



MIDTERM REVIEW OF THE
GREATER MEKONG SUBREGION
STRATEGIC FRAMEWORK
(2002–2012)

The 10-year Strategic Framework of the Greater Mekong Subregion (GMS–SF) Economic Cooperation Program (GMS Program) was endorsed by the heads of the GMS-member governments during their first summit meeting held in Phnom Penh, Cambodia on 3 November 2002. Since then, the GMS–SF has guided the implementation of the GMS Program. In 2007, the GMS–SF is halfway through its implementation period. At the same time, significant changes affecting the GMS Program have been taking place in the regional and global environments. This Midterm Review of the GMS–SF (i) assesses whether the GMS–SF is still relevant and appropriate, considering the progress made and the changing regional and global environments; and (ii) puts forward recommendations to improve its overall impact. Dr. Filologo Pante, Jr., Senior Advisor and Regional Cooperation Specialist, with substantial experience in the Mekong region, was commissioned to help the GMS countries and other stakeholders in the conduct of the Midterm Review and in the preparation of this document. This Midterm Review was endorsed by GMS senior officials during the Senior Officials’ Meeting held on 19 June 2007 and approved by the GMS Ministers at the 14th Ministerial Meeting held on 21 June 2007 at the Asian Development Bank’s Headquarters, Manila, Philippines.

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Acronyms and Abbreviations

ADB	–	Asian Development Bank
ACMECS	–	Ayeyawady–Chao Phraya–Mekong Economic Cooperation Strategy
ASEAN	–	Association of Southeast Asian Nations
AMTA	–	Agency for Coordinating Mekong Tourism Activities
CASP	–	core agriculture support program
CBTA	–	Cross-Border Transport Agreement
CDC	–	Communicable Diseases Control
CEP	–	Core Environment Program
EOC	–	Environment Operations Center
EWEC	–	East–West Economic Corridor
FDI	–	foreign direct investment
FTA	–	free trade agreement
GDP	–	gross domestic product
GMS	–	Greater Mekong Subregion
GMS–BF	–	GMS Business Forum
GMS–SF	–	GMS Strategic Framework
HIV/AIDS	–	human immunodeficiency virus/acquired immunodeficiency syndrome
HRD	–	human resource development
ICT	–	information and communications technology
IOM	–	International Organization for Migration
Lao PDR	–	Lao People’s Democratic Republic
MDG	–	millennium development goal
MOU	–	memorandum of understanding
MRC	–	Mekong River Commission
MTCO	–	Mekong Tourism Coordination Office
MTF	–	Mekong Tourism Forum
NSEC	–	North–South Economic Corridor
POA	–	plan of action
PPP	–	Phnom Penh Plan for Development Management
PRC	–	People’s Republic of China
ROK	–	Republic of Korea
REI	–	regional economic integration
SEC	–	Southern Economic Corridor
SFA–TFI	–	Strategic Framework for Action on Trade Facilitation and Investment
SOM	–	senior officials’ meeting
SEF	–	Subregional Energy Forum
SIWG	–	Subregional Investment Working Group
STCF	–	Subregional Telecommunications Forum
STF	–	Subregional Transport Forum

TFWG	–	Trade Facilitation Working Group
TSS	–	GMS Tourism Sector Strategy
TSSS	–	GMS Transport Sector Strategy Study
TWG	–	Tourism Working Group
UNESCAP	–	Economic and Social Commission for Asia and the Pacific
WGA	–	GMS Working Group on Agriculture
WGE	–	GMS Working Group on Environment
WGHRD	–	GMS Working Group on Human Resource Development
WTO	–	World Trade Organization

NOTE

In this report, “\$” refers to US dollars.

Executive Summary

Significant progress has been made in pursuing the strategic thrusts and priority initiatives of the 10-year (2002–2012) GMS Strategic Framework (GMS–SF) during the first half of its implementation period (2002–2007). The GMS Program (the Program) has indeed accelerated, delivering concrete results and contributing to the shared vision of a prosperous, integrated, and harmonious Mekong subregion. The pragmatic, action-oriented, and results-focused approach of the Program enabled GMS countries to expedite the implementation of high-priority subregional projects and initiatives. It also mobilized an increasing amount of financial assistance from development partners and other important stakeholders.

Since 1992, when the GMS Program started, poverty incidence in the GMS countries has declined significantly. Between 1990 and 2003, the proportion of people living on less than \$1 a day fell from 46% to 33.8% in Cambodia, 33% to 13.4% in the People's Republic of China, 52.7% to 28.8% in the Lao People's Democratic Republic, 10.1% to less than 1% in Thailand, and 50.7% to 9.7% in Viet Nam.¹ This declining trend is expected to continue after 2003, considering the robust economic growth of the GMS countries and other developments in the subregion since then. The GMS Program has contributed to this significant achievement, although it has not been possible to quantify the precise impact of the Program due to methodological difficulties and insufficient data.

GMS–SF remains very much valid and serves as a good basis for moving forward

in the next 5 years. It is comprehensive and very relevant with respect to recent subregional, regional, and international developments as well as the formal expansion of the GMS geography. The vision and goals of subregional economic cooperation articulated in the GMS–SF continue to reflect the expectations of GMS countries on the role of the GMS Program in developing the subregion. GMS–SF complements national development efforts of the GMS countries.

Although the extent of implementation of the strategic thrusts of the GMS–SF varies, they remain appropriate for pursuing the vision and goals of the GMS Program. Accordingly, it is not necessary to make changes in the GMS–SF itself. There are, nevertheless, opportunities for fine-tuning the strategic thrusts of the GMS–SF to maximize their development impact and ensure sustainability. This will require some shifts in focus and areas of emphasis.

The GMS Program has made very good progress in the “hardware” aspects of cooperation involving the first strategic thrust of the GMS–SF, but less so in the “software” components of cooperation involving the four other thrusts of the GMS–SF, especially in the measures necessary to enhance competitiveness and in activities addressing social and environmental issues in the GMS. This is not surprising, as the initial phases of the GMS Program had placed substantial emphasis on the need to remove the physical barriers to subregional economic cooperation.

Placing more emphasis on the “software” aspects of subregional cooperation will be essential to achieving the goals and

¹ Comparable data for Myanmar are not available at this time.

objectives of the GMS Program. First, GMS countries need to improve their competitiveness individually and collectively, if they wish to get the most out of increasing globalization and regional economic integration. Second, complementary measures are required to transform improved connectivity into accelerated improvements in livelihoods and poverty reduction. Finally, improved connectivity and mobility of people and goods can have undesirable consequences, such as the transmission of communicable diseases and environmental degradation, which need to be contained and mitigated. This proposed shift in emphasis does not mean less concern about the development of subregional infrastructure. What it calls for is a more balanced approach that maximizes the benefits and minimizes the costs of subregional cooperation and integration.

The adoption of the Core Environment Program in 2005 was a major response to deal with environmental issues in the GMS. Placing more emphasis on the other “soft” aspects of cooperation requires similar efforts in the following areas: (i) investment promotion and trade facilitation, (ii) skills development, (iii) labor migration and prevention of the trafficking of women and children, and (iv) surveillance and control of communicable diseases. At the same time, strengthening the linkages among the sectors and areas of cooperation in the GMS Program to realize synergies and maximize impact will be important.

The progress achieved in implementing the GMS-SF indicates that subregional cooperation has been an effective mechanism for developing the subregion. Consideration, however, needs to be given to the following issues and challenges to help ensure the effectiveness of the GMS-SF in the coming years:

- Recognizing the different levels of development among GMS countries,

requiring special attention to the less advanced member countries;

- Promoting greater ownership and broad-based participation in the GMS Program, requiring closer involvement of local communities and civil society;
- Enhancing efforts to promote private sector participation, requiring more substantial progress in improving the enabling environment for trade and investment;
- Enhancing resource mobilization for GMS development, requiring consideration of alternative means to expand resources for priority subregional programs and projects;
- Linking up more closely with other subregional and regional initiatives, requiring efforts to promote synergy and maximize complementarities;
- Strengthening organizational effectiveness, requiring fine-tuning in the institutional arrangements and mechanisms for managing the GMS Program.

The Review puts forward recommendations that could help address these concerns and improve the overall impact of the GMS-SF. They include recommendations involving the GMS-SF as a whole, as well as those relevant to specific sectors and areas of cooperation.

While there are continuing challenges to GMS development, there are also unprecedented opportunities being opened up by both the progress achieved in the GMS Program and increasing globalization and regional integration. It is, therefore, very timely for GMS countries to consolidate past efforts and seize these opportunities. Continuing strong political commitment by the GMS countries to pursue economic cooperation and integration will be important to enable them to take full advantage of these opportunities.

Introduction



There is a need to review the progress of implementing GMS-SF to ensure that it remains relevant and effective in meeting the challenges and issues facing the GMS

A. Background

The Greater Mekong Subregion (GMS) consists of Cambodia, the People's Republic of China (PRC)², Lao People's Democratic Republic (Lao PDR), Myanmar, Thailand, and Viet Nam. It has a combined population of nearly 320 million—more than that of the United States of America—and a contiguous land area of about 2.5 million square kilometers—roughly the size of Western Europe. The GMS is rich in human and natural resources, and its people are bound by a shared culture and history. In 1992, with the assistance of the Asian Development Bank (ADB), the GMS countries met together for the first time and agreed to launch a program of subregional economic cooperation designed to enhance economic linkages across their borders. The GMS Program has no formal organization like the Association of Southeast Asian Nations (ASEAN), and it follows a flexible, results-oriented, and activity-based approach. It covers nine sectors and areas of cooperation, namely: agriculture, energy, environment, human resource development (HRD), telecommunications, transport, tourism, trade, and investment.

B. Rationale and Objectives of the Midterm Review

Heads of GMS governments endorsed the 10-year GMS Strategic Framework (GMS-SF) Economic Cooperation Program (GMS Program) during their first summit meeting held in Phnom Penh, Cambodia in November 2002. Since then, GMS-SF has guided the implementation of the various components of the GMS Program. GMS-SF is now halfway through its implementation period. Significant changes with important implications on the GMS are simultaneously taking place in the regional and global environment. Accordingly, there is a need to review the progress of

implementing GMS-SF to ensure that it remains relevant and effective in meeting the challenges and issues facing the GMS in the next 5 years.

The objectives of the Midterm Review of GMS-SF (the Review) are as follows:

- To conduct a comprehensive stock taking of the progress achieved, results realized, and issues and challenges faced during the first half of GMS-SF's implementation period;
- To analyze emerging social and economic developments at the global, regional, and subregional levels, which may have important implications on the GMS Program;
- To assess whether the GMS-SF continues to be relevant and appropriate, considering the progress made and the changing regional and global environments; and
- To recommend adjustments in the GMS-SF, if deemed necessary, as well as measures necessary to enhance its effectiveness.

C. Scope and Approach

The Review assesses the progress of the GMS-SF in terms of its contribution to the achievement of the vision and goals of GMS countries. It examines the extent to which the strategic thrusts of the GMS-SF are being implemented through various subregional measures under the GMS Program. Along this line, it ascertains the key achievements, problems, and constraints under each strategic thrust of the GMS-SF, identifies major issues and challenges, and recommends actions needed to ensure its effective implementation.

The Review is based on (i) consultation meetings and interviews with representatives of GMS countries; (ii) published and unpublished GMS materials, including proceedings of GMS meetings, workshops, and conferences, monitoring and evaluation reports, sector and subsector

² The People's Republic of China (PRC) has been represented geographically in the Greater Mekong Subregion (GMS) by Yunnan Province since 1992. In December 2004, Guangxi Zhuang Autonomous Region was formally added as part of the GMS.

studies; and (iii) published and unpublished research papers covering regional and subregional cooperation and integration. Quantitative indicators of progress and achievements are used to the extent possible. However, because the contribution of the GMS Program to overall socioeconomic outcomes is difficult to separate from those of other factors, the assessment of such contribution is done only on a qualitative basis. The findings of case studies on the socioeconomic impact of

GMS projects are cited whenever these are available.

Part II of the Review discusses the key elements of GMS–SF. Part III provides the socioeconomic and the global, regional, and subregional contexts of the strategic framework. Part IV assesses the progress of the GMS–SF in achieving its vision and goals, and in implementing its strategic thrusts. Part V concludes the Review and presents its recommendations.

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The Greater Mekong Subregion Strategic Framework, 2002–2012



A. A Subregion-Wide Development Strategy

The underlying strategy of the GMS Program was to link the GMS countries through improvements in infrastructure, thus overcoming domestic constraints and promoting trade and investment to boost economic growth further. It was agreed upon early on in the Program that barriers to economic cooperation, of which the lack of physical connectivity was a major one, were to be progressively reduced and eliminated. There was also agreement that issues in HRD and environmental management needed to be addressed jointly at the subregional level to complement national efforts.

Although these approaches were articulated by GMS officials in various meetings and conferences, strictly speaking, the GMS Program did not have an explicit and integrated development strategy during the first 10 years of its operation. The initial years of cooperation focused on building trust and confidence through specific program and project activities that the countries agreed and worked on (i.e., following the building-block approach). Accordingly, what the GMS had were agreements on sector approaches and priority programs and projects, rather than a comprehensive strategic framework for subregional development.

The GMS Strategic Framework (GMS-SF) covering 2002–2012 was the first attempt by the GMS countries to formulate and adopt in broad terms a subregional development-planning framework. Since many GMS programs and projects were already under way or about to be started at the time of its formulation, the GMS-SF can be seen as an effort to pull together many ongoing and planned initiatives under an integrated and coherent framework. The endorsement by the GMS leaders of the GMS-SF in 2002, therefore, was an important turning point in the GMS program as GMS countries, at that stage, were prepared not only to agree on specific program and project activities, but also to chart together the future shape of

GMS through a subregion-wide development strategy.

B. Vision, Goals, and Strategic Thrusts

The primary goals of GMS cooperation were articulated by the heads of the governments of the GMS countries in the 1st GMS Summit Meeting held in Phnom Penh, Cambodia in 2002 as follows “... to fulfill its vast potential, lift people from poverty and promote sustainable development for all.” They endorsed the GMS-SF as the “key means through which closer economic cooperation and prosperity will be achieved.” The GMS heads of governments reaffirmed these goals and objectives during the 2nd GMS Summit Meeting held in Kunming, Yunnan Province, the PRC in 2005, with “connectivity, competitiveness, and community” being laid down as the building blocks for achieving the GMS vision. The Joint Summit Declarations during the 1st and 2nd GMS summit meetings are shown in Appendixes 1 and 2, respectively.

The GMS-SF defined the vision, goals, and strategic thrusts of GMS cooperation for 2002–2012. It envisioned “a GMS that is more integrated, prosperous, and equitable,” and provided that the “GMS program will contribute to realizing the potential of the subregion through (i) an enabling policy environment and effective infrastructure linkages that will facilitate cross-border trade, investment, tourism, and other forms of economic cooperation; and (ii) the development of human resources and skills competencies.” The GMS-SF further aims “to ensure that this development process is equitable and sustainable...environment and social interests will be fully respected in the formulation and implementation of the GMS Program.”

The GMS-SF identified five strategic thrusts to be pursued to realize the vision and goals of subregional cooperation. These are to: (i) strengthen infrastructure linkages through a multisectoral approach, (ii) facilitate cross-border trade and investment, (iii) enhance private sector participation and

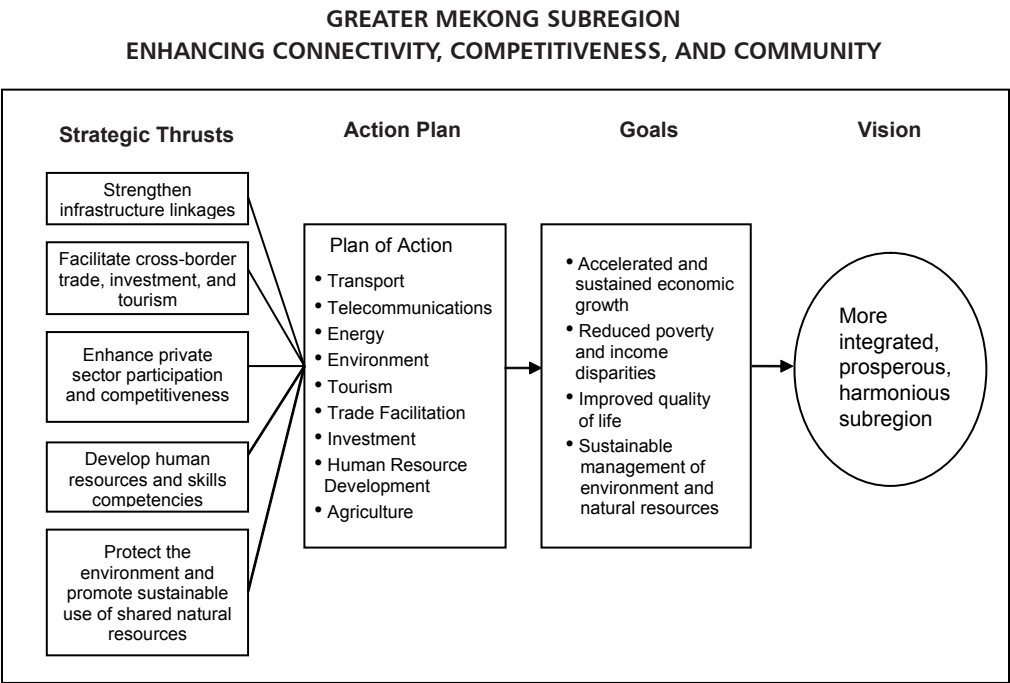
The GMS Strategic Framework (GMS-SF) covering 2002–2012 was the first attempt by the GMS countries to formulate and adopt in broad terms a subregional development-planning framework

In 2004, GMS countries took another step toward subregion-wide planning by adopting a plan of action (POA) covering 2004–2008 to ensure effective implementation of priority programs under GMS–SF

improve its competitiveness, (iv) develop human resources and skills competencies, and (v) protect the environment and promote sustainable use of shared natural resources. To achieve focus in its implementation, the GMS–SF specified 11 flagship programs in the following sectors and areas of cooperation: transport, energy, telecommunications, trade, investment, tourism, environment, and HRD.³ Figure 1 summarizes the key elements of the GMS–SF.

In 2004, GMS countries took another step toward subregion-wide planning. They adopted a plan of action (POA) covering 2004–2008 to ensure effective implementation of priority programs under GMS–SF. For each sector and area of cooperation, POA indicates the measures required, the corresponding output expected, and time frame of implementation. POA serves as a very useful management tool for monitoring and evaluating the progress of GMS–SF implementation.

Figure 1: Strategic Framework 2002–2012



³ The so-called “flagship” programs were very broadly defined, ranging from specific sub-sector programs (e.g., development of economic corridors) to sector-wide programs of cooperation in such areas as environment, human resource development, and trade and investment. Over time, the focus of Greater Mekong Subregion–Strategic Framework (GMS–SF) implementation and monitoring shifted from the “flagship programs” to the sectors and areas of subregional cooperation.

Subregional, Regional, and Global Contexts



*GMS economies have grown at one of the fastest rates in the world since the early 1990s... a key feature being that
GMS economies have become more open economically*

A. Socioeconomic Context

1. Economic Performance and Prospects

GMS economies have grown at one of the fastest rates in the world since the early 1990s, as many of them started the transition from central planning to market-based systems, and began opening up and integrating their economies with the other countries in the subregion, the rest of Asia, and the world. In the 10 years to 2004, gross domestic product (GDP) in the subregion grew at an average annual rate of over 6%, despite the 1997 Asian financial crisis, slowdown in the global and regional economies in 2001, outbreak of the severe acute respiratory syndrome (SARS) in 2003, and thereafter, the threat of avian flu epidemic.⁴ Economic growth in the GMS remained strong in 2005 and 2006 at over 8% annually, with Cambodia, Lao PDR, and Viet Nam achieving the highest recorded growth rates since 2001 due to a combination of good agricultural performance, robust export growth, and increasing investments. Thailand experienced a slowdown in 2005 due to a severe drought and rapidly rising oil prices. Appendix 3 shows selected macroeconomic indicators of GMS countries.

A key feature of developments in the GMS is that GMS economies have become more open economically. The openness ratio—defined as the ratio of total trade to GDP at current market prices—more than doubled between 1992 and 2006 in most GMS countries. The increase in the openness ratio has been especially remarkable in the case of Cambodia (3.3 times), the PRC (2.4 times), Thailand (2 times), and Viet Nam (2.7 times). The ratio of total trade to GDP is already more than 100% in Cambodia, Thailand, and Viet Nam. The tripling of total GMS merchandise exports between 1992 and 2006 clearly manifests this increase in openness. Intra-regional trade increased

more dramatically. In 2005, it was 15 times more than the 1992 level, with the share of trade in the subregion increasing compared to the share of trade with the rest of the world. Relatedly, annual tourist arrivals to the GMS more than doubled from 10 million in 1995 to nearly 24 million in 2006. The largest absolute increase in the number of tourist arrivals was in Thailand, but the biggest percentage increases were registered in Cambodia (7.7 times), PRC (3.3 times), Lao PDR (3.6 times), and Viet Nam (2.6 times).

