

# **Joint ADB-Austrade Knowledge-Sharing and Business Opportunities**

OPERATIONAL PRIORITY 7: Fostering Regional Cooperation and  
Integration

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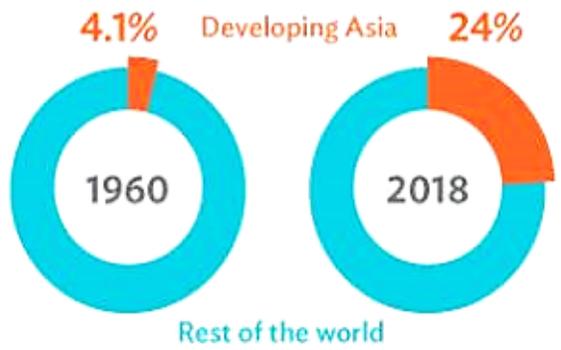
# Outline

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

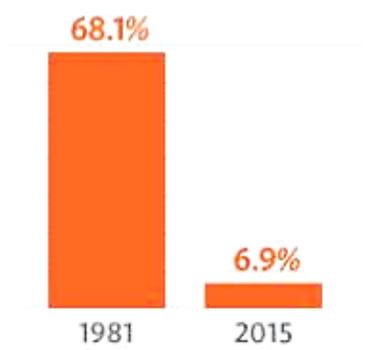
# 1. Why: RCI Achievements and Emerging Challenges

# Closer integration has benefited the region and the world

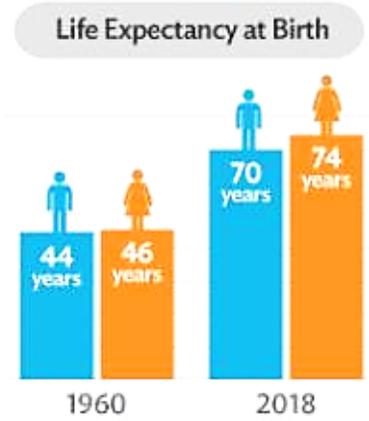
Developing Asia has experienced phenomenal growth with an **increasing share of global GDP...**



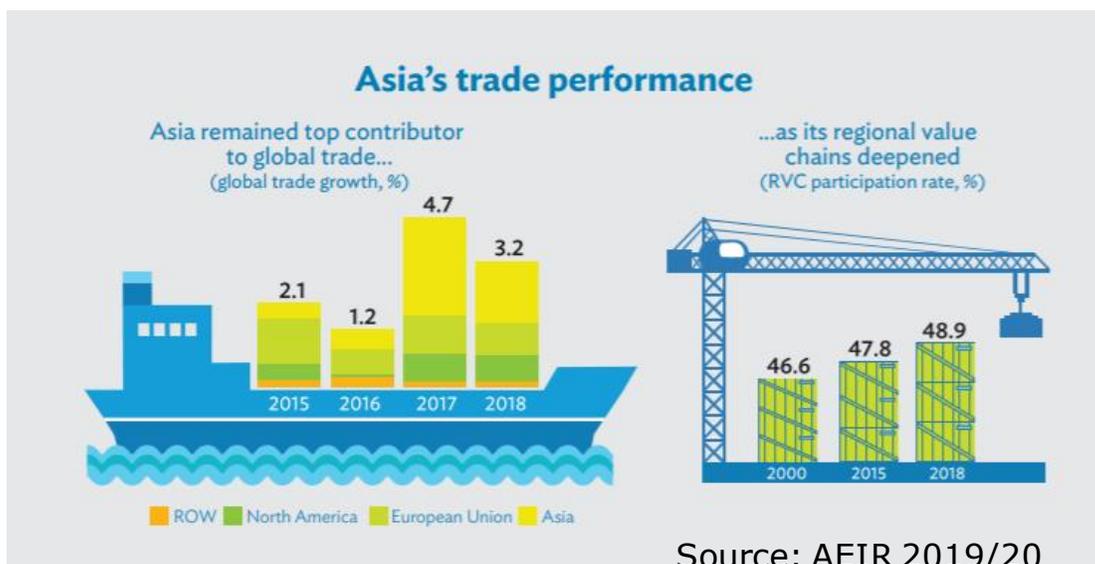
...and this has been accompanied by **a dramatic reduction of poverty incidence...**



