

South Asia Subregional Economic Cooperation

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The shared vision of SASEC is to increase intra-regional trade by moving people, goods, and business across borders faster and at least cost, and to improve the quality of life and opportunity for the people of the SASEC countries.

South Asia Subregional Economic Cooperation—SASEC Program

Unlocking Growth Potential through Subregional Cooperation

The South Asia Subregional Economic Cooperation (SASEC) Program brings together Bangladesh, Bhutan, India, and Nepal to strengthen connectivity, promote economic growth through trade, and help unleash the tremendous potential of this strategically vital area of South Asia. If the subregion can fully achieve this potential, it will bring prosperity and a vastly improved quality of life for millions of people.

The potential to increase intra-regional trade between the four SASEC countries is strong, but is currently hampered by poor infrastructure, and lack of investment and access to regional and global markets.

- Bangladesh needs energy, which can be addressed by power trade and interconnection arrangements.
- Landlocked Bhutan and Nepal need access to ports, while Bangladesh needs to improve its ports.
- In India, the northeastern states are home to more than a quarter of the population, yet per capita gross domestic product (GDP) is substantially lower than the national average, and the northeast receives a fraction of the foreign direct investment that flows into more prosperous Indian states.

As one of the least economically integrated regions in the world, SASEC countries have much to gain from developing transport and energy connectivity at a regional level, in cooperation with one another—*intra-regional trade in 2010 was a mere 4.3% of South Asia's total trade*. Given faster, better transport links and border crossings throughout SASEC countries and further afield to more distant regional markets, transformational connections can be built from South Asia, through Myanmar, to Southeast Asia and the People's Republic of China (PRC). Robust multimodal connectivity and market integration could help India, Southeast Asia, and PRC potentially double their share of global GDP by 2050.

The SASEC partnership works to increase trade and cooperation within South Asia, while also creating the linkages to East and Southeast Asia. The Asian Development Bank (ADB) has helped SASEC countries invest almost \$4.7 billion since 2001 to facilitate cross-border trade, build transport networks and links, and boost potential for energy export. SASEC has also supported initiatives in information and communications technology (ICT). ADB serves as the SASEC Secretariat.

SASEC subregional projects support and complement the work of the South Asian Association for Regional Cooperation (SAARC), which provides for the promotion of economic and social progress, cultural development within the South Asia region, and friendship and cooperation with other developing countries.

ADB has financed \$4.7 billion in SASEC loans and grants since 2001, in support of 25 SASEC projects

The Asian Development Bank and the SASEC Partnership

Regional Investment to Build Infrastructure Connectivity

ADB supports the SASEC countries in strengthening regional linkages for growth and promoting cooperation that will contribute to future prosperity. ADB provides financial and technical support to

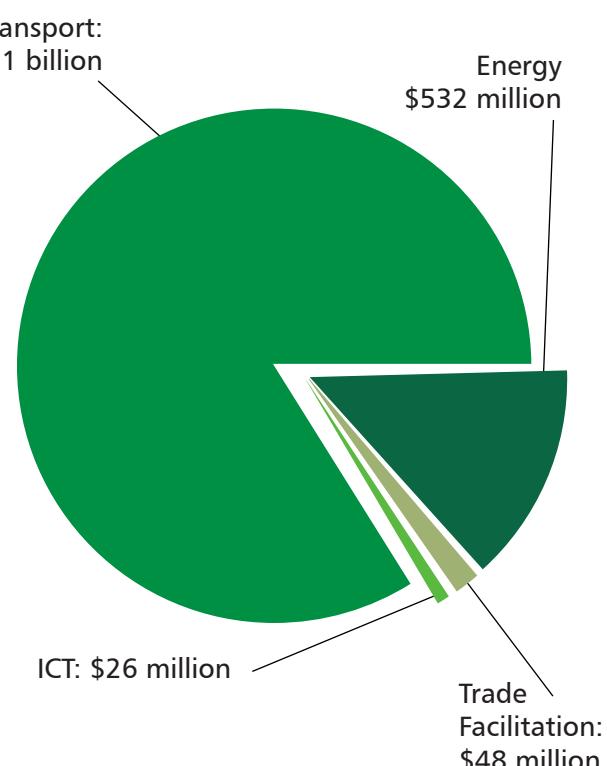
- improve transport and energy connectivity
- strengthen institutions and trade links
- boost human capital and capacity throughout

Since 2001, ADB has approved almost \$4.7 billion in loans and grants—toward which the SASEC governments have contributed more than \$1.9 billion—in support of 25 SASEC projects in transport, trade, energy, and information and communications technology (ICT):

ICT = information and communications technology;
SASEC = South Asia Subregional Economic Cooperation.
Source: SASEC Secretariat.

