



World Bank's Approach to South Asia Regional Integration, Cooperation and Engagement (SA RICE) 2020-2023



OBJECTIVES OF THIS EXERCISE

- Update the SA RICE strategic framework, given the evolving context (especially COVID-19) following a highly consultative (internal and external) process
- Establish inclusive processes for identifying priorities and programming resources (current and pipeline)
- Reinforce regional aspects of country programs
- Provide framework for engaging with Development Partners

Key Messages

1.

In its 10-year history, the SAR RI program has matured significantly and has yielded important results and lessons

2.

RICE relevance has increased in the post-COVID period while facing new risks and opportunities

3.

RICE will maintain its focus on: (i) Enabling Economic Connectivity and (ii) Reducing vulnerabilities and building resilience, and will expand work in (iii) Investing in Human Capital

4.

Embedding RICE into country operations is key to success

5.

SARRE will maintain high standards to implement RICE through financing, influencing, convening and partnering, and internal governance will be strengthened to support this

C O N T E N T S

1.
RICE
@ 10

2.
A renewed
focus on RICE
post-Covid

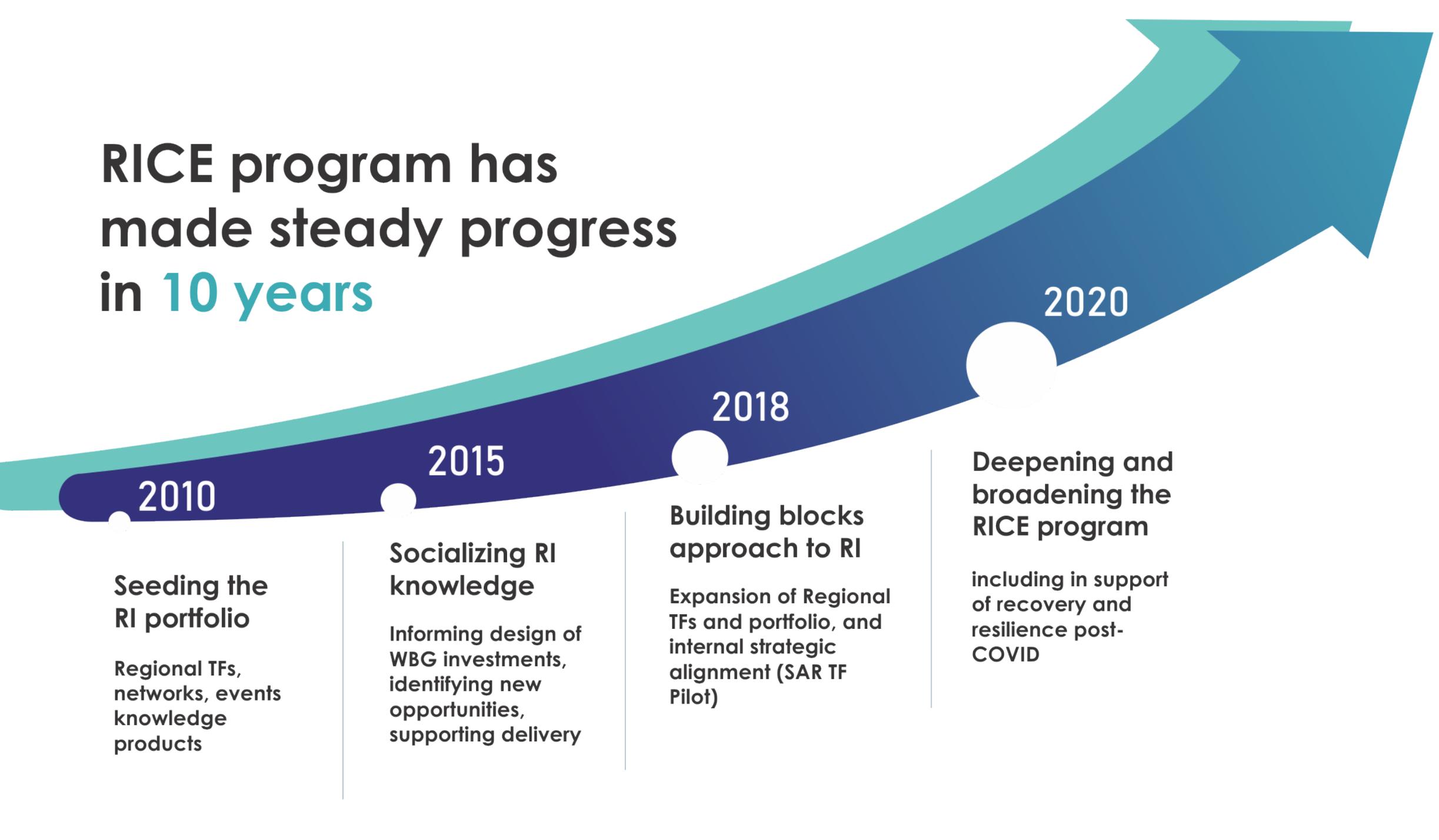
3.
Proposed
Priorities

4.
Achieving More
Effective
Implementation



1. RICE @ 10

RICE program has made steady progress in 10 years



2010

Seeding the RI portfolio

Regional TFs, networks, events, knowledge products

2015

Socializing RI knowledge

Informing design of WBG investments, identifying new opportunities, supporting delivery