A major factor in the sustained and buoyant economic growth in the GMS is the continuing improvement in the rate of investment in GMS countries. The investment rate, defined as the ratio of gross domestic investment to GDP, increased significantly for most GMS countries in the last 5 years, with the highest investment rate in 2005 being in the PRC (43.3%), followed by Viet Nam (35.4%), and Thailand (31.6%). The investment rate in Cambodia nearly doubled between 1992 and 2005, reaching around 20% of GDP, although this was still significantly lower than that in the PRC, Thailand, and Viet Nam. Available data for Myanmar show an increase of the investment rate from only 1.3% of GDP in 1992 to 11% of GDP in 2003. Foreign direct investment (FDI) flows into the subregion have also risen, with substantial increases in 2005 and 2006 in most GMS countries, particularly in Cambodia, Lao PDR, and Viet Nam. The PRC continued to be a magnet for FDI, roughly maintaining its 2004 share of global FDI flows in 2005.

Overall, strong growth of investments in and exports from GMS countries is expected to continue, due to the improving investment and trade environment in GMS countries, as well as the projected expansion in major industrial economies and growth in global trade. Projections of economic growth in GMS countries indicate an annual average GDP growth rate of 7–7.5% in 2007 and 2008. Factors that could adversely affect the economic performance of GMS countries include the threat of

⁴ Figures for average gross domestic product (GDP) growth are based on those for Yunnan Province and Guangxi Zhuang Autonomous Region only instead of for the whole of the PRC.

persistent global payment imbalances, high oil prices, and possible spread of an avian flu epidemic. Unsettling geopolitical developments could also have unfavorable repercussions on GMS economies.

2. Poverty Reduction and Social Development

GMS countries are pursuing subregional cooperation to complement national efforts to reduce poverty and improve the lives of their people. GMS countries see regional cooperation not as an end in itself, but as one of the means to realize national goals and objectives. Along this line, the leaders of GMS countries reaffirmed their commitment to work toward the achievement of the Millennium Development Goals (MDGs) during their first and second summit meetings.

MDG indicators (Appendix 4) show that GMS countries are progressing toward these goals, although individual country experience varies. Table 1 shows that poverty incidence in GMS countries based on national poverty lines has declined substantially since 1992/1993, with the largest reductions having been experienced in the PRC, Thailand, and Viet Nam. The reduction in poverty incidence has been more pronounced in terms of the proportion of people in GMS countries living on less than \$1 dollar a day, with such proportion falling from 33% to 13.4% in the PRC, 10.1% to less than 1% in Thailand, and 50.7% to 9.7% in Viet Nam between 1990 and 2003. These are indeed impressive achievements. In these countries, the proportion of people living on less than \$1 dollar a day has been more than halved much ahead of the target year of 2015. Cambodia and the Lao PDR have also substantially reduced the proportion of people living on less than \$1 dollar a day, with such proportion declining from 46% to 33.8% in Cambodia and from 52.7% to 28.8% in the Lao PDR over the same period.

Nevertheless, GMS countries recognize that there are still a large number of poor and near-poor people, especially in rural and remote communities. They continue to have limited access to social ser-

vices and economic opportunities. Accordingly, GMS governments give the highest priority to poverty reduction and social development in their national development efforts. Among other strategies, the improvement of regional linkages is envisioned to play a key role in these efforts in terms of increased employment and income-generating opportunities arising from expanded intra- and extra-regional trade and investment, tourism, sustainable natural resource management, and improved access to basic social and economic services.

Regarding other MDG goals, available statistics show that GMS countries have made significant progress. In education, net enrollment ratio in primary education substantially improved in Cambodia, Lao PDR, Thailand, and Viet Nam. Cambodia posted the highest increase (from 76% in 1997 to 91.9% in 2005), followed by the Lao PDR (from 63% in 1990–1991 to 81.7% in 2004), although they have not made as much improvement in youth literacy rates. The net enrollment ratio and youth literacy rates in the PRC were already relatively high in 1990, but further improvements were made, with the proportion of pupils reaching grade 5 increasing from 86% in 1990 to 98% in 2000.

In health, Cambodia, Lao PDR, and Viet Nam have made good progress. These countries have been successful in reducing under-five mortality rate and infant mortality rate, as well as in increasing the proportion of 1-year old children immunized against measles. The reduction in under-five mortality and infant mortality rates has been impressive in the case of Cambodia and the Lao PDR, although the 2005 levels are still much higher than in the PRC, Thailand, and Viet Nam. Similarly, Cambodia and the Lao PDR have made substantial inroads in reducing maternal mortality rate, but the levels in these countries are still quite high (400–450 per 1,000 live births) compared to those in the PRC (51 per 1,000 live births), Thailand (24 per 1,000 live births), and Viet Nam (85 per 1,000 live births). Comparable statistics on the prevalence rate of tuberculosis is not available for all GMS countries for various periods, but

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Table 1: Income Poverty and Distribution Indicators for GMS Countries

Poverty Incidence										
Country	Per Capita GDP (current, \$)		Based on National Poverty Line (in %)		\$1-a-day				Gini Coefficient ^a	
					Head Count Ratio (in %)		Magnitude (in millions)			
	1992	2005	1992/1993	Latest ^b	1990	2003	1990	2003	Earliest ^c	Latest ^d
Cambodia	220	393	39.0e	34.7f	46.0	33.8	4.0	4.5	0.37	0.45
PRC	293 ^g	842 ^{g,h}	7.8/23.8 ⁱ	3.4/7.9 ⁱ	33.0	13.4	377.0	173.1	0.31	0.35
Lao PDR	271	491	46.0	32.7	52.7	28.8	2.2	1.6	0.29	0.37
Myanmar	—	176 ^j	—	26.6 ^k	—	—	—	—	—	—
Thailand	1,945	2,727	23.2	9.8	10.1	0.7	5.7	0.4	0.54	0.50
Viet Nam	144	622	58.1	19.5	50.7	9.7	33.4	7.9	0.18 ^l	0.22 ^l

– = not available, % = percent, GDP = gross domestic product, GMS = Greater Mekong Subregion, Lao PDR = Lao People's Democratic Republic, PRC = People's Republic of China.

^a Gini coefficient is a measure of income inequality. If income distribution were exactly equal, this value would be zero. If one person had all the income, it would be equal to one.

^b Cambodia and Viet Nam, 2004; Guangxi Zhuang Autonomous Region, Yunnan Province and Myanmar, 2001; Lao PDR, 2002–2003; Thailand, 2002.

^c Cambodia, 1994; PRC and Thailand, 1992; and Lao PDR and Viet Nam, 1993.

^d Cambodia and Viet Nam, 1999; PRC, 2000; Lao PDR, 1997–1998; Thailand, 2001.

^e Data for 1993/94.

^f Based on 2004 Cambodia Socioeconomic Survey. 1993/94 and 2004 data are not comparable since the 1993/94 Socioeconomic Survey covered only 65% of households. 2004 poverty rate comparable with 1993/94 (39%) is 28%.

^g Covering Guangxi Zhuang Autonomous Region and Yunnan Province, PRC.

^h Data for 2004.

ⁱ 7.8% and 3.4% refer to Guangxi Zhuang Autonomous Region while 23.8% and 7.9% refer to Yunnan Province.

^j Data for fiscal year 2002 (April 2002–March 2003).

^k Based on the results of the Household Income and Expenditure Survey in 2001 with a sample size of 30,000 households from 75 sample townships.

^l Based on Theil L Index, a measure of inequality based on information/probability theory.

Source: Asian Development Bank. 2006. The Greater Mekong Subregion Beyond Borders: Regional Cooperation Strategy and Program Update, 2007–2009.

The challenge to GMS countries is to sustain and make further advances in achieving the MDGs on a broad front and make their efforts more inclusive

available information shows substantial progress by Myanmar (from 513 to 155 per 100,000 persons) and Viet Nam (from 563 to 238 per 100,000 persons) in reducing the prevalence of tuberculosis.

The challenge to GMS countries is to sustain and make further advances in achieving the MDGs on a broad front. More particularly, they must make their efforts more inclusive, so that those living in less developed regions and areas of their respective territories can benefit meaningfully from the fruits of development.

B. Global and Regional Contexts of the GMS–SF

The formulation of the GMS–SF in 2002 took into account the following global and regional trends relevant to economic cooperation at that time:

- Increasing globalization, interdependence, and trade liberalization;
- Expanding global supply, production, and distribution chains;

- Shortening life cycles of new products and rapid advances in information and communications technology (ICT);
- Expansion of the Association of Southeast Asian Nations (ASEAN) to include Cambodia, Lao PDR, Myanmar, and Viet Nam; the possibility of ASEAN+3 (Republic of Korea, Japan, and the PRC), and the move toward an ASEAN–PRC free trade zone;
- PRC's membership in the World Trade Organization (WTO) and growing regional role; and
- Newly emerging markets in South Asia, particularly India.

These trends have continued and accelerated, bringing globalization and regional integration to a higher level. Cambodia became a member of the WTO in 2004, followed by Viet Nam in 2006. ASEAN+3 have progressed further, with many economic cooperation projects being approved and implemented. The Framework Agreement on Comprehensive Economic Cooperation between ASEAN and the PRC was signed in November 2002, shortly after the 1st GMS summit. Among

other measures to enhance economic cooperation, it provides for the establishment of an ASEAN–China Free Trade Area within 10 years of the agreement. A year later, similar framework agreements were signed between ASEAN and the Republic of Korea (ROK), and between ASEAN and Japan, under which the establishment of a free trade agreement (FTA) with the ROK by 2011 and with Japan by 2012 was envisaged.

Recognizing the emerging role of India as another economic powerhouse in Asia, ASEAN further signed a framework agreement with India to establish the ASEAN–India Regional Trade and Investment Area which includes an FTA in goods, services, and investments. The ASEAN–India FTA is envisioned to become operational by 2011 for a subset of ASEAN countries and, by 2016, for all ASEAN countries. Besides these FTAs between ASEAN and India, Japan, PRC, and ROK, countries in East Asia, Southeast Asia, and South Asia had also entered or are negotiating FTAs among themselves.⁵

These developments show that the environment and context for GMS development have changed dramatically over the last several years because of accelerating globalization and regional economic integration (REI). Trade, investment, production, marketing, and communication activities across the world are becoming borderless and are being subjected to a new set of rules. Production and marketing networks across countries and regions have created new complementarities and opened up new venues for economic linkages. Significant changes have also occurred in Asia, the most notable of which have been the widespread move toward regionalism and the emergence of two economic giants—the PRC and India—which provide opportunities and pose challenges to GMS countries.

In light of these developments, the GMS could sharpen and expand its vision to enable it to take advantage of the opportunities that are being opened up and to respond to the challenges they create.

The subregion is in a position to adopt a broader view of subregional cooperation to include interregional, regional, and international perspectives. The successful steps taken toward the transformation of the GMS into an integrated and robust economic zone provide a platform to take a more global stance in its strategy for subregional cooperation and development. Accordingly, while continuing to work together in various sectors and areas of cooperation, the GMS is uniquely placed to systematically build and expand economic relations with ASEAN, North Asia, and South Asia.

In this regard, the ASEAN–PRC and ASEAN–India FTAs have important implications for GMS countries. While providing greater access to the large markets in the PRC and India, GMS countries will face strong competition with these burgeoning economies. Both these countries have a large pool of labor and, therefore, have a distinct cost advantage in labor-intensive activities. Under these circumstances, GMS countries must further enhance their competitiveness, diversify their economies over time, and build alliances among themselves. They must also form alliances with Indian and PRC firms through supply, production, and distribution chains. Because GMS is centrally located in Asia—the “crossroads in Asia”—it can serve as a land bridge linking the PRC, Southeast Asia, and South Asia. Two provinces of the PRC directly participate in the GMS program, and they serve as a major gateway from Southeast Asia to PRC and vice versa. The linkage of the GMS to South Asia—economically and physically—is less developed but offers enormous potential that could be secured to advance GMS growth and development.

Simultaneously, the GMS has the opportunity to maximize its complementarities and strengthen its alliance with ASEAN. Considering that all GMS countries, except the PRC, are members of ASEAN, the GMS can benefit from and contribute to ASEAN cooperation. For instance, the “rule-based” agreements in ASEAN, which

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⁵ There has been a trend toward a proliferation and substantial overlapping of such free trade agreements (FTAs) from around 2001–2002, which has been exacerbated by the stalled negotiations in the World Trade Organization negotiations under the Doha Round.

Besides opportunities and challenges, threats also arise from regional and global developments

are intended to liberalize, streamline, and harmonize trade and investment regimes in ASEAN-member countries, could enhance the competitiveness of ASEAN as a whole, including the GMS. ASEAN's commitment to accelerate the establishment of an ASEAN Community by 2015 indicates the potential benefits that GMS can derive from ASEAN economic integration.

Besides opportunities and challenges, threats also arise from regional and global developments. As shown by the 1997/1998 Asian financial and economic crises, growing interdependence among economies can trigger a contagion effect. Asian countries have learned from that experience, and they are now more vigilant about the risks involved. They are also better coordinated and prepared to act in case they are faced with a similar situation. Rapid advances in technology—especially in ICT, biotechnology, material technology, and nanotechnology—can be a boon to GMS countries, as they can “leapfrog” the technology ladder. However, such advances in technology also pose a threat to GMS countries because many of them are still behind and will require substantial investments to catch up with the more technologically advanced countries in Asia and the world.

Another threat to GMS development concerns the increase in oil prices from just below \$40 per barrel at the beginning of 2005 to a historic high of \$79 per barrel in August 2006. Oil prices have softened since then, but there are indications that

they could increase again in the near future or at least not continue their downward trend. Although predicting the direction and extent of future oil price movements is difficult, significant risks could cause prices to rise again or to spike. These include the continuing strong global demand for oil, disruptions due to weather and natural calamities, and geopolitical uncertainties. GMS countries are vulnerable to oil price shocks that could adversely affect the growth and stability of their economies, as well as impede their efforts at poverty reduction. The rise in oil prices has highlighted the need for GMS countries to develop renewable and alternative sources of energy, ensure energy security, and achieve energy efficiency. Global warming and climate change has further reinforced the need to address these concerns.

Apart from international and regional developments, it would be important to explicitly consider changes within the GMS in the socioeconomic context (e.g., demographic changes, urbanization and hyper-urbanization, shifts in relative wages, emerging new diseases, cultural conflict, and terrorism), as well as changes in the environmental context (e.g., scarcity of water and energy resources, greenhouse effects, and loss of biodiversity) in charting future directions for the GMS Program. These changes are “nearer to home” and pose both challenges and threats to GMS development. At the same time, they underscore the importance of joint actions and provide additional impetus for subregional and regional cooperation.

Assessment



*Significant progress
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10-year GMS-SF
during the
first half of its
implementation
period*

A. Overview

The GMS Program has succeeded in sustaining collaborative approaches to subregional development across a wide range of sectors and areas in the last 15 years. It has demonstrated the soundness and viability of a subregional approach to commonly shared issues, challenges, and objectives. In the process, it has created its own niche in the field of economic cooperation and integration, and GMS is increasingly being recognized as a subregional entity in its own right, having the most comprehensive cooperation program in the Mekong. Significant progress has been made in pursuing the strategic thrusts and priority initiatives of the 10-year (2002–2012) GMS–SF during the first half of its implementation period (2002–2007).

The GMS Program has indeed accelerated, delivering concrete results and contributing to the shared vision of a prosperous, integrated, and harmonious GMS. The pragmatic, action-oriented, and results-focused approach of the program has enabled GMS countries to expedite the implementation of high-priority subregional projects and initiatives, and mobilize an increasing amount of financial assistance from development partners and other important stakeholders.

B. Vision and Goals of the GMS–SF

The vision and goals of subregional economic cooperation set forth in the GMS–SF continue to reflect the expectations of GMS countries regarding the role of the GMS Program in developing the subregion. This was affirmed by the leaders of GMS countries during their Second Summit Meeting held in Kunming, Yunnan Province, PRC in 2005. Therefore, the GMS–SF need to maintain and sustain its focus on these vision and goals. In the meantime, determining the progress of the GMS–SF in

contributing to the achievement of these vision and goals, particularly in reducing poverty in the subregion, is important.

1. Assessing the Impact on Poverty

Since 1992, when the GMS Program started, poverty incidence in all GMS countries has declined significantly. A key question, however, is to what extent the GMS Program is contributing to reduce poverty in the subregion. Although trends in poverty incidence and other social indicators can be tracked readily, determining the impact of the GMS Program on these goals and objectives is a much more difficult exercise, as improvements in socioeconomic indicators in GMS countries cannot be attributed to the Program alone. To be sure, the considerable positive changes in these indicators are the combined result of many factors, including the policies and actions at the national level and those being pursued by other regional initiatives focused on GMS countries. Accordingly, given insufficient data and methodological difficulties, only an indirect and qualitative assessment of the impact of the GMS Program on poverty and other social indicators could be made at this point.

2. Empirical and Case Studies

The mechanisms and channels through which poverty could be reduced by investments in subregional infrastructure could be viewed at the macro and household levels.⁶ At the macro level, cross-border infrastructure could reduce trade costs, thereby leading to increased trade and investment and, subsequently, to higher economic growth, more jobs, and increased family incomes. At the household level, cross-border infrastructure could benefit the poor through three channels, namely: (i) by raising household incomes through increased productivity of resources that the household owns (e.g., transport infrastructure reduces costs to

⁶ The channels and mechanisms referred to in this Review are those associated mainly with subregional investments in infrastructure, as most of the studies on the subject dealt with the impact of cross-border infrastructure.

and from markets, raises the returns that farm households can get for their goods, and may also enable family members to be employed outside the household); (ii) by improving the access of the poor to basic social services such as education and health services; and (iii) by increasing the access of the poor to final consumer goods, as these goods become more affordable because of reduced transport costs.

Fujimura and Edmonds used an econometric model to determine the impact of cross-border road infrastructure on trade and FDI flows in the GMS (Fujimura and Edmonds 2006). Using data on trade flows across GMS countries and indicators of road infrastructure and trade policy measures, the study concluded, among others, that: (i) cross-border infrastructure has a positive effect on trade in major goods on both exporter and importer sides of the borders; (ii) this positive effect increases when a general measure of domestic road infrastructure is included in the analysis (cross-border infrastructure and domestic road infrastructure complement each other); and (iii) while the results of the effect of cross-border infrastructure on FDI are inconclusive, there is evidence that FDI flows induce further exports from the FDI-sending country to the FDI-receiving country.

Examining the mechanisms that could help in reducing poverty at the household level, Menon conducted a study of the socioeconomic impact of road improvement in rural areas in the Lao PDR, using household level data from the Lao Expenditure and Consumption Surveys (LECS) covering the periods 1997–1998 and 2002–2003 (J. Menon 2005). The study concluded that “road improvement in rural areas can contribute to lowering

poverty incidence, improving educational participation of primary school-age children, and reducing the rate of illness.” In particular, the study found that about one fourth of the reduction in poverty incidence in Lao PDR’s rural population from 42.5% in 1997–1998 to 37.6% in 2002–2003 “can be directly attributed to the conversion of roads that are accessible only in the dry season into roads that are accessible in all seasons.”

An ADB regional technical assistance covering border provinces in Cambodia, Lao PDR, and Viet Nam conducted three case studies reviewing the poverty impact of regional economic integration in the GMS.⁷ Although only preliminary reports are available at this time, these studies provide insights into the impact of regional integration on poverty and other aspects of development in border areas in the GMS. The studies⁸ found that poverty incidence is higher in “less integrated areas” compared to that in “more connected areas.” Standard of living and REI are positively correlated, with people living nearer formal border-crossing points and provincial centers being better off than those who reside in remote nonborder areas. The key benefits of REI cited by the studies were as follows:

- Increasing trade volume and activities: This has (i) improved consumer welfare through greater access to high quality products, including agricultural inputs, at competitive prices; (ii) expanded access to markets, thus providing an incentive for increasing production; and (iii) enhanced the living standard of the people in general.
- Increasing job opportunities across borders: Cross-border migration has

Cross-border infrastructure could benefit the poor (i) by raising household incomes through increased productivity of resources that it owns; (ii) improving their access to basic social services; and (iii) increasing their access to final consumer goods

⁷ RETA 6171, Technical Assistance for Reviewing the Poverty Impact of Regional Economic Integration in the Greater Mekong Subregion, approved on 6 May 2004. The studies have been coordinated at the regional and country levels. At the country level, national research institutions (NRIs) conducted the country level research, analysis, and primary data collection. Participating NRIs are: Cambodia Development Resource Institute and National Institute of Statistics in Cambodia; National Economic Research Institute in the Lao PDR; Thailand Development Research Institute in Thailand; and Central Institute for Economic Management in Viet Nam. The Viet Nam study covered Quang Tri Province and Tay Ninh Province; the Lao PDR study covered Savannakhet Province and Saravan Province; and the Cambodia study covered Banteay Meanchey Province and Svay Rieng Province.

⁸ The research teams used a combination of rapid pilot assessment and observation, key informant interviews, focus group discussions, participatory assessment, consultation workshop, and small-scale household survey in the conduct of the studies.

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“become an important coping strategy for the poor in border villages,” being a source of livelihood and a means of diversifying income for people who cross the borders to look for work. Remittances are used to support family expenditures including those for education and health, and to help purchase agricultural inputs and implements.

- Enabling “common use” of health facilities: The people in the border areas are able to avail of higher quality health services across the borders. This is exemplified by the large number of Lao people living in border communities receiving medical care and treatment in neighboring countries.
- Facilitating the acquisition of better farming techniques from neighboring countries: Lao and Cambodian farmers at the borders are using more technologically advanced farming practices acquired from traders and farmers across the borders. This is helping raise their productivity and income.

