

**ASIAN DEVELOPMENT BANK**

**THE GREATER MEKONG SUBREGION  
ECONOMIC COOPERATION PROGRAM**

**GMS ASSISTANCE PLAN  
(2001-2003)**

**December 2000**

## FOREWORD

The Assistance Plan describes the planned program of assistance by the Asian Development Bank (ADB) for the [Greater Mekong Subregion \(GMS\)](#) covering the three-year period 2001-2003. It includes loan and technical assistance projects, as well as possible cofinancing from other donors. The GMS Assistance Plan (GMAP) was prepared by the ADB between April and June 2000, in close consultation with the Governments of [Cambodia](#), [People's Republic of China \(Yunnan Province\)](#), [Lao PDR](#), [Thailand](#) and [Viet Nam](#), and other stakeholders, including non-government organizations. The GMAP was discussed with the Board of Directors in October 2000. The assistance plan described in the GMAP is only indicative and may be revised to reflect more recent developments.

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## ABBREVIATIONS

|          |   |   |
|----------|---|---|
| ADF      | - | Asian Development Fund  |
| ADTA     | - | advisory technical assistance                                     |
| AIA      | - | ASEAN Investment Area   |
| APEC     | - | Asia-Pacific Economic Cooperation                                 |
| ASEAN    | - | Association of Southeast Asian Nations                            |
| CAP      | - | country assistance plan   |
| DMC      | - | developing member country   |
| ESCAP    | - | Economic and Social Commission for Asia and the Pacific           |
| FDI      | - | foreign direct investment   |
| GDP      | - | gross domestic product  |
| GEF      | - | Global Environment Facility                                       |
| GMS      | - | Greater Mekong Subregion  |
| HIV/AIDS | - | human immune deficiency virus/acquired immune deficiency syndrome |
| HRD      | - | human resource development  |
| IFC      | - | International Finance Corporation                                 |
| ILO      | - | International Labour Organization                                 |
| IPF      | - | indicative planning figure  |
| JSF      | - | Japan Special Fund  |
| JBIC     | - | Japan Bank for International Cooperation                          |
| MRC      | - | Mekong River Commission   |
| MPDF     | - | Mekong Project Development Facility                               |
| NGO      | - | nongovernment organization  |
| NTO      | - | national tourism organization                                     |
| PATA     | - | Pacific Asia Travel Association                                   |
| PPTA     | - | project preparatory technical assistance                          |
| PRC      | - | People's Republic of China  |
| RETA     | - | regional technical assistance                                     |
| SME      | - | small and medium enterprise                                       |
| TA       | - | technical assistance  |
| TAT      | - | Tourism Authority of Thailand                                     |
| UNDP     | - | United Nations Development Programme                              |
| UNDCP    | - | United Nations International Drug Control Programme               |
| UNEP     | - | United Nations Environment Programme                              |
| UNICEF   | - | United Nations Children's Fund                                    |
| UNIDO    | - | United Nations Industrial Development Organization                |
| WTO      | - | World Trade Organization  |
| WHO      | - | World Health Organization   |

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

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## **THE GREATER MEKONG SUBREGION (GMS) Economic Cooperation Program**

### **I. Introduction**

1. The Greater Mekong Subregion (GMS) Assistance Plan (GMS-AP) for 2001-2003 presents the strategic thrusts and direction of the Program of Economic Cooperation in the GMS (the GMS Program) in eight (8) priority sectors, together with the lending and technical assistance pipeline for the period. It updates the Interim GMS-AP for the period 2000-2002 which was the first attempt at presenting in a comprehensive manner, the strategic thrusts of the GMS Program and priority subregional projects that support these thrusts as endorsed by the GMS Ministerial Conference.

### **II. Background and Rationale**

2. With the assistance of the ADB, the six countries that share the Mekong River—Cambodia, Lao People's Democratic Republic (Lao PDR), Myanmar, Thailand, Viet Nam, and Yunnan Province of the People's Republic of China (PRC)—launched the GMS Program in 1992. The onset of peace in the 1990s afforded an unprecedented opportunity for economic and social development and today, the peoples of the Mekong subregion are experiencing rapid changes and improvements in their living standards and conditions.

3. The objective of economic cooperation in the GMS is to promote social and economic development in the six participating countries by strengthening economic links among them. Through the joint development of public goods, (e.g., transportation, energy resources, telecommunications) subregional cooperation can help overcome domestic constraints in individual economies resulting from limited resources and markets. Joint investments in infrastructure and accompanying policies that permit the more efficient flow of goods, services, and people, can promote access of individual countries to key inputs, including capital and human resources, as well as expand their markets. The resulting increase in trade and investment flows will contribute to the participating countries' ability to integrate faster with the regional and global economy.

4. The steady progress in the transition toward more market-oriented regimes was an important factor contributing to the viability of economic cooperation in the GMS. While centrally-planned regimes resulted in limited commerce among the GMS countries, economic reforms that began in the 1990s helped create a conducive environment for increased trade and investment and other forms of economic cooperation. Economies of scale and specialization resulting from subregional cooperation facilitate investments to the GMS countries as a group beyond their individual abilities to attract investments. By generating economic synergy and dynamism, subregional cooperation can contribute to the goal of sustained economic growth of individual countries that can also help improve the living conditions of the poor and improve the quality of life of the people.

5. As borders are opened, however, social and environmental implications require more careful attention. Forest wetlands, coastal waters, and other ecosystems that are adversely affected by the development of new transport routes, tourism sites, and projects will require careful planning that takes potential environmental and social impacts into account during the early planning stage to ensure the appropriate design and implementation of mitigation measures. This is particularly important in the context of ADB's overarching goal of poverty reduction because environmental degradation tends to disproportionately affect the poor.

Changes in the environment and unequal opportunities resulting from economic growth and interaction can also affect mobile populations, communities located near infrastructure projects, and ethnic minorities living in border areas. A common framework and set of priorities are thus essential to effectively address the special needs of these groups and to provide them with better opportunities. Subregional cooperation also provides the GMS countries with a unique opportunity to address environmental issues of a transboundary nature and the management and equitable use of common resources, such as watersheds, reservoirs and wetlands.

6. During the initial years, the GMS Program focused on identifying opportunities for regional cooperation and establishing the mechanisms for countries to dialogue on the priorities and modalities for cooperation. These early initiatives contributed to building mutual trust and goodwill among the countries. Progress in developing priority projects was achieved by early regional technical assistance activities (e.g. identification of priority projects, training and capacity building activities). This made the countries more confident in working with each other.

7. As the GMS Program entered the implementation stage, countries have become increasingly committed to the success of priority projects. Two major infrastructure projects—the Phnom Penh-Ho Chi Minh City Highway Project and the East West Corridor Project—have been supported by initiatives to resolve policy, regulatory and other nonphysical barriers to cross-border traffic. Trade facilitation measures, focusing on customs procedures, will further complement these initiatives. Energy cooperation focused on the development of the region's hydropower potential and energy trade on a bilateral and multilateral basis. A synchronized and comprehensive approach to telecommunications planning and investment in the region was developed and has provided the basis for more detailed studies involving both the technical and policy aspects. During the latter half of the 1990s, greater emphasis was given to cooperation in environment and human resource development, reflecting the need to address social and environmental cross-border concerns and transboundary issues arising from greater economic interaction among the GMS countries.

8. A key challenge for sustaining subregional cooperation in the GMS hinges on the internal reform process, especially in the transition economies of Cambodia, Lao PDR, Myanmar, Viet Nam and the PRC. ADB's support for subregional cooperation in the GMS will have to complement national programs that promote continuing policy and institutional reforms and good governance, notably in the fiscal, finance and trade sectors, and state-owned enterprises.

### **III. Economic and Social Trends**

#### **A. Economic Performance**

9. The economic crisis that started in mid-1997 caused serious setbacks in the economies of the GMS countries, curtailing the pace of economic growth, and revealing fundamental structural weaknesses. The crisis resulted in a sharp drop in foreign direct investments (FDI), severe financial difficulties for domestic firms, and high rates of unemployment. These significantly altered the short- to medium-term prospects for the region, and consequently too for subregional cooperation. Subregional energy projects had to be rescheduled as a result of lower demand for electricity and energy prices, and the general pace of project implementation was threatened by fiscal restraint, compounding the more general problem of capital scarcity. Despite these setbacks however, market-based reforms were sustained and intensified. Combined with a low-wage and relatively well-educated labor force, and extensive natural

resources, policy and institutional reforms helped pave the way for the steady economic recovery.

10. Recovery ensued with all six countries registering positive GDP growth in 1999. Various factors, both domestic and external, contributed to the recovery. Improvement in agricultural output induced by favorable weather conditions, coupled with robust exports and fiscal stimulus packages have boosted the strong GDP expansion. The recovery was supported in varying degrees by new policy measures to address corporate governance and financial sector reforms, and increased exports to US and Japan.

11. Consumer price inflation slowed down in most GMS countries in 1999 on account of improved food supply, relatively stable exchange rates, softening growth in money supply, and, in some cases, weak demand conditions. All GMS countries continued to register fiscal deficits in 1999, reflecting weak revenue performance or higher expenditures aimed at stimulating the economy. "Dollarization" of the economies and a related lack of monetary instruments in Cambodia, Lao PDR, and Viet Nam has limited the effectiveness of monetary policy.

12. In the external sector, exports surged in Thailand, Viet Nam, and Yunnan Province in 1999 due largely to improved external demand and, in the case of Viet Nam, high crude oil prices. As a result, the current account balance was in surplus for Thailand and Viet Nam. Import growth outpaced export growth in Cambodia as economic recovery took hold. In Lao PDR, exports grew marginally, while imports contracted slightly, resulting in a modest improvement in the current account balance. According to data from the ASEAN Secretariat, net FDI to Thailand increased in 1998, while that for Cambodia, Myanmar, and Lao PDR declined significantly. Net FDI to Viet Nam fell by over 35 percent in 1998 since two-thirds of FDI inflows to the country originated from crisis-afflicted countries in Asia.

## **B. Investment Trends**

13. Because of the Asian financial crisis, investors continue to be cautious concerning some areas of the GMS. Despite significant reforms in recent years, the GMS transition economies are unable to attract investors on account of a still highly regulated policy environment, inadequate legal framework, weak institutional capacities, and political uncertainties. In the aftermath of the Asian crisis, investors are taking a more cautious stance on Southeast Asia as a whole. Global factors, such as higher interest rates in the United States and Europe, and the rise in oil prices are factors also contributing to diminishing investor interest in the region. Against this backdrop, investors are closely monitoring the progress of financial reform and the sustainability of economic performance in Southeast Asia.

14. The implications of the above scenario to the GMS countries are profound. While the larger so-called "old ASEAN" economies have been experiencing difficulties in attracting the interest of portfolio investors, which will affect indirectly the other GMS countries, the "new ASEAN" or Cambodia, Lao PDR, Myanmar, and Viet Nam are likely to be (and indeed are) experiencing serious difficulties in attracting FDI. The impact on the GMS countries of the weak investment outlook on Southeast Asia is compounded by the fact that the "old ASEAN" countries have become the largest source of FDI in the GMS. Furthermore, as regional investor participation in the GMS continues to stagnate, international investors are showing little interest in the GMS countries which are seen as high risk environments. For example, of the more than a dozen Viet Nam funds established prior to the Asian financial crisis, only one fund continues to operate. A credible commitment by the GMS governments to ensuring an efficient and

conducive investment environment through implementing financial and corporate sector reforms could help restore investor confidence in the subregion.

### **C. Cross-Border Trade and Investment**

15. Available data on cross-border trade among the six GMS countries indicate that intraGMS trade has gained significance over the past years. For example, recorded cross-border exports (in baht) from Thailand to Cambodia, Lao PDR, and Myanmar combined grew by an annual compound growth rate of over 44 percent from 1992 to 1999. As a result, the share of Thai exports to its three neighboring countries as a percentage of total exports expanded from 0.5 percent in 1991 to almost 3 percent in 1999. During the same period, imports of Thailand from its three neighboring countries increased by an annual compound growth rate of almost 12 percent.

16. A similar trend can be observed in intraGMS net FDI flows. According to ASEAN Secretariat data, net FDI flows from the six GMS countries to Cambodia, Lao PDR, Myanmar, Thailand, and Viet Nam combined rose sharply from \$130 million in 1995 to \$367 million in 1997, but fell to over \$240 million in 1998. ASEAN was the largest source of net FDI totaling some \$6 billion during the 1995-98 period, surpassing net flows from Japan (\$4.8 billion), North America (\$2.7 billion), and Europe (\$2.7 billion). It is noteworthy that new ASEAN members have also invested in the other ASEAN countries. For instance, during the period 1995 to the first half of 1999, net FDI to ASEAN originating from Cambodia amounted to some \$39 million, Lao PDR \$12 million, and Viet Nam \$9 million.

### **D. Poverty Assessment <sup>1</sup>**

17. Poverty assessments in individual countries indicate that poverty is indeed pervasive. Notwithstanding the rapid economic growth experienced over the past years, GDP per capita in most of the subregion remains low at about \$1 per day. There are wide disparities between urban and rural communities, a growing gap between rich and poor, inadequate attention to the special needs of ethnic minorities, gender inequities, lack of access to basic health and education, and inadequate protection of the environment on which traditional livelihoods depend.

18. In Cambodia, about 36 percent of the 1997 population or about 4 million people, was classified as poor using a consumption-based poverty line defined as adequate income to buy a daily 2,100-calorie food basket plus an allowance for nonfood expenditure. A large proportion of the population, however, is clustered around the poverty line indicating a potential for significant changes in the incidence of poverty. In Lao PDR, 47 percent of the population was below the poverty line in 1997/98 compared to 63 percent in 1992/93. This was based on poverty thresholds which utilize food and nonfood consumption as well as energy requirements. There is considerable disparity in poverty incidence between urban and rural areas; in rural areas, it is 52 percent, while in urban areas, it is 21 percent. In Myanmar, official poverty incidence for the country as a whole is estimated at 23 percent, while cases of more severe poverty are reported to occur in the border regions.

19. Poverty incidence in Thailand declined significantly from 27 percent in 1990 to 11 percent in 1996, before rising to about 13 percent in 1998. Despite this, certain inequities have

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<sup>1</sup> Sources of data in this section are the respective CAPs for 2001-2003 of Cambodia, Lao PDR, Myanmar, Thailand and Viet Nam and the Report and Recommendation to the President (RRP) of the Southern Yunnan Road Development Project (Loan No. 1691).

been exacerbated (e.g., between urban and rural areas, between regions, between well-educated workers and those with little education), and poverty remains acute in certain areas, particularly in the northeast. In Viet Nam, poverty declined significantly from 58 percent in 1992/93 to 37 percent in 1997/98. Poverty is largely a rural phenomenon, with 45 percent of the rural population living below the poverty line. In Yunnan Province, out of a population of 41 million (1997), around 4.4 million people are officially designated as poor<sup>2</sup>, accounting for about 11 percent of the total provincial population and 8 percent of the PRC's designated poor. In terms of GDP per capita, Yunnan is the seventh poorest of the 31 provinces of the PRC.

## **E. Social and Environmental Performance Assessment**

20. Social development indicators of the six GMS countries are mixed. In Cambodia, Lao PDR, and Myanmar, education and/or health indicators, as well as the share of public sector expenditure for these two sectors, are lower than in the other GMS countries. Despite the commitment to universal basic education for all, adult illiteracy remains high in Cambodia and Lao PDR. Health indicators remain unfavorable in these two countries due to poor coverage of rural health services (especially at the village level) and uneven rural/urban health staff deployment policies. Public expenditure on health and education as a proportion of GDP in Myanmar is among the lowest in the world. In Thailand and Viet Nam, significant gains have been achieved over the years in terms of providing access to basic social services. These two GMS countries have made significant progress in lowering child/maternal mortality and the incidence of malaria, and in raising contraceptive use.

21. Although the level of economic development differs among the GMS countries, a number of environmental issues are common to all or some of them as they share common natural resources in the border areas. The most critical issues include deforestation, loss of biodiversity, soil erosion, degradation of water and coastal resources, flooding, overfishing, overuse of pesticides, and sedimentation of irrigation reservoirs. On a subregional scale, the environmental impacts of certain types of development are beginning to cross national boundaries. In this regard, utilization of water resources of the Mekong River and its tributaries is a potentially dominant environmental issue in the future, because of the possible cumulative negative effects of existing and planned hydropower developments on water volumes, water quality, and fisheries.

## **IV. Program Review – Lessons Learned**

22. An Impact Evaluation Study of the ADB's GMS Program<sup>3</sup> (the Study) was conducted in 1999 to assess the relevance and efficiency of the ADB's assistance to the GMS Program and to draw important lessons. An important observation of the Study was that the GMS Program's pragmatic and activity-based approach to cooperation, compared with the rules-based approach of other regional cooperation schemes, has proven effective in generating early and tangible results. Continued progress in priority subregional projects have contributed to the Program's momentum through the years. There has been sustained and vigorous participation of the GMS countries in the GMS Program and its meetings, which attest to their continuing support of the Program. The Study concluded that the participating countries, on the whole, have expressed satisfaction with the GMS Program.

<sup>2</sup> With annual per capita income below the 1997 national poverty line of Yuan 640 (about \$77).

<sup>3</sup> Impact Evaluation Study of the ADB's Subregional Economic Cooperation Program in the Greater Mekong Subregion, December 1999.

23. The uncertainties surrounding the relationships among the GMS countries at the inception of the GMS Program in 1992 required flexibility in the design and selection of priority projects for cooperation. It was important to maximize benefits as opportunities arose; it was also important to achieve immediate results and avoid difficult and sensitive cross-border issues. This gradual approach eventually paid off as the GMS countries became more confident in their relationships. Recent years have seen the progress of real dialogue among these countries as attested by their agreements to reduce barriers to the cross-border movement of goods and people, and a commitment to eliminate these barriers through a GMS-wide Framework Agreement by 2005.