2018

Building blocks approach to RI

Expansion of Regional TFs and portfolio, and internal strategic alignment (SAR TF Pilot)

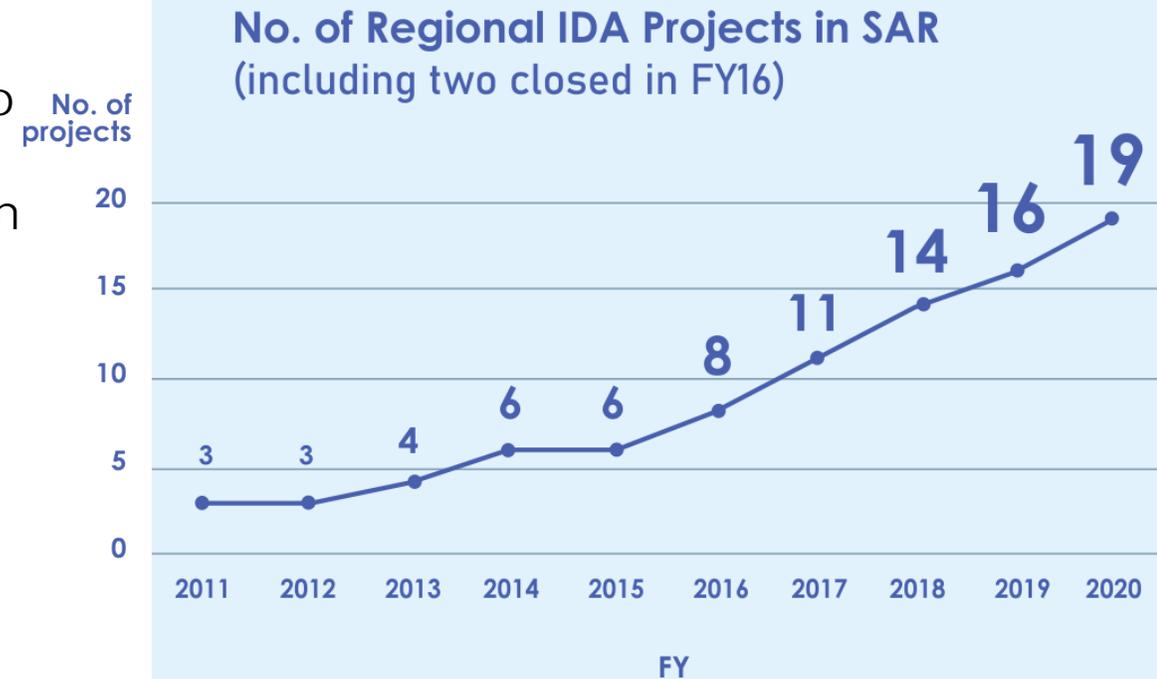
2020

Deepening and broadening the RICE program

including in support of recovery and resilience post-COVID

RICE Portfolio has expanded with transport and energy leading the way

- **Regional IDA** 19 projects (17 active) with total commitments of US\$3.4b. Transport (50%), energy (27%), and climate resilience (10%); two IDA grants to regional institutions for climate resilience and management of plastics; first HD project in education under preparation
- **Regional TF Programs** total contributions of US\$225m addressing critical transboundary issues in trade, connectivity, water, and climate change (*key partners: DFAT, DFID, EU, Norway*)
- **Regional TFs have informed/ leveraged** over US\$19b of WB operations in SAR (analytics, feasibility studies, project preparation and design, implementation, technical and capacity building support)



Implementation of Regional IDA in SAR has yielded important lessons

- **Meeting the three-country eligibility criterion is challenging in SAR.** Most projects have been single-country, requiring exceptional waivers. India is central to regional projects but IBRD status presents a challenge for use of Regional IDA.
- Challenge in **demonstrating regional spillover effects**
- Use of Regional IDA has been on **first come first serve basis limiting opportunities for strategic allocations**
- SAR Regional IDA **portfolio quality on par with rest of portfolio** – implementation challenges linked to client capacity, slow procurement, safeguards; not to the regional nature of the projects

RICE @ 10 Achievements



1. Shaping the narrative and generating new knowledge



2. Reframing debates and building consensus through partnerships and convening



3. Capacity and systems strengthening to facilitate efficient investments in transformational regional projects



4. Supporting, informing, and influencing policy



5. Development Outcomes demonstrate success and build stakeholder confidence

1. Shaping the narrative and generating new knowledge



Informing data-driven decision making and developing WB pipeline investment

Shaping the narrative

- The **Glass Half Full report** supported dialogue with senior officials from Bangladesh, Pakistan, India, Sri Lanka (including the Prime Minister) and directly informed the India – Bangladesh MoU on *border haats* (local markets).
- The **WEB of Economic Corridors of South Asia** flagship report brings new knowledge on prioritizing economic corridor investments.
- A ground-breaking **South Asia Hotspots study** brought new research on impacts of climate change on living standards.

