

April 2010

South Asia: Regional Cooperation Strategy and Program (2006-2008) Completion Report

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
AQM	–	air quality monitoring
ASEAN	–	Association of Southeast Asian Nations
BIMSTEC	–	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BTILS	–	BIMSTEC Transport, Infrastructure and Logistics Study
CAG	–	country advisors' group
CAM	–	country advisors' meeting
CAREC	–	Central Asia Regional Economic Cooperation
COBP	–	country operations business plan
CPS	–	country partnership strategy
CSP	–	country strategy and program
CWRD	–	Central and West Asia Department
EIRR	–	economic internal rate of return
EPWG	–	energy and power working group
EWG	–	environment working group
GMS	–	Greater Mekong Subregion
HDI	–	human development index
ICFF	–	investment climate change facilitation fund
ICT	–	information and communication technology
IDA	–	International Development Association
MDGs	–	millennium development goals
MOU	–	memorandum of understanding
NGOs	–	non-government organizations
NTBs	–	non-trade barriers
OCR	–	ordinary capital resources
O & M	–	operation and maintenance
PPTA	–	project preparatory technical assistance
RCAPE	–	regional cooperation assistance program
RCI	–	regional cooperation and integration
RCIF	–	regional cooperation and integration fund
RCIT	–	regional cooperation and integration team
RCOBP	–	regional cooperation operations business plan
RCR	–	RCSP completion report
RCS	–	regional cooperation strategy
RCSP	–	regional cooperation strategy and program
RECCS	–	regional economics of climate change study
RETA	–	regional technical assistance
RMT	–	regional management team
SAARC	–	South Asian Association for Regional Cooperation
SACEPS	–	South Asia Centre for Policy Studies
SAOC	–	South Asia Country Coordination and Regional Cooperation Division
SAFTA	–	South Asian Free Trade Area
SANEI	–	South Asia Network of Economic Research Institutes
SARD	–	South Asia Department

SASEC	–	South Asia Subregional Economic Cooperation
SDF	–	SAARC Development Fund
SEC	–	SAARC Energy Center
SRETS	–	SAARC Regional Energy Trade Studies
SRMTS	–	SAARC Regional Multimodal Transport Study
TA	–	technical assistance
TDP	–	tourism development plan
TIPWG	–	trade, investment and private sector cooperation working group
TrWG	–	transport working group
TWG	–	tourism working group
WTO	–	World Trade Organization

NOTE

This report was undertaken as part of the process for the South Asia Regional Cooperation Strategy (RCS) 2011-2015 and can be accessed at the South Asia Department/Regional Cooperation/RCI Reports portal (<http://myadb.adb.org>)

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

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EXECUTIVE SUMMARY

I. INTRODUCTION

1. The Regional Cooperation Strategy and Program (RCSP) for South Asia, 2006-2008, was launched in January 2006 with the goal of helping the region achieve its full economic potential while playing an effective role in wider Asian integration.

2. This RCSP completion report (RCR) not only reflects the achievements in cooperation programs envisaged under the RCSP but also focuses on regional projects, including national projects with regional implications as contained in regional cooperation business plans (RCOBP) for South Asia (2009-2010 and 2010-2012), country strategy and program (CSP), country partnership strategy (CPS), CSP/CPS update, country operations business plan (COBP), and annual lending and nonlending operations covering 2006-2008. Coverage outside these years is considered to support effectiveness, sustainability, and other forward-looking considerations.

3. When the South Asia RCSP 2006-2008 was initiated, the South Asia Regional Department (SARD) of ADB covered Afghanistan, Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan, and Sri Lanka. In 2006, Afghanistan and Pakistan became part of a reorganized Central and West Asia Regional Department (CWRD). The ADB-supported activities in these two countries are not covered in this report.

4. A new Regional Cooperation Strategy (RCS) covering the period 2011-2015 will be prepared by 2010. This RCR will provide inputs to the RCS exercise. The RCR is based on discussions with Governments in Bangladesh, Bhutan, Nepal and Sri Lanka; discussions with SARD RCI Team; and review of relevant literature and data collected during field missions and from secondary sources. The RCR uses the Independent Evaluation Department's methodology for the regional cooperation assistance program evaluation (RCAPE). This includes a parallel dual analysis from "top-down" (strategic and institutional performance) and "bottom-up" (project and operational performance) perspectives to reflect a total review of goals and achievements.

II. TOP-DOWN ASSESSMENT (STRATEGIC AND INSTITUTIONAL PERFORMANCE)

5. **Strategic Assessment.** Under this assessment, the RCSP is rated as *substantial* because of the strategic focus of the RCSP and its alignment with the priorities of most countries in South Asia and the region as a whole. The RCSP was able to help address emerging challenges in South Asia by supporting needed activities in priority sectors such as transport and communications, energy, trade facilitation, tourism, and environment. The rating reflects significant coverage, progress, and extent of work undertaken in the areas of transport, ICT, tourism and energy, in contrast to more moderate involvement and progress in trade and investment, private sector cooperation and environment. The SWOT analysis conducted notes that the RCSP has a clear overarching goal and well-articulated operational objectives; as well as well-defined approaches in attaining the envisaged outputs and outcomes. However, the RCSP has operated without the benefit of a longer-term overall sectoral vision or comprehensive results-based management framework with more defined and appropriate indicators, and suffers from the lack of ownership of participating countries.

6. The strategic assessment discusses in detail the achievements and shortcomings of the ADB program against RCSP's operational objectives. It should be noted that while substantive

work have been accomplished in realizing the operational objectives of the RCSP, the projects identified in the RCSP 2006-2008 program have largely been slow in implementation due to various external factors. Some of these include weak ownership and capacity of participating countries in implementing regional cooperation projects; the countries' long and complex decision-making process, especially on regional projects; and the lower priority accorded by governments to regional cooperation and integration compared to national projects. There is no private sector operations included in the RCSP. However, the SARD RCI Unit and PSOD are already planning for an early engagement for the coming RCS for the period 2011-2015.

7. **Institutional Assessment.** The overall institutional assessment is *modest*. To facilitate greater progress of regional cooperation and integration in South Asia, ADB has supported cooperation at the subregional, regional and interregional levels through the SASEC program, SAARC, and BIMSTEC, respectively. While ADB's assistance for SAARC and BIMSTEC has focused on policy and sector studies that support the SAARC Secretariat and BIMSTEC working group in preparing their cooperation agendas, assistance for the SASEC program has focused on prioritizing and implementing concrete projects that could yield quick tangible results. This three-pronged approach is rated *substantial*, because it is innovative and fits well into the South Asian political landscape. Despite a responsive three-pronged strategy that has allowed for substantive progress in RCI activities, the reality is that regional cooperation institutions in South Asia continue to be relatively weak. There are some institutional impediments that constrain the progress of regional cooperation activities in South Asia. The more complex and relatively slow process of SAARC, and to some extent BIMSTEC, have constrained the progress of regional cooperation in South Asia, particularly the implementation of regional investment projects. While such processes are important in ensuring consultation of all member states, these institutional constraints have also limited the effectiveness of ADB's support for regional cooperation. A number of sector issues also constrain effective implementation of regional cooperation projects and activities.

8. **Value Addition.** Value addition is rated *substantial*. Despite the complexities and sensitivities associated with regional cooperation in South Asia, concrete results were attained. Important studies have laid the foundation for investments in projects with major regional and interregional implications. In transport, the *SAARC Regional Multimodal Transport Study (SRMTS)* and the *BIMSTEC Transport Infrastructure Logistics Study (BTILS)*, supported by ADB, represent strategic interventions that lay the groundwork for potential extensive investment opportunities over the medium term. In terms of regional investment projects, the proposed subregional transport logistics and trade facilitation projects are envisaged to reduce transport cost and improve connectivity through improved access roads and physical cross-border transport infrastructure. In the medium to long term, ADB will continue its support to the development of modern cross-border management regimes through trade-related interventions. ADB also assisted in preparing the information and communication technology (ICT) master plan that led to the implementation of the SASEC Information Highway Project, the first regional project approved for South Asia, which aims to bridge the digital divide and improve communications connectivity. Another major breakthrough in regional cooperation is the completion of a subregional tourism development plan (TDP), which became the basis for preparing the South Asia Tourism Infrastructure Development Project (approved on 16 November 2009).

9. **ADB Performance.** The rating for ADB performance in implementing the strategies and programs under the RCSP is *modest*. Being an honest broker of regional cooperation and integration, ADB made important contributions in South Asia despite the complex environment in the region. The three-pronged approach has helped significantly in fostering regional

cooperation and integration at all levels. However, internally, awareness, understanding, and commitment to the RCSP could be stronger. ADB staff orientation and incentive structure tend to favor national projects over RCI projects. The RCI Team comprises the focal persons in resident missions, sector divisions, and the RCI unit. The RCI unit in SAOC led the preparation and implementation of the RCSP with support from RMT, and other focal persons in resident missions and sector divisions. However, the RCI unit has made limited contributions to regional project design, implementation, or monitoring due to staff and resource constraints. This is due to the fact that responsibility for project design, preparation, and implementation is hinged mainly on the sector divisions. To improve the RCI unit's role in supporting and monitoring the implementation of regional projects, coordination between the RCI unit and the sector divisions must be strengthened during project preparation and implementation, particularly in the preproject preparatory technical assistance stages involving the identification of regional projects and activities. The resident mission focal persons also played an important role in coordinating with various agencies in each country. Coordination with other departments responsible for the four pillars of ADB's regional cooperation strategy is also constrained by the lack of incentives and institutional mechanisms within ADB to foster increased coordination of regional cooperation activities and particularly in support of operational departments responsible for delivering RCI investments.

10. ADB has worked very closely with regional bodies, development partners, private sector, non-government organizations (NGOs) and civil society in South Asia in fostering regional cooperation and integration in the region. In terms of finance mobilization, ADB has tapped substantial amount of cofinancing for national projects with regional implications, and attracted development partners' interest in supporting ADB initiatives. However, ADB cannot make appreciable gains from regional cooperation projects with the limited resources available for regional projects particularly in South Asia where there is a continued strong demand for national projects and a perceived trade-off between available resources for national and regional projects. Much more can be done in terms of exploring dedicated internal funding channels as well as external financing and other possible initiatives that could leverage on ADB-supported regional investments and address additionally and concessionality. In terms of capacity building, ADB has provided substantial amount of resources through regional technical assistance. The three regional projects in ICT, transport and trade and tourism will have strong capacity building and institutional strengthening components.

11. Despite normal impediments, ADB has succeeded in implementing national projects with critical regional implications in the transport, ICT, and energy sectors during the RCSP period. However, regional projects processed under the RCSP have experienced design and implementation delays. ADB has had modest achievement in preparing regional projects, but it has been more successful in preparing and implementing national projects with regional implications.

12. The resulting overall top-down rating is *partly successful*.

III. BOTTOM-UP ASSESSMENT (PROJECT AND OPERATIONAL PERFORMANCE)

13. **Relevance.** In the aspect of identifying and prioritizing regional projects, the RCSP is *relevant*. It was formulated through extensive consultation with stakeholders, concerned staff, and management. The RCSP focused on critical impediments like low transport connectivity, energy deficiency, slow tourism growth, trade and transit barriers, lack of border facilities, inadequate attention to environmental management, and low levels of private sector cooperation. South Asia's regional transport sector program has successfully identified relevant

regional, interregional, and subregional transport and energy projects through ADB-supported studies—SRMTS, BTILS, and SAARC Regional Energy Trade Study (SRETS). The SASEC program also successfully conducted the Corridor Operational Efficiency Study which helped develop a framework for subregional connectivity and prioritized six transport corridors. In respect of these critical studies, the ADB-supported activities in transport and energy sectors are rated as *highly relevant*. The program's progress, however, continues to be constrained by the lack of tangible regional investment projects. Some ongoing and completed initiatives are expected to address this issue. The SRMTS, BTILS, the Subregional Transport Logistics and Trade Facilitation Project being prepared, as well as the CSP/CPSs, have all identified potential regional transport projects. The SRETS has also identified relevant potential projects in energy trade and future energy sector development opportunities. Once implemented, these projects are likely to have a high economic impact. National projects with regional implications, which were not originally identified in the RCSP, are also expected to contribute significantly to increased connectivity in South Asia. Since most of the projects are either being implemented or are still in the pipeline, assessing relevance is difficult at this stage. However, once completed, these projects are expected to be relevant to the region and will help increase connectivity, facilitate trade and investments, and develop energy resources.

14. **Effectiveness and Efficiency.** The RCSP for South Asia is generally rated as *effective and less efficient*. ADB activities in trade and environment are rated as *less effective* while all other sectors are rated *effective*. All six sectors have been rated as *less efficient* given the amount of time taken to process and implement projects and activities, although this could be attributable to external factors such as more complex consultation processes among countries and within regional institutions. Activities under the RCSP successfully identified and prioritized potential regional investment projects. In transport, the SRMTS and BTILS identified highly relevant potential projects. In the energy sector, the SRETS identified existing bilateral energy trade between countries, and future energy sector development opportunities. This has opened the doors for potential regional trade options and opportunities for energy cooperation. The Tourism Development Plan (TDP) under the SASEC program has also been completed and presents four core strategic directions of convergence, connectivity, coordination, and conservation; six broad strategies; seven subregional programs; and 23 projects. In trade facilitation, while subregional trade facilitation studies produced forward-looking recommendations on non-tariff and non-trade barriers (NTBs), products and quality standards, and customs procedures, actual interventions to facilitate intraregional trade have yet to be undertaken. In environment, ADB's South Asia program also contributed to the understanding of issues and solutions and overall knowledge development through TA reports on managing hazardous waste, renewable energy, energy efficiency, greenhouse gas abatement, and regional air quality management. However, no concrete activities have been undertaken by the countries to implement the recommendations of the studies. Recent support for climate change issues also contributes to deeper understanding of the economic and policy implications of climate change and global warming in the region, however, said efforts were introduced only toward the latter part of 2008. In the ICT sector, the ICT Development Master Plan laid down potential ICT investment projects in the region.

15. Proposed projects are expected to be *effective*. The Subregional Transport Logistics and Trade Facilitation Project being prepared is most likely to be effective given its ability to respond to the need for improved transport infrastructure and increased connectivity in the region. It could hold promise in effectively contributing to trade facilitation by developing physical and trade-related infrastructure such as land border points, access roads, warehouses, and transit halls. Improved connectivity, in turn, is expected to facilitate the unhindered movement of goods, services, and people through improved cross-border transport infrastructure and the

introduction of modern cross-border management regimes. Potential projects identified under the SRETS are also geared toward increased cooperation for future energy trade within South Asia. In tourism, the recently-approved South Asia Tourism Infrastructure Development Project and other national projects are expected to increase the contribution of tourism to the subregion's economy and employment opportunities. The project will enhance physical and economic linkages between local populations and tourism, and increase benefits from tourism to the subregion's communities. Meanwhile, the SASEC Information Highway Project being implemented will most likely be effective as the anticipated outputs of cross-border connectivity, bridging rural-urban divide in ICT, and capacity building in e-development are extremely meaningful and effective in the context of digital progress in South Asia, and in supporting the increasing potential for trade in services in the region.

16. Most national projects with regional dimensions are also expected to be rated *effective*. The expansion and modernization of the Colombo port is expected to make Colombo port the regional hub in the Bay of Bengal. The Padma Bridge in Bangladesh is expected to reduce travel time and cost of goods between Dhaka and Benapole. In energy, projects such as the West Seti hydropower is expected to produce affordable and reliable peak and off-peak electricity to Nepal and to India in an economically, financially, environmentally, and socially sustainable manner.

17. **Sustainability.** The South Asia RCSP is generally assessed as *less likely to be sustainable*. Close consultations with and involvement of governments and stakeholders from the early stages of the project process increased the commitment and country ownership for the projects. This will contribute positively to project sustainability. The implementation of the projects could also demonstrate the benefits from regional cooperation and thus increase stakeholder participation which is expected to contribute to increased sustainability of projects. Likewise, regional and national projects are *likely to be sustainable* because of greater government awareness of implications for the national budget (and in certain cases dedicated funds) through allocating resources for operation and maintenance (O & M), improving asset management and cost recovery, and decentralization of responsibility. All countries are paying particular attention to maintenance of roads, bridges, and related facilities. There has been substantial improvement in technology of infrastructure building and O & M which improves the likelihood of sustainability of outputs and outcomes. ADB has also supported institutional capacity building for infrastructure planning, design, maintenance, asset management, and contracting out civil works to the private sector. However, areas such as trade facilitation, energy, and environment face higher risks due to the lack of tangible investments and vulnerable to risks brought about by the sensitivity of energy cooperation in the region, therefore, are *less likely to be sustainable*.

18. **Impact.** Proposed regional projects are *likely to have substantial impact* while most national projects with regional implication the impacts are "high". The Bhutan Green Power Development Project will have significant impact on households and businesses as well as on energy exports. Investments in road network and border facility in Nepal have opened the possibility of Nepal benefiting from the dynamic growth impulses from its neighbors. ADB-financed investments in the national highway corridors as well as energy investments in India have laid the foundation for a major expansion of domestic as well as intra- and interregional trade and economic activities. The ongoing and proposed regional projects in ICT, transport, energy, and tourism, are likely to have substantial impact as it contributes to poverty reduction and inclusive growth by improving productivity, and generating income and employment. The impact on trade facilitation and environment are *likely to be modest* due to the lack of concrete tangible activities adopted.

19. The resulting overall bottom-up rating is *partly successful*.

IV. CONCLUSION, LESSONS AND RECOMMENDATIONS

20. The report concludes that ADB's RCSP for South Asia, 2006-2008, is *partly successful*, reflecting the overall *partly successful* rating for the top-down and bottom-up assessments. A number of factors support this rating. First, the RCSP provided a valid instrument for economic growth and social progress in the region. Second, the RCSP articulated goals and objectives that were supported by South Asian countries, and made significant strides in realizing objectives and producing significant outputs particularly in the areas of transport connectivity and tourism. Third, ADB's approach in supporting SAARC, BIMSTEC and especially the SASEC program, became an important instrument in bringing countries to engage in a dialogue on mutually beneficial regional cooperation activities. Fourth, the mix of regional and national projects with regional implications that were processed and implemented during the RCSP period were effectively delivered, as measured by the concrete infrastructure work that has been accomplished in some countries. Finally, through ADB's technical assistance and sector studies, a range of regional project concepts were identified along priority sectors of the governments, preparing the way for important cross-border infrastructure investments for South Asia in the near future.

21. Although the RCSP made a *partly successful* attempt in generating regional cooperation ideas and actually reaping results from some investment projects, certain shortcomings need to be addressed. These issues include lack of synergy between the RCSP and CSP/CPS resulting in weak convergence of national and regional priorities; lack of progress on important regional cooperation objectives such as trade and investment, private sector cooperation, and environment; the need to prioritize identified potential regional projects and translate these into viable regional projects; delays in processing and implementation of investment projects due to more complex processes within the countries and the region, particularly in cross-border arrangements; and resource constraints that limit ADB's ability to address the huge financing gap in the region. Apart from these issues, critical observations and lessons learned need to be carefully considered in ensuring smoother implementation of the RCI agenda in South Asia:

1. Implementing Concrete Regional Projects

22. The RCR recognizes that the major challenge for RCI in South Asia is to accelerate the implementation of concrete regional projects that can showcase tangible benefits for the region in the immediate term and in particular to the people of South Asia.

23. Gains in regional cooperation in South Asia have to be measured in small steps. Countries have internal political and security issues to be dealt with. Bilateral relations are sensitive, and often governments respond to episodes of heightened tensions by holding back progress in regional and subregional cooperation. Despite these obstacles, progress was made and potential foundations of cross-border cooperation are being laid down within and beyond the region.

24. Regarding the scope of regional cooperation activities, a parallel multi-track approach is desirable. One would be to initiate confidence-building projects and quick-yielding projects limited in size and scope involving two or more countries, particularly in those sectors perceived to be less sensitive; and the other would be to pursue ambitious flagship investment projects and programs that will have significant cross-border impacts. Initially, a focus on less sensitive

sectors could be undertaken, in order to build trust and confidence among participating countries. This would be followed by more challenging areas such as trade facilitation and energy cooperation. Over the longer-term, once there is a requisite level of trust and confidence, one could consider cooperation in more challenging areas such as water resource management.

25. There is a strong case for forging interregional linkages between South Asia and neighboring regions. Payoff will be high if the potential linkages are realized (e.g., land bridge between South Asia and Southeast Asia; and South Asia as the sea link between East and West Asia, and Europe through South Asia; and finally, South Asia as the land bridge between Southeast, East Asia, and Central Asia).

26. **In order to enhance the processing of regional cooperation projects and activities,** the RCR recommends the following:

- (i) Continue ADB's flexible and pragmatic multitrack, multispeed approach to expedite the development and implementation of regional investment projects. The regional projects could be developed at the regional or subregional levels, or as national projects with regional implications. National projects with regional implications must be used to build toward bigger, cross-border regional projects.
- (ii) Adopt a more modest approach by supporting smaller and less sensitive initiatives which could be building blocks for larger initiatives in the future.
- (iii) Involve foreign ministries early on, i.e. in the identification and prioritization of potential projects, to help ensure that cross-border agreements, when needed, are in place prior to the approval of the project.
- (iv) Support high-level regional forum on a regular basis that will facilitate dialogue among senior government officials and key stakeholders to further advance regional cooperation in South Asia.
- (v) Support national projects that could serve as building blocks to and eventually comprise a larger, cross-border regional project. Adopting the "building blocks" approach will allow flexibility for a multi-speed approach where countries could process projects at different paces they are each comfortable with.
- (vi) Continue discussing with SAARC Secretariat on the SAARC Secretariat-ADB annual work program in order to more effectively and sustainably implement regional cooperation activities and projects. ADB should continue dialoguing with BIMSTEC Working Group to identify concrete interregional projects. If possible, a BIMSTEC Working Group-ADB annual work program could also be discussed.
- (vii) Introduce results-based frameworks in activities with RCI partners (e.g. regional organizations and other development partners). This is important in encouraging tangible targets for regional cooperation projects and activities.
- (viii) Step up ADB's facilitator role in widening and deepening gains made to date in South Asia RCI. Much can be gained from developing mechanisms to share interregional experiences and adapting and adopting these mechanisms, as appropriate. Pursuing knowledge management activities under the Track II approach, and involving various stakeholders, could help boost support for and catalyze the increased pace of regional cooperation in South Asia.
- (ix) Define an operational framework of engagement agreed upon by the countries. Within this framework, key considerations could include (i) closely aligning regional activities with the diverse priorities of the countries, (ii) supporting the more pro-active coordination among key RCI stakeholders such as foreign ministries, finance ministries, line ministries, regional bodies, private sector,

development partners, and cofinancers; (iii) fostering greater trust and confidence, and clear understanding of benefits of RCI across country RCI stakeholders; (iv) developing capacity to manage regional programs and investment projects; and (v) securing adequate resources and exploring financing mechanisms that could support regional investment projects.

2. Strengthening Support and Country Ownership

27. The RCR recognizes that the RCS and CPSs need to be formulated within an integrated framework in order to ensure consistency and convergence of regional and national priorities. Investment projects, whether national or regional, are implemented with more ease when these are aligned to national priorities. A regional priority project has to be a national priority project, too. Indeed, many national projects could have the potential of making greater contribution to regional cooperation than regional projects per se. These projects demonstrate the intended or unintended interface between CPSs and RCS and underscore the need for closely aligning RCS with CPSs and national development plans.

28. In order to strengthen country ownership and support, regional and national development priorities could be aligned.

- (i) The RCR recommends creating an integrated framework, where regional and country programming could be jointly undertaken. Regional cooperation should be an integral component of the CPS and consideration could be given to mainstreaming RCI activities in the CPS, particularly in landlocked countries in the region.
- (ii) ADB, being an honest broker of RCI in Asia and the Pacific, should continue to facilitate dialogues among South Asian countries in order to sustain the momentum that has been started, as well as elicit more interest and deeper commitment from the countries. ADB is also well-placed to effectively translate RCI ideas into viable regional projects through technical assistance and other sector studies.

3. Increasing Resources for Regional Cooperation

29. While there is great demand for regional infrastructure in the region, resource constraints continue to hamper the development of much-needed regional projects in South Asia. Effort should be undertaken to address this resource constraint by identifying means to provide more concessional funds to support regional investment projects particular in ADF and blended countries. Increased collaboration with other development partners and the private sector could be considered in addressing this issue. Given the huge financing gap in the region, ADB is challenged to find means to make good its commitment of allocating at least 30% of its operations to regional cooperation by 2020. To achieve this target, additional resources, through increased staffing internally and increased funding resources externally, would be required to better strategize, design, implement, and monitor RCI activities in South Asia.

30. **In order to strengthen financing for regional cooperation projects and activities:**

- (i) ADB could assist countries by exploring the possibility of creating or securing alternative funding sources which could address governments' additionality and concessionality concerns of funding for regional projects.

- (ii) ADB could continue to strengthen its facilitative role in encouraging the private sector to participate, support, and co-finance regional projects. Private sector participation is important to the successful implementation of regional projects in sectors such as ICT, which is primarily private-sector driven.

31. In order to strengthen ADB's role as a facilitator for regional cooperation in South Asia, capacity and resource development across SARD is important particularly, although not limited to, institutions of regionalism. This will help ADB in meeting its commitment of allocating at least 30% of its operations to RCI. ADB could consider increasing staff and other resources across SARD, including sector divisions, resident missions and the RCI unit. It could also consider developing staff capacity in order to enhance SARD's effectiveness in supporting the advancement of regional cooperation in South Asia.

4. Strengthening ADB's Internal Mechanisms

32. Close coordination within and among departments particularly those responsible for the four pillars of ADB's regional cooperation strategy is critical to improve effectiveness of RCI deliverables. Coordination is currently constrained by the lack of incentives and institutional mechanisms within ADB to foster increased coordination of regional cooperation activities. Within departments, there is an acute need to work closely across sectors whenever the focus is multisectoral. Other departments need to work closely with regional departments in supporting countries and regional institutions to develop and implement regional investment projects and cross-border agreements. Increased coordination among departments (e.g. SARD and CWRD for the implementation of comprehensive regional cooperation activities and projects across South Asia; OREI for overall regional cooperation, financial cooperation, and trade facilitation; OCO for regional cooperation co-financing; and RSDD for regional public goods) will be crucial in effectively supporting regional projects in South Asia.

33. In order to strengthen ADB's RCI interdepartmental support, ADB could consider introducing measures to increase internal coordination, such as establishing annual work plans on the delivery of regional cooperation inputs across departments involved in regional cooperation activities.