24. While the GMS Program's pragmatic and results-oriented approach has been beneficial, a shared vision of the long-term development of the subregion is important. This vision should be accompanied by a medium-term strategy that will link the GMS Program closely to the ongoing process of economic restructuring and reform in individual countries so that economic growth could be sustained. The medium-term strategy should address key issues such as the mobilization of financial and technical resources, integration of subregional projects with national priorities, private sector development, harmonized investment promotion strategy, environmental protection and improved coordination with other regional initiatives. Strong commitment and adequate institutional capacities on the part of the GMS governments will be required to carry out the vision and the strategy for the GMS.

25. The experience with implementation of subregional projects within the framework of the GMS having started only in 1994, is rather limited. Out of 10 loan projects under the GMS Program assisted by the ADB so far, six are national projects with subregional dimensions. The implementation of subregional infrastructure projects involving two or more countries started only in December 1998 with the groundbreaking for the *Phnom Penh-Ho Chi Minh City Road Project* which is financed by the ADB under two separate loans for Cambodia and Viet Nam. This was followed by the *East-West Corridor Project* linking Lao PDR, Thailand, and Viet Nam which was approved by ADB in December 1999.

26. The experience in the design and packaging of these two projects have taught important lessons. In both cases, delays in reaching an agreement to facilitate cross-border movement of goods and people caused a corresponding delay in project implementation. The important lesson learned from this experience is that subregional policy dialogue for maximizing the benefits of infrastructure projects should commence as early as the project preparatory stage to avoid undue delays.

27. At the project level, weak capacity in monitoring project implementation in energy projects—such as the *Theun Hinboun Hydropower Project*—has been observed. Both inadequate assessment of the social and environmental impacts and weak monitoring capacity of the executing agencies caused problems during implementation. As a result, negative social and environmental impacts, which had been unforeseen during the processing stage, were reported. While the executing agencies assisted by ADB prepared a comprehensive mitigation and compensation plan, the situation provided an opportunity for NGOs to criticize the projects.

28. The lessons learned from these projects urged ADB to take more proactive measures for ensuring that social and environmental issues are addressed as early as possible in the planning process, that enough resources are provided to adequately assess social and environmental impacts during project design, and that strong monitoring and evaluation of the social and environmental consequences of subregional infrastructure projects are undertaken. It also underscored the urgent need for improved consultation with stakeholders, starting from the

planning and design stage of the projects. On this issue, ADB has been vigorously exploring ways of working with NGOs and local communities to involve them in detecting problems at an early stage. These key actions, especially early consideration of potential social and environmental impacts and public consultation, can oftentimes help to avoid impacts through changes in project design, rather than trying to mitigate impacts as they occur.

## **V. Strategic Directions of the GMS Program for 2001-2003**

### **A. Strategic Thrusts for 2000-2002**

29. The strategic thrusts of the GMS-AP for the period 2000-2002 addressed a precarious and volatile environment brought about by the economic crisis. There was recognition on the part of the GMS countries that regional cooperation could create the opportunities to help the affected countries recover from the adverse consequences of the crisis. The five strategic thrusts of the GMS-AP for 2000-2002 were thus directed at: (i) advancing the implementation of priority subregional projects to stimulate demand, create jobs, and enhance the competitiveness of the GMS countries; (ii) focusing on the policy and regulatory aspects of subregional cooperation to improve the policy environment and stimulate further economic activity; (iii) promoting partnerships in public-private sector project finance in the face of financial difficulties at that time; (iv) building national capacities for the management of the GMS Program; and (v) development of economic corridors to enhance production potential and to contribute to the economic reform process. While responding to the immediate challenges brought about by the crisis, these strategies served at the same time to lay the groundwork for recovery.

### **B. Overall Program Strategy for 2001-2003**

30. For the period 2001-2003, the GMS Program's strategy will be redirected to focus more attention to the distributional aspects of growth. Poverty in the GMS countries is pervasive especially among the rural population and ethnic minorities. Although rapid economic growth has resulted in a decline in the incidence of poverty, a significant number of people in the GMS continue to live on less than \$1 a day. The GMS-AP for 2001-2003 responds to the challenge of reducing poverty through a sharper focus on project beneficiaries among the poor.

31. Consistent with the ADB's overarching goal to reduce poverty in its DMCs, the GMS-AP, beginning with the period 2001-2003, will reorient its strategy to achieve poverty reduction objectives in the GMS countries. Regional cooperation presents a unique opportunity to complement the pro-poor growth strategy in the GMS countries essentially by: (i) stimulating economic growth in border areas that are often the poorest areas of a country; (ii) facilitating access to markets through infrastructure that could further develop the rural economy; (iii) responding to the health and education needs of ethnic minorities and other vulnerable groups that live or work in border areas; (iv) reducing the cost of providing services, such as telecommunications and electrification, to the rural areas through region-wide transmission networks; and (v) tackling common regional environmental problems that are disproportionately affecting both the rural and urban poor. A pro-poor orientation of the GMS Program strategy can play a critical role because economic growth induced by market forces may not necessarily induce growth in poor or rural areas, especially in border areas.

32. The strategy under the GMS-AP for 2001-2003 will be to support the pro-poor economic growth strategies of the GMS countries embedded in the Country Assistance Plans (CAPs) for 2001-2003 for all six participating countries in the GMS Program. At the same time, the GMS

Program provides an opportunity for addressing poverty issues in the border areas involving ethnic minorities. The GMS-AP for 2001-2003 will pursue the following strategic thrusts:

- (i) Extending benefits of infrastructure development to the rural and border areas;
- (ii) Addressing the environmental and social implications of pro-poor economic growth;
- (iii) Broadening the participation of stakeholders and civil society;
- (iv) Promoting private sector development; and
- (v) Promoting good governance.

The specific approaches for each thrust are described below:

**(i) Extending the benefits of infrastructure development to the poor and remote border areas.**

33. Growth that promotes expansion in production of agriculture and light industry, increases in agricultural productivity and higher returns to farm labor in the remote border areas will be a critical strategy for poverty reduction. Subregional transport infrastructure will thus be developed to strengthen specific linkages between rural areas and growth centers in the GMS countries. In this manner, subregional transport networks could contribute directly to the expansion of markets for rural produce in the GMS countries. Infrastructure development across borders will be accompanied by measures to facilitate movements of goods and people, not only to maximize returns to infrastructure investments, but more importantly, to generate value-added from increased trade production.

34. To more sharply focus the benefits of subregional transport infrastructure projects to the poor, the GMS Program will promote the development of economic corridors that would link transport infrastructure to production and trade potentials within a defined geographic space. The concept of economic corridors will be pilot-tested in the East West Corridor traversing primarily poor regions with significant potentials for agriculture and small- and medium-enterprise development. The development of the Corridor would help generate employment and improve household incomes, thus stimulating demand and improving access to basic social services. A regional initiative will also be undertaken to address the health and education needs of ethnic minorities residing in border areas, taking advantage of increased mobility and opportunities for accessing social services.

35. For regional cooperation in energy, the focus will be on the development of power transmission links that would provide for efficient electricity trade while ensuring adequate attention to environmental issues. The eventual integration of the various GMS national power systems will bring about numerous benefits such as better access to cheaper energy, increased reliability of power supply, and reduced reserve capacity requirements. Efficiency gains in electricity trade could reduce the marginal costs of expanding the electricity networks in the GMS countries, including the rural areas.

36. Subregional cooperation in telecommunications will provide a comprehensive and integrated framework for the expansion and improvement of telecommunications systems and policy in the GMS. The key element of the comprehensive framework is the development of a subregional telecommunications backbone that would serve telecommunications facilities at the national level. A subregional network linking the international gateways in the GMS countries will bring considerable benefits, among them, the lowering of cost and improving the reliability of

communications services. Coupled with improvements in the policy and regulatory environments, an efficient and mature telecommunications system is expected to emerge in the subregion by 2005. With well-functioning telecommunications infrastructure and regulatory policies in place, the use of the Internet can be promoted in the GMS countries for electronic commerce, and in providing health, education, and financial services at very low costs. Information technology applications can, in fact, provide an additional and effective delivery mechanism for traditionally high cost social benefits such as health and education.

**(ii) Addressing the environmental and social implications of pro-poor economic growth**

37. The social and environmental consequence of the GMS projects continues to be closely monitored. As borders are opened, increased social and labor mobility, will have a critical impact on the health and social welfare in the region. A priority area of concern for the next three years is the prevention and control of HIV/AIDS focusing on mobile populations (e.g. truck drivers, seafarers, sex workers and construction workers) that traverse subregional transport routes, especially the economic corridors. The focus on mobile populations is based on the fact that the Mekong region is experiencing unprecedented levels of opportunities in response to changing inequalities and opportunities. For the medium-term there will also be an assessment of the social implications of economic corridors, such as illegal drug trafficking, trafficking of women, and labor migration and livelihood displacement.

38. Increased economic activities along the East-West and North-South Economic Corridors and other road transport routes will demand new skills and increased productivity so that these could translate into employment and income activities, especially for the rural population. Low levels of literacy, poor schooling and malnutrition, however, often hamper employment opportunities and increased productivity. These impediments are fully recognized and are being addressed at the national level. At the subregional level, the focus has been on the development of common standards and exchange of labor information. Through an earlier project on *Cooperation in Employment Promotion and Training*, the GMS countries have agreed on the principal elements of a labor market information system and exchange, as well as common standards for accreditation of skills training institutions. Follow-on activities to this initiative will be important due to increased labor mobility, especially along the economic corridors.

39. For development in the GMS to be socially inclusive, particular attention will be given to the needs of ethnic minorities in the border areas. Subregional cooperation under the GMS Program provides a unique opportunity to address the special situation of ethnic minorities that are dispersed in remote areas along national borders but are bound by traditional lifestyles and common customs and beliefs. Their remote locations have generally isolated them from the social and economic mainstream and the attendant improvements in living standards and conditions. Providing these groups with long-term intangible assets, such as health and education will afford them better opportunities for employment and income, thus integrating marginalized groups into the mainstream of economic activity while remaining sensitive to their cultural identity and practices.

40. The protection and conservation of the Mekong region's wealth of natural resources, which provide the base for socioeconomic development, is clearly a major challenge facing the GMS countries. Keeping in mind the several national and regional projects concerned with the environment that already exist, the GMS-AP for 2001-2003 will focus on encouraging regional cooperation that will foster earlier integration of social and environmental issues in development

planning, and stronger monitoring and evaluation capabilities so that problems are identified early and lessons learned can feed back into future development planning. This will particularly involve three aspects, namely: (i) the development and implementation of a common environmental framework among the GMS countries; (ii) promoting cooperation in the management of shared environmental assets or resources, especially in border watersheds and wetlands; and (iii) institutional strengthening for information sharing and joint environmental monitoring.

41. It is recognized that successful pro-poor sustainable economic growth demands an overarching environmental strategy that is fully integrated with the development process. A project to formulate a strategic environment framework has thus been initiated under the GMS Program to promote the early integration of environmental and social considerations in economic development planning. In part, the strategy will help to identify the environmentally sensitive areas or "hotspots" in the region and weaknesses in the planning, implementation, and monitoring process to help avoid the pitfalls of past programmatic and project decisions, which failed to adequately assess the potential social and environmental impacts of the decisions made, resulting in cost overruns, reduced benefits, and hardship for affected populations.

42. For shared environmental resources, priority attention is being given to the protection and management of watershed areas and wetlands, due to the severity of resource degradation in these areas. Moreover, there is great urgency in establishing sustainable management systems in these areas using multicountry approaches, to reinforce the benefits of other programs in nature conservation, water utilization, and hydropower development. A development framework for environmental action is being developed to promote mutually-consistent policies, strategies and guidelines in the GMS countries in order to halt and reverse trends in deforestation and natural resources degradation in these areas.

43. For major development projects, social and environmental impacts are being closely monitored, and resettlement guidelines are strictly applied. Lessons learned from past projects, however, have underscored the need to improve the collection and maintenance of data on social and environmental conditions in order to contribute to better-informed decision making. At the project level, it will be especially important to obtain benchmark information on beneficiaries to better assess project impact and also to serve as basis for compensation. Projects planned for 2001-2003 will thus be more rigorous on this score. The value of involving stakeholders in all phases of project development has been recognized and will continue to be a key element in social and environmental impact assessments.

44. The GMS Governments' capacity to implement mitigation measures remains an important challenge. The GMS Program has already helped build environmental management capacity in the GMS countries through database development and training on various aspects of environmental management. For 2001-2003, various technical and institutional issues for enhancing cross-border exchanges will be intensified with the view to addressing cross-border environmental problems.

**(iii) Broadening the participation of stakeholders and civil society**

45. In its development activities under the GMS Program, the ADB further recognizes the importance of public participation. The ADB will work with civil society institutions in the effort to involve all stakeholders in the growth strategy for the region. These include the poor, who because of their social status and inadequate assets, are often excluded from the consultative process. This is seen as critical for the successful implementation of any project, providing as it

does, an opportunity for governments and ADB to understand the concerns and desires of the people. Public participation will be promoted even at an early stage of project development, involving the identification of stakeholders and the appropriate mode for consultations. To be sure, special efforts are already being made, and it has been the ADB's standard procedure, to pursue active participation of local communities and disadvantaged groups in investment projects, especially those that are environmentally and socially sensitive.

46. For subregional projects under the GMS Program, the ADB has been working with NGOs, especially those with considerable experience with grassroots communities. Cooperation between ADB and NGOs has offered an invaluable combination of experiences and perspectives, especially concerning the poor and the vulnerable groups. Since 1997, NGOs have been invited to participate regularly in the meetings of the GMS Working Group on the Environment. However, with the emergence of cross-sectoral concerns for many of the GMS projects, this modality has proven inadequate. Thus within the period 2001-2003, the ADB will explore further improvements in the mechanisms for involving NGOs in the GMS processes. A key initiative will be to propose the establishment of an advisory group for social and environmental concerns, with representation from NGOs and ethnic minorities groups. Although this initiative is being planned on a Bank-wide basis, the plan is to pilot it in the GMS.

#### **(iv) Promoting private sector development**

47. The GMS Program has recognized the key role of the private sector in the development of the region. In the context of the ADB's private sector development strategy, the thrust of the GMS Program has been to generate business opportunities in ADB-financed public sector projects, as well as to create commercial opportunities arising from market expansion in the GMS. Economic cooperation in the GMS offers the prospects of larger markets, and therefore wider business opportunities for investors that could accelerate development. To the extent that subregional cooperation focuses on "lagging regions", private sector involvement in subregional initiatives can also contribute to poverty reduction.

48. Three broad areas under the GMS Program that have been identified as potentially of interest to the private sector are: (i) projects that can generate a revenue stream; (ii) commercial investments and production and distribution activities related to subregional infrastructure projects; and (iii) commercial and business opportunities in agro-industry, tourism, and related services. A good example of a subregional project in the first category is the *Theun Hinboun Hydropower Project* in Lao PDR. The second category is being promoted through the development of economic corridors. In the third category, a number of subregional tourism activities have actively involved private tourism organizations. During the initial years of the GMS Program, it was the Program itself that was promoted to potential investors. This strategy has shifted to a project-specific orientation focusing on mobilizing private sector resources for priority subregional projects.

49. The current focus of the GMS Program on the policy and regulatory issues, however, is beginning to change the complexion of its private sector strategy. Increasingly, the GMS Program is beginning to tackle issues of policy, requiring changes in the legal and regulatory framework to create enabling conditions for private sector growth. Transport and trade facilitation, the regulation and pricing of telecommunications services, and the regulation of power interconnections, including generation by independent power producers, cross-border standards and certifications, are creating a completely new dimension in private sector development in the GMS. These new dimensions will require the private sector to interact and

cooperate with Governments at a subregional level thus necessitating the establishment of an effective forum for public-private sector policy dialogue.

50. Private sector participation in the GMS processes has been promoted since 1994. Several investment promotion forums and seminars on the GMS have been organized in various major cities in prospective investor countries, such as Belgium, France, Germany, Japan, the Netherlands, the Republic of Korea, Thailand, and the United Kingdom. Following Ministerial endorsement, private sector representatives were invited to working group meetings, particularly in the transport, telecommunications, and energy sectors, for an exchange of views on key issues. A call for a heightened involvement of the private sector in the GMS Program was made at the Seventh GMS Ministerial Conference in 1997, when the GMS Chambers of Commerce and Industry were invited to the meeting and where the establishment of the GMS Business Forum (GMS-BF) was endorsed. The establishment of the GMS-BF however, was temporarily sidetracked by the economic crisis that started in July 1997. With the crisis-affected countries back on a more stable footing, the Ninth GMS Ministerial Conference in January 2000 urged the establishment of the GMS-BF as a matter of priority to give impetus to the momentum for recovery. The GMS-BF, which was launched in October 2000, will be the private sector's official mechanism for interaction and dialogue with the GMS Governments.

51. The ADB, in collaboration with ESCAP, will provide support to the GMS-BF during the initial years until it gradually becomes self-sustaining. The assistance to be provided to the GMS-BF will consist in both strengthening the private sector institutions in the GMS countries, especially those in the transition economies, as well as supporting some of the GMS-BF projects. The ADB will also support activities in investment and trade facilitation (including in the area of customs) to support efforts at the national level in creating the enabling conditions for private sector development.

#### **(v) Promoting good governance**

52. Good governance cuts across the various strategic thrusts of the GMS Program. It is embedded in macroeconomic policies that seek to empower the poor, promote the efficient delivery of services, develop human capital, and promote broad-based participatory approaches involving stakeholders and civil society. Good governance encourages the growth of the private sector, and helps to level the playing field with a regulatory framework that is transparent, predictable, and accountable.

53. In the GMS-AP for 2001-2003, elements of good governance are pursued at two levels: (i) in the GMS mechanisms and processes; and (ii) in the content of subregional projects. Broadening the base of participation in the GMS Program to include project stakeholders, NGOs, and the private sector are designed to mainstream the good governance principles into the GMS Program and into project priorities. The participatory process recognizes the impact that civil society can have on investment decision, government performance, and the exercise of public accountability for project outcomes. To further promote the participatory process, a social and environment advisory group will be established to expand the dialogue process with NGOs from the project to the policy level. This advisory group is expected to promote awareness and understanding of alternative development views on the social and environmental dimensions of policies, programs, and projects. It will also provide a mechanism for broad based dialogue that is predictable and transparent to policy makers.