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

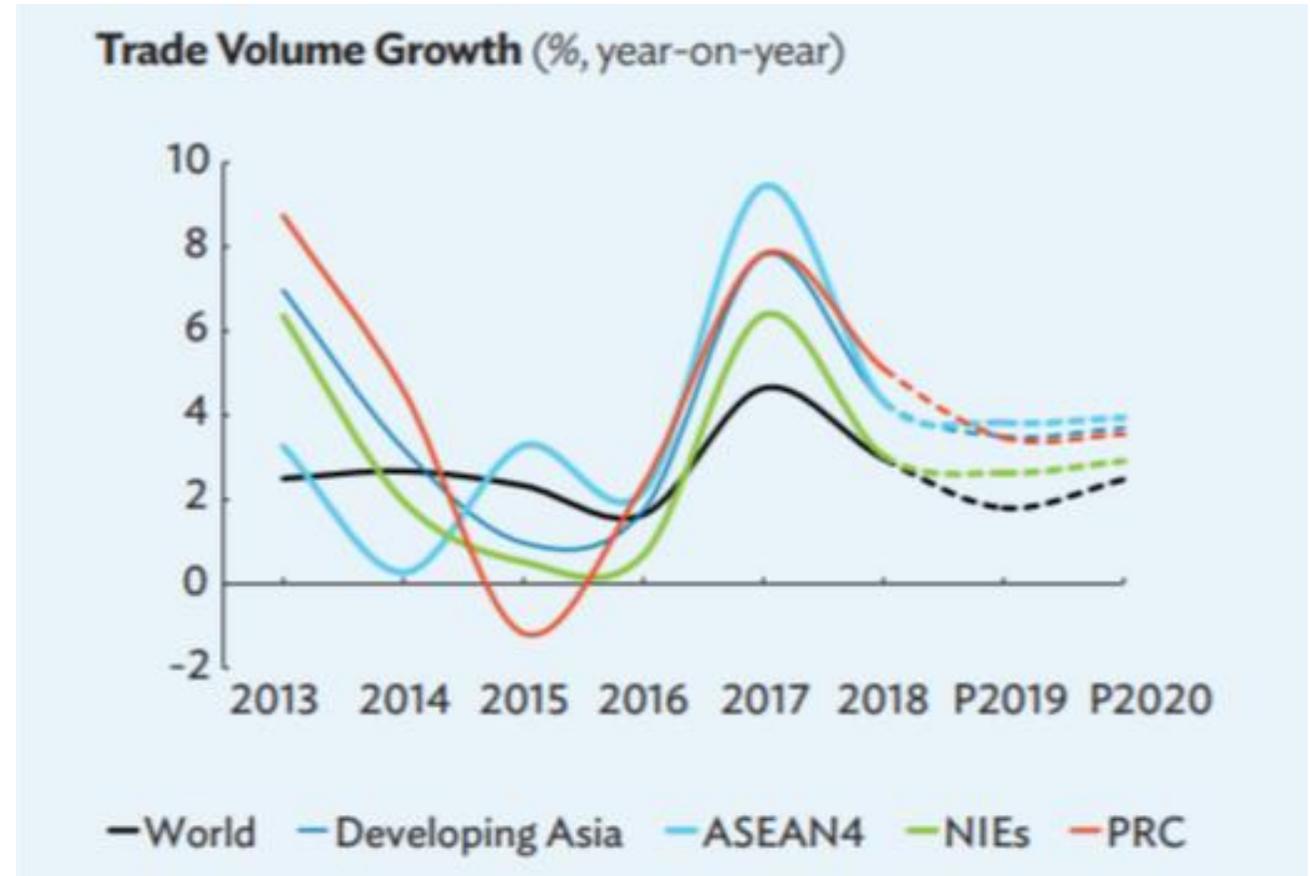


- Strong intraregional trade linkages have increased the region's resilience
- FDI into Asia remained strong even as world FDI contracted in 2018
- Tourist arrivals in Asia grew faster than anywhere else in the world with intra-Asian tourism growing strongly
- Intra-ASEAN migration has grown strongly; 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.



