FOSTERING ASIAN REGIONAL COOPERATION AND OPEN REGIONALISM IN AN UNSTEADY WORLD

2019 CONFERENCE HIGHLIGHTS

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Notes:

In this publication, “\$” refers to United States dollars.
ADB recognizes “Vietnam” as Viet Nam.

On the cover: Regional cooperation and integration (RCI) is a strategic operational priority under ADB’s Strategy 2030. RCI operations contribute to the economic and social development of ADB’s developing member countries (DMCs) by improving infrastructure connectivity across countries and markets, enhancing the competitiveness of DMCs’ trade and industries, promoting regional public goods, supporting collective action among DMC governments and other stakeholders, and fostering greater private sector participation in cross-border trade and investment (photos by Vyacheslav Oseledko, Madiha Aijaz, Ariel Javellana, Eric Sales, Achmad Ibrahim, and Brian Manuel/ADB).

Contents

Foreword	iv
Acknowledgments	vii
Abbreviations	viii
Introduction	1
Conference Program	4
Conference Highlights	11
Day 1	18
Strategic Implementation of RCI and Achieving Measurable Results in ADB's Developing Member Countries	18
Global and Regional Trade and Investment Outlook and the Status of Key Regional Multilateral Trade Agreements	23
Investing in RCI in the Asia and Pacific Region—Perspectives of the Public and Private Sectors	27
Day 2	33
RCI and Ocean Health—The New Frontier	33
Assessing the Development Effectiveness of RCI	36
The Rationale and Potential for Results- and Policy-based RCI Operations	39

Foreword

Every 2–3 years, the regional cooperation and integration (RCI) thematic community of the Asian Development Bank (ADB) hosts a conference to connect with stakeholders in Asia and the Pacific, share knowledge, and agree on delivering innovative change initiatives. The 2019 conference focused on new cross-border trade and investment drivers, mitigating in-country inequalities, and promoting inclusive livelihood opportunities from socially and environmentally sustainable economic growth. An unsteady world provides the context for ADB's new operational priorities, namely Strategy 2030 approved in 2018 and Strategy 2030's Operational Plans approved in 2019. They reaffirm a commitment to RCI, a hallmark of ADB for more than 50 years.

In the late 1950s and early 1960s, the need to attract investment funds and synchronize national development plans for economic integration led to proposals of a new “Asian Trade and Development Bank,” as recounted in *Banking on the Future of Asia and the Pacific: 50 Years of the Asian Development Bank*, a book written by Peter McCawley in 2017. At the time, regional integration had become a popular policy instrument in developing countries and emerging markets to exploit economies of scale by expanding domestic markets and connecting them with the global market. When representatives of 31 governments signed the ADB foundation documents in 1966, Article 2 of its Charter directed the new organization to promote intraregional trade and assist members in coordinating their development policies. ADB's first Regional Cooperation Policy in 1994 served as a framework for viewing development issues and developing member country (DMC) initiatives through the lens of regional cooperation, to reinforce the distinctive role for ADB in support of regional cooperation, and to guide ADB's decision making.

ADB has advanced regionalism over the past 3 decades using a bottom-up approach, building on subregional cooperation efforts. Assisting its DMCs to reap the benefits of globalization and lower costs provided the rationale for promoting RCI in subregions. ADB launched the Greater Mekong Subregion (GMS) Program, the Central Asia Regional Economic Cooperation (CAREC) Program, and the South Asia Subregional Economic Cooperation (SASEC) Program. These programs have three interrelated components: relationships, knowledge, and investment. They have progressed at different speeds and can serve as building blocks for an eventual broader and more unified regional cooperation architecture.

The 2006 RCI Strategy supported ADB's overarching goal of poverty reduction through collective actions, with a focus on cross-border infrastructure (Pillar 1), trade and investment (Pillar 2), monetary and financial cooperation (Pillar 3), and regional public goods, such as preventing communicable diseases and environmental degradation (Pillar 4). In response to the increasing demand for knowledge products and capacity development to support investment projects in these strategic areas, ADB established the RCI Fund in 2007 to facilitate the pooling and provision of additional financial and knowledge resources. By 2019, the fund had helped to invest \$73.5 million in 96 technical assistance projects, of which 70 were completed and 26 ongoing. It produced some high-impact knowledge products, including regional strategies and master plans, and provided a platform for knowledge and experience-sharing for policy and capacity development in the region.

RCI became one of the three strategic pillars of ADB's Strategy 2020, approved in 2008. This recognizes the need for Asia and the Pacific to pursue "open regionalism," keeping trade and investment links open with the rest of the world. ADB's Strategy 2020 also aimed to increase RCI in all operational areas and increase assistance for RCI to at least 30% of total activities by 2020. The midterm review of this strategy in 2016 highlighted the need for a "second generation RCI" agenda based on the connectivity between economies and markets to promote competitiveness and address shared resilience and vulnerability issues.

In March 2012, ADB and the Government of the People's Republic of China (PRC) organized the first Pan-Asia Conference on RCI in Kunming, Yunnan Province. By then, ADB, its DMCs, and development partners had jointly mobilized more than \$35 billion for RCI investment and TA projects and programs. ADB's Asian Economic Integration Report introduced a composite index in 2017—the Asia and Pacific Regional Cooperation and Integration Index (ARCII)—to measure the degree of RCI in the Asia and Pacific region. The aim of the ARCII was to assess the extent to which each economy is integrated into the region, identify the strengths and weaknesses of multiple regional integration drivers, and track progress comprehensively and systematically.

The United Nations has recognized partnerships and cooperation as essential tools to support national efforts in implementing the 2030 Agenda for Sustainable Development. ADB's Operational Plan for Regional Cooperation and Integration, 2016–2020 anticipates RCI's contribution to the Sustainable Development Goals (SDGs)—particularly those focusing on poverty (SDG1), health (SDG3), energy (SDG7), the economy (SDG8), infrastructure (SDG9), inequality (SDG10), climate (SDG13), and institutions (SDG16). Implementing the operational plan's directions on inclusive business, trade, and investment facilitation involving small and medium-sized enterprises, along with mitigating cross-border human trafficking, will contribute to gender equality (SDG5). ADB seeks to mainstream gender policy and action plans in RCI operations.

The global and regional environment in which RCI operates today is quite different from the launch period of subregional cooperation in the 1990s. Changing economic and geopolitical conditions, unequal distribution of RCI benefits, and the impact of climate change increasingly pose challenges to DMCs in realizing the value of RCI. In July 2018, ADB approved a new long-term corporate strategy, Strategy 2030, which sets out the institution's broad vision and strategic response to the evolving needs of Asia and the Pacific through seven operational priorities. One of them is Operational Priority 7 (OP7): Fostering Regional Cooperation and Integration. The RCI Operational Plan for 2019–2024 was presented and discussed in the first session of the conference.

ADB has generated, consolidated, and spread knowledge and information about RCI. With management's endorsement, ADB has upgraded the organization's RCI skills, capabilities, and related career development and further improved corporate-wide RCI reporting and accountability. ADB has served as a catalyst and "honest broker" among RCI stakeholders, a financier of RCI for many DMCs, a knowledge provider, and a promoter of their institutional capacity. Whether these roles of ADB are still suitable for responding to new RCI challenges was an underlying theme of the 2019 conference. The purpose of the conference was to reaffirm the importance of RCI for economic development in the region and to discuss innovative responses to new challenges to build momentum for RCI in an unsteady and increasingly unpredictable world. This document records the contributions of speakers and panelists, provides information on session background and discussion highlights, and quotes

insights and voices at the end of each session. It can serve as a reference for research studies that seek to improve the understanding of current and future RCI challenges. The expectation is that it will also contribute to the development effectiveness of ADB's RCI interventions.

I thank the organizers and all participants for making the conference a great success.

Bruno Carrasco

Director General concurrently Chief Compliance Officer
Sustainable Development and Climate Change Department
Asian Development Bank

Acknowledgments

The Regional Cooperation and Integration Thematic Group in the Sustainable Development and Climate Change Department of the Asian Development Bank prepared these conference proceedings under the overall supervision of Ronald Antonio Butiong, chief of the RCI Thematic Group and chair of the RCI Thematic Committee. Yuebin Zhang (principal regional cooperation specialist) led and coordinated the overall preparation, assisted by Melanie Pre (operations analyst), Rosalie A. Arboleda (senior operations assistant), Wilhelmina T. Paz (economist, regional cooperation), and Blessie Marie Sto. Tomas (consultant).

Peter L. Fedon (consultant) completed and edited the draft of the conference proceedings. Christopher MacCormac (consultant) and Blessie Marie Sto. Tomas contributed to background materials and provided administrative support. The proceedings benefited from comments by Anna Fink (country economist, Indonesia Resident Mission).

The publishing team of the Department of Communications provided production support, including typesetting and layout, cover design, and editorial services.

Abbreviations

ADB	Asian Development Bank
AEC	ASEAN Economic Community
AMRO	ASEAN+3 Macroeconomic Research Office
APEC	Asia and Pacific Economic Cooperation
ARCII	Asia and Pacific Regional Cooperation and Integration Index
ASEAN	Association of Southeast Asian Nations
CAREC	Central Asia Regional Economic Cooperation
CPS	country partnership strategy
CPTPP	Comprehensive and Progressive Trans-Pacific Partnership Agreement
FTA	free trade agreement
GDP	gross domestic product
GHG	greenhouse gas
GIS	geographical information system
GMS	Greater Mekong Subregion
ICT	information and communication technology
IED	Independent Evaluation Department
OP7	Operational Priority 7
PBL	policy-based lending
PPP	public-private partnership
PSOD	Private Sector Operations Department
RBL	results-based lending
RCEP	Regional Comprehensive Economic Partnership
RCI	regional cooperation and integration
RPG	regional public good
RRP	report and recommendation of the President
RTA	regional trade agreement
SAARC	South Asian Association for Regional Cooperation
SASEC	South Asia Subregional Economic Cooperation

SCO	Shanghai Cooperation Organization
SDG	Sustainable Development Goal
SMEs	small and medium-sized enterprises
TFA	Trade Facilitation Agreement
TPU	trade policy uncertainty
WTO	World Trade Organization

Introduction

Implementing Operational Priority 7 of ADB's Strategy 2030: Fostering Regional Cooperation and Integration

Regional cooperation and integration (RCI) is a practical approach to achieving common goals for mutual benefit between neighboring countries. The sheer number of signed free trade agreements (FTAs) during the last 30 years is just one of the indicators of RCI's attractiveness. The *Asian Economic Integration Report 2018* of the Asian Development Bank (ADB) confirms “a broadly steady, yet modestly strengthening, trend of regional integration in Asia and the Pacific over 2006–2016. Infrastructure and connectivity appear to be the firmest and most stable foundation for regional integration in Asia and the Pacific. However, over time, trade and investment have strengthened as a major contributor to regional integration.”¹

The Charter of ADB mandates the organization to support the national and regional development of its members. ADB's RCI operations contribute to the economic and social development of its developing member countries (DMCs) by improving infrastructure connectivity across countries and markets, enhancing the competitiveness of DMCs' trade and industries, promoting regional public goods (RPGs), supporting collective action among DMC governments and other stakeholders, and fostering greater private sector participation in cross-border trade and investment.

It aims to improve people's mobility across borders, strengthen the provision of RPGs, and open channels for cross-border cooperation on health and education policy. ADB has been implementing its long-term corporate Strategy 2030 (S2030) since July 2018. S2030 sets out what ADB should do and why, and it establishes seven operational priorities. Operational plans guide the implementation of each priority. One of them is Strategy 2030 Operational Plan for Priority 7: Fostering Regional Cooperation and Integration, 2019–2024 (OP7) approved in October 2019.

OP7 stipulates that ADB will (i) invest in high-quality connectivity infrastructure using state-of-the-art technology and innovation; (ii) support global and regional trade and investment agreements to expand global and regional trade and investment opportunities, develop existing and or new cross-border economic corridors, and bolster regional financial cooperation and stability; (iii) expand cross-border trade of renewable energy as a regional public good (RPG) to reduce greenhouse gas (GHG) emissions and pollution in the transport sector; (iv) combat cross-border transmission of infectious and communicable diseases, which represents a critical RPG during the coronavirus disease (COVID-19) pandemic; (v) expand knowledge-based operations that support policy dialogue in new sectors or

¹ ADB. 2018. *Asian Economic Integration Report 2018*. October. p. viii.

Conference participants. RCI experts and practitioners from across the region gather for the RCI Conference 2019 (photo by Felizardo Tanabe II/ADB).

subsectors in the framework of ADB-assisted RCI subregional programs; and (vi) recognize the growing importance of non-state actors and large urban areas in promoting innovation and diversity.