54. An important priority is the continuing effort to facilitate the movement of goods and people in the GMS to maximize the benefits of investments in infrastructure. TA projects in the

telecommunications and trade sectors are focusing on regulatory reforms to create an enabling environment for private investments. The telecommunications policy study and the telecommunications network study will assist the GMS countries in establishing or enhancing their regulatory frameworks to pave the way for private investments to come in when the backbone has been completed. Projects aimed at better coordination in the administration of investment and customs laws have also been lined up.

55. Institutional strengthening and capacity building of various line agencies or sector ministries are also part of various loan and technical assistance projects. These include building capacities in strategic management, streamlining organizational structures and processes, enhancing performance management and orientation, and strengthening human resources development. The use of information technology will be promoted, not only to facilitate the transfer of information as part of management processes, but also in the conduct of trade (e-commerce), health and education services, financial services, and other economic activities.

### **C. Linkage with the Country Assistance Plans**

56. The strategies embodied in the GMS-AP 2001-2003 are intended to complement the ADB's program of assistance to individual GMS countries. The GMS-AP for 2001-2003 was thus prepared in coordination with the preparation of the Country Assistance Plans (CAPs) for the same period. Prior to the fielding of the Country Programming Missions, consultations among ADB staff were held to exchange views on the project pipelines. The GMS-AP identifies projects and activities where benefits and synergies can be realized, and made to complement national projects.

57. Subregional projects bring incremental benefits and create synergies that may not be possible or apparent had these projects been pursued independently. These include economies of scale resulting from market expansion, increased trade flows, and reduction in environmental mitigation costs through collective action. However, subregional projects with medium-and long-term benefits may not necessarily be reflected in the CAPs which are governed by nationally-oriented strategies. Regional projects split into the different CAPs have also made coordination among the concerned countries difficult.

58. Ongoing and planned high-priority subregional road projects and ADB's country programs for 2001-2003 for some of the GMS countries clearly complement each other. In the case of landlocked Lao PDR, where road infrastructure development, while needed for international trade, is also critical to providing increased access to markets and economic opportunities particularly for the rural communities, ADB's program includes a *Rural Access Road Project* in 2000 and a *Rural Access Road Project II* in 2003, both designed to improve rural access to markets. In the case of the PRC, ADB's assistance to the development of highways in Yunnan Province<sup>4</sup> that promote regional cooperation, also supports ADB's strategic thrust for PRC of promoting growth to reduce poverty in the poor inland provinces as well as the PRC Government's "Go-west policy." For Cambodia, subregional cooperation is a key feature of ongoing assistance in the transport sector, in particular, supporting the development of the first priority subregional road corridor, *R1: Bangkok-Phnom Penh-Ho Chi Minh City Vung Tau Road Project*. On the other hand, enhanced economic viability brought about by the regional cooperation dimension of ongoing and planned road projects (i.e., *GMS: Phnom Penh-Ho Chi Minh City Highway Improvement Project* and the planned *Road Network Improvement Project II*

<sup>4</sup> ADB Loan No. 1325 PRC: Yunnan Expressway approved in September 1994 for \$150 million (forms part of R4: Kunming-Lashio Road Improvement Project) and ADB Loan No. 1691: PRC: Southern Yunnan Road Development approved in June 1999 for \$250 million (forms part of R3: Chiang Rai-Kunming Road Improvement Project).

for 2002) are expected to support private sector development, which is one of the three key priority areas of ADB's recently-adopted Country Operational Strategy.

59. ADB's future involvement in the development of economic corridors in the GMS is reflected in its pipeline of loans and technical assistance at both the national and subregional levels. ADB's CAP for Thailand for 2001-2003 includes projects that will support the development of economic corridors in the GMS, while at the same time, target poor areas in the country. The loan projects for *Border Towns Urban Development* (2001), *North-Northeast Region Area Development* (2002), and *Economic Corridors Development* (2003), and their accompanying project preparatory technical assistance (PPTA) projects will be closely integrated with the development of the East-West and North-South Economic Corridors. In addition, as indicated earlier, ADB's loan pipeline for 2002 for Lao PDR includes the proposed *GMS: Northern Economic Corridor Project*, and for 2003, the *Rural Roads II Project*. ADB's Country Assistance Plan for Viet Nam for 2001-2003, which will concentrate up to one-third of ADB operations on the Central region, will support the development of the East-West Economic Corridor. It will also support the *Kunming-Haiphong Transport Corridor Project*. ADB operations in Viet Nam will focus on a combination of commune-level poverty reduction and income generation, and improved livelihoods through water resource and coastal zone management, to be complemented by road and urban infrastructure provision. On the subregional level, a regional technical assistance project is under way for *Preventing HIV/AIDS Among Mobile Populations in the GMS*<sup>5</sup> which will enhance capacities of governments and related agencies to organize HIV/AIDS prevention activities by developing tool kits and guidelines for mobile populations. In addition, a regional technical assistance for *Drug Eradication* is planned for 2000 to, among other things, disseminate information on best practices on eradication of the production of, and demand for, illegal drugs in the GMS.

60. The preparation of the GMS program strategy paper will be initiated in late 2000, and will involve consultations with GMS Senior Officials during the GMS Mid-Term Review Meeting in the first quarter of 2001. The country program strategy papers, which are in various stages of being updated, as well as the results of the poverty assessments in the GMS countries, will serve as important inputs in the preparation of the GMS program strategy paper. This paper will clearly define the operational strategy for the region, including the role of economic corridors, and the synergies among the various sectoral interventions. The GMS program strategy paper is expected to be presented to, and endorsed by, the Tenth GMS Ministerial Conference in mid-2001.

## **VI. Sector Priorities and Proposed Program for 2001-2003**

### **A. Transport**

61. Subregional cooperation in the transport sector is the basic means for promoting economic linkages among the GMS countries. It facilitates cross-border movements of goods and people, thus increasing trade and investment, labor and social mobility, and access to markets and other economic opportunities. To maximize investments in subregional transport infrastructure, economic corridors are also being developed to link major transport routes with specific production and trade opportunities within a given geographic space that could extend to rural areas. This holistic approach is expected to further stimulate demand, increase production efficiency, create jobs, and enhance the competitiveness of the GMS countries. Subregional

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<sup>5</sup> ADB TA No. 5881 - REG: Preventing HIV/AIDS among Mobile Populations in the GMS approved in December 1999 for \$450,000.

cooperation in transport thus constitutes an important fundamental step in an economic growth strategy that supports the poverty reduction objective of the GMS countries.

62. The six countries have accorded the highest priority to the development of the subregional road infrastructure since the GMS Program started in 1992. The subregional road projects that have been identified and prioritized under the GMS Program involve the rehabilitation and improvement of existing alignments, instead of the construction of new ones. Likewise, to facilitate project implementation and provide immediate benefits, transport projects are being implemented in sections or stretches. Among the 10 priority subregional road projects, two projects are under way and two projects are being prepared for implementation.

63. The two high-priority or "first-tier" subregional road projects currently being implemented are the following: *R1: Bangkok-Phnom Penh-Ho Chi Minh City-Vung Tau Road Project*, and *R2: Thailand-Lao PDR-Viet Nam East-West Transport Corridor*. Civil works commenced last year for the ADB-financed *Phnom Penh to Ho Chi Minh City Highway Improvement Project*, which forms part of R1. ADB approved loans of \$40 million to Cambodia and \$100 million to Viet Nam from the Bank's ADF resources for this project. Total cost of the project is estimated at \$195.5 million. Civil works is expected to take three years to complete. Improvement of the 85-kilometer section from Ho Chi Minh City to Vung Tau along Route No. 51 is being undertaken by the Government of Viet Nam, with possible private sector provision of a parallel expressway. The section of R1 in Cambodia east of Phnom Penh is being repaired under an ongoing ADB loan project<sup>6</sup>, while grant financing may be secured by the Government of Cambodia for the section from Sisophon to Poipet near the Cambodian/Thai border. The portion of R1 in Thailand is extensive and in good condition, with future improvements planned by the Government of Thailand where warranted.

64. For the period 2001-2003, subregional cooperation in the transport sector will continue to support the establishment of both physical and nonphysical linkages between and among the GMS countries. In line with the agreements reached at the Ninth GMS Ministerial Conference held in Manila in January 2000, the strategic thrusts in the transport sector for the period 2001-2003 consist of three main elements, namely: (i) ensuring timely implementation of priority projects, focusing on the "first-tier" subregional road projects; (ii) assisting in the finalization and implementation of cross-border agreements among GMS countries; and (iii) facilitating the transformation of subregional transport corridors into economic corridors.

65. As agreed by the GMS countries, the next two high priority subregional projects for immediate implementation or "first-tier" subregional road projects are as follows: (i) *R3: Chiang Rai-Kunming Road Improvement Project* (also called the "North-South Economic Corridor") and (ii) the *Kunming-Hanoi-Haiphong Transport Corridor Project*<sup>7</sup>. For the *Chiang Rai-Kunming Road Improvement Project*, the sections of the project road in Thailand and Yunnan Province, People's Republic of China (PRC) are being improved by the respective governments. Upon satisfactory resolution of outstanding issues relating to concession agreement between the Government of Lao PDR and a private company<sup>8</sup>, ADB and other sources are expected to

<sup>6</sup> ADB Loan No. 1697 CAM: Primary Roads Restoration approved in September 1999 for \$68 million.

<sup>7</sup> This multimodal project combines the following priority subregional transport project: (i) R5: Kunming Hanoi Road Improvement Project; (ii) RW2: Yunnan Province-Viet Nam Railway Improvement Project; and (iii) W3: Red River Navigation Improvement Project.

<sup>8</sup> ADB is assisting the Government of Lao PDR in the assessment of the concession agreement through TA No. 3396: Assessing the Concession Agreement for Lao PDR Component of the Chiang Rai-Kunming Highway approved in February 2000 for \$150,000.

finance the rehabilitation of the Lao section of R3<sup>9</sup>. For this purpose, ADB's CAP for Lao PDR for 2002 includes a \$20 million loan<sup>10</sup> from the ADF resources. For the *Kunming-Hanoi-Haiphong Transport Corridor Project*, a technical assistance to PRC and Viet Nam for project preparation is planned by ADB for 2001. The lending pipeline for Viet Nam for 2002 includes a \$60 million loan<sup>11</sup> from the ADF resources to partly finance the section of the Corridor in Viet Nam.

66. Significant progress has been achieved in addressing nonphysical barriers to the movement of goods and people within the GMS. A landmark trilateral agreement was signed by the Governments of Lao PDR, Thailand, and Viet Nam in Vientiane, Lao PDR on 26 November 1999 to facilitate the cross-border movement of goods and people between and among the three countries. Furthermore, the six countries adopted a timetable for the subregion-wide application of the *Framework Agreement for the Facilitation of the Cross-Border Movement of Goods and People* at the GMS Ninth Ministerial Conference held in Manila in January 2000. Specifically, the GMS countries agreed on the following:

- (i) completion of the *Framework Agreement* by the end of 2000;
- (ii) adoption and signing of the *Framework Agreement* by all six GMS countries by the end of 2001;
- (iii) application of the *Framework Agreement*, including all protocols and annexes, throughout the GMS by 2005; and
- (iv) early application of the *Framework Agreement* for selected corridors, including the two high-priority subregional road projects currently being implemented.

67. At the request of the Ninth GMS Ministerial Conference, ADB will consider providing technical assistance in 2001 to the PRC, Lao PDR, Myanmar, and Thailand to implement the quadripartite commercial navigation agreement among the four countries signed in April 2000. The technical assistance will identify and assess necessary investment projects, such as river port facilities and navigation aids, to help realize the potential benefits of commercial navigation in the upper reach of the Mekong River. A \$25 million loan to the four upper riparian countries is included in the proposed loan program for GMS countries for the year 2003 to help finance these investment projects.

68. The concept of "economic corridors" was first introduced at the Eighth GMS Ministerial Conference held in Manila in October 1998 as a strategic initiative under the GMS Program to help in the process of recovery from the Asian economic crisis. An economic corridor is a holistic approach where infrastructure improvements are linked directly to production, trade, and other development opportunities.

69. The first transport corridor in the GMS that has been considered for economic corridor development is the East-West Corridor, which covers the ongoing priority subregional road project, *R2: Thailand-Lao PDR-Viet Nam East-West Transport Corridor* and areas to the west of this project all the way to Mawlamyine in Myanmar. Specifically, the East-West Economic Corridor encompasses the area between the following provinces: Mawlamyine and Myawaddy in Myanmar; Mae Sot, Tak, Phitsanulok, Khon Kaen, Kalasin, Kuchinarai, and Mukdahan in Thailand; Savannakhet in Lao PDR; and Quang Tri, Thua Thien Hue, and Da Nang in Viet Nam.

<sup>9</sup> The Governments of PRC and Thailand have expressed their willingness to participate in financing this GMS road link.

<sup>10</sup> GMS: Northern Economic Corridor Project

<sup>11</sup> GMS: Kunming-Haiphong Corridor

The preinvestment study for the East-West Economic Corridor<sup>12</sup> indicates that there is considerable potential for development. Despite broad similarities between the provinces, complementarities also exist, especially in terms of trade and the processing of agricultural and other primary products. Reducing trade barriers would lead to gradually formalizing and accelerating cross-border trade, and, eventually, to intraindustry and intrafirm trade. There is, moreover, scope for light manufacturing and other nonagriculture activities, as well as scope for joint tourism development.

## **B. Energy**

70. The uneven distribution of energy resources in the GMS provides a compelling economic reason for expanded subregional cooperation in energy among the GMS countries. Countries that have large demand for energy, such as Thailand and Viet Nam, do not have sufficient energy resources while countries with low economic activity, such as Lao PDR and Myanmar, have large potential energy supplies, in terms of hydropower and gas resources. With the establishment of the GMS Program, energy development in the GMS moved increasingly towards integration, particularly in the power subsector. Integration through transmission grid interconnection will bring about improved efficiency and competitiveness of the GMS economies. Economic benefits will result from complementarity of energy resources, load diversity, exchanges of base for peak energy, increased supply reliability, reduced reserve capacity requirements, and reduced system losses.

71. Furthermore, an integrated power development approach brings about environmental benefits through reduced emissions from hydrocarbon fuels with the substitution of oil-fired plants by hydropower. The integrated approach will also allow for more optimal utilization of resources. Extensive river basin studies, for instance, enable better use of GMS water resources, such as development of dams for multi-purpose use, including hydropower. The integrated system approach will also better equip the GMS countries in addressing environmental and socioeconomic concerns arising from cumulative impacts of hydropower development.

72. Cooperation in the energy sector under the GMS Program thus focuses on the optimal utilization and development of the region's energy potential and provision of cross-border power transmission links to allow efficient electricity trade. Support initiatives include the establishment of institutional mechanisms within the subregion to support the momentum toward increased cooperation in the field of electric power and natural gas. To achieve these ends, the Electric Power Forum (EPF), established in 1994, and its adjunct, the Experts Group on Power Interconnection and Trade (EGP), were created specifically to facilitate the integration of national networks and grids for power trading at the subregional level. They were also tasked to address the concomitant planning, regulatory, technical, and institutional issues. The EPF has held a total of six meetings since inception, while the EGP has held three.

73. On power generation, two hydropower projects have been financed by ADB to date: the *Theun Hinboun Hydropower Project*, which started commercial operations in April 1998; and the *Nam Leuk Hydropower Project*, which has been completed recently. The feasibility studies on the 500 kV Transmission Line between Nam Ngum and Udon Thani, and the studies on the *Se Kong-Se San and Nam Theun River Basin* have been completed. However, slower growth in energy demand resulting from the economic crisis, enabled a more flexible approach in the implementation schedule of power generation and accompanying transmission and distribution

<sup>12</sup> ADB TA No. 5885-REG: Greater Mekong Subregion: Preinvestment Study for the East-West Economic Corridor approved in December 1999 for \$350,000.

projects. The 500 kV Nam Ngum-Udon Thani transmission line, for one, was deferred due to a decline in power demand projections in Thailand. There was also a need for reassessment of hydropower development in the GMS, such as for the Se Kong-Se San and Nam Theun River basins, in the light of observed adverse impacts on fisheries, water supply, and other natural and community assets experienced in the past projects.

74. The current slack in power demand, however, provides an opportunity to work on other important areas of energy cooperation, such as removing unnecessary controls, facilitating competition, and mobilization of capital for sector growth, which are key to enhancing private sector participation in the sector as well. The objective of creating a regional electricity market remains, however, since hydropower and gas resources continue to be cost competitive, and power demand in the subregion is expected to revitalize shortly. The GMS countries took a big step towards full-scale regional electricity trade with the formal adoption of the *Policy Statement on Regional Power Trade* by the EPF. The EPF also endorsed the need for a *Regional Indicative Master Plan on Power Interconnection*<sup>13</sup>, which is essential in mapping the strategy for regional cooperation in power, considering the funding constraints, institution of power pools, and production of low cost power from gas. The Master Plan study commenced recently with ADB support.

75. For the next three years, trends in economic activity will be closely monitored for their impact on load demand projections. With economic recovery and expected robust growth in energy demand, continued project preparation will be needed to avoid capacity shortages later. Meanwhile, the groundwork will be prepared for a more formal institutional arrangement for regional power trading and pooling. Related workshops will be conducted to discuss the differences (technical, policy, etc.) between and among the national power systems, which may obstruct interconnection over the medium and long term.

76. Subregional efforts at strengthening energy institutions through cooperation in data exchanges and training of energy professionals, are critical for the success of national rural electrification, and its strong anti-poverty dimensions. To address the adverse social/environmental impacts of hydropower projects, the capacity for hydropower planning and project studies will be improved. More attention will be paid to cumulative impacts of hydropower development in basin studies. At the project level, studies will carefully scrutinize baseline data as reference for predicting project impact. Moreover, hydropower planning and implementation will involve more systematic participation of stakeholders, including NGOs, particularly in monitoring deficiencies in project design and implementation methods, and in formulating mitigation measures.

