectives of the Strategy	20
C. Operational Approaches of the Strategy	22
VII. ADB'S ASSISTANCE PROGRAM	24
VIII. RISKS, PERFORMANCE MONITORING AND EVALUATION	26
A. Risks	26
B. Monitoring and Evaluation	26
THE RESULTS FRAMEWORK MATRIX (2006 – 2008)	28

APPENDIXES

1.	Regional Economic, Social, and Environment Indicators	30
	Table A1.1: Economic Indicators of South Asian Countries	30
	Table A1.2: Social and Poverty Indicators of South Asian Countries	32
	Table A1.3: Environment Indicators of South Asian Countries	33
2.	Assistance Pipeline for Lending and Nonlending Products	34
	Table A2.1: Assistance Pipeline for Lending Products	34
	Table A2.2: Assistance Pipeline for Nonlending Products and Services	36
3.	Concept Papers for Lending Products and Services	38
4.	Concept Papers for Nonlending Products and Services	41
5.	Progress of SASEC and SECSCA Programs	75

EXECUTIVE SUMMARY

The South Asia region, in the Asian Development Bank (ADB) context, includes Afghanistan, Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan, and Sri Lanka. The latest available statistics indicate the region has about 23% of the world's population and 15% of the world's arable land, but only about 2% of global gross domestic product, 1.2% of world trade, and less than 1% of global foreign investment and tourism revenues. Despite recent rapid economic growth, the region is still home to about 410 million of the 720 million poor living in the Asia and Pacific region. In 2004, South Asia's per capita income was \$607, substantially below the per capita income for developing countries as a whole. In addition, key development indicators in South Asia suggest that social development still remains low relative to other regions in Asia, such as Southeast and East Asia.

For South Asia to enhance economic and social development and achieve the Millennium Development Goals (MDGs) by 2015, economic growth needs to be sustained and accelerated. Regional economic cooperation can help promote economic and social development by expanding markets for goods, services, and investment; encouraging better allocation and utilization of existing resources through trade and investment liberalization; improving regional and interregional connectivity in transport and communications infrastructure; promoting joint projects for better utilization of natural resources; and reducing negative regional externalities and conflict. For South Asia, these potential opportunities and benefits are significantly increased when cooperation is extended to East, Southeast, and Central Asia. Because of its geographic location in Asia, South Asia could act as a land bridge linking neighboring regions, thereby contributing to the integration of Asia as a whole.

The South Asian Association for Regional Cooperation (SAARC), established in 1985, was the first regional cooperation initiative in South Asia. The progress of economic cooperation under SAARC was, until recently, slower than expected, in part reflecting the diversity of interests in the region and tensions between some of SAARC's member countries. Therefore, subregional cooperation among a subset of the member countries became a possible modality for advancing cooperation activities in South Asia. This subregional modality under the SAARC framework was accepted at the SAARC summit in 1997.

In 1996, four of the seven SAARC members—Bangladesh, Bhutan, India, and Nepal—formed the South Asian Growth Quadrangle (SAGQ) to accelerate sustainable economic development. To support and facilitate this economic cooperation initiative, the South Asia Subregional Economic Cooperation (SASEC) program was launched in 2001 with ADB assistance. This program, supported through a series of technical assistance (TA), provides a forum for the four countries to discuss, identify, and prioritize subregional cooperation projects in the six priority sectors: energy and power; environment; information and communications technology; tourism; trade, investment, and private sector cooperation; and transport.

In December 2003, the Subregional Economic Cooperation in South and Central Asia (SECSCA) program was initiated to facilitate interregional economic cooperation among Afghanistan, Pakistan, and some Central Asian republics. It initially focused on transport corridors linking Central and South Asia, and associated trade facilitation and transit issues. In addition, countries in the western part of Asia are also exploring project-based cooperation initiatives, such as potential gas pipeline projects.

The successful outcome of the 12th SAARC Summit (Islamabad, January 2004) and the greatly improved relations among the members, prior to and following the summit, represented a watershed that has significantly enhanced the prospects for regional cooperation in South Asia. The Islamabad Declaration developed by the summit pledged to intensify cooperation and eradicate poverty in South Asia, and to resolve any conflict and dispute through peaceful means. The 13th SAARC Summit held in Dhaka on 12 and 13 November 2005, was also a major success. Apart from reaffirming their commitment to the pledges made at the previous summits, the Heads of state or government of the SAARC member countries (the SAARC leaders) stressed that accelerating cooperation in the core economic areas was of vital importance for making South Asia truly vibrant, dynamic and secure. Given the important role that Afghanistan plays in connecting Central and South Asia, Afghanistan was inducted as the eighth member of SAARC.

South Asia's interest in developing closer cooperation with regional groupings in Southeast Asia, the Greater Mekong Subregion (GMS), and the Association of Southeast Asian Nations (ASEAN) is also growing. Countries in South and Southeast Asia have started a number of interregional cooperation initiatives, such as the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC). The heads of state or government of BIMSTEC member countries affirmed their commitments to pursue cross-regional cooperation under the BIMSTEC framework at the first summit meeting in July 2004.

ADB's overall vision for Asia and the Pacific is for a prosperous region free from poverty. ADB recognizes that regional cooperation has a critical role to play in realizing this. As a result, the goal of ADB's regional cooperation strategy in South Asia—the poorest and least integrated region in Asia—is to help the region realize its full potential in economic and social development and to enable South Asia to play an effective part in wider Asian integration. Reduced poverty and closer regional and cross-regional integration will also help promote peace and security within South Asia and beyond. Based on South Asia's regional context, the potential opportunities and benefits of regional cooperation, lessons learned, discussions with governments and other stakeholders, as well as ADB's own comparative advantages, the strategy has five key operational objectives to achieve the goal: improve connectivity, facilitate trade and investment, develop regional tourism, facilitate cooperation in energy, and promote private sector cooperation.

Improve Connectivity. Improving transport and communications connectivity will reduce transportation and communication costs, increase South Asia's competitiveness, and facilitate the movement of goods and people, thereby promoting economic and social development. In fulfilling this objective, the connectivity enhancement of key modes of transport (road, rail, inland waterways, sea, and air) and communications, and projects that can help connect capital cities and key economic centers within South Asia and beyond, will be strongly supported.

Facilitate Trade and Investment. Intraregional trade in South Asia is extremely low compared with other regions, such as the areas represented by the ASEAN and GMS. Intra- and interregional trade need to be increased to accelerate economic growth. Key activities to be supported to reduce and/or remove both trade and nontrade barriers include promoting customs reform in simplifying and harmonizing rules, standards, procedures, classification, and documentation; facilitating transit agreements; promoting efficient banking and insurance services; and improving border facilities and transport infrastructure. These measures will enhance the competitiveness of goods and services produced in South Asia.

Develop Regional Tourism. South Asia's rich and diverse tourism resources, such as historical heritage, ecology, landscape, and culture, have yet to be fully developed. Tremendous potential exists for development of this sector, including an expansion of tourism from within the region. Tourism development creates expanded economic opportunities, and generates employment and incomes, particularly for the poor. Well-planned and managed tourism development will also promote the preservation of local cultures and conservation of the environment.

Facilitate Cooperation in Energy. Efficient exploitation and use of energy, including power, gas, and oil, are critical in promoting economic and social development. However, the progress of cooperation in the energy sector has been limited and slow because of strong national interests and sensitivities over energy trade. Nonetheless, significant opportunities exist for cooperation in the joint development of energy resources in energy-rich countries for export to energy-deficient countries within South Asia and neighboring regions.

Promote Private Sector Cooperation. While support for private sector initiatives will be an integral component in pursuing the first four objectives, it also deserves to be separately highlighted because of its potential role in catalyzing regional cooperation activities. The private sector is motivated by economic incentives and is less constrained to undertake cooperation activities between and among a group of countries within and outside the region.

Cross border cooperation in water and the environment is important and needed. However, cooperation in these areas is extremely difficult because of inherent sensitivities and complexities. Cooperation on general matters involving water and the environment, such as knowledge-based cooperation on research and information sharing as well as capacity building, can lay the basis for building confidence for more difficult cross-border projects. Thus, in the short and medium term, such knowledge-based cooperation and capacity building activities will be supported. As opportunities arise, a similar approach will also be taken with respect to support to other areas, such as communicable diseases, human trafficking, child labor and money laundering, working in close cooperation with other development partners.

To achieve the operational objectives, six complementary operational approaches will be pursued: support for project and/or program-based cooperation, support for ongoing subregional cooperation initiatives, promotion of interregional cooperation, strengthening of regional cooperation, strengthening of mechanisms to deliver cooperation projects, and strengthening of coordination with other development partners.

Support for Project and/or Program-Based Cooperation. A regional cooperation program cannot be strengthened and sustained unless the participating countries see tangible or visible benefits from cooperation activities. Demonstrating the benefits from cooperation within a relatively short time horizon is critically important. Quick and successful implementation of regional cooperation activities will enhance trust and confidence, and strengthen political support for subregional and regional cooperation. Thus, identifying and implementing quick-yielding cooperation projects and programs will be one of the key ways to help achieve the five operational objectives.

Support for Ongoing Subregional Cooperation Initiatives. In general, the smaller the number of countries involved in a cooperation program, the easier consensus and agreement can be reached on common priorities, and cooperation activities identified and implemented. Subregional cooperation programs such as SASEC and SECSCA are expected to remain core programs through which to promote project-based cooperation.

Promotion of Interregional Cooperation. Most of the South Asian countries have shown a growing interest in exploring closer ties with neighboring regions. The participating countries in SASEC (Bangladesh, Bhutan, India, and Nepal) are keen to establish closer economic ties with Southeast Asian countries and beyond. With the accession of Bhutan and Nepal to BIMSTEC, all four SASEC countries are now BIMSTEC members. The SASEC Country Advisors' Meeting, 22–23 July 2005, endorsed closer coordination and cooperation with BIMSTEC to maximize synergies and avoid duplication. The ADB-assisted SECSCA program is also a cross-regional initiative.

Strengthening of Regional Cooperation. While the subregional approach will continue, ADB will also support regionwide cooperation. ADB will work with the SAARC Secretariat within the framework of the memorandum of understanding between the two organizations signed in April 2004. TA will be provided to support certain priority areas set out in both the Islamabad and Dhaka Declarations to contribute to regional integration where ADB has comparative strengths. These areas may include transport connectivity, regional energy networking, capacity building and finance ministers' meeting.

Strengthening of Mechanisms to Deliver Cooperation Projects. To effectively identify, prioritize, and implement subregional cooperation projects and programs, an institutional mechanism must be built. Sector working groups established to carry out such activities under ADB-supported cooperation programs, such as SASEC and SECSCA, need to be strengthened to deliver viable and quick-yielding cooperation projects and programs. In this context, ADB will continue to play a catalytic and facilitating role by providing the necessary technical and financial support.

Strengthening of Coordination with Other Development Partners. In implementing cooperation activities, ADB will actively coordinate and cooperate with other development partners, particularly with the World Bank, relevant United Nations agencies, Department for International Development, European Union, Japan Bank for International Cooperation, US Agency for International Development, and other bilateral partners, taking into consideration the comparative strengths of each partner to maximize the impact of regional cooperation activities.

The proposed lending program for 2006–2008 consists of 11 subregional cooperation projects, which include priority national projects having significant subregional benefits, totaling \$1,725 million. Of this total, \$1,530 million will be financed from ordinary capital resources, \$35 million from the Asian Development Fund (ADF) earmarked for the regional cooperation projects, and the balance of \$160 million will be from the ADF indicative planning figures (IPF) allocated to the respective countries. A nonlending program including 16 regional and subregional projects for the total of \$10.7 million is proposed for 2006–2007.

A number of risks may affect the strategy and program for regional cooperation in South Asia. The most serious risk comes from possible unfavorable political events that result in renewed tensions between countries in the region. Progress in regional cooperation will itself help to mitigate this risk. However, even if difficulties do emerge, by taking project-based and subregional approaches, many of the cooperation activities planned will still be able to move forward. A second risk is that countries may become frustrated at the slow progress of regional cooperation activities. The strategy seeks to minimize this risk by identifying and implementing quick-impact projects. A third risk relates to the perception that some participating countries will gain more than others from regional cooperation and integration in South Asia. This risk will be mitigated by focusing on high priority regional and subregional projects and programs that

deliver clear benefits to the participating countries. At the same time, many of the activities proposed under the RCSP will help sensitize policy makers, stakeholders, and the public of the benefits of regional cooperation and integration. Finally, lack of adequate funding may hold back implementation of regional cooperation projects. The strategy mitigates this risk by identifying the need to mobilize resources and build partnerships with other development partners and the private sector as one of its key elements.

I. BACKGROUND

1. The South Asia region, within the Asian Development Bank (ADB) context, includes Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka. The latest available data indicate that the region has about 23% of the world's population and 15% of the world's arable land, but only about 2% of global gross domestic product (GDP), 1.2% of world trade, and less than 1% of world foreign investment and tourism revenues.

2. The South Asian region is tremendously diverse in terms of country size, economic and social development, geography, political systems, languages, and cultures. In 2004, India's population was 1.09 billion and GDP was about \$694 billion, 3.1 and 3.8 times, respectively, of the combined population and GDP of the other seven South Asian countries.² Per capita incomes ranged from a low of \$232 in Afghanistan, \$271 in Nepal, \$1,011 in Sri Lanka, \$1,025 in Bhutan, to a high of \$2,601 in the Maldives. Among the three larger countries, Bangladesh, India, and Pakistan, which account for 94% of the region's population, the range of per capita income was narrower: \$418 in Bangladesh, and \$634 in India and \$639 in Pakistan. Three of the eight countries, Afghanistan, Nepal, and Bhutan, are landlocked and mountainous; while Sri Lanka is an island and the Maldives is an archipelago of low-lying coral islands in the central Indian Ocean.

3. The countries share many equally important characteristics. For centuries before and during the British era, the South Asian region had been, by and large, an open economic space with relatively free movement of goods, labor, capital, and currency. During the British era, the commonality of the region was deepened through a shared form of administration, judiciary, military, education system, and integrated transport and communication system. However, the events leading to and following the partition of British India (which had included most of South Asia) in 1947 brought about a fracturing in the politics and economies of the major countries in the region, and left deep scars on the psyche and politics. India and Pakistan fought three wars. The breakup of East and West Pakistan in 1971 was followed by tension between India, Pakistan, and Bangladesh. Sri Lanka and Nepal have faced civil conflicts, which at times have also affected relations with other countries in the region. Such tensions between the countries as well as civil conflict within a particular country have vitiated the atmosphere of cooperation in South Asia.

4. Another defining factor for regional cooperation is the dominance of India, both geographically and economically—it constitutes 62.2% of the area of South Asia as defined by ADB, 75.6% of the population, and 78.8% of the GDP in 2004. It is also the only country that shares its borders with the other South Asian countries, except for Afghanistan. Therefore, India's commitment and active participation will be a critical factor in moving regional cooperation initiatives forward. Furthermore, the imbalances in size and economies among countries in the region have combined to make regional cooperation in South Asia a particular challenge.

5. Despite efforts to improve regional cooperation, the stark fact is that South Asia is still less integrated economically than most other regions of the world, such as Southeast and East Asia, Europe, and the Americas. However, prospects for advancing regional cooperation are now better than at any time in the last 50 years. Common dangers to security posed by global

² The data used in the report are the latest available figures obtained from ADB. 2005. *Asian Development Outlook*. Manila; ADB. 2005. *Asian Development Outlook Update*. Manila; and ADB. 2004. *Key Indicators of Developing Asian and Pacific Countries*. Manila. Data for the rest of the world are drawn from World Bank. 2005. *World Development Indicators*. 2005. Available: <http://worldbank.org>.

terrorism are facilitating coordination among the countries in the region to take joint measures to deal with such dangers. Recognition is growing of the need for economic cooperation both within South Asia and with other regions, such as Southeast, East, and Central Asia. The outcome of the 12th South Asian Association for Regional Cooperation (SAARC) Summit held in Islamabad in January 2004 and the greatly improved relations between India and Pakistan prior to and following the summit, represented a watershed that has significantly enhanced the prospects for regional cooperation. The Islamabad Declaration developed at the summit pledged to intensify cooperation and eradicate poverty in South Asia and to resolve any conflict and dispute through peaceful means. The recently held 13th SAARC Summit, in Dhaka (12 and 13 November 2005) was also a major success. At the summit, the heads of state or government (the SAARC leaders) reaffirmed their commitment to making SAARC an effective instrument for cooperation and the realization of the vision of a South Asian Economic Union in a phased and planned manner. To this end, the SAARC leaders stressed the need to move cooperation forward by translating the decisions and pledges made at the previous summits into concrete projects and programs.

6. In addition, the heads of state or government of five South Asian countries: Bangladesh, Bhutan, India, Nepal, and Sri Lanka, together with those of Myanmar and Thailand, met on 31 July 2004 at the Summit Meeting of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), which was originally formed in 1997. The BIMSTEC member countries affirmed their commitment to pursue cross-regional cooperation under the BIMSTEC framework.

7. In western Asia, Afghanistan, coming out of decades of war, is determined to rebuild its economy and reestablish economic and transportation links with neighboring countries. It sees itself as a critical land bridge between Central Asia and countries to the south, including the South Asian region. Recognizing this importance, Afghanistan was inducted as the eighth member of SAARC at the Dhaka Summit, subject to the completion of necessary formalities.³ Thus, regional cooperation within South Asia and with other parts of Asia is gaining a salience that it did not have until recently.

II. DEVELOPMENT TRENDS

A. Accelerated Growth and Stability

8. Over the last few years, South Asia has been one of the fastest growing regions in the world. Between 2000 and 2004, the region registered an annual GDP growth rate of 5.6%, which was higher than the average annual growth rate of Southeast Asia of 4.9% but slightly below East Asia's (the fastest growing region) 6.8%. In 2005, GDP growth in South Asia is estimated to have accelerated to 6.8% per annum, higher than Southeast Asia's 5.0% and almost on a par with East Asia's 6.9%. Although such a high average GDP growth rate of South Asia was dominated by India, other South Asian countries also experienced relatively higher GDP growth exceeding 5.0% in 2004, except for Nepal, and in 2005, except for Nepal and the Maldives (Table 1).⁴ The lower growth rates of Nepal and the Maldives in 2005 were due to civil conflict in the case of Nepal and the heavy tsunami damage in the Maldives. South Asia's robust economic performance, supported by sustained growth in the industry and service

³ The SAARC member countries also agreed, in principle, to include Japan and the People's Republic of China as observers.

⁴ Internal conflict in Nepal has adversely affected certain economic activities, such as tourism, which in turn has interrupted its previously high GDP growth rates.

sectors, is expected to continue in 2006, with the average growth rate at 6.6%. This projected GDP growth rate is higher than Southeast Asia's projected 5.4% and comparable with East Asia's 6.9%.⁵

Table 1: Growth Rates of Gross Domestic Product (%)

Item	2000	2003	2004	2005 ^a	2006 ^a
South Asia	4.5	7.8	6.8	6.8	6.6
Afghanistan	—	15.7	8.0	13.6	10.0
Bangladesh	5.9	5.3	6.3	5.4	5.5
Bhutan	5.5	6.5	6.8	8.0	8.0
India	4.4	8.5	6.9	6.9	6.8
Maldives	4.8	8.4	8.8	1.0	9.0
Nepal	6.0	2.9	3.9	2.0	3.0
Pakistan	3.9	4.8	6.4	8.4	6.5
Sri Lanka	6.0	5.9	6.4	5.1	5.5
Selected Countries in Southeast and East Asia					
Cambodia	7.0	7.0	7.7	6.3	6.1
People's Republic of China	8.0	9.3	9.5	9.2	8.8
Indonesia	—	4.9	5.1	5.7	5.9
Lao People's Democratic Republic	5.8	5.9	6.5	7.2	8.0
Mongolia	1.1	5.6	10.6	7.0	5.5
Philippines	4.4	4.5	6.0	4.7	4.8
Thailand	4.8	6.9	6.1	4.0	5.0
Viet Nam	6.1	7.1	7.5	7.6	7.6

^a Asian Development Bank estimates.

— Data not available.

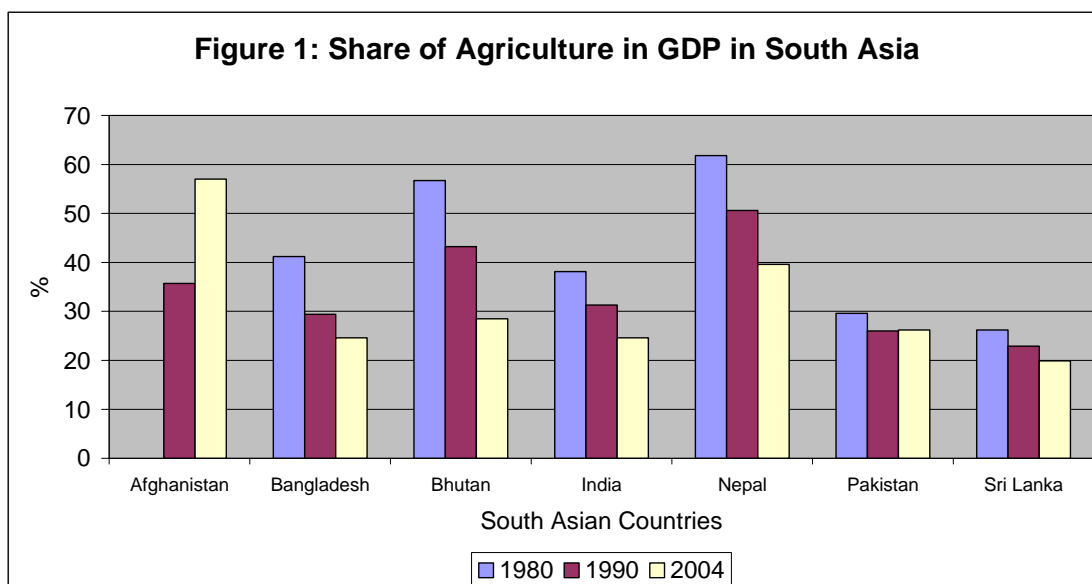
Source: Asian Development Bank. 2005. *Asian Development Outlook 2005 Update*. Manila.

9. Afghanistan, emerging from 25 years of conflict and disruption, does not have a long-term database to enable a meaningful assessment of economic development trends. According to the estimates of the Central Statistical Office, GDP in FY2004 was \$5.4 billion with a per capita GDP of \$232, one of the lowest in the world. Building on the devastated economic base at the cessation of over two decades of conflict, the estimated economic growth is estimated to be 11.3% for FY2005 and 10.0% for FY2006. This remarkable turnaround resulted from the end of a severe drought, beginning of construction and urban services induced by the international community's spending, and start of private sector activities encouraged by structural reforms.

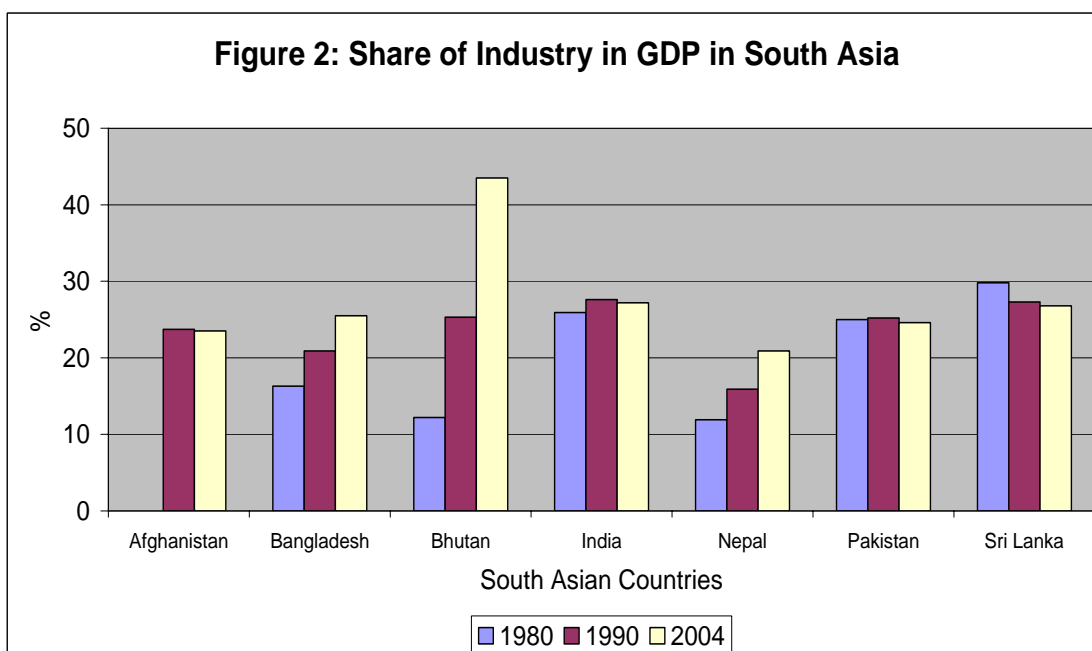
10. The improved overall economic performance of the region to a large extent reflects structural reform and liberalization policies being adopted by most South Asian countries from the mid-1980s. Such reforms encouraged market forces and the private sector to play a more prominent role in driving the economies, compared with the state-led development model of the 1960s and 1970s. The region's economy also moved away from a high degree of dependence on primary products to a more diversified economic mix with an increased share of industry and services (Figures 1, 2, and 3). The economic successes of East and Southeast Asian countries, especially during the early 1990s to 1997 before the Asian financial crisis, demonstrated that a liberalized and export-oriented economy is more conducive to rapid economic growth. Increased globalization and the opening up of South Asian markets to the rest of the world were also important features, particularly since 1990, and contributed to higher growth rates in the region.

⁵ ADB. 2005. *Asian Development Outlook Update 2005*. Manila.

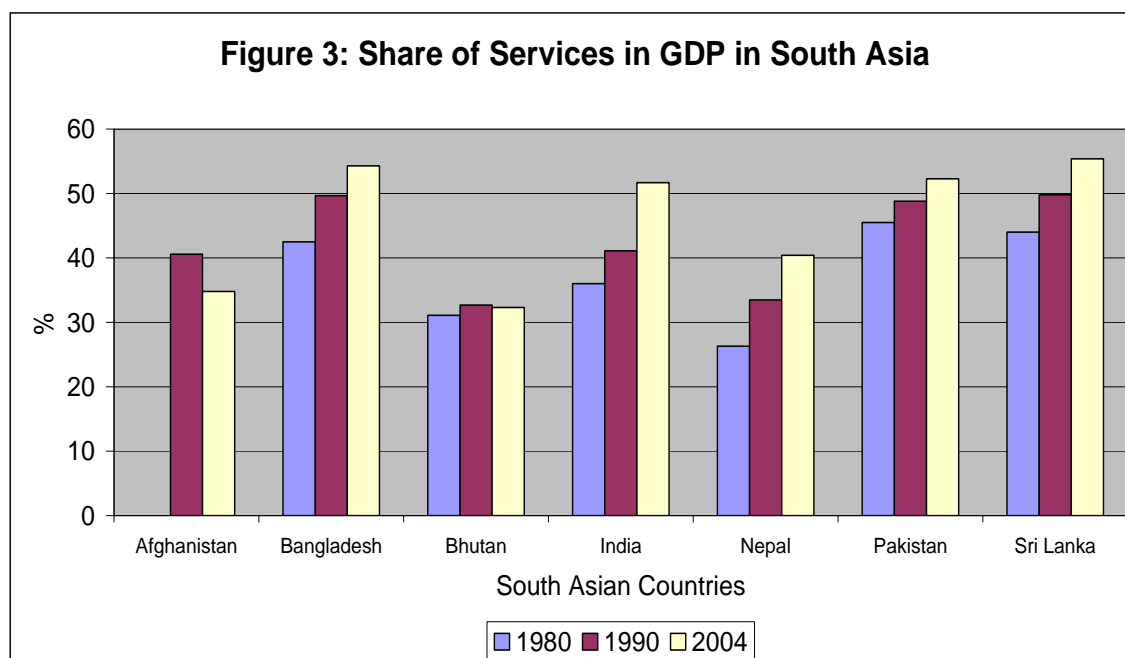
Average tariff rates declined substantially since the 1980s. Total trade (sum of export and import) as a percentage of GDP increased from 20.2% in 1990 to 35.2% in 2004. During the same period (1990-2004), the GDP share of merchandise exports of the region increased from 6.9% to 11.5%.