Generating operationally relevant knowledge

- **Feasibility studies** inform connectivity investment decisions with Central Asia (e.g. Mazar-e-Sharif-Herat railway line project).
- TA and analytics **strengthen gender dimensions** in infrastructure investments and government schemes e.g. Buddhist Circuit activity helped refine national programs in India, Bhutan and Nepal
- Bangladesh's Ministry of Commerce **adopted recommendations** on 4 priority value chain designs.
- A Rapid Assessment of Water in India's North-East Region was used by the High Level Committee in a **report to the Prime Minister's Office**.



2. Partnerships and Convening

Platforms for dialogue, diplomacy and strategic communications are reframing debates and building consensus

- The **SAR Regional Champions Group**, **Power Secretaries Roundtables** and **Regional Ecological Integrity Platform (REIP)** are helping to drive RI agendas nationally, fostering collaboration, and identifying new entry points.
- **Transboundary water dialogues** (three river basins, one landscape) are building trust and progressing collaborative action towards water governance.
- **South Asia Regional Hydromet Forum** convenes over 100 stakeholders for regional collaboration on hydromet, early warning and climate services.
- Support to **regional institutions** (e.g. ICIMOD, SACEP, RIMES) and **networks** (e.g. South Asia Economic Network) help extend reach to key influencers in South Asia and implementation capacity.



3. Capacity and Systems Strengthening

Critical technical support is strengthening client readiness and facilitating shifts towards efficient investments in transformational regional projects

- Supported **modern Trade Portals** in Nepal and Bangladesh and **refurbished trade logistics infrastructure** at key border posts in Nepal (Bhairahawa and Birgunj).
- Development of **Electronic National Single Windows** (NSW) in Nepal and Bangladesh facilitates trade by allowing filing of import/export information via a single electronic gateway.
- **Toolkits on Labor Law Compliance in India** adopted by Kerala and Tamil Nadu state agencies. These support government compliance with national labor laws and WBG guidelines for investment lending, with benefits for women, children and vulnerable groups to mitigate potential risks from enhanced connectivity and labor mobility.
- First of its kind **basin modelling** (Brahmaputra basin; Ganges river in India), and **hydromet design** (Sundarbans landscape) were taken up by government agencies.
- New **fiscal tools and economic models** are helping to bring climate issues into policy making.
- New regional **Electricity Planning Model** developed to assess project-level and regional trade benefits
- **Strengthening gender dimensions in WBG investments** – e.g. Inland Water Transport projects and Bangladesh WeCare have stronger gender components (safety, access to markets, mobility, etc.)

4. Policy Influence



RICE activities are contributing to policy change through evidence and knowledge

Transport and Trade

- Supported **regional (India-Bangladesh) pilot voyages for bulk and container freight** which helped to inform the bilateral dialogue on trade and transit protocol and harmonization challenges
- Supported **inclusion of IWT** as an alternate mode of transport in the India-Nepal bilateral trade and transit treaty

Energy

- Supporting **improved policy environment**: India's Policy Guidelines for Cross-Border Electricity Trade (2018)/ Regulations (2019), Nepal and Bangladesh MoU on Energy Cooperation (2018), South Asia Forum of Infrastructure Regulation Joint Working Group on regional power market development
- **Supported political alignment processes and TA** to develop a first-of-its-kind CASA-1000 project connecting surplus energy in Tajikistan and Kyrgyz Republic to Afghanistan and Pakistan

Human Development

- **7 multisectoral and evidence-based food and nutrition policies/programs/action plans developed** and adopted by governments of which 4 support women and girls of reproductive age and/or children <2 years

5. Development Outcomes

Emerging benefits important to demonstrate success and build stakeholder confidence in RICE

Energy

- Four **regional hydropower investments (US\$5 billion pipeline)** will deliver 3000MW clean energy
- **1900MW additional cross-border transmission capacity** between Bangladesh-India; India-Nepal

Transport

- Improving navigability of **2,300 kilometers of Inland Waterway corridors** in India and Bangladesh
- **Upgrading over 500 kms of regional road corridors** that carry the heaviest freight volumes will help reduce time and cost of transport which is critical to trade competitiveness

Water and Climate Resilience

- **Flood modeling systems** tested by Bihar during 2018 floods - enabled 1-3 day forecasts with real time hydromet data from Bihar and Nepal; scaled up by WB project in 29 states, 11 central agencies
- Support to **high-level Bangladesh-India Sundarbans Regional Cooperation Initiative (BISCRI)** enabling dialogue among policy makers towards action on joint management of the Sundarbans landscape

Human Development

- Design, implementation or evaluation of 13 World Bank **nutrition-sensitive** projects, totaling US\$2.2 billion and reaching **16.2 million beneficiaries**

RICE Engagement Model:

