



06

Subregional Cooperation
Initiatives



Subregional Cooperation Initiatives

Central and West Asia: Central Asia Regional Economic Cooperation Program²³

The Central Asia Regional Economic Cooperation program has made important strides to connect countries within the region, and with East Asia and South Asia, the Russian Federation, and Europe.

The Central Asia Regional Economic Cooperation (CAREC) Program has established six corridors that crisscross the region, shortening structural

distances for people and freight. It continues to chip away at barriers to trade by improving hardware and software elements that require cooperation between neighbors and the region in general.

Overview

Established in 2001, CAREC promotes regional economic cooperation through common infrastructure development and policy dialogue. The trading environment and investment climate have been improving through a network of multimodal transport corridors. These are opening economic opportunities by lowering trade costs, enhancing the flow of trade and people, and providing energy security and efficiency. They link CAREC members to each other and the rest of the world (Table 6.1). CAREC has grown from

Table 6.1: Selected Economic Indicators, 2016—CAREC

	Population (million)	Nominal GDP (\$ billion)	GDP Growth (%, 2012–2016, average)	GDP Per Capita (current prices, \$)	Trade Openness (total trade, % of GDP)
Afghanistan	33.4	18.9	3.9	566	49.4
Azerbaijan	9.8	37.8	1.6	3,876	38.4
PRC	1,378.2	11,185.1	7.3	8,116	33.3
Kazakhstan	17.8	135.0	3.4	7,584	45.9
Kyrgyz Republic	6.1	6.6	4.5	1,078	81.2
Mongolia	3.0	11.3	7.0	3,755	74.1
Pakistan	192.8	283.6	4.1	1,470	24.0
Tajikistan	8.7	7.4	6.9	854	51.3
Turkmenistan	5.4	36.6	8.9	6,722	32.7
Uzbekistan	31.8	67.1	8.0	2,108	26.5
CAREC	1,687.1	11,789.4	7.2	6,988	33.3

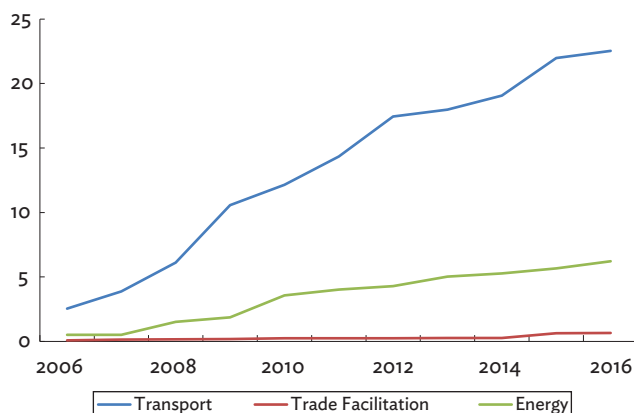
CAREC = Central Asia Regional Economic Cooperation, GDP = gross domestic product, PRC = People's Republic of China.

Note: CAREC average GDP growth rate is weighted using nominal GDP. Georgia joined CAREC in October 2016.

Source: ADB calculations using data from World Bank. World Development Indicators. <http://databank.worldbank.org> (accessed May 2017).

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Figure 6.1: CAREC Loans and Grants by Sector, as of end-2016 (\$ billion)



CAREC = Central Asia Regional Economic Cooperation. Source: ADB. CAREC Program Portfolio.

six members in 2001 to 11 members in 2016. From six transport projects in 2001 worth \$241 million, there were 176 projects in transport, energy, and trade facilitation worth \$29.4 billion in 2016 (Figure 6.1). Of this, \$10.4 billion (35%) was financed by ADB, \$11.8 billion (40%) by other donor organizations, and \$7.2 billion (24%) by CAREC governments (Figure 6.2).

In recent years, there has been a surge of interest among donors and governments to support economic cooperation initiatives in Central Asia. For example, there is the Belt and Road Initiative (BRI) and Silk Road Fund from the People’s Republic of China (PRC), the New Silk Road pioneered by the United States (US), the Republic of Korea’s Eurasia Initiative, and Quality Infrastructure sponsored by Japan. These offer new opportunities for cooperation, but also risk overlaps and competition if not coordinated and harmonized well. CAREC is now preparing a new long-term strategy to better position the group within a rapidly changing regional and global landscape.

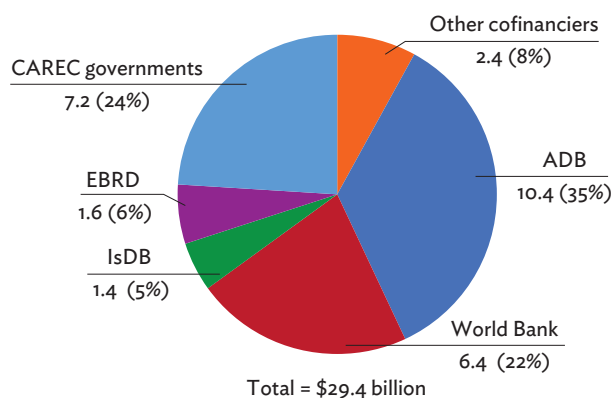
Performance and Progress over the Past Year

CAREC continues to prioritize transport and energy, along with trade facilitation and trade policy; most investment projects involve infrastructure connectivity.

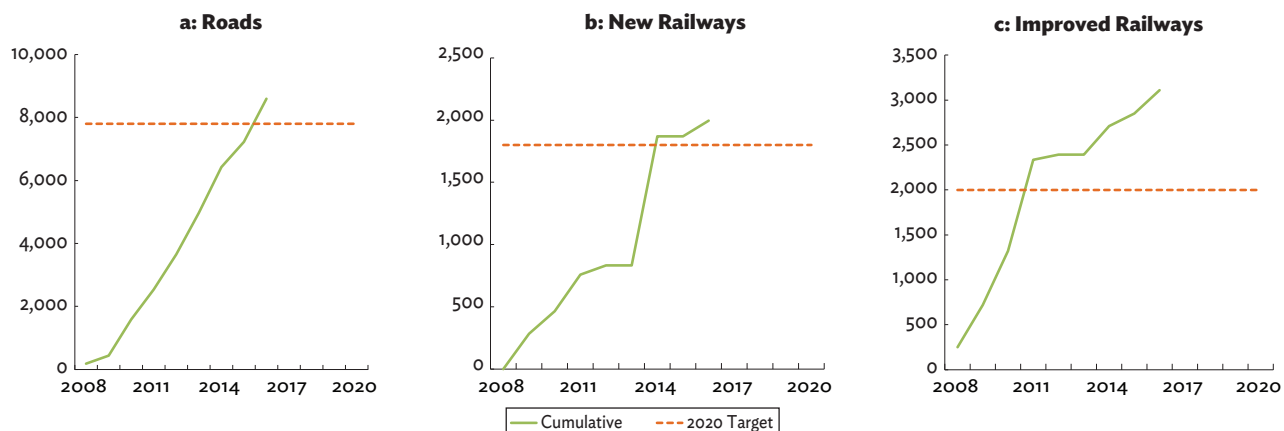
Transport. By 2016, road and railway projects had already surpassed CAREC’s 2020 targets as outlined in its Transport and Trade Facilitation Strategy (TTFS) 2020 and Work Plan (CAREC 2017a) (Figure 6.3). With 1,363 kilometers (km) of expressways or national highways built, upgraded or improved in 2016, cumulative road infrastructure reached 8,592 km, well beyond the 7,800 km corridor length targeted for construction or improvement by 2020. In 2016, Turkmenistan completed 85 km of new railways, while 509 km of railways were improved in Azerbaijan and Uzbekistan. Thirteen projects in other transport subsectors (two ports, two logistics centers, three border crossing points [BCP], and six civil aviation projects) are being implemented. A new Railway Strategy and Road Safety Strategy were endorsed by CAREC ministers for 2017–2030.