### **C. Telecommunications**

77. The high correlation between poverty and access to telecommunications is increasingly becoming apparent with the rapid expansion of the Internet. The development of the telecommunications sector throughout the GMS countries will help address the issue of the so-called "Digital Divide", i.e., the affluent members of society in the urban areas have more opportunity than the poor to access the Internet and take advantage of new technologies and services. The price of telecommunications service in most of the GMS is high, making such service less accessible and affordable. An efficient telecommunications network linking poor border areas will not only facilitate transfer of information at reduced cost, but will also help increase trade and production, and, thereby, empower minorities and rural communities.

<sup>13</sup> ADB TA No. 5920-REG: Regional Indicative Master Plan on Power Interconnection in the Greater Mekong Subregion approved in July 2000 for \$158,000.

78. Subregional cooperation in the telecommunications sector will give the GMS countries the opportunity to maximize the benefits to be derived from telecommunications technology. A total of 13 transmission links originally grouped into three loops (East, West, and North) and improved interconnection have been identified for priority implementation. These 13 priority networks have been regrouped into a two-phased project, namely, the *Telecommunications Backbone Project - Phases 1 and 2*.

79. The strategic thrust of the telecommunications sector under the GMS Program for 2001-2003 is to expedite the development of "backbone" transmission lines with a view to maximizing the development impact of these networks on poverty reduction. Efforts will be made to promote a secure and stable policy environment to mobilize private sector investment. Phase 1 of the backbone involves sections of four of the priority networks, one new connection, and five new networks for upgrade and improvements, with a combined cost of about \$50 million (in 1998 prices). It also includes two studies related to implementation, and four institutional strengthening projects with a combined cost of about \$12 million (in 1998 prices). Phase 2 involves sections of seven of the priority networks, and upgrade and improvements of existing networks, with a combined cost of about \$96 million (in 1998 prices). It also includes three studies related to implementation with a combined cost of over \$4 million (in 1998 prices).

80. ADB small-scale technical assistance is being provided to update the feasibility study on Phase 1 involving Cambodia, Lao PDR, Viet Nam, and Yunnan Province, including assessment of possible social and environmental impacts<sup>14</sup>. ADB has been requested by the six countries to help mobilize resources for Phases 1 and 2 of the *Telecommunications Backbone Project*. This assistance will include financing and arranging cofinancing for the construction of the optical fiber "backbone" network, as well as removing the regulatory impediments in the GMS.

81. To partly finance the construction of Phase 1, ADB's proposed additional lending pipeline for the GMS Program for 2001 includes loans to Cambodia, Lao PDR, and Viet Nam amounting to some \$40 million combined since a portion of the project cost is expected to be cofinanced. ADB will also mobilize technical assistance grants to assist the GMS countries in reviewing the telecommunications policy in the GMS and establishing or enhancing the regulatory framework. For this purpose, regional technical assistance grants amounting to some \$2 million and \$1.3 million have been included in the ADB's pipeline for the GMS Program for 2001 and 2002, respectively. Cofinancing from other donors for Phase 1 as well as for the other studies for improving the regulatory framework, will be explored.

#### **D. Tourism**

82. The GMS is rich in natural, cultural, and historical resources that provide enormous potential for tourism development. The subregion's cultural heritage and varied natural geography make it a desirable single tourism destination. The GMS countries recognize the important role of tourism in terms of generating foreign exchange and contributing to economic growth and employment. For example, in 1999, tourism was the top foreign exchange earner in Lao PDR, and accounted for four percent of GDP in Viet Nam. Since 1982, tourism has been Thailand's largest source of foreign exchange earnings; in 1998, tourism accounted for approximately 5.4 percent of GDP. In Cambodia, tourism was a major factor in the country's economic recovery in 1999.

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<sup>14</sup> ADB TA No. 5915-REG: Establishment of Backbone Telecommunications Network Project Phase 1 approved in May 2000 for \$150,000.

83. Subregional tourism programs<sup>15</sup> are progressing well with the active participation of the GMS National Tourism Organizations (NTOs) and support of ADB, the Pacific Asia Travel Association (PATA), and other donor agencies. GMS Tourism Working Group's (TWG's) ongoing and continuing programs on destination marketing, and subregional events are proceeding, with the assistance and coordination of the PATA and the Agency for Coordinating Mekong Tourism Activities (AMTA), respectively. The Tourism Authority of Thailand (TAT), in close collaboration with AMTA, has supported the preparation of a tourism marketing strategy for the GMS; a study of north-south tourism flows in the Subregion; an assessment of village-based tourism; as well as production of a GMS tourism promotional video, tourist map, and travel guide. ADB has provided regional technical assistance grants for two training of trainers programs, and planning and feasibility studies on Mekong/Lancang River tourism infrastructure development.

84. In view of the substantial progress achieved in the tourism sector under the GMS Program, the key strategic challenge over the medium term is to strengthen the institutional basis for sustaining subregional cooperation over the long term. With the assistance of ADB, TWG has initiated a *Review of Progress and Future Directions of GMS Tourism Sector Initiatives*. The TWG is exploring ways to enhance the ownership by the GMS NTOs of the cooperative program, and strengthen and expand the role of AMTA to make it a professional regional marketing agency for the GMS, an organizer of subregional tourism events, and a facilitator of subregional tourism projects. ADB assistance has been requested to help build the necessary capacities for AMTA.

85. During the period 2001-2003, ADB will continue to support the holding of the Mekong Tourism Forum given the Forum's proven effectiveness in publicizing the GMS as a single tourism destination, and in influencing GMS governments to adopt policies that are conducive to the growth of tourism. In the area of tourism infrastructure, the lending pipeline for 2002 includes one investment project for each of the five GMS countries with a total amount of \$40 million. The ongoing TA for Mekong/Lancang River Tourism Infrastructure Development<sup>16</sup> will identify the project components, most likely in complementary physical infrastructure projects. By investing in this project, ADB would catalyze private sector participation in the development of tourism infrastructure in the six priority tourism segments along the Mekong River.

## **E. Environment**

86. The GMS countries share common resources and face similar issues and problems for resources management, and therefore would benefit by coordinating their efforts to protect shared resources. Subregional cooperation in environment under the GMS Program, initially involved improving capacities for database development and information exchange, and training and institutional development of GMS countries. Two ADB-assisted TA projects -- the *Subregional Environmental Monitoring and Information System (SEMIS)*<sup>17</sup> and the *Subregional Environmental Training and Institutional Strengthening (SETIS)*<sup>18</sup> -- both completed in 1998, helped to demonstrate the value of regional cooperation and coordination in developing

<sup>15</sup> The GMS Tourism Working Group has restructured its work program from a project orientation to a program approach in order to broaden its scale of operations, take on a longer-term perspective, and allow the accommodation of new ideas and initiatives.

<sup>16</sup> ADB TA No. 5893-REG: Mekong/Lancang River Tourism Infrastructure Development approved in December 1999 for \$600,000.

<sup>17</sup> ADB TA No. 5622-REG: Subregional Environmental Monitoring and Information System approved in February 1995 for \$1 million.

<sup>18</sup> ADB TA No. 5684-REG: Subregional Environmental Training and Institutional Strengthening approved March 1996 for \$ 800,000.

environmental information and monitoring systems and raising environmental awareness and capacity among Government staff. A follow up project, SEMIS II<sup>19</sup>, will build on the earlier SEMIS by focusing on development of national databases pertaining to issues of national and subregional importance.

87. Subsequent subregional activities developed a common framework for tackling shared environmental issues and problems. The ongoing TA on the *Strategic Environmental Framework (SEF)*<sup>20</sup>, will promote early consideration of environmental and social considerations in economic development planning, focusing on the water resource development and transport sectors. The SEF is directed at the GMS Program specifically, and at each of the GMS countries generally. The SEF is identifying high-risk, environmentally fragile areas (“hotspots”) to which particular attention must be paid when planning development projects. It is also identifying strategic steps that can be taken at the program level to enhance environmental protection and help avoid the social, environmental, and economic costs that have been experienced in the past because of poorly-informed decision making. Two ongoing TA projects, involving transboundary environmental action will reinforce the institution of the SEF. The project on *Protection and Management of Critical Wetlands of the Lower Mekong Basin*<sup>21</sup>, promotes integrated resource management in regionally significant wetlands. The project on *Poverty Reduction and Environmental Management in Remote Watersheds*<sup>22</sup>, addresses the related problems of poverty and environmental degradation. Both projects will eventually identify and prepare investment projects on sustainable resource management.

88. Watershed development is one of the priority areas in the GMS Program's ongoing and planned activities, in view of the serious degradation of critical watersheds in GMS. The TA involves the development of a framework of mutually consistent policies, standards and guidelines to halt and reverse current trends in deforestation and environmental degradation. The TA will also be preparing investment proposals to address the inter-related issues of poverty reduction and environmental protection in selected remote watersheds. The Interim Report for the TA has identified the various forms of community-based project assistance to introduce sustainable livelihood practices in the watersheds, supported by irrigation, extension services, food (grains) and cattle banks, and improved credit access. Basic infrastructure will also be undertaken to enhance physical access of rural communities through roads and bridges, and improve their living conditions through village water supply and sanitation, schools, health facilities, and electricity.

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<sup>19</sup> ADB TA No. 5899-REG: Subregional Environmental Monitoring and Information System Phase II approved in December 1999 for \$100,000.

<sup>20</sup> ADB TA No. 5783-REG: Strategic Environmental Framework for the GMS approved in March 1998 for \$ 600,000.

<sup>21</sup> ADB TA No. 5822-REG: Protection and Management of Critical Wetlands in the Lower Mekong Basin approved in December 1998 for \$ 1 million.

<sup>22</sup> ADB TA No. 5771-REG: Poverty Reduction and Environmental Management in Remote GMS Watersheds approved in December 1997 for \$1 million.

89. For 2001-2003, subregional cooperation will continue to complement ADB's country programs for the environment. ADB and the GMS countries will increasingly utilize the SEF to guide activities in program and project planning, especially in the transport and energy sectors where social and environmental impacts are most serious. With the recovery of GMS economies, transboundary environment issues should be accorded greater priority and significance, given increased pressure on the resource base. Over the longer term, with the SEF in place, the key challenge is to further enhance the capacity and readiness of the GMS governments to cooperate on transborder environmental issues. These are: deforestation; downstream hydropower development impact; biodiversity losses and trade in wildlife; encroachment on protected areas due to transport projects; and pollution of waterways.

## F. Human Resources Development

90. In 1994, subregional cooperation in HRD addressed the urgent need to extend benefits of economic growth to the poor and ethnic minorities in remote areas. It focused on transborder dimensions such as inadequate managerial and technical skills of the migrant workforce, and transmission of communicable diseases such as HIV/AIDS and malaria and the trafficking of women. At present the major focus of cooperation in HRD is on extending the benefits of economic growth to the poor and ethnic minorities and addressing the social implications of economic growth.

91. In late 1996, the Working Group on Human Resources Development (WGHRD) was established to serve as a forum to tackle the above transborder issues and undertake subregional cooperation projects. Subregional HRD projects so far implemented have involved two technical assistance projects. The first project is on *Cooperation in Employment Promotion and Training*<sup>23</sup>, which involved the setting up of labor market information networking, and identified potentials for collaboration in common standards, certification, and accreditation systems. The second project is on *Prevention of HIV/AIDS in the GMS*<sup>24</sup>, which provided a framework for HIV/AIDS prevention using a regional approach and identified 18 project proposals covering various areas of HIV/AIDS interventions such as policy, safe blood supply, and care/ treatment of patients. A regional approach, particularly in disease control, complements national initiatives by allowing resource sharing and enhancing cost-effectiveness of interventions.

92. In the second meeting of the WGHRD in May 1999, the GMS countries agreed to focus future interventions on disadvantaged groups, HIV/AIDS prevention and control, and skills development. These priorities, which are consistent with ADB's efforts on poverty reduction, are reflected in the pipeline of projects for the HRD sector. The project on *Study of Health and Education Needs of Ethnic Minorities*<sup>25</sup> identified the constraints that ethnic minorities face in accessing basic social services. This project is expected to identify follow up activities for 2001-2003 covering policy studies, capacity building, and investment projects for ethnic minorities. Priority areas include basic education, primary/ reproductive health, drug abuse, and HIV/AIDS. The project on *Preventing HIV/AIDS Among Mobile Populations in the GMS*<sup>26</sup> recently

<sup>23</sup> ADB TA No. 5681-REG: Cooperation in Employment Promotion and Training in the GMS, approved in April 1996 for \$600,000.

<sup>24</sup> ADB TA No. 5751-REG: Prevention and Control of HIV/ AIDS in the GMS, approved in September 1997 for \$150,000 (financed by the Government of Australia).

<sup>25</sup> ADB TA No. 5794-REG: Study of Health and Education Needs of Ethnic Minorities approved in June 1998 for \$300,000.

<sup>26</sup> ADB TA No. 5881-REG: Preventing HIV/ AIDS Among Mobile Populations in the Greater Mekong Subregion approved in December 1999 for \$450,000.

commenced with the aim of developing and mainstreaming toolkits for HIV/AIDS prevention measures among mobile populations.

93. Other health priorities include preventive health care and disease control activities, such as support to the Rollback Malaria (RBM) Initiative, which is a joint WHO/ UNICEF program to reduce malaria morbidity and mortality through intensive disease management and prevention. Moreover, a small-scale RETA for Drug Eradication is being processed to identify optimal means for the GMS countries in eradicating drug production and consumption, and in sharing best practices for drug control.

## **G. Trade**

94. The concept of a working group to address issues related to trade was first agreed to by the GMS countries at the Third Ministerial Meeting in 1994. Subsequent Ministerial Meetings in 1997 and 1998 further discussed the thrusts of trade cooperation, given that ASEAN was actively involved in the sector and that five of the GMS countries are already members of ASEAN. At the Eighth Ministerial Conference in October 1998, the GMS countries agreed that the focus of cooperation in trade would be on trade facilitation. The rationale for a focus on trade facilitation includes: (i) the need to establish quickly an attractive trade environment in the GMS, especially to address the challenges arising from the economic crisis; and (ii) the need to ensure that the investment in physical infrastructure has clear economic payoffs.

95. The GMS countries have taken important steps towards trade liberalization, both unilaterally and collectively in the context of their membership in ASEAN, APEC, or WTO. Significant progress has also been made in related reforms such as the removal of non-tariff barriers, privatization, deregulation, and elimination of international discretion in matters of international trade. Moreover, subregional trade has benefited from improvements in transportation and telecommunications infrastructure as well as recent agreements to facilitate the cross-border movement of goods and people along major transport routes.

96. To further accelerate trade in the subregion, and between the GMS and the international community, the Inception Meeting of the Trade Facilitation Working Group (TFWG) held in November 1999 identified nine priority projects but agreed to proceed with the immediate implementation of the first four. The first project on the *Establishment of National Institutional Arrangements for Trade Facilitation* involves the setting up of coordination mechanisms for trade facilitation at the national level. The mechanism to be established would serve as the focal point for coordination among various agencies involved in trade facilitation, interfacing with external trade facilitation institutions, and serving as a forum for dialogue between the private sector and the government agencies. The second project on *National Studies and Seminars on Regulatory, Procedural, and Documentation Systems for International Trade* envisions the conduct of seminars that will help promote a detailed understanding of the existing regulations, procedures, and documentation necessary for cross-border trade. The first and second projects are already receiving support from ESCAP.

97. The third project will involve the pilot testing of trade facilitation arrangements in the GMS economic corridors. The actual results from the pilot activity will be useful in determining possible wider application of trade facilitation measures in the GMS. The fourth project involves customs cooperation directed at simplifying customs procedures and controls that impinge on trade facilitation in the subregion. An ad hoc meeting of customs officials in the GMS held in January 2000 further identified the establishment of a single-window inspection among the GMS

countries. Customs administrations would also seek agreement on: single-stop inspection; coordination of hours of operation for adjacent frontier crossings; and making available and accessible respective customs procedures and regulations. The customs administrations in the GMS would move toward an electronically based customs procedure system, and agree on exchanging information among customs authorities.

## **H. Investment**

98. FDI is playing an increasingly important role in the development of the GMS countries as economic reforms move toward greater trade liberalization and privatization. An enabling environment conducive to FDI flows combines the friendliness of the policy framework, the economic opportunities available, and the ease of doing business in the country. In the aftermath of the economic crisis, the GMS countries felt the need to work more closely together to reverse the capital flight that has occurred as a result of the crisis. The Second Meeting of the Subregional Investment Working Group (SIWG) was convened in September 1999 to discuss the strategy and priorities for investment cooperation. The GMS countries agreed to work on three areas—investment promotion, investment facilitation, and the regulatory framework for investment— and identified the focus of activities in each of these areas.

99. Investment promotion would focus on specific projects to be promoted as well as target markets. In the East West Economic Corridor, the preinvestment work in progress has already identified the specific trade and investment possibilities in specific locations in the context of an industrial development strategy. The strategy calls for the establishment of industrial facilities, upgrading of infrastructure and services facilities, promotion of small and medium enterprises, and coordination at the policy level of investment incentives and related investment policies. Equally important is institution and capacity building for investment promotion which includes training in negotiations, database and webpage design, and promotional literature production.

100. In investment facilitation, the focus will be on information collection, information sharing, and capacity building for information management. Efforts will be made to link the GMS databases and one-stop shops. Further coordination with ASEAN, UNIDO, ESCAP, and the World Bank in these areas will be pursued. While improvements in the regulatory environment would support investment promotion efforts, the unique legislative and institutional settings in each of the countries should be taken into account in synchronizing the pace of investment policy reforms in the GMS. Capacity building is key to establishing and implementing the regulatory framework that is conducive to foreign investment.

101. Based on these thrusts, the SIWG identified six priority areas of cooperation. An important priority will be building institutional capacity for investment promotion and facilitation in the GMS. Improvement in information systems will have to accompany efforts at capacity building to improve the collection, processing and dissemination of investment-related information for investment facilitation. A third important activity involves support to the GMS Business Forum in the design and implementation of an appropriate structure for engaging and sustaining the involvement of the private sector in the GMS processes. The GMS countries also agreed to a project to strengthen the regulatory and incentive structure in the GMS countries that will have to be coordinated with the ASEAN Investment Area initiative (AIA). Finally, a project on the design and implementation of fast-track approval procedures will be conducted, possibly linking with different 'one-stop shops' in the GMS countries, and pilot tested in the East West Economic Corridor.

