Central and West Asia: Central Asia Regional Economic Cooperation Program

The Central Asia Regional Economic Cooperation (CAREC) Program is a partnership of 11 economies (Afghanistan, Azerbaijan, the People's Republic of China [PRC], Georgia, Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan), working together with support from development partners to accelerate growth and reduce poverty in the subregion. The CAREC 2030 strategy fosters an open and inclusive cooperation platform to help connect people, policies, and projects for shared and sustainable development. Building on 20 years of progress in transport, energy, and trade connectivity (Table 6.1), CAREC is expanding cooperation into new areas—including economic and financial stability, agriculture and water, and human development. Strengthening regional cooperation and integration (RCI) among CAREC member economies is key to mitigating the impact of the coronavirus disease (COVID-19) pandemic, reviving economic growth, and setting the path for post-pandemic recovery.

Overview

Investments continue to grow and help CAREC economies respond to the COVID-19 pandemic.

As of 30 June 2021, CAREC investments reached $40 billion and covered 213 regional projects, increasing from $39.3 billion in December 2020. Of the total, about $15.0 billion was financed by the Asian Development Bank (ADB), $16.1 billion by other development partners, and $8.9 billion by CAREC governments (Figure 6.1). Transport held the biggest share, with about 75%, or $30 billion; energy accounted for 22%, or $8.9 billion; and trade accounted for 3%, or $1.05 billion (Figure 6.2).

Performance and Progress over the Past Year

Implementing CAREC 2030 is expected to foster economic growth for post-pandemic recovery.

Since the COVID-19 pandemic started in 2020, CAREC economies and development partners have made huge efforts to contain the disease and maintain economic growth.

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58 Contributed by Saad Abdullah Paracha, CAREC unit head, Central and West Asia Department (CWRD), Asian Development Bank (ADB); and Xinglan Hu, principal regional cooperation specialist, CWRD, ADB.


60 The CAREC 2030 strategy focuses on five operational clusters: (i) economic and financial stability; (ii) trade, tourism, and economic corridors; (iii) infrastructure and economic connectivity; (iv) agriculture and water; and (v) human development.
Among them, the budget support and emergency assistance Countercyclical Support Facility—specifically COVID-19 Pandemic Response Option (CPRO) in ADB, is helping CAREC economies mitigate the health, social, and economic impacts of the pandemic. Since early 2021, COVID-19 vaccination programs such as ADB’s $9 billion Asia Pacific Vaccine Access Facility (APVAX), have supported CAREC economies to roll out COVID-19 vaccination programs that create the conditions necessary for gradually relaxing restrictions.
Economic and Financial Stability. Activities under this cluster continue to promote policy dialogue on economic and financial stability issues important to CAREC economies, as well as regional macroeconomic policy coordination. On 1 July 2021, a CAREC High-Level Policy Dialogue on Financial Stability was organized with the International Monetary Fund and the World Bank at the sidelines of the Astana Finance Days 2021. The virtual panel discussed government policy responses to challenges on financial inclusion particularly for the poor and for micro, small, and medium-sized enterprises, and the use of fintech and innovation, as well as the role of regional cooperation platforms in promoting financial inclusion among CAREC economies, to mitigate the impact of the COVID-19 pandemic. A CAREC High-Level Policy Dialogue on Social Spending to Tackle Rising Post-COVID-19 Inequality in CAREC was held in November 2021 and discussed social spending measures in the context of the broader COVID-19 response and macroeconomic policies. Continued progress has been achieved on implementation of technical assistance for a pilot regional disaster risk transfer facility, including economy risk profiles disseminated in CAREC regional workshops in October and November 2021, and a disaster risk modeling tool (including for infectious diseases) to measure risks and assess the costs and benefits of disaster risk reduction and disaster risk financing.

Trade, Tourism, and Economic Corridors. In the trade sector, member economies fulfilled their commitments to align with and transpose international obligations and standards into domestic practices. Notably, they continued to implement the World Trade Organization Trade Facilitation Agreement at an average implementation rate of 45.5% for mandatory provisions (Category A). At the CAREC Sanitary and Phytosanitary (SPS) Measures Week organized in April 2021, CAREC economies committed to continue modernizing SPS measures to facilitate trade while managing transboundary risks to human, animal, and plant health. Opportunities for regional and bilateral free trade agreements including the potential for a CAREC-wide free trade agreement are being explored. Member economies identified their research and capacity-building priorities, needs, and expectations at consultation workshops organized in May and September 2021. Digital transformation and e-commerce development have been long-standing priorities under the CAREC Integrated Trade Agenda 2030. The United Nations (UN) Framework Agreement on Facilitation of Cross-Border Paperless Trade in Asia and the Pacific (Azerbaijan and the PRC are members) entered into force in February 2021. Following Azerbaijan, Mongolia joined the UN Convention on the Use of Electronic Communications in International Contracts, which entered into force for Mongolia in July 2021. To support these efforts, ADB and the CAREC Institute completed two research studies reviewing regulatory framework and infrastructure aspects of developing e-commerce ecosystems, as well as knowledge-sharing modules on Regional Improvement of Border Services and Digital SPS Certification. In September 2021, three webinars were organized to promote knowledge sharing on e-commerce, digital trade, and innovation among CAREC economies.

In tourism, following the endorsement of the CAREC Tourism Strategy 2030 and its accompanying regional tourism investment framework 2021–2025 in 2020, several regional activities were initiated, including the development of a CAREC tourism portal as a tool for consolidating information on tourism regions and attractions in CAREC economies and promoting the services of local tourism businesses. The portal is expected to be launched by first half of 2022. As part of the implementation of the CAREC Tourism Strategy 2030, support is currently being provided to further develop the Almaty–Issyk-Kul tourism cluster through pilot projects to improve health and safety protocols and measures, enhance stakeholders’ capacities, and harmonize the accommodation classification system in Kazakhstan and the Kyrgyz Republic.
For the economic corridor development, CAREC economies have made meaningful progress in adopting the cross-border corridor concept in their national development strategies. Two CAREC economic corridor initiatives achieved tangible results. Transformational regional investment projects were conceptualized along the Almaty–Bishkek Economic Corridor (ABEC), including the Modern Agriculture Wholesale Market Development Project, the Issyk-Kul Lake Environmental Management for Sustainable Tourism Project, and the Strengthening Regional Health Security Project. Implementation of the road map for the Shymkent–Tashkent–Khujand Economic Corridor (STKEC) is also making good progress, with prefeasibility studies on an international center for industrial cooperation between Kazakhstan and Uzbekistan, and a trade and logistics center in Sugd oblast of Tajikistan undertaken. ADB and the International Road Transport Union conducted a joint virtual workshop on International Road Transport Digitalization for Improved Trade in September 2021, which shared experiences of international road transport digitalization projects among the STKEC economies. ADB is also implementing a study supported by a small-scale technical assistance for a framework and operational guidelines that reflect wider economic benefits of economic corridor development and capture the diversity of regions in Asia and the Pacific, particularly in the Central and West Asia region, to mainstream economic corridor development operations.

**Infrastructure and Economic Connectivity.**

In transport, as part of efforts to implement the CAREC Transport Strategy 2030, 27 knowledge products (reports, manuals, and virtual events) and a series of virtual events were completed in 2021. These include a three-part webinar series on Aviation and Tourism between January and March 2021, a two-part series on Ports and Logistics in February 2021, and a road asset management training workshop for the Kyrgyz Republic. The sector partnered with the CAREC Institute using its e-learning platform to deliver training on road asset management and road safety, as well as with the Eastern Alliance for Safe and Sustainable Transport in developing a new e-learning course on safer road works. Other significant knowledge work completed includes the impact study of COVID-19 on CAREC Aviation and Tourism, a scoping study on CAREC Ports and Logistics (two volumes), and the CAREC Road Safety Engineering Manual 4: Pedestrian Safety, the latest addition to the series of road safety engineering manuals. Railway sector assessments were conducted and published covering all CAREC economies, and a CAREC-wide railway sector assessment is currently being finalized for publication by early 2022. ADB-financed technical assistance projects are currently supporting the implementation of the CAREC Transport Strategy 2030, the CAREC Railway Strategy 2030, and the CAREC Road Safety Strategy 2030. ADB-financed CAREC Regional Improvement of Border Services projects are supporting cross-border trade expansion in CAREC region.

The energy sector made significant progress in implementing CAREC Energy Strategy 2030. The Energy Sector Coordinating Committee (ESCC) in June 2021 endorsed the holding of the first region-wide Energy Efficiency Awareness Campaign through jointly developed TV and radio commercials; approved a preliminary concept for a new regional green financing vehicle; agreed on the main features of a new Central Asia Transmission Cooperation Association; and approved the layout and content for a new online CAREC energy reform atlas. Moreover, the ESCC committed to publishing the first 10-year CAREC Energy Outlook in 2022, an expected game changer for attracting investment in the region. All CAREC economies and development partners also endorsed a preliminary concept for the region’s first Women-in-Energy Program, which includes an action plan targeted at improving employability, visibility, and education of women in the energy sector. In addition, six new energy working groups were established and became operational. Chairs of the working groups presented their deliverables under the CAREC Energy Strategy 2030 at the ESCC meeting. And a groundbreaking virtual collaboration tool (https://www.carecenergy.org) was launched as a one-stop shop and gateway to all issues of the CAREC energy program. Finally, an energy investment forum was held in December 2021 during which business opportunities in the field of energy efficiency were discussed.
The CAREC Regional Infrastructure Projects Enabling Facility is being conceptualized with support from an ADB technical assistance approved in September 2020, to bridge infrastructure financing gaps and strengthen the project development capacities of CAREC economies. The facility will support preparation and conceptualization of infrastructure projects to provide bankable projects for investment opportunities, including catalyzing private sector and public–private partnership financing. A series of consultations with CAREC stakeholders were conducted in 2021. An ADB-supported transaction technical assistance facility has also been processed to finance preparation of ADB-supported regional infrastructure projects and improve institutional capacity in CAREC economies.

**Agriculture and Water.** Steady progress has been made under this new cluster. For agriculture, efforts were supported by an ongoing ADB technical assistance to strengthen institutional systems to operationalize international food safety standards, including providing advisory services for CAREC economies to harmonize domestic legislation and regulations with international norms (e.g., development of a new food safety law, national action plans, hygiene, microbiological and chemical hazard regulations, inspection checklists, and risk categorization). Training sessions were conducted on improving the food safety capacity of CAREC economies on good hygiene and manufacturing practices, and on engaging with CODEX—a collection of internationally adopted food standards and related texts, through national networks. An inspection of the Hazard Analysis Critical Control Point system was carried out in Tajikistan and Turkmenistan to improve the food safety management system.