SASEC Investment Projects, 2001-2013

Total Investment:
\$4.67 billion



Creating Knowledge to Support Action

A regular exchange of information and knowledge helps SASEC countries learn from experience in the subregion, and sharing international best practices strengthens the planning of effective development initiatives and delivery of results across the sectors, which in turn can bring about faster growth in the region.

ADB technical assistance is helping develop roadmaps and action plans with the SASEC governments to promote greater connectivity and trade among the four countries. Since 2001, technical assistance projects supported by ADB have totaled \$55.6 million:

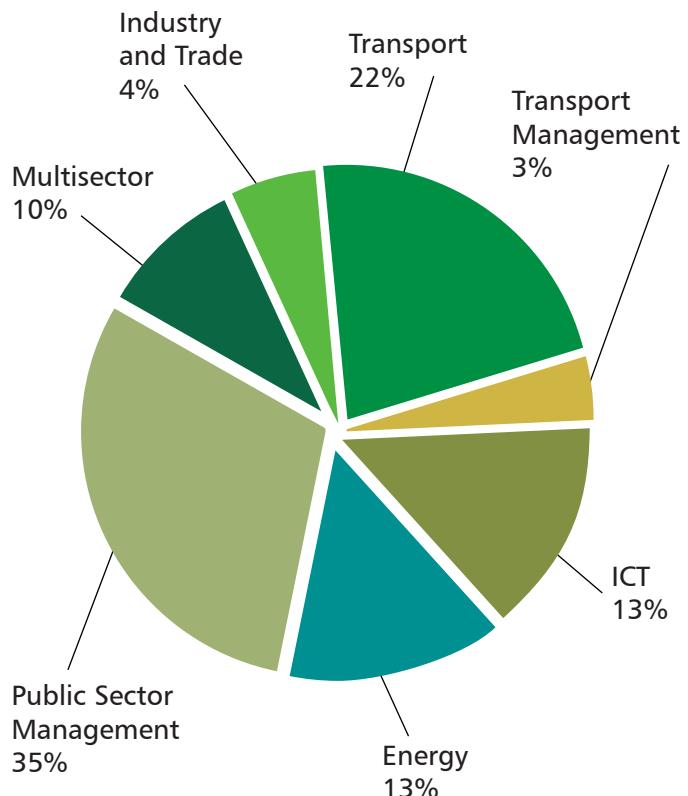
Knowledge is generated, shared, and disseminated in many different ways through SASEC, including interactive workshops and trainings, coordinated by the discussion platforms and technical groups, as well as the SASEC Secretariat. The partnership draws on the expertise of many international organizations, including the United Nations Conference on Trade and Development, the United Nations Economic and Social Commission for Asia and the Pacific, and the World Customs Organization to ensure the most updated and relevant technical training is provided.

SASEC produces and gathers relevant reports and studies, practical workshop and training manuals, and best practices in technical areas and in regional cooperation established by shared experience and learning in South Asia and other parts of the world. These materials are disseminated through the program's expanding website—www.sasec.asia—to reach as broad an audience as possible.

www.sasec.asia — one-stop access to SASEC information and knowledge sharing

SASEC Technical Assistance Projects by Sector, 2000-2012 (% of total cost)

Total Technical Assistance:
\$55.6 million



ICT = information and communications technology;
SASEC = South Asia Subregional Economic Cooperation.
Source: SASEC Secretariat.

