

Management Response to IED's Thematic Evaluation of ADB Support for the South Asia Subregional Economic Cooperation Program, 2011-2023

On 20 September 2024, the Director General, Independent Evaluation Department, received the following response from the Director General, Strategy, Policy, and Partnerships Department on behalf of Management:

I. General Comments

1. Management welcomes the thematic evaluation of ADB Support for the South Asia Subregional Economic Cooperation (SASEC) Program, 2011-2023 conducted by the Independent Evaluation Department (IED). Management thanks IED for the efforts undertaken in preparing the thematic evaluation report (the report), involving extensive consultations within ADB, the resident mission staff, and relevant government agencies in the SASEC countries.

2. Management commends IED for a balanced assessment of the performance of SASEC operations incorporating both ADB investment and technical assistance (TA) support. Management appreciates that IED acknowledged the good progress SASEC has made in regional cooperation within South Asia, despite the challenges posed by the COVID-19 pandemic and evolving political situation in the subregion. In 2024, SASEC has initiated the preparation of the SASEC Vision 2035, which will provide a new strategic framework for the next decade that adopts new approaches for climate action and resilience, private sector engagement, and development partner coordination. Management finds this evaluation timely as it provides useful perspectives for SASEC in the development of the new vision document and ensuing sector strategies.

3. Management would like to offer the following general observations on the report:

a. **Expanded role of the SASEC Secretariat.** The report finds that ADB support in improving coordination among SASEC countries in both investment and policy and institutional reforms has resulted in improved connectivity within the subregion, particularly in priority areas such as transport, energy and trade facilitation. However, it also notes that the SASEC Secretariat could have been more pro-active in urging and supporting SASEC members develop more innovative solutions, and accelerated action to address cross border issues. The relocation of the SASEC Secretariat to the India Resident Mission is one of the major actions taken by ADB during the evaluation period. This move is expected to further enhance the role of ADB as the Secretariat by increasing its presence within the region, and accessibility to member countries. With additional resources, the Secretariat should further be able to undertake an expanded role in SASEC decision-making processes.

b. **Increasing SASEC activity on regional public goods (RPGs).** Management recognizes the unique role and opportunity for SASEC to facilitate knowledge sharing and agreement on RPGs. However, it is also important to note that SASEC countries agree to focus on specific priorities given the broad spectrum of issues that need to be addressed. It is important to note that SASEC is a consensus-based organization. RPGs have been and will continue to be discussed during the SASEC Working Group and Senior Officials Meetings but while some countries may express the desire for ADB to work in certain areas, other countries may not. In such cases, progress may be achieved if RPGs are addressed through separate ADB country-level initiatives and support for other regional initiatives already working in those areas. In parallel, ADB may continue to increase awareness on

related issues through additional knowledge support so that future discussions on the key issues may more likely result in a consensus.

II. Management Response to the Recommendations

4. Recommendation 1: Support the SASEC Program in developing an overall long-term strategy to achieve its vision and improve its alignment with ADB RCI strategies.

Management agrees. The first SASEC Vision document was launched in April 2017 as a long-term strategy for sustained inclusive growth in the region. This was supported by the SASEC Operational Plan 2016-2025, consistent with the midterm review of the Strategy 2020 and the RCI Operational Plan 2016-2020 of ADB. The SASEC Vision 2035 is under preparation and will provide the overall strategic framework that will guide SASEC operations over the next decade. This is supported by a three-year Action Plan of SASEC Initiatives (APSI), updated annually. Both the SASEC Vision 2035 and the APSI are being prepared in consultation with relevant government agencies, development partners, think tanks, and ADB sector group focal persons. Following the adoption of the SASEC Vision 2035, management will prepare sector strategic plans with close coordination with the Sector Groups to guide the long-term ADB operations. Management appreciates that the work already initiated by the SASEC Secretariat is aligned with IED recommendation.

5. Recommendation 2: Support the broadened agenda for regional integration and regional public goods through strengthened knowledge work, policy advice, and sector diagnostics.

Management agrees. The forthcoming SASEC Vision 2035 will support broadening of the focus of the SASEC program including regional public goods. It will include new emerging areas of work within existing sectors, as well as cross-cutting themes. While it may be challenging for all SASEC countries to reach a consensus on regional public goods, as mentioned above, ADB will continue to facilitate knowledge sharing, provide policy support, and sector diagnostics for South Asian countries to drive the regional public goods agenda. TA resources will continue to promote regional prosperity by supporting regional public goods, as well as regional and subregional programs for enhanced connectivity, expanded trade, and investment opportunities.—This is consistent with the Strategy 2030 Midterm Review published in August 2024 which identifies regional cooperation and public goods as one of the five strategic focus areas where ADB intends to accelerate its support and setting a target of 30% of operations contributing to RCI including supporting public goods by 2030.

6. Recommendation 3: Strengthen the regional lens and justification in the conception and design of SASEC projects.

Management agrees. ADB introduced the RCI Scorecard in 2019 and it is now part of the processing requirements for ADB projects. All projects since the introduction of the RCI Scorecard are carefully vetted for RCI elements. Further, under the New Operating Model, a One ADB team member is specifically assigned from the RCI unit to provide support during project development. Regional Head, RCI is also part of the review process for South Asia projects, allowing for strengthening of the regional lens. Meanwhile, SASEC Secretariat will continue to prepare the annually updated APSI, which lists projects that have been endorsed by SASEC countries as priority regional projects. ADB will continue to ensure that SASEC projects are correctly justified and classified as RCI projects.

7. Recommendation 4: Strengthen support for the SASEC governance structure and ADB's role as the SASEC Secretariat.

Management agrees. The expanded SASEC agenda will require the SASEC Secretariat to undertake a stronger and more strategic role in providing direction to future SASEC activities. To meet the growing demand, the SASEC Secretariat has been mobilizing staff from relevant Sector Groups to support SASEC initiatives. There are limited TA resources available compared to the volume of demand for knowledge support from member countries, and for exploring new areas of cooperation within regional cooperation and regional public goods. Meanwhile, the Secretariat must provide information to support decision-making at working group, senior official, and finance minister levels. Management concurs in principle with the recommendation for ADB to increase support for upskilling and strengthening the SASEC Secretariat and will continue to balance resource support for competing priorities and demands.

8. Recommendation 5: Promote a platform for coordination and engagement with other development partners, think tanks and research institutions.

Management agrees. SASEC has incorporated a robust mechanism to interact and coordinate with other development partners. One key example is the preparation of the three-year APSI which acts as the go-to document for all the RCI initiatives in South Asia, irrespective of the source of financing, and includes inputs from other multilateral international financing agencies, bilateral agencies, government-driven initiatives, government-to-government line of credit financing agencies, and other relevant stakeholders. The development partners who have been actively involved in regional cooperation efforts in South Asia are also invited to be part of the annual SASEC Senior Officials Meeting (SOM) to provide their inputs. The December 2023 SOM had participation from the World Bank, Japan International Cooperation Agency, New Development Bank and Asian Infrastructure Investment Bank. The SASEC Secretariat envisages more active coordination with these agencies as well as increased participation from other agencies in the future, although this may require a phased approach as changes in institutional structure and processes also require adjustment and acceptance by SASEC member countries.