Energy. In December 2016, ADB approved a \$240-million loan for the fifth phase of the Turkmenistan–Uzbekistan–Tajikistan–Afghanistan–Pakistan (TUTAP) Power Interconnection Framework.

Figure 6.2: CAREC Projects by Funding Source, as of end-2016 (\$ billion)



CAREC = Central Asia Regional Economic Cooperation, EBRD = European Bank for Reconstruction and Development, IsDB = Islamic Development Bank. Source: ADB. CAREC Program Portfolio.

Figure 6.3: Progress of Multimodal Corridor Network Development (kilometers)

Source: ADB. 2017a. CAREC Transport Sector Progress Report. June.

Through its unified grid, TUTAP will allow Afghanistan to supply power to its eastern and southern provinces, including Kabul. Another flagship project, the 2000-megawatt (MW) Turkmenistan–Afghanistan–Pakistan (TAP) Power Interconnection Project moved forward with the signing by the three countries of a joint ministerial statement and project framework that paves the way for project preparatory work. TAP would complement TUTAP power interconnections under the Central Asia South Asia Regional Energy Markets framework. In December 2016, under the Turkmenistan–Afghanistan–Pakistan–India Natural Gas Pipeline Project (TAPI), TAPI Pipeline Company Limited was awarded the project’s front-end engineering design and project management and supervision contract (CAREC 2017c).

Trade Facilitation and Trade Policy. Seven CAREC countries have ratified the World Trade Organization’s (WTO) Trade Facilitation Agreement (TFA)—Afghanistan, the PRC, Georgia, Kazakhstan, the Kyrgyz Republic, Mongolia, and Pakistan. CAREC continues to support Turkmenistan’s and the Kyrgyz Republic’s accession to the Revised Kyoto Convention through capacity building activities. CAREC’s trade facilitation strategy also includes the Regional Improvement of Border Services program, which coordinates infrastructure improvement and simplification of border crossing clearance procedures in select BCPs in the Kyrgyz Republic, Mongolia, Pakistan, and Tajikistan. The CAREC Common Agenda for Modernization of Sanitary and Phytosanitary (SPS) Measures for Trade Facilitation promotes SPS reforms in policies,

investments in laboratory capacities, and improvement of border SPS management. In 2017, CAREC is piloting two new initiatives: the CAREC Advanced Transit System (CATS) and CAREC Customs Information Common Exchange (ICE) along CAREC sub-corridor 2a (Azerbaijan, Georgia and Kazakhstan) (CAREC 2017b). CATS will streamline and harmonize transit documentation, replace manual processes with a single electronic messaging system, and provide a modern, risk-based and affordable guarantee mechanism. Under ICE, the Customs Data Exchange Protocol will enable the electronic exchange of data and promote real-time collaboration between customs administrations.

Other CAREC Operational Priorities. The Almaty–Bishkek Economic Corridor (ABEC) seeks to transform the corridor into a single space, where the exchange of ideas, movement of goods, and people-to-people contact are faster, easier, and barrier-free. In November 2016, the Intergovernmental Council chaired by the prime ministers of Kazakhstan and the Kyrgyz Republic signed a protocol establishing the ABEC Subcommittee. An investment pipeline is being considered by governments and early-action projects are being developed. CAREC’s capacity development agenda involves the CAREC Institute (CI)—physically established in March 2015 in Urumqi, PRC and legally set up as an inter-governmental organization in September 2017—which provides knowledge and relevant training to CAREC partners and promotes use of international best practices.

Prospects

At the 15th Ministerial Conference in October 2016, CAREC members agreed to begin working on a new development strategy following an extensive Mid-Term Review. To ensure relevance, ownership, and effective implementation, the process for formulating the new long-term strategy, CAREC 2030, involves consultations and participation from officials of all 11 CAREC members, multilateral and bilateral partners, the private sector, think tanks, and civil society. CAREC 2030 will bring a coordinated response to the multi-dimensional development challenges the subregion faces and consider new multilateral frameworks and initiatives—including the possibility of a broader mission and sectoral coverage to complement national efforts in achieving sustainable development goals and the 21st Conference of the Parties targets as an open and inclusive regional platform.

With much of Central Asia interconnected by road and rail—and with links to the rest of Asia and Europe—the logical next step is to build seamless air connectivity. Due to its strategic location, CAREC could become an aviation hub of both passenger and freight transport. Thus, CAREC 2030 calls for concerted actions of CAREC member countries to enhance aviation cooperation toward a regional open skies agreement.

Policy Challenges

The CAREC region has historically been susceptible to external economic shocks. Designing and implementing appropriate countercyclical policy responses in periods of the economic downturns remain challenging for the CAREC countries. CAREC countries find challenges with the pursuit of economic diversification, particularly with the expansion of trade in services. Against the backdrop of global trade growth slowing down, it becomes even more imperative for CAREC countries to further reduce technical barriers to trade and rationalize SPS measures to facilitate trade. Among the 11 member countries, eight countries are WTO members. Newly acceded countries are obliged to fulfill their WTO commitments by conducting necessary policy reforms for which the government require capacity building and knowledge solutions. CAREC, as an influential regional cooperation platform, thus plays an important role in helping connect

people, policies, and projects for shared and sustainable development for the CAREC region.

Southeast Asia: Greater Mekong Subregion Program²⁴

Cambodia, the PRC (Yunnan Province and Guangxi Zhuang Autonomous Region), the Lao People's Democratic Republic (Lao PDR), Myanmar, Thailand, and Viet Nam make up the Greater Mekong Subregion (GMS) Program. In over 25 years of cooperation, the GMS has created an interconnected subregion that continues to see improved economic growth amid enhanced connectivity and competitiveness.

Overview

The GMS—with a regional GDP growth of 5.9% in 2016—continues its robust economic growth supported by increased regional transport connectivity (Table 6.2). Road density, defined as kilometers of road per square kilometer (km/km²), increased 30% from 0.24 km/km² in 2006 to 0.31 km/km² in 2014, primarily due to new road transport networks being developed in Yunnan, Guangxi, Viet Nam, and Cambodia. These are contributing to the development of new urban centers and economic zones. Foreign direct investment (FDI) to the subregion increased from \$10.8 billion in 2005 to \$33.1 billion in 2015, while aggregate intraregional FDI increased from \$8.3 billion in 2001–2006 to \$29.2 billion in 2010–2015.

The program continues to be guided by the GMS Strategic Framework 2012–2022 (ADB 2011), which is anchored on economic corridor development. Strategic sectors of cooperation include: (i) strengthening transport linkages; (ii) delivering sustainable and secure energy; (iii) developing and promoting tourism along the Mekong as a single destination; (iv) promoting competitive, climate-friendly, and sustainable agriculture; (v) enhancing environmental performance; and (vi) supporting human resource development (HRD) to facilitate GMS integration.

²⁴ Contributed by the GMS Secretariat.