Data for Afghanistan (1980) and the Maldives are not available.
 Source: Asian Development Bank. 2005. *Key Indicators 2005*. Manila.



Data for Afghanistan (1980) and the Maldives are not available.
 Source: Asian Development Bank. 2005. *Key Indicators 2005*. Manila.



Data for Afghanistan (1980) and the Maldives are not available.
 Source: Asian Development Bank. 2005. *Key Indicators 2005*. Manila.

11. Macroeconomic stability is another important feature of South Asia's recent economic performance. Growth has been accompanied by relatively low inflation and a strong external position (Appendix 1, Table A1.1). In 2004, the average inflation rate of the region was 6.3%.⁶ Inflation was highest in Sri Lanka at 7.9%, lowest in Bhutan at 1.3%, and between 4% and 6% for the other countries. The region's inflation rate in 2005 is estimated at 5.5% and is projected to further go down to 4.1% in 2006. A positive performance on the current account balance is another feature of the strong economic performance. The region ran current account surpluses between 2001 and 2003; its current account turned slightly to deficit in 2004 (0.7% of GDP), and is estimated to have remained in deficit in 2005 (1.5% of GDP). However, increasing capital inflows resulted in a positive overall external balance. This positive overall balance and strong prospects for accelerated economic growth were major factors contributing to the recent appreciation of most South Asian currencies against the US dollar. In addition, the debt service ratio (as a percent of exports of goods and services) for South Asian countries, except for Pakistan, was substantially below the critical point for concern of 25%. A steady decline in the ratio is expected in 2005/06 for all South Asian countries.

12. Another positive result of the region's liberalization policies is an increased inflow of foreign direct investment (FDI). Net inflow of FDI as a percentage of GDP in South Asia increased from 0.14% in 1990 to 0.70% in 2003. However, FDI inflows have not been a significant feature of South Asia's economic growth. In 2003, the FDI inflow was only \$5.2 billion for South Asia, compared with \$11.5 billion for Southeast Asia and \$53.5 billion for the People's Republic of China (PRC). FDI clearly has a large potential for growth. Fiscal policy also has substantial scope for improvement. Except for Bhutan, countries in South Asia have large and growing fiscal deficits. In particular, India's fiscal deficit was 9.1% of GDP in 2004—the highest in the region; it is likely to remain at around this level in the coming years. To maintain the

⁶ Excluding Afghanistan, which recorded an inflation rate of 10.2%.

region's good record of macroeconomic stability, the countries in South Asia must control their fiscal situation.

B. Poverty Reduction

13. Despite more rapid economic growth in South Asia in recent years, the region is still home to about 410 million of the 720 million poor living in the Asia and Pacific region. South Asia's per capita income is the lowest among the various regions in the world, with the exception of sub-Saharan Africa. In 2004, per capita income in South Asia was \$607, substantially below the per capita income for developing countries as a whole.

14. Most recent empirical evidence available shows that economic growth helps reduce poverty incidence.⁷ However, in general, economic growth in South Asia has not been pro-poor, in terms of the elasticity of poverty incidence with respect to per capita income.⁸ Income elasticity of poverty reduction was negative 0.73 for India from 1993 to 1999, negative 0.58 for Bangladesh and negative 0.61 for Sri Lanka from 1996 to 2000, and negative 0.6 for Nepal from 1995 to 2004.⁹ In Pakistan, poverty incidence increased during the 1990s, even though per capita income registered some increase.

15. In addition, the level of poverty reduction from economic growth varies between different parts of a particular country. Poverty incidence has been relatively high in some rural and remote areas, especially in border areas of South Asian countries. For example, in India, while the national average incidence of poverty in 1999 was 26.1%, it was as high as 42.6% in Bihar, 36.1% in Assam, and 33.9% in Meghalaya. Similarly, in Pakistan, while the average incidence of poverty was 35.6% in 2000/01, it was as high as 39.1% in Balochistan, and 39.8% in North-West Frontier. In Bangladesh, while the average incidence of poverty in 2000 was 49.8%, it was as high as 61% in Rajshahi. For Nepal, the incidence of poverty in the mountainous areas is about 33%, while in mid-western and far-western development regions it is 45% and 41%, respectively. A number of factors have contributed to these different patterns of growth and poverty reduction, including the level of human and physical infrastructure, and development of economic and social institutions to promote growth and distribute gains. The recent natural disasters such as the severe floods in Bangladesh in 2004; the devastating tsunami that struck Sri Lanka, Maldives, and Tamil Nadu, India in December 2004; and the earthquake that hit the northern part of Pakistan and part of India in October 2005, are expected to increase poverty incidence in these areas.

C. Social Development

16. Key development indicators in South Asia suggest that social development remains low relative to other regions such as Southeast and East Asia (Appendix 1, Table A1.2).¹⁰ In 2003,

⁷ Kakwani, Nanak. 2000. Growth and Poverty Reduction. *Asian Development Review* 18 (2): 74–84. Osmani, Siddiqur Rahman. 2000. Growth Strategies and Poverty Reduction. *Asian Development Review* 18 (2): 85–130. Dollar, David, and Aart Kraay. 2000. *Growth is Good for Poor*. Washington, DC: World Bank.

⁸ Poverty incidence is defined as number of people living on less than \$1 a day as a percentage of the total population. Growth is not considered to be pro-poor if the percentage decline in poverty incidence is less than the percentage increase in per capita GDP (i.e., when this elasticity measure is less than unity).

⁹ The data on poverty incidence were obtained from ADB's country reports and country strategy and program papers for the respective countries. National Planning Commission. 2005. *An Assessment of the Implementation of the Tenth Plan: Second Progress Report on the Road to Freedom from Poverty*. Kathmandu. 2005. Poverty Trends in Nepal between 1995–96 and 2003–04. Background paper presented at the *Poverty Assessment Workshop*. 11–12 May 2005.

¹⁰ Includes developing countries in East and Southeast Asia, and the Pacific.

average life expectancy in the region increased to 65.3 years from 53.6 years in 1980, but this figure is still considerably below Southeast and East Asia's 69.4 years. Similarly, although the infant mortality rate significantly decreased in the region, from 115 per 1,000 live births in 1980 to 71 in 2002, this rate remained high compared with 33 per 1,000 live births for Southeast and East Asia in 2002. The illiteracy rate in South Asia was 43.9% among the adult population in 2002, compared with 12.7% in Southeast and East Asia, while illiteracy rates in the Maldives and Sri Lanka were much lower, at 2.8% and 7.9%, respectively. Although efforts have been made to improve gender equality in South Asia, the region is still lagging East Asia.¹¹ With the notable exception of the Maldives and Sri Lanka, South Asia's human development indicators are relatively lower than elsewhere in developing Asia (Table 2).

Table 2: Human Development Indicators

Region/Country	Human Development Index			Rank in 2002 ^a
	1980	1990	2002	
South Asia				
Afghanistan	—	—	—	—
Bangladesh	0.363	0.417	0.509	138
Bhutan	—	—	0.536	134
India	0.437	0.514	0.595	127
Maldives	—	0.676	0.752	84
Nepal	0.330	0.418	0.504	140
Pakistan	0.373	0.442	0.497	142
Sri Lanka	0.648	0.698	0.740	96
Selected Countries in Southeast and East Asia				
Cambodia	—	0.501	0.568	130
People's Republic of China	0.557	0.627	0.745	94
Indonesia	0.529	0.623	0.692	111
Lao People's Democratic Republic	—	0.449	0.534	135
Mongolia	0.732	0.656	0.668	117
Philippines	0.686	0.719	0.753	83
Thailand	0.651	0.707	0.768	76
Viet Nam	—	0.610	0.691	112

^a Rank among 177 countries classified by the United Nations Development Programme. No data for Afghanistan.

— Data not available

Source: United Nations Development Programme. 2004. *Human Development Report 2004*. New York.

17. The recent *Global Monitoring Report 2005*¹² assessed developing countries' progress toward achieving the Millennium Development Goals (MDGs). Since the international community, including South Asia, committed to the MDGs 5 years ago, the region is lagging in achieving 6 of the 10 goals in terms of gender equality, universal primary school completion, child mortality, maternal mortality, communicable diseases, and sanitation. The enrollment of girls in primary and secondary education is only around 81% that of boys. The gaps in literacy and share of women in nonagricultural employment are still divergent; the literacy rates among 15–24 year olds are 10–20% lower for women than for men. The pace of progress in attaining universal primary completion by 2015 will need to be substantially accelerated. Similarly,

¹¹ For example, recent data indicate that the ratio of girls to boys enrolled in primary and secondary education was 79%, compared with 97% in East Asia.

¹² World Bank. 2005. *Global Monitoring Report 2005, Millennium Development Goals: From Consensus to Momentum*. Washington, DC.

despite good progress on child mortality, South Asia is not on track to achieve the MDGs target. While access to water supply has increased considerably, access to sanitation facilities is still very low and needs to be significantly increased to achieve the MDGs.

D. Future Development Goals

18. For South Asia to boost economic and social development and achieve the MDGs¹³ by 2015, economic growth needs to be sustained and accelerated. The 5-year plans and poverty reduction strategies of most countries in the region aim to achieve such GDP growth rates over the medium term. Many studies show that infrastructure development plays a key role not only in promoting economic and social development in general, but also in enhancing the distributive impacts of growth to the poor, particularly in rural and remote areas.¹⁴ Infrastructure development helps create new economic opportunities, improve access to markets and social services such as health and education, and enhance the participation of the poor in social activities. In this context, substantive improvement and expansion of infrastructure and a greater emphasis on the region's rural economic development are some of the actions needed to achieve the development goals.

III. ACCELERATED DEVELOPMENT THROUGH COOPERATION

19. Regional cooperation can help achieve economic and social development and reduce negative regional externalities. It can help eliminate physical and nonphysical barriers; quicken the pace of domestic development by widening the options available to participating countries; and expand markets for goods and services; thus promoting economies of scale and reducing transaction and transportation costs. Cross-border development of basic infrastructure, such as highways, railways, shipping and air connectivity, inland waterways, power grids, and telecommunication links, can reduce physical barriers to the movement of goods and people across national boundaries, which can in turn expand regional trade and tourism, increase foreign exchange earning capability, and create labor-intensive activities generating employment opportunities. In addition, regional cooperation promoting both physical infrastructure and institutional reform, such as trade and investment facilitation, can significantly increase the region's potential attractiveness to investors, to the benefit of all participating economies. Therefore, regional cooperation can play an important role in assisting South Asian countries speed up economic growth, and more importantly, promote pro-poor growth.¹⁵

20. For South Asia, these potential opportunities and benefits are significantly increased when cooperation is extended to East, Southeast, and Central Asia because of greater complementarities and economies of scale. Due to its geographic location in Asia, South Asia could act as a land bridge linking neighboring regions, thereby contributing to the integration of

¹³ The MDGs for South Asia, for example, include halving \$1 (at 1990 prices) a day poverty and malnutrition rates, increase net enrollment and education ratios to 100, reduce 1990 under age 5 mortality by two thirds, and reduce 1990 maternal mortality by three fourths.

¹⁴ ADB, Department for International Development, Japan Bank for International Cooperation, World Bank. 2005. *Assessing the Impact of Transport and Energy Infrastructure on Poverty Reduction*. Manila: ADB. 2004. *A Study on Measuring Poverty Impacts of Road Projects*. Manila; Ali, Izfal and Ernesto M. Pernia. 2003. *Infrastructure and Poverty Reduction: What is the Connection?* *ERD Policy Brief* 13, Economics and Research Department. Manila: ADB; and Yao, Xiaobin. 2003. *Infrastructure and Poverty Reduction: Making Markets Work for the Poor*. *ERD Policy Brief* 14, Economics and Research Department. Manila: ADB.

¹⁵ A study (Trade and Investment in the South Asia Subregion for Economic Cooperation: Barriers and Opportunities) conducted by the Indian Institute of Management found that the highest concentration of people living below the poverty line are in Bangladesh, India's eastern and northeastern states, Bihar, and Uttar Pradesh, and Nepal.

Asia as a whole. In the coming years, East and Southeast Asian economies are expected to grow at an average rate of over 5% per annum; the Central Asian economies are expected to grow at an average rate of over 8% per annum. Recognizing the potential gains from increased interregional trade and investment and infrastructure development, countries in these regions have started a number of interregional cooperation initiatives, such as BIMSTEC as well as the ADB-supported Central and South Asia Transport and Trade Forum (para. 44).

A. Increasing Trade and Investment

21. Intraregional trade in South Asia is relatively low compared with other regions in Asia. Intraregional trade as a ratio of South Asia's total foreign trade was only 5.3% in 2004, compared with 22.4% for Association of Southeast Asian Nations (ASEAN) member countries. For individual countries, the intraregional trade ratio varies from a low of 3.0% for India and 5.0% for Pakistan to a high of 47.2% for Nepal and 35.3% for Afghanistan (Table 3).

Table 3: Intraregional Trade Share of South Asia's Total Trade
1985–2004 (%)

Country/Region	1985	1990	1995	2000	2004
Afghanistan	11.4	14.5	11.1	29.7	35.3
Bangladesh	4.7	6.0	12.8	7.9	10.5
Bhutan	-	-	-	-	-
India	1.7	1.6	2.7	2.5	3.0
Maldives	12.5	12.7	14.3	22.2	19.8
Nepal	34.3	11.9	14.8	22.3	47.2
Pakistan	3.1	2.7	2.3	3.6	5.0
Sri Lanka	5.5	5.6	7.8	7.4	15.1
South Asia	3.0	2.7	4.2	4.0	5.3

— Data not available

Source: Asian Development Bank statistical database system.

22. Starting from a relatively low base, enormous opportunities are available to expand intraregional trade in South Asia. To illustrate, following a free trade agreement between India and Sri Lanka in 2001,¹⁶ Sri Lanka's exports to India increased from \$71 million in 2001 to \$168 million in 2002. India's exports to Sri Lanka increased from \$604 million in 2001 to \$831 million in 2002. This trade agreement also stimulated new FDI, particularly from India to Sri Lanka for a wide range of products, such as rubber-based products and information technology. Similarly, following a bilateral trade protocol between India and Nepal in 1996, access to the Indian market was improved and trade expanded dramatically. Between 1996 and 2000, Nepal's exports to India increased tenfold from an annual average of about \$30 million to over \$300 million. Exports from India to Nepal quadrupled rising from \$100 million to \$400 million. At the same time, Indian investments in Nepal increased for a wide range of products, particularly light consumer goods such as toothpaste and ready-made garments where Indian entrepreneurs recognized the profitability of locating plants in Nepal for duty-free export to North India markets.

23. Similar possibilities exist for other South Asian countries. In 2002, the official bilateral trade between India and Pakistan was about \$212 million, less than 1% of their global trade.

¹⁶ The two countries are also considering expanding the free trade agreement to include services and some agricultural products.

Regional cooperation can help open up new markets between India and Pakistan, and substantially increase trade between the two countries. A thriving border trade in a wide range of agricultural and industrial products exists between Bangladesh and India. However, a significant percentage of this trade also occurs on an informal basis.¹⁷ Therefore, trade liberalization in terms of reduced tariff and nontariff barriers can lead to formalization of informal trade, thereby reducing associated costs of informal trade such as rent-seeking activities and increasing revenue collection for the governments.¹⁸

24. Until recently, trade issues have primarily been dealt with on a bilateral rather than regional basis. In this regard, the Framework Agreement of the South Asian Free Trade Area (SAFTA) signed by the SAARC leaders at the Islamabad Summit, was a significant step toward promoting free trade and investment in the region. One of the major objectives of SAFTA is to gradually remove tariffs in South Asia on specific items by 2015, which would help increase competitiveness; reduce transaction costs; and increase economic efficiency, trade, and investment. The benefits of trade liberalization can be significantly increased if it is accompanied by trade facilitating measures, such as customs reform in simplifying and harmonizing rules, standards, procedures, classification, and documentation; transit agreements; banking facilitation and insurance; taxation reform; and improved transport infrastructure and border facilities. At the recently held Dhaka Summit, the SAARC leaders directed the finalization of negotiations and completion of required national procedures to operationalize SAFTA by 1 January 2006. By the end of 2005, all outstanding issues, including agreement of each country's sensitive list, the rules of origin and a customs revenue compensation mechanism had been resolved. As of early January 2006, all SAARC countries have ratified SAFTA except for Pakistan, where ratification is expected shortly. The coming into force of SAFTA in January 2006 will mark an important milestone for SAARC and a key step towards its long-term vision of a South Asian Economic Union. Similarly, efforts have also been undertaken under BIMSTEC to establish a free trade area among its member countries.

B. Improving Infrastructure Connectivity

25. While tariff reduction and trade facilitation measures are necessary to further promote free trade and investment, improving physical infrastructure, such as transport, energy and power, communications, and transit facilities, is also critical for promoting the smooth movement of goods and people. Improved physical infrastructure and regional connectivity would reduce transportation costs and increase the region's competitiveness (para. 19). For landlocked countries, such as Bhutan and Nepal, transit through India and Bangladesh is essential to increase trade and promote economic development. Similarly, Afghanistan, another landlocked country, relies on transport through Pakistan and Iran for its trade. Moreover, given that Afghanistan is strategically located between South and Central Asia, an improved road network with its neighbors can help increase intraregional and interregional trade and transit. Likewise,

¹⁷ Informal trade also occurs between India and Nepal, India and Sri Lanka, and India and Pakistan. See Taneja, N., M. Sarvananthan, B. Karmacharya, and S. Pohit. 2004. India's Informal Trade with Sri Lanka and Nepal: An Estimation. *South Asia Economic Journal* 5 (1): 27–54; and Chaudhari, S. K. 1995. Cross-Border Trade between India and Bangladesh. *Working Paper 58*. New Delhi: National Council for Applied Economic Research.

¹⁸ Unofficial trade between India and Pakistan through a third country is estimated at \$2.5 billion per annum. According to the Federation of Pakistan Chambers of Commerce and Industry, if trade is liberalized between the two countries, bilateral trade could reach \$5 billion per annum within 3 years. If existing unofficial trade is formalized, the Pakistan Government could earn additional customs revenue of \$450 million per annum, which could increase to \$750 million per annum in 3 years. See Amin, Khalid. 2004. Pakistan Country Note: Promoting Greater Regional Integration in South: Opportunities for and Role of the Private Sector in Pakistan. Paper prepared for the World Bank/International Monetary Fund 2004 Annual Meetings, Programs of Seminar, Washington, DC: World Bank/International Monetary Fund, 1 October 2004.

road connectivity between India and the PRC via Nepal has the potential to significantly increase trade and investment among the three countries. Furthermore, a transit facility for gas from Central Asia to Pakistan and India through Afghanistan could generate sizeable revenues for Afghanistan, and improve the availability and reduce the cost of energy for Pakistan and northern India. Similarly, gas pipelines between Myanmar/Bangladesh and India can be mutually beneficial for Myanmar/Bangladesh and the eastern part of India. Promising opportunities are available for developing an electricity grid and power trade within South Asian countries, and between Afghanistan, Central Asian republics, Pakistan, and India because of the different seasonal patterns of power consumption by countries in the region.

26. Land and air transport between India and Pakistan was restored after the Islamabad Summit. Nonetheless, the low level of current activity in transport of goods between the two countries often occurs via a third country, which is enormously costly. With the recent thawing of relations between India and Pakistan, potential opportunities exist for cooperation in the areas of road, rail, civil aviation, and shipping. Specific projects could include upgrading border facilities at Atari Wagah (largest border point between India and Pakistan), upgrading and expanding existing bus service, improving and expanding connecting air links, and building road links between the two countries.

27. For the northeastern states of India, transit through Bangladesh can significantly reduce the cost of access to the sea and to neighboring countries and beyond. Inland water transport utilizing the Ganga-Meghna-Brahmaputra river system used to be an important feature of transporting goods in the northeastern part of South Asia. However, these inland transport systems largely ceased to operate after partition. Recent studies suggest that rehabilitation and improvement in inland water transport facilities in this water basin between India and Bangladesh can enormously reduce the cost of trade between the two countries.¹⁹ Similarly, technical standardization of the railway system between India, Bangladesh, and Pakistan could significantly reduce the costs of transportation, by substituting a land route for the current long and costly transport through congested seaports in these countries.²⁰

C. Promoting Joint Projects to Develop Natural Resources and Tourism

28. Many of South Asia's natural resources may not be economically exploited by the country in which the resources are located because of the relatively low domestic demand and/or the lack of funds and know-how to develop them. For example, the full hydro potential of Bhutan and Nepal may not be economically developed and utilized by these countries alone. A case in point is the Chhukha Hydroelectric Project, which is a joint venture between Bhutan and India to develop Bhutan's rich hydropower resources to supply electricity to the eastern part of India. Similarly, management of water resources of the Ganga-Meghna-Brahmaputra basin for irrigation and flood prevention would be more effective if the countries concerned carried it out jointly. Given South Asia's rising demand for energy and natural resource products from increased economic activities, joint exploitation of Afghanistan's large reserves of iron, copper, and coal could be undertaken.

29. Well-planned and managed tourism development would generate employment and promote the preservation of local cultures and conservation of the environment. However, the

¹⁹ Research and Information System for the Non-Aligned and Other Developing Countries. 2004. *South Asia Development and Cooperation Report*. New Delhi: India (68–69).

²⁰ In the short to medium term, minimizing delays and ensuring effective transfer of goods between different gauges/rolling stock could also lead to cost reduction.

region's tourist receipts in 2003 were only 1% of the world's tourist receipts. This proportion is even lower than the region's GDP share of world GDP. South Asia is rich in tourism resources with enormous potential for eco- and cultural tourism. Tourist packages, such as one focusing on Buddhist sites, can be made more attractive if they cover these sites across several countries of the region and beyond. The Silk Road is another potential common theme that can create opportunities for relaunching regional tours and travel, which were popular in the past.

D. Minimizing Negative Externalities and Conflict

30. Regional initiatives can help encourage countries in South Asia to work together to overcome shared environmental and transboundary challenges, such as air and water pollution, trafficking in women and children,²¹ HIV/AIDS,²² smuggling of drugs, money laundering, and cross-border terrorism. At present, a number of countries in South Asia are spending a high proportion of GDP on military expenditures and on handling internal conflict.²³ In addition, fighting insurgencies and terrorism are not only costly in monetary terms but also in terms of loss of life and disruption of economic activities.²⁴ While poverty may undermine peace and prosperity because it is considered a breeding ground for violence and terrorism, regional cooperation activities can substantially help contribute to pro-poor economic growth; strengthen economic, social, and political ties; and act as confidence-building measures among the countries and people in South Asia, thereby reducing political and military tensions. The recent progress in relations between India and Pakistan is a major positive step in this direction. Once the security situation improves between the countries, significant opportunities will be opened for cooperation activities and projects.

IV. REGIONAL COOPERATION IN SOUTH ASIA

A. Regional Cooperation by South Asian Countries

31. The countries in the region have launched a number of regional cooperation initiatives: for example, SAARC, the Economic Cooperation Organization (ECO), and BIMSTEC.

1. South Asian Association for Regional Cooperation

32. SAARC, established in 1985, was the first regional cooperation initiative in South Asia to promote active collaboration and mutual assistance in the economic, social, cultural, technical, and scientific fields; and to strengthen cooperation among the member states in international forums on matters of common interest.²⁵ SAARC comprises seven countries in the region: Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka. However, tensions between some of SAARC's member countries and the diversity of interests in the region, contributed to the slow progress of regional cooperation initiatives under the SAARC framework.

²¹ ADB recently published a study on *Combating Trafficking of Women and Children in South Asia: Guide for Integrating Trafficking Concerns into ADB Operations* (April 2003). One of the findings is that considerable potential exists for ADB and existing stakeholders to collaborate in addressing trafficking concerns through poverty reduction programming, particularly in the area of preventing and reducing the vulnerabilities of those most at risk.

²² Human immunodeficiency virus/acquired immunodeficiency syndrome.

²³ In 2002, military expenditure comprised 4.7% of Pakistan's GDP, 3.1% of Sri Lanka's, and 2.3% of India's. (United Nations Development Programme. 2004. *Human Development Report*. New York.)

²⁴ At the Dhaka Summit, the SAARC leaders agreed to unite in preventing and combating terrorism committing to put in place mechanisms for the implementation of the Additional Protocol to the SAARC Convention on Suppression of Terrorism.

²⁵ The SAARC Charter.

33. The very positive outcome of the SAARC Summits held in Dhaka and Islamabad in 2004 and 2005, respectively (see para. 5) have rekindled earlier hopes and opened up new avenues for regional cooperation. Building on the significant achievements made at the Islamabad Summit, the SAARC leaders pledged in the Dhaka Declaration to intensify economic cooperation as the basis for realizing SAARC's long-term vision of a South Asian Economic Union and to free South Asia from poverty. In addition, the SAARC leaders stressed the need to translate pledges and commitments into concrete actions, regional initiatives and projects. They also reaffirmed the commitment to accelerate cooperation in the economic and commercial fields (see Box 1 for key outcomes of the Dhaka Summit).

Box 1: Key Outcomes of the Dhaka Summit

The 13th SAARC Summit was held in Dhaka, Bangladesh on 12 and 13 November 2005. The SAARC leaders adopted a 53-point Dhaka Declaration. The Dhaka Summit built on the achievements of the Islamabad Declaration issued at the 12th SAARC Summit, and stressed the need to translate pledges and commitments into concrete actions, regional initiatives and projects. The SAARC leaders agreed that the implementation of these projects could be undertaken, where required, with financial and technical assistance from international financial institutions as well as United Nations agencies and bilateral donors. In addition, the Summit inducted Afghanistan as the 8th member of SAARC and agreed in principle to include the PRC and Japan as observers. The Summit also recognized the need for strengthening the institutional capabilities of SAARC to deliver regional cooperation projects and programs. The SAARC leaders agreed, among others, on the following key topics:

Poverty Alleviation and Funding Mechanisms

The summit:

- Declared the decade of 2006-2015 as the SAARC Decade of Poverty Alleviation.
- Endorsed the recommended SAARC Development Goals and called for the implementation of the Plan of Action on Poverty Alleviation.
- Decided to establish a SAARC Poverty Alleviation Fund within the reconstituted SAARC Development Fund (SDF). SDF will serve as the umbrella financial institution for all SAARC projects and programs, and will comprise three windows, namely: social; infrastructure; and economic, and have a permanent secretariat.
- Decided that Finance Ministers should meet after every summit and also on the sidelines of the ADB and World Bank annual meetings, to take stock of macro-economic developments and the outlook for South Asia.