At the same time, the studies highlighted the negative “side effects” of REI that need to be addressed, including: (i) spread of HIV/AIDS and other communicable diseases, (ii) drug trafficking, (iii) illegal labor migration and the related issues of human trafficking and child labor, (iv) environmental degradation, (v) increase in land prices that have led some farmers to sell their land and become landless, and (vi) increase in traffic accidents, thus exacerbating the relatively high mortality, disability, and damage to property due to such accidents. They also indicated that additional efforts are necessary to enhance the efficacy of subregional measures in reducing poverty. Among others, the capacity of the poor to benefit from such measures is constrained by their low levels of education, training, and skills. The Lao PDR study emphasized “...poverty reduction programs are required. The programs should focus on capacity building

and vocational training for local people, especially for poor local people.” The studies also expressed concern about the effects of economic integration on income distribution, as the formal sector could increasingly crowd out the informal sector wherein most poor people are involved.

3. Summing Up the Evidence

Available information suggests that subregional cooperation and integration is helping GMS countries reduce poverty and address related human development needs through various mechanisms and channels. However, the precise scale and scope of its contribution to poverty reduction cannot be determined at this time, as a quantitative assessment of the poverty impact of subregional cooperation and integration has not been possible. Nevertheless, there is scope for enhancing and sustaining the poverty impact of subregional cooperation and integration.

First, it would be a clear advantage if more emphasis were placed on pro-poor policies and programs side by side with the provision of cross-border infrastructure to enable the poor to benefit from economic cooperation and integration. As pointed out in the studies cited above, the poor may not be able to benefit fully from subregional economic integration unless their capacity to avail of economic opportunities is improved. The completion of the main road artery of the East–West Economic Corridor (EWEC), for example, would not have yielded benefits for the poor if the complementary feeder and farm-to-market roads had not been provided.⁹ Second, the interests of vulnerable groups, such as ethnic communities, the poor in remote rural areas, women, and children need to be fully addressed. It will be important to continue to find ways of integrating the poor into the mainstream of economic development and prevent them from being “crowded out” in this process. Third, further measures are required to minimize and mitigate the adverse impact

⁹ In the Lao PDR and Viet Nam, works on the main road arteries of the East–West Economic Corridor have catalyzed improvements in rural access roads in the corridor.

of subregional economic integration. Indeed, costs and benefits are involved in subregional cooperation and integration, but the experience so far has demonstrated that the benefits of working together far outweigh the negative externalities. Nevertheless, preemptive measures are necessary to address the potential negative “side effects” of subregional integration. All these concerns indicate that poverty reduction requires coordinated and complementary efforts at both the national and subregional levels.

C. Strategic Thrusts: Progress, Issues, and Challenges

The vision and goals of the GMS Program are to be realized through five strategic thrusts. This part of the Review assesses the progress that has been made under each strategic thrust, highlighting key achievements, major issues and challenges, and actions needed to improve their implementation and enhance their effectiveness.

1. Strengthening Infrastructure Linkages

This strategic thrust of the GMS–SF involves subregional cooperation in the transport, energy, and telecommunications sectors. In the transport sector, the principal objectives are (i) to develop priority transport corridors critical to linking the subregion together and promoting trade and investment; (ii) to reduce nonphysical barriers to the movement of people, goods, and services; and (iii) to formulate and coordinate strategies to ensure that the transport corridors evolve into economic corridors, leading to agricultural diversification, industrialization, and the creation of employment opportunities. To realize these objectives, the GMS plan of action (POA) in the transport sector consists of three major programs, namely: (i) improvement of major transport linkages in the East–West Economic Corridor (EWEC), North–South Economic Corridor (NSEC), and Southern Economic Corridor (SEC) (see

map showing GMS corridors in Appendix 5); (ii) formulation, negotiation, adoption, and implementation of the Cross-Border Transport Agreement (CBTA) among GMS countries; and (iii) transformation of the three corridors into full-fledged economic corridors. The GMS Transport Sector Strategy Study (TSSS), adopted at the 10th meeting of the Subregional Transport Forum (STF) held in Vientiane in March 2006, guides subregional cooperation in the transport sector. The STF, which met in Bangkok on 8–9 May 2007, formulated and agreed to adopt an action plan for the GMS transport sector covering the period 2008–2012 based on the TSSS.

The key achievements of subregional cooperation in the transport sector are:

- **Serving as a catalyst for developing transport links among GMS countries:** GMS cooperation in the transport sector has catalyzed the development of transport links in the GMS by (i) providing a forum and venue for open discussion of transport issues and exchange of information; (ii) establishing personal contacts and institutional network among transport officials and agencies of GMS countries; (iii) developing a common approach to cross-border issues, primarily through the CBTA; and (iv) providing a framework for assistance to the GMS transport sector from ADB and other development partners.
- **Developing priority transport corridors:** A major achievement in the implementation of the GMS–SF is the greatly improved physical connectivity in the subregion exemplified by the near full completion of the transport component of the three main GMS corridors noted in para. 45 above. (See maps showing the GMS Road Network in 1992, 2006, and 2015 in Appendix 6.) Benefits are already being felt in terms of reduced cost and time of travel, as well as growth in cross-border trade and increasing economic opportunities around border areas.

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Another major achievement is the formulation, negotiation, conclusion, and initial implementation of the CBTA at selected border-crossing points

- **East–West Economic Corridor (EWEC):** About 1,450 kilometers (km) long, this corridor is the only direct and continuous land route between the Indian Ocean (Andaman Sea) and the South China Sea. This corridor has been completed, except for a 40 km road section in Myanmar, and is the first GMS corridor to have reached this stage. The Second International Mekong Bridge between Mukdahan in Thailand and Savannakhet in the Lao PDR was inaugurated and opened on 20 December 2006. An initial impact assessment of the development impact of EWEC on Savannakhet Province (Rattanay Luanglatbandith 2006) found significant benefits, such as (i) reduced travel time from the Lao–Viet Nam border of Lao–Bao–Dansavanh to Savannakhet by bus from about 12 hours to only about 3 hours presently; (ii) increase in FDI and joint ventures in Savannakhet Province, much of which has been influenced by EWEC development; (iii) expansion in employment and income-generating opportunities; and (iv) improvement of access of rural students to secondary schools.
- **North–South Economic Corridor (NSEC):** Three different routes along the north–south axis of this corridor are Kunming–Chiang Rai–Bangkok via the Lao PDR or Myanmar route, Kunming–Hanoi–Haiphong route, and the Nanning–Hanoi route. The Mekong bridge between Houayxay on the Lao PDR side and Chiang Khong on the Thai side remains to be the missing link along the first route of the North–

South corridor. In this regard, the Lao PDR and Thailand have agreed on a site for the bridge. The governments of the PRC and Thailand have further agreed to share in financing the cost of the bridge on a 50–50 basis. Overall, work on the transport links under the two routes of the NSEC is progressing well toward the target completion date of 2010, with many sections in the PRC, Lao PDR, Myanmar, Thailand, and Viet Nam having been completed in the last 2–3 years.

- **Southern Economic Corridor (SEC):** The SEC is defined by three main road sub-corridors connecting major points in Cambodia, Thailand, and Viet Nam. The three sub-corridors are making good progress toward realizing the target completion date of 2010, with many sections in the sub-corridors already completed. Benefit monitoring reports for completed sections of the sub-corridors indicate that benefits are already being realized in terms of savings in travel time, lower travel costs for passengers and lower maintenance costs for vehicles, increased volume of trade, and generation of employment opportunities for the local population.

- **Reducing nonphysical barriers:** Another major achievement is the formulation, negotiation, conclusion, and initial implementation of the CBTA at selected border-crossing points.¹⁰ The experience in the initial implementation of the CBTA at the Dansavanh–Lao Bao border-crossing

¹⁰ The Cross-Border Transport Agreement (CBTA) covers all relevant aspects of cross-border transport facilitation in one document, including (i) single-stop/single-window inspection; (ii) cross-border movement of persons; (iii) transit traffic regimes; (iv) eligibility requirements for vehicles making cross-border sorties; (v) exchange of commercial traffic rights; and (vi) related infrastructure, such as road and bridge design standards, road signs, and signals. The Joint Committee of the CBTA, which met in Beijing on 20 March 2007, set as a target the ratification or acceptance by all GMS countries of all the annexes and protocols of the CBTA and commencement of the implementation of the national action plans of the CBTA by the time of the 3rd GMS Summit in 2008.

point has been positive, realizing significant results and providing valuable lessons to the other pilot border-crossing points. Processing time for cargo trucks crossing the border has been reduced from 4 hours to 70–80 minutes and for passenger cars, from 2 hours to 30 minutes. The processing time for cargo trucks is expected to be reduced further to 30 minutes and for passenger cars, to around 10 minutes or less. The CBTA is not only essential in maximizing the benefits from improved physical connectivity. It is also symbolic of the political will of the GMS countries to achieve their vision and goals. Successful implementation of the CBTA in the pilot border-crossing points and subsequently in the GMS as a whole is, therefore, critically important.

The following issues and challenges need to be dealt with to maximize benefits from GMS cooperation in the transport sector:

- Sustaining progress in physical connectivity:** While significant progress has been achieved in improving physical connectivity in the GMS, substantial transport infrastructure investments are still required to make GMS corridors “operational.” Accordingly, continuing to identify and implement priority subregional transport projects based on the GMS TSSS is necessary.
- Addressing constraints to CBTA implementation:** This requires (i) providing capacity-building inputs in the border-crossing points in the form of training, facilities, and equipment; (ii) institutionalizing and “mainstreaming” the work of the national transport facilitation committee in each GMS country; and (iii) facilitating the formulation and approval of enabling laws needed to fully implement the CBTA.
- Transforming transport corridors into economic corridors:** Establishing appropriate policy, regulatory, and institutional frameworks for corridor development is necessary. Some efforts have been made in this direction for the EWEC, including preparing a pre-investment study for the EWEC and establishing a GMS–BF advisory committee on EWEC in 2006. Much more needs to be done, however, to make operational the strategy contained in the pre-investment study for the EWEC. In addition, plans for the broader economic and social development of the other priority GMS corridors should be actively pursued.¹¹

The objectives of the GMS Program in the energy sector are to: (i) promote the development of regional power trade in the GMS to help in fully developing and utilizing the subregion’s energy potential; (ii) facilitate the development of grid interconnection infrastructure through the construction of transmission lines that would interconnect the various GMS power systems; and (iii) promote private sector investments in GMS power projects. A fourth objective has been added following the steep increase in oil prices in 2005–2006, i.e., to expand cooperation to include the development of alternative and renewable sources of energy, energy efficiency, and security.

The key achievements of subregional cooperation in the energy sector are:

- Establishing policy and institutional frameworks for power trade:** This was accomplished by formulating and ratifying an Intergovernmental Agreement on Regional Power Trade, establishing a regional power trade coordination committee to oversee the formulation and adoption of regulatory, institutional, and commercial frameworks for power trade in the GMS, and the initiation of activities under the Memorandum

Establishing appropriate policy, regulatory, and institutional frameworks for corridor development is necessary to transform transport corridors into economic corridors

¹¹ A development study of the North–South Economic Corridor (NSEC) is under way.

There is a need to continue ensuring that the potential social and environmental impacts of proposed hydropower projects are considered in their planning, design, implementation, and monitoring

of Understanding on the Guidelines for Implementation of the Regional Power Trade Operating Agreement (RPTOA) – Stage 1. These initiatives have laid the foundation for establishing fair and transparent rules and principles governing power trade.

- **Initiating construction of infrastructure for grid interconnection:** A GMS Power Transmission Project, which will build the first high-voltage transmission line between Cambodia and Viet Nam, is ongoing. Several proposed GMS power interconnection projects such those between Thailand and Viet Nam via the Lao PDR, between Yunnan Province, PRC and Thailand via the Lao PDR, and between Yunnan Province, PRC and Viet Nam are being investigated. Although there is a long way to go before a GMS power grid could be established, these activities have “broken the ground” for grid interconnection in the GMS.
- **Promoting private sector participation in power projects:** This is exemplified by the Theun Hinboun Hydropower Project, which has realized expected outcomes in terms of electricity generation of 1,500 gigawatt hour (GWh) per year and foreign exchange earnings from exports of electricity to Thailand of around \$400 million over 1998–2004. The other example is the Nam Theun 2 (NT2) Hydropower Project, which will export 5,354 GWh of power to Thailand by the end of 2009. The financial and institutional arrangements covering these projects are potentially useful not only for power projects but also for other infrastructure projects in the GMS.

The issues and challenges that need to be addressed in subregional cooperation in energy are:¹²

- **Broadening cooperation from electric power to energy:** A subregional energy strategy study is being prepared to help guide and coordinate cooperation in the energy sector in the GMS. Timely completion of the study and its review and adoption by the GMS countries is important, so that the expanded focus of GMS cooperation in the energy sector can be defined and translated into a plan of action (POA) at the earliest possible time.
- **Adopting a road map for developing a regional energy market:** Such a road map has been proposed and is being reviewed by the GMS countries. Agreement on the road map and an indicative timeframe in realizing milestones would help manage the process and facilitate movement from one stage to another.
- **Addressing social and environmental impacts of hydropower projects more effectively:** There is a need to continue ensuring that the potential social and environmental impacts of proposed hydropower projects are considered in their planning, design, implementation, and monitoring. Within the GMS Program, collaboration and coordination between the Subregional Energy Forum and the Working Group on Environment (WGE) could be sustained and deepened to ensure that environmental considerations are built into the activities of the Subregional Energy Forum and its subworking groups.

¹² The Regional Power Trade Coordination Committee (RPTCC) met in Sanya, PRC on 16-18 May 2007 and considered some of these issues and challenges. The meeting agreed on the next steps and timetable for priority RPTCC studies and activities, and indicated the actions necessary to prepare a road map on power trade in the GMS. The meeting also agreed to prepare an action plan for energy covering 2008-2012, which would establish priority activities during this period and serve as a tool for monitoring progress in GMS energy cooperation.

The long-term goal of subregional cooperation in the telecommunications sector is to improve telecommunications linkages among the GMS countries, thereby facilitating communications and access to information, lowering transaction costs, and enhancing competitiveness of the subregion as a whole. Its more immediate objectives are to: (i) develop the subregional telecommunications backbone and the GMS information superhighway network; (ii) promote policy and regulatory reforms and strengthen capacity in the sector to attract private sector investments in the development of national telecommunications networks, as well as to facilitate the interconnection of these networks; and (iii) reduce the digital divide between developed and less developed areas and contribute to efforts to reduce poverty in GMS countries. The Subregional Telecommunications Forum (STCF) is coordinating GMS cooperation in the telecommunications sector.

The key achievements of subregional cooperation in the telecommunications sector are:

- **Developing the GMS telecommunications backbone:** The optical fiber interconnection of the telecommunications systems of the GMS countries is at its final stages, with the optical fiber infrastructure in the PRC, Thailand, and Viet Nam being already in place. The missing links in Cambodia, Lao PDR, and Myanmar, which are presently being addressed with financial assistance from the PRC, are expected to be completed in 2008. At the same time, the GMS countries have been implementing their respective telecommunications sector reform agenda and undertaking

related capacity-building programs to create a favorable enabling environment for private sector investments in telecommunications services and to facilitate interconnection.¹³

- **Initiating development of the GMS information superhighway network (ISN):** The GMS ISN is expected to provide a broadband platform among GMS countries for voice, data, and Internet services for various applications such as e-commerce, e-government, e-learning, and telemedicine. An ISN implementation group composed of telecommunications operators from the GMS countries was established in 2005 to promote the development of ISN. An ISN Steering Committee composed of senior officials of telecommunications agencies of GMS countries was also established in 2005 to coordinate and oversee ISN development. The work of the implementing group led to the signing of a memorandum of understanding (MOU) for the Planning and Construction of GMS Information Superhighway Network at the 2nd GMS Summit.

The issues and challenges that need to be addressed to strengthen subregional cooperation in the telecommunications sector are as follows:¹⁴

- **Formulating and adopting a telecommunications development plan and strategy, with a corresponding POA:** A Telecommunications Sector Study (ADB 1997) laid the groundwork for the general direction of GMS cooperation in this sector in the early years of the program, but the focus of the study's implementation has

The long-term goal of subregional cooperation in the telecommunications sector is to improve telecommunications linkages among the GMS countries, thereby facilitating communications and access to information, lowering transaction costs, and enhancing competitiveness

¹³ The Asian Development Bank (ADB) has provided technical assistance (RETA 6004) to Cambodia, Lao PDR, and Viet Nam for GMS Telecommunications Sector Policy Formulation and Capacity Building.

¹⁴ The STCF met in Bangkok, Thailand on 29-30 May 2007 and considered some of these issues and challenges. The meeting agreed to develop a sector strategy and action plan containing measures to: (i) promote ICT applications for development; (ii) develop optimal institutional arrangements for cooperation; (iii) build capacity for sector operation; (iv) implement policy reforms and enhance private investment in the sector; and (v) further enhance the GMS ISN. "Subregional cooperation in telecommunications" could be renamed "subregional cooperation in information and communications technology (ICT)" in line with the thrust toward the development of an information superhighway network (ISN).

been mainly on completing the fiber optic links among GMS countries and establishing appropriate policy and regulatory frameworks. A GMS telecommunications development plan and strategy are needed to guide future cooperative efforts for developing the telecommunications sector in the GMS.

- **Promoting information and communications technology (ICT) in rural and remote areas of the GMS:** All GMS countries agree that promoting ICT in rural and remote areas of the GMS would help in their efforts to reduce poverty reduction and narrow the digital divide in their respective countries. It would be necessary to formulate and agree on a concrete work program with specific activities and time frames to achieve practical results.
- **Reviewing the roles of the STCF, Implementing Group, and Steering Committee:** The possibility of merging the implementing group and the steering committee could be looked into, as the STCF itself could perform the role of the steering committee in coordinating and mobilizing resources. Advantages may also be gained by having both public and private sector representatives in the implementing group. Alternatively, the steering committee—with the ISN being the core program for GMS telecommunications development—could replace the STCF.
- **Clarifying the role of development partners in the telecommunications sector:** Due to the commercial character of activities in the telecommunications sector, most development partners do not give high priority to the sector. On the other hand, the private sector is still hesitant to make major telecommunications investments in the GMS, especially those addressing the missing links in Cambodia, Lao PDR, and Myanmar. In this regard, the development partners may still

have a role to play in supporting activities in the telecommunications sector which have “subregional public goods” elements, such as facilitating interconnection of national systems, harmonizing standards, establishing suitable policy and regulatory frameworks, expanding services to rural and remote areas in the GMS, and building capacity.

2. Facilitating Cross-Border Trade, Investment, and Tourism

This strategic thrust of the GMS–SF involves promoting and facilitating intra-GMS (i.e., among GMS countries) and extra-GMS (the GMS vis-à-vis rest of the world) trade, investment, and tourism. The GMS–SF subsumed subregional cooperation in agriculture under the first strategic thrust, i.e., in the context of subregional infrastructure linkages and development. However, as subregional cooperation in agriculture is expected to help reduce poverty in the GMS by promoting sustainable livelihoods, food security, and agricultural trade, the discussion of the progress in this area of cooperation is taken up under the strategic thrust involving trade and investment promotion.

Cooperation in trade facilitation is aimed at reducing or removing barriers to the smooth and efficient flow of people, goods, and services across borders, and the development of an adequate and efficient logistics system. In the area of investment facilitation, measures include strengthening the institutional and policy frameworks to promote investment, and cooperation among investment promotion agencies in the subregion. The GMS Trade Facilitation Working Group (TFWG) and the GMS Subregional Investment Working Group (SIWG) are coordinating GMS activities in trade and investment facilitation. To energize GMS cooperation on trade and investment, the TFWG formulated a Strategic Framework for Action on Trade Facilitation and Investment (SFA–TFI) in 2004. The SFA–TFI, which was subsequently endorsed at the 2nd Second GMS Summit, defined the objectives, guiding principles, strategic thrusts, and

priority areas for facilitating trade and investment in the GMS.

The following issues and challenges need to be addressed to strengthen the effectiveness of subregional cooperation in trade and investment:

- **Expediting implementation of the SFA-TFI:** In view of the importance of expanding subregional trade and investment to achieve GMS-SF's vision and goals, GMS countries emphasized the need to expedite the implementation of the SFA-TFI during the consultations conducted for the Review. In this regard, the first meeting of the GMS Heads of Customs Administration was held in Bangkok in September 2006. Organized by the Royal Thai Government, the World Customs Administration, and ADB, the meeting agreed on a set of priority medium-term issues to be dealt with as part of a common action plan, including the status of customs modernization, challenges, and progress made to date and related capacity-building activities. The 5th meeting of the TFWG was held in May 2007 to fast-track the implementation of SFA-TFI.
- **Preparing a strategic framework for investment promotion and facilitation:** Although the title of SFA-TFI includes investment, its focus is mainly on trade facilitation issues rather than on investment promotion. Of the four priority areas under the SFA-TFI, only the mobility of business people directly concerns investment promotion. So far, there appears to be no clear consensus on the priority areas that the SIWG should focus on, except for those centered on the GMS-BF and a proposed regional guarantee facility. The SIWG should consider preparing a strategic framework and a concrete POA to promote and facilitate investment in the GMS, in close collaboration with the private sector through the GMS-BF and taking into full account the need for coordination and synergy with the SFA-TFI.