I. INTRODUCTION

A. Background

1. The regional cooperation strategy and program (RCSP) for South Asia, 2006-2008, was launched in January 2006 with the goal of helping the region achieve full economic potential while playing an effective role in wider Asian integration.¹ To achieve this goal, the RCSP has five key operational objectives: improved connectivity; trade and investment; regional tourism; cooperation in energy; and private sector cooperation. Given the continued relevance of the RCSP, the strategy was continued. In line with broad goals and objectives of the strategy, the South Asia Regional Cooperation Operations Business Plan (RCOBP) 2009-2010² was developed and highlights the pipeline of RCI lending and nonlending activities. A subsequent South Asia RCOBP 2010-2012 is also being prepared. When the South Asia RCSP 2006-2008 was initiated, the South Asia Regional Department (SARD) of the Asian Development Bank (ADB) included Afghanistan, Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan, and Sri Lanka. In 2006, Afghanistan and Pakistan became part of a reorganized Central and West Asia Regional Department (CWRD). The ADB-supported activities in these two countries will not be included in this report.

2. This RCSP completion report (RCR) not only reflects the achievements in cooperation programs envisaged under the RCSP but also focuses on regional projects, including national projects with regional implications³ as contained in the regional cooperation business plan for South Asia (2009-2010 and 2010-2012), country strategy and program (CSP), country partnership strategy (CPS), CSP/CPS update, country operations business plan (COBP), and annual lending and nonlending operations for 2006-2008. Coverage outside these years is considered to support sustainability and other forward-looking considerations. (Appendix 3). The RCR, however, does not attempt to assess the progress of regional cooperation in South Asia against its unconstrained potential. Instead, it evaluates the progress achieved against the objectives and criteria identified in the RCSP 2006-2008, taking into consideration the overall environment and institutional arrangements influencing the pace of regional cooperation in South Asia.

3. A new Regional Cooperation Strategy (RCS) covering the period 2011-2015 will be prepared by 2010. This RCR will provide inputs to the RCS exercise. The RCR is based on discussions with governments and other stakeholders in Bangladesh, Bhutan, Nepal and Sri Lanka; discussions with SARD RCI Team; and review of relevant literature and data collected during field missions and from secondary sources. The RCR did not have the benefit of drawing upon elaborate sector assessments carried out by independent experts, but instead had to rely on its internal brief sector assessments. In the overall and sector assessments, an attempt has been made to distinguish between general contribution from ADB-specific attribution. While clear correlation could not be established in an analytic way, circumstantial and related evidence have been presented to support the findings and conclusions. The RCR uses the Independent Evaluation Department's methodology for the regional cooperation assistance program evaluation (RCAPE) of ADB's support to the Greater Mekong Subregion (GMS)

¹ ADB. 2006. *Regional Cooperation Strategy and Program: South Asia (2006-2008)* Manila.

² ADB. 2008. *Regional Cooperation Operations Business Plan, South Asia 2009-2010*. Manila.

³ According to ADB's Operations Manual for Regional Cooperation and Integration these national projects with regional implications are defined as regional projects. ADB. 2008. *Operations Manual: Regional Cooperation*. OM Section B1/OP. 06 August. Manila.

program⁴. This includes a parallel dual analysis from “top-down” (strategic and institutional performance) and “bottom-up” (project and operational performance) perspectives to reflect a total view of goals and achievements.

4. The top-down approach examines the RCSP, using the following criteria: (i) strategic assessment (how the overall program and its components fit into country and ADB strategies); (ii) institutional assessment (degree of country ownership, suitability of institutional arrangements, extent of resource mobilization, and capacity building); (iii) value addition (how far the program has added value for participating countries and those outside the subregion); and (iv) ADB performance (how well ADB has performed in its multiple roles as financier, catalyst, honest broker, technical adviser, and secretariat).

5. The bottom-up assessment focuses on ADB's operations in South Asia—loans, special grants, and regional technical assistance (RETA), evaluates the progress made in each of the six priority sectors of transport, trade facilitation, energy, tourism, environment and climate change, and ICT. Five criteria are used: (i) relevance to the participating South Asian countries, ADB, and the region; (ii) effectiveness in achieving RCSP and project objectives; (iii) efficiency in managing costs and benefits; (iv) sustainability of the projects; and (v) impact of effects other than those captured monetarily in a cost-benefit framework. The focus will be mainly on relevance, and effectiveness, given the early stages of ADB's support for RCI in South Asia. The RCSP identified objectives and performance indicators to measure progress in each of the sectors. These objectives will be used as the criteria for the bottom-up assessment and will be discussed in detail in this report.

B. ADB's Regional Cooperation Strategy

6. The ADB charter and subsequent strategy documents call for the promotion of regional cooperation and investments in regional projects and technical assistance (TA) and strives to develop the Asia-Pacific region in a manner that no country will be left behind. ADB adopted its Regional Cooperation and Integration Strategy in 2006.⁵ The strategy has four pillars: (i) regional and subregional economic cooperation programs on cross-border infrastructure and related software supported by lending activities; (ii) trade and investment cooperation and integration supported by nonlending activities; (iii) monetary and financial cooperation and integration supported by nonlending activities; and (iv) cooperation in regional public goods supported by both lending and nonlending activities. Strategy 2020, the new long-term strategic framework for 2008-2020, launched in 2008, also defines RCI as one of the core areas of operation, along with infrastructure, environment, education, and financial sector development. Under Strategy 2020, ADB commits at least 30% of its operations to RCI by 2020.⁶ Strategy 2020 also identifies regional cooperation as one of the three development agendas, along with inclusive economic growth, and environmentally sustainable growth. ADB's supporting role in regional cooperation is one of honest broker, innovator, and facilitator, financing partner, knowledge institution and capacity builder.

⁴ ADB. 2008. Regional Cooperation Assistance Program Evaluation for the Greater Mekong Subregion: Maturing and Moving Forward Management Response and Development Effectiveness Committee Chair's Summary. Manila.

⁵ ADB. 2006. *Regional Cooperation and Integration Strategy*. Manila.

⁶ ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank 2008–2020*. Manila.

C. ADB's Regional Cooperation and Integration Program in South Asia

7. ADB continues to support regional cooperation in South Asia at the following three levels: (i) the subregional level through SASEC⁷ program, (ii) the regional level through SAARC,⁸ and (iii) the interregional level through BIMSTEC.⁹ ADB assists SAARC and BIMSTEC with policy and sector studies that support the SAARC Secretariat and BIMSTEC Working Group in preparing regional cooperative agendas. Assistance for the SASEC program focuses on prioritizing and implementing projects and programs that could yield immediate results. ADB also provides support for networking among think tanks to provide governments and regional bodies with policy recommendations on regional cooperation and integration issues.

8. The RCI operational framework for South Asia is based on the (i) RCSP for South Asia 2006-2008, (ii) RCOBP for South Asia 2009-2010, (iii) CSPs of South Asian countries, (iv) CSP Updates, and (v) COBPs which includes the annual lending and nonlending operations of ADB in the countries. In 2006, SARD formulated the South Asia RCSP 2006–2008 with the objective of helping the region achieve full economic potential while playing an effective role in wider Asian integration. The RCSP was followed by the RCOBP in 2008. The operational objectives set include improved connectivity, trade and investment, regional tourism, and energy and private sector cooperation. To achieve these, ADB supported both project/program-based cooperation; promoted regional, subregional, and interregional cooperation initiatives; strengthened SASEC sector working group (transport, trade, investment and private sector cooperation, energy and power, tourism, information and communication technology and environment) and other mechanisms to deliver regional cooperation projects; and fostered coordination with other development partners.

9. As inputs into the process, the lending program included in the RCSP for 2006–2008 composed of nine regional and national projects with regional implications totaling \$1,511 million; and nonlending program comprising 10 technical assistance projects amounting to \$6.7 million (Table 1). ADB lending and nonlending operations in South Asia under the RCSP 2006-2008 are in Appendix 1.¹⁰ Of these nine projects under the lending program, two were implemented, four are included in the pipeline of projects for 2010-2012, one was expanded in scope, and two were dropped. It is worth noting that eight national projects with regional implications implemented from 2006 onwards were not included in the original pipeline in the RCSP. This reflects on the one hand, the changing regional cooperation priorities among governments and the flexible responsiveness to adjust to these changes. However, it may also reflect a less-solidly anchored pipeline of RCI projects, suggesting limited initial country ownership. Of the 10 projects under the nonlending program, two have been completed, five are ongoing, one is being processed, one has been dropped, and one has been proposed as a potential project and is being discussed with relevant governments. This is summarized in Tables A3.1 and A3.2 of Appendix 3.

10. RCOBP 2009-2010 (including carry-over projects from RCSP) comprises six lending/grants projects totaling \$724.5 million (including national projects) and 11 nonlending projects totaling \$5.5 million (partial funding so far). The program for 2008 includes two

⁷ The SASEC Program was launched in 2001 with ADB financial assistance to support regional cooperation activities of Bangladesh, Bhutan, India, and Nepal.

⁸ SAARC, established in 1985, was the first regional cooperation initiative in South Asia. It comprises Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka.

⁹ BIMSTEC, established in 1997, comprises Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka, and Thailand.

¹⁰ Excluding Afghanistan and Pakistan projects.

lending/grants projects totaling \$150.3 million (including national projects) and eight nonlending projects totaling \$5.45 million (partial funding so far). The indicative assistance pipeline for lending and nonlending products for 2008-2010 are in Appendix 2.

Table 1: South Asia RCSP Lending and Nonlending Program 2006-2008

RCSP 2006-2008 (excluding projects transferred to Central and West Asia Department))			
	lending program	9	\$1,485 million
	nonlending program	10	\$6.7 million
RCOBP 2009-2010 (includes carry-over projects from RCSP)			
	lending program	6	\$724.5 million
	nonlending program	11	\$5.5 million
2008			
	lending program	2	\$150.3 million
	nonlending program	8	\$5.45 million

Source: RCSP 2006-2008 and RCOBP 2009 -2010.

11. Completed and ongoing regional projects included in the RCSP from 2006, and national projects with regional implications in the national pipelines from 2006, have focused on three sectors, namely, transport and trade facilitation, energy, and ICT (Table 2). Investments in energy make up the bulk of investments at 55% while the transport sector accounts for 39.8%, though there are country variations. ICT and Tourism have relatively small share at 2.4% and 2.8% respectively. The proposed pipeline of projects under preparation includes tourism, environment, and transport and trade facilitation. Status of Progress in implementation of lending and nonlending products is in Appendix 3.

D. South Asia Regional Program Structure and Organization

12. Although the RCSP involves coordination with various regional bodies, programs and stakeholders, ADB's South Asia program lacks a well-defined consultative and decision-making structure supported by a secretariat¹¹ within SARD. ADB-supported RCI initiatives such as GMS and Central Asia Regional Economic Cooperation (CAREC).

1. SASEC program

13. The SASEC program was the first comprehensive ADB-assisted initiative to promote subregional cooperation in South Asia. In 1996, four of the seven SAARC members – Bangladesh, Bhutan, India, and Nepal-formed the South Asia Growth Quadrangle (SAGQ) to accelerate sustainable economic development. To support and facilitate this economic cooperation initiative, the SASEC program was launched in 2001 with ADB assistance. The SASEC program is a project-based approach aimed at building confidence among countries

¹¹ GMS operates through Summit, Ministerial Conference, National Coordinating Committees and National Coordinators, Senior Officials' Meeting, Business Forum and working groups on agriculture, environment, human resource development, trade facilitation and tourism. In addition, there is subregional investment working group and subregional forum for telecommunication, transport and electric power. CAREC on the other hand works through Ministerial Conference, Senior Officials' Meeting, Transport Sector Coordinating Committee, Energy Sector Coordinating Committee, Customs Cooperation Committee and Trade Policy Coordinating Committee.

and demonstrating tangible results from the implementation of regional projects. Participating countries identified the six priority sectors of energy and power; environment; ICT, tourism; transport, and trade, investment, and private sector cooperation. Since its creation in 2001, SASEC has provided an open venue to present regional studies and continue engagement with national authorities to develop regional connectivity projects in the subregion, where, given the land-locked nature of two of the countries and of an important region of another country, the advantages of regional cooperation and integration (RCI) were greatest.

Table 2: ADB Completed and Ongoing Lending Products to SARD for Regional Projects and National Projects with Regional Implications by Sector^a
(projects approved after 2006) \$million

Sector	Unit	BAN	BHU	IND	MLD	NEP	SRI	Total
Total								
Amount	\$ million	856.8	111.2	602.7	-	91.4	300.0	2,019.6
Projects	No.	5	2	3	-	3	1	14
Transport & Trade Facilitation								
Amount	\$ million	447.6	-	-	-	55.2	300.00	802.8
Projects	No.	2	-	-	-	1	1	4
Allocation (Value)	%	52.2%	0.0%	0.0%	0.0%	60.4%	100.0%	39.8%
Energy								
Amount	\$ million	405.0	105.3	600.0	-	-	-	1,110.3
Projects	No.	1	1	1	-	-	-	3
Allocation (Value)	%	47.3%	94.7%	99.5%	0.00%	0.00%	0.00%	55.0%
Tourism								
Amount	\$ million	12.0	-	20.0	-	25.5	-	57.5
Projects	No.	1	-	1	-	1	-	3
Allocation (Value)	%	20.9%	0.0%	34.8%	0.0%	44.3%	0.0%	2.8%
ICT								
Amount	\$ million	4.2	5.85	2.73	-	36.2	-	49.00
Projects	No.	1	1	1	-	1	-	4
Allocation (Value)	%	0.5%	0.0%	0.0%	0.0%	39.7%	0.0%	2.4%

^a Source: Asian Development Bank. Based on RCSP and CSP/COBPs during 2006-2008.

14. SASEC program's two-tiered structure comprises (i) the SASEC country advisors' group participated in by finance secretaries and senior officials from the four countries; and (ii) sector working groups participated in by secretaries and senior officials from the government line agencies. The country advisors' meetings (CAM) held annually and by demand, provides strategic directions and reviews the progress of the SASEC program. The six working groups, on the other hand, discuss, identify and develop sector-specific projects, which are later endorsed by the country advisors for implementation. As a result of this sustained engagement, the program was able to carry out the preparatory work for subregional investment projects in the areas of transport and trade facilitation, ICT, and tourism. ADB's South Asia Regional Department (SARD) acts as the Secretariat to the SASEC program.

2. ADB's collaboration with SAARC

15. A Memorandum of Understanding (MoU) between ADB and the SAARC Secretariat was signed in 2004 to establish a framework for cooperation. ADB support for SAARC activities has mainly been undertaken in collaboration with the SAARC Secretariat. ADB collaborated with SAARC in the preparation of the SAARC Regional Multimodal Transport Study (SRMTS)¹² and the SAARC Regional Energy Trade Study (SRETS).¹³ ADB also supported the discussion on the SAARC Development Fund (SDF)¹⁴ and continues to work closely with the SAARC Secretariat on regional cooperation, capacity development, and knowledge management activities. An annual work program between ADB and SAARC was introduced in 2009.

3. ADB's collaboration with BIMSTEC

16. ADB and BIMSTEC partnered in carrying out the BIMSTEC Transport Infrastructure and Logistics Study (BTILS).¹⁵ The study proposed the BIMSTEC transport and logistics policy framework, strategies, and implementing mechanisms which aim to enhance transport infrastructure, improve logistics, and lower transport costs. BIMSTEC and ADB continue to dialogue on possible areas of collaboration, including transport, clean energy, and tourism.

4. Coordination within ADB

17. SARD is responsible for the operational coordination of all subregional, regional, and interregional cooperation activities in South Asia. According to ADB's Regional Cooperation and Integration Strategy, formulated in July 2006, "The regional departments have primary responsibility for the first pillar of the RCI strategy—regional and subregional economic cooperation programs on cross-border infrastructure and related software—with the Private Sector Operations Department and Office of Cofinancing Operations playing an important role in catalyzing private sector participation. The Regional and Sustainable Development Department, in close cooperation with the regional departments at the subregional level, has primary responsibility for the fourth pillar of the RCI strategy—cooperation in regional public goods—and is supported by the Office of the General Counsel. The Office of Regional Economic Integration (OREI) has primary responsibility for the second and third pillars of the RCI strategy—trade and investment cooperation and integration; and monetary and financial cooperation and integration—in close cooperation with the regional departments. Other offices and departments (including the ADBI, the Economics and Research Department, and Treasury Department) will be involved in all pillars, as appropriate." OREI is to provide consistency across subregional programs and to provide "horizontal links" across concerned departments.

18. SAOC's RCI unit acts as the secretariat to the SASEC program and is responsible for overall coordination of regional cooperation initiatives in South Asia. It takes the lead in the preparation of RCSP, RCOBP, RCR and some RETAs; while sector divisions take the lead in design and processing of projects, programs and some technical assistance. SAOC provides support to sector divisions in the design and processing of projects and programs. Both SAOC as well as sector divisions of SARD work closely with other relevant departments of ADB. SAOC

¹² ADB. 2007. *Promoting South Asian Regional Economic Cooperation*. (TA 6187-REG). Manila.

¹³ ADB. 2006. *Preparing the Energy Sector Dialogue and SAARC Energy Center Capacity Development Project*. (TA 6368-REG). Manila.

¹⁴ ADB. 2006. *Workshop on Proposed South Asian Association for Regional Cooperation (SAARC) Development Fund*. (TA 6302-REG). Manila.

¹⁵ ADB. 2006. *BIMSTEC Transport, Infrastructure and Logistics Study*. (TA 6335-REG). Manila.

works with limited staff and consultancy resources. It provides secretariat support to all meetings, workshops, seminars and other deliberations with the responsibility often shared by concerned sector division. It also serves as a focal point for managing information on the SASEC program. The SARD RMT and RCI Team meetings provide the opportunity for discussion and dialogue on emerging issues and activity coordination among SARD divisions and between SARD divisions and other departments within ADB. SAOC also coordinates with other regional initiatives of ADB such as GMS and CAREC and regional bodies like SAARC, BIMSTEC and ASEAN. SAOC has inadequate staff and budget resources for the magnitude of work and effort required to effectively carry out secretariat activities for RCI in South Asia while for sector divisions regional work is often considered an added burden without additional resources, given the challenges in delivering RCI projects in the region.

E. Economic and Social Background

19. South Asia is a region of 1.5 billion people (as of 2008)¹⁶ which has a great potential for regional cooperation; and expanded trade relations that contributes to growth and poverty reduction. Table 3 presents data on population, income growth and human development. South Asian countries have posted strong economic growth rates, and while there have been underperformers due to cross-border political and national security reasons, both GDP (and GDP per capita) annual growth have been impressive. ADB's contribution to this trend has mainly reflected the assistance provided for physical capital formation through infrastructure investments across the regions.

20. South Asia has increased its share of the world output from 4.0% in 1998 to 5.4% in 2008.¹⁷ Intra-SAARC exports and imports have been growing rapidly over the period 1999-2007. However, South Asia is the least integrated region in Asia with only 4.3 percent of intraregional trade share in 2008 (2.1% in 1990) compared with 38.2% for ASEAN+3 (29.4% in 1990), 5.8% for Central and West Asia (0.1% in 1990), and 9.1% for the Pacific (10.8% in 1990).¹⁸ Countries in the region have opened up more with third countries than with SAARC neighbors. Complementarity indices are low though improving.¹⁹ The prospects that will be brought about by the South Asia Free Trade Area (SAFTA), coupled with the renewed commitment to regional cooperation could propel intraregional trade in South Asia and beyond.

21. The human development index (HDI) improved for all countries from 1990-2006. This is matched by progress in achieving the millennium development goals (MDGs) (Table 4). However, the rate of progress between 1990s and 2007/2008 suggests that achievement of key MDG goals such as the reduction of poverty and hunger, and the improvement of maternal health by 2015 may prove to be difficult. For example, countries are far from reducing poverty (proportion of population living below dollar a day) and hunger (prevalence of underweight children under-five-years of age) by one half. Performance is better in achieving universal primary education, with Sri Lanka well ahead compared to the other countries.

22. Significant progress has been made by South Asian countries in reducing child mortality. Improvement of maternal health remains elusive. Efforts are under way to preserve and protect the environment and to develop a global partnership for development. The problem of South

¹⁶ See Table 3. South Asia-Population, Income Growth, and Human Development

¹⁷ Source: World Bank World Development Indicators Online. Note: Excludes Afghanistan and Pakistan.

¹⁸ Source: ADB Asia Regional Integration Center Database. Note: Excludes Afghanistan and Pakistan.

¹⁹ ADB and the United Nations Conference on Trade and Development. 2008. *Quantification of Benefits from Economic Cooperation in South Asia*. Macmillan India Limited. New Delhi.

Asia is one of population pressure creating environmental, fiscal and capacity stress and rendering the achievement of all MDG goals by the target date a challenge.

Table 3: South Asia - Population, Income Growth and Human Development

Item	Year	AFG	BAN	BHU	IND	MLD	NEP	PAK	SRI
Population, total (million)	2008	25.0	142.4	0.7	1,150.0	0.3	27.0	162.4	20.2
Population growth (%)	2008	2.0	1.3	1.9	1.4	1.5	2.2	1.7	0.9
GDP (based on PPP in current international \$, billion)	2008	31.8	213.7	...	3,361.3	...	31.5	431.3	92.0
GDP share of world total (based on PPP, %) ^a	2008	...	0.306	0.005	4.862	0.002	0.046	0.630	0.132
Real GDP average annual % growth	2008	0.0	6.2	...	6.7	5.8	5.3	4.1	6.0
Real GDP per capita % growth	2008	...	4.9	...	5.2	4.2	3.0	2.3	5.0
Real Export of goods and services growth rate (%)	2008	...	7.0	...	12.8	...	-3.4	-5.4	0.4
Real Import of goods and services growth rate (%)	2008	...	-2.1	55.0	17.9	...	7.5	3.6	4.5
Intra SAARC Export Growth (%) ^b	2008	12.9	42.9	...	21.3	14.2	21.7	16.3	13.0
Intra SAARC Import Growth (%) ^b	2008	14.3	39.3	...	20.7	14.2	14.2	13.0	14.2
Intra SAARC Exports Share (%) ^b	2008	41.7	3.1	...	5.0	8.8	73.9	13.4	8.4
Human Development Index	2006		0.524	0.613	0.608	0.749	0.530	0.562	0.742

Source: ADB. 2009. *Key Indicators for Asia and the Pacific 2009. 40th Edition*. Manila.

^a World Bank. 2009. *World Development Indicators Online* at <http://ddp-ext.worldbank.org/ext/DDPQQ/member.do?method=getMembers&userid=1&queryId=6>

^b ADB. 2009. *Asian Regional Integration Center Integration Indicators Database* at <http://www.aric.adb.org/indicator.php>.

Table 4: South Asia - Progress in Achieving Millennium Development Goals

	Year	BAN	BHU	IND	MLD	NEP	SRI
Eradicate extreme poverty and hunger							
Proportion of population below \$1 (PPP) day	Earliest year	66.82(1992)	...	49.4 (1994)	...	68.4 (1996)	15.0 (1991)
	Latest year	49.6(2005)	26.2(2003)	41.6(2005)	...	55.1 (2004)	14.0(2002)
Population below national poverty line	Earliest year	51.0 (1996)	...	36.0(1994)	...	41.8 (1996)	20.0 (1991)
	Latest year	40.0(2005)	23.2(2007)	27.5(2004)	16.0(2005)	30.9(2004)	15.2 (2007)
Share of poorest quintile in national consumption or income (%)	Latest year	9.4 (2005)	5.4 (2003)	8.1(2005)	...	6.1 (2004)	6.8 (2002)
Achieve universal primary education							
Primary completion rate (%)	Earliest year	...	81.3(1999)	62.0(1999)	...	58.0 (1991)	...
	Latest year	54.8 (2005)	84.4(2005)	65.8 (2005)	...	61.6 (2007)	93.4(2005)
Reduce child mortality							
Under 5 mortality rate (per 1,000 live births)	1990	151.0	148.0	117.0	111.0	142.0	32.0
	2007	70.0	84.0	72.0	30.0	55.0	21.0
Mortality rate, infant (per 1,000 live births)	1990	105.0	91.0	83.0	79.0	99.0	26.0
	2007	47.0	56.0	54.0	26.0	43.0	17.0
Improve maternal health							
Maternal mortality rate (per 1,000 live births)	2000	380.0	420.0	540.0	110.0	740.0	92.0
	2005	570.0	440.0	450.0	120.0	830.0	58.0
Births attended by skilled health staff (% of total)	Earliest year	10.0(1994)	15.0(1994)	34.0 (1993)	90.0 (1994)	9.0(1996)	94.0 (1993)
	Latest year	18.0 (2007)	56.0 (2003)	47.0 (2006)	84.0 (2004)	19.0(2006)	99.0 (2007)
Contraceptive prevalence rate (% of married women 15-49)	Earliest year	45.0 (1994)	19.0 (1994)	41.0 (1993)	42.0 (1999)	29.0 (1996)	66.0 (1993)
	Latest year	56.0 (2007)	31.0 (2000)	56.0 (2006)	39.0 (2004)	48.0 (2006)	68.0 (2007)
Ensure environmental sustainability							
Proportion of land area covered by forest (%)	1990	6.8	64.6	21.5	3.0	33.7	36.4
	2005	6.7	68.0	22.8	3.0	25.4	29.9
Proportion of terrestrial and marine area protected (%)	1990	1.5	12.1	4.1	...	6.8	13.0
	2008	1.8	24.6	4.6	...	16.6	14.3
Develop a global partnership for development							
Debt Service as a Percentage of Exports of Goods and Services and Net Income from Abroad	1990	34.8	...	29.3	4.0	14.7	14.8
	2006	5.3	...	3.7	4.8	8.7	7.0

Source: ADB. 2009. *Key Indicators for Asia and the Pacific 2009*. 40th Edition. Manila.

II. TOP-DOWN ASSESSMENT (STRATEGIC AND INSTITUTIONAL PERFORMANCE)

23. The focus of the top-down assessment is the concrete achievements of regional cooperation and integration in South Asia, in the context of the operational objectives of the RCSP. Projects and activities assessed are included in the RCSP/RCOBP or approved during the RCSP period. National projects not reflected in the RCSP but which had potential to contribute to regional development were also considered in this assessment. The assessment also looked at the performance of ADB and its coordination with relevant stakeholders in South Asia, in fostering regional cooperation and integration in the region. A four-category rating system of *high, substantial, modest, and negligible* is used in the following assessments. The resulting overall top-down rating is *partly successful*. A SWOT analysis assessing the achievements of the RCSP (Appendix 4) was conducted to support the ratings.

