

**OFFICE OF REGIONAL  
ECONOMIC INTEGRATION  
BUSINESS PLAN 2006–2010**

Facilitating Regional Cooperation and  
Integration in Asia and the Pacific

## Abbreviations

ABMI	– Asian Bond Markets Initiative
ADB	– Asian Development Bank
ADB I	– Asian Development Bank Institute
APEC	– Asia-Pacific Economic Cooperation
ARIC	– Asia Regional Information Center
ASEAN	– Association of Southeast Asian Nations
ASEAN+3	– ASEAN plus People’s Republic of China, Japan, and Republic of Korea
ASEM	– Asia-Europe Meeting
CAREC	– Central Asia Regional Economic Cooperation
DMC	– developing member country
ERD	– Economics and Research Department
FTA	– free trade agreement/area
IMF	– International Monetary Fund
KRA	– key result area
MDB	– multilateral development bank
MOU	– memorandum of understanding
NGO	– nongovernment organization
OCO	– Office of Cofinancing Operations
OECD	– Organisation for Economic Co-operation and Development
OGC	– Office of the General Counsel
OREI	– Office of Regional Economic Integration
PSOD	– Private Sector Operations Department
RCI	– regional cooperation and integration
RCSP	– regional cooperation strategy and program
RCSPU	– regional cooperation strategy and program update
RD	– regional department
REMU	– Regional Economic Monitoring Unit
RPG	– regional public good
RSDD	– Regional and Sustainable Development Department
SAARC	– South Asian Association for Regional Cooperation
SPD	– Strategy and Policy Department
TA	– technical assistance
TD	– Treasury Department
WTO	– World Trade Organization

## I. Introduction

The Asian Development Bank (ADB) established the Office of Regional Economic Integration (OREI) on 1 April 2005, replacing the Regional Economic Monitoring Unit (REMU).<sup>1</sup> OREI assists ADB in facilitating regional cooperation and integration (RCI) in Asia and the Pacific. Along with the establishment of OREI, three special advisors to the President on RCI were appointed.<sup>2</sup> ADB also realigned its regional departments and country coverage to improve the coherence of its regional operations, and to strengthen the synergy between country and regional operations.

Subsequently, in close consultation with other departments, Board members, and other international stakeholders, OREI led the preparation of ADB's RCI strategy. The strategy was endorsed by the Board of Directors on 25 July 2006. The RCI strategy has four pillars: (i) regional and subregional economic cooperation programs on cross-border infrastructure and related software, (ii) trade and investment cooperation and integration, (iii) monetary and financial cooperation and integration, and (iv) cooperation in regional public goods (RPGs). The four pillars are mutually reinforcing so they can contribute to achieving ADB's overarching goal of poverty reduction in an effective manner.

The strategy also identifies four distinct roles for ADB in supporting and promoting RCI in Asia and the Pacific: (i) providing financial resources for RCI projects, programs, and related technical assistance (TA) and/or helping developing member countries (DMCs) mobilize funding and TA (i.e., acting as a money bank); (ii) creating, consolidating, and disseminating knowledge and information on RCI to DMCs (i.e., acting as a knowledge bank); (iii) helping DMCs and regional and/or subregional bodies strengthen their institutional capacity to manage RCI (i.e., as a capacity builder); and (iv) catalyzing and facilitating RCI for the DMCs (i.e., as an honest broker). These four functions cut across the four pillars of RCI. They are also mutually supportive and reinforcing, enabling ADB to serve as an effective facilitator in supporting and promoting RCI.

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<sup>1</sup> OREI's broad terms of reference are in Appendix 1. Its organization chart, or organogram, is in Appendix 2.

<sup>2</sup> The three special advisors are (i) Mr. Masahiro Kawai, Head, Office of Regional Economic Integration, and Special Advisor to the President on Regional Economic Integration; (ii) Mr. Rajat M. Nag, Director General, Southeast Asia Department, and Special Advisor to the President on Regional Economic Cooperation and Integration; and (iii) Mr. Bindu N. Lohani, Director General, Regional and Sustainable Development Department, and Special Advisor to the President on Clean Energy and Environment.

