

Joint ADB-Austrade Knowledge-Sharing and Business Opportunities

OPERATIONAL PRIORITY 7: Fostering Regional Cooperation and Integration

Arjun Goswami

Chief of RCI Thematic Group
Sustainable Development and Climate Change Department
Asian Development Bank



Outline

1. Why: RCI Achievements and Emerging Challenges
2. What: Using RCI for Aiding Medium-Term Recovery Post Covid-19
3. How: RCI Operational Plan and Instruments
4. Cross Thematic Projects

1. Why: RCI Achievements and Emerging Challenges

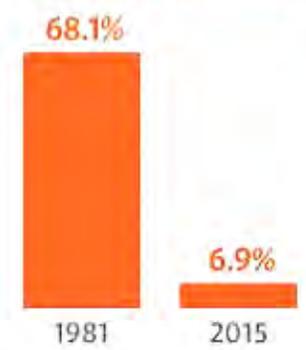
A decorative graphic at the bottom of the slide features a series of colorful, stylized arrows pointing to the right. The arrows are in shades of orange, yellow, green, and blue. They are connected by thin, swirling lines of the same colors, creating a sense of movement and flow.

Closer integration has benefited the region and the world

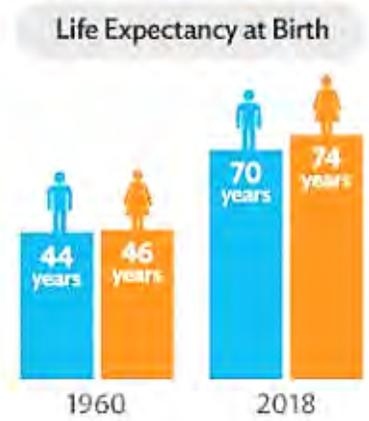
Developing Asia has experienced phenomenal growth with an **increasing share of global GDP...**



...and this has been accompanied by a **dramatic reduction of poverty incidence...**



...and broad **human development.**



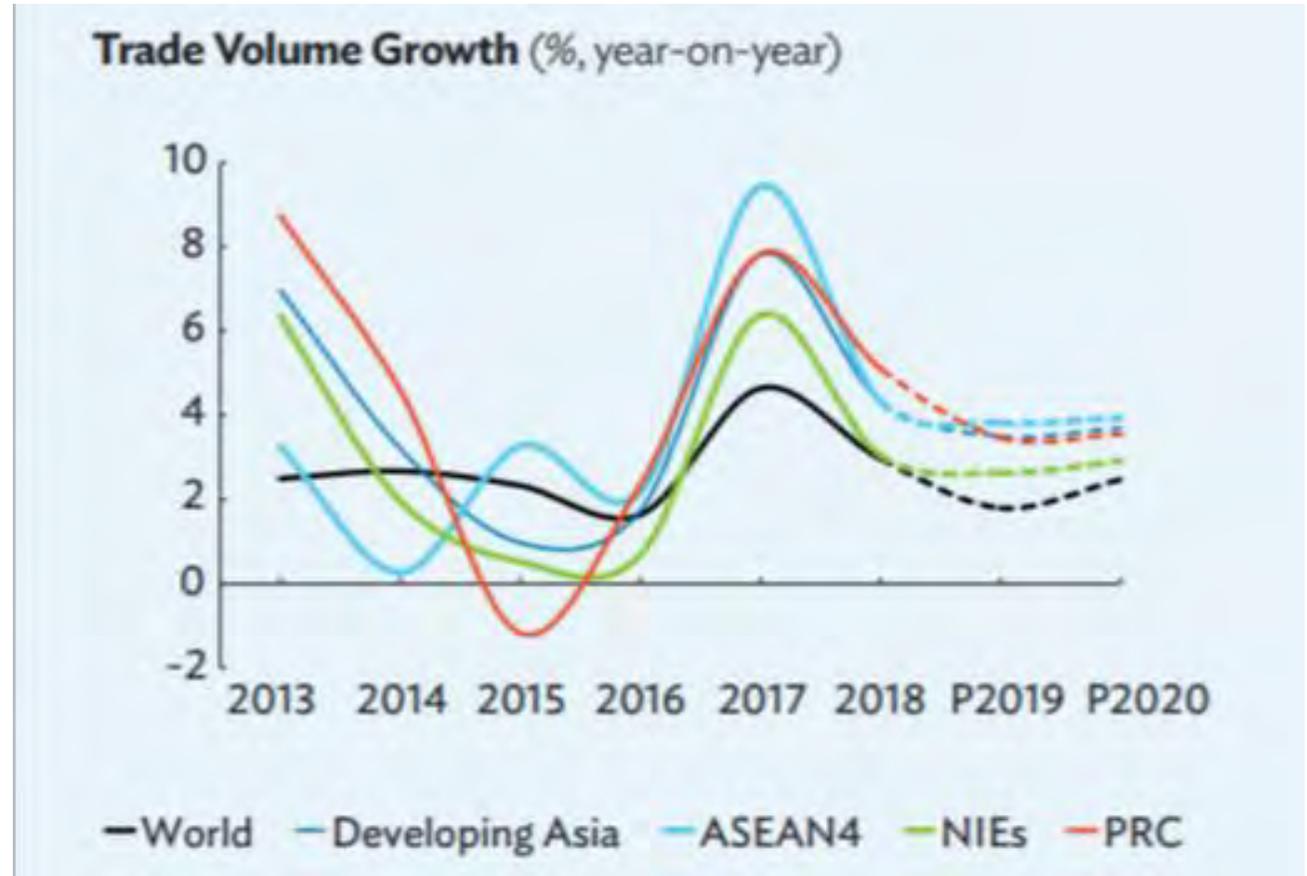
- Strong intraregional trade linkages have increased the region’s resilience
- FDI into Asia remained strong even as world FDI contracted in 2018
- Tourist arrivals in Asia grew faster than anywhere else in the world with intra-Asian tourism growing strongly
- Intra-ASEAN migration has grown strongly; Remittances have been an important and relatively stable source of income for many countries in developing Asia
- Digital technologies, such as e-commerce, have been providing new opportunities for the region to grow through trade.



