



Regional Cooperation Operations Business Plan

December 2012

South Asia
2013–2015

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 22 November 2012)

Bangladesh	Currency unit	=	taka (Tk)
	Tk1.00	–	\$0.012
	\$1.00	–	Tk81.13
Bhutan	Currency unit	=	ngultrum (Nu)
	Nu1.00	–	\$0.018
	\$1.00	–	Nu55.11
India	Currency unit	=	Indian rupee/s (Re/Rs)
	Re1.00	–	\$0.018
	\$1.00	–	Rs55.11
Maldives	Currency unit	=	rufiyaa (Rf)
	Rf1.00	–	\$0.065
	\$1.00	–	Rf15.39
Nepal	Currency unit	=	Nepalese rupee/s (NRe/NRs)
	NRe1.00	–	\$0.011
	\$1.00	–	NRs88.06
Sri Lanka	Currency unit	=	Sri Lanka rupee/s (SLRe/SLRs)
	SLRe1.00	–	\$0.008
	\$1.00	–	SLRs130.30

ABBREVIATIONS

ADB	–	Asian Development Bank
RCOBP	–	regional cooperation operations business plan
RCS	–	regional cooperation strategy
SAARC	–	South Asian Association for Regional Cooperation
SASEC	–	South Asia Subregional Economic Cooperation
TA	–	technical assistance

NOTE

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

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CONTENTS

	Page
I. CONSISTENCY OF THE BUSINESS PLAN WITH THE REGIONAL COOPERATION STRATEGY	1
II. INDICATIVE LENDING AND NONLENDING PROGRAMS	1
III. SUMMARY OF CHANGES TO LENDING AND NONLENDING PROGRAMS	2
APPENDIXES	
1. Regional Cooperation Strategy Results Framework, 2013–2015	3
2. Indicative Assistance Pipeline	5
3. Assistance Program for the Current Year	9

I. CONSISTENCY OF THE BUSINESS PLAN WITH THE REGIONAL COOPERATION STRATEGY

1. The regional cooperation operations business plan (RCOBP), 2013–2015 of the Asian Development Bank (ADB) updates the RCOBP, 2012–2014 and is the second RCOBP under the regional cooperation strategy (RCS), 2011–2015¹. The proposed regional operations for 2013–2015 are consistent with the priorities of the RCS. In 2013–2015, operations will continue to focus on (i) improving regional connectivity, (ii) boosting cross-border trade, and (iii) strengthening regional energy cooperation. The results framework remains valid and does not require updating in terms of sector outcome and ADB areas of intervention.

2. Average economic growth in South Asia in 2012 is projected at 5.3%, down from 6.2% in 2011 mainly as a result of the uncertain global environment and tight monetary policies taken to reduce inflationary pressure. The late and uneven monsoon is expected to affect agricultural production in India and Nepal, while weak global demand is expected to result in decelerating export growth in Bangladesh. In 2013, average economic growth in South Asia is expected to accelerate to 6.2%, although slightly lower than the previous forecast of 6.4%.²

3. The South Asia Subregional Economic Cooperation (SASEC) working groups on trade facilitation and transport, and energy met in Bangkok in October 2011, Kolkata in March 2012 (only the Trade Facilitation and Transport Working Group), and Thimphu in November 2012. They discussed and agreed on a list of priority investment and technical assistance (TA) projects in cross-border transport connectivity, trade facilitation, and energy. ADB has included priority projects in the indicative lending³ and nonlending programs for 2013–2015 in line with the agreement of the working groups.

4. To promote greater synergies between regional and national priorities, RCOBP implementation will require the use of regular country-specific funding from ADB, especially for national projects with regional implications. Some investment projects, included in the RCOBP lending program, are expected to secure funding from ADB-wide subregional Asian Development Fund (ADF) resources.

