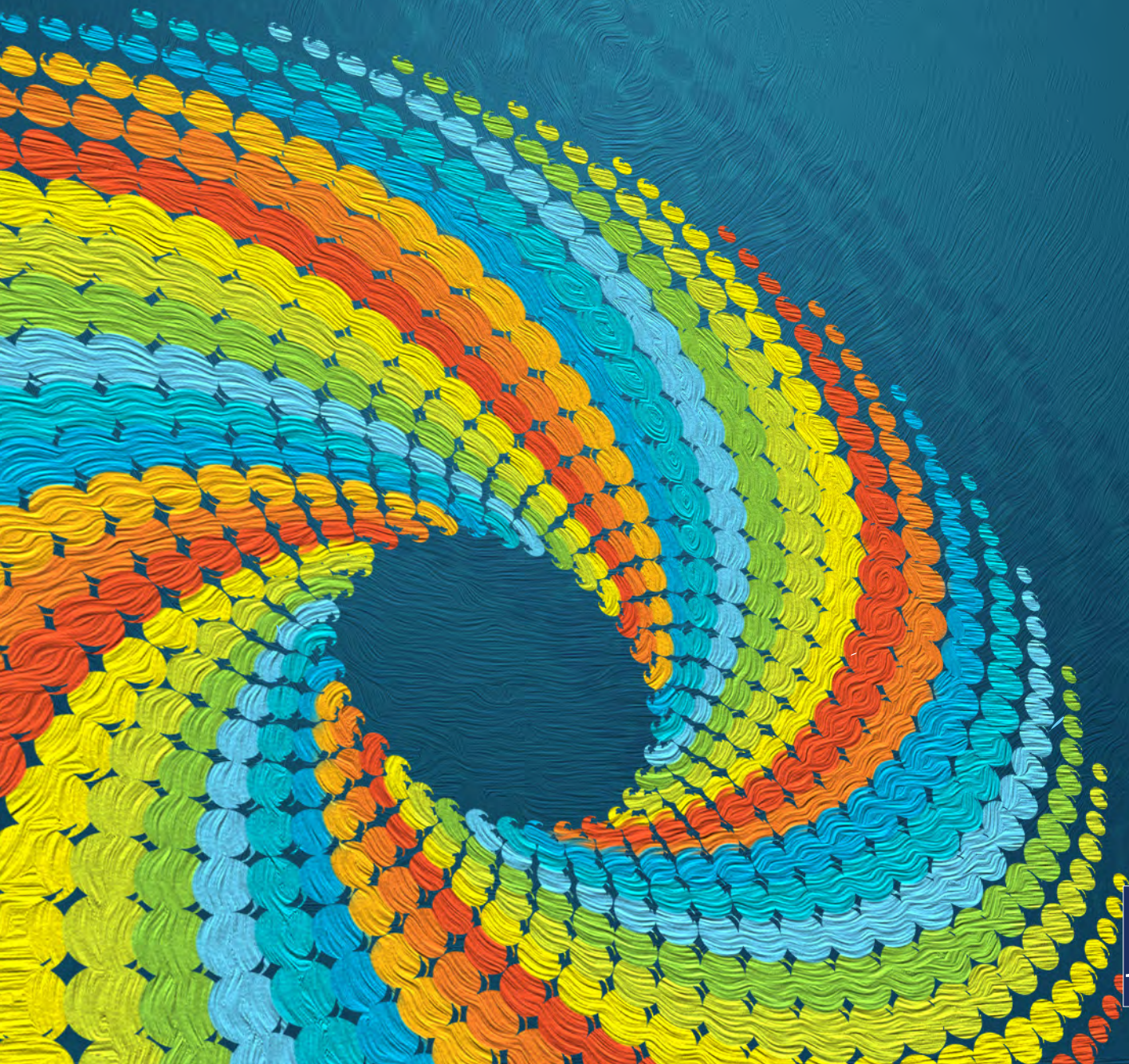


ASEAN-ADB COOPERATION TOWARD THE ASEAN COMMUNITY

Advancing Integration and Sustainable
Development in Southeast Asia



ADB

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April 2016



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Note: In this publication, “\$” refers to US dollars.

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FOREWORD

The Asian Development Bank (ADB) and the Association of Southeast Asian Nations (ASEAN) are bound by shared goals and vision in pursuit of integration and sustainable development across the ASEAN region.

The decision by the ASEAN Leaders in 2003 to establish an ASEAN Community consisting of the ASEAN Political-Security Community, ASEAN Economic Community, and ASEAN Socio-Cultural Community, as well as the decision in 2007 to realize the ASEAN Community by 2015, have enhanced cooperation between ASEAN and ADB.

The ADB–ASEAN partnership has spanned a wide range of areas, including monetary and financial cooperation, cross-border infrastructure development, trade and transport facilitation, social development, agriculture and food security, and environmental sustainability. It has also involved various modalities, such as information sharing, policy dialogue, capacity building, institutional strengthening, project financing, and resource leveraging, which have contributed to the building of the ASEAN Community.

This publication helps to raise awareness of the nature and scope of ASEAN–ADB cooperation for many stakeholders—ASEAN Member States; ASEAN organs and bodies; ASEAN Dialogue Partners; ADB and other partner development agencies; and the general public.

With ADB and ASEAN commemorating their 50th anniversaries in 2016 and 2017, respectively, we look forward to broader and deeper ASEAN–ADB cooperation, particularly in support of ASEAN’s continued community building and consolidation.



Takehiko Nakao
President
Asian Development Bank



Le Luong Minh
Secretary General
ASEAN Secretariat

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ABBREVIATIONS

ABMI	Asian Bond Markets Initiative
ACMF	ASEAN Capital Market Forum
ADB	Asian Development Bank
ADBI	Asian Development Bank Institute
AEC	ASEAN Economic Community
AFMM	ASEAN Finance Ministers' Meeting
AHN	ASEAN Highway Network
AIF	ASEAN Infrastructure Fund
APG	ASEAN Power Grid
APTERR	ASEAN+3 Emergency Rice Reserve
ASCC	ASEAN Socio-Cultural Community
ASEAN	Association of Southeast Asian Nations
ASEAN+3	ASEAN member states plus the PRC, Japan, and the Republic of Korea
ASEC	ASEAN Secretariat
ASP	ASEAN Surveillance Process
BCI	Biodiversity Conservation Corridor Initiative
BIMP-EAGA	Brunei Darussalam–Indonesia–Malaysia–Philippines East ASEAN Growth Area
CBTA	Cross-Border Transport Agreement
CDC	communicable disease control
CEP	Core Environment Program
CGIF	Credit Guarantee and Investment Facility
CIQS	customs, immigration, quarantine, and security services
CLMV	Cambodia, the Lao PDR, Myanmar, and Viet Nam
CTI	Coral Triangle Initiative (on Coral Reefs, Fisheries, and Food Security)
DRM	disaster risk management
GCAP	Green City Action Plan
GMS	Greater Mekong Subregion
IAI	Initiative for ASEAN Integration
ICT	information and communication technology
IMT-GT	Indonesia–Malaysia–Thailand Growth Triangle
Lao PDR	Lao People's Democratic Republic
MDG	Millennium Development Goal
MFF	multitranche financing facility
MOU	memorandum of understanding
MPAC	Master Plan for ASEAN Connectivity
MRA	mutual recognition agreement
PLC	publicly listed company
PPP	Phnom Penh Plan for Development Management
PRC	People's Republic of China
RCI	regional cooperation and integration
SEA	strategic environmental assessment
SMEs	small and medium-sized enterprises
TA	technical assistance
TRS	time release study
TTF	transport and trade facilitation

1 Introduction

The Association of Southeast Asian Nations (ASEAN) was founded in August 1967, a year after the establishment of the Asian Development Bank (ADB). For the past 5 decades, the two organizations have been fellow travelers along the path of integrated regional development, their goals similar and converging.

This report, following the launch of the ASEAN Economic Community (AEC), reviews ASEAN–ADB cooperation, focusing on ADB’s role and operations in strategic areas of cooperation during the past 10 years. The aim is to provide an overall picture of this cooperation, and how it has helped ADB and ASEAN in achieving their goals, thus providing the groundwork for further cooperation and partnership between them in the future. This report is not intended to be all encompassing, considering the large number of sectors and activities involved, nor is it meant to be an evaluation of ADB interventions.

The ADB Charter of 1965 states that its purpose is “to foster economic growth and cooperation in the region and to contribute to the acceleration of the process of economic development of the developing member countries in the region collectively and individually.” In 2006, ADB adopted a regional cooperation and integration strategy.¹ Although ASEAN adopted its charter only in 2007, it has long fostered closer cooperation and integration among its member states. The ASEAN charter also commits its member states to establishing an ASEAN community by 2015 consisting of three pillars: the AEC, the ASEAN Socio-Cultural Community, and the ASEAN Political and Security Community.² In 2007, the AEC Blueprint was also adopted to “transform ASEAN into a single market and production base, a highly competitive economic region, a region of equitable economic development, and a region fully integrated into the global economy.”³



ASEAN leaders at the 27th ASEAN Summit held in Kuala Lumpur, Malaysia on 21–22 November 2015.

¹ ADB. 2006. *Regional Cooperation and Integration Strategy*. Manila.

² *Declaration of ASEAN Concord II (Bali Concord II)* signed on 7 October 2003 in Bali, Indonesia.

³ *Declaration on the ASEAN Economic Community Blueprint* signed on 20 November 2007 in Singapore.

ADB shares ASEAN's socioeconomic goals, providing a strong foundation for cooperation. The ASEAN charter's objectives, such as poverty reduction, narrowing the development gap, sustainable development, and human resource development through enhanced regional cooperation and integration (RCI), resonate closely with the development agenda of ADB's Strategy 2020, the vision of which is "An Asia and Pacific Region Free of Poverty." The strategy comprises a three-pronged development agenda: inclusive economic growth, environmentally sustainable growth, and regional integration.

Consequently, there has been much informal cooperation between ASEAN and ADB. It began to take shape in the late 1998 when ADB became involved in the ASEAN Surveillance Process in the wake of the 1997-1998 Asian financial crisis and later in financial and monetary cooperation in ASEAN. However, formal cooperation between the two organizations commenced only a decade ago, with the signing of the first memorandum of understanding (MOU) in 2006. This MOU between ASEAN and ADB sought to support ASEAN integration. The second MOU in 2012 broadened and deepened cooperation and was more ASEAN-centric. Its focus areas included physical and institutional connectivity. Narrowing the development gap, poverty alleviation, and attainment of the Millennium Development Goals (MDGs) were designated as the crosscutting themes. A comparison of the objectives and areas of cooperation under these MOUs is shown in Appendix 1.

The two MOUs reflect the evolution in cooperation between ASEAN and ADB. In the first MOU, the formal relationship was limited to knowledge sharing, policy dialogue, and cofinancing. As the relationship strengthened over the ensuing 6 years, the second MOU set forth a wider range of modalities that included capacity building and institutional strengthening, research information dissemination, resource leveraging, and partnership building.



2 The Role of ADB in ASEAN Integration

The ADB with nearly half a century's experience of financing and providing technical assistance (TA) in Asia and the Pacific, and with an RCI strategy in place since 2006, has brought in a wealth of experience to help fulfill the core objective of its current memorandum of understanding with the ASEAN—"To support and accelerate the RCI process within the ASEAN region."

In 2006, ADB reorganized its regional departments, placing all ASEAN member states under one roof to provide more coherent and synergistic support to ASEAN. Prior to this, the Mekong countries (Cambodia, the Lao People's Democratic Republic, Myanmar, Thailand, and Viet Nam) and the other Southeast Asian countries (Brunei Darussalam, Indonesia, Malaysia, the Philippines, and Singapore) were grouped into two separate departments.

ADB promotes RCI in four ways: (i) financing and leveraging resources through partnerships for programs and projects; (ii) generating, sharing, and applying knowledge on RCI; (iii) supporting coordination and acting as an honest broker in the RCI process, for example, by serving as secretariat of the Greater Mekong Subregion Program; and (iv) helping build capacity for RCI, for example, through the Phnom Penh Plan for Development Management. The first two areas are outlined below, and the other two form the main basis of Chapter 3.

Financing and Leveraging Resources

Since 2006, ADB support to ASEAN integration has been considerable in terms of financing and TA, which have helped carry out specific actions required by the ASEAN community blueprints. Such support has been both direct, where the intention to promote ASEAN's objectives was explicitly stated, and indirect, where activities supported ASEAN integration, although this was not explicitly stated as an objective. The latter is particularly true in the case of national projects where many loans and TA projects for education, financial market development, poverty alleviation, health care, and environment involve actions that are mandated in the ASEAN Economic Community and ASEAN Socio-Cultural Community blueprints.

During 2006–2015, ADB financed or cofinanced 376 projects worth \$15.4 billion in support of ASEAN integration, of which 117 were loans and grants (\$15.0 billion) and 259 were TA projects (\$357 million).⁴ It also mobilized \$3.7 billion in cofinancing, which covered around 20% of project costs and 63% of TA costs (Figure 1). Along the way, ADB has strengthened partnerships with many bilateral and multilateral institutions to ensure coordinated support and promote cofinancing of priority projects.