Within ADB, the responsibility for pillar 1 rests with the five regional departments (RDs). The Private Sector Operations Department (PSOD) and Office of Cofinancing Operations (OCO) have important roles to play, in collaboration with the RDs, in catalyzing private sector participation and mobilizing external resources in operational activities of pillar 1. The primary responsibility for pillars 2 and 3 is with OREI. The primary responsibility for pillar 4 will continue to be borne by the Regional and Sustainable Development Department (RSDD), supported by the Office of the General Counsel (OGC). OREI also facilitates and coordinates ADB's RCI support by working with other offices and departments, such as RDs, Asian Development Bank Institute (ADBI), Economics and Research Department (ERD), OCO, OGC, PSOD, RSDD, and Treasury Department (TD), in all pillars as appropriate.

Based on the RCI strategy, this Business Plan identifies OREI's mission, business principles, key result areas (KRAs), and results framework.

## II. OREI's Mission and Business Principles

OREI's mission is to facilitate RCI in Asia and the Pacific. OREI assists ADB in pursuing an open and outward-looking regionalism in Asia and the Pacific that can serve as a building block to global integration. It accomplishes this by (i) taking primary responsibility for pillars 2 and 3 of the RCI strategy; (ii) implementing cross-regional RCI initiatives; (iii) serving as RCI knowledge center, and (iv) providing "horizontal links" across concerned ADB departments.

OREI's business principles are

- **Client-orientation:** The ultimate clients of OREI are DMCs and regional bodies/institutions. The intermediate clients include other offices and departments within ADB. To its clients, OREI provides (i) policy advice through various regional policy dialogue processes, (ii) knowledge-based products, (iii) capacity building support, and (iv) partnership building support for regional bodies/institutions. Within ADB, OREI facilitates cross-fertilization of ideas on RCI.
- **Relevance, responsiveness, and result orientation:** OREI pursues (i) "relevance" by imparting greater focus and selectivity in ADB operations to support RCI in Asia and the Pacific; (ii) "responsiveness" by identifying and addressing key challenges facing DMCs in fostering RCI; and (iii) "result orientation" by focusing on the impact of its RCI work in achieving ADB's overarching goal of poverty reduction.

- **Complementarity:** OREI ensures that ADB's work on RCI complements that of other institutions, including the International Monetary Fund (IMF), World Trade Organization (WTO), World Bank, Organisation for Economic Co-operation and Development (OECD), and regional multilateral development banks (MDBs). OREI cooperates with these institutions to galvanize and synergize support for RCI, to achieve greater openness, growth, and stability in Asia and the Pacific.

### III. Key Result Areas (KRAs) for OREI

To fulfill OREI's mission, six KRAs have been identified:

- (1) promote regional economic policy dialogue in Asia and the Pacific and provide RCI policy advice;
- (2) support capacity building and institutional strengthening to help DMCs integrate both within the region and with the rest of the world;
- (3) conduct research on RCI;
- (4) serve as a knowledge and information center on RCI;
- (5) develop partnerships with global stakeholders such as the IMF, WTO, World Bank, OECD, other regional MDBs and institutions, policymakers, think tanks, academic institutions, news media, and nongovernment organizations (NGOs); and
- (6) support other ADB departments in promoting and implementing the RCI strategy.

The key objectives and main outputs in each of the KRAs are discussed in more detail below. For the contribution of KRAs to the four pillars of the RCI strategy, see Appendix Table 1.

## **KRA1: Promote Regional Economic Policy Dialogue**

Pillars 2 and 3 of the RCI strategy stress the importance of ADB supporting the regional economic policy dialogue processes under the various regional forums such as Association of Southeast Asian Nations (ASEAN); ASEAN plus People's Republic of China, Japan, and Republic of Korea (ASEAN+3); Asia-Pacific Economic Cooperation (APEC); Asia-Europe Meeting (ASEM); South Asian Association for Regional Cooperation (SAARC); and Central Asia Regional Economic Cooperation (CAREC). The expected outputs under this KRA are

- reports on RCI prospects and policy issues;
- reports on regional economic prospects and policy issues for the various finance ministers processes, such as ASEAN, ASEAN+3, APEC, ASEM, SAARC, and CAREC;
- the *Asia Economic Monitor*;
- the *Asia Bond Monitor*;
- speeches, statements, and briefing notes for ADB management;
- reports on the outlook for regional trade and investment; and
- technical support for regional and interregional ministerial processes.