Source: AEIR 2019/20

Emerging challenges Pre-Covid-19: Disruption of globalization

- Gains from integration were uneven across countries, geographies, and skills
- Increased competition led to dislocation of some sectors and industries with adverse effects on the poor in developing countries
- Backlash came in the form of trade wars especially between the US and PRC, and challenges to the multilateral trading system that slowed down trade growth.
- New technologies and digitization of trade are changing established trade patterns and future of GVCs.



Source: AEIR 2019/20

Emerging challenges post COVID-19

68

- Regional trade growth will likely weaken even further in 2020 as domestic demand in key markets wanes and trade and supply chains are disrupted.
- With the harsher trade landscape, weaker groups are likely to be more marginalized
- Developing regional markets- through improved connectivity and policy coordination are needed to generate stronger growth and employment, and provide resilience
- Pre COVID-19, global commitments were already insufficient to meet the Paris Agreement's goals.
- Post pandemic, temporary climate change gains from the pandemic need to be sustained through green recovery based on cross border policy coordination and cross border market development of regional public goods



Source: OECD.org



Source: India Today

2. What : Using RCI for Aiding Medium-Term Recovery Post Covid-19

A decorative graphic at the bottom of the slide features a series of colorful, abstract shapes and lines. On the left, there are orange and red shapes. In the center, there are yellow and green shapes. On the right, there are blue and teal shapes. The shapes are connected by thin, flowing lines that create a sense of movement and flow across the bottom of the page.

Implementing Strategy 2030 for RCI

S 2030 Operational Priority 7



Regional Cooperation and Integration

Strategic Operational Priorities

- 1 Greater and higher quality connectivity between economies
- 2 Global and regional trade and investment opportunities expanded
- 3 Regional public goods increased and diversified

Operational Approaches

-  Multimodal transport infrastructure connectivity
-  Renewable energy and sustainable transport
-  'Soft' infrastructure for implementation of trade and investment agreements
-  Economic Corridors
-  Regional financial cooperation
-  Regional climate change mitigation and adaptation
-  Environment and sustainable tourism
-  Regional education and health services

Definition of Innovation in RCI

- Nascent sectors / subsectors
- New geographical countries and areas
- New intersubregional RCI
- Non-sovereign/PPP