## VII. ADB's Operational Program

102. The proposed lending program for GMS subregional projects during 2001-2003 comprises nine projects requiring \$265 million in ADB financing (Appendix 4). Of these nine projects, four have been included in the CAPs. However, three of these four projects will still require additional funds since some of their components could not be accommodated under the respective country IPFs. Five projects, meanwhile, require separate funds allocation. These five projects, plus the three projects partially accommodated under the country IPFs, will require additional IPF allocations amounting to \$155 million, of which \$97 million will be provided under ADF terms, and \$58 million will be in OCR terms. The incremental amount needed to finance priority GMS projects is approximately \$50 million annually over the period 2001-2003.

103. Based on project classification guidelines, four projects amounting to about a quarter of the financial requirements will be for core poverty interventions. The remaining five projects are classified as other development interventions. These projects will mainly provide the transport and telecommunications backbone that will link the remote areas in the region, and in the process enhance economic activities benefiting the poor, especially in the undeveloped areas to be served by the projects.

104. In terms of sectoral distribution, 58 percent of the financial requirements will be for transportation and communication projects, 11 percent for social infrastructure, and 15 percent for agriculture and natural resources. Classified under "others" was the 15 percent allocated for Mekong River tourism infrastructure development. The lending pipeline for 2001-2003 thus provides for a broader sectoral distribution as compared to the distribution recorded from 1994 to 1999, which was dominated by transportation and communications (85 percent) and energy (15 percent).

105. The proposed TA program for 2001- 2003, which has an IPF of \$14.1 million, will provide mainly advisory technical assistance in the priority areas of telecommunications, HRD, environment, trade, and investment. For telecommunications, which will take up the largest share of the TA pipeline (\$3.3 million for 2001-2003), the focus is on the study of the regulatory regime, which will be needed to provide a sound policy and regulatory environment when the telecommunications "backbone" project becomes operational. For HRD, the focus is on prevention and control of diseases (malaria, HIV/AIDS), skills development, and improvement of higher education. For the environment, integration of environmental concerns in development planning will continue to be the focus of the TA program.

106. The rest of the TA pipeline consists of the project preparation activities for Mekong River commercial navigation, watershed management, prevention and control of HIV/AIDS, and ethnic minorities projects in the lending pipeline. There are four PPTAs, costing \$3.6 million, or 25.5 percent of the TA pipeline. The rest consists of 14 ADTAs, amounting to \$10.5 million or 74 percent of the total.

107. In terms of sectoral distribution, transportation and communication takes up the largest share (30 percent), while social infrastructure closely follows at 26 percent. Agriculture and natural resources is third with 13 percent. The same sectors were active in the GMS Program's TA activities from 1994 to 1999. The share of social infrastructure showed the most significant increase, from 6 percent in 1994-1999 to 26 percent in the TA pipeline for 2001-2003.

## **VIII. Coordination with Donor Agencies and Other Regional Institutions**

108. Positive economic developments in the GMS countries, as well as noteworthy progress under the GMS Program, are creating many opportunities for development cooperation with bilateral and multilateral institutions. In addition to development assistance to individual countries, donor agencies are also increasingly involved in initiatives of a subregional nature. Given the mandate by the Sixth GMS Ministerial Conference in 1996, ADB has been performing the role of donor coordinator for other subregional initiatives, on behalf of the GMS countries.

109. ADB's coordination with the donor community under the GMS Program has the objective of promoting complementarity of work programs and expertise of donor institutions. Regular information sharing with major donors in the GMS is helping ADB establish its approach at program and project levels. Donors are invited to GMS meetings; ADB reciprocates by participating in other donor-sponsored meetings on the GMS. Monitoring of donor activities in the field, and identification of collaborative opportunities with the donor institutions are continuing efforts for the ADB. The strengthening of the resident missions in the GMS countries is helping to meet this challenge by strengthening interaction with donor institutions that have presence in the GMS.

110. An important milestone in donor coordination was reached when ADB and the Mekong River Commission (MRC) signed the Partnership Arrangement between the two agencies in March 2000. The Arrangement sets the framework for cooperation between the two agencies, including the areas of cooperation, and the mechanics of consultation and information sharing. The MRC is an intergovernmental organization established in 1995 among Cambodia, Lao PDR, Thailand, and Viet Nam to promote sustainable development of the Mekong River

111. Multilateral institutions that are involved in major subregional initiatives in the GMS include the UN agencies, the World Bank, and the International Finance Corporation (IFC). ESCAP has been collaborating with the ADB in tourism, trade, investment and private sector development. ESCAP continues to provide financial support for the Tourism Working Group, as well as for priority activities in the tourism sector. It is also supporting two priority projects for trade facilitation. ESCAP and ADB collaborated to organize the Inception Meeting of the GMS Business Forum in October 2000.

112. The UN agencies are active partners in implementing environment and HRD projects under the GMS Program. UNDP is executing a technical assistance project funded by the Global Environment Facility (GEF) focusing on biodiversity conservation in the Tonle Sap to complement ADB's work in planning for detailed investments in fishery, forestry, and agricultural resources in the lake. The United Nations Environmental Programme (UNEP) has been working with ADB in developing a system for environment and natural resources information under the project on Subregional Environmental Monitoring and Information Systems. ADB plans to tap the expertise of the United Nations International Drug Control Programme (UNDCP) to assist in a planned regional technical assistance project on drug eradication focusing on crop substitution and demand reduction issues. To prepare the groundwork for collaboration, a seminar on UNDCP's Drug Control Program in the GMS was held in November 1999 to enhance awareness of ADB staff on policies and strategies, demand reduction, law enforcement, and alternative development approaches for drug eradication.

113. The World Bank initiative on promoting regional power trade has moved energy cooperation in the GMS into a more comprehensive plane. The World Bank and ADB are working together under the GMS Program framework to prepare the policy, technical, financial

and institutional framework for power trade in the region. Consultations between the World Bank and the GMS countries are ongoing on the draft Regional Protocols on Power Trade, which lays the principles and mechanics of trading, pricing, financing and technical harmonization. For its part, ADB will conduct a *Regional Indicative Master Plan on Power Interconnection* taking into account the current and projected demand and supply conditions.

114. ADB held discussions with the Mekong Project Development Facility (MPDF) early this year to determine ways in which ADB can support MPDF operations in developing productive, viable small and medium enterprises (SMEs) in the region. MPDF, a multi-donor program managed by IFC, is helping to provide the link between the SMEs and sources of financing for their projects. Modalities are being developed that would enable ADB to support some of the projects under MPDF.

115. ADB continues to coordinate closely with ASEAN on account of overlapping membership and interrelated activities especially in the areas of trade and customs facilitation and investment promotion. An important regional initiative that was launched in October 1999 under the ASEAN framework was the Working Group on the West-East Economic Corridor (WEC) Development. It was established at the initiative of Viet Nam under the framework of the ASEAN Economic Ministers-Japan Ministry of Trade and Industry Economic and Industrial Cooperation Committee (AMEICC). At present, however, work on the WEC is focusing on human resource and SME development to complement the ongoing physical infrastructure being supported by different international development agencies, including ADB. The participation of other ASEAN countries in the WEC is expected to enhance the Corridor's investment potential. ADB has been designated as a standing member of the Working Group and has been participating in WEC Meetings.

## **IX. Cofinancing and Catalyzing External Resources**

116. ADB's financial support for GMS subregional projects are complemented by cofinancing from other donors. ADB has been able to mobilize cofinancing for two investment projects—the *Theun Hinboun Hydropower Project* and the *Nam Leuk Hydropower Project*—amounting to \$234 million from both official and private sources. The Theun Hinboun Project in particular was able to attract a consortium of private investors and commercial financiers. ADB's catalytic role in resource mobilization is exemplified in the East West Corridor Project where various project components are being funded by the Government of Japan, the World Bank, and the Royal Thai Government.

117. For technical assistance projects, ADB has been able to mobilize a total of \$13 million in cofinancing from various donors. This represents about one third of the total cost of ADB-assisted regional technical projects in the GMS. Bilateral cofinancing sources include Australia, Finland, France, Norway, Sweden, Switzerland, Thailand, and the United Kingdom while multilateral financing sources include ILO, ESCAP, and UNEP. The ADB-administered Japan Special Fund (JSF) has provided more than half of the financing requirements of GMS technical assistance projects since 1992.

118. The shift in the focus of the GMS Program towards a pro-poor strategy is expected to generate new and innovative partnerships with both official and private sector funding sources for subregional projects. ADB will seek collaboration with donors that are active and continue to be interested in the social and environment sectors. Potential interested donors will be identified at the early stages of project development and involved in the development of subsequent phases.

119. Together with project-specific resource mobilization initiatives, there will be parallel efforts to promote investments in the GMS as a whole, by marketing the region as a viable single investment destination. In this regard, the GMS Business Forum, which was established in October 2000 in Bangkok, would be a vehicle for strengthening and expanding relationships with and among donor agencies and business organizations. ADB participation in the business sector meetings in Thailand in February 2000, in conjunction with the Thailand Board of Investment Fair, as well as investment seminars in Japan held in June 2000, have succeeded in confirming continued interest of businesses in the region as well as in specific investment opportunities under the GMS Program.

TABLE 1: COUNTRY PERFORMANCE INDICATORS OF THE GMS COUNTRIES

| Indicator:                                  | Unit                  | Year          | Cambodia          | Yunnan, PRC          | Lao PDR | Myanmar            | Thailand | Viet Nam          |
|---|-----------------------|---------------|-------------------|----------------------|---------|--------------------|----------|-------------------|
| <b>Economic Indicators:</b>                 |                       |               |                   |                      |         |                    |          |                   |
| Total area                                  | '000 sq km            |               | 181               | 394                  | 237     | 677                | 513      | 332               |
| Total population                            | million               | 1999          | 11.7              | 41.4 <sup>a</sup>    | 5.1     | 47.3               | 62.0     | 79.3 <sup>a</sup> |
| Population growth                           | %/year                | 1999          | 2.5 <sup>a</sup>  | 1.5 <sup>b</sup>     | 2.5     | 1.9                | 1.0      | 1.6 <sup>a</sup>  |
| Per capita GDP, nominal                     | \$                    | 1999          | 254               | 526 <sup>a</sup>     | 281     | n.a.               | 2,000    | 354               |
| Per capita GDP, PPP                         | \$                    | 1998          | 1,257             | 3,105 <sup>a</sup>   | 1,734   | 1,199              | 5,456    | 1,689             |
| Growth rate of real GDP                     | %                     | ave 1997-1998 | 2.0               | 8.7                  | 5.5     | 5.4 <sup>c</sup>   | -6.1     | 6.3               |
|   | %                     | 1999          | 5.0               | n.a.                 | 4.0     | 4.5 <sup>c</sup>   | 4.1      | 4.4               |
| Annual inflation rate                       | %                     | ave 1997-1998 | 11.4              | 1.0 <sup>d</sup>     | 54.7    | 41.5 <sup>c</sup>  | 6.9      | 6.4               |
|   | %                     | 1999          | 4.0               | -1.4 <sup>d</sup>    | 128.4   | n.a.               | 0.3      | 0.1               |
| Exchange rate (average)                     | lc/US\$               | 1999          | 3,815             | 8.3 <sup>e</sup>     | 7,108   | n.a.               | 37.79    | 14,028            |
| Fiscal balance                              | % of GDP              | 1999          | -3.7              | -8.9 <sup>f</sup>    | -9.3    | -4.5 <sup>g</sup>  | -3.0     | -2.0              |
| Current account balance                     | % of GDP              | 1999          | -8.4 <sup>h</sup> | -3.7 <sup>h,i</sup>  | -10.3   | -53.0 <sup>g</sup> | 9.1      | 2.3               |
| Gross official reserves                     | \$ million            | 1999          | 422               | 154,700 <sup>a</sup> | 116     | n.a.               | 34,800   | 2,098             |
| <b>Social and Environmental Indicators:</b> |                       |               |                   |                      |         |                    |          |                   |
| Infant mortality                            | per 1,000 live births | 1998          | 104               | 38 <sup>a</sup>      | 96      | 80                 | 30       | 31                |
| Life expectancy at birth                    | years                 | 1998          | 53.5              | 70.1 <sup>a</sup>    | 53.7    | 60.6               | 68.9     | 67.8              |
| Adult literacy rate                         | %                     | 1998          | 65.0 <sup>h</sup> | 82.8 <sup>h</sup>    | 46.1    | 84.1               | 95.0     | 92.9              |
| Primary school gross enrollment             | %                     | 1997          | 99.9              | 99.9 <sup>i</sup>    | 73.0    | 99.3               | 88.0     | 99.9              |
| Popn below poverty line                     | %                     | 1997/1998     | 36.1              | 10.8 <sup>j</sup>    | 46.9    | 22.9 <sup>h</sup>  | 12.9     | 37.0              |
| Popn with access to safe water              | %                     | 1990-1998     | 68                | 67 <sup>h</sup>      | 68      | 60                 | 81       | 45                |
| Popn with access to sanitation              | %                     | 1990-1998     | n.a.              | 24 <sup>h</sup>      | n.a.    | 43                 | 96       | 29                |
| Public expenditure on education             | % of GNP              | 1995-1997     | 2.9               | 2.3 <sup>h</sup>     | 2.1     | 1.1 <sup>h</sup>   | 4.8      | 3.0               |
| Public expenditure on health                | % of GDP              | 1996-1998     | 0.6               | 0.7 <sup>h</sup>     | 1.2     | 0.2                | 1.7      | 0.4               |
| Land:population ratio                       | ha/person             | 1999          | 1.5               | 1.0                  | 4.7     | 1.4                | 0.8      | 0.4 <sup>h</sup>  |
| Average annual deforestation rate           | %                     | 1990-1995     | 1.6               | 0.1 <sup>h</sup>     | 1.2     | 1.4                | 2.6      | 1.4               |
| Comml energy cons/capita                    | kg of oil eq          | 1997          | n.a.              | 907 <sup>h</sup>     | n.a.    | 296                | 1,319    | 521               |
| Carbon dioxide emission                     | mt/capita             | 1996          | 0.0               | 2.8 <sup>h</sup>     | 0.1     | 0.2                | 3.5      | 10.8              |

<sup>a</sup> 1998 data.

<sup>b</sup> 1998 estimate.

<sup>c</sup> Refers to fiscal year ending 31 March.

<sup>d</sup> Refers to entire PRC.

<sup>e</sup> Excluding official transfers.

<sup>f</sup> Net exports of goods and services.

<sup>g</sup> As percent of merchandise exports.

<sup>h</sup> Refers to another year.

<sup>i</sup> Officially designated as poor in 1997; percent of population with annual per capita income below the 1997 national poverty line of Yuan 640 (about \$77).

<sup>j</sup> Data were collected during one of the years shown.

Source: Various ADB Country Assistance Plans, 2001-2003; ADB, Asian Development Outlook 2000; China Statistical Yearbook, 1999; and UNDP, Human Development Report 2000.

8.9 5.9 -1.7 -10.2 4.2  
5.2060469

0.089 0.059 -0.017 -0.102 0.042  
1.089 1.059 0.983 0.898 1.042

1.0607705  
0.011869  
1.1868981

|     |     |      |                   |     |     |
|-----|-----|------|-------------------|-----|-----|
| 3.6 | 8.7 | 5.6  | 5.6               | 1.2 | 7.2 |
| 8.4 | 5.2 | 54.0 | 29.4 <sup>a</sup> | 5.1 | 6.0 |

|       |          |          |          |           |
|-------|----------|----------|----------|-----------|
| 6.7   | 5.5      | 2.6      | 1.3      | 5         |
| 0.067 | 0.055    | 0.026    | 0.013    | 0.05      |
| 1.067 | 1.055    | 1.026    | 1.013    | 1.05      |
|       |          |          |          | 1.228466  |
|       |          |          |          | 1.042012  |
|       |          |          |          | 4.2011704 |
| 8.1   | 7.2      | 8        | 14.8     | 4         |
| 0.081 | 0.072    | 0.08     | 0.148    | 0.04      |
| 1.081 | 1.072    | 1.08     | 1.148    | 1.04      |
|       |          |          |          | 1.494237  |
|       |          |          |          | 1.083637  |
|       |          |          |          | 8.3637168 |
| 10.5  | 9.6      | 8.8      | 7.8      | 7.1       |
| 0.105 | 0.096    | 0.088    | 0.078    | 0.071     |
| 1.105 | 1.096    | 1.088    | 1.078    | 1.071     |
|       |          |          |          | 1.521283  |
|       |          |          |          | 1.087532  |
|       |          |          |          | 8.7531868 |
| 17.1  | 8.3      | 2.8      | -0.8     | -1.5      |
| 0.171 | 0.083    | 0.028    | -0.008   | -0.015    |
| 1.171 | 1.083    | 1.028    | 0.992    | 0.985     |
|       |          |          |          | 1.273874  |
|       |          |          |          | 1.049604  |
|       |          |          |          | 4.9603509 |
| 7     | 6.9      | 6.9      | 4        | 4         |
| 0.07  | 0.069    | 0.069    | 0.04     | 0.04      |
| 1.07  | 1.069    | 1.069    | 1.04     | 1.04      |
|       |          |          |          | 1.322531  |
|       |          |          |          | 1.057502  |
|       |          |          |          | 5.7501941 |
| 19.4  | 13       | 19.3     | 90.1     | 128.4     |
| 0.194 | 0.13     | 0.193    | 0.901    | 1.284     |
| 1.194 | 1.13     | 1.193    | 1.901    | 2.284     |
|       |          |          |          | 6.988781  |
|       |          |          |          | 1.4753    |
|       |          |          |          | 47.529981 |
| 6.9   | 6.4      | 5.7      | 5        | 4.5       |
| 0.069 | 0.064    | 0.057    | 0.05     | 0.045     |
| 1.069 | 1.064    | 1.057    | 1.05     | 1.045     |
|       |          |          |          | 1.319167  |
|       |          |          |          | 1.056963  |
|       |          |          |          | 5.696348  |
| 571.5 | 715.4    | 831.9    | 1078.9   | 1634.4    |
|       | 25.17935 | 16.2846  | 29.69107 | 51.48763  |
|       | 0.251794 | 0.162846 | 0.296911 | 0.514876  |
|       | 1.251794 | 1.162846 | 1.296911 | 1.514876  |
|       |          |          |          | 2.859843  |
|       |          |          |          | 1.300426  |
|       |          |          |          | 30.042566 |
| 8.9   | 5.9      | -1.7     | -10.2    | 4.2       |
| 0.089 | 0.059    | -0.017   | -0.102   | 0.042     |
| 1.089 | 1.059    | 0.983    | 0.898    | 1.042     |
|       |          |          |          | 1.06077   |
|       |          |          |          | 1.011869  |
|       |          |          |          | 1.1868981 |
| 5.8   | 5.9      | 5.6      | 8.1      | 0.3       |
| 0.058 | 0.059    | 0.056    | 0.081    | 0.003     |
| 1.058 | 1.059    | 1.056    | 1.081    | 1.003     |
|       |          |          |          | 1.282839  |
|       |          |          |          | 1.051077  |
|       |          |          |          | 5.1076762 |
| 9.5   | 9.3      | 8.2      | 4.4      | 4.4       |
| 0.095 | 0.093    | 0.082    | 0.044    | 0.044     |
| 1.095 | 1.093    | 1.082    | 1.044    | 1.044     |
|       |          |          |          | 1.41144   |
|       |          |          |          | 1.071353  |
|       |          |          |          | 7.1352797 |
| 12.7  | 4.5      | 3.6      | 9.2      | 0.1       |
| 0.127 | 0.045    | 0.036    | 0.092    | 0.001     |
| 1.127 | 1.045    | 1.036    | 1.092    | 1.001     |
|       |          |          |          | 1.333695  |
|       |          |          |          | 1.059281  |
|       |          |          |          | 5.9281373 |