Table 6.2: Selected Economic Indicators, 2016—Greater Mekong Subregion

	Population (million)	Nominal GDP (\$ billion)	GDP Growth (2012–2016 average, %)	GDP per Capita (current prices, \$)	Trade Openness (total trade, % of GDP)	FDI Openness (total FDI inflows, % of GDP)
Cambodia	16	20.0	7.2	1,268.80	107.3	9.4
Guangxi, PRC	48	274.2	9.1	5,668.50	17.5	0.6
Yunnan, PRC	47	223.5	10.1	4,713.70	9.5	1.4
Lao PDR	7	13.8	7.3	1,921.10	79.7	9.9
Myanmar	52	58.9	7.6	1,127.90	23.1	4.5
Thailand	69	407.0	3.4	5,900.60	96.4	2.7
Viet Nam	93	201.3	5.9	2,173.20	174.5	6.1
GMS	333	1,198.80	6.7	3,604.30	73.5	2.8

FDI = foreign direct investment, GDP = gross domestic product, GMS = Greater Mekong Subregion, Lao PDR = Lao People's Democratic Republic, PRC = People's Republic of China.

Notes: GMS average GDP growth rate is weighted using nominal GDP. Total trade is the sum of exports and imports. FDI openness is based on 2015 data.

Sources: ADB calculations using data from CEIC; and Greater Mekong Subregion Statistical Database. www.greatermekong.org/statistics/ (accessed May 2017).

Projects across these key sectors are consolidated under the GMS Regional Investment Framework (2013–2022) (GMS Secretariat 2013) to develop projects and mobilize financing for regional connectivity. Progress is tracked, monitored, and refined through the GMS Program Secretariat and various working groups involving national line ministries. A 2016 *Study on Strengthening the Greater Mekong Subregion Program's Institutional Framework* (GMS Secretariat 2016a) found that through nearly 25 years of GMS Program cooperation, the GMS Program demand is for an activities- and projects-based initiative using a results-oriented approach.

Performance and Progress over the Past Year

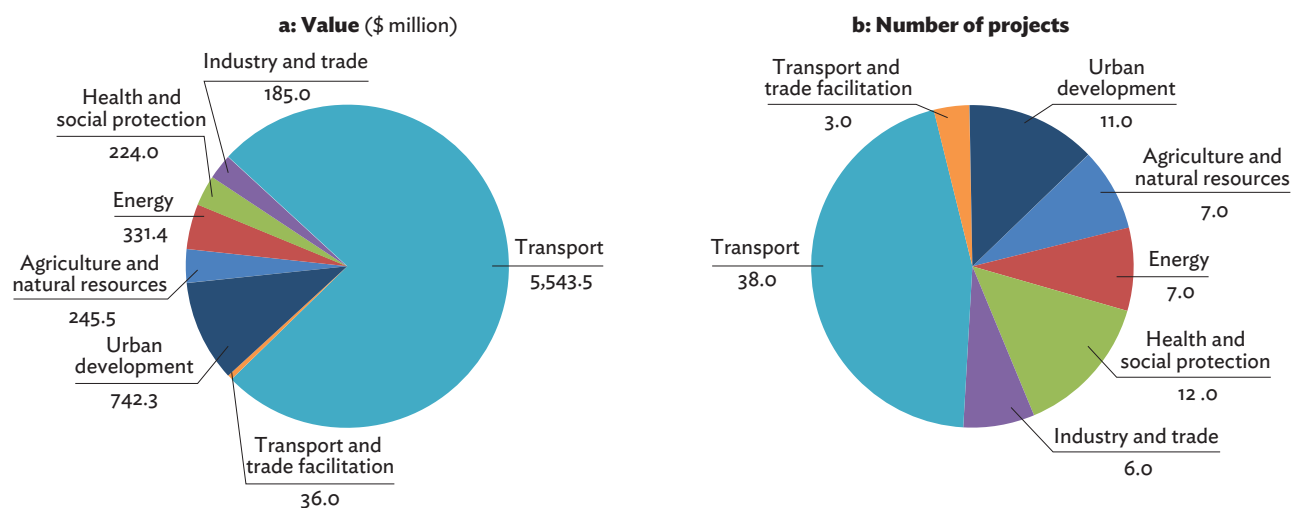
The GMS Program expanded GMS Economic Corridors to continue to advance its transport network, focusing on strengthened regional connectivity. Projects support regional health security, transport and trade facilitation, new urban center development along GMS corridors and border areas, and regional industry and trade through tourism and agricultural value chains.

Progress in the GMS is underpinned by improvements in cross-border connectivity and enhanced transport networks. Other sectors of cooperation include energy, urban development, tourism, agriculture, the

environment, and HRD. Substantial financial resources have contributed to this progress. As of 2016, for example, a total of \$19.1 billion have been invested in GMS projects by GMS governments and multilateral and bilateral development partners. Of this, ADB has contributed \$7.3 billion in 84 investment projects in the GMS (Figure 6.4).

Cross-border Physical Connectivity. In 2016, physical connectivity across the GMS benefited from the completion of three new bridges along GMS economic corridors—the Lao PDR–Myanmar Friendship Bridge over the Mekong River at Xiengkok–Kyainglap; the Tsubasa Bridge in Neak Loeung, Cambodia along the GMS Southern Economic Corridor; and a railway bridge between Cambodia and Thailand at Poipet–Klong Loeuk. Sections of the East–West Economic Corridor in Myanmar—Eindu–Kawkareik and the Mae Sot–Myawaddy border with Thailand—are also under construction.

To keep pace with the shifting patterns of trade, investment, tourism, and other economic flows—and the opening of Myanmar's economy in recent years—a review of the current configuration of the major GMS economic corridors was conducted in 2016. Following the study, the 21st GMS Ministerial Conference in December 2016 approved the extension and expansion of the GMS economic corridors to link all GMS capitals, major economic centers, and important GMS maritime gateways—including missing sections in Myanmar, as well as important new sections in the Lao PDR.

Figure 6.4: Sectoral Distribution of GMS Investment Projects Financed by ADB, 1994–2016

Source: ADB, Greater Mekong Subregion Secretariat.

Transport and Trade Facilitation. Progress in implementing the GMS Cross Border Transport Facilitation Agreement (CBTA) through transport and trade facilitation (TTF) activities included: (i) developing a revised CBTA to align its existing transit arrangements with those under the Association of Southeast Asian Nations (ASEAN) Customs Transit System; (ii) expanding traffic rights and routes through bilateral and trilateral arrangements; (iii) implementing standard customs reforms and improving national information technology systems in Cambodia, the Lao PDR, Myanmar, and Viet Nam; (iv) launching single stop/single window inspection for goods traffic at Mukdahan (Thailand) and Savannakhet (Lao PDR)—to be followed by border crossings at Lao Bao (Viet Nam)–Dansavanh (Lao PDR) and Moc Bai (Viet Nam)–Bavet (Cambodia); and (v) enhancing SPS arrangements for GMS trade through three ADB loan-assisted projects.

Energy. The GMS Regional Power Trade Coordination Committee continues to foster power trade and interconnections for seamless regional energy trade. Two working groups on: (i) performance standards and grid code (WGPG) and (ii) regulatory issues (WGRI) are helping harmonize regional power trade policy. In 2016, the WGRI concentrated on two important aspects of regulatory harmonization: (i) third party access and (ii) a methodology for calculating wheeling charges. The WGPG continues to work toward establishing common GMS technical performance standards.