- **Improving coordination between TFWG and SIWG:** There was a suggestion to merge the two working groups, as trade and investment issues are closely interrelated. This has to be considered carefully, as some GMS countries have reservations about merging the two working groups for the reason that different ministries or agencies are responsible for the two areas. On the other hand, there is clearly a need for close interaction between these two groups. The possibility of synchronizing their meetings could be looked into.
- **Ensuring coordination between SFA-TFI and CBTA:** There are activities of common interest to CBTA and SFA-TFI, specifically on customs administration and quarantine inspection. CBTA deals with facilitation of customs and immigration procedures at the border-crossing points, while the SFA-TFI deals with the more general need of facilitating customs procedures and requirements as a whole. The two sets of activities should be closely coordinated and integrated to the extent possible. More specifically, key officials involved in the CBTA (e.g., those participating in the national transport facilitation committees or NTFCs) should be invited to the meetings of the TFWG and vice versa. The TFWG and NTFCs could also exchange reports regularly to update each other on related activities and to highlight areas that need to be acted upon jointly.

The primary objective of subregional cooperation in the tourism sector is as follows: "Develop and promote the Mekong as a single destination, offering a diversity of good quality and high-yielding subregional products that help distribute the benefits of tourism more widely; add to the tourism development efforts of each GMS country; and contribute to poverty reduction, gender equality and empowerment of women, and sustainable development, while minimizing any adverse impacts." The following programs were initiated in

In view of the importance of expanding subregional trade and investment to achieve GMS-SF's vision and goals, there is a need to expedite the implementation of the SFA-TFI

*Subregional
cooperation
in the tourism sector
has helped put the
GMS firmly on the
world's tourism map*

2005 to broaden the thrust of subregional cooperation in the tourism sector: (i) marketing and product development, (ii) human resource development (HRD), (iii) heritage conservation and social impact management, (iv) pro-poor tourism development, (v) private sector participation, (vi) facilitating the movement of tourists, and (vii) development of tourism-related infrastructure.

The key achievements of subregional cooperation in the tourism sector are as follows:

- **Putting GMS on the global tourism map:** Subregional cooperation in the tourism sector has helped put the GMS firmly on the world's tourism map, with the "job of positioning the GMS in the eyes of the international industry" having been completed.¹⁵ Spearheaded by the TWG, a substantial subregional cooperation agenda has been pursued since 1993. This included promotional campaigns exemplified by the Jewels of the Mekong project, started in 1996, and the GMS Destination Marketing Program, initiated in 1997. A principal component of the latter program is the Mekong Tourism Forum (MTF), held annually from 1996–2005 in collaboration with the Pacific Asia Travel Association with financial assistance from ADB and the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP).
- **Building close alliances, strengthening ownership, and generating high-level support:** Subregional cooperation in the GMS tourism sector provides a good example of close collaboration among many partners that has been generally sustained from the beginning of the program. The TWG has been one of the most active sector groupings under the GMS Program, having its own secretariat (Agency for Coordinating Mekong Tourism Activities

or AMTA) which was established and operated using the resources of the Tourism Authority of Thailand and small contributions from GMS countries. To strengthen ownership further, the Mekong Tourism Coordination Office (MTCO) took over AMTA in 2005, with initial funding for its activities coming from financial contributions from each GMS country. The French government also agreed to second a tourism official to serve as project coordinator for MTCO to work on developing priority projects under the TSSS starting July 2007. Progress in subregional cooperation in tourism has been greatly facilitated by the TWG's ability to generate high-level support through the conduct of tourism ministerial and senior officials' meetings (SOMs).

- **Implementing the GMS Tourism Sector Strategy Study:** GMS countries have been working on various tourism projects in the last few years. Cambodia is establishing a tourism institute in Phnom Penh. The Lao PDR has organized a training workshop on heritage management. Viet Nam has developed tourism occupational standards. Thailand has improved tourism facilities in the Emerald Triangle and cooperated with the French government in developing a virtual presentation on GMS cultural heritage sites, namely: Angkor Wat in Cambodia, Luang Phrabang in the Lao PDR, Bagan in Myanmar, Sukhothai in Thailand, Hue in Viet Nam, and Guilin and Lijiang in the PRC. Yunnan Province has improved navigation on the Mekong River for cruise tourism between Jing Hong and Thailand in the Golden Quadrangle Tourism Zone. Cambodia and Thailand are cooperating with each other in developing a tourism route along the Southern Tourism Corridor, linking Pattaya and Koh Chang in Thailand with Sihanoukville in Cambodia and Phu Quoc in Viet Nam.

¹⁵ ADB. *Summary of Proceedings of the 15th Meeting of the Tourism Working Group*. March 2004.

The following issues and challenges need to be addressed to ensure that the thrust in subregional cooperation in the tourism sector remains on track:¹⁶

- **Prioritizing proposed projects:** The TSS identified 29 projects, 13 of which are of a spatial nature dealing with the planning and development of priority tourism zones (e.g., Mekong River Tourism Corridor, Golden Quadrangle Tourism Corridor, East–West Tourism Corridor) and 16 are thematic activities (e.g., training and capacity building, pro-poor tourism, GMS visa) dealing with specific GMS-wide interventions. Considering staff, institutional, and financial constraints, implementing all proposed 29 projects at the same time may not be a practicable approach. Therefore, prioritizing the proposed projects and preparing an action plan based on the identified priorities will be necessary.
- **Sustaining, restructuring, and streamlining the operations of MTCO:** While the establishment of MTCO is considered a step in the right direction and has been a welcome initiative, how to fund and manage its operations over the longer term is a major concern of GMS countries. The initial operational expenses of MTCO have been financed from contributions from each GMS country. How long this funding arrangement can be sustained is not clear. Ways and means need to be found for MTCO to raise funds from the private sector and make its operations self-financing. To successfully develop and market the GMS as a single destination, MTCO should streamline its administrative and communication procedures, and review its marketing and development plans, based on the GMS Tourism Cooperation Manual proposed by Thailand at the 19th

Meeting of the TWG held in Ho Chi Minh City, Viet Nam.

- **Facilitating travel — GMS-wide visa:** Facilitating travel to and within GMS has been in the agenda of GMS cooperation in tourism development since its inception. A major activity initiated under the auspices of the Ayeyawady–Chao Phraya–Mekong Economic Cooperation Strategy (ACMECS), in coordination with the GMS Program, is the development and introduction of a GMS-wide visa for nationals from outside the subregion. A basic agreement on the concept, objectives, and implementation principles of a single visa scheme was reached during the meeting of the Working Group on the ACMECS Single Visa Scheme (the Scheme) in January 2005. The scheme was launched in November 2005, with Cambodia and Thailand signing an MOU to implement the scheme. It was scheduled for pilot-testing in the last quarter of 2006, but this has been delayed because of some pending issues. MTCO should monitor closely the progress of the discussions between Cambodia and Thailand on the scheme and assist in resolving outstanding issues, so that pilot-testing could start as soon as possible.
- **Energizing the annual Mekong tourism event:** The MTF held annually from 1996 to 2005 had been an important feature of GMS tourism promotion and marketing efforts. However, the MTF seemed to have “lost steam” in recent years. Accordingly, the Pacific Asia Travel Association recommended that the concept and approach to the organization of the MTF be rethought, and the GMS countries agreed that some alternative form should be continued and reenergized. In this regard, the 1st Mekong Tourism Investment Summit

Considering staff, institutional, and financial constraints, prioritizing the proposed projects in the TSS and preparing an action plan based on the identified priorities will be necessary

¹⁶ The TWG met in Ho Chi Minh City, Viet Nam on 29 March 2007 and considered some of these issues and challenges. It reviewed the achievements of the MTCO since its establishment in 2006 and requested its Director to prepare a GMS tourism marketing plan and a GMS tourism cooperation manual. It also agreed to extend financial support to MTCO for its second year of operations and to proceed with the prioritization of the projects listed in the TSS.

was held back-to-back with the 17th TWG meeting in March 2006. Among the suggestions that the TWG could revisit to reenergize the annual event are: (i) making the focus of the forum issue-oriented and more responsive to the interests of the private sector, (ii) using the format of the ASEAN Tourism Forum, (iii) synchronizing the timing of the forum with a major regional or international event (e.g., GMS ministerial or summit meeting), and (iv) getting more support from national tourism organizations.

Subregional cooperation in agriculture was not part of the GMS Program when it was launched in 1992. Over time, the GMS countries realized the need to include agriculture as one of the areas of cooperation in the program. Accordingly, the GMS countries took major steps to establish and implement a program of cooperation in agriculture, starting with the 10th GMS Ministerial Conference in 2001. GMS cooperation in agriculture was affirmed by subsequent GMS ministerial conferences and underscored by the GMS leaders during their first and second summit meetings, with agriculture being included as one of the sectors of cooperation in the GMS-SF. The GMS Working Group on Agriculture (WGA), established in 2003, formulated a strategic framework for subregional cooperation in agriculture and a core agriculture support program (CASP) covering 2006–2010. GMS Agriculture Ministers endorsed the CASP during their meeting in Beijing in April 2007. CASP is composed of five program components, namely: (i) facilitating cross-border agricultural trade and investment,¹⁷ (ii) promoting public-private partnership in sharing agricultural information, (iii) enhancing capacity in agricultural science and technology, (iv) establishing emergency response mechanisms for agricultural and natural resource crisis situations, and (v) strengthening institutional linkages and mechanisms for cooperation.

The main challenge in this area of cooperation is the effective implementation of the CASP. Another challenge is for the WGA to establish linkages with other GMS forums and working groups, as the CASP has a direct interface and relations with the other sectors and areas of cooperation in the GMS such as those in trade (cross-border trade in agricultural products, biosafety, and food standards), transport (cross-border facilitation of the movement of agricultural goods, especially perishable goods, and of quarantine inspection of live animals in line with the CBTA; need for support in terms of logistics such as warehousing and refrigeration), energy (renewable energy, biofuel, and rural electrification), telecommunications (application of ICT for agricultural supply chain management, capacity building, research and extension services), and HRD (impact of transboundary animal and plant diseases on the health of the GMS population, capacity building, and training in agriculture-related skills).

3. Enhancing Private Sector Participation and Competitiveness

This strategic thrust of the GMS-SF involves measures to increase the participation of the private sector in GMS infrastructure projects and to enhance its competitiveness by (i) lowering production and distribution costs through efficient utilities and infrastructure support, (ii) improving skills of the labor force, and (iii) improving the policy and regulatory environments for private sector investments in the GMS.

The critical role of the private sector as an engine of growth in GMS development had been recognized from the initial stages of the GMS Program. Therefore, efforts were taken early on to initiate and expand the participation of the chambers of commerce of GMS countries in the Program. Road shows were conducted in Japan, Republic of Korea (ROK), and Europe to promote private sector investments in GMS countries. The former

¹⁷ Contract farming is one of the priority projects under the Core Agriculture Support Program (CASP), as this has the potential to provide substantial benefits to small farmers.

activity was constrained by the weakness of the private sector in Cambodia, Lao PDR, Myanmar, and Viet Nam, which were in the midst of transition from centrally planned to market-based economies, while the road shows lacked close follow-through actions. Outside of the active participation of the private sector in tourism promotion and development, as well as in a number of GMS power and telecommunications projects, the scope for increasing and enhancing private sector participation in GMS development remains significant.

In more recent years, initiatives have been taken to energize the promotion of private sector participation in the GMS, the most noteworthy of which were the establishment of the GMS Business Forum (GMS-BF) in 2000 and the adoption of SFA-TFI in 2005. GMS-BF is an independent, nongovernment organization and joint initiative of the chambers of commerce of the six GMS countries. It is an important element in integrating the role of the private sector into the GMS Program and has the potential to serve a key role in promoting, facilitating, and catalyzing cross-border investment, as well as investment from “third countries” into the GMS.

GMS-BF has organized six fee-based conferences, which have generated revenues to help finance its operations. Sponsored by regional corporates, the conferences were focused on such key areas as EWEC development, mining opportunities in the Lao PDR, financing of small and medium scale enterprises, and high-value agricultural products. It was also one of the principal organizers of the High Level Public-Private Sector Consultation Meeting in September 2004. GMS-BF has set up a GMS website and compiled a business handbook and directory of small and medium enterprises in the GMS. In 2006, the board of GMS-BF was expanded to include corporates. The initiatives that have been taken to strengthen GMS-BF need to be maintained and accelerated. It will take some time before GMS-BF could become something like the ASEAN Chamber of Commerce and Industry, as the private sector in some GMS countries still need substantial strengthening. Nevertheless, there is sufficient rationale

and scope for enhancing GMS-BF’s role in the GMS Program. The following suggestions could be considered:

- While continuing to organize road shows and well-targeted private sector forums and conferences, GMS-BF could further strengthen its advocacy role for policy and regulatory reforms to the extent possible. The latter activity complements the first, as the advocacy role provides GMS-BF with a means to follow up the recommendations and results of the forums and conferences that it organizes.
- The possibility of regularizing the membership of GMS-BF in TFWG and SIWG should be examined, thus institutionalizing public-private cooperation in these key areas. This will not only provide a venue for GMS-BF for following up on the actions needed; it will also help the working groups clarify the “real world” problems that the private sector faces in the GMS, as well as in identifying practical and realistic approaches.
- The GMS-BF needs to continue mobilizing funds from the private sector and establish mechanisms to make its operations self-sustaining over the longer term eventually. So far, GMS-BF operations have been supported by ESCAP and ADB. Such support is increasingly being supplemented by income from the organization of fee-based conferences.

A regional guarantee facility has been proposed to promote private sector investments in the GMS. It was discussed during the GMS-BF held in conjunction with the Second GMS Summit. It was also discussed at the Tokyo Mekong Development Forum and at the 5th meeting of the SIWG in 2005. The proposed GMS Investment and Trade Guarantee Facility would issue guarantees and risk mitigation services to investors, contractors, exporters, and traders operating in the GMS. It is envisioned as a mechanism for reducing country risks, thereby attracting more foreign investments into the GMS. It will be necessary to expedite action on the

In more recent years, initiatives have been taken to energize the promotion of private sector participation in the GMS, the most noteworthy of which were the establishment of the GMS Business Forum (GMS-BF) in 2000 and the adoption of SFA-TFI in 2005

PPP has developed and implemented a strong program to build capacity among GMS government officials, particularly to strengthen their management capacities in support of regional economic integration (REI) and transition toward more open economies

proposed facility, as this facility has the potential to overcome a major constraint in private financing of commercial and infrastructure projects in the GMS.

4. Developing Human Resources

This strategic thrust of GMS-SF is expected to contribute to the realization of the HRD goals of GMS countries through subregional programs that address issues in education and skills development, labor, and health. Along this line, the emphasis is on programs and projects that (i) have cross-border implications, (ii) provide economies of scale, (iii) facilitate cross-country exchange of experience and information, and (iv) have region-wide impact on public welfare. Activities in the subregional program on HRD have mainly covered the following areas: (i) capacity building for development management; (ii) prevention and control of communicable diseases, particularly HIV/AIDS and malaria; (iii) health and education needs of ethnic minorities; and (iv) prevention of the trafficking of women and children, and promotion of safe migration in the GMS. A GMS working group on HRD (WGHRD) established in 1996 is coordinating GMS cooperation in HRD.

Major accomplishments and activities in subregional cooperation in HRD are the following:

- **Phnom Penh Plan for development management (PPP):** PPP has developed and implemented a strong program to build capacity among GMS government officials, particularly to strengthen their management capacities in support of regional economic integration (REI) and transition toward more open economies. Besides learning a broad range of analytical, managerial, and leadership skills, around 900 civil servants trained under PPP also had the opportunity to develop a professional network and be exposed to the latest viewpoints on key development management issues. PPP has also provided opportunities for

continuous learning and networking among GMS development managers. The relative success of the PPP has been manifested in the continued as well as increased financial support from various sources. Phase I had a budget of \$1.15 million financed by ADB and the Government of New Zealand. The program was able to mobilized \$4.1 million for phase II, with additional funding coming from the governments of the PRC and France.

- **Prevention and control of communicable diseases in the GMS:**

Nearly half of the 17 projects that have been implemented under the GMS cooperation program on HRD have been for the prevention and control of HIV/AIDS. In this regard, a project on ICT and HIV/AIDS Preventive Education in the Cross-Border Areas of the GMS, which was completed in 2005, developed ICT learning materials for HIV/AIDS preventive education in local languages. It also helped in (i) building capacity of teachers, health workers, and other stakeholders on the use of ICT for HIV/AIDS preventive education; and (ii) delivering ICT-based interventions to isolated, marginalized, and vulnerable populations. A follow-up project targeting ethnic minority groups in Cambodia, Lao PDR, Thailand, and Yunnan Province in the PRC is ongoing. Moreover, a major Regional Communicable Diseases Control (CDC) Project covering Cambodia, Lao PDR, and Viet Nam started implementation in 2006. The action plan for the first year of operation, which is focused initially on strengthening surveillance and response to the threat of the avian influenza (avian flu) epidemic, is being implemented. Several of PRC's activities in this area of cooperation are noteworthy, including (i) implementation of a malaria control program in the border areas of the PRC and Myanmar from 2005 onwards, under which a Pilot

Programme on Malaria Prevention and Control aimed at regularizing information exchange and capacity building, was initiated in May 2006; and (ii) launching of an HIV/AIDS program which covered the PRC and Myanmar initially and, subsequently, the Lao PDR and Viet Nam.

The following issues and challenges need to be addressed to strengthen the effectiveness of subregional cooperation in HRD:¹⁸

- **Clarifying strategic and program focus of subregional cooperation in HRD:** Although ongoing and pipeline projects under the WGHRD have addressed key HRD concerns in the GMS, program development and implementation has been essentially project-based and lacked a clearly defined strategic framework. Formulating and agreeing on a comprehensive framework for GMS cooperation in HRD has not been easy because of the complexity and diversity of education, health, and labor issues in the subregion. Nevertheless, formulating a GMS strategic framework and concrete plan of action (POA) for cooperation in HRD could guide and help make subregional cooperation in HRD more effective, as well as strengthen mechanisms for coordination with other related subregional and regional initiatives.
- **Strengthening institutional arrangements and support to the WGHRD:** The WGHRD has made an effort to firm up its role in coordinating the GMS Program in HRD, but

these efforts have been met with many difficulties. First, there is no “natural home or champion” for GMS HRD concerns, as there are three ministries or groups of ministries involved in WGHRD, namely: those in education and training, health, and labor. Second, representation of these ministries in WGHRD has changed frequently, thus leading to a lack of continuity. The institutional arrangements in the subregional program on HRD should be reviewed to improve their contribution to the HRD thrust of GMS-SF. The possibility of restructuring WGHRD along the following lines could be considered: (i) establish three subgroups under the umbrella of WGHRD (education and skills development, health, and labor); or (ii) narrow down the scope of WGHRD’s work to education and labor, while establishing the proposed GMS health forum.¹⁹ Given the growing importance of labor issues in the GMS for both sending and receiving countries, it may be worthwhile to consider having a subgroup dealing with such issues. The possibility of other developing partners providing secretariat support to some subgroups could also be looked into.

- **Pursuing cooperation in labor issues:** Demographic trends in the GMS, as well as changing economic structures and evolving labor markets in GMS countries, have increased the importance of addressing labor-related issues, such as labor migration, labor standards, human trafficking, skills competencies and standards,

Although ongoing and pipeline projects under the WGHRD have addressed key HRD concerns in the GMS, program development and implementation has been essentially project-based and lacked a clearly defined strategic framework

¹⁸ The WGHRD met in Phnom Penh, Cambodia on 9-11 May 2007 and considered some of these issues and challenges. Officially designated WGHRD focal persons from the GMS countries, who are expected to provide continuity and more effective coordination, attended the meeting for the first time. The WGHRD decided to proceed with the preparation of a strategic framework for HRD cooperation in the GMS and a medium-term action plan with ADB assistance.

¹⁹ A Regional Workshop on Communicable Diseases Surveillance and Response, held in Guilin, Guangxi Autonomous Region, PRC on 29-31 August 2005, proposed the establishment of a GMS health forum that would serve as a key vehicle for promoting and strengthening subregional cooperation in the health sector. The initial focus of the proposed forum would be on communicable diseases control, but the forum could also take up other health-related cross border issues.

In 2005, GMS countries launched the 10-year Core Environmental Program (CEP) as the central program to address the subregion's environment challenges with a strong mandate

and protection of migrant workers, through subregional cooperation.²⁰ Increased physical connectivity in the subregion has further made the task of addressing these issues on a cooperative basis more urgent. Subregional cooperation on labor issues, therefore, needs to be emphasized more, with the focus being on training and capacity building activities involving practical skills, entrepreneurship and SME development.

5. Protecting the Environment and Promoting Sustainable Use of Shared Natural Resources

This strategic thrust of the GMS-SF is directed toward ensuring that environmental concerns are adequately addressed in cross-border initiatives and properly integrated into the subregion's economic development efforts. To achieve this goal, a number of subregional program activities supported by an ADB regional technical assistance were implemented from 1994–2004, including the (i) Subregional Environmental Information and Monitoring System (SEMIS) phases I and II, (ii) Strategic Environment Framework phase I, (iii) Subregional Environmental Training and Institutional Strengthening (SETIS), (iv) Poverty Reduction and Environmental Management in Remote GMS Watersheds, and (v) Management and Protection of Critical Wetlands in the Lower Mekong Basin. The GMS Working Group on Environment (WGE) spearheads and coordinates GMS cooperation in environment.

