Eurasian Development Bank

Economic Co-operation in Eurasia: Practical Solutions



Greater Eurasian Partnership –

an initiative to improve economic connectivity in Eurasia

G E P

Shortage of applied solutions that could be used to develop new co-operation formats

The paper is presented in the format of a "menu" offering pragmatic applied solutions

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Principles Underpinning Practical Solutions

1	2	3	4
Involve the minimum number of countries required to solve a problem →	Take a pragmatic approach to formulating tasks and proposed solutions →	An essentially new format of economic integration →	Delegate to the supranational level only those powers and authorities that are minimally necessary to solve individual tasks
Fewer participants – easier coordination	Focus on dealing with specific regional problems	The GEP may become a framework that binds subregional economic ties within Eurasia	Subsidiary integration principle

Practical Solutions

TRANSPORT

01 Eurasian Transport Network

02 Integrated Eurasian Transport Connectivity Map and Online Observatory for Transport Infrastructure Projects

03 Cross-Border PPP Projects

WATER AND ENERGY

04 Regional Approach to Managing Water and Energy Resources in the Aral Sea Basin

05 Tripartite Co-operation in the Irtysh Basin

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FOOD LOGISTICS

07 INSTC as Alternative for Food Logistics

TRADE

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FINANCE

09 Movement Towards Technical Compatibility of National (Central) Bank Digital Currencies

10 Strengthening of Co-operation with MDBs: Consolidation of Resources, Expertise, and Capabilities

11 Establishment of a Multilateral Green Finance Mechanism

ACADEMIC MOBILITY

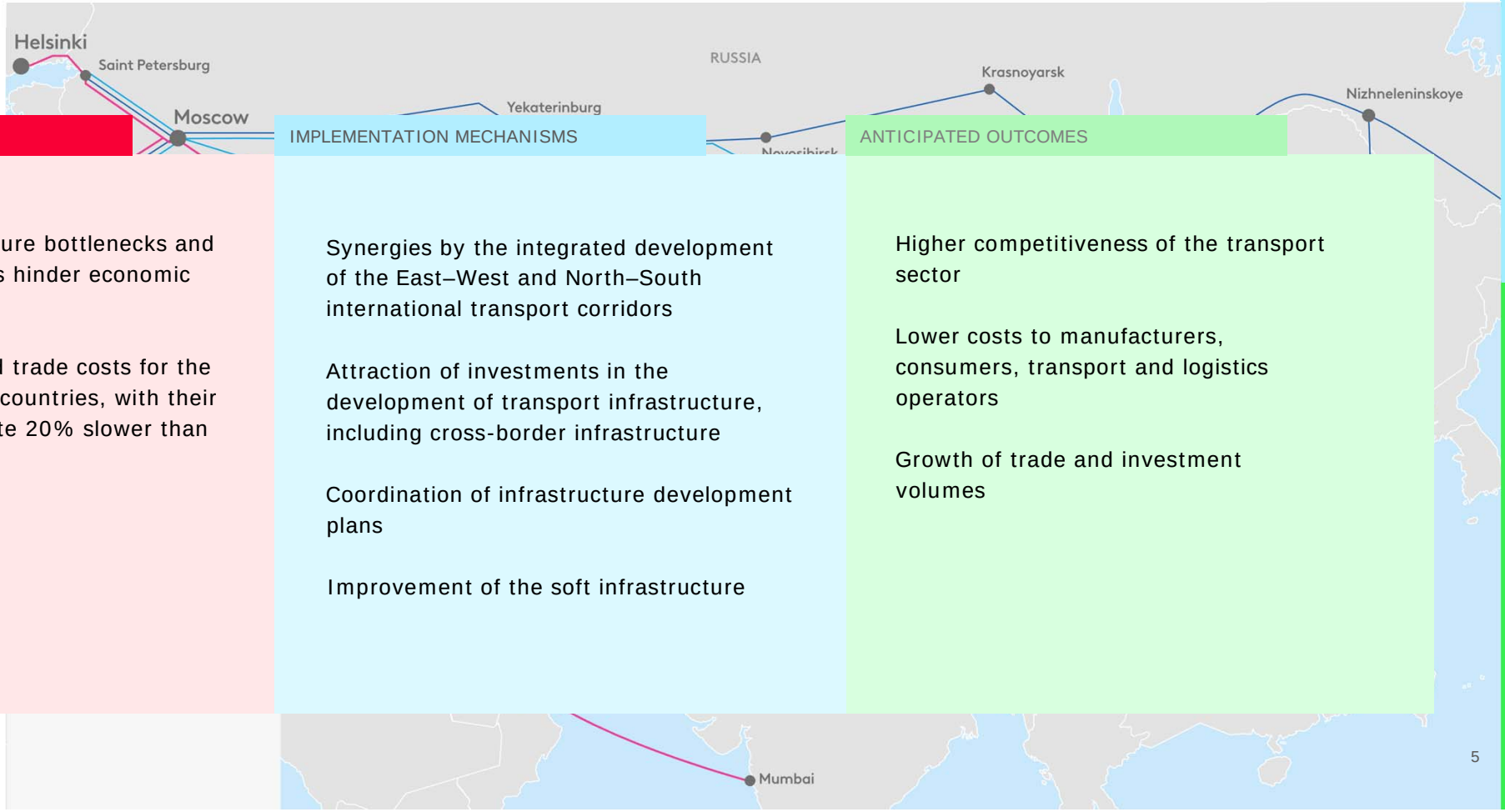
12 Academic Mobility Promotion Programme