During the same period, ADB projects supporting ASEAN integration accounted for 38% of the total ADB lending to the ASEAN region (\$39.6 billion) and 40% of the total TA (\$883 million). For loans and grants, 92 were national (\$12.4 billion) and 25 were subregional projects (\$2.6 billion), while for TA, 126 were national (\$290 million) and 133 were regional and subregional projects (\$67 million).

In the strategic areas of ADB support to ASEAN integration (Chapter 3), cross-border infrastructure or physical connectivity (33%), environmental sustainability (21%), and monetary

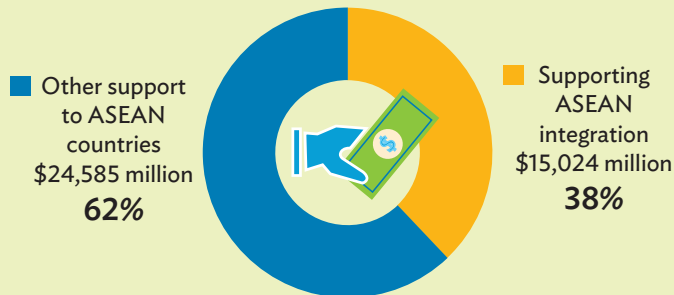
⁴ These include loan or grant and TA projects approved from 2006 to the third quarter of 2015. A loan or TA is considered to be supportive of ASEAN integration if it facilitates or helps implement actions required by the ASEAN community blueprints and Master Plan for ASEAN Connectivity at the regional, subregional, and national levels. This approach is similar to those used by Frielink and Buerano (2009), *The Contribution of ADB to the ASEAN Economic Community Blueprint*, ADB Southeast Asia Working Paper Series No. 3, October 2009, except that they focused only on the ASEAN Economic Community Blueprint and covered only ongoing and pipeline projects of the ADB Southeast Asia Department as of 31 March 2009.

ADB FINANCIAL SUPPORT TO ASEAN INTEGRATION, 2006-Q3 2015

SHARE OF PROJECT LOANS/TA SUPPORTING ASEAN INTEGRATION TO TOTAL LOANS/TA TO ASEAN COUNTRIES

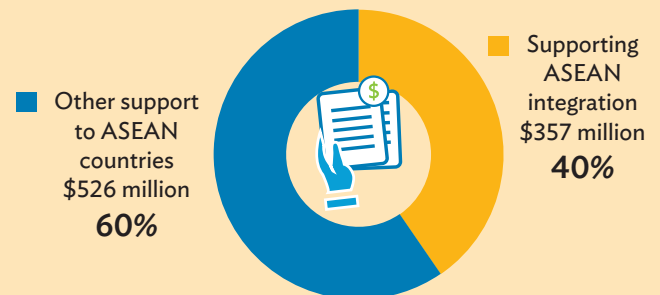
LOANS

Total: \$39,609 million



TECHNICAL ASSISTANCE

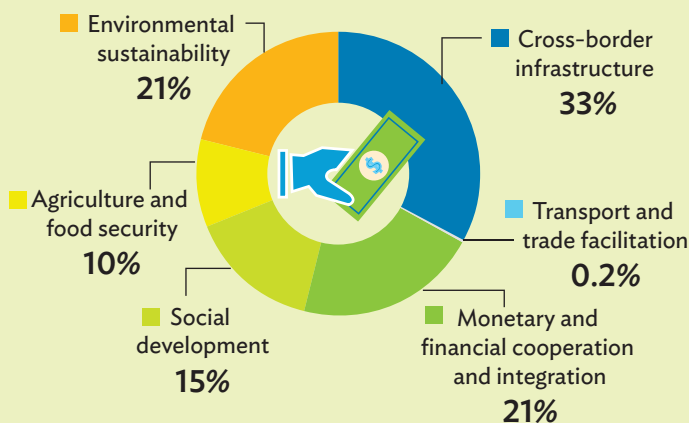
Total: \$883 million



PERCENTAGE DISTRIBUTION OF LOANS AND TA IN AREAS OF COOPERATION

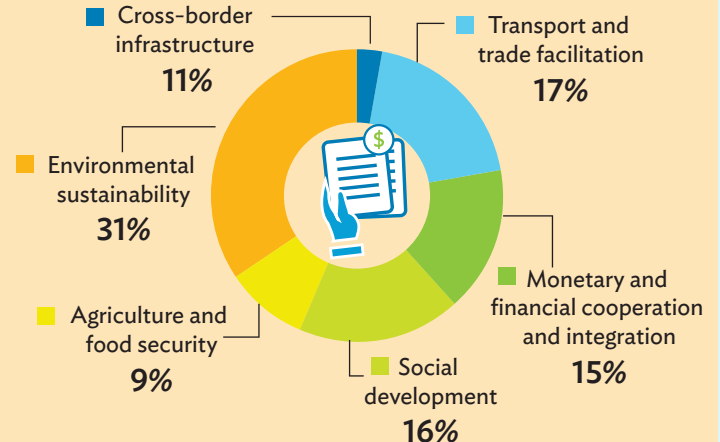
LOANS

Total: \$15,024 million



TECHNICAL ASSISTANCE

Total: \$357 million



SHARE OF ADB FINANCING AND COFINANCING IN LOANS AND TA SUPPORTING ASEAN INTEGRATION

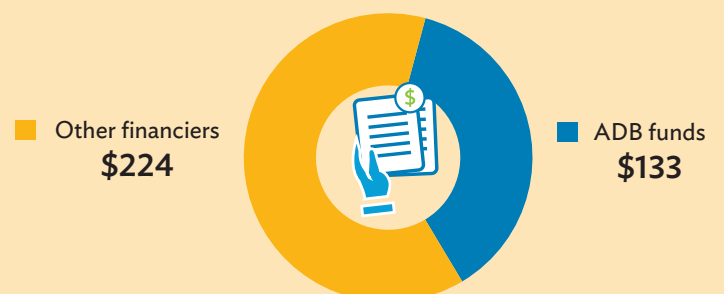
LOANS

Total: \$15,024 million



TECHNICAL ASSISTANCE

Total: \$357 million



ADB = Asian Development Bank, ASEAN = Association of Southeast Asian Nations, TA = technical assistance, Q3 = third quarter.

Source: ADB.

and financial cooperation and integration (21%) had the largest share in project loans, while environmental sustainability (31%) and trade and transport facilitation (17%) had the largest share in TA.

Among the regional and subregional projects, physical connectivity (77%) was the key strategic area of ADB support in project loans; in TA, the focus was on trade and transport facilitation (26%) and environmental sustainability (25%). National loan projects supporting ASEAN integration mostly covered physical connectivity (24%), monetary and financial cooperation and integration (24%), environmental sustainability (24%), and social development (18%), while in national TA, environmental sustainability (41%), monetary and financial cooperation and integration (20%), and social development (17%) had the largest share.

The largest recipients of ADB project loans and grants supporting ASEAN integration were Cambodia, the Lao People's Democratic Republic, Myanmar, and Viet Nam (the CLMV countries), covering 68% of the total. This shows the strong support of ADB for the ASEAN objective of narrowing the development gap.

Generating, Sharing, and Applying Knowledge

Generation and sharing of knowledge are essential for underpinning project activities and providing solutions to emerging RCI challenges. As a knowledge institution, ADB has two interactive roles. The first involves generating knowledge through (i) research on major RCI issues, including those involving ASEAN and the subregional programs; (ii) regional and subregional diagnostics and outlooks; (iii) regional and subregional economic, sector, and thematic work; and (iv) evaluation of regional and subregional projects. The Asian Development Bank Institute (ADBI) has also contributed to the generation of knowledge on RCI issues and the creation of knowledge networks. Selected knowledge products of ADB and ADBI involving RCI in Southeast Asia and its subregions are given in Appendix 2.

The second role is applying and disseminating the knowledge gained from these activities through (i) information sharing and development of knowledge networks, (ii) policy advisory services, (iii) policy dialogue, (iv) capacity building programs, and (v) use of best practices in operations. ADB's performance in this role in support of ASEAN integration is discussed in Chapter 4.

3 ASEAN-ADB Cooperation at the Regional, Subregional, and National Levels

The ADB carries out its ASEAN regional cooperation and integration activities by directly assisting ASEAN at the regional level; through cooperation programs at the subregional level, the goals of which are aligned with those of ASEAN; and by assisting member states meet their ASEAN commitments at the national level. All 10 member states of ASEAN are also ADB member countries.⁵

Direct Assistance to ASEAN

ADB's direct assistance to ASEAN covers several strategic areas. This has delivered significant benefits ranging from infrastructure development initiatives, such as the ASEAN Infrastructure Fund, to projects related to monetary and financial cooperation and integration, food security, transboundary disease control, road safety, and disaster risk management.

Support to ASEAN Integration through Subregional Programs

ADB has been primarily assisting activities in three major subregions: the Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA), Greater Mekong Subregion (GMS), and Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT). The cooperative programs in these subregions are described in Box 1. The areas covered by ASEAN, BIMP-EAGA, GMS, and IMT-GT are shown in the map on page 8.



The GMS Program helps the implementation of high-priority subregional projects in transport, energy, telecommunications, environment, human resource development, tourism, trade, private sector investment, and agriculture. Since 1992, priority infrastructure projects worth around \$11 billion have either been completed or are being implemented.

⁵ Brunei Darussalam, Cambodia, Indonesia, the Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam.

Box 1: BIMP-EAGA, GMS, and IMT-GT Cooperation Programs		
BIMP-EAGA	GMS	IMT-GT
<ul style="list-style-type: none"> Established in 1994. Comprises Brunei Darussalam; nine provinces in Kalimantan and Sulawesi, island chain of Maluku, and Irian Jaya (Indonesia); Sabah, Sarawak and Labuan (Malaysia); and the entire island of Mindanao and island province of Palawan (the Philippines). Aims at accelerating the socioeconomic development of less-developed and remote areas in the four countries. Covers cooperation in infrastructure development, natural resource development, cross-border trade and investment, SMEs development, tourism, and CIQS. 	<ul style="list-style-type: none"> Established in 1992. Comprises Cambodia, the PRC (Yunnan Province and Guangxi Zuang Autonomous Region), Lao PDR, Myanmar, Thailand, and Viet Nam. Aims at promoting connectivity to accelerate trade and investment, stimulate economic growth, and reduce poverty. Covers cooperation in transport, energy, ICT, tourism, agriculture, human resources development, environment, trade and investment, and urban development. 	<ul style="list-style-type: none"> Established in 1993. Comprises 14 provinces in Southern Thailand, eight states in Peninsular Malaysia, and 10 provinces in the island of Sumatra in Indonesia. Aims at (i) accelerating the economic transformation of the member states and provinces by exploiting their complementarities and comparative advantages and (ii) accelerating the growth of lagging localities, especially in Southern Thailand and Sumatra. Covers cooperation in transport and infrastructure, trade and investment, halal products and services, agriculture, human resources development, and tourism.

