

Executive Summary

The Greater Mekong Subregion (GMS) Program is the result of a 1992 economic cooperation and integration agreement among Cambodia, the Lao People's Democratic Republic (Lao PDR), Myanmar, Thailand, Viet Nam and Yunnan Province of the People's Republic of China (PRC). The GMS summit declaration issued by the GMS leaders in November 2002 enunciated a vision of freeing their people from poverty and providing sustainable development opportunities for all their citizens. The Subregion needs to be increasingly integrated to attain these goals and to compete in a globalized world. A key objective of the ADB program is thus the development of GMS markets and the movement of goods and people across common borders. The promotion of transport and economic corridors is central to this objective to achieve improvements in competitiveness while deepening the sense of community among the people of the region.

The GMS is an integral part of the movement toward a greater Asian economic community. Within the span of a decade the Subregion has seen the emergence of a more integrated regional market, the growth of regional institutions, the development of a sense of shared experience and community, and an increasing capacity for collective action for the common good and for common purposes.

The Asian Development Bank's (ADB) overarching objective in the GMS is poverty reduction. This objective is to be achieved through the implementation of the GMS vision for enhanced connectivity, increased competitiveness, and a greater sense of community. Greater connectivity will help to physically integrate the region through a network of transport, power, and telecommunications

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The ADB program supports the GMS vision of connectivity, competitiveness, and community.

facilities. Physical connectivity will help to improve the region's competitiveness through greater access to markets. To ensure the full benefits from greater connectivity, corresponding attention is needed to such issues as facilitating trade and investment, the movement of goods and people across borders, and strengthening capacities.

The benefits of enhanced connectivity and improved competitiveness in terms of higher incomes and improved quality of life must be shared widely to contribute to a greater sense of community. In particular, support for greater connectivity imposes a corresponding responsibility to take precautions against negative impacts of transmission of communicable diseases, degradation of the environment, and illegal trafficking in people and wildlife. Protecting and empowering vulnerable groups such as women—who often gain proportionately less from benefits while suffering disproportionately from negative impacts of greater connectivity—is essential to achieve equity in the GMS.

ADB's strategy has four thrusts: (i) strengthening connectivity and facilitating cross-border movement and tourism; (ii) integrating national markets to promote economic efficiency and private-sector development; (iii) addressing health and other social, economic, and capacity-building issues associated with subregional linkages; and (iv) managing the environment and shared natural resources—especially of the watershed systems of the Mekong River—to help ensure sustainable development and conservation of natural resources.

This regional cooperation strategy and program (RCSP) will be supported by a 3-year rolling investment and technical assistance program. A comprehensive development matrix is being improved to serve as a basis for planning and programming subregional projects. The proposed lending pipeline for ADB financing during 2004–2006 consists of 15 firm and 4 standby loan projects totaling \$725 million. The technical assistance program for 2004–2006 amounts to 45 initiatives totaling \$25.5 million. Technical assistance has a particularly important role in the RCSP in terms of harmonizing the legal and regulatory frameworks to create a GMS market, supporting community

participation and human resource development to offset potential negative externalities, and supporting the development of the private sector.

Through this approach, the GMS program seeks to improve the lives of the 255 million people in the Subregion. About three fourths of these people live in rural areas, and their livelihoods depend on subsistence or semi-subsistence agriculture. Modern changes have come slowly to these areas, and many rural residents are poor. In the more remote areas, traditional lifestyles and deeply rooted customs persist.

A new poverty paradigm appears to be emerging centered on food insecurity in remote locations where the people are facing increasing pressures on the natural resources that have traditionally provided their subsistence. Often, people in these locations have not had full access to basic educational and health services. They now face growing environmental, population, and commercial pressures on their habitats. Under the Tonle Sap Environment Management Project in Cambodia, ADB has developed an integrated basin-wide approach to expand peoples' access to natural resources while protecting the ecology through community action. This integrated, basin-wide approach needs to be applied throughout the GMS.

Interrelated poverty and environmental concerns underscore the cross-boundary challenges that the Mekong River poses. Trade in natural resources, drugs, and people further aggravates these challenges. Balancing the competing interests of flood control, power generation, natural resource exploitation, and environmental protection thus takes on a special significance. These interrelated environmental and poverty concerns warrant an integrated, basin-wide approach to economic development, the protection of livelihoods, and natural resources management on the Mekong River. This approach is reflected in the studies undertaken by ADB and the Mekong River Commission in designing flood control measures within the integrated water management system of the Mekong basin.

Given these interrelated concerns, a key aspect of the strategy is using regional technical assistance to set in place

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the building blocks needed to better understand and address, on a continuing basis, the pressing issues of poverty incidence and reduction, environmental conservation and protection, and the effective enforcement of regulations to prevent trafficking in drugs, people, and wildlife. Over the medium term, these activities will provide the basis for a new phase in the GMS strategy, one that transforms the historic focus on connectivity to an integrated approach to economic development that incorporates the building of human capabilities, good governance, and the protection of interdependent ecologies.

Broad-based participation by all stakeholders is an important component of this RCSP. It was prepared through an extended series of consultations with government officials, nongovernment organizations, and civil society. It is to be regularly updated over the programming cycle and will thus be informed and revised through continuing consultation. Furthermore, it is envisaged that the various GMS sector working groups will henceforth invite greater participation from stakeholders.

The RCSP is bolstered by safeguards and other measures that provide greater community participation in all stages of project planning, design, and implementation. Corruption compounds the negative social and environmental externalities from increased connectivity. Community participation and monitoring are the first line of defense against such corruption.

The resource requirements for the GMS program are expanding. At the same time, strong government ownership and support for the GMS program has attracted the interest of other donors. As a result, the GMS governments have requested ADB to undertake a coordination effort that encompasses the programs of other donors who are not only actively involved but are essential to lift the GMS program up to the next level. This will require a major change in approach. Instead of lead financing every GMS program, the ADB now needs to initiate and coordinate the overall program in consultation with the GMS governments and donors. Annual coordination meetings will be required at the sector levels that will then need to be reflected in an

overall donor coordination mechanism involving the concerned GMS ministers. Strategic partnerships will need to be developed with other donors to augment this coordination process. To support this process, ADB will enhance its role and leadership by developing sector programs that all partners, including ADB, can support. Higher levels of technical assistance and administrative resources will be required for this sector-wide development planning and intensified donor coordination.

Such changes in form and substance are essential to maintaining the momentum of the program. In outlining these changes, the RCSP identifies the strategic thrusts required for ADB to serve the Subregion through a more effective provision of the most necessary regional public goods—activities with spillover effects across borders. For this task, ADB will specify a pipeline and program that effectively link needs to resources and will articulate a vision of how its capabilities for coordinating collective action will be harnessed. As a trusted platform for regional dialogue and consultation, ADB is uniquely placed to fulfill this role.

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