Urban Development. The Corridor Towns Development Project Phase 1 is developing urban services in corridor towns in Viet Nam (Dong Ha, Lao Bao, Moc Bai), the Lao PDR (Kaysone Phomvihane, Phine, Dansavanh), and Cambodia (Battambang, Bavet, Neak Loeung, Poipet). The project also includes spatial planning in special economic zones (SEZs) and adjacent areas to provide guidance on investments that create more quality jobs in border areas. A 2016 *Study on the Role of Special Economic Zones in Improving Effectiveness of GMS Economic Corridors* (GMS Secretariat 2016b) identified and assessed key success factors in harnessing SEZs. In border area development, the ADB-supported Guangxi Regional Cooperation and Integration Promotion and Investment Program (\$450 million) was approved in December 2016 and covers small and medium-sized enterprises (SMEs) development, development of border economic zones (BEZs), facilitation of cross-border investment and financial transactions, and further improvements in cross-border connectivity along the PRC–Viet Nam border.

Agriculture. The GMS Core Agriculture Support Program Phase II (CASP2) for 2011–2020 focuses on increasing the subregion’s agricultural competitiveness through enhanced regional and global market integration and improved connectivity. In 2016, CASP2 completed setting up a participatory guarantee system for farmer groups in each GMS member and the first study on low-input rice value chains focusing on three rice-producing

countries—Cambodia, Thailand, and Viet Nam. It conducted vital national and regional capacity building, piloted climate-friendly and gender-responsive agriculture practices at the farm production level, and applied research and extension work on climate- and environment-friendly agricultural practices.

Tourism. With 57.9 million tourist arrivals in 2015 generating \$65 billion in the GMS—contributing as much as 15% of GDP in Cambodia and allowing 89% of tourists visiting the Lao PDR to arrive by land—regional transport connectivity is having a deep impact on several GMS economies. A new GMS Tourism Sector Strategy for 2016–2025 was recently completed, setting out a framework to guide cooperation between GMS national tourism organizations and other tourism industry stakeholders. The strategy outlines five strategic directions: HRD, improving tourism infrastructure, enhancing visitor experiences and services, encouraging creative marketing and promotion, and facilitating regional travel. Corresponding programs and projects were selected for each strategic area based on their potential to enable more competitive, balanced, and sustainable destination development.

Human Resource Development. HRD covers education, technical and vocational skills, cooperation on health, and labor and migration. The GMS, ASEAN, and national development programs are working to increase and support regional labor mobility. Mutual recognition of skills and qualifications was expanded to cover additional areas of logistics, machinery, and food processing. The Quality Assurance System—using established ASEAN University Network standards—and the Academic Credit Transfer System Framework for Asia among GMS universities have both shown progress. A GMS University Consortium of 24 GMS universities has been established to further foster networking in tertiary education among GMS members. Communicable disease control and management has been further strengthened—including implementing malaria and tuberculosis prevention and treatment initiatives for migrant and mobile populations in Cambodia, the Lao PDR, Myanmar, and Viet Nam. A new GMS Health Security Project was approved for ADB financing for these four countries to contribute to the enhancement of GMS public health security and strengthen national and regional capacity for disease surveillance and response, risk assessment, case management, and subregional collaboration.

Environment. The GMS continues to strengthen management of transboundary environmental issues. This includes: (i) developing national environmental policies and strategies in Cambodia, the Lao PDR, and Viet Nam; (ii) supporting the application of sound environment management policies and tools—including the launch of Myanmar’s environmental impact assessment procedure and environmental quality guidelines, applying land use planning simulation modeling in Cambodia and the Lao PDR, and industrial pollution projection modeling in Cambodia and Myanmar; (iii) jointly developing transboundary biodiversity landscape monitoring and evaluation framework; (iv) creating transboundary conservation plans for rare species; and (v) promoting fuel efficient technologies, eco-driver training, and improved logistics measures—successfully tested in the Lao PDR and Viet Nam, and under way in Thailand.

Prospects and Future Strategies

As the GMS Program celebrates 25 years of cooperation, a Midterm Review of the GMS Strategic Framework 2012–2022 and several sector strategies are under way covering the next 5 years. Through 2017, a Strategy and Action Plan for Promoting Safe and Environment-Friendly Value Chains in the GMS is being developed, focusing on strengthening GMS competitive advantage through value-chain integration—particularly for smallholder farmers, rural women, and agricultural SMEs. The Action Plan will outline key GMS investments through the GMS Regional Investment Framework as well as policy and institutional measures. The Strategy and Action Plan will strengthen member commitment to food safety, market access for small producers, and inclusive food safety. HRD conducted a review of the latest Strategy and Action Plan to formulate and shape new strategic directions covering health, education, labor and migration, and social development. The new strategies on agriculture value chains and regional HRD cooperation—along with the new economic corridor alignment and GMS Tourism Sector Strategy 2016–2025—will drive investments in regional connectivity for the foreseeable future.

Policy Challenges

Implementing the GMS Cross-Border Transport Facilitation Agreement is a major challenge for the subregion.

As regional transport networks expand, tourism grows, and agricultural and industrial trade integrates across the region, the greatest challenge will be implementing the GMS CBTA fully. The GMS ministers of the National Transportation Facilitation Committee are committed, on a pilot basis, to test the GMS Road Transport Permit—allowing approved vehicles to travel freely across GMS country borders—as first step in implementing the CBTA. They are committed to full CBTA implementation by 2019. On transport facilitation, trade facilitation measures will also need to accelerate—in areas like SPS systems—to support intra-GMS trade in agriculture, food, and forest products.

The financing gap for GMS infrastructure investment is \$6.4 billion, estimated in the 2016 Midterm Review of the Regional Investment Framework Implementation Plan. Greater participation and investments from the private sector—in the form of public private partnerships (PPP)—can help close the gap. This will require the GMS governments to strengthen PPP policy frameworks, bidding, and risk allocation to attract private sector investment.

East Asia: Support to CAREC and GMS Programs²⁵

ADB supports regional cooperation and integration (RCI) in East Asia through the CAREC and GMS programs. It works to maximize synergies with new cooperation initiatives led by government stakeholders (including the BRI, for example). ADB has strengthened lending support to the PRC and Mongolia for RCI operations; covering connectivity, border economic zone development, SME development, border-crossing improvement, and single-window customs clearance, among others.

²⁵ Contributed by Ying Qian, Director and Yuebin Zhang, Principal Regional Cooperation Specialist, East Asia Department.

Performance and Progress over the Past Year

ADB continues to support projects in Mongolia and the PRC that relate to CAREC and GMS economic cooperation.²⁶

Mongolia. Under the Western Regional Road Corridor Development Program, ADB supports development of about 300 km of the 743 km corridor in CAREC Corridor 4a. The corridor—part of Asian Highway 4—runs north-south from Mongolia's border with the Russian Federation at Ulaanbayshint to its border with the PRC at Yarant. As of 2016, paved roads covered just over 5% of Mongolia's total road network with the majority of roads unimproved road tracks.

Under CAREC, ADB is helping Mongolia implement two loan projects—Regional Improvement of Border Services (RIBS) and the Mongolia Upgrades of Sanitary and Phytosanitary Measures for Trade (MUST). RIBS addresses inefficient trade processes by rehabilitating BCP facilities; upgrading the Customs Automated Information System; constructing access roads in border areas; and developing the national single-window customs platform for international trade. The project will improve connectivity and cross-border cooperation to reduce BCP costs and processing time.

Mongolia is taking the lead in implementing the CAREC Common Agenda for Modernization of SPS Measures through its MUST project. The project will improve laboratories, inspection and quarantine facilities at the key BCPs in three *aimags* (provinces), establish an integrated SPS inspection management system, and align SPS control and inspection with international standards. A regional technical assistance project on Transforming SPS Measures for Trade Facilitation was proposed in 2017 to further help implement the project.