From **Disbelief** to **Demonstration** to feasibility of **Scale Up**

Example of electricity trade



Influence and Convening

- Seeding ideas
- Building trust and consensus
- Generating analytics and evidence - what / how to do it
- Identifying partners, interlocutors and champions



Capacity Building and Investments

- WBG investments to support government programs
- Feasibility studies and critical design inputs
- Governance and Systems
- Demonstrating value of sharing sector knowledge across borders



Partnerships

- Working with IFC for private sector engagement
- Mainstreaming regional perspectives at country level with GPs and CMUs
- Collaboration with donors (including ADB, DFID, DFAT, MCC etc)

CENTRAL ASIA

CASA-1000 (\$1.16 billion, on-going)

Creating an institutional framework for regional electricity trade

Set of investments

SOUTH ASIA

India Cross-border electricity guidelines

Progress towards electricity markets

1st Nepal-India large capacity transmission link with Regional IDA; 2nd under discussion

Investments in Bhutan and Nepal Hydropower; Sri Lanka-India transmission link (discussion)

Lessons of experience: What worked well

Patience
Pragmatism
Perseverance

1. SAR's dynamic and complex political economy requires an **agile and opportunistic approach**
2. **Sub-regional cooperation** lays effective building blocks for the future – BBIN, BBINS, CASA
3. **Dialogue and knowledge platforms** powerful mechanism to progress regional agenda by fostering trust, and moving from disbelief to engagement
4. **Pilots and scalable initiatives** can demonstrate wins and act as drivers of regional cooperation
5. **Anchoring regional work** in country operations critical for sustainability
6. Working with **technical institutions** (regional and national) builds ownership, extends Bank's reach and ensures sustainability e.g. ICIMOD, SACEP
7. **Timely generation** and **targeted dissemination** of accessible, layman-friendly regional evidence can influence government investment decisions

Lessons of experience: What worked less well

1. **Regional organizations in SAR** generally weak and hampered by political context, hence unable to provide leadership, coordinate across countries, or lead implementation of WB projects
2. **Analytical work has limited impact without an operational hook:** clear plan of action for use and stakeholder engagement critical to embed / mainstream in partner systems thereby enhancing sustainability
3. **Gender mainstreaming remains a challenge**, particularly for infrastructure projects
4. **Experience with engaging the private sector mixed:** lack frameworks to systematically work with private sector as agents of change; more opportunities to engage with IFC
5. **Country ownership of RICE remains limited:** scope to incentivize this including through SCDs, CPFs and Regional IDA
6. **Institutional capacity building support** as follow-up to analytical tools should be encouraged in all activities

Learning From IEG's Two to Tango Report

World Bank's Independent Evaluation Group (IEG), 2019, Two to Tango: An Evaluation of World Bank Group Support to Fostering Regional Integration

Overall

- Most promising outcomes were **increased knowledge exchange** and **clients' enhanced understanding of regional benefits and regional issues**
- WBG contributed, to a lesser extent, to **regional policy harmonization** and formation of **new regional institutions** or **functional agencies**

South Asia

- **Small States want access** to regional markets and exports but outcomes below potential
- **Misalignment** between Country Strategies, RI Approaches and Client Demand
- Irrespective of the administration, **SAR Champions hold influence** and are of strategic value to Client Governments
- **Expand sector engagements** beyond Energy and Transport
- **SAR Regional TFs crucial for WB to effectively play an enabling and convening role** which is vital in South Asia

2. A renewed focus on RICE post-COVID

Can SAR's positive momentum towards regionalism be maintained...

- Increasing **sub-regional cooperation**
 - BBIN Motor Vehicles Agreement, CASA 1000, BBINS Energy Cooperation, China Pakistan Economic Corridor (CPEC)
- Realization that **regional cooperation can benefit domestic growth**
 - Move from bilateral to trilateral or multilateral frameworks and agreements
- **Global focus on cooperation** in SAR
 - BRI, Indo-Pacific Strategies of Australia and USA
- Changing **geo-politics of Central Asia**
- **Route to ASEAN** viewed through eastern neighbours
 - India's Act East Policy, Neighbourhood First
- SAR leaders used **SAARC platform to launch COVID-19 Emergency Fund**
 - Cooperation among countries for medical and essential supplies

...or will COVID-19 pose a threat to regionalism in SAR?

- **Increased inward focus** of national governments: export restrictions, trade disruptions, plans for reshoring and self-reliance
- **Reversal of years of gains in poverty reduction and economic growth** could drive policy focus towards domestic agenda rather than regionally coordinated policies
- Added stress of meeting the combined challenges of **health emergencies, climate change, natural disasters (e.g. locusts) and border tensions**
- **Fragmented health and education responses** - SAR only region without a regional disease surveillance network; limited cooperation in education
- **Return of migrants** (intra-country and international) and significant decline in remittances to South Asia begs for coordinated approaches