# 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

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- 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

# 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

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- 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

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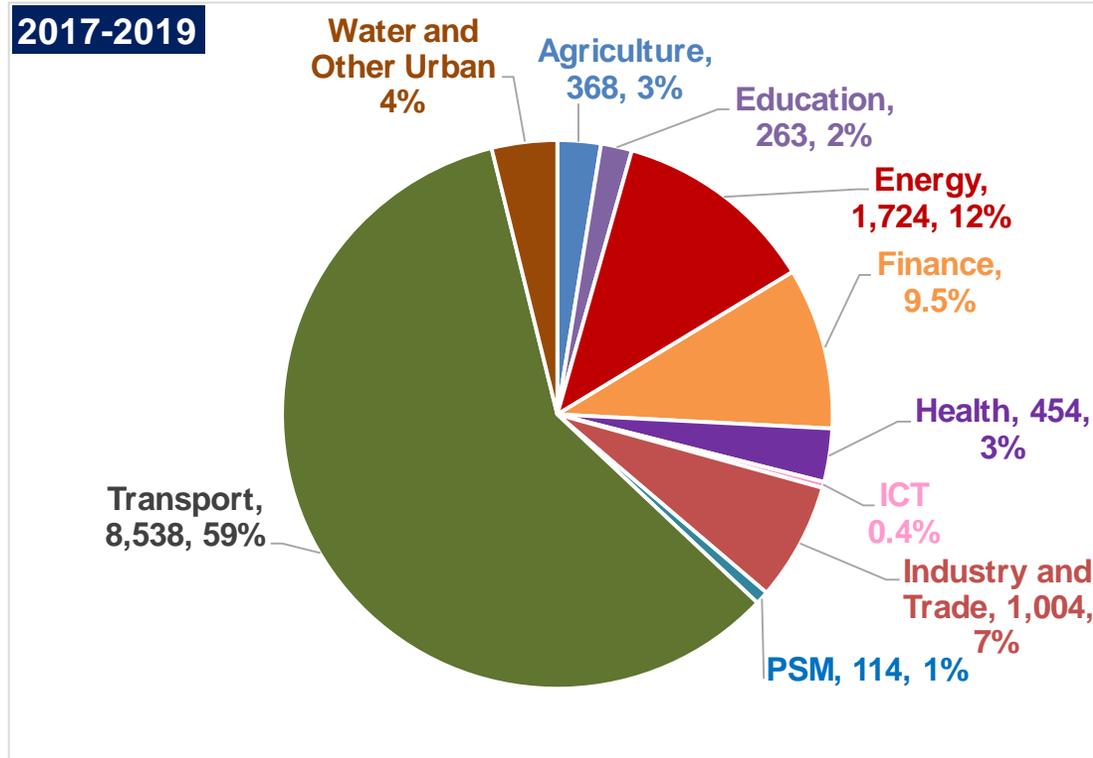
Health and education in Pacific island countries



