

**Draft
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**MID-TERM REVIEW
OF THE
GMS STRATEGIC FRAMEWORK
2002-2012**

May 2007

The Ten-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 which affect the GMS Program have been taking place in the regional and global environment. This Mid-Term 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 environment; and (ii) puts forward recommendations to improve its overall impact.

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ACRONYMS AND ABBREVIATIONS

ADB	-	Asian Development Bank
ACMECS	-	Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy
AFTA	-	ASEAN Free Trade Area
AIT	-	Asian Institute of Technology
AMBDC	-	ASEAN-Mekong Basin Development Cooperation
APEC	-	Asia-Pacific Economic Community
APT	-	Asian Pacific Telecommunity
ASEAN	-	Association of Southeast Asian Nations
AMTA	-	Agency for Coordinating Mekong Tourism Activities
BIMSTEC	-	Bay of Bengal Initiative for Multisectoral Technical Cooperation
BCI	-	Biodiversity Conservation Corridor Initiative
CASP	-	Core Agriculture Support Program
CBM	-	cross-border migration
CBT	-	cross-border trade
CBTA	-	Cross-Border Transport Agreement
CEP	-	Core Environment Program
CLMV/IAI	-	Cambodia, Lao PDR, Myanmar, Viet Nam Initiative for ASEAN Integration
EOC	-	Environment Operations Center
ESCAP	-	Economic and Social Commission for Asia and the Pacific
EWEC	-	East-West Economic Corridor
FDI	-	foreign direct investment
FCDI	-	Forum for the Comprehensive Development of Indochina
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
IG	-	Implementation Group
ILO	-	International Labor Organization
IOM	-	International Organization for Migration
ITU	-	International Telecommunications Union
IUCN	-	International Union for the Conservation of Nature
JBIC	-	Japan Bank for International Cooperation
JICA	-	Japan International Cooperation Agency
Lao PDR	-	Lao People's Democratic Republic
MDF	-	Mekong Development Forum
MDG	-	Millennium Development Goal
MOU	-	Memorandum of Understanding
MRC	-	Mekong River Commission
MTCO	-	Mekong Tourism Coordination Office
MTF	-	Mekong Tourism Forum
NGO	-	non-governmental organization

NSEC	-	North-South Economic Corridor
NTO	-	National Tourism Organization
PATA	-	Pacific Asia Travel Association
POA	-	Plan of Action
PPP	-	Phnom Penh Plan for Development Management
PRC	-	People's Republic of China
RETA	-	regional technical assistance
ROK	-	Republic of Korea
REI	-	regional economic integration
SC	-	Steering Committee
SEC	-	Southern Economic Corridor
SFA-TFI	-	Strategic Framework for Action on Trade Facilitation and Investment
SOM	-	Senior Officials' Meeting
SEF	-	Subregional Energy Forum
STCF	-	Subregional Telecommunications Forum
STF	-	Subregional Transport Forum
TA	-	technical assistance
TAT	-	Tourism Authority of Thailand
TFWG	-	Trade Facilitation Working Group
TSS	-	GMS Tourism Sector Strategy
TSSS	-	GMS Transport Sector Strategy Study
TWG	-	Tourism Working Group
SIWG	-	Subregional Investment Working Group
UNDP	-	United Nations Development Programme
UNEP	-	United Nations Environment Programme
UNESCO	-	United Nations Educational, Scientific and Cultural Organization
WGA	-	GMS Working Group on Agriculture
WGE	-	GMS Working Group on Environment
WHO	-	World Health Organization
WTO	-	World Trade Organization
WGHRD	-	GMS Working Group on Human Resource Development
WWF	-	World Wildlife Fund

NOTE

In this report, "\$" refers to US dollars.



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EXECUTIVE SUMMARY

Significant progress has been made in pursuing the strategic thrusts and priority initiatives of the Ten-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 has enabled the 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.

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 Lao PDR, 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.

The GMS-SF remains very much valid and serves as a good basis for moving forward in the next five 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.² 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 the development of the subregion. The 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, however, 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 the achievement of the goals and objectives of the GMS Program. Firstly, 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. Secondly,

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

² Guangxi Zhuang Autonomous Region was formally added as part of the GMS geography in December 2004.

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, it will be important to strengthen the linkages among the sectors and areas of cooperation in the GMS Program to realize synergies and maximize impact.

The progress achieved in implementing the GMS-SF indicates that subregional cooperation has been an effective mechanism for the development of the GMS. 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 in addressing these concerns and in improving 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.

I. Introduction

A. Background

1. The Greater Mekong Subregion (GMS) consists of Cambodia, the People's Republic of China (PRC)³, Lao People's Democratic Republic (Lao PDR), Myanmar, Thailand and Vietnam. 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 together 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 has followed a flexible, results-oriented and activity-based approach. It covers nine sectors and areas of cooperation, namely: agriculture, energy, environment, human resource development, telecommunications, transport, tourism, trade and investment.

B. Rationale and Objectives of the Mid-Term Review

2. The Ten-Year Strategic Framework of the Greater Mekong Subregion (GMS-SF) Economic Cooperation Program (GMS Program) was endorsed by the Heads of the GMS Governments during their first Summit Meeting held in Phnom Penh, Cambodia in November 2002. Since then, the GMS-SF has guided the implementation of the various components of the GMS Program. The GMS-SF is now halfway through its implementation period. At the same time, significant changes which have important implications on the GMS have been taking place in the regional and global environment. Accordingly, there is a need to review the progress of implementing the GMS-SF to ensure that it remains relevant and effective in meeting the challenges and issues facing the GMS in the next five years.

3. The objectives of the Mid-Term Review of the GMS-SF (the Review) are as follows:

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

³ In 1992, the PRC had been represented geographically in the GMS by Yunnan Province. In December 2004, Guangxi Zhuang Autonomous Region was also included.

C. Scope and Approach

4. The Review assesses the progress of the GMS-SF in terms of its contribution to the achievement of the vision and goals of the 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 effective implementation of the GMS-SF.

5. The Review is based on (i) consultation meetings and interviews with representatives of the GMS countries; (ii) published and unpublished GMS materials, including proceedings of GMS meetings, workshops and conferences, monitoring and evaluation reports, sector and subsector 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 socio-economic outcomes is difficult to separate from those of other factors, the assessment of such contribution is undertaken only on a qualitative basis. The findings of case studies on the socio-economic impact of GMS projects are cited whenever these are available.

6. Part II of the Review discusses the key elements of the GMS-SF. Part III provides the socio-economic, as well as the global, regional and subregional context of the GMS-SF. 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.

II. The GMS Strategic Framework, 2002-2012

A. A Subregion-Wide Development Strategy

7. 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 further boost economic growth. It was agreed 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 there were issues in human resource development and environmental management that needed to be addressed jointly at the subregional level to complement national efforts.

8. Although these 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 ten years of its operation. This was due to the fact that the initial years of cooperation were mainly used to gradually build trust and confidence based on specific program and project activities that the countries could agree and work 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.

9. The GMS Strategic Framework (GMS-SF) covering the period 2002-2012 was the first attempt by the GMS countries to formulate and adopt in broad terms a subregional development planning framework. Considering that many GMS programs and projects were already underway or about to be started at the time of its formulation, the GMS-SF can be seen as an effort to pull together many of the on-going and planned initiatives under an integrated and coherent framework. The endorsement by the GMS Leaders of the GMS-SF in 2002, therefore,

can be seen as an important turning point in the GMS Program in the sense that the GMS countries were—at that stage—not only prepared to agree on specific program and project activities, but also to chart together the future shape of the GMS through a subregion-wide development strategy.

B. Vision, Goals and Strategic Thrusts

10. The primary goals of GMS cooperation were articulated by the Heads of the Governments of the GMS countries in the First 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.” These goals and objectives were reaffirmed by the GMS Heads of Governments in the Second GMS Summit Meeting held in Kunming, Yunnan Province, PRC in 2005, where they also resolved to achieve these goals by “enhancing connectivity, competitiveness and community.” The Joint Summit Declarations during the First and Second GMS Summit Meetings are shown in Appendixes 1 and 2, respectively.

11. The GMS-SF defined the vision, goals and strategic thrusts of GMS cooperation for the period 2002-2012. It envisioned “a Mekong subregion 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 stated that “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.”