Advancing Economic Cooperation

The summit:

- Stressed the need to accelerate cooperation in the core economic areas so as to realize SAARC's Charter objectives and also for making South Asia vibrant, dynamic and secure in its robust progress.
- Reiterated commitment to the realization of the vision of a South Asian Economic Union in a phased and planned manner.
- Directed the finalization of negotiations and completion of required national procedures to operationalize SAFTA by 1 January 2006, as pledged at the 12th SAARC Summit.
- Welcomed the signing of the three Agreements on Mutual Administrative Assistance in Customs Matters, the Establishment of SAARC Arbitration Council, and the Limited Agreement on Avoidance of Double Taxation and Mutual Administrative Assistance in Tax Matters.
- Reiterated the need to strengthen transportation and communication links across the region, and closer cooperation in the field of ICT, and noted with satisfaction the ongoing SAARC Regional Transport Study.

- Recommended the establishment of the SAARC Energy Center in Islamabad to promote the development of energy resources and energy trade in the region, and underlined the need to constitute a South Asian Energy Dialogue process to recommend ways to realize the greater cooperation in the sector.

Environment

The summit:

- Expressed deep concern at the continuing degradation of environment and the need for collaborative action in the protection and preservation of environment, and welcomed the decision of the Council of Ministers to establish a SAARC Forestry Centre in Bhutan.
- Underlined the need for collaborative action in the area of environment, including water conservation, to promote sustainable development.
- Decided to proclaim the Year 2007 as the "Year of Green South Asia".

Combating Terrorism

The summit:

- Agreed to unite in preventing and combating terrorism by putting in place mechanisms for the implementation of the Additional Protocol to the SAARC Convention on Suppression of Terrorism by all Member States.

People-to-People Contact

The summit:

- Agreed on the need for continued efforts to promote people-to-people contact by facilitating travel among SAARC countries.
- Designated 2006 as "South Asia Tourism Year".

34. Following the positive developments in the region after the Islamabad Summit, ADB and the SAARC Secretariat signed a memorandum of understanding (MOU) on 12 April 2004 to strengthen cooperation between the two institutions and provide a framework within which ADB could provide support to SAARC's regional cooperation activities, based on mutually agreed priority concerns, such as transport, energy, trade, investment and private sector development, and environment.²⁶ The SAARC Secretary General visited ADB on 28 and 29 November 2005, the first to an international organization after the 13th SAARC Summit, with a view to further strengthening SAARC and ADB cooperation. Agreed priority areas for cooperation include transport connectivity, support for SDF (see Box 1), regional energy networking, support for finance ministers' meeting and SAARC learning initiatives.

35. While the prospects for regional cooperation among SAARC countries have significantly improved, taking forward SAARC's ambitious and broad cooperation agenda will remain a challenge, given the limited institutional and technical capacity for the actual identification and preparation of cooperation projects and programs as well as a decision making process based on unanimity. For this reason, subregional cooperation activities, which have been accepted under the SAARC framework²⁷ and endorsed at previous summits as a way to proceed on specific projects relevant to the individual needs of three or more member countries, will remain an important complementary modality in advancing economic cooperation activities in South Asia.

²⁶ SAARC has also signed memorandums of understanding with other development partners, including the United Nations Development Programme and the World Bank. ADB approved technical assistance (ADB. 2004. *Technical Assistance for Promoting South Asia Regional Economic Cooperation*. Manila) to assist the SAARC Secretariat in implementing some of the key agenda items of the Islamabad Declaration.

²⁷ The SAARC Charter contains a provision for SAARC member countries to form subregional cooperation groupings with each other.

2. Economic Cooperation Organization

36. In western Asia, ECO is the main apex body promoting regional cooperation. ECO was established in 1985 by Iran, Pakistan, and Turkey and expanded in 1992 to include Afghanistan, Azerbaijan, Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan. ECO has provided a useful forum for policy dialogue and conducted several studies on regional cooperation, particularly in the area of promoting trade among member countries. The 8th Summit held in Dushanbe, Tajikistan, in September 2004, reaffirmed the participating countries' commitment to regional economic cooperation. Although ECO member countries have signed various trade agreements, the actual progress of trade promotion among the participating countries has been relatively slow. This is due mainly to the presence of nontrade barriers and the ambivalent stance of some participating countries toward ECO.

3. Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation

37. BIMSTEC was established on 6 June 1997 with the major objectives of promoting free trade among member countries, increasing investments and tourism across their borders, and promoting technical cooperation. BIMSTEC originally comprised Bangladesh, India, Sri Lanka, and Thailand. Myanmar subsequently joined on 22 December 1997, while Bhutan and Nepal joined on 23 January 2004. The current grouping has a population of almost 1.3 billion. The six priority areas of cooperation, led by each member country, are trade and investment (Bangladesh), technology (Sri Lanka), transport (India), energy (Myanmar), tourism (India), and fisheries (Thailand). The heads of state or government of member countries attended the first BIMSTEC summit in July 2004. They reaffirmed their commitment to BIMSTEC's founding objectives and principles: to assessing the challenges and opportunities for economic cooperation in the region; and to strengthening BIMSTEC's ability to find ways and means to realize those challenges and opportunities effectively and efficiently. The Ministry of Foreign Affairs in Thailand has been serving as a temporary secretariat for BIMSTEC until the establishment of a permanent secretariat in the future. While BIMSTEC is a relatively new regional cooperation initiative, it is gaining momentum in increasing cross-regional cooperation between South and Southeast Asia.

B. ADB's Support for Regional Cooperation and Subregional Cooperation in South Asia

38. ADB recognizes economic cooperation as an important means of achieving a more efficient use of regional resources; making economies more complementary; and promoting the orderly expansion of foreign trade, in particular intraregional and interregional trade. The importance of regional cooperation is recognized in ADB's Charter, which identifies the promotion of economic cooperation as one of ADB's objectives. ADB's 1994 policy on regional cooperation sets out ways in which ADB could support and help to catalyze regional cooperation initiatives. More recently, ADB's Poverty Reduction Strategy and Long-Term Strategic Framework 2001–2015 both identified regional cooperation as a core component in the agenda for reducing poverty. With over 35 years of experience in development work as well as over 10 years of experience in major regional cooperation initiatives, such as the GMS program and the Central Asia Regional Economic Cooperation (CAREC) program, ADB is well-positioned to help facilitate regional cooperation and integration in South Asia. To further enhance and assist regional cooperation and integration in Asia and the Pacific, ADB

established the Office of Regional Economic Integration (OREI) in April 2005. OREI will act as ADB's overall focal point for regional cooperation and integration, and will work with ADB's regional and other departments in helping to enable ADB play an enhanced role as catalyst, coordinator, and knowledge center for regional cooperation and integration.

1. South Asia Subregional Economic Cooperation

39. In 1996, four of the seven SAARC member countries; namely, Bangladesh, Bhutan, India, and Nepal, formed the South Asian Growth Quadrangle (SAGQ), with a primary objective of accelerating sustainable economic development among the four countries. This subregional initiative was endorsed at the SAARC Summit held in Male in 1997. In 1997, they requested ADB assistance in facilitating their economic cooperation initiative. This request subsequently led to the implementation of the South Asia Subregional Economic Cooperation (SASEC) program to facilitate subregional economic cooperation among the four countries. A number of preliminary technical assistance (TA) projects were conducted between 1999 and 2000. The actual activities of the SASEC program commenced in 2001 with the implementation of a regional TA project.²⁸

40. The TA or SASEC phase I was to assist Bangladesh, Bhutan, India, and Nepal to identify and prioritize subregional projects, prepare project profiles, and develop action programs for subregional cooperation in five major sectors: transport; energy and power; environment; tourism; and trade, investment, and private sector cooperation. An institutional framework for decision making was established consisting of (i) a steering committee of country advisers comprising secretaries and joint secretaries of the ministry of finance of each participating country to provide overall guidance and support for activities under the SASEC program; and (ii) five sector working groups to identify, prioritize, and shortlist subregional projects. Each sector working group comprises secretaries and joint secretaries of the relevant line ministries of the four participating countries.

41. The TA was completed in October 2002 at the first Country Advisers' Meeting. The finalization meeting was also the inception meeting of the follow-on TA²⁹ (SASEC phase II). The country advisers endorsed the recommendations made by the sector working groups and provided guidance on the implementation of SASEC phase II. Information and communications technology (ICT) was also endorsed as the sixth priority sector under the SASEC program. The objectives of SASEC phase II were to strengthen sector working groups and consolidate progress made under SASEC phase I. SASEC phase II culminated with the second Country Advisers' Meeting on 22 and 23 July 2005.

42. The overall progress of cooperation activities under SASEC has been generally good, while some difficulties were encountered during implementation. Cooperation in transport has progressed well with the identification of six priority corridors for upgrading to help improve connectivity in the subregion. ADB has provided loans selectively for upgrading some segments of these corridors. Under trade, investment, and private sector cooperation, the South Asia Business Forum was established as an apex of the chambers of commerce and industries of the SASEC countries; it has met twice to discuss cooperation in areas of trade facilitation and trade promotion. Cooperation in tourism has made the fastest progress with the strong commitment of government agencies and active involvement of the private sector. The SASEC Tourism Development Plan, prepared with ADB assistance, sets out action plans based on two

²⁸ ADB. 2000. *Technical Assistance for Identification and Prioritization of Subregional South Asia*. Manila.

²⁹ ADB. 2002. *Technical Assistance for South Asia Subregional Economic Cooperation (SASEC) II*. Manila.

themes: ecotourism and Buddhist circuits, with a time frame for implementing the selected activities and projects. ICT, added in SASEC phase II, also made remarkable progress. The SASEC ICT master plan and a grant project for e-centers are being implemented. However, cooperation in the energy and power sector has progressed slowly reflecting sensitivities in each country's energy policies. The progress of cooperation in the environment sector has been mixed because the projects addressing cross-border concerns identified for cooperation, such as floods, water quality, and conservation of biodiversity in the subregion, were not given high priority because of the sensitivities and complexities inherent in water and cross-border environmental issues as well as the jurisdiction of various agencies over water.

43. Under the SASEC program, several loans and TA projects were identified and prioritized or endorsed at the SASEC Country Advisers' Meeting. Four loan projects approved for the transport sector will help improve subregional road connectivity among the four member countries. In addition to two umbrella TA projects, 16 stand-alone TA projects were approved, covering the six priority sectors under the SASEC program (see Appendix 5 for more details).

2. Subregional Economic Cooperation in South and Central Asia

44. ADB support for regional cooperation in western Asia has mainly been project-based. ADB support to Afghanistan's rehabilitation and reconstruction efforts and Pakistan's transportation projects provided opportunities for developing transport corridors connecting Central Asia and South Asia and to the seaports at the Arabian Sea and the Persian Gulf.³⁰ To capitalize on such opportunities, ADB organized the first Ministerial Conference on Transport and Trade in Central and South Asia held in Manila from 31 July to 1 August 2003. The participants were ministers from Afghanistan, Pakistan, Tajikistan, Uzbekistan, and Iran (as an observer).³¹ They agreed to promote regional trade and economic cooperation by improving the transport corridors. The ministers endorsed the establishment of the Central and South Asia Transport and Trade Forum (CSATTF) as an instrument for such cooperation.

45. In December 2003, ADB approved TA for the Subregional Economic Cooperation in South and Central Asia (SECSCA)³² to support the activities of the CSATTF and other cooperation activities among the participating countries. The second Ministerial Conference was held at ADB headquarters on 3 and 4 March 2005. Ministers from the participating countries, representatives from PRC, India, Kazakhstan, and Kyrgyz Republic, and other development partners attended this conference. The Ministerial Conference endorsed the Article of the Establishment of CSATTF and the Corridor Development Plan—Customs prepared by the Trade and Customs Working Group. The other Corridor Development Plan work programs are being prepared for infrastructure improvement, transit facilitation, knowledge sharing, and capacity development. In addition, as a facilitator of the transit corridors, ADB has been addressing security issues to minimize the adverse impact of corridor development and prevent illegal traffic (drug and human trafficking) over the corridors. Several development partners, including the World Bank, United Nations Office on Drugs and Crimes (UNODC), European Union (EU), Department for International Development (DFID), and United States Agency for

³⁰ These new corridors provide a strategic alternative to traditional transit routes through the Russian Federation or the Caucasus for the Central Asian republics and contribute to enhancing Afghanistan's rehabilitation works as a major trade hub between Europe, the Middle East, and Central Asia. Iran and Pakistan, as transit countries, would benefit from the proliferation of transport services and greater use of their ports.

³¹ A representative from Iran attended the Conference as an observer. Although Turkmenistan did not attend this conference, it attended the Working Group Meeting on Transport and Trade held in Dubai on 4–5 March 2004 and the Trade and Customs Working Group Meeting held in Bangkok on 27–28 October 2004.

³² ADB. 2003. *Technical Assistance for the Subregional Economic Cooperation in South and Central Asia*. Manila.

International Development (USAID), were invited to develop and implement the Corridor Development Plan under CSATTF. Loans and TA projects in the areas of transport and trade and transit were identified and prioritized under the SECSCA program (See Appendix 5 for more details).

46. While the CSATTF initiative includes three countries in Central Asia, the scope of CSATTF differs from that of the other ADB-supported cooperation initiative in Central Asia (CAREC). The primary focus of CSATTF is on the development of two specific transport corridors connecting Central Asia and South Asia via Afghanistan, whereas CAREC is a regional cooperation program covering a wide range of areas in the region. Moreover, in terms of the direction of traffic flows, CSATTF aims to facilitate the traffic flows between the north (Central Asia) and the south (South Asia), whereas CAREC aims to facilitate traffic flows between the east and west in Central Asia, including Xinjiang Province in PRC.

3. Turkmenistan–Afghanistan–Pakistan Natural Gas Pipeline Project

47. Countries in western Asia, including Afghanistan and Pakistan, are also exploring project-based cooperation initiatives. In May 2002, the heads of state of Afghanistan, Pakistan, and Turkmenistan met in Islamabad to discuss the possibility of establishing a major gas pipeline through the three countries. The Turkmenistan–Afghanistan–Pakistan (TAP) Natural Gas Pipeline Project consists of 1,600 kilometers of gas pipeline that can transport up to 30 billion cubic meters of natural gas annually from the Dauletabad fields in southeast Turkmenistan to consumers in Afghanistan, Pakistan, and possibly India. The expected cost is about \$3.3 billion. The participating countries formally asked ADB to act as the facilitating development partner for the design and implementation of the pipeline project and to conduct the feasibility study. ADB provided TA for conducting feasibility studies, assessing security-related issues, and preparing the framework agreement. India was formally invited to join the project as a potential major gas purchaser and a possible investor. Eight steering committee meetings, comprising oil and gas ministers from the project participating countries, have discussed how best to move the project forward. The feasibility study, conducted with ADB assistance, indicates that the project is both economically and financially feasible based on various scenarios and assumptions. The 9th steering committee meeting is scheduled in February 2006 in Ashgabat, Turkmenistan. India has officially accepted the invitation to attend this meeting for the first time.

V. MAJOR LESSONS LEARNED

48. A number of important lessons can be drawn from ADB's experience with regional and subregional cooperation in South Asia and elsewhere. These lessons learned provide important inputs in helping develop a more relevant and effective strategy to advance the regional cooperation process in South Asia.

A. Ensure Strong Political Commitment and Ownership

49. Until recently, tense relations between some major countries in the region made prospects for regional cooperation in South Asia difficult. However, the increasing trend toward globalization and regionalization in other parts of the world have made South Asian countries realize the need to fully participate in this process to maximize the benefits from greater economic integration. Moreover, the need to combat terrorism has become an important regional concern, requiring close regional coordination. Relations between India and Pakistan

have greatly improved and the Composite Dialogue between the two countries is progressing. These factors have, to a large extent, contributed to the changing environment favoring regional cooperation in South Asia. At the 12th and 13th SAARC Summits in January 2004 and November 2005, respectively, the SAARC leaders reaffirmed their commitments to regional cooperation and peaceful resolution of disputes. In addition, at the first BIMSTEC Summit in July 2004, the heads of state of the five South Asian countries, namely, Bangladesh, Bhutan, India, Nepal, and Sri Lanka indicated their commitment to promote economic cooperation activities under the BIMSTEC framework and to build closer economic ties between South and Southeast Asia. With these commitments, cooperation under the various initiatives such as SAARC and BIMSTEC has gained momentum. The most important lesson learned in advancing regional cooperation is that strong political commitment by the participating countries is a critical factor.

B. Focus on Quick-Yielding Projects

50. Experience with regional cooperation suggests that a regional cooperation program once committed to by participating countries cannot be sustained or intensified unless tangible benefits from the cooperation activities are evident within a particular time frame. The payoffs to grand and ambitious projects or programs are limited, particularly at the early stage of cooperation, because they require complex processes and therefore take a long time to be implemented. The long gestation period usually reduces the momentum of cooperation among the participating countries. One of the key lessons learned is that quick-yielding projects need to be identified and implemented to demonstrate tangible benefits within a short time frame.

C. Provide Effective Institutional Framework for Implementing Projects

51. SAARC is an important forum for advancing a regional and macro cooperation agenda in South Asia because it is able to secure the highest political commitment from the member countries. Within the SAARC framework, in addition to the Secretariat, sector technical committees, represented by senior officials of the relevant ministries of member countries, meet and discuss the cooperation agenda as agreed at the SAARC Summit. However, they only meet occasionally, except for the SAFTA committee.³³ Moreover, both the SAARC Secretariat and the sector committees lack the actual workforce or unit to advance the cooperation agenda by conceptualizing, designing, and preparing cooperation projects or programs for implementation.³⁴ Other cooperation initiatives launched by the countries in the region faced similar difficulties in this respect. Therefore, one of the lessons learned is the importance of establishing core working groups with the financial and technical support required to advance project cooperation to achieve the goals of regional cooperation.

D. Achieve a Balance between Hard and Soft Infrastructure

52. Another important lesson learned from ongoing cooperation initiatives is the need to ensure the right balance between improving hard and soft infrastructure. Improving regional physical (or “hard”) infrastructure, such as roads and bridges, and physical customs facilities, is important to facilitate cross-border movements of goods and people. However, policy and procedural reforms of “soft” infrastructure, such as harmonization of standards, liberalization of

³³ Except for the SAFTA technical committee, which has met regularly and made substantial progress.

³⁴ While previous summits have noted the need for a strengthening of SAARC's institutional framework, the recently held Dhaka Summit explicitly called for a comprehensive review and reform of all SAARC institutions and mechanisms as a necessary step towards strengthening SAARC's institutional capabilities.

transit barriers, and streamlining of customs procedures, are just as important if benefits of regional cooperation are to be realized. Therefore, interaction and the building of synergies between hard and soft infrastructure need to be enhanced in regional cooperation activities.

E. Fund Subregional and Regional Projects

53. Most countries in South Asia are reluctant to divert scarce resources from national projects, on which they generally place relatively higher priority than regional projects. Moreover, regional cooperation rarely features prominently in the poverty reduction strategies/national plans. To mobilize resources for regional cooperation, the following will be necessary: (i) convince participating countries of the benefits of investing in projects that can contribute to both national and regional growth, and wider integration; (ii) increase additional and concessional official development assistance for regional cooperation projects; and (iii) attract resources from the private sector for regional cooperation activities. Mobilizing resources in turn depends on identifying sound and viable projects that offer clear and tangible benefits to the countries involved.

F. Involve the Private Sector

54. One of the major lessons learned is that the involvement of the private sector in regional cooperation activities is very important, not only as a promoter of trade and financier of infrastructure projects but also a facilitator of the regional cooperation process. For example, the private sector took a leading role in launching the SASEC program after the creation of SAGQ. ADB experience also shows that wherever the private sector was involved in regional cooperation activities, such as tourism development and trade promotion, these activities have moved forward more rapidly. Therefore, active involvement of the private sector in cooperation activities wherever appropriate is critical.

VI. THE ADB STRATEGY

A. Vision and Goal

55. ADB's overall vision for Asia and the Pacific is of a prosperous region free from poverty. ADB recognizes that regional cooperation has a critical role to play in realizing this. As a result, the goal of ADB's regional cooperation strategy in South Asia—the poorest and least integrated region in Asia—is to assist the region in realizing its full potential in economic development and in enabling it to play an effective part in wider Asian integration. Reduced poverty and closer regional and cross-regional integration will also help promote peace and security within South Asia and beyond. Based on South Asia's regional context, potential opportunities and benefits of regional cooperation, lessons learned, discussions with governments and other stakeholders, and ADB's own comparative advantages, the strategy has five key operational objectives.

B. Operational Objectives of the Strategy

56. The five key operational objectives of the strategy are to improve connectivity, facilitate trade and investment, develop regional tourism, facilitate cooperation in energy, and promote private sector cooperation.

57. **Improve Connectivity.** Improving transport and communications connectivity will reduce transportation and communication costs, increase South Asia's competitiveness, and

facilitate the movement of goods and people, thereby, promoting economic and social development.³⁵ In fulfilling this objective, the connectivity enhancement of key modes of transport (road, rail, inland waterways, sea, and air) and communications, and projects that can help connect capital cities and key economic centers within South Asia and beyond will be strongly supported. ADB experience shows that improvements in connectivity are critical to making progress in other areas, such as facilitating trade and investment, and developing tourism. Synergies between these areas need to be explored.

58. Facilitate Trade and Investment. Intraregional trade in South Asia as a ratio of total foreign trade was only 5.3% in 2004. This figure is low compared with 22.4% for member countries of the ASEAN. Intra and interregional trade in South Asia need to be increased to accelerate economic growth further. Key activities to be supported to reduce and/or remove both trade and nontrade barriers will include promoting customs reform in simplifying and harmonizing rules, standards, procedures, classification, and documentation; facilitating transit agreements; promoting efficient banking and insurance services; and improving border facilities and transport infrastructure. These measures will enhance the competitiveness of the goods and services produced in South Asia.

59. Develop Regional Tourism. South Asia's rich and diverse tourism resources, such as historical heritage; ecology; landscape; and culture, have yet to be fully developed. South Asia's share of world tourist arrivals in 2003 was only about 1%. Therefore, tremendous potential exists for development of this sector, including an expansion of tourism from within the region. Tourism development creates expanded economic opportunities, and generates employment and incomes, particularly for the poor. Increased tourism from within the region can contribute to mutual understanding and development of a stronger sense of community among the countries and people of the region. Well-planned and managed tourism development will promote the preservation of local cultures and conservation of the environment. It thus provides a basis for building confidence in regional cooperation in other sectors. These are reasons why the regional cooperation initiatives such as SAARC and BIMSTEC accord high priority on tourism development. Given that private sector will play a leading role in promoting tourism development, particularly in the areas of building facilities, developing tourism programs/packages and marketing, ADB will continue to act as a catalyst and facilitator for tourism development, particularly through support for the infrastructure needed to foster this development.

60. Facilitate Cooperation in Energy. Efficient exploitation and use of energy, including power, gas, and oil, are critical in promoting economic and social development. However, the progress of cooperation in the energy sector has so far been limited and slow because of strong national interests and sensitivities over energy trade. Nonetheless, opportunities are significant for cooperation in the joint development of energy resources in energy-rich countries for export to energy-deficient countries within South Asia and neighboring regions. The trading of gas and hydropower between countries in South Asia and between South Asia and neighboring regions is expected to create a win-win situation for the countries concerned. ADB will work with governments, SAARC³⁶, private sector, and other development partners to support such projects wherever possible.

³⁵ Potential negative impacts, such as the issue of the spread of HIV/AIDS, will be dealt with under individual projects, especially those in the transport sector. In addition, ADB will work with other agencies and organizations addressing this issue within the wider South Asia context.

³⁶ At the recent Dhaka Summit, SAARC member countries agreed to establish the SAARC Energy Centre in Islamabad; to promote the development of energy resources, including hydropower and energy trade in the region;

61. **Promote Private Sector Cooperation.** While support for private sector initiatives will be an integral component in pursuing these objectives (paras. 57–60), it also deserves to be separately highlighted because of the potential role it can play as a driver for regional cooperation activities. The private sector is motivated by economic incentives and is less constrained to undertake cooperation activities between and among a group of countries within and outside the region. Many opportunities exist for private sector cooperation across a number of sectors including roads, energy and power, ICT, tourism, and trade and investment. One example of such cooperation is the potential investment by the Indian TATA Group in Bangladesh in a steel plant with an annual 2.4 million ton capacity, a 1,000 megawatt plant, and a 1 million ton capacity fertilizer plant.³⁷ ADB's experience with regional cooperation, in particular, with the GMS and SASEC programs, has shown that progress of cooperation activities is likely to move faster when the private sector participates.

62. Cooperation in water and the environment are important areas where cross-border cooperation is needed. However, cooperation in these areas are made especially difficult by inherent sensitivities, such as over the use and allocation of water, as well as the complexities associated with the number of ministries and agencies with jurisdiction over water and the environment. In this respect, cooperation in water and cross-border environmental concerns will likely move forward slowly. On the other hand, cooperation on more general matters involving water and the environment, such as knowledge-based cooperation on research and information sharing, as well as capacity building, can lay the basis for building confidence for more difficult cross-border projects. Once greater confidence and trust are developed through implementation of these cooperation projects, more difficult cross-border issues in water and the environment could be addressed and such cooperation projects would move forward. Thus, in the short and medium term, knowledge-based cooperation will be a key focus of ADB support in the water and environment sectors. ADB will also work with governments in the region and other development partners wherever opportunities exist for dialogue and increased understanding in these areas.³⁸ As opportunities arise, a similar approach will also be taken with respect to support to other areas, such as communicable diseases, human trafficking, child labor and money laundering, working in close cooperation with other development partners.

C. Operational Approaches of the Strategy

63. To achieve the operational objectives, six complementary operational approaches will be pursued: support for project and/or program-based cooperation, support for ongoing subregional cooperation initiatives, promotion of interregional cooperation, strengthening of regional cooperation, strengthening of mechanisms to deliver cooperation projects, and strengthening of coordination with other development partners.

64. **Support for Project and/or Program-Based Cooperation.** A regional cooperation program cannot be strengthened and sustained unless the participating countries see tangible or visible benefits from cooperation activities. In South Asia, where the progress of cooperation

to develop renewable and alternative energy resources; and promote energy efficiency and conservation in the region.

³⁷ TATA completed the first round of negotiation with the Government of Bangladesh during 25–28 May 2005. The Government has demonstrated a keen interest in TATA's proposal and formed a task force headed by the minister for industries with four other relevant ministers and/or secretaries as members.