RCI Priorities: Post Covid-19 Emergency Response

Greater regional integration for sustainable and resilient development

Greater and higher quality connectivity between economies

Improve business continuity of key infrastructure, especially ports and airports

Global and regional trade and investment opportunities expanded

Remove all bans, quantitative restrictions and taxes on exports, especially medical exports

Support expedited clearance for essential medical goods, food products and farming inputs

Support SMEs and small-scale traders

Regional public goods increased and diversified

Raise capacity in the health system to global WHO standards

Support regional information sharing and surveillance on health issues

Promote cross-country learning on good practices in dealing with the pandemic

RCI Priorities: Post Covid-19 Medium Term Recovery

Greater regional integration for sustainable and resilient development

Greater and higher quality connectivity between economies

Continue supporting unfinished agenda on connectivity and logistics incorporating health risk mitigation and resilience

Global and regional trade and investment opportunities expanded

Restart trade and investment across DMC economies and make it more inclusive

Regional public goods increased and diversified

Maintain focus on increasing supply of regional public goods to prevent compounding of risk
Improve joint/cross-border public health preparedness and emergency response against future outbreaks

Build broader, longer-term inter-DMC coordination and cooperation for medium term economic recovery

Medium Term Recovery Framework: “WHAT” to do on Connectivity



Singapore Changi Airport instituted new travel controls and health infrastructure

- Investments in **low carbon, green recovery path through cross-thematic work** (e.g., green ports and renewable energy connectivity)
- Policy reforms and **resilient connectivity recovery involving multi sectors** through regional coordination for (airports/ports/transport corridors and health protocols)
- Policy reforms and regional coordination **on digital connectivity** to address issues related to privacy and security, broadband connectivity, competition, and enabling private sector investments



Kacific1 Satellite Launch

Medium Term Recovery Framework: “WHAT” to do on Trade and Investment



- Policy reforms and investments to support **digitization of trade** through contactless *trade logistics* (e.g., warehouses and trucks); automation and electronic payments for *trade finance*; and interoperability of systems through adherence to regional digital standards and protocols in *trade facilitation*
- Sovereign and non-sovereign investments combined with sanitary and phytosanitary standards trade facilitation to promote resilience and safety of **regional value chains especially in agriculture and pharmaceuticals sectors**
- Policy reforms and regional coordination to engender international **tourism** recovery post COVID-19 (e.g. trusted traveler schemes)

Medium Term Recovery Framework:

“WHAT” to do to make trade more inclusive

75



- Investments and policy reforms **to support SMEs in internationalizing** through improving the *enabling environment*; accelerated adoption of *digital technologies* by SMEs; and supporting them in accessing regional and international markets through *business accelerators combined with regional financial cooperation*
- Investments in improving access to finance by vulnerable trade segments, especially of **trade finance**
- Nonsovereign **supply chain investments** benefiting small farmers/agricultural workers and SMEs