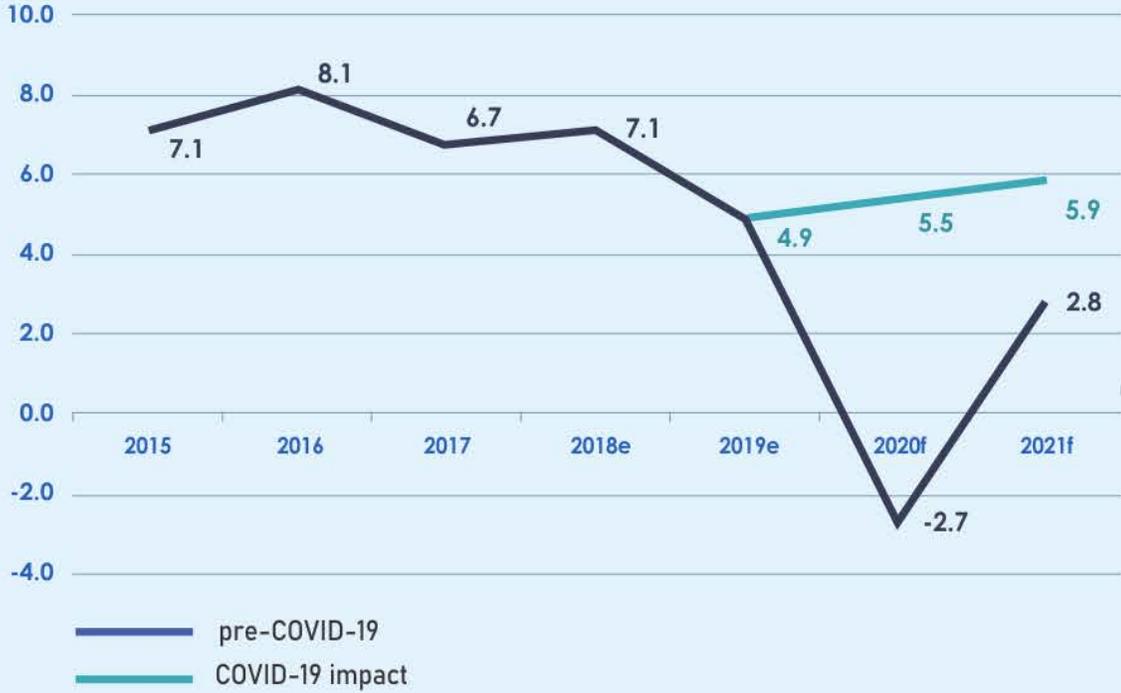
Global and regional crises call for global and regional solutions

COVID-19 has caused economic deceleration at the regional and country levels

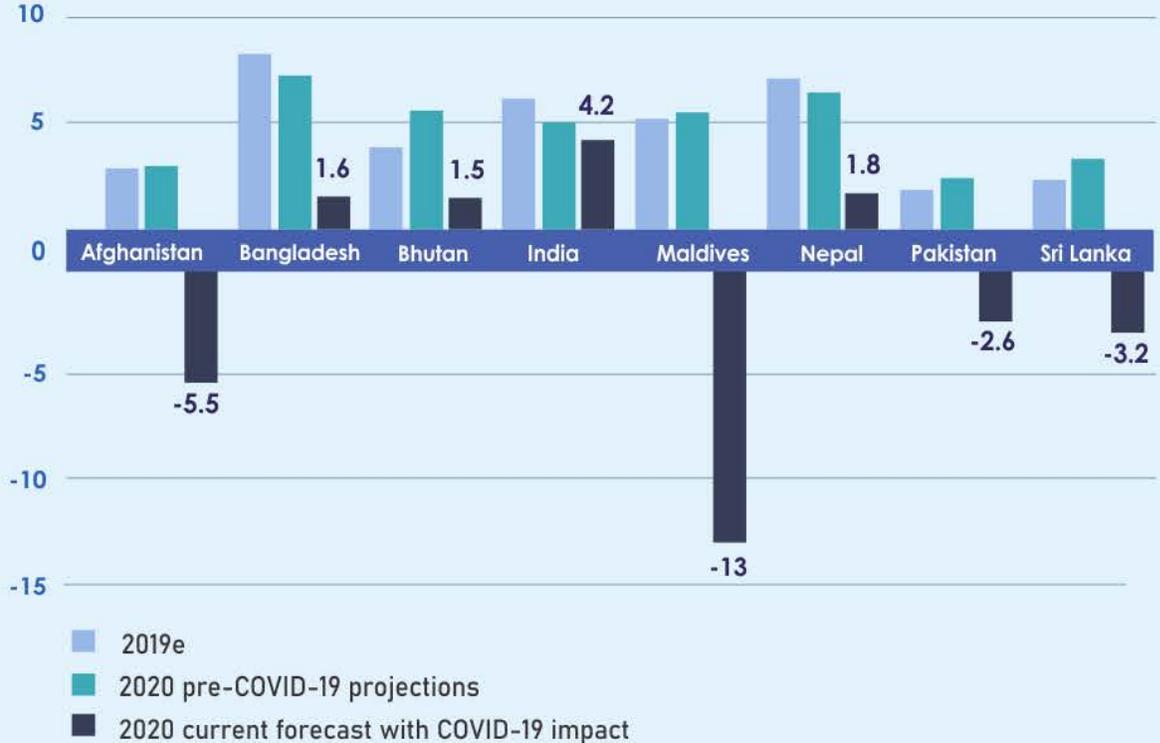
Growth in the region is projected to register a contraction of -2.7 percent in 2020 instead of 5.5 percent pre-pandemic forecast.