01

Eurasian Transport Network



01 Eurasian Transport Network



CHALLENGES

Transport infrastructure bottlenecks and non-physical barriers hinder economic connectivity

Higher economic and trade costs for the landlocked Eurasian countries, with their GDP growing at a rate 20% slower than in coastal states

IMPLEMENTATION MECHANISMS

Synergies by the integrated development of the East–West and North–South international transport corridors

Attraction of investments in the development of transport infrastructure, including cross-border infrastructure

Coordination of infrastructure development plans

Improvement of the soft infrastructure

ANTICIPATED OUTCOMES

Higher competitiveness of the transport sector

Lower costs to manufacturers, consumers, transport and logistics operators

Growth of trade and investment volumes

02

Integrated Eurasian Transport Connectivity Map and Online Observatory for Transport Infrastructure Projects

CHALLENGES

Transport infrastructure bottlenecks and non-physical barriers hinder improvement of economic connectivity

Implementation of large-scale transport infrastructure projects, primarily cross-border projects, requires close co-operation between the stakeholder countries, MDBs, and other development institutions

IMPLEMENTATION MECHANISMS

Creation of an integrated Eurasian transport connectivity map showing the key transport corridors and routes (Level 1), secondary transport routes (Level 2), connecting transport routes and spurs (Level 3)

Development of a database (Online Observatory) of investment transport projects ranged by those three levels

ANTICIPATED OUTCOMES

Creation of a strategic framework for further development of the Eurasian Transport Network (ETN)

Co-ordination of ETN planning and development activities by stakeholder countries, international organizations and MDBs, and implementation of high-potential transport infrastructure investment projects

03

Cross-Border PPP Projects



03 Cross-Border PPP Projects



CHALLENGES

The Greater Eurasia countries need to implement large-scale cross-border projects in the following sectors:

- water and energy complex (hydro power stations), shared power transmission lines, etc.
- transport sector (cross-border bridges, roads, railways, pipelines)

IMPLEMENTATION MECHANISMS

Development and execution of an intergovernmental agreement to implement a transport infrastructure development project in the cross-border PPP format

Involvement of MDBs to create a pool of creditors, and use their expertise and technical assistance facilities

ANTICIPATED OUTCOMES

Cumulative impacts from the improvement of transport connectivity, expansion of trade, increase in employment and budget revenues

Growth of international freight traffic, including in transit



04 Regional Approach to Managing Water and Energy Resources in the Aral Sea Basin

CHALLENGES

Depletion of water resources

High energy and water intensity of production in various sectors of the economy

Deterioration of energy and irrigation infrastructure

Shortage of investments in the development of the water and energy infrastructure