II. INDICATIVE LENDING AND NONLENDING PROGRAMS

6. The cumulative value of the indicative lending program of the RCOBP 2013–2015 (Table A2.1, Appendix 2) is \$1.403 billion. Of the total ADB assistance, eight projects are in transport (83%) and three in energy (17%). Funding for the indicative lending program of the RCOBP 2013–2015 is expected to come from ordinary capital resources (OCR) amounting to \$1.0 billion, ADF loans amounting to \$312 million, and ADF grants amounting to \$81 million. Expected co-financing for the lending program amounts to \$355 million

7. The indicative program for nonlending products for 2013–2015 (Table A2.2, Appendix 2) comprises 23 projects with a cumulative value of \$33.4 million. Expected co-financing for the nonlending program is estimated at about \$6 million.

¹ ADB. 2011. *Regional Cooperation Strategy: South Asia, 2011–2015*. Manila.

² ADB. 2012. *Asian Development Outlook Supplement, December 2012*. Manila.

³ In this paper, lending programs include loans and grants.

III. SUMMARY OF CHANGES TO LENDING AND NONLENDING PROGRAMS

8. Projects included in the indicative lending and nonlending programs in the RCOBP, 2013–2015 are consistent with strategic priorities and the sector focus of the RCS, 2011–2015, as well as priorities of the SASEC working groups on trade facilitation and transport, and energy. Given the prioritization exercise carried out by the SASEC working groups and the need to better align the RCOBP with ADB's country operations business plans for SASEC countries, changes were made in the indicative lending and nonlending programs of the earlier RCOBP, 2012–2014.

9. Only three projects for 2013–2014 in the RCOBP, 2012–2014 are retained in the RCOBP, 2013–2015, each have higher loan amounts than earlier programmed. The SASEC working group meetings in Kolkata in March 2012 and Thimphu in November 2012 refined the list of priority projects, including those for ADB financing. One project was a carryover from the 2012 program. The remaining four projects are new, the result of SASEC working group meetings, or individual consultations with SASEC countries. Three SASEC transport projects are included in the indicative lending program for 2015, highlighting the importance of strengthening cross-border connectivity in the subregion. Of the six projects in the lending program for 2012 in the RCOBP, 2012–2014, only two—the Air Transport Connectivity Enhancement Project in Bhutan and the SASEC Subregional Trade Facilitation Program in Bangladesh, Bhutan, and Nepal—are for approval this year⁴, in addition to two subregional road projects in Bangladesh.

10. Planned nonlending operations for 2013–2015 are broadly in line with the functional (i.e., assistance type) and thematic priorities reflected in the RCOBP, 2012–2014. However, the specific projects included differ. The nonlending program was a combination of assistance for capacity development, institutional strengthening, coordination, analytical work related to SASEC sectors, and project preparation. Such interventions are expected to prepare the foundation for deeper understanding of regional cooperation and integration in South Asia, as well as future subregional investments in SASEC priority sectors. Nonlending activities expected to be processed in 2013 are more robust than those programmed in the previous RCOBP.

⁴ Both projects were approved as of 29 November 2012.