In 2005, GMS countries launched the 10-year Core Environmental Program (CEP) as the central program to address the subregion's environmental challenges with a strong mandate being given by the GMS Environment Ministers Meeting in Shanghai in May 2005 and subsequently by the GMS Leaders at the 2nd GMS

Summit. The CEP aims to: (i) secure critical ecosystems and environmental quality in the GMS economic corridors; (ii) ensure that investments in key sectors such as hydropower, transport, and tourism are sustainable; (iii) conserve biodiversity in protected areas and corridors; (iv) define and implement sustainable financing strategies and market mechanisms to conserve the natural systems of the GMS; (v) integrate environmental considerations into national and subregional planning, and develop and apply environmental indicators to measure progress toward a sustainable path to development; and (vi) establish a secretariat to provide full-time support to the GMS WGE in implementing the CEP.

Major progress has been achieved in this area of cooperation in terms of laying the foundation for implementing a more effective and comprehensive agenda for the sustainable development of the GMS. More specifically, the key achievements of subregional cooperation in environmental protection and management are:

- **Raising awareness and initiating a systematic subregional approach:** GMS cooperation in environment concerns can be credited not only with raising the awareness of GMS countries on the urgency of environmental issues and challenges in the subregion, but also with the need to jointly address subregional environmental concerns based on close cooperation and collaboration. GMS countries share many natural resources and sensitive ecosystems, and the environmental impact of development in one area extends beyond national boundaries. Hence, a subregional approach to environmental conservation and management is imperative. The GMS Program also enabled GMS countries to initiate and pursue subregional cooperation initia-

²⁰ The World Bank has completed the first phase of a GMS Labor Migration Program. This aims to improve knowledge of labor migration issues in the GMS, raise awareness of these issues at the highest levels of policy making, and strengthen the capacity of governments and development partners to refine and implement a regional system to facilitate and regulate labor migration (World Bank 2006b). In this regard, the World Bank has identified labor migration as one of the areas it would support under its proposed strategy of assistance to the Mekong subregion (World Bank 2006a).

tives in environment on a systematic and more coordinated basis.

- **Developing alliances and partnerships:** Subregional cooperation on environmental concerns in the GMS provides another good example of generally close collaboration among national environmental agencies and regional and international organizations. Such a tradition of partnership was developed from the start of the subregional cooperation program and has been generally sustained since then. In this regard, institutions such as the United Nations Environment Programme, Mekong River Commission (MRC), International Union for the Conservation of Nature (IUCN), World Wildlife Fund (WWF), and ADB have worked closely together with the environmental agencies of GMS countries on a number of subregional projects that the WGE implemented.
- **Launching and mobilizing resources for the CEP:** Robust economic growth and expanding subregional investments in such sectors as transport, energy, and tourism have accentuated the need to ensure that current and planned activities in the GMS do not jeopardize the sustainable development of the subregion. Accordingly, a more comprehensive and integrated approach to environmental conservation and management in the GMS in the form of the CEP was adopted in 2005 and implemented in 2006. The Environment Operations Center (EOC) was established in Bangkok in April 2006 to serve as the secretariat of the WGE to implement the CEP. An important feature of the CEP is the mobilization of funding for its implementation. The CEP experience in putting together a comprehensive and integrated package including financing for its implementation is noteworthy. Implementation of the CEP for the first 3 years of operation is estimated to cost \$36.11 million and is being financed from various sources.

The following issues and challenges need to be addressed to strengthen the thrust of subregional cooperation in environment in the GMS:

- **Closely monitoring and evaluating CEP implementation:** The main challenge for the CEP is to ensure its effective implementation and to demonstrate concrete results from the program. Compared with other subregional environmental programs prepared in the past, CEP implementation should readily lend itself to close monitoring, as it was prepared using a results-oriented framework. The establishment of the EOC should also facilitate the continuing WGE monitoring of CEP implementation. The plan to prepare a GMS WGE annual report is an excellent idea for tracking and reporting progress, as well as for sharing information. It could also serve as a model for the other GMS forums and working groups to consider.
- **Clarifying the allocation and use of resources:** The financing plan for the CEP did not contain an allocation of the total CEP budget into the five CEP components; hence, there have been questions about how the CEP budget should be allocated into its different components. Furthermore, during the GMS Senior Officials' Meeting (SOM) in Vientiane on 9–10 November 2006, the SOM noted that “the effective and transparent use of resources provided by donors for the implementation of the Core Environment Program should always be observed to achieve maximum impact.” The financing aspects of CEP was subsequently discussed at a meeting of the WGE in December 2006, at which time EOC presented the CEP budget allocation by component, commitments, and budget forecast for the remaining years of phase I of the CEP. Such reporting is a good practice and should be adopted as a standard of the year-end agenda of WGE meetings.

The main challenge for the CEP is to ensure its effective implementation and to demonstrate concrete results from the program

More attention is needed to ensure that the GMS Program proportionately benefits small players, especially in the areas of social and environmental development, institution and capacity building, and skills development

- **Expanding and deepening engagement with civil society:** Although there has been some improvement in the manner and extent to which the GMS environmental program has engaged civil society, there is still a need to widen and deepen civil society's participation in the design, implementation, monitoring, and evaluation of GMS initiatives to safeguard the environment and promote sustainable development. Besides improving and expanding information dissemination approaches to the public and practicing participatory approaches, it would be good to show concrete actions and results that are indicative of the political will of GMS countries to address major environmental concerns in the subregion.

D. Crosscutting Issues and Challenges in GMS–SF Implementation

Issues and challenges affect the implementation of the GMS–SF as a whole, in addition to those specific to each of the five strategic thrusts. Effective implementation of the GMS–SF will require such crosscutting issues and challenges to be addressed. This part of the Review discusses these crosscutting concerns and indicates possible ways of dealing with them.

1. Recognizing Different Levels of Development of GMS Countries

The uneven level of development among GMS countries provides an impetus to subregional cooperation, as this offers many opportunities for economic complementarities among them. At the same time, such varying levels of development constrain the pace of cooperation because some GMS countries still lack the capacity (in terms of expertise and skills, institutions, equipment, and facilities) to implement subregional programs and projects. Lack of capacity may also make it difficult for these countries to benefit fully from subregional cooperation. This implies that (i) sufficient flexibility has to be built

into the work programs for implementing subregional measures and activities, taking into account existing capacities for implementation; (ii) continuing efforts are required to build capacity in GMS countries requiring such assistance (e.g., through inclusion of capacity-building components in ongoing subregional programs and projects, and sustained implementation of institutional strengthening programs); and (iii) more attention is needed to ensure that the GMS Program proportionately benefits small players, especially in the areas of social and environmental development, institution and capacity building, and skills development. Indeed, the key objectives of subregional cooperation are (i) directly, to help less developed GMS countries benefit fully from regional economic dynamics and further integrate their economies with the global economy; and (ii) indirectly, to assist other developing countries and enable them to contribute to regional integration. Giving special attention to the less developed GMS countries will enable them to benefit from and contribute to subregional cooperation and integration.

2. Promoting Greater Ownership and Broad-Based Participation

The sustainability of the GMS Program will ultimately depend on the ownership of the Program by the GMS countries. Ownership has two aspects. The first refers to the management of the Program by the GMS countries themselves. Due to lack of capacity and resources, GMS countries have sought ADB assistance to provide the necessary technical and secretariat support for monitoring and coordinating activities under the Program. The GMS countries feel that ADB should continue to perform this role. Indeed, among a variety of regional cooperation mechanisms, GMS countries believe that a key advantage of the GMS Program is the close involvement of ADB that has helped in ensuring continuity and cumulative progress toward the vision and goals of GMS–SF. In their view, ADB has performed a unique and irreplaceable role as catalyst, honest broker, advisor, and financier. Another concern in this regard is

that building the capacity of less developed GMS countries takes time, and asking them to take on new subregion-wide responsibilities is not advisable unless they feel able and comfortable to do so. In any case, GMS countries could assume more responsibility for directing and coordinating the work of GMS forums and working groups wherever there is willingness and capacity, as well as consensus, among the GMS countries.

The second aspect of ownership involves the commitment and involvement of various levels of government and civil society to the goals and objectives of the GMS Program. GMS governments at the highest level no doubt own the Program. This has been aptly manifested and confirmed by the high-level meetings of the GMS—2 summit meetings and 13 ministerial meetings so far. However, the extent of knowledge and understanding of the role and importance of the GMS Program declines as one goes down the bureaucracy, as one moves from central to line ministries, and as one moves from the central to the local authorities. Therefore, enhancing coordination among government agencies in the GMS countries at both the national and local levels is necessary. Furthermore, there is a need to broaden the participation and support of civil society—especially local communities—to the GMS Program, and thus make it more inclusive.

3. Enhancing Resource Mobilization and Donor Coordination

The estimated requirements for financing major GMS infrastructure projects in the next 10 years (around \$30 billion) far exceed the amount that can be made available so far from GMS governments and multilateral, as well as bilateral, sources of development assistance. Accordingly, resource mobilization remains a major challenge to the implementation of the GMS—SF.

There have been additional resources for the GMS Program in the form of private sector investments, particularly in two hydropower projects in the Lao PDR cited 33 above. Moreover, the number of GMS development partners is now larger compared to that in the early years of the GMS Program. These development partners have made important contributions to GMS development not only financially, but also in terms of their professional and technical expertise in various areas of GMS cooperation. Australia, France, Japan, the Netherlands, New Zealand, Sweden, the PRC, Thailand, and Viet Nam are now key bilateral partners, with the latter three countries providing assistance in the spirit of south–south cooperation. The multilateral partners include the World Bank, several UN agencies such as UNESCAP, World Health Organization, United Nations Development Programme, United Nations Environment Programme, and many other UN specialized agencies.

As of December 2006, financing for priority GMS projects amounting to \$6.9 billion has been mobilized for GMS projects, with the amount mobilized increasing by 60% between 1994–1999 and 2000–2006 (Table 2).²¹ Of the total amount mobilized, GMS countries contributed 31.7%; ADB, 28.8%; and cofinancing sources, 39.5%. Financing for technical assistance projects more than doubled between 1994–1999 and 2000–2006, with the amount of cofinancing increasing four times between these periods. More than 90% of such cofinancing was for advisory technical assistance projects, the focus of which was in capacity building and policy support.

To help mobilize resources, coordination among development partners has been strengthened and institutionalized. The formulation and adoption of the GMS—SF in 2002 were intended to help in this process. Other measures taken included: (i) initiation of the development partners' meeting in 2002 as part of GMS ministe-

There is a need to broaden the participation and support of civil society—especially local communities—to the GMS Program, and thus make it more inclusive

²¹ It should be noted that these financial resources were those mobilized directly through the GMS Program with the participation of ADB. They do not include funding for GMS-related projects that have been indirectly mobilized and induced by the program, such as those funded by GMS governments either by themselves or together with other official sources. Financing for these projects is estimated at \$2 billion.

Table 2: Resources Mobilized for GMS Programs and Projects as of 31 December 2006
(in million dollars)

A. Loan-funded Projects, by Sector												
SECTOR	1992–1999				2000–2006				1992–2006			
	ADB	Gov't.	Co-Fin	Total	ADB	Gov't.	Co-Fin	Total	ADB	Gov't.	Co-Fin	Total
Energy	112.0	36.6	234.0	382.6	166.3	61.4	1,350.3	1,578.0	278.3	98.0	1,584.3	1,960.6
Tourism				–	35.0	12.1	–	47.1	35.0	12.1	–	47.1
Health				–	30.0	7.8	0.9	38.7	30.0	7.8	0.9	38.7
Transportation	712.0	1,086.3	435.0	2,233.3	866.0	978.3	648.2	2,492.5	1,578.0	2,064.6	1,083.2	4,725.8
Total	824.0	1,122.9	669.0	2,615.9	1,097.3	1,059.6	1,999.4	4,156.3	1,921.3	2,182.5	2,668.4	6,772.2

B. Technical Assistance Projects, by Type												
TYPE	1992–1999				2000–2006				1992–2006			
	ADB	Gov't.	Co-Fin	Total	ADB	Gov't.	Co-Fin	Total	ADB	Gov't.	Co-Fin	Total
Core	8.6	0.3	0.9	9.8	5.3	1.2	–	6.5	13.9	1.5	0.9	16.3
PPTA ^a	10.5	0.9	3.8	15.2	15.3	2.8	0.4	18.5	25.9	3.7	4.2	33.7
ADTA ^b	9.4	4.3	7.4	21.0	24.1	6.0	53.8	83.9	33.5	10.3	61.2	104.9
Total	28.5	5.5	12.1	46.0	44.7	10.0	54.2	108.9	73.2	15.5	66.3	154.9

a Project Preparatory Technical Assistance
b Advisory Technical Assistance

C. Loan-funded and Technical Assistance Projects												
	1992–1999				2000–2006				1992–2006			
	ADB	Gov't.	Co-Fin	Total	ADB	Gov't.	Co-Fin	Total	ADB	Gov't.	Co-Fin	Total
1. LFPsc	824.0	1,122.9	669.0	2,615.9	1,097.3	1,059.6	1,999.4	4,156.3	1,921.3	2,182.5	2,668.4	6,772.2
2. TAPsd	28.5	5.5	12.1	46.0	44.7	10.0	54.2	108.9	73.2	15.5	66.3	154.9
Total	852.5	1,128.4	681.1	2,661.9	1,142.0	1,069.6	2,053.6	4,265.2	1,994.5	2,197.9	2,734.7	6,927.1

c Loan-Funded Projects
d Technical Assistance Projects
Source: Southeast Asia Regional Department, Asian Development Bank

Other means of expanding official and private resources for GMS projects need to be explored

rial conferences to engage development assistance agencies as active partners in the GMS Program; (ii) preparation and dissemination of a web-based GMS development matrix to provide a unified source of information on GMS projects, help promote coordinated planning, and serve as a tool for mobilizing resources; and (iii) conduct of Mekong Development Forum in Paris (June 2004), Tokyo (July 2005), New Delhi (November 2005), Singapore (March 2006), and Stockholm (April 2006) to promote support for GMS development.

In the future, other means of expanding official and private resources for GMS projects need to be explored. Previous proposals that could be revisited include: (i) setting up a GMS development or infrastructure fund whose capital could come from contributions from governments and multilateral and bilateral development

institutions; and (ii) establishing a subregional guarantee mechanism to promote GMS trade and investment.

4. Linking Up More Closely with Other Regional Initiatives

Several other subregional initiatives involving a number of GMS countries cover many matters that the GMS Program is addressing, including those under ASEAN. Avoiding duplication and ensuring complementarity among various subregional initiatives have been a continuing concern of the GMS countries. Steps have been taken to ensure close coordination and to avoid duplication of related initiatives, including (i) increasing communication and exchange of information with these initiatives; (ii) posting up-to-date information on the GMS Program on its website; (iii) inviting representatives

of related initiatives to GMS meetings and conferences; and (iv) attending meetings under the auspices of related initiatives whenever possible. These efforts need to be continued and intensified.

In many GMS countries, a single agency has been made primarily responsible for coordinating all subregional initiatives. This has reduced the risk of duplication, as the officials concerned are fully aware of what each subregional initiative is undertaking, although this has also increased the burden on limited staff resources. Interagency committees have also been established to ensure close coordination and to avoid duplication among ongoing subregional initiatives. Supported by ADB technical assistance, Viet Nam is carrying out measures to improve coordination among all regional programs where it is involved. Nevertheless, some concerns continue about overlapping activities of ongoing subregional initiatives. The GMS–SF was envisioned to be a means to facilitate collaboration and to assist in avoiding duplication of efforts among various initiatives. However, continuing efforts should be exerted to ensure that the GMS–SF is seen as “the backbone” program for GMS development.

Coordination with ASEAN is critically important as (i) all GMS countries, except the PRC, are now members of ASEAN; and (ii) there is a substantial scope for complementarity between ASEAN and the GMS Program. Although the GMS Program’s linkage with the ASEAN Secretariat has expanded over the years, there is scope for strengthening the alliance between the GMS and ASEAN. The GMS Program complements the rule-based ASEAN initiatives through, among others, helping improve connectivity among GMS countries that are also members of ASEAN; facilitating the freer movement of people and goods among GMS countries through the CBTA; helping build capacity in Cambodia, Lao PDR, Myanmar, and Viet Nam; and serving as a gateway of ASEAN to the PRC. Agreements

covering various areas of cooperation have been signed in ASEAN. GMS has “jump-started” the implementation of some of these agreements on a pilot basis and is thereby paving the way for their wider implementation.

Although the GMS Program’s linkage with the MRC has improved in recent years, there still seems to be a concern that some GMS activities duplicate responsibilities that have been mandated to the MRC, particularly those impinging on Mekong basin development. Moreover, since only four GMS countries in the lower Mekong basin are members of the MRC,²² closer linkage between the MRC and the GMS Program is necessary, so that a basin-wide view of Mekong development, i.e., upstream and downstream, can be made operational. Under the partnership arrangement between ADB and the MRC signed in March 2000, both parties agreed to take measures to better and more effectively coordinate activities covering the GMS Program. The full implementation of the provisions of the partnership arrangement will help ensure that activities under the GMS Program and the MRC complement each other.

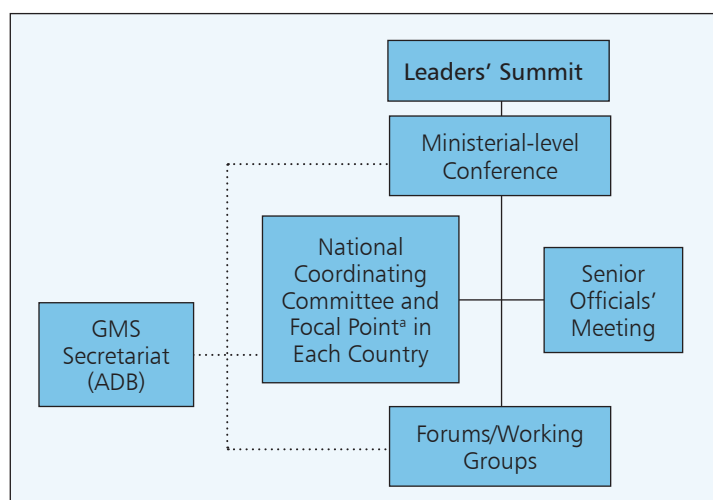
5. Strengthening Organizational Effectiveness

The GMS Program has been pursued through an institutional arrangement consisting of: (i) a GMS leaders’ summit, at the political level; (ii) a ministerial-level conference supported by a senior officials’ meeting (SOM), at the policy level; and (iii) sectoral forums and working groups, at the project and operational levels (Figure 2). A national inter-ministerial committee, assisted by a designated focal point or national secretariat, coordinates GMS Program activities in each GMS-member country. A unit at ADB’s headquarters in Manila provides overall secretariat support to the GMS Program, in coordination with the national secretariats or focal points and ADB’s resident missions in GMS countries.

Continuing efforts should be exerted to ensure that the GMS–SF is seen as “the backbone” program for GMS development... coordination with ASEAN is critically important

²² The PRC and Myanmar are dialogue partners and not yet regular members of the Mekong River Commission.

Figure 2: GMS Institutional Structure



a Cambodia: Council for the Development of Cambodia; PRC: International Department, Ministry of Finance; Lao PDR: Department of Economic Affairs, Ministry of Foreign Affairs; Myanmar: Foreign Economic Relations Department, Ministry of National Planning and Economic Development; Thailand: National Economic and Social Development Board; Viet Nam: Foreign Economic Relations Department, Ministry of Planning and Investment.

GMS institutional arrangements are flexible, simple, and generally effective in supporting the pragmatic, activity-driven, and results-oriented approach of the GMS Program

Overall, these arrangements have provided an adequate administrative framework for implementing the GMS–SF. They are flexible, simple, and generally effective in supporting the pragmatic, activity-driven, and results-oriented approach of the GMS Program. While no major changes are necessary in the short term, certain adjustments in the GMS institutional framework need to consider and take into account the changing context of the GMS Program, increase the role of GMS countries in implementing the program, and strengthen the effectiveness of the existing mechanisms and arrangements. The measures that warrant consideration include:

- Further strengthening the capacity of national focal points for coordinating subregional cooperation activities;
- Maintaining the existing institutional arrangements, while strengthening the GMS secretariat and enhancing ADB’s coordinating and advisory role; GMS countries could assume more responsibility for coordinating the work of GMS forums and working groups where there is willingness and

capacity, as well as consensus among GMS countries;

- Where feasible, establishing separate secretariats for forums and working groups in GMS countries (e.g., Working Group on Environment and Tourism Working Group) with GMS countries assuming responsibility and support to forums and working groups on a phased basis;
- Continuing the practice of holding meetings of the forums and working groups at the ministerial level, when the agenda warrants, so that the direction and mandate for action at the sector level can emanate directly from a high political level in GMS countries;
- Improving the coordination and interaction among GMS forums and working groups to promote cross-sectoral linkages and achieve synergies through: (i) cross attendance in closely related meetings of forums and working groups; (ii) presentation of an overall progress report on GMS activities during the meetings of the forums and working groups; (iii) preparation of annual reports by the forums and working groups and circulation of the same; and (iv) improvement of the flow of information and increase in communications among the forums and working groups; and
- GMS countries to examine how they see institutional arrangements in the GMS evolving over the next 10 years, taking into account the experience of other subregional and regional cooperation initiatives (e.g., Should the flexible, informal arrangements in the GMS be continued or should the program or parts of it move progressively toward a more structured framework? How should the GMS secretariat be eventually constituted and where should it be located? What would be the program’s interface with ASEAN?).