Partnering for a Stronger Regional Future

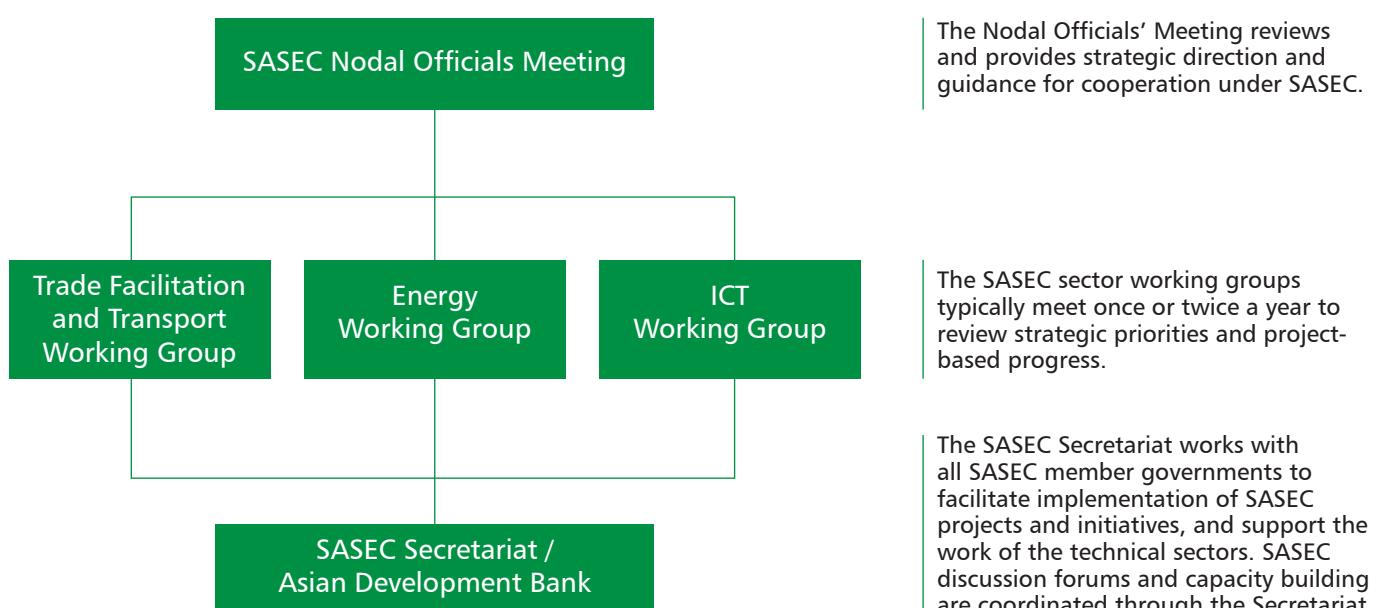
SASEC has helped its member countries build confidence and mutual trust by creating discussion platforms where shared interests are identified and addressed, for the benefit of all. Together, the countries have established a three-tier informal consultation process where they agree on agendas for coordinated action.

This consultation process provides an effective and practical structure for cooperation and helps reinforce the SASEC partnership at three key levels. It ensures support and ownership for the program at the policy level, as well as practical collaboration at the technical working level. The various SASEC discussion platforms help countries

plan and coordinate development initiatives at a regional level, and then prioritize and implement at a national level.

To carry out the agreed actions of the technical working groups, SASEC sectors establish discrete sub-committees, as necessary, that also bring together all the partners on a regular basis. The customs sub-committee of the trade facilitation and transport working group was established in March 2013, to serve as a platform for knowledge and experience sharing on priority customs issues in the subregion and measures to address them.

Gathering often at all levels allows the SASEC countries to develop effective mechanisms to further cooperation and trade, which can also help foster a groundswell of goodwill among them.