In the water sector, a scoping study on water sector cooperation among the five Central Asian states was completed following in-depth research work and a broad range of consultations with multi-stakeholders in the five economies. The scoping study presents (i) the trajectory for water demand as the region’s economies develop, and (ii) the short- to long-term impact of climate change on water supply. Three thematic papers were prepared on climate change impacts, the economic value of water, and a legal and policy analysis. The findings and proposals for the framework and content for water sector cooperation were presented at two regional consultation workshops in April and June 2021. The study was finalized which incorporated feedback and inputs from the multi-stakeholders in November 2021.

**Human Development.** In the health sector, preparation work for a CAREC health strategy toward 2030 under an ADB-supported technical assistance has been completed. A CAREC Working Group on Health was established in April 2021 to guide the formulation of the strategy and related investment framework. Regional workshops in 2021 consulted CAREC economies and development partners including the World Health Organization on the proposed framework of the new health strategy, as well as challenges and priorities in its proposed strategic areas. These include: (i) an inception workshop in March, (ii) technical review and economy consultations in July, and (iii) consultation workshops with CAREC Working Group on Health members in September. The CAREC Health Strategy 2030 was finalized which incorporated feedback and inputs from multi-stakeholders of CAREC economies and development partners.

To implement the CAREC Gender Strategy 2030 endorsed in 2020, an ADB technical assistance ($1 million) promoting gender equality and connecting people was approved in October 2021, to help member economies strengthen the policy environment and operational mechanisms for implementing the new strategy and promote networks and people-to-people contacts, to complement CAREC investments and sustainability. Another technical assistance with $2 million funded by the Japan Poverty Reduction Fund was also approved in 2021, to support education cooperation in skills development, including higher education and technical and vocational education development in CAREC economies.

**Information and Communication Technology (ICT)** is a crosscutting thematic area under CAREC 2030, which has become a crucial aspect for connectivity since the onset of the COVID-19 pandemic. There are various initiatives being implemented under the theme of ICT and connectivity in the CAREC region. First, the CAREC Digital Strategy 2030, which provides a vision, road map, and catalyst for
digital transformation through regional cooperation, has been prepared. A combination of primary and secondary research and review and consultations were undertaken to gather data, information, and inputs for the strategy. The CAREC Program is also supporting development of the startup ecosystem in the region to mitigate the economic impact of COVID-19 pandemic and facilitate economic revival. Several initiatives are being planned under a virtual startup ecosystem hub which will engage relevant stakeholders to promote networking and knowledge exchange. Lastly, under the ‘Virtual CAREC’ initiative, the CAREC Secretariat has been making efforts to improve connectivity between CAREC-related agencies to improve their ability to participate in virtual events and workstreams.

To effectively manage and monitor the implementation of the CAREC Program, the first CAREC 2030 Development Effectiveness Review (DEfR) was prepared, covering 2017–2020, and based on the CAREC 2030 Program Results Framework endorsed in 2020. The DEfR, which uses relevance, process (coherence and sustainability), and progress (effectiveness) as criteria for review, reports progress against the CAREC program results framework and provides a consolidated picture of progress toward achieving the objectives of CAREC 2030. It highlights achievements in the program’s five operational clusters and identifies areas for improvement. The DEfR concludes that the CAREC Program is on track to achieve its goals, and recommends efforts to continue making the Program more results-oriented, reflect and learn from past performance, and jointly develop actions to respond efficiently to the emerging needs and priorities of CAREC member economies.

**Prospects**

**New CAREC health and digital strategies will support economic growth for post-COVID-19 recovery.**

Vaccination programs and campaigns are progressing in most CAREC economies, but the COVID-19 pandemic is not yet beaten. Amid the uncertain environment, risks are tilted to the downside. The Asian Development Outlook Supplement December 2021 edition substantially revised Central Asia’s growth prospects for 2021 from 4.1% to 4.7%, while slightly lowering overall developing Asia’s growth projection from 7.3% in April to 7.0% (ADB 2021h). The most significant threats to the economic outlook are significantly renewed COVID-19 outbreaks and delayed vaccination programs. Other risks include political turmoil, supply chain bottlenecks, and possible tightening of financial conditions.

Following the CAREC transport and energy strategies 2030 endorsed in 2019, and the tourism and gender strategies 2030 endorsed in 2020, CAREC’s two new strategies endorsed in 2021—the CAREC Health Strategy 2030, and CAREC Digital Strategy 2030—support CAREC economies’ efforts with new policy instruments to help restore cross-border economic activities and further mitigate the COVID-19 impact.

The CAREC Health Strategy 2030 was formulated to support cooperation in addressing common health threats and challenges. The strategy promotes health cooperation in addressing communicable and noncommunicable diseases through four strategic pillars: (i) leadership and human resources capacity; (ii) technical preparedness on laboratories and surveillance; (iii) surge demands and access to supplies; and (iv) vulnerable population groups and border health. The CAREC Digital Strategy 2030 promotes the use of ICT and digital technologies for a data-driven regional digital economy across all five clusters of CAREC through three pillars, to provide (i) trusted, user-friendly digital services; (ii) secure, scalable, and interoperable digital platforms; and (iii) high-speed broadband. The strategy also promotes investment in ICT infrastructure to close the digital divide, enabling the environment for harmonizing digital and data legislature, boosting trade through reduction of barriers to cross-border trade, and contributing to job creation by developing digital skills and competencies. Both new strategies were endorsed at the 20th CAREC Ministerial Conference in November 2021.
Policy Challenges

CAREC needs to further strengthen connectivity and resilience to boost post-pandemic recovery.

Amid renewed outbreaks of the COVID-19 pandemic including the new variants, a significant relaxation on restrictions of travel across the CAREC region has still not occurred. This has a bearing on economic recovery. It is critical for the region to remain connected through improved connectivity and resilience.

Strengthening multimodal cross-border connectivity will be key to helping CAREC economies stay connected, particularly to ensure cross-border trade during the prolonged pandemic time. Rail transport can facilitate land-based cargo transport, given that it minimizes physical contacts, partially replacing sea and air (due to the pandemic) shipment. For example, the volume of the PRC railway cargo to Europe set a record high in 2020, with a 50% increase on 2019 including international cargoes originally set for sea and air transport. Rail transport has great potential in the CAREC region.

Facilitating cross-border trade through the so-called single window and other electronic-based systems will significantly reduce the risk from physical contact of paper-based customs clearance, as well as improve the transparency and efficiency of customs procedures. In 2020, Tajikistan launched a national single window system, and Uzbekistan participated in the International Plant Protection Convention’s e-Phyto certification solution. These, together with other measures facilitating e-commerce, are important to maintain trade in the CAREC region.

Tourism has been vital for most CAREC economies, and is the sector most hit by the pandemic. While full-fledged reopening will take time, facilitating resilient tourism is crucial to welcome tourists back to the region. The CAREC Tourism Strategy 2030, which promotes safe and resilient tourism, is implemented in the region. Efforts such as promoting sustainable tourism development in the Issyk-Kul lake region in the Kyrgyz Republic and strengthening Silk Road-based regional tourism development in Uzbekistan will benefit tourism development once the pandemic is over.

Southeast Asia: Greater Mekong Subregion Program

Cambodia, the PRC (Yunnan Province and Guangxi Zhuang Autonomous Region), the Lao People’s Democratic Republic (Lao PDR), Myanmar, Thailand, and Viet Nam are the six members of the Greater Mekong Subregion (GMS) Program, while ADB houses its central secretariat. The GMS has created an interconnected subregion that continues to see improved economic growth amid enhanced connectivity and competitiveness. Since the program’s 1992 launch, 109 investment projects and 230 technical assistance projects amounting to $27.7 billion have been approved, financed by ADB, GMS governments, and multilateral and bilateral development partners. Of this, ADB contributed $12.5 billion, GMS governments $6 billion, and other development partners and the private sector $9 billion.

Connectivity has been dramatically enhanced by close to 12,000 kilometers (km) of new or upgraded roads and about 700 km of railway lines. Nearly 3,000 megawatts of electricity has been generated, and over 2,600 km of transmission and distribution lines now provide electricity to about 150,000 new households (ADB 2021c).

Overview

GMS economies are highly interconnected through trade, tourism, and foreign direct investment, and so have been hit hard by the pandemic.

The GMS Program supports subregional projects in agriculture, energy, environment, health, tourism, transport, transport and trade facilitation, and urban development. Their aim is to enhance the connectivity, competitiveness, and sense of community between...
the six economies. Prior to COVID-19, the subregion was experiencing high growth, and interconnectedness between economies was strong with key projects in cross-border transport being completed, new cross-border power projects online, and intraregional trade and tourism on the rise. Trade among GMS economies has grown from $25.6 billion in 2000 to $640.6 billion in 2020. Intraregional trade was largely driven by the PRC. Trade with GMS neighbors was particularly significant for Cambodia (44% of total trade), the Lao PDR (87%), and Myanmar (51%). High total trade as a share of gross domestic product (GDP), or trade openness, across the subregion was led by Cambodia, the Lao PDR, and Viet Nam (Table 6.2). The subregion was also becoming increasingly interconnected through tourism. By 2018, intra-GMS tourism accounted for nearly 23% of GMS tourism.

With the resurgence of the pandemic and extended closures of international borders and economic shutdowns to contain outbreaks, subregional growth, trade, investment, and tourism all dropped significantly in 2020. Before the pandemic, the region posted average growth of 6.1% during 2015–2019 while growth of individual GMS economies ranged from 3.4% to 8.8% during that period. In 2020, the GMS as a whole recorded only 0.3% GDP growth, with modest growth only in Yunnan, PRC; Guangxi, PRC; Myanmar; and Viet Nam. Likewise, the average foreign direct investment (FDI) for the subregion dropped significantly (Table 6.2).

To support the region through the COVID-19 pandemic, ADB approved countercyclical budget support, technical assistance, and loans to GMS economies to bolster their economic and public health response measures. The GMS Program led policy dialogues and worked through sector and project areas to support the subregion to prepare for the safe resumption of open borders, trade, and tourism.

Performance and Progress over the Past Year

The Ha Noi Action Plan 2018–2022 guides operational priorities, while the new GMS strategy directs medium-term efforts and broader priorities into the next decade.