REGIONAL COOPERATION STRATEGY RESULTS FRAMEWORK, 2013–2015

**Changes from RCSP
or Last RCOBP**

Regional Development Goal Foster greater regional integration by supporting investments in transport corridors, energy trade, and border-trade facilitation				Limited focus to three sectors
Regional Objectives	Sector Outcomes that ADB Contributes to and Indicators	ADB Areas of Intervention	ADB Indicative Resource Allocation in the Next Pipeline and Thematic Priorities	Changes from last RCOBP
1. Transport (2020 Core Area 1: Infrastructure; 3: Regional cooperation and integration)				
Improve cross-border connectivity	<p>Outcome: Increased movement of goods and services between Bangladesh, Bhutan, India, Maldives, Nepal, Sri Lanka, and their neighbors</p> <p>Indicators with Targets and Baselines</p> <p>Container-handling capacity of Colombo Port increased Baseline: 4 million TEU (2010) Target: 8 million (2015)</p> <p>Average cross-border transit time of trucks from Kolkata to Dhaka decreased Baseline: 20 days (2010) Target: 11 days (2015)</p> <p>Subregional cross-border freight traffic increased Baseline: \$5 billion (2010) Target: \$6 billion (2015)</p> <p>(The transport sector road map provides output details)</p>	Development of railways, roads, ports, and airports	<p>\$1,103 million</p> <p>GRO – 100% RCI – 100% ENV – 52% PSD – 48%</p>	None
2. Energy (2020 Core Area 1: Infrastructure; 3: Regional cooperation and integration)				
Facilitate energy cooperation	<p>Outcome. Increased energy supply in Bangladesh, Bhutan, India, Nepal, and Sri Lanka through development of cross-border power generation and transmission infrastructure, and eventual establishment of a regional energy market</p> <p>Indicators with Targets and Baselines</p> <p>Cross-border power transfer capacity increased Baseline: 1,200 MW (2010) Target: 3,500 MW (2015)</p> <p>Power generation capacity increased Baseline: 120 MW (2010) Target: 850 MW (2015)</p> <p>Indicators with Incremental Targets (Baselines zero)</p> <p>Regulatory framework for regional energy trade (2015) Annual CO₂ emissions reduced by 2 million tons</p> <p>(The energy sector road map provides output details)</p>	Cross-border transmission, and power generation for export	<p>\$300 million</p> <p>GRO – 100% RCI – 100% ENV – 90% CAD – 60% PSD – 40%</p>	None

Regional Objectives	Sector Outcomes that ADB Contributes to and Indicators	ADB Areas of Intervention	ADB Indicative Resource Allocation in the Next Pipeline and Thematic Priorities	Changes from last RCOBP
3. Trade facilitation (2020 Core Area 1: Infrastructure; 3: Regional cooperation and integration)				
Improve intraregional trade	<p>Outcome. Increased intraregional trade through lower transaction and trade costs at selected border checkpoints</p> <p>Indicators with targets and baselines</p> <p>Intraregional trade's share of world trade increased Baseline: 3.9% (2009) Target: 5.0%–6.0% (2015)</p> <p>Average time to export and import decreased Baseline: 27 days (2010) Target: 20 days (2015)</p> <p>Number of documents for export and import decreased Baseline: 8–9 (2010) Target: 5 (2015)</p> <p>Indicators with incremental targets (Baselines zero)</p> <p>Computerized and automated customs systems set up Target: 3 countries by 2015</p> <p>(The trade facilitation sector road map provides output details.)</p>	Customs automation and harmonization, trade facilitation regulatory framework		None

ADB = Asian Development Bank, CAD = capacity development, CO₂ = carbon dioxide, ENV = environmental sustainability, GEN = gender equity, km = kilometer, GOV = governance, GRO = economic growth, MW = megawatt, PSD = private sector development, RCI = regional cooperation and integration, RCOBP = regional cooperation operations business plan, RCSP = regional cooperation strategy and program, TEU = twenty-foot equivalent unit.

Source: Asian Development Bank estimates.

INDICATIVE ASSISTANCE PIPELINE

Table A2.1: Indicative Assistance Pipeline for Lending Products, 2013–2015^a

Project/Program Name	Countries Involved	Sector	Targeting Classification	Primary Theme	Division	Year of PPTA	Cost (\$ million)						
							Total	OCR	ADB ADF		Total	Gov't	Co-finance
									Loans	Grants			
2013 Firm													
1. Bangladesh–India Electrical Grid Interconnection (additional financing)	Bangladesh	EN	GI	GRO, RCI, CAD	SAEN		30.0	0.0	30.0	0.0	30.0	...	...
2. Green Power Development Project II	Bhutan	EN	GI	GRO, PSD, RCI, ENV	SAEN	2012	120.0	80.0	40.0	0.0	120.0	...	...
3. SASEC Road Connectivity Project	India	TCT	GI	GRO, CAD, RCI	SATC	2010	250.0	250.0	0.0	0.0	250.0	...	...
4. Strategic Roads Improvement Project (formerly Road Connectivity Project)	Nepal	TCT	GI	GRO, RCI, EGM	SATC	2010	84.7	0.0	15.7	49.0	64.7	...	20.0
Total							484.7	330.0	85.7	49.0	464.7	...	20.0
2014 Firm													
1. SASEC Railway Connectivity (MFF) (PFR-1)	Bangladesh	TCT	GI	GRO, ENV, PSD, RCI	SATC	2010	330.0	150.0	50.0	0.0	200.0	...	130.0
2. SASEC Road Connectivity Project	Bhutan	TCT	GI	GRO, RCI, ENV	SATC	2011	40.0	0.0	25.9	14.1	40.0	...	...
3. Subregional Electricity Transmission Capacity Expansion Project (formerly Energy Access and Efficiency Improvement Project)	Nepal	EN	GI	GRO, ENV, CAD, RCI	SAEN	2013	175.0	0.0	150.0	0.0	150.0	...	25.0
Total							545.0	150.0	225.9	14.1	390.0	...	155.0

