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Introduction

South Asia, home of 20% of whole world's population, is at the crossroads between significant economic potential and continuous social fragility. South Asia has been one of the fastest-growing regions, the UN projects South Asia's growth of 5.6% in 2026 and predicting 5.9% of growth rate in 2027 (UNESCAP). But this growth is critically uneven: while urban centers and some industries have prospered, hundreds of millions of the people in the region remain in poverty, and lack access to education, stable livelihoods, and basic services. This disparity is not only limited to economic statistics, but also directly threatens social cohesion, as the growth of the economy can't reach vulnerable populations, which tends to deepen inequality along ethnic, regional, and communal lines, intensifying the risk of instability.

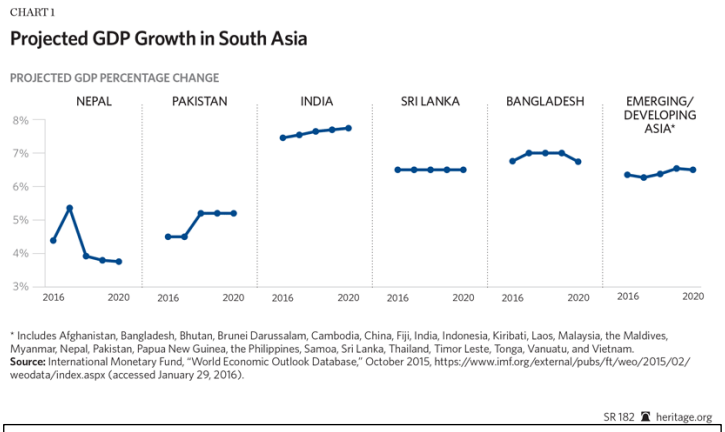


Figure 1: South Asia GDP growth rate 2026

These economic issues, compounded by the region's divided political cooperation, make the issue even more complex. The South Asian Association for Regional Cooperation (SAARC) has been paralyzed since 2014 because of tensions between India and Pakistan, and also due to the key members' withdrawal from joint initiatives. This conflict weakens the cooperative efforts to solve common economic and social problems. At the same time, South Asia faces an aggravated climate crisis that burdens its populations, with nearly all of the region’s poor population already exposed to overlapping climate hazards: flooding, drought, and extreme heat. In this vein, it is essential for the General Assembly to create feasible yet effective solutions that can address the region's economic disparities while strengthening the institutional cooperation needed to sustain long-term social stability.

Background

South Asia's economic and political fragmentation continued from the colonial period, when the British Empire had announced the subcontinent as a single territory for decades before 1947. Subsequently, partition divided the area into India and Pakistan, which was followed by the 1971 secession of Bangladesh. This history's effect made both ethnic and religious populations split across borders, dispersing the mistrust for decades between neighboring states, even while each country pursued its own path to economic development.

Over the next few decades, the economies of South Asia diverged into different directions. India had a mixed economy, liberalized in 1991, and experienced rapid growth; Pakistan had an economy that was subject to recurring political instability; Bangladesh developed an economy based on the export of garments, while smaller countries, like Nepal, Bhutan, and the Maldives, relied more on tourism, remittances, and agriculture. This imbalance created a disparity in the region's economic capacity, allowing the more rapidly developing states to develop a much greater capacity to act independently to meet common challenges. The challenge of addressing trans-border problems, such as poverty and natural disasters, was made more difficult, particularly for smaller and slower-growing economies, and there was a need for a mechanism on a regional level that would facilitate coordination and sharing of resources between states of different sizes and capacities.



Figure 2: Map of SAARC members

The awareness of problems resulted in the formation of the South Asian Association for Regional Cooperation (SAARC) on 8th December 1985 in Dhaka, Bangladesh, by the seven founding members of SAARC: Bangladesh, Bhutan, India, Maldives, Pakistan, Sri Lanka, and Nepal. Later in 2007, Afghanistan also joined. SAARC's mandate was to highlight the economic, technological, social, and cultural cooperation, and more recently, the association started various projects like the South Asian Free Trade Area (SAFTA) in 2006. But regular conflict between India and Pakistan put an end to the activities of the organization. This tension is largely due to the unresolved Kashmir issue and repeated allegations of cross-border terrorism, which have periodically paralyzed diplomatic and economic relations between the two countries, and by extension, between the countries of the SAARC, thereby affecting SAARC-related initiatives involving their participation. This has resulted in the absence of the SAARC summit since 2013, which has made

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the organization 'defunct'. This institutional stagnation prevented SAARC from functioning as a regional platform capable of jointly addressing the economic disparities and social pressures discussed above, even as newer frameworks such as BIMSTEC (the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation) have begun to emerge as alternatives for regional economic cooperation.