In 2019 and 2020, the GMS Program continued to implement The Ha Noi Action Plan (2018–2022), which was endorsed by GMS leaders in March 2018 to

<p>| Table 6.2: Selected Economic Indicators, 2020—Greater Mekong Subregion |
|---------------------------|---------------------------|---------------------------|---------------------------|-----------------------------|---------------------------|</p>
<table>
<thead>
<tr>
<th>GDP Growth (2016 to 2020, average, %) and Trend</th>
<th>GDP Growth (2020, average, %)</th>
<th>GDP per Capita (current prices, $)</th>
<th>Trade Openness (total trade, % of GDP)</th>
<th>% Change in FDI (2017 to 2020)*</th>
<th>FDI Openness (total FDI inflows, % of GDP)</th>
</tr>
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<tr>
<td>Cambodia</td>
<td>5.1</td>
<td>-3.1</td>
<td>1,552</td>
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<td>3.7</td>
<td>6,411</td>
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<td>Yunnan, PRC</td>
<td>7.8</td>
<td>4.0</td>
<td>7,534</td>
<td>11</td>
<td>9.7</td>
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<td>Lao PDR</td>
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<td>60</td>
<td>-42.6</td>
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<tr>
<td>Myanmar</td>
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<td>3.3</td>
<td>1,493</td>
<td>45</td>
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<tr>
<td>Thailand</td>
<td>1.6</td>
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<tr>
<td>Viet Nam</td>
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<td>GMS</td>
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<td>0.3</td>
<td>4,801</td>
<td>70</td>
<td>-45.7</td>
</tr>
</tbody>
</table>


* 2018 for Guangxi and Yunnan, PRC.

Note: Weighted average for GMS GDP average growth rate using gross national income Atlas Method.

set out strategic directions and operational priorities for subregional integration (ADB 2018a). The Ha Noi Action Plan is operationalized by the GMS Regional Investment Framework 2022 (RIF 2022), which is the medium-term pipeline of priority projects in the GMS that are supported by national governments, the private sector, development partners, and ADB. The GMS RIF 2022: Third Progress Report and Update presents a total of 210 investment and technical assistance projects requiring $78.3 billion in financing (ADB 2020a). By September 2021, the RIF 2022 was updated to 204 projects requiring $78 billion in financing. Of these needs, 76% of financing has been identified, with 63% of projects either completed or ongoing.

The 7th GMS Leaders’ Summit brought together GMS economies’ heads of government and the ADB President on 9 September 2021 to assess progress under the GMS Economic Cooperation Program (GMS Program) and to reaffirm the economies’ commitment to advance the GMS Program. The GMS leaders endorsed the GMS Economic Cooperation Program Strategic Framework 2030 (GMS 2030), the new strategy to guide the program in the new decade. GMS 2030 sets the program’s direction and priorities guided by the GMS vision of developing a more integrated, prosperous, sustainable, and inclusive subregion. Furthermore, it supports the new mission statement for the GMS Program, which aims to further expand community, connectivity, and competitiveness while promoting environmental sustainability and resilience; enhanced internal and external integration; and inclusivity. GMS leaders also endorsed the GMS COVID-19 Response and Recovery Plan 2021–2023, a supplement to GMS 2030, which supports the health and economic recovery of the subregion in the medium term.

Moreover, in line with the Transport Sector Strategy’s thrust toward multimodal transport, the Greater Mekong Railway Association (GMRA) identified and produced an initial assessment of the viability of nine priority railway links to complete GMS rail connectivity. The GMRA has also worked on a Framework Agreement on Cross-Border Railway Transport Connectivity in the GMS. A new ADB-supported technical assistance aims to strengthen GMRA and prepare a plan for developing a modern GMS railway network and updating the GMS railway strategy.

**Transport and Trade Facilitation.** The “Early Harvest” implementation of the GMS Cross-Border Transport Facilitation Agreement was started in August 2018, covering Cambodia, the Lao PDR, the PRC, Thailand, and Viet Nam, under which transport permits and temporary admission documents are issued and accepted along specified routes and border crossings. It is a welcome addition to trade facilitation in GMS economies, and further issuance of permits and documents is encouraged to expand benefits from these agreements. The National Trade Facilitation Committee has developed a plan to enhance and benefit from the Cross-Border Transport Facilitation Agreement further. ADB also continued to provide technical assistance for time release studies to identify ways to improve border procedures, and to support sanitary and phytosanitary standards arrangements in Cambodia and the Lao PDR.

In 2019, before the COVID-19 outbreak, cross-border trade and transport facilitation, supported by the Early
Harvest implementation, had been progressing well. Economies’ relevant officials were trained; transport operators briefed; administrative circulars, GMS transport permits and temporary admission documents issued; and national registers compiled and exchanged with other economies. To ease the heightened barrier to transport and trade caused by the pandemic, GMS economies continued to coordinate and exchange information on the status of the border crossing points and new measures applied in respective economies. The National Transportation Facilitation Committee, which leads the implementation of the GMS Cross-Border Transport Facilitation Agreement, met on 22 June 2020 to facilitate coordination and cooperation among GMS economies in ensuring safe movement of goods and passengers across GMS borders. Among the agreed immediate- to medium-term recovery measures are (i) an information platform to facilitate interagency and cross-border information exchanges between officials; (ii) a portal to keep businesses and the public informed on border crossing matters; and (iii) accelerating the publication of economy handbooks identifying host economy traffic rules (e.g., maximum permissible weights and dimensions, speed limits, vehicle markings, third party insurance providers, and the like) and specifying the permissible routes and places for (dis)embarkation of passengers and (un)loading of cargo.

**Energy.** Power trade has entered Stage 2 (economy-to-economy power trade) and cooperation remains a priority of the Regional Power Trade Coordination Committee. Significant headway has been made in preparing a grid code and harmonized performance standards, and in formulating the regulatory framework. GMS economies have entered into bilateral and trilateral power trade agreements among themselves, including the Lao PDR–Malaysia–Thailand trilateral power trade deal, the Cambodia–Lao PDR bilateral power trade deal, and the Lao PDR–Thailand power trade deal involving part of the output of the newly operationalized Nam Ngiep 1 hydropower project in the Lao PDR (which is funded by private sector investment). The power trade between the Lao PDR, Myanmar, Viet Nam, and the PRC reached 4 terawatt-hours in 2020. An ADB technical assistance is also supporting ongoing knowledge work to lay the groundwork for a GMS regional power master plan and a clean energy transition with greater integration of renewable energy and increased private sector participation.

**Tourism.** The boom in tourism (80 million international tourist arrivals to the GMS in 2019 that spent about $100 billion) collapsed due to COVID-19, with arrivals plummeting by about 80% in 2020. GMS economies, supported by the GMS Tourism Working Group and the Mekong Tourism Coordinating Office, responded to the pandemic by implementing mitigating measures that include disseminating information on travel regulations and health advisories; fiscal, monetary, and training support; social protection programs for formal and informal tourism workers; stringent health and safety regulations for key tourism subsectors; and monetary incentives to energize domestic tourism. The Mekong Tourism Recovery Communications Plan has been prepared to guide dissemination of accurate and engaging information to support a safe and sustainable GMS tourism recovery.

Although international tourism continued to be affected by COVID-19-induced border closures, various ongoing projects and initiatives under the GMS Tourism Sector Strategy (2016–2025) will contribute to the restart and recovery of the sector. The ongoing projects and initiatives include promoting secondary tourism destinations, tourism startup firms, tourism technology innovations, and strengthened tourism vocational training. Initiatives include the Second GMS Tourism Infrastructure for Inclusive Growth in Cambodia, the Lao PDR, and Viet Nam, with an estimated investment of $136.4 million; the 2018 and 2019 Mekong Innovative Startups in Tourism initiative, where tourism technology startup firms raise investment capital from private investors (about $1.8 million in 2017–2018); and the ADB–Pacific Asia Travel Association Travel Impact Lab, which was started to support pilot-scale technology innovations for tourism enterprises.

GMS economies have agreed in principle to transform and improve the status of the Mekong Tourism Coordinating Office as a formal international intergovernmental organization. The Tourism Working Group has also
worked with destination management organizations and industry suppliers to adapt and strengthen electronic supply chains between producers and tourism end users, as well as creating social media and tourism marketing initiatives to promote a return to tourism.

Urban and Border Area Development. The GMS economies continued to focus urban development investments on planning smart and livable cities and on urban development for riverine and coastal cities and towns, as these related to healthy oceans and waterways.

The GMS Urban Development Working Group adopted a revised approach to corridor towns, focusing on the economically connected areas covering both border cities and so-called anchor cities—cities that act as natural growth poles and provide essential economic, social, and administrative support to the development of a border zone. The working group also put emphasis on capacity development for urban management and investment in local urban infrastructure.

To support these objectives, the Third and Fourth GMS Corridor Towns Development projects; the Yunnan Lincang Border Economic Cooperation Zone Development Project; and the Livable Cities Investment Project are under way.

An initiative has also been launched to expand GMS economies’ efforts to promote ADB’s Action Plan for Healthy Oceans and Sustainable Blue Economies, as well as recommended smart city pilots under the ASEAN Smart City Initiative. The 4th Meeting of the GMS Urban Development Working Group, convened under the theme “the enhancement of urban resilience in post-pandemic era,” shared and discussed the PRC’s experience in urban management and harnessing digital solutions in pandemic control, and recognized the important role of digital means in combating COVID-19.

Health and other Human Resource Development. The GMS Health Cooperation Strategy 2019–2023 was endorsed by the GMS health ministries and launched at the 23rd GMS Ministerial Conference in October 2019. Three strategic pillars guide economies through health challenges requiring new and innovative responses and partnerships. In July 2020, a strategic results framework was endorsed by the GMS economies to evaluate the strategy’s effectiveness against intended outcomes by 2023. Furthermore, the GMS Health Cooperation Working Group is preparing an action plan to operationalize the strategy and support its three pillars: (i) strengthening national health systems to address transnational health threats and health security as a regional public good, (ii) responding to the health challenges and health impacts because of connectivity and mobility, and (iii) health workforce development.

The GMS Regional Health Security Project continues to strengthen public health security mechanisms through improved regional and cross-border communicable disease control (services; disease surveillance and outbreak response; hospital infection prevention and control; and laboratory quality and biosafety). Detailed information on the GMS Program’s rapid response to the COVID-19 pandemic is discussed on page 180.