Insufficient regional co-operation among the stakeholder countries

IMPLEMENTATION MECHANISMS



ANTICIPATED OUTCOMES

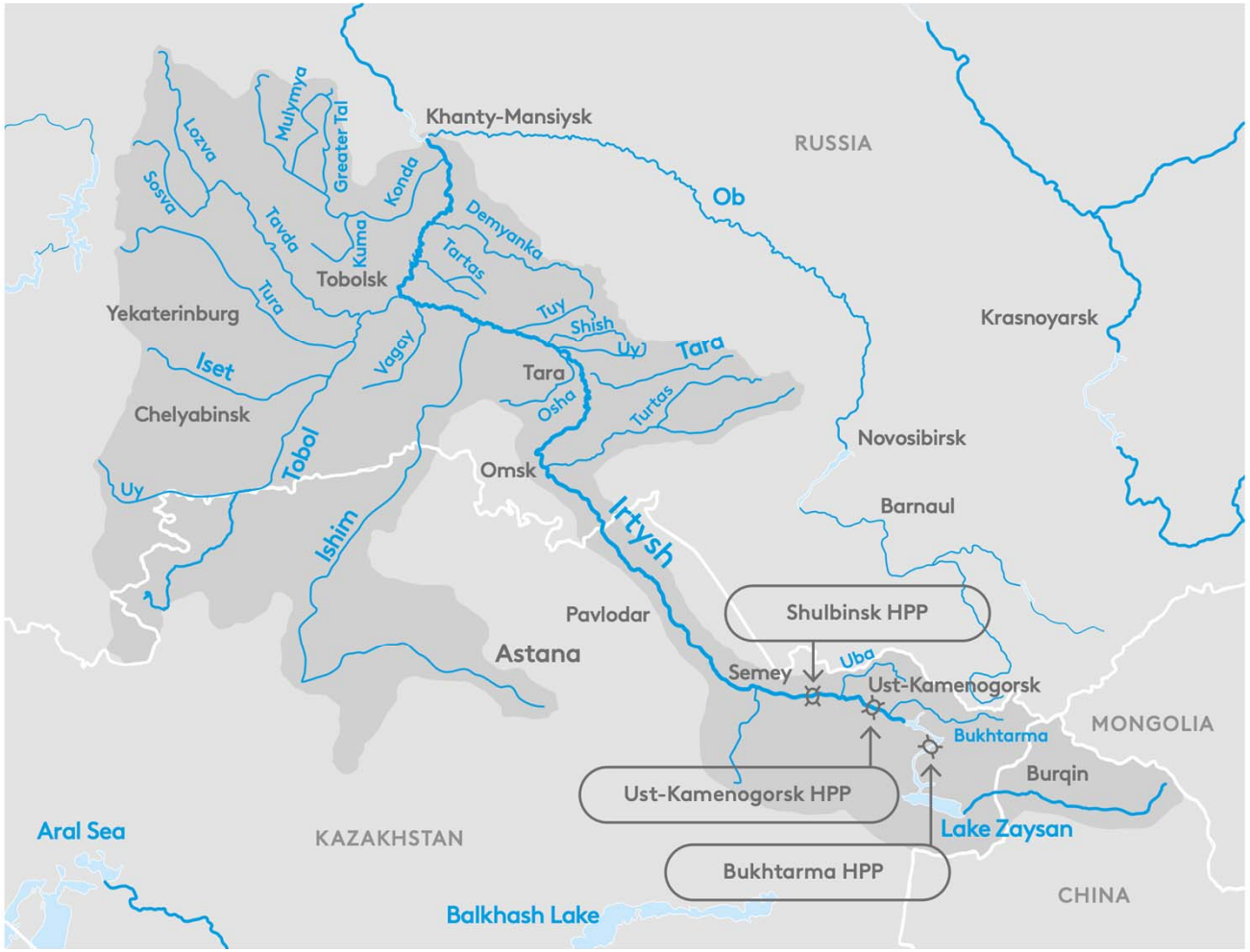
Achievement of a balance between hydro power generation and irrigation needs

