

# Making It Happen: Implementing the GMS Strategy

## The Strategy

- A** DB's strategy for the 2004–2008 supports pro-poor, sustainable growth by:
- (i) strengthening connectivity and facilitating cross-border movements and tourism;
  - (ii) integrating national markets to promote economic efficiency and private-sector development;
  - (iii) addressing human development through health and other social, economic, and capacity-building measures; and
  - (iv) sharing environmental and natural resource management—especially of the watershed systems of the Mekong River—to help ensure sustainable development and conservation.

The strategy will be implemented through the 11 flagship programs and the GMS medium-term framework endorsed by the leaders. Three are “economic corridors,” North-South, East-West, and Southern. (An economic corridor is a geographic area in which infrastructure investments are linked directly with trade, investment, and production opportunities.) The other eight programs are Telecommunications Backbone, Regional Power Interconnection and Trading Arrangements, Facilitating Cross-Border Trade and Investment, Enhancing Private Sector Participation and Competitiveness, Strategic Environment

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Framework, Developing Human Resources and Skill Competencies, Flood Control and Water Resource Management, and Tourism Development. For detailed descriptions, scopes, and the current status of each program, see Annex 5 of the strategy at [www.adb.org/Documents/CSPs/GMS/2004/](http://www.adb.org/Documents/CSPs/GMS/2004/).

The strategy will initially be supported by a 3-year rolling investment and technical assistance program for 2004–2006. Technical assistance is particularly important for providing a platform for regional consultations and dialogue, testing innovative approaches to common problems, developing consensus on regional issues, and building national capabilities for addressing regional problems. A comprehensive development matrix is being developed to serve as a basic document for planning subregional programs including programs previously endorsed by GMS working groups and forums. An essential objective of the RCSP is to incorporate regional priorities into the operational pipeline and to complement country strategies and programming. National transport projects that build feeder roads or connect major hubs are examples.

The avian flu crisis also highlights how national and regional approaches complement each other. In Cambodia, Lao PDR, and Viet Nam, existing public health loans finance the purchase and installation of badly needed equipment for culling and quarantine. These activities are essential at the national level but will only be effective to the extent that regional or international monitoring and surveillance mechanisms are also put in place. ADB, together with other donors, is supporting this effort by providing regional technical assistance. Analogous relations between national and regional programs exist in numerous other areas including water and environmental management.

### **Connectivity, Cross-Border Facilitation, and Tourism**

**Connectivity.** Improving connectivity will not only increase the volume of trade, but it can also affect the pattern of trade in a way that increases gains. Improvements in roads reduce transport costs and also encourage interregional

trade. This enhances competitiveness. The transaction costs of doing business in the region remain high, however. The RCSP stresses completing networks for transport, energy, and telecommunications. This complements national strategies that emphasize rural electrification and communication networks. In terms of investments, this will also involve completing transport and economic corridors by the end of the decade.

The scope of cooperation in the core transport sector needs to broaden further intensifying cooperation in rail, air, and water transport. The strategy proposes developing an integrated master plan beyond 2006 that would evaluate (i) the trade, investment, and tourism flows for which infrastructure is needed; (ii) prospects for strengthening multimodal linkages; and (iii) integration of subregional and border area development schemes that would help transform transport corridors into full-fledged economic corridors.

The master plan needs to address a key characteristic of transport investments to date: they have tended to be developed from national rather than regional perspectives with corresponding difficulties in maximizing the benefits and opportunities from regional corridors. The challenge here is to develop mechanisms that allow for regional perspectives and the quantitative assessment and distribution of benefits and costs to be built into projects from inception. This is especially relevant because international projects typically involve an asymmetrical distribution of costs and benefits.