To strengthen resilience against future pandemics, the GMS Healthy Border Special Economic Zones Project is developing knowledge partnerships between Thailand and its GMS neighbors, with the aim of strengthening health care for migrant workers in border areas. The Strengthening Regional Health Cooperation in the GMS project is also funding “One Health” assessments to strengthen prevention in areas where animal and human health are interconnected, such as healthy livestock evaluation.

In the related field of labor migration, the GMS Program has initiated a GMS Task Force on Labor Migration and held the Dialogue on Labor Migration in the GMS. The forum discussed the increasingly important link between subregional cooperation in labor migration management and the overall development of the subregion as this has gained even greater relevance in light of the COVID-19 pandemic.

Agriculture. An ADB–supported regional technical assistance on the GMS Sustainable Agriculture and Food Security Program (2020–2025) approved in December 2019 continues to implement the Strategy for Promoting Safe and Environment-Friendly Agro-Based Value

The GMS Working Group on Agriculture and projects are helping the GMS economies to ensure food safety and security, and boosting competitiveness of agribusiness value chains—a critical part of the response to the COVID-19 pandemic. Key themes of support include harmonization of agri-food safety and quality standards; support for livelihoods and job creation in rural areas; control of transboundary animal diseases, zoonoses, and antimicrobial resistance; support for greening and financing inclusive agribusiness supply chains; and promotion of climate-adaptive agriculture in the context of water–food–energy nexus. The Working Group on Agriculture also organized a virtual dialogue on Priorities for Post-Pandemic Food Security Response and Recovery in the GMS.

Environment. Several ADB-supported projects are assisting the GMS economies in addressing both biodiversity and climate crises, a critical part of the response to COVID-19 and the focus of two international conferences on biodiversity (COP15 in Kunming, PRC) and climate (COP26 in Glasgow, United Kingdom) in 2021. The GMS Working Group on Environment in June 2020 discussed effective ways of integrating climate and disaster resilience considerations and low carbon transitions into the GMS COVID-19 recovery efforts. It identified several areas of focus in a post-pandemic scenario: ensuring that recovery programs are green, climate-smart and resilient, and pro-poor; alignment with sustainable waste management; and with priorities and opportunities for biodiversity and wildlife management. The pandemic has highlighted interconnected risks and vulnerabilities, with broad humanitarian, social, economic, and environmental consequences in the GMS and is also affecting efforts to advance the Sustainable Development Goals (SDGs) and the 2030 Agenda. The GMS Working Group on Environment therefore aims to assess the opportunities in aligning post-COVID-19 recovery plans with the SDGs.

A regional technical assistance on the GMS Climate Change and Environmental Sustainability Program was approved in December 2019 to support implementation of the GMS Core Environment Program Strategic Framework for 2018–2022. The program will focus on (i) climate and disaster resilience, and low-carbon transitions; (ii) climate-smart landscapes and environmental sustainability, including pollution control and waste management; and (iii) green technologies and climate and disaster risk financing instruments.

A technical assistance program for Thailand, Climate Change Adaptation in Agriculture for Enhanced Recovery and Sustainability of Highlands, was begun in early 2020, aiming to reduce the vulnerability of highland communities and ecosystems to cope with climate change impacts. The project will focus on (i) assessing climate change vulnerability of highland agriculture; (ii) prioritizing gender-responsive, climate-smart agriculture practices; (iii) enhancing agricultural product quality, value addition, and market linkages; and (iv) strengthening capacity of local governments and communities to tackle climate change.

Prospects

Given the impact of the COVID-19 pandemic on GMS, economies’ efforts in the medium term will focus on response and recovery from the effects of the crisis.

Initially, GMS had some success in controlling the spread of COVID-19. This was largely due to the GMS economies’ actions to stem the spread of the disease, including prompt travel controls; testing, contact tracing, isolation, treating, and monitoring; community quarantine policies; promoting or requiring science-based health protocols; preparing the public health and medical systems; and the rolling out of vaccines.

However, the subregion has been affected severely by the resurgence of COVID-19 in 2021. It has not been spared from the contraction of economic growth resulting mainly from disease containment efforts, which
disrupted supply chains, impaired production capacity, and reduced demand and consumption.

In the immediate term, the GMS will continue to focus on response and recovery from the pandemic. The GMS will be guided by the COVID-19 Response and Recovery Plan 2021–2023 to help counteract and overcome the impact on public health and the economy (ADB 2021d). The plan has three pillars. Pillar 1 emphasizes protecting lives with a One Health approach to ensure the health of people, as well as animals, crops and food products, and urban environments. Pillar 2 underscores protecting the vulnerable and poor by offering opportunities in border areas and GMS corridors, as well as supporting the safe and orderly movement of labor. Pillar 3 ensures that borders remain open to accelerate inclusive, green, and resilient economic activity, to facilitate trade and transport, rebuild agriculture, and generate safe and seamless tourism opportunities.

Policy Challenges

A multifaceted approach is needed to respond to the impact of the COVID-19 pandemic.

The COVID-19 pandemic is expected to have protracted impact, and the cost to the global economy is estimated to top $35 trillion by 2025 (Nair 2020). The main reason for the enormous impact is the highly interconnected global economy. This is especially true for GMS economies whose economies are tightly connected not just physically (many GMS economies share multiple borders with other GMS members) but also economically. Significant gains made by the subregion in reduction of inequality, alleviation of poverty, and social and economic exclusion will increase the burden on the public sector, necessitating more efforts from the private sector and the development partners.

To address the complex issues brought about by the COVID-19 pandemic, response plans must be multisector and multi-economy. Future threats of global and regional pandemics persist and will need to be planned for in parallel with economic recovery and regrowth. The GMS One Health is such an approach. It reinforces multisector cooperation (public health, animal health, wildlife, environment, agriculture) as a building block for effective response to COVID-19 and other public health threats. This implies the need for the working groups on transport and trade facilitation, tourism, agriculture, and health to coordinate activities in close collaboration. Cooperation and coordination among GMS economies to harmonize policies and regulations, especially on health security will also be critical.

East Asia: Enhancing Regional Public Goods through Policy Dialogues under the CAREC and GMS Subregional Programs and Knowledge-Sharing Initiatives

ADB through its East Asia Department (EARD) remains committed to supporting regional cooperation and integration with particular focus on regional public goods under the new economy partnership strategies for both the PRC and Mongolia. EARD is implementing a wide network of cooperation and trade facilitation projects traversing CAREC Corridor 4. EARD is supporting the PRC’s engagement under the GMS Program, including initiatives to promote sustainable cooperation with its neighboring border areas. EARD continues to provide opportunities for cross-learning and strengthening cooperation for improved resilience to transboundary threats and sustainable post-pandemic recovery.

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[Contributed by Dorothea Lazaro, regional cooperation specialist, East Asia Department; and Loreli de Dios, ADB consultant.]
Overview

The PRC and Mongolia are part (individually or jointly) of RCI initiatives in Asia and the Pacific, including the CAREC Program and the GMS Program.

The PRC (specifically, Inner Mongolia Autonomous Region and Xinjiang Uygur Autonomous Region) and Mongolia are active members of the CAREC Program along with 9 of the 10 economies in ADB’s Central and West Asia Department. EARD continues to support implementation of the CAREC 2030 long-term strategy, including its operational clusters and new initiatives in health cooperation and digital transformation. EARD is managing the implementation of the CAREC Integrated Trade Agenda 2030 and its 3-year Rolling Strategic Action Plan for 2021–2023. Current priorities to facilitate safe trade include modernizing SPS measures, promoting digital trade, and expanding cross-border e-commerce. EARD has also initiated the work to assess the feasibility of a CAREC free trade agreement.

EARD is implementing coordinated investments in the PRC and Mongolia to fully realize the benefits of economic corridor development along CAREC Corridor 4. These projects promote physical connectivity and policy coordination between the two economies—as with the cross-border economic cooperation zone that will link the Erenhot pilot zone in the PRC’s Inner Mongolia Autonomous Region and Mongolia’s Zamyn-Uud free zone.

The ongoing Guangxi RCI Promotion Investment Program links the Guangxi Zhuang Autonomous Region with economies of the Association of Southeast Asian Nations (ASEAN), particularly those in the GMS. EARD has approved the program’s third tranche—with $140 million of ADB financing—to support small and medium-sized enterprises in border areas; develop integrated cross-border e-commerce platforms between the PRC and Viet Nam; build key infrastructure and trade-related services in border economic zones; and establish a smart tourism service system.

Besides these, EARD is implementing a technical assistance project to enhance sustainable cooperation of the PRC’s Yunnan and Guizhou provinces with GMS economies. Another technical assistance project aims to strengthen GMS health cooperation, to prevent outbreaks of emerging infectious diseases and support the One Health approach, among others.

The sharing of knowledge and experience to enhance regional cooperation remains a priority for EARD, including through collaboration with the CAREC Institute and the Regional Knowledge Sharing Initiative. In addition, EARD has launched a new fund to support innovation and quality investments in developing member economies through knowledge sharing and transfer of ADB’s operational experience in the PRC.

Performance and Progress over the Past Year

Border zone and trade facilitation projects support economic corridor development in the PRC and Mongolia.

In June 2019, the PRC and Mongolia signed a bilateral agreement to develop an economic cooperation zone under the framework of their bilateral strategic partnership and regional cooperation initiatives. ADB support includes a $30 million concessional loan for Mongolia’s Developing the Economic Cooperation Zone Project, which was approved in June 2020. The project will develop the physical infrastructure and promote sustainability of the Zamyn-Uud free zone and support seamless transit to and from the Erenhot zone in the PRC’s Inner Mongolia Autonomous Region.

The Inner Mongolia Sustainable Cross-Border Development Investment Program for the PRC—a $420 million multitranche financing facility (approved by ADB in October 2020)—will install smart ports with one-stop inspection systems to improve customs clearance between the PRC and Mongolia, and establish
a cooperation mechanism for better coordination between the two zones. Estimated at $196.3 million, tranche 1 will upgrade key infrastructure and services in border areas; promote the use of high-level technology for ecological restoration within the cooperation zone; create income-generating opportunities by establishing inclusive agricultural value chains and improving access to finance for small and medium-sized enterprises; and improve border infrastructure in the Mandula port. The program’s second tranche will be processed in 2022.