Table 5: Top-down Assessment

Top-Down Assessment Criteria		Rating
A	Strategic Assessment (from Table 6)	Substantial
B	Institutional Assessment	Modest
C	Value Addition	Substantial
D	ADB Performance (from Table 7)	Modest
Overall Top-Down Assessment		Partly Successful

A. Strategic Assessment

24. Under this assessment, the rating is *substantial* because of its strategic focus and alignment with the priorities of most South Asian countries, and the region as a whole. The RCSP helped address emerging challenges in South Asia by supporting needed activities in priority sectors such as transport and communications, energy, trade facilitation, tourism, and environment, among others. The rating reflects significant coverage, progress, and extent of work undertaken in the areas of transport, ICT, tourism and energy, in contrast to more moderate involvement and progress in trade and investment private sector cooperation and environment.

25. The SWOT analysis notes that the RCSP has a clear overarching goal and well-articulated operational objectives; as well as well-defined approaches in attaining the envisaged outputs and outcomes. However, the RCSP has operated without the benefit of a longer-term overall sectoral vision or comprehensive results-based management framework with more defined and appropriate indicators, and suffer from the lack of ownership of participating countries. The following portions discuss assessment of achievements and shortcomings against RCSP's operational objectives.

1. Improve connectivity

26. Improving connectivity through improved access roads and physical cross-border transport infrastructure has been a strategic regional cooperation priority for South Asian countries, and has been captured prominently in the RCSP. This objective is very much in line with the directions of the past SAARC summits, which consistently called for intraregional connectivity, particularly physical, economic and people-to-people connectivity (Box 1). The South Asian countries also accord high priority on the transport and communication sector, as

shown in respective national development plans and ADB's CSPs/CPSs/COBPs for selected countries.

27. To support this objective, ADB assisted in the preparation of the SAARC Regional Multimodal Transport Study (SRMTS) whose recommendations were endorsed by the 14th SAARC Summit in New Delhi in 2007. As recommended in the SRMTS, model cross-border transport and transit agreements were developed and the study extended to include Afghanistan, with ADB's help. The SRMTS accomplished three important milestones in improving transport and physical connectivity: (i) identified 10 road corridors, five rail corridors, two inland waterways corridors, 10 maritime gateways, and 16 aviation gateways that were important for regional trade and connectivity, (ii) showed that major barriers to trade and travel in road and rail transport have been the lack of transport and transit agreements, and (iii) physical capacity has been found to be the main barrier at maritime and aviation gateways. The study also yielded important results for the region's transport sector and was lauded in the Dhaka Declaration as "an example of cooperation initiative to move forward cooperation in the region." The Colombo Declaration urged "early implementation in a gradual and phased manner of the proposals of the SRMTS." ADB has been coordinating with South Asian countries in implementing portions of the identified priority corridors.

Box 1: Excerpts of SAARC Declarations Highlighting Importance of Transport Connectivity

- **13th SAARC Summit, Dhaka (2005):** "They reiterated the need to strengthen transportation and communication links across the region for accelerated and balanced economic growth. They noted with satisfaction the ongoing SAARC Regional Multimodal Transport Study to enhance transport connectivity among the Member States. The Heads of State or Government agreed to undertake trade facilitation measures, including transit among SAARC countries, on the basis of understanding among concerned countries, for enhancing intra-regional trade and other economic activities."
- **14th SAARC Summit, New Delhi (2007):** "The Heads of State or Government recognized the full benefits of an integrated multimodal transport system in the region. They emphasized that this would not be realized unless physical infrastructure and matters relating to customs clearance and other facilitation measures, including multimodal transport operations, were addressed comprehensively. They called for an extension of the SAARC Regional Multimodal Transport Study (SRMTS) to include Afghanistan as well. They also called for early implementation of the recommendations contained in the Study in a phased manner. In this context, the Heads of State or Government directed the Inter-Governmental Group on Transport to identify and develop sub-regional and regional projects based on the prioritized recommendations of the SAARC Regional Multimodal Transport Study (SRMTS) and to develop appropriate regional agreements."
- **15th SAARC Summit, Colombo (2008):** "The Heads of State or Government recognized the importance of connectivity for realizing the objectives of SAARC. They accordingly directed the SAARC mechanisms to continue to embody in their programs and projects a strong focus on better connectivity not only within South Asia, but also between the region and the rest of the world. They further stressed the necessity of fast-tracking projects for improving intra-regional connectivity and facilitating economic, social and people-to-people contacts."
- "The Heads of State or Government expressed satisfaction at the progress through the Meetings of the Ministers of Transport. They reiterated the critical importance of an efficient multi-modal transport system in the region for integration and for sustaining the region's economic growth and competitiveness. They urged early implementation in a gradual and phased manner of the proposals of the SAARC Regional Multimodal Transport Study (SRMTS)."

28. ADB has supported efforts to improve physical connectivity between South Asia and Southeast Asia by land, sea and air through the BIMSTEC Transport Infrastructure and Logistics Study (BTILS), a study developed through a technical assistance during the RCSP period. The BTILS proposed the BIMSTEC transport and logistics policy framework, strategies, and implementing mechanism, which aims to enhance transport infrastructure, improve logistics, and lower transport costs. The SRMTS and BTILS are considered milestone studies as both provide the blueprint for transport connectivity in South Asia and its neighboring regions.

29. The SASEC transport working group (TrWG) identified six priority corridors from the SRMTS-identified corridors. These were subsequently considered under the RCSP through a technical assistance project, which is preparing the proposed Subregional Transport Logistics and Trade Facilitation projects for Bangladesh, India, and Nepal. The investment project will reduce transport cost and improve connectivity through improved access roads and physical cross-border transport infrastructure. Improved connectivity is expected to facilitate the unhindered movement of goods, services, and people through improved cross-border transport infrastructure and the introduction of modern cross-border management regimes. The technical assistance consists of three components: (i) a road corridor component; (ii) a rail link component; and (iii) a cross-border regime component. In the medium to long term, ADB will continue its support to the development of modern cross-border management regimes through trade-related interventions.

30. Most of the headway gained in the transport sector could be attributed to ongoing and proposed national projects with regional implications; and projects that have been identified through the CSPs/CPS and not originally included the RCSP. With the expansion and modernization work completed, the Colombo port is likely to emerge as the preferred hub in the Bay of Bengal and the Indian Ocean. In Bangladesh, the Padma Bridge is expected to reduce travel time and cost of goods traffic between Dhaka and Benapole, one of the trading routes with India. The proposed Road Connectivity Project in Nepal and the Road Network II in Bhutan would improve road connectivity between the strategic road network and areas with major economic activities and neighboring countries.

31. To bridge the digital divide and improve communications connectivity among selected South Asian countries, ADB has supported the preparation of the SASEC ICT Development Master Plan to serve as the basic framework for the SASEC ICT working group activities and guide the identification of priority cooperation projects. The master plan was drafted in 2005 and was subsequently accepted by member countries in January 2006. Subsequently, ADB approved the SASEC Information Highway Project. The investment project aims to (i) establish robust regional data interchange capacity including in-country gateways and cross-border links; (ii) expand rural access to information and communication technology (ICT) through village networks; and (iii) establish a regional network for research, development and training in ICT applications. This project is considered a major milestone for RCI being the first "regional" or multi-country investment project approved by ADB for South Asia. ADB, in coordination with the United Nations Economic and Social Commission for Asia and the Pacific, has also supported the Community e-Centers Project. The project aims to establish telecenters in rural villages in South Asia participating countries in an effort to bridge the digital divide between rural and urban populations. The project has so far supported the following activities: (i) sustainable CeC model development; (ii) 20 pilot CeCs establishment in rural areas; (iii) ICT tools development (eCommunity portal site); (iv) capacity building and knowledge sharing; and (v) monitoring and evaluation (M&E) of CeCs.

32. The achievement of this objective is rated *substantial* because of the important studies that define the overall directions for transport connectivity for South Asia and beyond; the regional investment project on ICT; and national projects on transport that have regional implications. The achievement of the objective, however, falls short of being rated *high* because implementation of concrete investment projects has not yet fully materialized due to various external factors. Some of these include weak ownership and capacity of participating countries in implementing regional cooperation projects; the countries' long and complex decision-making process, especially on regional projects; and the lower priority accorded by governments to regional cooperation compared to national projects.

2. Facilitate trade and investment

33. The RCSP stated that intra-and-interregional trade in South Asia need to be increased to accelerate economic growth in the region. This objective is in line with the agreement on the South Asia Free Trade Area (SAFTA),²⁰ which aims to promote and enhance mutual trade and economic cooperation among neighboring countries by eliminating barriers to trade and facilitating the cross-border movement of goods between the countries. Responding to this high priority by SAARC, ADB assisted selected South Asian countries in developing action plans to implement initiatives on streamlining customs procedures and developing product and quality standards. The studies were carried out under the SASEC program. These initiatives may provide inputs to the ongoing technical assistance in developing the Subregional Transport Logistics and Trade Facilitation projects, particularly in maximizing the benefits of transport connectivity and trade facilitation at border points. ADB also supported a Study on Quantification of Benefits from Economic Cooperation in South Asia, which assessed and quantified the benefits from the SAFTA. This was done in cooperation with United Nations Conference on Trade and Development (UNCTAD)²¹. ADB has also assisted the SAARC Secretariat on a study on trade in services. Although several studies have been prepared, the implementation of the recommendations of these studies has not been carried out; and concrete trade-related infrastructure has not yet materialized. The outcomes expected to attain the objective is considered *modest*. There are binding constraints to increasing intraregional trade in South Asia and the progress of SAFTA have been low, making it difficult for ADB to pursue further initiatives in this sector.

3. Develop regional tourism

34. The RCSP recognized that South Asia has rich and diverse tourism resources that have yet to be fully developed; and that a developed tourism sector would expand economic opportunities for the poor. The subregion is home to the Buddhist Heartland boasting many of the world's major Buddhist sites, associated with the life of Lord Buddha and ancient monasteries, sacred landscapes, and hidden valleys attracting visitors from all over the world. The unique endowments of the subregion present immense opportunities for the subregion to develop it into a world's leading destination of nature and culture-based tourism including Buddhist circuits. The South Asian countries, through the SASEC Tourism Working Group recognized that complementary natural and cultural resources call for subregional cooperation in developing the tourism sector.

²⁰ <http://www.saarc-sec.org/data/agenda/economic/safta/SAFTA%20AGREEMENT.pdf>

²¹ ADB and United Nations Conference on Trade and Development. 2008. *Quantification of benefits from Economic Cooperation in South Asia*. Macmillan India Limited. New Delhi.

35. To realize this objective, ADB assisted South Asian countries in developing a tourism development plan (TDP) that includes (i) a thematic framework of programs and projects for future subregional cooperation activities, (ii) specific project ideas and concept plans for appropriate tourism development in key areas shared between two or more countries, and (iii) project ideas for joint destination marketing. The TDP suggested ecotourism and Buddhist circuits as the focus of cooperation. In line with the plan, ADB recently approved an investment project, South Asia Tourism Infrastructure Development Project²² for Bangladesh, India, and Nepal. The project will develop and improve tourism-related infrastructure in these countries and will focus on improving connectivity to and destination infrastructure²³ and services in key nature and culture-based tourism sites on selected high priority subregional circuits. The physical interventions will be accompanied with a program of capacity building in each country to develop the capacities of sector agencies for sustainable protection and management of natural and cultural heritage of tourism importance. The project will also implement a program to better engage local communities in tourism so as to enhance the economic linkages between local populations and tourism, and increase benefits from tourism to the subregion's communities. The project is important as it serves to develop positive complementarities and promote people-to-people contact. Considering the progress made in attaining the objective, this area is rated *substantial*.

4. Facilitate cooperation in energy

36. While the RCSP acknowledged the limited and slow progress of energy cooperation in South Asia, it emphasized that opportunities are significant for cooperation in the joint development of energy resources in some countries, for export to the other countries in the region. The recent SAARC summits emphasized the importance of energy cooperation and recognized the need to expeditiously develop and conserve conventional sources of energy; develop renewable alternatives including hydro power, solar, wind and bio; introduce energy reforms, efficiency, and trade; and share technology and expertise.

37. ADB has supported SAARC initiatives in energy cooperation through the technical assistance for Energy Sector Dialogue and the SAARC Energy Center Capacity Development Project, which aims to strengthen the energy networks envisaged under the concept of an Energy Ring for South Asia and the capacity of the SAARC Energy Center. The study is opening up investment options for energy connectivity and trade although complete integrated regional grid need to be studied further by the countries. In terms of national projects with regional implications, the Green Power Development Project is now being implemented to promote cross-border power trade and electricity access. With the project, the coverage of power distribution in Bhutan will be improved, and the export of power to India and potentially to other countries, will be expanded through clean power development in a sustainable manner. Progress made in reaching the objective is *substantial*, given the important technical assistance that could produce potential energy projects in the future.

5. Promote private sector cooperation

38. Private sector cooperation and investment are encouraged in all ADB-supported regional cooperation activities in South Asia. The RCSP saw that many opportunities exist for private

²² The project was approved on 16 November 2009.

²³ Infrastructure interventions will include upgrading of airport, last mile road connectivity, environmental improvements of destinations, such as water supply, sanitation, and solid waste management, and visitor management infrastructure and services.

sector cooperation across a number of sectors including roads, energy, tourism, ICT and trade and investment. In line with this objective, ADB supported a few activities to encourage private sector participation, such as the annual South Asia Sustainable Tourism Forum comprising private sector representatives from selected South Asian countries and other development partners. Likewise, private telecoms operators and trade groups participated in discussions in preparing the SASEC Information Highway Project. ADB has also produced technical assistance reports on Management Development and Institution Building in SASEC Countries; and Cross-border Private Sector Cooperation in ICT among SASEC participating countries. However, there is no private sector operations included in the RCSP. This has been taken into consideration for future RCS for South Asia. The SARD RCI Unit, together with PSOD, is already planning for an early engagement for the coming RCS for the period 2011-2015.

39. The private sector could pursue a role as a catalyst for implementing regional activities, especially in financing cross-border infrastructure. In the case of the Green Power Development Project for Bhutan, the cross-border power trading market and participants have been limited; hence private sector participation in the market will create a competitive business climate in regional power trading in South Asia. The public-private partnership modality will enhance the investment environment for developing clean hydropower potential in the region through private capital. Overall, progress has been *modest* in terms of engaging the private sector in investments across priority regional cooperation projects and activities in South Asia.

6. Promote cooperation in environment

40. The RCSP considered that cross-border cooperation in environment (regional public good) is important, but it is extremely difficult given the sensitivity and complexity of environment-related issues. Therefore, cooperation in environment has focused on knowledge sharing and capacity building initiative. Under the SASEC environment working group (EWG), ADB supported the implementation of two regional technical assistance projects to establish a regional air quality monitoring program, and to develop a regional hazardous waste management program. The technical assistance for managing hazardous wastes, which aims to help participating countries to improve policies to manage hazardous wastes effectively. Recently the priority has been placed on climate change issues. ADB is currently supporting a technical assistance on regional economics of climate change in South Asia which is focused on cleaner technologies and options. Another follow-up study is being processed to cover adaptation and impact assessment. ADB has also allocated 35% of its Clean Energy Financing Partnership Facility (CEFPF) and 24% of its Climate Change Fund (CCF) to projects in South Asia. Despite these efforts, progress on this objective is considered *modest*.

7. Facilitate Dialogue with Regional Institutions and Entities

41. Although not part of the operational objectives, an important approach coming out of the RCSP is to facilitate dialogue with regional institutions and entities. In pursuing this, ADB has promoted an approach that encourages increased networking among policy research institutes and think tanks with the aim of providing governments and regional initiatives with policy recommendations on key RCI issues. For instance, ADB is implementing a RETA on Supporting Network of Research Institutes and Think Tanks in South Asia, which aims to promote regional economic cooperation in South Asia through knowledge sharing on RCI and policy making for RCI, and enhance the capacity of research institutes through studies, workshops and knowledge dissemination. Two research institute networks, South Asia Center for Policy Studies (SACEPS) and South Asia Network of Economic Research Institutes (SANEI), were selected to

serve as coordinating centers for specific research topics related to regional cooperation. ADB has strengthened its dialogues with BIMSTEC and have been invited to participate in BIMSTEC working group meetings with a view to exploring future areas of cooperation between ADB and BIMSTEC. In addition, ADB facilitated informal meetings of SAARC finance ministers on the sidelines of ADB's annual meetings since 2006. The initiative is part of ADB's overall collaboration with SAARC. The ministers' meetings are intended to promote dialogue among the finance ministers on macroeconomic and financial market issues, including approaches to financing growing infrastructure and addressing development constraints in South Asia. While ADB facilitation was useful, ADB has not focused on bringing forward productive, priority regional cooperation agenda in these meetings. The rating on this approach is *substantial*.

42. The overall rating of the achievements made in achieving the operational objectives of the RCSP is *substantial* (Table 6). It should be noted that while substantive work have been accomplished in realizing the operational objectives of the RCSP, the projects identified in the RCSP 2006-2008 program have largely been slow in implementation due to various external factors. Some of these include weak ownership and capacity of participating countries in implementing regional cooperation projects; the countries' long and complex decision-making process, especially on regional projects; and the lower priority accorded to regional cooperation and integration compared to national projects. The other factors are outlined in the SWOT analysis.

43. Further, the RCSP did not fully capture the regional contribution of some proposed and ongoing national programs and left such items out of the proposed regional pipelines. Appendix 1 includes the national projects with regional implications that were not reflected under the RCSP.

Table 6: Strategic Assessment

Strategic Areas		Rating
1	Improve connectivity	Substantial
2	Facilitate trade and investment	Modest
3	Develop regional tourism	Substantial
4	Facilitate cooperation in energy	Substantial
5	Promote private sector cooperation	Modest
6	Promote cooperation in environment	Modest
7	Facilitate dialogue with regional institutions and entities	Substantial
Overall Rating		Substantial

B. Institutional Assessment

44. The overall institutional assessment is *modest*. To facilitate greater progress of regional cooperation and integration in South Asia, ADB has supported cooperation at the subregional, regional and interregional levels through the SASEC program, SAARC, and BIMSTEC, respectively. While ADB's assistance for SAARC and BIMSTEC focused on policy and sector studies that support the SAARC Secretariat and BIMSTEC Working Group in preparing their cooperative agendas, assistance for the SASEC program focused on prioritizing and implementing concrete projects and programs that could yield tangible results. Another important aspect of the RCSP is ADB's coordination with other regional bodies and entities such as South Asia Center for Policy Studies (SACEPS) and South Asia Network of Economic Research Institutes (SANEI), which encourages increased networking among policy research institutes and think tanks in the aim of providing governments and regional initiatives with policy recommendations on key RCI issues.

45. The rating for this three-pronged approach is *substantial*, because it is innovative and fits well into the South Asian political landscape. This allows ADB to adopt a multi-track, multi-speed approach which supports interregional, regional, and subregional cooperation in advancing South Asia's regional cooperation agenda. Despite a responsive three-pronged strategy that has allowed for substantive progress in RCI activities, the reality is that regional cooperation institutions in South Asia continue to be relatively weak. There are some institutional impediments that continue to constrain the progress of regional cooperation activities in the region. For example, the more complex consultation processes of SAARC and, to some extent BIMSTEC, require more time in reaching agreement on and implementing regional projects. While such processes are important to help ensure that all member states are consulted and agree on SAARC and BIMSTEC activities and priorities, it also limits the effectiveness of ADB's support for regional cooperation. On the other hand, while the SASEC program had been successful in identifying and implementing potential regional projects, more headway could have been reached had the foreign ministries been more closely engaged right from the beginning of the project process. Strong coordination among ministries and involvement of key agencies all through the project process has proven to be essential in the successful implementation of regional activities, projects, and agreements. A number of sector issues, as described below, also constrain the effective implementation of regional cooperation projects and activities. The overall institutional assessment is *modest*.

1. SAARC-ADB collaboration

46. ADB and SAARC Secretariat signed a Memorandum of Understanding (MOU) on 12 April 2004 to strengthen cooperation between the two institutions. The MOU provides a framework 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. ADB collaborated with SAARC in the preparation of the SRMTS; and in undertaking the SAARC Regional Energy Trade Study (SRETS). ADB has also supported the SAARC Secretariat on the workshop to discuss funding mechanisms for and the operationalization of the SAARC Development Fund (SDF). Further, ADB has also been facilitating the SAARC Finance Ministers' Meeting on the sideline of the ADB Annual Meeting. While ADB facilitation was useful, ADB has not focused on bringing forward productive, priority regional cooperation agenda. Invitation of SAARC to ADB to participate in selected SAARC meetings, including sector meetings was very useful in strengthening SAARC-ADB collaboration and exchanging regional cooperation experience with member states. SAARC and ADB could further explore opportunities to develop such meetings on a regular basis.

47. It is noteworthy that SAARC has demonstrated strong ownership of the outcomes of these important regional cooperation activities.

48. The RCSP recognized that while the prospects for regional cooperation among SAARC countries have significantly improved through the years, it would be a challenge to successfully take forward the institution's broad regional cooperation agenda. Political issues between member states and the more complex decision-making process of SAARC which requires that all member states are consulted and consensus obtained on SAARC activities and priorities make the SAARC process, by its own internal procedures, relatively slow to deliver regional investments and to take regional cooperation to a higher level. While these processes are important to help ensure that all member states are consulted and agree on SAARC activities and priorities, this has limited ADB's relationship with SAARC to the support for policy studies and capacity development activities. Notwithstanding this, the SAARC Secretariat and ADB continuously engage in regular dialogues to further enhance their collaboration, including annual

consultations. ADB's regional cooperation priorities for South Asia are in line with SAARC's regional agenda. For instance, SAPTA and SAFTA have important potential to benefit all partners and can gain from ADB's regional trade facilitation initiatives.

2. BIMSTEC-ADB collaboration

49. BIMSTEC initiated dialogue with ADB in 2005 to establish closer cooperation. The interregional body aims to promote free trade, increase cross-border investment and tourism, and promote technical cooperation among the countries in South Asia and Southeast Asia. BIMSTEC and ADB partnered in carrying out the BIMSTEC Transport Infrastructure and Logistics Study (BTILS), which aims to enhance interregional integration by increasing trade and travel among the BIMSTEC countries; and promoting a greater link between South and Southeast Asia. Similar to the experience with SAARC, ADB's support to BIMSTEC has been limited to developing the BTILS. BIMSTEC being interregional in nature, and comprising multiple countries of differing political and institutional dynamics, focus on a rather broad and policy-based regional cooperation agenda.

3. Subregional cooperation through the SASEC program

50. Since its creation in 2001, the SASEC program has provided an open venue for participating countries (Bangladesh, Bhutan, India, and Nepal)²⁴ to engage in dialogues with the aim of developing and implementing regional connectivity projects and advancing regional cooperation in South Asia. ADB has been supporting the program through technical assistance projects in three phases: SASEC Phases I and II²⁵ focused on the identification of subregional issues and programs/projects, and building of mutual trust; SASEC Phase III,²⁶ focused on prioritization and implementation of subregional projects. The third phase has been operational during the RCSP period. SASEC program has effectively mobilized participating countries and managed the dialogues systematically through six working groups, namely: (i) transport working group (TrWG); (ii) information and communication technology working group (ICTWG); (iii) trade, investment and private sector cooperation working group (TIPWG); (iv) energy and power working group (EPWG); (v) tourism working group (TWG); and (vi) environment working group (EWG). These working groups report to the country advisors group (CAG)²⁷ during regular meetings for overall directions and policy advice. Since the SASEC program inception, four country advisors meetings (CAM) and one informal Country Advisors Conclave were convened. The meetings mostly discussed prioritization of projects and resolution of various issues affecting the program's implementation. It is important to highlight that three important regional projects have been developed under the SASEC program: SASEC Information Highway Project; South Asia Tourism Infrastructure Development Project; and Subregional Transport Logistics and Trade Facilitation Projects. These projects were reviewed and endorsed by ICTWG, TWG, and TrWG and TIPWG, respectively. The progress of the working groups has been uneven because of institutional and sector-specific issues. TrWG, ICTWG and TWG fared better compared to EWG and EPWG (Box. 2).

²⁴ Sri Lanka participated in the SASEC tourism working group.

²⁵ ADB. 2000. Technical Assistance for Identification and Prioritization of Subregional Projects in South Asia. Manila. (TA 5936-REG, approved on 22 September 2000, for \$785,000); and ADB. 2002. Technical Assistance for South Asia Subregional Economic Cooperation II. Manila (TA 6010-REG, approved on 13 December 2002, for \$500,000).

²⁶ ADB. 2005. Technical Assistance for South Asia Subregional Economic Cooperation III (TA 6297-REG, approved on 22 December 2005, for \$1,000,000).

²⁷ The CAG is composed of secretaries and joint secretaries of Ministries of Finance of participating countries.

51. The SASEC program has been successful in facilitating and fostering cooperation among the four participating countries to work together toward economic development and poverty reduction. It has moved beyond dialogue, information sharing, and confidence building among the countries. There was, in general, support for the regional projects under the SASEC program in all four governments but there was lack of ownership and political will to pursue the projects. The absence of Foreign Ministries in the SASEC program has caused difficulties in obtaining countries' endorsement of the processing and implementation of regional projects identified by the working groups. As an example, the SASEC Information Highway had some delays in loan/grants signing and effectiveness due to countries' internal processes. The finance ministries, in coordination with line ministries, have played a major role in the formulation and financing of the regional cooperation projects. However, negotiating and finalizing cross-border agreements with other participating countries lies in the domain of the foreign ministries. Although considered a very innovative approach to regional cooperation, the SASEC program was constrained by these institutional issues. Strong coordination and involvement of key agencies all through the project process have proven to be essential in the successful implementation of regional activities and projects.

C. Value Addition

52. Value addition is rated *substantial*. ADB's program to support regional cooperation and integration in South Asia pursued a three-pronged approach, which is considered innovative and has produced substantial benefits. Despite the complexities and sensitivities associated with regional cooperation in South Asia, concrete results were attained. The rating for value addition is justified by the detailed discussions in section on "bottom-up assessment."

53. In transport, two milestone studies, the SAARC Regional Multimodal Transport Study (SRMTS) and the BIMSTEC Transport Infrastructure Logistics Study (BTILS), which aim to improve transport connectivity in South Asia, were completed with ADB support, under the RCSP non-lending program. These studies represent strategic interventions that lay the groundwork for potential extensive investment opportunities over the medium term. In terms of regional investment projects, the proposed Subregional Transport Logistics and Trade Facilitation Projects are envisaged to reduce transport cost and improve connectivity through improved access roads and physical cross-border transport infrastructure. In the medium to long term, improved connectivity is expected to facilitate the unhindered movement of goods, services, and people through improved cross-border transport infrastructure and the introduction of modern cross-border management regimes. ADB will continue its support to the development of modern cross-border management regimes through trade-related interventions. ADB also assisted in preparing the ICT master plan that led to the implementation of the Information Highway Project, which was the first regional project approved for South Asia. The project would add value to South Asian countries in terms of bridging the digital divide and improving communications connectivity among them.