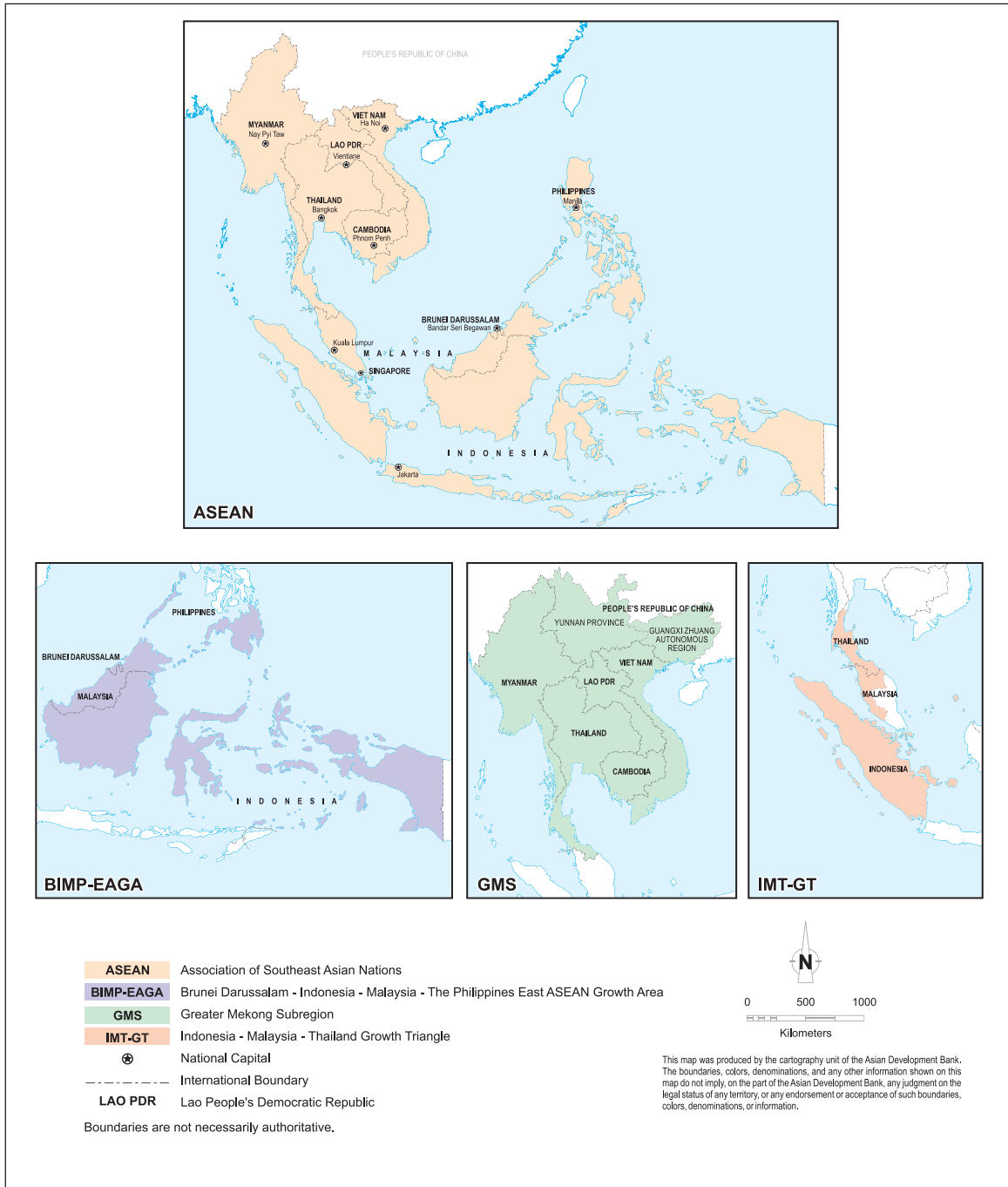
BIMP-EAGA = Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area; CIQS = customs, immigration, quarantine, and security services; GMS = Greater Mekong Subregion; ICT = information and communications technology; IMT-GT = Indonesia-Malaysia-Thailand Growth Triangle; Lao PDR = Lao People's Democratic Republic; PRC = People's Republic of China; SMEs = small and medium-sized enterprises.

Source: ADB.

With ADB support, these three subregional programs have helped promote the ASEAN integration agenda in several ways. First, they have strengthened the physical connections among Southeast Asian countries and with the People's Republic of China, particularly in the GMS, where many years of cooperation have substantially improved transport links among the six member states. Second, the subregional programs have complemented ASEAN's role in policy coordination, harmonization, and standard setting by applying these policies and standards in specific geographic areas as "test beds" or "laboratories." Third, the subregional programs have helped reduce income disparities among and within member states. Finally, the programs are helping address important transboundary concerns arising from closer integration, such as environmental management and control of communicable diseases.

In 2007, the adoption of the ASEAN Economic Community (AEC) Blueprint strengthened the links between ASEAN and the subregional programs. Initially, ASEAN provided the broader regional context of the subregional programs in terms of the opportunities it has opened up.

Map: ASEAN, BIMP-EAGA, GMS, and IMT-GT



Subsequently, the subregional programs' support to ASEAN at the strategic and program levels became more explicit and purposive.⁶ The links between ASEAN and the subregional programs were further strengthened through cooperation between the ASEAN Secretariat and ADB in the formulation of Master Plan for ASEAN Connectivity. These developments have reaffirmed the role of subregional programs as real building blocks of the AEC.



BIMP-EAGA Leaders at the 9th BIMP-EAGA Summit, held in Brunei Darussalam on 23 April 2013



The IMT-GT, home to more than 70 million people, strives to accelerate economic transformation in the three countries' less developed provinces.

⁶ ADB. 2013. *Regional and Subregional Program Links: Mapping the Links between ASEAN and the GMS, BIMP-EAGA, and IMT-GT*. Manila.

ADB has been involved in the GMS program since its inception in 1992, supporting its establishment and serving as its secretariat. Through this role, ADB has provided extensive guidance and assistance to the program in policy advice, formulating strategies, developing and financing projects, raising funds, and generating knowledge.

In the BIMP-EAGA initiative, ADB has contributed to ASEAN goals and objectives since the initiative began in 1996. ADB was appointed the regional development advisor in 2001, and it participates actively in BIMP-EAGA by providing technical and financial support to the working groups, sector clusters, and other subregional activities and projects. ADB also assisted BIMP-EAGA in the preparation of a strategic road map in 2006 and an implementation blueprint in 2012 consistent with ASEAN goals.

ADB has been a principal development partner in the IMT-GT since 2007 and played an important role in the revival of the program after a short hiatus following the 1997–1998 Asian financial crisis, which affected the economies of several Southeast Asian countries. ADB supported the formulation of a road map in 2007 and an implementation blueprint in 2012 for the IMT-GT to set it on solid footing, and the development of a process to speed up project implementation.

ADB has also actively supported the secretariats of the BIMP-EAGA and IMT-GT programs—the BIMP-EAGA Facilitation Center and the Center for IMT-GT Cooperation—in strengthening their capacity to develop projects, and generate knowledge products.

Support to ASEAN Integration through Country Programs

ADB has also supported ASEAN objectives indirectly through its country programs. Country partnership strategies, for example, are closely linked with the larger regional and subregional agenda. This approach aligns well with the ASEAN integration process and encourages individual member states to translate agreed regional measures into concrete actions.

ADB country programs have supported ASEAN integration by assisting member states to carry out national measures under the ASEAN community blueprints and action plans. For example, ADB supported the ASEAN Socio-Cultural Community Blueprint through its national programs in areas such as poverty reduction, education and skills development, food security and safety, health and sanitation, and water resources management. ADB has also assisted in the development of financial markets and small and medium-sized enterprises, which contributed to the AEC Blueprint. Table 1 shows some examples of ADB-funded national projects that helped in implementing required actions under the AEC and the ASEAN Socio-Cultural Community Blueprints.

Table 1: Examples of ADB-Funded National Projects Supporting ASEAN Integration (2006–2015)

Required Actions under AEC and/or ASCC	ADB-Funded Projects
Promote the development of SMEs; accelerate the development of SMEs	<ul style="list-style-type: none"> • Small and Medium-Sized Enterprise Program (Viet Nam) • Private Sector and Small and Medium Sized Enterprise Development Program (Lao PDR)
Achieve greater harmonization in capital market standards; ensure orderly capital account liberalization through removal or relaxation of restrictions	<ul style="list-style-type: none"> • Financial Sector Program Loan (Viet Nam) • Financial Sector Program Cluster (Cambodia) • Capital Market Development Program Cluster (Indonesia) • Financial Market Development and Integration Program (Indonesia)
Build and strengthen capacity of officials to develop and implement economic and social policies	<ul style="list-style-type: none"> • Governance and Capacity Development in Public Sector Management Program (Lao PDR)
Achieve universal access to education; improve the quality and adaptability of education, especially in the CLMV countries; design and implement training programs to develop skills that enhance ASEAN competitiveness	<ul style="list-style-type: none"> • Basic Education Sector Development Program (Lao PDR) • Vocational Education Strengthening Project (Indonesia) • Secondary Education Sector Development Program (Viet Nam) • Education Sector Development Program (Cambodia) • Education Improvement Sector Development Program (Philippines) • Skills Enhancement Project (Viet Nam)
Intensify efforts to implement projects related to poverty alleviation including rural infrastructure; promote sustainable livelihood options through socioeconomic development activities	<ul style="list-style-type: none"> • Integrated Rural Development Sector Project in the Central Provinces (Viet Nam) • Rural Finance Sector Development Program (Lao PDR) • Tonle Sap Poverty Reduction and Small Holder Development Project (Cambodia) • Rural Roads Improvement Project (Cambodia) • Rural Infrastructure Support to the PNP Mandiri Project (Indonesia)
Promote production of safe and healthy food by producers at all levels; encourage the application of environmentally sound technologies in farming and food processing	<ul style="list-style-type: none"> • Climate Resilient Rice Commercialization Sector Development Program (Cambodia) • Sustainable Aquaculture Development for Food Security and Poverty Reduction (Indonesia)
Promote investment in primary health care infrastructure; develop programs and improve surveillance of certain noncommunicable diseases; reduce the impact of HIV transmission and HIV epidemic; strengthen surveillance system for infectious diseases	<ul style="list-style-type: none"> • Health Human Resources Sector Development Program/ Project (Viet Nam) • Health Care in the South Central Coastal Region Project (Viet Nam) • Health Sector Governance Program (Lao PDR)
Intensify individual and collective efforts to improve the quality of air and water within ASEAN through national or regional initiatives	<ul style="list-style-type: none"> • MFF-Integrated Citarium Water Resources Management Project (Lao PDR) • Urban Water Supply and Sanitation Project (Cambodia) • Metropolitan Sanitation Management Investment Project (Indonesia) • Integrated Citarium Water Resources Management Program (Indonesia)
Promote conservation and sustainable management of key ecosystems in coastal and marine habitats; manage water resources efficiently	<ul style="list-style-type: none"> • Integrated Coastal Resource Management (Philippines) • Water Resources Management Sector Development Program (Cambodia) • Strengthening Water Management and Irrigation Systems Rehabilitation (Viet Nam)

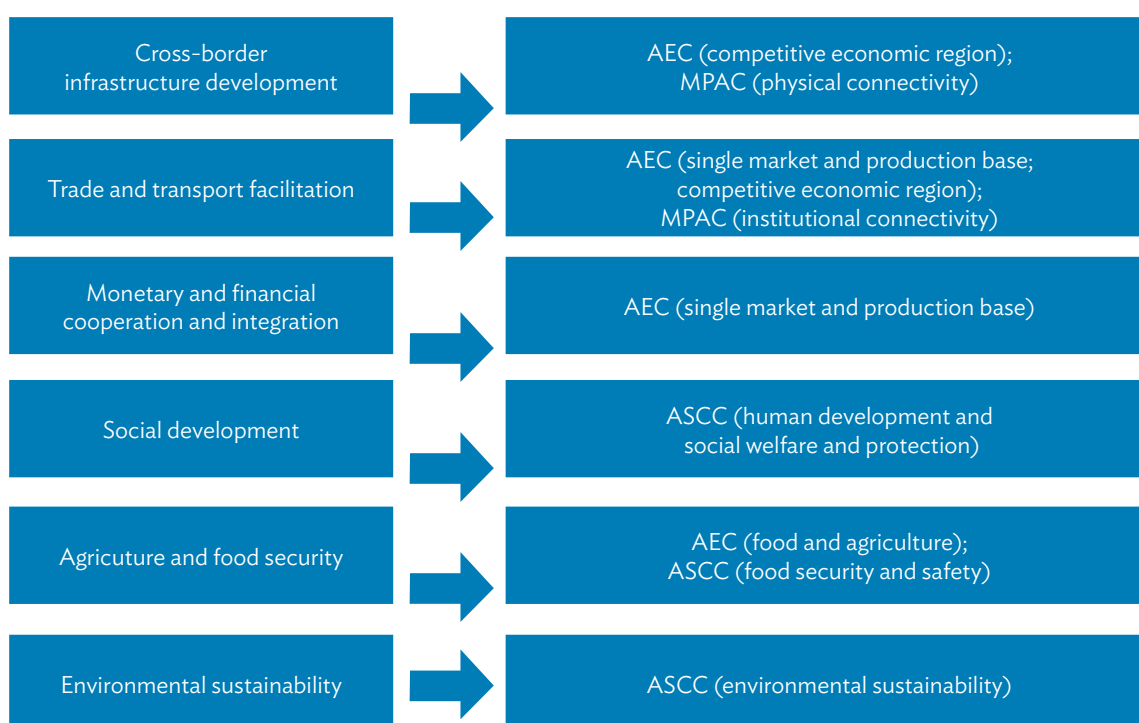
ADB = Asian Development Bank; AEC = ASEAN Economic Community; ASCC = ASEAN Socio-Cultural Community; ASEAN = Association of Southeast Asian Nations; CLMV = Cambodia, the Lao PDR, Myanmar, Viet Nam; Lao PDR = Lao People's Democratic Republic; MFF = multitranch financing facility; SMEs = small and medium-sized enterprises.

Source: ADB.

4 Strategic Areas of ASEAN–ADB Cooperation

The cooperation between ADB and ASEAN covers six strategic areas: cross-border infrastructure development, trade and transport facilitation, monetary and financial cooperation and integration, social development, agriculture and food security, and environmental sustainability. Their relationship with ASEAN goals is shown in Figure 2. The rest of this chapter discusses the nature and extent of ASEAN–ADB cooperation in these areas. The main focus is on direct assistance to ASEAN and on assistance through the subregional programs, which entail interactions between ASEAN and ADB.

Figure 2: Strategic Areas of Cooperation between ASEAN and ADB



ADB = Asian Development Bank, AEC = ASEAN Economic Community, ASCC = ASEAN Socio-Cultural Community, ASEAN = Association of Southeast Asian Nations, MPAC = Master Plan for ASEAN Connectivity.

Source: ADB.