Joint customs control is a priority under the CAREC Customs Cooperation Committee work program to share a common set of information and reduce repetitive customs inspections. A pilot joint customs project

²⁶ ADB's East Asia Department (EARD) provides technical and administrative support for the CAREC Trade Facilitation program. EARD also provides direct support to Mongolia for participating in CAREC, and to selected provinces and autonomous regions of the PRC involved with CAREC and the GMS.

between Mongolia and the PRC reported increased international cooperation and better management and coordination between the two customs administrations. It improved consistency in implementing customs control measures and saw a significant decrease in fraud (for example, less undervaluation and underweighting goods). A case study documenting the success factors of the pilot project and recommendations on how to replicate the experience at other BCPs is being finalized.

The People's Republic of China. RCI is an integral part of ADB operations in the PRC, and one of the five strategic priorities of its Country Partnership Strategy 2016–2020 with the PRC. In 2016, ADB processed a multitranche financing facility and the first tranche of the Guangxi Regional Cooperation and Integration Promotion Investment Program to support Guangxi's involvement in regional cooperation—particularly the GMS program. The investment program uses a holistic approach to address the wide range of RCI issues Guangxi faces. The project is also intended to be a model for future investment projects in other border provinces participating in RCI programs.

ADB continues to support PRC participation in GMS economic cooperation. It supports the memorandum of understanding (MOU) between the PRC and Viet Nam on jointly developing BEZs. A new regional technical assistance project further supports BEZ development by (i) formulating policy recommendations for coordinated BEZ development, (ii) strengthening coordination mechanisms for the development and management of the BEZs and public–private coordination, and (iii) conducting capacity building for government stakeholders. The MOU should boost trade and investment, contributing to the development of the GMS North–South Economic Corridor.

ADB and the PRC government jointly organized a regional knowledge sharing workshop on Development of Special Economic Zones as Catalysts for Economic Corridors in September 2016 in Shanghai. The workshop brought together more than 50 participants from ADB's developing member countries (DMCs) to share lessons and experience on SEZ development and economic corridors.

In 2017, the \$50-million second replenishment of the Poverty Reduction and Regional Cooperation Fund—established in 2005—came into effect. The PRC led the establishment of the CI with CAREC to conduct a Time Release Study and Corridor Performance Measurement and Monitoring subregional workshop in April 2017—to improve border management efficiency. There are plans to partner with the CI on a Regional Knowledge Sharing Initiative with the CAREC Federation of Carrier and Forwarder Association to discuss harmonizing standards for logistics operators in the subregion (in compliance with international best practices).

CAREC Trade Facilitation Program. A new CAREC Trade Facilitation Strategic Framework will be formulated to further broaden and deepen (i) implementation of the WTO TFA in close cooperation with trade policy agencies and related stakeholders, including the private sector; (ii) the current customs and integrated trade facilitation agenda; (iii) potential work on people mobility; and (iv) resolution of cross-sectoral trade facilitation issues anchored on economic corridor development like SEZs and cross-border economic zones (CBEZs), participation in regional and global value chains, e-commerce, cross-border finance, and access to trade by SMEs, among others.

Consultations with the PRC on the new CAREC Strategy 2030 led to three government recommendations on connectivity: (i) to focus on expanding connectivity, enhancing transport efficiency, and promoting green transportation—in particular the PRC–Kyrgyz Republic–Uzbekistan railway project—and liberalizing aviation markets by coordinating security and aviation infrastructure development, if possible with the BRI; (ii) to provide capacity building support on customs cooperation and standardizing customs procedures, developing CBEZs, and implementing WTO TFA provisions; and (iii) to facilitate negotiations on regional trade agreements, promote e-commerce to link SMEs to regional value chains, and enhance the region's digital economy.

Prospects

The PRC's BRI—Silk Road Economic Belt and 21st Century Maritime Silk Road—aims to promote connectivity and strengthen economic partnerships across Asia, Europe, and Africa. It highlights five priorities for cooperation: (i) fostering economic and development policy coordination; (ii) strengthening connectivity through energy, transport, and telecommunications infrastructure; (iii) promoting trade and investment; (iv) deepening financial cooperation and integration; and (v) promoting people-to-people exchanges. The potential to enhance synergies between ADB-supported RCI programs and BRI is significant.

Policy Challenges

Implementing the TFA within CAREC is a challenge that will require technical assistance.

With TFA effectivity, CAREC countries who are WTO members will need to: (i) have a National Committee on Trade Facilitation in place, (ii) notify WTO of Category A designations, (iii) implement Category A designations, and (iv) notify WTO of Category B and C designations

along with indicative dates for implementation. An assessment of the readiness of CAREC countries (both WTO members and nonmembers) to implement the TFA has been done to determine appropriate technical assistance required. Coordinated support from donors will be critical to help make TFA implementation a priority.

South Asia: South Asia Subregional Economic Cooperation²⁷

In 2001, Bangladesh, Bhutan, India, and Nepal launched the South Asia Subregional Economic Cooperation (SASEC) initiative, with ADB assistance, to help address constraints of size, geography, and institutional capacity hindering development in South Asia (Table 6.3). Maldives and Sri Lanka joined in 2014, followed by Myanmar in 2017, expanding the potential for RCI from a subregional to inter-regional level. ADB acts as lead financier, secretariat, and development partner. Its support covers: (i) capacity building and institutional strengthening, (ii) regional initiatives, and (iii) financing for projects and technical assistance.

Table 6.3: Selected Economic Indicators, 2016—SASEC

	Population (million)	Nominal GDP (\$ billion)	GDP Growth (%, 2012–2016, average)	GDP Per Capita (current prices, \$)	Trade Openness (total trade, % of GDP)
Bangladesh	162.9	221.4	6.5	1,359	33.1
Bhutan	0.8	2.1	5.3	2,695	102.7
India	1,326.9	2,259.6	6.9	1,703	27.4
Maldives	0.4	3.8	3.9	9,021	65.5
Nepal	28.9	21.2	3.4	735	40.3
Sri Lanka	21.2	81.3	5.3	3,843	34.3
SASEC	1,541.0	2,589.4	6.7	1,680	28.3

GDP = gross domestic product, SASEC = South Asia Subregional Economic Cooperation.

Note: SASEC average GDP growth rate is weighted using nominal GDP.

Sources: ADB calculations using data from ADB. 2017. *Asian Development Outlook 2017*. Manila; CEIC; International Monetary Fund. Direction of Trade Statistics. <https://www.imf.org/en/Data>; and World Bank. World Development Indicators. <http://databank.worldbank.org> (all accessed May 2017).

²⁷ Contributed by Rose McKenzie, Senior Regional Cooperation Specialist, South Asia Department (SARD) and Jesusito Tranquilino, ADB Consultant, SARD.

Overview

SASEC connectivity has focused on developing intraregional trade corridors.

Since 2001, ADB has assisted SASEC members invest more than \$9.17 billion in 46 projects in three strategic areas of cooperation—transport, trade facilitation, and energy (Figure 6.5). Developing intraregional trade corridors has improved access to key markets and gateway ports, and boosted prospects for participating in regional and global value chains. Trade facilitation projects and other activities have made trade processes more efficient and robust, while reducing the time and cost of intraregional trade. Transport facilitation efforts have helped SASEC members negotiate groundbreaking motor vehicle agreements that will ultimately create a seamless flow of passenger, personal and cargo vehicular traffic between and among participating countries in South Asia. Investments in energy have focused on enhancing energy security nationally, while building bilateral and regional arrangements to promote cross-border interconnection and electricity trade.

SASEC is institution light and project heavy, with senior officials meeting annually—at strategic and working group levels—to review progress and operational priorities. Technical subgroups support implementation of multi-track, multi-speed national investments that lead to regional development outcomes. SASEC closely

aligns its strategic direction and planning with South Asian Association for Regional Cooperation initiatives and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation.