Regional Cooperation in Action: Priority Investment Sector

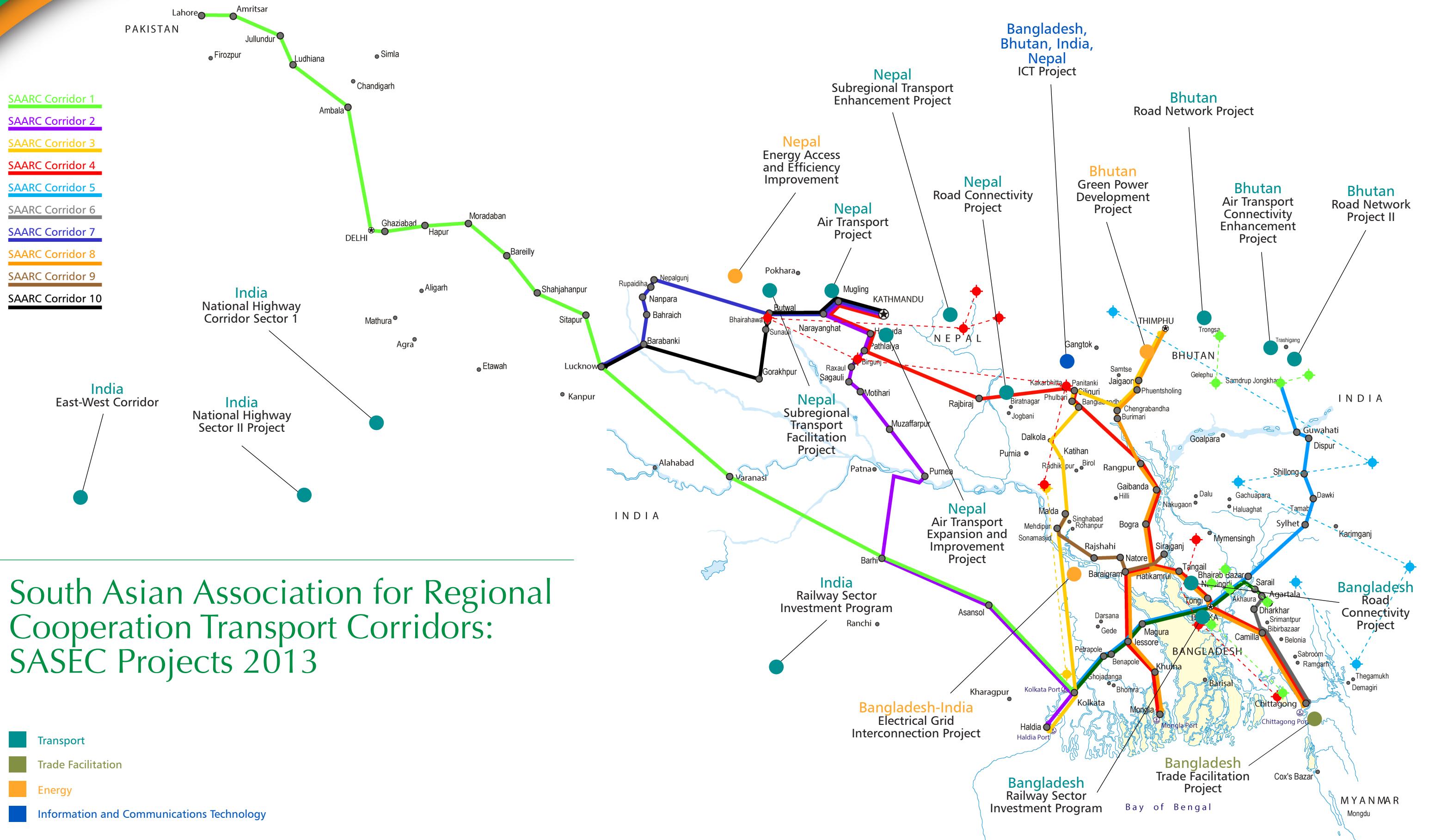
SASEC project-based investments aim to support and complement the work of the South Asian Association for Regional Cooperation (SAARC), which seeks to bring about both political and economic cooperation among the four SASEC countries together with Afghanistan, Maldives, Pakistan, and Sri Lanka. SASEC follows a pragmatic approach to improve transport and energy infrastructure connectivity. Coordinated project-based initiatives at the regional level contribute to better economic opportunity for millions of people in the subregion.

In 2005, the SASEC countries agreed on the priority sectors for action: transport, trade facilitation, and energy. ICT development was identified as a

secondary area for cooperation initiatives. SASEC drew up time-bound action plans for each of these sectors, strengthened the dialogue process among member nations, and initiated cooperation with the private sector through specific projects.

Flexibility, Coordination, Cooperation

SASEC countries follow a flexible multi-track approach, with coordinated projects in different countries implemented nationally as well as across borders, to promote subregional cooperation. National road and rail networks, for example, are strengthened within individual countries, yet are planned and prioritized to link up across national borders with transport networks in neighboring countries. Connecting transport networks efficiently speeds access to ports and markets, and eases the movement of good, people, and business within South Asia.



