

The First Ten Years of the GMS Program *Taking Stock*

Accomplishments

The key accomplishments of the GMS Program include the following: (A detailed stock-taking is attached as Appendix 1.)

Trust and confidence building

Newly established peace in the subregion provided a window of opportunity for establishing the GMS Program in 1992. One of the program's most fundamental accomplishments was the building of trust and confidence among member countries. Numerous conferences and joint initiatives have contributed to this highly positive result.

Important infrastructure provisions

From its inception, the GMS Program has emphasized practical results in a wide range of specific projects. The initial focus on provision of infrastructure has brought significant benefits to the subregion. To date, ten subregional infrastructure projects with investments of approximately \$2 billion have been completed or are under implementation. The key projects are in energy, road trans-

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port, environment, and human resource development. These hard as well as soft infrastructure projects play key roles in promoting economic development and reducing poverty. Without them the local communities would have difficulty in accessing to markets and services.

Reducing non-physical barriers

Clearly, the focus of the GMS Program has become more balanced through the years. The initial emphasis was on developing physical infrastructure linkages as the means to increase trade and investment among countries in the region. This was evident in the high priority accorded to subregional transport projects, and to a lesser extent, energy and telecommunications projects. At the same time, it was recognized that policies and procedures had to be harmonized so as to minimize distortions across GMS countries. Thus, towards the end of the first decade, the GMS Program began to emphasize reducing non-physical barriers between countries. One illustration of this is the framework agreement that has been signed by Cambodia, Lao People's Democratic Republic (Lao PDR), Thailand, and Viet Nam to facilitate the cross-border movement of goods and people.

Co-financing

A related accomplishment is its success in mobilizing co-financing for regional cooperation projects, particularly in the transport and energy sectors, and to a lesser extent in the environment and human resource development sectors. Over \$58 million from ADB, co-financiers, and GMS governments has been mobilized for technical assistance projects.

Lessons Learned

Among the lessons learned during the first ten years are the following:

The merits of a flexible, activity-based approach

The “two plus” principle of the GMS Program enables subsets of member countries to pursue regional cooperation initiatives without requiring full consensus. As a result, GMS countries have reached numerous agreements, both bilateral and multilateral. The relatively non-institutional nature of the GMS Program, with its minimum of protocols, bureaucracy and other formal structures gives the members flexibility in reaching agreements.

The need for patience and long-term commitment

Infrastructure projects dominated the early years of the GMS program. These required pre-feasibility and feasibility studies and other steps that were time-consuming as they involved two or more countries. The complexity of subregional projects and the limited institutional capacity of GMS countries to coordinate, negotiate, and implement such projects further slowed down progress in several sectors. In addition, the Asian financial crisis drew attention away from regional projects and undermined resource mobilization, especially from the private sector.

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The need for equitable sharing of costs and benefits

Economic cooperation should reflect the views of all stakeholders To maintain the momentum of regional cooperation, the costs and benefits of cross-border projects should be distributed equitably among the participating countries. This principle has been followed in important subregional infrastructure projects such as the East-West Corridor and North-South Corridor projects. It is essential even from the project design stage to ensure equitable sharing of costs and benefits.

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The need for broad-based participation

Economic cooperation initiatives should reflect the views of all stakeholders, from project formulation to implementation. Central ministries have been extensively involved in the decision-making processes, but local officials, civil society, nongovernment organizations (NGOs) and the private sector have not been adequately represented or involved. Steps are now being taken to make the GMS Program more inclusive. The next ten years will need to be more vigorous in building awareness and fostering broad-based participation.² In particular, local stakeholders must be encouraged to state their needs and become more involved in GMS activities.

The need for capacity building

GMS countries need to enhance their capacity to formulate and implement projects involving two or more member-countries, and to pursue regional cooperation more generally. This is especially

² Asian Development Bank. 1999. *Impact Evaluation Study of the Asian Development Bank's Program of Subregional Economic Cooperation in the Greater Mekong Subregion*. Manila.

needed by countries in transition from centrally planned to market-oriented economies. The GMS strategic framework for the next ten years must include resources for building institutional and human capacities.

The sector approach, needs to be

The need for greater country ‘ownership’

While there is an increasing sense of ‘ownership’ of the GMS Program by member countries, their leadership role needs to be further enhanced. The strategic framework outlines several measures to strengthen ownership. The GMS Summit scheduled for November 2002 will also be influential in this regard.

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The importance of cross-sector linkages

The sector approach of the GMS Program, while highly useful and focused, needs to be complemented with mechanisms for cross-sector linkages. Projects conducted at the sector level often lack synergy with other sectors. Hence, they miss out on opportunities presented by such synergy, as in the case of industrial and trade possibilities resulting from investments in subregional transportation routes. The strategic framework for the next ten years outlines a more multidisciplinary approach. As noted below, greater emphasis on cross-sector linkages is especially important in dealing with the social and environmental dimensions of infrastructure projects.

sectors.

The importance of social and environmental dimensions

During the early phases of the GMS Program, the social and environmental implications of subregional infrastructure development projects were not adequately assessed in some cases. Hydropower

Mechanisms are needed to reconcile project financing projects resulted in unexpected social and environmental costs, leading to concerns expressed by various groups. Increasing attention is being paid to ensure exhaustive assessment of the social and environmental implications of infrastructure projects at all stages of planning and implementation.

with country-specific benefits. **The critical role of resource mobilization**

Scarcity of resources and complications in financing have slowed down key projects. Compounding this problem, member governments have tended to conserve concessional financing for national projects, in the expectation that incremental funds would be available for subregional projects. The full benefits of the latter are shared, and mechanisms are needed for better reconciling project financing with country-specific benefits. Another key lesson is the need to provide for maintenance, so as to ensure that expected returns from infrastructure projects are realized. Some GMS countries also have limited absorptive capacities for foreign aid, while private financiers think that projects in the GMS require a high-risk premium. Given the extensive resource requirements for subregional projects, a more concerted approach with other development partners is needed to generate additional financing.

The need for information, monitoring, and coordination

Information is basic to progress in all sectors, monitoring is critical to project implementation and assessment, and extensive coordination is essential for effective and efficient allocation of scarce resources.³ The GMS Program needs to develop a systematic and effective approach to: (i) compiling and disseminating information, including proactive public relations efforts to raise regional and global awareness of the achievements of the GMS Program; (ii) monitoring progress; (iii) evaluating the effectiveness and efficiency of projects; and (iv) coordinating with other development partners.

³ Most information-related activities have been conducted on an ad hoc basis, and formal monitoring is often limited to basic project details. *Impact Evaluation Study of the Asian Development Bank's Program of Subregional Economic Cooperation in the Greater Mekong Subregion*. 1999.