OP7 recognizes existing disparities between coastal and interior regions, urban and rural areas, and important production centers and lagging border areas. It acknowledges that the benefits of integration have not always been inclusive. Mitigating the risk of widening inequality, therefore, requires trade and investment that is more inclusive. Cooperation across national boundaries is also a prerequisite to addressing undeniable environmental and climate challenges and health risks due to the increased mobility of people. To help ADB respond to these challenges, OP7 suggests innovative knowledge products, including business research and pilot projects. It also proposes to expand the number and diversity of external RCI partnerships and to use spatial and skill-based RCI approaches (e.g., economic corridor development) to generate more comprehensive economic benefits for a larger group of beneficiaries. OP7 advocates integrated solutions combining expertise across various sectors and themes while considering the S2030 operational priorities.²

² The six S2030 priority areas, in addition to RCI, are as follows: addressing the remaining poverty and reducing inequalities; accelerating progress in gender equality; tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability; making cities more liveable; promoting rural development and food security; and strengthening governance and institutional capacity.

Therefore, the RCI Conference 2019 represented a timely knowledge-sharing event, convening important international stakeholders who supported RCI as a vital driver of development in Asia and the Pacific. Bearing in mind the apparent risks of RCI, the downward trend of global trade and investment in 2018 and 2019, as well as an emerging pattern of trade conflict and protectionism, the RCI Conference 2019 sought to encourage increased RCI efforts supported by ADB and its development partners. The conference advocated for applying innovative RCI instruments to simultaneously advance economic, environmental, and human welfare objectives to benefit all regional citizens. RCI stakeholders will need to commit to a range of enduring collective actions to achieve this.

Unlike previous RCI conferences, the 2019 presentations and discussions focused heavily on (i) reasserting the essential vantage points of RCI in a changing and unsteady world as mirrored in detailed session background information; (ii) looking into a new future that carries different expectations from predominantly middle-income clients and demands compliance with evolving social, environmental, and other global standards; (iii) using OP7 directions to articulate relevant operational approaches for coping with this future; (iv) substantially increasing the involvement of private sector operations in RCI, supported by a One ADB approach and guided by advice from private-investor conference participants; and (v) rebalancing ADB RCI portfolios and tasks between private sector operations and sovereign operations of regional departments.

Conference Program

REGIONAL COOPERATION AND INTEGRATION THEMATIC GROUP

RCI Conference 2019

“Fostering Asian Regional Cooperation and Open Regionalism in an Unsteady World”

Auditoriums C and D, Asian Development Bank Headquarters, Manila, Philippines
27–28 November 2019

PROGRAM

DAY 1, 27 NOVEMBER 2019	
8:00–8:30 a.m.	REGISTRATION
8:30–9:00 a.m.	Keynote Address: “Fostering Regional Cooperation and Integration Across the Asia and Pacific Region” Bambang Susantono Vice-President for Knowledge Management and Sustainable Development Asian Development Bank (ADB)
9:00–9:55 a.m.	Session I: Strategic Implementation of RCI and Achieving Measurable Results in ADB’s Developing Member Countries
	<p>This session presents and discusses strategic implementation of ADB’s new Operational Plan, “Fostering Regional Cooperation and Integration” for the period 2019–2024, to achieve results that are aligned with ADB’s long-term corporate-wide Strategy 2030.</p> <p>Remarks: Shixin Chen Vice-President for Operations 1, Asian Development Bank</p> <p>Diwakar Gupta Vice-President for Private Sector Operations and Public–Private Partnerships, Asian Development Bank</p> <p>Moderator: F. Cleo Kawawaki Deputy Director General Office of the Director General Southeast Asia Department Asian Development Bank</p>

continued on next page

Table continued

DAY 1, 27 NOVEMBER 2019	
9:55–10:00 a.m.	Group Photo (Courtyard)
10:00–10:30 a.m.	Coffee / Tea Break (Auditorium C and D Gallery)
10:30–12:30 p.m.	Session II: Global and Regional Trade and Investment Outlook and the Status of Key Regional and Multilateral Trade Agreements
	<p>This session provides a regional and global outlook for trade and investment, including a focus on the status of regional and multilateral agreements and their implications for RCI in the region.</p> <p>Presentation (1): <i>“Impact of the Trade Tension on Regional and Global Outlook for Trade and Investment”</i> Joseph Zveglic, Deputy Chief Economist Economic Research and Regional Cooperation Department Asian Development Bank</p> <p>Presentation (2): <i>“Regional and Multilateral Trade Agreements”</i> Florian Alburo, Professor Emeritus University of the Philippines School of Economics</p> <p>Panel Discussion:</p> <p>Topic 1: Trade tension and the weakening of the rules-based order: Implications for Asia and Pacific region.</p> <p>Topic 2: How will the trade and investment agendas of the main Asia and Pacific region trade-related groupings of countries evolve over the next 3–5 years, (e.g., APEC, AEC, ASEAN+3/ASEAN+6 [RCEP], SAARC, SCO) in light of global trade tensions?</p> <p>Topic 3: How should ADB evolve its engagement with Asia and Pacific’s trade-related groupings and organizations? What should be the priority issues for engagement?</p> <p>Panelists:</p> <p>Rajat Kathuria Director and CEO Indian Council for Research on International Economic Relations</p> <p>Florian Alburo Professor Emeritus University of the Philippines School of Economics</p> <p>Barath Harithas Director Asia Business Trade Association</p> <p>Joseph Zveglic Deputy Chief Economist Economic Research and Regional Cooperation Department, Asian Development Bank</p> <p>Xiaoqin Fan Director Public Management, Financial Sector, and Trade Division East Asia Department, Asian Development Bank</p>

continued on next page

Table continued

DAY 1, 27 NOVEMBER 2019	
	<p>Alfredo Perdiguero Director Southeast Regional Cooperation Division, Southeast Asia Department, Asian Development Bank</p> <p>Question and Answer Segment</p> <p>Moderator: Ramesh Subramaniam Director General Southeast Asia Department, Asian Development Bank</p>
12:30–2:00 p.m.	Lunch (EDR Coffee Lounge)
2:00–4:00 p.m.	Session III: Investing in RCI in the Asia and Pacific Region—Perspectives of the Public and Private Sectors
	<p>This session discusses investment in greater and more diverse RCI in Asia and the Pacific from both the public sector and private sector perspectives—their respective cross-border priorities and preferred outcomes, how they can work effectively across borders, and the unique opportunities and challenges of economic cooperation across two or more subregions of the Asia and Pacific region.</p> <p>Presentation (1): <i>“Investing in RCI in Asia and Pacific region—Perspectives of the Public and Private Sectors”</i></p> <p>Jackie Surtani, Director Infrastructure Finance Division 2 Private Sector Operations Department Asian Development Bank</p> <p>Panel Discussion:</p> <p>Topic 1: How can RCI support the agendas of government and private sector leaders and advance economic, social, and environmental development in the Asia and Pacific region? What unique outcomes and benefits does RCI offer for both the public and private sector in the region?</p> <p>Topic 2: Are there adequate inter-country public and private sector coordination mechanisms or regional entities to foster, plan, and implement RCI projects in the region? If not, what needs to be done?</p> <p>Topic 3: How can ADB support the region’s public and private sectors to advance more intersubregional RCI, for example, between Southeast Asia and South Asia, especially private sector/public-private partnership (PPP)-type RCI investment?</p> <p>Panelists:</p> <p>Ana Chkhaidze Head of Economic Analysis and Reforms Department Ministry of Economy and Sustainable Development of Georgia</p> <p>Yan Yan Director Division of Foreign Capital Utilization and Overseas Investment Guangxi Development and Reform Commission Peoples Republic of China</p>

continued on next page

Table continued

DAY 1, 27 NOVEMBER 2019	
	<p>Mark Wong Chief Finance Officer Kacific Broadband Satellites</p> <p>Varut Tummavaranukub Chief Executive Officer Sermuang Power Corporation</p> <p>Virgilio C. Rivera, Jr. Chief Operating Officer New Business Operations, Manila Water Company, Inc.</p> <p>Jackie Surtani Director Infrastructure Division 2 Private Sector Operations Department Asian Development Bank</p> <p>Question and Answer Segment</p> <p>Moderator: Xianbin Yao Special Senior Advisor to the President Asian Development Bank</p>
4:00–4:15 p.m.	<p>Concluding Remarks Arjun Goswami Chief, Regional Cooperation and Integration Thematic Group Sustainable Development and Climate Change Department Asian Development Bank</p>
5:00 p.m.–6:00 p.m.	Cocktails (Auditorium C and D Gallery)
DAY 2, 28 NOVEMBER 2019	
8:30–9:00 a.m.	REGISTRATION
9:00–11:00 a.m.	Session IV: RCI and Ocean Health: The New Frontier
	<p>Regional cooperation is required for implementing initiatives aimed at improving and sustaining Oceans Health. This session demonstrates the importance of working together. The Pacific Department will moderate a session on RCI and Oceans Health, as oceans are what connect us, and in the Pacific, it lies at the heart of the <i>Framework for Pacific Regionalism</i>. It fosters RCI by garnering blue economy opportunities, strengthening governance and institutional capacity and building climate and disaster resilience, and enhancing environmental sustainability.</p> <p>Presentation: “ADB and Healthy Oceans: A Regional Agenda”</p> <p>Bruce Dunn Director Safeguards Division, Sustainable Development and Climate Change Department, Asian Development Bank</p>

continued on next page

Table continued

DAY 2, 28 NOVEMBER 2019	
	<p>Panel Discussion:</p> <p>Topic 1: What types of partnerships are important in advancing RCI initiatives around Oceans Health?</p> <p>Topic 2: What has worked well or not so well? What progress has been made in your organization?</p> <p>Topic 3: What is needed to advance the Oceans Health agenda?</p> <p>Panelists:</p> <p>Bruce Dunn Director Safeguards Division, Sustainable Development and Climate Change Department, Asian Development Bank</p> <p>H.E. David Strachan New Zealand Ambassador to the Philippines</p> <p>Nenenteiti Teariki-Ruatu Director Environment and Conservation Division, Ministry of Environment, Lands and Agricultural Development of Kiribati</p> <p>Henri Blas Head of Resilience Finance Asia Pacific at 100 Resilient Cities - Pioneered by the Rockefeller Foundation</p> <p>Norio Saito Director South Asia Urban Development and Water Division, South Asia Department, Asian Development Bank</p> <p>Anouj Mehta Principal Infrastructure Specialist Southeast Asia Department, Asia Development Bank</p> <p>Question and Answer Segment</p> <p>Moderator: Ma. Carmela Locsin Director General Pacific Department, Asian Development Bank</p>
11:00–11:15 a.m.	Coffee / Tea (Auditorium C and D Gallery)
11:15–12:30 p.m.	Session V: Assessing the Development Effectiveness of RCI
	<p>Evidencing the economic benefits of RCI has become more important for results measurement and to sustain the engagement of stakeholders. This session presents three examples within and outside ADB on how to promote the effectiveness of regional cooperation. ADB's Independent Evaluation Department (IED) will share how they use real-time updates of IED findings and lesson learned related to RCI projects. Next, ADB shows project mapping and use of night light data to provide transparent information and indicative measurement of the impact of regional cooperation when there are limits to other reliable information. Finally, Nuctech shows how digitization can help trade facilitation and global and regional value chains.</p>

continued on next page

Table continued

DAY 2, 28 NOVEMBER 2019	
	<p>Presentation (1): <i>“Application of Geospatial Data in Evaluation”</i> Toshiyuki Yokota, Principal Evaluation Specialist Independent Evaluation Department Asian Development Bank</p> <p>Presentation (2): <i>“Project Mapping”</i> Jules Hugot, Young Professional Office of the Director General, PSOD Asian Development Bank</p> <p>Presentation (3): <i>“Applications of Spatial Mapping in the GMS”</i> Pinsuda Alexander, Economist (Regional Cooperation), Southeast Regional Cooperation Division, Southeast Asia Department Asian Development Bank</p> <p>Presentation (4): <i>“Impact of Technology Innovations vis-à-vis Challenges in Trade Facilitation and Global Value Chains”</i> Jonathan Koh, Senior Advisor Nuctech Company</p> <p>Panelists: Diwesh Sharan Deputy Director General South Asia Department, Asian Development Bank</p> <p>Thomas Abell Chief, Digital Technology for Development Sustainable Development and Climate Change Department, Asian Development Bank</p> <p>Toshiyuki Yokota Principal Evaluation Specialist Independent Evaluation Department Asian Development Bank</p> <p>Pinsuda Alexander Economist (Regional Cooperation), Southeast Regional Cooperation Division, Southeast Asia Department Asian Development Bank</p> <p>Jonathan Koh Senior Advisor Nuctech Company</p> <p>Question and Answer Segment</p> <p>Moderator: Amy Leung Director General East Asia Department, Asian Development Bank</p>
12:30–2:00 p.m.	Lunch (EDR Coffee Lounge)

continued on next page

Table continued

DAY 2, 28 NOVEMBER 2019	
2:00–4:00 p.m.	<p>Session VI: The Rationale and Potential for Results or Policy-based RCI Operations</p> <p>This session discusses the relevance and potential benefits of using results-based lending (RBL) and policy-based lending (PBL) to advance implementation of DMCs' policy reforms supporting RCI, and to strengthen single-country and multilateral dialogue with DMCs on RCI.</p> <p>Panel Discussion:</p> <p>Topic 1: Going forward, what are the priority sectors and economy-wide policy areas for using RBL and PBL operations; for example, agriculture, information and communication technology/digital trade, "green" technologies and services, economic corridors, cross-border professional or skilled labor mobility, SME's competitiveness for export, customs regulations and procedures? Would results-based and policy-based lending be particularly relevant for advancing intersubregional RCI—by harmonizing trade and investment but also climate, environmental policy, and regulations across subregions of the Asia and Pacific region?</p> <p>Topic 2: What has been the experience of development finance partners with RBL and PBL to advance RCI in the region? What are the key lessons learned so far?</p> <p>Topic 3: How can RCI platforms be best used for generating innovative RBL and PBL operations?</p> <p>Panelists:</p> <p>Ana Chkhaidze Head of Economic Analysis and Reforms Department Ministry of Economy and Sustainable Development of Georgia</p> <p>Jawwad Uwais Agha Member, Customs Operations, Federal Board of Revenue of Pakistan</p> <p>Mandakini Kaul Senior Regional Cooperation Officer for South Asia The World Bank</p> <p>Duncan Overfield Deputy Head Department for International Development Asia Regional British High Commission</p> <p>Jose Antonio Tan III Director Public Management, Financial Sector and Trade Division, Southeast Asia Department, Asian Development Bank</p> <p>Question and Answer Segment</p> <p>Moderator: Werner Liepach Director General Central and West Asia Department, Asian Development Bank</p>
4:00–4:15 p.m.	<p>Concluding Remarks</p> <p>Arjun Goswami Chief, Regional Cooperation and Integration Thematic Group Sustainable Development and Climate Change Department Asian Development Bank</p>