## **KRA2: Support Capacity Building and Institutional Strengthening**

The RCI strategy stresses the importance of capacity and institutional development for DMCs in pillars 2 and 3. The expected outputs under this KRA are

- training programs on (i) regional economic and financial monitoring; (ii) development of national and regional credit rating agencies; (iii) best practices in financial regulation and supervision; (iv) designing, negotiating, and implementing free trade agreements/ areas (FTAs); and (v) other RCI-related themes;
- technical assistance to strengthen institutional capacity of regional bodies (such as the ASEAN and SAARC secretariats) and national agencies; and
- establishment of, and support for, a network among DMC financial sector regulators and supervisors.

### **KRA3: Conduct Research on RCI**

A key role of OREI is to serve as a knowledge center on RCI by creating, consolidating, and disseminating knowledge. Pillars 2 and 3 of the RCI strategy emphasize the need to support research. The strategy also highlights that a stronger and more coordinated policy-relevant research capacity will be established to enable ADB to serve as a knowledge bank on RCI. OREI will enhance its research capacity in pillars 2 and 3. Greater coordination and information sharing across knowledge departments—i.e., ADBI, ERD, OREI, and RSDD—will be pursued to minimize duplication and maximize synergies. The expected outputs under this KRA are a number of studies—including those that are jointly conducted with other knowledge departments, regional departments, and external institutions as needed and appropriate:

- regional trade agreements;
- regional industrial competitiveness;
- issues identified by the ASEAN+3 Asian Bond Markets Initiative (ABMI) and ASEAN+3 Research Group;
- regional monetary and financial integration, including Asian currency indexes;
- regional financial sector reforms and restructuring;
- APEC finance ministers initiatives;
- Pan-Asian economic cooperation and integration including ASEAN economic integration; and
- regional development issues.

### **KRA4: Disseminate Knowledge and Information on RCI**

Knowledge and information dissemination is a key element in pillars 2 and 3 of the RCI strategy. OREI's main task is to disseminate acquired information and knowledge on RCI to stakeholders. The expected outputs under this KRA are

- further development and maintenance of the *Asia Regional Integration Center* (ARIC) and *AsianBondsOnline* websites;
- ADB seminar series and working paper series on RCI;
- presentation of knowledge products on RCI in international and regional conferences, seminars, and workshops;

- publication of books, briefs, papers, and reports on RCI; and
- press conferences, interviews, and other similar “outreach” events.

### **KRA5: Develop Partnerships with Other Stakeholders**

To complement the work of other international organizations and avoid duplication, pillars 2 and 3 of the RCI strategy underline the importance of developing partnerships with stakeholders. OREI will maximize synergies between ADB and international institutions—such as regional MDBs, IMF, World Bank, United Nations, WTO, OECD, Boao Forum, ASEAN Secretariat, researchers, media, NGOs, private sector, and other stakeholders—in promoting RCI. The expected outputs under this KRA are

- joint activities with other regional institutions through projects/ programs, research, regional conferences/seminars/workshops, training, and other appropriate events;
- implementation of memorandums of understanding (MOUs) on RCI with regional bodies/institutions such as the ASEAN Secretariat and Boao Forum; and
- participation in, and contribution to, various international and regional conferences and meetings on RCI-related issues.

### **KRA6: Support Other Departments in ADB**

As many regional activities cut across ADB departments, it is critical to ensure consistency and coherence of ADB-wide support for RCI. OREI is the facilitator and coordinator of RCI within ADB and, as such, supports and works with various departments in ADB (including ADBI) in operationalizing the RCI strategy. For this purpose, OREI’s responsibilities include

- coordination with the concerned departments in helping mobilize financial and technical resources to operationalize the RCI strategy;
- support for the Communities of Practice on Regional Cooperation and Integration and on Finance and Trade;
- strengthening the coordination across knowledge departments (ADB, ERD, OREI, and RSDD);



- coordination with ERD and RDs in producing country economic forecasts and support for RDs in monitoring economic developments in their respective regions/subregions;
- support for RDs in preparing regional cooperation strategy and programs (RCSPs) and/or regional cooperation strategy and program updates (RCSPUs);
- cooperation with (i) RSDD in implementing the RCI strategy with respect to RPGs; (ii) OGC in identifying and addressing legal issues of, and impediments to, the RCI process; (iii) Strategy and Policy Department (SPD) on ADB-wide RCI issues; (iv) TD in issuing local-currency denominated bonds; and (v) PSOD in identifying the role of private sector in RCI; and
- joint activities, coordination, or cooperation with other concerned departments on RCI-related issues/activities, as and when required.