Problems Raised

Uneven Growth and Climate Hazard Poverty

Despite South Asia's common economic high growth figures, prosperity has not been evenly shared across the region. Poverty studies have revealed that progress in reducing poverty has varied dramatically between and within countries, rural populations, and informal workers, and specifically found that marginalized ethnic and religious communities are behind the national averages, which reflects deep and persistent multidimensional poverty across the region. These issues of social instability caused by uneven distribution of growth have been deepened by climate change: a report by the UN Development Program and the Oxford Poverty and Human Development Initiative in 2025 found that people in South Asia who live in poverty are already exposed to a combination of multidimensional poverty and climate hazards, such as flooding, drought, and extreme heat. This intersection of climate risks is a vicious circle of poverty, because when people experiencing poverty are hit by climate, their livelihoods and assets are lost, and the vulnerable population spirals further into poverty, thereby exacerbating the development divide in the region. This trend risks further deepening the poverty of the most vulnerable groups in the region and undermining the trust of the public in the national institutions, which makes it more difficult for the region to coordinate economic policies and can lead to social unrest.

The collapse of Regional Cooperation

South Asia's ability to respond to these challenges has been weakened by the paralysis of SAARC, the region's primary forum for cooperation. Tension between Pakistan and India has prevented the SAARC summit from being held since 2014, postponed the South Asian Free Trade Area's flagship initiatives, and left member states to pursue economic and social policy in isolation from other member states. Without a functioning region-wide platform such as SAARC, cross-border challenges, like trade barriers



Figure 3: 18th SAARC Summit 26-27 Nov, 2014

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to disaster response, are addressed unevenly or not even handled, causing smaller, vulnerable states with limited leverage to advocate for shared solutions as a region.

International Actions

International Financial and Development Institutions

Multilateral institutions have been preparing to support South Asia's economic development. One of the multilateral institutions, the World Bank, has centered its jobs on 3 pillars: Strengthening physical and human infrastructure, improving the business environment for attracting investment, and creating employment at the scale of the World Bank by mobilizing private capital. In addition, UNESCAP has continued monitoring and publishing regional economic projections, which provide member states with data-driven guidance on sustaining growth in the face of global uncertainty, including its projection of continued South Asian expansion till 2027 (UNESCAP). These efforts form an alliance with the broad framework of the UN 2030 Agenda for Sustainable Development, which commits member states to reducing inequality as a significant global target and to eliminating extreme poverty.

Emerging Regional Frameworks

Due to the lack of effective functioning of SAARC, the member states are increasingly seeking other regional forums to promote economic cooperation. Myanmar's Southeast Asian partners have also ramped up their efforts with the recent 2025 summit on connectivity, trade facilitation, and disaster resilience in Bangkok, under the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), an organization comprising five South Asian nations. Although BIMSTEC has not achieved the depth of membership or institutionalization of SAARC, its development also shows that the South Asian states are keen on finding collective solutions through other channels of cooperation, even as SAARC's cooperation mechanism is missing in action.



Figure 4: 6th BIMSTEC summit on April 4, 2025

Addressing Social Instability and Poverty

In addition to the institutions working on economic integration, the UNDP and World Bank have

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been working together to scale up targeted social protection programs in South Asia, such as cash-transfer schemes and disaster-contingent safety nets for vulnerable groups to absorb economic and climate shocks. The International Labor Organization (ILO) has also engaged with regional governments to extend labor protections to informal workers, who are a significant proportion of the region's poor and most vulnerable to social instability resulting from uneven growth. The above economic-growth-oriented efforts are complemented by the efforts that directly address the populations left behind by uneven development.

Key Players

International Organizations

Beyond national actors, several international organizations shape the trajectory of regional cooperation. The World Bank and Asian Development Bank remain central financiers of South Asia's development agenda, while UNESCAP provides the data and policy guidance member states rely on for coordinated economic planning. As SAARC has stalled, the BIMSTEC Secretariat has also grown in relevance as an alternative venue through which member states can pursue regional cooperation.

India

India is the largest and most influential economy in the region, and has been active in the organization of SAARC and its original charter, and is still asserting its commitment to regional cooperation. But, SAARC's persistent paralysis is blamed on what the Government of India calls cross-border terrorism that is backed by Pakistan, which has prevented India from making meaningful strides in cooperation with its neighbors. The economic might of India and its bilateral ties with Pakistan have been central to the prospects of further integration of the region.