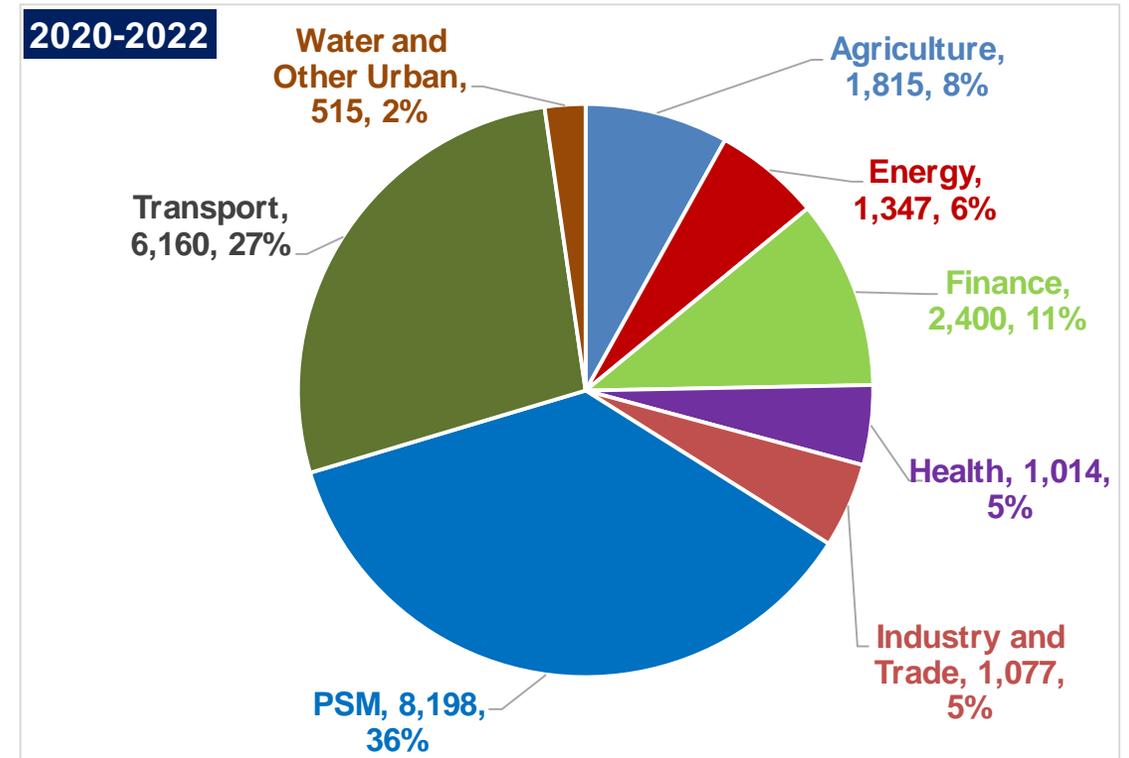
ADF Funded immunization program in Vanuatu and Pacific Islands

- 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 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.