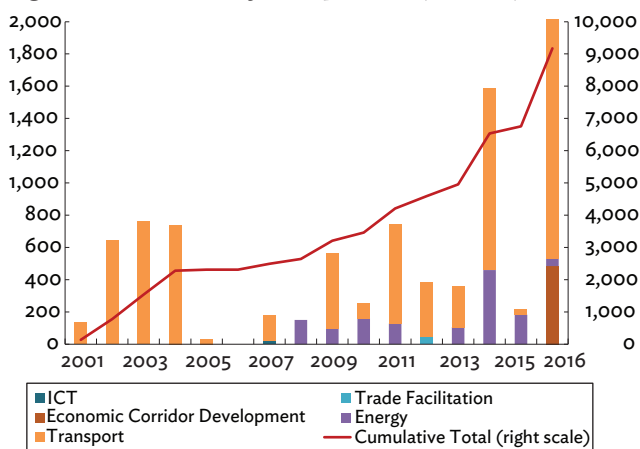
Performance and Progress over the Past Year

The SASEC Program was significantly ramped up in 2016, as ADB approved nine projects at \$2.43 billion, of which ADB provided \$1.43 billion. This was markedly higher than the \$500 million annual average value approved during the previous 15 years of the program. This can be partially credited to the adoption in June 2016 of the *SASEC Operational Plan 2016-2025* (SASEC OP) (ADB 2016), the program's first long-term operational plan—which identified projects aligned with the SASEC OP priorities in transport, trade facilitation, energy and economic corridor development. In 2016, ADB also supported the preparation of *SASEC Powering Asia in the 21st Century* (SASEC Vision) (ADB 2017)—a comprehensive blueprint for accelerating SASEC growth by leveraging the subregion's resource strengths, making SASEC an engine to help power Asia's growth in the 21st Century.

Transport. Transport cooperation continued to focus on improving the national and regional connectivity critical to seamless movement of goods and people across the subregion. Various SASEC road connectivity projects in Bangladesh, Bhutan, Nepal, and India's northeastern regions have helped improve parts of the Asian Highway Network, constructing alternate routes and developing access roads while improving land customs stations and customs systems.

The \$257 million Nepal SASEC Roads Improvement Project approved in 2016 is integral to the international and regional road network system connecting Nepal to India and will contribute to raising Nepal's export competitiveness. India's \$715 million New Bihar Ganga Bridge project and its approach road network will improve connectivity both within Bihar and with Nepal. It is essential to the regional road network system connecting Nepal to India, facilitating closer trade integration and contributing to Nepal's export competitiveness.

Figure 6.5: SASEC Projects by Sector (\$ million)



ICT = information and communication technology, SASEC = South Asia Subregional Economic Cooperation.

Source: ADB. SASEC Project Portfolio 2017.

Two ADB-supported railway enhancement projects in Bangladesh, approved in 2016 with a combined value of \$890 million will improve the international connectivity of the rail system. These include sections of the Dohazari–Cox’s Bazar route along the overall Chittagong–Cox’s Bazar trade corridor, moving the SASEC–Myanmar Corridor toward completion—promoting inter-regional connectivity with Southeast Asia.

An additional \$4 million in financing for Bhutan’s airports supports development of a safe, reliable, and efficient air transport system connecting urban and rural centers in Bhutan, improving accessibility, promoting tourism and high-value agriculture.

Trade Facilitation. SASEC’s Trade Facilitation Strategic Framework 2014–2018 (ADB 2014) focuses support to SASEC countries in five priority areas: (i) customs modernization and harmonization; (ii) standards and conformity assessments, primarily SPS and technical barriers to trade (TBT) measures; (iii) improvement of cross-border facilities; (iv) transport facilitation; and (v) institutional capacity building.

The SASEC Customs Subgroup coordinates subregional and national projects designed to promote trade facilitation, strengthen inter-agency cooperation and provide a regional knowledge-sharing platform. Projects focus on improving cross-border procedures and providing support to users of the Automated System for Customs Data World system. National and regional diagnostic studies in SPS and TBT will help identify and address nontariff barriers in the subregion. An electronic cargo tracking system initiative was launched in SASEC to speed up transit movement, simplify border-crossing procedures, and reduce congestion—by using satellite positioning systems, cellular communications, radio frequency identification, electronic seals, and monitoring software. Electronic tracking system technology also improves security of goods in transit and opens the way for off-border customs processes for exports, leading to substantial savings in time and cost for traders. Implementing the WTO TFA is a key area for coordinated capacity building in coordination with other development partners.

Energy. Energy cooperation continues to focus on enhancing electricity trade to expand and diversify the subregion’s energy supply—to meet energy needs and

secure power reliability. SASEC countries are forging arrangements for energy trade. Bhutan and Nepal are developing hydropower for export to neighbors. Meanwhile, transmission projects are strengthening Nepal’s national power grid in preparation for energy trade. Nepal’s power system expansion was approved in 2016—to support installation of utility-scale solar power to augment energy supply and expand domestic power transmission capacity for better power trade with India.

The SASEC Electricity Transmission Utility Forum completed its review of a transmission master plan study in December 2016, affirming the net economic benefits from interconnecting power systems in the subregion for power trading. Larger benefits will accrue from multi-country arrangements and from mitigating greenhouse gases as hydropower replaces fossil fuels. The SASEC countries agreed on the need to examine alternative scenarios that account for recent and future changes in each country’s energy situation. They also agreed on the need for an enhanced forum for capacity building, knowledge sharing and consensus-building on transmission plans along with technical and other issues involving regional power trade.

Economic Corridor Development. A new area of SASEC focus, economic corridor development (ECD) builds on the backbone of transport corridors, by leveraging—in the case of SASEC—infrastructure connectivity and cities as growth centers to unlock full market potential. This means SASEC transport connectivity and trade facilitation efforts will be augmented and strengthened by a multi-sector approach that includes developing special economic/ industrial zones and logistics centers—backed by better coordinated planning and policies that raise the competitiveness of domestic enterprises.

India’s \$484-million Visakhapatnam–Chennai Industrial Corridor (VCIC) Development Program was approved by ADB as the first SASEC ECD investment. It will complement ongoing efforts in Andhra Pradesh to enhance industrial growth and create high-quality jobs, focusing on priority infrastructure in VCIC with concomitant support for policy reform and institutional development. The VCIC is the first phase of India’s East Coast Economic Corridor (ECEC), which runs from Kolkata to Kanyakumari—a multimodal, regional maritime corridor that should help integrate India’s

economy with the dynamic global value chains in Southeast Asia and East Asia.

In Bangladesh, ADB is also supporting the development of the Khulna–Dhaka–Sylhet (KDS) Corridor to link the lagging southwest and northeast regions and integrate them with the vibrant growth centers of Dhaka and Chittagong. Phase 1 of the KDS Corridor involves preparing a comprehensive development plan for the Southwest Economic Corridor. In Sri Lanka, an ADB-funded conceptual study has identified potential economic corridors, gauging how best to strengthen domestic supply chains and join the global manufacturing supply chain. The Colombo–Trincomalee Economic Corridor (CTEC) will link the Colombo–Gampaha west region with the central and eastern part of the island. CTEC can accommodate several industry clusters—including garments and new export-oriented manufacturing as well as agribusiness and tourism.