Conference Highlights

ADB Vice-President Bambang Susantono

“Fostering Regional Cooperation and Integration Across the Asia and Pacific Region”

**Excellencies,
Distinguished Guests,
ADB Colleagues,
Ladies and Gentlemen,**

On behalf of ADB, I am honored to welcome you to the RCI Conference 2019. I am encouraged to see strong participation of our member governments, private sector, partner agencies, academic and research institutions, and ADB colleagues from both operations and specialized knowledge units. This is particularly timely since ADB adopted the RCI Operational Plan just last month under the new Strategy 2030.

Keynote Address. ADB Vice-President for Knowledge Management and Sustainable Development Bambang Susantono delivering the keynote address (photo by Felizardo Tanabe II/ADB).

How RCI began in Asia

After the Second World War, the motivation of countries in the region for seeking RCI for short was for peace and stability in Asia and the Pacific region, and for the creation of an environment of mutual trust that allowed countries to deepen economic cooperation and interdependence. Over time, the focus of RCI shifted to the enhancement of cross-border economic opportunities.

As this evolution occurred, RCI became a natural area of partnership with ADB. From the outset, the commitment to support RCI was part and parcel of the mission of ADB and was enshrined in the Articles of Agreement of its birth document, the Charter, in 1966.

ADB started promoting the RCI agenda through subregional cooperation programs, beginning with the Greater Mekong Subregion (GMS) Program established in 1992. Subsequently, in 1997, the Central Asia Regional Economic Cooperation (CAREC) Program was launched, and in 2001, the South Asia Subregional Economic Cooperation (SASEC) Program was established.

What all these programs had in common was their initial thrust on basic connectivity in transport and energy. This was designed to help create larger cross-border markets by enabling infrastructure connectivity between them.

Over time, trade liberalization started with East and Southeast Asia. This, combined with the lowering of transport costs and better trade facilitation, led to enhanced participation in global value chains and accelerated economic integration. As the integration grew, the RCI agenda also grew to mitigate the negative impacts of connectivity on regional health outcomes and the environment.

Significant trade and investment-driven growth demanded deeper financial integration. In the absence of sound financial regulation, this exposed the region to risks. The Asian Financial Crisis in 1997 was a turning point in East and Southeast Asian regionalism, thus encouraging financial and monetary cooperation among the ASEAN+3, which includes the 10 ASEAN member countries, the People's Republic of China (PRC), Japan, and the Republic of Korea. It resulted in initiatives, such as the Chiang Mai Initiative, the ASEAN+3 Macroeconomic Research Office, and the Asian Bond Market Initiative in the late 1990s and early 2000s, which aimed at improving safety nets and regional surveillance, and enhancing long-term bond market financing. The importance of this was shown in the aftermath of the Global Financial Crisis of 2008 where Asia weathered the crisis better, further strengthening the ASEAN+3 initiatives, the efforts of which were supported by ADB.

Drivers of RCI's Evolution: Growth Slowdown in the Advanced Economies

The current international and regional economic context for economic growth, trade and investment, and technological disruptions on digital trade, however, no longer allows for RCI as it was in the 1990s and 2000s to fuel economic resilience. At that time, basic connectivity and mere reliance on merchandise goods trade liberalization and old "Factory Asia" global value chains were sufficient.

Trade policy uncertainty is driving down aggregate growth in the major advanced economies, which is now forecast to decline from 2.2% in 2018 to 1.7% in 2019 and 1.4% in 2020. Growth of world trade has decelerated sharply over the past year from 4.6% in 2017 to 3.0% in 2018. For most developed and developing regions, trade growth has not only weakened compared with 2018 but has also fallen well below the average growth rate between 2012 and 2017. The global inward foreign direct investment (FDI) in 2018 was estimated to be \$ 1.3 trillion, a 13.4% contraction from \$ 1.5 trillion in 2017.

Drivers of RCI's Evolution: Declining Growth Prospects in Developing Asia

Growth in developing Asia is projected to soften from 5.9 % in 2018 to 5.5% in 2020. The trade conflict between the PRC and the United States (US) is still the primary risk to the region's economic outlook, with protracted negotiations propelling further global trade uncertainty. Further economic slowdown in advanced economies and the PRC, as well as financial volatility, presents additional downside risks to the regional economic outlook.

Drivers of RCI's Evolution: Rising Integration in the Region with Varying Levels of Progress

In 2018, 58% of trade and 48% of FDI in Asia were from within the region, indicating the importance of intraregional trade and investment growth. However, ADB's Asia and Pacific Regional Cooperation and Integration Index (ARCII) published in our annual Asian Economic Integration reports also show varying levels of progress across six different dimensions of RCI between East and Southeast Asia when compared with South Asia, Central Asia, and the developing Pacific. The imperatives of reinforcing regional trade and investment growth and serving the mobility of people by reducing variances in regional economic integration progress in different parts of the region warrant a new approach to connectivity.

Drivers of RCI's Evolution: The Inequality Paradox

Regional trade and investment have been important drivers of poverty reduction in the region. However, we must recognize that globalization and integration have been criticized in and outside the region as exacerbating inequality, contributing to social instability, and fueling protectionist measures by some countries and a retreat from multilateral trade rules. Over a 20-year period, 1995–2015, the Asia and Pacific region experienced a positive decline in overall between-country inequality. At the same time, there has been a rise of within-country inequality in the region. While the research on trade, growth, and inequality indicates that this relationship is complicated, the rise of in-country inequalities in the region warrants promotion of more inclusive trade and investment.

Drivers of RCI's Evolution: Growing Environmental Challenges in Asia

Economic growth, demographic pressure, and rapid urbanization have caused Asia and the Pacific region to become a major source of GHG emissions. A comparison of environmental performance across 37 DMCs shows that a majority of DMCs had challenges with stress on transboundary water security, quality of forest and arable land, and serious health issues related to atmospheric pollution. These tend to disproportionately impact the poor and disadvantaged. As such public goods challenges do not respect borders, regional cooperation is necessary to limit further environmental deterioration and mitigate the effects of GHG emission.

Operational Priority 7

To respond to these challenges, ADB has renewed its commitment to regional cooperation and integration in its Strategy 2030 and broadened the scope of interventions as indicated in the new RCI Operational Plan, endorsed by our Board in October 2019. The operational plan provides opportunities to deepen regional integration for greater resilience, inclusion, and sustainability by capitalizing on the rising prospects for cooperation to enable mutual prosperity in the region. The plan has three focus areas. Let me now turn to these.

Promoting Greater and High-Quality Connectivity: Public-Private Partnership for Meeting Asia's Infrastructure Needs

The first focus is on promoting greater and high-quality connectivity. Surface and maritime freight is expected to double by 2035; aviation demand is expected to do so within just 10 years. Globally, the number of travelers crossing international borders each year is expected to increase to 1.8 billion in 2030, an increase of 50% from the level in 2018. The fastest growth in tourism has been within the region, where it has expanded 2.7 times between 2009 and 2018, faster than the expansion of international travel.

This increased demand is widening the already large connectivity infrastructure gap. The 2017 ADB infrastructure report estimated that around \$26 trillion would be required from 2016 to 2030 for meeting the region's infrastructure needs, including for gaps in multimodal transport connectivity in roads, rail, airports and ports, clean energy connectivity, and digital connectivity. Following G20 principles, this will need to be high quality in terms of incorporating the latest technology; soft infrastructure agreements; financial, economic, social, and environmental soundness; and a reduced carbon footprint. The investment required is so large that the public sector alone will not be able to finance it, with at least 60% needed from the private sector. Drawing on private sector expertise and skills can also deliver higher quality, better operational performance, and risk sharing.

Now let me highlight some concrete examples.

Promoting Greater and High-Quality Connectivity: Patience, Perseverance, and Persistence

For example, since 2001, ADB has been supporting regional energy trade through development of a regional pipeline that aims to export up to 33 billion cubic meters of natural gas per year from the landlocked Turkmenistan to the potentially sizable market in South Asia. ADB proposes to provide partial credit guarantees to the holding company of the pipeline to crowd in financing from commercial banks.

Promoting Greater and High-Quality Connectivity: Innovations in Digital Connectivity

Digital connectivity is another area that is becoming important. In 2017, 12% of physical trade of goods was conducted via international business-to-consumer and business-to-business e-commerce. Estimates in 2019 of digitally enabled trade vary between \$800 billion and \$1.5 trillion, currently a small share of total trade; however, digitally enabled trade categories are growing faster than trade overall. ADB is trying to ensure that no part of the region gets left behind.

In 2019, ADB approved a loan to Kacific Broadband Satellites International, a Singapore-based company focused on delivering affordable broadband internet to underserved, remote areas of Asia and the Pacific where there is currently no or limited internet coverage. This will give these regions better access to information, communication, and social and economic opportunities.

Expanding Global and Regional Trade and Investment Opportunities: Implementing Agreements

The second focus is on expanding global and regional trade. While connectivity creates opportunities, these need to be harnessed to create new cross-border economic activity that deliver inclusive jobs and growth.

I would like to note that the outlook for strengthening regional economic integration through cooperation across the region is positive, as countries in the region continue to develop and implement regional trade and investment agreements, such as the ASEAN Economic Community, and megaregional agreements like the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and the Regional Comprehensive Economic Partnership, or RCEP, which may be approved in 2020. RCEP potentially includes more than 3 billion people or 45% of the world's population, and a combined GDP of about \$21.3 trillion, accounting for about 40% of world trade. By consolidating FTAs, megaregional agreements can simplify complex provisions for the benefit of smaller enterprises.

ADB will continue to support trade agreements across the Asia and Pacific region by emphasizing more robust implementation of those agreements. This will include minimizing not only tariff but also nontariff barriers, the implementation of provisions for improving border agency capacities, and knowledge sharing and introduction of best practices globally, benefiting those small business users of agreements who have less resources and experience. For example, in South Asia we are developing a program to support effective implementation of the World Trade Organization (WTO) Trade Facilitation Agreement and improve the enabling environment for trade in Bangladesh. The program will also include a component to establish and improve border infrastructure to reduce the cost and time of cross-border transactions.

Expanding Global and Regional Trade and Investment Opportunities: Inclusive Business

At ADB, we have reaffirmed under our new RCI Operational Plan that support for RCI should try to ensure greater inclusion of all sections of the economy. There is a particular focus on ensuring that the benefits from integration flow to sections that hitherto have benefited less, such as women-led enterprises, smallholder farmers and small and medium-sized enterprises (SMEs).

A good example of this approach is the technical assistance we are running together with Olam International, a company that ADB has invested in to benefit 3,000 smallholder coffee farmers in Papua New Guinea through registering them into the Olam Farmer Information System by improving the productivity and quality of crops and meeting international certification standards. The TA, which involves building on-the-ground relationships with farmers, designing training programs on good agricultural practices, integrated pest management, and setting up and running of a series of coffee demo plots, will help these farmers fully benefit from their inclusion in the coffee value chain through higher productivity and better prices.

Strengthening Cooperation on Regional and Global Public Goods for Sustainability: Climate Change

The third focus is on increasing and diversifying RPGs. Asia has the largest number of climate-vulnerable people worldwide and experiences average daily losses of \$200 million because of disasters. There is a strong need for regional cooperation on climate change and on protecting our shared natural resources.

Countries of the Asia and Pacific region were particularly important contributors to reaching the unprecedented international agreement at the 21st Conference of the Parties to the UN Framework Convention on Climate Change.

Our RCI operational plan will strengthen regional capacity to mitigate and adapt to climate change. We will promote diversified and coordinated urban sector interventions for innovative solutions to improve air quality in cities, going beyond nonmarket mechanisms to develop domestic carbon market mechanisms and emission-trading schemes, and linking these domestic markets to one another. We will provide other support for policy actions to improve regional disaster risk management, and to provide DMCs with a source of contingent financing to cover medium-level risks.