#### **IV. Results Framework**

All the KRAs are expected to contribute to achieving the objectives of the RCI strategy. A broad results-based monitoring framework that includes a set of indicators to monitor the progress of the Business Plan has been developed (Appendix Table 2). The framework identifies broad outcomes to be achieved and the proposed contribution of OREI to the implementation of the RCI strategy. The indicators in the framework will be continually fine-tuned in consultation with concerned departments within ADB.



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# Appendix 1

## Terms of Reference

### Office of Regional Economic Integration (OREI)

#### 1 April 2005

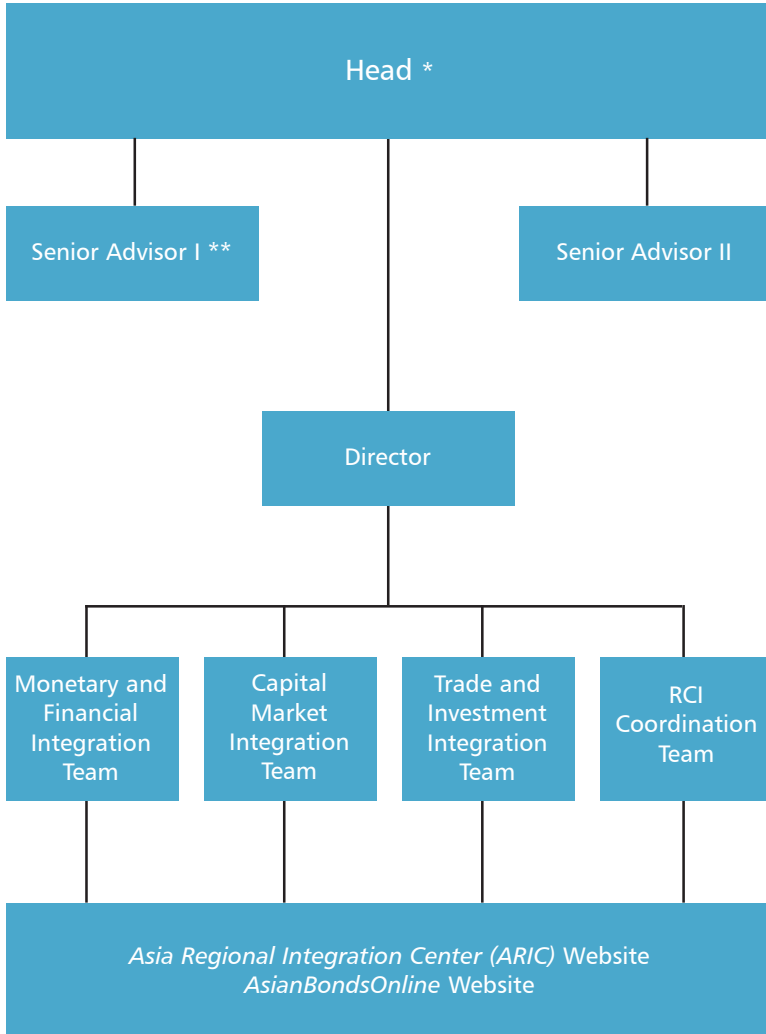
The mandate of OREI is to promote economic cooperation and integration of the developing member countries (DMCs) of ADB among themselves and to contribute most effectively to the harmonious economic growth of the region as a whole.