³⁸ The need for greater cooperation in the environment sector is slowly gaining momentum in South Asia. At the recent Dhaka Summit, SAARC member countries expressed deep concern at the continuing degradation of environment and the need for collaborative action in the area of environment, including water conservation.

has been relatively slow, demonstrating the benefits from cooperation within a relatively short time horizon is critical. Quick and successful implementation of regional cooperation activities will enhance trust and confidence, and strengthen political support for subregional and regional cooperation. Thus, identifying and implementing quick-yielding cooperation projects and programs will be one of the key ways to help achieve the five operational objectives. This can include regional projects, which involve the participation of most developing member countries in South Asia, as well as subregional projects, which involve the participation of three or more developing member countries. Equally, bilateral and national projects that have important cross-border implications can also qualify as subregional projects.

65. Support for Ongoing Subregional Cooperation Initiatives. In general, the smaller the number of countries involved in a cooperation program, the easier consensus and agreement can be reached on common priorities, and cooperation activities identified and implemented. Subregional cooperation programs such as SASEC and SECSCA can be expected to remain core programs to promote project-based cooperation.

66. Promotion of Interregional Cooperation. Most of the South Asian countries have shown a growing interest in exploring closer ties with neighboring regions. The SECSCA program is a subregional cooperation program, but it is also an interregional and project-based program because it involves Afghanistan and Pakistan in South Asia and some countries in Central Asia, and focuses on developing corridors connecting South and Central Asia. On the other hand, the participating countries in SASEC, namely, Bangladesh, Bhutan, India, and Nepal, are keen to establish closer economic ties with Southeast Asian countries and beyond. With the accession of Bhutan and Nepal to BIMSTEC, all four SASEC countries are now members of BIMSTEC. The SASEC Country Advisers' Meeting, held on 22 and 23 July 2005, endorsed closer coordination and cooperation with BIMSTEC to maximize synergies and avoid duplication; and endorsed an expanded membership of the specific sector working groups under SASEC to strengthen sector-specific cooperation activities. Such interregional cooperation can be seen as a first step toward the 'garlanding' of the various subregional initiatives being implemented in Asia, as Asia as a whole moves toward greater cooperation and integration.³⁹ In addition, SAARC intends to build its external interface for cross-regional cooperation. ADB will support SAARC's efforts for leveraging the economic complementarities of the regions of South Asia, Southeast Asia, and Central Asia.

67. Strengthening of Regional Cooperation. While a subregional approach will be continued as a means of accelerating project-based cooperation among geographically proximate countries with common economic interests, ADB will also significantly expand its support to regionwide cooperation and integration in South Asia, given the enhanced prospects for progress for this. Specifically, ADB will work with the SAARC Secretariat within the framework of the MOU (see para. 34). TA will be provided to support priority areas as set out in the Dhaka Declaration and as agreed between SAARC and ADB. These areas include transport connectivity, regionwide energy networking, and support to the SAARC Development Fund, SAARC finance ministers' meeting and SAARC learning initiative.

68. Strengthening of Mechanisms to Deliver Cooperation Projects. To effectively identify, prioritize, and implement subregional cooperation projects and programs, an institutional mechanism must be built. Sector working groups have been established for carrying

³⁹ OREI has also started a RETA on economic cooperation between East Asia and South Asia. The purpose of this TA is to provide a road map of specific policy options to enhance economic cooperation and integration between East Asia and South Asia.

out such activities under ADB-supported cooperation programs, such as SASEC and SECSCA. These working groups need to be strengthened to deliver viable and quick-yielding cooperation projects and programs. In this context, ADB can play a catalytic and facilitating role by providing the necessary technical and financial support for (i) assisting the working groups in preparing background or sector studies to facilitate more effective project identification and prioritization, (ii) holding more frequent sector working group meetings and encouraging closer interactions between working groups of different sectors on areas where synergies are expected, and (iii) providing effective logistic services for the sector working groups' activities. SAARC has also established several working groups or technical committees for cooperation in priority areas and assistance to such groups will be also provided, based on the agreement between SAARC and ADB.

69. Strengthening of Coordination with Other Development Partners. In implementing cooperation activities, ADB will actively coordinate and cooperate with other development partners, particularly with the World Bank, relevant United Nations agencies, DFID, EU, Japan Bank for International Cooperation (JBIC), USAID, and other bilateral partners, taking into full consideration the comparative strengths of each partner so as to maximize the impact of regional cooperation activities. Under the SASEC program, development partners such as relevant United Nations agencies, USAID, and JBIC were invited to some of the working group meetings, and some forums were jointly organized. Furthermore, CSATTF is preparing an inventory of development partner assistance relating to improving transport connectivity and promoting trade. ADB will identify appropriate cofinancing opportunities with official development partners and commercial partners.

VII. ADB'S ASSISTANCE PROGRAM

70. The regional cooperation assistance program for South Asia for 2005–2008 (Appendix 2) reflects the operational objectives of ADB's regional cooperation strategy (paras. 56–62), and includes the priority projects endorsed at the SASEC Country Advisers' Meeting in July 2005, the CSATTF Ministerial Conference in March 2005, and the agreement reached with SAARC when the SAARC Secretary General visited ADB in late November 2005. The program also reflects the regional cooperation and development priorities outlined in the country strategy and program and updates for each country.

71. Given that regional and subregional cooperation in South Asia is relatively new and still at an evolving stage of development, the emphasis of ADB's lending and nonlending program will focus mainly on identifying and implementing quick-yielding projects that can bring about tangible and visible outputs from cooperation and meet the clear priorities of the countries concerned. In this respect, the lending program in the short and medium term will focus on improving regional and interregional transport connectivity to support the growth of intra- and interregional trade, investment, and travel, as well as the integration of the region and beyond. Loan projects in other sectors are currently being prioritized by the sector working groups under the SASEC and SECSCA programs. Some of these projects are under discussion by the respective working groups and are not ready for inclusion in the program. The main focus of the nonlending program is to strengthen activities under the SASEC and SECSCA programs, by providing continuing support for identifying and prioritizing cooperation projects/programs in the priority sectors. In view of the enhanced momentum of cooperation under SAARC, increased support to SAARC's priority agenda will be also provided. In addition, technical assistance to BIMSTEC for the improved cross-regional connectivity will be processed. Stand-alone TAs to support the preparation of loan projects (such as project preparatory TAs) or conduct sector

studies including information sharing and capacity building (such as institutional development TAs) will be provided to priority projects already identified under the SASEC and SECSCA programs.

72. ADB assistance to regional and subregional cooperation in loans and TAs will be in addition to each country's indicative planning figure (IPF). For the countries eligible for Asian Development Fund (ADF) and ADF–ordinary capital resources (OCR) blend financing, limited funding from ADF will be available for projects that will directly contribute to regional cooperation and integration, such as the upgrading of a segment of the transport corridors linking to other countries. During the planning period (2006–2008), an annual average of about \$20 million will be available to finance or supplement concessional financing of subregional and regional projects in ADF and ADF–OCR blend countries in South Asia.⁴⁰ Given the current constraint on TA resources, subregional and regional projects eligible for regional cooperation IPF will need to be prioritized. A high priority will be accorded to the implementation of regional and subregional projects involving several countries in South Asia. National projects contributing to subregional and regional integration, included in the respective countries' country strategy and programs and updates, are also included in the regional cooperation program.

73. The proposed lending program for 2006–2008 consists of 11 subregional cooperation, including three stand-by projects, totaling \$1,725 million, of which \$1,530 million will be financed from OCR and \$35 million from ADF earmarked for regional cooperation, and the balance of \$160 million will be financed from the ADF IPFs allocated to the respective countries. The 2006–2008 lending program also includes priority national projects that have significant subregional impacts. Subregional cooperation investment projects identified and prioritized by SASEC and SECSCA working groups will be added to the program in the regional country strategy and program update.

74. In view of tight funding resources in the next few years and uncertainty of the availability of increased concessional funding, reprioritization of the proposed regional cooperation program may be required. As the process of regional cooperation develops and expands, there will be a need for additional support for regional/subregional cooperation projects. Therefore, in taking forward the proposed lending program, ADB will maintain close operational coordination with other official development partners and commercial partners to identify appropriate cofinancing opportunities, including the use of credit enhancement tools, for regional and/or subregional activities so as to maximize development impact.

75. The proposed nonlending program for 2006–2007⁴¹ includes 16 regional and subregional cooperation projects; 7 project preparatory TAs and 9 institutional development TAs. The total amount required to support these projects will be about \$10.7 million. The 2006–2007 nonlending program also includes four national projects with regional and subregional implications, which will be financed from country specific IPFs (totaling about \$3 million). Thus, 12 regional or subregional cooperation projects totaling about \$7.7 million need to be financed from either regional cooperation TA IPF or other sources except for country TA IPFs. For the nonlending program, ADB's South Asia Department has allocated a total of about \$6 million between 2006 and 2007. To meet the funding gap between available sources from ADB and the amount actually required to finance all nonlending products and services in the program, cofinancing arrangement will be explored from the Global Environment Facility and a multi-

⁴⁰ Both the issues of the future level and terms for lending in support of the regional cooperation are being discussed in the context of ADB's new strategy on regional cooperation and integration.

⁴¹ The nonlending program covers 2006–2007 and the 2008 program will be included in the RCSP Update.

donor trust fund for poverty reduction. The nonlending program will be adjusted based on resource availability.

VIII. RISKS, PERFORMANCE MONITORING AND EVALUATION

A. Risks

76. A number of risks may affect the strategy and program for regional cooperation in South Asia. The most serious risk comes from possible unfavorable political events that result in renewed tensions between countries in the region. While this cannot be ruled out, the SAARC countries pledged at the Islamabad Summit to resolve any conflict and dispute through peaceful means while at the Dhaka Summit, the SAARC leaders restated their commitment to work together for the benefit of all their people. The huge costs of renewed conflict or tensions on the region's economic and social development are well recognized by all. Progress in regional cooperation will itself help to mitigate this risk. However, even if difficulties do emerge, by taking subregional approaches and project-based activities, many of the cooperation activities planned would still be able to move forward. A second risk is that countries become frustrated with the slow progress of regional cooperation activities. Experience shows that it generally takes a long time before the momentum for regional cooperation builds up. The strategy seeks to minimize this risk by identifying and implementing quick-impact projects. Again, subregional and project-based approaches can help mitigate this risk. A third risk relates to the possibility (and/or perception) that some participating countries will gain more than others from regional cooperation and integration in South Asia, such as from a regional free trade agreement. This risk will be mitigated by focusing on high priority regional and subregional projects and programs that deliver clear benefits to the participating countries. At the same time, many of the activities proposed under this Regional Cooperation Strategy and Program (RCSP) will help sensitize policy makers, stakeholders, and the public of the benefits of regional cooperation and integration. Finally, lack of adequate funding may hold back implementation of regional cooperation projects. Once the momentum for regional cooperation does build up, the funding demands can be extensive and can be expected to well exceed the resources available from ADB. The strategy mitigates this risk by identifying the need to mobilize resources and build partnerships with other development partners and the private sector as one of its key elements.

B. Monitoring and Evaluation

77. As discussed in Section VI, the long-term goals of ADB's regional cooperation strategy in South Asia are to assist the region to realize its full potential in economic and social development and to enable South Asia to play an effective part in wider Asian integration. In order to realize the long-term goals, five key operational objectives would need to be achieved, including improving connectivity, facilitating trade and investment, developing regional tourism, facilitating cooperation in energy, and promoting private sector cooperation. In addition, cooperation in water and the environment are important areas where cross-border cooperation is needed. However, cooperation in these areas is extremely difficult because of inherent sensitivities and complexities. Thus, in the short- and medium-term, knowledge-based cooperation will be a key focus of ADB support in the water and environment sectors.

78. The RCSP Results Framework Matrix (2006-2008) provides a summary of the logical links between regional level development goals, outcomes influenced by the RCSP, and ADB-supported interventions. In line with the "Practice Note on Results-based CSP" prepared by ADB's Strategy and Policy Department with reference to the preparation of results-based CSP

for an individual country⁴² the RCSP Results Framework Matrix presented is based on the following definitions:

- the regional development goals are long-term objectives (i.e., 10-15 years) that ADB's support is expected to contribute;
- the key issues that need to be addressed in achieving these goals;
- the expected outcomes are medium-term (i.e., 5 years) strategic objectives which are expected to be achieved during the RCSP period;
- the key indicators are actions, processes, outputs, and development interventions that help monitor implementation towards achieving the RCSP outcomes; and
- ADB's ongoing activities that contribute to the achievement of the intended RCSP outcomes.

79. Regional cooperation in South Asia is still in an early stage of evolution, and ADB's support for regional cooperation activities in the region only started in early 2001. In this context, well-defined quantitative targets or indicators to monitor regional cooperation activities and programs have not been established. In contrast, at a country level, these targets and indicators, such as the length of roads to be constructed, are usually contained in the country's development plan. Another difficulty in establishing such targets or indicators is that even if subregional investment projects have been identified, there is no guarantee that the countries concerned will implement their respective components of a subregional project because of budgetary situation or other reasons. In this respect, the key indicators as set out in the matrix present what can be realistically achieved during the program period. Where possible, data for these indicators will be made available by end of 2006 and will be reported. As implementation proceeds, and with build-up of experience and increased data-generation capacities within the region, better indicators may be identified and/or outputs and outcomes will be updated with more details.

⁴² Issued on 7 September 2005. A practice note specifically for RCSP is not available.

THE RESULTS FRAMEWORK MATRIX (2006–2008)

ADB's Regional Development Goal in South Asia	Key Issues to Achieving the Goal	Outcomes/Strategic Objectives of RCSP	Indicators to Track Progress Towards These Outcomes	ADB's and Other Partners Program
Realization of South Asia's full potential in economic and social development as well as the region's wider integration through regional/subregional/cross-regional cooperation	<p>Lack of efficient and effective regional transport connectivity hindering the movement of goods and people</p> <p>Lack of regional communications connectivity adversely affecting business environment and living standard of the region</p>	Improved transport and communications connectivity	<p>Number of new subregional/regional transport projects Identified and prioritized¹</p> <p>Number of kilometers of transport corridors upgraded under SASEC²</p> <p>Number of border facilities upgraded under SECSCA CSATTF³</p> <p>Number of new subregional connectivity ICT projects prioritized as identified under SASEC ICT Master Plan⁴</p>	<p>PPTAs to upgrade priority corridors and/or border facilities. under SASEC and SECSCA</p> <p>ADTAs to assess impediments of transport connectivity and recommend possible modalities, routings, and policy reforms</p> <p>TAs to promote ICT connectivity</p> <p>Investment in transport and communications connectivity within South Asia and adjacent regions</p>
	Low intra-regional and inter-regional trade and investment in South Asia	Improved trade facilitation	<p>Number of trade facilitation studies undertaken under SASEC and SECSCA</p> <p>Number of new trade facilitation projects /programs identified and prioritized⁵</p>	TAs to promote trade facilitation
	<p>South Asia's rich and diverse tourism resources have yet to be fully developed</p> <p>South Asia 's small share of world tourist arrivals</p>	Increased promotion of regional tourism	<p>Financing mechanism established to fund subregional tourism projects⁶</p> <p>Number of new regional tourism development projects Identified and prioritized⁷</p> <p>Number of tourist arrivals from countries in South Asia and other regions to increase from current level⁸</p>	<p>TAs to promote regional tourism and human resources development</p> <p>Investment projects in tourism-related facilities/ industries</p>

ADB's Regional Development Goal in South Asia	Key Issues to Achieving the Goal	Outcomes/Strategic Objectives of RCSP	Indicators to Track Progress Towards These Outcomes	ADB's and Other Partners Program
	Significant opportunities for cooperation in joint development of energy resources in energy-rich countries for exports to energy-deficient countries within South Asia and neighboring countries	Increased cooperation for future Energy Trade within South Asia	Number of new subregional/regional projects on energy trade identified and prioritized ⁹ Decision on implementation of gas pipeline projects, including TAP	TAs to promote energy trading among SASEC and SECSCA countries
	Private sector is key driver of regional cooperation	Increased private sector participation both as an investor and a promoter of regional cooperation initiatives and activities	Number of private sector initiatives /activities undertaken by South Asia Business Forum ¹⁰	TAs to promote private sector development Financing projects through ADB's private sector window
	Cross-border cooperation is needed to effectively manage water resources and the environment for improving quality of life, minimizing environmental costs, and promoting sustainable economic development, but cross border projects are difficult to identify and implement.	Increased knowledge-based cooperation	Number of TAs on knowledge-based cooperation identified and implemented in the areas of environment and water ¹¹	TAs on knowledge- based cooperation and capacity building

¹ Subregional/regional transport projects are identified and prioritized by the Transport Working Group under SASEC, which meets at least once a year. No baseline available.

² Baseline to be established by PPTAs in transport by end of 2006.

³ Baseline to be established by 2006 from the Master Plan for Road Network Improvement Project for Afghanistan.

⁴ Subregional ICT projects are identified and prioritized by the ICT Working Group under SASEC, which meets at least once a year. No baseline available.

⁵ Trade facilitation projects are identified and prioritized by the Trade, Investment, and Private Sector Cooperation Working Group (TIPWG) under SASEC and the Trade and Customs Working Group under SECSCA, which meet at least once a year. No baseline available.

⁶ Undertaken by the Tourism Working Group under SASEC. No baseline available.

⁷ Subregional tourism projects are identified and prioritized by the Tourism Working Group under SASEC, which meets at least once a year. No baseline available.

⁸ Data are obtained from the World Tourism Organization. Baseline will be established by 2006.

⁹ Subregional projects are identified and prioritized by the Energy and Power Working Group under SASEC, which meets at least once a year. No baseline available.

¹⁰ Activities will be undertaken by the participating countries of the South Asia Business Forum.

¹¹ Projects are identified and prioritized by the Environment Working Group under SASEC, which meets at least once a year. No baseline available

REGIONAL ECONOMIC, SOCIAL, AND ENVIRONMENT INDICATORS
Table A1.1: Economic Indicators of South Asian Countries

Item	2003								2004							
	AFG	BAN	BHU	IND	MLD	NEP	PAK	SRI	AFG	BAN	BHU	IND	MLD	NEP	PAK	SRI
A. Income and Growth																
GDP per capita (\$, current)	206.5	389.2	932.5	559.9	2,423.2	242.0	553.2	950.3	232.4	417.9	1024.9	633.5	2,601.4	270.6	638.6	1,011.3
GDP growth (% , constant price)	14.9	5.3	6.5	8.5	8.4	2.9	4.8	5.9	6.2	6.3	6.8	6.9	8.8	3.2	6.4	6.4
Agriculture	13.3	3.1	4.0	9.6	1.9	2.5	4.1	1.5	(16.8)	4.1	3.5	1.1	2.9	3.9	2.2	(1.8)
Industry	11.9	7.3	7.3	6.6	7.5	3.0	4.7	5.5	29.6	7.6	9.6	7.7	9.9	1.0	12.0	5.4
Services	19.3	5.4	7.8	9.1	9.6	3.3	5.2	7.8	27.6	5.7	8.0	8.9	9.4	4.3	6.0	8.1
B. Savings and Investment (% of GDP)																
Gross domestic investment	27.2	23.4	—	26.3	27.2	26.0	16.9	22.3	21.9	24.0	—	26.5	36.1	27.3	17.3	25.9
Gross national saving	25.4	24.2	37.8	24.3	22.6	15.5	20.5	15.0	18.5	24.8	7.1	25.5	24.1	15.1	20.1	14.9
C. Money and Inflation (% change)																
Consumer price index	10.5	4.4	1.8	5.5	(2.9)	4.8	3.1	2.6	10.2	5.8	1.3	6.5	6.4	4.0	4.6	7.9
Total liquidity (M2)	—	15.6	29.7	16.9	14.6	9.8	18.0	13.8	—	13.8	4.1	13.0	32.6	12.8	19.6	15.7
D. Governance and Finance (% of GDP)																
Revenue and grants	4.5	10.3	25.3	19.8	34.6	14.5	14.9	16.1	5.6	10.2	32.0	19.8	33.8	14.6	14.3	16.1
Expenditure and on lending	9.8	13.7	35.8	31.3	38.8	16.0	18.7	23.7	11.3	13.4	27.5	28.9	38.3	16.1	16.6	23.7
Overall fiscal surplus (deficit)	(5.3)	(3.4)	(10.4)	(9.4)	(4.1)	(1.5)	(3.7)	(7.5)	(5.7)	(3.2)	4.5	(7.9)	(4.4)	(1.5)	(2.3)	(7.6)

Item	2003								2004							
	AFG	BAN	BHU	IND	MLD	NEP	PAK	SRI	AFG	BAN	BHU	IND	MLD	NEP	PAK	SRI
E. Balance of Payments																
Merchandise trade balance (% of GDP)	(-34.8)	-4.3	(-11.2)	-2.6	-38.0	(-15.4)	-0.4	(-8.4)	(-25.9)	-4.1	(-11.4)	-5.5	-49.1	(-16.5)	-1.3	(-11.0)
Current account balance (% of GDP)	(1.8)	0.2	9.0	1.8	(4.6)	2.5	4.9	(0.6)	(3.4)	0.2	7.1	(0.9)	(11.8)	2.9	1.9	(3.2)
Merchandise exports (\$) (annual % change)	45.8	9.5	8.9	20.4	14.9	(13.8)	19.6	9.2	11.6	15.9	39.7	24.9	13.0	12.4	13.5	12.7
Merchandise imports (\$) (annual % change)	41.8	13.1	1.7	24.4	20.2	7.1	20.1	9.3	0.3	13.0	29.6	48.4	30.7	18.4	21.2	19.3
F. External Payments Indicators																
Gross official reserves (\$ million)	816.0	2,469.6	373.0	107,448.0	161.0	1,158.8	9,525.1	2,329.0	1,105.0	2,705.0	383.1	135,571.0	205.1	1,446.5	10,553.9	1,824.0
Months of current imports	2.9	3.4	23.6	16.1	4.7	8.9	10.1	4.2	3.9	3.3	18.7	13.7	4.5	9.4	9.2	2.8
External debt service (% of exports of goods and services)	—	5.8	5.0	18.3	3.7	10.3	22.6	11.6	—	5.0	4.1	—	3.8	10.0	32.4	11.4
Total external debt (% of GDP)	—	32.7	59.2	18.6	39.5	50.7	40.5	58.2	—	30.4	68.4	17.8	38.5	46.5	34.7	59.7
G. Memorandum Items																
GDP (\$ million, current)	4,585.1	51,913.7	607.2	600,761.7	690.8	5,856.2	82,442.4	18,295.8	5,392.0	56,493.6	773.9	691,163.3	753.1	6,710.0	96,095.8	19,668.3
Exchange rate ^a	49.0	57.9	46.6	45.9	12.8	77.9	58.5	96.5	47.9	58.9	45.3	44.9	12.8	73.8	57.6	101.2
Population (million)	22.2	133.4	0.7	1,073	0.29	24.2	149.0	19.3	23.2	135.2	0.8	1,091.0	0.29	24.8	150.5	19.4

— = Not available, () = negative, AFG – Afghanistan, BAN – Bangladesh, BHU- Bhutan, IND – India, MLD – Maldives, NEP – Nepal, PAK – Pakistan, SRI – Sri Lanka

^a Local currency.

Source: Asian Development Bank. 2005. *Asian Development Outlook*. Manila.

Table A1.2: Social and Poverty Indicators of South Asian Countries

Item	Latest Year							
	AFG	BAN	BHU	IND	MLD	NEP	PAK	SRI
A. Population Indicators								
Total population (millions) ^a	23.2	135.2	0.8	1091.0	0.3	24.8	148.7	19.4
Annual population growth (%)	4.5	1.3	14.3	1.7	3.4	2.5	1.8	0.5
B. Social Indicators								
Total fertility rate (births per woman) ^b	—	2.9	—	2.9	—	4.1	4.5	2.0
Maternal mortality rate (per 100,000 live births) ^{bc}	—	380.0	260.0	540.0	350.0	540.0	530.0	92.0
Infant mortality rate (per 1,000 live births) ^b	—	46.0	—	63.0	—	61.0	74.0	13.0
Life expectancy at birth (years) ^c	—	61.1	63.0	63.7	67.2	59.6	60.8	72.5
Female	—	61.5	64.3	64.4	66.8	59.4	60.7	75.8
Male	—	60.7	61.8	63.1	67.7	59.9	61.0	69.8
Adult literacy (%) ^c	—	41.1	—	61.3	97.2	44.0	41.5	92.1
Female	—	31.4	—	46.4	97.2	26.4	28.5	89.6
Male	—	50.3	—	69.0	97.3	61.6	53.4	94.7
Primary school gross enrollment rate (%) ^b	—	96.0	—	99.0	—	119.0	68.0	112.0
Secondary school gross enrollment rate (%) ^b	—	47.0	—	50.0	—	61.0	23.0	86.0
Public education expenditure (% of GDP) ^b	—	2.4	—	4.1	—	3.4	1.8	—
Child malnutrition (% of below age 5) ^b	49.3	52.2	—	46.7	—	48.3	35.0	32.9
C. Poverty Indicators								
Population below poverty line (international, %)	—	36.0	—	34.7	—	37.7	13.4	7.6
Population with access to improved water source (%) ^b	13.0	75.0	—	86.0	—	84.0	90.0	78.0
Population with access to improved sanitation facilities (%) ^b	8.0	48.0	—	30.0	—	27.0	54.0	91.0
Human development index ^c	—	0.509	0.536	0.595	0.752	0.504	0.497	0.740
Rank	—	138.0	134.0	127.0	84.0	140.0	142.0	96.0
Poverty incidence (millions)	—	—	—	—	—	—	—	—
Poverty gap	—	8.1	—	8.2	—	9.7	2.4	1.5

— = Not available, AFG – Afghanistan, BAN – Bangladesh, BHU- Bhutan, IND – India, MLD – Maldives, NEP – Nepal, PAK – Pakistan, SRI – Sri Lanka.

^a Asian Development Bank. 2005. *Asian Development Outlook*. Manila.

^b World Bank. 2005. *World Development Indicators*. Washington.

^c United Nations Development Programme. 2004. *Human Development Report*. New York.

Table A1.3: Environment Indicators of South Asian Countries

Item	Latest Year							
	AFG	BAN	BHU	IND	MLD	NEP	PAK	SRI
A. Energy Efficiency of Emissions								
1. GDP per unit of energy use (PPP\$/kgoe) ^a	—	10.5	—	5.0	—	3.8	4.3	8.0
2. Traditional fuel use (% of total energy use) ^b	—	63.6	84.1	24.3	—	88.0	26.6	34.8
3. Carbon dioxide emissions (tons) ^a	0.9	29.3	—	1070.9	—	3.4	104.8	10.2
4. Carbon dioxide emissions (per capita tons) ^a	—	0.2	—	1.1	—	0.1	0.8	0.6
B. Land Use and Deforestation^a								
1. Forest area (1,000 square kilometers)	14	13	—	641	—	39	24	19
2. Average annual deforestation (%)	—	(1.3)	—	(0.1)	—	1.8	1.5	1.6
3. Rural population density (persons per square kilometer of arable land)	273	1,249	—	466	—	659	447	1,588
4. Arable land (% of total land)	12.1	61.6	—	54.4	—	22.4	27.8	14.2
5. Permanent cropland (% of total land)	0.2	3.1	—	2.8	—	0.7	0.9	15.5
C. Biodiversity and Protected Areas^a								
1. Nationally protected area (1,000 square kilometers)	2.0	1.0	—	154.6	—	12.7	37.8	8.7
2. Mammals (threatened species)	13	23	—	88	—	31	19	22
3. Birds (threatened species)	11	23	—	72	—	25	17	14
4. Higher plants (threatened species)	1	12	—	244	—	6	2	280
5. Amphibians (threatened species)	—	—	—	—	—	—	—	—
D. Urban Areas								
1. Urban population (millions) ^a	6.7	37.0	—	301.3	—	3.2	50.6	4.6
% of total population	23	27	—	28	—	13	34	24
2. Per capita water use (liters per day)	—	—	—	—	—	—	—	—
3. Wastewater treated (%)	—	—	—	—	—	—	—	—
4. Solid waste generated per capita (kilogram per day)	—	—	—	—	—	—	—	—

— = Not available, AFG – Afghanistan, BAN – Bangladesh, BHU – Bhutan, IND – India, MLD – Maldives, NEP – Nepal, PAK – Pakistan, SRI – Sri Lanka.