Conclusions and Recommendations



While the GMS–SF remains valid and serves as a good basis for moving forward in the next 5 years, there is scope to broaden the stance of the GMS Program and to fine-tune the implementation of the GMS–SF so that benefits from subregional cooperation are maximized

A. Overall Assessment

Significant progress has been made in pursuing the strategic thrusts and priority initiatives of the GMS–SF during the first half of its implementation period. The GMS Program has accelerated, delivering concrete results and contributing to the shared vision of a prosperous, integrated, and harmonious Mekong subregion. The pragmatic, action-oriented, and results-focused approach of the program has enabled GMS countries to expedite the implementation of high-priority subregional projects and initiatives, and mobilize an increasing amount of financial assistance from development partners and other important stakeholders.

The GMS–SF remains valid and serves as a good basis for moving forward in the next 5 years. It is comprehensive and very relevant with respect to recent subregional, regional, and international developments, as well as the formal expansion of the GMS geography. The vision and goals of subregional economic cooperation articulated in the GMS–SF continue to reflect the expectations of GMS countries regarding the role of the GMS Program in developing the subregion. The GMS–SF complements national development efforts of GMS countries. Although the extent of implementation of each strategic thrust varies, with some being more advanced than others, they remain appropriate for pursuing the vision and goals of the Program. However, there is scope to broaden the stance of the GMS Program further with respect to interregional, regional, and international perspectives, and to fine-tune the implementation of the GMS–SF so that benefits from subregional cooperation—especially for the poor—are maximized. This will require some shifts in focus and areas of emphasis in implement-

ing the GMS–SF in the coming years.

The GMS Program has clearly made very good progress in the “hardware” aspects of cooperation involving the first strategic thrust of the GMS–SF, and infrastructure connectivity is expected to continue to be the priority of the GMS Program. However, more is required in the “software” components²³ of cooperation under its four other thrusts, especially in the measures envisaged to enhance competitiveness and in the activities involving subregional cooperation in social and environmental concerns. This is not surprising, as the initial phases of the GMS Program had substantially emphasized the need to eliminate the physical barriers to economic cooperation. Although the “software” aspects of cooperation were also part of the program from its inception, progress in them has not kept pace with those involving physical infrastructure. This has led to some perceptions that subregional cooperation in the GMS is mainly an infrastructure program.²⁴

Placing more emphasis on the “soft” aspects of subregional cooperation will be critical to achieving the goals and objectives of the GMS–SF. First, it has become imperative for GMS countries to improve their competitiveness—individually and collectively—to enable them to maximize the benefits from increasing globalization and regional economic integration. Second, complementary measures are needed to translate advances in physical connectivity into accelerated improvements in livelihoods and poverty reduction. Finally, improved physical connectivity and mobility of people and goods can have undesirable consequences, such as the transmission of communicable diseases, illegal migration of workers, and environmental degradation, which need to be contained and mitigated. This proposed shift in emphasis does not mean less concern for developing subregional infrastructure,

²³ The term “software” is used in general terms. More specifically, when used together with “hardware” or physical infrastructure, it refers to the agreements, frameworks, rules, or regulations governing the efficient use of the hardware (e.g., the CBTA and its annexes and protocols). The term also refers to activities aimed at developing nonphysical assets (e.g., education, training, capacity and institution building, management, and control systems), as well as to the so-called “soft sectors” (e.g., environment, health, and education) as opposed to “hard” economic infrastructure.

²⁴ For instance, see A Critique of ADB Policies Towards the Greater Mekong Subregion (Oehlers 2006).

as unmet needs for infrastructure investments in the GMS are huge. What it calls for is a more balanced approach which ensures that benefits from subregional economic cooperation and integration are maximized and far outweigh the costs involved.

The adoption of the CEP in 2005 was a major response to deal with environmental issues in the GMS. Placing more emphasis on the “soft” aspects of cooperation requires similar efforts and attention to pursue more effectively the second, third, and fourth thrusts of the GMS–SF involving the following areas of cooperation: (i) trade facilitation and investment promotion; (ii) skills development; (iii) labor migration, prevention, and control of trafficking of women and children; and (iv) surveillance and control of communicable diseases.

B. Recommendations

The progress achieved in implementing the GMS–SF indicates that subregional cooperation has been an effective mechanism for developing the GMS. However, much remains to be done. In this regard, the following crosscutting issues and challenges warrant consideration:

- Recognizing the different levels of development among GMS countries, requiring flexibility and special attention to the less advanced member countries;
- Promoting greater ownership and broad-based participation in the GMS Program, requiring closer involvement of local communities and civil society;
- Enhancing efforts to promote private sector participation, requiring continuing improvements in the enabling environment for subregional trade and investment;

- Enhancing resource mobilization and donor coordination mechanisms, requiring consideration of alternative means of expanding resources for GMS development;
- Linking up more closely with other subregional and regional initiatives, requiring more efforts to promote synergies and maximize complementarities; and
- Strengthening organizational effectiveness, requiring adjustments in the institutional mechanisms and arrangements for implementing the GMS Program.

The Review puts forward recommendations that could help address these concerns and improve the overall impact of the GMS–SF. These are consolidated and summarized in Table 3. They include recommendations involving the GMS–SF as a whole, as well as those relevant to specific sectors and areas of cooperation. The recommendations are shown side by side with the findings and conclusions of the Review to clarify the rationale for the recommended actions. Many of the recommendations are not new, as a number of them have been mentioned separately in GMS meetings and conferences to improve the effectiveness of GMS–SF implementation.

In conclusion, although there are continuing issues and challenges to GMS development, both the progress achieved in regional cooperation in the Mekong and increasing globalization and regional integration are opening up unprecedented opportunities. It is, therefore, very timely for GMS countries to consolidate past efforts and seize these opportunities. Continuing strong political commitment by the GMS countries to pursue economic cooperation and integration will be important to enable them to take full advantage of these opportunities.

*The Review
puts forward
recommendations
that could help
address the issues
and challenges faced
by the GMS Program
and improve the
overall impact of the
GMS–SF*

Table 3: Summary of Recommendations

Conclusions/Findings Issues/Challenges	Recommendations
A. Overall Strategy and Program	
- The GMS-SF is still relevant and applicable, but scope exists for fine-tuning, some shift in focus, and emphasis in implementation. - Good progress in “hardware” aspects of cooperation, but more is required in “software” aspects. - Closer monitoring and evaluation of GMS Program more critical at this stage.	- Maintain the GMS-SF, but broaden its stance on interregional, regional, and global perspectives, and fine-tune its implementation to enhance the subregion’s competitiveness, maximize benefits from subregional cooperation, and deal effectively with its negative “side effects.” - While maintaining cooperation on hardware aspects, give more attention and emphasis on (i) trade and investment facilitation, (ii) promotion of private sector participation, (iii) skills development, (iv) labor migration, and (v) communicable disease surveillance and control. - Strengthen monitoring and evaluation of subregional programs and projects, including periodic conduct of an independent review of the GMS Program; formulate a new GMS plan of action (POA) that (i) is consistent with the POA of the forums and working groups; and (ii) incorporates expected results, indicators of performance and progress; time frame for implementation; and institutions responsible for implementation and coordination.
B. Poverty Impact	
Subregional cooperation is contributing to poverty reduction in the GMS, although the scope and scale of this contribution could not be quantified now. Additional measures to enhance, maximize, and sustain the contribution of subregional cooperation to poverty reduction are needed.	- Increase emphasis on three aspects in approach: (i) complementing cross-border infrastructure with “pro-poor” measures, (ii) safeguarding interests of vulnerable groups, and (iii) containing and mitigating undesirable effects of subregional cooperation. - Strengthen further the interface between national and subregional plans, policies, and programs for poverty reduction. - Establish a system for monitoring and quantifying the poverty impact of subregional programs and projects, and highlight and replicate positive results of GMS poverty reduction projects.
C. Issues and Challenges	
Recognizing different levels of development of GMS countries	- Build more flexibility into subregional programs and projects, taking into account varying capacities. - Incorporate capacity-building components into subregional programs and projects; continue and increase effectiveness of capacity-building programs to narrow the gap in capacities. - Ensure that the GMS Program proportionately benefits the small players, especially in social development, institution, and capacity building.
Promoting greater ownership	GMS countries to progressively assume greater responsibility for managing the GMS Program. Consideration could be given to the phased introduction of “standing chairs” of GMS forums and working groups (see recommendations on institutional arrangements).
Broadening participation and support	- Expand communications within and among GMS countries at various levels of government and sectors of cooperation. - Disseminate information on the GMS Program more widely, especially at the local level. - Improve in-country linkages and coordination among government agencies involved in the GMS Program at the central and local levels. - Expand engagement with civil society; pursue consultative mechanisms in the design, implementation, and monitoring of subregional programs and projects. - Intensify information dissemination efforts, including use of local languages.
Enhancing efforts to promote private sector participation	- Continue to strengthen the role of the GMS-BF; make the GMS-BF a regular member of Trade Facilitation Working Group (TFWG) and Subregional Investment Working Group (SIWG); invite the GMS-BF to meetings of the forums and working groups on transport, energy, and tourism. - Expedite implementation of the SFA-TFI and prepare a strategy and action plan focused on investment promotion and facilitation (see also recommendations on trade and investment facilitation). - Expedite action on the proposed GMS Investment and Trade Guarantee Facility.
Enhancing resource mobilization and donor coordination efforts	Explore and develop additional means of mobilizing resources from both official and private sources, including the setting up of a GMS infrastructure fund, and the establishment of a GMS guarantee facility (see above).

Table 3: Summary of Recommendations

Conclusions/Findings Issues/Challenges	Recommendations
C. Issues and Challenges continued	
	Continue measures and initiatives to improve donor coordination for GMS development, including free and continuing flow of information to development partners, conduct of Mekong Development Forum and regular consultations with development partners, and dissemination of the GMS development matrix.
Improving coordination with other regional and subregional initiatives	- Use the GMS-SF, together with GMS sectoral frameworks, to help coordinate the activities of various institutions and initiatives that have subregional programs in the GMS. - Maximize complementarities with ASEAN; review agreements and MOUs signed in ASEAN in the sectors and areas covered by the GMS Program and begin to implement these on a pilot basis, whenever feasible; serve as a link between ASEAN and the PRC in areas of common interest, where possible.
Strengthening institutional mechanisms and arrangements	- Continue to strengthen the capacity of national focal points; improve in-country coordination in the sectors and areas of cooperation; and continue holding regular meetings of national focal points of GMS countries. - Strengthen further the role of GMS forums and working groups, particularly in preparing strategic frameworks, action plans, and monitoring and resolving implementation issues. - Where feasible, establish separate secretariats for forums and working groups in GMS countries (e.g., Working Group on Environment [WGE] and TWG) with GMS countries assuming responsibility and support to forums and working groups on a phased basis. - Further improve coordination and interaction among forums and working groups through such modalities as (i) cross attendance in meetings; (ii) presentation of overall GMS progress report in meetings of all forums and working groups; and (iii) preparation of annual reports. - Examine how GMS institutional arrangements should evolve over the longer term.
D. Sectoral/Thematic Programs	
1. Transport	
Need to sustain progress in physical connectivity.	Continue to improve physical connectivity in the GMS by identifying and implementing priority projects in GMS TSSS.
Need to ensure the successful implementation of CBTA.	- Expedite ratification of CBTA. - Ensure timely and effective implementation of CBTA in pilot border-crossing points. - Provide capacity-building inputs in border-crossing points in the form of training and facilities and equipment support. - Help facilitate formulation and approval of enabling laws needed for CBTA implementation.
Need to transform transport corridors into economic corridors.	Continue and intensify efforts in EWEC to promote trade, investment, and tourism; initiate planning for the other priority GMS corridors.
Need to address the negative impact of subregional transport projects.	Take timely and effective measures to mitigate the negative impact of subregional transport projects.
2. Energy	
Need for a road map for developing a regional energy market to systematically manage the process and address complex technical policy and institutional issues.	Consider and endorse a road map for developing the regional energy market with indicative time frames and milestones.
Need to address effectively the social and environmental impact of hydropower projects.	Consider social and environmental impacts of hydropower projects early in the project planning process; strengthen collaboration and coordination between the GMS working group on environment and the subregional energy forum.
3. Telecommunications	
Need to have a region-wide telecommunications strategy and action plan.	Prepare a GMS telecommunications development strategy and plan to guide future efforts in GMS telecommunications development, building on initiatives being taken for development of ISN in the GMS.
Need to address organizational issues, including reviewing the role of the subregional	Consider the following options: merge the ISN implementing group and the ISN steering committee and have STF perform the functions of the steering committee; or replace the STF

Table 3: Summary of Recommendations

Conclusions/Findings Issues/Challenges	Recommendations
D. Sectoral/Thematic Programs continued	
telecommunications forum (STF) and providing clear mandate to subregional cooperation in the telecommunications sector.	with the steering committee, with ISN becoming the core program for GMS telecommunications development.
Need to define a work program for promoting ICT in rural and remote areas in GMS.	Formulate a concrete program of cooperation for promoting ICT in rural and remote areas in GMS.
4. Tourism	
- Need to prioritize 29 projects listed in the tourism sector strategy (TSS). - Need to restructure and streamline the administration of the Mekong Tourism Coordination Office (MTCO). - Need to facilitate pilot implementation of the proposed GMS visa scheme. - Need to energize the annual GMS tourism promotion conference or event.	- Establish clear priorities among the projects listed in the TSS and prepare an action plan based on the agreed priorities. - MTCO to review its structure, administrative procedures, and marketing and development plans to enhance the effectiveness of its operations. - MTCO executive director to seek funding from various sources, including development partners, to make the operations of MTCO self-financing. - MTCO to look into the progress of discussions between Cambodia and Thailand on the GMS visa scheme and endeavor to assist in resolving outstanding issues to the extent possible; inform the non-pilot GMS countries on the status and results of the pilot scheme. - Consider the following measures: (i) making the focus of the event issue oriented and more responsive to the interests of the private sector, (ii) using the format of the ASEAN tourism forum, (iii) synchronizing the event with a major regional or international meeting (e.g., GMS ministerial or summit meeting), (iv) getting more support from national tourism organizations, and (v) increasing cosponsorship arrangements.
5. Environment	
- Need to implement the CEP effectively and to closely monitor and evaluate the progress of CEP components. - Need to clarify allocation and use of resources. - Need to expand and deepen engagement with civil society. - Need to strengthen the influence of WGE. - Need to strengthen the role of EOC.	- Closely monitor implementation of CEP components and conduct evaluation periodically; prepare WGE annual report as planned. - Continue with the practice of reporting allocation and use of resources in WGE meetings; include financial aspects in the annual report of WGE. - Expand and improve information dissemination efforts, increase practice of participatory approaches, and highlight results that clearly demonstrate the political will of GMS countries to address major environmental concerns in the GMS. - Strong and clear mandate to be given to WGE by leaders' summit and MM; consider designation of WGE representative/s as a member/s of SOM. - Intensify efforts of EOC to facilitate full and effective participation of GMS countries in EOC operation and CEP implementation.
6. Human Resource Development (HRD)	
- Need to clarify strategic and program focus. - Need to strengthen institutional arrangements and support to the Working Group on Human Resource Development (WGHRD). - Need to pursue cooperation on labor migration issues.	- Prepare a GMS strategic framework and action plan for cooperation in HRD, emphasizing besides CDC, training, and capacity building on practical skills (e.g., entrepreneurship, small and medium enterprise development). - Consider (i) constituting three subgroups under WGHRD—education (skills development), health, and labor—with the possibility of secretariat support being provided by other development partners; or (ii) narrowing down WGHRD's scope of work to education (skills development) and labor, and establishing the proposed health forum. - Ensure continuity in domestic institutional and personnel arrangements in support of subregional cooperation in HRD. - Revisit subregional cooperation on labor migration issues and prepare a concrete work program for cooperation.
7. Agriculture	
Need to mobilize resources for CASP implementation.	Leverage initial funding commitment from ADB to mobilize support from other development partners.

Table 3: Summary of Recommendations

Conclusions/Findings Issues/Challenges	Recommendations
D. Sectoral/Thematic Programs continued	
• Need to enhance coordination with a large number of development partners and subregional/regional initiatives. • Need to promote and maintain strong ownership.	• Ensure that sufficient resources, in terms of secretariat support and related services, are made available for coordination purposes; and clarify the role of participating institutions in CASP implementation. • Encourage active participation of GMS country representatives in meetings of GMS Working Group on Agriculture (WGA); organize separate workshops to discuss technical papers and issues, focusing WGA discussions on cooperation policy and programmatic issues.
8. Trade and Investment	
• Need to expedite implementation of SFA-TFI. • Need to prepare strategic framework and action plan for investment promotion and facilitation. • Need to ensure coordination between SFA-TFI and CBTA. • Need to enhance coordination with other regional initiatives, especially ASEAN. • Need to strengthen the work of TFWG and SIWG, as well as to improve coordination between them.	• Accelerate implementation of key activities under the SFA-TFI; and review target dates in SFA-TFI to ascertain if they are still realistic and feasible. • Prepare strategic framework and action plan to promote and facilitate investment in close collaboration with the private sector. • Coordinate more closely the activities being pursued under the SFA-TFI and CBTA. • Maximize complementarity between ASEAN and the GMS Program by (i) “jump-starting” implementation of relevant agreements and MOUs signed in ASEAN; and (ii) helping facilitate interface between ASEAN and the PRC on specific trade and investment initiatives by virtue of the PRC’s membership in the GMS. • Synchronize the timing of meetings of the two working groups; in cases where this is not possible, arrange for cross attendance; strengthen secretariat support to TFWG and SIWG.

Appendixes



Joint Summit Declaration

GREATER MEKONG SUBREGION SUMMIT
Phnom Penh, Cambodia
3 November 2002

“Making it Happen: A Common Strategy on Cooperation for Growth,
Equity and Prosperity in the Greater Mekong Subregion”

Preamble

We, the Heads of Government of the Kingdom of Cambodia, the People's Republic of China, the Lao People's Democratic Republic, the Union of Myanmar, the Kingdom of Thailand and the Socialist Republic of Viet Nam, assembled for the first time in Phnom Penh, Cambodia for the GMS Summit of Leaders on the tenth anniversary of the Program of Economic Cooperation in the Greater Mekong Subregion (GMS Program), to reaffirm our commitment to the subregional economic cooperation,

Acknowledging that strong partnerships and cooperation among GMS countries is important in promoting economic and social development, reducing poverty, and protecting the environment,

Convinced of the mutual benefits to be gained from closer trade, investment and other forms of economic cooperation,

Affirm our strong commitment to advancing growth, equity and prosperity in the Greater Mekong Subregion through economic development cooperation.

A Decade of Fruitful Progress

We applaud the significant progress achieved during the first decade of the GMS Program. Through our joint efforts, and with the valuable support of the Asian Development Bank and other development partners, new opportunities for development have been created.

Our most important achievement has been the growing trust and confidence among our countries, which has provided a favorable environment for trade and investment, economic growth and social well-being. Our key initiative, now at an advanced stage of development, is a transportation network linking the subregion. We have taken measures to facilitate the movement of goods and people across our common borders, to increase the benefits of infrastructure investments. We have succeeded in marketing the GMS as a single tourism destination. We have undertaken energy investments of mutual benefit and agreed to regional power trade arrangements. We have taken measures to better interconnect telecommunications systems in the subregion, which will contribute to reducing the digital divide.

From the outset we have recognized that social and environmental factors are essential for sustainable development. We have agreed on a strategic environmental framework for integrating environmental factors in planning for development. We have taken steps to address shared challenges in human resources development, including education, training and health.

Notably, we have established effective institutional mechanisms for promoting economic cooperation over a wide range of sectors, which is essential for advancing the GMS Program.

Our Vision

Our vision is of a GMS that fulfills its vast potential, freeing people from poverty and providing sustainable development opportunities for all. Our vision is of unity of purpose, where GMS countries are equal partners in the joint pursuit of growth, equity, and prosperity characterized by enhanced mutual understanding and benefits, expanded common ground and friendly consultations. Our vision is of a subregion committed to peace and stability as the foundation for steady economic growth and social progress. Our vision is of a subregion that is competitive in the globalized world, more integrated, harmonious and prosperous.

Our Commitment

To realize our vision, we will integrate GMS development programs in our respective national agenda. We will complete the infrastructure investments needed to strengthen productivity and competitiveness in the GMS. We will complete the transport corridors critical to linking the subregion and promoting trade and investment. We will coordinate our strategies to ensure that transport corridors evolve into economic corridors, enabling agricultural diversification, industrialization and the creation of employment opportunities.

We will accelerate the implementation of “software” arrangements of infrastruc-

ture linkages. We will expedite the full implementation of the Framework Agreement for the Facilitation of Cross-Border Movement of Goods and People. We will facilitate pilot-testing of single-stop customs inspection with a view to implementing this procedure at our shared borders.

We will accelerate energy development through mutually beneficial initiatives, including implementation of the Intergovernmental Agreement on Regional Power Trade in the GMS. We will develop basic telecommunications infrastructure linking the subregion, in accordance with respective national circumstances, together with the formulation of policy and regulatory frameworks conducive to information and communications technology. We view the private sector as the engine of growth for the GMS. We will continue to create a favorable trade and investment climate to foster private sector initiative and participation, especially for small and medium enterprises.