54. Another breakthrough in regional cooperation is the completion of a subregional tourism development plan (TDP), which became basis for preparing the South Asia Tourism Infrastructure Development Project [approved on 16 November 2009]. The project will, for the first time, bring together four countries of the region to synchronize and coordinate the development of tourism around a specific theme, which is nature-and-culture-based tourism including Buddhist circuits.

Box 2: Progress of SASEC Sector Working Groups

1. **Transport working group** – The TrWG has met four times since it held its inception meeting in Kathmandu, Nepal on 15-17 October 2001. In its first meeting, the TrWG agreed to improve the performance of subregional corridors by addressing physical, institutional, and operational impediments in the transport system. In addition, the TrWG agreed to focus SASEC activities on existing corridors and be consistent with framework of bilateral transit/transport agreements. After its second meeting in 2002 and technical workshop in 2004, the TrWG developed a SASEC framework for subregional connectivity, which identified six existing and potential corridors. Beginning 2005, SASEC member countries started to implement these transport corridors utilizing resources of individual countries and bilateral assistance programs. The fourth TrWG meeting held in Bangkok, Thailand on 21-22 November 2006, proposed the Subregional Transport Logistics and Trade Facilitation Project.
2. **Information and communication technology working group** – In 2003, the ICTWG was added as one of the six priority sectors to the program. At the first ICTWG meeting held in India in March 2004, SASEC countries agreed to conduct a study on SASEC ICT development to serve as the basic framework for ICTWG activities and guide the identification of priority cooperation projects. With ADB assistance, the SASEC ICT Development Master Plan was drafted in 2005 and was subsequently accepted by member countries in the second SASEC ICTWG meeting in Bhutan in January 2006. At the third ICTWG meeting in Bangladesh in September 2006, the member countries endorsed the concept of SASEC information highway to address ICT development needs in the subregion. The draft final report of the PPTA for SASEC Information Highway was endorsed by SASEC Country Advisors Meeting held in June 2007. The ICTWG endorsed and approved the cost estimates, financing and implementation plan, and timelines of the Project at the fourth ICTWG meeting held in October 2007 in India. The project was approved in December 2007. The 5th ICTWG agreed on the implementation arrangements for the project, which allowed the commencement of project implementation.
3. **Trade, investment and private sector cooperation working group** – The first TIPWG meeting held in India in December 2001 recommended to undertake the Study on Trade Facilitation, Non-Tariff and Non-Trade Barriers (NTBs) that was completed in 2004. The study provided analytical inputs to subsequent TIPWG decisions and actions. The fourth TIPWG meeting held in Thailand in November 2006 recommended the development of action plans to implement three initiatives: streamlining of customs procedures and harmonization practices; development of quality/product standards and conformity assessment; and development of trade-related infrastructure at border points. ADB helped carry out the first two studies in 2007 and they were considered in preparing the Subregional Transport Logistics and Trade Facilitation projects.
4. **Tourism working group** – TWG has met nine times since it held its inception meeting in Kathmandu, Nepal on 15 – 16 May 2001. During its second meeting in Kathmandu, Nepal on 31 May – 2 June 2002, the TWG identified the need for a subregional tourism development plan (TDP). During its third meeting held in New Delhi, India on 30-31 July 2003, the TWG endorsed the formulation of the TDP for 2004-2014 based on two common programs of eco-tourism and Buddhism. In 2003, ADB provided technical assistance to prepare the TDP, building on the existing tourism plans of SASEC countries and in-country and subregional consultations. In response to the need to develop good-quality, high-yielding SASEC tourism products in line with the TDP, ADB provided PPTA in 2006 to assess the feasibility of and design a project in tourism-related infrastructure, facilities in selected multicountry circuits that will result in increased arrivals and lengthened stay of tourists in the sub-region. The Draft Final Report (DFR) for the PPTA for the SASEC TDP was presented and discussed in the ninth TWG meeting held in New Delhi, India on 23-24 April 2008. The South Asia Tourism Infrastructure Development project for Bangladesh, India and Nepal is being processed and expected for ADB board consideration in 2009.
5. **Energy and power working group** – The EPWG conducted its inception meeting in Bangladesh in November 2001. It had its second meeting in India in March 2002 and it has not met since then. Since EPWG's inception in 2001, only two cooperation projects were implemented: (i) replication of the Bangladesh model of rural electrification in Assam; and (ii) assistance provided by India to Bangladesh in preparing for the distribution of CNG. The EPWG did not convene after its second meeting, reflecting the sensitivities of energy policies in each SASEC country.
6. **Environment working group** – Since its inception meeting in July 2001, the EWG has met on four occasions – April 2002, June 2002, July 2004 and September 2008. Its major accomplishments to date include the implementation of two regional technical assistance (RETA) projects supported under the SASEC Program to establish a regional air quality monitoring program and to develop a regional hazardous waste management program. The 4th EWG renewed commitment to continue with the structure, and proposed activities as a way forward. The priority shifted to pursuing subregional activities related to climate change. The overall impact of the EWG in promoting regional cooperation on environment has been marginal.

55. Value addition in energy comes from actual and potential energy trade through additional power generation including green power as in Bhutan, the upgrading of national transmission lines, and the construction of regional interconnectors between neighboring countries. The upgraded transmission line in Nepal to facilitate import of power from India can eventually be used to export power from Nepal to India. A hydroelectric power project in Bhutan for export to India represents successful use of public private partnership.

D. ADB Performance

56. The rating for ADB performance in implementing the strategies and programs under the RCSP is *modest*. Being an honest broker of regional cooperation and integration in Asia and the Pacific, ADB made important contributions in South Asia despite the complex political environment in the region and limited funding opportunities. The three-pronged approach has helped significantly in fostering regional cooperation and integration at all levels. The SWOT analysis (Appendix 4) identifies perceived strengths and weaknesses of ADB as an institution that promotes regional cooperation and integration in South Asia.

1. Administration and internal coordination

57. ADB's level of awareness, understanding, and commitment to the RCSP could be stronger. Staff orientation and incentive structure tend to favor national projects over RCI projects. A mechanism for coordination, monitoring, and following-up on the progress of implementation of lending and non-lending programs under RCSP also needs to be improved. The RCI Team comprises the focal persons in resident missions, sector divisions, and the RCI unit. The RCI unit in SAOC led the preparation and implementation of the RCSP with support from RMT, and other focal persons in resident missions and sector divisions. However, the RCI unit has made limited contributions to regional project design, implementation, or monitoring due to staff and resource constraints. This is due to the fact that while the RCI unit plays an important supporting role in facilitating dialogues among countries to identify and prioritize regional projects, the responsibility to design, prepare and implement the actual investment projects dramatically shifts to the sector divisions within SARD. In the hierarchy, the RCI unit has lead responsibility in working with sector divisions and resident missions in transforming a soft pipeline into a hard pipeline of RCI projects (i.e. pre-PPTA stage). In subsequent stages, the RCI unit supports sector divisions in supporting and monitoring the implementation of regional projects. To strengthen its role in supporting and monitoring the implementation of regional projects, coordination between the sector divisions and the RCI unit must be strengthened during the project preparation and implementation stages. The resident mission focal persons also played an important role in coordinating with various agencies in each country.

58. Given the complex environment surrounding RCI in South Asia, and perhaps lesser country ownership, SARD management found it difficult to push for RCI projects, compared to national projects undertaken by its DMCs. Although the efforts to provide strategic and policy guidance to the RCI Team and the Secretariat were notable, the efforts were not sufficient to be able to actually foster regional activities. The relatively slow pace in moving the RCI agenda forward sometimes dampens the enthusiasm and focus of the RCI Team. This notwithstanding, the RCI Team has managed to achieve much in stimulating the interest of country partners and sector divisions in moving RCI in the region.

59. There is limited interaction between the RCI Secretariat and sector divisions which is quite understandable because of the tremendous pressure on the latter to produce national projects. There is simply no incentive to design and process regional projects which are technically complex.

60. The implementation and monitoring of the RCSP 2006–2008 has suffered from lack of proper institutional arrangements and backstopping. Following the reorganization in ADB, increased coordination between SARD and the Central and West Asia Department (CWRD) has become more crucial in achieving more headway in support of an inclusive and comprehensive regional cooperation in South Asia. Coordination with other departments responsible for the four pillars of ADB's regional cooperation strategy is also constrained by the lack of incentives and institutional mechanisms within ADB to foster increased coordination of regional cooperation activities and limited capacity and ability to support regional departments in carrying out regional investment projects. Despite these shortcomings, RCI Team has done a commendable job to promote regional cooperation activities. In collaboration with other stakeholders, the RCI Team prepared the RCSP 2006-2008 and RCOBP 2009-2010 and 2010-2012. The RCI Team has also kept the operation of SASEC working groups going by giving strong support to meetings, workshops, consultations, and seminars, and following up the agreements. The RCI Team has effectively administered many of the regional technical assistance projects, which were instrumental in carrying forward regional cooperation activities. It has supported critical sector studies and ensured that recommendations are followed-up in concrete investment proposals. Concerned staff made substantial contribution to the processing of the three regional investment projects, which were processed under the SASEC program. Another major contribution of the RCI Team was the support for the networking of Track II actors especially, regional think tanks. Many of the seminal studies and reports have been published. Administration and internal coordination is rated as *modest*.

2. Coordination with RCI stakeholders

61. ADB has worked very closely with regional bodies, development partners, private sector, non-government organizations (NGOs) and civil society in South Asia. ADB has initiated a process of linking up with other regional groupings including SAARC, BIMSTEC, CAREC, and GMS. Assessments of these institutions were done to identify possible inputs to enhancing ADB regional cooperation support for South Asia. NGOs and civil society have been involved in carrying out studies and project implementation. ADB has collaborated closely with development partners in providing support to the implementation of governments' national development strategies through joint sector strategies, cofinancing, and knowledge sharing. Extensive stakeholder consultations are held for preparing CPSs to achieve broad consensus on overall strategy and sector road maps, and assistance programs. ADB's coordination with other partners is *substantial*.

3. Finance mobilization

62. Regional project financing is important, and ADB will need to explore potential cofinancing possibilities. Some countries continue to request for additional and concessional and have access to the World Bank's International Development Association (IDA) funds for regional projects in all sectors, including infrastructure. ADB allocated 10% of the \$11.3 billion of the Asian Development Fund (ADF) X, for 2009-2010, for regional projects. SARD received only \$69 million of its request for \$123 million, representing 13% of the \$520 million allocated across ADB. ADB's resources for regional projects are still limited and lack predictability. ADB should continue to increase support for regional cooperation and integration and maximize benefits

from existing measures such as the Strategy 2020 which commits at least 30% of its operational spending to regional cooperation by 2020.

63. The availability of technical assistance funds is critical to maintain ADB's lead role among International Financial Institutions (IFIs) and other development partners in delivering regional connectivity concepts and transforming these into bankable multi-country projects. To support regional cooperation initiatives, special funds will have to be tapped into, such as the Regional Cooperation and Integration Fund (RCIF), People's Republic of China's Poverty Reduction and Regional Cooperation Fund, and Japan's Investment Climate Facilitation Fund (ICFF), among others.

64. ADB cannot make appreciable gains from regional cooperation projects with the limited resources available for regional projects particularly in South Asia where there is a continued strong demand for national projects and a perceived trade-off between available resources for national and regional projects. Much more can be done in terms of exploring external financing and other possible initiatives that could leverage on ADB-supported regional investments and address additionally and concessionality. Finance mobilization is considered *modest*.

4. Capacity building and technical support

65. A major constraint in advancing regional cooperation in South Asia is the limited institutional capacity of regional organizations and national government bodies in developing and implementing regional cooperation activities. To address this need, ADB has provided substantial amount of resources through RETAs. The three regional projects under way will have strong capacity building and institutional strengthening components. The SASEC Information Highway Project proposes to build a SASEC research and training network, building technical and business skills in ICT, particularly in developing local content and e-applications (such as e-government, e-learning, tele-medicine, e-remittance, and e-commerce) for the needs of the poor. The South Asia Tourism Infrastructure Development Project will focus on fostering community participation in tourism development around proposed sites. A strategy and action plan for human resource development and capacity building in the tourism sector has been developed. A similar action plan has been developed for ICT. The capacity building of SAARC Energy Center in Islamabad has been successfully completed. More specifically, the capacity development advisor developed the "Approach to Capacity Development for SAARC Energy Centre (SEC), assisted developing SEC operational plans, model documents and templates; provided study tours to other similar centers, such as the ASEAN Energy Centre; and developed the SAARC Energy Database at SEC. The RETA for managing hazardous wastes has developed training modules for managing hazardous wastes that can be used by all four member countries. The Air Quality Monitoring (AQM) RETA provided support for existing AQM and for the establishment of a coordinated information-sharing and cooperation network. Capacity development relevant for RCI has also been pursued through national projects with regional implications.

66. The South Asia regional cooperation program includes economic and sector work as part of knowledge management. This includes reports, occasional papers, seminars, and conferences. Using Track II approach, a series of RETAs have provided support to regional research centers and think tanks to (i) undertake operational policy studies and analytical works on development of RCI in South Asia; (ii) conduct meetings, seminars, workshops, and conferences; and (iii) disseminate findings of studies. The emergence of key institutions and civil society movements has broadened the intellectual horizon and the scope of public debate

and dialogue. ADB has provided two regional TAs²⁸, to further the work of regional research institutes and think tanks in South Asia. The TA for Supporting Network of Research Institutes and Think Tanks in South Asia-Phase I was designed to strengthen the current initiatives and networks of research institutes and think tanks, increase interaction among regional experts and disseminate research material that supports regional cooperation. To this end, eight conferences, workshops, and seminars were held on regional cooperation. The TA has successfully conducted five studies on specialized topics. These seminars and studies succeeded in raising awareness on key areas of regional cooperation such as investment cooperation, energy cooperation, South Asia's strategy for World Trade Organization (WTO) negotiations, the South Asian Free Trade Area (SAFTA), macroeconomic policy harmonization, and a Citizens' Charter for South Asia. A third RETA was approved in 2008 and will support future policy studies on the benefits of regional cooperation and integration in South Asia.

67. To consolidate gains from the RETA, it was followed by a second phase designed to promote knowledge-sharing on and policy making for RCI; enhance the capacity of research institutes in South Asia; strengthen existing networks of research institutes in South Asia; and facilitate interaction between academics, policymakers, and researchers in order to promote the "Track II" measures. Two research institute networks, SACEPS and SANEI, were selected to serve as coordinating centers for specific research topics related to regional cooperation. Nine research studies were approved to date, two under supervision of SACEPS and seven under SANEI, dealing with such issues as labor migration, industrial integration, trade liberalization under SAFTA, barriers to trade in services, foreign direct investment for infrastructure development, and regional food security.²⁹ High quality research output, combined with convening of dedicated workshops with policymakers, is expected to provide important inputs into RCI activities of ADB in South Asia.

68. ADB has also successfully undertaken with the UNCTAD a study on the quantification of benefits from economic cooperation in South Asia.³⁰

69. Capacity building and technical support is rated as *substantial*.

5. Portfolio Management

70. Despite normal impediments, ADB has succeeded in implementing national projects with critical regional implications in the transport, trade facilitation, and energy sectors during the RCSP period. However, regional projects processed under the RCSP have experienced design and implementation delays. An example of this is the SASEC Information Highway Project, which had delays in loan signing and effectiveness. Since ADB has performed well in monitoring national projects with regional implications, portfolio management is rated *modest*.

²⁸ ADB. 2004. *Technical Assistance for Supporting Network of Research Institutes and Think Tanks in South Asia-Phase I*. (TA 6189-REG). Manila; and ADB. 2007. *Technical Assistance for Supporting Network of Research Institutes and Think Tanks in South Asia Phase II*. (TA 6417-REG). Manila.

²⁹ The following studies were approved under RETA 6417: (i) A Study on Vertical and Horizontal Integration in South Asia; (ii) Regional Consultative Process on Labour Migration from South Asia; (iii) Liberalization of Trade in Services under SAFTA: Prospects and Challenges for Pakistan; (iv) Measuring the Barriers to Trade in Services in South Asia: An Empirical Exercise; (v) Infrastructure Development in South Asia: Role of Foreign Direct Investment; (vi) Food Security in South Asia: Strategies and Programmes for Regional Cooperation; (vii) Economic and Social Impact of Financial Crisis: Protecting the Vulnerable in South Asia; (viii) Economic and Social Impact of Global Financial Crisis: Implications for Macroeconomic and Development Policies in South Asia; and (ix) The Financial Crisis in the Gulf and Its Impact on South Asian Migrant Workers.

³⁰ ADB and United Nations Conference on Trade and Development. 2008. *Quantification of Benefits from Economic Cooperation in South Asia*. Macmillan India Limited. New Delhi.

6. Design and implementation of regional projects

71. ADB performance in design and implementation of regional projects is *modest* with only one investment project approved and two projects under preparation. Under RCSP 2006-2008, two RETAs have been successfully completed, five are ongoing, one is being processed, one was dropped, and one is proposed as a potential project and is being discussed with relevant governments. In order to develop capacity to promote regional cooperation and identify project ideas for investment, ADB has financed RETAs for SAARC and the SASEC program (SAARC II, and SASEC II and III).³¹ SAARC II will focus on institutional strengthening to deal with regional food security; and trade, economic and financial cooperation. SASEC II primarily supported the organization of meetings and preparation of sector studies for the tourism, environment, and energy. According to the TA completion report, "Overall progress in SASEC Phase II has been good. Tourism and ICT made the most notable strides in regional cooperation."³² The TA was rated as *successful*. SASEC III is ongoing. It is designed to identify and prioritize subregional projects in South Asia. The TA will provide a forum for effective dialogue among the participating countries, the private sector, and development partners; develop background papers and conduct pre-feasibility studies; and support the working groups in implementing the agreed priority projects.

7. Design and implementation of national projects with regional implications

72. ADB has made significant contribution to regional cooperation through national projects with regional implications. As shown in Table 2, of the total nine national projects with regional implications approved after 2006, amounting to \$1.9 billion, four are in the transport sector, three are in energy sector, and two are in ICT sector. ADB performance in design and implementation of national projects with regional implications is *substantial*.

73. The summary of ratings for ADB performance is in Table 7.

Table 7: Assessment of ADB Performance

ADB Performance Parameters		Rating
1	Administration and internal coordination	Modest
2	Coordination with development partners	Substantial
3	Financial mobilization	Modest
4	Capacity building and technical support	Substantial
5	Portfolio management	Modest
6	Design and implementation of regional projects	Modest
7	Design and implementation of national projects with regional implications	Substantial
Overall Rating		Modest

³¹ R-CDTA 6512: *Promoting South Asia Regional Economic Cooperation*, approved on 12 December 2008 for \$1.5 million; TA-6010 REG: *South Asia Subregional Economic Cooperation II*, approved on 27 December 2001 for \$500,000; and RETA 6297: *Technical Assistance for Subregional Economic Cooperation III*, approved on 11 January 2006.

³² ADB.2006. *Technical Assistance Completion Report South Asia Subregional Economic Cooperation II (RETA 6010)*. Manila.

III. BOTTOM-UP ASSESSMENT (PROJECT AND OPERATIONAL PERFORMANCE)

74. Bottom-up assessment deals with sector performance. Six sectors were reviewed, namely transport, trade facilitation (including private sector cooperation), energy, tourism, environment and climate change, and ICT. Following the methodology developed by the Office of Independent Evaluation (IED) for project completion report (PCR), sector performance is analyzed on the basis of five criteria: *relevance*, *effectiveness*, *efficiency*, *sustainability*, and *impact*. The criteria are rated on a 4-point scale.³³ Bottom-up assessment in this section is based on primary data and information collected during field mission, available reports³⁴, discussions with stakeholders including concerned government officials and ADB staff in the headquarters and the field, and discussions and deliberations at RMT and RCI Team retreats and the HLF.

75. Bottom-up sector assessments must be cognizant of a number of situational realities that define the regional cooperation environment in South Asia. Regional priorities and the convergence of national and regional priorities has been more by coincidence than by design. On balance, there has been underinvestment in infrastructure in certain sectors, with greater attention on transport- and energy-related investments. Investments in energy, tourism, trade, and environment did not fully reflect regional connectivity, complementarities, and coordination. For example, cross-border road links have been facilitated, but have not been matched by trade and transit facilitation. Until recently, energy security was mostly conceived of and addressed within the national context, energy trade and integrated energy grid did not receive the kind of regional attention it merited. Inadequate consideration of regional dimension in sector investment programs is also an outcome of lack of perceived additional and concessional financing for regional projects.

76. Overall bottom-up assessment of South Asia RCI is *partly successful*. This is due to the fact that while ADB has made substantial amount of groundwork for RCI along priority areas, concrete regional projects were deemed lacking. The impediments to the realization of RCI sector objectives are mostly external factors that could be outside the purview of ADB. However, more concrete results are expected in the future when the projects currently being prepared or are in the pipeline are implemented and completed. Implementation of investment projects would allow for a more thorough assessment of the sectors. Summary of bottom-up assessment is in Table 8. An overview of evaluation is in Appendix 5.

³³ Based on IED's Guidelines for the Preparation of Country Assistance Program Evaluation Reports, a four-point scale was used: relevance (highly relevant, relevant, partly relevant, and irrelevant); effectiveness (highly effective, effective, less effective, and ineffective); efficiency (highly efficient, efficient, less efficient, and inefficient); sustainability (most likely, likely, less likely, and unlikely); and impact (high, substantial, modest, and negligible).

³⁴ PCRs, CAPEs, SAPEs, CPSs/CSPs, CPS/CSP updates and mid-term reviews, TA completion reports and project documents.

Table 8: Summary Bottom-Up Evaluation

Criteria	Transport	Trade Facilitation	Energy	Tourism	Environment and Climate Change	Information and Communication Technology
Relevance	Highly relevant	Relevant	Highly relevant	Relevant	Relevant	Relevant
Effectiveness	Effective	Less effective	Effective	Effective	Less effective	Effective
Efficiency	Less Efficient	Less Efficient	Less Efficient	Less Efficient	Less Efficient	Less Efficient
Sustainability	Likely to be sustainable	Less likely to be sustainable	Less Likely to be sustainable	Likely to be sustainable	Less Likely to be sustainable	Likely to be sustainable
Impact	Likely to be substantial	Likely to be modest	Likely to be substantial	Likely to be substantial	Likely to be modest	Likely to be substantial
Overall	Successful	Unsuccessful	Partly Successful	Partly Successful	Unsuccessful	Partly Successful
Overall Bottom-Up Assessment	Partly Successful					

A. Transport

77. South Asia's regional transport sector program is rated as *successful*. This is mainly attributable to the successful identification of potential regional, interregional, and subregional transport projects through ADB-supported studies—the SAARC Regional Multimodal Transport Study (SRMTS)³⁵, and the BIMSTEC Transport Infrastructure and Logistics Study (BTILS)³⁶. The SASEC program also successfully conducted the Corridor Operational Efficiency Study³⁷ which helped develop a framework for subregional connectivity and prioritized six transport corridors eventually implemented by SASEC participating countries.

78. ADB assistance for the period 2006-2008 has been associated with 11 transport and trade facilitation projects, six of which are ongoing, three are under preparation, and two are dropped from the program (Table A3.1 of Appendix 3). These include regional and subregional projects, and national projects with regional implications. The transport sector's progress continues to be constrained by the lack of a sector road map and the absence of tangible regional investment projects. Some on-going and completed initiatives are expected to address this issue. The SRMTS, BTILS, the Subregional Transport Logistics and Trade Facilitation Project³⁸ being prepared, as well as the CSP/CPSs, have all identified potential regional transport projects. Once implemented, these projects are likely to have high economic impact. National projects with regional implications which were not originally identified under the RCSP 2006-2008 are also expected to contribute significantly to increased connectivity in South Asia.

³⁵ under ADB RETA 6187: Promoting South Asian Regional Economic Cooperation.

³⁶ under ADB TA 6335-REG: BIMSTEC Transport Infrastructure and Logistics Study

³⁷ ADB. 2003. *Technical Assistance for the Subregional Corridor Operations Efficiency Study in the South Asia Subregion*. (TA 6112-REG). Manila.

³⁸ ADB. 2007. *Preparing the South Asia Subregional Economic Cooperation Transport Logistics and Trade Facilitation Project*. (TA 6435-REG). Manila.

1. Relevance

79. ADB's South Asia regional transport program is considered *highly relevant*. ADB's regional initiatives in the transport sector are consistent with national and regional development priorities. The 14th SAARC Summit in New Delhi endorsed the recommendations of the SRMTS, while the second BIMSTEC Summit in November 2008 acknowledged the BTILS as "an important first step in identifying connectivity bottlenecks and suggesting solutions". SAARC and BIMSTEC member countries showed interest in concrete follow-up action to the SRMTS and BTILS. The ongoing RETA for Preparing the South Asia Subregional Transport Logistics and Trade Facilitation Project, which is in the process of developing several proposals for inclusion in eventual investment projects, is closely consulting with participating countries to ensure the project's relevance to national and regional development goals. Moreover, the pro-active stance demonstrated by participating countries in developing the six corridors identified under the SASEC program clearly manifests the relevance and consistency of these corridors to national priorities.

80. Similarly, national strategies, including CPSs, give importance to national projects with regional impact. These projects help create the base for rapid economic growth in these countries. These projects include the Colombo Port in Sri Lanka (ongoing); Padma Bridge in Bangladesh (being prepared); and Road Connectivity Sector I Project in Nepal (ongoing). Strengthening linkages between the country and regional program and streamlining country and regional consultation processes (RCSP/CPS) within ADB could further increase the relevance of ADB's regional transport initiatives in South Asia as regional projects become more in line with national development priorities.

2. Effectiveness and Efficiency

81. ADB's regional initiatives in the transport sector are assessed to be *effective* and *less efficient*. South Asia transport projects aim to reduce transport costs, increase South Asia's competitiveness, and facilitate the movement of goods and people through improved transport connectivity. Toward this end, the RCSP committed to supporting the connectivity enhancement of key modes of transport (road, rail, inland waterways, sea, and air), and projects that can help connect capital cities and key economic centers within South Asia and beyond. To measure progress toward these strategic objectives, the RCSP results framework identified indicators that remain relevant to date, namely: (i) number of new subregional/regional transport projects identified and prioritized, and (ii) number of kilometers of transport corridors upgraded under the SASEC program.³⁹

82. ADB was able to support South Asian countries in identifying and prioritizing regional transport projects.⁴⁰ The SRMTS and BTILS identified highly relevant potential projects in the transport sector and in trade facilitation. The SRMTS identified 10 road corridors, five rail corridors, and two inland waterway corridors; and developed an action plan to remove constraints to connectivity and trade. In line with the recommendations of the SRMTS, model cross-border transport and transit agreements were also developed. The BTILS, on the other hand, proposed the BIMSTEC transport and logistics policy framework, strategies, and

³⁹ Another indicator, "number of border facilities upgraded under SECSCA CSATTF" is no longer relevant for the purpose of this assessment as the SECSCA program had been moved to ADB's Central Asia Department.