^a Asian Development Bank. 2005. *Asian Development Outlook*. Manila.

^b World Bank. 2005. *World Development Indicators*. Washington.

^c United Nations Development Programme. 2004. *Human Development Report*. New York.

ASSISTANCE PIPELINE FOR LENDING AND NONLENDING PRODUCTS
Table A2.1: Assistance Pipeline for Lending Products, 2006–2008

Sector Project/Program Name	Targeting Classifi- cation ^a	Thematic Priority	Division	Year of Project Preparatory Assistance	Cost (\$ million)			Other Sources	Total
					OCR	ADB			
						ADF			
						Regional IPF	Country IPF		
2006									
Transport									
1. North-South Road Corridor Project (AFG)	GI	ECG	SATC	2004	0.0	0.0	140.0	0.0	140.0
Total					0.0	0.0	140.0	0.0	140.0
2007									
Transport									
1. Regional Connectivity in South Asia I	GI	ECG/REG	SATC	—	200.0	20.0	0.0	0.0	220.0
2. Road Sector Development Project (Dhaka-Chittagong Highway) (BAN)	GI	ECG/REG	SATC	—	140.0	0.0	10.0	0.0 ^b	150.0
Total					340.0	20.0	10.0	0.0	370.0
2008									
Energy									
1. Subregional Energy Trade Among SASEC Countries	GI	ECG/REG	SAEN	—	200.0	15.0	0.0	0.0	215.0
2. Turkmenistan-Afghanistan-Pakistan Natural Gas Pipeline Project	GI	ECG/REG	SAEN	—	20.0	0.0	0.0	0.0 ^c	20.0
Subtotal					220.0	15.0	0.0	0.0	235.0
Transport and Communications									
3. Development of Transport Corridor for Trade Facilitation (BAN)	GI	ECG/REG	SATC	2006	150.0	0.0	10.0	0.0	160.0

Sector Project/Program Name	Targeting Classifi- cation ^a	Thematic Priority	Division	Year of Project Preparatory Assistance	Cost (\$ million)			Other Sources	Total
					ADB		ADF		
					Regional IPF	Country IPF			
4. Padma Bridge	GI	ECG/REG	SATC	2006	250.0	0.0	0.0	0.0	250.0
5. Establishment of SASEC ICT Exchange Facilities	GI	ECG/REG	SATC	2007	20.0	0.0	0.0	0.0	20.0
Subtotal					420.0	0.0	10.0	0.0	430.0
Total					640.0	15.0	10.0	0.0	665.0
Standby									
Tourism									
1. SASEC Tourism Development Project	GI	ECG/REG	SAAE	2006/2007	100.0	0.0	0.0	0.0	100.0
Transport									
2. Subregional Transport Connectivity (IND) ^d	GI	ECG/GOV/ REG	SATC	2003	250.0	0.0	0.0	0.0	250.0
Trade									
3. Private Sector Trade Creation Initiative (IND) ^d	GI	PSD	SAGF	2004	200.0	0.0	0.0	0.0	200.0
Total					550.0	0.0	0.0	0.0	550.0

ADB = Asian Development Bank, ADF = Asian Development Fund, AFG = Afghanistan, BAN = Bangladesh, OCR = ordinary capital resources, ECG = sustainable economic growth, GI = general intervention, IND = India, IPF = indicative planning figure, REG = regional cooperation, SAAE = South Asia Agriculture, Environment and Natural Resources Division, SAGF = South Asia Governance, Finance and Trade Division, SAEN = South Asia Energy Division, SATC = South Asia Transport and Communications Division; TBD = to be determined.

^a Following the Board approval of the R-Paper on Review of ADB's Poverty Reduction Strategy, staff instructions to replace IP/CPI classification with a new tracking system are under preparation in line with para. 83 of the R-Paper.

^b Cofinancing with Department for International Development/Japan Bank for International Cooperation is being explored.

^c Private sector financing, including financing from ADB private sector window.

^d PPTAs are ongoing.

Table A2.2: Assistance Pipeline for Nonlending Products and Services, 2006–2007

Sector Assistance Name	Responsible Division	Assistance Type	Sources of Funding			Total (\$'000)
			ADB		Others	
			Regional IPF (\$'000)	Country IPF (\$'000)	(\$'000)	
2006						
Firm						
1. Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) Transport Logistics Study	SATC/SAOC	ID	800.0	0.0	0.0	800.0
2. Capacity Building for Trade and Transit Facilitation (AFG)	SAOC	ID	0.0	1,000.0	0.0	1,000.0
3. Development of Transport Corridor For Trade Facilitation (BAN)	SATC	PP	0.0	900.0	0.0	900.0
4. National Highway Development II (PAK)	SATC	PP	0.0	350.0	0.0	350.0
5. Promoting South Asian Economic Cooperation (SAARC) II	SAEN/SAOC/ NRM	ID	1,000.0	0.0	0.0	1,000.0
6. Regional Transboundary Peace Park (AFG/PRC/PAK/TAJ)	SAOC	ID	0.0	0.0	350.0 ^a	350.0
7. Review of Legislation, Policy and Implementation Practices on Hazardous Waste Management	SATC	ID	400.0	0.0	0.0	400.0
8. South Asia Finance Ministers' Meeting	SAOD	ID	400.0	0.0	0.0	400.0
9. Subregional Economic Cooperation In South and Central Asia - Phase II	SAOC	ID	950.0	0.0	0.0	950.0
10. Workshop on Proposed South Asian Association for Regional Cooperation (SAARC) Development Fund	SAGF	ID	150.0	0.0	0.0	150.0
Total			3,700.0	2,250.0	350.0	6,300.0
Standby						
11. South Asia Subregional Economic Cooperation (SASEC) Tourism Development Project	SAAE	PP	600.0	0.0	0.0	600.0

Sector Assistance Name	Responsible Division	Assistance Type	Sources of Funding			Total (\$'000)
			ADB		Others	
			Regional IPF (\$'000)	Country IPF (\$'000)	(\$'000)	
2007						
Firm						
1. Corridor Development Plan	SAOC	ID	700.0	0.0	0.0	700.0
2. South Asia Subregional Economic Cooperation (SASEC) IV	SAOC	ID	800.0	0.0	0.0	800.0
3. South Asia Subregional Economic Cooperation (SASEC) Tourism Development Project	SAAE	PP	600.0	0.0	0.0	600.0
4. Subregional Energy Trade Among SASEC Countries	SAEN	PP	800.0	0.0	0.0	800.0
5. Subregional Transport Connectivity	SATC	PP	800.0	0.0	0.0	800.0
6. Trade and Transit Facilitation Program (AFG)	SAGF	PP	0.0	700.0	0.0	700.0
Total			3,700.0	700.0	0.0	4,400.0

ADB = Asian Development Bank, AFG = Afghanistan, BAN = Bangladesh, ETSW = economic, thematic, and sector work, ID = institutional development, PAK = indicative planning figure, Pakistan, PRC = People's Republic of China, PP = project preparatory, REG = regional, TAJ = Tajikistan, TASF = technical assistance special fund, TBD = to be determined.

^a Global Environment Facility grant.

CONCEPT PAPERS FOR LENDING PRODUCTS AND SERVICES

This appendix contains the concept papers for the following products:

- (i) Table A3.1: North-South Road Corridor Project (Afghanistan)

**Table A3.1: North–South Road Corridor Project (Afghanistan)
Concept Paper**

Date: 18 October 2005

<p>1. Type/modality of assistance</p> <p><input checked="" type="checkbox"/> Lending</p> <p style="margin-left: 20px;"> <input checked="" type="checkbox"/> Project loan <input type="checkbox"/> Program loan <input type="checkbox"/> Sector loan <input type="checkbox"/> Sector development program loan <input checked="" type="checkbox"/> ADF grant-financed <input type="checkbox"/> Other: </p> <p><input type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project preparatory <input type="checkbox"/> Other than project preparatory <div style="margin-left: 20px;"> <input type="checkbox"/> Economic, thematic, and sector work <input type="checkbox"/> Institutional development <input type="checkbox"/> Other: </div> </p>								
<p>2. Assistance focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sectors: Transport and communications Subsector: Road</p> <p>b. Targeting classification</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Targeted intervention <input checked="" type="checkbox"/> General intervention </p> <p>c. Key thematic area</p> <p style="margin-left: 20px;">Theme:</p> <table style="width: 100%; margin-left: 40px;"> <tr> <td><input checked="" type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Capacity development</td> </tr> </table>	<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development
<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation							
<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development							
<p>3. Coverage</p> <p style="margin-left: 20px;"> <input checked="" type="checkbox"/> Country <input checked="" type="checkbox"/> Subregional <input type="checkbox"/> Interregional <input type="checkbox"/> Internal policy development </p>								
<p>4. Responsible division/department: Transportation and Communications Division/ South Asia Department</p>								
<p>5. Responsible ADB officer: Dong-Soo Pyo, Principal Financial Specialist</p>								
<p>6. Description of assistance</p> <p>a. Background/linkage to country/regional strategy: After the rehabilitation of Afghanistan's ring road—the major highway network linking the country—the development of Afghanistan's road infrastructure must shift from an emergency program to a rehabilitation and reconstruction program that supports economic growth and poverty reduction. The improvement of the north–south corridor passing through the country's central mountain region will provide access to remote communities in the region and to sources of agricultural products, mines, and gas fields, as well as opening up alternative links to the ring road.</p> <p>b. Goal and purpose: To help the Government promote economic and social development and reduce poverty by providing access to road transport for the central mountain region, and facilitating direct and shorter connections between various regions, as well as north–south transit traffic.</p>								

<p>c. Components and outputs: The rehabilitation of the north–south road corridor will be identified by the project preparatory TA feasibility study. Four potential corridors are (i) Shibirghan–Saripul–Darzab–Belcharagh–Chghcharan–Taywara–Gulistan–Dilaram (629 km), (ii) Mazar-e-Sharif–Kishindi–Tukzar–Balkhab–Shinya–Yakawlang–Pabjab–Day Kundi–Tirin Kot–Kandahar (820 km), (iii) Mazar-e-Sharif–Kishindi–Dara-I-Suf–Kahmard–Bamyan–Yakawlang–Panjab–Day Kundi–Tirin Kot–Kandahar (877 km), and (iv) Mazar-e-Sharif–Kishindi–Tukzar–Balkhab–Talak–Chaghcharan–Taywara–Gulistan–Dilaram (735 km).</p> <p>d. Rationale and purpose of ADF grant financing: The project area is an extremely remote and isolated area where road transport is sporadic. By linking such an area to the ring road, the Project will have a huge poverty reduction impact.</p> <p>e. Expected results and deliverables: Rehabilitation of the north–south road corridor to develop direct and shorter road links between northern and southern provinces.</p> <p>f. Social or environmental issues or concerns: Ongoing project preparatory TA will identify social and environmental issues.</p> <p>g. Plans for disseminating results/deliverables: Not applicable.</p>										
<p>7. Proposed executing/implementing agency or agencies: Ministry of Public Works</p>										
<p>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance: The Government's road development program gives priority to improvement of the east–west corridor (ring road) and a north–south corridor to serve the country's central region. With rehabilitation of the ring road under way (including with ADB funding), the Project will address the need for a north–south road link.</p>										
<p>9. Timetable for assistance design, processing, and implementation</p> <p>a. Year included in CSP, CSP Update, RCSP, RCSP Update, or interregional work plan: 2004</p> <p>b. Expected date of submission for approval Lending: September 2006 Nonlending (project preparatory): Not applicable Nonlending (other than project preparatory): Not applicable</p> <p>c. Period and duration of assistance Lending: 3 years</p>										
<p>10. Financing Plan</p> <p>a. For lending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Ordinary capital resources: <input checked="" type="checkbox"/> Asian Development Fund (loan): \$140 million <input type="checkbox"/> Asian Development Fund (grant): <input type="checkbox"/> Other: </p> <p>If cofinancing is required, indicate amount and sources sought: \$120 million, source to be determined</p> <table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Source</th> <th style="text-align: right; border-bottom: 1px solid black;">Amount (\$ million)</th> </tr> <tr> <td>ADB Financing</td> <td style="text-align: right;">140.0</td> </tr> <tr> <td>Government Financing</td> <td></td> </tr> <tr> <td>Other Financing</td> <td style="text-align: right;">120.0</td> </tr> <tr> <td>Total Cost</td> <td style="text-align: right;">260.0</td> </tr> </table> <p style="margin-left: 40px;">Source: Asian Development Bank estimates.</p>	Source	Amount (\$ million)	ADB Financing	140.0	Government Financing		Other Financing	120.0	Total Cost	260.0
Source	Amount (\$ million)									
ADB Financing	140.0									
Government Financing										
Other Financing	120.0									
Total Cost	260.0									

ADB = Asian Development Bank, CSP = country strategy and program, RCSP = regional cooperation strategy and program, TA = technical assistance.

CONCEPT PAPERS FOR NONLENDING PRODUCTS AND SERVICES

This appendix contains the concept papers for the following nonlending products for 2006:

- (i) Table A4.1: Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) Transport Logistics Study
- (ii) Table A4.2: Capacity Building for Trade and Transit Facilitation (Afghanistan)
- (iii) Table A4.3: Development of Transport Corridor for Trade Facilitation (Bangladesh)
- (iv) Table A4.4: National Highway Development II (Pakistan)
- (v) Table A4.5: Promoting South Asian Economic Cooperation (SAARC) II
- (vi) Table A4.6: Regional Transboundary Peace Park (Afghanistan, People's Republic of China, Pakistan, and Tajikistan)
- (vii) Table A4.7: Review of Legislation, Policy and Implementation Practices on Hazardous Waste Management
- (viii) Table A4.8: South Asia Finance Ministers' Meeting
- (ix) Table A4.9: Subregional Economic Cooperation in South and Central Asia - Phase II
- (x) Table A4.10: Workshop on Proposed South Asian Association for Regional Cooperation (SAARC) Development Fund

Standby:

- (xi) Table A4.11: South Asia Subregional Economic Cooperation Tourism Development Project

**Table A4.1: Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) Transport Logistics Study
Concept Paper**

Date: 9 December 2005

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project loan <input type="checkbox"/> Program loan <input type="checkbox"/> Sector loan <input type="checkbox"/> Sector development program loan <input type="checkbox"/> ADF grant-financed <input type="checkbox"/> Other: </p> <p><input checked="" type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project preparatory <input type="checkbox"/> Other than project preparatory <div style="margin-left: 20px;"> <input type="checkbox"/> Economic, thematic, and sector work <input checked="" type="checkbox"/> Institutional development <input type="checkbox"/> Other: </div> </p>								
<p>2. Assistance focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Transport Subsector: To be determined</p> <p>b. Targeting classification</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Targeted intervention <input checked="" type="checkbox"/> General intervention </p> <p>c. Key thematic areas</p> <p style="margin-left: 20px;">Themes:</p> <table style="width: 100%; margin-left: 40px;"> <tr> <td><input checked="" type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input checked="" type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Capacity development</td> </tr> </table>	<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input type="checkbox"/> Inclusive social development	<input checked="" type="checkbox"/> Regional cooperation	<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development
<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
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<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development							
<p>3. Coverage</p> <p> <input type="checkbox"/> Country <input type="checkbox"/> Subregional <input checked="" type="checkbox"/> Interregional <input type="checkbox"/> Internal policy development </p>								
<p>4. Responsible division/department: Operations and Coordination Division and Transport and Communication Division/ South Asia Department</p>								
<p>5. Responsible ADB officer: Masaaki Nagata, Principal Programs Specialist</p>								
<p>6. Description of assistance</p> <p>a. Background/linkage to country/regional strategy: The goal of ADB's regional cooperation strategy for South Asia is to assist the region to realize its full potential in economic and social development and to play an effective part in wider Asian integration. To achieve this goal, the strategy emphasizes improving connectivity within South Asia as well as with the adjacent regions to facilitate the movement of goods and people, thereby, promoting economic and social development, and contributing to wider integration. The participating countries in the South Asia Subregional Economic Cooperation (SASEC), namely Bangladesh, Bhutan, India and Nepal, are keen in establishing closer economic ties with countries in Greater Mekong subregion (GMS) and beyond. On the other hand, Thailand is also very much interested in establishing closer ties with South Asian countries, and</p>								

has been taking a lead role for enhancing cooperation between the countries in the two subregions through the Bay of Bengal Multi-Sectoral Initiative for Technical and Economic Cooperation (BIMSTEC). The members of BIMSTEC are: the four SASEC countries and Sri Lanka from South Asia; and Myanmar and Thailand from GMS. BIMSTEC Working Group, comprising the Ambassadors from the member countries stationed in Thailand, and a director general from Thai Foreign Ministry, requested ADB to assist BIMSTEC in undertaking the BIMSTEC Transport Logistics Study (the Study).

b. Goal and purpose: The main objective of the Study is to prepare a plan to improve and develop inter-regional connectivity with particular emphasis on the improvements on logistics of the priority corridors road and maritime routes to facilitate trade between the two subregions, South Asia and Mekong.

c. Components and outputs: The Study will identify the major physical, non-physical and institutional constraints in infrastructure and logistics hindering the smooth movement of freight, and to a less extent, passengers, between the two subregions and recommend an integrated approach to overcome these constraints to enhance connectivity. During the course of preparation of the Study, several meetings and workshops will be held to discuss the detailed scope and implementation arrangements for undertaking the Study, which will contribute not only to improving the quality of the Study through close interaction but also to mutual understanding and building trust among the participating countries.

d. Expected results and deliverables: The Study will prepare a report containing a plan for improving the connectivity. For some of the priority projects, project profiles will be prepared for future financial assistance (loans or grants) by ADB and other development partners.

e. Social or environmental issues or concerns: Social and environment concerns with regard to the planning of regional connectivity and implementation of the priority transport projects will be addressed in the Study.

f. Plans for disseminating results/deliverables:

For TA, methods of TA output dissemination:

- ☒ A conference/workshop/brown bag
- ☐ Publication of article(s) in external journals or books
- ☒ External press release to news agencies, including www.adb.org
- ☐ Internal press release in *ADB Today*
- ☒ Others (specify) : The Study report

7. Proposed executing/implementing agency or agencies: ADB will be the Executing Agency while the BIMSTEC Working Group will be an Implementing Agency, which will coordinate with the line ministries of the BIMSTEC countries.

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance: Consultation with the BIMSTEC Working Group and the BIMSTEC Center (which is a focal unit for private sector cooperation under BIMSTEC) has been made. During TA implementation, other stakeholders (private sector, and local governments and communities) will be consulted.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP, CSP Update, RCSP, RCSP Update, or interregional work plan: 2005
- b. Expected date of submission for approval
 - Lending: Not applicable
 - Nonlending (project preparatory): Not applicable
 - Nonlending (other than project preparatory): May 2006
- c. Period and duration of assistance
 - Lending: Not applicable
 - Nonlending: June 2006 – April 2007

10. Financing Plan

a. For lending

- ☐ Ordinary capital resources:
☐ Asian Development Fund (loan):
☐ Asian Development Fund (grant):
☐ Other:

b. For nonlending

- ☐ No resources required, other than ADB staff
☐ ADB's administrative budget:
☒ Grant TA funds: \$800,000
☐ Other:

Source	Amount (\$)
ADB Financing	800,000
Government Financing	
Other Financing	
Total Cost	800,000
Source: Asian Development Bank estimates.	

ADB = Asian Development Bank, CSP = country strategy and program, RCSP = regional cooperation strategy and program, TA = technical assistance.

Table A4.2: Capacity Building for Trade and Transit Facilitation (Afghanistan)
Concept Paper

Date: 18 October 2005

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p> <input type="checkbox"/> Project loan</p> <p> <input type="checkbox"/> Program loan</p> <p> <input type="checkbox"/> Sector loan</p> <p> <input type="checkbox"/> Sector development program loan</p> <p> <input type="checkbox"/> ADF grant-financed</p> <p> <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p> <input type="checkbox"/> Project preparatory</p> <p> <input checked="" type="checkbox"/> Other than project preparatory</p> <p> <input type="checkbox"/> Economic, thematic, and sector work</p> <p> <input checked="" type="checkbox"/> Institutional development</p> <p> <input type="checkbox"/> Other:</p>								
<p>2. Assistance focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sectors: Industry and Trade/ Transport and Communications Subsectors: Trade/ Multimodal Transport and Sector Development</p> <p>b. Targeting classification</p> <p> <input type="checkbox"/> Targeted intervention</p> <p> <input checked="" type="checkbox"/> General intervention</p> <p>c. Key thematic areas</p> <p> Themes:</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input checked="" type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input checked="" type="checkbox"/> Capacity development</td> </tr> </table>	<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input type="checkbox"/> Inclusive social development	<input checked="" type="checkbox"/> Regional cooperation	<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	<input checked="" type="checkbox"/> Capacity development
<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input type="checkbox"/> Inclusive social development	<input checked="" type="checkbox"/> Regional cooperation							
<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development	<input checked="" type="checkbox"/> Capacity development							
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional <input type="checkbox"/> Internal policy development</p>								
<p>4. Responsible division/department: Operations Coordination Division/ South Asia Department</p>								
<p>5. Responsible ADB officers: Michaela Prokop, Country Economist, SAOC; Hyunjung Lee, Economist, SAOC; Jordi Capdevila, Planning and Policy Specialist, SPD</p>								
<p>6. Description of assistance</p> <p>a. Background/linkage to country/regional strategy: The opening of Afghanistan's borders and the country's reconstruction efforts provide new opportunities for the region. Afghanistan has much to gain from becoming once again a transit route linking Central and South Asia. The Government of Afghanistan has emphasized the importance of better regional cooperation to its reconstruction efforts, private sector development, peace building and stability. It intends to include regional cooperation as one of the main pillars of its national development strategy.</p> <p>The Central and South Asia Trade and Transport Forum (CSATTF) was established at the First Ministerial Conference on Transport and Trade in Central and South Asia in Manila on 31 July and 1 August 2003 with participation from Afghanistan, Pakistan, Tajikistan and Uzbekistan, and from Iran as an observer. CSATTF has</p>								

four pillars: transport infrastructure development, customs harmonization and modernization, transit facilitation, and security measures. The achievement of the particular objectives under each pillar will improve peace and stability in the region and will have positive impact on investment, trade, income, and employment.

ADB has been actively supporting Afghanistan regional cooperation agenda, especially under the framework of the CSATTF recommendations. In 2004, TA for Cross-Border Trade And Transport Facilitation was approved and is helping Afghanistan to develop strategies for improving cross-border infrastructure and procedures. The TA will also study mechanisms for cost recovery to pay for investments in transport infrastructure, including road tolls and transit fees. Such mechanisms would share burdens among countries that would benefit from shorter, cheaper routes to seaports. A TA for Transit and Trade Facilitation Capacity Building for the Ministry of Commerce (MOC) is being prepared in 2005.

The proposed TA will support the Government of Afghanistan to advance the regional cooperation agenda following the four pillars of CSATTF.

b. Goal and purpose: The proposed TA will strengthen Afghanistan's capacity to advance regional cooperation to facilitate implementation of CSATTF recommendations.

c. Components and outputs: Component 1 will strengthen the Ministry of Finance (MOF), Ministry of Commerce (MOC), and Ministry of Foreign Affairs (MOFA) by improving the ministries' strategic planning, monitoring, and coordinating capacity. This will enable them to facilitate the adoption and implementation of the CSATTF recommendations in transport, transit, trade, customs, and risk management and security. Support will be given for the creation of an inter-ministerial coordination committee to align priorities within the overarching framework of Afghanistan's National Development Strategy. Component 2 will support a series of physical, institutional, financial, and legal studies. Component 3 will support capacity-building workshops and seminars, on-the-job-training, and regional cooperation conferences and workshops.

d. Rationale and purpose of ADF grant financing: not applicable

e. Expected results and deliverables: The TA will train key staff from the Government of Afghanistan, mostly from MOF, MOC and MOFA on issues pertaining to the four CSATTF pillars. It will provide studies, needs assessments and strategic directions to help implementation of the CSATTF regional cooperation agenda. It will strengthen institutional reform.

f. Social or environmental issues or concerns: None.

g. Plans for disseminating results/deliverables: Government agencies, private sector operators, other stakeholders, and nongovernmental organizations will be consulted throughout design and implementation. The overall process will be undertaken in close consultation with development partners, and results discussed at CSATTF meetings. The TA will support workshops, seminars, and conferences that will provide an opportunity for feedback to be passed from stakeholders to the Government and CSATTF.

For TA, methods of TA output dissemination:

- ☒ A conference/workshop/brown bag
- ☐ Publication of article(s) in external journals or books
- ☒ External press release to news agencies, including www.adb.org
- ☐ Internal press release in *ADB Today*
- ☐ Others (specify) See above

7. Proposed executing/implementing agency or agencies: The Executing Agency will be the Ministry of Finance, implementing agencies will be MOF, MOC and MOFA. An inter-ministerial coordination committee will be established.

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance: The Government and other development partners and relevant stakeholders will be consulted extensively during the project design phase.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP, CSP Update, RCSP, RCSP Update, or interregional work plan: 2005
- b. Expected date of submission for approval

Lending: Not applicable
 Nonlending (project preparatory): Not applicable
 Nonlending (other than project preparatory): May 2006

- c. Period and duration of assistance
 Lending: Not applicable
 Nonlending: To be determined

10. Financing Plan

- a. For lending
☐ Ordinary capital resources:
☐ Asian Development Fund (loan):
☐ Asian Development Fund (grant):
☐ Other:
- b. For nonlending
☐ No resources required, other than ADB staff:
☐ ADB's administrative budget:
☒ Grant TA funds: \$1,000,000
☐ Other:

Source	Amount (\$)
ADB Financing	1,000,000
Government Financing	
Other Financing	
Total Cost	1,000,000

Source: Asian Development Bank estimates.

ADB = Asian Development Bank, CSP = country strategy and program, RCSP = regional cooperation strategy and program, TA = technical assistance.