Physical Connectivity: Cross-Border Infrastructure

The Master Plan for ASEAN Connectivity (MPAC), which focuses on physical, institutional, and people-to-people connectivity, has translated this aspect of the ASEAN Economic Community (AEC) into a program of action to strengthen physical connections in the region through cooperation between member states in transport, information and communication technology, and energy. ADB has provided a range of support to help further MPAC objectives.

Transport

Good cross-border transport infrastructure plays a vital role in connecting markets and countries and is a core element of creating a competitive economic region. ADB assistance in transport development has been spearheaded by its long-term support of the Greater Mekong

Subregion (GMS) program. Under the program, several transport or economic corridors have been developed, largely shaped by transport sector strategies, which are funded by ADB. Some corridors are focused on promoting trade, logistics, or value chain expansion, while others are primarily aimed at promoting the development of lagging areas by stimulating trade, investment, and jobs along and around them. The corridors put ASEAN connectivity goals into well-defined geographic settings and provide strategic and economic bases for prioritizing connectivity projects.

Since 1998, ADB has been cooperating in the development of three priority corridors in the GMS through TA for studies and corridor-specific action plans and financing for investment projects. The corridors have greatly improved connectivity throughout the subregion, especially in Cambodia, the Lao People’s Democratic Republic, Myanmar, and Viet Nam (the CLMV countries). The North–South Economic Corridor serves as a major gateway between Southeast Asia and the People’s Republic of China (PRC), while other corridors are stimulating trade in the subregion. Table 2 shows selected ADB-financed projects in the GMS and indicates the economic corridors and ASEAN Highway Network routes which they are part of.

Table 2: Selected ADB-Financed Transport Connectivity Projects in the GMS^a

Project	Economic Corridor	AHN Route
Phnom Penh–HCMC Highway (Cambodia and Viet Nam)	Southern	R1
Cambodia Road Improvement	Southern	R1
Southern Coastal Corridor (Cambodia)	Southern	R10
Northern Economic Corridor (Lao PDR)	North–South	R8
Lao Cai–Noi Bai Expressway (Viet Nam)	North–South	R5
Eindu to Kawkareik Road Improvement (Myanmar)	East–West	R2
Highway Expansion (Thailand)	East–West	R2

^a Completed, except for the Eindu to Kawkareik Road Improvement, which is proposed for 2015. The Northern Economic Corridor was cofinanced with the People’s Republic of China and Thailand, while the Southern Coastal Corridor was cofinanced with Australia and the Republic of Korea.

ADB = Asian Development Bank, AHN = ASEAN Highway Network, GMS = Greater Mekong Subregion, HCMC = Ho Chi Minh City, Lao PDR = Lao People’s Democratic Republic.

Source: ADB.

These projects have substantially reduced travel time, leading to major surges in trade volume. ADB has also been assisting in in-country- and transboundary-related matters to ensure that the gains in transport efficiency are matched with improved access to health and education services and increased trade and investment along and around the corridors. Some examples are given in Boxes 2 and 3.

The current GMS transport strategy calls for an expansion in connectivity from roads to railways, consistent with the objective of building an integrated multimodal transport system that includes rail, air, and inland waterways. In 2010, ADB financed the study *Connecting Greater Mekong Subregion Railways*, which highlighted the software and institutional requirements of rail interconnection.⁷ Along this line, ADB has helped the GMS countries to establish the Greater Mekong Railway Association, which is an important step toward the promotion of railways as an efficient and clean mode of transport.

Overall, ADB’s assistance to the GMS program has been substantial. From its inception up to the end of 2014, the program attracted a total of \$17.1 billion in investment projects, of which ADB

⁷ ADB. 2010. *Connecting Greater Mekong Subregion Railways: A Strategic Framework*. Manila.

Box 2: The Southern Coastal Corridor Project

In 2008, the Asian Development Bank approved a project to improve a 269-kilometer (km) section of the Greater Mekong Subregion Southern Coastal Corridor, which stretches 924 km along the Gulf of Thailand, from the Mekong Delta in southern Viet Nam, through coastal Cambodia, and on to Bangkok, Thailand. Prior to the project, it took 2 days to transport goods 40 km along the corridor in Cambodia. Nowadays, it takes less than an hour because of the improved roads.

In addition to reducing travel time, the improved roads have boosted business activities and thus increased employment. This is demonstrated by the experience of Pich Chhay, a Cambodian entrepreneur, who says, “In 2007 we were just a small local business. But after we had a better road, and better energy supply, we were able to expand our business.” Today, his company, Heng Pich Chhay Import-Export Co. Ltd., reaches every corner of Cambodia and is one of the country’s three biggest fertilizer distributors. Pich Chhay says his transport costs are 40% less than that before, allowing him to sell his products for a better price.

The Southern Coastal Corridor runs through Sihanoukville, which has benefitted greatly from improved roads. Poor connectivity had been a drag on the city’s development, but today, good roads help increase the flow of goods in and out of the Sihanoukville Autonomous Port, with total cargo throughput being doubled or more than that between 2007 and 2014.

Source: ADB. 2014. *Better Roads Give New Life to Southern Cambodia*. Project Result/Case Study. Manila.

Box 3: The Noi Bai-Lao Cai Expressway

The Noi Bai-Lao Cai expressway, which opened in September 2014, tells the story of how much impact one road can have on a country’s economic fortunes. This new toll road links the Viet Nam’s capital Ha Noi to the People’s Republic of China (PRC) border at Lao Cai, 244 kilometers to the northwest, reducing the journey time from 7 to 3 hours. New computerized facilities at the border mean delays are uncommon. Cross-border traffic to the PRC is increasing by 15% per month.

Since its completion, the number of vehicles using the road has increased by more than 100% to more than 19,000 a day, while road-related accidents have decreased by as much as 60%. New hotels, cafes, and shops with goods from the PRC have sprung up in Lao Cai. Thus, the road has become a vital conduit for trade between Viet Nam and the PRC and is supporting economic growth and employment in the northern areas of Viet Nam.

ADB financing was more than \$1 billion during the 8-year construction period.

Source: ADB. 2015. *Viet Nam’s Expressway to Everywhere*. Project Result/Case Study. Manila.

provided \$6.3 billion (37%), and \$353 million in TA, of which ADB’s support was \$122 million (35%). Most of these investment projects were in the transport sector (78%). Investment projects in the CLMV countries accounted for nearly \$9 billion or around half of all GMS investment projects during the period.

Transport is key to the future development of the Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA) because the sector has a central role in promoting the exchange of goods and services in that subregion.⁸ At the first meeting of the BIMP-EAGA transport ministers in 2006, ADB was requested to provide technical and financial assistance to support BIMP-EAGA’s endeavor in constructing and modernizing transport

⁸ Asian Regional Integration Center, Asian Development Bank. <http://aric.adb.org/initiative/brunei-darussalam-indonesia-malaysia-philippines-east-asean-growth-area>



“Before we only made clothes for ourselves. We depended on rice farming and cattle for survival,...“Now we make good income from our clothes, and we use the income to build stronger houses, send our children to school, and get better health care. It’s improved our lives a lot.”

— Mon Sae Lee, Head of Nam Chang Village’s Handicraft Group



The 2008 completion of the ADB-supported Route 3 Highway in northwestern Lao PDR, coupled with the 2013 inauguration of the 4th Thai-Lao Friendship Bridge spanning the Mekong River, is bringing new life to communities all along the corridor. After the road was completed, trade volume increased more than 70%, and the completion of the bridge led to another 12% increase in trade volume.

infrastructure.⁹ ADB is financing a Regional Roads Development Project in Indonesia, which focuses on road improvements in Kalimantan to improve connections with Malaysia.¹⁰ The project boosts BIMP-EAGA’s initiative to develop two land-based transport corridors in the subregion and contributes to the development of the ASEAN Highway Network.

Maritime transport also plays an important role in ASEAN connectivity because of the geographic distribution of member states. Twenty-eight of the 47 ASEAN-designated ports are located in the subregions: 16 in BIMP-EAGA, 7 in the Indonesia–Malaysia–Thailand Growth Triangle (IMT-GT), and 5 in the GMS. ADB has funded studies and analytical work to improve maritime connectivity in the region, including the development of a roll-on roll-off (RoRo) network in BIMP-EAGA. ADB has also assisted BIMP-EAGA and IMT-GT in the preparation of implementation blueprints that include the designated ports as priority projects for financing.

⁹ ASEAN Secretariat. <http://www.asean.org/communities/asean-economic-community/item/joint-statement-of-the-first-brunei-darussalam-indonesia-malaysia-the-philippines-east-asean-growth-area-transport-ministers-meeting-1st-bimp-eaga-tmm-bandar-seri-begawan-5-june-2006>

¹⁰ ADB Loan No. 2817: Regional Roads Development approved in November 2011.

Energy

Physical connectivity also involves energy connectivity—particularly electricity and gas. The ADB energy policy¹¹ aims to help developing member countries provide reliable, adequate, and affordable energy for more inclusive growth—principles that are aligned with the ASEAN goal of establishing efficient, reliable, and flexible energy markets in the region, embodied in the ASEAN Plan of Action on Energy Cooperation 2010–2015. It is not surprising, therefore, to see cooperation between ASEAN and ADB in the energy sector in all three major subregions.

The GMS has expanded cooperation in the energy sector with the goal of developing a sustainable, competitive, and low-carbon energy supply system. ADB has focused its support on the power sector, particularly on cross-border electricity trading and linking transmission networks, to interconnect areas with strong energy demand and those with rich indigenous energy resources, such as hydropower. This approach operationalizes ASEAN's strategy of pursuing interconnections first on a bilateral basis, then gradually expanding to a subregional basis, and finally to the ASEAN Power Grid (APG).

A good example of the aforementioned approach is the export-oriented Nam Theun 2 hydropower project in the Lao PDR, financed by ADB in collaboration with other development partners. Apart from promoting power trade between the Lao PDR and Thailand, such projects have an added benefit of stimulating the interest and ensuring the participation of the private sector, and serving as public–private partnership models in the GMS power sector.

As a lead development agency on GMS energy cooperation, ADB has supported key subregional studies on the energy sector (1995 and 2013), regional power interconnection (2002), and the GMS energy master plan (2010), as well as several institutional development initiatives. For ASEAN as a whole, ADB commissioned a technical harmonization study for the APG in 2013, under which technical harmonization and removal of barriers were recommended, based on consultations with national experts in ASEAN member states and concerned ASEAN bodies, including the ASEAN Centre for Energy and ASEAN Power Grid Consultative Committee.

Although there is wide scope for power interconnection in the GMS, energy policy and regulatory issues, such as streamlining policy and regulatory regimes and harmonizing operational systems and standards, need to be addressed. In this regard, ADB is also supporting the establishment of the GMS Regional Power Coordination Center, which is envisioned to be the principal institution in the subregion for promoting power trade and ensuring coordinated development of transmission interconnections. All GMS countries have signed the memorandum of understanding (MOU) for the establishment of the Regional Power Coordination Center, which took into account related ASEAN initiatives.

The GMS Subregional Energy Forum adopted a plan for developing a sustainable GMS power market, which provided the basis for identifying subsequent interconnection transmission projects. One of the projects supported by ADB was the GMS Transmission Project in Cambodia,



Cross-border energy trade between Viet Nam and Cambodia has expanded energy access, brought electricity prices down, and helped business create more jobs. Sihanoukville, Cambodia's 4th largest city, used to only have one small power station providing electricity for 8,000 consumers, at prices that were among the most expensive in the world. Now that the city has affordable, reliable energy supply, more businesses are moving in, and thousands of jobs are being created.

¹¹ Asian Development Bank. <http://www.adb.org/documents/energy-policy>

in which the construction of high-voltage transmission lines and associated substations has enabled Cambodia to import low-cost electricity from Viet Nam. It has also allowed the Cambodian power grid to expand its coverage to 40,000 new customers in Phnom Penh and 50,000 poor households in rural areas.

In BIMP-EAGA, ADB supported the formulation of the Energy Sector Road map for 2007–2010, and in 2013, ADB approved its first BIMP-EAGA loan, providing \$49.5 million for a cross-border power transmission line, linking West Kalimantan in Indonesia with Sarawak, Malaysia (Box 4).¹² Sarawak will benefit from additional income from exporting its surplus energy, and West Kalimantan will benefit from cheaper, cleaner, and more reliable power, while giving more households access to the power grid.¹³ The line is part of the Trans-Borneo Power Grid, stretching from West Kalimantan, Indonesia, across Sarawak, Malaysia, and Brunei Darussalam, to Sabah, Malaysia—a key segment of the APG program and a high-priority energy project both for BIMP-EAGA and the MPAC.

In the IMT-GT, ADB has been actively assisting Indonesia and Malaysia to prepare the proposed Melaka–Pekanbaru Power Interconnection Project, another MPAC flagship project.¹⁴ ADB has also assisted many national and subnational energy projects in ASEAN member states.

Box 4: West Kalimantan–Sarawak Power Interconnection Project

This project is supporting the construction of an 83-kilometer cross-border high-voltage transmission line and a substation between West Kalimantan, Indonesia, and the bordering area of Sarawak, Malaysia. A 145-kilometer distribution line will be built as well, with distribution feeder extensions and a new substation to improve the reliability of electricity supply in West Kalimantan.

