

GMS—Beyond Borders

Greater Mekong Subregion

In 1992, the countries that formed the GMS were seeking a regional identity. Today the GMS has emerged as a regional entity. Strategically located in the heart of Asia, the GMS is a vital land bridge between the dynamic economies of East and Southeast Asia. Its future lies in two directions: expanding and reaching out more strongly to other parts of Asia, including South Asia and as an integral part of the movement towards a greater Asian economic community.

The emergence of the GMS in these roles has been striking. Within the span of a decade, the Subregion has witnessed a more integrated regional market, the growth of regional institutions, the development of a sense of shared experience and community, and a growing capacity for collective action for the common good and for common purposes. ADB has played a key role in these developments. The financial and intellectual resources and leadership wielded by ADB have contributed to the economic transformation of the region, created new opportunities for its members to compete more effectively in a global economy, and fostered a sense of community among like-minded countries.

In promoting these outcomes in the GMS, the initial focus was on overcoming inadequate transport and communications linkages. Overcoming geographical barriers and integrating regional markets and promoting new economic opportunities have been key dimensions through which regional projects have complemented national assistance programs.

As a result of these efforts, the GMS is no longer a simple grouping of countries: it is a regional entity

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dependent upon closer linkages in transport, power distribution, trade, and commerce. These networks contribute powerfully to the creation of integrated markets with corresponding benefits for all. These linkages also provide substantial network effects arising from increased scale and competition. Realizing those benefits depends on the harmonization of legal and regulatory frameworks and the facilitation of cross-border flows to allow the integration of markets for products and services as well as for inputs such as finance, labor, and energy. Programs and projects that promote these benefits are essential to the future prosperity of the GMS.

The regional public goods that arose out of improved connectivity were initially the principal justification and focus of the GMS program. Greater recognition of environmental and social issues has widened the program's scope over the last 5 years. This RCSP takes the program to its next stage, one that recognizes in equal measure the public benefits of managing the GMS commons. Such regional benefits also emanate from programs and projects that contribute to the shared management of public goods within the GMS such as natural resources, watersheds, the Mekong River and its tributaries, public health, and regional safety and security. These public goods are clearly part of the GMS commons that must be protected, preserved, and nurtured for the benefit of all.

Since its launch in 1992, the program has been gradually extended reflecting the increasing commitment of its members to regional cooperation. One fundamental accomplishment has been building confidence among participants. It has also significantly enhanced economic cooperation and resource mobilization among members. At the program level, it has adopted a phased or building-block approach. At the project level, it has progressed in terms of implementing or planning implementation of priority projects that are part of the current 11 flagship programs.

Government Programs

Regional cooperation has been a catalyst for members to form agreements on issues such as air routes and energy trading and—on their own initiative—to start spinoff activities such

as commercial navigation, border development plans, and the “Emerald Triangle” to promote tourism in Thailand, Cambodia, and Lao PDR. In January 2002, the Prime Ministers of Cambodia, Lao PDR, and Viet Nam met and confirmed their commitment for a development triangle initiative⁸ as a high-priority, multisectoral way to promote further economic cooperation and reduce poverty in border areas where the density is higher. It complements the development of economic corridors and has been included as part of the Southern Economic Corridor flagship program. In April 2003, Thailand initiated an economic cooperation strategy including four GMS members: Cambodia, Lao PDR, Myanmar, and Thailand. This concept is called Ayeyawaddy-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS). ACMECS is a welcome development signaling the emergence of Thailand in a strategic partnership role as a donor. With the GMS serving as the backbone, its initiatives are expected to complement and be closely linked to ADB support for the Subregion. A concrete example of this is in terms of ongoing efforts to develop a single visa concept for ACMECS members, in a manner that is consistent with and closely coordinated with the GMS and ASEAN objectives in this area.

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Asian Development Bank Program

Central to the rationale for ADB’s regional approach is that it is the most effective way to provide regional public goods. ADB’s assistance has been a catalyst for broad-based economic cooperation and for mobilization of development resources. ADB approved \$1.2 billion in loans from 1992 to 2003 for regional development projects and mobilized another \$922 million in cofinancing.⁹ ADB together with cofinanciers and GMS governments has provided \$79 million in technical assistance for project preparation and for studies to promote effectiveness.