⁴⁰ Includes regional, interregional, and subregional projects.

implementing mechanism which aims to enhance transport infrastructure, improve logistics, and lower transport costs.

83. A major weakness of the transport sector development in South Asia is the lack of concrete regional investments. While the Subregional Transport Logistics and Trade Facilitation Project is expected to implement some of the identified transport priorities, South Asian countries have yet to further prioritize the long list of potential corridors identified in the regional studies and country programs and begin upgrading, developing, or constructing transport networks that could facilitate the smoother movement of trade, services, and peoples within the region. As such, it is difficult to assess at this stage whether the proposed projects would contribute to the attainment of the objectives identified by the RCSP. However, it is assessed that once these projects are implemented, they are most likely to be effective given their ability to respond to the need for improved transport infrastructure and increased connectivity in the region. The prioritization and implementation of the identified projects, as well as the coming into force of the cross-border and transit agreements, will be critical in moving toward the goal of reducing transport costs, increasing competitiveness, and facilitating the movement of goods and people through improved transport connectivity.

84. Most of the headway gained in the transport sector could be attributed to ongoing and proposed national projects with regional implications; projects that have been identified through the CPS and not through the RCSP. With the expansion and modernization work completed, the Colombo port is likely to emerge as the regional hub in the Bay of Bengal. In Bangladesh, the Padma Bridge is expected to reduce travel time and cost of goods traffic between Dhaka and Benapole, one of the trading routes with India. The proposed Road Connectivity Project in Nepal could improve road connectivity between the strategic road network and areas with major economic activities and neighboring countries. National transport projects also impact on the movement of trade in the region. With the development of the Colombo Port, it is likely to emerge as the regional hub in the Bay of Bengal, and result to more efficient movement of cargoes and goods in the region. The Padma Multipurpose Bridge Project is also expected to increase trade and volume of goods traffic between Bangladesh and other countries in the region, taking advantage of the new fixed link over the Padma River.

85. Most of the implemented projects have been cost-efficient, although some doubts continue to be cast over the efficiency of national transport projects. In Bhutan, the Road Network II project's economic rate of return is expected to be lower than the appraised due to lower than projected growth of traffic.⁴¹ In India, "the efficiency of transport sector projects under implementation is likely to be affected by lower than forecast traffic volumes and implementation problems, in particular the poor performance of contractors and suppliers, which may lead to cost overruns."⁴² While the proposed Subregional Transport Logistics and Trade Facilitation Project follows international best practice and is likely to be cost-effective, the long processing time for the project and the more complex process of reaching agreement on project components are assessed as less efficient. Overall, the transport sector is assessed as *less efficient*.

⁴¹ *Country Assistance Program Evaluation for Bhutan. Op.cit.*; ADB. 2006. *Transport Sector Assistance Program Evaluation for India*. Manila.

⁴² ADB. 2007. *Country Assistance Program Evaluation for India*. Manila.

3. Sustainability

86. With increased attention to budget considerations related to operation and maintenance of all types of transport, network effects and impacts are *likely to be sustainable*. Increasingly, regional and national projects are “likely” to be sustainable because of greater awareness of the budgetary implications and in particular, the need for allocating resources for operation and maintenance (O & M), improving asset management, cost recovery and decentralization of responsibility. Sector policy reforms introduced by member countries have had substantial ADB technical and financial input which contributed significantly to raising the likelihood of sustaining achieved outputs and outcomes. All countries are paying particular attention to maintenance of roads, bridges and related facilities. Given the differences in fiscal, political and environmental conditions among South Asian countries, the rating on the basis of sustainability may differ but that is likely to be one of degree rather than substance. Fiscal reform is underway in every country with assistance from international financial institutions including ADB, and cost recovery is high on the agenda. Besides, substantial improvements in the technology of infrastructure building and O & M improve the sustainability of outputs and outcomes. Country sector road maps developed by ADB in close consultation with countries are closely aligned to country priorities which contribute to sustainability. Sustainability of projects could be increased with the synchronization of the regional and country programming processes in ADB and with continued efforts to closely coordinate regional projects and country programs to maximize synergy.

4. Impact

87. All transport connectivity projects are *likely to have substantial impact* on economic growth, employment and poverty reduction. The development of the Padma Bridge is expected to lead to increased direct employment, poverty reduction, and more economic activity in the southwest zone of the country; as well as accelerated economic growth at the national level on account of fuller integration of the southwest zone in the national economy. Similar gains in terms of employment, poverty reduction, and economic activity are expected from the proposed Development of Transport Corridors Project in Bangladesh. Expected outputs and outcome include (i) increase in trade and volume of goods traffic between Bangladesh and other countries in the region; (ii) reduction in travel time and cost of goods traffic between Bangladesh and neighboring countries; and (iv) increase in direct employment, reduction in poverty, and increase in economic activity. Both the Padma Bridge Project and the Development of Transport Corridors Project will also provide critical links to regional corridors. Investments in road network and border facilities in Nepal have opened the possibility of Nepal benefiting from the dynamic growth impulses of neighboring countries. ADB-financed investments in the national highway corridors in India have laid the foundation for a major expansion of domestic as well as intra- and interregional trade and economic activities. All these and other future investments in road linkages will lead to reduction in vehicle operating costs, lowering of travel time, increase in traffic, and reduction in maintenance costs and improvement in road safety.

88. While ADB carried out normal due diligence with regard to compliance with ADB's policies, possible negative impact, and mitigation measures, concerns linger with residual or emerging issues linked to roads. These include concerns on environment, biodiversity, resettlement, road safety, HIV/AIDS and land grabbing (illegal takeover of land).

B. Trade Facilitation and Private Sector Cooperation

89. The RCSP 2006-2008 recognized that given the early stages of regional cooperation in South Asia, ADB's short- and medium-term lending program must focus on improving regional

and interregional transport connectivity to support the growth of intra- and interregional trade and investment. The RCSP aimed at supporting key activities to reduce and/or remove both trade and non-trade barriers to 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 were expected to enhance the competitiveness of goods and services produced in South Asia and increase the prospects for greater international trade and investment. However, headway reached in the transport sector has not been directly translated to the successful growth of intra- and interregional trade and investments in South Asia. Relatively few initiatives are underway in trade facilitation, although activities being processed are integrated with transport projects and will likely generate important benefits. Although ADB's trade facilitation initiatives in South Asia have produced several trade facilitation studies—particularly the SASEC studies on non-tariff and non-trade barriers (NTBs), streamlining customs procedures, and developing quality and products standards—there has not been any implementation of recommendations of the study nor actual investment projects. For these reasons, ADB's regional initiatives in trade facilitation in South Asia are rated *unsuccessful*.

1. Relevance

90. Trade facilitation activities are rated as *relevant*. There is no regional sector strategic framework for intra- and interregional trade promotion, but various ADB-supported subregional studies have generated relevant information for trade policy and strategy articulation. The studies on NTBs, products and quality standards, and customs harmonization contained forward-looking recommendations to increase intraregional trade. However, the relevance of trade facilitation initiatives is slightly diminished by the fact that similar undertakings on customs and standards have been initiated under SAARC, were not effectively accounted for under the ADB-supported studies. Participating countries noted the need for ADB-supported initiatives to avoid duplication with other on-going initiatives in order to increase the relevance of ADB-supported activities. National strategies and ADB's CPS also primarily focus on increasing country trade and investment with third countries and less with South Asian neighbors, which deviates from the RCSP's goal of improving intraregional and interregional trade and investment in South Asia. Moreover, trade facilitation matters have been embedded under SAFTA and have often been considered as outside the purview of direct support by development partners.

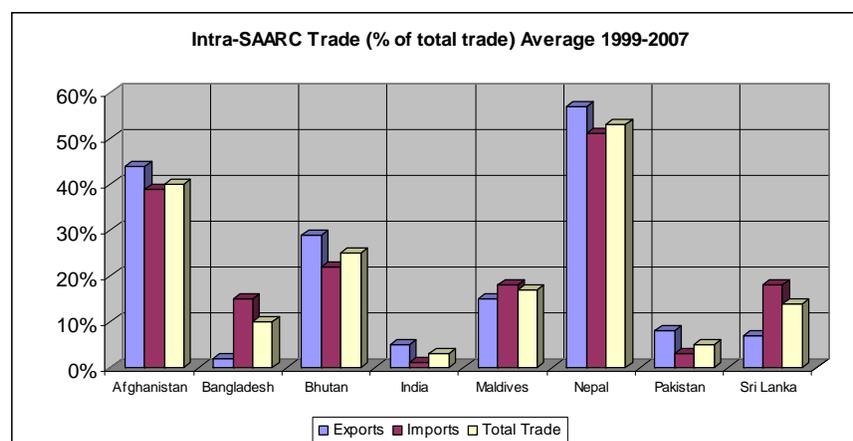
2. Effectiveness and Efficiency

91. The RCSP identified (i) number of trade facilitation studies undertaken under the SASEC program, and (ii) number of new trade facilitation projects/programs identified and prioritized as measures for improved trade facilitation. As earlier noted, a major challenge faced by ADB's regional initiatives in trade facilitation in South Asia is the lack of tangible regional investment projects and cooperative agreements. While forward looking recommendations on NTBs, products and quality standards, and customs procedures have been produced, actual interventions to facilitate intraregional trade have yet to be undertaken. Because participating countries raised concerns on the redundancy some of the studies with existing SAARC activities (e.g. standards and customs studies under the SASEC program), and lack of ownership, regional trade facilitation initiatives are assessed as *less effective and less efficient*.

92. Intra-SAARC trade is still low but growing (Figure 1). While tariff barriers to trade are coming down in the region, these are being replaced by structural and other non-tariff barriers. ADB's lack of trade facilitation projects limits its ability to help address these trade-facilitation

issues. However, new beginnings are under way with ongoing and proposed investments in border posts and trade-related infrastructure (e.g., computerized customs systems). The proposed Subregional Transport Logistics and Trade Facilitation Project also holds promise in effectively contributing to trade facilitation by developing physical and trade-related infrastructure such as land border points, access roads, warehouses, and transit halls. National transport projects such as the Colombo Port and Padma Bridge projects are expected to result to more efficient movement of goods, and increased trade within the region.

Figure 1: Intra-SAARC Trade



93. A "modest" beginning has been made in private sector cooperation but it has been *efficient*. However, as in the case of other sectors, there is no regional sector strategic framework or action plan for private sector cooperation and civil society participation (Track II). National strategy and ADB CPS primarily focus on policy changes (enabling and regulatory environment), institutional strengthening, and skills development in promoting private sector cooperation. ADB has supported TA projects on Management Development and Institution Building in SASEC Countries and Cross-border Private Sector Cooperation in information and communication technology (ICT) among SASEC participating countries, and supported studies and deliberations by independent think tanks in SAARC countries. The private sector in South Asia has signified interest in regional cooperation, but political sensitivities have first to be threshed out before these potential cross-border investments can materialize. ADB could play an important role in effectively setting the ground for regional foreign private investment through knowledge management activities such as studies, dialogues and discussions, and in assisting in the development of an enabling policy and institutional framework.

3. Sustainability

94. Given the sensitivity of some trade facilitation issues (e.g. NTBs), trade facilitation and trade related infrastructure and facilities support are *less likely to be sustainable*. The initiatives are more vulnerable to the political dynamics in the region. Thus, sustainability of the projects and sector could be affected.

4. Impact

95. In terms of total trade expansion, impact can be characterized as *likely to be modest*. Concrete activities need to be supported to help facilitate intraregional trade and address issues

such as NTBs, customs harmonization, and the development of products and quality standards. Strengthening links between trade facilitation and transport projects could result to greater impact.

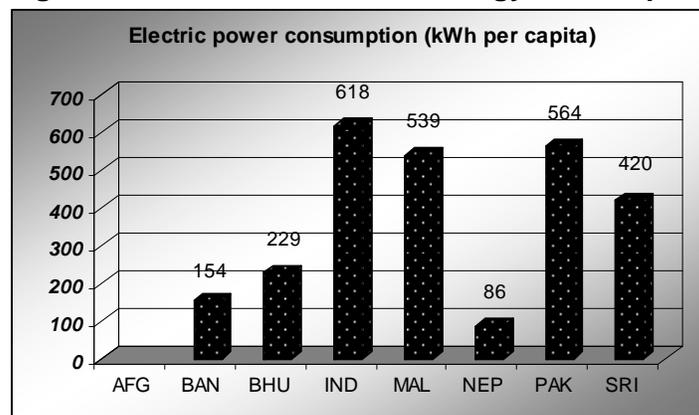
C. Energy

96. The RCSP recognized potential difficulties in energy cooperation early on and noted that "progress of cooperation in the energy sector has so far been limited and slow because of strong national interests and sensitivities over energy trade." The SAARC Regional Energy Trade Study (SRETS) is a good first step in providing a framework for energy cooperation in the region. The study is in line with the RCSP's objective of "working with governments, SAARC, the private sector, and other development partners to support opportunities for jointly developing energy resources in energy-rich countries for export to energy-deficient countries in South Asia and beyond". National strategies, including CPSs, focus on national connectivity with investments in generation, transmission, and distribution (national grid and rural electrification systems). These strategies aim to meet growing domestic energy deficit, tap regional and subregional markets from potential surplus energy producers, and introduce institutional reform. Though many ideas are yet on the drawing board, the pipeline is rich and potential benefits are very significant. The overall RCR rating for this sector is *partly successful*.

1. Relevance

97. Energy consumption in South Asia is low and there is considerable variation among countries (Figure 2). The development of an integrated regional energy grid and energy trade among SAARC countries are distinct possibilities. The RETA for Preparing the Energy Sector Dialogue and South Asian Association for Regional Cooperation Energy Center Capacity Development Project⁴³, which produced the SRETS, has been pursued under the RCSP. The SRETS was reviewed in an intergovernmental interim meeting in 2008 and is currently being finalized. Through rigorous analytical work on the basis of improved data base, SRETS is opening up investment options for bilateral energy connectivity and trade, although a completely integrated regional grid remains in the distant future. National and bilateral projects with potential regional benefits have also been implemented. A feasibility study has been initiated for the India-Sri Lanka interconnector Project. The Bhutan Green Power Development project is also ongoing. These combined investments in energy generation, transmission lines, and interconnector by ADB, donor partners, and countries, have proven to be *highly relevant* in filling the prevailing energy gap which hinders economic and social development.

⁴³ ADB. 2006. *Preparing the Energy Sector Dialogue and SAARC Energy Center Capacity Development Project*. (TA 6368-REG). Manila.

Figure 2 – SAARC countries – energy consumption

2. Effectiveness and Efficiency

98. The RCSP identified the following indicators as a measure of the progress toward increasing cooperation for future energy trade in South Asia: (i) number of new subregional/regional projects on energy trade identified and prioritized; and (ii) decision on implementation of gas pipeline projects. The RCSP's energy program is *effective* and *less efficient*⁴. The ongoing and proposed projects in the sector aim to increase energy supply and energy trade through cross-border interconnection and are in line with the RCSP's goal of working with various stakeholders to support energy trade in South Asia and beyond. The results from these projects are expected to be effective in addressing the perceived energy gaps. Likewise, alternative and more cost-effective energy sources are tapped to supply energy to the region. Energy cooperation projects have taken more time than anticipated to prepare and implement as close consultation among governments and key ministries had to be ensured. This makes the program *less efficient*.

99. The SRETS identified existing bilateral energy trade between countries, and future energy sector development opportunities. This has opened the doors for potential regional trade options and opportunities for energy cooperation. Once implemented, these projects could support the RCSP's strategic objective of increased cooperation for future energy trade within South Asia. Ongoing and planned investments in generation and transmission to promote regional energy trade (Nepal, Bhutan, India, Sri Lanka) will also make cheaper power available to consumers and allow the optimal and sustainable harnessing of energy resources. The capacity building of the SAARC Energy Center is also an important milestone as it facilitated the sharing of experiences, technology transfer, and in-country capacity building in energy planning, regulation, and efficiency.

100. However, to date, most of ADB's assistance on energy development in South Asia has been focused on national and bilateral projects that are beyond the purview of the RCSP. These national projects also have significant regional dimensions and could serve as the building blocks toward the envisioned regional energy grid and increased energy trade in the region. ADB assistance to energy development in South Asia is associated with five energy projects which include four ongoing projects, and one dropped project (Table A3.1 of Appendix 3).

Preparation of a project upgrading the transmission line from Nepal to India is near completion. Once the transmission line is upgraded, Nepal, which is currently going through severe power shortages, will be able to import more power from India. This upgraded capacity could also be used in the future to export power from Nepal to India. The proposed West Seti Hydropower project financed by ADB is expected to produce affordable and reliable peak and off-peak electricity to Nepal and to India in an economically, financially, environmentally, and socially sustainable manner. Promotion of private sector participation and development of competitive markets to determine price of power will aid the consumers promote conservation and reward environmental sustainability.

3. Sustainability

101. The strategic importance of energy projects and the strong government ownership could make energy project outputs *likely to be sustainable*. Increase in private sector investments will also contribute to sustainability as operations will be market driven. Investments in transmission will allow energy trade in the future. However, projects are vulnerable to risks brought about by the sensitivity of energy cooperation and energy trade in the region. Thus, overall sustainability of the energy sector is rated as *less likely to be sustainable*.

4. Impact

102. Substantial impact in terms of economic output and household consumption benefits are *highly likely*. This could further encourage public and private investments in additional power transmission interconnections in the region. Implementation of regional projects such as the West Seti Hydroelectric Project in Nepal (proposed), Green Power Development in Bhutan (ongoing), and other projects on power transmission upgrading and interconnections, will generate a positive impact almost instantaneously. The West Seti Hydroelectric Project, for example, is expected to provide additional revenues for the government of Nepal that can be applied to its poverty reduction program. Expansion of commercial power supply will also reduce pressure on countries' biomass resources.

D. Tourism

103. The RCSP recognizes the role of a well-planned and managed tourism development in providing a basis for building confidence in regional cooperation in other sectors and fostering people-to-people connection. As such, the RCSP emphasized ADB's role as a catalyst and facilitator for tourism development, particularly in supporting infrastructure needed to foster tourism development. ADB assistance is associated with the three South Asia Tourism Infrastructure Development Projects for Nepal, India, and Bangladesh which are based on a South Asia tourism circuit and infrastructure vision. The presence of a sector roadmap, the Tourism Development Plan (TDP)⁴⁴ which spells out the directions of the tourism sector in the region, as well as the recently-approved South Asia Tourism Infrastructure Development Project are expected to result to sustainable and effective interventions in tourism. This is the second multi-country regional investment project for South Asia initiated by the participating countries under the SASEC program. The regional program on tourism is assessed as *partly successful*.

⁴⁴ ADB. 2003. *Technical Assistance for the South Asia Subregional Economic Cooperation Tourism Development Plan*. (TA 6131-REG). Manila.

1. Relevance

104. South Asia is faced by constraints to tourism development, including inadequate infrastructure, utilities, services, and institutional and regulatory frameworks; environmental sustainability; and lack of private sector and community participation. ADB's activities to promote regional tourism in South Asia are considered *relevant* as these stimulate growth of the tourism sector in the region. Moreover, participating countries have shown great appreciation, knowledge, understanding, and enthusiasm about the TDP reviewed and endorsed by the SASEC Tourism Working Group; and the progress made with the design and processing of the South Asia Tourism Infrastructure Development Project (nature and culture-based tourism including Buddhist circuits).

2. Effectiveness and Efficiency

105. The tourism program is *effective and less efficient*. Concrete infrastructure expansion and creation of tourist destination amenities are expected to emerge to support future growth. Proposed investments in tourism infrastructure are likely to be cost-effective. The TDP developed under the SASEC program has been completed. It is a comprehensive plan which presents four core strategic directions of convergence, connectivity, coordination, and conservation; six broad strategies⁴⁵; seven subregional programs; and 23 projects. The South Asia Tourism Infrastructure Development Project (nature and culture-based tourism including Buddhist circuits) and other national projects will contribute to the growth of tourism in Bangladesh, Bhutan, India, and Nepal, and will help achieve the RCSP's goal of increased promotion of regional tourism. The projects are also expected to impact on the number of tourist arrivals in the region.

106. The progress of cooperation in tourism in South Asia has been faster as compared to other sectors. This is due to country commitment and leadership. The regional TDP provided the framework for dialogue among participating countries. However, the TDP paid less attention to infrastructure development. The SASEC TWG recognized this gap and made efforts to fill it with a request to ADB for a RETA to support the development of a subregional circuit and tourism infrastructure development framework and a feasibility study of an investment package. On the less progressive aspects of tourism cooperation, collaboration in marketing has had very limited impact. Similarly, while the Human Resources Development for the Tourism Sector Project⁴⁶ opened opportunities to develop a pool of trainers and develop competencies of workers and service providers in the tourism sector, this had limited impact. Initiatives designed to raise product quality and consistency of tourist attractions have not moved forward, despite the series of training undertaken under the TDP. However, a sustained approach which includes echoing the training program to the other subsectors and workers in the tourism industry could result to an increase in the quality of services and products in the longer term. Efforts to mobilize the private sector are yet to bear fruit.

⁴⁵ The TDP identifies the following six broad strategies: (i) SASEC Tourism should be sustainable and contribute to reduction of poverty; (ii) branding should focus on SASEC's products and not on the subregion itself; (iii) joint marketing will be initiated before introducing measures to ensure product quality; (iv) reposition the subregion as a tourist-friendly destination; (v) facilitate the development of a more competitive tourism industry; improve tourism links with neighboring countries.

⁴⁶ ADB. 2006. *Technical Assistance for South Asia Subregional Economic Cooperation (SASEC) Human Resource Development and Capacity Development in the Tourism Sector: Subregional Tourism Human Resource Development Strategy & Action Plan 2006-2011*. (TA 6225-REG). Manila.

107. A multi-country approach is adopted in the South Asia Tourism Infrastructure Development Project (nature and culture-based tourism including Buddhist circuits) as it is considered an effective instrument to link the complementary and contiguous tourism attractions of individual SASEC participating countries (e.g., Buddhist sites and ecotourism which could attract Buddhist tourists from other countries like Japan). The Project will tap the potential of tourism endowments of Nepal, India and Bangladesh for sustainable and inclusive growth in South Asia. The impact will be reflected as an increase in the contribution of tourism to the subregion's economy and employment opportunities. Based on a South Asia Tourism Circuit and Infrastructure Vision, the Project will focus activities on selected high priority subregional circuits that link the individual and complementary tourism assets of Nepal, India, and Bangladesh. The Project will improve connectivity to and destination infrastructure and services in key nature and culture-based tourism sites and assist in the promotion of tourism circuits being developed. It will build the capacities of sector agencies for sustainable protection and management of natural and cultural heritage and tourism infrastructure. Moreover, the Project will enhance physical and economic linkages between local populations and tourism, and increase benefits from tourism to the subregion's communities.

108. The overall tourism initiatives are considered *less efficient* due to the long processing time of regional projects (the project was originally programmed for 2008).

3. Sustainability

109. Sustainability of tourism is *likely*, based on the countries' commitment to attain higher tourism growth in the region. This will ensure the sustainability of tourism projects. Income from tourist arrivals, capacity building provided under the TDP, and likely sustained growth of new and repeat arrivals will help sustain facilities. Sustainability of facilities is further assured by the use of local labor, promotion of community participation, implementation of resettlement plan, avoidance of significant and irreversible impact, cost recovery, and increased private sector participation. Future growth of tourism is also likely to be sustainable due to the improvement in the security situation in some member countries following the end of civil conflict and improvement of bilateral relations.

4. Impact

110. As a result of new projects being implemented, *substantial* gains in terms of income and employment generation from tourism are likely. For example, the South Asia Tourism Infrastructure Development project is expected to increase arrivals in all destinations. The opportunity to build a globally competitive tourism sector also exists. Recent data suggest growth in international arrivals at 8% annually from 2000-2007. Tourism, being a labor-intensive sector, is expected to generate significant employment. A priority program, the Human Resources Development for the Tourism Sector Program was implemented with ADB support in 2006. Human resources development was effective in creating a pool of trainers which could help sustain the development of a professional pool of tourist service providers in the region. Progress attained in this area has to be sustained by continued training and re-training to ensure a higher quality of tourist workers and service providers. The expected impact of the South Asia Tourism Infrastructure Development Project is contribution to sustainable and inclusive development as reflected in an increase in the contribution of tourism to the region's economy and employment opportunities. Expected outcomes include a number of well-developed, well-managed, and easily-accessible high priority subregional circuits of culture and nature based destinations.

E. Environment and Climate Change

111. Environmental threat in South Asia is perceived to come from high rates of population growth resulting in increasing pressure on the natural resource base, land degradation, and diminished regeneration capacity of pastures and forests, higher deforestation risks, increased risks of soil erosion, high rural-urban migration, explosive growth in number of vehicles, increased dependence of agriculture on fertilizers and chemicals, and water availability and pollution. Climate Change has become an important agenda for SAARC. A related concern in some countries is that of carbon credit for protection of the environment.

112. Given the complexity of this thematic area, only capacity building and knowledge management activities are expected. The RCSP recognized the difficulties in this area given inherent sensitivities and complexities associated with the number of ministries and agencies with jurisdiction over the issue of environment (and water). Thus, in the short and medium term, the RCSP identified knowledge-based cooperation as a key focus of ADB support in the water and environment sectors. In the meantime, ADB's involvement in climate change has intensified in recent years given the exigency of climate change issues and its strong developmental impact. ADB has recently supported regional cooperation activities relating to climate change and several activities are being undertaken in this area. ADB's South Asia Department has also given importance on climate change and clean energy issues. ADB has allocated \$16.5 million for climate change and clean energy projects in South Asia, this amounts to 35% of the Clean Energy Financing Partnership Facility (CEFPF) and 24% of the Climate Change Fund (CCF) allocated to projects in South Asia.⁴⁷ SAARC has also adopted a three-year action plan focusing on seven thematic areas including adaptation, mitigation, and a common regional stance in international negotiations. Given this, as well as the existence of a Climate Change Implementation Plan (CCIP) within ADB, future interventions are expected to have a strong positive impact in the region. However, while interest on climate change has been increasing in ADB, the effects of these activities are not expected to be manifested in the short term. The outcome of the environment activities is assessed as *unsuccessful*.