The PRC’s Guangxi Regional Cooperation and Integration Promotion Investment Program Tranche 2—approved in 2018 for $180 million—continued to strengthen small and medium-sized enterprises, develop cross-border e-commerce platforms, and upgrade infrastructure and services for border economic zones. The Yunnan Lincang Border Economic Cooperation Zone Development Project, which became effective in July 2019, is making robust headway toward building trade and logistics capacity and developing border zones. Furthermore, a technical assistance project to improve policy research and capacity building in the PRC’s Yunnan and Guizhou provinces is being implemented. It will also enhance institutions and capacities for regional public goods and mobilize green finance and promote sustainable trade and investment linkages between the two provinces and the GMS.

**ADB is stepping up technical assistance and project support to build climate change resilience and foster environmental sustainability in the East Asia region.**

An innovative way to support responsible and sustainable finance and regional cooperation is being planned under a new technical assistance project. The technical assistance will help finance sector regulators and institutions in the PRC adopt international best practices; develop innovative finance sector products in areas such as green financing, blue financing, disaster risk financing, and longevity financing; and disseminate the PRC’s experience in these areas including through the existing ASEAN+3’s financial cooperation platforms. Another new technical assistance project is also supporting disaster risk management by developing frameworks, building capacity, and defining cost-effective options. The technical assistance will foster partnerships among the PRC and neighboring economies for improving disaster preparedness and resilience. This will be linked to and complement the Strengthening Integrated Early Warning System project, which aims to strengthen Mongolia’s climate and disaster resilience.

In Mongolia, a $30 million Climate-Resilient and Sustainable Livestock Development Project (approved in May 2021) is supporting the improvement of livestock production systems in 20 soums (districts) of four aimags (provinces) in Central Mongolia. The project aims to enhance capacity for food safety and traceability to meet international market standards. It is envisaged that the project outcomes and best practices will be disseminated among Mongolia’s trading partners in CAREC.

**EARD provides opportunities for cross-learning and strengthening cooperation through knowledge-sharing initiatives.**

EARD and development partners continue to work closely to enhance cooperation through dialogue and capacity-building activities under the CAREC Integrated Trade Agenda 2030. ADB and the CAREC Institute delivered three knowledge-sharing modules on CAREC trade in the first quarter of 2021. Mongolia’s experience in implementing the Regional Improvement of Border Services project underscored the importance of feasibility studies and improving capacities and cooperation among border enforcement agencies. In the same module, the PRC shared its experience

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63 Blue financing refers to financing for sustainable ocean economy which involves sustainable use of ocean resources for economic growth while protecting and restoring marine ecosystems.

64 ASEAN+3 consists of the 10 ASEAN member economies and Japan, the PRC, and the Republic of Korea.
in developing a national single window through a phased approach—from one-stop port formalities and regulations, followed by a platform for trade services—to interconnectivity with trading partners (CAREC 2021a). A similar module on Facilitating Trade through Digital SPS Certification (CAREC 2021b) was followed by the release of an ADB brief on Expanding Agri-Trade in Central Asia through the Use of Electronic Certificates (Lazaro et al. 2021). The CAREC SPS Measures Week on 19–22 April 2021 took the theme, Facilitating Safe and Sustainable Trade in the CAREC Region. CAREC members discussed their experiences and perspectives on cooperation in SPS measures in the post-COVID-19 era, enhancing trade opportunities through phytosanitary measures, addressing transboundary animal diseases and food safety issues, and facilitating safe trade through risk management and digitalization. At the CAREC Trade Week in September 2021, members agreed to enhance regional cooperation and accelerate digital trade. The report on e-commerce development looking at national regulatory framework and state of infrastructure in the region was launched and provided actionable recommendations (ADB 2021e).

Similar knowledge-sharing sessions were organized for Mongolia in March and April 2021. The sessions focused on the role of special economic zones in economic development, international best practices in special economic zones, adopting water saving technology in zone operations, and exploring public–private partnerships (CAREC 2021c).

Since 2012, the PRC’s Ministry of Finance and ADB have jointly implemented the Regional Knowledge Sharing Initiative to facilitate exchange of development-related knowledge among ADB’s developing members. Despite the ongoing pandemic, the initiative continued to deliver timely and relevant lectures and webinars sharing the PRC’s experience. This includes a collaborative effort with the PRC’s Center for International Knowledge on Development series on COVID-19 experiences and lessons from the PRC and the ADB–Asia Pacific Finance and Development Institute’s lecture series on international development.

**Prospects**

**Free trade and efficient movement of goods combined with green and inclusive policies will support sustainable post-COVID-19 recovery.**

**Trade.** Keeping trade open and movement of goods efficient will help ensure supply chain connectivity and post-pandemic recovery. In this regard, facilitating trade at borders remains crucial, and the optimal use of modern technology and active engagement in regional cooperation initiatives are essential. To complement existing RCI projects in Mongolia, two related technical assistance projects will be processed: one on e-government and digital transformation; and another on sustainable and inclusive integration in the regional and global economy. These will support Mongolia's 5-year Digital Nation Program and the goal to improve resilience to threats and manage risks arising from cross-border movement of goods and people. The proposed Resilient and Integrated Border Services for Safe and Fast Trade Project (for 2023) will upgrade border facilities to facilitate trade and improve detection and control of communicable diseases in border areas and support coordination among border agencies for improved responses to pandemics or similar health-related outbreaks.

**Sustainability.** Sustainable and green development are also strategic priorities under the new country partnership strategies for the PRC and Mongolia. The transition to greener future for Mongolia will be complemented by climate-resilient infrastructure to drive competitiveness and diversification. Aligned with the CAREC Tourism Strategy 2030, the proposed Sustainable Tourism Development Project will provide enabling infrastructure and promote export opportunities in tourism and related services. The proposed Aimag and Soum Center Green and Resilient Regional Development Investment Program will support a fundamental paradigm shift and transformative model to promote green territorial development and urban–rural linkages along the CAREC Corridor 4.
The proposed Heilongjiang Green Transformation Demonstration Project aims to enhance efficiency and environmental sustainability of border economic activities while improving climate-resilient urban design and quality urban services in Heihe and Suifenhe.

**Policy Challenges**

**Expansion of services trade to promote diversification is essential to support post-pandemic recovery.**

Economic diversification is critical to sustaining economic growth in East Asia and beyond. International experience shows that the services sector can be a major driver of economic diversification, job creation, innovation, productivity growth, and development. The pandemic has made diversification an even more pressing need. However, it has also affected services production and trade profoundly. The many services associated with the trading of goods have seen demand severely contract. Transport, distribution, and trade-related financial services will take time to pick up. Tourism and other services associated with the industry have also been hit hard worldwide, while demand has surged for health-care services. Collaborating and cooperating will provide mutual benefits and lighten each economy’s burden in managing the COVID-19 shock (ADB 2021f).

As economies undertake policy measures and short-term adjustments to cope with the pandemic, it is important to rebalance the economy. The pandemic hit the PRC’s services sector hard, reducing its contribution to GDP growth from 63.5% in 2019 to 47.3% in 2020. Expansion of services, through policies and investments focusing on high-value services such as information technology, health care, education, and professional services will now be critical (Qi 2021). In Mongolia, persistent challenges in education quality, skills mismatches, and the impacts of COVID-19 raise concerns about labor productivity. Improving education services is one area critical for Mongolia’s diversification efforts.

Overall, economic cooperation and integration can accelerate the development of services in the PRC and Mongolia. This requires more liberalization of trade in services and lower barriers to FDI. Regional trade agreements are one way to achieve these objectives. By continuing to engage with one another through initiatives such as the CAREC Program and other cooperation forums, members can move closer to policy coherence and commonly agreed standards (ADB 2021f).

**South Asia: South Asia Subregional Economic Cooperation**

The ADB-supported South Asia Subregional Economic Cooperation (SASEC) Program continued its momentum in 2020 and 2021, despite the crippling effects of the COVID-19 pandemic in these years. ADB assistance of $2.36 billion for 13 RCI projects was committed during the period (annual average of $1.18 billion is much higher than the $905 million in 2019), consisting of five transport projects, three energy projects, and five multisector/economic corridor projects.

As of 7 December 2021, 73 projects worth $17.43 billion had been financed, of which ADB had extended $10.17 billion in loan/grant assistance (ADB 2021g). SASEC members—Bangladesh, Bhutan, India, Maldives, Myanmar, Nepal, and Sri Lanka—recognize the need to refocus the SASEC program to pursue more resilient multimodal corridors and supply chains through optimal blending of hard and soft interventions. The SASEC Secretariat is thus undertaking a thorough review of the progress of the SASEC Vision initiatives (ADB 2017), to be guided by the principles of enhancing ownership and commitments from the member economies, broadening multisector engagement, improving resource mobilization, and making coordination mechanisms more effective.

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65 Contributed by Thiam Hee Ng, director, Regional Cooperation and Operations Coordination Division, South Asia Department (SARC); Tadateru Hayashi, principal economist, SARC; Aileen Pangilinan, senior regional cooperation officer; Esnerjames Fernandez, associate regional cooperation officer, SARC; Jesusito Tranquilino, ADB consultant, SARC; and Leticia de Leon, ADB consultant, SARC.
Overview

In 2020 and 2021, SASEC pushed ahead with its multimodal connectivity development efforts, while retooling its strategic thrusts toward achieving a more resilient and inclusive post-COVID-19 recovery.

Bangladesh, Bhutan, India, and Nepal established SASEC in 2001 to strengthen subregional economic cooperation and tackle development challenges such as persistent poverty and demographic expansion (Table 6.3). Maldives and Sri Lanka joined in 2014 followed by Myanmar in 2017, expanding opportunities to enhance cross-border connectivity, intraregional trade, and regional cooperation and integration. ADB is lead financier, secretariat, and development partner, financing investments and technical assistance.

By 7 December 2021, 73 projects ($17.43 billion) had been financed (Figure 6.3), with an additional $194.01 million in 141 technical assistance grants. Investments in infrastructure connectivity accounted for the largest share (44 projects, $12.32 billion), with power generation, transmission, and cross-border electricity trade second (16 projects, $2.92 billion). Investments in economic corridor development, trade facilitation, and ICT development amounted to $2.18 billion (Figure 6.4). ADB committed about $10.17 billion in investments ($7.03 billion from ordinary capital resources and $3.14 billion in concessional finance), while SASEC members and cofinanciers contributed more than $7.25 billion (Figure 6.5).