Achievement of energy, water, environment, and food security

Achievement of SDGs

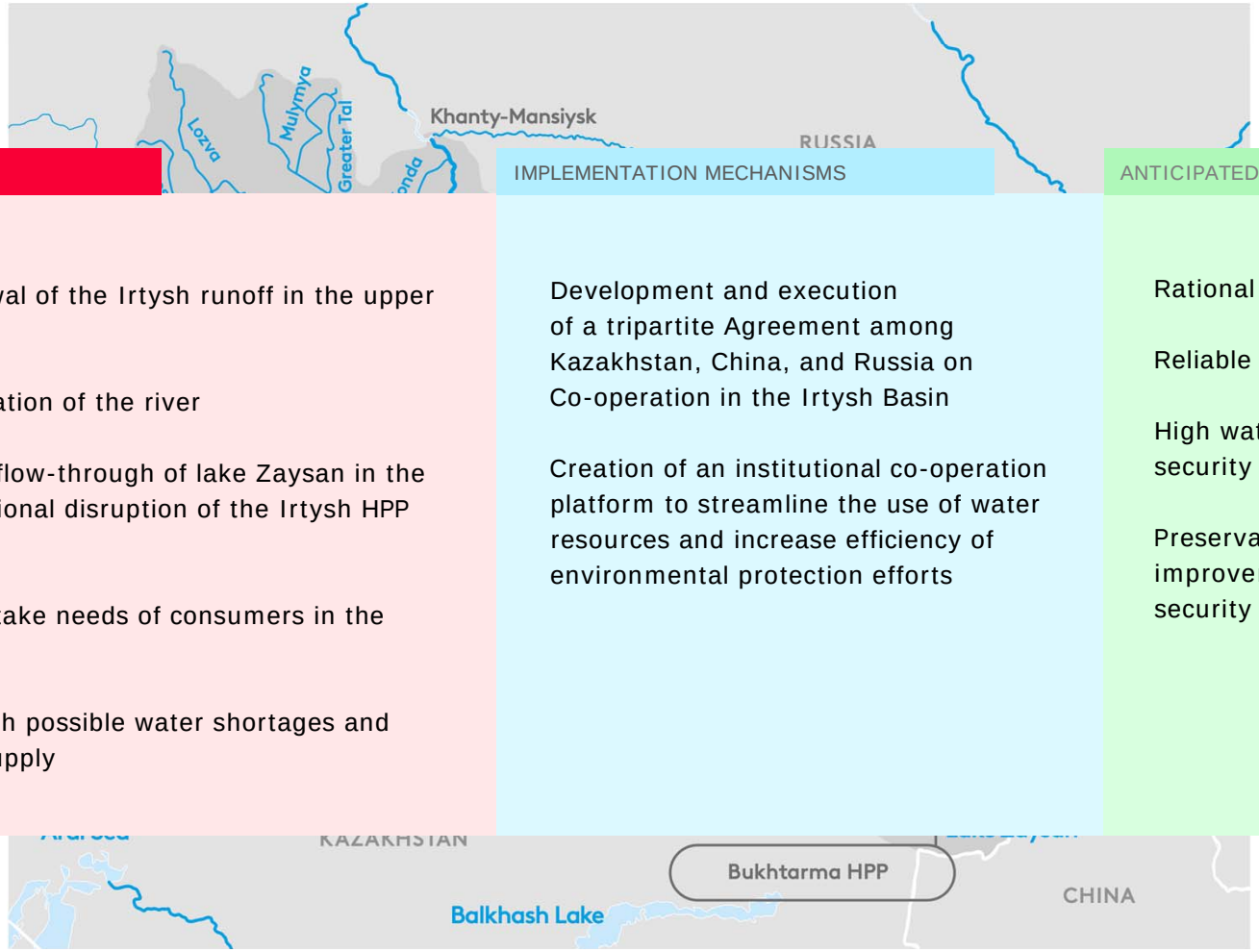
05

Tripartite Co-operation in the Irtysh Basin



05

Tripartite Co-operation in the Irtysh Basin



CHALLENGES

Increasing withdrawal of the Irtysh runoff in the upper reaches of the river

Intensive contamination of the river

Degradation of the flow-through of lake Zaysan in the border area, operational disruption of the Irtysh HPP Chain