Strengthening Cooperation on Regional and Global Public Goods for Sustainability: Healthy Oceans and Sustainable Blue Economies

RCI will play a key role in implementing ADB's "Ocean Health Action Plan" that promotes "blue economy" opportunities through the sustainable development of tourism, fisheries, and coastal resources through regional and subregional cooperation programs on transboundary water bodies and marine ecosystems. In Southeast Asia and across the region, we are taking a "source-to-sea" approach by supporting national and city action planning, policy and regulatory reform, pilots, pipeline development, and investment preparation in integrated solid waste management systems and circular economy interventions, as well as facilitating knowledge sharing, regional cooperation, and promoting technology and innovation.

Strengthening Cooperation on Regional and Global Public Goods for Sustainability: Promoting New Regional Finance Instruments

All of this will require financing. ADB is creating new financial instruments to advance the goal of sustainability. In April 2019, we launched the \$1 billion ASEAN Catalytic Green Finance Facility to provide loans and necessary TA for sovereign green infrastructure projects in sustainable transport, clean energy, and resilient water systems; and to catalyze private capital. ADB has also supported the issuance of the first certified Climate Bonds in the Philippines and Thailand. These enable ADB to support its DMCs seeking to mitigate GHG emissions and adapt to the consequences of climate change, while delivering environmentally sustainable growth.

Taking Advantage of the RCI Conference

So, ladies and gentlemen, let us all work together to deepen RCI in Asia and the Pacific—ADB, government, the private sector, and development partners. There are opportunities for everyone to contribute and benefit.

Let me conclude my remarks by encouraging everyone here to participate actively in each of the six sessions of the conference program today and tomorrow. The conference program covers most of the areas I briefly touched upon today.

Throughout the conference we will be asking the following key questions:

How can ADB's public and private sectors reinforce the region's efforts to economically integrate and capitalize on cross-border opportunities for inclusive and sustainable growth? **What** should be ADB's role in supporting the implementation of regional trade and investment agreements? **How** can ADB promote collective action in the region on environmental sustainability? **Finally**, how can all of the above maximize tangible benefits for people?

Day 1

Session I: Strategic Implementation of RCI and Achieving Measurable Results in ADB's Developing Member Countries

Session Background

Given prevailing downside risks to global and regional gross domestic product (GDP) growth projections, Asia needs to sustain new regional and global trade and investment-driven growth. RCI instruments, such as economic corridors, railway associations, power coordination centers, and port associations, can empower new drivers of cross-border trade and investment growth, including (i) more efficient connectivity that lowers the costs of trade, (ii) digital trade and services integrated into merchandise trade, (iii) agribusiness value chains, (iv) sustainable tourism, and (v) more significant SME participation in value chains and higher value-added segments.

Measurements of inequality for the region show a decline in between-country inequality and a rise in within-country inequality (e.g., rural vs. urban, coastal vs. interior).³ RCI instruments, such as subregional border area programs and economic corridors, can promote more inclusive trade and investment approaches and access to larger cross-border markets. Emphasizing support to lagging geographic areas and women-led enterprises and ensuring environmental protection can mitigate inequality risks that fuel protectionist pressures.

Data on ocean and marine ecosystems in the region reveal that oceans become increasingly degraded and overexploited. Urbanized coastlines and eight major Asian rivers carry untreated wastewater, uncollected waste, and plastics into the oceans. Illegal fishing practices, inadequate marine governance, and climate change-induced ocean acidification and warming result in overfishing, coral reef bleaching, and loss of coastal mangroves to protect against floods.

RCI instruments, such as industry associations, specific intersubregional coordination, and regional fishing vehicles can empower ocean health drivers like green ports, regional solid waste and wastewater treatment, regional green bond financing, and sustainable fisheries value chains.

ADB's OP7 emphasizes enhanced connectivity, global and regional trade and investment, including financial cooperation, and promoting RPGs with support for collective action mechanisms, both subregional and intersubregional. Comprehensive consultations with internal and external stakeholders helped formulate OP7. Execution of OP7 requires the cooperation of (i) internal stakeholders, ADB's

³ Bihong Huang, Peter J. Morgan, and Naoyuki Yoshino, eds. 2019 *Demystifying Rising Inequality in Asia*. Tokyo: Asian Development Bank Institute.

knowledge units, and public and private sector operations; and (ii) external stakeholders, notably ADB's DMCs, the private sector, development partners, and think tanks.

Session I Considered the Following Questions:

What priority future directions for investment in connectivity does OP7 envisage?

What are the emerging needs and trends for investing in cross-border connectivity in the region? What lessons have been learned from mobilizing more private investments for connectivity? How can ADB-assisted RCI subregional programs, such as CAREC, GMS, and SASEC, best engage with potential private sector investors and systematically create attractive investment opportunities for them, including PPPs?

How will the implementation of OP7 help develop more inclusive cross-border markets in the region?

How can subregional programs help create cross-border production and market opportunities for those usually excluded, particularly women, farmers, SMEs, and lagging areas? What is needed to incentivize the private sector to make benefits more inclusive? How can ADB and its development partners help achieve this?

How will OP7 catalyze more regional public goods to raise the quality of life in the region?

How can ADB's future assistance promote RPGs, such as climate change adaptation and mitigation, coordination of education and health-related policies and investments, and ocean health? How can knowledge work become more strategic and help prioritize and better coordinate ADB's public and private sector operations to achieve a more diverse RPG portfolio?

Presentation and Panel Discussion Highlights

ADB's RCI operations will continue to be strong in connectivity. Infrastructure for physical connectivity will account for over 60% of projected sovereign operations from 2020 through 2022. ADB's connectivity approach will reflect the changing demands of DMCs and consider an evolving global infrastructure development agenda, particularly the G-20 principles for quality infrastructure investment. Besides building the principal roads and railway lines for crucial transport corridors, ADB will help fill the missing links or sections, such as feeder roads in border areas and last-mile roads, for better cross-border connectivity. ADB will also support state-owned enterprises' reforms in the transport (e.g., state railway companies) and the energy sectors (e.g., public power generation, transmission, and distribution companies) to improve corporate governance systems, profitability, and service delivery.

There has been a greater focus on improving the quality of connectivity operations:

- **Greener.** Energy infrastructure needs to become climate-friendly, and ADB will strengthen the role of renewable energy, including in cross-border power trade (e.g., the SASEC Green Power Investment Program). The greening of ports will increase the sustainability of cross-border transport infrastructure by reducing pollution.

- **Adopting advanced technologies.** Technological innovations (e.g., information and communication technology [ICT] data) need to be incorporated into transport systems to improve the movement tracking of goods and vehicles.
- **Soft infrastructure.** ADB needs to work with its DMCs to develop soft infrastructure to maximize the value of investments in cross-border physical infrastructure. Transport facilitation arrangements will smoothen the cross-border movement of goods, vehicles, and people. Harmonizing energy policies and standards is essential for developing regional power or energy markets and promoting cross-border trade of power or energy, particularly renewable energy.
- **Filling the missing links.** Besides building the principal roads and railway lines for crucial transport corridors, ADB will help fill the missing links or sections, such as feeder roads in border areas and last-mile roads, for better cross-border connectivity.

While ADB will continue to support transport and energy connectivity for less connected parts of the region, enhanced efforts will diversify connectivity into different transport subsectors:

- **Rail** (e.g., the PRC Subregional Rail Link under the GMS railway sector work program and the CAREC Railway Efficiency Improvement Project);
- **Ports** (e.g., port development and upgrading projects in Pacific DMCs, and the TA project on green port development in South and Southeast Asia, which is likely to generate nonsovereign operations in the port sector); and
- **Aviation** (e.g., the SASEC Air Connectivity Project in South Asia and airport rehabilitation projects in the Pacific DMCs).

Financing remains a major challenge for addressing connectivity gaps. Developing Asia lags most of the world in regional capital markets. It needs to make special efforts to develop essential financial products such as project bonds. The lack of long-term local currency financing impedes infrastructure investment and creates potential foreign exchange imbalances. Therefore, many projects remain unfinanced due to actual or perceived risks.

ADB's Private Sector Operations Department (PSOD) is championing new products and financing structures in response to these challenges. PSOD supports financing of connectivity infrastructure by the private sector, a user and developer of such infrastructure, in partnership with the public sector. Involving the private sector is about funding and expertise, skills, higher quality, better operational performance, and risk-sharing.

Creating More Inclusive Cross-Border Opportunities

In collaboration with other development partners, ADB developed a framework in 2017 for assessing, ex-ante at appraisal stage, the potential for more comprehensive economic benefits of sizeable cross-border transport corridors and broader economic corridors. The framework also helps determine possible negative impacts of investment plans, such as congestion, environmental pollution, marginalization of vulnerable groups, and other risks. The general objective was to design an economic corridor that maximizes the expected economic benefits for the economy and society net of the investment costs policy makers would accept.

Focal areas of cross-border economic corridor development are as follows:

- simplification and harmonization of cross-border procedures;
- support for SMEs, particularly those engaged in cross-border business (e.g., trade, logistics services, agri-food processing, and tourism), to integrate SMEs into the regional value chain and helping them by providing business development services and improving labor skills and cross-border labor mobility;
- identification of SMEs with the 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 links between accelerators and financial intermediaries; and
- provision of benefits shared by households, communities, and underserved areas along a corridor leads to increased consumption, better jobs and wages, and more significant economic and social equity.

Border economic zones and industrial parks can be helpful RCI instruments for attracting investments and stimulating cross-border economic activities. While the private sector is the crucial driver of economic growth, benefits need to become more inclusive, or it will lead to a backlash against economic integration efforts as observed around the globe. Residents of border areas, including farmers and small traders, many of them women, should benefit from RCI. ADB and other multilateral development banks play a key role in facilitating inclusiveness, thereby ensuring that connectivity and corridor development projects reach out to often excluded groups, especially in lagging regions. In ADB, regional departments and private sector operations must work together to make benefits more inclusive. Regional departments work with governments to remove policy and regulatory constraints. PSOD helps mobilize funds for subsectors that are particularly capital intensive and promote inclusive business models (e.g., integrating contract farmers) and environmentally sustainable livestock, forestry, and fishery projects. PSOD also invests in downstream food brands and the retail food subsector to build supply chains that include many farmers and consumers.

ADB's *Trade Finance Gap, Growth, and Job Survey 2019* shows an estimated global trade finance gap of around \$1.5 trillion, 40% of which originates in the region. And trade finance is often not inclusive. SMEs and companies led by women particularly face the most significant challenges to obtaining trade finance. Through its Trade Finance Program, ADB has sought to fill the gap and make financing more inclusive.

Promoting Regional Public Goods

Upstream knowledge work is often required to support DMCs' participation in the provision of RPGs. It serves to identify areas where ADB support can add value and build on existing policy, financial, and institutional capacity. ADB's technical assistance shares knowledge and best practices in RPG provision with DMCs and sponsors mid-stream pilot projects to generate innovative investment pipelines and help mainstream RPGs in national development strategies and action plans. Promoting RPGs becomes part of the policy dialogue with DMCs during ADB's country partnership strategy (CPS) consultation process.

ADB's OP7 suggests project programming to cater more to the diversity of DMCs, for groups of countries with similar conditions, circumstances, and prioritized needs. Public and private sector RPG projects tailored to specific needs could focus on (i) disaster risk management in fragile or conflict-affected countries and small-island developing states, (ii) harmonization of higher education and other

Conference address. Shixin Chen, vice-president (Operations 1), ADB, delivering his remarks in Session 1. On the right is Diwakar Gupta, vice-president for Private Sector Operations and Public–Private Partnerships, ADB (at the time of the conference) (photo by Felizardo Tanabe II/ADB).

sector-based knowledge services in landlocked developing countries, (iii) transboundary natural resource management in low-income and lower-middle-income countries, and (iv) emissions trading and pilot testing of green technologies in upper-middle-income countries.

There is also significant scope to develop nonsovereign lending in water and waste management affecting RPGs like protected coastal and marine-based environments (ocean health). Given the considerable bankability challenges in this sector, upstream work will need to facilitate PPPs, concession, and service contracts; strengthen regulatory frameworks; remove entry barriers; and improve access to financing. Upstream knowledge work can also help trigger reforms in the public sector that create space for the private sector, make benefits more inclusive, and guide the selection of public and private interventions for maximizing development impact.

Insights and Voices

- The global fulcrum of economic activity is moving to Asia.
- Private sector participation is about financing and expertise, skills, higher quality, better operational performance, and risk-sharing.
- ICT is primarily a private sector activity, but many parts of Asia remain underserved because of perceived risks and a small market.
- Agribusiness has not benefited much from integration efforts.

- SMEs and companies led by women face the most significant challenges to obtaining trade finance.
- A better distribution of wealth and opportunities is needed.
- Subregional cooperation in ASEAN, CAREC, GMS, and SASEC provides an excellent platform for RPG promotion.
- RCI means excitement about opportunities.
- ADB should showcase the best RCI practice on a specific internet platform.