2015 Firm

1. SASEC Railway Connectivity (MFF) (PFR-2)	Bangladesh	TCT	GI	GRO, ENV, PSD, RCI	SATC	2010	155.0	155.0	0.0	0.0	155.0	...	...
2. SASEC Road Investment Program (MFF) (PFR-1)	Bangladesh	TCT	GI	GRO, ENV, PSD, RCI	SATC		325.0 ^b	175.0	0.0	0.0	175.0	...	150.0
3. SASEC Port Connectivity Project	India	TCT	GI	RCI, GRO, SOD	SATC	2011	400.0	200.0	0.0	0.0	200.0	200.0	...
4. SASEC Transport Project	Maldives	TCT	GI	RCI, GRO, SOD	SATC	2013	18.0	0.0	0.0	18.0	18.0	...	...
Total							898.0	530.0	0.0	18.0	548.0	200.0	150.0

... = data not available or calculated, ADB = Asian Development Bank, ADF = Asian Development Fund, CAD = capacity development, EGM = effective gender mainstreaming, EN = energy, ENV = environmental sustainability, GI = general intervention, GOV = governance, Gov't = government, GRO = economic growth, MFF = multitranchise financing facility, MS = multisector, OCR = ordinary capital resources, PPTA = project preparatory technical assistance, PSD = private sector development, RCI = regional cooperation and integration, SAEN = South Asia Energy Division, SAPF = South Asia Public Management, Financial Sector, and Trade Division, SARC = South Asia Regional Cooperation and Operations Coordination Division, SATC = South Asia Transport and Communications Division, TCT = transport and information and communication technology.

^a Based on approved country operations business plans for 2013-2015 for Bangladesh, Bhutan, and Maldives, and draft country operations business plans for 2013–2015 for India, Nepal, and Sri Lanka.

^b Amount represents the ADB financing, the total amount may still increase.

Source: Asian Development Bank estimates.

Table A2.2: Indicative Assistance Pipeline for Nonlending Products and Services, 2013–2015