Increasing water intake needs of consumers in the three countries

Risks associated with possible water shortages and insufficient water supply

IMPLEMENTATION MECHANISMS

Development and execution of a tripartite Agreement among Kazakhstan, China, and Russia on Co-operation in the Irtysh Basin

Creation of an institutional co-operation platform to streamline the use of water resources and increase efficiency of environmental protection efforts

ANTICIPATED OUTCOMES

Rational use of water resources

Reliable power and water supply

High water quality and water use security

Preservation of biodiversity and improvement of environmental security

06

Cross-Border Power Transmission Lines

CHALLENGES

Seasonal electricity shortages in some countries

Power generation surplus in other countries

Insufficient efficiency of utilization of generating capacity on a regional scale

Risks associated with blackouts and deteriorating food security

IMPLEMENTATION MECHANISMS

Integration of power transmission networks of the stakeholder countries

Development and execution of appropriate intergovernmental agreements

Construction of cross-border power transmission lines operated in the cross-border PPP format

ANTICIPATED OUTCOMES

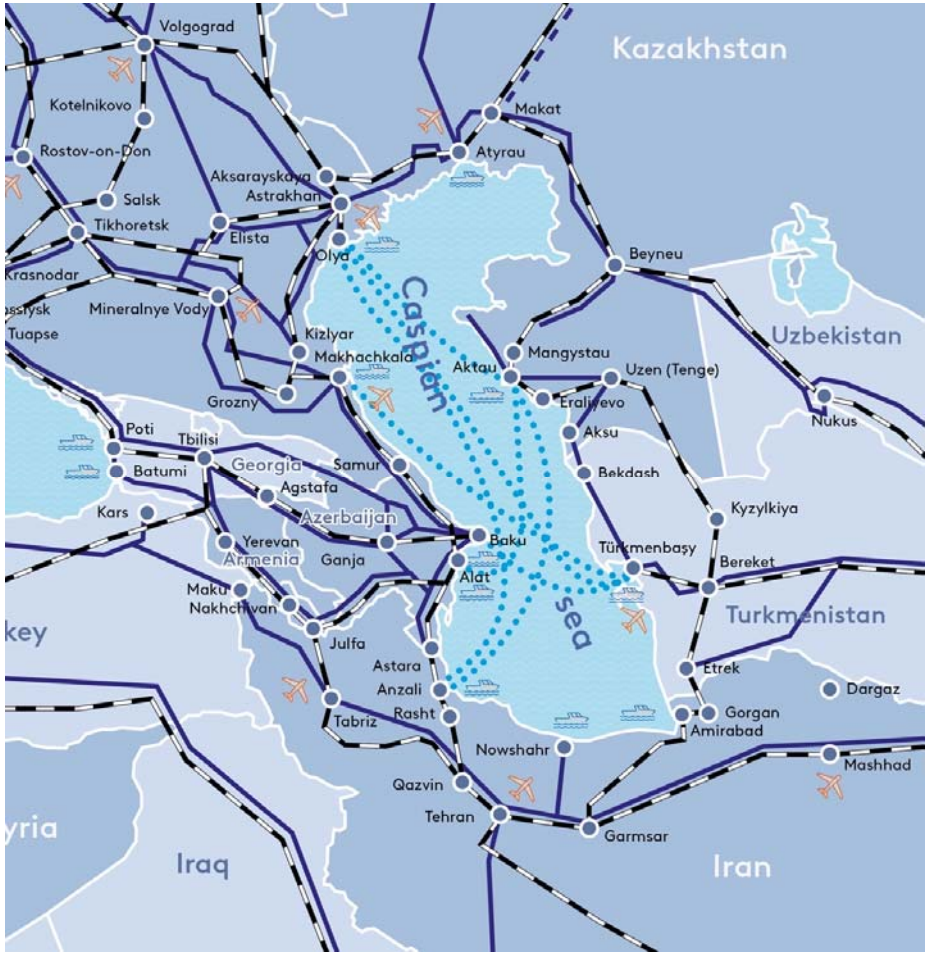
Reduction of the required standby capacity

Maximum utilization of the existing generating capacity based on the use of cross-border electricity flows

Optimal inter-seasonal regulation of water resources, water conservation, and better food security