Prospects

SASEC Vision and Operational Plan. In April 2017, SASEC Finance Ministers launched their shared SASEC Vision, which articulates SASEC aspirations and how they can be achieved through regional collaboration. Framing the partnership in the larger context of the subregion’s collective growth and development, it lays out a plan to transform the subregion by generating synergies and leveraging natural resource-based industries, promoting industry linkages to develop regional value chains, and expanding trade and commerce by developing subregional gateways and hubs.

The SASEC OP supports the SASEC vision by identifying strategic objectives and operational priorities for transport, trade facilitation, and energy, while introducing ECD as a new area of strategic cooperation. It expands the scope of SASEC investments to: (i) strengthen regional connectivity

in railways and through seaports and inland waterways, (ii) increase focus on maritime-based trade facilitation together with SPS and standards conformity, and (iii) develop more clean energy and accelerate development of South Asia’s power trade. It examines the development impact of promoting synergies between economic corridors under development. The SASEC OP is supported by over 200 potential projects identified by SASEC partners worth more than \$120 billion—to be implemented during 2016–2025.

Policy Challenges

Over the coming decade, SASEC will see the share of its working age population rise—a “demographic dividend” that presents both an opportunity and challenge for subregional development.

If harnessed properly, this demographic dividend could catapult the subregion into one of the fastest growing subregions in Asia. The SASEC Vision recognizes that upping the ante in RCI will improve the chances of realizing the economic potential of the demographic dividend.

Each SASEC member should take strong ownership of the Vision—a commitment to a challenging and dynamic process requiring multi-stakeholder involvement for cohesive planning and effective coordination of programs, projects, and policies. This process will entail several steps or layers, beginning with organizing cross-country advocacy forums, filtering both short- and long-term strategic initiatives for each country, sorting policies to guide both public and private investment, building consensus on needed interventions, agreeing on institutional mechanisms for moving the Vision forward, and putting in place risk management mechanisms covering project planning, financing, implementation, and monitoring and evaluation.

The Pacific: Regional Approach to Renewable Energy Investments²⁸

A regional approach to renewable energy investments provides a unique opportunity for Pacific developing member countries to share experience and learn from innovation across the subregion.

The Framework for Pacific Regionalism—endorsed by Pacific Islands Forum Leaders in July 2014—is the current master strategy for strengthening RCI in the broader Pacific subregion, where climate change is a major priority. In December 2016, the Green Climate Fund (GCF) approved funding to support an ADB program to assist seven Pacific DMCs in transitioning to a renewable energy future. An initial \$12-million grant for the Cook Islands to install energy storage systems and support private investment in renewable energy will spearhead a series of projects. A \$5-million grant was also approved to improve the energy sector policies and institutions in the Pacific. The proposed program will help develop feasibility studies for renewable energy projects worth over \$400 million in the remaining six Pacific DMCs. The program, however, may be extended to the other Pacific DMCs.

Overview

The Pacific Islands Renewable Energy Investment Program (PIREIP) was conceptualized as part of the GCF Pacific Roadmap developed during the GCF Pacific Regional meeting in August 2016, attended by leaders and Ministers from all Pacific island countries. PIREIP supports a shift from diesel power generation to renewable energy in the Cook Islands, the Republic of Marshall Islands, the Federated States of Micronesia (FSM), Nauru, Papua New Guinea, Samoa, and Tonga. A concerted move toward solar, hydropower, and wind energy will place these seven Pacific DMCs on a more sustainable and climate-resilient development pathway. The program is expected to support 22 solar

power plants, five wind farms, eight hydropower plants, seven energy storage facilities, and 25 renewable energy mini-grids. Combined, these investments will reduce greenhouse gas emissions by an estimated 120,000 tons of carbon dioxide equivalent per year.

A Paradigm Shift in Energy Production

The new energy pathway is low-carbon and climate resilient, while also expanding energy access to marginalized populations.

PIREIP is designed to help DMCs rapidly shift from their current traditional energy profile—which has been almost entirely dependent on fossil fuels—to a more progressive and sustainable pathway.

The program supports Pacific DMCs in overcoming the investment and technical barriers to integrate higher shares of renewables in their energy mix. Technical integration of intermittent renewable energy poses significant challenges, particularly on small grids managed by utilities with relatively limited system management capacity. To date, most Pacific DMCs have already gained valuable experience with small amounts of grid-connected solar and wind power, which existing diesel generator-dominated systems can integrate without much problem. However, as renewable energy shares increase, the relatively simple diesel grids will require significant upgrades—most notably in battery storage—and better system management. In general, the Pacific remains at the start of the investment cycle for renewable energy integration beyond small initial investments. This suggests that significant challenges are best addressed through a regional approach.

PIREIP also supports the promotion of greater private sector participation and investment to support the structural shift toward renewable energy. This is particularly important to those Pacific DMCs that lack sufficient sovereign financing and require technical support to manage the transition. Also, there exist significant financial disincentives for corporatized Pacific power utilities reliant on high-cost diesel-based generation centers to increase energy access for customers in remote areas. Most Pacific island countries lack the budgetary resources to support rural electrification programs. Renewable energy for rural

²⁸ Contributed by Paul Curry, Principal Operations Coordination Specialist; and Rommel Rabanal, Senior Economics Officer, Pacific Department.

electrification offers low-cost power generation that allows utilities to extend grids and improve access at lower power generation costs. Lastly, the program will offer more opportunities for sharing lessons learned and best practices among Pacific utilities. A regional project management unit will facilitate the program, enhanced through regional workshops and knowledge products.

Regional Approach

A regional approach was selected to assist the Pacific's transition to a sustainable, resilient energy future, as it supports: (i) improved knowledge transfer and dissemination of lessons learned and best practices, (ii) better sector planning and reform on medium-term basis using program financing, (iii) more efficient procurement through contract bundling across small island states with centralized procurement support, and (iv) greater private sector investment.

Improved Knowledge Transfer. The regional approach allows comprehensive sharing of lessons learned and innovative approaches between the participating Pacific power utilities—that often experience similar technical and management issues. This becomes more important as grids increase shares of renewable energy and where management of integration issues can be more complex. The implementation of a single initiative over multiple countries over many years will mobilize a broad spectrum of stakeholders to participate in the initiative. This would include: (i) Pacific DMC governments and regulators expecting to benefit from the broad range of services and skills available; (ii) Pacific power utilities, also to benefit from the broad range of services and skills available; (iii) development partners; and (iv) implementing and executing agencies, seeing opportunities for capacity building and increased efficiency.

Facilitating Sector Planning and Reform. Financing certainty over the medium-term helps infrastructure planning and possibly encourages additional co-finance. Currently, medium-term infrastructure planning suffers from a lack of clarity over medium-term funding, with plans often being overly dependent on the availability of short-term development partner finance. Medium-term engagement supports sector reform. The type of reforms needed vary among Pacific DMCs, but will cover key issues such as sector planning (like roadmaps and grid

integration studies), power utility management reform and capacity building, tariff review and reform, regulatory and policy frameworks, and promotion of private sector investment. Medium-term support for sector reform has consistently been more effective than uncoordinated short-term assistance.

More Efficient Procurement. The regional approach allows bundling of equipment and works packages across Pacific DMCs. This will increase package sizes and contribute to reducing costs. Larger contracts will also potentially attract additional bidders and encourage greater competition.

Promoting Private Sector Participation. Through longer-term perspective, a pipeline of suitable opportunities for complementary private investment can be identified that will likely attract broader private sector interest in renewable energy projects. Sovereign financing to help support investment, and provision of transaction advice, can also be used to promote greater private sector participation.