Assistance Name	Countries Involved	Sector	Division	Assistance Type	Amount (\$'000)
2013					
1. Preparing the Transport Project	Maldives	TCT	SATC	PPTA	800.0
2. Subregional Electricity Transmission Capacity Expansion Project (formerly Energy Access and Efficiency Improvement Project III)	Nepal	EN	SAEN	PPTA	800.0
3. Preparing the India–Sri Lanka Power Interconnection Project	Sri Lanka	EN	SAEN	PPTA	1,000.0
4. Energy Sector Capacity Development and Regional Cooperation	Bangladesh, Bhutan, India, Maldives, Nepal, Sri Lanka	EN	SAEN	CDTA	1,700.0
5. Support for Climate Change Initiatives in South Asia	Bangladesh, Bhutan, India, Maldives, Nepal, Sri Lanka	ANR	SAOD	CDTA	3,000.0
6. Support for South Asia Regional Economic Cooperation (Supplementary to TA 7491-REG)	SASEC ^a	MS	SARC	R-CDTA	3,000.0
7. Supporting Trade Facilitation in South Asia	Bangladesh, Bhutan, India, Maldives, Nepal, Sri Lanka	MS	SARC	R-CDTA	1,500.0
8. Supporting Nepal's Participation in SASEC Trade Facilitation	Nepal	IND	SARC	CDTA	1,500.0
9. Supporting Bangladesh's Participation in SASEC Trade Facilitation	Bangladesh	IND	SARC	CDTA	1,500.0
10. Supporting Bhutan's Participation in SASEC Trade Facilitation	Bhutan	IND	SARC	CDTA	1,500.0
11. Support for Promoting South Asian Regional Economic Cooperation II (Supplementary to TA 6512-REG)	SAARC ^b	MS	SARC	R-CDTA	1,000.0
Total					17,300.0
2014					
1. Preparing the SASEC Transport Project	Bhutan	TCT	SATC	PPTA	830.0
2. Preparing the SASEC Green Energy Project	Bhutan	EN	SAEN	PPTA	900.0
3. Capacity Building for West Bengal Connectivity Project	India	TCT	SATC	CDTA	500.0
4. Support for SASEC Regional Transport and Transit	SASEC ^a	MS	SARC, SATC	R-PATA	2,000.0
5. Capacity Building for Regional Trade Facilitation Improvement	Bangladesh, Bhutan, India, Maldives, Nepal, Sri Lanka	EN	SARC, SAPF	R-PATA	1,500.0
6. Support for SASEC	SASEC ^a	MS	SARC	R-CDTA	3,000.0
Total					8,730.0
2015					
1. Supporting the SASEC Subregional Road Investment Program	Bangladesh	TCT	SATC	CDTA	1,000.0
2. Preparing the Sustainable Development Project	Bhutan	MS	SAEN, SAHS, SATC	PPTA	1,000.0
3. Capacity Development for Transport Project Implementation	Maldives	TCT	SATC	CDTA	400.0

Assistance Name	Countries Involved	Sector	Division	Assistance Type	Amount (\$'000)
4. Capacity Building for Regional Macroeconomic Surveillance	Bangladesh, Bhutan, India, Maldives, Nepal, Sri Lanka	MS	SARC	R-CDTA	1,000.0
5. Support for BIMSTEC	BIMSTEC ^c	MS	SARC	R-CDTA	2,000.0
6. Support for SAARC	SAARC ^b	MS	SARC	R-CDTA	2,000.0
Total					7,400.0

BRM = Bangladesh Resident Mission, BIMSTEC = Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation, CDTA = capacity development technical assistance, EN = energy, HLF = high-level forum, INRM = India Resident Mission, MS = multisector, NRM = Nepal Resident Mission, PPTA = project preparatory technical assistance, R-CDTA = regional capacity development technical assistance, R-PATA = regional policy and advisory technical assistance, REG = regional, SAARC = South Asian Association for Regional Cooperation, SAEN = South Asia Energy Division, SAPF = South Asia Public Management, Financial Sector, and Trade Division, SARC = South Asia Regional Cooperation and Operations Coordination Division, SASEC = South Asia Subregional Economic Cooperation; SATC = South Asia Transport and Communications Division, S-CDTA = small-scale capacity development technical assistance, TCT = transport and information and communication technology.

^a Refers to Bangladesh, Bhutan, India, and Nepal.

^b Refers to Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka.

^c Refers to Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka, and Thailand.

Source: Asian Development Bank estimates.

ASSISTANCE PROGRAM FOR THE CURRENT YEAR

Table A3.1: Indicative Assistance Pipeline for Lending Products, 2012

Project/Program Name	Countries Involved	Sector	Targeting Classification	Primary Theme	Division	Year of PPTA	Cost (\$ million)						
							Total	OCR	ADB		Gov't	Co-finance	
									ADF				
									Loans	Grants			Total
1. Dhaka–Chittagong Expressway PPP Design Project	Bangladesh	TCT	GI	GRO, CAD, PSD, RCI	SATC		10.0	0.0	10.0	0.0	10.0	0.0	0.0
2. SASEC Road Connectivity Project (formerly Road Sector Development Project)	Bangladesh	TCT	GI	GRO, CAD, RCI	SATC	2006	258.0	0.0	198.0	0.0	198.0	0.0	60.0
3. Air Transport Connectivity Enhancement Project	Bhutan	TCT	GI	GRO, CAD, RCI	SATC	2010	6.9	0.0	0.0	6.9	6.9	0.0	0.0
4. SASEC Subregional Trade Facilitation Program (formerly Regional Trade Facilitation Program)	Bangladesh, Bhutan, India, Nepal	IND	GI	GRO, RCI	SAPF		46.7	0.0	28.3	18.4	46.7	0.0	0.0
Total							321.6	0.0	236.3	25.3	261.6	0.0	60.0