SASEC aims to put in place the critical multi-modal transport networks that will enhance intra-regional trade and investment in the subregion and boost economic growth.

Since 2001, ADB has financed 19 subregional cooperation investments in road, rail, air, and sea transport, worth a combined value of \$1.7 billion.

Transport Sector

SASEC aims to put in place the critical multi-modal transport networks that will enhance intra-regional trade and investment in the subregion and boost economic growth. Strengthening road, rail, port, and air links in South Asia supports the needs of the region's growing economies by easing passenger travel and goods traffic.

Better infrastructure connectivity makes port facilities in Bangladesh and India more accessible to landlocked Bhutan and Nepal. Expanding air travel facilities in Bhutan and Nepal will help meet growing passenger and goods demand, as well as safety concerns. These better links and improved facilities directly or indirectly support the growth of intra-regional trade and investment in South Asia, with Southeast and East Asia, and, ultimately, with the rest of the world.

The SASEC Program focuses on the multi-modal development of two high-priority SAARC transport corridors linking key cities and ports in the subregion. Since 2001, ADB has financed 19 subregional cooperation investments in road, rail, air, and sea transport, worth a combined value of \$1.7 billion. Roads dominate transport systems in all SASEC countries and the majority of these investments are in the road sector. However, rail networks in Bangladesh and India are also being

strengthened under SASEC, and improvement of air transport systems is a priority for land-locked Bhutan and Nepal. One project focuses on enhancing the port facilities at Chittagong, Bangladesh.

Although road transport alone caters for 65-70% of all freight movement in the SASEC subregion, the road network needs upgrading and expansion to increase trade within the region and beyond. Faster, more efficient cross-border road links will give Bhutan and Nepal easier access to sea ports in the region. Roads linking northeastern India to Myanmar can ultimately connect the SASEC countries with all of East and Southeast Asia, further boosting trade opportunities.

Under SASEC, the West Bengal Corridor Development Project removes a critical transport bottleneck in the movement of freight and passengers from the SASEC subregion to ports at Kolkata and Haldia, both in the eastern Indian state of West Bengal. This Project not only provides port access to land-locked Bhutan and Nepal, but also improves access to these major ports for cities in Bangladesh and India. In addition, the upgraded and expanded road network will give rural communities easier access to schools, hospitals, and markets.



Other SASEC initiatives link Nepal to Bangladesh and Bhutan by strengthening road networks in those three countries, as well as northeastern India. SASEC also supports an Indian Government initiative to upgrade old roads and build new ones in the northeast, improving connectivity within this part of India, where movement is hindered by hilly terrain and heavy rains. Better connectivity brings better access for people in previously remote areas to health and education facilities, markets, and employment opportunities.

South Asia is also home to one of the largest rail networks in the world, stretching over 77,000 kilometers. In the SASEC subregion, Bangladesh and India have extensive networks. SASEC investments in rail—currently worth more than \$670 million—are working to ensure compatibility in railway gauges, streamlined customs procedures for quicker border crossings, and other measures to improve cross-border movement of people and goods.

Airports are the key entry points for foreign visitors—including tourists—to Bhutan and Nepal. Safe, reliable, and efficient air transport system are being developed to connect urban and rural centers, and promote trade and tourism.

\$100 million in SASEC investments is providing domestic and international airports with upgraded infrastructure, including runways and taxiways, and strengthened safety and security components such as lighting and air traffic control equipment.

Sea ports in Bangladesh and India are critical to intra-regional, regional, and global trade, yet struggle to cope with growing requirements for capacity and modern services. Under SASEC, the Chittagong Port Trade Facilitation Project has increased the capacity and efficiency of the container terminal and is helping international port security and environmental standards to be met. This leads to lower shipping and port charges, contributing to more international trade.

Transport infrastructure is being upgraded and expanded in a way that promotes both national and subregional connectivity and growth. Within each country, better transport infrastructure improves access to villages, aiding the provision of goods and services in these areas. At the same time, it gives farmers access to markets. Expanded road networks, compatible railway systems, streamlined systems, and better management of facilities boosts regional connectivity, trade and rural livelihoods.