Figure 5: Flags of the SAARC member states

Pakistan

Although SAARC has not held any summits in recent years, Pakistan continues to follow the principles of the SAARC Charter and remains active in the ongoing activities of the SAARC (Ministry of Foreign Affairs of Pakistan). In Pakistan, policy analysts have pointed out that India's policy has effectively "isolated" Pakistan in the bloc, and that reviving SAARC will require sustained engagement

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rather than going on with the impasse. Pakistan's status highlights that the bilateral India-Pakistan tension is the major hurdle in the way of regional cooperation, and not the unwillingness of small member states. Pakistan strongly denies India's cross-border terrorism allegations, arguing that they are used to justify India's boycott of SAARC summits, and maintains that resolving this dispute — rather than pressure on smaller states — is the real key to reviving regional cooperation.

Nepal

Nepal occupies a unique institutional position in the process of restoring the regional cooperation for hosting the SAARC Secretariat in Kathmandu, and as the current chair of SAARC. Reinvigorating momentum to have a summit would require a strong Nepal-led coordination among member states.

Maldives

The Maldives is one of the more vocal voices calling for the revival of the organization among the smaller SAARC member countries, with President Mohamed Muizzu publicly urging other member countries to drop their differences and get back to the negotiating table. The Maldives' stance is a reflection of the interests of the smaller South Asian countries, which lack individual leverage but have much to gain from the enhanced regional cooperation in the fields of trade and disaster resilience.

Possible Solutions

Expanding Climate-Resilient Social Protection



Figure 6: Community-based early warning outreach helps strengthen South Asia's resilience to climate shocks.

Climate hazards risk exacerbating the cycle of poverty, as set out in the previous section of this report, and demonstrate the importance of creating more robust and resilient social protection systems throughout the region. Early warning systems, targeted cash transfers, and climate-smart agricultural support are some of the mechanisms that could support vulnerable people to better withstand and recover from climate shocks. A World Bank report titled "From Risk to Resilience" in 2025 on climate adaptation in South Asia identified the private sector as the

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primary driver for adaptation, and suggested reforms to increase access to formal credit, insurance, and risk-financing mechanisms for households and firms. These private sector reforms, combined with extended public social protection floors, may help to make sure that adaptation becomes accessible for the poorest groups rather than only those who have access to capital — directly narrowing the uneven economic development between South Asia's wealthier, more resilient economies and its poorer, climate-exposed populations.

Strengthening Alternative Regional Frameworks

In the meantime, the other regional economic cooperation platforms, such as BIMSTEC and South Asia Subregional Economic Cooperation (SASEC), could be more feasible paths to progress in regional economic cooperation, considering the limited action taken by SAARC. During the 6th BIMSTEC Summit held in April 2025, the ‘Bangkok Vision 2030' was adopted, and the member countries signed the Agreement on Maritime Transport Cooperation, while pledging to complete the eagerly awaited BIMSTEC Free Trade Agreement. The overall tenor of India-Pakistan tensions hasn't changed, but this progress could offer a viable blueprint for the member states to pursue inclusive growth and greater economic integration, a direct response to the region's uneven economic development that would give smaller, slower-growing economies a better footing to close the gap with their larger counterparts. Meanwhile, small-scale, technical collaboration between India and Pakistan – such as joint development of disaster early-warning systems to boost the region's climate resilience and minimize economic damages on vulnerable communities – could be a first step towards trust-building between the two nations, without the need for any breakthrough in other, more sensitive political issues that may be needed for a SAARC summit in the future.

Glossary

SAARC (South Asian Association for Regional Cooperation)

An organization of eight South Asian countries established in 1985 to promote economic, technological, social and cultural cooperation among the member countries with emphasis on self-reliance in the collective interest.

BIMSTEC (The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation)

A regional organization comprising the countries of the Bay of Bengal region, aimed at fostering closer economic cooperation between the member countries.

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SAFTA (South Asian Free Trade Area)

The free trade agreement signed by the members of SAARC to remove trade barriers among the member countries of SAARC.

SASEC (South Asia Subregional Economic Cooperation)

A project of the Asian Development Bank (ADB) to provide funding for infrastructure and connectivity projects to facilitate economic development in South Asian countries.

Multidimensional Poverty

A measure of poverty that is based on more than just income, and incorporates other factors of poverty such as health, education and living standards.

Inclusive Growth

Economic growth is meant to be inclusive, that is, to benefit all and not a few.

Social Protection

A set of public and private initiatives to safeguard individuals and families against economic crisis and reduce the risk of poverty.

Climate Resilience

A community or economic system's capacity to withstand, adjust to, and bounce back from climate-related disruptions.

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