... = data not available or not calculated, ADB = Asian Development Bank, ADF = Asian Development Fund, EN = energy, ENV = environmental sustainability, GI = general intervention, GOV = governance, Gov't = government, GRO = economic growth, OCR = ordinary capital resources, PPTA = project preparatory technical assistance, RCI = regional cooperation and integration, SATC = South Asia Transport and Communications Division, SAPF = South Asia Public Management, Financial Sector and Trade Division, TCT = transport and information and communication technology.

Source: Asian Development Bank estimates.

Table A3.2: Indicative Assistance Pipeline for Nonlending Products and Services, 2012

Assistance Name	Countries Involved	Sector	Division	Assistance Type	Sources of Funding				Total
					ADB		Others		
					Source	Amount (\$'000)	Source	Amount (\$'000)	
1. Subregional Integrated Solar Energy Development Program <i>(formerly Solar Roadmap for South and South East Asia)</i>	Bangladesh, Bhutan, India, Nepal	EN	SAEN	R-CDTA			JFPR	2,000.0	2,000.0
2. Supporting Financial Stability in South Asia		FIN	SAPF	R-CDTA			ICFF	750.0	750.0
3. Subregional Trade Facilitation Program (piggybacked)		IND	SAPF	R-CDTA			DFID	500.0	500.0
5. Scaling Up Initiative for Greater Gender Equality Results in South Asia DMCs			SAOD	R-CDTA			JFPR	2,000.0	2,000.0
6. Enhancing Gender Equality Results in South Asia DMCs (Phase 2)	Bangladesh, Bhutan, India, Maldives, Nepal, Sri Lanka		SAOD	R-CDTA	TASF	500.0			500.0
7. E-Learning Phase II (Supplementary)	Bangladesh, Bhutan, India, Maldives, Nepal, Sri Lanka		SAHS	R-RDTA			TBD	500.0	500.0
8. Enhancing Economic Analysis and South-South Learning <i>(formerly Regional Economic Research and Capacity Building)</i>	Bangladesh, Bhutan, India, Maldives, Nepal, Sri Lanka		SARC	R-PATA	TASF	1,500.0			1,500.0
9. Development Partnership Program for South Asia (Supplementary)	Bangladesh, Bhutan, India, Maldives, Nepal, Sri Lanka	MS	SARC	R-RDTA			AusAID	3,155.0	3,155.0
10. Advanced Project Preparedness for Poverty Reduction-Detailed Design for the SASEC Subregional Road Connectivity Project	India	TCT	SATC	PPTA			DFID	1,000.0	1,000.0
Total						2,000.0		9,905.0	11,905.0

ADB = Asian Development Bank, AusAID = Australian Agency for International Development, CDTA = capacity development technical assistance, DMC = developing member country, DFID = Department for International Development UK, EDU = education, EN = energy, ICFF = Investment Climate Facilitation Fund, JFPR = Japan Fund for Poverty Reduction, MS = multisector, PPTA = project preparatory technical assistance, R-CDTA = regional capacity development technical assistance, R-PATA = regional project advisory technical assistance, SAEN = South Asia Energy Division, SAHS = South Asia Human and Social Development Division, SAOD = South Asia Office of the Director General, SARC = South Asia Regional Cooperation and Operations Coordination Division, SATC = South Asia Transport and Communications Division, S-CDTA = small-scale capacity development technical assistance, TASF = Technical Assistance Special Fund, TCT = transport and information and communication technology.

Source: Asian Development Bank estimates.