South Asian economies are experiencing economic deceleration. The Maldives is expected to experience the deepest contraction in 2020 in the region, of 13 percent, due to high dependence on tourism.

Real GDP growth, South Asia Region



Real GDP Growth Rates



Source: Global Economic Prospects January and June 2020

RICE could lead to significant welfare gains, especially for the smaller SAR countries

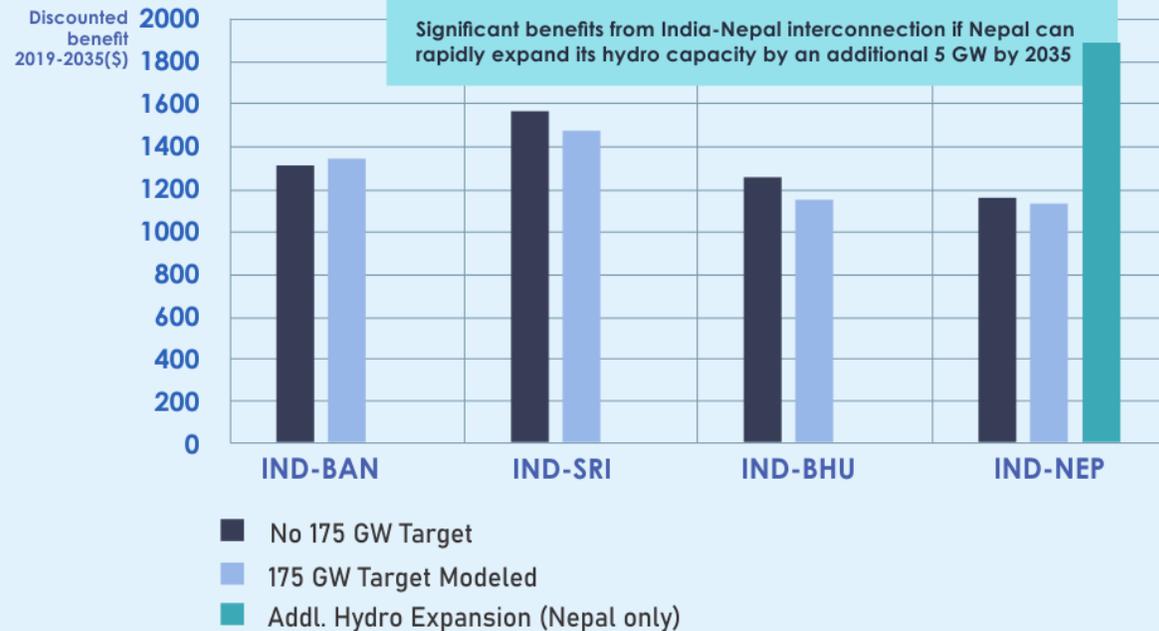
Country	Tariffs elimination				40% Reduction in Trade Costs				If SAR trade costs were comparable to ASEAN
	Welfare Gains		Intraregional Export Gains		Welfare Gains		Intraregional Export Gains		
	US\$ million	% of GDP	US\$ million	% of exports	US\$ million	% of GDP	US\$ million	% of exports	
Bangladesh	173.15	0.25	34.70	5.51	5463.03	7.99	71.11	11.29	<ul style="list-style-type: none"> • Over \$42 billion worth welfare gains for region's people • GDP increase of nearly 3% • Exports increase by 10.57% • Favourable effect greater in smaller countries
India	1950.44	0.16	263.82	1.33	16612.35	1.35	1063.23	5.36	
Nepal	595.12	5.79	202.91	32.70	5831.39	56.71	657.75	106	
Pakistan	433.34	0.30	155.90	4.82	4574.83	3.20	600.94	18.58	
Sri Lanka	284.66	0.88	26.46	2.60	6943.42	21.46	123.36	12.12	
Rest of South Asia	294.14	2.45	63.24	12.41	3808.53	31.69	215.19	42.23	
South Asia	3730.85	0.25	747.03	2.89	43233.55	2.89	2731.58	10.57	

Source: UNESCAP SANEM CGE Model Estimations.

Note: Global Trade Analysis Project simulation with closure of fixed wage rate of unskilled labour in South Asian countries.