Session II: Global and Regional Trade and Investment Outlook and the Status of Key Regional Multilateral Trade Agreements

Session Background

The region has been driving world trade growth. Data from ADB's *Asian Development Outlook 2019* reveal that export growth accelerated from 1.4% in 2015 to 3.8% in 2018, and imports rose from 3.9% to 5.0% during the same period compared with world trade growth of 3.0% in 2018 (2.3% in 2015). In 2018, 58% of goods trade and 48% of FDI in Asia came from within the region. However, global uncertainty, trade tensions, and trade decline in the PRC and the US resulted in a contraction of world trade volume growth (expected to contract from 3% in 2018 to 1.2% in 2019). And export growth for Asia is expected to slow to 1.8% in 2019. Weaker investment spending is lowering growth prospects for Asia, while the global economy is integrating digitally. Estimates of digitally enabled trade vary from \$800 billion to \$1.5 trillion for 2019 but its small trade share is growing faster than overall trade.

Historically, groupings of countries have been driving the trade and investment agenda in the region. The Asia and Pacific Economic Cooperation (APEC) started in 1989 as an intergovernmental forum of cooperation and dialogue among 21 member economies in the Pacific Rim, promoting free trade. It is the only grouping that explicitly espouses “open regionalism” and thus is open to more members. Regional trade agreements (RTAs) have surged since then. The number of RTAs in force more than tripled from 58 in 1995 to 188 in 2005.⁴ Asia can retain its leading role in global trade and investment growth if DMCs implement existing and new agreements more effectively and trade and investment become more inclusive.

The Comprehensive and Progressive Trans-Pacific Partnership Agreement (CPTPP) is currently one of two “megaregional” FTAs, uniting 11 countries in Asia and the Pacific region.⁵ Negotiations started in 2010, concluded in 2015, and members signed the agreement in 2018. Once ratified by all participants, the CPTPP will cover 495 million consumers and account for 13.5% of global GDP.

⁴ WTO Secretariat. 23 November 2019.

⁵ CPTPP: Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Viet Nam.

The Regional Comprehensive Economic Partnership (RCEP) among 16 countries is the second megaregional FTA.⁶ From negotiations that started in 2012 until November 2019, leaders from 16 countries agreed on the importance of RCEP as a signal of the region's collective commitment to open trade and investment. RCEP has reached the threshold of entry into force and will take effect on 1 January 2022. It will create the most significant trading block, covering about 30% of the world's population and 30% of the global GDP. Countries that have ratified RCEP as of 3 November 2021 include Australia, Brunei Darussalam, Cambodia, Japan, the Lao People's Democratic Republic, New Zealand, the PRC, Singapore, Thailand, and Viet Nam.

Both megaregional FTAs suggest consolidating the “noodle bowl” of overlapping and sometimes competing FTAs. Both can shape the international trade policy and influence the rules for economic integration in the region. Both use discrimination in trade relationships with nonmember countries, undermining the WTO's multilateral rules-based order of global trade and investment. The WTO's Trade Facilitation Agreement (TFA), which became effective on 22 February 2017, represents a bright spot in global multilateral trade agreements.⁷

Session II Key Topics

Trade tension and the weakening of the rules-based order: Implications for the region

The simultaneous rise of economic protectionism in goods trade and digital integration redefines the trade and investment framework shaping ADB's support to RCI in the region. ADB's OP7 is responsive to emerging trends and needs, defining avenues for ADB to help increase economic growth through trade and cross-border investment in the region.

How will the trade and investment program of main Asia and Pacific FTAs evolve over the next 3–5 years considering global trade tensions?

What does this mean for ADB and its development partners? What support could ADB provide for expanding trade and investment among DMCs outside of the megaregional FTAs? Should ADB support some DMCs in South Asia or Central and West Asia to join one of the existing trading alliances (e.g., APEC, CPTPP, and RCEP)?

How should ADB engage with Asia and the Pacific's trade-related groupings or organizations?

What should be the priorities for such engagement? Can ADB play a meaningful role in improving the utilization of existing FTAs across the various trade blocks and FTA groupings? Should ADB continue to build on its subregional trade and investment work with a strategy focusing on the new drivers of inclusive trade and investment growth? Is there a need for more customized RCI in the region? Should ADB become more proactive in advocating and supporting the closer alignment of national trade policy reform among its DMCs?

⁶ RCEP: 10 member states of the ASEAN and Australia, the PRC, India, Japan, the Republic of Korea, and New Zealand. India decided to opt out during the final stages of negotiations.

⁷ The TFA sets out measures to expedite the movement, inspection, and clearance of goods, including goods in transit. It also makes recommendations for customs and other border control authorities to effectively cooperate on trade facilitation and capacity building.

Presentation and Panel Discussion Highlights

Asian Development Outlook

Escalating trade tensions between the PRC and the US, the most critical hubs in global value chain networks, are a pressing global risk. A prolonged and escalated trade war between the two can disrupt the existing global value chains, reducing global production and trade activity. References to ADB's *Asian Development Outlook Update* of September 2019 provided the background for analyzing the continuing international trade conflict between the PRC and the US and its impact on the region. The ADB's analysis of the trade conflict yielded several key findings:

Global GDP will be hit if the tensions continue to heighten.

- The PRC and the US would suffer the most significant losses.
- Effects on the rest of the region through tariff and value chain linkages are adverse but small. Redirection of trade, investments, and production can potentially offset these effects.
- Under the worst-case scenario, the effects would be more significant—although the patterns are similar—with gains accruing to a few sectors in some Asian countries because of trade redirection. For India to benefit from trade and production redirection, it needs to address issues of internal efficiencies and lack of scale.

Trade policy uncertainty (TPU) due to trade conflict is a proxy of confidence changes affecting global economic activity and is measured using firm-level and aggregate economic data. TPU in the US has increased over the past 2 years and is at an all-time high in the PRC. Given the size of the PRC and the US economy and their weight in global GDP, TPU in the PRC and the US would have a huge impact. For example, for the \$20 trillion US GDP and the \$85 trillion world GDP in 2019, a 1% impact would mean that \$200 billion of US GDP and \$850 billion of global GDP would be affected.

Regional or Multilateral Trade Agreements

The session highlighted trends in multilateral and RTAs and implications for trade performance in the region. Since 2016, there has been a slowdown in the increase in the number of RTAs, both notified and in force. Goods and services agreements dominate. The trend is toward an increase in agreements with countries outside the region. If not failure, delay of multilateral trade negotiations in 1990 had partly triggered the surge of RTAs. It signaled not an abandonment of multilateral agreements but insurance against the inability to reach a multilateral agreement. At the same time, WTO members continued to use the multilateral system to impose restrictions or extract the most favored nation concessions or used its Dispute Settlement Understanding mechanism to formalize trade rules violations. And both large and small economies in new RTAs continued invoking sovereign rights to impose restrictions to trade for national security reasons, which led to reciprocal actions, reductions in trade, and escalating trade tensions.

The CPTPP and RCEP megaregional initiatives illustrate a potential cross-movement of trade, mimicking a multilateral trading system (at least for the value touted by both) where the agreement content matters. Both are limiting the multilateral trading system. They come with extra-regional agreements, such as the Eurasian Economic Union, the One Belt One Road Initiative of the PRC, Japan's High-Quality Infrastructure Initiative, the Republic of Korea's Eurasia Initiative, and India's Act East Policy.

RCI Conference 2019. Ramesh Subramaniam, Director General, Southeast Asia Department, ADB, and moderator for Session II, introducing the session topic (photo by Felizardo Tanabe II/ADB).

Many Asia and Pacific economies are members of multiple RTAs and/or have also signed onto the PRC-led Belt and Road Cooperation Agreement spanning the Asia and Pacific, Middle East, Africa, Europe, and countries in South America. New RTAs notified or in force in 2018–2019 included the US–Japan Trade Agreement, the European Union–Japan Economic Partnership Agreement, the European Free Trade Association (EFTA)–Indonesia Free Trade Agreement, the EFTA–Philippines Economic Partnership Agreement, and several bilateral agreements. How slowing trade and a decrease in trade agreements may be due to purely trade variables or uncertainty in an unsteady world needs exploration.

Implications for RCI Support from ADB and its Development Partners

Slowing growth in merchandise trade and cross-border investment because of rising protectionism, shifts in global manufacturing costs, and digital technologies’ economics require new RCI strategies and innovative approaches. Economies and businesses of all sizes must find new drivers of regional and global growth, such as (i) continued investment in high-quality multi-modal connectivity infrastructure to facilitate further cross-border trade and power pool driven goods trade in clean energy/power; (ii) a rise of trade in services, including trade in “green” and “blue” technologies and services; (iii) reducing tariff and nontariff barriers to agriculture trade and development of long-distance and higher value agricultural value chains; (iv) development and deployment across markets of a more diverse and higher-skilled labor force of women and men; (v) more engagement in sectors, such as education, health, and tourism; and (vi) reform of trade and investment policy for digital trade.

Empowerment of these new drivers of regional trade and investment growth by ADB and its development partners could also help utilize RTAs more effectively—estimates of RTAs’ effective utilization vary between 22% and 50%. It would be possible for RTAs to consider greater openness to non-signatories, thus widening trade and reducing barriers. Advocacy of open regionalism and seeking multilateral solutions should remain on ADB’s and its development partners’ agenda. Again, APEC is the only grouping that explicitly espouses “open regionalism” and is thus open to more members.

As trade agreements are increasingly linked to global standards and become more complex, smaller countries need support during negotiations and implementation. ADB and its development partners need to share best practices and knowledge, particularly if trade should contribute to sustainable and inclusive development. Linking trade with climate change adaptation and mitigation is difficult for smaller DMCs without solid external support.

Insights and Voices

- Historically, trade is not driving spikes in global uncertainty. This time is different. Trade policy uncertainty affects global economic activity.
- The trade conflict has reduced the GDP growth of the PRC, the US, and globally.
- Asian countries do not benefit from this conflict despite some trade and production redirection.
- The total number of RTAs in force is about 380 in 2019.
- There is nothing to be gained by siding with one of the megaregional trade groupings.
- The ASEAN should stay neutral and exercise diplomacy.
- ADB and its development partners should continue to promote open regionalism. Multilateralism is still the first best choice. The consistency of this message is essential.
- Sharing best practices and knowledge is particularly important as trade agreements become more complex and must increasingly comply with global standards.

Session III: Investing in RCI in the Asia and Pacific Region—Perspectives of the Public and Private Sectors

Session Background

Infrastructure Connectivity

The region requires more investment in connectivity infrastructure at levels beyond the means of the public sector. The region's total climate-adjusted infrastructure investment needs are \$26 trillion or \$1.7 trillion per year during 2016–2030, and 60% of that infrastructure investment gap will need to be financed by the private sector.⁸ Investments are also required to make connectivity infrastructure more sustainable and climate change resilient. In addition to finance, the advantage of private sector involvement includes expertise and skills, better operational performance, and risk-sharing. However, several impediments hamper private investments. The capacity of public administration in project preparation and implementation is weak. An enabling regulatory environment that supports commercialization and attracts private investors is often missing, and the expertise of local banks in project finance is not sufficient. Local and regional capital markets need to become deeper and broader before they can cover financing gaps in transport infrastructure (roads, railways, ports, and airports), energy infrastructure (transmission lines and cross-border gas pipelines), and digital connectivity.

⁸ ADB. 2017. *Meeting Asia's Infrastructure Needs*. Manila.

Trade and Investment

Business opportunities will emerge when connectivity infrastructure, such as economic corridors and value chains, has improved. What can undermine the private sector's engagement is inadequate trade facilitation like complicated and uncoordinated customs procedures in different countries, long queuing and processing time at the border crossing points, limited automation of customs operations leading to excessive human intervention, underdeveloped logistics facilities and services, and little information on rules and regulations. Many parts of the region, particularly South Asia, ranked low in the “ease of doing business” indicators. In 2019, the subregion's rank in the “trading across borders” subcomponent of the World Bank's Doing Business Indicator was 109, as the score for Sub-Saharan Africa. In addition, many DMCs lack the testing facilities, standards certification, information, and public-private sector collaboration needed to better access regional and global markets.

The importance of cross-border agricultural value chains, which have raised farmer incomes, has not yet found widespread appreciation. An internal evaluation identified only a few agriculture sector projects aimed at value addition or access to cross-border high-value markets even in ADB. The potential benefits of the value chain approach still wait to be realized in many DMCs.

Trade Finance for Enabling the Private Sector

ADB's *Trade Finance Gap, Growth, and Job Survey 2019* shows an estimated global trade finance gap of around \$1.5 trillion, 40% of which originates in the region. Many countries in the region have insufficient and inadequate trade finance products that are available to businesses. Thus, the lack of inclusive trade finance constraint countries' ability to trade competitively, diversify their economies, and achieve sustained and inclusive growth.

In most Asian economies, SMEs contribute a significant share to the national GDP and employ a large percentage of the labor force, especially women. However, these SMEs account for only a small proportion of exports relative to their overall activity and employment. Expanding their access to external markets could positively influence the quality of jobs and labor conditions as trade competition and trade policies constrains companies to formalize employment and adopt better labor standards. Companies led by women face the most significant challenges to obtaining trade finance.