1. Relevance

113. ADB's national activities in environment and climate change have been *relevant* though there is no regional sector strategic framework or action plan for environment and climate change. ADB-supported initiatives in environment have met the RCSP's stated objective of increased knowledge-based cooperation in this thematic area. In line with this, ADB has made a careful assessment of the state of environment in South Asia. The regional study on the management of hazardous waste⁴⁸ is highly relevant. The study, which is now in the process of being completed, recognized the need to develop a subregional framework on managing hazardous wastes to enable countries to have a common treatment and agreed arrangement for trans-boundary movement of hazardous wastes. If pursued, this framework will provide an important breakthrough in advancing cooperation in environment management in South Asia. However, with regard to implementing investment projects, participating countries agreed that this is still dependent on the results of further studies, national priorities, and the availability of resources. ADB has been requested to support further studies on hazardous wastes that could

⁴⁷ As of 30 September 2009.

⁴⁸ ADB. 2006. *Technical Assistance for Managing Hazardous Wastes*. Manila. (TA 6361-REG).

serve as the road map from which future investment projects could be identified. SARD has provided support to the Regional Economics of Climate Change Study (RECCS) which aims to deepen the understanding of the economic and policy implications of climate change and global warming in the region. This illustrates the responsiveness of ADB to climate change.

114. While the RCSP mentions the importance of managing water resources and the environment for improving quality of life, little has been done on the energy—water—climate change—food security—environment nexus. Relevance of ADB's activities in this area could increase should more focus be given on this nexus.

2. Effectiveness and Efficiency

115. Outputs in this sector are rated *less effective* and *less efficient*. National strategy and ADB CPS primarily focus on compliance policies (regulatory basis for environmental management) and investment in mitigation as well as adaptation measures. With these, ADB has succeeded in mainstreaming environmental considerations in its operations. Significant contributions have been made to the understanding of issues and solutions and overall knowledge development through TA reports on managing hazardous waste, renewable energy, energy efficiency and greenhouse gas abatement and regional air quality management. However, initiatives in this sector have followed a piece-meal approach which focused on topics of common interest, without the benefit of follow-through activities to deepen the impact of such activities. For example, The TA to promote a regional air quality monitoring program was selected based on a list of priority areas for action identified during the first meeting. However the EWG's mandate for providing follow-up support for activities initiated under the TA was unclear. Therefore, upon completion of the RETA, the EWG shifted its focus to the next TA. Dissemination of the results from the studies was also mainly confined to those who attended the SASEC Environment Working Group meetings and were not disseminated to a larger public. The impact and benefits derived from these studies would have been greater had information dissemination and knowledge management activities been undertaken for other key stakeholders. While there is a new focus on the impact of climate change and the adaptation to it, these initiatives came to fruition toward the latter part of 2008. Future programs could be more *effective and efficient* through more concrete undertakings such as (i) the design and implementation of a regional project on the management of hazardous waste; (ii) support for the formulation and implementation of National Adaptation Plan of Action (NAPA); and (iii) promotion of subregional cooperation in environmental management.

116. The RETA on Managing Hazardous Wastes is designed to assist four South Asian countries (Bangladesh, Bhutan, India, and Nepal) to improve and develop policies to effectively manage hazardous wastes by taking advantage of coordination among the countries and fostering knowledge sharing and developing network on managing hazardous wastes. The RETA is at an advanced stage with Bangladesh, Bhutan and Nepal waste inventories, draft policy and rules completed. For India, a report on reviewing hazardous waste regulations and on potential involvement of the private sector in managing hazardous wastes has been prepared. Training modules for managing hazardous wastes that can be used by all four member countries have been developed. The final regional report which outlines the results of the RETA and next steps are being reviewed by the four countries. However, no concrete activities have been undertaken by the countries to implement the recommendations of the studies. Effectiveness of this project could be increased with the implementation of actual investment projects to manage hazardous wastes. Activities and the proposed regional effort are cost effective, although they are still assessed as *less efficient* given the amount of time taken to reach agreement on priority areas and implement regional activities.

3. Sustainability

117. The activities in this sector are *less likely to be sustainable*. While strong government ownership and the conscious effort to develop renewable energy sources are likely to contribute to the sustainability of projects, the sensitivities in environment cooperation could increase the projects' vulnerability to the political dynamics in the region and make environmental cooperation *less likely to be sustainable*.

4. Impact

118. Given limited scope, impact is *likely to be modest*. ADB's level of environmental assistance has been small. There appear to be several explanations, including (i) the discontinuation of specific quantitative targets for projects with environmental or social objectives; (ii) ADB's 2002 Environment Policy, which focuses on environmental safeguards rather than environmental improvement; and (iii) organizational changes within ADB that dispersed scarce staff with environmental expertise across a number of departments and divisions. Overtime, however, impact of ADB's activities is most likely to be substantial. ADB is developing new modalities to better position itself to support energy efficiency, renewable energy, and the clean development mechanism, and to promote the development of cleaner technologies to help address the energy/environment nexus. Momentum has also picked up within ADB to promote and support climate change initiatives. These initiatives should help shape projects with deeper impact on South Asia's environment.

F. Information and Communication Technology (ICT)

119. The RCSP aims to improve communications connectivity through communications projects that can help connect capital cities and key economic centers within South Asia and beyond. This sector has moved relatively faster compared to the others. Concrete regional and national projects are now being implemented, making possible outcomes to be realized in the near future. Assessment for this sector is *partly successful*.

1. Relevance

120. The expected outputs of the SASEC Information Highway Project, as well as the national ICT activities are *relevant* and responsive to the needs of the region. The Information Highway Project⁴⁹ and their intended outputs and outcomes are relevant in bridging the digital divide among South Asian countries. The project stems from the ICT Development Masterplan which was developed under the SASEC program, in close consultation with participating countries. Approved in December 2007, the Information Highway Project's goals of (i) establishing a regional network with fiber-optic and data interchange capacity, directly connecting four SASEC participating countries; (ii) expanding broadband ICT access to 110 rural communities through the village network in SASEC participating countries and directly connecting the communities to local networking and information sourcing; and (iii) establishing a SASEC research and training network to build technical and business skills in ICT, will bridge the digital divide across and within countries in the region.

⁴⁹ ADB. 2007. *Report and Recommendation of the President to the Board of Directors, Proposed Asian Development Fund Grant, Loan, and Technical Assistance Grant People's Republic of Bangladesh, Kingdom of Bhutan, India, and Nepal: South Asia Subregional Economic Cooperation Information Highway Project*. Manila.

121. National ICT activities are also relevant, and are expected to have a wider impact in the region. The Information and Communication Technology Development Project in Nepal is geared toward improving internal and external connectivity and access, policy and institutional reforms, and efficient and effective government service delivery precondition for transparency and accountability. The project is closely aligned with government's strategy to modernize and mainstream the ICT system in the country through training, technology transfer, and strategic public and private sector investment.

2. Effectiveness and Efficiency

122. The ICT activities are rated *effective* and *less efficient*. The RCSP has identified and prioritized new subregional connectivity ICT projects under the SASEC ICT Master Plan, such as the SASEC Information Highway Project. In the case of the Information Highway Project, the anticipated outputs are cross-border connectivity, bridging rural-urban divide in ICT, and capacity building in e-development including improving ICT literacy. These are extremely meaningful and "effective" in the context of digital progress in South Asia in bridging digital divide and in supporting the increasing potential for trade in services in the region. The project contributes to the achievement of the RCSP goal of improving communication connectivity in South Asia. As designed, the project is cost effective as it will use part of existing capacity within the countries. However, delays in commencing the implementation of the project due to (i) the long process in discussing and agreeing on the project implementation arrangements required for loan and grant effectiveness and (ii) change in personnel on both the governments and ADB side. Lack of in-house experience of ICT issues in South Asia may also contribute to the less efficient outcome. Thus, the ICT sector is assessed as *less efficient*.

123. The ICT Development Master Plan⁵⁰, allowed for a review and assessment of ICT the infrastructure, operation and maintenance, use of ICT applications, regulatory framework, human resources and institutions, of Bangladesh, Bhutan, India, and Nepal. The integrated development strategy for ICT development in South Asia is built around five common issues: infrastructure, skills capacity, regulations, applications, and governance. The report recommends specific individual projects and TAs to further cooperation in ICT in South Asia. This is a major achievement. The ICT Development Masterplan is a source of potential ICT investment projects in the region.

3. Sustainability

124. Commitment of the four participating countries and the participation of the private sector in implementing the projects should make *sustainability likely*.

4. Impact

125. The impact will *likely be substantial*. The Information Highway Project will contribute to poverty reduction and inclusive growth by improving productivity and efficiency and linking up with the global information economy. This will be achieved by increasing the supply of affordable broadband, skilled ICT manpower, and local content and e-applications particularly for the needs of the poor. Likewise, the Nepal project will improve government service delivery and access to information on market and technology.

⁵⁰ ADB. 2005. *Technical Assistance for South Asia Subregional Economic Cooperation Information and Communication Technology Development Masterplan*. (TA 6232-REG). Manila.

IV. CONCLUSION, LESSONS AND RECOMMENDATIONS

126. The report concludes that ADB's RCSP for South Asia, 2006-2008, is *partly successful*, reflecting the overall *partly successful* rating for the top-down and the bottom-up assessments. A number of factors support this rating.

- (i) First, the RCSP provided a valid instrument for economic growth and social progress in the region. The RCSP successfully addressed constraints to inclusive growth in the region, including issues of connectivity, trade facilitation, and energy development.
- (ii) Second, the RCSP articulated goals and objectives that were supported by South Asian countries, and made significant strides in realizing objectives and producing significant outputs particularly in the areas of transport connectivity and tourism. The RCSP recommended activities and identified potential projects in priority sectors that resulted in increased economic opportunities; employment generation; and increased access to markets, services, goods, and information. ADB's experience in implementing the RCSP points to the importance of the link between regional projects with national development goals. Much of the headway gained in terms of demonstrating concrete benefits from regional cooperation came from the implementation of national projects that had a wider regional impact. The RCSP demonstrates that country commitment was stronger in implementing regional projects that were in line with national development priorities.
- (iii) Third, ADB's approach in supporting SAARC, BIMSTEC, and SASEC program, became an important instrument in bringing countries together to engage in dialogue on mutually beneficial regional cooperation activities. This approach allowed ADB flexibility to support the more complex regional processes in advancing regional cooperation on one hand, while working toward the implementation of quick-yielding regional projects that demonstrated the benefits from regional cooperation on the other hand.
- (iv) Fourth, the mix of regional and national projects with regional implications that were processed and implemented during the RCSP period were efficiently and effectively delivered, as measured by the concrete infrastructure work that has been accomplished in some countries.
- (v) Finally, through ADB's technical assistance and sector studies, a range of regional project concepts were identified along priority sectors of the governments, preparing the way for important cross-border infrastructure investments for South Asia in the near future. Technical assistance plays an important role in improving the capacity of governments to identify, develop and manage regional projects. Knowledge management activities, regional studies, forums, and capacity development activities are important inputs to the process of identifying and eventually implementing regional projects and advancing regional cooperation in South Asia. An overview of the achievements of the RCSP for South Asia by top-down and bottom-up perspectives are discussed in Appendix 5.

127. Although the RCSP made a *partly successful* attempt in generating regional cooperation ideas and actually reaping results from some investment projects, certain shortcomings need to be addressed. These issues include lack of synergy between the RCSP and CSP/CPS resulting in weak convergence of national and regional priorities; lack of progress on important regional cooperation objectives such as trade and investment, private sector cooperation, and

environment; the need to prioritize identified potential regional projects and translate these into viable regional projects; delays in processing and implementation of investment projects due to more complex processes within the countries and the region, particularly in cross-border arrangements; and resource constraints that limit ADB's ability to address the huge financing gap in the region. Apart from these issues, critical observations and lessons-learned need to be carefully considered in ensuring smoother implementation of the RCI agenda in South Asia:

1. Implementing Concrete Regional Projects

128. The RCR recognizes that the major challenge for RCI in South Asia is to accelerate the implementation of concrete regional projects that can immediately showcase tangible benefits for the region in the immediate term and in particular to the people of South Asia.

129. Gains in regional cooperation in South Asia have to be measured in small steps. Countries have internal political and security issues to be dealt with. Bilateral relations are sensitive, and often governments respond to episodes of heightened tensions by holding back progress in regional and subregional cooperation. Despite these obstacles, progress was made and potential foundations of cross-border cooperation are being laid down within and beyond the region.

130. Regarding the scope of regional cooperation activities, a parallel multi-track approach is desirable. One would be to initiate confidence-building projects and quick-yielding projects limited in size and scope involving two or more countries, particularly in those sectors perceived to be less sensitive; and the other would be to pursue ambitious flagship investment projects and programs that will have significant cross-border impacts. Initially, a focus on less sensitive sectors could be undertaken, in order to build trust and confidence among participating countries. This would be followed by more challenging areas such as trade facilitation and energy cooperation. Over the longer-term, once there is a requisite level of trust and confidence, one could consider cooperation in more challenging areas such as water resource management.

131. There is a strong case for forging interregional linkages between South Asia and neighboring regions. Payoff will be high if the potential linkages are realized (e.g., land bridge between South Asia and Southeast Asia; and South Asia as the sea link between East and West Asia, and Europe through South Asia; and finally, South Asia as the land bridge between Southeast, East Asia, and Central Asia).

132. **In order to enhance the processing of regional cooperation projects and activities**, the RCR recommends the following:

- (i) Continue ADB's flexible and pragmatic multi-track, multi-speed approach to expedite the development and implementation of regional investment projects. The regional projects could be developed at the regional or subregional levels, or as national projects with regional implications. National projects with regional implications must be used to build toward bigger, cross-border regional projects.
- (ii) Adopt a more modest approach by supporting smaller and less sensitive initiatives which could be building blocks for larger initiatives in the future.
- (iii) Involve foreign ministries early on, i.e. in the identification and prioritization of potential projects, to help ensure that cross-border agreements, when needed, are in place prior to the approval of the project.

- (iv) Support high-level regional forum on a regular basis that will facilitate dialogue among senior government officials and key stakeholders to further advance regional cooperation in South Asia.
- (v) Support national projects that could serve as building blocks to and eventually comprise a larger, cross-border regional project. Adopting the "building blocks" approach will allow flexibility for a multi-speed approach where countries could process projects at different paces they are each comfortable with.
- (vi) Continue discussing with SAARC Secretariat on the SAARC Secretariat-ADB annual work program in order to more effectively and sustainably implement regional cooperation activities and projects. ADB should continue dialoguing with BIMSTEC Working Group to identify concrete interregional projects. If possible, a BIMSTEC Working Group-ADB annual work program could also be discussed.
- (vii) Introduce results-based frameworks in activities with RCI partners (e.g. regional organizations and other development partners) is important in encouraging tangible targets for regional cooperation projects and activities.
- (viii) Step up ADB's facilitator role in widening and deepening gains made to date in South Asia RCI. Much can be gained from developing mechanisms to share interregional experiences and adapting and adopting these mechanisms, as appropriate. Pursuing knowledge management activities under the Track II approach, and involving various stakeholders, could help boost support for and catalyze the increased pace of regional cooperation in South Asia.
- (ix) Define an operational framework of engagement agreed upon by the countries. Within this framework, key considerations could include (i) closely aligning regional activities with the diverse priorities of the countries, (ii) supporting the more pro-active coordination among key RCI stakeholders such as foreign ministries, finance ministries, line ministries, regional bodies, private sector, development partners, and cofinancers; (iii) fostering greater trust and confidence, and clear understanding of benefits of RCI across country RCI stakeholders; (iv) developing capacity to manage regional programs and investment projects; and (v) securing adequate resources and exploring financing mechanisms that could support regional investment projects.

2. Strengthening Support and Country Ownership

133. The RCR recognizes that the RCS and CPSs need to be formulated within an integrated framework in order to ensure consistency and convergence of regional and national priorities. Investment projects, whether national or regional, are implemented with more ease when these are aligned to national priorities. A regional priority project has to be a national priority project, too. Indeed, many national projects could have the potential of making greater contribution to regional cooperation than regional projects per se. These projects demonstrate the intended or unintended interface between CPSs and RCS and underscore the need for closely aligning RCS with CPSs and national development plans.

134. **In order to strengthen country ownership and support**, regional and national development priorities could be aligned.

- (i) The RCR recommends creating an integrated framework, where regional and country programming could be jointly undertaken. Regional cooperation should be an integral component of the CPS and consideration could be given to mainstreaming RCI activities in the CPS, particularly in landlocked countries in the region.

- (ii) ADB, being an honest broker of RCI in Asia and the Pacific, should continue to facilitate dialogues among South Asian countries in order to sustain the momentum that has been started, as well as elicit more interest and deeper commitment from the countries. ADB is also well-placed to effectively translate RCI ideas into viable regional projects through technical assistance and other sector studies.

3. Increasing Resources for Regional Cooperation

135. While there is great demand for regional infrastructure in the region, resource constraints continue to hamper the development of much-needed regional projects in South Asia. Effort should be undertaken to address this resource constraint by identifying means to provide more concessional funds to support regional investment projects, particularly in ADF and blend countries. Increased collaboration with other development partners and the private sector could be considered in addressing this issue. Given the huge financing gap in the region, ADB is challenged to find means to make good its commitment of allocating at least 30% of its operations to regional cooperation by 2020. To achieve this target, additional resources, through increased staffing internally and increased funding resources externally, would be required to better strategize, design, implement, and monitor RCI activities in South Asia.

136. In order to strengthen financing for regional cooperation projects and activities:

- (i) ADB could assist countries by exploring the possibility of creating or securing alternative funding sources which could address government's additionality and concessionality concerns of funding for regional projects.
- (ii) ADB could continue to strengthen its facilitative role in encouraging the private sector to participate, support, and co-finance regional projects. Private sector participation is important to the successful implementation of regional projects in sectors such as ICT, which is primarily private-sector driven.

137. **In order to strengthen ADB's role as a facilitator for regional cooperation in South Asia**, capacity and resource development across SARD is important particularly, although not limit to institutions of regionalism. This will help ADB in meeting its commitment of allocating at least 30% of its operations to RCI. ADB could consider increasing staff and other resources across SARD, including sector divisions, resident missions and the RCI unit. It could also consider developing staff capacity in order to enhance SARD's effectiveness in supporting the advancement of regional cooperation in South Asia. Activities such as workshops to orient mission leaders and RCI team members in identifying, developing, and implementing regional projects and national projects with regional implications could be pursued.

4. Strengthening ADB's Internal Mechanisms

138. Close coordination within and among departments, particularly those responsible for the four pillars of ADB's regional cooperation strategy are critical to improve effectiveness of RCI deliverables. Coordination is currently constrained by the lack of incentives and institutional mechanisms within ADB to foster increased coordination of regional cooperation activities. Within departments, there is an acute need to work closely across sectors whenever the focus is multisectoral. Other departments need to work closely with regional departments in supporting countries and regional institutions to develop and implement regional investment projects and cross-border agreements. Increased coordination among departments (e.g. SARD and CWRD for the implementation of comprehensive regional cooperation activities and

projects across South Asia; OREI for overall regional cooperation, financial cooperation, and trade facilitation; OCO for regional cooperation co-financing; and RSDD for regional public goods) will be crucial in effectively supporting regional projects in South Asia.

139. **In order to strengthen ADB's RCI interdepartmental support**, ADB could consider introducing measures to increase internal coordination, such as establishing annual work plans on the delivery of regional cooperation inputs across departments involved in regional cooperation activities.

ASSISTANCE PIPELINE FOR LENDING AND NONLENDING PRODUCTS (RCSP 2006-2008)

Table A1.1: 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)				Total
					OCR	ADB		Other Sources	
						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 Participating 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	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)				Total
					ADB		Other Sources		
					ADF	Regional IPF			
Corridor for Trade Facilitation (BAN)									
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 A1.2: Assistance Pipeline for Nonlending Products and Services, 2006–2007

Sector Assistance Name	Responsible Division	Assistance Type	Sources of Funding			Total (\$'000)
			ADB		Others (\$'000)	
			Regional IPF (\$'000)	Country IPF (\$'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						
1. 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)
			Regional IPF (\$'000)	Country IPF (\$'000)	Others (\$'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 = IPF = 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.

ASSISTANCE PIPELINE FOR LENDING AND NONLENDING PRODUCTS (RCOBP 2009-2010)

Table A2.1: Assistance Pipeline for Lending Products, 2008 – 2010

Sector Project/Program	Country	Targeting Classification	Thematic Priority	Responsible Division	Year of Project Preparatory Assistance	Cost (\$ million)					Co- financing	
						Total	ADB		Govt ^b	Total		
							OCR	ADF ^a				
A. 2008												
Energy												
1.	Green Power Development ^c	BHU	GI	ECG/PSD REG	SAEN	2007	TBD	51.0	54.3	105.3	TBD	60.5
2.	West Seti Hydroelectric Project ^c	NEP	GI	ECG/REG	SAEN	2007	TBD		45.0	45.0	TBD	TBD
Total 2008							TBD	51.0	99.3	150.3	TBD	TBD
B. 2009												
Transport and Communications												
1.	North–South Fast Track Road Connectivity Project ^c	NEP	GI	ECG/ISD REG	SATC	2006	75.0		50.0	50.0	10.0	15.0
2.	Development of Transport Corridor for Trade Facilitation	BAN	GI	ECG/REG	SATC	2006	TBD	100.0	50.0	150.0	TBD	TBD
3.	Road Network II ^c	BHU	GI	ECG/PSD REG	SATC	2008	TBD		20.0	20.0	TBD	TBD
Multisector												
1.	Improving Connectivity and Destination Infrastructure for Subregional Tourism Development	BAN	GI	ECG/REG	SAUD	2007	TBD		12.0	12.0		TBD
		BHU	GI	ECG/REG	SAUD	2007	TBD		22.0	22.0		TBD
		IND	GI	ECG/REG	SAUD	2007	TBD	21.0		21.0		TBD
		NEP	GI	ECG/REG	SAUD	2007	TBD		25.5	25.5		15.0
Total 2009							TBD	121.0	189.5	300.5	TBD	TBD

Sector Project/Program	Countries Involved	Targeting Classification	Thematic Priority	Responsible Division	Year of Project Preparatory Assistance	Cost (\$ million)						
						Total	OCR	ADB ADF ^a	Total	Govt ^b	Co- financing	
B. 2010												
Transport and Communications												
1. Padma Multipurpose Bridge ^c	BAN	GI	ECG/REG	SATC	2005	TBD	215.0	50.0	265.0	TBD	TBD	
Multisector												
2. Subregional Transport Logistics and Trade Facilitation Project (BAN) ^c	BAN	GI	ECG/REG	SATC	2007	TBD		18.0	18.0	TBD	TBD	
3. Subregional Transport Logistics and Trade Facilitation Project (BHU) ^c	BHU	GI	ECG/REG	SATC	2007	TBD		10.0	10.0	TBD	TBD	
4. Subregional Transport Logistics and Trade Facilitation Project (IND) ^c	IND	GI	ECG/REG	SATC	2007	TBD	50.0		50.0	TBD	TBD	
5. Subregional Transport Logistics and Trade Facilitation Project (NEP) ^c	NEP	GI	ECG/REG	SATC	2007	TBD		81.0	81.0	TBD	TBD	
Total 2010						TBD	265.0	159.0	424.0	TBD	TBD	

ADB = Asian Development Bank; ADF = Asian Development Fund; BAN = Bangladesh; BHU = Bhutan; ECG = sustainable economic growth; GI = general intervention; Govt = Government, IND = India; ISD = inclusive social development; NEP = NEP; OCR = ordinary capital resources; REG = regional cooperation; PSD = private sector development; SAEN = South Asia Energy Division; SAGF = South Asia Governance, Finance, and Trade Division; SASEC = South Asia Subregional Economic Cooperation; SATC = South Asia Transport and Communications Division; SAUD = South Asia Urban Development Division; TBD = to be determined.

^a Subject to availability of funds.

^b Could change as a result of country assessments of cost-sharing ceilings.

^c National project with regional implications.

* from RCOBP 2009-2010

Source: Asian Development Bank.

Table A2.2: Indicative Assistance Pipeline for Nonlending Products and Services, 2008–2010

Sector/Assistance Name	Countries Involved	Responsible Division	Assistance Type	Source of Funding				Total (\$'000)
				ADB		Others		
				Source ^a	Amount (\$'000)	Source ^a	Amount (\$'000)	
2008								
Energy								
1. Promotion for Clean Power Export Development ^b	BHU	SAEN	CDTA	TASF	600.0	RCIF	888.0	1,488.0
Transport and Communications								
1. Road Networks II ^b	BHU	SATC	PPTA	JSF	650.0			650.0
2. Supporting Public–Private Partnership for the North–South Fast Track Road ^b	NEP	SATC	CDTA	JSF	500.0			500.0
Multisector								
1. South Asia Finance Ministers' Meeting	SAARC	SAGF	R-PATA	TASF	500.0			500.0
2. Planning Regional Food Security Initiatives in SAARC	SAARC	SANS	R-CDTA	TASF	500.0			500.0
3. Development of Partnership Program for South Asia (Supplementary)	TBD	SAOC	R-CDTA			Norway/ Sweden	588.0	588.0
4. South Asia Subregional Economic Cooperation IV (SASEC IV)	BAN/BHU/ IND/NEP	SAOC	R-PATA	TASF	1,000.0			1,000.0
5. Promoting South Asian Regional Economic Cooperation II	SAARC	SAOC	R-CDTA	TASF	1,000.0			1,000.0
6. Support for Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation	BIMSTEC	SAOC	R-CDTA	TASF	700.0			700.0
7. Strategic Partnership for Political Development and Action to Foster Regional Cooperation in South Asia	TBD	SAOD	R-PATA			RCIF	700.0	700.0
8. Improving Connectivity and Destination Management of Natural and Cultural Heritage Resources in the South Asian Subregion	BAN/BHU/ IND/NEP/SRI	SAUD	R-CDTA			RCIF	2,000.0	2,000.0
Total					5,450.0		4,176.0	9,626.0

Sector/Assistance Name	Countries Involved	Responsible Division	Assistance Type	Source of Funding				Total (\$'000)
				ADB		Others		
				Source ^a	Amount (\$'000)	Source	Amount (\$'000)	
A. 2009^b								
Environment								
1. Hazardous Waste Treatment Plant/Facility	BAN/BHU/IND/NEP	SATC	R-PPTA	JSF	800.0			800.0
2. Mainstreaming Climate Change in South Asia	TBD	SAEN/SANS	R-CDTA			TBD	1,000.0	1,000.0
Transport and Communications								
1. SASEC Rural Broadband Connectivity	BAN/BHU/IND/NEP	SATC	R-PPTA	JSF	1,000.0			1,000.0
Multisector								
1. Preparing Subregional Transport Logistics and Trade Facilitation	TBD	SATC	R-PPTA	JSF	1,500.0			1,500.0
2. Regional Project Development Facility	TBD	SAGF	R-PPTA			ICFF	2,000.0	2,000.0
3. Achieving Water Security for South Asia	TBD	SAUD	R-CDTA			ICFF	850.0	850.0
4. Promoting Good Governance and Knowledge on Urban Development	BAN/BHU/IND/NEP/SRI	SAUD	R-CDTA			e-Asia and KPF	500.0	500.0
Total 2009					3,300.0		4,350.0	7,650.0
B. 2010^c								
Energy								
1. Regional Energy Project	TBD	SAEN	R-PPTA	JSF	1,000.0			1,000.0
Multisector								
1. Support for Network of Research Institutes and Think Tanks in South Asia Phase III	TBD	SAOC	R-PATA	TASF	1,000.0			1,000.0
2. Promoting South Asian Regional Economic Cooperation III	SAARC	SAOC	R-PPTA	JSF	1,000.0			1,000.0
3. Subregional Trade Facilitation Infrastructure	BAN/BHU/IND/NEP	SAGF/SATC	R-PPTA			RCIF	1,000.0	1,000.0
Total 2010					3,000.0		1,000.0	4,000.0

ADB = Asian Development Bank; BAN = Bangladesh; BIMSTEC = Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation; BHU = Bhutan; ICFF = Investment Climate Facilitation Fund; IND = India; JSF = Japan Special Fund; KPF = Knowledge Partnership Fund; NEP = Nepal; RCIF = Regional Cooperation and Integration Fund; R-CDTA = regional capacity development technical assistance; R-PATA = regional policy and advisory technical assistance; R-PPTA = regional project preparatory technical assistance; SAARC = South Asia Association for Regional Cooperation; SAEN = South Asia Energy Division; SAGF = South Asia Governance, Finance, and Trade Division; SANS = South Asia Agriculture, Natural Resources and Social Services Division; SAOC = South Asia Country Coordination and Regional

Cooperation Division; SASEC = South Asia Subregional Economic Cooperation; SATC = South Asia Transport and Communications Division; SAUD = South Asia Urban Development Division; SRI = Sri Lanka; TASF = technical assistance special fund; TBD = to be determined.