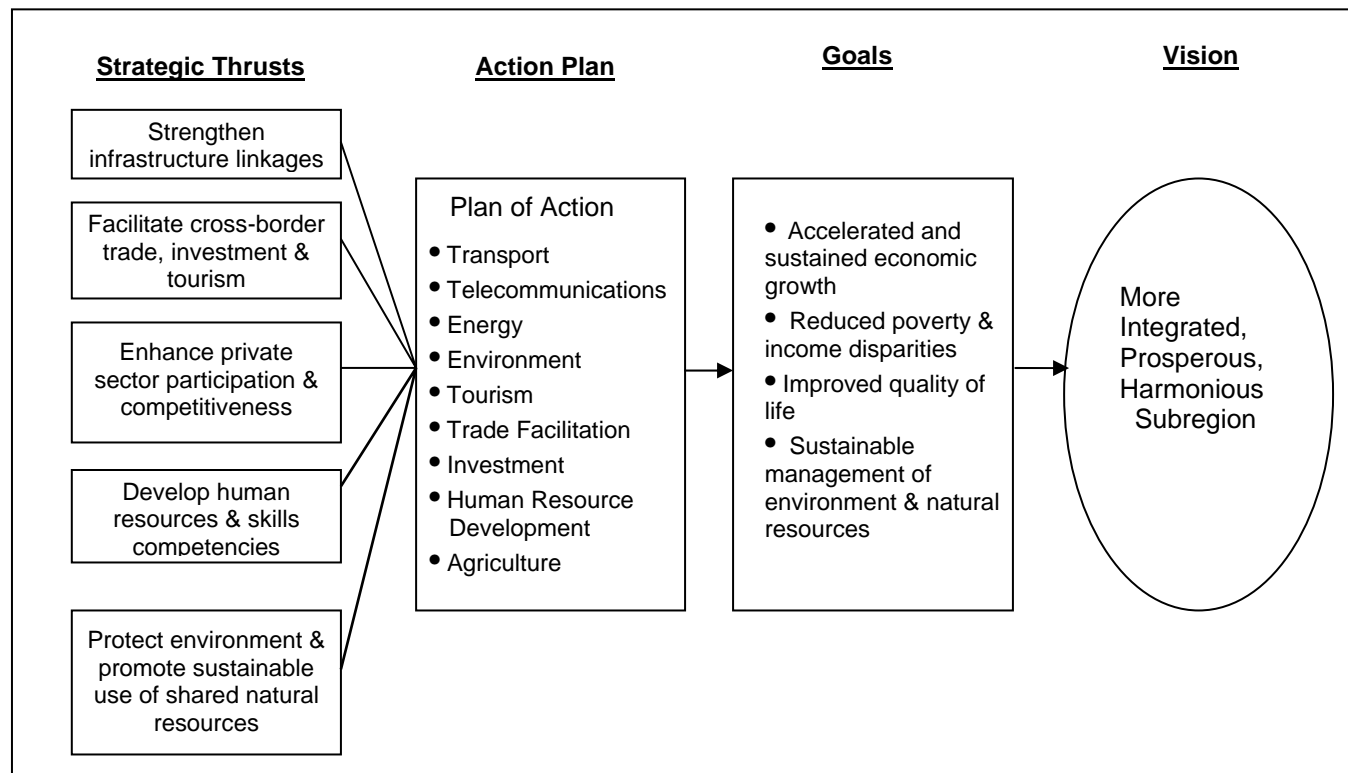
12. The GMS-SF identified five strategic thrusts which would be pursued to realize the vision and goals of subregional cooperation, namely: (i) strengthen infrastructure linkages through a multisectoral approach; (ii) facilitate cross-border trade and investment; (iii) enhance private sector participation and 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 human resource development.⁴ Figure 1 summarizes the key elements of the GMS-SF.

13. In 2004, the 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 the GMS-SF. The POA indicated, for each of the sectors and areas of cooperation, the measures required, the corresponding output expected and timeframe of implementation. The POA has served as a very useful management tool for monitoring and evaluating progress of GMS-SF implementation.

⁴ 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 GMS-SF implementation and monitoring shifted from the “flagship programs” to the sectors and areas of subregional cooperation.

Figure 1: Strategic Framework 2002-2012

GREATER MEKONG SUBREGION
ENHANCING CONNECTIVITY, COMPETITIVENESS AND COMMUNITY



III. Subregional, Regional and Global Context of the GMS-SF

A. Socio-Economic Context

1. Economic Performance and Prospects

14. The 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.⁵ 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

⁵ Average GDP growth figures are based on those for Yunnan Province and Guangxi Zhuang Autonomous Region only instead of for the whole of the PRC.

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.

15. A key feature of developments in the GMS is that the 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 of the GMS countries. The increase in the openness ratio has been especially remarkable in the case of Cambodia (3.3 times), 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. This increase in openness is manifested clearly by the tripling of total GMS merchandise exports between 1992 and 2006. Intra-regional trade increased more dramatically. In 2005, it was 11 times more than the 1992 level, with the share of trade within the GMS 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).

16. A major factor in the sustained and buoyant economic growth in the GMS is the continuing improvement in the rate of investment in the GMS countries. The investment rate, defined as the ratio of gross domestic investment to gross national product (GDP), increased significantly for most of the GMS countries in the last five 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 those in the PRC, Thailand and Viet Nam. Available data for Myanmar shows 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 of the 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.

17. On the whole, strong growth of investments in and exports from GMS countries are expected to continue, due to the improving investment and trade environment in the 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 persistent global payment imbalances, high oil prices and possible spread of an avian flu epidemic. Unsettling geopolitical developments could also have unfavorable repercussions on the GMS economies.

2. Poverty Reduction and Social Development

18. Subregional cooperation is being pursued by GMS countries 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 the GMS countries reaffirmed their commitment to work toward the achievement of the Millennium Development Goals (MDGs) in the course of their first and second Summit meetings.

19. MDG indicators (Appendix 4) show that the 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 the 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 Lao PDR have also made substantial progress in reducing 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 Lao PDR over the same period.**

Table 1: Income Poverty and Distribution Indicators for GMS Countries

Country	Per Capita GDP (current, \$)		Poverty Incidence						Gini Coefficient ^a	
			Based on National Poverty Line (in %)	\$1-a-day						
				Head Count Ratio (in %)		Magnitude (in million)				
	1992	2005	1992/1993	Latest ^b	1990	2003	1990	2003	Earliest ^c	Latest ^d
Cambodia	220	393	39.0 ^e	34.7 ^f	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 ^j	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, 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 0. If one person had all the income, it would be equal to 1.

^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; 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*.

20. Nevertheless, GMS countries recognize that there are still a large number of poor and near-poor people, especially in rural and remote communities, who continue to have limited access to social services and economic opportunities. Accordingly, GMS governments accord 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 earning 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.

21. As regards other MDGs and targets, available statistics also show that significant progress has been made by GMS countries. In education, substantial improvements have been made in Cambodia, Lao PDR, Thailand and Viet Nam in terms of the net enrollment ratio in primary education. The largest advances in this regard have been in Cambodia (from 76% in 1997 to 91.9% in 2005) and Lao PDR (from 63% in 1990-1991 to 81.7% in 2004), although they have not made as much gains 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.

22. In health, Cambodia, Lao PDR and Viet Nam have made good progress in terms of reducing under-five mortality rate and infant mortality rate, as well as in increasing the proportion of one-year old children immunized against measles. The reduction in under five mortality and infant mortality rates have been impressive in the case of Cambodia and Lao PDR, although the 2005 levels are still much higher than in the PRC, Thailand and Viet Nam. Similarly, Cambodia and 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 TB prevalence rate is not available for all GMS countries for various periods, but 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.

23. The challenge to GMS countries is to sustain and make further advances in achieving the MDGs on a broad front. More particularly, there is scope to 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 Context of the GMS-SF

24. 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 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.

25. **These trends have continued and accelerated, bringing globalization and regional integration to a higher level.** Cambodia became a member of WTO in 2004, followed by Viet Nam in 2006. ASEAN+3 have progressed further, with many economic cooperation projects being approved and implemented. A "Framework Agreement on Comprehensive Economic Cooperation between ASEAN and the PRC" was signed in November 2002, shortly after the first GMS Summit, providing for the establishment of an ASEAN-China Free Trade Area (FTA) within 10 years of the Agreement, among other measures to enhance economic cooperation. 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 an FTA with the Republic of Korea by 2011 and with Japan by 2012 was envisaged.

26. Recognizing the emerging role of India as another economic powerhouse in Asia, ASEAN further signed a framework agreement with India for the establishment of an “ASEAN-India Regional Trade and Investment Area (RTIA)” 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, there have also been FTAs entered into or being negotiated among countries in East Asia, Southeast Asia and South Asia.⁶

27. These developments show that **the environment and context for GMS development has changed dramatically over the last several years** due to the acceleration of the process of globalization and regional economic integration. 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. There have also been significant changes within 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, as well as pose challenges to GMS countries.

28. In light of these developments, GMS could sharpen and expand its vision to enable it to take advantage of the opportunities that are being opened up and respond to the challenges they create. GMS is in a position to adopt a broader view of subregional cooperation to include inter-regional, regional and international perspectives. The successful steps taken towards the transformation of GMS into an integrated and robust economic zone provides it with 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, GMS is uniquely placed to systematically build and expand economic relations with ASEAN, North Asia and South Asia.

29. 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 India and the PRC, GMS countries will face strong competition with these burgeoning economies. Both of these countries have a large pool of labor and therefore, have a distinct cost-advantage in labor intensive activities. Under the circumstances, GMS countries must endeavor to further enhance their competitiveness, diversify their economies over time, and build alliances among themselves and 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 GMS to South Asia—economically and physically—is less developed but nevertheless offers enormous potential that could be secured to advance GMS growth and development.