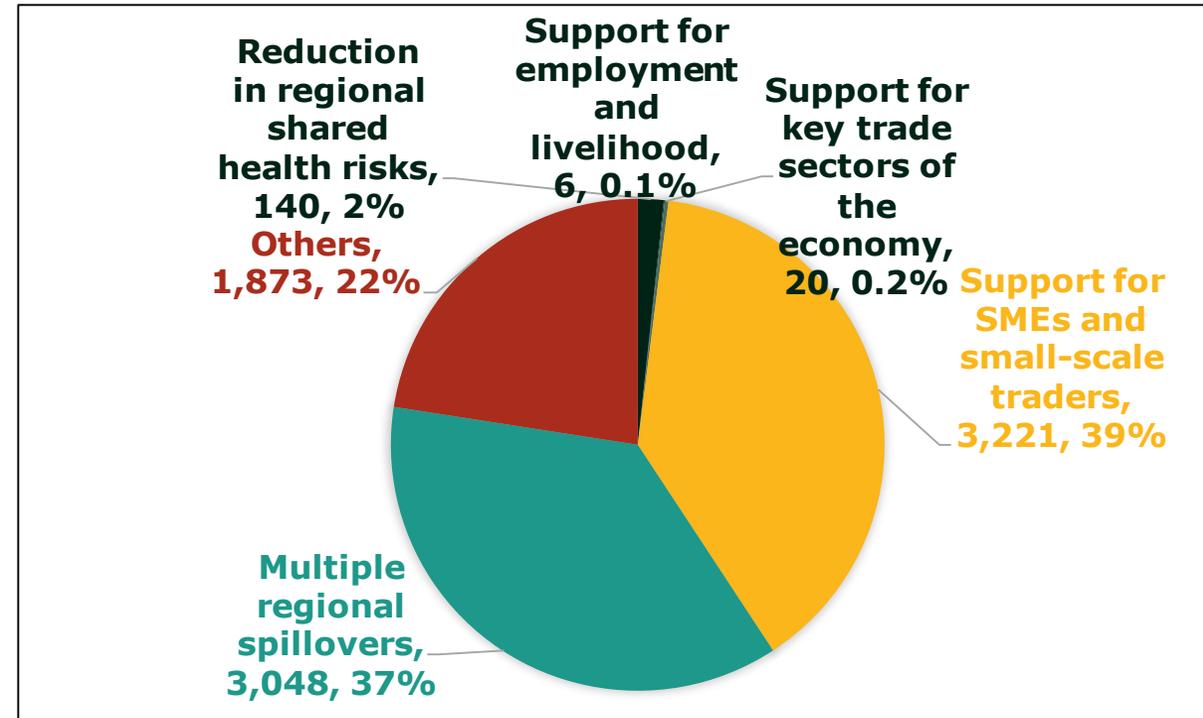
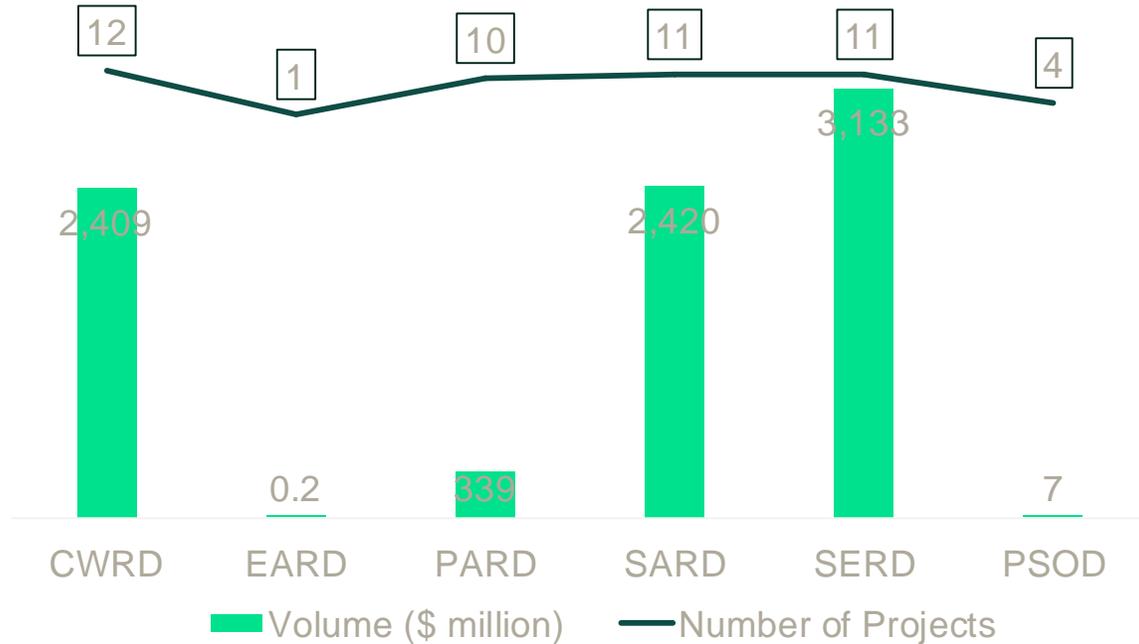
Source: ADB Strategy, Policy, and Review Department