We will pursue initiatives to further enhance trade and investment. An action plan on trade and investment facilitation should be formulated including information sharing and capacity building. This will also support the ASEAN-China Free Trade Area and the process of trade liberalization and economic integration of ASEAN.

Such accomplishments will enable the GMS, a market of nearly 300 million people, to take full advantage of its strategic location as a central link for Asia.

We view people as the subregion’s most important development resource. We are committed to promoting their fullest potential through joint initiatives for human resource development. Recognizing that poverty cripples human potential, we will strive to meet the Millennium Development Goals, including halving the incidence of poverty by 2015. We will take joint action to address other areas in developing human potential,

including the protection from trafficking of women and children, and combating the spread of HIV/AIDS and illegal drug production and trade.

We welcome and support the GMS Phnom Penh Plan for Development Management for which ADB has provided initial financing. We expect the Plan to play a key role in promoting better understanding among the GMS countries as well as in developing the human resources needed to expand and sustain regional cooperation in the GMS.

We must and will better protect our environment. We will take responsibility and leadership for the sustainable management of our national and shared resources. We pledge to implement relevant international agreements on sustainable development including the Kyoto Protocol and the goals advanced at the World Summit on Sustainable Development.

We strongly endorse the Ten-Year Strategic Framework for the GMS Program, and the Eleven Flagship Programs, the key means through which closer economic cooperation and prosperity will be achieved.

Making it Happen - Partnership in Fulfilling the Vision

Our governments, acting together, have a decisive role in fulfilling the shared vision of the GMS. We appreciate the role of bilateral and multilateral development agencies, non-government organizations, the private sector and civil society in helping to make economic cooperation in the GMS a success. We will continue to strengthen our active partnerships with them in pursuing our development goals.

We recognize and appreciate the role of ADB as a catalyst and core supporter of the GMS Program. We call on ADB to continue and broaden its coordinating and supporting role to GMS.

Together, we:

- resolve to intensify our cooperation to realize our individual and combined subregional potentials;
- look forward to strengthening our relationships with development partners and seek their support and participation in our joint efforts in developing the GMS; and
- commit to Making it Happen --- Growth, Equity and Prosperity in the Greater Mekong Subregion.

His Excellency Samdech Hun Sen
Prime Minister, Kingdom of Cambodia

His Excellency Zhu Rongji
Premier of the State Council,
People's Republic of China

His Excellency Bounnhang Vorachith
Prime Minister,
Lao People's Democratic Republic

His Excellency Senior General
Than Shwe
Chairman of the State Peace and
Development Council,
Union of Myanmar

His Excellency
Thaksin Shinawatra
Prime Minister,
Kingdom of Thailand

His Excellency Phan Van Khai
Prime Minister,
Socialist Republic of Viet Nam

The Second GMS Summit

KUNMING DECLARATION

“A STRONGER GMS PARTNERSHIP FOR COMMON PROSPERITY”

Kunming, Yunnan, China
4–5 July 2005

Preamble

We, the Heads of Government of the Kingdom of Cambodia, the People’s Republic of China, the Lao People’s Democratic Republic, the Union of Myanmar, the Kingdom of Thailand and the Socialist Republic of Viet Nam, met in Kunming, China for the Second GMS Summit. We were pleased to be joined in our discussions by the President of the Asian Development Bank (ADB).

At the First GMS Summit in Phnom Penh three years ago, we set our vision of an integrated, harmonious and prosperous sub-region, and our vision of a GMS characterized by steady economic growth, social progress and environmental sustainability. With our joint efforts, our vision is gradually being turned into reality.

Today, we reaffirm the commitments to our vision. We are determined to carry forward our development agenda that seeks to fulfill its vast potential, lift people from poverty and promote sustainable development for all. And we resolve to achieve that goal by further enhancing connectivity, competitiveness and community building.

I. Achievements and Challenges

We are encouraged by the success of GMS cooperation over the past 13 years and appreciate the significant progress achieved so far, particularly since the first GMS Summit. We are satisfied with the

evolution of a more integrated, focused and policy-oriented cooperation process, a stronger partnership among member countries and other stakeholders, as well as practical results generated from a wide range of specific projects and initiatives.

We acknowledge our individual and collective efforts and achievements obtained in enhancing important infrastructure and reducing non-physical barriers, especially in the energy and transport sector, in order to create a more desirable and competitive trade and investment environment. We also take note of our expedited and deepened cooperation in such fields as telecommunication, environment, tourism, agriculture and human resources development, all of which are inherent components for advancing the GMS program. In particular, we are pleased with the significant progress in the alleviation of poverty in the GMS.

We witness the regional and global situation undergoing profound changes. Threats, old and new, are intertwining. We shall carry forward our future cooperation to tackle the threats confronting us, which include poverty, development gaps, and emerging threats to human security, such as terrorism and cross-border crimes, especially drug smuggling and trafficking of human beings. The spread of infectious diseases such as HIV/AIDS, Avian Flu, environmental degradation, and the menace of natural disasters are also serious threats that call for greater surveillance and response preparedness.

To meet the challenge, we shall sharpen our vision and redouble our efforts for the future. We shall also consolidate the fundamental principles underpinning our success and reaffirm our commitment to partnership.

II. Guiding Principles for GMS Cooperation

Throughout the GMS process, some commonly accepted principles have gradually developed from our cooperation. These principles have been playing a catalytic role in maintaining the momentum of the GMS process by laying down the ground rules, shaping our common agenda, and keeping us focused on the most pressing priorities. We highly value and, when moving ahead, shall stand steadfastly by the principles.

The principle of equality and mutual respect has constituted the solid foundation for our cooperation since the inception of GMS. GMS members share common aspirations for common prosperity of the sub-region. All members, despite the diversity in geographic and economic conditions, are equal partners in GMS cooperation and can exert concerted and collaborative efforts in the pursuit of common goals.

Consensus-building in decision-making has been instrumental in enhancing solidarity in the sub-region. Coupled with flexibility on inter alia, timing and participation, this approach, to the largest possible extent, accommodates the different needs and concerns of different members while reflecting the common interests of all. We have managed to build broad-based support for our common development agenda, and above all, for advancing our process at the project-level by conducting thorough consultations and pooling our comparative advantages and strengths.

Pragmatism and an outward-looking orientation are key to bringing about the GMS vision. One of the most important lessons we have learned is that we can only be as successful as we are action-oriented, result-based and need-driven in our approach. By taking this approach, the GMS program has delivered practical

results in a wide range of specific areas and brought significant benefits to our people.

The step-by-step approach has proven to be pertinent and effective in promoting the GMS cooperation. Given the enormous tasks ahead of us, we should expand and deepen our cooperation gradually, focusing on both short-term urgent priority programs and strategies based on longer-term needs. By doing so, we will cooperate in an orderly and effective manner with tangible results.

III. Road Ahead towards Sustainable Development

In line with our vision, we reaffirm our commitments in pursuing the Millennium Development Goals (MDGs). We undertake to adopt appropriate policies and measures to accelerate GMS cooperation agenda as reflected in the GMS Strategic Framework. To this end, we will redouble our efforts in the following four key areas.

➤ Reinforcing Infrastructure for Development

Cross-border infrastructure is key to economic development and prosperity in the region. A well-built, seamless, multi-modal infrastructure is essential to the facilitation of trade, movement of people and the provision of basic services throughout the whole region. We therefore commit ourselves to fully 'connecting GMS'. To that end, we commit to sustained and greater inputs to strengthen the sub-regional infrastructure linkages through a multi-sector and holistic approach.

We support the development of a sub-regional transport sector strategy next year that will identify critical transport links not only among the GMS countries but also with our neighbors in South and Southeast Asia. We agree to complete the major transport links along the East-West corridor by 2008 and along the North-South and Southern Coastal corridors by 2010. To promote greater efficiency, we have agreed to expand cooperation in transport infrastructure to include railways, air transport and waterways.

We are encouraged by the considerable progress in negotiating the annexes and protocols of the Cross-border Transport Agreement and the commencement of its implementation. We instruct our ministers to complete the negotiations of the remaining annexes and protocols by the end of 2005 and to move with speed and purpose to implement the Agreement at an increasing number of border crossings. We will take all necessary domestic measures to ensure that the Agreement can be implemented starting in 2006.

We urge the accelerated completion of the telecommunications fiber optic network. We will work together to harness the power of ICT to transform the digital divide into a digital dividend by using it to empower people and build knowledge-based economies. The implementation of the GMS Information Super Highway will be at the core of this endeavor.

We are also committed to move swiftly to complete the work on the power trade operating agreement that will create transparent rules and regulatory framework for regional power trade. We have agreed to ensure subregional energy security by expanding energy cooperation to include improvement of energy efficiency and alternative sources of energy especially on biofuel by making use of our agricultural products that are available within the subregion.

➤ Improving Trade and Investment Environment

The GMS is committed to creating a conducive and competitive environment for trade, investment, and private sector development. To strengthen market fundamentals, we will promote financial efficiency, a sound policy, and institutional, legal, and regulatory framework, and undertake further facilitation and harmonization of trade and investment regimes.

We endorse the GMS Strategic Framework for Action on Trade Facilitation and Investment (SFA-TFI) that commits to time-bound, specific measures to reduce trade and business transaction costs in the sub-region. We direct the ministers and officials to develop and implement

concrete plans of actions to give effect to the SFA-TFI in close collaboration with our development partners, including the private sector.

We recognize the private sector as the engine of GMS growth and value its contribution. We must make greater efforts to build capacity of the GMS Business Forum and ensure a more active role for it. We welcome the fruitful outcomes from the dialogue between us and the business community on 4 July. To maximize the potential of the private sector, we will ensure that industry and business are involved in the planning and implementation of GMS programs so that these become relevant and responsive to their needs.

➤ Strengthening Social and Environmental Infrastructure

Social infrastructure holds another key to realizing our vision for reduced disparities and common prosperity because it enables social equity and the harmonization of our community. Hence, we affirm our unyielding commitments to accelerate domestic and sub-regional efforts to create an enabling environment for improving social infrastructure including increasing human and institutional capacity building.

We affirm that poverty alleviation remains at the core of our development efforts. Despite the considerable progress made, poverty endures. The levels of poverty are still unacceptable. The high rates of economic growth we have recently witnessed motivate us to further eradicate poverty so that the benefits of growth are equitably distributed. We shall continue to direct our regional initiatives to impact positively on the poor. In order to maximize these efforts, we shall call for more holistic community-based actions which integrate all efforts from multi-sectors and stakeholders by providing them with greater opportunities for economic and social infrastructure.

We are aware that the agricultural development is essential to poverty reduction since poverty is largely a rural phenomenon across the GMS. Thus,

we pledge to accelerate cooperation in the agriculture sector, giving priority to improving farmers' livelihood and ensure food security for the poor through technical assistance such as the launching of the GMS agricultural information website. We will focus on collaborative efforts on the cross-border dimensions of agriculture. We therefore call for the early convening of the meeting of the GMS agricultural ministers. We also agree to take up the issue of prevention and control of animal epidemics among GMS countries.

We emphasize the importance of knowledge and technologies in improving our competitiveness. We are also convinced that human resource development represents great potential for development in the sub-region. We are determined to better empower our people and enhance human capacities to face the challenges of globalization. Our public institutions have to be better equipped to design and manage a complex development agenda. We acknowledge the effective role of Phnom Penh Plan in building capacity and urge the expansion of this well-designed program to maximize coverage and to expose our officials to cutting edge development technologies. To bridge the knowledge gap and give us the competitive edge in world markets, we will also step up efforts at building knowledge-based society through expanded cooperation in education and training and by way of developing tertiary education institutions and promoting their networking.

In the wake of new health threats such as SARS and avian flu, we will step up cooperation in health programs. In 2005, a communicable disease control program will be established. It will strengthen surveillance and coordination systems at our borders. In this context, we urge the Ministers to consider establishing a continuing mechanism to strengthen health surveillance and coordination.

Environmental conservation and sustainable management and use of shared natural resources in the Mekong river basin are vital to the sustainable development in the sub-region. We are determined to protect our natural environment and are committed to use our natural resources

wisely. We reaffirm to undertake our commitments to the environmental protection as set out in the Plan of Action to Implement the Joint Declaration on ASEAN-China Strategic Partnership for Peace and Prosperity adopted on 29 November 2004, Vientiane, Lao PDR. We welcome the recommendations by the ministers on the implementation of core environment program, together with local communities and development partners at their meeting in Shanghai, China in May 2005. We congratulate the GMS Environment Ministers for launching the Biodiversity Conservation Corridors initiative and the three-year action plan. This will conserve our terrestrial biodiversity and protected areas in the economic corridors as they are developed.

Tourism is a key job creator in the GMS and brings particular benefits to local communities. It is universally recognized as an area of GMS comparative advantage. We welcome the recommendations of the GMS Tourism Strategy Study to support a more holistic and coordinated approach to tourism development, including the implementation of identified high-priority projects, and the promotion of pro-poor and environment-friendly tourism. We urge the marketing of the GMS as a single tourist destination and encourage further work to develop a GMS visa.

The considerable initiatives in physical, environmental and social infrastructure, and in trade and investment, will require strengthened GMS institution capacities, and especially, in the GMS national secretariats. We are committed to strengthening those capacities to better coordinate and manage GMS Program.

➤ Mobilizing Resources and Deepening Partnership

We have to find the significant financial resources to implement our priority development programs. The development community has become our staunch ally. We greatly value its contribution to our cooperative efforts. We will strengthen and expand our relationships with development partners to draw on their considerable reservoirs of expertise and resources. We

will also intensify partnerships with the private sector, academe and civil society organizations.

We recognize and highly appreciate the unique and dynamic role that ADB has played in catalyzing and supporting the GMS program. Its task, however, has become more complex and urgent. ADB needs to play an even larger role and to support us at higher levels of resource and knowledge transfers. Its role in bringing

the GMS onto the center stage of economic integration in Asia will be crucial.

We look forward to meet again at the 3rd GMS Summit in Lao PDR in 2008.

In conclusion, we pledge ourselves to a closer and stronger GMS partnership for common prosperity. We are confident that with our concerted effort the vision we embrace here will over time come to full fruition.

Appendix 3

Selected Macroeconomic Indicators of GMS Countries 1992, 2000–2005

Item	Cambodia	China, People's Republic of	Lao PDR	Myanmar	Thailand	Viet Nam
GDP per capita (current, \$)						
1992	220	415	271	–	1,945	144
2000	288	946	332	–	1,964	402
2001	293	1,038	322	–	1,834	415
2002	310	1,132	331	176	1,997	440
2003	324	1,270	372	–	2,230	484
2004	357	1,486	439	–	2,481	553
2005	393	1,697	491	–	2,727	622
2006	510	1,999	601	–	3,133	724
GDP growth (%)						
1992	7.0	14.2	7.0	9.7	8.1	8.7
2000	8.4	13.3	5.8	13.7	4.8	6.1
2001	7.7	8.3	5.8	11.3	2.2	6.9
2002	6.2	9.1	5.9	12.0	5.3	7.1
2003	8.6	10.0	6.1	13.8	7.1	7.3
2004	10.0	10.1	6.4	13.6	6.3	7.8
2005	13.4	10.4	7.0	13.2	4.5	8.4
2006	10.4	10.7	7.3	–	5.0	8.2
Consumer price inflation (% annual change)						
1992	96.1	6.4	9.9	21.9	4.2	–
2000	(0.9)	0.4	8.4	(0.2)	1.6	(1.7)
2001	0.3	0.7	7.8	21.2	1.6	(0.4)
2002	3.3	(0.8)	10.7	58.1	0.6	3.8
2003	1.2	1.2	15.5	24.9	1.8	3.1
2004	3.9	3.9	10.5	3.8	2.8	7.8
2005	5.8	1.8	7.2	10.7	4.5	8.3
2006	4.7	1.5	6.8	–	4.6	7.5
Merchandise exports (% annual growth)						
1992	24.5	18.1	37.3	114.1	13.8	21.2
2000	24.1	27.9	9.6	33.8	19.5	25.2
2001	12.1	6.8	(3.3)	43.0	(7.1)	6.5
2002	12.7	22.4	2.3	(3.9)	4.8	11.2
2003	17.9	34.6	21.6	12.6	18.2	20.6
2004	24.1	35.4	11.0	8.2	21.6	31.4
2005	12.4	28.5	31.4	–	15.0	22.5
2006	26.9	26.0	50.9	–	17.4	23.0
Openness ratio ^a (%)						
1992	35.8	27.7	33.8	2.8	64.9	50.8
2000	91.4	38.7	49.9	0.9	106.4	91.5
2001	96.8	37.6	47.3	0.9	107.2	92.7
2002	99.7	41.8	40.9	0.6	102.1	98.0
2003	105.4	50.7	36.8	–	106.7	113.3
2004	116.1	58.4	42.0	–	116.8	125.3
2005	118.4	62.5	48.2	–	128.5	127.6
2006	117.2	65.7	56.7	–	123.3	136.4
Current account (as % of GDP)						
1992	(1.3)	1.3	(4.4)	(0.3)	(5.5)	(0.1)
2000	(11.4)	1.7	(7.3)	(0.0)	7.6	1.6
2001	(9.1)	1.3	(5.3)	(0.0)	5.4	1.5

**Selected Macroeconomic Indicators of GMS Countries
1992, 2000–2005**

Item	Cambodia	China, People's Republic of	Lao PDR	Myanmar	Thailand	Viet Nam
2002	(9.5)	2.4	(2.1)	(0.0)	3.7	(1.9)
2003	(10.8)	2.8	(2.6)	(0.0)	3.4	(4.9)
2004	(8.3)	3.6	(8.8)	–	1.7	(3.4)
2005	(9.5)	7.2	(8.3)	–	(4.5)	0.4
2006	(7.7)	8.6	(14.0)	–	1.6	(2.1)
Foreign direct investments (in million \$)						
1992	33	11,008	–	149	2,151	474
2000	149	40,715	280	208	3,350	1,289
2001	149	46,878	325	192	3,886	1,300
2002	139	52,743	415	191	3,164	2,023
2003	74	53,505	420	128	4,614	1,894
2004	121	60,630	450	–	5,786	1,878
2005	318	60,325	500	–	8,405	1,972
2006 ^b	–	64,468	650	–	8,837	4,100
Gross domestic investment (as % of GDP)						
1992	11.3	36.2	–	1.3	40.0	–
2000	16.9	32.8	–	12.4	22.8	29.6
2001	18.5	34.2	–	11.6	24.1	31.2
2002	19.7	37.9	–	10.1	23.8	33.2
2003	21.5	41.2	–	11.0	25.0	35.4
2004	17.4	43.3	–	–	26.8	35.5
2005	19.5	43.3	–	–	31.5	35.4
2006	20.8	44.9	–	–	27.9	–
Tourist arrival^c						
1995	219,680	1,015,442	346,460	120,205	6,951,566	1,351,296
2000	466,365	2,230,241	737,208	260,616	9,578,826	2,140,100
2001	604,919	2,398,503	673,823	295,354	10,132,509	2,330,050
2002	786,524	2,666,950	735,662	301,024	10,872,976	2,627,988
2003	701,014	1,650,301	636,361	269,205	10,082,109	2,428,735
2004	1,055,202	2,276,800	894,806	241,938	11,737,413	2,927,873
2005	1,421,615	2,996,272	1,109,833	232,873	11,018,968	3,467,758
2006	1,700,041	3,375,880	1,260,000	208,863 ^d	13,821,802	3,583,486
Human development index^d						
1990	–	0.628	0.451	–	0.717	0.618
1995	0.536	0.685	0.488	–	0.751	0.661
2000	0.545	0.730	0.523	–	0.775	0.696
2004	0.583	0.768	0.553	0.581	0.784	0.709

– = not available, % = percent, GDP = gross domestic product, GMS = Greater Mekong Subregion, Lao PDR = Lao People's Democratic Republic.

a Openness ratio is defined as the ratio of total trade to GDP at current market prices.

b FDI net inflows based on balance of payments.

FDI for the Lao PDR refers to gross FDI.

c Data for the PRC include only tourist arrivals for Guangxi Zhuang Autonomous Region and Yunnan Province.

d Human development index (HDI) is a composite index measuring average achievement in three basic dimensions of human development—a long and healthy life, knowledge and a decent standard of living.

Sources: ADB. 2007. Asian Development Bank Outlook 2007; ADB. 2006. The Greater Mekong Subregion Beyond Borders: Regional Cooperation Strategy and Program Update 2007–2008; and United Nations Development Programme. 2006. Human Development Report 2006.