30. Simultaneously, GMS has the opportunity to maximize its complementarities and strengthen its alliance with ASEAN. Considering that all of the GMS countries except the PRC

⁶ There has been a trend toward a proliferation and substantial overlapping of such FTAs from around 2001-2002, which has been exacerbated by the stalled negotiations in the WTO negotiations under the Doha Round.

are members of ASEAN, the GMS can benefit from, as well as contribute to ASEAN cooperation (see para. 86). For instance the “rule-based” agreements in ASEAN, which 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 toward accelerating the establishment of an ASEAN Community by 2015 is indicative of the potential benefits that the GMS can derive from ASEAN economic integration.

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

32. 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 US\$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 it is difficult to predict the direction and extent of future oil price movements, there are significant risks that 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.

33. Apart from international and regional developments, it would be important to explicitly consider changes within the GMS in the socio-economic 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, green house effects, 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.

IV. Assessment of the GMS Strategic Framework

A. Overview

34. 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 the 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 Ten-Year (2002-

2012) GMS Strategic Framework (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 Mekong subregion. The pragmatic, action-oriented and results-focused approach of the Program has enabled the 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

35. 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 the development of the subregion. This was affirmed by the Leaders of GMS countries during their Second Summit Meeting held in Kunming, Yunnan Province, PRC in 2005. It will, therefore, be necessary for the GMS-SF to maintain and sustain its focus on this vision and goals. In the meantime, it would be important to determine the progress of the GMS-SF in contributing to the achievement of these vision and goals, particularly in reducing poverty in the subregion.

1. Assessing Impact on Poverty

36. Since 1992, when the GMS Program started, poverty incidence in all GMS countries has declined significantly (see para. 19). A key question, however, is to what extent the GMS Program is contributing to the reduction in poverty in the subregion. Although trends in poverty incidence and other social indicators can be tracked readily (as in paras. 19-22 above), determining the impact of the GMS Program on these goals and objectives is a much more difficult exercise, as improvements in socio-economic indicators in the 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

37. The mechanisms and channels through which poverty could be reduced by investments in subregional infrastructure could be viewed at the “macro-“ and household levels.⁷ 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 owned by the household (e.g., transport infrastructure reduces costs to and from markets, raises the returns 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 due to the reduction in transport costs.

⁷ 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.

38. 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 are inconclusive regarding the effect of cross-border infrastructure on FDI, there is evidence that FDI flows induce further exports from the FDI-sending country to the FDI-receiving country.

39. Examining the mechanisms that could help in reducing poverty at the household level, Menon conducted a study of the socio-economic impact of road improvement in rural areas in 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 percent in 1997-1998 to 37.6 percent 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.”

40. Three case studies “Reviewing the Poverty Impact of Regional Economic Integration in the Greater Mekong Subregion” have been undertaken under an ADB regional technical assistance (RETA) covering border provinces in Cambodia, Lao PDR and Viet Nam.⁸ Although only preliminary reports are available at this time, these studies provide insights into the impact of regional integration (REI) on poverty and other aspects of development in border areas in the GMS. The studies⁹ found that poverty incidence is higher in “less integrated areas” compared to that in “more connected areas.” There is a positive correlation between standard of living and regional economic integration (REI), with people living nearer formal border crossing points and provincial centers being better off than those who reside in remote non-border 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 “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

⁸ 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 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.

⁹ 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.

are used to support family expenditures including those for education and health, as well as 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.

41. 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 becoming landless; and (vi) increased insecurity due to the rise in the crime rate. 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 that “...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 a 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

42. Available information suggests that **subregional cooperation and integration is helping the 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 as this time, as it has not been possible to make a quantitative assessment of the poverty impact of subregional cooperation and integration. Nevertheless, **there is scope for enhancing and sustaining the poverty impact of subregional cooperation and integration.**

43. **Firstly, 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, for example, would not have yielded benefits for the poor, if the complementary feeder and farm-to-market roads had not been provided.¹⁰ **Secondly, 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

¹⁰ In Lao PDR and Viet Nam, works on the main road arteries of the East-West Economic Corridor have catalyzed improvements in rural access roads within the Corridor.

process. **Thirdly, further measures are required to minimize and mitigate the adverse impact of subregional economic integration.** Indeed, there are costs and benefits 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, pre-emptive measures are necessary to address the potential negative “side-effects” of subregional integration (see para. 47). All of 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

44. The vision and goals of the GMS Program are envisioned 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

45. 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 non-physical 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.¹¹ To realize these objectives, the GMS Plan of Action in the transport sector consists of three major programs, namely: (i) improvement of major transport linkages in the East-West Economic Corridor, North-South Economic Corridor and Southern Economic Corridor (see map showing GMS corridors in Appendix 5); (ii) formulation, negotiation, adoption and implementation of a Cross-Border Transport Agreement (CBTA) among GMS countries; and (iii) transformation of the three corridors into full-fledged economic corridors. Subregional cooperation in the transport sector is being guided by the GMS Transport Sector Strategy Study (TSSS), which was adopted at the Tenth meeting of the Subregional Transport Forum (STF) held in Vientiane in March 2006.

46. 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 the 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, 1996 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.

- East-West Economic Corridor (EWEC): About 1,450 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 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 the reduction of 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; increase in FDI and joint ventures in Savannakhet Province much of which has been influenced by EWEC development; expansion in employment and income-generating opportunities; and improvement of access of rural students to secondary schools.
- North-South Economic Corridor (NSEC): Two different routes along the north-south axis of this corridor are (i) Kunming-Chiang Rai-Bangkok via Lao PDR or Myanmar route; and (ii) Kunming-Hanoi-Haiphong route. The Mekong bridge between Houei Sai on the Lao 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, a site for the bridge has been agreed upon by Lao PDR and Thailand. The Governments of the PRC and Thailand have further agreed to share in financing the cost of the bridge on a 50-50 basis. On the whole, 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 within 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 Non-Physical Barriers**: Another major achievement is the formulation, negotiation, conclusion and initial implementation of the CBTA at selected border crossing points.¹² The experience in the initial implementation of the CBTA at the Dansavanh-Lao Bao border crossing 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

¹² The 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.

cars, from two 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.

47. 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 the GMS corridors fully “operational”. Accordingly, it would be necessary to continue to identify and implement priority subregional transport projects based on the GMS TSSS.
- **Addressing constraints to CBTA implementation:** This requires (i) provision of capacity-building inputs in the border crossing points in the form of training, facilities and equipment; (ii) institutionalization and “mainstreaming” of the work of the National Transport Facilitation Committee in each GMS country; and (iii) facilitation of the formulation and approval of enabling laws needed for the full implementation of the CBTA.
- **Transforming transport corridors into economic corridors:** It would be necessary to establish an appropriate policy, regulatory and institutional framework for corridor development. Some efforts have been made in this direction for EWECE, including (i) preparation of a pre-investment study for the EWECE; and (ii) establishment of a GMS-BF Advisory Committee on EWECE in 2006. Much more needs to be done, however, to operationalize the strategy contained in the pre-investment study for EWECE. In addition, plans for the broader economic and social development of the other priority GMS corridors should be actively pursued.¹³
- **Addressing the negative impact of subregional transport projects:** Impact studies on a number of completed subregional transport projects have identified negative externalities, such as the transmission of communicable diseases like HIV/AIDS and Avian influenza, human and wildlife trafficking, and illegal logging, as threats arising from corridor development. Pre-emptive measures are necessary to contain and mitigate the potential negative “side-effects” of subregional transport projects.

47. The objectives of the GMS Program in the **energy sector** are: (i) to promote the development of regional power trade in the GMS to help in fully developing and utilizing the subregion’s energy potential; (ii) to facilitate the development of grid interconnection infrastructure through the construction of transmission lines that would interconnect the various GMS power systems; and (iii) to 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.

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

¹³ A development study of the NSEC is underway.

- **Establishing a policy and institutional framework for power trade:** This was accomplished through the formulation and ratification of an Intergovernmental Agreement on Regional Power trade (IGA), the establishment of a Regional Power Trade Coordination Committee (RPTCC) to oversee the formulation and adoption of regulatory, institutional and commercial framework for power trade in the GMS, and the initiation of activities under the “Memorandum of Understanding on the Guidelines for Implementation of the Regional Power Trade Operating Agreement (RPTOA) – Stage 1”: These initiatives have laid the foundation for the establishment of 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 on-going. Several proposed GMS power interconnection projects such those between Thailand and Viet Nam via Lao PDR, between Yunnan Province, PRC and Thailand via 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 GWh per year and foreign exchange earnings from exports of electricity to Thailand of around \$400 million over the period 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.

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

- **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 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 roadmap and an indicative timeframe in realizing milestones would help in managing the process and in facilitating movement from one stage to another.
- **Addressing social and environmental impact 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 (SEF) and the Working Group on Environment could be sustained and deepened to ensure that environmental considerations are built into the activities of the SEF and its sub-working groups.