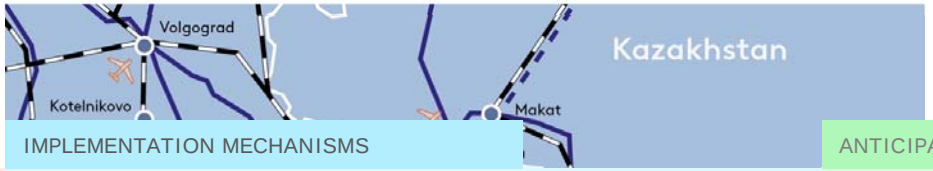
Creation of the Eurasian electricity market

INSTC as an Alternative for Food Logistics



07

INSTC as an Alternative for Food Logistics



CHALLENGES

In January–September 2023, the volume of cargoes carried by all types of transport was 9.4 million tons, a 12.3% increase year-on-year

Lack of quality logistical infrastructure (e.g., grain transshipment and storage terminals)

Disruption of food supply chains

High logistical costs

IMPLEMENTATION MECHANISMS

Development of the transport infrastructure (railways and roads, seaport terminals, border-crossing points)

Development of the logistical infrastructure (dry ports, transport logistics centers, food supply depots, including cold storage warehouses)

Improvement of the soft infrastructure (harmonization of transport and border-crossing procedures, digitalization of documents and procedures)

ANTICIPATED OUTCOMES

Creation of an efficient channel to deliver food to South Asia, East Africa, and the Middle East

By 2030, grain cargo traffic along the International North–South Transport Corridor (INSTC) may range from 8.7 to 12.8 million tons

By 2030, INSTC containerized food cargo traffic may increase to 69–164 thousand TEU



08

Expansion of the Network of Free Trade Agreements

High-potential regions and countries – large and growing economies of the Middle East and Asia, such as the UAE, Egypt, and Indonesia

CHALLENGES	IMPLEMENTATION MECHANISMS	ANTICIPATED OUTCOMES
Diminished foreign trade prospects with western countries	Development of FTA+ agreements envisaging broad sectoral co-operation	Mutual trade development impetus. Expansion of the export commodity structure
Weak economic ties between some Eurasian countries	Incorporation of services and investment issues in the agreements, or execution by the EAEU member states of separate agreements in that area	Establishment of long-term economic ties through broad sectoral co-operation
	Prioritized partnership with members of foreign trade unions – ”bridges” for interacting with third countries	Creation of new joint ventures, jobs, value added chains

09

PRACTICAL SOLUTIONS / TRADE

Movement Towards Technical Compatibility of National (Central) Bank Digital Currencies

Countries representing **98%** of the global economy are developing digital versions of their national currencies

CHALLENGES

Dependence on US dollar settlements, and on the US financial system

Need to develop compatible standards for cross-border settlements in digital currencies

IMPLEMENTATION MECHANISMS

It is advisable for the EAEU member states to ensure technical compatibility of their digital currencies

Alignment of approaches to designing models for cross-border settlements in digital currencies

Accession to international initiatives for the development of settlements in digital currencies (mBridge, and others)

ANTICIPATED OUTCOMES

Expansion of mutual settlements on the basis of cross-border payments in digital currencies

Reduction of dependence on the international payment infrastructure

Creation of an international decentralized system to support faster, cheaper, and safer cross-border settlements

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PRACTICAL SOLUTIONS / TRADE

Strengthening of Co-operation with MDBs: Consolidation of Resources, Expertise, and Capabilities

$1.1 trillion — estimated shortage of investments in the developing countries in 2023–2040

CHALLENGES

Shortage of investments in the developing countries

Planning of capital-intensive projects for which financing available at the national level, or at the level of individual commercial banks or MDBs, is not sufficient

IMPLEMENTATION MECHANISMS

Co-operation with MDBs in seven areas:

1. Mobilisation of capital
2. Facilitating the development of capital markets
3. Provision of financing in local currencies
4. Co-operation in expert assessment of projects
5. Integration of knowledge and experience
6. Co-operation in technical assistance
7. Realisation in the region of cross-border projects affecting the interests of multiple countries

ANTICIPATED OUTCOMES

Inflow of investments in infrastructure projects

Increase in the number of infrastructure projects completed with the participation of a pool of MDBs