The principal responsibilities of this Office are

1. To act as ADB's focal point for the following regional bodies/forums/initiatives on regional cooperation:
  - (i) ASEAN+3 Finance Ministers process (including the Economic Review and Policy Dialogue Process, Chiang Mai Initiative, Asian Bond Markets Initiative, Research Group, and others);
  - (ii) ASEAN Surveillance Process;
  - (iii) APEC Finance Ministers Process;
  - (iv) Asia-Europe Finance Ministers Process; and
  - (v) Other regional and subregional bodies/fora/initiatives (as may be further decided by the President, including FTA).
2. To prepare various economic and financial trends and vulnerability assessment reports (using early warning systems) and other high frequency reports for economic review and policy dialogues, and peer review meetings under the ASEAN+3 Finance Ministers Process and other regional and subregional bodies/forums/initiatives as enumerated in paragraph 1 above.
3. To prepare and publish the *Asia Economic Monitor* and *Asia Bond Monitor*.
4. To conduct studies and research on regional economic integration, including monetary and financial, and trade and investment integration.
5. To support and coordinate ADB assistance to various regional integration initiatives under the above-mentioned regional groups, e.g., Asia Cooperation Dialogue, and the Executives' Meeting of East Asia Pacific Central Banks.

6. To provide technical assistance and other support to various regional groups/initiatives above to strengthen their institutional and policy-making capacities, both to integrate regionally and globally.
7. To support participation of Management and senior staff in various forums and meetings initiated by and/or under the framework of the regional groups/initiatives as enumerated in paragraph 1 above.
8. To develop and operate the *Asia Regional Integration Center* and *AsianBondsOnline* websites.
9. To undertake any other work related to regional cooperation and integration, as and when required by the President.

## Appendix 2 OREI Organogram



\* Concurrently Special Advisor to the President on Regional Economic Integration and Co-chair of Community of Practice on Finance and Trade.

\*\* Concurrently Co-chair of Community of Practice on Regional Cooperation and Integration.

Appendix Table 1: Contribution of Key Result Areas to the Four Pillars of the RCI Strategy

RCI Pillars	Trade and Investment Cooperation and Integration (Pillar 2)	Monetary and Financial Cooperation and Integration (Pillar 3)	Subregional Program (Cross-border Infrastructure and Software) & RPGs (Pillars 1 and 4)
<p>KRAS</p> <p>KRA1: Promote Regional Economic Policy Dialogue</p>	<ul style="list-style-type: none"> <li>reports on the outlook for regional trade and investment.</li> </ul>	<ul style="list-style-type: none"> <li>reports on regional economic prospects and policy issues for the various finance ministers processes, such as ASEAN, ASEAN+3, APEC, ASEM, SAARC, and CAREC;</li> <li><i>Asia Economic Monitor</i>;</li> <li><i>Asia Bond Monitor</i>.</li> </ul>	
<p>KRA2: Support Capacity Building and Institutional Strengthening</p>	<ul style="list-style-type: none"> <li>technical support for regional and inter-regional ministerial processes;</li> <li>reports on RCI prospects and policy issues;</li> <li>speeches, statements, and briefing notes for ADB management;</li> <li>technical support for promoting cross-regional policy dialogue among subregional programs.</li> </ul>	<ul style="list-style-type: none"> <li>training programs on (i) regional economic and financial monitoring; (ii) development of national and regional credit rating agencies; (iii) best practices in financial regulation and supervision;</li> <li>establishment of, and support for, a network among DMC financial sector regulators and supervisors.</li> </ul>	
<p>KRA3: Conduct Research on RCI</p>	<ul style="list-style-type: none"> <li>training programs on other RCI-related themes;</li> <li>technical assistance to strengthen institutional capacity of regional bodies (such as the ASEAN and SAARC secretariats).</li> </ul>	<ul style="list-style-type: none"> <li>regional trade agreements;</li> <li>regional industrial competitiveness.</li> </ul>	<ul style="list-style-type: none"> <li>issues identified by ASEAN+3 ABMI and ASEAN+3 Research Group;</li> <li>regional monetary and financial integration, including Asian currency indexes;</li> </ul>

Appendix Table 1: Contribution of Key Result Areas to the Four Pillars of the RCI Strategy (cont'd.)