50. 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: (i) to develop the subregional telecommunications backbone and the GMS information superhighway network; (ii) to 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) to reduce the “digital divide” between developed and less developed areas and contribute to poverty reduction efforts in GMS countries. GMS cooperation in the telecommunications sector is being coordinated by the Subregional Telecommunications Forum (STCF).

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

- **Developing the GMS telecommunications backbone:** The optical fibre interconnection of the telecommunications systems of the GMS countries is at its final stages, with the optical fibre 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.¹⁴
- **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 (IG) composed of telecommunications operators from the GMS countries was established in 2005 to promote the development of ISN. An ISN Steering Committee (SC) 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 IG led to the signing of an MOU for the “Planning and Construction of GMS Information Superhighway Network” at the Second GMS Summit.

52. The issues and challenges that need to be addressed to strengthen subregional cooperation in the telecommunications sector are as follows:¹⁵

- **Formulating and adopting a telecommunications development plan and strategy, with a corresponding Plan of Action:** 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 been mainly on completing the fibre optic links among GMS countries and establishing appropriate policy and regulatory frameworks. A GMS telecommunications development plan and strategy is needed to guide future cooperative efforts for the development of the telecommunications sector in the GMS.

¹⁴ ADB has provided technical assistance (RETA 6004) to Cambodia, Lao PDR and Viet Nam for “GMS Telecommunications Sector Policy Formulation and Capacity Building.”

¹⁵ “Subregional cooperation in telecommunications” could be renamed “subregional cooperation in information and communications technology (ICT)” in line with the thrust toward ISN development.

- **Promoting ICT in rural and remote Areas of the GMS:** All GMS countries agree that the promotion of ICT in rural and remote areas of GMS would help in their poverty reduction efforts and narrow the digital divide within their respective countries. It would be necessary to formulate and agree on a concrete work program with specific activities and timeframes to achieve practical results.
- **Reviewing the roles of the STCF, IG and SC:** The possibility of merging the IG and the SC could be looked into, as the role of the SC in coordination and resource mobilization could be performed by the STCF itself. There may also be advantages to be gained by having both public and private sector representatives in the IG. Alternatively, the STCF could be replaced by the SC, with the ISN being the core program for GMS telecommunications development.
- **Clarifying the role of development partners (DPs) in the telecommunications sector:** Due to the commercial character of activities in the telecommunications sector, most DPs do not attach 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 DPs 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 capacity-building.

2. Facilitating Cross Border Trade, Investment and Tourism

53. This strategic thrust of the GMS-SF involves the promotion and facilitation of intra-GMS (i.e., among GMS countries), as well as extra-GMS (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 through the promotion of 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 the promotion of trade and investment.

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

55. 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 in achieving the GMS-SF's vision and goals, the 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. Co-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 faced, and progress made to date and related capacity building activities. The Fifth Meeting of the TFWG is scheduled to be held in May 2007 to "fast-track" the implementation of the 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, it appears that there has been 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. It is necessary for the SIWG to consider the preparation of a strategic framework and a concrete plan of action for investment promotion and facilitation 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 of the GMS countries have reservations about merging the two working groups for the reason that there are different ministries or agencies 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 the CBTA and SFA-TFI, specifically on customs administration and quarantine inspection. The CBTA deals with facilitation of customs and immigration procedures at the border crossing points, while the SFA-TFI deals with the more general need for facilitation of customs procedures and requirements as a whole. There is a need to ensure that the two sets of activities are closely coordinated and integrated to the extent possible. More specifically, key officials who are 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 on a regular basis to update each other on related activities and to highlight areas that need to be acted upon jointly.
- **Strengthening the work of TFWG and SIWG:** As regards the TFWG, the possibility of moving its secretariat from ADB's headquarters in Manila to ADB's resident mission in Thailand may be considered, as (i) it would bring the focal point for trade facilitation nearer to the GMS, especially to the strong and dynamic domestic and foreign private sector in Thailand; and (ii) it would also bring the work of the TFWG closer to the GMS-BF. For the SIWG, the following options could be looked into: (i) designating the GMS-BF as the secretariat of SIWG, with SIWG membership being expanded to include representatives from the private sector, subject to an appraisal of GMS-BF's preparedness and capability to

assume the proposed secretariat function; or (ii) examining whether there is still a need to retain the SIWG, considering the GMS-BF's role in investment promotion and facilitation.

56. 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 to 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 2005 to broaden the thrust of subregional cooperation in the tourism sector: (i) marketing and product development; (ii) human resource development; (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.

57. 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 in putting 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 completed¹⁶. Spearheaded by the TWG, a substantial subregional cooperation agenda has been pursued since 1993, including promotional campaigns exemplified by the "Jewels of the Mekong" project that was started in 1996 and the "GMS Destination Marketing Program" that was initiated in 1997. A principal component of the latter Program is the Mekong Tourism Forum (MTF) which was held annually from 1996 to 2005 in collaboration with the Pacific Asia Travel Association (PATA) with financial assistance from the ADB and 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 (TAT) and small contributions from the GMS countries. To further strengthen ownership, 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 support a Project Coordination Manager for MTCO to work on the development of priority projects under the Tourism Sector Strategy Study, commencing in April 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.
- **Implementing the GMS Tourism Sector Strategy Study:** GMS countries have been working on various tourism projects in the last few years. Cambodia is in the process of establishing a tourism institute in Phnom Penh. Lao PDR has organized a training workshop on heritage management. Viet Nam has developed tourism occupational standards. Thailand has improved tourism facilities within 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 Lao PDR, Bagan in Myanmar, Sukhothai in Thailand, Hue in Viet Nam, and Guilin and Lijiang in the

¹⁶ ADB, Summary of Proceedings of the 15th Meeting of the Tourism Working Group, March 2004.

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 the development of 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.

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

- **Prioritizing Proposed Projects:** The TSS identified 29 projects, of which 13 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 the proposed 29 projects at the same time may not be a practicable approach. It will, therefore, be necessary to prioritize the proposed projects and to prepare an action plan based on the identified priorities.
- **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 the GMS countries. The initial operational expenses of MTCO have been financed from contributions from each GMS country. It is not clear how long this funding arrangement could be sustained. Ways and means need to be found for MTCO to raise funds from the private sector and make its operations self-financing. In order to successfully develop and market GMS as a single destination, it would be necessary for MTCO to streamline its administrative and communication procedures, as well as to 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:** The facilitation of 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 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 for the implementation of the Scheme. Pilot-testing of the Scheme was scheduled to commence in the last quarter of 2006, but this has been delayed due to some pending issues. It would be necessary for MTCO to closely monitor the progress of the discussions between Cambodia and Thailand on the Scheme and endeavor to assist in the resolution of the outstanding issues, so that pilot-testing of the Scheme could commence as soon as possible.
- **Energizing the Annual Mekong Tourism Event:** The Mekong Tourism Forum (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, PATA recommended that the concept and approach to the organization of the MTF be rethought, and the GMS countries agreed that some alternative form of it should be continued and re-energized. In this regard, the First Mekong Tourism Investment Summit

was held in March 2006 back-to-back with the 17th TWG meeting. Among the suggestions that could be revisited by the TWG to re-energize 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 the National Tourism Organizations (NTOs).

59. **Subregional cooperation in agriculture** was not a 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 GMS 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), which was established in 2003, formulated a strategic framework for subregional cooperation in agriculture and a core agriculture support program (CASP) covering 2006-2010. The CASP was endorsed by the GMS Agriculture Ministers during their meeting in Beijing in April 2007. The CASP is composed of five program components, namely: (i) facilitating cross-border agricultural trade and investment¹⁷; (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.

60. 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 the 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, bio-safety 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, bio-fuel and rural electrification), telecommunications (application of ICT for agricultural supply chain management, capacity building, research and extension services), and human resource development (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

61. 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 environment for private sector investments in the GMS.

62. 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. Efforts were, therefore, taken early on in the GMS Program to initiate and expand the participation of the Chambers of Commerce

¹⁷ Contract farming is one of the priority projects under the CASP, as this has the potential to provide substantial benefits to small farmers.

of GMS countries in the Program. Road shows were conducted in Japan, Republic of Korea, and Europe to promote private sector investments in GMS countries. The former 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, significant scope remains for increasing and enhancing private sector participation in GMS development.

63. 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 the SFA-TFI in 2005. The GMS-BF is an independent, non-government 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.

64. The 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 EWC development, mining opportunities in 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. The GMS-BF has set up a GMS website and compiled a Business Handbook and directory of SMEs in the GMS. In 2006, the board of GMS-BF was expanded to include corporates. The initiatives that have been taken to strengthen the GMS-BF need to be maintained and accelerated. It will take some time before the GMS-BF could become something like the ASEAN Chamber of Commerce and Industry due to the continued weakness of the private sector in some of the GMS countries. Nevertheless, there is sufficient rationale and scope for strengthening the 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, the GMS-BF could endeavor to 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 the 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 the GMS-BF in the 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 in clarifying 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 eventually make its operations self-sustaining over the longer term. 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.