Trade Facilitation Sector

The benefits of creating fast and efficient transport infrastructure networks to move goods, people, and business around South Asia will never be fully realized unless these developments are supported by simultaneous improvements in trade procedures and facilities. Intra-regional trade in South Asia could rise by as much as 60%, and the region's trade with the rest of the world could grow by 30% if trade facilitation systems could be raised to international standards, according to studies.

To boost intra-regional trade, significant improvements must be made both in existing infrastructure, which is in need of repair, upgrading, expansion, and cross-border standardization, and in reducing or eliminating non-tariff barriers to trade such as lengthy administrative procedures,

unnecessary documentation requirements, lack of automation, lack of harmonization of trade regulations, and limited through transport and transit arrangements.

The SASEC Trade Facilitation Program aims to help create modern and effective customs administrations, streamlined and transparent regulations and procedures, and improved information and responsiveness to the private sector. Development of automated customs systems is modernizing and streamlining customs procedures in Bangladesh, Bhutan, and Nepal. Efficient, transparent, secure, and service-oriented processes will in turn speed up the time and reduce the costs of trading across borders in the SASEC region.

The SASEC Trade Facilitation Program is helping speed up the time and reduce the costs of trading across borders in the SASEC region.



ADB further supports trade facilitation through a series of regional technical assistance projects to build human and institutional capacity in the area of trade facilitation. Collaborating with national and international expertise—including the World Customs Organization and various United Nations agencies that focus on trade—helps share and create knowledge and best practice in the SASEC countries.

A SASEC trade facilitation road map is being implemented, which includes policy, regulatory, and

institutional reforms for customs modernization consistent with best international practices, standards and conformity assessment, and practical arrangements for cross-border and transit transport. It also calls for upgrading infrastructure at selected border crossings considered crucial to intra-regional trade, as well as institutional and capacity building for trade facilitation.



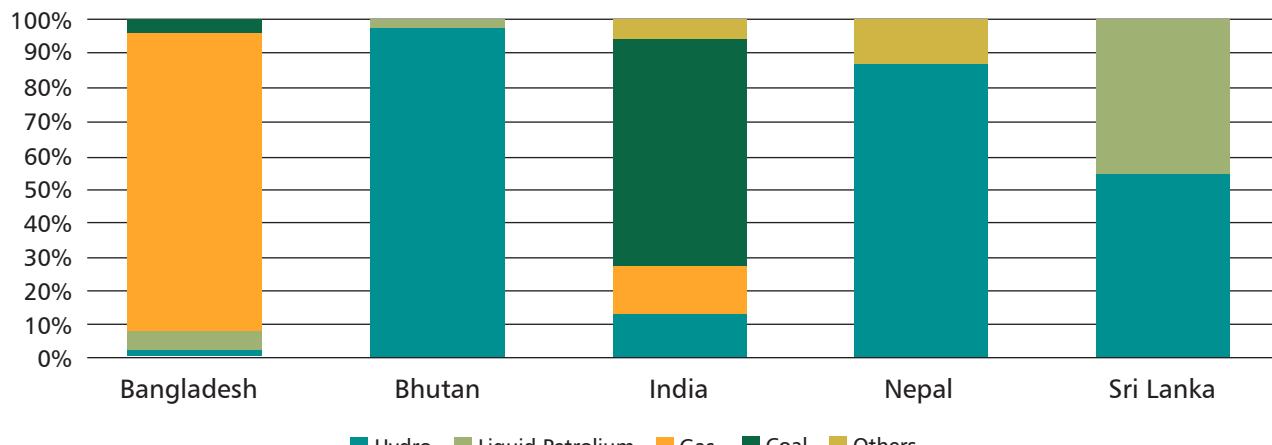
SASEC is working to improve energy security and access in the region by developing essential energy infrastructure, and promoting intra-regional power trade to reduce costs and import-dependence.

Energy Sector

Accelerating economic development in Asia has led to ever-increasing demand for energy that is expected to continue growing over the coming decades. In South Asia, energy shortages are giving rise to an increasing dependence on fuel imports from outside the region, even though domestic and subregional resources have not yet been fully exploited.

Energy resources are unevenly distributed in the SASEC countries. India has huge coal reserves, Bangladesh has natural gas, and Bhutan and Nepal have hydropower. All the countries are rich in renewable resources. Sri Lanka participates in the activities in the energy sector.