Investments in connectivity have large impacts on poverty reduction by generating income and employment. By linking poor, remote villages to markets, such roads can also help reduce non-income poverty through access to health and education services. Simply assuming that such benefits will occur is, however, insufficient. Connectivity projects are best when they are cognizant of social and environmental issues and provide for shared resource management in an integrated way. This approach is reflected in a recent GMS road project in the Northern Economic Corridor which contains a social action plan as well as components to ensure that illegal logging, the spread of HIV/AIDS, and the trafficking of women and

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children are combated through participatory approaches at the community level where such pressures are best understood and resisted.<sup>12</sup> This approach will be the norm in all connectivity projects.

**Facilitation of Cross-Border Movement of People and Goods.** During the GMS Twelfth Ministerial Conference in Dali, the GMS Cross-Border Transport Agreement was formally signed. All annexes and protocols are scheduled to be signed by 2005 with a further period to develop the institutions to effectively implement the agreement. The main facilities in the East-West Economic Corridor are also due for completion in the period following 2005. The facilitation of cross-border trade and investment is thus a key feature of increasing economic integration in the GMS.

The RCSP supports improving customs clearance procedures and increasing transparency in their application, as well as enhancing technical skills to improve the application of various regulatory systems. Additional resources are also to be provided through regional technical assistance for facilitating cross-border trade and investment which includes pilot testing of single-stop customs procedures at selected border sites. These measures will be available to other countries and will improve economic relations with ASEAN as a whole as they complement many of the liberalization measures that are part of the ASEAN Free Trade Area membership and preparations for World Trade Organization accession.

Increasing integration with the original ASEAN countries is an important step toward establishing a greater Asian economic community. With this as a medium-term objective, integration with ASEAN will also provide the GMS with a conduit to the outside world. Because the original ASEAN members conduct most of their trade extra-regionally, they have longstanding links with the major industrialized countries. By integrating more closely, the GMS countries will increase their opportunities for trade and investment with the rest of the world.

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<sup>12</sup> ADB. 2002. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Lao People's Democratic Republic for GMS Northern Economic Corridor Project*. Manila (Loan 1989-LAO for \$30 million, approved on 20 December 2002).

**Tourism.** The RCSP seeks to reinforce the increasing importance that national governments are giving to this sector. The key objectives under the strategy are (i) to facilitate ease of movement of tourists to and through the region by way of a single-destination GMS visa, and (ii) to provide the investments (secondary airports, ports, piers, wastewater treatment, etc.) and other assistance needed to ensure access to major, culturally important tourist sites and to prevent their environmental degradation. To support this strategy, sector studies are being prepared for a possible second GMS Tourism Project in 2006 that would complement private-sector investment in commercial tourist facilities.

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## Private Sector Development

The private sector in much of the GMS is still in its infancy after a long history of centralized planning and government control. Nurturing and improving the private sector remains the key to the region's long-term growth and development. At the national level, ADB programs are being put in place to provide substantial assistance to small and medium enterprises (SMEs). While much of this assistance is in the form of improvements in the business environment, provision is also being made for greater access to finance, guarantee mechanisms, and capacity building. This will increase employment opportunities for the poor throughout the GMS. There is also a longer-term requirement to address the legal and institutional deficiencies in property rights and contract law that are necessary to support the emergence of a vibrant private sector. Sharing experiences will help ensure harmonized approaches.

At the regional level, revitalizing institutions will help to develop platforms for dialogue and information sharing for the private sector. The GMS Business Forum is one such institution. The Thailand Business Initiative for Rural Development is another that may offer wider opportunities for regional application. Efforts will also be made to ensure greater private sector participation in the GMS flagship programs.

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Improving public transport and communication networks and the efficiency of utilities will enhance private sector competitiveness and contribute to long-term growth. The development of a regional power trade operating agreement to complement the Inter-Governmental Agreement on Regional Power Trade will be an important step toward harmonized rules for technical coordination, cross-border transmission pricing, and the institutional framework required to advance power trade. These changes will help create an attractive policy environment for the private sector funds needed for investment in power.