65. A **regional guarantee facility** has been proposed to promote private sector investments in the GMS. It was discussed during the GMS Business Forum held in conjunction with the

Second GMS Summit. It was also discussed at the Tokyo Mekong Development Forum and at the Fifth 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 proposed facility, as this facility has the potential to overcome a major constraint in private financing of commercial as well as infrastructure projects in the GMS.

4. Developing Human Resources

66. This strategic thrust of the 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. GMS cooperation in HRD is being coordinated by a GMS Working Group on HRD (WGHRD) established in 1996.

67. 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 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 thinking 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 France and PRC.
- **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, and 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, PRC is on-going. Moreover, a major Regional Communicable Diseases Control (CDC) Project covering Cambodia, Lao PDR and Viet Nam commenced 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 Programme 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 programme which covered the PRC and Myanmar initially and subsequently, also Lao PDR and Viet Nam.

68. The following Issues and challenges need to be addressed to strengthen the effectiveness of subregional cooperation in HRD:

- **Clarifying Strategic and Program Focus of Subregional Cooperation in HRD:** Although on-going 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. It has not been easy to formulate and agree on a comprehensive framework for GMS cooperation in HRD due to the complexity and diversity of education, health and labor issues in the subregion. Nevertheless, the formulation of a GMS strategic framework and concrete plan of action 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 endeavored to firm-up its role in coordinating the GMS Program in HRD, but these efforts have been met with many difficulties. Firstly, there is no "natural home or champion" for GMS HRD concerns, as there are three ministries or groups of ministries involved in the WGHRD, namely: those in education and training, health and labor. Secondly, representation of these ministries in the WGHRD has changed frequently, thus leading to a lack of continuity. There is a need to review the institutional arrangements in the subregional program on HRD to improve their contribution to the HRD thrust of the GMS-SF. The possibility of restructuring the WGHRD along the following lines could be considered: (i) establish three sub-groups under the umbrella of the 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.¹⁸ Given the growing importance of labor issues in the GMS for both sending and receiving countries, it may be advisable to consider having a sub-group dealing with such issues. The possibility of other DPs providing secretariat support to some of the 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 the GMS countries have increased the importance of addressing labor-related issues, such as labor migration, labor standards, human trafficking, skills competencies and standards, and protection of migrant workers, through subregional cooperation. 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 given more emphasis, with either the World Bank and/or the International Organization for Migration (IOM), possibly taking the lead. The World Bank has identified labor migration as one of the areas it would

¹⁸ A Regional Workshop on Communicable Diseases Surveillance and Response, which was 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 CDC, but the Forum could also take up other health-related cross border issues.

support under its proposed strategy of assistance to the Mekong subregion (World Bank 2006a).¹⁹ The IOM has also expressed interest in cooperation on labor migration issues in the GMS.

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

69. This strategic thrust of the GMS-SF is directed toward ensuring that environmental concerns are adequately addressed in cross-border initiatives and properly integrated in the subregion's economic development efforts. To achieve this goal, a number of subregional program activities supported by ADB regional technical assistance (RETAs) were implemented from 1994-2004, including (i) Subregional Environmental Information and Monitoring System (SEMIS) Phases I and II; (ii) Strategic Environment Framework (SEF) 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. GMS cooperation in environment has been spearheaded and coordinated by the GMS Working Group on Environment (WGE).

70. In 2005, the GMS countries launched a ten-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 Second GMS Summit. The CEP aims to: (i) secure critical ecosystems and environmental quality in the GMS economic corridors; (ii) ensure that investments in key sector such as hydropower, transport and tourism are made in a sustainable manner; (iii) conserve biodiversity within 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 Working Group on Environment (WGE) in implementing the CEP.

71. Major progress has been achieved in this area of cooperation in terms of laying the foundation for the implementation of 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:** The GMS cooperation in environment can be credited not only with raising the awareness of the GMS countries about the urgency of environmental issues and challenges in the subregion, but also about the need to jointly address subregional environmental concerns on the basis of close cooperation and collaboration. The GMS countries share many natural resources and sensitive eco-systems, and the environmental impact of development in one area extend beyond national boundaries. Hence, a subregional approach to environmental conservation and management is imperative. The GMS Program also enabled the GMS countries to initiate and pursue subregional cooperation initiatives in environment on a systematic and more coordinated basis.

¹⁹ The World Bank has completed the first phase of a GMS Labor Migration Program which is aimed at improving knowledge of labor migration issues in the GMS, raising awareness of these issues at the highest levels of policy making, and strengthening the capacity of governments and development partners to refine and implement a regional system to facilitate and regulate labor migration (World Bank 2006b).

- **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 commencement of the subregional cooperation program and has been generally sustained since then. In this regard, institutions such as the United Nations Environment Programme (UNEP), 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 implemented by the WGE.
- **Launching and Mobilizing Resources for CEP:** Robust economic growth, as well as expanding subregional investments in such sectors as transport, energy and tourism has accentuated the need for ensuring 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 beginning in 2006. The Environment Operations Center (EOC) was established in Bangkok in April 2006 to serve as the secretariat of the WGE for CEP implementation. 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 three years of operation is estimated to cost \$36.11 million and is being financed from various sources.

72. 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 part of the year-end agenda of WGE meetings.

- **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 the GMS countries to address major environmental concerns in the subregion.

D. Cross-Cutting Issues and Challenges in GMS-SF Implementation

73. There are issues and challenges that 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 that such cross-cutting issues and challenges be addressed. This part of the Review discusses these cross-cutting concerns and indicates possible ways of dealing with them.

1. Recognizing Different Levels of Development of GMS Countries

74. 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 constrains the pace of cooperation, because some of the 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 on-going 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, one of the key objectives of subregional cooperation is to help less developed GMS countries benefit fully from regional economic dynamics and to further enable them to integrate their economies with those of the region and the global economy. Giving special attention to the less developed GMS countries will enable them to benefit from, as well as to contribute to subregional cooperation and integration.

2. Promoting Greater Ownership and Broad-based Participation

75. 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 GMS 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 GMS Program. The GMS countries feel that the ADB should continue to perform this role at least for the remaining period of the GMS-SF. 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 which has helped in ensuring continuity and cumulative progress toward the vision and goals of the 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 it would be not be advisable to ask them to take on new subregion-wide responsibilities 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 (see para. 88).

76. 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. There is no doubt about the ownership of the GMS Program by GMS governments at the highest level. This has been aptly manifested and confirmed by the high level meetings of GMS—two 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 central to local authorities. It would, therefore, be necessary to enhance coordination among government agencies in the GMS countries at both the national and local levels. Furthermore, there is a need to broaden the participation and support of civil society—especially local communities—to the GMS Program, and thus make the GMS Program more inclusive.

3. Enhancing Resource Mobilization and Donor Coordination

77. The estimated requirements for financing major GMS infrastructure projects in the next ten years (around \$30 billion) far exceed the amount that could 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.

78. There has been some additionality of resources for the GMS Program in the form of private sector investments, particularly in two hydropower projects in Lao PDR cited in para. 50 above. Moreover, there is now a larger number of GMS Development Partners compared to 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, WHO, UNDP, UNEP and many other UN specialized agencies.

79. As of December 2006, financing for priority GMS projects amounting to US\$6.9 billion has been mobilized for GMS projects, with the amount mobilized increasing by 60 percent between 1994-1999 and 2000-2006 (Table 2).²⁰ Of the total amount mobilized, the GMS countries contributed 31.7 percent; ADB, 28.8 percent; and co-financing sources, 39.5 percent. Financing for technical assistance projects more than doubled between 1994-1999 and 2000-2006, with the amount of co-financing increasing four times between these periods. More than 90 percent of such co-financing was for advisory technical assistance projects, the main focus of which was in capacity building and policy support.

²⁰ It should be noted that these financial resources were those mobilized directly through the GMS Program with the participation of the 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 the GMS governments either by themselves or together with other official sources. Financing for these projects is estimated at around \$2 billion.

**Table 2: Resources Mobilized for GMS Programs and Projects
as of 31 December 2006**
(In Million US Dollars)

A. Loan-Funded Projects, by Sector

SECTOR	1992-1999				2000-2006				1992-2006			
	ADB	Govt	Co-Fin	Total	ADB	Govt	Co-Fin	Total	ADB	Govt	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	Govt	Co-Fin	Total	ADB	Govt	Co-Fin	Total	ADB	Govt	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

^aProject Preparatory Technical Assistance

^bAdvisory Technical Assistance

C. Loan-funded and Technical Assistance Projects

	1992-1999				2000-2006				1992-2006			
	ADB	Govt	Co-Fin	Total	ADB	Govt	Co-Fin	Total	ADB	Govt	Co-Fin	Total
1. LFPs ^c	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. TAPs ^d	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

^cLoan-funded Projects

^dTechnical Assistance Projects

Source: Southeast Asia Regional Department, Asian Development Bank

81. To help in resource mobilization, coordination among Development Partners has been strengthened and institutionalized. The formulation and adoption of the GMS-SF in 2002 was intended to help in this process. Other measures taken included: (i) initiation of the Development Partners' Meeting (DPM) in 2002 as part of GMS Ministerial Conferences to engage development assistance agencies as active partners in the GMS Program; (ii) preparation and dissemination of a web-based GMS Development Matrix (DM) 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 (MDF) to promote support to GMS development in Paris (June 2004), Tokyo (July 2005), New Delhi (November 2005), Singapore (March 2006) and Stockholm (April 2006).