Fuel Domination in Power



Dominance of Single Fuel in Energy Mix



Better development of available energy resources and intra-regional trade can greatly reduce costs and import-dependence, improving energy security and access. Optimal use of renewable energy sources and other energy efficiency initiatives will also help protect an increasingly fragile environment.

Under SASEC, more than \$530 million worth of investments have been made to develop necessary energy infrastructure and intra-regional power trade. For example, Bhutan's Green Power Development Project harnesses the power of water and the sun to provide electricity both to remote communities in Bhutan and to neighboring India. The development of renewable energy resources under the project ensures provision of power in an environmentally-friendly and sustainable manner. The Dagachhu hydropower sub-component will produce 114 megawatts of power to be exported to India through an existing grid, and implemented through a public-private partnership between Bhutan's public-sector Druk Green Power Corporation and India's Tata Power Company. The project will also harness solar power to provide electricity to schools, health centers and other

community facilities in remote mountain villages in Bhutan.

ADB-financed energy projects in Nepal—where electricity supply is subject to long periods of scheduled outages and frequent unscheduled interruptions—are working to improve efficiency in the power sector, making power supply more reliable, and expand the country's transmission infrastructure to strengthen its capacity for cross-border energy trade.

Together with energy infrastructure improvement and a focus on "green growth" in renewable energy options, ADB supports the development of intra-regional SASEC power trade. The Bangladesh-India Electrical Grid Interconnection Project, for example, has enabled the exchange of electricity through South Asia's first high-voltage direct current cross-border transmission link. It provides a 400-kilovolt double circuit transmission line between the electrical substations at Baharampur, India and Bheramara, Bangladesh, reducing energy shortages in Bangladesh, providing an alternate market for Indian suppliers, and improving grid stability in the region.

Better virtual connectivity will help increase the potential to find jobs and locate services, open up access to information, and ultimately contribute to a better quality of life for rural and remote communities in the SASEC region.



Information and Communications Technology

Recognizing the importance of virtual connectivity—in addition to tangible infrastructure connectivity—for today's economic growth engines, SASEC also supports initiatives in ICT. The SASEC Information Highway Project is working to provide faster, more affordable and reliable broadband Internet connectivity to parts of Bangladesh, Bhutan, India, and Nepal. It is creating cross-border information and communication technology (ICT) networks among the four countries that will improve access to knowledge and information for remote village communities, expanding opportunities to participate more fully in the global information economy.

Expanded cross-border ICT networks will connect rural communities in the four countries to information and opportunities in business, services, and universities and research institutes across the region. Better virtual connectivity will in turn bring tangible benefit to these communities, increasing the potential to find jobs and locate services, opening up access to information, and ultimately contributing to a better quality of life.

ADB has approved loans, grants, and technical assistance worth \$21.2 million in support of the SASEC Information Highway Project.



The SASEC Partnership: Moving Forward

Bangladesh, Bhutan, India, and Nepal have made significant progress in cooperating for mutual benefit under the SASEC program. They have successfully taken the crucial first steps toward unlocking the tremendous potential of a more integrated subregion—but much remains to be done.

Moving forward, SASEC will continue its shared path of cooperation in the key sectors of transport, trade facilitation, energy. SASEC members will continue to:

- Foster the spirit, mutual benefit, and opportunity afforded by regional cooperation;
- improve transport and energy connectivity
- Support the SASEC discussion platforms and expand these platforms as agreed and required;
- Prioritize and plan SASEC investments and initiatives at the regional level, though implementing at the national level;
- Integrate the development of the “softer” side of connectivity with the upgrading of physical infrastructure to maximize the benefits;
- Increasingly encourage public-private partnerships throughout the subregion;

- Create, share, and disseminate knowledge in support of SASEC initiatives; and
- Explore innovative measures for enhancing cooperation and collaboration with bilateral and multilateral partners.

ADB will continue to support the SASEC program as:

- honest broker and secretariat to facilitate collaboration among the member countries and promote an effective approach to subregional cooperation;
- financing partner providing technical assistance and funds, and leveraging co-financing from other development partners;
- development partner that builds human resource capacities and strengthens institutions in the SASEC countries to support greater and more efficient subregional cooperation; and
- knowledge provider, creating and disseminating best practices in regional project planning, design and management.