^a Subject to availability of funds.

^b Regional Gas Transmission II (\$2.0 million), which involves India, Pakistan, and Turkmenistan, will be processed by the Central and West Asia Department. It is not included in the pipeline.

^c Regional Gas Transmission III (\$2.5 million), which involves India, Pakistan, and Turkmenistan, will be processed by the Central and West Asia Department. It is not included in the pipeline.

Source: Asian Development Bank.

STATUS OF IMPLEMENTATION OF REGIONAL PROJECTS^a

Table A3.1: Regional Projects and National Projects with Regional Implications (Lending and Grants)

Loan No.	Sector/Project	Country	Original Amt (\$million)	Original Target Year of Approval	Actual/Expected Year of Approval	Expected Year of Completion	Status / Remarks
A. Projects included in RCSP 2006-2008							
Transport							
	1. Regional Connectivity in South Asia I	REG	220.0	2007			<i>Name changed to Regional Transport Network Project, programmed for 2012 (PPTA for 2011) and comprised of individual country projects for a total of \$200 million.</i>
	2. Road Sector Development Project (Dhaka-Chittagong) Highway	BAN	150.0	2007			<i>Dropped.</i>
	3. Development of Transport Corridor for Trade Facilitation	BAN	160.0	2008	2010		<i>Currently being processed for 2010 approval for \$100 million. Name changed to Transport Corridors Project.</i>
	4. Padma Multipurpose Bridge	BAN	250.0	2008	2010		<i>Currently being processed for 2010 approval. A TA/Loan has been approved in 2007 for \$17.6 million to prepare the project design.</i>
L2397 G0098 G0099	5. South Asia Subregional Economic Cooperation Information Highway Project (formerly Establishment of SASEC ICT Exchange Facilities Transport)	BAN BHU NEP	4.25 5.85 11.22	2008	2007	2009	<i>Ongoing. Approved during the RCSP period, 17 December 2007.</i>
	6. Subregional Transport Connectivity	IND	250.0	2008			<i>Dropped according to India CSP 2006-2008, as per government's request.</i>
Energy							
	1. Subregional Energy Trade among SASEC Countries	REG	215.0	2008			<i>Dropped.</i>
Tourism							
	1. SASEC Tourism Development Project	REG	100.0	2008	2010		<i>Renamed as South Asia Tourism Infrastructure Development Project. Recently approved on 16 November 2009.</i>
Trade (standby)							
	1. Private Sector Trade Creation Initiative	IND	200.0	2008			<i>Renamed to North Eastern States-Private Sector Trade Creation Initiative.</i>
Subtotal			1566.0				

Loan / Grant No.	Sector/Project	Country	Original Amt (\$million)	Original Target Year of Approval	Actual/Expected Year of Approval	Expected Year of Completion	Status / Remarks
B. Projects not included in RCSP 2006-2008							
Transport and Trade Facilitation							
L2375	1. Padma Multipurpose Bridge Design Project (formerly Padma Multipurpose Bridge Engineering TA Loan)	BAN	17.6	2007	2007	2010	Ongoing. A TA and/or Loan project has been approved to prepare the project design. The TA loan will facilitate project preparation to construct the Padma Bridge connecting the economically depressed southwest zone to the economically more advanced eastern zone of Bangladesh.
L2316	2. Railway Sector Investment Program (Tranche I)	BAN	100.0	2006	2007	2013	Ongoing.
L2317	3. Railway Sector Investment Program (Subproject 1)	BAN	30.0	2006	2007	2013	Ongoing.
G0051	4. Road Connectivity Sector I	NEP	55.2	2006	2006	2013	Ongoing.
L2319	5. Colombo Port Expansion	SRI	300.0	2007	2007	2011	Ongoing. Formerly Colombo South Harbor Development Project.
Energy							
L2333	1. Sustainable Power System Development Project	BAN	5.0	2007	2007	2009	Ongoing.
L2334	2. Sustainable Power System Development Program	BAN	60.0	2007	2007	2009	Ongoing.
L2464	3. Green Power Development	BHU	105.3	2008	2008	2013	Ongoing.
L2415	4. National Power Grids	IND	600.0	2008	2008	2015	Ongoing.
L2510	Development Investment Program			2009	2009		Ongoing.
Information and Communication Technology							
G0106	1. Information and Communication Technology Development Project	NEP	25.0	2008	2008	2014	Ongoing.
Subtotal			1298.1				
Total			2864.1				

^a Included in RCSP 2006-2008, CPSs/COBPs approved between 2006-2008. Excludes projects that were transferred to CWRD but were originally included in the RCSP 2006-2008 pipeline.

Table A3.2: Regional Projects and National Projects with Regional Implications (Nonlending)

RETA/ PPTA No.	Sector/Project	Country	Original Amt (\$million)	Original Target Year of Approval	Actual/ Expected Year of Approval	Expected Year of Completion	Status / Remarks
A. Projects included in RCSP 2006-2008^a							
6335	1. Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) Transport Logistics Study	BIMSTEC	800.0	2006	14 Aug 06	28 Feb 08	<i>Completed. Amount increased to \$950 million.</i>
	2. Development of Transport Corridor For Trade Facilitation	BAN	900.0	2006			<i>Ongoing.</i>
6368	3. Preparing the Energy Sector Dialogue and SAARC Energy Center Capacity Development Project (<i>formerly Promoting South Asian Economic Cooperation SAARC II</i>)	REG	1000.0	2006	14 Dec 06	30 Sep 09	<i>Ongoing.</i>
6361	4. Managing Hazardous Wastes (<i>formerly Review of Legislation, Policy and Implementation Practices on Hazardous Waste Management</i>)	BAN/ BHU/ IND/ NEP	400.0	2006	12 Dec 06	31 Dec 09	<i>Ongoing.</i>
	5. South Asia Finance Ministers' Meeting	REG	400.0	2006			<i>Informal meetings on the sidelines of ADB Annual Meetings have been organized and a series of discussions is ongoing.</i>
6302	6. Workshop on Proposed South Asian Association for Regional Cooperation (SAARC) Development Fund	REG	150.0	2006	03 Jan 06	31 Mar 07	<i>Completed.</i>
6362	7. South Asia Subregional Economic Cooperation (SASEC) Tourism Development Project	Subregional	600.0	2006	13 Dec 06	30 Jun 09	<i>Ongoing. Amount increased to \$950 million.</i>
	8. South Asia Subregional Economic Cooperation (SASEC) IV	Subregional	800.0	2007			<i>Renamed as South Asia Regional Economic Cooperation (SAREC). Recently approved on 16 November 2009.</i>

RETA/ PPTA No.	Sector/Project	Country	Original Amt (\$million)	Original Target Year of Approval	Actual/ Expected Year of Approval	Expected Year of Completion	Status / Remarks
	9. Subregional Energy Trade Among SASEC Countries	Subregional	800.0	2007			<i>Dropped.</i>
6435	10. Preparing the SASEC Transport Logistics and Trade Facilitation Project (<i>formerly Subregional Transport Connectivity</i>)	Subregional	800.0	2007	12 Dec 07	30 Sep 09	<i>Ongoing.</i>
	Subtotal:		6650.0				
B. Projects not included in RCSP 2006-2008							
6358	11. SASEC Information Highway	BAN/ BHU/ IND/ NEP	500.0		01 Dec 06	31 Dec 08	<i>Ongoing.</i>
6417	12. Supporting Network of Research Institutes and Think Tanks in South Asia –Ph II	SAARC	1200.0		09 Nov 07	31 Dec 10	<i>Ongoing.</i>
6472	13. Strategic Partnerships for Policy Development and Action to Foster Regional Cooperation in South Asia	REG	700.0		25 Jul 08	31 Aug 10	<i>Ongoing.</i>
6512	14. Promoting South Asian Regional Economic Cooperation II	SAARC	1500.0		12 Dec 08	28 Feb 11	<i>Ongoing.</i>
	Subtotal		3900.0				
	Total		10550.0				

^a Included in RCSP 2006-2008, CPSs/COBPs approved between 2006-2008. Excludes projects that were transferred to CWRD but were originally included in the RCSP 2006-2008 pipeline.

**RCSP for South Asia, 2006-2008 - Overall Strategic and Institutional Performance
Summary (Using SWOT Analysis)**

Strengths	Weaknesses
<p>RCSP, 2006-2008 as a strategy and planning tool for RCI in South Asia</p> <ul style="list-style-type: none"> • Clear overarching goal and well-articulated operational objectives • Well-articulated outcomes and outputs, activities and inputs • Goal and objectives consistent with priorities of regional groupings and South Asian governments • Benefited from intensive and extensive consultations with stakeholders in South Asia • Focus on transport connectivity a strong case for the region • Well-defined approaches in achieving operational objectives • Support for program-and-project-based cooperation necessary for implementing quick-yielding RCI projects • Three-pronged approach ensures support to subregional (SASEC), regional (SAARC) and interregional (BIMSTEC) cooperation • Regional projects (multi-country and national projects with regional implications) a good mix in fostering RCI • Robust lineup of technical assistance activities builds up concrete RCI interventions in the region • Importance of knowledge management recognized <p>ADB as an institution promoting RCI in South Asia</p> <ul style="list-style-type: none"> • Has an RCI Strategy • Experience in promoting and facilitating regional dialogues • Competitive advantage in supporting infrastructure • Extensive network in the region and resident missions • RCI Team and RCI unit in place to support RCI in South Asia 	<p>RCSP, 2006-2008 as a strategy and planning tool for RCI in South Asia</p> <ul style="list-style-type: none"> • Lacks a longer-term overall sectoral vision and strategic framework • Lacks a comprehensive results framework with more defined indicators • Definition of regional projects not clearly articulated • Lack of synergy between RCSP and CSPs/CPSS resulting in weak convergence of regional and national priorities • A number of national projects with regional implications not reflected in the RCSP <p>ADB as an institution promoting RCI in South Asia</p> <ul style="list-style-type: none"> • Staff orientation and incentive structure seem to favor national projects • Lack of effective ADB wide mechanism for coordination, implementation, monitoring, and information management of regional projects • RCI unit lacks resources making it difficult to assist in developing regional projects • Inadequate financing (additionally and concessionality) for regional projects.

Opportunities	Threats
<p>Institutional developments providing opportunities for RCI in South Asia</p> <ul style="list-style-type: none"> • Progressive realignment of strategy with evolving priorities of countries (updates through the RCOBP) • Trend toward regional economic cooperation in South Asia is gaining momentum through enhanced dialogue between countries and people in SAARC/BIMSTEC • Increasing stakeholders' awareness on the importance of RCI • Ongoing policy and institutional reform that improve the RCI environment • Emergence of India as a leading global economic force, creating opportunities for neighboring economies • Regional foreign private investment expressing concrete interest for RCI • Region has network of think tanks for analysis and advocacy, and civil society movement in each country • Potential for improved environment and resource management and adaptation to climate change with due attention to the energy-water-climate change-food security -environment nexus <p>Structural factors that boost the RCI agenda for South Asia</p> <ul style="list-style-type: none"> • Widespread poverty, increasing inequality and high rate of unemployment in the region provide for greater opportunity to develop cooperation strategies • Although the least integrated, South Asia has strong agriculture base, and vast tourism and natural resource potential • Sustained high rates of growth in major economies open up opportunities for improved economic and trade relationships • The need for the development of region-wide infrastructure in South Asia is great and holds immense potential for inclusive growth as it links remote areas and landlocked countries to major cities and international gateways; and provides increased access to markets, goods, technologies, and services. • Multimodal network corridors (road, transport, trade, energy and ICT) can not only improve intraregional linkages but also extend it to other regions • Vast potential for energy generation, improvement of energy efficiency and energy trade between countries • Growing potential for private sector cooperation and investment • Potential for increase in intra regional trade through connectivity • Economic diversification into service industries including vast potential of tourism which can be exploited by investment in infrastructure, facilities, services and easing of travel • Peace process taking root in some member countries after years of civil conflict 	<p>Political and institutional impediments and risks to implementing RCI in South Asia</p> <ul style="list-style-type: none"> • Limited capacity of participating countries and regional organizations in implementing regional projects • Countries' long and complex decision-making process, especially on regional projects • Countries' lower priority accorded to regional projects compared to national projects • Problems in each country's internal coordination • Regional organization's slow progress due to consensus based decision making • Some countries' lack of commitment for projects involving cross-border transactions <p>Structural impediments and risks to implementing RCI in South Asia</p> <ul style="list-style-type: none"> • Financing gap (limited mobilization of financial resources for regional projects) • Weak governance and corruption • Potential fiscal and economic instability • Global economic down draft and fluctuations • Food insecurity and food price inflation • Natural calamities including effects of climate change • Political instability, terrorism and domestic insurgencies

**Overview of the Achievements of RCSP for South Asia, 2006-2008
(By Top-Down and Bottom-Up Perspectives)**

Criteria	RCR Rating	Explanation/Comments
I. TOP-DOWN ASSESSMENT		
A. STRATEGIC ASSESSMENT: RCSP OBJECTIVES AND OUTCOMES/OUTPUTS		
<p>Objective: Improve connectivity</p> <p>Outcomes/Outputs: Improved and contribution to improved regional links in roads, rail, inland waterways, sea, air and communication (transport); and established ICT links (ICT)</p>	Substantial	<p>Two milestone studies that aim to improve transport connectivity in South Asia were completed with ADB support, under the RCSP non-lending program. First is the SAARC Regional Multimodal Transport Study (SRMTS) (under ADB RETA 6187: Promoting South Asian Regional Economic Cooperation) whose recommendations were endorsed by the 14th SAARC Summit in New Delhi. Subsequently, SAARC requested additional ADB support for the inclusion of Afghanistan in the study and the preparation of model regional transport agreements. Second is the BIMSTEC Transport Infrastructure and Logistics Study (BTILS) (ADB TA 6335-REG) whose aim is to improve physical connectivity between South Asia and Southeast Asia by land, sea and air through infrastructure investments.</p> <p>Currently, ADB is processing the Subregional Transport Logistics and Trade Facilitation Projects for Bangladesh, India, and Nepal under the ongoing ADB TA 6435-REG: Preparing the SASEC Transport Logistics and Trade Facilitation Project.</p> <p>Most of the headway gained in the transport sector could be attributed to ongoing and proposed national projects with regional implications; projects that have been identified through the CPS and not originally included the RCSP. With the expansion and modernization work completed, the Colombo port is likely to emerge as the preferred hub in the Bay of Bengal and the Indian Ocean. In Bangladesh, the Padma Bridge is expected to reduce travel time and cost of goods traffic between Dhaka and Benapole, one of the trading routes with India. The proposed Road Connectivity Project in Nepal and the Road Network II in Bhutan would improve road connectivity between the strategic road network and areas with major economic activities and neighboring countries.</p> <p>To bridge the digital divide and improve communications connectivity among selected South Asian countries, ADB has approved the SASEC Information Highway Project in 2007. This project is considered a major milestone for RCI, as this is the first "regional" or multi-country investment project approved by ADB for South Asia. In coordination with the United Nations Economic and Social Commission for Asia and the Pacific, ADB has also supported the Community e-Centers Project which aims to establish telecenters in rural villages in South Asia participating countries in an effort to bridge the digital divide between rural and urban populations. The project has so far supported: (i) sustainable CeC model development; (ii) 20 pilot CeCs establishment in rural areas; (iii) ICT tools development (eCommunity portal site); (iv) capacity building and knowledge sharing; and (v) monitoring and evaluation (M&E) of CeCs.</p>
<p>Objective: Facilitate trade and investment</p> <p>Outcomes/Outputs: Customs reform, transit agreements, efficient trade related financial services and better border facilities and transport infrastructures</p>	Modest	<p>ADB assisted South Asian countries in developing action plans to implement initiatives on streamlining customs procedures and developing product and quality standards. The initiatives were started under the SASEC Trade, Investment and Private Sector Working Group (TIPWG).</p> <p>ADB, in cooperation with UNCTAD, released a Study on Quantification of Benefits from Economic Cooperation in South Asia, which assessed and quantified the benefits from the SAFTA. In coordination with SAARC Secretariat, ADB has also undertaken a study on trade in services, among</p>

Criteria	RCR Rating	Explanation/Comments
		<p>others. Although several studies have been prepared, the implementation of the recommendations of these studies has not been carried out; and concrete trade-related infrastructure has not yet materialized. There are binding constraints to increasing intraregional trade in South Asia and the progress of SAFTA has been slow, making it difficult for ADB to pursue further initiatives in this sector.</p>
<p>Objective: Develop regional tourism</p> <p>Outcomes/Outputs: Regional cooperation in the development of tourism infrastructures and facilities</p>	Substantial	<p>ADB assisted South Asian countries in developing a tourism development plan (TDP) that includes (i) a thematic framework of programs and projects for future subregional cooperation activities, (ii) specific project ideas and concept plans for appropriate tourism development in key areas shared between two or more countries, and (iii) project ideas for joint destination marketing. The plan suggested ecotourism and Buddhist circuits as the focus of cooperation.</p> <p>In line with the plan, ADB recently approved an investment project, the South Asia Tourism Infrastructure Development Project for Bangladesh, India, and Nepal. The project aims to develop tourism-related infrastructure and facilities in selected multicountry circuits. It also aims to address soft issues such as human resource development and the establishment of common tourism service standards. The project was developed under RETA 6362-REG: SASEC Tourism Development Project and facilitated by the Tourism Working Group (TWG). The project is important as it serves to develop positive complementarities and promote people-to-people contact.</p>
<p>Objective: Facilitate cooperation in energy</p> <p>Outcomes/Outputs: Improved regional coordination and connectivity in energy development and generation, transmission, distribution, efficiency and trade</p>	Substantial	<p>ADB has supported SAARC initiatives in energy cooperation through RETA 6368: Preparing the Energy Sector Dialogue and South Asian Association for Regional Cooperation Energy Center Capacity Development Project, which aims to strengthen the energy networks envisaged under the concept of an Energy Ring for South Asia and the capacity of the SAARC Energy Center. The study is opening up investment options for bilateral energy connectivity and trade although complete integrated regional grid need to be studied further by the countries.</p> <p>The Green Power Development Project (Loan 2463-BHU) is now being implemented to promote cross-border power trade and electricity access. With the project, the coverage of power distribution in Bhutan will be improved, and the export of power to India and potentially to other countries, will be expanded through clean power development in a sustainable manner.</p>
<p>Objective: Promote private sector cooperation</p> <p>Outcomes and Outputs: Projects and activities engaging the private sector</p>	Modest	<p>Private sector cooperation and investment is encouraged in all ADB-supported RCI activities in South Asia. ADB supported the annual South Asia Sustainable Tourism Forum comprising private sector representatives from selected South Asian countries and other development partners. Likewise, private telecoms operators and trade groups participated in discussions in preparing the SASEC Information Highway Project. ADB has also supported studies on Management Development and Institution Building in SASEC Countries and Cross-border Private Sector Cooperation in ICT among SASEC participating countries. ADB has also supported the establishment of the South Asia Business Forum in August 2002. However, there were no activities done since 2005.</p> <p>The private sector could pursue a role as a catalyst for implementing regional activities, especially in financing cross-border infrastructure projects. In the case of The Green Power Development Project (Loan 2463-BHU), the cross-border power trading market and participants have</p>

Criteria	RCR Rating	Explanation/Comments
		been limited, hence private sector participation in the market will create a competitive business climate in regional power trading in South Asia. The PPP modality will enhance the investment environment for developing clean hydropower potential in the region.
Objective: Promote cooperation in environment Outcomes/Outputs: Capacity development activities in environment	Modest	Cross-border cooperation in the environment sector (regional public good) is important, but it is extremely difficult given the sensitivity and complexity of environment-related issues. Therefore, cooperation on the environment has focused on knowledge sharing and capacity building initiatives. Under the SASEC environment working group (EWG), ADB supported the implementation of two regional technical assistance projects to establish a regional air quality monitoring program, and to develop a regional hazardous waste management program. Recently the priority has placed on climate change issues. ADB is currently supporting a technical assistance on regional economics of climate change in South Asia which is focused on cleaner technologies and options. Another follow-up study is being processed to cover adaptation and impact assessment.
Objective: Facilitate dialogue with regional Institutions and entities Outcomes/Outputs: Increased engagement of regional institutions and entities in RCI policy work	Substantial	<p>ADB has strengthened its dialogues with BIMSTEC by participating in the BIMSTEC Working Group meetings with a view to exploring future areas of cooperation between ADB and BIMSTEC. In addition, ADB has promoted an approach that encourages increased networking among policy research institutes and think tanks in the aim of providing governments and regional initiatives with policy recommendations on key RCI issues. For instance, ADB is implementing a RETA on Supporting Network of Research Institutes and Think Tanks in South Asia, which aims to promote regional economic cooperation in South Asia through knowledge sharing on RCI and policy making for RCI, and enhance the capacity of research institutes through studies, workshops and knowledge dissemination.</p> <p>During the RCSP period, ADB facilitated meetings of SAARC finance ministers on the sidelines of ADB's annual meetings since 2006. The initiative is part of ADB's overall collaboration with SAARC. The ministers' meetings are intended to promote dialogue among the finance ministers on macroeconomic and financial market issues, including approaches to financing growing infrastructure and addressing development constraints in South Asia. While ADB facilitation was useful, ADB has not focused on bringing forward productive, priority regional cooperation agenda.</p>
STRATEGIC ASSESSMENT	Substantial	The goals and objectives of the RCSP were met through the preparation and processing of concrete investment projects under important technical assistance activities provided by ADB during the RCSP period. The strategic focus of the RCSP and its alignment with the priorities of most countries in South Asia and the region as a whole is also a positive factor. The RCSP was also able to address emerging challenges in South Asia by supporting needed interventions in priority sectors. While the full implementation and the envisaged impacts and outcomes of the investment projects will have to be seen in the future, the ground work that has been initiated by South Asian groupings and countries, have been substantial. Also, coordination activities with RCI stakeholders in the region (regional groupings, countries, academe, private sector, and other entities) are noteworthy.
B. INSTITUTIONAL ASSESSMENT		
1. Three-pronged approach	Substantial	ADB supported RCI in South Asia at three levels – subregional (SASEC); regional (SAARC); and interregional (BIMSTEC). This allows ADB to adopt a multi-track, multi-speed approach which supports interregional, regional, and subregional cooperation in advancing South Asia's regional cooperation agenda. ADB has been assisting SAARC and BIMSTEC with

Criteria	RCR Rating	Explanation/Comments
		policy and sector studies that support the SAARC Secretariat and BIMSTEC working group in preparing a cooperation agenda. Assistance for the SASEC program, through the sector working groups and country advisors group mechanism, has focused on prioritizing and implementing projects and programs that could yield immediate results.
2. Sector level	Modest	Although institutional coordination between and among countries has improved and concrete programmatic results have been achieved, certain cross-cutting issues and institutional impediments remain outstanding. Institutional impediments such as the longer and more complex processes in SAARC and BIMSTEC, and the lack of involvement of key ministries (e.g. MOFA) and line ministries all through the project processes in the SASEC Program, have constrained the progress of regional cooperation activities in South Asia.
INSTITUTIONAL ASSESSMENT	Modest	The rating is derived from the success of ADB's three-pronged approach for RCI, which is innovative and fits well into South Asian political landscape. However, there are some institutional impediments and a number of sector issues that constrain effective implementation of regional cooperation projects and activities.
C. VALUE ADDITION		
VALUE ADDITION	Substantial	Despite the complex and sensitive RCI environment in South Asia, ADB has managed to "add value" through its three-pronged approach in supporting RCI. Under ADB initiatives, milestone studies in transport, energy, and tourism sectors have been developed and a number of national projects with regional implications were supported.
D. ADB PERFORMANCE		
1. Administration and internal coordination	Modest	The RCI Secretariat has worked well, with support from SARD RMT, RCI Team and other focal points in resident missions and sector divisions. However, the Secretariat has made limited contribution to regional project design, implementation and monitoring due to staff and resource constraints.
2. Coordination with RCI stakeholders	Substantial	ADB has worked very closely with various RCI stakeholders in South Asia (such as regional bodies like SAARC and BIMSTEC, governments, private sector institutions, academe, and development partners) in promoting RCI in the region.
3. Financial mobilization	Modest	ADB has mobilized cofinancing for some national projects with regional implications, and elicited parallel development partners' efforts in some activities. However, ADB's resources for regional projects are still limited and lack predictability. ADB cannot make appreciable gains from regional cooperation projects with the limited resources available for regional projects particularly in South Asia where there is a continued strong demand for national projects and a perceived trade-off between available resources for national and regional projects. Much more can be done in terms of exploring external financing and other possible initiatives that could leverage on ADB-supported regional investments and address additionally and concessionality.
4. Capacity building and technical support	Substantial	ADB has provided substantial amount of resources through TA grants for capacity building and technical support to important RCI activities across priority sectors.
5. Portfolio management	Modest	Despite impediments, ADB has succeeded in effectively implementing national projects with regional implications in transport, trade facilitation and energy sectors, during the RCSP period. However, RCSP regional