**GREATER MEKONG SUBREGION  
ADB-Assisted Loan Projects**

| LOAN NO. | COUNTRY  | PROJECT NAME                          | DATE APPROVED | DIVISION | TOTAL PROJECT COST (\$million) | FINANCING         |  |                   |                    |
|----------|----------|---------------------------------------|---------------|----------|--------------------------------|-------------------|--|-------------------|--------------------|
|          |          |                                       |               |          |                                | ADB               |  | Government        | Co-financing       |
| 1325     | PRC      | Yunnan Expressway                     | 29-Sep-94     | IETC     | 461.4                          | 150.0             |  | 311.4             |                    |
| 1329     | Lao PDR  | Theun Hinboun Hydropower              | 8-Nov-94      | IWEN     | 270.0                          | 60.0 <sup>a</sup> |  | 14.5 <sup>a</sup> | 195.5 <sup>b</sup> |
| 1369     | Lao PDR  | Champassak Road Improvement           | 31-Aug-95     | IWTC     | 60.1                           | 48.0              |  | 12.1              |                    |
| 1456     | Lao PDR  | Nam Leuk Hydropower Development       | 10-Sep-96     | IWEN     | 112.6                          | 52.0              |  | 22.1              | 38.5               |
| 1503     | Cambodia | Siem Reap Airport                     | 12-Dec-96     | IWTC     | 17.0                           | 15.0              |  | 2.0               |                    |
| 1691     | PRC      | Southern Yunnan Road Development      | 24-Jun-99     | IETC     | 770.3                          | 250.0             |  | 520.3             |                    |
| 1659     | Cambodia | Phnom Penh - Ho Chi Minh City Highway | 15-Dec-98     | IWTC     | 52.7                           | 40.0              |  | 12.7              |                    |
| 1660     | Viet Nam | Phnom Penh - Ho Chi Minh City Highway | 15-Dec-98     | IWTC     | 144.8                          | 100.0             |  | 44.8              |                    |
| 1727     | Lao PDR  | East-West Corridor Project            | 20-Dec-99     | IWTC     | 40.0                           | 32.0              |  | 8.0               |                    |
| 1728     | Viet Nam | East-West Corridor Project            | 20-Dec-99     | IWTC     | 36.0                           | 25.0              |  | 11.0              |                    |
|          |          | <b>Total</b>                          |               |          | <b>1,964.9</b>                 | <b>772.0</b>      |  | <b>958.9</b>      | <b>234.0</b>       |

<sup>a</sup> The financial participation of the Government of Lao PDR, through Electricité du Laos (EdL) is as follows: Equity - \$66.0 million; Debt - \$8.5 million. \$60.0 million of the Government's project equity was provided as a loan by ADB.

<sup>b</sup> Other financing sources for the project are as follows: Equity - Nordic Hydropower (\$22.0 million), MDX Power (\$22.0 million);

**GREATER MEKONG SUBREGION**  
**ADB-Assisted Technical Assistance Projects**  
(as of July 2000)

| TA No.  | PROJECT NAME   | DATE APPROVED | DIVISION | TOTAL PROJECT COST (\$ 000) | FINANCING      |                 |                |                                      |
|---|--|---------------|----------|-----------------------------|----------------|-----------------|----------------|--------------------------------------|
|   |  |               |          |                             | TASF           | JSF             | Government     | Co-financing                         |
| <b>A. Core Projects</b>                         |  |               |          |                             |                |                 |                |                                      |
| 5487  | Studies on Subregional Cooperation Among Cambodia, the PRC, Lao PDR, Myanmar, Thailand and Viet Nam — Phase I  | 9-Mar-92      | PW3      | 270.0                       | 270.0          |                 |                |                                      |
| 5535  | Promoting Subregional Cooperation Among Cambodia, the PRC, Lao PDR, Myanmar, Thailand and Viet Nam — Phase II  | 10-Jun-93     | PW3      | 5,260.0                     | 1,500.0        | 3,000.0         |                | 760.0 — Sweden                       |
| 5643  | Subregional Electric Power Forum — GMS   | 20-Sep-95     | IWEN     | 78.0                        |                |                 |                | 78.0 — Norway                        |
| 5645  | Meeting of Telecommunications Officials  | 2-Oct-95      | IWTC     | 30.0                        |                |                 |                | 30.0 — Australia                     |
| 5693  | Promoting Subregional Cooperation Among Cambodia, the PRC, Lao PDR, Myanmar, Thailand and Viet Nam — Phase III | 23-Jul-96     | PW3      | 3,250.0                     |                | 3,000.0         | 250.0          |                                      |
| 5741  | Subregional Telecommunications Forum—GMS   | 18-Jun-97     | IWTC     | 50.0                        |                |                 |                | 50.0 — Australia                     |
| 5886  | Promoting Subregional Cooperation Among Cambodia, the PRC, Lao PDR, Myanmar, Thailand and Viet Nam — Phase IV  | 22-Dec-99     | PW3      | 860.0                       |                | 800.0           | 60.0           |                                      |
|   | <b>Subtotal</b>  |               |          | <b>9,798.0</b>              | <b>1,770.0</b> | <b>6,800.0</b>  | <b>310.0</b>   | <b>918.0</b>                         |
| <b>B. Feasibility Study/Project Preparation</b> |  |               |          |                             |                |                 |                |                                      |
| 5586  | Study of the Lao-Thailand-Viet Nam East-West Transport Corridor  | 18-Jul-94     | IWTC     | 1,000.0                     |                |                 |                | 1,000.0 — France                     |
| 5649  | GMS Infrastructure Improvement: Ho Chi Minh City to Phnom Penh   | 9-Nov-95      | IWTC     | 3,100.0                     |                | 3,000.0         | 100.0          |                                      |
| 5691  | Thailand-Cambodia-Viet Nam Southern Coastal Road Corridor  | 18-Jul-96     | IWTC     | 100.0                       | 100.0          |                 |                |                                      |
| 5697  | Se Kong-Se San and Nam Theun River Basins Hydropower Development Study   | 22-Aug-96     | IWEN     | 2,500.0                     | 500.0          |                 |                | 2,000.0 — France                     |
| 5710  | Study of the Lao-Thailand-Vietnam East-West Transport Corridor   | 11-Dec-96     | IWTC     | 3,100.0                     |                | 3,000.0         | 100.0          |                                      |
| 5728  | Chiang Rai-Kunming Road Improvement via Lao PDR  | 27-Feb-97     | IWTC     | 625.0                       |                | 600.0           | 25.0           |                                      |
| 5738  | East Loop Telecommunications Project in the GMS  | 28-May-97     | IWTC     | 820.0                       |                |                 | 50.0           | 770.0 — France                       |
| 5885  | GMS Preinvestment Study for the East-West Economic Corridor  | 22-Dec-99     | PW3      | 350.0                       |                | 350.0           |                |                                      |
| 5893  | Mekong/Lancang River Tourism Infrastructure Development  | 28-Dec-99     | AWWU     | 770.0                       |                | 600.0           | 170.0          |                                      |
| 5915  | Establishment of Backbone Telecommunications Network Project Phase I   | 17-May-00     | IWTC     | 180.0                       | 150.0          |                 | 30.0           |                                      |
|   | <b>Subtotal</b>  |               |          | <b>12,545.0</b>             | <b>750.0</b>   | <b>7,550.0</b>  | <b>475.0</b>   | <b>3,770.0</b>                       |
| <b>C. Advisory TA</b>                           |  |               |          |                             |                |                 |                |                                      |
| 5622  | Subregional Environmental Monitoring and Information System  | 9-Feb-95      | ENVD     | 4,000.0                     |                | 1,000.0         | 2,000.0        | 1,000.0 — UNEP                       |
| 5647  | Regional Program to Train Trainers in Tourism in the GMS   | 23-Oct-95     | AWWU     | 149.0                       | 130.0          |                 |                | 16.0 — Singapore<br>3.0 — Thailand   |
| 5681  | Cooperation in Employment Promotion and Training in the GMS  | 18-Apr-96     | AWEH     | 920.0                       |                | 600.0           | 50.0           | 270.0 — ILO                          |
| 5684  | Subregional Environmental Training and Institutional Strengthening in the GMS                                  | 9-May-96      | ENVD/PW3 | 2,370.0                     |                | 800.0           | 705.0          | 765.0 — Norway<br>100.0 — Finland    |
| 5686  | Mitigation of Nonphysical Barrier to Cross-Border Movement of Goods and People                                 | 29-May-96     | IWTC     | 232.0                       |                | 180.0           | 24.0           | 28.0 — ESCAP                         |
| 5743  | Mekong/Lancang River Tourism Planning Study  | 24-Jun-97     |          | 655.0                       |                | 600.0           | 55.0           |                                      |
| 5749  | Cross-Border Movement of Goods and People in the GMS   | 26-Aug-97     | IWTC     | 730.0                       |                | 550.0           | 40.0           | 140.0 — ESCAP                        |
| 5751  | Prevention and Control of HIV/AIDS in the GMS  | 17-Sep-97     | EDRC     | 150.0                       |                |                 |                | 150.0 — Australia                    |
| 5771  | Poverty Reduction and Environmental Management in Remote GMS Watersheds  | 31-Dec-97     | AWFN     | 3,800.0                     |                | 1,000.0         | 600.0          | 2,200.0 — Finland                    |
| 5783  | Strategic Environmental Framework for the GMS  | 20-Mar-98     | ENVD     | 1,900.0                     |                | 600.0           | 270.0          | 1,000.0 — Switzerland<br>30.0 — UNEP |
| 5794  | Study of Health and Education Needs of Ethnic Minorities in the GMS  | 30-Jun-98     | AWEH     | 850.0                       |                | 300.0           | 50.0           | 500.0 — UK                           |
| 5807  | Tourism Skills Development in the GMS  | 29-Sep-98     | AWWU     | 135.0                       |                | 125.0           |                | 10.0 — Thailand                      |
| 5822  | Protection and Management of Critical Wetlands in the Lower Mekong Basin                                       | 22-Dec-98     | AWFN     | 2,070.0                     |                | 1,000.0         | 420.0          | 650.0 — Finland                      |
| 5850  | Facilitating the Cross-Border Movement of Goods and People in the GMS  | 16-Jul-99     | IWTC     | 990.0                       |                | 950.0           | 40.0           |                                      |
| 5881  | Preventing HIV/AIDS among Mobile Populations in the Greater Mekong Subregion                                   | 16-Dec-99     | AWEH     | 800.0                       |                | 450.0           |                | 350.0 — Sweden                       |
| 5899  | Subregional Environmental Monitoring and Information System (Phase II)   | 29-Dec-99     | ENVD     | 600.0                       |                | 100.0           |                | 500.0 — Norway                       |
| 5920  | Regional Indicative Master Plan on Power Interconnection in the Greater Mekong Subregion                       | 14-Jul-00     | IWEN     | 950.0                       | 158.0          |                 | 50.0           | 742.0 — Norway                       |
|   | <b>Subtotal</b>  |               |          | <b>21,301.0</b>             | <b>288.0</b>   | <b>8,255.0</b>  | <b>4,304.0</b> | <b>8,454.0</b>                       |
|   | <b>TOTAL AMOUNT</b>  |               |          | <b>43,644.0</b>             | <b>2,808.0</b> | <b>22,605.0</b> | <b>5,089.0</b> | <b>13,142.0</b>                      |

43,644.0      43,644.0      0.1      0.5      0.116602511      0.301118138  
100.0      Percentage      6.4      51.8      11.7      30.1

**GMS PROGRAM  
INDICATIVE LENDING PIPELINE FUNDING REQUIREMENTS, 2001-2003**

| Sector/Project Name   | Poverty Classification <sup>a</sup> | Crosscutting Operational Priority <sup>b</sup> | Country Involvement             | Responsible Division | Year of PPTA | PROJECT COST | GMS IPF |                            |                     | CAP               |
|---|-------------------------------------|--|---------------------------------|----------------------|--------------|--------------|---------|----------------------------|---------------------|-------------------|
|   |                                     |  |                                 |                      |              |              | OCR     | ADF                        | Total               |                   |
| <b>2001</b>   |                                     |  |                                 |                      |              |              |         |                            |                     |                   |
| <b>Telecommunications</b>   |                                     |  |                                 |                      |              |              |         |                            |                     |                   |
| 1 Telecommunications Backbone Project Phase 1                         | ODI                                 | RC, PSD  | CAM<br>LAO<br>VIE               | IWTC                 | 2000         | 50.0         |         | 12.0<br>20.0<br>8.0        | 12.0<br>20.0<br>8.0 |                   |
| <b>Total</b>  |                                     |  |                                 |                      |              | 50.0         | 8.0     | 32.0                       | 40.0                |                   |
| <b>2002</b>   |                                     |  |                                 |                      |              |              |         |                            |                     |                   |
| <b>Transport</b>  |                                     |  |                                 |                      |              |              |         |                            |                     |                   |
| 1 North-South Economic Corridor <sup>c</sup>                          | ODI                                 | RC, PSD  | LAO                             | IWTC                 | 2000         | 95.0         |         | 30.0                       | 30.0                | 20.0              |
| <b>Subtotal</b>   |                                     |  |                                 |                      |              | 95.0         | 0.0     | 30.0                       | 30.0                | 20.0              |
| <b>Tourism</b>  |                                     |  |                                 |                      |              |              |         |                            |                     |                   |
| 2 GMS Tourism Infrastructure Development                              | ODI                                 | RC, PSD  | CAM<br>PRC<br>LAO<br>THA<br>VIE | AWWU                 | 1999         | 51.0         |         | 5.0<br>10.0<br>5.0<br>10.0 | 40.0                | 10.0 <sup>d</sup> |
| <b>Subtotal</b>   |                                     |  |                                 |                      |              | 51.0         | 25.0    | 15.0                       | 40.0                | 10.0              |
| <b>Environment</b>  |                                     |  |                                 |                      |              |              |         |                            |                     |                   |
| 3 Poverty Reduction and Environmental Management in GMS Watersheds    | CPI                                 | RC, ENV  | LAO<br>THA<br>VIE               | AWFN                 | 2001         | 30.0         |         | 5.0                        | 15.0                |                   |
| 4 Integrated Natural Resources Management (formerly Wetlands Project) | CPI                                 | RC, ENV  | CAM<br>LAO                      | AWFN                 | 1999         | 30.0         |         | 20.0<br>5.0                | 25.0                | 20.0              |
| <b>Subtotal</b>   |                                     |  |                                 |                      |              | 60.0         | 5.0     | 35.0                       | 40.0                | 20.0              |
| <b>HRD</b>  |                                     |  |                                 |                      |              |              |         |                            |                     |                   |
| 5 Prevention and Control of HIV/AIDS                                  | CPI                                 | RC, HD   | CAM, LAO & VIE                  | AWEH                 | 2001         | 30.0         |         | 15.0                       | 15.0                |                   |
| <b>Subtotal</b>   |                                     |  |                                 |                      |              | 30.0         | 0.0     | 15.0                       | 15.0                | 0.0               |
| <b>TOTAL</b>  |                                     |  |                                 |                      |              | 236.0        | 30.0    | 95.0                       | 125.0               | 50.0              |

<sup>a</sup> CPI = Core Poverty Intervention; PI = Poverty Intervention; ODI = Other Development Interventions

ODI - 5 projects, with ADB Financing of \$195 million (74%); CPI - 4 projects, with ADB financing of \$70 million (26%)

<sup>b</sup> ENV = Environmental Protection; GAD = Gender and Development; GG = Good Governance; HD = Human Development; PSD = Private Sector Development and RC = Regional Cooperation

<sup>c</sup> This classification was completed prior to the finalization of the improved and redesigned classification system in December 2000, which will be applied from January 2001.

|  |     |         |                   |      |          |       |      |             |       |       |
|--|-----|---------|-------------------|------|----------|-------|------|-------------|-------|-------|
| <b>2003</b>  |     |         |                   |      |          |       |      |             |       |       |
| <b>Transport</b>   |     |         |                   |      |          |       |      |             |       |       |
| 1 Mekong River Commercial Navigation Project             | ODI | RC, GG  | PRC<br>LAO<br>THA | IWTC | 2002     | 40.0  |      | 10.0<br>5.0 | 25.0  |       |
| <b>Subtotal</b>  |     |         |                   |      |          | 40.0  | 10.0 | 5.0         | 25.0  |       |
| 2 Kunming-Haiphong Transport Corridor <sup>e</sup>       | ODI | RC, PSD | VIE               | IWTC | VIE-2000 | 80.0  |      | 60.0        | 60.0  | 60.0  |
| <b>Subtotal</b>  |     |         |                   |      |          | 80.0  |      | 60.0        | 60.0  | 60.0  |
| <b>HRD</b>   |     |         |                   |      |          |       |      |             |       |       |
| 3 Health and Education Needs of Ethnic Minorities in GMS | CPI | RC, HD  | CAM, LAO & VIE    | AWEH | 2002     | 50.0  |      | 15.0        | 15.0  |       |
| <b>Subtotal</b>  |     |         |                   |      |          | 50.0  |      | 15.0        | 15.0  | 0.0   |
| <b>Total</b>   |     |         |                   |      |          | 170.0 | 20.0 | 80.0        | 100.0 | 60.0  |
| <b>GRAND TOTAL</b>                                       |     |         |                   |      |          | 456.0 | 58.0 | 207.0       | 265.0 | 110.0 |

<sup>a</sup> CPI = Core Poverty Intervention; PI = Poverty Intervention; ODI = Other Development Interventions

ODI - 5 projects, with ADB Financing of \$195 million (74%); CPI - 4 projects, with ADB financing of \$70 million (26%)

<sup>b</sup> ENV = Environmental Protection; GAD = Gender and Development; GG = Good Governance; HD = Human Development; PSD = Private Sector Development and RC = Regional Cooperation

<sup>c</sup> The GMS Ministers have requested ADB to expedite the project and include it in the pipeline for 2001.