ADB will continue to coordinate and support the SASEC Program, with its focus on regional cooperation to unlock the potential to dramatically raise economic growth and improve the quality of life for the people of the SASEC countries.

SASEC Discussion Platforms and Projects Timeline



Projects

	2001 India	2002 India	2003 India	Bangladesh	Bhutan	Brunei, India, Nepal	Nepal	Bangladesh	Bangladesh, Bhutan, Nepal	Interconnection Project: Suppl		
	West Bengal Corridor Development Project US\$133 million	East-West Corridor Project US\$644 million	National Highway Corridor (Sector) I US\$760 million	Chittagong Port Trade Facilitation Project US\$42 million	Road Network Project US\$34 million	SASEC Information Highway Project US\$ 26 million	Green Power Development Project US\$151 million	SASEC Bangladesh-India Electrical Grid Interconnection Project US\$159 million	SASEC Trade Facilitation Program US\$48 million	US\$40 million		
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	
1996-1997	South Asian Growth Quadrangle (SAGQ) launched by Bangladesh, Bhutan, India, and Nepal SAGQ endorsed by South Asian Association for Regional Cooperation (SAARC)	South Asia Subregional Economic Cooperation (SASEC) Program launched by ADB	First Energy and Power Working Group Meeting, New Delhi, India	Second Country Advisors' Meeting, Manila, Philippines	First ICT Working Group Meeting, New Delhi, India	Third Country Advisors' Meeting, Manila, Philippines	Fourth Transport Working Group Meeting, Bangkok, Thailand	SASEC Country Advisors' Conclave, Bangkok, Thailand	Fifth ICT Working Group Meeting and SASEC Information Highway Project Steering Committee Meeting, Bangkok, Thailand	Second High Level Forum: Emerging Vision for Shared Prosperity: South Asia and Beyond, Manila, Philippines	Energy Working Group Meeting, Thimpu, Bhutan	Trade Facilitation and Transport Working Group Meeting, Singapore
			Second Environment Working Group Meeting, Thimpu, Bhutan	Second Transport Working Group Meeting, Kathmandu, Nepal	Third Transport Working Group Meeting, Bangkok, Thailand	Fourth Country Advisors' Meeting, Dhaka, Bangladesh	Fourth Country Advisors' Meeting, Manila, Philippines		First High Level Forum: Emerging Vision for Shared Prosperity: South Asia and Beyond, Manila, Philippines	Trade Facilitation and Transport Working Group Meeting, Thimpu, Bhutan	Meeting of the SASEC Electricity Transmission Utility Forum, Sri Lanka, Colombo	SASEC Customs Subgroup-2, Kathmandu, Nepal
			Second Transport Working Group Meeting, Kathmandu, Nepal	First Country Advisors' Meeting, Manila, Philippines	Second ICT Working Group Meeting, Thimpu, Bhutan	Second ICT Working Group Meeting, Thimpu, Bhutan			Sixth ICT Working Group Meeting and SASEC Information Highway Project Steering Committee Meeting, Manila, Philippines	SASEC Nodal Officials' Meeting, Manila, Philippines	SASEC Electricity Transmission Utility Forum-2, Manila, Philippines	SASEC Nodal Officials Meeting, New Delhi, India
				Second Energy and Power Working Group Meeting, New Delhi, India					Seventh ICT Working Group Meeting and Bilateral Interconnections Meeting, Manila, Philippines	Inception Meeting of SASEC Customs Sub-Committee, Bangkok, Thailand	Inception Meeting of SASEC Customs Sub-Committee, Bangkok, Thailand	
											SASEC Trade Facilitation Week, Bangkok, Thailand	

About the South Asia Subregional Economic Cooperation Program

The South Asia Subregional Economic Cooperation (SASEC) Program is a project-based initiative that promotes economic cooperation through the enhancement of cross-border connectivity and facilitation of trade. SASEC comprises 4 countries: Bangladesh, Bhutan, India, and Nepal.

About the Asian Development Bank

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to two-thirds of the world's poor: 1.7 billion people who live on less than \$2 a day, with 828 million struggling on less than \$1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

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