Medium Term Recovery Framework: “WHAT” to do on regional public goods

76



Health and education in Pacific island countries

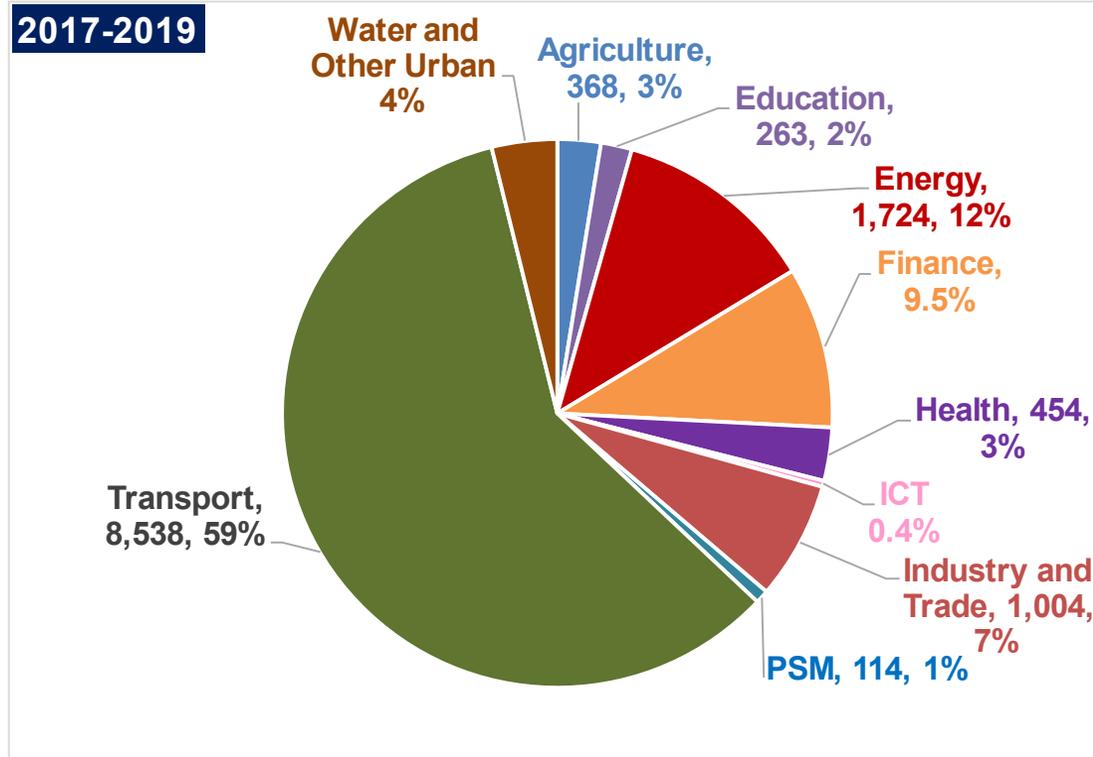


ADF Funded immunization program in Vanuatu and Pacific Islands

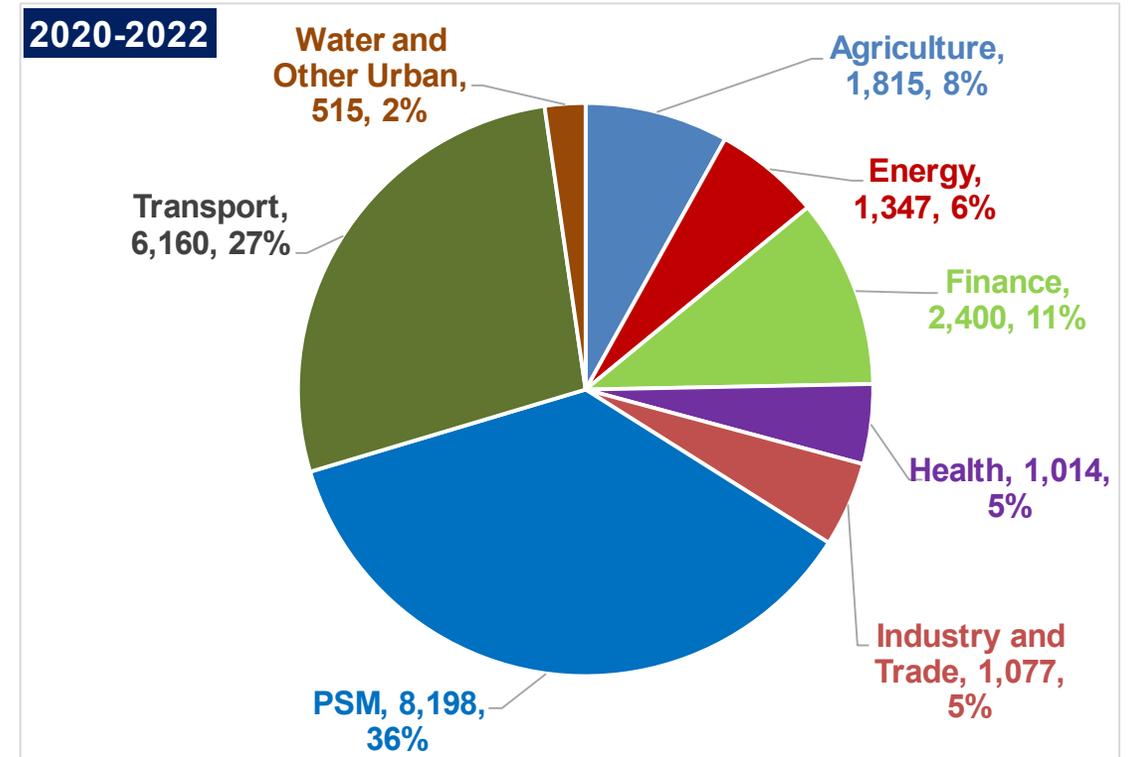
- Promote regional health security through **improvement of health infrastructure, safe and effective medicines** and vaccines through regional cooperation driven harmonization of national health regulators and **regional disease surveillance.**
- Investments in building **regional financial resilience** in subregions to disasters through developing and deploying sustainable risk financing products
- Infrastructure investments/ policy reforms to provide **remote medical attention and online class delivery across countries**
- Enhanced blue economy cooperation on **shared river basins and ocean resource**