## Human Development

Cross-border migration and increasing labor mobility pose challenges in terms of communicable diseases, human and drug trafficking, and the exploitation of child labor. Many of these issues disproportionately affect vulnerable groups such as women, children and ethnic minorities. Cooperative approaches are needed like the recent one among ADB, Deutsche Gesellschaft für Technische Zusammenarbeit, selected nongovernment organizations (NGOs), and the National Committee for the Control of AIDS in the Lao PDR. This resulted in the development of a coordinated program on HIV/AIDS awareness, preventive education, and capacity building along the Northern Economic Corridor. The long-term solutions to cross-border problems ultimately lie in development itself. In the interim, the RCSP proposes substantial technical assistance beginning in 2004 to promote safe migration of women and to prevent the trafficking of women and girls; to prevent HIV/AIDS; and to enhance education for ethnic minorities. This will contribute to a common framework to address these issues from a regional perspective. Building on lessons learned from these and other activities, a project for controlling communicable diseases in border areas is proposed for 2005.

Careful management of social dimensions is indispensable to ensure that economic development reduces poverty. A proactive approach is needed to create a broader community with common goals and shared interests. At the

Twelfth Ministerial Meeting, the governments asked ADB to address social issues more explicitly and to facilitate social development across borders. Such initiatives may include improving labor market management through skill certification and training, introducing labor standards, and expanding knowledge.

Complementing these activities, an important focus under the RCSP is the systematic building up of national capacities and the strengthening of regional and subregional institutions for the purposes of (i) regional policy formulation and implementation, (ii) research and training on GMS issues, and (iii) regional dialogue and consultation. These activities will strengthen collective action for regional integration, will help reduce regional imbalances in knowledge and capacity, and will help ensure that regional and national priorities are complementary. Harnessing the experience of the more developed countries in favor of the poorer ones will be an important way to leverage resources.

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## Environmental and Shared Natural Resource Management

The GMS is rich in natural resources; however, population pressure, unsustainable exploitation, lax regulation, and corruption threaten the environment. There are concerns about the potentially adverse environmental impacts of projects undertaken to promote cross-border trade and investment. These include illegal logging and trafficking of wildlife. More important still is the degradation of common environmental resources such as watersheds and wetlands that provide subsistence incomes for the poor, especially women. These concerns are of special relevance along the Mekong River.

The key focus is the Mekong River and its basin which cover 795,000 square kilometers and form a rich and diverse ecological system. The seasonal flooding of the Mekong and its tributaries nourishes and supports a rich, freshwater ecosystem but also causes substantial damage to crops, structures, and human property, as well as loss of life. A key objective under the RCSP is to strengthen programs that address flood management. GMS governments have

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requested that ADB work on flood control be coordinated with the programs of the other donors such as ASEAN and the MRC to develop an integrated water management system. To this end, ADB has signed a partnership arrangement with the MRC and is initiating collaboration on flood management. This is especially important as it is envisaged that the Mekong itself will become an economic corridor. Technical assistance is being provided to strengthen cooperation with the MRC, and a flood management project is supported under the strategy.

Complementing the commitment of resources to flood management will be the critical need to improve the environmental information systems required for monitoring and effective enforcement of regulations. The first and second phases of the strategic environmental framework have added to the existing databases and will further strengthen the ability of governments and communities to identify and analyze “hot spots” and to review proposed projects in transport and energy that could have critical social and environmental impacts.

A key focus of the RCSP is to address the insufficiency of baseline information on fisheries, hydrology, and ecological systems of the Mekong. Here ADB’s work on environmental management, monitoring, and database development complements the important work the MRC is undertaking in water utilization and quality of life from a basin-wide, cross-border perspective.

The strategy proposes regional technical assistance to set in place 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, women, and wildlife. These activities will provide the platform for a basin-wide approach to developing the Mekong region. As such, they 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, the protection of livelihoods, and natural resource management.