Session III Focused on the Role of the Private Sector and the Complementary Tasks of the Public Sector

The private sector has driven regional integration through trade, regional and global value chains, and investment. Systematic public-private sector cooperation and the availability of finance are key to delivering development impact. RCI investments need to benefit all society segments, including women, the agriculture sector, and SMEs.

Points to be Raised by ADB about Connectivity

How vital is RCI as an element of public sector-driven national development strategies? What are the private sector's RCI-related roles in this strategy, and how does public administration engage the private sector considering RCI? What has been learned from RCI projects' experience of crowding in private investors? What has worked well and can provide a foundation to build on? How does the private sector learn about investment opportunities in infrastructure connectivity? How does the private sector conceive and invest in and/or implement large infrastructure projects across borders? What are the significant challenges of such investments for the private sector?

Points to be Raised by ADB about Trade and Investment

How can a wide range of private firms benefit from expanded trade and investment opportunities in cross-border connectivity? How can it be ensured that investments benefit all segments of society? What can governments do to level the playing field for firms of different sizes and asset strength regarding access to trade finance? How can private sector investors be incentivized to comply with social and environmental standards when operating across borders?

Presentations and Panel Discussion Highlights

Private Sector Investment in RCI

Amid rising global uncertainty, trade tensions, and challenges to the multilateral rules-based order, the private sector continues to be an essential driver of economic integration. Sustaining this momentum is critical for RCI but not easy to achieve. It requires the public sector to systematically facilitate private sector investments and opportunities and create space for private enterprises in areas that used to be exclusive public domain. It requires new financing products and structures to support companies moving across national borders and proactive interventions to ensure all society sections benefit. Capacity development within government and in the finance industry is essential.

Considering RCI, ADB's PSOD is (i) providing clients with access to innovative finance with its trade finance and supply chain finance programs; (ii) identifying investment opportunities for a regional expansion in selected sectors, particularly in agribusiness and social sectors, which can replicate successful business models; (iii) helping deploy and scale up new technologies by encouraging partnerships across regions; and (iv) supporting landmark projects such as hydropower projects with the cross-border sale of electricity and energy projects that connect domestic consumers to global liquefied natural gas (LNG) markets for low-cost lower carbon solutions.

Experience has shown that project origination, project development, and project implementation are some of the challenges limiting or constraining an expansion of private sector investments. PSOD's presentation of successful RCI projects in this session demonstrates that private sector investments can support highly innovative projects in strategic RCI priority areas:

- (i) In connectivity, for example, satellite-based low cost, high-speed, easily accessible broadband internet service for telecommunication operators, internet service providers, and governments across Pacific DMCs and subsequently across the entire region;⁹
- (ii) In trade and investment, for example, the generation of renewable energy in Mongolia facilitates the transfer of financial and operational know-how and technical expertise from companies located in Japan and Thailand;¹⁰ and
- (iii) In RPGs, for example, innovative financial instruments like green bonds to finance renewable energy projects with bond proceeds in Indonesia, the Philippines, and Viet Nam.¹¹

⁹ ADB. 2019. *Proposed Loan and Administration of Loan to the Kacific-1 Limited and Kacific Broadband Satellites International Limited for the Asia-Pacific Remote Broadband Internet Satellite Project (Regional)*. Manila.

¹⁰ ADB. 2019. *FAST Report for Mongolia: Loan and Administration of Loan Tenuun Gerel Construction LLC Sermsang Khushig Khundii Solar Project*. Manila.

¹¹ ADB. 2019. *FAST Report for Debt Investment AC Energy Finance International Limited AC Energy Green Bond Project (Regional)*. Manila.

ADB's investment in agricultural value chain development to achieve inclusive economic growth across countries by supporting smallholder coffee farmers in Indonesia, Papua New Guinea, Timor-Leste, and Viet Nam represents another example of cross-border investment.¹² ADB's investments often boost private investors' confidence, which is needed to join a project or program and mobilize finance from third parties. Suppose either local banking is too expensive or not available, ADB provides (i) financing with a much longer tenor than commercial lenders, (ii) guarantees to mitigate political risks, and (iii) technical assistance to support investors.

There is a vast gap between the supply and demand for trade finance in the region. ADB's longstanding trade finance program addresses this gap, with 4,500 single transactions amounting to \$5.2 billion in 2018, helping SMEs finance import and export growth, generating knowledge products, fighting money laundering and terrorism financing, and promoting sustainability and labor standards in trade. Short-term trade finance is essential for achieving the SDGs. It is crucial to meet (i) credit needs of SMEs actively engaged in the tradable sector of the economy; (ii) capacity development needs of local financial institutions, which support SMEs in cross-border trade; and (iii) social protection and safeguard needs related to cross-border trade and investment.

Complementary Public Sector and ADB Support

There are several direct public sector contributions required to complement private investments. Areas include vocational and managerial training to benefit SMEs in border areas and migrant workers, informing and mobilizing local communities where infrastructure investments are planned, providing information to investors on regulatory frameworks, and mustering the political will needed to implement cross-border projects.

ADB's regional departments and their sovereign operations can support governments in attracting private sector investment by providing policy advice, financing sovereign equity contributions to PPP projects, providing financing for policy support and viability gap funding, and/or using conduit structures to channel long-term debt through local financial intermediaries. Often, ADB's initiative and upstream work, including producing knowledge products, identifying gaps, and informing about financing options and choices, are essential elements of an enabling investment climate for privately financed projects beyond the means of the public sector. From a private sector perspective, ADB could help harmonize trade and sector-related rules and regulations among neighboring countries or small DMCs in the Pacific. Such interventions would facilitate investments benefiting several countries, such as in the health sector and information technology (IT) services.

Mainstreaming comprehensive market assessments and inputs relevant for private sector development and operations into each CPS will enable ADB to systematically identify priorities for private sector investments, policy dialogue, and technical advisory services. Each CPS will explain how ADB intends to utilize private sector solutions to achieve CPS objectives in agreed priority sectors.

¹² ADB. 2017. *Report and Recommendation of the President to the Board of Directors on Proposed Loans to Olam International Limited, Café Outspan Vietnam Limited, and PT Dharmapala Usaha Sukses Agricultural Value Chain Development Project (Viet Nam, Indonesia, Timor-Leste, and Papua New Guinea)*. Manila.

Insights and Voices

- The economic heartbeat of the new economy is the global entrepreneur with an international mindset.
- RCI can also mean “regional connectivity or communication and information,” increasing access to the internet and reducing the digital divide.
- The first satellite financing for ADB points to a new future of enabling IT services.
- ADB’s private sector operations are relatively small and will be more successful if the institution can mobilize bankwide inputs and strengths to enable innovative private investments.
- Viable versus bankable private sector projects: Viability is a prerequisite for any ADB involvement. Development impact, profitability, and viability are strongly linked. To make a project bankable is PSOD’s responsibility.
- Local banks are conservative and risk-averse; often, it requires a breakthrough in confidence-building encouraged by ADB.
- Vocational and managerial training for SMEs in the context of border area development is a primary task of the public sector.
- Involving local communities in project development and creating the political will to embark on RCI projects is essential.
- Panelists recommend a much bigger RCI conference in 2021.

Day 1. Xianbin Yao, Special Senior Advisor to the President, ADB (at the time), facilitating discussions in Session III (photo by Felizardo Tanabe II/ADB).

Concluding Remarks—Day 1

by ADB's Chief of the RCI Thematic Group

Reflections on Session I

- RCI, up to now, has focused on road and energy connectivity plus investments by the private sector. As the region is turning into a middle-income zone, expectations of DMCs and the connectivity sector itself are changing—more multimodal (transport) and more diversified (energy).
- Consultations with internal and external stakeholders were undertaken for ADB's new RCI Operational Plan 2019–2024 to reflect such changes, new demands, and more economic actors in RCI.

Reflections on Session II

- ADB is at the crossroads regarding trade and investment in the region: multilateralism is the first best choice; however, this may not be the global reality anymore.
- The old model of production-driven emerging economies and consumer-driven developed economies is changing.
- While the merchandise goods trade will continue, the physically connected low-cost supply chains may be changing. There is a fast rise in digital e-commerce trade despite its current trade volume, which is still small.
- Debating academic views about the desirable openness of mega-RTAs will not help—the time has come to focus on making trade agreements work.
- FTA utilization rates of 20% are not acceptable considering the high transaction costs of trade agreements and the time spent negotiating them. Better utilization of FTAs will not happen automatically.
- The biggest gain is on the nontariff side. It is important to make this part of agreements work and execute them better on the ground.
- Asia is becoming even more the center of global economic growth. Implementation agreements focusing on nontariff barriers instead of tariffs and sector interventions that provide momentum can support the engine room of global economic growth.
- Market failures will need to be corrected by PPPs.

Reflections on Session III

- ADB's trade finance program is indispensable. But is it sufficient? The presented climate bonds project indicates that other financial intermediaries and capital market development must make all those different RCI areas work.
- Bank-related finance needs to become diversified.
- Reaching out to underserved communities and enlarging the digital space is necessary. The private sector is ready to invest, but ADB must drive this theme.
- The presented renewable energy project in Mongolia displays a cross-regional learning experience. Does ADB have PPP opportunities in the pipeline? How are they advertised?
- Building an enabling infrastructure is not enough. No economic corridor, no border area project can succeed without private investments that follow. The focus must shift to policy reforms that enable private investments and ensure a consistent and predictable policy.
- Finally, the message of the first three sessions is that change happens all the time. It is vital to seize the opportunities that come with change.

Day 2

Session IV: RCI and Ocean Health—The New Frontier

Session Background

Asia and the Pacific is a Highly Diverse Marine Region that is at Risk

Ocean and marine ecosystems in the region have become degraded and overexploited. Since the adoption of the 2030 Agenda for Sustainable Development in 2015, ocean health has deteriorated further due to pollution, unsustainable fishing practices, inadequate policy and regulatory framework for marine-based development, and rapid urbanization along coastlines. These challenges, compounded by the threats of ocean acidification and warming caused by climate change, have delayed the achievement of Sustainable Development Goal 14 on life below water. Environmental data illustrate the following challenges: (i) 10 major river systems carry 95% of plastic waste into the oceans, 8 of which are in Asia; (ii) Asian countries account for about 60% of plastic waste discharged into oceans; (iii) coral bleaching and destructive human activities have resulted in over 40% loss of coral reefs, putting 80% of the region's coral reefs at risk; (iv) extensive development of coastal areas has resulted in a 60% loss of coastal mangroves in the region; and (v) about 80–90% of the wastewater in the region is released into rivers and oceans without any treatment.

RCI's Contribution to Sustainable Ocean Health

RCI can support the efforts of the Asia and Pacific countries in sustainably managing and using the shared ocean and marine resources through well-aligned national and intercountry measures. The *Action Plan for Healthy Oceans and Sustainable Blue Economies* will expand financing and technical assistance for ocean health and marine economy projects to \$5 billion from 2019 to 2024, including cofinancing from partners. The plan includes a section on the “blue economy” that creates inclusive livelihood and business opportunities in sustainable tourism and fisheries. It will support ADB's DMCs to catalyze public sector financing for projects that can attract funding from a range of other sources, including from the private sector. Seaports are critical to economies as hubs of international trade and a growing source of regional pollution (e.g., solid and liquid wastes, GHGs, petroleum, or chemical spills from ships). Countries in the region are expanding and upgrading many seaports to accommodate more sea-borne traffic. These upgrades offer opportunities for interventions in greening port infrastructure.

Adaptability and Innovation will be a Critical Success Criteria for RCI

“Healthy Oceans” is a new RPG for RCI and is unprecedented in scale. It will require working with new RCI stakeholders in building collective action. Many mechanisms of RCI in the region are “institution-light” and vary widely in objective, scope, structure, and stakeholder characteristics. A fragmented institutional landscape calls ADB and its development partners to continuously adjust their honest broker, financier, capacity promoter, and knowledge broker roles. ADB will need to engage with new subregional and regional intercountry stakeholder mechanisms. The Private Sector Advisory Group of the GMS Tourism Working Group, for example, provided support using ADB to design and implement the 2018 Mekong

Innovative Startup in Tourism accelerator program. It identifies, pilots, and helps entrepreneurs and governments scale innovative solutions to make tourism more inclusive and sustainable.

Session IV Key Topics

Sector Partnerships for Advancing Ocean Health

More harmonization or alignment of water-marine, urban, and agriculture policies among DMCs will help address the challenges and opportunities of healthy oceans across the region. RCI interventions in the transport, energy, and power sectors can significantly contribute to achieving healthy oceans. Solid waste management and wastewater treatment in urban areas affecting rivers and coastal zones can be better coordinated and regionalized by cross-border RCI interventions focusing on regional policies and standards.

Lessons Learned

RCI can help identify specific knowledge, experience, and lessons gained from past development assistance in sectors and thematic areas relevant to supporting the healthy oceans initiative's goals across the region: What is the learning from transboundary river cooperation? Are there any comparative advantages in ADB's and other development partners' operational knowledge and experience that would allow a division of work between them to achieve cost-effective RCI programs and projects on ocean health?