The project will benefit both countries in many ways, including (i) lowering electricity costs in West Kalimantan; (ii) reducing fossil fuel carbon dioxide emissions by 400,000 tons per year; (iii) saving around \$100 million annually from avoided oil use; (iv) modernizing mode of electricity access to 8,000 households, as well as ensuring energy-efficient lighting; and (v) improving electricity supply to hospitals and schools.

Source: ADB.

Project Development and Financing: The ASEAN Infrastructure Fund

ASEAN member states will need around \$60 billion annually over the next decade to meet their infrastructure needs. Although these countries hold over \$700 billion in foreign exchange reserves, most of the funds are invested outside the region. To address these infrastructure needs, the ASEAN Infrastructure Fund (AIF)—the largest ASEAN-led financial initiative in its history—was created by ASEAN member states and ADB in 2011, and became operational in 2013. AIF's shareholders are the 10 ASEAN member states and ADB, with a combined total equity commitment of \$485.3 million.

The AIF's lending operations started in December 2013 with a \$25 million loan to the Java-Bali 500-Kilovolt Power Transmission Crossing Project. The project will help remedy system deficiencies that cause widespread power outages and blackouts in Bali, which is highly dependent on tourism. The AIF approved two projects in 2014—the Metropolitan Sanitation Management Investment Program in Indonesia for \$40 million and the Hanoi and Ho Chi Minh City Power Grid Development Sector Project in Viet Nam for \$100 million. In September 2015,

¹² ADB is financing only the West Kalimantan section. Sarawak Energy Berhad, using its own funds, is currently constructing the Sarawak section.

¹³ Asian Development Bank. <http://www.adb.org/countries/subregional-programs/bimp-eaga/adb-assistance>

¹⁴ Asian Development Bank. <http://www.adb.org/countries/subregional-programs/imt-gt/adb-assistance>

ADB approved a \$500 million loan, including \$100 million from the AIF, for the Indonesia Sustainable and Inclusive Energy Program to help stimulate Indonesia’s energy sector and support the government’s reforms in the sector.

ADB plays the role of shareholder, cofinancier, and administrator of the AIF. All AIF-financed projects are cofinanced by ADB. ADB also helps in attracting additional resources and in minimizing risks for investors. As administrator, ADB manages and disburses all AIF resources and makes sure that projects comply with its policies and safeguards. It designs projects and shares the costs of project preparation and execution, thus freeing AIF resources to finance more projects. ADB is also providing TA to (i) build capacity to identify, screen, and prioritize infrastructure projects that the private sector could take part in with possible financing from the AIF and ADB and (ii) increase opportunities for ASEAN’s capital markets to finance and/or refinance public–private partnership projects to strengthen ASEAN connectivity.¹⁵

Trade and Transport Facilitation

To fully realize ASEAN connectivity, improvements in physical connectivity among ASEAN member states need to be complemented by institutional connectivity—the policies, regulations, processes, and institutional arrangements that govern the movement of vehicles, people, goods, and investment across borders. In this regard, ADB has been closely involved in transport and trade facilitation (TTF), including improvements in coordinated border management, through the subregional programs.¹⁶ While ASEAN provides the overall policy framework for TTF, some aspects of its implementation are supported by the subregional programs. ADB assists efforts to improve the ability of some countries (e.g., the CLMV countries in the GMS) and less developed areas of other ASEAN member states (e.g., in BIMP-EAGA and IMT-GT countries) to carry out TTF measures.

Transport facilitation in ASEAN involves three important framework agreements. The agreement on Facilitation of Goods in Transit (1998) defines transit rights, while that on Interstate Transport (2009) defines interstate transit rights. Both contain provisions governing road transport and traffic regulations, and the many rules related to the inspection and movement of vehicles across borders and within other countries. The third agreement, on Multi-Modal Transport (2005), specifies the liabilities, contents of contracts, and other rules relating to operators who use more than one form of transport to deliver their goods.

In the GMS, the Cross-Border Transport Agreement (CBTA), a landmark accord, consolidates in a single legal instrument all the key nonphysical measures for efficient cross-border land transport and most of the provisions covered in the ASEAN agreement on Facilitation of Goods in Transit.¹⁷ ADB had several roles in CBTA negotiations and implementation: as a broker, facilitator, and coordinator offering overall



Ten years ago, a Cross-Border Transportation Agreement between Lao PDR and Viet Nam, along the GMS-supported East-West Economic Corridor, began its pilot test, resulting in a 65% reduction in processing time for cargo trucks—from 4 hours to 1 hour 15 minutes.

¹⁵ ADB. 2014. *Technical Assistance for Supporting Regional Project Development for ASEAN Connectivity*. Manila

¹⁶ The other elements of institutional connectivity in the MPAC include investment and services liberalization and facilitation, and free flow of skilled labor through such mechanisms as mutual recognition agreements (MRAs).

¹⁷ All GMS countries have ratified all the 20 annexes and protocols of the CBTA.

support for managing CBTA project components; as a knowledge bank, by consolidating and updating the CBTA legal documents; as a financier, by funding and assisting the GMS countries to find more resources for related projects; and as a capacity builder, by assisting the GMS countries in strengthening their institutional capabilities to manage CBTA initiatives. Although there has been some progress, the CBTA has not yet been fully implemented.

Like the CBTA, the ASEAN framework agreements as such remain to be fully implemented. ADB support to bilateral agreements, implementing selected provisions of the CBTA at some border crossings along the three priority economic corridors, has given the GMS countries experience and knowledge on the working of the ASEAN frameworks. For example, exchange of traffic rights along the East–West Economic Corridor among the Lao PDR, Thailand, and Viet Nam started in 2009, and exchange of traffic rights between Cambodia and Thailand began in 2013. The Lao Bao–Dansavanh border crossing between Viet Nam and the Lao PDR became the first GMS border checkpoint with a fully operational single-stop inspection system in February 2015 (Box 5).

Box 5: Single-Stop Inspection at the Lao Bao (Viet Nam)–Dansavanh (the Lao People’s Democratic Republic) Border Crossing

Launched in February 2015, the single-stop inspection system was created to facilitate trade along the East–West Economic Corridor. This is the first of its kind in the Greater Mekong Subregion and is expected to be replicated in other border crossings in the subregion.

The single-stop inspection system allows traders to declare imports and exports at only one service point instead of two, when transiting to and from their respective countries. As a result, the average clearance time for cargo trucks at the Lao Bao–Dansavanh border has been reduced from 90 to 30 minutes, and is expected to be reduced further.

The system is considered by both countries to be a milestone in modernizing customs, immigration, quarantine, and security services, and a step toward the ASEAN Economic Community in 2015.

Source: ADB.

ADB has also supported the ASEAN framework agreements and the AEC through

- (i) updating CBTA provisions to allow the GMS countries to be fully integrated into the broader ASEAN integration agenda;
- (ii) implementing the GMS electronic customs transit system, which will prepare the CLMV countries to put the ASEAN customs transit system into action; and
- (iii) conducting training for border officers in the subregional programs to ensure that ASEAN connectivity covers all parts of ASEAN, not only country capitals, and to foster closer coordination among central and provincial government officials.

To make all of these TTF interventions more effective, the GMS countries and ADB have developed an integrated Transport and Trade Facilitation Action Program, in partnership with the governments of Australia and Japan. Results of the program to date include (i) enactment by Thailand and Viet Nam of laws enabling single-stop inspection with neighboring countries via outposting of their nationals; (ii) progress in many bilateral transport agreements; (iii) continuing single-stop inspection initiatives along the East–West Economic Corridor; and (iv) imminent completion by Myanmar of the first phase of customs automation, and implementation of e-customs by all other GMS countries in 2015. ADB is also strengthening capacities of sanitary and phytosanitary agencies in Cambodia, the Lao PDR, and Viet Nam to meet the increasing requirements for exports and trade facilitation, and to protect health of the people in these countries.

BIMP-EAGA's key initiatives in TTF are embodied in four MOUs on land, sea, and air linkages (footnote 6). About half a million people have benefited from uninterrupted cross-border bus services in Borneo, which became a model for ASEAN transport facilitation. The two land transport MOUs were reviewed in January 2015 with assistance from ADB to further improve their implementation. BIMP-EAGA adopted the conclusions of the review to develop common entry permit and insurance systems for trucks and use of authorized economic operators' procedures to facilitate cross-border transport.¹⁸ ADB also carried out studies and helped upgrade capacity for improving port operations and standards at several entry points and at priority border crossings.

As a part of the effort to ensure alignment of ASEAN and subregional TTF initiatives, concerned ASEAN, ADB, BIMP-EAGA, and GMS officials met in April 2015 to coordinate TTF activities. This laid the groundwork for closer and continuing cooperation among ASEAN, the subregional programs, and ADB on implementing TTF programs and projects.

To promote the use of time release studies (TRSs) as a practical tool for addressing bottlenecks affecting the flow of goods across borders, a compendium of TRS reports was prepared by ADB in 2015 with support from the Government of Japan.¹⁹ TRSs were conducted in seven GMS and IMT-GT countries, on the basis of which an action plan for reducing or eliminating bottlenecks in the short and medium term was recommended. Among others, the compendium recommended regularizing the participation of private sector stakeholders in planning and carrying out TTF initiatives.

Monetary and Financial Cooperation and Integration

Some Southeast Asian countries were the worst affected in the 1997–1998 Asian financial crisis. It was a wake-up call for the ASEAN region and pointed to the clear need for speeding up of cooperation and integration in monetary and financial matters—measures that resonate with the goals of the ADB Strategy 2020.

The aim of ASEAN in these measures is to bring the region's surplus funds into productive use within the region, increase access to financing opportunities in the region, and improve the financial institutions and markets, which can make the measures work. Key ASEAN initiatives are the ASEAN Surveillance Process (ASP) and the Roadmap for Monetary and Financial Integration.



ADB supports ASEAN initiatives to bring the region's surplus funds into productive use and increase access to financing.

The ASEAN+3 mechanism, which involves the ASEAN member states, the PRC, Japan, and the Republic of Korea, has significantly increased the available funds for financial integration and development. A key initiative under the ASEAN+3 umbrella is the Asian Bond Markets Initiative (ABMI).

ASEAN-ADB cooperation in these initiatives is discussed below.

¹⁸ BIMP-EAGA. 2015. *Final Report: Review of the BIMP-EAGA Land Transport MoUs*. Asian Development Bank. Manila.

¹⁹ ADB and Japan Fund for Poverty Reduction. 2015. *Trade Facilitation Support for ASEAN Economic Community Blueprint Implementation (Greater Mekong Subregion/Indonesia-Malaysia-Thailand Growth Triangle): Compendium of Country Time Release Study Reports*. Manila. TRSs involve the collection of data on the time it takes for cargo to complete each clearance process from the time it arrives until the time it exits the road border, port, or airport.

ASEAN Surveillance Process

In 1998, the ASP was launched by the ASEAN Finance Ministers' Meeting (AFMM) to reduce the region's financial vulnerability in the aftermath of the 1997–1998 financial crisis. The ASP has two parts: (i) keeping an eye on economic and financial developments on a global, regional, and national basis; and (ii) maintaining a forum for the exchange of views among ASEAN finance ministers on their economies and structural reforms.²⁰ At the AFMM, ADB was asked to support the ASP, which resulted in a series of TA projects on building capacity (1998–2004), regional economic and financial monitoring (2001–2013), and the creation of a Regional Economic Monitoring Unit (1999) under the aegis of ADB.²¹ Also in 1999, ADB launched the Asia Recovery Information Center, now known as the Asia Regional Integration Center, as a means of exchanging and analyzing information on the economies adversely affected by the 1997–1998 Asian financial crisis.

ADB support to the ASP included on-the-job training of the staff of the ASEAN Surveillance Coordination Unit, which was incorporated into the ASEAN Integration Monitoring Office in 2010. The ASEAN Integration Monitoring Office is tasked with regional surveillance and monitoring of economic integration in ASEAN. A related development is the establishment of the ASEAN+3 Macroeconomic Research Office in Singapore in 2011, which serves as the surveillance unit of the ASEAN+3 Finance Ministers process.

Roadmap for Monetary and Financial Integration of ASEAN

The Roadmap for Monetary and Financial Integration of ASEAN, laid down in 2003, is basically a set of sequential steps toward greater economic integration in four areas: capital market development, capital account liberalization, financial services liberalization, and currency cooperation.²² ADB has supported the roadmap by helping build the capacity of relevant institutions and personnel, as well as assistance in research and the overall financial integration process. The focus has mainly been on capital market integration and regional bond market development.

At the request of the ASEAN Central Bank Forum Task Force on Milestones toward ASEAN Monetary and Financial Integration, ADB supported a study in 2011 to identify strategic steps toward monetary and financial integration in ASEAN. The study, a joint effort of the ASEAN central banks and monetary authorities, the ASEAN Secretariat (ASEC), and ADB, was recognized by the ASEAN Central Bank governors as an important guide to ASEAN's financial integration process.²³ A by-product of the study was the creation of a Steering Committee on Capacity Building to coordinate the need for and supply of training courses to ensure the functioning of the ASEAN Finance Integration Framework.