Table 6.3: Selected Economic Indicators, 2020—SASEC

<table>
<thead>
<tr>
<th>Economy</th>
<th>Population (million)</th>
<th>Nominal GDP ($ billion)</th>
<th>GDP Growth (%2016–2020, average)</th>
<th>GDP per Capita (current prices, $)</th>
<th>Trade Openness (total trade, % of GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>164.7</td>
<td>329.1</td>
<td>7.1</td>
<td>1,998.4</td>
<td>23.3</td>
</tr>
<tr>
<td>Bhutan</td>
<td>0.8</td>
<td>2.5</td>
<td>4.5</td>
<td>3,243.9</td>
<td>113.9</td>
</tr>
<tr>
<td>India</td>
<td>1,380.0</td>
<td>2,708.8</td>
<td>3.7</td>
<td>1,962.9</td>
<td>23.8</td>
</tr>
<tr>
<td>Maldives</td>
<td>0.5</td>
<td>3.8</td>
<td>-0.7</td>
<td>6,946.7</td>
<td>53.3</td>
</tr>
<tr>
<td>Myanmar</td>
<td>54.4</td>
<td>81.3</td>
<td>4.2</td>
<td>1,493.4</td>
<td>42.6</td>
</tr>
<tr>
<td>Nepal</td>
<td>29.1</td>
<td>34.5</td>
<td>4.2</td>
<td>1,182.9</td>
<td>33.3</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>21.9</td>
<td>80.7</td>
<td>2.0</td>
<td>3,681.7</td>
<td>32.2</td>
</tr>
<tr>
<td>SASEC</td>
<td>1,651.5</td>
<td>3,240.6</td>
<td>4.0</td>
<td>1,962.2</td>
<td>24.6</td>
</tr>
</tbody>
</table>

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

Notes: Average GDP growth rate for Myanmar covers 2017 onward. SASEC average GDP growth rate is weighted using nominal GDP, based on International Monetary Fund staff estimates. Total trade refers to the sum of merchandise exports and imports.

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SASEC’s operational focus on enhancing multimodal transport networks (ADB 2016) took hold with airport, rail, and last mile road projects approved in 2019–2020, complemented by maritime connectivity studies which identified measures to enhance port logistics and hinterland connectivity. Following revamp of the SASEC Operational Plan 2016–2025 in 2019 (ADB 2020b), a quick stock take of the SASEC Vision’s progress in 2020–2021 led to adoption of measures to improve program implementation, such as (i) formulating an Action Plan of SASEC Initiatives (APSI) for 2021–2023 to accelerate multimodal corridor development, accounting for COVID-19 pandemic challenges; and (ii) strengthening SASEC institutional mechanisms to boost economy ownership of the SASEC program, and to better align with the subregion’s SDG targets.66 These enhancements are designed to better adapt SASEC economies toward a more inclusive and resilient post-COVID-19 recovery.

Performance and Progress over the Past Year

Multimodal transport corridor development and measures to improve trade efficiencies have been strengthened, while green energy and subregional power transmission also remain priorities.

The SASEC Nodal Officials and Working Groups meetings held virtually in September–October 2020 endorsed, in principle, the overall approach and directions of the proposed APSI, 2021–2023, prescribing actions for accelerating progress of multimodal corridors based on the SASEC Road Corridors in the 2019 update of the SASEC Operational Plan 2016–2025. The meeting also endorsed the proposal to strengthen the SASEC institutional arrangements, subject to further refinements based on the economy consultations that were planned to follow.

Transport. Completing key sections of multimodal transport corridors continued in 2020–2021, with upgrading of Bangladesh’s Dhaka–Northwest international trade corridor and the Dhaka–Sylhet international corridor, together with financing of a facility to help Bangladesh in preparing priority projects to boost

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66 Also to better align with ADB’s Strategy 2030 (ADB 2018b).
road and rail connectivity to ports, border crossings, and intermodal transshipment facilities, among others. Two airport projects in Nepal are improving capacity of two international gateways (e.g., Kathmandu and Lumbini) and supporting civil aviation reforms and improving the sector’s operational efficiency. The SASEC program continues to prioritize bettering multimodal links between port gateways and landlocked Bhutan, Nepal, and India’s northeast region. ADB stands ready to support consultations to enhance Nepal’s transit trade access to various Indian ports, for instance. To promote maritime connectivity, ADB is supporting studies to address common port issues such as port performance, digitization, inland logistics, and environmental impacts.

**Trade Facilitation.** SASEC trade facilitation efforts continued to focus on expediting cargo clearance, reducing transaction costs, and ensuring efficient compliance management (ADB 2014). Support for the SASEC Customs Subgroup has advanced various national and subregional projects (e.g., electronic data exchanges, transit automation, and so on) and capacity building. ADB’s completed policy-based customs lending to Nepal has led to preparation of a new Nepal Customs Act submitted to Parliament for approval. SASEC mechanisms will be leveraged for improving coordination in developing and managing border infrastructure to improve connectivity and better match capacities between border crossing pairs. After completing diagnostic studies on sanitary and phytosanitary (SPS) and technical barriers to trade (TBT), SASEC has undertaken, and will continue studies on SPS-TBT facilities and a regional framework on certification and mutual agreement on select products. As a COVID-19 pandemic response, procedural improvements were initiated to sustain trade and reduce supply interruptions particularly for critical goods, with due regard for public health and safety.

**Energy.** Harnessing hydropower potential and improving internal transmission and cross-border interconnections to enable regional power trading remain priorities for the power sector. ADB committed $416 million for three power transmission projects in Nepal in 2020–2021 to build future capacity allowing surplus power to be exported. In line with developments in SASEC electricity trading, with the move toward easing restrictions on transmission corridor access and pricing of power traded, SASEC economies are finalizing the draft of the proposed intergovernmental SASEC Regional Power Trade Framework Agreement to provide a broad framework for multi-economy power trading. The SASEC Cross-Border Power Trade Working Group will oversee efforts in this area, in addition to firming up the priority transmission and generation pipeline.

**Prospects**

The SASEC program is leveling up across a broad range of interventions to support the economies in achieving a more inclusive and resilient post-COVID-19 recovery. This involves strategic reorientation of the program, optimally combining “soft” and “hard” interventions and institutional restructuring. Innovations will be reflected in the proposed updating of the APSI 2022–2024, covering the outcomes of completed/ongoing knowledge initiatives, which will enable the SASEC program to respond better to new development challenges and evolving needs of the subregion.

**SASEC’s strategic reorientation will tap into knowledge initiatives, which will enable the SASEC program to better respond to new development challenges and evolving needs of the subregion.**

The proposed updated APSI 2022–2024 will highlight the outcomes from the maritime transport cooperation study, the supply chain mapping studies (Phase 1 and Phase 2), and the study on the way forward in the SASEC tourism sector. Future maritime cooperation will focus on improving port logistics and facilities for enhanced port capacity and more efficient cargo handling, thereby boosting SASEC trade competitiveness. Supply chain mapping will aim to develop the regional supply chain within SASEC for various products, eventually moving toward identifying measures to enhance production linkages with neighboring subregions. In tourism, which is already a SASEC Vision flagship initiative, proposed future efforts will position the subregion as a prime tourism destination through joint development of tourism products, joint marketing, standardization of services and facilities, and seamless accessibility.
**Policy Challenges**

SASEC’s institutional restructuring will need to be tailored to meet the demands of the program’s strategic refocusing.

Given the SASEC program’s increasing demands, the SASEC member economies are showing stronger ownership of and commitment to it, by upgrading oversight. SASEC nodal officials, meeting in August 2020, endorsed the proposal for a regular meeting of SASEC finance ministers to guide the program’s strategic directions. Additional institutional enhancements will involve strengthening national coordination mechanisms and operationalizing the SASEC Secretariat. There is also a need to create broad multisector engagement in implementing the SASEC corridor approach, given the need to carefully blend “hard” and “soft” interventions. For example, giving landlocked Nepal access to ports in India (e.g., Kolkata and Visakhapatnam) required not only developing last mile connectivity but also concluding trade protocols and transit permits between the economies.

With the SASEC Vision halfway through implementation, it is timely for APSI to be developed in response to the evolving needs of the subregion; it summarizes the key priority initiatives and actions, and will serve as the tool for monitoring progress of the SASEC operational plan. However, with the COVID-19 pandemic’s added strain on fiscal resources, resource mobilization efforts need to be improved. While development partners have been regularly invited to the SASEC nodal officials meeting, it will be worth arranging development partner/private sector forums to generate wider buy-in for SASEC initiatives and promote better appreciation of their synergies and impacts. At the working level, a functioning SASEC Secretariat should be able to support existing working groups as well as form new subgroups as needed. A regional forum on SPS-TBT may be set up to deal with uniform safety standards for food and medical goods. Regional pandemic responses and disaster prevention and management may be handled by a suitable working group, supplemented by strengthening national coordination mechanism between member economies.

**The Pacific: Leveraging Regional Reach for Broader COVID-19 Vaccine Coverage**

The Systems Strengthening for Effective Coverage of New Vaccines in the Pacific Project, recently expanded to include the introduction of COVID-19 vaccines, provides an ideal platform to help four developing member economies in the subregion roll out vaccines. Resource pooling and regional implementation arrangements will support procurement of COVID-19 vaccines, injection supplies, and cold chain equipment, while capacity building for health and immunization systems and community engagement under the existing project will facilitate service delivery.

**Overview**

Existing subregional approaches will be crucial to efficiently vaccinating people of the Pacific against COVID-19.

Most Pacific island countries have managed to avoid local transmission of COVID-19 through enacting border restrictions and quarantine measures that have depressed economic growth. Coverage of COVID-19 vaccines has been uneven: some economies have benefited from the direct support of bilateral and multilateral development partners, while others continue to struggle with uncertainties over supply and shipment of vaccines, and how to support rollouts to efficiently immunize their populations.

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67 Contributed by Cara Tinio, associate economics officer; Ki-Fung Kelvin Lam, health specialist; Inez Mikkelsen-Lopez, health specialist; Remrick Patagan, economics and statistics analyst; and Rommel Rabanal, public sector economist in ADB’s Pacific Department. In this section, Pacific economies include the Cook Islands, the Federated States of Micronesia, Fiji, Kiribati, the Marshall Islands, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu.
ADB has approved supplemental financing for its regional vaccines project to help Samoa, Tonga, Tuvalu, and Vanuatu introduce COVID-19 vaccines. Mechanisms in the existing project will facilitate procurement and implementation, and complementary capacity building and community engagement will help ensure efficient vaccine delivery. The project’s ongoing support to enhance routine immunization will also strengthen public health and health systems against COVID-19. These measures are key to broadening vaccine coverage in the Pacific, which will facilitate border reopening and the resumption of economic activity.