# RCI OPERATIONS: COVID-19 Emergency Operations <sup>65</sup>

**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, By RCI Component, 2020

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.**

### 3. How : RCI Operational Plan and Instruments

## “HOW”: Increased Need for new approaches

- **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

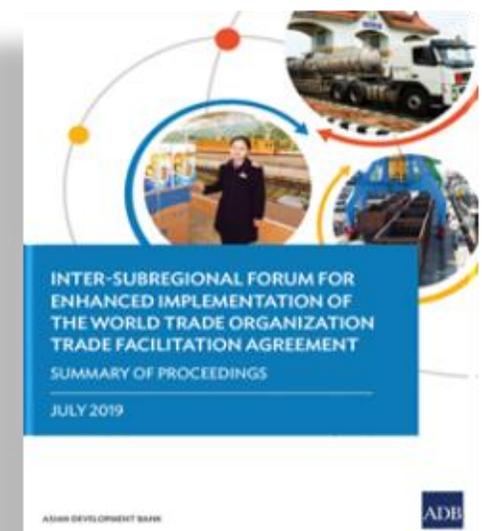
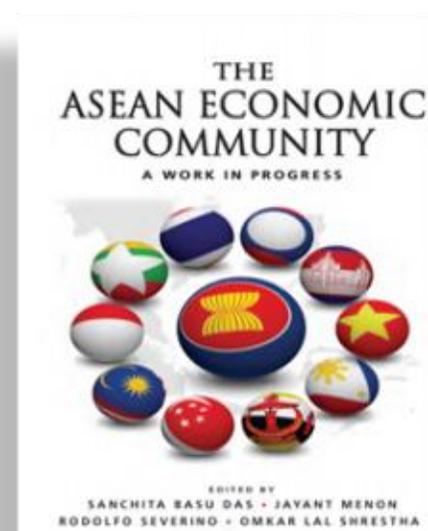
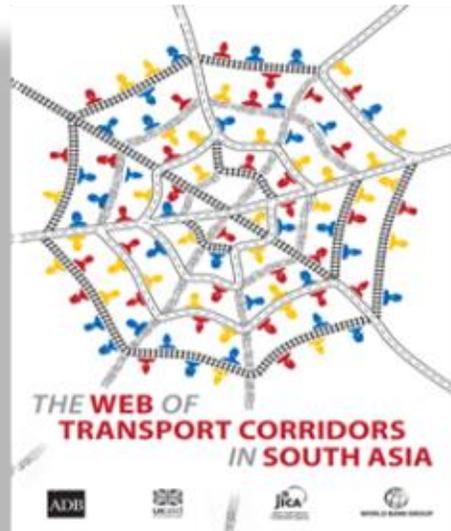
ERCI-RCI TG Regional Cooperation and Integration Policy Open Dialogue (RCI-POD) Webinar Series



## 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 (Making Cities more livable and RCI)

- Harmonize and improving urban infrastructure planning for corridor and border towns

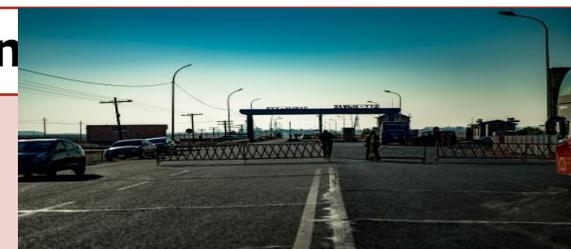
## Cambodia, Lao PDR and Viet Nam: Second Greater Mekong Subregion Corridor Towns Development Project, 2015-2021 (\$211 million)

- The corridor town development will maximize the economic benefits of increased trade and traffic flows along the major transport corridors in Cambodia, Lao PDR and Viet Nam with the expected positive impacts resulting from accelerated investments in strategically located towns and cities, and added value on economic growth through development oriented on green growth and climate resilience.
- The objective is to strengthen competitiveness of the GMS economic corridors through environmental infrastructure.