Capital Market Integration

ADB has come a long way in fostering the integration of capital markets in the Asian region to better match the demand for and supply of funds by allowing capital to move freely. The ASEAN Capital Market Forum (ACMF), established in 2004, facilitated the partnership between ADB and ASEAN in this endeavor.²⁴ ADB supported the development of the ASEAN Implementation

²⁰ “Towards ASEAN Financial Integration,” remarks by Ong Keng Yong, secretary-general of ASEAN at the Economix 2004 Conference, University of Indonesia, Jakarta, 18 February 2004. ASEAN Secretariat. <http://www.asean.org/communities/asean-economic-community/category/asean-finance-ministers-meeting-afmm>

²¹ Regional Economic Monitoring Unit was replaced by the Office of Regional Economic Integration in 2005 to serve as catalyst, coordinator, and knowledge leader in the area of regional economic integration. Asian Development Bank. <http://www.adb.org/news/adb-establishes-office-regional-economic-integration>

²² ASEAN Secretariat. <http://www.asean.org/communities/asean-economic-community/category/asean-finance-ministers-meeting-afmm>

²³ The summary report “The Road to ASEAN Financial Integration—A Combined Study on Assessing the Financial Landscape and Formulating Milestones for Monetary and Financial Integration in ASEAN” was launched in April 2013.

²⁴ The ACMF is composed of the heads of capital market regulators from the 10 ASEAN member countries and was established under the AFMM process in 2004.

Plan (Capital Market Integration) and assisted the member states in developing regulatory frameworks for integration, and improving the governance and connectivity of ASEAN stock exchanges. A new ADB TA approved in 2015 will further help the member states and the exchanges in moving toward deeper capital market integration.²⁵

The partnership between ADB and ACMF has resulted in many positive outcomes, particularly the ASEAN Corporate Governance Scorecard. The scorecard, introduced in 2011, is aimed at highlighting ASEAN publicly listed companies with good corporate governance and raising corporate governance standards in ASEAN member states (Box 6).²⁶ Other important achievements in the ADB-ACMF partnership include guidelines on ASEAN dispute resolution and enforcement mechanisms and support for the ASEAN Exchanges.²⁷

Box 6: ASEAN Corporate Governance Scorecard

The Association of Southeast Asian Nations (ASEAN) Corporate Governance Scorecard, an initiative under the ASEAN Capital Market Forum Implementation Plan, was introduced in 2011 to complement other ASEAN Capital Market Forum initiatives for the development of an integrated capital market. The scorecard demonstrates ASEAN members' commitment to sound corporate governance, which is important in increasing foreign direct investment into the region.

The scorecard follows a rigorous methodology benchmarked against international best practice to assess the corporate governance performance of publicly listed companies (PLCs) in six participating ASEAN member countries (Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam). The assessments are peer reviewed for consistency and quality control. The scorecard provides foreign investors and external fund managers with information that can help them in their investment decision-making processes.

Based on the Scorecard, ADB has published *The ASEAN Corporate Governance Scorecard: Country Reports and Assessments 2012-2013 and 2013-2014*. Besides individual country reports, it highlights ASEAN's best practice in corporate governance. Through regular assessments and publication of their results, the scorecard mechanism can shed light on corporate governance performance trends among PLCs in ASEAN and provide a benchmark for improved corporate governance standards in the region. National corporate governance blueprints of several ASEAN countries have used the scorecard as a basis for recommended actions.

Source: ADB.

Regional Bond Market: Asian Bond Markets Initiative

Until the 1997-1998 Asian financial crisis, Asian countries were dependent on short-term foreign currency-denominated financing, while long-term investments were made in domestic currency, which was one of the causes of the crisis. To make it easier for the region's investors to invest in each other's bond markets, attractive, long-term regional investment opportunities were needed. To fill the need, the ABMI was endorsed at the AFMM+3 in 2003. In 2008, a bond market road map was endorsed by the 11th AFMM+3, and furthermore, six working groups, which later became task forces, were organized to look into the factors necessary to develop the bond market.

ADB provided TA to the task forces dealing with (i) establishment of credit guarantee mechanisms; (ii) development of regional multicurrency bond markets to enable cross-border issuance and of basket currency bond markets to promote investment in regional bonds; and (iii) regional settlement infrastructure to help establish cross-border clearing and settlement systems. ADB also assisted in building capacity for bond market development in the ASEAN+3 countries.

²⁵ ADB. 2015. *Technical Assistance for Enhancing Association of Southeast Asian Nations Capital Market Integration*. Manila.

²⁶ ADB. 2014. *ASEAN Corporate Governance Scorecard: Country Reports and Assessments 2013-2014*. Manila.

²⁷ The ASEAN Exchanges is a trading link that connects participating brokers in Malaysia, Singapore, and Thailand. It allows investors in these countries to trade stocks on any of the other exchanges through a local broker.

The Thai baht bond issued by Japan’s Mizuho Bank in September 2015 became the first cross-border bond under the ASEAN+3 Multi-Currency Bond Issuance Framework aimed at fostering greater cross-border bond sales in the region. This framework, part of the ASEAN+3 Bond Market Forum, has standardized bond issuance and investment processes across the region. ADB has been supporting the ASEAN+3 Bond Market Forum since its establishment in 2010 and acts as its secretariat.

A major contribution of ADB to the ABMI is the establishment of the Credit Guarantee and Investment Facility (CGIF) in 2010. ADB funded two TA projects to (i) determine the most appropriate type of credit guarantees for domestic and regional bond markets in Asia and the demand for such guarantees; and (ii) to flesh out the capital structure, operational policies, and business plan of the CGIF.²⁸ The recommendations from the two projects led to the creation of CGIF, which helps companies access ASEAN currency-denominated bonds that the CGIF guarantees. Its total capitalization is \$700 million, of which ADB invested \$130 million.

In May 2012, CGIF commenced operations and made its inaugural guarantee transaction in Thai baht with the Singapore-listed Hong Kong trading company Noble Group in April 2013. This was followed by CGIF issues in Indonesia in December 2013 in Indonesian currency; Singapore in Singapore dollars (SGD) in August 2014, November 2014, December 2014, and October 2015; and Viet Nam in Vietnamese dong in December 2014.

Social Development

ASEAN’s MPAC views people-to-people connectivity equally important as physical and institutional connectivity. The ASEAN Socio-Cultural Community (ASCC) Blueprint describes ASEAN’s goals on human development, poverty alleviation, and protection from the negative impact of integration—accompanied by specific strategies and actions. ADB has supported the ASEAN ASCC Blueprint goals at the ASEAN, subregional, and national levels, with many country-specific loans and TA comprising poverty reduction, education, rural development, and health and sanitation programs.

Human Resource Development

For ASEAN as a whole, ADB is supporting the high-level policy and strategy forum of the Southeast Asian Ministers of Education Organization.²⁹ The Southeast Asian Ministers of Education Organization College, established in 2012, serves as a regional platform for education ministers; high-level policy makers; prominent education practitioners; and youth leaders to regularly convene policy, strategic, and methodological dialogues to bring about innovations in education and human resources development (HRD) toward an integrated ASEAN community.

At the subregional level, ADB has supported the ASEAN Socio-Cultural Community goals through GMS cooperation on HRD, which covers education and training, health, and labor, guided by the ADB HRD Strategic Framework and Action Plan 2013–2017.³⁰ Considerable work has been done through the action plan, with ADB supporting the following key areas:

Communicable Disease Control (CDC). CDC has become a high priority of GMS countries because of potentially devastating outbreaks in recent years of severe acute respiratory

²⁸ ADB. 2003. *Technical Assistance for ASEAN+3 Regional Guarantee Mechanism*. Manila; and ADB. 2006. *Technical Assistance for ASEAN+3 Regional Guarantee and Investment Mechanism (Phase 2)*. Manila.

²⁹ RETA 8389: *Support for a Regional Platform on Innovations and Human Resources Development for Competitiveness towards an Integrated ASEAN Community*. Asian Development Bank. <http://www.adb.org/sites/default/files/project-document/77205/46070-001-reg-tar.pdf>

³⁰ ADB. 2013. *Strategic Framework and Action Plan for Human Resource Development in the Greater Mekong Subregion (2013–2017)*. Manila.

syndrome, avian and human influenza, HIV/AIDS, and dengue. ADB focused on achieving regional public health security by setting up national surveillance and response systems and by doing research on HIV/AIDS control, cross-border CDC health services, knowledge management, and capacity building, particularly in Cambodia, the Lao PDR, Viet Nam, and in provinces with high incidence of poverty and with ethnic minorities that have limited capability to deal with communicable diseases. There is much improvement in provincial outbreak response teams and hospitals, laboratory services, community preparedness, and health aspects of provincial operational plans.



The ADB-supported GMS Core Agriculture Support Program promotes food safety. Across the region, as shown here, in Thailand, technicians conduct regular testing and evaluation of vegetables grown by farmers.

Capacity Building for Government Officials through the Phnom Penh Plan for Development Management (PPP). In 2002, GMS governments launched the PPP to build the capacity of the GMS countries' civil service and to strengthen networks among government leaders and policy makers to expand economic cooperation and integration, with the support of ADB and other development partners.³¹ Customized modules addressed policy and decision making in priority areas, such as environment and climate change, energy, economic corridors, urban management in border areas, tourism, agriculture, and science, technology, and innovation. The PPP published a peer-reviewed journal and carried out a research program comprising GMS academic and research institutions and think tanks. Hundreds of PPP trainees participate in ASEAN meetings and negotiations and use the acquired knowledge and skills to contribute to the identification and implementation of ASEAN initiatives. Box 7 shows a summary of PPP activities.

Box 7: Phnom Penh Plan for Development Management

Over a 12-year period, the plan supported 121 learning programs for 2,569 government officials, two-thirds of whom were from Cambodia, the Lao People's Democratic Republic, Myanmar, and Viet Nam (the CLMV countries). Most of them were managers and senior managers, and nearly 40% were female. Of the total, 52 "fellows" undertook executive and management programs, mainly in the Kennedy School of Government, Harvard University. A leaders' networking group was also formed, which held 35 events with 1,632 participants.

Two learning resource centers were established in Phnom Penh and Vientiane, which received some 18,000 users over the 12 years. To further improve the knowledge base, the plan also published, through ADB, eight issues of the *Journal of Greater Mekong Subregion Development Studies*.

ADB contributed \$5.8 million over the period, about 43% of the total cost of the plan (\$13.4 million).

Source: ADB. 2014. *The Phnom Penh Plan for Development Management: A Retrospective*. Manila.

Labor Migration. In 2012, ADB commissioned the International Organization for Migration to review the trends and patterns of labor migration in the GMS. The report considered issues related to labor migration in the GMS and relevant provisions of the AEC Blueprint. The recommendations included (i) increasing protection for migrants in cross-border settings, (ii) strengthening capacity and the legal framework for managing labor migration, (iii) enhancing

³¹ ADB. 2014. *The Phnom Penh Plan for Development Management: A Retrospective*. Manila.



Workshops and small discussion groups have proven to be effective learning and knowledge-sharing tools under the Phnom Penh Plan for Development Management.

social protection for migrants and their families, and (iv) strengthening return and reintegration support to migrants.

Protection from the Negative Impact of Integration

Reducing HIV Vulnerability Associated with Population Movement. ADB-assisted GMS countries formulate an MOU for Joint Action to Reduce HIV Vulnerability Associated with Population Movement, which was signed at the GMS Summit in 2011. The MOU aims to reduce HIV vulnerability and promote access to prevention, treatment, care, and support among migrants, mobile populations, and affected communities through collaborative actions.

HIV Risk Mitigation in Infrastructure Projects. ADB supported several comprehensive prevention packages, particularly in association with road construction projects.³² These projects—in Cambodia, Yunnan Province of the PRC, the Lao PDR, and Viet Nam—targeted affected communities, construction workers and their supervisors, and road users. The interventions included social marketing of condoms, behavior change campaigns, harm reduction measures for drug users, and sexually transmitted infection awareness and treatment services.

Promoting Road Safety. Economic growth means more vehicles on the roads, and in ASEAN, as elsewhere, this means more road accidents, injuries, and deaths. Improving road safety is one of the priorities for member states in the AEC Blueprint. TA from ADB during 2003–2006 helped

³² ADB. 2007. *HIV and the Greater Mekong Subregion: Strategic Directions and Opportunities*. Manila.

ASEAN member states develop road safety action plans and the steps needed to carry them out.³³ It also helped establish the ASEAN Multisector Road Safety Special Working Group to coordinate and harmonize road safety activities across the region. Follow-up of ADB assistance began in 2012 with the objective of improving road safety by helping countries improve their ability to identify and carry out road safety strategies and/or projects, address motorcycle safety issues, monitor and analyze road accident data, and improve the enforcement capacity of traffic police.³⁴ The draft Regional Road Safety Strategy was also prepared under the TA.