RCI OPERATIONS: BY SECTOR

RCI Loans and Grants by Sector, Commitments, 2017-2019 (%)



Projections for Sovereign RCI Loans and Grants, by Sector, 2020-2022 (%)



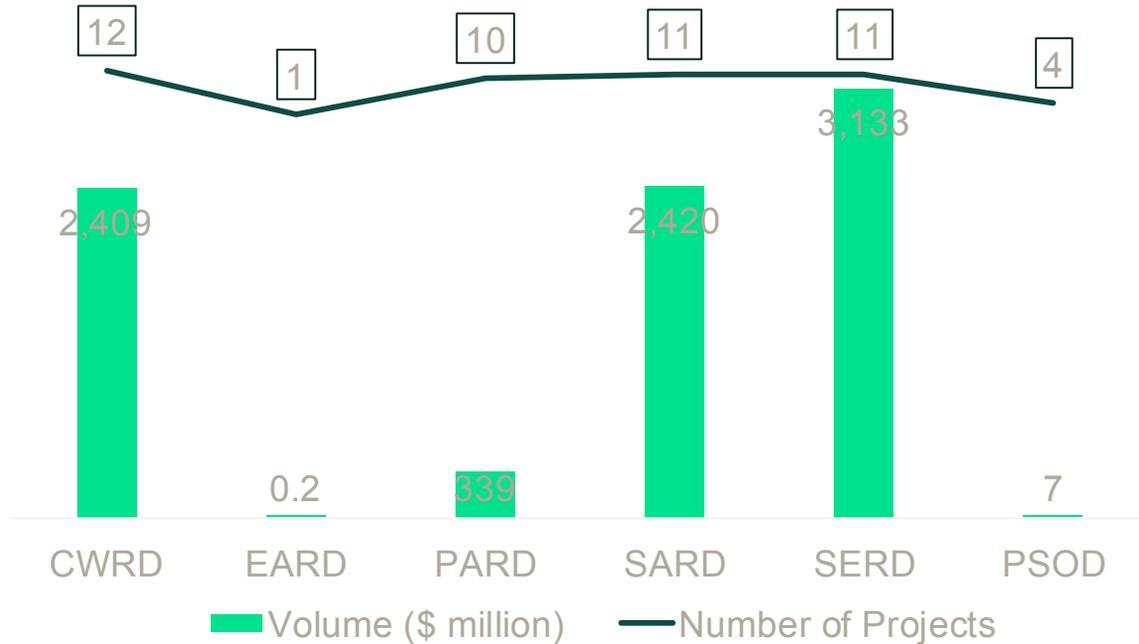
ANR = agriculture, natural resources and rural development, EDU = education, ENE = energy, FIN = finance, HLT = health, ICT = information and communication technology, IND = industry and trade, PSM = public sector management, RCI = regional cooperation and integration, TRA = transport, WUS = water and other urban infrastructure and services.