Potential benefits from RICE across sectors

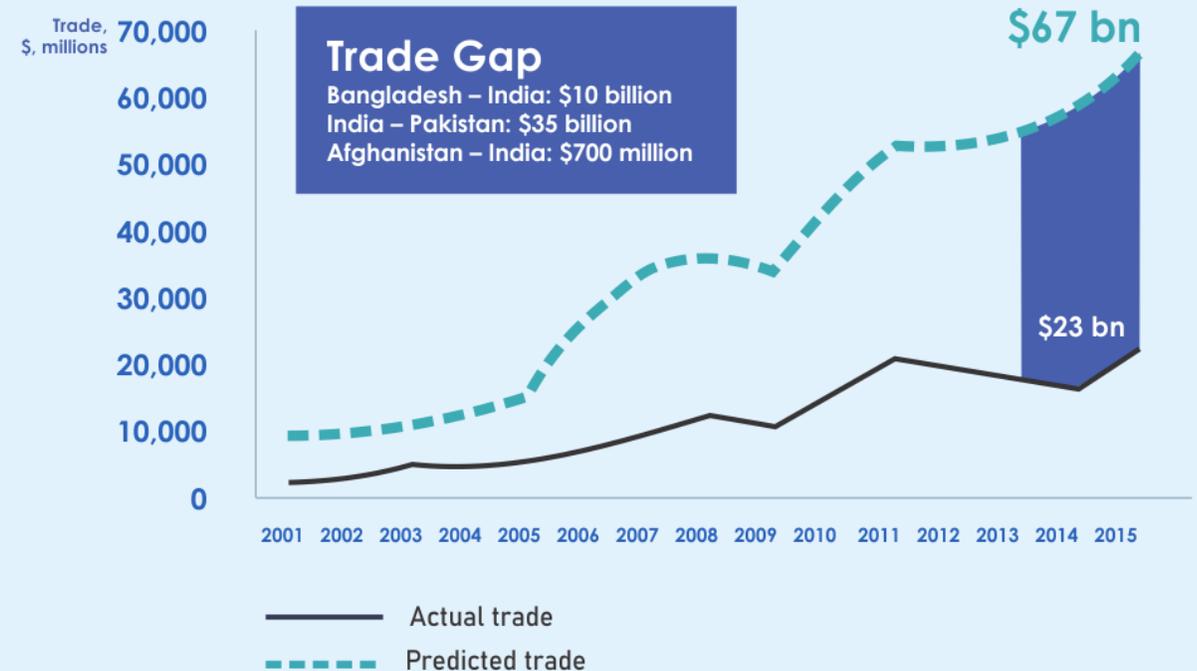
Potential benefits from Energy corridors



Benefits of more than \$1.1 b for each Energy corridor studied – Nepal could get up to \$2 b through an accelerated hydro development program. Results robust even with India achieving rapid scale up of its renewable program (175GW target).

Source: World Bank (SAREM Program), presented at 9th Power Secretaries Roundtable, July 2019. IEEE Paper, <https://ieeexplore.ieee.org/stamp/stamp.jsp?tp=&number=9127966>

Intra-regional Trade is only one third of its potential



Source: Kathuria, Sanjay, editor. 2018. *A Glass Half Full: The Promise of Regional Trade in South Asia*. South Asia Development Forum. Washington, DC: World Bank. doi:10.1596/978-1-4648-1294-1. License: Creative Commons Attribution CC BY 3.0 IGO

What our stakeholders are saying.....

- SA RICE Approach should to be **selective** and **strategic** while remaining **opportunistic** in what and where it engages.
- A **sub-regional lens** is key for advancing the RICE agenda in SA.
- **South Asia lacks a regional narrative** and WB should build the RICE narrative at every level: country and sub-national, sub-regional, and regional.
- **WB's Knowledge and Convening Power** is a key value-add for RICE, and dialogue platforms—well constructed with clear goals and objectives—combined with robust analytics, can be impactful (e.g., SAR Champions, Power Secretaries).
- **RICE work in South Asia is a marathon (not a sprint)** and needs commitment for the long haul.
- **Challenge of internal Bank structure and incentives for RICE agenda:** CMUs focused on country-level needs, logistics of multi-country work is more challenging.

3. Proposed Priorities



SA RICE VISION

“Greater regional cooperation enhances prospects for inclusive growth, sustainable development, and building a resilient Asia”

RICE approach has three pillars



Enabling Economic Connectivity



Reducing vulnerabilities and building resilience



Investing in Human Capital

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- Transport and economic corridors
- Cross-Border electricity trade and markets, regional connectivity and investment
- Cross-border trade, logistics and investments
- Digital connectivity

- Climate Change
- Disaster risk resilience
- Water security
- Blue economy
- Mountain economy

- Preparedness for pandemics
- Migration
- Skills and education
- Inclusion of 'new poor'

These Pillars will frame the structure of the new South Asia Regional Integration and Cooperation Umbrella MDTF which is one instruments for operationalizing SA RICE

Enabling Economic Connectivity



Ongoing Activities

Digital: Regional Connectivity (South Asia, Central Asia); Digital Economy for South Asia regional study

Energy: South Asia Regional Electricity Market (SAREM) Program, CASA-1000, Regional Hydropower, Cross Border Transmission

Governance: Better tax policies and procurement

Tourism: Buddhist Circuit, Tourism in NE India

Trade: Trade and regional linkages, Value chains, trade in services, Fiscal model and risks, trade with East Asia