RCI Platforms for the Advancement of Healthy Oceans

Linking national actions with regional actions in ocean health calls for RCI investment programs and policy advice. CPSs of development partners can help DMCs prioritize policy and investment programs on ocean health, including a commitment to joint activities with neighboring countries to address common issues, such as coastal pollution, affecting the population's livelihood.

Presentation and Panel Discussion Highlights

The ocean is a common and shared means of connecting neighboring countries and a multidimensional RPG. Its biodiversity supports climate change adaptation and mitigation and food security, and it is the most significant component of the region's integrated ocean-riparian-land ecosystem. However, accelerated climate change, unsustainable fisheries, urban coastal development, and pollution threaten this ecosystem. There are many opportunities for RCI interventions related to ecosystems management, transboundary pollution control, green ports, sustainable fisheries and tourism, policy reforms, knowledge sharing, regional planning, and investment, and a "regional voice" to guide international agreements and actions for improving ocean health and the blue economy.

The ocean has a tremendous cultural, community, economic, health, and environmental significance for the fragile ocean states and the people from the Pacific. The ocean sustains economic livelihoods, provides nutritious food, is a source of sustainable export earnings (fishing licenses and sustainable tourism) supporting national budgets, and is the historical and standard connection among the different nations and territories that span the vast ocean scape. Small ocean states face common ocean management challenges: their exclusive economic zone is much larger than their land area, implying challenges of remoteness, costly management, and patrolling, despite limited technical capacity.

Freshwater is scarce, domestic nonbiodegradable waste generation is increasing along with an increase in population, and predicted sea-level rise is a real and, in some situations, already an existential threat. Spatial planning and biodiversity challenges depend on protected areas' particular circumstances, as do the requirements for optimal management of fish stocks in specific exclusive economic zones.

Countries and territories of the Pacific are committed to ocean health. They have enacted various national and intercountry agreements, policies, and programs, such as the Pacific Oceanscape Framework and the Blue Pacific Initiative. New partnerships, such as the South Pacific Regional Environment Program under the Council of Regional Organizations in the Pacific, have emerged. Small island economies' projects require an adjustment of mainstream project planning and implementation modalities. External assistance needs to take a multi-phase perspective: the first phase introduces limited amounts of new capital for construction and superior process technologies and better management practices to address urgent and targeted ocean pollution problems quickly. A subsequent step can consider expanding capital-based investment for more extensive infrastructure into a broader ecosystem and promoting local and/or regional institutional and professional ocean management skills.

Cities are significant sources of ocean pollution and excellent opportunities for testing and investing in solutions to achieve ocean health. Half of the world's population dwells in cities, including in huge coastal megacities of more than 10 million people. Cities will be vital for investing in technologically advanced water, sanitation, and waste management systems, replacing outdated industrial and municipal waste management technology and/or local informal methods. RCI interventions can benefit from city-based networks that allow for intra- and interregional knowledge sharing and technology dissemination.

Private capital investments can play a role nationally and regionally to scale up interventions that combat ocean pollution. A regional financial approach can help (i) develop larger markets for antipollution technologies, (ii) improve the quality of project design and investment readiness, (iii) standardize and improve the efficiency of bidding processes and procedures, and (iv) ensure that the addition of “blue-ing” project components is financially sustainable. Incentivizing investment in “blue” technologies at scale and ensuring the financial viability of respective projects can significantly contribute to ocean health.

Insights and Voices

- Polluted rivers lead to polluted oceans.
- Eight million tons of plastic enter oceans every year.
- Marine plastics have become a global development challenge.
- Five grams of plastic enter our body and bloodstream every week (size of a credit card per week).

Insights and voices. Panelist Nenenteiti Teariki-Ruatu, director, Environment and Conservation Division, Ministry of Environment, Lands and Agricultural Development of Kiribati, speaking in Session IV (photo by Felizardo Tanabe II/ADB).

- No commercially exploitable wild fish stocks will exist by mid-century in the Pacific, and 90% of coral reefs will be dead by then—60% of wild captured fisheries currently come from the Pacific.
- The food security of 13 million people in 14 Pacific DMCs depends on ocean health.
- The waste-to-energy plant in the Maldives supports solid waste management in a holistic way.
- Blue finance needs for Southeast Asia alone is \$150 billion per year, of which \$100 billion need to come from commercial sources.
- It is crucial to understand how to catalyze private funding if revenue models in the ocean areas are minimal and projects are not structured well and carry many risks. Green technology is just adding to the cost, which cannot be passed on to users.
- ADB is focusing on financing risk to catalyze private investments in blue ocean projects.¹³

Session V: Assessing the Development Effectiveness of RCI

Session Background

The Critical Importance of Development Effectiveness of RCI

Verifying the socioeconomic and environmental benefits of RCI has become increasingly crucial for sustaining stakeholders' commitment to RCI in the face of protectionism and isolationism. Concerning ADB's new corporate results framework (2019), OP7 of Strategy 2030 uses indicators with achievement rate targets in US dollar terms or numbers to measure results in RCI operational priority areas. Enhanced efforts to measure the development effectiveness of RCI operations focus on new technologies to assess economic, social, and environmental benefits. In calculating the development effectiveness of RCI projects, ADB's Independent Evaluation Department (IED) is increasingly using real-time data to supplement the post-facto evaluations.

ADB's RCI project classification

ADB has been piloting a new RCI project classification system to identify regional or cross-border economic, social, or environmental benefits. Economic benefits include the value or volume of increased trade, reduction in the cost of transport or energy, reduction in goods transit time, and decrease in medical expenses. A scorecard provides justifications that allow multi- and single-country projects to be classified as RCI if benefits to more than one country in the region accrue to a defined degree. The scorecard also considers the potential for generating additional benefits, such as net additional fund flows for regional cooperation or harmonization or standardization of policy, regulations, industry or sector technology, product, and service standards.

¹³ See the ASEAN Catalytic Green Finance Facility (ACGF) under <https://www.adb.org/sites/default/files/publication/544486/asean-catalytic-green-finance-facility.pdf>, accessed November 2020.

New Tools to Enhance the Development Effectiveness of RCI

New technologies using geographical information systems (GIS) and satellite-based remote sensing like nighttime light data are emerging. They can help RCI stakeholders to plan, design, monitor, and evaluate outputs and outcomes of RCI activities as a complement to or even in the absence of a large body of conventional trade and investment statistics. New digital technologies also generate results that offer a more diverse source of data-based evidence that enhances RCI policy dialogue and RCI project investment planning and implementation. The involved DMCs, development partners, civil society entities, and the private sector benefit from better data and increased cross-border economic, social, and environmental activities.

Digital technologies help modernize trade facilitation, increase the volume and value of cross-border flows, and support broader stakeholder participation in trade. Trade facilitation using digital technologies creates new processes or modifies existing ones to help reduce costs, delays, and uncertainties and allow businesses to improve efficiency and become more competitive. Such progress is especially critical for micro, small, and medium-sized enterprises that lack the financial resources to overcome well-known inefficiencies at border crossings. It will also help them to connect with regional and global markets.

Session V Key Topics

Implications of Project Mapping and Nighttime Light Data for Innovative RCI Project Development

How are subregional RCI platforms using project mapping and nighttime light data for tracking the spread of new economic activity alongside RCI projects? Do these technologies enable improved RCI spatial planning, for example, the development of cross-border economic corridors or special cross-border economic zones? Can such data help promote future RCI projects on value chains across merchandise goods, agriculture, and services in the region and integrate SMEs into international trade flows?

Implications of New Approaches for RCI Project Evaluation

How are development partners using new technologies—and precisely what technologies—exist to improve RCI operational programs and projects' evaluation on a real-time basis? What kinds of individual results do they generate that would not exist when using conventional evaluation methods?

Applying a Package of New Technologies from a Cross-Border Perspective

Do new digital technologies, for example, a regional single-window approach, create additional benefits for trade facilitation? And what would such a regional single-window digitization program require from participating countries? What kind of support is needed to harmonize or align respective policies, practice institutional coordination, and develop institutional capacity?

Presentation and Panel Discussion Highlights

Modern geospatial technologies are becoming critical tools for RCI planning, monitoring implementation and performance, and evaluating outputs and outcomes of RCI operations. Geospatial data offer many advantages for DMCs and their development partners: improved data quality and global standardization, accessibility and low cost in the case of open data sources that are publicly available like GIS and Google

Maps, accuracy (of historical data), objectivity, comparability, the ability to construct a counterfactual case study, and the ability to examine thematic or sector-related development trends in a country or cross-border context like measurable changes in land utilization over a defined period. The estimation of carbon dioxide emissions can help design specific climate change adaptation and mitigation interventions. At ADB, the GMS Projects Database, an online platform with search tools and filters, provides valuable information on projects in the GMS Program to the countries, development partners, the private sector, and other stakeholders, including civil society. It allows spatial mapping along GMS economic corridors to measure economic growth and uneven distribution along economic corridors. In addition, it enables the identification of required multisector interventions in specific geographic areas. The databank integrates data on project progress under the GMS regional investment framework, includes a medium-term pipeline of priority GMS projects, and information on non-ADB-funded projects.¹⁴ Such project-based geo-mapping can improve development planning, better design of multisector interventions, and inform and help guide strategic shifts in RCI programs across sectors and thematic areas.

New technologies create RCI opportunities to facilitate, regulate, and increase cross-border e-commerce trade, which is growing faster than merchandise trade and emerging as a new foundation for expanding and deepening regional connectivity and integration. Blockchain technology has the potential to deliver significant improvements to trade transactions: (i) immutable and verifiable transactions recorded in a blockchain can support paperless cross-border trade facilitation; (ii) automated (and immediate) reconciliation algorithms can facilitate faster cross-border payments; (iii) tracing of digital assets can support the tracking of sensitive goods and digital rights, such as intellectual property rights; and (iv) immutable “original” electronic certificates, licenses, and declarations can be linked with physical goods through digital twins to facilitate regulatory procedures. “Smart Contracts” are the base of the most useful blockchain applications for trade within a secure environment.¹⁵ They could become a valuable ADB contribution.

Global and regional agreements support greater and broader use of digital technologies to support cross-border trade. The landmark WTO TFA of 2017 incentivizes new technologies and tools. The role of advanced technology is critical to implementing TFA measures, such as customs automation, paperless trade or electronic documents, and the single-window approach. ICT is required to implement 20 of 36 TFA measures. In 2017, the ASEAN economic ministers set a target to reduce the cost of trade by 10% by 2020. In addition, the Economic Research Institute for ASEAN and East Asia developed an ASEAN-specific set of indicators for trade facilitation known as ASEAN Seamless Trade Facilitation Indicators and Trade Transactions Cost. Greater emphasis on creating a trade-facilitating ICT ecosystem will support business-to-government and business-to-business communications and interventions that connect trade, logistics, business communities, and government.

Technology and big data are increasingly driving development. Private tech firms, such as Google, Alibaba, and others, own big data, which are, therefore, not available for development. How to crack this monopoly of privately-owned companies remains an open question. Some digital imagery is for sale.

¹⁴ Since the launch of GMS in 1992, ADB has supported 101 projects and has mobilized \$22.9 billion. ADB financing was \$9.6 billion (1994–2019).

¹⁵ Smart contracts are digital and automated, eliminating potential errors or infringements that are sometimes written into paper documents manually. As a blockchain transaction, smart contracts records are encrypted, and thus, difficult to hack. Smart contracts eliminate the need for intermediaries because the data can be trusted, and the technology will correctly execute the transaction.

Because of its extremely high resolution, it can filter out vegetation or ongoing construction work in a specific geographical area. The use of data for development also raises the question of cybersecurity. Cybersecurity is an area where RCI could help create standards that work across several countries based on policy and technical coordination.

E-commerce is going to be very big and delivers tons of information. Asian DMCs have not yet established mechanisms to collect value-added tax on such transactions. More innovative use of technology can also intercept illicit financial flows. However, the issue remains that governments are not capable of entirely using existing data. ADB could provide much-needed capacity development.

Panel discussion. Thomas Abell, chief, Digital Technology for Development, Sustainable Development and Climate Change Department, ADB, delivering his intervention in Session V (photo by Felizardo Tanabe II/ADB).

Insights and Voices

- Seeing is believing! GIS and remote sensing help assess intended and unintended project impacts.
- High-resolution 3D imagery is provided by geostationary satellites, permanently stationed more than 22,000 miles above the Earth.
- Trade facilitation deals with the bumps on the road of imports and exports.
- There are GIS maps for all projects of ADB's Southeast Asia Department.
- No data are safe. Cybersecurity is an urgent matter.
- The level of sophistication regarding data processing and usage is continuously increasing.
- More innovative use of technologies can intercept illicit financial flows.

Session VI: The Rationale and Potential for Results- and Policy-Based RCI Operations

Session Agenda

If governments plan structural reforms for economic growth and poverty reduction, they become eligible for results and policy-based lending (PBL). A solid commitment to reforms in a particular sector is a precondition for such borrowing, and strong government ownership of the structural reform agenda is essential. ADB first introduced PBL in 1978, initially referred to as program lending.