Source: ADB Strategy, Policy, and Review Department

RCI OPERATIONS: COVID-19 Emergency Operations

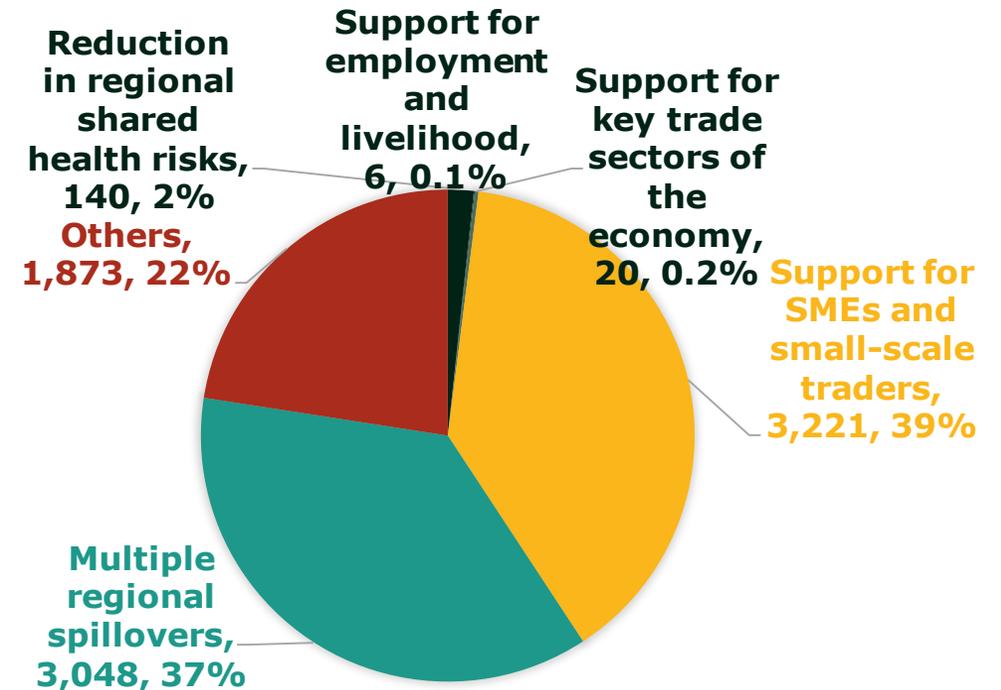
Most operations include multiple RCI Objectives, especially regional approach to health, and support for key trade sectors and SMEs.

ADB COVID-19 Projects and TAs with RCI Components, By Department, 2020



RCI has been a key component of a majority of ADB emergency operations across Asia Pacific.

ADB COVID-19 Projects and TAs, By RCI Component, 2020



3. How : RCI Operational Plan and Instruments



“HOW”: Increased Need for new approaches

80

- **Building strong and innovative RCI pipeline and ensure inclusion of the health sector in subregional platforms** (CAREC, GMS, PIF, SASEC)
- **Move away from (single) sector approaches to issue-based “One ADB” approaches**
 - multiple sectors and themes;
 - multiple countries/subregions
 - new sectors/subsectors, especially those badly hit by the pandemic (e.g., the maritime sector)
- **Use full range of ADB instruments and modalities**
 - Technical assistance (including RCIF) to fill knowledge gaps and carry on policy dialogue; build capacity for institutions in a changed environment; and plan the new/innovative RCI operations
 - Loans and grants (including ADF-13 Thematic Pool) for investment operations to improve DMCs’ disaster risk management capabilities; build high quality and resilient connectivity infrastructure (especially digital infrastructure); and support business/trade recovery
 - Capacity building for innovation through (i) training of RD/RM staff for stronger RCI skills (e.g., RCI scorecard use); (ii) strengthening of RCI network within ADB; (iii) use of knowledge sharing