More effective technical assistance

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PRACTICAL SOLUTIONS / TRADE

Creation of a Multilateral Green Finance Mechanism

Best global practices: Green Economy Financing Facility (GEFF) – EBRD program, mini-credits for 190+ partner financial institutions in 29 countries for €6.3 billion per year

GEFF Green Economy Financing Facility

CHALLENGES	IMPLEMENTATION MECHANISMS	ANTICIPATED OUTCOMES
Shortage of low-carbon investments Limited green finance opportunities at the national level Limited access to the EBRD's Green Economy Financing Facility (GEFF), the Green Climate Fund, the Global Environment Facility, the Climate Investment Fund, etc.	1. Creation of a green (or, in a wider sense, sustainable) finance mechanism: — similar to the EBRD's Green Economy Financing Facility (GEFF: 29 countries; €6.3 billion) — the best format for the Greater Eurasia is a coalition of major MDBs on the basis of the EDB Development Institutions Alliance using a shared financial platform 2. Development of joint sustainable finance tools: green syndication, cross-guaranteed GSS+ bonds, green credit lines	Pooling of resources on the basis of equal partnership principles to implement critical climate- and ESG-oriented projects Support for green transition and climate adaptation of small economies, small and medium-sized businesses subject to the existing budget constraints

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Academic Mobility Promotion Programme

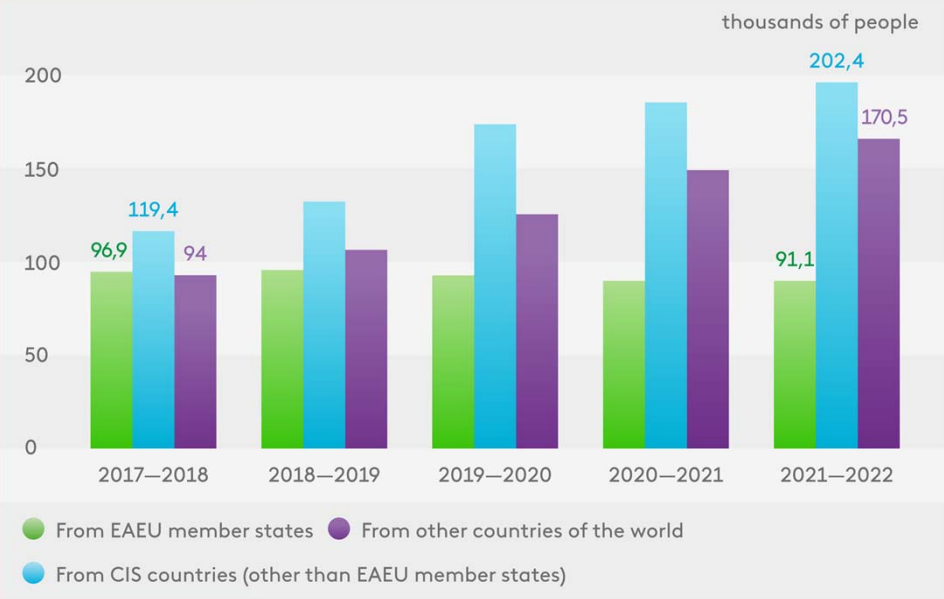
Best practice – EC exchange programme **Erasmus+** (up to 700 thousand participants per year, 33 countries, 2022 budget: $3.9 billion)

Erasmus+

CHALLENGES

Academic mobility within the EAEU is rather modest compared to the inflow of students from the other CIS countries and third countries

↓ Number of EAEU University Students Arriving from Other Countries (as at the beginning of the academic year)



Source: calculations of EDB analysts based on EEC data

IMPLEMENTATION MECHANISMS

The solution proposed for the Greater Eurasia is the Academic Mobility Promotion Programme:

- grants to finance short-term studies in the participating countries
- focus on the training of qualified engineering personnel for the key industries
- financing from multiple sources: allocation of costs among the family, the university, and the state + business involvement
- consortium of universities and mutual recognition of grades under flexible educational exchange programs
- compliance with SDG-4, and contribution to the achievement of the other SDGs