Transport: Waterways, Logistics, Economic Corridors, Railway, Roads, and Roads Safety

Opportunities going forward

Digital: Supporting digital policies and applications across a wide array of sectors

Energy: Scale up investment in regional green power and transmission, policy and regulatory alignment for trade, mitigating impacts of Covid-19

Finance: Cross-border investments and strengthening MSMEs for international trade; e-payments

Tourism: Increased intra-regional tourism and gender inclusion

Trade: Mitigating impacts of Covid-19

Transport: Green, inclusive, multi-modal economic corridors

Reducing vulnerabilities and building resilience



Ongoing Activities

Agriculture: Agri-water nexus in NE India

Environment: Blue economy, Watershed mgmt., water quality, plastics

Poverty & equity: COVID-19 monitoring system, Globalization & women's labor market, women entrepreneurs

Social: Gender platform, Non-farm employment, Mitigating negative impacts of connectivity

Urban & Resilience: Early warning/Hydromet, Adaptation & resilience

Water: Water management through South Asia Water Initiative

Opportunities going forward

Agriculture: Resilient, inclusive agriculture and regional value chains

Environment: Sustainability of regional environmental goods; air quality management

Poverty and equity: Statistics & data collection at regional level

Urban and Resilience: Shared resources on disaster forecasting and green cities

Water: Transboundary water management

Investing in Human Capital



Ongoing Activities

Social Protection: Social protection for migrants during the COVID-19 crisis

Education: First regional education project (HEAT)

Opportunities going forward

Social Protection: regional approaches to safe, inclusive migration

HNP: Regional approaches to health to further resilience and reduce vulnerabilities

Education: Regional approaches to education in wake of COVID-19, higher education acceleration and transformation (HEAT)

What risks do we face

- **Political:** reduced interest to act by national / regional stakeholders, opposing incentives countering RICE approaches, national interests outweigh regional ones
- **Institutional:** limited and uneven capacities and systems across agencies / countries to take collaborative action, limited knowledge and evidence to inform decision making
- **Operational:** limited availability of specialist technical expertise, implementation delays, worsening security situation
- **Financial:** limited private or public sector resources; perception of high risk; instruments limit delivery options
- **Shocks:** disasters, weather-related events, global or regional economic and resource shocks, health emergencies and pandemics
- **Internal:** mismatch of regional and country priorities

4. Achieving More Effective Implementation

SARRE's Approach: working with and through others

Financing

- Mobilizing regional grant funding
 - Regional TFs: \$10 m balance + \$140 m pipeline (new Resilient Asia Program)
- Ensuring pipeline choices are aligned to RICE
 - Regional IDA – SAR's allocation under IDA 19 approx. \$1 bn
 - IPFs and DPOs
 - MFD
- Alignment between RICE and SCDs/ CPFs

Influencing

- Identifying regional knowledge gaps, including for funding through regional TFs
- Informing regional agendas through knowledge and supporting regional innovation
- Helping to build regional (and national) capacity
- Implement robust communication strategy with SAREC

Convening

- Influencing regional agendas through networks and platforms for dialogue
 - Champions
 - Power Secretaries
 - REIP
- Deepening links with other regions

Partnering

- Leading SAR's engagement with Development Partners, including through TFs
- Supporting CMUs on roll out of TF reform
- Engaging with the Private sector as agents of change in the regional space
- Engaging with Regional Institutions and MDBs

Enhanced Internal Governance

- Regional Integration Programs Committee (RIPC) alignment with country level WPAs, strengthening voice of CMUs and SARCE
- MDTF Secretariat to administer and manage donor relations
- RICE Peer Network with CMUs and GPs

SARRE Regional Trust Funds



Norwegian Ministry
of Foreign Affairs



Program for Asia Connectivity and Trade (PACT)

To improve pro-poor connectivity infrastructure and policy reforms, with the longer-term goal of contributing to increasing trade and investment, reducing cost of sustainable energy, and enhancing resilience in selected countries in Central and South Asia.

South Asia Water Initiative II (SAWI)

To increase regional cooperation in the management of the Himalayan River systems to deliver sustainable, fair and inclusive development and climate resilience.

South Asia Trade Facilitation Program (SARTFP)

To support economic growth and women's economic empowerment through trade and connectivity primarily along the Eastern Corridor of South Asia.

South Asia Regional Infrastructure Connectivity (SARIC)

To enable economies of South Asia to become better integrated and more resilient by unlocking potential for private and MDB lending in transport and energy.

Program for Asia Resilience to Climate Change (PARCC)

To increase the resilience of SAR countries to climate change by fostering regional cooperation, supporting delivery of improved weather and climate information services and increasing the use of such services in planning and decision making across climate affected sectors, and promoting innovation.

South Asia Regional Integration and Cooperation Umbrella MDTF (under preparation)

Will be a key tool for the operationalization of RICE. The MDTF will serve as the anchor for the Regional Umbrella - it will include two windows (i) Resilient Asia Program and (ii) Regional Trade and Connectivity – and will associate the five existing TF programs above.



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