Seminars/Webinars

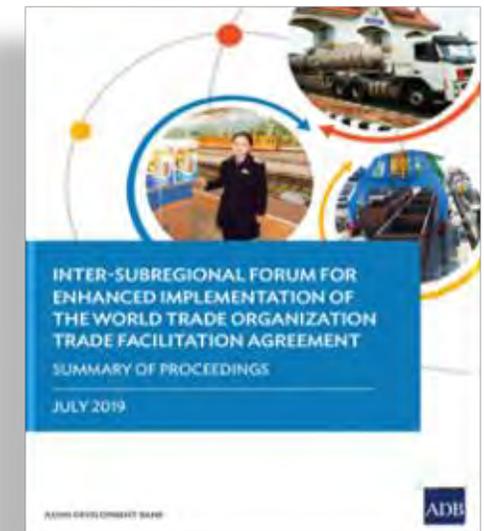
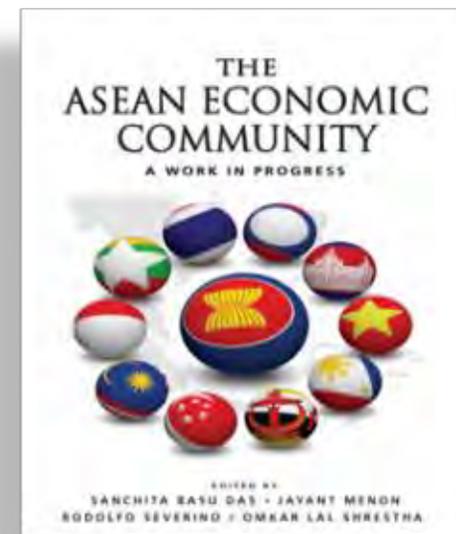
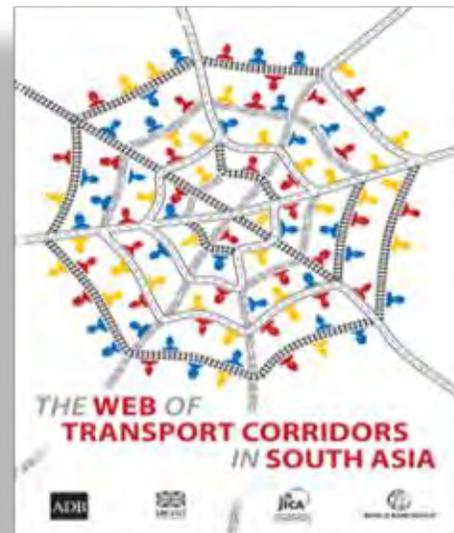
ERCI-RCI TG Regional Cooperation and Integration Policy Open Dialogue (RCI-POD) Webinar Series



RCI Knowledge Partnerships

- **Multilateral Organizations:** World Bank, WTO, WCO
- **Bilateral Donors:** DFID, JICA
- **Think-Tanks:** ISEAS, CAREC Institute

Joint ADB, AIIB, EBRD, IDB, and WBG Publication on RCI:
Responding to the COVID-19 Pandemic and Building the Recovery in Asia and the Pacific



4. Cross Thematic Projects



Cross Thematic Projects (Addressing Remaining⁸³ Poverty and Reducing Inequalities and RCI)

- **Develop cross-border economic corridors, with a special focus on border areas and other lagging areas, to narrow growth gaps across and within countries**

People's Republic of China: Inner Mongolia Sustainable Cross-Border Investment Program, 2020, (\$420 million)

- The program will improve economic inclusion, ecosystems, and crucial services in the five border crossing points; expand financial and business support to small and medium-sized enterprises; and establish an agricultural value chain to enhance livelihoods on both sides
- Strong regional spillover benefits to Mongolia: improvement in infrastructure and services at border crossing points will boost volume and quality of trade, creating about 3,300 direct and indirect jobs in various sectors in Mongolia.



Erenhot boundary crossings
Mongolia truck

Technical Assistance on (a) Bangladesh- Myanmar Cross Border Migration and (b) Indonesia-Papua New Guinea Cross-Border cooperation, 2020, (\$0.75 million)

- The project will support the development of fragile and conflict affected situation countries and border and lagging areas with a focus on Bangladesh-Myanmar cross-border migrant flows and Indonesia-Papua New Guinea cross-border cooperation.

Technical Assistance on Cross-Border Trade and Cooperation between Indonesia and Timor-Leste, 2019, (\$0.70 million)

- Provides opportunities to reduce poverty and spatial inequality in lagging border regions by enhancing the enabling environment for cross-border livestock trade and tourism cooperation between Timor-Leste and East Nusa Tenggara (NTT) in Indonesia

Cross Thematic Projects (Addressing Remaining⁸⁴ Poverty and Reducing Inequalities and RCI)

- Promote inclusive business operations through SME integration

People's Republic of China: Guangxi RCI Investment Program Tranche 2, 2018, (\$180 million)

- The program will cover major investments in border-connectivity and border economic zone (BEZ) which strongly support Guangxi participation in the Greater Mekong Subregion (GMS) Program, aiming to deepen economic cooperation and integration with ASEAN member countries.
- The program is designed to enhance development of small and medium-sized enterprises, develop cross-border e-commerce platform; improve key infrastructure and services for BEZs and physical and people's connectivity for RCI.