The Pacific and the Pandemic

Many Pacific island countries have managed to keep COVID-19 out, but the pandemic has taken a serious socioeconomic toll.

Most economies in the Pacific have managed to avoid local transmission of COVID-19 by quickly closing their borders and establishing quarantine protocols. However, this has taken a toll across the subregion. Travel restrictions, including border closures, have caused tourism-dependent economies to grind to a halt and stalled prospects for overseas employment. Domestic lockdowns and other restrictions on movement have dampened local business, to the detriment of small firms and informal workers. Quarantine protocols have also constrained trade, affecting both large commodity exporters and the small island economies that depend on import-intensive public investment projects to stimulate growth.

Two of ADB’s largest Pacific developing member countries, Papua New Guinea and Fiji, have also experienced widespread community transmission of COVID-19, delaying prospects for their recovery. From initial expectations of recovery in 2021, ADB now estimates that the subregional economy contracted by 0.6% during the year and forecasts a return to growth of 4.7% in 2022 (Figure 6.6).

Costs continue to mount as Pacific island countries work to (i) strengthen the capacities of their health systems for disease surveillance and infection prevention and control, and for case management; and (ii) mitigate the pandemic’s economic impact especially on vulnerable people. Development partner assistance has gone a long way in covering these additional costs, but the pressure to reopen borders and resume business activity remains.

Support from bilateral partners has facilitated COVID-19 vaccination coverage in most Pacific island countries.

Vaccination against COVID-19 is recognized as a key factor to safely reopening borders and resuming economic activity, besides protecting populations from ill health, but progress in rolling out the vaccine has been uneven across the subregion (Figure 6.7).

Several Pacific island countries introduced the vaccine with the help of bilateral partners who facilitated procurement and supported preparations for vaccine introductions, or implemented rollouts themselves through their own national vaccination programs.
The four economies with the largest fully vaccinated populations—Palau, Nauru, the Cook Islands, and Niue—have benefited from these partnerships. Palau, together with the Federated States of Micronesia and the Marshall Islands, began vaccinations in January 2021 through the United States’ Operation Warp Speed. Although the Federated States of Micronesia and the Marshall Islands face logistical challenges in rolling out the vaccine to outer island communities, by late July 2021, Palau had fully vaccinated about 95% of its eligible adult population (Homasi, Rabanal, and Webb 2021). Nauru self-financed its vaccines with assistance from the Australian government (through the multilateral COVID-19 Vaccines Global Access [COVAX] facility) and India. The only Pacific developing member country that had self-financed its vaccines, Nauru took only a month to roll out each dose of the vaccine to its adult population (Cruz 2021). The Cook Islands received its vaccines through New Zealand, as did Niue. Niue fully immunized 97% of its population aged 16 and older in about 5 weeks, ending in early July (ADB 2021i), while 71.9% of the Cook Islands’ total population was fully inoculated as of 18 January 2022.

The COVAX facility pools resources to support equal global access to the vaccine, but uncertainties remain.

COVAX is consolidating assistance from development partners such as United Nations Children’s Fund (UNICEF), the World Health Organization (WHO), and the World Bank, as well as the governments of Australia and New Zealand. For several economies in the subregion, COVAX’s advance market commitment mechanism has been the main option for accessing initial supplies of COVID-19 vaccines for 20% of their populations but supplies through this channel are limited and deliveries have been delayed due to global production constraints (Lam et al. 2021). Further, WHO’s Roadmap for Prioritizing Uses of COVID-19 Vaccines in the Context of Limited Supply prioritizes vaccinations in places with widespread transmission, suggesting further delays for Pacific island countries that are still free of COVID-19.

Mechanisms established under an existing subregional project will help expand COVID-19 vaccine coverage in the Pacific.

The Asian Economic Integration Report 2021 highlighted ADB’s Systems Strengthening for Effective Coverage of New Vaccines in the Pacific Project, which aims to help Samoa, Tonga, Tuvalu, and Vanuatu strengthen vaccine procurement and local health systems, and improve community awareness about vaccination (Tinio et al. 2021). Following the emergence of the COVID-19 pandemic and its impact on their respective economies, the governments of these economies requested ADB assistance in introducing COVID-19 vaccines. In April 2021, ADB approved additional financing to support the following:

- Support Samoa, Tonga, Tuvalu, and Vanuatu in introducing COVID-19 vaccines together with UNICEF and other development partners.
- Further upgrade cold chain capacities to accommodate COVID-19 vaccines.
- Support deployment of COVID-19 vaccines, including incorporating it into national immunization policy and regulatory frameworks, providing added training.

Figure 6.7: COVID-19 Vaccination Coverage (% of total population)

<table>
<thead>
<tr>
<th>Country</th>
<th>At least 1 dose</th>
<th>Fully vaccinated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Palau</td>
<td>91.8</td>
<td>71.9</td>
</tr>
<tr>
<td>Cook Islands</td>
<td>68.0</td>
<td>68.3</td>
</tr>
<tr>
<td>Fiji</td>
<td>62.2</td>
<td>61.2</td>
</tr>
<tr>
<td>Nauru</td>
<td>59.3</td>
<td>49.9</td>
</tr>
<tr>
<td>Samoa</td>
<td>39.1</td>
<td>33.9</td>
</tr>
<tr>
<td>Tonga</td>
<td>37.6</td>
<td>33.9</td>
</tr>
<tr>
<td>Niue</td>
<td>35.9</td>
<td></td>
</tr>
<tr>
<td>Tuvalu</td>
<td>33.9</td>
<td></td>
</tr>
<tr>
<td>Marshall Islands</td>
<td>30.6</td>
<td></td>
</tr>
<tr>
<td>FSM</td>
<td>25.0</td>
<td></td>
</tr>
<tr>
<td>Kiribati</td>
<td>21.0</td>
<td></td>
</tr>
<tr>
<td>Vanuatu</td>
<td>16.4</td>
<td></td>
</tr>
<tr>
<td>Solomon Islands</td>
<td>13.1</td>
<td></td>
</tr>
<tr>
<td>PNG</td>
<td>2.5</td>
<td></td>
</tr>
</tbody>
</table>


Note: Data as of 18 January 2022.

for vaccinators, identifying and prioritizing target populations for the vaccine rollout, and further strengthening routine immunization programs.

- Increase, through engagement with WHO, monitoring and surveillance and contribute to global knowledge about vaccination against COVID-19, such as on adverse events following immunization.
- Strengthen community engagement, with UNICEF’s support, on infection prevention and control, risk communication and perceptions, rumor tracking, and community-level engagement through faith-based or school-based campaigns to minimize possible vaccine hesitancy and improve public health awareness.

Certain aspects of the ongoing project make it ideal for introducing COVID-19 vaccines in Samoa, Tonga, Tuvalu, and Vanuatu (ADB 2021j). The pooled arrangements used to support vaccine-related supplies and logistics, training, and implementation will continue, facilitated by the partnership between the governments and UNICEF under the existing project. The project management unit will also continue to support operational implementation, building on existing roles in financial management, procurement, gender action, and monitoring and evaluations. The additional financing will enhance existing complementary measures to expand the capacity of the health-care system and build on community engagement, as well as continue promoting routine vaccination programs impacted by the COVID-19 pandemic.

**ADB also serves as a conduit for information and assistance.**

Besides directly supporting vaccine procurement and rollout in Samoa, Tonga, Tuvalu, and Vanuatu, ADB is coordinating regional knowledge sharing on the development of vaccines against COVID-19. It is also channeling cofinancing toward Pacific island countries’ responses to the immediate needs and adverse socioeconomic impacts of the pandemic. These measures complement the introduction of COVID-19 vaccines in the region, while the coordinated approach minimizes the risk of redundancy.

**Conclusion**

**Efficient regional mechanisms and networks facilitate support of development partners in vaccines supply.**

Development partners play a key role in helping Pacific island countries to supply vaccines against COVID-19 and deliver these to their populations. In cases where support from bilateral partners or the COVAX facility is limited, assistance from multilateral partners such as ADB will be crucial for securing vaccine supplies and building the capacity to safely immunize populations. Such assistance benefits from regional mechanisms and networks that can efficiently implement interventions across many economies, share important information, and pool resources toward broadening vaccine coverage and contributing to reviving economies in the subregion.

**Subregional Responses to COVID-19 and ADB’s Support**

The Asia and Pacific region’s management of the pandemic required commitment and action toward wider-scale coordination of national responses and developing and implementing activities reflecting interdisciplinary and multisector approaches. Accordingly, CAREC, GMS, SASEC, the Pacific Islands Forum, and the Council of Regional Organisations in the Pacific, with assistance from ADB and other development partners, undertook a range of vital and innovative cross-border initiatives to respond to the COVID-19 emergency, through technical and financial assistance to supplement economies’ resources and strengthen capabilities.

In April 2020, ADB announced a comprehensive $20 billion package of support along with various measures to streamline its operations for quicker and more flexible assistance. As part of the package, ADB established a new financing modality called the COVID-19 Pandemic Response Option (CPRO). Through this, ADB has provided quick-disbursing support to help governments finance their countercyclical economic stimulus packages focusing on the poor and
vulnerable as well as women and children. In December 2020, ADB launched its $9 billion Asia Pacific Vaccine Access Facility (APVAX) to support developing member countries in procuring and delivering safe and effective vaccines as swiftly and equitably as possible.

As of 7 February 2022, ADB’s comprehensive COVID-19 response has reached $25.8 billion, with 40% of the package ($10.4 billion) going to Southeast Asia, 26% ($6.7 billion) to Central and West Asia, and 26% ($6.6 billion) to South Asia (Figure 6.8). Of these, 55% ($14.2 billion) will fund public sector management projects, while 27% ($6.9 billion) will go to the finance sector, and 10% ($2.7 billion) will finance health projects. This package includes CPRO operations totaling $10.4 billion as of 28 January 2022 in 27 developing member countries.