<sup>d</sup> In the Lao CAP, 2001-2003, the project is listed for 2003.

<sup>e</sup> Viet Nam portion is included in its CAP. PRC portion is not included in the cost estimate since it will be financed by the PRC Government.

<sup>f</sup> This classification was completed prior to the finalization of the improved and redesigned classification system in December 2000, which will be applied from January 2001.

**GMS PROGRAM**  
**TA PIPELINE INDICATIVE FUNDING REQUIREMENTS, 2001-2003**

| Sector/Project Name   | Responsible Division | Type of TA | Amount (\$ '000) |          |            |
|---|----------------------|------------|------------------|----------|------------|
|   |                      |            | ADB              | Others   | Total      |
| <b>2001 TECHNICAL ASSISTANCE PROGRAM</b>                                  |                      |            |                  |          |            |
| <b>Telecommunications</b>   |                      |            |                  |          |            |
| 1 Telecommunications Policy and Management Study                          | IWTC                 | ADTA       | 2.0              | -        | 2.0        |
| <b>Subtotal</b>   |                      |            | <u>2.0</u>       | <u>-</u> | <u>2.0</u> |
| <b>Trade and Investment</b>   |                      |            |                  |          |            |
| 2 SME Growth and Development in GMS                                       | IWFI                 | ADTA       | 0.6              | -        | 0.6        |
| 3 Customs Cooperation in the GMS  | IWFI                 | ADTA       | 0.3              | -        | 0.3        |
| <b>Subtotal</b>   |                      |            | <u>0.9</u>       | <u>-</u> | <u>0.9</u> |
| <b>HRD</b>  |                      |            |                  |          |            |
| 4 Prevention and Control of HIV/AIDS                                      | AWEH                 | PPTA       | 0.6              | -        | 0.6        |
| <b>Subtotal</b>   |                      |            | <u>0.6</u>       | <u>-</u> | <u>0.6</u> |
| <b>Environment</b>  |                      |            |                  |          |            |
| 5 Strategic Environment Framework, Phase II                               | ENVD                 | ADTA       | 0.8              | -        | 0.8        |
| 6 Poverty Reduction and Environmental Management in GMS Watersheds        | AWFN                 | PPTA       | 1.0              | -        | 1.0        |
| <b>Subtotal</b>   |                      |            | <u>1.8</u>       | <u>-</u> | <u>1.8</u> |
| <b>Energy</b>   |                      |            |                  |          |            |
| 7 Strategy for Hydropower Development in the GMS                          | PWD                  | ADTA       | 0.4              | -        | 0.4        |
| <b>Subtotal</b>   |                      |            | <u>0.4</u>       | <u>-</u> | <u>0.4</u> |
| <b>Others</b>   |                      |            |                  |          |            |
| 8 Promoting Subregional Cooperation Among GMS Countries, Phase IV, Year 2 | PW3                  | ADTA       | 0.8              | -        | 0.8        |
| <b>Subtotal</b>   |                      |            | <u>0.8</u>       | <u>-</u> | <u>0.8</u> |
| <b>Total</b>  |                      |            | <u>6.5</u>       | <u>-</u> | <u>6.5</u> |
| <b>2002 TECHNICAL ASSISTANCE PROGRAM</b>                                  |                      |            |                  |          |            |
| <b>Transport</b>  |                      |            |                  |          |            |
| 1 Mekong River Commercial Navigation                                      | IWTC                 | PPTA       | 1.0              | -        | 1.0        |
| <b>Subtotal</b>   |                      |            | <u>1.0</u>       | <u>-</u> | <u>1.0</u> |
| <b>Trade and Investment</b>   |                      |            |                  |          |            |
| 2 Support Private Sector Development in the GMS                           | IWFI                 | ADTA       | 0.3              | -        | 0.3        |
| <b>Subtotal</b>   |                      |            | <u>0.3</u>       | <u>-</u> | <u>0.3</u> |
| <b>HRD</b>  |                      |            |                  |          |            |
| 3 Prevention and Control of Malaria in GMS                                | AWEH                 | ADTA       | 0.8              | -        | 0.8        |
| 4 Health and Education Needs of Ethnic Minorities                         | AWEH                 | PPTA       | 1.0              | -        | 1.0        |
| 5 Skills Development in the GMS   | AWEH                 | ADTA       | 0.6              | -        | 0.6        |
| <b>Subtotal</b>   |                      |            | <u>2.4</u>       | <u>-</u> | <u>2.4</u> |
| <b>Others</b>   |                      |            |                  |          |            |
| 6 Promoting Subregional Cooperation Among GMS Countries, Phase IV, Year 3 | PW3                  | ADTA       | 0.8              | -        | 0.8        |
| <b>Subtotal</b>   |                      |            | <u>0.8</u>       | <u>-</u> | <u>0.8</u> |
| <b>Total</b>  |                      |            | <u>4.5</u>       | <u>-</u> | <u>4.5</u> |

**GMS PROGRAM**  
**TA PIPELINE INDICATIVE FUNDING REQUIREMENTS, 2001-2003**

| Sector/Project Name  | Responsible Division | Type of TA | Amount (\$ '000) |        |       |
|--|----------------------|------------|------------------|--------|-------|
|  |                      |            | ADB              | Others | Total |
| <b>2003 TECHNICAL ASSISTANCE PROGRAM</b>                                 |                      |            |                  |        |       |
| <b>Telecommunications</b>  |                      |            |                  |        |       |
| 1 Telecommunications Management Network Study                            | IWTC                 | ADTA       | 1.3              | -      | 1.3   |
| <i>Subtotal</i>  |                      |            | 1.3              |        | 1.3   |
| <b>Trade and Investment</b>  |                      |            |                  |        |       |
| 2 Support to GMS Trade and Investment Promotion                          | IWFI                 | ADTA       | 0.3              | -      | 0.3   |
| <i>Subtotal</i>  |                      |            | 0.3              |        | 0.3   |
| <b>3 HRD</b>   |                      |            |                  |        |       |
| Improving Higher Education in the GMS                                    | AWEH                 | ADTA       | 0.7              | -      | 0.7   |
| <i>Subtotal</i>  |                      |            | 0.7              |        | 0.7   |
| <b>Others</b>  |                      |            |                  |        |       |
| 4 Promoting Subregional Cooperation Among GMS Countries, Phase V, Year 1 | PW3                  | ADTA       | 0.8              | -      | 0.8   |
|  |                      |            | 0.8              | -      | 0.8   |
| <b>Total</b>   |                      |            | 3.1              |        | 3.1   |
| <b>GRAND TOTAL</b>   |                      |            | 14.1             |        | 14.1  |

## GREATER MEKONG SUBREGION

| PROJECT PROFILE   |           |           |  |  |                   |
|---|-----------|-----------|--|--|-------------------|
| 1. <b>Project Name:</b><br>Telecommunications Backbone Project (Phase I)  |           |           | 2. <b>Sector/Subsector:</b><br>Telecommunications  |  |                   |
| 3. <b>Poverty Classification:</b> <sup>a*</sup><br>ODI  |           |           | 4. <b>Crosscutting Operational Priority:</b> <sup>b*</sup><br>RC, PSD  |  |                   |
| 5. <b>Rationale &amp; Objectives:</b><br>The objectives of the project are to: (i) enhance the access to telecommunications services of the poor in the GMS; (ii) reduce the incidence of the "digital divide" in the GMS; (iii) improve the backbone telecommunications infrastructure in order to attract private investment in national telecommunications networks; and (iv) allow the interconnection of national networks of the six GMS countries.   |           |           | 6. <b>Beneficiary Participation/Consultation Needs:</b><br><br>Extensive participation of beneficiaries is expected. Consultations will take place during project preparation. |  |                   |
| 7. <b>Scope:</b><br>The project will develop fiber optic transmission links for Phase I of the GMS Telecommunications Backbone Network covering the following connections: (i) Luang Namtha, Lao PDR to Mengla, PRC - 120 km; (ii) Thonnam, Lao PDR to Phnom Penh, Cambodia - 920 km; (iii) Vientiane-Luang Phrabang-Luang Namtha, Lao PDR - 420 km; (iv) Phnom Penh-Kampong Chaam-Siem Reap, Cambodia - 380 km; (v) Savannakhet, Lao PDR to Dong Ha, Viet Nam - 329 km; and (vi) additional link from Hanoi to Vinh, Viet Nam - 310 km (subject to capacity of existing lines). It will also include the upgrade and improvement of the transmission equipment.                  |           |           |  |  |                   |
| 8. <b>Estimated Cost &amp; Financing Plan:</b>  |           |           | Remarks:   |  |                   |
| <b>Loan Project Cost (\$m)</b>  |           |           |  |  |                   |
| <b>Financing (Source)</b>   | <b>FC</b> | <b>LC</b> |  |  | <b>Total</b>      |
| ADB   |           |           |  |  | 40.0 <sup>c</sup> |
| Co-financing  |           |           |  |  |                   |
| Borrowers   |           |           |  |  | 10.0              |
| Sub-borrowers   |           |           |  |  | -                 |
| <b>Total</b>  |           |           | <b>50.0</b>  |  |                   |
| 9. <b>Estimated Benefits and Beneficiary Groups:</b><br>The project is expected to reduce the cost of telecommunications and improve the overall network reliability, and help support both industrial and rural development by increasing economic efficiency resulting from improved communications in the GMS. If prices are reduced in line with costs, then communications will also be available to low-income groups. This will improve the quality of life by stimulating economic and social activity and providing greater access to services. Improved communications will also diminish the need to travel, thus easing the pressure on the transport infrastructure. |           |           |  |  |                   |
| 10. <b>Executing Agency:</b><br>The telecommunications agencies of Cambodia, Lao PDR, and Viet Nam  |           |           | 11. <b>Project Implementation Period:</b><br>Start: 2001<br><br>End: 2003  |  |                   |
| 12. <b>Environment Category:</b>  |           |           | 13. <b>Processing Year:</b> 2001   |  |                   |

<sup>a</sup> CPI = Core Poverty Intervention; PI = Poverty Intervention; ODI = Other Development Interventions

<sup>b</sup> ENV = Environmental Protection; GAD = Gender and Development; GG = Good Governance; HD = Human Development; PSD=Private Sector Development and RC = Regional Cooperation

<sup>c</sup> Cofinancing is expected to be obtained.

\* This classification was completed prior to the finalization of the improved and redesigned classification system in December 2000, which will be applied from January 2001.

## IMPORTS

| To:      |          | Cambodia | PRC   | Lao PDR | Myanmar | Thailand | Viet Nam | Total   | Total World |
|----------|----------|----------|-------|---------|---------|----------|----------|---------|-------------|
| Cambodia | 1992     |          |       |         |         |          |          |         |             |
|          | 1993     |          |       |         |         |          |          |         |             |
|          | 1994     |          |       |         |         |          |          |         |             |
|          | 1995     |          |       |         |         |          |          |         |             |
|          | 1996     |          |       |         |         |          |          |         |             |
|          | 1997     |          |       |         |         |          |          |         |             |
|          | 1998     |          |       |         |         |          |          |         |             |
|          | 1999     |          |       |         |         |          |          |         |             |
|          | PRC      | 1992     |       | 0.2     | 3.7     |          | 424.1    | 72.7    | 500.7       |
| 1993     |          |          | 1.2   | 3.5     |         | 601.2    | 122.6    | 728.5   | 103,622.0   |
| 1994     |          |          | 1.0   | 4.4     |         | 864.4    | 191.1    | 1,060.9 | 115,705.0   |
| 1995     |          |          | 5.7   | 6.4     |         | 1,610.8  | 332.0    | 1,954.9 | 132,163.0   |
| 1996     |          |          | 6.9   | 7.3     |         | 1,890.3  | 308.5    | 2,213.0 | 138,949.0   |
| 1997     |          |          | 45.0  | 5.8     |         | 2,004.8  | 357.0    | 2,412.7 | 142,163.0   |
| 1998     |          |          | 48.2  | 7.9     |         | 2,423.0  | 217.4    | 2,696.5 | 140,385.0   |
| 1999     |          |          | 50.1  | 9.9     |         | 2,494.6  | 209.1    | 2,763.7 | 179,403.0   |
| Lao PDR  |          | 1992     |       | -       | 30.6    |          | 133.1    | 17.6    | 181.4       |
|          | 1993     |          | 3.0   | 18.1    |         | 164.8    | 19.7     | 205.6   | 431.9       |
|          | 1994     |          | 2.6   | 20.2    |         | 270.3    | 22.5     | 315.6   | 564.1       |
|          | 1995     |          | 2.8   | 21.5    |         | 287.8    | 23.9     | 336.0   | 588.8       |
|          | 1996     |          | 3.0   | 23.2    |         | 310.0    | 25.8     | 362.0   | 689.6       |
|          | 1997     |          | -     | 4.9     |         | 336.7    | 25.1     | 366.7   | 408.5       |
|          | 1998     |          | -     | 19.6    |         | 411.3    | 28.6     | 459.5   | 590.2       |
|          | 1999     |          | -     | 22.5    |         | 414.9    | 28.8     | 466.2   | 604.3       |
|          | Myanmar  | 1992     |       | -       | 284.9   |          |          |         | 284.9       |
| 1993     |          |          | -     | 357.2   |         |          |          | 357.2   | 1,233.3     |
| 1994     |          |          | -     | 406.0   |         |          |          | 406.0   | 1,477.2     |
| 1995     |          |          | -     | 679.6   |         |          |          | 679.6   | 2,240.2     |
| 1996     |          |          | -     | 573.2   |         |          |          | 573.2   | 2,524.0     |
| 1997     |          |          | -     | 626.7   |         |          |          | 626.7   | 2,685.9     |
| 1998     |          |          | 0.0   | 586.2   |         |          |          | 586.2   | 2,430.2     |
| 1999     |          |          | 0.0   | 611.8   |         |          |          | 611.8   | 2,346.8     |
| Thailand |          | 1992     |       | 93.2    | 1,219.5 | 41.1     |          | 80.2    | 1,433.9     |
|          | 1993     |          | 89.8  | 904.5   | 63.2    |          | 84.8     | 1,142.2 | 46,064.7    |
|          | 1994     |          | 126.2 | 1,388.2 | 69.1    |          | 39.1     | 1,622.5 | 54,393.8    |
|          | 1995     |          | 160.6 | 2,095.5 | 69.8    |          | 43.1     | 2,369.0 | 73,692.0    |
|          | 1996     |          | 47.8  | 1,953.1 | 68.5    |          | 65.6     | 2,134.9 | 73,335.7    |
|          | 1997     |          | 78.9  | 2,260.1 | 59.9    |          | 176.2    | 2,575.1 | 62,803.7    |
|          | 1998     |          | 24.7  | 1,821.6 | 31.7    |          | 234.5    | 2,112.5 | 43,108.1    |
|          | 1999     |          | 24.9  | 1,693.9 | 32.0    |          | 236.5    | 1,987.3 | 49,073.8    |
|          | Viet Nam | 1992     |       | 6.7     | 31.8    | 7.7      | 41.2     |         | 87.4        |
| 1993     |          |          | 7.6   | 85.5    | 41.9    | 99.5     |          | 234.5   | 3,923.9     |
| 1994     |          |          | 17.7  | 144.2   | 102.9   | 225.7    |          | 490.6   | 5,825.8     |
| 1995     |          |          | 23.5  | 329.7   | 84.0    | 439.7    |          | 876.9   | 8,155.4     |
| 1996     |          |          | 17.9  | 329.0   | 68.1    | 494.5    |          | 909.5   | 11,143.1    |
| 1997     |          |          | 24.7  | 404.4   | 52.7    | 575.2    |          | 1,057.0 | 11,592.1    |
| 1998     |          |          | 46.1  | 1,126.2 | 60.1    | 652.0    |          | 1,884.4 | 12,382.9    |
| 1999     |          |          | 46.5  | 977.8   | 60.6    | 657.6    |          | 1,742.5 | 12,311.7    |