Criteria	RCR Rating	Explanation/Comments
		projects have experienced design and implementation delays.
6. Regional projects	Modest	ADB's processing of proposed regional or multi-country projects had substantial delays, in terms of preparation and design, loan signing and implementation start up. So far, only one project has been approved by ADB, and the rest are still being processed.
7. National projects with regional implications	Substantial	A number of national projects with regional implications have been processed and implemented with few delays and design changes or major changes in scope.
ADB PERFORMANCE	Modest	ADB, being an honest broker of RCI in Asia, has made important contribution in promoting RCI in South Asia despite the complex RCI environment in the region and limited funding opportunities. More work is needed in developing pipeline of investments from regional studies and TAs. The three-pronged approach taken has helped a lot in fostering RCI at various levels of cooperation.
OVERALL TOP-DOWN ASSESSMENT	Partly Successful	The goals and objectives of the RCSP were met. ADB's efforts have also brought diverse interests together to agree on a wide range of regional initiatives and to have a greater regional orientation of national projects through effective and innovative institutional approach, although implementation, especially in processing regional projects, has not fully materialized.
II. BOTTOM-UP ASSESSMENT: PROJECT AND OPERATIONAL PERFORMANCE (By Sector)		
A. TRANSPORT	Successful	Ongoing and proposed projects in the transport sector have had and are likely to have high economic impacts.
1. Relevance	Highly relevant	Projects were aligned with country priorities and created the base for rapid economic growth.
2. Effectiveness	Effective	Highly relevant projects have been identified and prioritized. Concrete achievements on ongoing projects were noted, but the impact and outcomes of most projects will have to be observed in the future. Assessing the parameter of effectiveness is difficult at this stage.
3. Efficiency	Less Efficient	Achievements on some projects were gained at minimum cost. Most of the national projects are cost effective, although some projects are expected to have lower EIRR due to lower than project growth in traffic volumes. Long processing time and more complex process to reach agreement on the project components contribute to the "less efficient" rating.
4. Sustainability	Likely to be sustainable	With increased attention to operation and maintenance of all types of transport network, impacts and outcomes are likely to be sustainable.
5. Impact	Likely to be substantial	Ongoing and proposed transport connectivity projects are likely to have substantial impact on economic growth, employment and poverty reduction. Investment in road linkages will lead to reduction in vehicle operating costs, lowering of travel time, increase in traffic, and reduction in maintenance costs and improvement in road safety. In Bhutan, the Road Network II project will enhance cross border connectivity by bringing national highway closer to three border points. However, it is difficult to measure the impact at this stage, given that most of the RCSP projects are still being implemented and processed.
B. TRADE FACILITATION	Unsuccessful	Relatively few initiatives are underway in trade facilitation but activities

Criteria	RCR Rating	Explanation/Comments
		that are integrated with transport projects could generate important benefits.
1. Relevance	Relevant	The Subregional Transport Logistics and Trade Facilitation Project, that has trade facilitation components, is relevant in the sense that it will cause trade expansion by facilitating smoother flow of trade among neighboring countries.
2. Effectiveness	Less Effective	Because participating countries raised concerns on the redundancy some of the studies with existing SAARC activities (e.g. standards and customs studies under the SASEC program), and lack of ownership, regional trade facilitation initiatives are assessed as "less effective".
3. Efficiency	Less Efficient	A major challenge faced by ADB's regional initiatives in trade facilitation in South Asia is the lack of tangible regional investment projects and cooperative agreements. While forward looking recommendations on NTBs, products and quality standards, and customs procedures have been produced, actual interventions to facilitate intraregional trade have yet to be undertaken.
4. Sustainability	Less likely to be sustainable	Given the sensitivity of some trade facilitation issues (e.g. NTBs), trade facilitation and trade related infrastructure and facilities support are less likely to be sustainable. The initiatives are more vulnerable to the political dynamics in the region. Thus, sustainability of the projects and sector could be affected.
5. Impact	Likely to be modest	In terms of total trade expansion so far, impact can be characterized as modest.
C. ENERGY	Partly Successful	Though many project ideas on the sector are still on the drawing board, the pipeline is rich and potential benefits are very significant at all levels - household, business, economy and government.
1. Relevance	Highly relevant	Approach for energy cooperation and project ideas generated for energy generation, transmission, and interconnection are highly relevant for filling the prevailing energy gap, which hinders economic and social development in the region.
2. Effectiveness	Effective	The ongoing and proposed projects in the sector aim to increase energy supply and energy trade through cross-border Interconnection. Although few investments projects have been implemented, the results from these projects are expected to be effective in addressing the perceived energy gaps.
3. Efficiency	Less Efficient	Energy will be supplied by the most cost-effective source such as hydropower. However, the identification and prioritization of energy projects have taken more time than anticipated, rendering the interventions in this sector less efficient.
4. Sustainability	Less likely to be sustainable	Although energy projects have strategic importance and strong government ownership, they are vulnerable to risks given the sensitivity of energy cooperation and energy trade in the region.
5. Impact	Likely to be substantial	Significant impact in terms of economic output and household consumption benefits are highly likely
D. TOURISM	Partly Successful	The TDP spelled out the directions of the tourism sector in the region, and the proposed South Asia Tourism Infrastructure Development Project was recently approved. This is the second multi-country subregional investment project in South Asia.

Criteria	RCR Rating	Explanation/Comments
1. Relevance	Relevant	Both the TDP and the investment project are relevant for stimulating growth of the tourism sector in the region.
2. Effectiveness	Effective	Concrete infrastructure expansion and creation of tourist destination amenities will emerge to support future growth in the sector.
3. Efficiency	Less Efficient	Proposed investments in tourism infrastructure are likely to be cost-effective. The South Asia Tourism Infrastructure Development Project's EIRR is estimated to be over 20%. The long processing time and delays in finalizing the project components, partly due to the lack of funding resources, results to the less efficient rating of the sector.
4. Sustainability	Likely to be sustainable	Commitment of countries in attaining higher tourism growth in the region will ensure sustainability of tourism projects. Income that will be derived from increased tourist arrivals, and capacity building provided to operators, will help sustain tourism infrastructure facilities.
5. Impact	Likely to be substantial	The tourism project is expected to generate substantial gains for the countries, in terms of income and employment generation.
E. ENVIRONMENT & CLIMATE CHANGE	Unsuccessful	Given the complexity of this thematic area, only capacity building and knowledge-sharing activities are expected, therefore, the outcome is perceived to be unsuccessful.
1. Relevance	Relevant	ADB's national activities have been relevant. The regional study on management of hazardous waste is highly relevant. Remaining responsive to the changing needs of the region, ADB is also supporting the SAARC action program on climate change.
2. Effectiveness	Less Effective	Outputs are likely to be less effective given limited scope and complexity. Over time, effectiveness is expected to be increased through activities being undertaken on energy efficiency, and climate change, among others.
3. Efficiency	Less Efficient	Contribution to the improvement in the sector policy and enabling environment is deemed low.
4. Sustainability	Less likely to be sustainable	With strong government ownership, activities in this area could be sustainable. Use of renewable energy could also contribute to the sustainability of the projects. However, given sensitivities in environment cooperation, projects will be vulnerable to political dynamics in the region.
5. Impact	Likely to be Modest	Given limited scope for ADB engagement in this area, impact is expected to be modest. Over time, impact is most likely to be substantial as ADB develops new modalities to support energy efficiency, renewable energy, clean development mechanisms, and climate change.
F. INFORMATION AND COMMUNICATION TECHNOLOGY	Partly Successful	This sector has moved relatively faster compared to the others and concrete regional and national projects are now underway, making possible immediate outcomes to be realized in the near future. However, serious delays in the processing and commencement of investment projects render the sector initiatives partly successful.
1. Relevance	Relevant	The ongoing ICT Development Project for Nepal and the SASEC Information Highway Project and their intended outputs and outcomes are relevant in bridging the digital divide among South Asian countries.
2. Effectiveness	Effective	The anticipated outcomes of the Information Highway Project are cross border connectivity, bridging rural-urban divide in ICT and capacity

Criteria	RCR Rating	Explanation/Comments
		building in e-development including improving ICT literacy. These are extremely meaningful in the context of digital progress in South Asia.
3. Efficiency	Less Efficient	As designed, the Information Highway Project is very cost effective as it will make use of existing capacity. Delays in the processing of projects and the endorsement of necessary cross-border agreements contribute to its "less efficient" rating.
4. Sustainability	Likely to be sustainable	Notwithstanding the delay in loan signing and implementation start-up, the expressed commitment and ownership of the four participating countries remain strong for the Information Highway Project, which should assure sustainability. Bangladesh is borrowing for the project and India is investing its own resources.
5. Impact	Likely to be substantial	The Nepal project will improve government service delivery and access to information on market and technology. The impact of the Information Highway Project is likely to be substantial as it will contribute to poverty reduction and inclusive growth by improving productivity and efficiency, and linking up with the global information economy. This will be achieved by increasing the supply of affordable broadband, skilled ICT manpower, and local content and e-applications particularly for the needs of the poor. Impact is strong in terms of bridging digital divide, opening economic opportunities, and supporting the growing trade in services in the region.
OVERALL BOTTOM UP ASSESSMENT	Partly Successful	Most of the ADB sector activities during the RCSP period are considered partly successful based on the parameters discussed. However, more concrete results are expected in the future when the projects are implemented and eventually completed. However, partly successful rating can be attributed to the lack of progress in implementation of projects.

Sources: Discussions with ADB staff at headquarters and Resident Missions, government officials, representatives of civil society and think tanks; and review of relevant documents including Regional Cooperation Strategy and Program (RCSP), Regional Cooperation Operations Business Plan (RCOBP), Country Strategy and Program (CSP), Country Partnership Strategy (CPS), CSP/CPS Mid-Term Review, CSP/CPS Completion Reports, Sector Assistance Program Evaluation (SAPE) Reports, Country Operations Business Plan (COBP), Reports and Recommendations of the President, Project Completion Reports, Technical Assistance Completion Reports, Technical Assistance Reports, Country Assistance Program Evaluation (CAPE) Reports, SASEC Progress Report, Reports of SASEC Working Group Meetings, Seminars and Workshops, RETA financed studies on transport for SAARC and BIMSTEC, energy, tourism, management of hazardous waste, air quality management, capacity development, ICT Master Plan, private sector cooperation, trade barriers, product standards, corridor operational efficiency and others.

**Table A6.1: Regional Technical Assistance in South Asia
(Under Implementation)**

A. South Asia Subregional Economic Cooperation (SASEC)

RETA Number	Project Title	Approval Date	Completion Date	Amount (\$ '000)	Description
6297	South Asia Subregional Economic Cooperation (SASEC) III	22 Dec 05	30 Jun 09	1,000.0	<p>The overall goal of the TA is to accelerate pro-poor economic growth among the SASEC member countries through subregional cooperation and achieve poverty reduction in the subregion.</p> <p>The TA (i) provides a forum for effective dialogue and interaction among the participating countries, the private sector, and development partners to further deepen mutual understanding and trust for subregional cooperation; (ii) develops background and issues papers, and conduct pre-feasibility studies for identifying and prioritizing subregional projects; and (iii) supports the working groups in implementing the agreed priority projects and activities through discussion and coordination at SASEC meetings.</p>
6358	Preparing the South Asia Subregional Economic Cooperation Information Highway	01 Dec 06	30 June 07	500.0	<p>The objective of the TA is to help the SASEC participating countries prepare an investment project that will (i) establish robust data interchange capacity for the 4 SASEC member countries with reduced cost and an increase reliability and competition; (ii) expand ICT accessibility in remote areas; and (iii) establish regional ICT training and research centers.</p>
6361	Managing Hazardous Wastes	12 Dec 06	31 Dec 09	400.0	<p>The RETA aims to assist the four SASEC member countries to improve and develop policy regulations to effectively manage hazardous wastes. It is also expected to contribute to the overall reduction of pollution related to hazardous wastes.</p>
6362	Preparing the South Asia Subregional Economic Cooperation Tourism Development Project	13 Dec 06	30 Jun 2009	950.0	<p>The RETA aimed to enhance the positioning of the subregion—in both intraregional and interregional markets—as one of the world's leading destinations of spiritual tourism and nature-culture-based ecotourism. The expected outcome of the TA is the development of good quality, high-yielding subregional products that focus on the Buddhist circuits and ecotourism.</p>

RETA Number	Project Title	Approval Date	Completion Date	Amount (\$ '000)	Description
					The TA will assess the feasibility of and design a project for possible ADB financing of a package of priority investments in tourism-related infrastructure and facilities in selected multicountry circuits, resulting in an improved tourist experience, and increased arrivals and lengthened stay of tourists in the subregion. The TA that will cover Bangladesh, Bhutan, India, Nepal and Sri Lanka.
6435	Preparing the South Asia Subregional Economic Cooperation Transport Logistics and Trade Facilitation Project	12 Dec 07	30 Sep 09	1,000.0	<p>This TA will help promote subregional economic cooperation and integration between four SASEC participating countries. The TA will also help SASEC participating countries prepare an investment project that will facilitate the unhindered movement of goods, services, and people across SASEC participating countries through improved cross-border transport infrastructure and the introduction of modern cross-border management regimes.</p> <p>TA consists of: (i) road corridor, (ii) rail link, and (iii) cross-border regime components.</p>

B. South Asian Association for Regional Cooperation (SAARC)

RETA Number	Project Title	Approval Date	Completion Date	Amount (\$ '000)	Description
6187	Promoting South Asian Regional Economic Cooperation (SAARC I)	27 Sept 04	31 Dec 08	575.0	<p>The primary objectives of the TA are (i) to assist the SAARC Secretariat including its eight sector/theme specific centers, to implement regional cooperation activities effectively in the selected priority areas, as outlined in the Islamabad Declaration; (ii) enhance the capacity of SAARC Secretariat, its centers, and government entities of the member states for effective planning, processing, and implementation of key regional cooperation agenda; and (iii) support collaborative activities to strengthen cooperation between SAARC and ASEAN and other regional organizations.</p> <p>The main outputs of the TA are (i) a road map to improve regional connectivity through major modes of transportation to facilitate the movements of goods and people; (ii) enhanced capacity of SAARC organizations and its member states in carrying out cooperation activities; and (iii) strengthened cooperation between SAARC and other regional organizations.</p>
6368	Preparing the Energy Sector Dialogue and SAARC Energy Center Capacity Development Project	14 Dec 06	30 Sep 09	1,000.0	<p>The expected impact of the TA is to create, together with other activities, an enabling environment for optimizing the supply of and demand for energy through energy cooperation within the region in all its aspects. It will promote better dialogue and higher cooperation, and identify mutually beneficial investment options. It will create a sustainable framework for developing the capacity of SEC and that of energy sector professionals in the region. The TA will comprise three main components: (i) undertaking the SAARC Regional Energy Trade Study (SRETS), which will look into the potential for or impact of energy trade among SAARC member states; (ii) developing capacity of SAARC Energy Center (SEC); and (iii) providing technical and logistical support by ADB.</p>
6512:	Promoting South Asian Regional Economic Cooperation II	12 Dec 08	28 Feb 2011	1,500.0	<p>The expected impact of the TA is enhanced regional cooperation and integration in South Asia. The TA's envisaged outcome is enhanced capacity of the SAARC Secretariat, SAARC entities, and government entities of SAARC member states, as approved by the SAARC mechanism, to effectively plan and implement regional cooperation activities. The TA expects to promote the effective sharing of information and experiences, and develop capacity in support of regional cooperation.</p>

RETA Number	Project Title	Approval Date	Completion Date	Amount (\$ '000)	Description
					The TA will focus on institutional strengthening and have the following main components: (i) initiatives for regional food security; (ii) trade, economic and financial cooperation; (iii) capacity development programs for SAARC entities, including, selected regional centers, as approved by the SAARC member states and training programs; (iv) programs to support institutional links with other regional organizations; and (v) technical and logistics support.

C. Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC)

RETA Number	Project Title	Approval Date	Completion Date	Amount (\$ '000)	Description
6335	BIMSTEC Transport Infrastructure and Logistics Study (BTILS)	14 Aug 06	31 Oct 07	960.0	<p>The TA will enhance interregional integration; complement trade facilitation efforts initiated by BIMSTEC or its member countries; and enhance transport infrastructure, improve logistics, reduce transport time, and lower transport costs.</p> <p>The TA is also designed to identify and evaluate short-, medium-, and long-term policies and strategies – including specific roles to be played by ADB and other development partners – to relieve critical transport infrastructure and logistics bottlenecks.</p>

D. Other TAs

RETA Number	Project Title	Approval Date	Completion Date	Amount (\$ '000)	Description
6417	Supporting Network of Research Institutes and Think Tanks in South Asia - Phase II	9 Nov 07	31 Dec 10	1,200.0	The objective of the TA is to promote regional cooperation in South Asia by (i) strengthening the current initiatives and networks of research institutes and think tanks and enhancing the scope of analytical work undertaken; (ii) increasing interaction among regional experts; and (iii) widening the dissemination of research materials that support regional cooperation.

RETA Number	Project Title	Approval Date	Completion Date	Amount (\$ '000)	Description
6472	Strategic Partnerships for Policy Development and Action to Foster Regional Cooperation in South Asia	25 Jul 08	31 Aug 10	700.0	This RETA has been designed to (i) provide researchers, policy makers and private sector partners the opportunity to collaborate on areas identified as significant to regional cooperation; (ii) facilitate the exchange of strategies between South Asia and other regions such as ASEAN, where RCI is far more advanced; (iii) support systematic discussion on issues among senior policy makers to allow them to jointly identify initiatives for regional forums such as SAARC, BIMSTEC and SASEC; and (iv) incorporate ongoing research findings into ADB's policy dialogue with DMC governments and other key stakeholders.
6523	Partnership for Good Governance and Knowledge on Urban Water Management	19 Jan 09	20 Sep 10	500.0	<p>The impact of the TA is improved capacity to manage and provide urban WSS services in South Asia. The expected outcome of the TA is to establish a sustainable capacity building and training program on WSS management and governance in partnership with K-water.</p> <p>The TA aims to (i) build on K-water's existing WSS training programs; (ii) package a structured series of training programs on WSS management and governance, targeting WSS operators and organizations as training units; and (iii) establish modular training courses involving water sector clients of ADB in South Asia. The innovative feature of the training program is its design identifying a WSS operator as the target training unit, rather than general capacity development for technical subtopics or for individual participants from various WSS operators.</p>
7248	RETA: South Asia Strategic Framework for Aid for Trade Road Map	10 Mar 09	31 Jul 10	600.0	The TA aims to identify and prepare for South Asian economies (excluding for now Pakistan) a set of Aid for Trade (AfT) activities that implement the general strategies. It is important for this assistance to structure an applied framework for prioritizing potential trade-related activities and investments according to the expected strength of their economic impacts. Also important is to evaluate the complementarities and positive economic spillovers that a set of activities offers in comparison with one-off interventions. The object of such calculation is to work out the effective balance between trade-related investments, as substantial economies come out of investing in components in correct proportions. What is important is to look at all the service and production networks that can be developed in a network of investments across the subregion.

Table A7.1: List of ADB's Supported Studies on Regional Cooperation in South Asia

Studies	Year of Completion	ADB's Supported Regional Cooperation Program	Funding Source
Environment			
1. SASEC Regional Air Quality Management	Dec 2008	SASEC	RETA 6159: South Asia Subregional Economic Cooperation Regional Air Quality Management
2. Managing Hazardous Wastes	Dec 2009	SASEC	RETA 6361: Managing Hazardous Wastes
Transport			
3. Subregional Corridor Operational Efficiency Study	Apr 2005	SASEC	RETA 6112: Subregional Corridor Efficiency Study in South Asia Subregion
4. SAARC Regional Multimodal Transport Study	Jun 2006	SAARC	RETA 6187: Promoting South Asian Regional Economic Cooperation
5. BIMSTEC Transport & Infrastructure Logistics Study	Jan 2008	BIMSTEC	RETA 6335: Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) Transport and Infrastructure Logistics Study
Trade			
6. Management Development & Institution Building	Jun 2004	SASEC	RETA 6090: Private Sector Cooperation in the SASEC Subregion
7. Cross Border Pvt Sector Cooperation in ICT Among SASEC Countries	Apr 2004	SASEC	RETA 6090: Private Sector Cooperation in the SASEC Subregion
8. Promoting Trade in SASEC	Jun 2004	SASEC	RETA 6090: Private Sector Cooperation in the SASEC Subregion
9. Quality Product Standards and Conformity Assessment	Jun 2007	SASEC	
10. Customs Procedures	Jun 2007	SASEC	

	Studies	Year of Completion	ADB's Supported Regional Cooperation Program	Funding Source
	Tourism			
11.	SASEC Tourism Development Plan	Aug 2004	SASEC	RETA 6362: Preparing the South Asia Subregional Economic Cooperation Tourism Development Project
12.	Subregional Tourism Human Resource Development Strategy and Action Plan 2006-2011	Dec 2007	SASEC	RETA 6225: SASEC Human Resource Development and Capacity Building in the Tourism Sector
	Energy and Power			
13.	Assam Rural Electrification Program Development	Feb 2004	SASEC	RETA 6010: South Asia Subregional Economic Cooperation II
14.	SAARC Regional Energy Trade Studies	Nov 2008	SAARC	RETA 6368: Preparing the Energy Sector Dialogue and SAARC Energy Center Capacity Development Project
	Information and Communications Technology			
15.	ICT Development Master Plan	Jul 2006	SASEC	RETA 6232:SASEC Development ICT Master Plan
16.	SASEC Information Hi-Way	Nov 2007	SASEC	RETA 6358: Preparing the South Asia Subregional Economic Cooperation Information Highway

Table A7.2: List of Studies in Collaboration with Network of Research Institutes and Think Tanks in South Asia

Studies	Completion Date	Institutes	Funding Source
1. South Asian Economic Integration: SAFTA and Beyond	Sep 2006	Research and Information System for Development Countries (RIS) Institute of Policy Studies (IPS)	RETA 6189: Supporting Network of Research Institutes and Think Tanks in South Asia
2. Structural Dimensions of Poverty in Nepal	Jul 2006	Institute for Integrated Development Studies (IIDS)	RETA 6189: Supporting Network of Research Institutes and Think Tanks in South Asia
3. Economic and Political Empowerment of the Poor (EPEP): Country Studies of Sri Lanka	Sep 2006	Institute of Policy Studies (IPS)	RETA 6189: Supporting Network of Research Institutes and Think Tanks in South Asia
4. Citizen's Social Charter in Nepal: Implementation Monitoring Report	Jul 2006	Institute for Integrated Development Studies (IIDS)	RETA 6189: Supporting Network of Research Institutes and Think Tanks in South Asia
5. Monitoring the Implementation of the SAARC Social Charter in Sri Lanka	Sep 2006	Marga Institute	RETA 6189: Supporting Network of Research Institutes and Think Tanks in South Asia
6. Monitoring the Implementation of the SAARC Social Charter in Pakistan	Sep 2006	Shirkat Gah	RETA 6189: Supporting Network of Research Institutes and Think Tanks in South Asia
7. National Citizen's Social Charter: Bangladesh A Reality Check	Sep 2006	Centre for Policy Dialogue (CPD)	RETA 6189: Supporting Network of Research Institutes and Think Tanks in South Asia
8. Monitoring the Citizen's Social Charter in India: Assessing the Status of Right to Elementary Education and Right to Food (Mid Day Meal Scheme)	Jun 2007	Council for Social Development (CSD)	RETA 6189: Supporting Network of Research Institutes and Think Tanks in South Asia
9. Assessing and Reformulating the SAARC Roadmap	Jul 2008	Institute of Policy Studies (IPS)	RETA 6189: Supporting Network of Research Institutes and Think Tanks in South Asia
10. Annual Monitoring of SAARC's policies and programs	May 2008	Prof Mahendra P Lama	RETA 6189: Supporting Network of Research Institutes and Think Tanks in South Asia

Studies	Completion Date	Institutes	Funding Source
Trade And Investment			
1. Vertical And Horizontal Industrial Integration In South Asia	Oct 2009	Institute for Policy Studies (IPS), Sri Lanka	RETA 6417: Supporting Network of Research Institutes and Think Tanks in South Asia II
2. Liberalization of Trade in Services under SAFTA: Prospects and Challenges for Pakistan ^a	Oct 2009	Foreign Trade Institute of Pakistan (FTIP)	RETA 6417: Supporting Network of Research Institutes and Think Tanks in South Asia II
3. Measuring the Barriers to Trade in Services in South Asia: An Empirical Exercise	Oct 2009	International Management Institute (IMI), India Research and Information System for Developing Countries (RIS), India	RETA 6417: Supporting Network of Research Institutes and Think Tanks in South Asia II
4. Infrastructure Development in South Asia: Role of Foreign Direct Investment	Oct 2009	Indian Council for Research on International Economic Relations (ICRIER)	RETA 6417: Supporting Network of Research Institutes and Think Tanks in South Asia II
Human Dimension of Regional Cooperation			
5. Regional Consultative Process on Labor Migration from South Asia	Oct 2009	Refugee and Migratory Movements Research Unit (RMMRU), Bangladesh	RETA 6417: Supporting Network of Research Institutes and Think Tanks in South Asia II
6. Food Security in South Asia: Strategies and Programs for Regional Collaboration	Oct 2009	Pakistan Institute of Development Economics (PIDE)	RETA 6417: Supporting Network of Research Institutes and Think Tanks in South Asia II
Economic and Social Impact of the Financial Crisis			
7. Economic and Social Impact of Financial Crisis: Protecting the Vulnerable in South Asia	Nov 2009	Pakistan Institute of Development Economics (PIDE)	RETA 6417: Supporting Network of Research Institutes and Think Tanks in South Asia II
8. Economic and Social Impact of Global Financial Crisis: Implications for Macroeconomic and Development Policies in South Asia	Nov 2009	Pakistan Institute of Development Economics (PIDE)	RETA 6417: Supporting Network of Research Institutes and Think Tanks in South Asia II

9. The Financial Crisis in the Gulf and Its Impact on South Asian Migrant Workers	Nov 2009	Research Unit on International Migration, Ministry of Overseas Indian Affairs at the Centre for Development Studies, Kerala, India	RETA 6417: Supporting Network of Research Institutes and Think Tanks in South Asia
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^a Study number 2 is to be merged with Study number 3.