82. 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 of a GMS Development or Infrastructure Fund whose capital could come in the form of contributions from governments and multilateral and bilateral development institutions; and (ii) establishment of a subregional guarantee mechanism to promote GMS trade and investments (see para. 66).

4. Linking-Up More Closely with Other Regional Initiatives

83. There are several regional and subregional initiatives in the Mekong subregion that cover several matters being addressed by the GMS Program. These include ASEAN, ASEAN-Mekong Basin Development Cooperation (AMBDC), Forum for the Comprehensive Development of Indochina (FCDI), Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy Strategy (ACMECS), Cambodia-Lao PDR-Myanmar-Viet Nam Initiative for ASEAN Integration (CLMV-IAI), Bay of Bengal Initiative for Multisectoral Technical Cooperation (BIMSTEC), and those under the Mekong River Commission (MRC). Avoiding duplication and ensuring complementarity among various subregional initiatives has been a continuing concern of the GMS countries. Accordingly, steps have been taken to ensure close coordination and avoid duplication with 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.

84. 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. Inter-agency committees have also been established to ensure close coordination and avoid duplication among on-going subregional initiatives. Supported by ADB technical assistance, Viet Nam is carrying out measures to improve coordination among all regional programs it is involved in. Nevertheless, some concerns continue about overlapping activities of on-going subregional initiatives. The GMS-SF was envisaged to be a means for facilitating collaboration and assisting in avoiding duplication of efforts among various initiatives. However, it is necessary to continue efforts to ensure that the GMS-SF is seen as "the backbone" program for GMS development.

85. Coordination with ASEAN is critically important, as (i) all of the 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 (see para. 30). 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

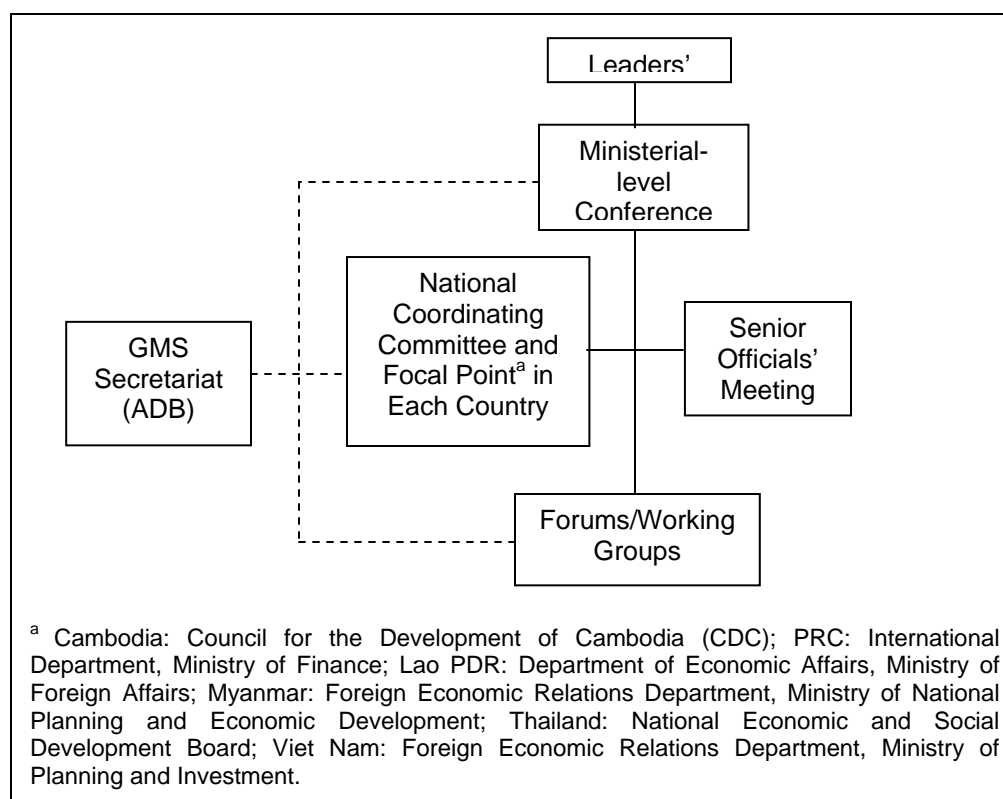
who are also members of ASEAN; facilitating the freer movement of people and goods among GMS countries through the CBTA; helping build capacity in Cambodia, Lao PDR, Myanmar and Viet Nam; and serving as a gateway of ASEAN to the PRC. Agreements covering various areas of cooperation have been signed in ASEAN. The 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.

86. Although the GMS Program's linkage with the MRC has improved in recent years, there still seems to be a concern that some of the GMS activities duplicate responsibilities that have been mandated to MRC, particularly those impinging on Mekong basin development. Moreover, since only four GMS countries in the lower Mekong basin are members of MRC,²¹ closer linkage between MRC and the GMS Program is necessary, so that a basin-wide view of Mekong development, i.e., upstream and downstream, can be operationalized. Under the Partnership Arrangement between the ADB and 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 MRC complement each other.

5. Strengthening Organizational Effectiveness

87. The GMS Program has been pursued through an institutional arrangement consisting of: (i) at the political level, a GMS Leaders' Summit; (ii) at the policy level, a Ministerial-level Conference supported by a Senior Officials' Meeting (SOM); and (iii) at the project and operational level, sectoral forums and working groups (Figure 2). A national interministerial

Figure 2: GMS Institutional Structure



²¹ The PRC and Myanmar are Dialogue Partners and not yet regular members of the MRC.

committee, assisted by a designated focal point or national secretariat, coordinates GMS Program activities within 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 the GMS countries.

88. On the whole, these arrangements have provided an adequate administrative framework for the implementation of 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 be considered to take into account the changing context of the GMS Program, increase the role of the GMS countries in the implementation of 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;
- Enhancing the role of Forums and Working Groups²² in the preparation of action plans, monitoring and resolution of implementation issues that are brought to their attention;
- Substantially maintaining the existing institutional arrangements for the second half of the GMS-SF's implementation period, 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 wherever there is willingness and capacity, as well as consensus among the GMS countries.
- Progressively developing separate secretariat support to GMS Forums and Working Groups, similar to the arrangements for the TWG (through AMTA initially and subsequently, MTCO) and the WGE (through the GMS secretariat initially and subsequently, EOC);
- 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 the 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?).

²² GMS Forums and Working groups perform essentially the same role and responsibilities. Accordingly, GMS "Forums" could be renamed "Working Groups" to avoid any misunderstanding regarding their activities.

V. Conclusions and Recommendations

A. Overall Assessment

89. 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 the 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.

90. The GMS-SF remains valid and serves as a good basis for moving forward in the next five 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 the GMS countries regarding the role of the GMS Program in the development of the subregion. The GMS-SF complements national development efforts of the 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 GMS economic cooperation program. However, there is scope to further broaden the stance of the GMS Program with respect to inter-regional, 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 the implementation of the GMS-SF in the coming years.

91. The GMS Program has clearly made very good progress in the “hardware” aspects of cooperation involving the first strategic thrust of the GMS-SF. However, more is required in the “software” components²³ of cooperation under the four other thrusts of the GMS-SF, 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 placed substantial emphasis on 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

92. Placing more emphasis on the “soft” aspects of subregional cooperation will be critical to the achievement of the goals and objectives set forth in the GMS-SF. Firstly, 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. Secondly, 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

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 non-physical 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 “Development Vision for Cross Border Region,” International Development Center of Japan, March 2001 cited in ADB 2007; and “A Critique of ADB Policies Towards the Greater Mekong Sub-Region” in Oehlers 2006.

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 about the development of subregional infrastructure, as there are huge unmet needs for infrastructure investments in the GMS. 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.

93. 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

94. The progress achieved in implementing the GMS-SF indicates that subregional cooperation has been an effective mechanism for the development of the GMS. However, much remains to be done. In this regard, the following cross-cutting 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.

95. The Review puts forward recommendations that could help in addressing these concerns and in improving 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.

96. In conclusion, although there are continuing issues and challenges to GMS development, there are also unprecedented opportunities being opened up by both the progress achieved in regional cooperation within the Mekong, 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.