Table A4.3: Development of Transport Corridor for Trade Facilitation (Bangladesh)
Concept Paper

Date: 18 October 2005

1. Type/modality of assistance <input type="checkbox"/> Lending <input type="checkbox"/> Project loan <input type="checkbox"/> Program loan <input type="checkbox"/> Sector loan <input type="checkbox"/> Sector development program loan <input type="checkbox"/> ADF financed-grant <input type="checkbox"/> Other: <input checked="" type="checkbox"/> Nonlending <input checked="" type="checkbox"/> Project preparatory <input type="checkbox"/> Other than project preparatory <input type="checkbox"/> Economic, thematic, and sector work <input type="checkbox"/> Institutional development <input type="checkbox"/> Other:
2. Assistance focus a. If assistance focuses on a particular sector or subsector, specify the Sectors: Transport and communications Subsector: Road b. Targeting classification <input type="checkbox"/> Targeted intervention <input checked="" type="checkbox"/> General intervention c. Key thematic areas Themes: <input checked="" type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender and development <input type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input type="checkbox"/> Private sector development <input type="checkbox"/> Capacity development
3. Coverage <input checked="" type="checkbox"/> Country <input checked="" type="checkbox"/> Subregional <input type="checkbox"/> Interregional <input type="checkbox"/> Internal policy development
4. Responsible division/department: Transportation and Communications Division/ South Asia Department
5. Responsible ADB officer: Dong-Soo Pyo, Principal Financial Specialist
6. Description of assistance a. Background/linkage to country/regional strategy: Bangladesh can accommodate most intraregional transit shipments and play a pivotal role in promoting subregional cooperation. Bangladesh can provide the most cost-effective transport link between Calcutta and eastern India from Calcutta via Benapol–Jessore–Dhaka–Akhaura and on to Argatala. Nepal and Bhutan, two landlocked countries, can access Mongla and Chittagong ports in Bangladesh as alternatives to Calcutta port through the border crossings in Banglabanhda and Burimari in the northwest. ADB's assistance for development of road corridors to facilitate regional cooperation has focused on the northwest–southeast corridor, making best use of Jamuna Bridge and Chittagong Port. With the construction of the Padma bridge in the future, the importance of the southwest–northeast and southwest–southeast corridors will become larger to facilitate cross-border trade.

<p>b. Goal and purpose: To identify road corridors to be improved with the highest priority to facilitate cross-border trade and maximize the benefits for Bangladesh; and conduct the feasibility study, which covers technical, financial, economic, social, and environmental viability of the project.</p> <p>c. Components and outputs: (i) Analysis of the pattern of transit traffic; (ii) forecast of transit traffic; (iii) identification and prioritization of key road corridors that need improvement to accommodate the expected transit traffic; (iv) feasibility study for identified road corridors found suitable for ADB financing; and (v) preliminary design of improvement of road corridors found suitable for ADB financing.</p> <p>d. Rationale and purpose of ADF grant financing: Not available</p> <p>e. Expected results and deliverables: (i) Feasibility study for identified road corridors found suitable for ADB financing; and (ii) preliminary design of improvement of road corridors found suitable for ADB financing.</p> <p>f. Social or environmental issues or concerns: Not known.</p> <p>h. Plans for disseminating results/deliverables:</p> <p>For TA, methods of TA output dissemination:</p> <p><input checked="" type="checkbox"/> A conference/workshop/brown bag</p> <p><input type="checkbox"/> Publication of article(s) in external journals or books</p> <p><input checked="" type="checkbox"/> External press release to news agencies, including www.adb.org</p> <p><input checked="" type="checkbox"/> Internal press release in <i>ADB Today</i></p> <p><input type="checkbox"/> Others (specify)</p>
<p>7. Proposed executing/implementing agency or agencies: Roads and Highways Department</p>
<p>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:</p> <p>The Government's plan of improving road corridors for trade facilitation will guide the selection of potential road corridors for feasibility study. The interest and concern of neighboring countries for transit shipment will also be considered through the regional cooperation mechanism such as South Asia Subregional Economic Cooperation.</p>
<p>9. Timetable for assistance design, processing, and implementation</p> <p>a. Year included in CSP, CSP Update, RCSP, RCSP Update, or interregional work plan: 2005</p> <p>b. Expected date of submission for approval</p> <p>Lending: Not applicable</p> <p>Nonlending (project preparatory): Not applicable</p> <p>Nonlending (other than project preparatory): September 2006</p> <p>c. Period and duration of assistance</p> <p>Lending: Not applicable</p> <p>Nonlending: 6 months</p>
<p>10. Financing Plan</p> <p>a. For lending</p> <p><input type="checkbox"/> Ordinary capital resources:</p> <p><input type="checkbox"/> Asian Development Fund (loan):</p> <p><input type="checkbox"/> Asian Development Fund (grant):</p> <p><input type="checkbox"/> Other:</p> <p>b. For nonlending</p> <p><input type="checkbox"/> No resources required, other than ADB staff</p> <p><input type="checkbox"/> ADB's administrative budget:</p> <p><input checked="" type="checkbox"/> Grant TA funds \$900,000</p> <p><input type="checkbox"/> Other:</p>

Source	Amount (\$)
ADB Financing	900,000
Government Financing	
Other Financing	
Total Cost	900,000
Source: Asian Development Bank estimates.	

ADB = Asian Development Bank, CSP = country strategy and program, RCSP = regional cooperation strategy and program, TA = technical assistance.

Table A4.4: National Highway Development II (Pakistan)
Concept Paper

Date: 18 October 2005

<p>1. Type/modality of assistance</p> <p><input checked="" type="checkbox"/> Lending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project loan <input type="checkbox"/> Program loan <input type="checkbox"/> Sector loan <input checked="" type="checkbox"/> Sector development program loan <input type="checkbox"/> ADF grant-financed <input type="checkbox"/> Other: </p> <p><input checked="" type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"> <input checked="" type="checkbox"/> Project preparatory <input type="checkbox"/> Other than project preparatory <input type="checkbox"/> Economic, thematic, and sector work <input type="checkbox"/> Institutional development <input type="checkbox"/> Other: </p>		
<p>2. Assistance focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sectors: Transport and Communication Subsectors: Roads and Road Transport</p> <p>b. For project preparatory and lending, classification</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Targeted intervention <input checked="" type="checkbox"/> General intervention </p> <p>c. Key thematic areas</p> <p style="margin-left: 20px;">Themes:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <input checked="" type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender and development </td> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input type="checkbox"/> Private sector development <input type="checkbox"/> Capacity development </td> </tr> </table>	<input checked="" type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender and development	<input type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input type="checkbox"/> Private sector development <input type="checkbox"/> Capacity development
<input checked="" type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender and development	<input type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input type="checkbox"/> Private sector development <input type="checkbox"/> Capacity development	
<p>3. Coverage</p> <p> <input checked="" type="checkbox"/> Country <input checked="" type="checkbox"/> Subregional <input type="checkbox"/> Interregional <input type="checkbox"/> Internal policy development </p>		
<p>4. Responsible division/department: Transport and Communications Division, South Asia Department</p>		
<p>5. Responsible ADB officer: Allan Lee, Senior Transport Specialist</p>		
<p>6. Description of assistance</p> <p>a. Background/linkage to country/regional strategy: This project will continue the programmatic approach to the road transport sector in Pakistan. With gradual improvements in the security in Pakistan and political situation in Afghanistan, ADB will intensify its support for subregional cooperation by providing assistance in improving regional connections between Pakistan, Afghanistan and the Central Asian States.</p> <p>b. Goal and purpose: The Project goal is to increase economic growth by intensifying promotion of increased regional economic activity. The objectives of the project are to: (i) consolidate initiatives to support subregional cooperation to improve transportation and increase trade; (ii) consolidate and improve upon cross-border agreements for road transport, including movement of containers; and (iii) continue the improvement of road sector efficiency by adopting advanced road maintenance techniques on the main transport corridors in Pakistan.</p>		

c. Components and outputs: The project will include (i) rehabilitating key national highways that are part of the subregional corridor (selected from the existing Public Sector Development Program for 2006–2007 and any changes approved subsequently); (ii) cross-border infrastructure development; (iii) freight transport facilitation; and (iv) institutional strengthening of the National Highway Authority (NHA) and other relevant agencies. This TA will support implementation of ADB's subregional cooperation initiatives.

d. Expected results and deliverables: This includes: (i) increased subregional cooperation; (ii) more efficient cross-border arrangements at border stations in Pakistan; (iii) better transport links; and (iv) improved road sector efficiency and quality of road transport.

e. Social or environmental issues or concerns: Social and environmental issues will be strictly monitored and addressed during project design and implementation. The following plans will be prepared: (i) a resettlement framework and plan; (ii) an indigenous people's plan; (iii) an environmental impact assessment and initial environmental examination; and (iv) an environmental mitigation plan. Consultation with stakeholders, including civil society, NGOs, road users, and the poor, will be important for optimal project design and to address key issues pertaining to the project.

f. Plans for disseminating results/deliverables: The project will share results and lessons learned with stakeholders, development partners, and beneficiaries through appropriate media, including government and ADB websites.

For TA, method of TA output dissemination:

- ☒ A conference/workshop/brown bag
- ☐ Publication of article(s) in external journals or books
- ☐ External press release to news agencies, including www.adb.org
- ☐ Internal press release in *ADB Today*
- ☐ Others (specify)

7. Proposed executing/implementing agency or agencies: (i) National Highway Authority (NHA), (ii) Ministry of Communication, and (iii) other relevant agencies.

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance: Consultation with government agencies, stakeholders including road users, and the poor, will be held during project formulation and loan processing. Consultation meetings will involve all stakeholders, including relevant government agencies, transporters, and local communities, and input received will be used to formulate and agree on the scope of the project.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP, CSP Update, RCSP, RCSP Update, or interregional work plan: 2005
- b. Expected date of submission for approval
 - Lending: Not applicable
 - Nonlending (project preparatory): 2006
 - Nonlending (other than project preparatory): Not applicable
- c. Period and duration of assistance
 - Lending: 5.5 years
 - Nonlending: 6 months

10. Financing Plan

- a. For lending
 - ☐ Ordinary capital resources:
 - ☐ Asian Development Fund (loan):
 - ☐ Asian Development Fund (grant):
 - ☐ Other

b. For nonlending

- ☐ No resources required, other than ADB staff
☐ ADB's administrative budget:
☒ Grant TA funds: \$350,000
☐ Other:

Source	Amount (\$)
ADB Financing	350,000
Government Financing	
Other Financing	
Total Cost	350,000
Source: Asian Development Bank estimates.	

ADB = Asian Development Bank, NHA = National Highway Authority, RCSP = regional cooperation strategy and program, TA = technical assistance, tbd = to be determined

**Table A4.5: Promoting South Asian Economic Cooperation (SAARC) II
Concept Paper**

Date: 10 December 2005

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project loan <input type="checkbox"/> Program loan <input type="checkbox"/> Sector loan <input type="checkbox"/> Sector development program loan <input type="checkbox"/> ADF grant-financed <input type="checkbox"/> Other: </p> <p><input checked="" type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project preparatory <input checked="" type="checkbox"/> Other than project preparatory <input type="checkbox"/> Economic, thematic, and sector work <input checked="" type="checkbox"/> Institutional development <input type="checkbox"/> Other: </p>		
<p>2. Assistance focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Energy Subsector: To be determined</p> <p>b. Targeting classification</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Targeted intervention <input checked="" type="checkbox"/> General intervention </p> <p>c. Key thematic areas</p> <p style="margin-left: 20px;">Themes:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <input checked="" type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender and development </td> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input checked="" type="checkbox"/> Private sector development <input checked="" type="checkbox"/> Capacity development </td> </tr> </table>	<input checked="" type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender and development	<input type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input checked="" type="checkbox"/> Private sector development <input checked="" type="checkbox"/> Capacity development
<input checked="" type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender and development	<input type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input checked="" type="checkbox"/> Private sector development <input checked="" type="checkbox"/> Capacity development	
<p>3. Coverage</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Country <input checked="" type="checkbox"/> Subregional <input type="checkbox"/> Interregional <input type="checkbox"/> Internal policy development </p>		
<p>4. Responsible division/department: Energy Division, Operations Coordination Division, and Nepal Resident Mission/South Asia Department.</p>		
<p>5. Responsible ADB officer: To be determined</p>		
<p>6. Description of assistance</p> <p>a. Background/linkage to country/regional strategy: In view of the improved prospects for regional cooperation in South Asia under the South Asian Association for Regional Cooperation (SAARC) after the 12th SAARC Summit (January 2004), where the SAARC leaders reaffirmed the “centrality of SAARC for promoting regional cooperation” and emphasized the need to increase its efficiency and effectiveness, ADB and the SAARC Secretariat started discussions on mutual cooperation, and subsequently signed a memorandum of understanding (MOU) on 12 April 2004. Based on MOU, ADB processed and approved a RETA 6187: Promoting South Asian Regional Cooperation in September 2004 for \$500,000. The main components of the RETA 6187 were to undertake a SAARC Regional Multimodal Transport Study (SRMTS); and help build capacity of the SAARC Secretariat, its sector/theme-specific centers and the members’ government entities. RETA 6187 has been successfully implemented with strong commitments by both the SAARC Secretariat and its member states, which is expected to be completed in May 2006. The SAARC leaders commended SRMTS at the 13th SAARC Summit held in Dhaka in November 2005 as an example of cooperation initiative to move forward cooperation in</p>		

the region. The SAARC Secretary General visited ADB in late November 2005 and formally requested ADB to implement a follow-on RETA to address the effectiveness and efficiency of the energy network in South Asia which were included both in the Islamabad Declaration of the 12th SAARC Summit and in the Dhaka Declaration of the 13th Summit as priority cooperation programs. The 13th SAARC Summit also endorsed the establishment of the SAARC Energy Center in Islamabad to assist the member countries in developing energy resources and promoting energy trade. Facilitating cooperation in the energy sector amongst the countries in the region is one of the operational objectives of the ADB's regional cooperation strategy for South Asia.

b. Goal and purpose: South Asia's economy has been growing rapidly, registering an annual GDP growth rate of 5.6% between 2000 and 2004. The energy consumption in South Asia has grown at more than 8 % over the same period and the demand is expected to increase at an accelerated rate. South Asia is characterized by the existence of energy-rich countries and energy deficient countries. India, for example, needs to import energy to sustain its rapid growth, and Pakistan, whose considerable demand for energy is being met by domestic sources such as gas and hydropower, is projected to be a net importer of these energy sources shortly. On the other hand, Nepal and Bhutan are well-endowed with hydropower resources, and Bangladesh is able to produce natural gas for export. At the same time, in South Asia, a significant proportion of the population still does not have access to modern means of energy and continues to depend on traditional sources such as fuel wood and biomass, causing serious environmental and health concerns. Furthermore, rapid growth in energy consumption has contributed to the deterioration of the environment in the region. Against such backdrop, the overall goal of RETA is to supply optimally energy to all SAARC countries and peoples through development of energy resources and energy trade, to sustain economic growth and contribute to social development of the region. To achieve this goal, RETA will aim at providing a sound energy demand and supply management strategy for South Asia and assisting the capacity building of the SAARC Energy Center (the Center) to be established in Islamabad.

c. Components and outputs: RETA will comprise two main components: (i) preparation of the South Asia Energy Trade Study (the Study); and (ii) capacity building of the SAARC Energy Center (the Center). RETA will be carried out by engaging international, regional and national consultants; and holding workshops and meetings. The Study component will analyze the current energy demand and supply in South Asia, assess outstanding impediments hindering the development/establishment of energy supply network; and propose a strategy for optimal energy sharing and planned use of available resources in the region. The Study will address issues related to private sector participation in energy development and trade, and legal and regulatory framework. The capacity building of the Center component will carry out the training needs assessment for the environment sector in the region and develop the Center's academic and training curriculum by addressing the prevailing needs.

d. Expected results and deliverables: The Study component will recommend policies and the plan of joint actions to enhance energy development and trade among the SAARC member countries. The Study will identify some of the priority areas or projects for which technical and financial assistance would be provided by ADB and other development partners. The capacity of the SAARC Energy Center will be strengthened so as to be self-sufficient and where well-trained body of professionals can work for researches and training in the energy sector.

e. Social or environmental issues or concerns: These issues will be well addressed in the Study.

f. Plans for disseminating results/deliverables:

For TA, methods of TA output dissemination:

- ☒ A conference/workshop/brown bag
- ☒ Publication of article(s) in external journals or books
- ☒ External press release to news agencies, including www.adb.org
- ☒ Internal press release in *ADB Today*
- ☐ Others (specify)

7. Proposed executing/implementing agency or agencies: ADB is an executing agency, while the SAARC Secretariat and its Energy Center are each implementing agency for the Study and capacity building of the Center.

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance: Consultation with the SAARC Secretariat. Before and during TA implementation, other stakeholders (such as private sectors, public utilities, local communities) will be consulted.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP, CSP Update, RCSP, RCSP Update, or interregional work plan: 2005
- b. Expected date of submission for approval
 Lending: Not applicable
 Nonlending (project preparatory): Not applicable
 Nonlending (other than project preparatory): July 2006
- c. Period and duration of assistance:
 Lending: Not applicable
 Nonlending: September 2006-June 2008

10. Financing Plan

- a. For lending
- ☐ Ordinary capital resources:
 - ☐ Asian Development Fund (loan):
 - ☐ Asian Development Fund (grant):
 - ☐ Other:
- b. For nonlending
- ☐ No resources required, other than ADB staff
 - ☐ ADB's administrative budget:
 - ☒ Grant TA funds: \$1,000,000
 - ☐ Other:

Source	Amount (\$)
ADB Financing	1,000,000
Government Financing	
Other Financing:	
Total Cost	1,000,000

Source: Asian Development Bank estimates.

ADB = Asian Development Bank, CSP = country strategy and program, RCSP = regional cooperation strategy and program, TA = technical assistance.

**Table A4.6: Regional Transboundary Peace Park
(Afghanistan, People's Republic of China, Pakistan, and Tajikistan)
Concept Paper**

Date: 18 October 2005

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project loan <input type="checkbox"/> Program loan <input type="checkbox"/> Sector loan <input type="checkbox"/> Sector development program loan <input type="checkbox"/> ADF grant-financed <input type="checkbox"/> Other </p> <p><input checked="" type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project preparatory <input checked="" type="checkbox"/> Other than project preparatory <div style="margin-left: 20px;"> <input type="checkbox"/> Economic, thematic, and sector work <input checked="" type="checkbox"/> Institutional development <input type="checkbox"/> Other: </div> </p>		
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Environment Subsector:</p> <p>b. Targeting classification</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Targeted intervention <input checked="" type="checkbox"/> General intervention </p> <p>c. Key thematic areas</p> <p style="margin-left: 20px;">Themes:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender development </td> <td style="width: 50%; vertical-align: top;"> <input checked="" type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input type="checkbox"/> Private sector development <input type="checkbox"/> Capacity development </td> </tr> </table>	<input type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender development	<input checked="" type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input type="checkbox"/> Private sector development <input type="checkbox"/> Capacity development
<input type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender development	<input checked="" type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input type="checkbox"/> Private sector development <input type="checkbox"/> Capacity development	
<p>3. Coverage</p> <p> <input type="checkbox"/> Country <input checked="" type="checkbox"/> Subregional <input type="checkbox"/> Interregional <input type="checkbox"/> Internal policy development </p>		
<p>4. Responsible division/department: Operations Coordination Division/South Asia Department</p>		
<p>5. Responsible ADB officer: Ali Azimi, Senior Environment Specialist</p>		
<p>6. Description of assistance</p> <p>a. Background/linkage to country/regional strategy: This proposal will reduce the rate of biodiversity loss at four cross-border sites of global biodiversity significance in South and Central Asia. It will do so by: (i) creating an environment in which local communities and district development agencies can work in partnership with national forestry, wildlife, and environmental agencies to promote the sustainable use of biodiversity resources; (ii) balancing resource demand and supply through the development of alternative economic activities, sources and management regimes; and (iii) developing and implementing cross-border resource management plans for the selected sites.</p>		

Additional benefits will include the mainstreaming of biodiversity considerations into cross-sectoral development planning and decision-making systems at local, district, and national levels; creation of an appropriate policy framework for this in all four countries; and establishment of replicable approaches to conservation activities.

Four globally important biodiversity hotspots were selected on the basis of (i) international recognition as global biodiversity hotspots; (ii) sharing of transboundary biodiversity resources; (iii) currently being inadequately protected; and (iv) representing a range of forest, mountain, wetland communities from which lessons can be generalized.

Threats to protected areas emanate from a range of sources. Almost three fourths of the Alpine forests in the Pamirs are unprotected. The other fourth of the forest patches in the Pamirs have not been reserved. There is massive illegal logging in the Pamirs and poaching of endangered species, such as the snow leopard. Both the protected and unprotected areas of the Pamirs are threatened by excessive resource exploitation and encroachment. Protected area mechanisms themselves need strengthening and integrating into local development planning systems.

b. Goal and purpose: Goal: To establish an environment around cross-border sites where local agencies and communities can promote sustainable use of biodiversity. Purpose: To bring into balance the demand and supply of natural resource products, including biodiversity, at the cross-border sites.

c. Components and outputs: The project strategy is to provide alternative resource options and management strategies while at the same time strengthening conservation capability within communities and agencies, and strengthening linkages between them. Specifically, the TA will:

- create the ability to interact with local people from within regulatory agencies;
- empower local communities by building working partnerships;
- develop a regional compatible policy/legislative framework to allow interaction across the full range of policies that affect biodiversity;
- develop and implement management plans including mechanisms for the sustainable harvesting of key products;
- develop alternative supplies of major resources;
- adopt livelihood strategies for stakeholder communities that reduce natural resource dependence;
- develop strategies to address regional and transient forces, in particular those associated with pastoralist survival strategies including water, access rights, and grazing systems;
- identify appropriate regional coordination and capacity building required (in terms of staff, training, monitoring equipment, etc.) to deal with transboundary biodiversity issues; and
- provide an effective mechanism for the exchange of conservation-related information generated through the various activities of the governments and other organizations.

d. Expected results and deliverables: The TA is expected to produce the following outputs:

- A policy and legislative environment conducive to sustainable utilization of biological diversity in the cross-border sites. Local communities and local and national sector development agencies will be engaged in collaborative resource management programs, with political support and reduced incidence of low-level corruption. Mechanisms will be in place for the effective management of conflicts, including those between modern and traditional systems.
- Participatory management plans in place and under implementation for four cross-border biodiversity sites. Key resources will be reserved as conservation areas under locally appropriate and supported arrangements, including traditional resource management systems or partnerships between traditional and government systems. Plans will specify sustainable use regimes with stakeholder and user groups monitoring off take.
- Developments providing alternative resources outside conservation areas and less damaging resource use practices in place inside conservation areas. Local communities will have improved agricultural activities, adopt alternative income sources to reduce dependence on unsustainable use of natural resources, and employ more sustainable natural resource harvesting practices.

e. Social or environmental issues or concerns: Not applicable

f. Plans for disseminating results/deliverables: To be determined

For TA, method of TA output dissemination:

- ☐ A conference/workshop/brown bag
☐ Publication of article(s) in external journals or books
☐ External press release to news agencies, including www.adb.org
☒ Internal press release in ADB Today
☐ Others (specify)

7. Proposed executing/implementing agencies: Relevant ministries and agencies from participating countries

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:
Proposed TA has been endorsed by the Government of Afghanistan.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP, CSP update, RCSP, RCSP update, or interregional work plan: 2004
- b. Expected date of submission for approval
 Lending: Not applicable
 Nonlending (project preparatory): Not applicable
 Nonlending (other than project preparatory): 2006
- c. Period and duration of assistance
 Lending: Not applicable
 Nonlending: 2006

10. Financing Plan

- a. For lending
- ☐ Ordinary capital resources:
☐ Asian Development Fund (loan):
☐ Asian Development Fund (grant):
☐ Other:

If cofinancing is required indicate sources, and amount sought: \$350,000, from the Global Environment Facility (GEF).

- b. For nonlending
- ☐ No resources required, other than ADB staff
☐ ADB's administrative budget:
☐ Grant TA funds:
☒ Other: Global Environment Facility \$350,000

Source	Amount (\$)
ADB Financing	
Government Financing	tbd
Other Financing	350,000
Total Cost	tbd

Source: Asian Development Bank estimates.

ADB = Asian Development Bank, CSP = country strategy and program, RCSP = regional cooperation strategy and program, TA = technical assistance, TBD = to be determined.

**Table A4.7: Review of Legislation, Policy, and Implementation Practices
on Hazardous Waste Management
Concept Paper**

Date: 18 October 2005

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project loan <input type="checkbox"/> Program loan <input type="checkbox"/> Sector loan <input type="checkbox"/> Sector development program loan <input type="checkbox"/> ADF grant-financed <input type="checkbox"/> Other: </p> <p><input checked="" type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project preparatory <input checked="" type="checkbox"/> Other than project preparatory <div style="margin-left: 20px;"> <input type="checkbox"/> Economic, thematic, and sector work <input checked="" type="checkbox"/> Institutional development <input type="checkbox"/> Other: </div> </p>								
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Environment Subsector: To be determined</p> <p>b. Targeting classification</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Targeted intervention <input checked="" type="checkbox"/> General intervention </p> <p>c. Key thematic areas</p> <p style="margin-left: 20px;">Themes:</p> <table style="width: 100%; margin-left: 40px;"> <tr> <td><input type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input checked="" type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input checked="" type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Capacity and development</td> </tr> </table>	<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input type="checkbox"/> Inclusive social development	<input checked="" type="checkbox"/> Regional cooperation	<input checked="" type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity and development
<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input type="checkbox"/> Inclusive social development	<input checked="" type="checkbox"/> Regional cooperation							
<input checked="" type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity and development							
<p>3. Coverage</p> <p> <input type="checkbox"/> Country <input checked="" type="checkbox"/> Subregional <input type="checkbox"/> Interregional <input type="checkbox"/> Internal policy development </p>								
<p>4. Responsible division/department: Transport and Communications Division/ South Asia Department</p>								
<p>5. Responsible ADB officer: Dewi Utami, Senior Environment Specialist, SATC</p>								
<p>6. Description of assistance</p> <p>a. Background/linkage to country/regional strategy: The Environmental Working Group (EWG) under the South Asia Subregional Economic Cooperation (SASEC) program identified pollution, particularly with regard to hazardous wastes, as one of the major subregional environmental issues to be addressed by SASEC countries (Bangladesh, Bhutan, India, and Nepal). The hazardous substances are generated from various activities: agricultural, industrial, and household activities. Due to the lack of appropriate regulatory and institutional framework for handling hazardous wastes, expired agrochemical fertilizers have been stored in government warehouses for a number of years in both Bhutan and Nepal, for example. In Bangladesh, the generation of hazardous wastes is rapidly increasing and appropriate disposal remains a challenge problem. India, with its heavy industrialization in some sectors, also faces significant challenges in disposing of hazardous wastes. However, the opportunities to reduce, recover, and reuse the hazardous wastes have not yet been properly identified.</p>								

At the 3rd EWG meeting in June 2002, members identified and agreed to conduct the following environmental studies:

- Regional Air Quality Management Program,
- Regional Capacity Building and Networking of Experts,
- Knowledge Base Towards Strengthening Monitoring of Freshwater Pollution,
- Hazardous Waste Management, and
- Conservation and Sustainable Development Corridor.