RCI Pillars	Trade and Investment Cooperation and Integration (Pillar 2)	Monetary and Financial Cooperation and Integration (Pillar 3)	Subregional Program (Cross-border Infrastructure and Software) & RPGs (Pillars 1 and 4)
KRA5	<ul style="list-style-type: none"> <li>pan-Asian economic cooperation and integration including ASEAN economic integration;</li> <li>regional development issues.</li> </ul>	<ul style="list-style-type: none"> <li>regional financial sector reforms and restructuring;</li> <li>APEC finance ministers initiatives.</li> </ul>	
KRA 4: Disseminate Knowledge and Information on RCI	<ul style="list-style-type: none"> <li>further development and maintenance of the <i>Asia Regional Integration Center</i> (ARIC) and <i>AsianBondsOnline</i> websites;</li> <li>ADB seminar series and working paper series on RCI;</li> <li>presentation of knowledge products on RCI in international and regional conferences, seminars, and workshops;</li> <li>publication of books, briefs, papers, and reports on RCI;</li> <li>press conferences, interviews, and other similar “outreach” events.</li> </ul>		
KRA 5: Develop Partnerships with Other Stakeholders	<ul style="list-style-type: none"> <li>joint activities with other regional institutions through projects/programs, research, regional conferences/seminars/workshops, training, and other appropriate events;</li> <li>implementation of MOUs on RCI with regional bodies/institutions such as the ASEAN Secretariat and Boao Forum;</li> <li>participation in, and contribution to, various international and regional conferences and meetings on RCI-related issues.</li> </ul>		
KRA6: Support Other Departments in ADB	<ul style="list-style-type: none"> <li>coordination with the concerned departments in helping mobilize financial and technical resources to operationalize the RCI strategy;</li> <li>support for the Communities of Practice on Regional Cooperation and Integration and on Finance and Trade;</li> <li>strengthening the coordination across knowledge departments (ADBI, ERD, OREI, and RSDD);</li> <li>coordination with ERD and RDs in producing country economic forecasts and support for RDs in monitoring economic developments in their respective regions/subregions;</li> <li>support for RDs in preparing regional cooperation strategy and programs (RCSPPs) and/or regional cooperation strategy and program updates (RCSPPUs);</li> <li>cooperation with (i) RSDD in implementing the RCI strategy with respect to regional public goods; (ii) OGC in identifying and addressing legal issues of, and impediments to, the RCI process; (iii) SPD on ADB-wide RCI issues; (iv) TD in issuing local-currency denominated bonds; and (v) PSOD in identifying the role of private sector in RCI;</li> <li>joint activities, coordination, or cooperation with other concerned departments on RCI-related issues/activities, as and when required.</li> </ul>		

Appendix Table 2: Results Framework for OREI's Business Plan, 2006–2010

OREI's Responsibilities	Long-term Impact	Outcomes	Performance Monitoring Indicators	Risks and Assumptions
RCI Pillar 2: Trade and Investment Cooperation and Integration (KRAs 1-6)	Increased international trade and investment with regional and nonregional economies	Greater volume of trade and investment intraregionally and extraregionally  Harmonized cross-border regulations, procedures, and standards for regional trade and investment	<ul style="list-style-type: none"> <li>• Growth of total intraregional trade</li> <li>• Growth of total intraregional investment</li> <li>• Best practices FTAs that are mutually coherent and consistent with WTO</li> </ul>	<p>Availability of adequate resources</p> <p>Coordination with other international institutions</p> <p>Stable global economic and trading environment</p> <p>Strong commitment of governments</p>
RCI Pillar 3: Monetary and Financial Cooperation and Integration (KRAs 1-6)	Regional financial market development and macroeconomic and financial stability	Development, deepening, and harmonization of regional financial markets  Maintenance of regional macroeconomic and financial stability	<ul style="list-style-type: none"> <li>• Effective regional economic surveillance</li> <li>• Effective regional reserve pooling arrangements</li> <li>• Development and establishment of early warning systems for DMCS</li> <li>• Development and deepening of Asian bond markets</li> </ul>	<p>Availability of adequate resources</p> <p>Coordination with other international institutions</p> <p>Stable global economic and financial environment</p> <p>Strong commitment of governments</p>
OREI as Facilitator and Coordinator of ADB's RCI Support (KRAs 1-6)	Broadening and deepening regional economic cooperation and integration in Asia and the Pacific	A coherent and strategic approach to ADB's support for RCI  Greater role for ADB in promoting RCI	<ul style="list-style-type: none"> <li>• Greater inter-departmental coordination of ADB support for RCI</li> <li>• Generation and dissemination of knowledge products on RCI</li> <li>• Stronger partnerships with stakeholders and other institutions</li> </ul>	<p>Availability of adequate resources</p> <p>Coordination with other international institutions</p> <p>Cooperation of concerned departments within ADB</p> <p>Strong commitment of governments</p>