Policy-Based Lending

PBL provides countries with fast-disbursing budget support while creating an opportunity for development partners to foster and assist policy reforms that boost growth and reduce poverty. Implementing reforms with sector-wide and economy-wide impact is a precondition for PBLs. “Sector,” in this context, encompasses the conventional concept of a sector characterized by producing particular goods or services and cross-cutting sectors addressing economy-wide themes. It can also refer to the private and public sector—PBLs target sectors where the government has committed to implement reforms. A country’s record of implementing PBLs and meeting their attached policy conditions is essential for future PBL.

Results-Based Lending

In September 2019, ADB approved results-based lending (RBL) as a standard financing modality for its operations following a successful 6-year pilot in the Central and West Asia region. This modality allows ADB to support government-owned sector programs to enhance development effectiveness, strengthen accountability for delivering and sustaining results, and promote institutional development. RBL programs have three features that distinguish them from other lending modalities: they (i) finance a share of the government’s national or subnational plans at sector or subsector levels, delimited by the program’s scope and boundary; (ii) rely on government systems and institutions for implementation and risk management; and (iii) disburse when intermediate or final results agreed with the borrower and measured by disbursement-linked indicators have been achieved.

Potential of PBLs and RBLs to Support RCI Operations

PBLs and RBLs have the potential for more generous application in RCI operations. PBL can address the “soft side” RCI issues, including domestic policy and regulatory reforms. The broader or accelerated implementation of existing regional multilateral trade and investment agreements can anchor such lending. It can also support harmonizing policies and regulations with neighboring countries that open new sectors and subsectors, such as agribusiness value chains, digital trade, and energy trade. ADB is considering 20 pipeline PBLs during 2019–2022 in its Central and West Asia region, with several of them incorporating RCI dimensions. To date, RBL, as a lending tool to promote RCI, has presented a more nuanced picture. Given that the RBL policy has only recently completed its experimental period to become a mainstream lending modality, operations departments could make more efforts to apply the modality for specific RCI interventions.

Session VI Key Questions

What has been the experience of development-finance partners in advancing RCI in the region with RBL and PBL? What are the critical lessons learned so far?

How have major bilateral and other multilateral development-finance partners applied PBL or RBL approaches to operationalize their RCI support in Asia and the Pacific? What are some of the most notable lessons learned from their experience in promoting RCI through PBLs and RBLs, and how do they view the potential of PBLs and RBLs in supporting RCI agendas in the future? For example, would major bilateral and multilateral development-finance partners consider PBL and RBL modalities to support wider adoption of international norms and standards on trade and investment?

What are the priority sectors and economy-wide reform policy areas for using PBL and RBL, and their relevance for advancing intersubregional RCI?

How have RCI-related PBLs and RBLs been incorporated into a more comprehensive national economic reform process and program implementation? What are some potential new sectors or subsectors or thematic areas where PBL and RBL can better support an RCI-related national reform agenda? How have PBLs or RBLs supported a country's RCI with neighboring countries and countries in the region? How could countries utilize PBLs or RBLs more effectively to achieve closer integration into the regional and global economy? In subregions where PBL or RBL has been more widely or intensively used to support RCI, is there an emerging potential and value of applying PBLs and RBLs to facilitate more significant and more systematic intersubregional cooperation? What are the future key sectors and areas?

Policy-based RCI operations. Panelist Ana Chkhaidze, head of Economic Analysis and Reforms Department, Ministry of Economy and Sustainable Development of Georgia speaking in Session VI (photo by Felizardo Tanabe II/ADB).

Panel Discussion Highlights

The panel discussed the relevance and potential benefits of using RBL and PBL to advance DMCs' policy reforms supporting RCI and strengthening single-country and multilateral dialogue with DMCs on RCI.

ADB approved 11 PBLs with RCI dimensions during 2008–2019. They supported policy reforms for economic diversification, export competitiveness, trade facilitation, improved connectivity, investment climate, and regional disaster risk management. None of the projects were multi-country RCI projects, even though they included reforms that opened the domestic economy to more significant cross-border trade and investment. Some PBLs include RCI components but no direct inter-country cooperation on policy harmonization and alignment. ADB's Southeast Asia Regional Department is the frontrunner among ADB's regional departments in using PBLs: 56% of its lending volume during 2008–2017 consists of PBLs.

RBL is a relatively new instrument, introduced in ADB's Central and West Asia region in 2013 for a 6-year pilot phase, focusing on improving development effectiveness while using country (procurement) systems. A recent ADB assessment indicated that the RBL is a promising financing instrument. It has not been used widely for RCI so far. Two ADB-supported RBLs incorporated RCI dimensions: one is upgrading transport systems and facilitating multimodal transport. The second supports cross-border cooperation in technical and vocational education and training programs.

Examples of ADB's nine PBLs implemented in Georgia indicate that PBLs designed for one specific country, without an RCI element, may nevertheless prepare the ground for positive cross-border effects in the same sector or subsector. Georgia is a transit country. Structural reforms in the transport sector

will benefit transit routes and the economic exchange with neighboring countries. A pension reform that raises payments from 15% of the last salary to 50% increases savings, stimulating the economy. Even more so, if a parallel PBL on finance sector reform contributes to creating other finance sources and saving opportunities (banks have dominated 95% of Georgia's finance sector). Finance sector reform makes the country more interesting for investors from outside. It is an essential aspect for the regionalization of the capital market to achieve economies of scale and stimulate private sector engagement. Addressing the skills mismatch problem in Georgia at the policy level can make it attractive for neighboring countries to seek mutual recognition of school certificates, leading to an enlarged regional pool of qualified school leavers.

PBLs in RCI must overcome challenges around the development of regional results frameworks or aligning regional members' individual aspirations around a joint strategy. Such challenges may resemble cooperation issues among developing partners: It is often difficult to agree on shared benchmarks for their respective projects and programs. Without that, policy dialogues conducted individually can be conflicting and even counterproductive for advancing the same policy agenda. On a positive note and concerning the experience of the United Kingdom Department for International Development, PBLs are useful for arranging partnerships and are successful if their design does not overload such partnerships with too many objectives.

For the World Bank, RCI makes economic sense. In South Asia, 30% of the World Bank's operations consist of PBLs. PBLs could be for a single country with regional benefits or could be multi-country. The four pillars of its South Asia operations are as follows: (i) progression to regional markets (electricity trade, trade facilitation, SMEs, and data analysis); (ii) enabling economic connectivity (road, rail, waterways, and digital connectivity); (iii) managing vulnerabilities and resilience (air pollution and clean oceans); and (iv) economic integration beyond the subregion, connecting with the Indo Pacific and Central Asia. Capacity development and analytical work that accompany PBLs are essential for success. Also, formal and informal communication platforms are crucial for mobilization and consensus-building (e.g., customs officers' meetings) because it is challenging to generate domestic demand for RCI, especially in South Asia. The World Bank implements all PBLs at the subnational level of Indian states, with their success rate at 30%.

Regarding RBLs, it is "results first" for the World Bank. Program design starts with the question "what is the desired result." It then works backward to build reform programs that deliver credible and independently verifiable results based on disbursement-linked indicators. Learnings from previous experience include the importance of (i) strong client ownership, (ii) institutional support and development for enhancing development impact, (iii) achieving tangible and transparent results, and (iv) leveraging partnerships with other development partners to agree on shared sets of standards. On the downside, potential limitations include (i) lack of political will and ownership because of, among others, unpredictable funds flow; (ii) lack of country system capacity; and (iii) the time needed to pitch results at the right level, being aspirational and achieving results at the same time.

Looking into the future of RCI with PBLs and RBLs, there are four aspects that need attention:

- Flip the policy dialogue and ask where we want to be in 5 years instead of discussing finance, inputs, or problems.
- Allow all actors to align around a new goal or well-defined result.
- Take a longer-term perspective for lending to sustain policy reform despite a change of government.

- Institutionalize result measurement systems in countries and regions.
- The process of reaching a consensus is as important as achieving the results.

The total number of PBLs (without RCI content) in ADB adds up to 180–190 programs with a \$27 billion lending volume. The Southeast Asia Department is the frontrunner in ADB regarding approved PBLs. Between 2008 and 2017, 56% of its total lending volume consisted of PBLs. More recent PBLs include cross-cutting indicators relating to gender, climate change, or private sector development. Such PBLs are sometimes labeled as “second generation” PBLs.

Subregional RCI initiatives like GMS or CAREC, with intercountry consultation and cooperation routines at technical, senior official, and ministerial levels, are best suited to develop a joint plan for more demanding second-generation PBLs. A case in point is the tourism sector.

ADB’s IED has rated 80% of PBLs as successful, which is better than ordinary loans. One of the reasons may be that finance ministries often like to use PBLs and the much-needed budget support that comes with them as an argument to convince sector ministries of reforms they may otherwise not be willing to implement. These internal dynamics can play into the hands of a reform agenda promoted by PBLs. PBLs with RCI content can provide budget support for two or more DMCs.

Concluding remarks. Arjun Goswami, chief, RCI Thematic Group, ADB, (at the time of the conference), addressing the participants on the last day of the conference (photo by Felizardo Tanabe II/ADB).

Insights and Voices

- Technology is moving so fast that it is sometimes difficult to catch up, even for an international financing institution like ADB.
- Policies can be undone very quickly. Anchoring them within institutions is therefore crucial.
- Tailor external assistance to match local conditions as no one size fits all.
- It is equally challenging for women and men to trade.
- Female traders in South Asia opposed e-commerce because of the risk of keeping them home again after a long struggle to join the open marketplace.

Concluding Remarks—Day 2

by ADB’s Chief of the RCI Thematic Group

- Our client countries are achieving middle-income status, moving from manufacturing to service, experiencing increased urbanization, and developing more efficient agricultural production. Technology disruptions impact supply chains and boost more and more digital trading. If RCI is a means to an end, it raises several questions across all six conference sessions.

- In Session I, we spoke about the uneven performance of RCI across countries and an unfinished connectivity agenda.
- In Session II, economic and trade slowdowns point to structural changes. With trade conflicts and trade redirection, only some countries can win.
- Session III discussed the inequality paradox: Less inequality between countries, but more inequality within countries. We were encouraged by presentations of PSOD projects, which generate benefits for smallholders, women, and other disadvantaged groups. Equally encouraging was the steady increase of highly innovative approaches to reach out to the private sector and achieve development results.
- Our natural environment took center stage in Session IV. Coral reef bleaching, the foreseeable end to exploitable wild fish stocks for commercial fishing, plastics entering the human food chain were shocking reminders of our shortcomings to protect ecosystems. However, drivers of change exist, as there was the temporary closure of beaches in Boracay, Philippines, due to pollution. Sustainable tourism, new maritime corridors, and green ports are the way forward.
- Session V highlighted how data limitations and the pressure to show quantifiable results are a matter of the past. GIS, remote sensing and digital technology are RCI instruments for a brighter RCI future.
- A rich agenda of policy-based and, more recently, of results-based lending exists, as discussed in Session VI. Regionalization of the PBL and RBL modalities may be the way forward. Adequately designed in line with ADB's guidelines on PBL and RBL and implemented with quality, PBL and RBL can work for RCI. As ADB's Southeast Asia operations have demonstrated, it took four years to prepare a program, but in the end, it worked.
- Major policy reform areas for PBL appear to be (i) rail, ports, and the reform of state-owned enterprises; (ii) trade facilitation that moves to volume; (iii) e-commerce that includes cybersecurity, data localization, and net neutrality; (iv) tourism requiring visa reform changes; (v) ocean health, which depends on regional and enforceable standards for solid waste management, sanitation, and the greening of ports; and (vi) SMEs operating across borders based on harmonized competition rules in a region.
- Several panelists made it clear that capacity development is a precondition for new lending instruments and RCI. Agricultural value chains require technical assistance for smallholders allowing backward-forward linkages sustained by the PBL or RBL process. ICT connectivity, sustainable tourism, mutual skills and certificate recognition standards, accelerator programs for SMEs, regional solid waste management regulators, and regulators of ports, airports, and railways need capacity development.
- Finally, what are our key RCI launch pads? In addition to subregional platforms like GMS, city-to-city and policy platforms evolve as promising means to promote regional benefits. New technologies allow the transparent collection of all the evidence on project-related social and environmental benefits. They should be used by all development partners and become a combined external assistance approach for our developing members. New financial instruments, such as green and blue bonds, will require regional standards for capital markets to achieve impact fully.
- We may now be living in the second-best world, no matter how multilateralist we may be. Our focus should be on better implementation.

Fostering Asian Regional Cooperation and Open Regionalism in an Unsteady World

2019 Conference Highlights

This publication summarizes the key discussions of the 2019 conference on regional cooperation and integration (RCI) organized by the Asian Development Bank (ADB). It underscores the need for ADB developing member countries (DMCs) to work closely with the private sector to finance climate-resilient infrastructure and bolster inclusive growth as well as harness new technologies. Drawing on insights from the conference, the publication shows why DMCs need to act collectively to strengthen their green energy capabilities and develop a shared ocean-based economy. It also emphasizes how cross-border and regional cooperation can improve trade, reduce inequalities, and help build sustainable livelihoods.

About the Asian Development Bank

ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. Established in 1966, it is owned by 68 members—49 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

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