- Develop trade and investment related facilities and services in border/corridor towns

## Mongolia: Developing the Economic Zone Project, 2020, (\$30 million)

- The port-of-entry system will support this interagency and cross-border interoperability and data sharing, particularly on customs, immigration, and inspection information.
- Improved traceability and coordinated risk management will result, making the cross-border movement of goods and people safer and more efficient.



Zamyn-Üüd is an important border crossing between Mongolia and the People's Republic of China.

# Cross Thematic Projects (Making Cities more livable and RCI)

- **Facilitate cross-border transport through bilateral/regional transport agreements**

## **Bangladesh: South Asia Subregional Economic Cooperation Dhaka-Northwest Corridor Road Project, Phase 2-Tranche 2, 2019, (\$398 million)**

- To achieve an efficient and modern road transport system in Bangladesh, the project will improve the road connectivity of the Dhaka-Northwest international trade corridor from two-lane carriageways to four-lane carriageways and with lanes on both sides for slow-moving vehicles.
- It will enhance RHD's institutional capacity in road operation and management.



The **Dhaka-Northwest corridor** is the second busiest road in Bangladesh

- **Promote cross-border/regional tourism**

## **Tajikistan: Tourism Development Project, 2019, (\$10 million)**

- The project will prepare a tourism development plan to develop a tourism satellite account (TSA); to characterize market demand and undertake skills mapping for the tourism ecosystem; and institutional strengthening and creating an enabling environment.
- It will identify priority investments and policy actions to promote the targeted tourism categories and regions.

## **Technical Assistance on Sustainable Tourism Development in the CAREC Region, 2019, (\$2 million)**

- Support for the development of a comprehensive framework to promote tourism development and cooperation in the CAREC region, including through the formulation of a CAREC tourism strategy and an integrated investment action plan with concrete projects.
- It will enhance the capacity of tourism agencies and promote dialogue between public and private tourism stakeholders in the region.

# Cross Thematic Projects (Making Cities more livable and RCI)

- Facilitate implementation of cross-border power purchase agreements

## Nepal: South Asia Subregional Economic Cooperation Power Transmission and Distribution System Strengthening Project, 2020, (\$327 million)

- The proposed project will complete the reinforcement and modernization of the power supply system in and around Kathmandu.
- It will strengthen distribution systems where supply interruptions are frequent and prolonged; support provinces where the quality of electricity supply is poor; and strengthen transmission lines for evacuation of hydropower to the main load center, while excess power is traded with neighboring countries.



Solar and hybrid solar-wind street lights illuminate roads in Bhaktapur, Kathmandu, and Lalitpur to reduce the demand that street lighting places on the main energy grid.

- Promote regional public goods

## Greater Mekong Subregion Healthy Border Special Economic Zones Project, 2021, (\$72 million)

- It will improve access to health services for men and women migrant workers in the GMS border special economic zones (SEZ) through social infrastructure development and health financing support while building on ongoing support for health security, migrant population health, communicable disease control, and health systems strengthening.

# Cross Thematic RCI Pipeline for 2020-2022

Project Title	DMC	Amount (\$million)
<b>2020</b>		
Promoting Innovative Financial Inclusion Program (PBL)	Indonesia	500
<b>2021</b>		
Livable Cities Investment Project - Balanced Regional Development	Georgia	90
Supporting the Shymkent-Tashkent-Khujand Economic Corridor Development (additional financing)	Regional	1.0
Tamil Nadu Industrial Connectivity Project	India	484.0
<b>2022</b>		
Business Incubation and Development Project (SME Development Project)	Mongolia	50.0
Industrial Corridor Development Program	India	500.0

**Thank you.**