The TA on regional air quality management commenced in April 2004. At the 4th EWG Meeting (held in Bangkok on 7–8 July 2004), members identified, shortlisted, and reprioritized the remaining four proposed studies and new proposed studies to better address the major current and emerging environmental concerns of the subregion.

The EWG proposed an additional seven new potential projects. After an extensive discussion on the merits of the selected projects, the EWG unanimously agreed to conduct a study on the review of existing legislation, regulations, and policies in hazardous waste management of the four SASEC countries. Essentially, this selected project is a more focused version of the proposed study on Hazardous Waste Management, endorsed by the EWG in June 2002.

b. Goal and purpose: To strengthen the regulatory and institutional framework, and improve the information exchange relating to the management of hazardous wastes in SASEC countries.

c. Components and outputs: The major scope of work will include identifying and analyzing strengths and weaknesses (gaps) of the legislation and regulations, determining whether such rules and regulations are enforced, and identifying current practices in handling hazardous wastes. The study will also review the implementation aspects of the Basel Convention among the four countries.

d. Expected results and deliverables: A report containing the major scope of work set out in section c.

e. Social or environmental issues or concerns: Environmental issues.

f. Plans for disseminating results/deliverables: The results of the study will be presented at the next SASEC EWG meeting.

For TA, methods of TA output dissemination:

- ☒ A conference/workshop/brown bag
- ☐ Publication of article(s) in external journals or books
- ☐ External press release to news agencies, including www.adb.org
- ☒ Internal press release in *ADB Today*
- ☐ Others (specify)

7. Proposed executing/implementing agency or agencies: Each country is expected to nominate a proposed implementing agency as the main counterpart for implementing this TA.

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance: The governments of the four SASEC countries have proposed and agreed to undertake this subregional study; therefore, they would have full ownership of this study.

9. Timetable for assistance design, processing, and implementation

- a. Year included in RCSP 2004
- b. Expected date of submission for approval
 - Lending: Not applicable
 - Nonlending (project preparatory): Not applicable
 - Nonlending (other than project preparatory): 2005
- c. Period and duration of assistance
 - Lending: Not applicable
 - Nonlending: 12 months

10. Financing Plan

- a. For lending
- ☐ Ordinary capital resources:
 - ☐ Asian Development Fund (loan):
 - ☐ Asian Development Fund (grant):
 - ☐ Other:
- b. For nonlending
- ☐ No resources required, other than ADB staff
 - ☐ ADB's administrative budget:
 - ☒ Grant TA funds: \$400,000
 - ☐ Other

Source	Amount (\$)
ADB Financing	400,000
Government Financing	
Other Financing	
Total Cost	400,000
Source: Asian Development Bank estimates.	

ADB = Asian Development Bank, CSP = country strategy and program, RCSP = regional cooperation strategy and program, TA = technical assistance.

**Table A4.8: South Asia Finance Ministers' Meeting
Concept Paper**

Date: 20 January 2006

<div style="margin-bottom: 10px;"> <input type="checkbox"/> Lending <div style="margin-left: 20px;"> <input type="checkbox"/> Project loan <input type="checkbox"/> Program loan <input type="checkbox"/> Sector loan <input type="checkbox"/> Sector development program loan <input type="checkbox"/> ADF grant-financed <input type="checkbox"/> Other: </div> </div> <div> <input checked="" type="checkbox"/> Nonlending <div style="margin-left: 20px;"> <input type="checkbox"/> Project preparatory <input checked="" type="checkbox"/> Other than project preparatory <div style="margin-left: 20px;"> <input type="checkbox"/> Economic, thematic, and sector work <input checked="" type="checkbox"/> Institutional development <input type="checkbox"/> Other: </div> </div> </div>						
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Regional Cooperation Subsector:</p> <p>b. Targeting Classification <input checked="" type="checkbox"/> Targeted Intervention <input type="checkbox"/> General Intervention</p> <p>c. Key thematic areas Themes:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <input checked="" type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender and development </td> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input type="checkbox"/> Private sector development <input checked="" type="checkbox"/> Capacity development </td> </tr> </table>	<input checked="" type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender and development	<input type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input type="checkbox"/> Private sector development <input checked="" type="checkbox"/> Capacity development				
<input checked="" type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender and development	<input type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input type="checkbox"/> Private sector development <input checked="" type="checkbox"/> Capacity development					
<p>3. Coverage</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 33%;"><input type="checkbox"/> Country</td> <td style="width: 33%;"><input checked="" type="checkbox"/> Subregional</td> <td style="width: 33%;"><input type="checkbox"/> Interregional</td> </tr> <tr> <td colspan="3"><input type="checkbox"/> Internal policy development</td> </tr> </table>	<input type="checkbox"/> Country	<input checked="" type="checkbox"/> Subregional	<input type="checkbox"/> Interregional	<input type="checkbox"/> Internal policy development		
<input type="checkbox"/> Country	<input checked="" type="checkbox"/> Subregional	<input type="checkbox"/> Interregional				
<input type="checkbox"/> Internal policy development						
<p>4. Responsible division/department: South Asia Governance, Finance and Trade Division</p>						
<p>5. Responsible ADB officer: To be determined</p>						
<p>6. Description of assistance</p> <p>a. Background/linkage to country/regional strategy: Regional cooperation and economic integration is a central element of ADB's Poverty Reduction Strategy and Long-term Strategic Framework. Regional cooperation and economic integration can serve as a powerful tool for maintaining regional peace and stability attract greater foreign direct investments and serve as a platform for enhancing economic growth and reduce poverty. The 13th Summit of the South Asia Association for Regional Cooperation (SAARC) held in November 2005 at Dhaka took a landmark decision to formally initiate regular meetings of the South Asian Finance Ministers (SAFMs) within the first quarter after annual SAARC summits. The Dhaka Summit also requires the SAFMs to meet on the sidelines of ADB and World Bank annual meetings to take stock of (i) macroeconomic developments and outlook for South Asia; (ii) achievement of SAARC Development Goals as co-related to millennium development goals; and (iii) investment capital and foreign capital inflows, financial sector reforms, and other areas of cooperation.</p>						

On the suggestion of the SAARC Secretary General during his visit to ADB in November 2005, ADB consulted the Finance Ministers of Bangladesh (the current SAARC Chair), Sri Lanka, and Pakistan to take further the process of the meetings of the SAFMs in a sustained manner. The Finance Minister of India also supported the process during his visit to Manila in January 2006. Extensive ADB support for facilitating the finance ministers process in ASEAN and other measures of support for regional cooperation (seminars, symposiums, workshops, conferences) enables ADB to provide appropriate support for facilitating the meetings of the SAFMs. The proposed TA to the SAARC Secretariat for facilitating the meetings of the SAFMs through preparatory measures including technical and analytical support is consistent with regional cooperation initiatives of the CSP/CSPUs of SARD DMCs.

b. Goal and purpose: To foster greater understanding of regional cooperation and integration among the SARD DMCs leading to greater economic cooperation and serving as the basis for regional economic security, poverty reduction and employment generation as well as private sector development. The specific objective is to facilitate the meetings of SAFMs in partnership with the SAARC Secretariat.

c. Components, outputs, specific deliverables: These include (i) identifying and analyzing issues (potential topics) to be discussed at the meetings of the SAFMs through a consultative process involving key stakeholders both within and outside SAARC, (ii) organizing workshops and hiring experts on a need basis for '(i)', (iii) strengthening the technical and analytical skills of the SAARC Secretariat, (iv) enabling the SAARC Secretariat to learn from experience of member countries and extra-regional countries.

d. Expected results and deliverables: The expected outcomes include (i) conduct of regular meetings of the SAFMs with substantive and well documented agenda of issues impacting the region and formulation of common strategies to address these issues, (ii) enhanced the capacity of the SAARC Secretariat for assisting the regular meetings of the SAFMs, and (iii) further deepening of the collaboration between ADB and the SAARC Secretariat.

e. Plans for disseminating results/deliverables:

For TA, methods of TA output dissemination:

- ☒ Conferences
- ☒ Publication of article(s) in external journals or books
- ☒ External news release to press agencies, including www.adb.org
- ☒ Internal press release in *ADB Today*
- ☐ Others (specify)

7. Proposed executing/implementing agency or agencies: SAARC Secretariat

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance: Consultations will be undertaken at the level of Finance Ministers, Finance Secretaries, Governors of Central Bank, University and Research Agencies, and Civil Society.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: 2005
- b. Expected date of submission for approval
Lending:
Nonlending (project preparatory):
Nonlending (other than project preparatory): 15 March 2006
- c. Period and duration of assistance:
Lending:
Nonlending: 18 months beginning March 2006

10. Financing Plan

- a. For lending
 - ☐ Ordinary capital resources:
 - ☐ Asian Development Fund (loan):
 - ☐ Asian Development Fund (grant):
 - ☐ Other:

b. For nonlending

- ☐ No resources required, other than ADB staff
☐ ADB's administrative budget:
☒ Grant TA funds: \$400,000
☐ Other:

Source	Amount (\$)
ADB Financing	400,000
Government	
Other Financing	
Total Cost	400,000

Source: Asian Development Bank estimates.

CSP = country strategy and program, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, SCSP = subregional cooperation strategy and program.

**Table A4.9: Subregional Economic Cooperation in South and Central Asia – Phase II
Concept Paper**

Date: 18 October 2005

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project loan <input type="checkbox"/> Program loan <input type="checkbox"/> Sector loan <input type="checkbox"/> Sector development program loan <input type="checkbox"/> ADF grant-financed <input type="checkbox"/> Other: </p> <p><input checked="" type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project preparatory <input checked="" type="checkbox"/> Other than project preparatory <div style="margin-left: 20px;"> <input type="checkbox"/> Economic, thematic, and sector work <input checked="" type="checkbox"/> Institutional development <input type="checkbox"/> Other: </div> </p>		
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Not applicable Subsector: Not applicable</p> <p>b. Targeting classification</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Targeted intervention <input checked="" type="checkbox"/> General intervention </p> <p>c. Key thematic areas</p> <p style="margin-left: 20px;">Themes:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <input checked="" type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender and development </td> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input type="checkbox"/> Private sector development <input type="checkbox"/> Capacity development </td> </tr> </table>	<input checked="" type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender and development	<input type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input type="checkbox"/> Private sector development <input type="checkbox"/> Capacity development
<input checked="" type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender and development	<input type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input type="checkbox"/> Private sector development <input type="checkbox"/> Capacity development	
<p>3. Coverage</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Country <input type="checkbox"/> Subregional <input checked="" type="checkbox"/> Interregional <input type="checkbox"/> Internal policy development </p>		
<p>4. Responsible division/department: Operations Coordination Division/ South Asia Department</p>		
<p>5. Responsible ADB officer: Haruya Koide, Principal Regional Cooperation and Infrastructure Specialist</p>		
<p>6. Description of assistance</p> <p>a. Background/linkage to country/regional strategy: Since 2003, ADB has been assisting Afghanistan's reconstruction and rehabilitation efforts, especially focusing on roads construction. With its strategic position linking Central and South Asia, Afghanistan's improving road network has greatly contributed to the enhanced connectivity of the subregion in trade, transit and transport. To make the most of this opportunity, ADB organized the first Ministerial Conference on Transport and Trade in Central and South Asia in Manila on 31 July - 1 August 2003 inviting Afghanistan and its neighboring countries (Iran, Pakistan, Tajikistan, Turkmenistan and Uzbekistan).⁴³ The participating countries identified the two main corridors connecting landlocked Central Asian</p>		

⁴³ Iran, being a non-member of ADB, was invited as observer. Turkmenistan did not attend the conference but attended the following working group meetings.

Republics (CARs) to the Arabian Sea and the Persian Gulf through the Iranian and Pakistani ports via Afghanistan. The Central and South Asia Trade and Transport Forum (CSATTF) was established at the conference as the instrument of cooperation to promote trade, transit, and transport along the corridors.

Following the outcome of the Ministerial Conference, ADB approved RETA 6156: Subregional Economic Cooperation in South and Central Asia (SECSCA) at US\$600,000 in December 2003 to support the activities of CSATTF. In 2004, in connection with the CSATTF initiative, ADB approved two Pakistan loans (Balochistan and NWFP road development projects) to enhance Pakistan's connectivity with Afghanistan as well as with Central Asia through Afghanistan.

Under RETA 6156: SECSCA, ADB has organized three meetings to support CSATTF: (i) Working Group Meeting on Transport and Trade in South and Central Asia, 4-5 March 2004, Dubai; (ii) Trade and Customs Working Group (TCWG) Meeting, 27-28 October 2004, Bangkok; and (iii) Second Ministerial Conference on Transport and Trade in Central and South Asia, 3-4 March 2005, ADB Headquarters, Manila. The main issues discussed include: customs harmonization; infrastructure (road and cross-border) development; regional transit arrangements; and law enforcement for the prevention of human and drug trafficking and money laundering.

The main progress so far made includes: (i) the CSATTF countries endorsed a customs cooperation program entitled the Corridor Development Plan (Customs) (CDP-C) for implementation during 2005-2007; (ii) the CSATTF countries agreed to adopt a coordinated development program for border crossing facilities and operations; (iii) the CSATTF countries recognized the need for effective implementation and monitoring of the transit arrangements; and (iv) the CSATTF countries agreed to take steps to ratify and implement the UN Convention against Transnational Organized Crime.

Building upon such progress, the proposed TA will continue to support the activities of CSATTF in close coordination and cooperation with Central Asia Regional Economic Cooperation (CAREC) and Economic Cooperation Organization (ECO), both of which work in some countries in Central Asia and South Asia, to complement efforts and avoid duplication of resources.

b. Goal and purpose: The ultimate goal of the TA is to accelerate regional economic growth and development in the subregion, and thereby to achieve sustainable development and poverty reduction. Towards this goal, the TA aims at supporting the subregional cooperation activities in transport and trade under CSATTF.

c. Components and outputs: The TA comprises six components: (i) assisting TCWG in implementing the CDP-C; (ii) developing the other components of CDP (infrastructure, transit, trade, security, and capacity building); (iii) promoting private-public partnership by organizing Regional Business Roundtable; (iv) supporting the national coordination to implement national action plans aligned with the CDP, by providing consultants, if required, who will be based in the respective countries; (v) organizing the working group meetings and the CSATTF meetings as necessary; and (vi) facilitating cooperative dialogue among the stakeholders of government official, private sector, development partners, and other major regional initiatives including CAREC and ECO; and (vi) producing studies/papers related to the trade and transport facilitation in the subregion.

d. Expected results and deliverables: The TA is expected to facilitate the movements of goods and people through the two main corridors connecting Central and South Asia. On a long-term basis, it will contribute to opening up new markets across the region so as for the subregion to become part of the global logistics systems, attract foreign and local investment, and to benefit from increased world trade. Related subregional projects will be identified under the TA and processed as stand-alone TAs and/or loans as necessary.

e. Social or environmental issues or concerns: No adverse social or environmental concerns are expected.

f. Plans for disseminating results/deliverables: Dissemination will be made through working group meetings, CSATTF meetings, and technical workshops/forums, as necessary. The proceedings of the meetings, periodic CSATTF progress reports, and background/issue papers will be issued and sent to the participating countries and other international/regional organizations. The website and database for CSATTF/SECSCA will be developed to disseminate information on the detailed activities and other related materials.

For TA, methods of TA output dissemination:

- ☒ A conference/workshop/brown bag
- ☐ Publication of article(s) in external journals or books
- ☒ External press release to news agencies, including www.adb.org
- ☒ Internal press release in *ADB Today*
- ☐ Others (specify)

7. Proposed executing/implementing agency or agencies: ADB will be the Executing Agency. Within ADB, a multi-division team comprising staffs from SARD and ECRD and the resident missions concerned will be formed to implement the TA. The senior officials from the ministries of transport and trade will participate in the CSATTF meetings and provide overall supervision and coordination of the TA, while sector working group represented by working-level officials will provide inputs for TA implementation. Depending on the agenda, CSATTF ministerial conference will be organized.

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance: As agreed at the ministerial conferences, ADB will continue to function as a secretariat to CSATTF. The TA concept will be further elaborated through consultation with the participating countries and other stakeholders.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP, CSP update, RCSP, RCSP update, or interregional work plan: 2005
- b. Expected date of submission for approval
 - Lending: Not applicable
 - Nonlending (project preparatory): Not applicable
 - Nonlending (other than project preparatory): December 2006
- c. Period and duration of assistance
 - Lending: Not applicable
 - Nonlending: January 2006 – January 2008

10. Financing Plan

- a. For lending
 - ☐ Ordinary capital resources:
 - ☐ Asian Development Fund (loan):
 - ☐ Asian Development Fund (grant):
 - ☐ Other:
- b. For nonlending
 - ☐ No resources required, other than ADB staff
 - ☐ ADB's administrative budget:
 - ☒ Grant TA funds: \$950,000
 - ☐ Other:

Source	Amount (\$)
ADB Financing	950,000
Government Financing	
Other Financing	
Total Cost	950,000
Source: Asian Development Bank estimates.	

ADB = Asian Development Bank, CSP = country strategy and program, RCSP = regional cooperation strategy and program, TA = technical assistance.

**Table A4.10: Workshop on Proposed South Asian Association for Regional Cooperation (SAARC) Development Fund
Concept Paper**

Date: 07 December 2005

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p> <input type="checkbox"/> Project loan</p> <p> <input type="checkbox"/> Program loan</p> <p> <input type="checkbox"/> Sector loan</p> <p> <input type="checkbox"/> Sector development program loan</p> <p> <input type="checkbox"/> ADF grant-financed</p> <p> <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p> <input type="checkbox"/> Project preparatory</p> <p> <input checked="" type="checkbox"/> Other than project preparatory</p> <p> <input type="checkbox"/> Economic, thematic, and sector work</p> <p> <input type="checkbox"/> Institutional development</p> <p> <input checked="" type="checkbox"/> Other: TA-financed regional activities</p>								
<p>2. Assistance focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the</p> <p> Sector: Multi-sector</p> <p> Subsectors: Finance; Health, nutrition, and social protection; Transportation and communication</p> <p>b. Targeting classification</p> <p> <input type="checkbox"/> Targeted intervention</p> <p> <input checked="" type="checkbox"/> General intervention</p> <p>c. Key thematic area</p> <p> Theme:</p> <table border="0"> <tr> <td><input type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input checked="" type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Capacity development</td> </tr> </table> <p>Subthemes: Sustainable economic growth, Governance, and Capacity development.</p>	<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input type="checkbox"/> Inclusive social development	<input checked="" type="checkbox"/> Regional cooperation	<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development
<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input type="checkbox"/> Inclusive social development	<input checked="" type="checkbox"/> Regional cooperation							
<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development							
<p>3. Coverage</p> <p><input type="checkbox"/> Country <input checked="" type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>								
<p>4. Responsible division/department: Governance, Trade and Finance Division/South Asia Department</p>								
<p>5. Responsible ADB officer: Chia-Hsin Hu</p>								
<p>6. Description of assistance</p> <p>a. Background/linkage to country/regional strategy: The 13th South Asian Association for Regional Cooperation (SAARC) Summit Meeting (the Summit) in November 2005 affirmed commitment to regional cooperation as a means to contribute to peace, progress, and stability. During the Summit, regional economic and social projects were seen as a means for fostering regional cooperation, and the establishment of financing windows for regional projects was considered as the most important step to promote regional cooperation. In particular, creation of a SAARC Development Fund (SDF) is envisaged to finance SAARC projects and programs. In this context, on 27 October 2005, the Secretary General of SAARC requested ADB to provide technical assistance (TA) to assist the SAARC Secretariat and member states to understand the concepts and</p>								

modalities for financing regional projects through the mechanism of specialized funds.

b. Goal and purpose: The TA will strengthen regional cooperation for improved social, cultural, and economic development in the South Asian region. The TA will enhance the awareness of the SAARC Secretariat and member states of the operations, governance, and sustainability of development finance instruments including specialized funds and related international best practices.

c. Components and outputs: The TA will support (i) a three-day workshop in Kathmandu to analyze options to structure, operate, fund, and ensure good governance of specialized funds; (ii) preparation of a report on the discussions, findings, and feedback of workshop participants for wider dissemination, and (iii) based on the report, preparation of inputs for the proposed meeting of the SAARC Finance Ministers scheduled for first quarter 2006.

d. Expected results and deliverables: A better understanding of the concept and modalities of specialized funds and its sustainability and applicability to the South Asian context is envisaged. The deliverables include effective organization of the three-day workshop with around 30 participants from member states and 8-10 financial and legal experts from other regions; the documentation of the papers presented at the workshop as well as workshop deliberations; and inputs for the proposed meeting of the SAARC Finance Ministers.

e. Social or environmental issues or concerns: None.

f. Plans for disseminating results/deliverables: Results will be disseminated through SAARC Secretariat, member states, and relevant stakeholders.

For TA, methods of TA output dissemination:

- ☒ A conference/workshop/brown bag
- ☐ Publication of article(s) in external journals or books
- ☒ External press release to news agencies, including www.adb.org
- ☐ Internal press release in *ADB Today*
- ☒ Others (specify) SAARC official website

7. Proposed executing/implementing agency or agencies: The SAARC Secretariat in Kathmandu, Nepal

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:

The technical issues to be discussed during the TA workshop, scheduled in February 2006, were identified during a meeting of SAARC financial experts in mid-2005. It was further confirmed by the Summit held in November 2005. The Secretary General of SAARC reiterated the request for ADB assistance during his visit to ADB headquarters on 28-29 November 2005.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP, CSP Update, RCSP, RCSP Update, or interregional work plan: 2006
- b. Expected date of submission for approval
 - Lending: Not applicable
 - Nonlending (project preparatory): Not applicable
 - Nonlending (other than project preparatory): 2006
- c. Period and duration of assistance
 - Lending: Not applicable
 - Nonlending: January-April 2006

10. Financing Plan

- a. For lending
 - ☐ Ordinary capital resources:
 - ☐ Asian Development Fund (loan):
 - ☐ Asian Development Fund (grant):
 - ☐ Other:

b. For nonlending

- ☐ No resources required, other than ADB staff
☐ ADB's administrative budget:
☒ Grant TA funds:\$150,000
☐ Other:

Source	Amount (\$)
ADB Financing	150,000
The SAARC Secretariat Financing	30,000
Other Financing	
Total Cost	180,000

Source: Asian Development Bank estimates.

ADB = Asian Development Bank, CSP = country strategy and program, RCSP = regional cooperation strategy and program, TA = technical assistance.

**Table A4.11: South Asia Subregional Economic Cooperation
Tourism Development Project
Concept Paper**

Date: 18 October 2005

<p>1. Type/modality of assistance</p> <p><input checked="" type="checkbox"/> Lending</p> <p style="margin-left: 20px;"> <input checked="" type="checkbox"/> Project loan <input type="checkbox"/> Program loan <input type="checkbox"/> Sector loan <input type="checkbox"/> Sector development program loan <input type="checkbox"/> Other: </p> <p><input checked="" type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"> <input checked="" type="checkbox"/> Project preparatory <input type="checkbox"/> Other than project preparatory <input type="checkbox"/> Economic, thematic, and sector work <input type="checkbox"/> Institutional development <input type="checkbox"/> Other: </p>		
<p>2. Assistance focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Multisector—Agriculture and natural resources, Industry and trade, Transport and communication Subsectors: Support to rural infrastructure, Small and medium-scale enterprises, Roads and highways</p> <p>b. Targeting classification</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Targeted intervention <input checked="" type="checkbox"/> General intervention </p> <p>c. Key thematic areas</p> <p style="margin-left: 20px;">Themes:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <input checked="" type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender and development </td> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input checked="" type="checkbox"/> Private sector development <input type="checkbox"/> Capacity development </td> </tr> </table> <p style="margin-left: 40px;">Subthemes: Fostering physical infrastructure development, Developing rural areas, Public-private partnerships</p>	<input checked="" type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender and development	<input type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input checked="" type="checkbox"/> Private sector development <input type="checkbox"/> Capacity development
<input checked="" type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender and development	<input type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input checked="" type="checkbox"/> Private sector development <input type="checkbox"/> Capacity development	
<p>3. Coverage</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Country <input checked="" type="checkbox"/> Subregional <input type="checkbox"/> Interregional <input type="checkbox"/> Internal policy development </p>		
<p>4. Responsible division/department: Agriculture, Environment and Natural Resources Division/ South Asia Department</p>		
<p>5. Responsible ADB officer: Snimer K. Sahni, Principal Project Economist</p>		
<p>6. Description of assistance</p> <p>a. Background/linkage to country/regional strategy: Economic growth in South Asia needs to be sustained and accelerated, to boost economic and social development and achieve the Millennium Development Goals. Regional cooperation can help achieve these development goals, by eliminating physical and nonphysical barriers, expanding markets for goods and services, and reducing transaction and transportation costs. Cross-border development of basic infrastructure will reduce physical barriers to the movement of goods and people, which in turn can expand regional trade and tourism. Tourism development can create expanded economic opportunities, generate employment and incomes, and promote infrastructure development. Increased tourism within the region can also contribute to mutual understanding and development of a stronger sense of community among the countries and peoples of the region. South Asia is rich in cultural and natural tourism resources,</p>		

which can be made more attractive if thematic sites are linked as multi-country tourism circuits and products, through appropriate development of infrastructure and facilities. A Tourism Development Plan (TDP) was prepared and finalized in 2004 under the South Asia Subregional Economic Cooperation (SASEC) Program, covering Bangladesh, Bhutan, India, and Nepal. The TDP identified priority programs and projects for further implementation, focusing on two common themes, Ecotourism and the Buddhist Heartland. The TDP is currently being updated to include Sri Lanka.

b. Goal and purpose: The project goal will be to develop sustainable and pro-poor tourism in the subregion's Buddhist Heartland. The immediate purpose will be to upgrade tourism infrastructure and facilities in identified key areas of the Buddhist Heartland.

c. Components and outputs: The Footsteps of the Lord Buddha circuit is already very popular, appealing to many segments of the Buddhist pilgrim market. The circuit includes the destinations of Lumbini, Kapilavastu, and other associated sites in Nepal. In India, the circuit includes Bodhgaya, Kushinagar, Nalanda, Rajgir, and Sarnath. To take advantage of current market growth, the Footsteps of the Lord Buddha circuit needs to be developed further and positioned as the iconic Buddhist tourism product. This is the key product for positioning South Asia as the Buddhist Heartland, with the power to attract the growing market segments of international pilgrimage and spiritual visitors from all over the world. Several ideas for projects to improve this circuit were identified in the TDP: (i) road improvements on the circuit in India, (ii) wayside amenities on the circuit in India, (iii) visitor facilities and interpretation in Bihar and Uttar Pradesh, (iv) improved visitor facilities in Nepal, (v) Bhairawa airport improvements, and (vi) water supply infrastructure improvements at Lumbini. The TDP also noted the need for a Tourism Investment Fund to be established, designed to be managed as a public-private partnership. Such a Fund would finance private sector investment in tourism facilities that will increase both the stock and diversity of subregional tourism products. Its operations are also expected to encourage governments to improve infrastructure facilities as well as the policy and regulatory environment for tourism. The Fund will take a minority equity position in private sector tourism projects and in bankable tourism infrastructure projects. The TA will assess the feasibility of these proposals, and prepare an investment project for possible loan financing.

d. Expected results and deliverables: Improvement of infrastructure (roads, airport, water supply) in key project areas of the Buddhist Heartland; establishment of wayside amenities and improved visitor facilities at tourism sites; establishment of a Tourism Investment Fund.

e. Social or environmental issues or concerns: Well-planned and managed tourism development will promote the preservation of local cultures and conservation of the environment. To that extent, the proposed project will have positive social and environmental impacts.

f. Plans for disseminating results/deliverables: Project preparation and implementation will follow the consultative and participatory methods used in preparing the SASEC Tourism Development Plan (TDP). Consultation workshops will disseminate and validate results and recommendations. The Tourism Working Group (TWG) will review deliverables and provide guidance and further directions during the course of project preparation.