Figure 6.8: ADB’s COVID-19 Response Package by Region, as of 7 February 2022 ($ billion)

<table>
<thead>
<tr>
<th>Region</th>
<th>Amount ($ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southeast Asia</td>
<td>10.4</td>
</tr>
<tr>
<td>Central and West Asia</td>
<td>6.7</td>
</tr>
<tr>
<td>South Asia</td>
<td>6.6</td>
</tr>
<tr>
<td>The Pacific</td>
<td>1.0</td>
</tr>
<tr>
<td>East Asia</td>
<td>0.9</td>
</tr>
<tr>
<td>Regional</td>
<td>0.2</td>
</tr>
</tbody>
</table>


Meanwhile, 45% ($4.1 billion) of the $9 billion APVAX has been committed to 15 projects, with 68% of that ($2.8 billion) going to South Asia, 17% ($0.7 billion) to Southeast Asia, and 15% ($0.6 billion) to Central and West Asia (Figure 6.9).

Figure 6.9: APVAX Committed Amount by Region, as of 7 February 2022 ($ billion)

<table>
<thead>
<tr>
<th>Region</th>
<th>Amount ($ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Asia</td>
<td>2.76</td>
</tr>
<tr>
<td>Southeast Asia</td>
<td>0.68</td>
</tr>
<tr>
<td>Central and West Asia</td>
<td>0.61</td>
</tr>
<tr>
<td>East Asia</td>
<td>0.02</td>
</tr>
<tr>
<td>The Pacific</td>
<td>0.02</td>
</tr>
<tr>
<td>Regional</td>
<td>0.00</td>
</tr>
</tbody>
</table>

APVAX = Asia Pacific Vaccine Access Facility.

Vaccinations are being scaled up in hopes of preventing further economic losses brought about by the COVID-19 pandemic.

In the CAREC region, the continuous quarantine measures imposed by member economies to mitigate the impact of the COVID-19 pandemic in 2020 is estimated to have pushed 1.5 million people into extreme poverty (people living on less than $1.90/day) and 6.6 million people into poverty (people living on less than $3.20/day). Income inequality is estimated to rise by 10% to 0.38 on the Gini index in 2021. Labor market disruptions further added to economic losses, with 9.9 million full-time jobs lost in 2020, and working-hour losses were three times greater than during the global financial crisis. Returning to a healthy and safe life without restrictions has become a priority in all CAREC economies, and one of the critical instruments on the road to normalcy is access to COVID-19 vaccines aimed at building herd immunity.

Following the Pacific section that focused on broadening COVID-19 vaccine coverage, this section discusses the other subregional responses to the COVID-19 pandemic and the corresponding support provided by ADB.
Updates on Subregional Cooperation Initiatives

in the region. Since 2021, ADB has approved APVAX projects for four CAREC economies supporting vaccination programs totaling $565 million in Georgia, the Kyrgyz Republic, Pakistan, and Tajikistan. These projects provide the relevant CAREC governments with urgently needed and flexible financing for COVID-19 vaccine procurement and logistics, and capacity-strengthening activities, which will help the government’s efforts to mitigate the health, social, and economic impacts of the pandemic. They will also generate significant regional public goods such as better health security in CAREC and complement cooperation efforts in other economies to contain the COVID-19 pandemic and foster growth in the region, through addressing pandemic risks and cross-border health threats.

In addition, under the regional technical assistance, Addressing Health Threats in Central Asia Regional Economic Cooperation Countries and the Caucasus, additional funding of $200,000 was mobilized to support COVID-19 vaccination-related activities. These include (i) assessments and development of national operational plans/strategies including costing as needed, (ii) comprehensive reviews of the supply chain in anticipating future challenges in cold chain management and outreach, (iii) thorough analysis of national regulations of pharmaceutical products for assuring regulatory compliance of new vaccines without creating contingency measures that could further weaken national drug regulation systems, (iv) fostering public–private partnerships in the promotion and distribution of COVID-19 vaccines and boosting a market that will contribute to a sustainable response to the economic shock due to the pandemic, and (v) development and implementation of training and capacity-building activities as needed. ADB’s support for COVID-19 vaccinations in CAREC is closely coordinated with WHO and other related agencies. These efforts have also strengthened coordination of COVID-19 vaccination programs in CAREC.

Greater Mekong Subregion Economic Program

ADB assisted GMS economies in their response to COVID-19 through projects and technical assistance that strengthen public health security and facilitate vaccine delivery, budget support, and relief to some private companies hit hard by the pandemic.

Due to the established platform under the GMS program, the Working Group on Health Cooperation responded promptly to the COVID-19 pandemic and mobilized the GMS health community to respond rapidly to the pandemic at both subregional and local levels. As early as February 2020, additional financing of $2 million was approved to support ADB’s ongoing technical assistance project, Strengthening Regional Health Cooperation in the GMS for epidemic responses, including investigation, surveillance, and prevention of infection. Moreover, $50 million from the ongoing Regional Health Security Project was reprogrammed for delivery of essential medical equipment, and training and capacity building. ADB released a further $10 million for procurement of various materials and equipment for diagnosis and protection, and training and capacity building for pandemic preparedness and resilience.

ADB assistance also aimed at broader responses to both the health and economic impacts of the pandemic. Under the COVID-19 Active Response and Expenditure Support (CARES) program facility which is part of CPRO, $2 billion went to GMS economies: $250 million to Cambodia, $250 million to Myanmar, and $1.5 billion to Thailand. Other development partners’ cofinancing for that program amounted to about $742 million. ADB also topped up the assistance to Strengthening Regional Health Cooperation in the GMS by $2 million to support GMS economies’ capacity for epidemic response, provide laboratory equipment, and enhance regional cooperation on disease surveillance.
In 2021, under the APVAX initiative, ADB has been working closely with WHO and other multilateral institutions to deliver safe and effective vaccines equitably and efficiently to the region’s populations. Support for Cambodia under APVAX is currently set at $95 million and is topped up in 2021 with $30 million from the GMS Regional Health Security Project. The project will extend targeted interventions to 89 provincial and district referral hospitals not covered under the original project. It will also upgrade hospital clinical care, laboratory, infection prevention and control, and human resources capacity to respond to COVID-19 and other public health threats. Moreover, a $5 million new technical assistance, Supporting Enhanced COVID-19 Vaccination and Post-COVID-19 Health Security Response in Southeast Asia will assist selected economies in Southeast Asia in vaccine rollout and delivery.

For nonsovereign operations, ADB’s COVID-19 support include supply chain finance (Cambodia, Thailand and Viet Nam), trade finance (Cambodia and Viet Nam), pharmaceutical production (Viet Nam) and support to SMEs (Viet Nam).

East Asia

Mongolia sought a comprehensive pandemic response package from ADB that includes budget support and vaccine delivery while assistance to the PRC includes a project to improve health security as well as nonsovereign support.

As COVID-19 emerged at the start of 2020, Mongolia responded quickly to avoid the rapid spread of the disease. However, community transmission surfaced in November 2020, straining the health system’s capacity. ADB mobilized a comprehensive pandemic response, including $100 million in counter-cyclical budget support to Mongolia, support for the procurement of emergency medical equipment, and technical assistance for the region's pandemic response. About $75,000 of loan funding under the Regional Improvement of Border Services project for Mongolia has been restructured to procure personal protection equipment such as surgical masks for customs officers and inspectors working at the front lines of borders. Another technical assistance, Strengthening Institutional Capacity to Respond to COVID-19, supports capacity building for detection and surveillance of the coronavirus in Mongolia, through capacity development training and information dissemination, especially for the General Agency for Specialized Inspection. Inspectors at the borders are responsible for effectively managing cross-border control and inspection of goods at entry points.

In May 2021, ADB approved a $19 million package support for COVID-19 Vaccine Delivery in Mongolia under the APVAX. The project will increase the availability of the APVAX-eligible vaccines to immunize at least 30% of the population. ADB is also processing a complementary $5 million grant from the Japan Fund for Poverty Reduction to build capacity for COVID-19 vaccine delivery, including equipment for diagnostics and laboratories. It will strengthen delivery through capacity building of health workers and increase testing capacity particularly in provinces and border areas. The Technical Assistance on Regional Solutions for COVID-19 Response and Vaccine Delivery in selected developing member countries will document the PRC’s pharmaceutical and non-pharmaceutical responses and disseminate this to Mongolia and Tajikistan.

The unprecedented impact of COVID-19 has led the PRC to renew its interest in focused preparedness and response programs for longer-term health security. ADB is preparing the Strengthening Health Security Project for the PRC, which will upgrade public health emergency facilities, modernize disease prevention, policies, research and control systems, and improve talent and international exchange. The regional and global public goods nature of prevention and control of emerging infectious diseases is clear, and is fundamentally an issue of international security and economic development. The PRC participates in initiatives to implement the GMS One Health approach.

In the PRC, ADB’s non-sovereign COVID-19 support include supply chain finance, improved distribution of drugs and rural health care.69

South Asia

Much of SASEC members’ pandemic responses took the form of budget support.

Governments worldwide have put in place various fiscal and monetary measures to minimize the supply and trade shocks caused by the pandemic. By the end of 2020, ADB members devoted about 12.5% of their GDP to support measures, valued at about $28 trillion. South Asia (Bangladesh, Bhutan, India, Maldives, Nepal, and Sri Lanka) registered $428.50 billion in COVID-19 response packages, a mere 1.56% of the global total, although India was among those with the largest packages, at $412.09 billion.

Governments’ key policy responses comprised (i) liquidity support, (ii) credit creation, (iii) direct long-term lending, (iv) equity support, and (v) health and income support. For all ADB members, credit creation and health/income support took the largest shares, at 46.9% and 32.9%, respectively. However, for South Asia, health/income support (46.6%) and liquidity support (38.2%) were most significant (ADB 2021k). India provided large direct income support, combined with subsidies for businesses and investments in the health and agriculture sectors. India also provided high liquidity support by way of increased short-term repurchase agreements and special refinance facilities for rural banks, among others.

Since the launch of ADB’s $20 billion COVID-19 response package in April 2020, ADB has committed $25.8 billion assistance to its developing member countries (as of 7 February 2022). This includes over $10 billion in quick-disbursing budget support for improving health-care access, direct social protection to the vulnerable, and other economic responses. Of the total $25.8 billion ADB COVID-19 assistance, South Asia accounted for $6.63 billion (26%), which includes $250.07 million (committed in April 2021) for Bangladesh for the Sustainable Economic Recovery (subprogram 1) and $500.00 million (committed in April 2020) for India for a COVID-19 expenditure support program. Under the $9 billion APVAX, launched in December 2020, South Asia secured total funding commitment of $2.76 billion with $940.00 million going to Bangladesh.

References