**EXPORTS**

| From:    | Cambodia | PRC   | Lao PDR | Myanmar | Thailand | Viet Nam | Total   | Total World |           |
|----------|----------|-------|---------|---------|----------|----------|---------|-------------|-----------|
| Cambodia | 1992     |       |         |         |          |          |         |             |           |
|          | 1993     |       |         |         |          |          |         |             |           |
|          | 1994     |       |         |         |          |          |         |             |           |
|          | 1995     |       |         |         |          |          |         |             |           |
|          | 1996     |       |         |         |          |          |         |             |           |
|          | 1997     |       |         |         |          |          |         |             |           |
|          | 1998     |       |         |         |          |          |         |             |           |
|          | 1999     |       |         |         |          |          |         |             |           |
| PRC      | 1992     | 12.8  |         | 27.8    |          | 894.5    | 106.3   | 1,041.3     | 85,620.1  |
|          | 1993     | 20.3  |         | 37.1    |          | 750.1    | 276.7   | 1,084.2     | 91,692.8  |
|          | 1994     | 35.3  |         | 36.0    |          | 1,159.4  | 341.7   | 1,572.4     | 120,865.0 |
|          | 1995     | 51.6  |         | 47.8    |          | 1,752.3  | 721.7   | 2,573.4     | 148,955.0 |
|          | 1996     | 63.4  |         | 23.5    |          | 1,259.2  | 842.2   | 2,188.3     | 151,165.0 |
|          | 1997     | 75.6  |         | 22.9    |          | 1,502.0  | 1,078.5 | 2,679.1     | 182,917.0 |
|          | 1998     | 113.5 |         | 17.8    |          | 1,169.7  | 1,023.8 | 2,324.9     | 183,744.0 |
|          | 1999     | 111.3 |         | 20.5    |          | 1,208.5  | 888.9   | 2,229.1     | 250,427.0 |
| Lao PDR  | 1992     |       | 3.4     |         | 37.3     | 7.0      |         | 47.6        | 103.5     |
|          | 1993     |       | 25.5    |         | 74.8     | 23.1     |         | 123.4       | 240.5     |
|          | 1994     |       | 8.1     |         | 77.2     | 81.2     |         | 166.5       | 300.4     |
|          | 1995     |       | 8.8     |         | 83.3     | 87.7     |         | 179.8       | 311.2     |
|          | 1996     |       | 0.8     |         | 96.7     | 157.6    |         | 255.1       | 320.7     |
|          | 1997     |       | 0.3     |         | 34.3     | 0.2      |         | 34.8        | 192.1     |
|          | 1998     |       | 7.2     |         | 28.8     | 0.2      |         | 36.2        | 632.2     |
|          | 1999     |       | 9.0     |         | 29.1     | 0.2      |         | 38.3        | 256.8     |
| Myanmar  | 1992     | -     | 119.3   | -       | -        | -        |         | 119.3       | 683.6     |
|          | 1993     | -     | 149.7   | -       | -        | -        |         | 149.7       | 851.3     |
|          | 1994     | -     | 129.8   | -       | 28.8     | -        |         | 158.6       | 915.2     |
|          | 1995     | -     | 136.0   | -       | 36.5     | -        |         | 172.5       | 1,167.2   |
|          | 1996     | -     | 125.0   | -       | -        | -        |         | 125.0       | 1,171.2   |
|          | 1997     | 0.1   | 66.7    | -       | -        | -        |         | 66.9        | 1,122.1   |
|          | 1998     | -     | 56.0    | -       | -        | -        |         | 56.0        | 1,205.8   |
|          | 1999     | -     | 66.4    | -       | -        | -        |         | 66.4        | 1,319.2   |
| Thailand | 1992     | 65.8  | 385.8   | 121.0   |          | 76.7     |         | 649.2       | 32,472.5  |
|          | 1993     | 179.3 | 429.7   | 175.0   |          | 115.7    |         | 899.8       | 37,157.7  |
|          | 1994     | 260.3 | 929.8   | 291.5   |          | 254.1    |         | 1,735.7     | 45,582.7  |
|          | 1995     | 334.1 | 1,642.2 | 354.4   |          | 468.2    |         | 2,798.8     | 57,200.1  |
|          | 1996     | 362.6 | 1,868.3 | 363.8   |          | 478.2    |         | 3,073.0     | 55,743.2  |
|          | 1997     | 311.5 | 1,743.7 | 378.4   |          | 539.6    |         | 2,973.2     | 57,559.7  |
|          | 1998     | 301.7 | 1,769.3 | 373.9   |          | 592.7    |         | 3,037.6     | 54,489.3  |
|          | 1999     | 304.3 | 1,872.2 | 377.1   |          | 597.8    |         | 3,151.4     | 57,721.3  |
| Viet Nam | 1992     | 6.4   | 95.6    | 16.0    |          | 71.5     |         | 189.6       | 2,917.7   |
|          | 1993     | 96.2  | 135.8   | 14.4    |          | 71.8     |         | 318.2       | 2,985.2   |
|          | 1994     | 77.3  | 295.7   | 20.9    |          | 97.6     |         | 491.5       | 4,054.3   |
|          | 1995     | 94.6  | 361.9   | 20.6    |          | 101.3    |         | 578.4       | 5,450.4   |
|          | 1996     | 99.0  | 340.2   | 24.9    |          | 107.4    |         | 571.5       | 7,257.7   |
|          | 1997     | 108.9 | 474.1   | 30.4    |          | 235.3    |         | 848.7       | 9,185.0   |
|          | 1998     | 82.5  | 197.6   | 34.7    |          | 213.2    |         | 527.9       | 8,780.6   |
|          | 1999     | 83.2  | 190.1   | 35.0    |          | 215.0    |         | 523.3       | 9,730.0   |

| Cambodia | Indonesia | Japan   | Korea, Rep. | Lao, P.D.R. | Malaysia | Philippines | China, Pec | Singapore | Thailand | United Sta | Viet Nam | World |
|----------|-----------|---------|-------------|-------------|----------|-------------|------------|-----------|----------|------------|----------|-------|
| 10.898   | 833.9     | 93.544  |             |             | 68.449   | 0.995       |            | 401.669   |          |            | 0.111    |       |
| 22.85    | 936.903   | 99.396  |             |             | 55.759   | 1.565       |            | 380.276   |          |            | 0.058    |       |
| 35.257   | 1179.29   | 86.448  |             |             | 64.776   | 3.555       |            | 593.469   |          |            | 94.861   |       |
| 53.8     | 1461      | 235.3   |             |             | 110.5    | 41.5        |            | 689.8     |          |            | 169.7    |       |
| 45.7     | 1546.4    | 558.3   |             |             | 77.7     | 132         |            | 1290      |          |            | 204.2    |       |
| 47.6     | 1675.4    | 417     |             |             | 141.6    | 240.6       |            | 1215.9    |          |            | 291.5    |       |
| 51.408   | 1588.83   | 167.121 |             |             | 124.569  | 369.368     |            | 385.474   |          |            | 541.909  |       |
| 50.1896  | 1727.9    | 168.559 |             |             | 171.447  | 372.545     |            | 476.916   |          |            | 593.636  |       |



**NET FOREIGN DIRECT INVESTMENTS BY COUNTRY OF ORIGIN TO  
CAMBODIA, LAO PDR, MYANMAR, THAILAND, AND VIET NAM  
(in million US dollars)**

| <i>From</i>          |      | <i>To</i>       |                |                |                 |                 | <b>TOTAL</b> |
|----------------------|------|-----------------|----------------|----------------|-----------------|-----------------|--------------|
|                      |      | <b>Cambodia</b> | <b>Lao PDR</b> | <b>Myanmar</b> | <b>Thailand</b> | <b>Viet Nam</b> |              |
| <b>Cambodia</b>      | 1995 |                 | n.a.           |                | 0.40            | 0.50            | 0.90         |
|                      | 1996 |                 | n.a.           |                | 1.20            |                 | 1.20         |
|                      | 1997 |                 |                |                | (2.70)          |                 | (2.70)       |
|                      | 1998 |                 |                |                | 1.60            |                 | 1.60         |
| <b>PRC</b>           | 1995 | 6.49            | n.a.           | 0.10           | 1.60            | 7.20            | 15.39        |
|                      | 1996 | 37.31           | n.a.           | 3.10           | 3.90            | 3.10            | 47.41        |
|                      | 1997 | 36.15           | 20.07          | 2.20           | 4.50            | 28.10           | 91.02        |
|                      | 1998 | 107.61          | 1.35           | 0.40           | 4.00            | 1.70            | 115.06       |
| <b>Lao PDR</b>       | 1995 |                 | n.a.           |                | 4.20            |                 | 4.20         |
|                      | 1996 |                 | n.a.           |                | 3.40            | 0.70            | 4.10         |
|                      | 1997 |                 |                |                | 1.20            |                 | 1.20         |
|                      | 1998 |                 |                |                | 1.70            |                 | 1.70         |
| <b>Myanmar</b>       | 1995 |                 | n.a.           |                | (0.10)          |                 | (0.10)       |
|                      | 1996 |                 | n.a.           |                |                 | (0.37)          | (0.37)       |
|                      | 1997 |                 |                |                |                 |                 | -            |
|                      | 1998 |                 |                |                | 0.20            |                 | 0.20         |
| <b>Thailand</b>      | 1995 | 36.45           | n.a.           | 18.00          |                 | 55.00           | 109.45       |
|                      | 1996 | 54.14           | n.a.           | 32.40          |                 | 37.00           | 123.54       |
|                      | 1997 | 27.29           | 104.26         | 38.50          |                 | 105.40          | 275.45       |
|                      | 1998 | 33.41           | 9.96           | 26.40          |                 | 51.00           | 120.77       |
| <b>Viet Nam</b>      | 1995 | 0.17            | n.a.           |                |                 |                 | 0.17         |
|                      | 1996 |                 | n.a.           |                |                 |                 | -            |
|                      | 1997 |                 | 0.74           |                | 1.30            |                 | 2.04         |
|                      | 1998 | 0.43            | 0.77           |                | 1.10            |                 | 2.30         |
| <b>TOTAL GMS</b>     | 1995 | 43.11           | n.a.           | 18.10          | 6.10            | 62.70           | 130.01       |
|                      | 1996 | 91.45           | n.a.           | 35.50          | 8.50            | 40.43           | 175.88       |
|                      | 1997 | 63.44           | 125.07         | 40.70          | 4.30            | 133.50          | 367.01       |
|                      | 1998 | 141.45          | 12.08          | 26.80          | 8.60            | 52.70           | 241.63       |
| <b>ASEAN</b>         | 1995 | 1,563.77        | n.a.           | 64.20          | 164.70          | 387.20          | 2,179.87     |
|                      | 1996 | 296.70          | n.a.           | 96.70          | 312.90          | 329.03          | 1,035.33     |
|                      | 1997 | 109.44          | 134.58         | 176.00         | 326.90          | 547.20          | 1,294.12     |
|                      | 1998 | 236.70          | 12.64          | 337.00         | 554.60          | 398.70          | 1,539.64     |
| <b>Japan</b>         | 1995 | 0.29            | n.a.           | 0.50           | 556.70          | 134.33          | 691.82       |
|                      | 1996 | 1.05            | n.a.           | 0.40           | 523.30          | 158.60          | 683.35       |
|                      | 1997 | 0.73            | 9.30           | 6.60           | 1,082.10        | 433.91          | 1,532.64     |
|                      | 1998 | -               | 1.20           | 11.60          | 1,547.00        | 383.75          | 1,943.55     |
| <b>North America</b> | 1995 | 40.43           | n.a.           | 16.40          | 258.00          | 48.20           | 363.03       |
|                      | 1996 | 4.72            | n.a.           | 31.00          | 429.40          | 133.38          | 598.50       |
|                      | 1997 | 19.29           | 5.95           | 3.20           | 623.70          | 83.10           | 735.24       |
|                      | 1998 | 8.41            | 3.22           | 0.40           | 936.00          | 20.17           | 968.20       |
| <b>Europe</b>        | 1995 | 212.59          | n.a.           | 45.60          | 195.70          | 421.40          | 875.29       |
|                      | 1996 | 68.79           | n.a.           | 176.50         | 220.00          | 272.76          | 738.05       |
|                      | 1997 | 20.65           | 17.11          | 72.50          | 527.70          | 134.48          | 772.44       |
|                      | 1998 | 8.09            | 7.88           | 62.60          | 878.00          | 135.56          | 1,092.13     |
| <b>TOTAL</b>         | 1995 | 2,394.51        | n.a.           | 135.20         | 2,069.90        | 1,780.40        | 6,380.01     |
|                      | 1996 | 964.81          | n.a.           | 317.60         | 2,338.30        | 1,803.08        | 5,423.79     |
|                      | 1997 | 931.97          | 379.70         | 268.70         | 3,733.00        | 2,587.33        | 7,900.70     |
|                      | 1998 | 1,144.26        | 327.38         | 421.40         | 7,130.90        | 1,700.37        | 10,724.31    |

Source: ASEAN Secretariat

**Cross-Border Trade Between Thailand and Neighboring GMS Countries**

|                               | 1991         | 1992         | 1993          | 1994          | 1995          | 1996          | 1997          | 1998          | 1999          |
|-------------------------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Exports from Thailand:</b> |              |              |               |               |               |               |               |               |               |
| <b>Value in million baht</b>  | <b>3,304</b> | <b>5,136</b> | <b>6,369</b>  | <b>14,628</b> | <b>15,526</b> | <b>18,156</b> | <b>36,963</b> | <b>28,836</b> | <b>61,703</b> |
| Thailand/Cambodia             | 49           | 778          | 1,247         | 2,250         | 3,361         | 4,461         | 9,125         | 8,448         | 15,991        |
| Thailand/Lao PDR              | 2,015        | 2,578        | 2,873         | 7,043         | 7,917         | 8,770         | 15,448        | 13,839        | 33,158        |
| Thailand/Myanmar              | 1,241        | 1,781        | 2,250         | 5,334         | 4,248         | 4,924         | 12,389        | 6,549         | 12,555        |
| <b>Growth in percent</b>      |              | <b>55.5%</b> | <b>24.0%</b>  | <b>129.7%</b> | <b>6.1%</b>   | <b>16.9%</b>  | <b>103.6%</b> | <b>-22.0%</b> | <b>114.0%</b> |
| Thailand/Cambodia             |              | 1496.7%      | 60.3%         | 80.5%         | 49.3%         | 32.7%         | 104.6%        | -7.4%         | 89.3%         |
| Thailand/Lao PDR              |              | 27.9%        | 11.4%         | 145.2%        | 12.4%         | 10.8%         | 76.1%         | -10.4%        | 139.6%        |
| Thailand/Myanmar              |              | 43.5%        | 26.3%         | 137.1%        | -20.4%        | 15.9%         | 151.6%        | -47.1%        | 91.7%         |
| <b>Imports to Thailand:</b>   |              |              |               |               |               |               |               |               |               |
| <b>Value in million baht</b>  | <b>4,855</b> | <b>5,203</b> | <b>3,992</b>  | <b>5,948</b>  | <b>5,493</b>  | <b>3,866</b>  | <b>6,637</b>  | <b>3,848</b>  | <b>11,771</b> |
| Thailand/Cambodia             | 275          | 1,367        | 1,865         | 2,643         | 2,526         | 1,278         | 2,658         | 898           | 1,136         |
| Thailand/Lao PDR              | 1,625        | 1,494        | 1,184         | 1,476         | 1,934         | 2,053         | 3,030         | 1,780         | 8,316         |
| Thailand/Myanmar              | 2,955        | 2,343        | 943           | 1,830         | 1,032         | 535           | 948           | 1,170         | 2,319         |
| <b>Growth in percent</b>      |              | <b>7.2%</b>  | <b>-23.3%</b> | <b>49.0%</b>  | <b>-7.7%</b>  | <b>-29.6%</b> | <b>71.7%</b>  | <b>-42.0%</b> | <b>205.9%</b> |
| Thailand/Cambodia             |              | 396.2%       | 36.5%         | 41.7%         | -4.4%         | -49.4%        | 108.0%        | -66.2%        | 26.5%         |
| Thailand/Lao PDR              |              | -8.1%        | -20.7%        | 24.6%         | 31.0%         | 6.2%          | 47.6%         | -41.3%        | 367.3%        |
| Thailand/Myanmar              |              | -20.7%       | -59.8%        | 94.1%         | -43.6%        | -48.2%        | 77.2%         | 23.5%         | 98.1%         |
| <b>Memorandum Items:</b>      |              |              |               |               |               |               |               |               |               |
| Share of exports to total     | 0.5%         | 0.6%         | 0.7%          | 1.3%          | 1.1%          | 1.3%          | 2.1%          | 1.3%          | 2.9%          |
| Share of imports to total     | 0.5%         | 0.5%         | 0.3%          | 0.4%          | 0.3%          | 0.2%          | 0.4%          | 0.2%          | 0.7%          |

Source: Customs Department, Thailand

|               |         |         |         |           |           |           |           |           |              |
|---------------|---------|---------|---------|-----------|-----------|-----------|-----------|-----------|--------------|
|               | 25.51   | 25.40   | 25.31   | 25.15     | 24.91     | 25.34     | 31.36     | 41.35     | 37.79        |
| Total exports | 720,545 | 815,202 | 921,433 | 1,118,049 | 1,381,660 | 1,378,902 | 1,789,695 | 2,180,847 | 2,145,527.25 |

|                            |        |         |         |         |         |         |         |         |              |
|----------------------------|--------|---------|---------|---------|---------|---------|---------|---------|--------------|
| % of cross-border to total | 0.5%   | 0.6%    | 0.7%    | 1.3%    | 1.1%    | 1.3%    | 2.1%    | 1.3%    | 2.9%         |
| Total imports              | 967808 | 1020582 | 1143108 | 1344831 | 1755456 | 1796549 | 1874545 | 1677864 | 1,808,138.13 |
| % of cross-border to total | 0.5%   | 0.5%    | 0.3%    | 0.4%    | 0.3%    | 0.2%    | 0.4%    | 0.2%    | 0.7%         |

**Average  
1991-99**

|              |
|--------------|
|              |
|              |
|              |
|              |
|              |
| <b>44.2%</b> |
| 106.3%       |
| 41.9%        |
| 33.5%        |

|              |
|--------------|
|              |
|              |
|              |
|              |
|              |
| <b>11.7%</b> |
| 19.4%        |
| 22.6%        |
| -3.0%        |

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