The principal investment components are now nearing

⁸ The “development triangle” includes seven neighboring provinces in the three countries. These include the provinces of Dac Lac, Gia Lai, and Kon Tum in Viet Nam, Rattanakiri, and Stungtreng in Cambodia, and Attapeu and Sekong in the Lao PDR. Viet Nam has been nominated to coordinate preparation of a master plan for the development of the area.

⁹ Includes national projects with significant regional benefits.

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completion. The Theun-Hinboun Hydropower Project, a run-of-river power facility in the Lao PDR that exports electricity to Thailand over a 100-kilometer (km), 230-kilovolt (kV) transmission line was completed in March 1998. This was an innovative public-private partnership underwritten by a 25-year power purchase agreement from the Electricity Generating Authority of Thailand, which guaranteed pay relative to 95% of electricity output. For the Lao PDR, the project is now the largest single source of foreign exchange accounting for about \$60 million in sales each year.

The first major transport components of the East-West Corridor project are scheduled for completion in 2004–2005. Given concerns about the degree of utilization of the bridge across the Mekong that was completed in 1994, increased efforts to ensure freer movement of goods and services across GMS borders were initiated in 1996 and culminated in the signing of the GMS Cross-Border Transport Agreement by all members at the ministerial meeting in September 2003. Substantial steps still remain to implement this agreement and to build the institutions to ensure freer cross-border movement of people and goods. These steps include single-stop/single-window customs, transit traffic regimes, eligibility of vehicles, commercial traffic rights, and cross-border facility standards.

Impact Evaluation Lessons

GMS projects complement and amplify national projects. As such, their contributions to development objectives are difficult to separate and evaluate. An overall performance and evaluation plan for regional programs is desirable but not yet possible. Monitoring and evaluation are best conducted at the project level using the most appropriate tools and indicators available. It remains difficult to accurately measure cross-border benefits and costs and to allocate their distribution. ADB is preparing guidelines on appropriate methodologies for evaluating regional projects, and development indicators are being formulated for each of the RCSP programs.

The only project that has been evaluated to date is the Theun-Hinboun Hydropower Project. It was rated

successful, bordering on highly successful.¹⁰ ADB's Operations Evaluation Department concluded that the project could be a model for effectively combining multilateral and bilateral aid and establishing a successful public-private partnership. On the other hand, significant difficulties were encountered in adequately assessing the potential environmental and social impacts prior to project preparation. This underscores the importance of comprehensive social and environmental impact assessments and community consultations prior to project implementation.

Important lessons have been drawn from an impact evaluation study of the ongoing program.¹¹ Results show that it has provided the opportunity for governments to develop a shared vision for developing the Subregion. It has focused on activity-based initiatives to secure reforms and facilities that promote connectivity which contrasts favorably with the rule-based approaches of many regional institutions. The sustained high level of participation in GMS meetings, most notably the ministerial meetings, indicates strong support and ownership. The study also recommends adjusting ADB's role, improving coordination between national and GMS programs, increasing information dissemination, and upgrading linkages between the GMS program and other regional institutions.

The impact evaluation study also indicated that there was a need to improve marketing and information dissemination on the GMS program and its associated business opportunities. ADB missions have been fielded to major donor capitals to raise awareness of the program in association with the Eleventh and the Twelfth Ministerial Conferences in Phnom Penh, Cambodia in September 2002 and Dali, PRC in September 2003, respectively. In Dali, the private sector participated in the Development Partners' Meeting for the first time. Key information on GMS programs and activities is provided on the GMS web site and is regularly updated. The study also noted the need for clear links between GMS and other regional organizations such as ASEAN and the MRC.

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10 ADB. 2002. *Project Performance Audit Report on the Theun-Hinboun Hydropower Project in the Lao People's Democratic Republic (Lao PDR)*. Manila. (Operations Evaluations Department [PPA: LAO 27325], November 2002).

11 ADB. 2000. *Impact Evaluation Study on the Greater Mekong Subregion*. Manila (Operations Evaluations Department [IN 45-00], February 2000).