Appendix 4A

Millennium Development Goals of GMS Countries (Values of indicators for component targets as of benchmark or earliest year)

Goal/Target/Indicator	Earliest/Benchmark					
	Cambodia	China, People's Republic of	Lao PDR	Myanmar	Thailand	Viet Nam
Goal 1. Eradicate extreme poverty and hunger						
Target 1. Halve, between 1990 and 2015, the proportion of people whose incomes are less than \$1 per day						
Indicator 1. Proportion of population below the national poverty line (%)	39.0 (1993)	31.3a (1990)	48.0 (1990)	–	27.2 (1990)	58.1 ^a (1993)
Indicator 2. Poverty gap ratio (%) ^b	9.2 (1993)	0.4 (1990)	12.0 (1990)	–	8.0 (1990)	18.5 (1993)
Indicator 3. Share of poorest quintile in national consumption (%)	7.4 (1993)	–	9.3 (1992)	–	4.2 (1990)	8.4 (1993)
Target 2. Halve, between 1990 and 2015, the proportion of people who suffer from hunger						
Indicator 4. Prevalence of underweight children under 5 years (%)	45.2 (2000)	17.4 (1990)	34.0 (1990)	38.6 (1997)	18.6 (1990)	58.0 (1991)
Indicator 5. Proportion of population below minimum dietary energy consumption (%)	20.0 ^c (1993)	17.0 (1990)	31.0 (1990)	30.8 (1997)	6.9c (1990)	>30 (1990)
Goal 2. Achieve universal primary education						
Target 3. Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling						
Indicator 6. Net enrolment ratio in primary education (%)	87.0 (2001)	97.4 (1990)	63.0 (1991)	65.7 (1990)	70.1 (1992)	86.0 (1990)
Indicator 7. Proportion of pupils reaching grade 5 (%)	58.0 (2001)	86.0 (1990)	47.7 (1991)	24.5 (1990)	–	40.0d (1990)
Indicator 8. Youth literacy rate (%)	82.0 (1999)	95.3 (1990)	78.5 (1991)	80.9 (1990)	98.2 (1990)	94.1 (1990)
Goal 3. Promote gender equality and empower women						
Target 4. Eliminate gender disparity in primary and secondary education, preferably by 2005, and at all levels of education no later than 2015						
Indicator 9. Ratio of girls to boys (in %)						
a. in primary education	87.0 (2001)	86.0 (1990)	77.3 (1991)	92.8 (1990)	95.0 (1991)	92.3 (1997)
b. in secondary education	63.0 ^e (2001)	–	66.0e (1991)	93.6 (1990)	97.0 (1991)	88.0e (1997)
c. in tertiary education	37.8 (2001)	52.0 (1990)	49.0 (1991)	150.6 (1990)	100.0 (1991)	61.6 (1997)
Indicator 10. Ratio of literate females to males, aged 15–24 (%)	87.0 (1998)	95.3 (1990)	76.0 (1990)	–	89.0 (1990)	99.0 (1990)
Indicator 11. Share of women in wage employment in the nonagricultural sector (%)	43.7 ^f (1998)	37.7 (1990)	37.5 (1995)	40.5 (1990)	45.1 (1990)	45.2 (1990)
Indicator 12. Percentage of seats held by women in national parliament	12.0 (2003)	21.0 (1990)	6.3 (1990)	–	2.2 (1990)	18.0 (1990)
Goal 4. Reduce child mortality						
Target 5. Reduce by two thirds, between 1990 and 2015, the under-5 mortality rate						
Indicator 13. Under-5 mortality rate (per 1,000 live births)	124.0 (1998)	49.0 (1991)	170.0 (1990)	130.0 (1990)	12.8 (1990)	58.0 (1990)
Indicator 14. Infant mortality rate (per 1,000 live births)	95.0 (1998)	38.0 (1990)	120.0 (1990)	98.0 (1990)	34.5 (1991)	44.4 (1990)

Millennium Development Goals of GMS Countries
(Values of indicators for component targets as of benchmark or earliest year)

Goal/Target/Indicator	Earliest/Benchmark					
	Cambodia	China, People's Republic of	Lao PDR	Myanmar	Thailand	Viet Nam
Indicator 15. Proportion of 1-year old children immunized against measles (%)	41.4 (2000)	98.0 (1990)	61.5 (1996)	67.7 (1990)	78.0 (1990)	85.0 (1990)
Goal 5. Improve maternal health						
Target 6. Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio						
Indicator 16. Maternal mortality ratio (per 100,000 live births)	437.0 (1997)	88.9 (1990)	650.0 (1990)	100.0 36.2 190.0 (1990, urban) (1990, rural)	(1990) 249.0 (1990)	(1990)
Indicator 17. Proportion of births attended by skilled health personnel (%)	32.0 (2000)	50.3 (1990)	14.0 (1994)	50.8 (1990)	90.8 (1990)	78.5 (1990)
Goal 6. Combat HIV/AIDS, malaria and other diseases						
Target 7. Have halted by 2015 and begun to reverse the spread of HIV/AIDS						
Indicator 18. HIV prevalence among pregnant women aged 15–24 years attending antenatal care (%)	2.5 (1998)	–	–	2.7 (1992)	0.0 (1990)	–
Indicator 19. Condom use as a percentage of those using contraception (%) ¹⁹	91.0 (2002)	2.0 (1992)	1.0 (1993)	16.8 (1991)	3.0 (1993)	8.0 (1997)
Target 8. Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases						
Indicator 21. Prevalence and deaths associated with malaria						
a. Malaria incidence rate (per 100,000 people)	–	–	–	24.4 (1990)	518.0 (1990)	30.0 (1991)
b. Malaria death rate (per 100,000 people)	0.4 (2000)	–	9.0 (1990)	12.6 (1990)	1.4 (1995)	–
Indicator 23. Prevalence and death rates associated with tuberculosis						
a. Tuberculosis prevalence rate (per 100,000 people)	428.0 (1997)	134.0 (1990)	144.0 (1990)	103.0 (1994)	35.3 (1992)	563.0 (1990)
b. Tuberculosis death rate (per 100,000 people)	90.0 (1997)	24.0 (1990)	37.0 (1990)	32.6 (1990, Urban)	6.8 (1990)	42.0 (1990)
Indicator 24. Proportion of tuberculosis cases detected and cured under directly observed treatment, short course						
a. Detection rate (%)	57.0 (2002)	15.0 (1995)	24.0 (1996)	38.0 (1990)	5.0 (1997)	30.0 (1995)
b. Treatment success rate (%)	89.0 (2002)	94.0 (1994)	72.0 (1996)	78.0 (1994)	78.0 (1996)	91.0 (1994)
Goal 7. Ensure environmental sustainability						
Target 9. Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources						
Indicator 25. Proportion of land area covered by forest (%)	60.0 (1992–2002)	13.0 (1990)	47.0 (1990)	56.0 (1990)	28.0 (1990)	27.0 (1990)
Indicator 26. Ratio of area protected to surface area (%)	17.0 (1994)	8.0 (1994)	11.9 (1993)	1.1 (1990)	12.4 (1990)	6.7 (2001)
Indicator 27. GDP/unit of energy use (PPP\$/kg oil equivalent)	–	485 (1990)	–	–	176 (1990)	303 (1990)
Indicator 28. CO2 emissions and consumption of ozone-depleting CFCs						

Millennium Development Goals of GMS Countries (Values of indicators for component targets as of benchmark or earliest year)

Goal/Target/Indicator	Earliest/Benchmark					
	Cambodia	China, People's Republic of	Lao PDR	Myanmar	Thailand	Viet Nam
a. CO ₂ emission per capita (metric tons per capita)	0.0 (1990)	2.1 (1990)	0.1 (1990)	0.1 (1990)	1.8 (1990)	0.3 (1990)
b. Consumption of ozone depleting CFCs (ODP tons)	—	41,829 (1990)	4 (1992)	16 (1992)	6,660 (1990)	303 (1991)
Indicator 29. Proportion of population using solid fuels (%)	92.0 (1993)	—	97.1 (1995)	—	65.5 (1990)	—
Target 10. Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation						
Indicator 30. Percentage of population with sustainable access to safe drinking water			39.0 (1990)	32.0 (1990)		48.0 (1990)
a. Urban	60.0 (1998)	87.0 (1990)		38.0 (1990)	96.5 (1990)	
b. Rural	24.0 (1998)	31.0 (1990)		30.0 (1990)	76.4 (1990)	
Indicator 31. Percentage of population with access to improved sanitation				36.0 (1990)		29.0 (1990)
a. Urban	49.0 (1998)	56.0 (1990)	11.0 (1990)	40.0 (1990)	99.0 (1990)	
b. Rural	8.6 (1998)	8.0 (1993)		35.0 (1990)	83.1 (1990)	
Target 11. By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers						
Indicator 32. Percentage of households with access to secure tenure	15.0 (2000)	—	—	—	87.8 (1990)	36.5 ^b (1993)
a. Urban					96.0 (1990)	
b. Rural						
Goal 8. Develop a global partnership for development						
Target 15. Deal comprehensively with the debt problems of developing countries through national and international measures to make debt sustainable in the long term						
Indicator 36. ODA received in landlocked developing countries as a percent of their GNIs			17.4 (1990)			
Indicator 44. Debt service as a percent of exports of goods and services	4.0 (1992)	11.7 (1990)	8.7 (1990)	18.4 (1990)	16.9 (1990)	4.1 (1995)
Target 16. In cooperation with developing countries, develop and implement strategies for decent and productive work for youth						
Indicator 45. Youth unemployment rate (%)	—	2.5 (1990)	—	4.3 (1990)	—	
Target 18. In cooperation with the private sector, make available the benefits of new technologies, especially information and communications technologies						
Indicator 47. Telephone lines and cellular phone subscribers per 100 population	0.04 (1990)	0.59 (1990)	0.16 (1990)	0.17 (1990)	2.54 (1990)	0.15 (1990)
Indicator 48. Personal computers and internet users per 100 population						
a. Personal computers	0.05 (1995)	0.04 (1990)	0.11 (1996)	0.11 (1999)	0.42 (1990)	0.01 (1992)
b. Internet users	0.01 (1997)	0.01 (1996)	0.01 (1998)	0.05 (2000)	0.01 (1994)	0.01 (1998)

— = not available, % = percent, CFC = chlorofluorocarbon, CO₂ = carbon dioxide, GDP = gross domestic product, GMS = Greater Mekong Subregion, GNI = gross national income, HIV/AIDS = human immunodeficiency virus/acquired immunodeficiency syndrome, kg = kilogram, Lao PDR = Lao People's Democratic Republic, ODA = official development assistance, ODP = ozone-depleting potential, PPP = purchasing power parity.

a Figure for the PRC refers to rural population below \$1 per day while figure for Viet Nam is an internationally comparable measure of the percentage of the population that cannot afford a threshold consumption basket which includes food (2,100 calories/day/family member) and nonfood items.

b Refers to the mean distance separating the population from the poverty line (with the nonpoor being given a distance of zero), expressed as a percentage of the poverty line).

c Refers to proportion of population below the food poverty line.

d Refers to the completion rate of primary education.

e For lower secondary education.

f Covering wage employment in industry (secondary sector).

Millennium Development Goals of GMS Countries (Values of indicators for component targets as of latest year)

Goal/Target/Indicator	Latest				
	Cambodia	China, People's Republic of	Lao PDR	Myanmar	Viet Nam
Goal 1. Eradicate extreme poverty and hunger					
Target 1. Halve, between 1990 and 2015, the proportion of people whose incomes are less than \$1 per day					
Indicator 1. Proportion of population below the national poverty line	34.7 (2004)	16.6a (2001)	32.7 (2003)	26.6 (2001)	9.8 (2002)
Indicator 2. Poverty gap ratio (%) ^b	6.5 (1999)	0.7 (1998)	8.0 (2002)	6.8 (2001)	2.4 (2002)
Indicator 3. Share of poorest quintile in national consumption (%)	7.0 (2005)	4.7 (2001)	8.5 (2002)	–	4.2 (2002)
Target 2. Halve, between 1990 and 2015, the proportion of people who suffer from hunger					
Indicator 4. Prevalence of underweight children under 5 years (%)	–	14.3 (2002)	30.0 (2005)	31.8 (2003)	8.6 (2002)
Indicator 5. Proportion of population below minimum dietary energy consumption (%)	19.7 ^c (2004)	11.0 (2000)	29.0 (1998)	–	2.2 ^c (2002)
Goal 2. Achieve universal primary education					
Target 3. Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling					
Indicator 6. Net enrolment ratio in primary education (%)	91.9 (2005)	98.7 (2003)	81.8 (2003)	84.5 (2005)	80.4 (1998)
Indicator 7. Proportion of pupils reaching grade 5 (%)	59.2 (2005)	98.0 (2000)	62.0 (2001)	74.5 (2005)	–
Indicator 8. Youth literacy rate (%)	83.4 (2005)	97.9 (2001)	78.5 (2001)	96.5 (2005)	98.0 (2000)
Goal 3. Promote gender equality and empower women					
Target 4. Eliminate gender disparity in primary and secondary education, preferably by 2005, and at all levels of education no later than 2015					
Indicator 9. Ratio of girls to boys (%)					
a. in primary education	89.5 (2005)	89.0 (2003)	84.9 (2003)	98.4 (2004)	93.0 (2000)
b. in secondary education	77.0 ^e (2005)	88.0 (2003)	76.0e (2003)	95.8 (2004)	101.0 (2000)
c. in tertiary education	45.6 (2005)	–	62.0 (2003)	151.6 (2004)	115.0 (2001)
Indicator 10. Ratio of literate females to males, aged 15–24 (%)	90.0 (2005)	99.0 (2000–2004)	85.0 (2002)	101.4 (2004)	100.0 (2000–04)
Indicator 11. Share of women in wage employment in the employment in the nonagricultural sector (%)	53.5 ^f (2005)	39.4 (2002)	–	–	46.9 (2003)
Indicator 12. Percentage of seats held by women in national parliament	17.1 (2005)	20.0 (2005)	23.1 (2005)	–	9.6 (2001)
Goal 4. Reduce child mortality					
Target 5. Reduce by two thirds, between 1990 and 2015, the under-5 mortality rate					
Indicator 13. Under-5 mortality rate (per 1,000 live births)	82.0 (2005)	25.0 (2004)	106.9 (2000)	66.6 (2003)	16.9 (1998)
Indicator 14. Infant mortality rate (per 1,000 live births)	66.0 (2005)	31.0 (2002)	70.0 (2005)	49.7 (2003)	22.0 (2002)
Indicator 15. Proportion of 1-year old children immunized against measles (%)	80.0 (2005)	84.0 (2003)	41.8 (2000)	87.0 (1998)	94.0 (2002)

Millennium Development Goals of GMS Countries
(Values of indicators for component targets as of latest year)

Goal/Target/Indicator	Latest				
	Cambodia	China, People's Republic of	Lao PDR	Myanmar	Viet Nam
Goal 5. Improve maternal health					
Target 6. Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio					
Indicator 16. Maternal mortality ratio (per 100,000 live births)	–	51.3 (2003)	405.0 (2005)	100.0 (2001, urban) 180.0 (2001, rural)	24.0 (2002) 85.0 (2004)
Indicator 17. Proportion of births attended by skilled health personnel (%)	–	79.4 (2003)	19.0 (2001)	67.5 (2003)	98.0 (2001) 85.0 (2002)
Goal 6. Combat HIV/AIDS, malaria, and other diseases					
Target 7. Have halted by 2015 and begun to reverse the spread of HIV/AIDS					
Indicator 18. HIV prevalence among pregnant women aged 15–24 years attending antenatal care (%)	2.1 (2005)	0.06–0.11 (2000)	0.06 (2005)	1.20 (2003)	1.39 (2002) 0.28g (2002)
Indicator 19. Condom use as a percentage of those using contraception (%) ^h	96.7 (2005)	5.0 (2001)	2.0 (2000)	37.0 (2001)	3.0 (1997) 7.0 (2002)
Target 8. Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases					
Indicator 21. Prevalence and deaths associated with malaria					
a. Malaria incidence rate (per 100,000 people)	–	6.5 (2004)	–	13.5 (2003)	117.0 (2001) 95.0 (2000)
b. Malaria death rate (per 100,000 people)	0.4 (2005)		3.5 (2002)	4.7 (2003)	0.7 (2001) 9.0 (2000)
Indicator 23. Prevalence and death rates associated with tuberculosis					
a. Tuberculosis prevalence rate (per 100,000 people)	–	107.0 (2001)	144.0 (1994)	155.0 (2003)	48.4 (2001) 238.0 (2003)
b. Tuberculosis death rate (per 100,000 people)	–	18.0 (2003)	–	18.0 (2003)	5.6 (1999) 22.0 (2003)
Indicator 24. Proportion of tuberculosis cases detected and cured under directly observed treatment, short course					
a. Detection rate (%)	61.0 (2005)	43.0 (2003)	54.0 (2004)	83.0 (2003)	72.0 (2003) 86.0 (2003)
b. Treatment success rate (%)	–	93.0 (2003)	79.0 (2003)	82.0 (2003)	74.0 (2003) 92.0 (2003)
Goal 7. Ensure environmental sustainability					
Target 9. Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources					
Indicator 25. Proportion of land area covered by forest (%)	–	18.2 (2004)	41.5 (2002)	52.1 (2000)	33.4 (2000) 37.0 (2004)
Indicator 26. Ratio of area protected to surface area (%)	–	14.8 (2004)	16.0 (2004)	3.8 (2005)	17.6 (2001) 8.0 (2004)
Indicator 27. GDP/unit of energy use (PPP\$/kg oil equivalent)	–	219 (2002)	–	–	201 (2002) 239 (2002)
Indicator 28. CO ₂ emissions and consumption of ozone-depleting CFCs					
a. CO ₂ emission per capita (metric tons per capita)	0.0 (2002)	2.7 (2002)	0.2 (2002)	0.2 (2002)	3.7 (2002) 0.8 (2002)
b. Consumption of ozone depleting CFCs (ODP tons)	86.7 (2003)	22,809 (2003)	35.3 (2003)	43.5 (2002)	1,857 (2002) 244 (2003)

Millennium Development Goals of GMS Countries (Values of indicators for component targets as of latest year)

Goal/Target/Indicator		Latest					
		Cambodia	China, People's Republic of	Lao PDR	Myanmar	Thailand	Viet Nam
Indicator 29. Proportion of population using solid fuels (%)		83.9 (2005)	80.0 (1996)	95.7 (2000)	95.0 (2004)	30.5 (2002)	70.0 (2003)
Target 10. Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation							
Indicator 30. Percentage of population with sustainable access to safe drinking water				67.0 (2005)	72.0 (2000)		58.7 (2004)
a. Urban		75.8 (2005)	88.8 (2004)		89.2 (2000)	97.0 (2000)	
b. Rural		41.6 (2005)	58.0 (2003)		65.8 (2000)	91.0 (2000)	
Indicator 31. Percentage of population with access to improved sanitation				48.3 (2005)	83.0 (2000)		52.6 (2004)
a. Urban		55.0 (2005)	69.0 (2000)		87.0 (2000)	99.5 (2000)	
b. Rural		16.4 (2005)	51.0 (2003)		82.0 (2000)	97.0 (2000)	
Target 11. By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers							
Indicator 32. Percentage of households with access to secure tenure		–	37.8 (2001)	(1995)	98.1 (2001)	(2000)	25.0i (2005)
a. Urban			90.7		91.2	(2000)	
b. Rural					94.8	(2000)	
Goal 8. Develop a global partnership for development							
Target 15. Deal comprehensively with the debt problems of developing countries through national and international measures to make debt sustainable in the long term							
Indicator 36. ODA received in landlocked developing countries as a percent of their GNIs				16.1 (2003)			
Indicator 44. Debt service as a percent of exports of goods and services		1.9 (2005)		12.0 (2005)		9.8 (2005)	5.2 (2005)
Target 16. In cooperation with developing countries, develop and implement strategies for decent and productive work for youth							
Indicator 45. Youth unemployment rate (%)		3.0 (2001)	3.1 (2000)	3.1 (1995)	–	6.6 (2001)	–
Target 18. In cooperation with the private sector, make available the benefits of new technologies, especially information and communications technologies							
Indicator 47. Telephone lines and cellular phone subscribers per 100 population		3.78 (2003)	49.74 (2004)	4.82 (2004)	0.96 (2004)	55.15 (1994)	18.29 (2004)
Indicator 48. Personal computers and internet users per 100 population							
a. Personal computers		0.26 (2004)	4.08 (2004)	0.38 (2004)	0.60 (2004)	6.00 (2004)	1.27 (2004)
b. Internet users		0.28 (2004)	7.23 (2004)	0.36 (2004)	0.12 (2004)	11.25 (2004)	7.12 (2004)

– = not available, CFC = chlorofluorocarbon, CO₂ = carbon dioxide, GDP = gross domestic product, GMS = Greater Mekong Subregion, GNI = gross national income, HIV/AIDS = human immunodeficiency virus/ acquired immunodeficiency syndrome, kg = kilogram, Lao PDR = Lao People's Democratic Republic, ODA = official development assistance, ODP = ozone-depleting potential, PPP = purchasing power parity.

a Figure for PRC refers to rural population below \$1 per day while figure for Viet Nam is an internationally comparable measure of the percentage of the population that cannot afford a threshold consumption basket which includes food (2,100 calories/day/family member) and nonfood items.

b Refers to the mean distance separating the population from the poverty line (with the nonpoor being given a distance of zero), expressed as a percentage of the poverty line).

c Refers to proportion of population below the food poverty line.

d Refers to completion rate of primary education.

e For lower secondary education.

f Covering wage employment in industry (secondary sector).

g Covering adults, 15–49 years old.

h Refers to the number of women, ages 15–49, in marital or consensual unions who are practicing contraception by using condoms as a percent of all women of the same age group in consensual unions who are practicing, or whose sexual partners are practicing, any form of contraception.

i Refers to the percentage of households living in temporary households.

Source: Asian Development Bank. 2006. The Greater Mekong Subregion Beyond Borders: Regional Cooperation Strategy and Program Update 2007–2008. Manila: ADB.

GMS Economic Corridors





07-gms0518b RM



07-gms0518 RM



07-gms0518c RM

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