Agriculture and Food Security

ASEAN member states face several challenges in attaining food security, given the impacts of climate change on agriculture, the declining resource base due to pollution and deforestation, population growth, and changing rural labor profiles.³⁵

Agriculture and food security in ASEAN fall within the AEC and ASCC blueprints, and ADB supports subregional cooperative initiatives in this area. For example, after successful completion of the first phase of the GMS Core Agriculture Support Program, developed with ADB support and launched in 2006, a second phase was launched in 2011. Phase 2 of the program includes new strategies to overcome emerging challenges to agricultural development. It aims to make agriculture globally competitive in the subregion by (i) promoting food safety and modernizing agricultural trade by harmonizing food safety standards and systems and e-trade in the GMS countries, (ii) promoting climate-friendly agriculture, and (iii) supporting biomass management for bioenergy while ensuring food security.

ADB, in consultation with the ASEC and ASEAN Food Security Reserve Board, recently approved a second ASEAN-wide TA on food security aimed at helping the value chain markets and trade in rice and other food products to better withstand natural disasters and economic shocks by strengthening the ASEAN+3 Emergency Rice Reserve (APTERR).³⁶ This ADB assistance builds on previous support that helped ASEAN implement its Integrated Food Security Framework and Strategic Plan of Action for Food Security in the wake of the food price crisis in 2007–2008. That assistance supported the transition of APTERR from a pilot project to a permanent scheme through technical advice in the drafting of the APTERR agreement and its rules and procedures and financial support of the interim APTERR Secretariat for the operations.

APTERR is a self-sustaining regional cooperation mechanism aimed at strengthening food security through stockpiled rice reserves consisting of voluntary donations (cash or rice) intended for humanitarian assistance. To date, APTERR has provided assistance in response to the natural disasters that have hit Indonesia, the Lao PDR, the Philippines, and Thailand in recent years. The ADB assistance also helps formulate policies that will increase trade and investment in rice and food products in ASEAN, as well as increase the market intelligence capacity of the ASEAN Food Security Information System.³⁷

³³ ADB. 2002. *Technical Assistance for Road Safety in the Association of Southeast Asian Nations*. Manila; ADB. 2004. *Technical Assistance for Road Safety in the Association of Southeast Asian Nations (Supplementary)*. Manila; and ADB. 2004. *Technical Assistance for Road Safety in the Association of Southeast Asian Nations (Second Supplementary)*. Manila.

³⁴ ADB. 2012. *Technical Assistance for Improving Road Safety in the Association of Southeast Asian Nations*. Manila.

³⁵ ADB. 2015. *Operational Plan for Agriculture and Natural Resources: Promoting Sustainable Food Security in Asia and the Pacific in 2015–2020*. Manila.

³⁶ The main objective of the APTERR is to meet emergency requirements and achieve humanitarian purposes without distorting normal international trade of rice. <http://www.apterr.org/index.php/aboutapterr.html>

³⁷ ADB. 2015. *Technical Assistance for Food Security and Resilience of the Association of Southeast Asian Nations Member States to Food Price Volatility*. Manila.



In the Greater Mekong Subregion, ADB supports the Core Agriculture Support Program to increase subregional agricultural competitiveness through modernized trading systems that provide links to regional markets. These initiatives complement ASEAN’s work to enhance food security and agricultural production. One ADB-supported agriculture project in Lao PDR has introduced innovative contract farming arrangements that have allowed Phao Keopaseuth to grow a niche product—cabbage—that is sold in Thailand. His family has seen a dramatic increase in their standard of living as a result.

Environmental Sustainability

The ASCC Blueprint includes ASEAN’s goals on environmental sustainability, which is also a central tenet of ADB under its Strategy 2020. Thus, ADB has long supported environmental cooperation initiatives that align with ASEAN goals, particularly through the subregional programs.

ASEAN–ADB cooperation on environment dates back to 1997–1998, when fires of disastrous proportions destroyed large swaths of agricultural lands, forests, and other rural areas in the ASEAN region and caused heavy and suffocating haze. ADB provided regional TA to put into action ASEAN’s Regional Haze Action Plan. Within 3 months, ADB had assembled a group of more than 20 donor organizations for this purpose. ADB also helped analyze further actions and investments needed by ASEAN member states to prevent, monitor, and mitigate future fires.

Greater Mekong Subregion. The GMS Core Environment Program and Biodiversity Conservation Corridor Initiative (CEP–BCI) was launched in 2005 in response to the growing concerns about the environmental impacts of rapid economic development in the GMS. Administered by ADB and overseen by the environment ministries of the GMS countries, CEP aims to achieve an “environment friendly and climate-resilient GMS Economic Cooperation Program.” The GMS Environment Operations Center, based in Bangkok, Thailand, serves as the implementing unit of CEP–BCI.

CEP introduces and promotes the use of environmental management approaches and tools to improve regional and national development planning, investment programming, environmental monitoring, safeguards, and biodiversity conservation. Capacity building and rural climate resilience are crosscutting areas of work. There have been major achievements in the past decade, especially under the BCI (Box 8).

Box 8: Achievements of the GMS Biodiversity Conservation Corridor Initiative

Major achievements under the Biodiversity Conservation Corridor Initiative during the past decade include establishing biodiversity conservation corridors in seven landscapes in five Greater Mekong Subregion countries. These corridors link protected areas and contain important habitats of flora and fauna, including iconic and endangered species, such as the Asian elephant and Cao Vit gibbon.

By integrating conservation activities, such as reforestation, with livelihood support to villages, the corridors approach has helped ensure that local people and government work closely together for environmental, economic, and social gains. Seven corridor sites have been established so far, encompassing more than 1.2 million hectares and benefiting over 28,000 households. Village development funds were established in many villages, enabling households to access cheap loans for livelihood development.

Reflecting the success of the corridors approach, \$69 million in grants and loans was provided to Cambodia, the Lao PDR, and Viet Nam to scale up the approach through the Biodiversity Conservation Corridor Initiative.

Source: GMS Environment Operations Center, ADB.

CEP has also played a key role in introducing the strategic environmental assessment (SEA) approach and tools into GMS subregional and national development planning. CEP has been involved in 10 SEAs. A CEP-led SEA of Viet Nam's National Power Development Plan VII led to a greater emphasis on energy mix diversity, including significantly increased targets for renewable energy sources.

The CEP has also helped the GMS countries establish environmental performance assessment systems to strengthen the monitoring of environment change and trends. More recently, CEP initiated support to develop national internet portals to make the latest environmental information readily available.

At the development project level, CEP is helping both countries and ADB strengthen the application of safeguards through improved environmental impact assessment. CEP was instrumental in establishing a national environmental impact assessment system in Myanmar, which will be important in ensuring that continuous flow of investment into that country balances economic, environmental, and social considerations.

Another important initiative in the GMS that has a bearing on environmental sustainability is the support of ADB for infrastructure investments toward urban environmental improvement in secondary towns and emerging urban areas along the GMS corridors and at the border areas. The GMS Urban Development Strategic Framework 2015–2022, prepared with the assistance of ADB, shows that urban infrastructure development has strong links with environmental cooperation initiatives involving green development, climate change resilience, and disaster risk management (DRM). It is a useful guide for investments in urban development in the GMS countries.

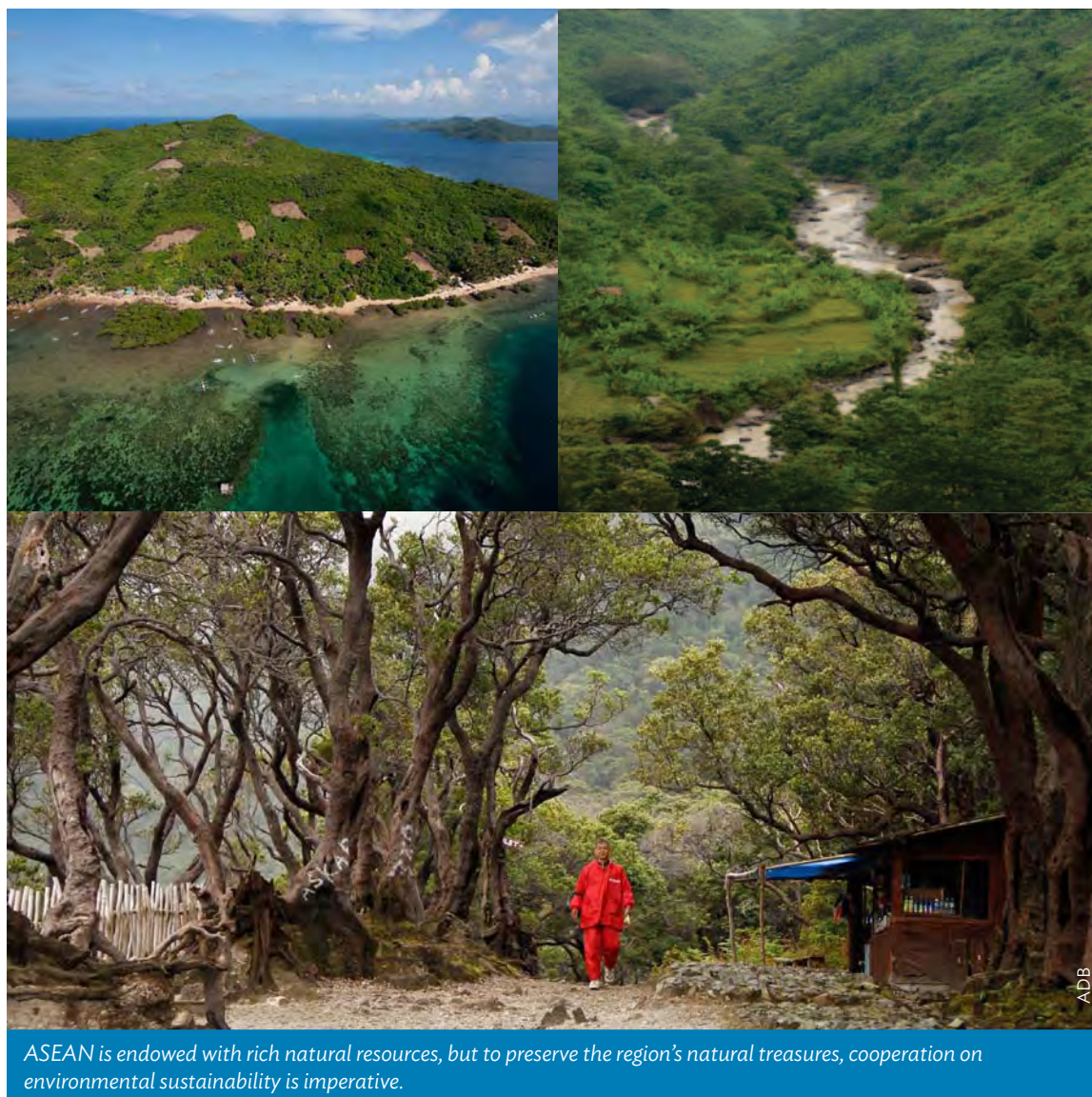
Heart of Borneo and Coral Triangle Initiative.

In the Heart of Borneo (HoB) project, ADB is partnering with World Wildlife Fund (WWF) and the governments of Brunei Darussalam, Indonesia,



Common lionfish in Indonesia. The Coral Triangle is home to more than half of the world's coral reefs, and over three-fourths of all known coral species.

Jurgen Freund



ASEAN is endowed with rich natural resources, but to preserve the region's natural treasures, cooperation on environmental sustainability is imperative.

Darussalam, Indonesia, and Malaysia to conserve the lush forests of Borneo, providing sustainable livelihoods for local populations and a safe haven for thousands of animal and plant species. The project, since its inception in 2013, is improving the management of forests to make them sustainable through stronger policies and institutions, and increase government agencies' capacities for this purpose. ADB serves as the lead agency in mobilizing financial resources of the project.³⁸

The Coral Triangle Initiative (CTI) on Coral Reefs, Fisheries, and Food Security was launched in 2007 as a flagship project of three ASEAN member states (Indonesia, Malaysia, and the Philippines) and three non-member states (Papua New Guinea, Solomon Islands, and Timor-Leste) supported by ADB and other development partners.³⁹ It is viewed as one of the most innovative ocean governance programs, in which the six countries collaborate to protect and preserve the extensive marine and coastal living resources that provide significant benefits to the approximately 363 million people who reside within the Coral Triangle.

³⁸ Asian Development Bank. <http://www.adb.org/news/adb-help-protect-threatened-forests-borneo>

³⁹ United States Agency for International Development, Australian Government, WWF, Conservation International, and The Nature Conservancy. The Coral Triangle Center joined the CTI-CFF as a development partner in 2014.