Table 3: Summary of Recommendations

Conclusions/Findings Issues/Challenges	Recommendations
<p>A. <u>Overall Strategy and Program</u></p> <ul style="list-style-type: none"> • GMS-SF is still relevant and applicable, but scope exists for fine-tuning and some shifts 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. 	<ul style="list-style-type: none"> • Maintain GMS-SF, but broaden its stance on inter-regional, 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 to implementation of subregional activities in (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 independent review of the GMS Program; formulate a new GMS Plan of Action (POA) that (i) is consistent with the POAs of the Forums and Working Groups; and (ii) incorporates results expected, indicators of performance and progress; timeframe for implementation; and institutions responsible for implementation and coordination.
<p>B. <u>Poverty Impact</u></p> <ul style="list-style-type: none"> • Subregional cooperation is contributing to poverty reduction in the GMS, although the scope and scale of this contribution could not be quantified at this time; there is a need for additional measures to enhance, maximize and sustain the contribution of subregional cooperation to poverty reduction. 	<ul style="list-style-type: none"> • 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. • Further strengthen 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; highlight and replicate positive results of GMS poverty reduction projects.

Conclusions/Findings Issues/Challenges	Recommendations
<p>C. <u>Issues and Challenges</u></p> <ul style="list-style-type: none"> Recognizing Different Levels of Development of GMS Countries 	<ul style="list-style-type: none"> 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.
<ul style="list-style-type: none"> Promoting Greater Ownership 	<ul style="list-style-type: none"> GMS countries to 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 also recommendations on institutional arrangements). 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.
<ul style="list-style-type: none"> Broadening Participation and Support 	<ul style="list-style-type: none"> Improve in-country linkages and coordination among government agencies involved in the GMS Program at 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.

Conclusions/Findings Issues/Challenges	Recommendations
<ul style="list-style-type: none"> Enhancing Efforts to Promote Private Sector Participation 	<ul style="list-style-type: none"> Continue to strengthen the role of the GMS-BF; make the GMS-BF a regular member of TFWG and SIWG; invite 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 a proposed "GMS Investment and Trade Guarantee Facility."
<ul style="list-style-type: none"> Enhancing Resource Mobilization and Donor Coordination Efforts 	<ul style="list-style-type: none"> Explore and develop additional means of resource mobilization from both official and private sources, including (i) setting up of a GMS Infrastructure Fund; and (ii) establishment of a GMS guarantee facility (see above). Continue measures and initiatives to improve donor coordination for GMS development, including free and continuing flow of information to development partners (DPs), conduct of MDF and regular consultations with DPs, and dissemination of the GMS Development Matrix.
<ul style="list-style-type: none"> Improving Coordination with Other Regional and Subregional Initiatives 	<ul style="list-style-type: none"> 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 whenever feasible and practicable on a pilot basis; serve as a link between ASEAN and the PRC in areas of common interest, where possible. Review and strengthen implementation of the provisions of the Partnership Arrangement between MRC and ADB regarding cooperation in the GMS.

Conclusions/Findings Issues/Challenges	Recommendations
<ul style="list-style-type: none"> Strengthening Institutional Mechanisms and Arrangements 	<ul style="list-style-type: none"> Further strengthen the capacity of national focal points; improve in-country coordination in the sectors and areas of cooperation; continue holding regular meetings of national focal points of the GMS countries. Further strengthen the role of GMS Forums and Working Groups, particularly in the preparation of strategic frameworks, action plans, monitoring and resolution of implementation issues; Where feasible, establish separate secretariats for forums and working groups in GMS countries (ala the 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. .
<p>D. <u>Sectoral/Thematic Programs</u></p> <p>1. <u>Transport</u></p> <ul style="list-style-type: none"> Need to sustain progress in physical connectivity. Need to ensure the successful implementation of the CBTA. 	<ul style="list-style-type: none"> Continue to improve physical connectivity in the GMS by identifying and implementing priority projects in the GMS TSSS. Expedite ratification of the 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.

Conclusions/Findings Issues/Challenges	Recommendations
<ul style="list-style-type: none"> • Need to transform transport corridors into economic corridors. • Need to address the negative impact of subregional transport projects. 	<ul style="list-style-type: none"> • Help facilitate formulation and approval of enabling laws needed for CBTA implementation. • Continue and intensify efforts in the EWEK to promote trade, investment and tourism; initiate planning for the other priority GMS corridors. • Take timely and effective measures to mitigate the negative impact of subregional transport projects.
<p>2. <u>Energy</u></p> <ul style="list-style-type: none"> • Need for a roadmap for developing a regional energy market to systematically manage the process and address complex technical policy and institutional issues. • Need to effectively address the social and environmental impact of hydropower projects. 	<ul style="list-style-type: none"> • Consider and endorse a roadmap for developing the regional energy market with indicative timeframes and milestones. • Consider social and environmental impact 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.
<p>3. <u>Telecommunications</u></p> <ul style="list-style-type: none"> • Need to have a region-wide telecommunications strategy and action plan. • Need to address organizational issues, including reviewing the role of the Subregional Telecommunications Forum (STF) and providing clear mandate to subregional cooperation in the telecommunications sector. • Need to define a work program for promoting ICT in rural and remote areas in the GMS. 	<ul style="list-style-type: none"> • Prepare a GMS telecommunications development strategy and plan to guide future efforts in GMS telecommunications development, building on initiatives being taken for ISN development in the GMS. • Consider the following options: merge the ISN Implementing Group (IG) and the ISN Steering Committee (SC) and have the STF perform the functions of the SC; or replace the STF with the SC, with the ISN becoming the core program for GMS telecommunications development. • Formulate concrete program of cooperation for promoting ICT in rural and remote areas in the GMS.

Conclusions/Findings Issues/Challenges	Recommendations
<p>4. <u>Tourism</u></p> <ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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 and administrative procedures, 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 the resolution of outstanding issues to the extent possible; inform the non-pilot GMS countries about 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 NTOs; and (v) increasing co-sponsorship arrangements.
<p>5. <u>Environment</u></p> <ul style="list-style-type: none"> • Need to implement CEP effectively and to closely monitor and evaluate progress of CEP components. • Need to clarify allocation and use of resources. • Need to expand and deepen engagement with civil society. 	<ul style="list-style-type: none"> • 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; highlight results that clearly demonstrate the political will of GMS countries to address major environmental concerns in the GMS.

Conclusions/Findings Issues/Challenges	Recommendations
<ul style="list-style-type: none"> • Need to strengthen the clout and influence of the WGE. • Need to strengthen the role of EOC. 	<ul style="list-style-type: none"> • 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.
<p>6. <u>Human Resource Development</u></p> <ul style="list-style-type: none"> • Need to clarify strategic and program focus. • Need to strengthen institutional arrangements and support to WGHRD. • Need to pursue cooperation on labor migration issues. 	<ul style="list-style-type: none"> • 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, SME development). • Consider (i) constituting three sub-groups under the WGHRD—education (skills development), health and labor—with the possibility of secretariat support being provided by other DPs; 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.
<p>7. <u>Agriculture</u></p> <ul style="list-style-type: none"> • Need to mobilize resources for CASP implementation. • Need to enhance coordination with large number of development partners and subregional/regional initiatives. 	<ul style="list-style-type: none"> • Leverage initial funding commitment from ADB to mobilize support from other DPs. • Ensure that sufficient resources in terms of secretariat support and related services are made available for coordination purposes; clarify the role of participating institutions in CASP implementation.

Conclusions/Findings Issues/Challenges	Recommendations
<ul style="list-style-type: none"> • Need to promote and maintain strong ownership. 	<ul style="list-style-type: none"> • Encourage active participation of GMS country representatives in meetings of the WGA; organize separate workshops to discuss technical papers and issues, focusing WGA discussions on cooperation policy and programmatic issues.
<p>8. Trade and Investment</p> <ul style="list-style-type: none"> • Need to expedite implementation of the SFA-TFI. • Need to prepare strategic framework and action plan for investment promotion and facilitation. • Need to ensure coordination between the SFA-TFI and CBTA. • Need to enhance coordination with other regional initiatives, especially ASEAN. • Need to strengthen the work of the TFWG and SIWG, as well as to improve coordination between them. 	<ul style="list-style-type: none"> • Accelerate implementation of key activities under the SFA-TFI; review target dates in the SFA-TFI to ascertain if they are still realistic and feasible. • Prepare strategic framework and action plan for investment promotion and facilitation 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, make arrangements for cross-attendance. • Consider the possibility of moving secretariat support to the TFWG from ADB’s headquarters in Manila to its resident mission in Thailand. • Examine the following options: (i) designate GMS BF as secretariat of SIWG and include private sector representatives as members of SIWG; or (ii) determine whether there is still a need to retain the SIWG, considering the GMS-BF’s role in investment promotion and facilitation.



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 infrastructure 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

1. 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).
2. 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.
3. 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

4. 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 evolvement 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.
5. 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.
6. 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.

7. 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

8. 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.
9. 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.
10. 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.
11. 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.
12. 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

13. 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

14. 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.
15. 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.
16. 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.
17. 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.
18. 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 sub-regional 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 sub-region.