For TA, methods of TA output dissemination:

- ☒ A conference/workshop/brown bag
- ☐ Publication of article(s) in external journals or books
- ☒ External press release to news agencies, including www.adb.org
- ☒ Internal press release in *ADB Today*
- ☒ Others (specify) SASEC TWG meetings

7. Proposed executing/implementing agency or agencies: National Tourism Organizations (NTOs) of participating countries

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance: During the course of preparation of the TDP, there was extensive consultation with stakeholders in both the public and private sectors of the tourism industries of the SASEC countries. The TWG considered and endorsed the recommendations of the TDP, including development of key areas projects and a Tourism Investment Fund. Development partners, including NGOs, participated in the formulation and finalization of the TDP. A list of organizations and persons consulted is available in the TDP. The TWG, representing the tourism sectors of the countries, will continue to guide further project preparation and implementation.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP, CSP Update, RCSP, RCSP Update, or interregional work plan: 2005
- b. Expected date of submission for approval
 Lending: 2007 (standby)
 Nonlending (project preparatory): 2006 (standby)
 Nonlending (other than project preparatory): Not applicable
- c. Period and duration of assistance
 Lending: 2008 to 2012
 Nonlending: 2006/ 2007

10. Financing Plan

- a. For lending
- ☒ Ordinary capital resources: \$100
 - ☐ Asian Development Fund (loan):
 - ☐ Asian Development Fund (grant):
 - ☐ Other:

If cofinancing is required, indicate amount and sources sought: \$50 from JBIC

- b. For nonlending
- ☐ No resources required, other than ADB staff
 - ☐ ADB's administrative budget:
 - ☒ Grant TA funds: \$600,000
 - ☐ Other:

Source	Amount (\$)
ADB Financing	600,000
Government Financing	
Other Financing	
Total Cost	600,000
Source: Asian Development Bank estimates.	

ADB = Asian Development Bank, CSP = country strategy and program, JSF = Japan Special Fund, RCSP = regional cooperation strategy and program, TA = technical assistance.

PROGRESS OF SASEC AND SECSCA PROGRAMS

A. South Asia Subregional Economic Cooperation (SASEC) Program

1. Introduction

1. The SASEC Program was initiated at a time when limited progress was being made in regional cooperation under the South Asian Association for Regional Cooperation (SAARC) framework. Four of the seven SAARC member countries (Bangladesh, Bhutan, India, and Nepal) formed the South Asian Growth Quadrangle (SAGQ) in 1996 to accelerate sustainable economic development. At the request of SAGQ countries, the SASEC program was launched in 2001, with ADB support,⁴⁴ to help facilitate SAGQ's economic cooperation initiative. The SASEC program provides a forum for the four participating countries to discuss, identify, prioritize, and implement subregional cooperation projects in the six priority sectors selected by SAGQ, with ADB acting as a facilitator. The sectors (and the respective country chairs) are transport (Nepal); energy and power (Bangladesh); tourism (Nepal); environment (Bhutan); trade, investment, and private sector cooperation (India); and information and communications technology (India). A working group for each sector was set up comprising the respective sector secretaries and joint secretaries of the member countries. The country advisors, comprising the finance secretaries from the four participating countries, are the steering and decision-making body of the SASEC program.

2. ADB has provided two regional technical assistance (TA) grants to support cooperation activities under the program: the first (phase I) was approved in September 2000 for \$785,000; and the second phase in December 2001 for \$500,000. In addition to these umbrella TAs, stand-alone regional TAs were provided to support the cooperation projects identified and prioritized by each of the six sector working groups. Phase II culminated in the SASEC Country Advisers' Meeting (CAM) held on 22 and 23 July 2005.

3. The country advisers agreed on the framework for the SASEC program, including the priority activities to be undertaken in each sector for phase III. A number of factors affected the progress of the latter stages of phase II of the SASEC program. These have emerged largely from changes in the environment for regional cooperation, which have opened up new avenues for cooperation in South Asia. While overall SASEC progress has been generally good, sensitivities and difficulties with cooperation in the energy and power, and in the environment sectors affected the SASEC program. A summary of the progress under each sector follows.

2. Progress of Sector Work

a. Transport

4. One of the objectives of the transport sector is to establish efficient subregional connectivity. A sector review was first conducted to identify physical, institutional, and operational impediments, and weaknesses of the existing transport systems in the subregion. A framework for subregional connectivity was developed involving 21 corridors (both existing and potential). Six of these corridors were further examined under an ADB-assisted stand-alone TA.

⁴⁴ A regional technical assistance (ADB. 2000. *Technical Assistance for Identification and Prioritization of Subregional Projects in South Asia*. Manila) was approved in September 2000, but the actual implementation started in March 2001.

ADB has also provided project preparatory TA grants and subsequent loans to the individual countries for upgrading key segments of these corridors in the subregion. At the Third Meeting of the Transport Working Group held in May 2005, the countries reaffirmed their continued commitment to cooperation under SASEC. The major agreements reached for the next work under phase III include (i) implementing the TA recommendations, taking into consideration the current needs and developments in the subregion; (ii) upgrading the current logistics systems; and (iii) broadening the scope of work of the Transport Working Group to cover interregional transport issues, particularly the establishment of closer links between SASEC and the GMS.

b. Trade, Investment, and Private Sector Cooperation

5. In trade, investment and private sector cooperation, activities focused on helping remove nontrade barriers and promote private sector cooperation in the subregion. The South Asia Business Forum was established to enhance business cooperation. The forum comprises the apex chambers of commerce and industry of the SASEC countries. It held two meetings, one in New Delhi in August 2002 and the other in Dhaka in January 2004 in conjunction with the working group meetings. The forum launched its website and created business facilitation cells in partner countries. In addition, three studies on private sector cooperation in the areas of nontariff and nontrade barriers, human resources, and information communication technology (ICT) were conducted. Following the recommendations of the nontariff, nontrade barriers study, the Trade, Investment and Private Sector Cooperation Working Group (TIPWG) agreed to carry out four additional studies⁴⁵ on trade facilitation in the areas of (i) mutual recognition of manufacturing process, including harmonization of standards and/or testing procedures, (ii) simplification of customs procedures and harmonization of trade documents, (iii) sharing common facilities in the subregion, and (iv) affirmative action for landlocked countries.

6. It was agreed at CAM that the focus on trade facilitation and transit issues would be sharpened to avoid duplication with existing work under other regional and global trading agreements. The country advisers encouraged TIPWG to focus on developing measures to improve the investment environment, capacity building, and creation and/or improvement of trade-related infrastructure. The country advisers endorsed early implementation of the agreed four studies on trade facilitation, and the proposal to invite private sector representatives to participate in other SASEC sector working group meetings such as tourism, ICT, and transport.

c. Tourism

7. Cooperation in the tourism sector has advanced particularly well, reflecting strong government commitment as well as active involvement of the private sector. Under the guidance of the Tourism Working Group (TWG), the 10-year SASEC Tourism Development Plan was developed and adopted as the framework and action plan for tourism development in the subregion. The plan is based on two themes: ecotourism and Buddhist circuits. Joint marketing campaigns have been carried out, with active support from national tourism organizations and private sector groups with a view to boosting tourism. Marketing materials and events calendars have been completed and distributed. A website (www.visit.southasia.org) was created and a web portal is being developed as part of the marketing program. A study on Human Resource Development and Capacity Building is currently being implemented. The development of common training programs has been completed. Strong collaborative efforts have been made with the BIMSTEC, World Tourism Organization, United Nations Educational, Scientific and

⁴⁵ The implementation of these studies has been delayed due to a number of reasons, of which shortage of funds is most significant. Following further consultations, work on these studies is expected to begin soon.

Cultural Organization, Pacific Asia Travel Association, and other development partners active in the sector in the subregion. The first South Asia Sustainable Tourism Forum was held in February 2005 in Dhaka. Training for travel media was held in August 2005. As agreed at CAM, Sri Lanka has become a member of the TWG and hosted the 6th meeting of the TWG in November 2005.

8. CAM commended the good progress of cooperation of the tourism sector. However, the country advisers stressed the importance of identifying and addressing infrastructure gaps in connectivity and destinations for identified SASEC tourism circuits, in particular, the last mile connectivity between tourist sites and main highways. It suggested exploring public-private partnerships, as well as establishing a tourism investment fund.

d. Information and Communications Technology

9. ICT was added to the SASEC Program in phase II and has made notable progress despite a short implementation period. The ICT Working Group identified the following key areas for regional cooperation: enhancement of high-bandwidth connections; establishment of community information centers; information sharing and human resources development; strengthening and harmonization of ICT regulations; and development of common software tools. The working group agreed to develop an ICT development plan for which the first Steering Committee Meeting was recently held. The plan includes the following components: ICT sector development strategy; regional infrastructure development, a regional regulatory framework, and national action plan. The plan will also provide a list of investment and TA projects. For the pilot project on community e-centers, agreements were reached on the final scope, structure, and implementation of the TA grant. The grant financing from the JFICT was approved in July 2005.

10. The country advisers agreed that ICT should continue as a priority sector under SASEC. They noted that the SASEC ICT development master plan, currently being implemented, could provide insights on how best to integrate individual national ICT programs and projects. Leveraging funding via public-private partnerships can be promoted for this sector. Among community e-center services, distance learning and telemedicine could produce the biggest development impact.

e. Energy and Power

11. The first and second Energy and Power Working Group (EPWG) meetings, held in November 2001 and March 2002 respectively, identified the following areas where cooperation could be undertaken: rural electrification, hydropower development in Nepal, feasibility of electricity exchange, and collaboration in oil and gas activities. Only two cooperation projects were implemented: (i) the replication of the Bangladeshi model of rural electrification in Assam; and (ii) assistance provided by India to Bangladesh in preparing for the distribution of compressed natural gas. The implementation of these projects progressed slowly, reflecting the sensitivities in each country's energy policies. As a result, no meeting of the EPWG was held during SASEC phase II.

12. CAM agreed that energy and power is an important sector and that gains could be substantial from cooperation when current cross-border sensitivities become less of an issue. They agreed that the work for the energy and power sector should continue and suggested that the working group meet early in SASEC phase III to decide on how best to take forward cooperation in the sector.

f. Environment

13. The environment sector has encountered difficulties in identifying subregional cooperation projects because of sensitivities and complexities inherent in cross-border environmental concerns, and overlapping jurisdictions of ministries particularly with regard to water. In addition, member countries accorded relatively lower priorities to the projects proposed by consultants on air pollution, biodiversity loss, hazardous and solid waste management, and natural disaster management. Among the projects proposed, only Regional Air Quality Management was implemented. The third Environment Working Group meeting held in July 2004 reassessed the prioritized projects and identified new projects, in light of current state of the environment in the subregion. The working group recommended a TA project for Review of Existing Legislations, Regulations, Policies, and Implementation Practices in Hazardous Wastes as the next project to be undertaken.

14. For SASEC Phase III, CAM noted that the environment is a complex, cross-cutting sector. Furthermore, the country advisers agreed that at present, information sharing, capacity building, and knowledge-based management, rather than cross-border environment projects, is the main way forward. However, because of the nature of cooperation activities identified, they could be supported through stand-alone TAs. The country advisers also encourage collaboration with SAARC, GMS, and possibly BIMSTEC, and coordination with other agencies.

3. SASEC Loans and TAs

15. Tables A5.1 and A5.2 show the list of loans and TA projects for SASEC Program.

Table A5.1: Loans for SASEC Program

No.	Title	Approval Date	Sector	Amount (\$ million)
1870	West Bengal Corridor Development Project (India)	Dec 2001	Transport	210.0
2021	Road Network Improvement & Maintenance Project (Bangladesh)	Nov 2003	Transport	126.0
2097	Subregional Transport Facilitation (Nepal)	Nov 2004	Transport	20.0
2187	Road Network (Bhutan)	Sep 2005	Transport	27.3
Subtotal				383.3

Table A5.2: Technical Assistance/Grant for SASEC Program

No.	Title	Approval Date	Sector	Amount (\$'000)	Type
5936	Identification and Prioritization of Subregional Projects in South Asia (SASEC Phase I)	Sep 2000	REG	785	ID
5971	Regional Roundtable Discussion on ICT	Dec 2000	ICT	90	ID
6010	South Asia Subregional Economic Cooperation (SASEC Phase II)	Dec 2001	REG	500	ID
3974	Inland Waterway Sector I Development Program (India)	Nov 2002	Transport	900	ID
6090	Private Sector Cooperation in the SASEC Subregion Phase I	Dec 2002	Trade	150	ID
4138	Road Network Expansion (Bhutan)	Jul 2003	Transport	500	PP
6112	Subregional Corridor Operational Efficiency Study in the South Asia Subregion	Jul 2003	Transport	250	ID
6132	Private Sector Cooperation in the SASEC Subregion Phase II	Nov 2003	Trade	150	ID
6131	SASEC Tourism Development Plan	Nov 2003	Tourism	450	ID
6159	Regional Air Quality Management	Dec 2003	Environment	400	ID
4242	Rural Electrification Project (Piggybacked to Loans 2036/2037)	Dec 2003	Energy	400	PP
6154	Subregional Transport Connectivity (India)	Dec 2003	Transport	800	PP
4347	Transport Connectivity Sector (Nepal)	Jun 2004	Transport	600	PP
6225	SASEC HRD and Capacity Building in Tourism Sector	Dec 2004	Tourism	600	ID
6232	SASEC ICT Development Master Plan	Feb 2005	ICT	450	ID
9068	Empowering the Rural Areas through Community e-Centers	Jul 2005	ICT	1,000	Grant (JFICT)

4652	Padma Multipurpose Bridge (Bangladesh)	Sep 2005	Transport	800	PP
6297	South Asia Subregional Economic Cooperation (SASEC) Initiatives III	Dec 2005	REG	1,000	ID
Subtotal				9,825	

B. Subregional Economic Cooperation in South and Central Asia (SECSCA) Program

1. Introduction

16. The SECSCA Program started in 2003 to support the Central and South Asia Transport and Trade Forum (CSATTF) initiative involving Afghanistan, Iran (as observer), Pakistan, Tajikistan, Turkmenistan, and Uzbekistan and other potential cooperation opportunities among these countries. CSATTF was established in July 2003 at its first ADB-hosted Ministerial Conference to promote transport and trade facilitation along the two major corridors⁴⁶ connecting the Central Asia Republics to the Arabian Sea and the Persian Gulf via Afghanistan. Under CSATTF, Trade and Customs Working Group (TCWG) was established in March 2005 to take a focused approach on trade facilitation and customs harmonization among the CSATTF member countries.

17. To support the CSATTF initiative, ADB approved a TA grant of \$600,000 for SECSCA (Phase I) in December 2003. The Secretariat of CSATTF was established under the SECSCA program. In conjunction with the CSATTF initiative, ADB has been also providing financial assistance to Afghanistan and Pakistan in improving road infrastructure and/or border facilities totaling \$1,544.9 million, and supporting trade and transport facilitation in Afghanistan and Pakistan through technical assistance totaling \$6.5 million.

18. CSATTF has identified the major challenges to transport and trade facilitation including (i) poor infrastructure facilities, (ii) limited coordination of infrastructure investments, (iii) restrictive trade policies, (iv) limited regulatory frameworks, (v) different customs laws and procedures, (vi) underdeveloped transport logistics services, (vii) security concerns involving drugs and human trafficking, and (viii) capacity constraints in both public and private sectors. During the last 2 years, CSATTF has addressed these challenges through a corridor development plan covering the five major areas: (i) infrastructure improvement [road and border infrastructure]; (ii) customs cooperation; (iii) transit facilitation; (iv) anti-trafficking activities; and (v) consultations, knowledge sharing, and capacity development. Two ministerial conferences and three technical working group meetings have been held so far for CSATTF.

⁴⁶ These are (i) the North-South Corridor (connecting Tajikistan, Turkmenistan, and Uzbekistan through Afghanistan to the ports of Karachi, Gwadar, and Port Qasim in Pakistan) totaling about 2,800 kilometers (km); and (ii) the East-West Corridor (connecting the same countries, through Afghanistan to the ports of Bandar-e-Abbas and Chabahar in Iran) totaling about 2,900 km.

2. Progress

a. Road Infrastructure

19. Road links along the two CSATTF corridors have been improved steadily during the last 2 years. In 2002, about 40% of the total length of each transport corridor was considered in good condition with adequate maintenance, while the remaining 60% was identified as in need of rehabilitation and/or upgrading. Presently, about 40% of the total length of each corridor (about 1,100 km) has been improved or is being improved with external assistance, leaving about 20% for rehabilitation and upgrading.

20. ADB has contributed to the improvement of a total of about 940 km along the North–South corridor (about 34% of the total length) and about 740 km (about 26%) along the East–West corridor, respectively. In Afghanistan, ADB has assisted in rehabilitating part of the ring road connecting Kabul to major regional cities in Afghanistan, and access roads to Pakistan and Uzbekistan. In Pakistan, ADB has assisted in rehabilitating and/or widening some sections of road corridors near Chamman, Ghulam Khan, and Torkham, where border points are located between Afghanistan and Pakistan. In Tajikistan, about half of the 190 km road section to connect Dushanbe to Nizhni Piyanzh at the border with Afghanistan has been upgraded with ADB assistance.

21. The government of Iran has upgraded the road from Bandar-e-Abbas to Dogharun to a two-lane asphalt-pavement standard as well as the link from the newly developed Chabahar port to the Milak–Zaranj border. A bypass route to the Chabahar–Iranshahr link in Iran is currently under construction. In Turkmenistan, the government is improving the road link between Atamurat and Imamnazar (the adjacent border to Afghanistan). In Uzbekistan, the road section between Tashkent and Termez (745 km) has been improved.

22. European Union (EU), Islamic Development Bank, World Bank, and bilateral partners such as the governments of India, Iran, Japan, Kuwait, Saudi Arabia, Pakistan, and United States have provided funding to improve the other part of the Afghanistan ring road and access roads to the neighboring countries located along the CSATTF corridors.

b. Border Infrastructure

23. Transport and trade along the CSATTF corridors are presently constrained at the transport nodes where transshipment often takes place, different modes of transport meet, and infrastructure facilities, mostly border facilities, need further development or improvement. Under CSATTF, the following eight major border crossings have been identified along the two corridors.

- Hairatan–Ayritom/Termez (Afghanistan–Uzbekistan border)
- Shir Khan Bandar – Nizhniy Pyandzh (Afghanistan–Tajikistan border)
- Torkham–Torkham/Landi Kotal (Afghanistan–Pakistan border)
- Waish/Spin Boldak–Chamman (Afghanistan–Pakistan border)
- Zaranj–Milak (Afghanistan–Iran border)
- Islam Qala–Dogharun (Afghanistan–Iran border)
- Torghundi–Gushgy (Afghanistan–Turkmenistan border)
- Aqina–Imamnazar (Afghanistan–Turkmenistan border)

24. CSATTF coordinates with development partners that support border crossings. ADB is currently assisting Pakistan in developing and upgrading border facilities adjacent to Afghanistan at Chaman, Ghulam Khan, and Torkham. The World Bank has assisted Afghanistan in reconstructing the Hairatan border and, in cooperation with EU, the Torkham border. The border facilities at Islam Qala, Shir Khan Bandar, Torghundi, and Zaranj in Afghanistan have also been upgraded with assistance from the governments of Iran, Germany, and United States.

25. At the Second Ministerial Conference, the CSATTF member countries agreed to adopt a coordinated development program for border facilities and operations. The physical infrastructure and procedural aspects of all CSATTF border points and the major inland clearance depots (ICDs) in Afghanistan have been reviewed and presented at the second TCWG meeting held in December 2005. A coordinated CSATTF border facility development strategy and action program will be prepared reflecting the activities of the development partners.

c. Customs Cooperation

26. The border and clearance procedures in Afghanistan and its neighboring countries do not conform yet to international best practice. Although there are positive developments in that direction, there is still a considerable degree of inconsistency in relation to existing requirements at different border crossings and ICDs.

27. To address customs-related issues, CSATTF has identified the following five major areas: (i) simplify and harmonize customs procedures and documentation, (ii) develop modern border concepts such as joint border processing and one-stop service, (iii) share information and communications technology-based data for customs operations, (iv) introduce modern customs techniques such as risk management and post-entry audit, and (v) build capacity of local and national customs administration officials. The framework of the customs cooperation plan was endorsed at the Second Ministerial Conference.

28. At the second TCWG meeting, the participating countries and development partners discussed the priority areas for customs cooperation, particularly focused on the customs data sharing based on the World Customs Organization data model, pilot joint border processing potentially at Torkham border between Afghanistan and Pakistan, and customs capacity development.

d. Transit Facilitation

29. In addition to the physical improvement of the transport corridors, developing an efficient transit system is crucial to the goals of CSATTF. A number of constraints have been identified in transit facilitation of the region, including transshipment, unofficial checks and fees, domestic transport sector protectionism, and lack of national mechanism for transport, transit, and trade facilitation.

30. To overcome those constraints, CSATTF has adopted two approaches: (i) accession to the relevant international conventions⁴⁷ and (ii) development of efficient corridor transit

⁴⁷ These are (i) Convention on Road Traffic, (ii) Convention on Road Signs and Signals, (iii) International Convention on the Harmonization of Frontier Control of Goods, (iv) Convention on the Contract for the International Carrying of Goods by Road, (v) Conventions Pertaining to Perishable Goods, (vi) Customs Convention on the International Transport of Goods under Cover of the Transports Internationaux Routiers (TIR) Carnets, (vii) Customs Convention

arrangements. Five member countries have completed accession to the Convention of Road Traffic, Convention of Road Signs and Signals, and Customs Convention on International Transport of Goods under Cover of the TIR Carnets, while the remaining conventions have different levels of accession.

31. To support the development of efficient transit arrangements, CSATTF has identified the need for: (i) modernization of existing bilateral agreements, (ii) development of transit strategy based on bilateral and/or multilateral agreements, (iii) introduction of TIR in the region, and (iv) examination of potential for other transit systems.

32. At the second TCWG meeting, it was noted that it is important for CSATTF to (i) use international conventions to the best extent possible and to support the CSATTF countries for the early ratification of such conventions; (ii) revise bilateral agreements to address the traffic rights issue with a careful approach to avoid conflict with international conventions; (iii) promote private sector involvement in transit; (iv) examine and monitor the corridor performance; (v) establish and/or strengthen national mechanism; (vi) examine the applicability of TIR in the region and conduct cost-benefit analysis of the TIR system; and (vii) improve the competitiveness of the CSATTF corridors.

e. Anti-Trafficking Activities

33. Drug and human trafficking, and money laundering are major challenges to the subregion. United Nations Office on Drugs and Crime and the Government of Germany have supported CSATTF by sharing their knowledge and the results of their activities in the subregion. CSATTF encourages member countries to cooperate more closely at the borders to prevent such trafficking.

3. SECSCA Phase II (2006-2007)

34. In 2006–2007, under the SECSCA Phase II, CSATTF will undertake systematic approaches to improve transport and trade facilitation in the subregion. Strategy and action programs will be prepared on (i) transport infrastructure and services (including brief pre-feasibility studies on priority projects or programs, incorporating public and private partnership opportunities); (ii) customs and transit systems; (iii) anti-trafficking and money laundering; and (iv) trade and investment⁴⁸. The strategy and action programs include (i) assessment of the economic activities and their implications for transport and trade in the region; (ii) a diagnostic review of the abovementioned four areas; and (iii) capacity development programs on trade and transport facilitation in support of the strategy and action plans.

35. The approach and methodology will be drawn from and build on the operational experience of ADB's regional cooperation strategy and programs and ADB's development partners, as well as lessons learned in this area. CSATTF will continue to provide joint consultation opportunities with its members (including both public and private sectors) and development partners to address the transport and trade facilitation issues in the subregion through seminars, working group meetings, and ministerial conferences. It will also provide

on the Temporary Importation of Commercial Road Vehicles, (viii) Customs Convention on Containers, and (ix) Revised Kyoto Customs Convention.

⁴⁸ It has been recognized during the last 2 years that there is a growing need to review the current trade and investment environment that influence demand for trade and transport along the corridors. At the second TCWG meeting, UNDP briefed the participants on its ongoing trade and investment projects and programs in Afghanistan that would influence demand for the CSATTF corridors.

opportunities for knowledge sharing of international best practices in trade and transport facilitation, and capacity development.

4. SECSCA Loans and TAs

36. Tables A5.3 and A5.4 show the list of loans and TA projects for SECSCA Program.

Table A5.3: Loans for SECSCA Program

No.	Title	Approval Date	Sector	Amount (\$ million)
1997	Emergency Infrastructure Rehabilitation and Reconstruction Project (Afghanistan)	June 2003	Transport and Energy	150.0
2019	Balochistan Road Development Sector Project (Pakistan)	Nov 2003	Transport	185.7
2103/2104	North-West Frontier Province Road Development Sector and Subregional Connectivity Project (Pakistan)	Nov 2004	Transport	301.2
2140	Andkhoy-Qaisar Road Project (Afghanistan)	Dec 2004	Transport	80.0
2209/2210	National Highways Development Sector Project (Pakistan)	Dec 2005	Transport	773.0
Subtotal				1,489.9

Table A5.4: Grant Assistance for SECSCA Program

No.	Title	Approval Date	Sector	Amount (\$ million)
0012	Qaisar-Bala Murghab Road Project (Afghanistan)	July 2005	Transport	55.0
Subtotal				55.0

Table A5.5: Technical Assistance/Grant for SECSCA Program

No.	Title	Approval Date	Sector	Amount (\$'000)	Type
4221	Cross Border Facility and Efficient Transit Facilitation (Pakistan) (Attached to Loan 2019)	Nov 2003	Trade and Transport	600	
6156	Subregional Economic Cooperation in South and Central Asia (SECSCA)	Dec 2003	REG	600	ID
4536	Cross-Border Trade and Transport Facilitation (Afghanistan)	Dec 2004	Trade and Transport	550	ID
4371	Preparing the Master Plan for Road Network Improvement Project	Aug 2004	Transport	2,000	PP

(Afghanistan)

4675	Capacity Building for Road Sector Institutions (Afghanistan)	Oct 2005	Transport	1,000	ID
4699	Building the Capacity of the Ministry of Commerce for Trade and Transit Facilitation (Afghanistan)	Nov 2005	Trade and Transit	400	ID
4758	Capacity Building for Regional Cooperation (Afghanistan)	Dec 2005	REG	400	ID
6299	Subregional Economic Cooperation in South and Central Asia Phase II	Jan 2006	REG	950	ID
Subtotal				6,500	

⁷¹TA Number will be provided upon President's approval and before printing.