Expected Impacts

The cost of power generation in these seven Pacific DMCs is among the highest in the world. The reasons include: (i) reliance on imported diesel for generation, (ii) long supply chains of relatively small diesel quantities creating high transportation costs, and (iii) low economies of scale for relatively small grids. Many Pacific DMCs have small populations dispersed over vastly distant islands, and they are heavily dependent on diesel—five of the seven target countries rely on diesel for over 85% of electricity generation. The average supply cost for electricity across the Pacific is about \$0.47 per kilowatt-hour, high by international standards. The cost of diesel power generation is even higher for smaller and more isolated grids in outer islands.

The proposed mitigation investments under the PIREIP will include the following:

- Solar power generation: 50 MW at approximately 22 sites in five Pacific DMCs
- Wind power generation: 10 MW at 5 sites in three Pacific DMCs
- Hydropower generation: 19 MW at 8 sites in two Pacific DMCs

- Energy storage facilities in seven Pacific DMCs
- Improved energy access through 25 renewable energy mini-grids (four Pacific DMCs) and solar home systems (two Pacific DMCs)

In total, these investments are expected to reduce greenhouse gas emissions across the seven target Pacific DMCs by about 120,000 tons of carbon dioxide equivalent a year (Table 6.4).

In addition to these mitigation projects, PIREIP also includes adaptation investments:

- Samoa: a flood diversion dam/hydropower reservoir to prevent flash flooding after cyclones
- Yap, FSM: floating solar panels on a water reservoir to minimize evaporation and contribute to securing adequate water supply
- Kosrae, FSM: relocation of distribution lines currently located along the main island coastline and threatened by coastal erosion and storm-surge flooding

All infrastructure built under the PIREIP program will incorporate climate proofing in technical designs to ensure sustainability and resilience to climatic shocks.

More reliable power supply—through increased renewable energy generation and reduced exposure to price volatility in the international fossil fuel market—will also help support the ongoing information and communication technology (ICT) expansion in the Pacific.

Toward Regional Connectivity

Connectivity brings important benefits. In the short run, they emanate from reductions in costs and time, and increases in trade volumes. In the long run, regional connectivity helps unlock the tremendous growth potential by removing constraints and bottlenecks to regional integration and economic growth. Investors see the changed structure of incentives and respond with new capital investments. Workers respond by moving to regions where they can make more money. Thus, regional connectivity allows changes in the factors of production that help accelerate growth and reduce poverty.

Cross-border Connectivity in CAREC and GMS

Trade facilitation and improved border-crossing procedures under CAREC and the development of border zones and towns under the GMS are expected to strengthen cross-border connectivity.

CAREC countries continue to make significant progress in implementing the CAREC TTFS 2020, which prioritizes: (i) multimodal corridor network development, (ii) trade and border crossing service improvements, and (iii) strengthened operations and institutions.

Table 6.4: Projected Emission Reductions with PIREIP Investments

	Renewable Energy (%)		National RE Target	Reduction in CO ₂ Emissions (ton)
	Current	After PIREIP		
Cook Islands	15	50	100% by 2020	7,000
Marshall Islands	2	6	20% by 2020	10,000
FSM	5	TBD	30% by 2020	19,000
Nauru	3	38	50% by 2020	10,000
Papua New Guinea	50	TBD	No target	21,000
Samoa	48	TBD	100% by 2017	33,000
Tonga	13	57	50% by 2020	20,000
			Total	120,000

CO₂ = carbon dioxide, FSM = Federated States of Micronesia, PIREIP = Pacific Islands Renewable Energy Investment Program, RE = renewable energy, TBD = to be determined.
Source: ADB.

Implementing these is the joint responsibility of the Transport Sector Coordinating Committee (TSCC) leading in priorities: (i) and (iii), and the Customs Coordinating Committee leading in (ii). The TSCC maintains a 3-year rolling Transport Sector Work Plan, updated each year to ensure timely implementation. Under the current Work Plan (2016–2018), the physical investments (hard infrastructure) detailed in the TTFS 2020 is supported by a set of complementary soft-side initiatives covering four pillars: (i) road safety, (ii) railways, (iii) road asset management, and (iv) transport facilitation. As of 2016, road and railway projects already surpassed 2020 targets (Figure 6.3). With this connectivity in place, the focus is now on ensuring road and rail assets are properly managed and safe for users. And, as mentioned, CAREC's new aviation pillar holds much potential for additional regional benefits.

In addition to transport and trade facilitation policies to support cross-border connectivity, the GMS will also need to synchronize its hardware. This includes prioritizing inter-operability of regional transport—like railways—managed through the GMS Railway Association. In energy, harmonized power grids for cross-border power trade are developed through the working groups of the Regional Power Trade Coordination Committee.

An emerging area of cooperation within the GMS is the development of border zones and border towns. As the Guangxi–Viet Nam project demonstrates, border zones require multi-sector investments. And border towns, such as those under the GMS Corridor Towns Development Project, can provide the necessary urban infrastructure investments and border area access roads to accelerate cross-border cooperation and attract new economic activities. Additionally, border zones will require logistics centers and multi-modal transport exchanges, facilities to support skills development, communicable health control centers, and business facilitation centers.

During 2017–2019, ADB plans to process seven investment projects for the PRC under the broad framework of the GMS and CAREC—for which ADB will provide about \$1.2 billion in loans—to further enhance PRC physical connectivity and trade links with its neighbors and support economic corridor development. For Mongolia, ADB plans to finance two RCI projects for about \$80 million to build regional roads, and

improve infrastructure and urban services in South Gobi border towns.

Connecting South Asia and Southeast Asia

Developing multimodal connectivity between India's northeastern region, Bangladesh, and Myanmar holds the potential to unleash tremendous economic energy—creating opportunities for millions in the region.

In February 2017, Myanmar joined SASEC, opening the gateway to accelerate inter-subregional cooperation between South Asia and Southeast Asia. With Myanmar's strategic location at the crossroads of Asia, better inter-subregional connectivity in transport and logistics, as well as in energy, among others, are expected to bring significant benefits to all SASEC members and Asia in general.

Myanmar's membership reflects SASEC's determination to look beyond South Asia—to the significant mutual benefits of cooperating with new partners and opening new regional markets. It will boost supply-chain linkages for businesses between South Asia and Southeast Asia. Myanmar can be a bridge for mutually beneficial trade and transport linkages from South Asia into Southeast Asia. Road corridors in Myanmar are the key links between the two subregions, and Myanmar's ports can offer alternate routes and gateways to landlocked northeast India.

Digital Connectivity in the Pacific

Ongoing ICT expansion in the Pacific opens a range of economic opportunities.

In coordination with Pacific governments and development partners, ADB is supporting a suite of ICT infrastructure and services projects to strengthen the Pacific's digital connectivity. Better connectivity, in turn, is expected to promote inclusive economic growth and social development across the Pacific.

ADB's ICT investments in the Pacific include submarine cable projects—providing reliable and high-speed broadband internet connections in Tonga (2011), Samoa

(2015), and Palau (2015). Similar submarine cable projects are in the pipeline for the Cook Islands, Kiribati, and Nauru.

ICT-enabled education projects include the Samoa *Schoolnet* and Community Access Project and the Solomon Islands ICT for Better Education Services Project. For health, information management systems are planned for Papua New Guinea and Samoa, along with wider e-Government services in the Cook Islands and Tonga.

The Pacific Information and Communication Technology Investment Planning and Capacity Development Facility has been established through regional technical assistance to support ICT development in the subregion. The facility provides demand-driven technical advice and capacity building to help Pacific DMCs improve service delivery and expand economic opportunities through ICT.

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