➤ Improving Trade and Investment Environment

19. 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.

20. 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.
21. 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**

22. 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.
23. 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.
24. 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.
25. 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.

26. 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.
27. 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.
28. 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.
29. 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**

30. 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.

31. 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.
32. We look forward to meet again at the 3rd GMS Summit in Lao PDR in 2008.
- 33. 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.**

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

Item	Cambodia	China, People's Republic of	Lao PDR	Myanmar	Thailand	Viet Nam
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
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 (\$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 ^e	—	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 Arrivals ^b						
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

Item	Cambodia	China, People's Republic of	Lao PDR	Myanmar	Thailand	Viet Nam
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 ^c						
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, 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 Data for PRC include only tourist arrivals for Guangxi Zhuang Autonomous Region and Yunnan Province.

^c 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.

^d Refers to Jan to June 2006 data only

^e FDI net inflows based on Balance of Payments
FDI for Lao PDR refers to gross FDI

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

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 (percent)	39.0	(1993)	31.3 ^a	(1990)	48.0	(1990)	—		27.2	(1990)	58.1 ^a	(1993)
Indicator 2. Poverty gap ratio (percent) ^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 (percent)	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 (percent)	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 (percent)	20.0 ^c	(1993)	17.0	(1990)	31.0	(1990)	30.8	(1997)	6.9 ^c	(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 (percent)	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 (percent)	58.0	(2001)	86.0	(1990)	47.7	(1991)	24.5	(1990)	—		40.0 ^d	(1990)
Indicator 8. Youth literacy rate (percent)	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 (percent)												
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)	—		66.0 ^e	(1991)	93.6	(1990)	97.0	(1991)	88.0 ^e	(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 (percent)	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)

Goal/Target/Indicator	Earliest/Benchmark											
	Cambodia		China, People's Republic of		Lao PDR		Myanmar		Thailand		Viet Nam	
(percent)												
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-five mortality rate												
Indicator 13. Under-five 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)
Indicator 15. Proportion of 1 year old children immunized against measles (percent)	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	(1990, urban)	36.2	(1990)	249.0	(1990)
							190.0	(1990, rural)				
Indicator 17. Proportion of births attended by skilled health personnel (percent)	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 (percent)	2.5	(1998)	—		—		2.7	(1992)	0.0	(1990)	—	
Indicator 19. Condom use as a percentage of those using contraception (percent) ⁹	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)	—	

Goal/Target/Indicator	Earliest/Benchmark											
	Cambodia		China, People's Republic of		Lao PDR		Myanmar		Thailand		Viet Nam	
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 (percent)	57.0	(2002)	15.0	(1995)	24.0	(1996)	38.0	(1990)	5.0	(1997)	30.0	(1995)
b. Treatment success rate (percent)	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 (percent)	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 (percent)	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. CO ₂ emissions and consumption of ozone-depleting CFCs												
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 (percent)	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. Percent 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. Percent of population with access							36.0	(1990)			29.0	(1990)

Goal/Target/Indicator	Earliest/Benchmark					
	Cambodia	China, People's Republic of	Lao PDR	Myanmar	Thailand	Viet Nam
to improved sanitation						
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. Percent of households with access to secure tenure	15.0 (2000)	—	—	—		36.5 ^h (1993)
a. Urban					87.8 (1990)	
b. Rural					96.0 (1990)	
Goal 8. Develop a global partnership for development						
Target 15. Deal comprehensively with the debt problems of developing countries through national and international measures in order 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 (percent)	—	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 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)	0.01 (2000)	0.05 (1994)	0.01 (1998)

— = 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 non-food items.

^b Refers to the mean distance separating the population from the poverty line (with the non-poor 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 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.

^h 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.

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	
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)	16.6 ^a	(2001)	32.7	(2003)	26.6	(2001)	9.8	(2002)	24.1 ^a	(2004)
Indicator 2. Poverty gap ratio (percent) ^b	6.5	(1999)	0.7	(1998)	8.0	(2002)	6.8	(2001)	2.4	(2002)	4.7	(2004)
Indicator 3. Share of poorest quintile in national consumption (percent)	7.0	(2005)	4.7	(2001)	8.5	(2002)	—		4.2	(2002)	7.8	(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 (percent)	—		14.3	(2002)	30.0	(2005)	31.8	(2003)	8.6	(2002)	26.6	(2004)
Indicator 5. Proportion of population below minimum dietary energy consumption (percent)	19.7 ^c	(2004)	11.0	(2000)	29.0	(1998)	—		2.2 ^c	(2002)	7.8	(2004)
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 (percent)	91.9	(2005)	98.7	(2003)	81.8	(2003)	84.5	(2005)	80.4	(1998)	97.5	(2005)
Indicator 7. Proportion of pupils reaching grade 5 (percent)	59.2	(2005)	98.0	(2000)	62.0	(2001)	74.5	(2005)	—		99.8 ^d	(2004)
Indicator 8. Youth literacy rate (percent)	83.4	(2005)	97.9	(2001)	78.5	(2001)	96.5	(2005)	98.0	(2000)	94.5	(2002)
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 (percent)												
a. In primary education	89.5	(2005)	89.0	(2003)	84.9	(2003)	98.4	(2004)	93.0	(2000)	90.8	(2004)
b. In secondary education	77.0 ^e	(2005)	88.0	(2003)	76.0 ^e	(2003)	95.8	(2004)	101.0	(2000)	91.6 ^e	(2004)
c. In tertiary education	45.6	(2005)	—		62.0	(2003)	151.6	(2004)	115.0	(2001)	98.0	(2004)
Indicator 10. Ratio of literate females to males, aged 15–24 (percent)	90.0	(2005)	99.0	(2000–2004)	85.0	(2002)	101.4	(2004)	100.0	(2000–04)	99.0	(2002)

Goal/Target/Indicator	Latest											
	Cambodia		China, People's Republic of		Lao PDR		Myanmar		Thailand		Viet Nam	
Indicator 11. Share of women in wage employment in the nonagricultural sector (percent)	53.5 ^f	(2005)	39.4	(2002)	—		—		46.9	(2003)	51.8	(2003)
Indicator 12. Percentage of seats held by women in national parliament	17.1	(2005)	20.0	(2005)	23.1	(2005)	—		9.6	(2001)	27.3	(2005)
Goal 4. Reduce child mortality												
Target 5. Reduce by two thirds, between 1990 and 2015, the under-five mortality rate												
Indicator 13. Under-five mortality rate (per 1,000 live births)	82.0	(2005)	25.0	(2004)	106.9	(2000)	66.6	(2003)	16.9	(1998)	31.5	(2004)
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)	18.0	(2004)
Indicator 15. Proportion of 1 year old children immunized against measles (percent)	80.0	(2005)	84.0	(2003)	41.8	(2000)	87.0	(1998)	94.0	(2002)	93.2	(2003)
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)	24.0	(2002)	85.0	(2004)
							180.0	(2001, rural)				
Indicator 17. Proportion of births attended by skilled health personnel (percent)	—		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 (percent)	2.1	(2005)	0.06-0.11	(2000)	0.06	(2005)	1.20	(2003)	1.39	(2002)	0.28 ^g	(2002)
Indicator 19. Condom use as a percentage of those using contraception (percent) ^h	96.7	(2005)	5.0	(2001)	2.0	(2000)	37.0	(2001)	3.0	(1997)	7.0	(2002)

Goal/Target/Indicator	Latest											
	Cambodia		China, People's Republic of		Lao PDR		Myanmar		Thailand		Viet Nam	
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 (percent)	61.0	(2005)	43.0	(2003)	54.0	(2004)	83.0	(2003)	72.0	(2003)	86.0	(2003)
b. Treatment success rate (percent)	—		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 covered by forest (percent)												
	—		18.2	(2004)	41.5	(2002)	52.1	(2000)	33.4	(2000)	37.0	(2004)
Indicator 26. Ratio of area protected to surface area (percent)												
	—		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)
Indicator 29. Proportion of population using solid fuels (percent)												
	83.9	(2005)	80.0	(1996)	95.7	(2000)	95.0	(2004)	30.5	(2002)	70.0	(2003)

Goal/Target/Indicator	Latest											
	Cambodia		China, People's Republic of		Lao PDR		Myanmar		Thailand		Viet Nam	
Target 10. Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation												
Indicator 30. Percent 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. Percent 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. Percent of households with access to secure tenure	—		37.8	(2001)			98.1	(2001)			25.0 ⁱ	(2005)
a. Urban					90.7	(1995)			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 in order 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 (percent)	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 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 non-food items.

^b Refers to the mean distance separating the population from the poverty line (with the non-poor 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 Corridor



07-gms0109 hj RM

Road Transport Network, 1992



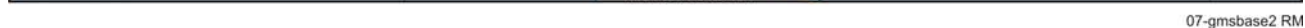
07-gms0518b RM

Road Transport Network, 2006



07-gms0518 RM

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