The lessons learned and models being developed in CTI and HoB projects can be disseminated and scaled up in BIMP-EAGA and ASEAN regions.⁴⁰

IMT-GT. In 2014, the IMT-GT Green Cities Initiative was launched to introduce innovative approaches to sustainable urban development for more vibrant and livable cities that are environmentally appealing, economically competitive, and socially inclusive. Under this initiative, ADB has assisted the cities of Melaka in Malaysia and Hat Yai and Songkhla in Thailand to develop Green City Action Plans (GCAPs) that make recommendations on investments needed for integrated urban development, environment and climate resilience, and urban infrastructure and services that are more energy and resource efficient. GCAPs for the three cities have been completed, and others are being prepared for Battam and Medan, Indonesia. Although the GCAP for Melaka was only endorsed in 2014, it has already led to follow-up initiatives in Malaysia, such as energy efficiency retrofits of public buildings.

Disaster Risk Management

In 2004, ADB adopted a comprehensive Disaster and Emergency Assistance Policy. It was therefore well prepared to assist an ASEAN–United Nations–Myanmar tripartite group to coordinate relief efforts and assess the damage in Myanmar following Cyclone Nargis in May 2008, which resulted in a death toll of 84,537, with 53,836 missing, 19,359 injured, and as many as 800,000 people displaced.⁴¹

In 2009, the ASEAN Agreement on Disaster Management and Emergency Response (AADMER) entered into force. Assistance to the agreement’s Work Program for 2010–2015 has come via the ADB Integrated Disaster Risk Management Fund, established in 2013 with support from the Government of Canada to assist the development of innovative regional solutions to DRM in Southeast Asian developing member countries.

More recently, ADB adopted an Operational Plan for Integrated Disaster Risk Management covering 2014–2020. ADB approved four regional technical assistance projects involving DRM in the ASEAN region during 2013–2014. The first was to support community-based DRM in Southeast Asia—a component of which is supporting the AADMER Work Program’s priority on Strengthening Community Resilience through Disaster Risk Reduction and Climate Change Adaptation; the second was to make better use of disaster risk information for decision making; the third to strengthen disaster resilience of small and medium-scale industries; and the fourth on a scoping study to strengthen disaster resilience in selected urban areas, including scoping for AADMER’s urban DRM priorities, which will guide post-2015 cooperation between the ASEAN Committee on Disaster Management and ADB’s Integrated Disaster Risk Management Fund.

⁴⁰ At the 23rd BIMP-EAGA Senior Officials Meeting, the Environment Cluster was requested to examine the potential for collaboration between the Heart of Borneo project and CTI.

⁴¹ ASEAN. 2008. Post Nargis Joint Assessment: a report prepared by the Tripartite Core Group.



Jurgen Freund (top photo); ADB (bottom photo)

Southeast Asia is one of the world's most disaster-prone regions. ADB has cooperated with ASEAN to support numerous disaster risk management initiatives. Following typhoon Haiyan, which devastated Leyte, Philippines in 2013 (top photo), ADB provided a comprehensive package of support, including the reconstruction of schools, such as Bislig Elementary School (bottom photo).

5 ASEAN–ADB Partnership toward the ASEAN Community Vision 2025

The cooperation between ASEAN and ADB over the past decade has contributed to a more connected, competitive, and integrated ASEAN, and this partnership will further be strengthened in the years to come.

ASEAN has achieved significant social and economic progress since its founding almost 50 years ago, manifested in its transformation into one of the most dynamic regions in the world and the marked reduction in the incidence of poverty among its member states.⁴² It has also made notable progress in its integration efforts toward the ASEAN Economic Community. Although the ASEAN Economic Community has an unfinished agenda, it still represents the key milestone for ASEAN integration.⁴³

Under the *ASEAN 2025: Forging Ahead Together (ASEAN 2025)*,⁴⁴ ASEAN will undoubtedly continue to pursue the goal of an ASEAN community. The remaining challenges include the need to further reduce poverty and achieve more equitable growth, promote competitiveness, enhance macroeconomic and financial stability, protect the environment, and mitigate the potential negative effects of integration.⁴⁵ These challenges mirror those addressed in ADB's Strategy 2020, and has set the stage for building a closer ASEAN–ADB partnership.

Shared goals provide a strong rationale for the continuing ASEAN–ADB cooperation. This continuing cooperation over the past 10 years under the two memorandums of understanding can serve as a solid foundation for building a strategic partnership between ASEAN and ADB in support of ASEAN 2025. Such a partnership can be built around ASEAN's centrality and the wide-ranging needs of integration, and on ADB's emphasis on regional cooperation and integration; the close links between its national, subregional, and regional programs of assistance; its ability to mobilize and leverage resources; and its capacity to provide useful knowledge products and services.

Building on the fruits of ASEAN–ADB cooperation over the past decade, a broad agenda for possible ASEAN–ADB partnership in the next decade is outlined below.

- (i) Retaining the strategic areas of cooperation, with “narrowing the development gap” as the crosscutting theme, and focusing more sharply on the ASEAN 2025 agenda, as follows:
 - (a) **Physical Connectivity: Cross-Border Infrastructure Development.** Upgrading parts of the ASEAN Highway Network, especially in Myanmar; promoting multimodal transport, including maritime and rail transport; ensuring energy supply security through further cross-border power interconnection and trade; harmonizing electric power policies, systems, and standards; using indigenous, low-carbon, and renewable energy resources; and increasing project financing.

⁴² P. Intal, Jr. et al. 2014. *ASEAN Rising: ASEAN and AEC Beyond 2015*. Jakarta: Economic Research Institute for ASEAN and East Asia (ERIA).

⁴³ ASEAN Secretariat. 2015. *A Blueprint for Growth ASEAN Economic Community 2015: Progress and Key Achievements*. Jakarta; S. B. Das et al. 2013. *The ASEAN Economic Community: A Work in Progress*. Asian Development Bank and Institute of Southeast Asian Studies. Singapore.

⁴⁴ This consists of the ASEAN Community Vision 2025, the ASEAN Political–Security Community Blueprint 2025, the ASEAN Economic Community Blueprint 2025, and the ASEAN Socio–Cultural Community Blueprint 2025. When adopted in 2016, the Initiative for ASEAN Integration (IAI) Work Plan III and ASEAN Connectivity 2025 shall be an integral part of the *ASEAN 2025: Forging Ahead Together*.

⁴⁵ ADBI. 2014. *ASEAN 2030: Toward a Borderless Economic Community*. Tokyo.

- (b) **Institutional Connectivity: Trade and Transport Facilitation.** Alignment of the transit system under the Greater Mekong Subregion (GMS) Cross-Border Transport Agreement with the ASEAN transit system, and implementation of the ASEAN transit system in Brunei Darussalam–Indonesia–Malaysia–Philippines East ASEAN Growth Area; expansion of exchange of traffic rights; implementation of single-stop inspection and single-window inspection systems in major border checkpoints along the GMS East–West, North–South, and Southern Economic Corridors; and institutional strengthening, including greater involvement of private stakeholders in transport and trade facilitation initiatives.
- (c) **Monetary and Financial Cooperation and Integration.** Developing regional bond and equity markets, maintaining monetary and financial stability, and ensuring capacity building.
- (d) **Social Development.** Communicable disease control; capacity building of civil servants; labor mobility, including support to implementing mutual recognition agreements, and mitigation of negative effects of integration, including reducing HIV vulnerability because of population movement; HIV risk mitigation in infrastructure projects; and road safety.
- (e) **Agriculture and Food Security.** Cooperation on food security on an ASEAN-wide and subregional basis; promotion of climate-friendly agriculture; and modernization of agricultural trade, including harmonization of food safety systems and standards.
- (f) **Environmental Sustainability.** Management of critical ecosystems and biodiversity corridors, climate change adaptation and mitigation, green cities development, and disaster risk management and financing.
 - (ii) Giving special attention and consideration to the needs of Cambodia, the Lao PDR, Myanmar, and Viet Nam (the CLMV countries).
 - (iii) Strengthening links between ASEAN and the GMS, Brunei Darussalam–Indonesia–Malaysia–Philippines East ASEAN Growth Area, and Indonesia–Malaysia–Thailand Growth Triangle subregional programs, including closer interface with related ASEAN and subregional bodies.
 - (iv) Broadening and deepening partnerships with bilateral and other multilateral institutions in support of ASEAN objectives.
 - (v) Strengthening efforts to help promote private investments and public–private partnerships in ASEAN.
 - (vi) Developing greater synergy in national, subregional, and regional ADB assistance to ASEAN 2025.

ASEAN can be proud of its accomplishments toward “One Vision, One Identity, One Community.” The region has been able to establish itself as a “global brand,” with its centrality in the region being widely recognized. Indeed, ASEAN can be considered as the most successful grouping of developing countries in the world, having progressed toward integration in a flexible manner that has broken the traditional regional cooperation and integration process mold as seen in the European Union.

ADB is equally proud to be a close partner in these accomplishments and will continue to support the ASEAN community as it progresses to a “concert of Southeast Asian nations, outward looking, living in peace, stability and prosperity, bonded together in partnership in dynamic development and in a community of caring societies.”

APPENDIX 1

Scope and Areas of Cooperation under Memorandums of Understanding between ASEAN and ADB

2006 MOU	2012 MOU
<p>Objective To help accelerate the ASEAN regional cooperation and integration process in Asia.</p> <p>Areas of Cooperation</p> <ul style="list-style-type: none"> • Support to key ASEAN initiatives (e.g., Bali Concord II, Vientiane Action Programme, IAI) • Support to RCI in ASEAN through <ul style="list-style-type: none"> (i) subregional cooperation programs (e.g., GMS, BIMP-EAGA, IMT-GT) (ii) trade and investment (iii) money and finance (iv) private sector development (v) energy (vi) management of shared natural resources (vii) provision of public goods (e.g., communicable disease control, environmental protection, and disaster prevention and mitigation) • Support to ASEAN+3 Finance Ministers Process (ASEAN+3 Economic Review and Policy Dialogue, Chiang Mai Initiative, and ABMI) • Conduct and dissemination of joint studies <p>Modalities</p> <ul style="list-style-type: none"> • Sharing knowledge and lessons learned • Regional and subregional policy dialogue • Cofinancing • Staff exchanges, where feasible 	<p>Objective To support and accelerate the regional cooperation and integration process within the ASEAN region.</p> <p>Areas of Cooperation</p> <p>Primary Focus Areas</p> <ul style="list-style-type: none"> • Connectivity (physical and soft infrastructure) • Financial and capital market integration (ABMI, Roadmap for Monetary and Financial Integration of ASEAN) • Environmental sustainability through climate change adaptation and mitigation, energy efficiency, and renewable energy • Macroeconomic surveillance and monitoring of regional economic integration • Trade • Investment <p>Secondary Focus Areas</p> <ul style="list-style-type: none"> • Agricultural development through trade facilitation <p>Crosscutting Theme</p> <ul style="list-style-type: none"> • Narrowing the development gap, poverty reduction, and attainment of MDGs <p>Modalities</p> <ul style="list-style-type: none"> • Technical assistance • Capacity and institutional strengthening • Policy dialogue • Research and information dissemination • Resource leveraging • Partnership building

ABMI = Asian Bonds Market Initiative, ADB = Asian Development Bank, ASEAN = Association of Southeast Asian Nations, BIMP-EAGA = Brunei Darussalam–Indonesia–Malaysia–Philippines East ASEAN Growth Area, GMS = Greater Mekong Subregion, IAI = Initiative for ASEAN Integration, IMT-GT = Indonesia–Malaysia–Thailand Growth Triangle, MDG = Millennium Development Goal, MOU = memorandum of understanding, RCI = regional cooperation and integration.

Source: ADB.

APPENDIX 2

Selected Knowledge Products of ADB and ADBI Involving RCI in Southeast Asia and Its Subregions

Type/Title	Year of Publication
BOOKS	
ASEAN/ASEAN+3	
<i>Bond Market Settlement and Emerging Linkages in Selected ASEAN+3 Countries</i>	2005
<i>The Economics of Climate Change in Southeast Asia: A Regional Review</i>	2009
<i>Institutions for Regional Integration: Toward an Asian Economic Community</i>	
<i>The ASEAN Economic Community: A Work in Progress</i>	2013
<i>ASEAN, PRC, and India: The Great Transformation</i>	2014
<i>ASEAN 2030: Toward a Borderless Economic Community</i>	2014
BIMP-EAGA/GMS/IMT-GT/CTI	
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<i>GMS: Competitiveness. Connectivity. Community. Connecting Nations, Linking People</i>	2005
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BIMP-EAGA Implementation Blueprint 2012–2016	2012
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The Greater Mekong Subregion Economic Cooperation Program Strategic Framework 2012–2022	2012
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ADB = Asian Development Bank; ADBI = Asian Development Bank Institute; ASEAN = Association of Southeast Asian Nations; ASEAN+3 = ASEAN member states plus the PRC, Japan, and the Republic of Korea; ASEAN+6 = ASEAN+3 countries plus Australia, India, and New Zealand; BIMP-EAGA = Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area; CIQS = customs, immigration, quarantine and security services; CTI = Coral Triangle Initiative; GMS = Greater Mekong Subregion; IMT-GT = Indonesia–Malaysia–Thailand Growth Triangle; MOU = memorandum of understanding, PRC = People’s Republic of China; RCI = regional cooperation and integration.

Source: Asian Development Bank and Asian Development Bank Institute.

ASEAN–ADB Cooperation toward the ASEAN Community

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