Technical Assistance on Supporting Internationalization of Small and Medium Enterprises: Linking India and the Mekong Region, 2019, (\$3 million)

- The project will catalyze trade and cross border investment by SMEs between India and GMS countries through identifying SMEs with potential to internationalize and providing them with information, mentoring, and guidance; supporting linkages between business associations to increase access to market information and business to business contacts; and supporting linkages between accelerators and financial intermediaries



A store in Kolkata known for its famous handicrafts

Cross Thematic Projects (Addressing Remaining⁸⁵ Poverty and Reducing Inequalities and RCI)

- Promote cross-border/regional trade and investment through agriculture value chains

ABEC Modern Agriculture Wholesale Market Development Project

- The project will contribute to the diversification of exports and the connection to regional markets for the Republic of Kazakhstan and the Kyrgyz Republic as part of the development of the Almaty-Bishkek Economic Corridor (ABEC).
- Support the modernization of wholesale markets (WSMs) to improve food safety, food security, and increase food trade within and outside the region which.
- Modern WSM will facilitate certification for exports, traceability systems, and most importantly, transparent market access and storage of fresh produce, which will benefit small- and medium-sized producers in the region.



ABEC: A harmonized storing and selling of food—safe to eat and easier to export

GMS Cross-border Livestock Health and Value Chains Improvement Project, 2021, (\$215 million)

- This project will strengthen animal disease control and food safety systems and better mitigate and manage risks and allow safe movement of livestock and products between countries (Myanmar, Lao PDR and Cambodia).
- This will establish disease control zones will also leverage private investment in value chain facilities, such as feedlots, slaughtering, processing, packaging and cold chains, and allied businesses including biogas digesters and bio-fertilizer factories. This can produce measurable pro-poor outcomes while better protecting consumers, smallholders, industries and the environment.

Cross Thematic Projects (Addressing Remaining⁸⁶ Poverty and Reducing Inequalities and RCI)

- Promote regional financial cooperation to increase financial inclusiveness

Indonesia: Promoting Innovative Financial Inclusion Program (PIFIP), Subprogram 1, 2020, (\$727 million)

- The program will improve the government's capabilities to better target and track financial inclusion efforts, directly increase access to finance for micro, small, and medium enterprises (MSMEs) and the underserved using innovative technology, and strengthen the regulatory framework for digital finance, data privacy, and consumer protection.
- The reforms supporting more equitable and efficient access to financial services will also help moderate the adverse impacts of coronavirus disease (COVID-19) pandemic.



Ubud market. SMEs form the vast majority of businesses in Indonesia.

Technical Assistance on Promoting Investments and Economic Growth in Central and West Asia, East Asia, and South Asia Subregions, 2018, (\$2.3 million)

- The project will fund a feasibility study to further develop the concept and articulate the business case for establishing a multilateral trade credit and investment (re-) guarantee agency (TCIGA).
- The proposed TCIGA would assist in promoting foreign direct investment (FDI) and sustainable economic growth in the Central and West Asia, East Asia, and South Asia subregions through intra-regional and interregional trade.
- TCIGA would encourage and support small and medium-sized enterprises and other nontraditional exporters to trade competitively domestically, regionally, and globally.

Cross Thematic RCI Pipeline for 2020-2022

Project Title	DMC	Amount (\$m million)
2020		
GMS Health Security Project (additional financing)	Lao PDR, Myanmar	50.0
Developing the Economic Cooperation Zone Project	Mongolia	30.0
Technology-enabled Innovation in Education in Southeast Asia (TA)	Cambodia, Philippines, Indonesia, Viet Nam	2.0
Capacity Building of Micro, Small, and Medium-Sized Enterprises Development Project (TA)	India	1.0
2021		
Greater Mekong Subregion Healthy Border Special Economic Zones Project	Lao PDR, Myanmar	59.9
2022		
Agriculture SME Financing for Food System Resilience	Mongolia	57.0
Promoting Human Development in CAREC	Afghanistan, Azerbaijan, Georgia, People's Republic of China, Kazakhstan, Kyrgyz Republic, Mongolia, Pakistan, Uzbekistan, Turkmenistan, Tajikistan	1.0

Thank you.

