World Bank's approach and contribution to SARTIP's results and impacts

PROGRAM

The United Kingdom Department for International Development (DFID) partnered with the World Bank (WB), the International Finance Cooperation (IFC), the Asian Development Bank (ADB), and other partners in 2012 to establish the South Asia Regional Trade and Integration Program (SARTIP). The program sought to leverage the strength of each partner to enhance regional economic cooperation across South Asia, with links to Central Asia and East Asia. It was strongly aligned with the WB’s strategy to support South Asia’s progression towards closer regional economic integration. Through its investments, combined with broader diplomatic and strategic engagement under SARTIP, the WB played a central role in building consensus around - and leveraging donor financing for - cross-border operations. Around US$3 billion was leveraged for regional projects, including over US$2.3 billion in concessional financing from the International Development Association (IDA).
South Asia, a dynamic region with a population of over 1.67 billion, has experienced impressive economic growth of over 7.1 percent over the last decade making it one of the fastest growing regions of the world. Faced with a growing and relatively young population, the region’s continued growth is contingent upon meeting increasing demand for energy, infrastructure, basic services, jobs, and income opportunities.

South Asian countries have increasingly embraced regional solutions, including through several bilateral and sub-regional agreements and regional projects with the potential to unleash transformative change. However, there are several missed economic opportunities as, globally, South Asia remains one of the least integrated regions. Intra-regional trade accounts for only 6 percent of South Asia’s total trade, while intra-regional investment is less than 1 percent of overall investment. Cross-border energy trade remains well below its potential despite significant resource synergies and unmet demand.
A strategic and flexible approach was adopted to enable the WB and partners to respond to emerging opportunities. This approach included high-level dialogue, knowledge generation and communications to build a shared understanding of the mutual benefits for regional cooperation, while also responding to emerging demand from countries and catalyzing investments, notably in energy, trade and transport connectivity.

Regional integration touches upon significant political economy considerations: the existence of entrenched interests that benefit from the status quo, and a long history of tension that exacerbates doubts about possible gains from deeper cooperation.

SARTIP developed the ‘Champions Process’, a network of influential foreign and economic policy practitioners from across South Asia to raise awareness around shared challenges, identify windows of opportunity, and champion strategic regional interventions in their respective countries.

This initiative fostered innovative, high quality and sustained dialogue, and its members became active brokers of change, often engaging in ‘development diplomacy’ both in-country and with regional partners, contributing to significant breakthroughs in regional power trading agreements, regional electricity inter-connection capacity and electricity trade, and revival of inland waterways connectivity.

This process spawned the South Asia Power Secretaries Forum, a peer network of senior energy sector officials, which helped increase demand and national ownership of cross-border grid connectivity and electricity trade. Other SARTIP-supported networks – the Regional Ecological Integrity Platform (REIP) and the South Asia Region Public Procurement Network (SARPPN) - shaped and facilitated collaboration around protecting the region’s shared ecological assets and in promoting better governance in public procurement.
An Emerging Regional Electricity Market

Energy resources in South Asia are unevenly distributed, largely untapped, with limited cross-border trading and connectivity. While Bhutan’s and Nepal’s hydropower potential are in excess of domestic power needs, rapidly growing economies of India, Pakistan, and Bangladesh are facing energy shortages during periods of peak demand.

SARTIP played a central role in building consensus around, and leveraging WB and other donor financing for cross-border energy operations. SARTIP leveraged US$1.3 billion in new WB-financed energy projects.

The Central Asia South Asia Transmission Project (CASA-1000) project was a significant SARTIP outcome – the first of its kind power trading arrangement for surplus hydropower to flow from Central Asia (Kyrgyz Republic, Tajikistan) to energy deficient South Asia (Afghanistan, Pakistan) during the summer months. This project constitutes a fundamental building block for the creation of a Central Asia-South Asia Regional Electricity Market (CASAREM).

Technical Assistance and convening/dialogue also contributed towards a positive momentum in the eastern sub-region. Bangladesh and Nepal became connected to India’s national electricity grid, expanding both inter-connection capacity and electricity trade. Cross-border transmission capacity of 1,000MW between India and Nepal is being developed through a WB-financed project, which has injected momentum into the development - and subsequent export - of Nepal’s enormous hydropower potential. Furthermore, hydropower scale-up in Nepal was a key priority under SARTIP. Technical due diligence was completed for large, export-oriented hydropower projects, leading to several projects successfully reaching financial closure.

Creating the Conditions for Regional Trade and Transport Connectivity

South Asia’s intra-regional trade is less than 6 percent, constrained by high trade costs arising from policy and non-tariff barriers, restrictions on cross-border transit, poor logistics performance and weak infrastructure connectivity.

SARTIP was fundamental to developing and implementing the WB’s Eastern Corridor Connectivity Program, under which WB investments grew from zero to over US$1.5 billion. The program was designed to facilitate intra-regional trade and seamless and safe movement of passengers and freight on multimodal transport networks in BBIN countries (Bangladesh, Bhutan, India, Nepal).
Promoting a New Narrative Towards Regional Integration

An extensive multi-track programmatic technical assistance program to support a more informed policy debate and dialogue on regional integration was implemented across the SARTIP pillars. The program delivered a series of analytical pieces and policy notes, and communications products, which helped build a more positive and fact-based narrative on regional integration.

For example, SARTIP analytical work estimated that intra-regional trade in goods in South Asia alone could increase from current levels of US$23 billion to US$67 billion.

South Asia Economic Conclave

Achieving inclusive growth through deeper economic integration

SARTIP funded the first South Asia Economic Conclave (SAEC), organized by Confederation of Indian Industry (CII), to bring together eight SAARC countries on a common platform to further the vision of “One South Asia”. SAEC was a pioneering initiative, and a break-away from past SAARC-focused conferences, in that the private sector led the deliberations to identify cross-border partnership opportunities – with active participation of senior policy makers, media professionals and cultural ambassadors.