## Institutional Strengthening and Capacity Building

The sustainability of the GMS program will center on building government capacity to address issues comprehensively and effectively and to better design and implement projects. The Phnom Penh Plan for Development Management is targeted at improving skills and broadening the learning experience of selected mid-level and senior public servants. The objective is to enhance the quality of planning, decision-making, and implementation of the complex development agenda at both the national and subregional levels. The Plan provides scholarships for short courses to government officials identified by GMS national coordinators in a range of technical and non-technical, development-related subjects that are not readily available at universities, business schools, or training institutions.

Over time, research on key GMS development issues will be coupled with capacity building through effective networking of academic and research institutions with top-quality training establishments. The Phnom Penh Plan is already beginning to demonstrate this. ADB is collaborating with several institutions and members of the development community to expand its capacity to provide sustainable training to participants. Finally, with new modalities for cooperation emerging and the additional responsibilities that go with them, there is a need to strengthen the GMS sector working groups and national coordination offices. Appropriate technical assistance will be provided.

## Broad-Based Participation and Governance

Governance is a high priority with stakeholders, with disclosure and transparency of information, and in measures to strengthen GMS mechanisms and processes. Broad-based participation by all stakeholders is an important component of the management and coordination of the program. The RCSP was prepared through an extended series of consultations with government officials, NGOs,

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and civil society.<sup>13</sup> It will be regularly updated over the programming cycle by continuing these consultations. The sector working groups will invite greater participation from stakeholders. At the project level, there are safeguards and other measures that provide greater community participation in all stages of project planning, design, and implementation.

## Programs with Other Development Partners

ADB's catalytic role in mobilizing resources is exemplified in the East-West Economic Corridor where components were funded by the governments of Japan and Thailand and in the Northern Economic Corridor in the Lao PDR where financing was shared among ADB and the governments of Thailand and the PRC. ADB also involved the private sector in the Theun-Hinboun Hydropower Project. For technical assistance projects, ADB has mobilized a total of \$13 million in cofinancing from various sources. This represents about one third of the total financing from ADB-assisted regional technical assistance in the GMS. Bilateral cofinancing sources include the governments of Australia, Finland, France, New Zealand, Norway, Sweden, Switzerland, Thailand, and the United Kingdom. Multilateral financing sources include the International Labour Organization, the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), and the United Nations Environment Programme (UNEP). Of special note is the support provided by the Japanese Government. The ADB-administered Japan Special Fund has provided more than half of the financing requirements of GMS technical assistance projects since 1992.

ADB is also increasing strategic collaboration with other multilateral institutions. The World Bank and ADB worked together to prepare the technical, financial, and institutional framework for power trade in the region. Consultations between the World Bank and the GMS are ongoing on the draft regional protocols that establish the

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<sup>13</sup> *Promoting NGO Support for Poverty Reduction in the Greater Mekong Subregion*. Manila (RETA 6118, approved August 2003).

principles and mechanics of trading, pricing, financing, and technical harmonization. ADB and the World Bank are collaborating on the next steps, including creating a regional power trade coordination committee. ADB continues to coordinate closely with ASEAN due to overlapping membership and interrelated activities, especially in the areas of trade, customs facilitation, and investment promotion. An important regional initiative under ASEAN's auspices has been the Working Group on the East-West Economic Corridor Development.

The United Nations (UN) agencies are active partners in implementing environment, human resource, and other projects. UNESCAP has been collaborating with ADB in tourism, trade, investment, and private sector development. UNESCAP continues to provide financial support for the Tourism Working Group and also supports two priority projects for trade facilitation. UNESCAP and ADB collaborated to organize the first meeting of the GMS Business Forum in October 2000. The United Nations Development Programme (UNDP) is executing a technical assistance project funded by the Global Environment Facility focusing on biodiversity conservation in the Tonle Sap to complement ADB's work in planning for detailed investments in fishery, forestry, and agricultural resources. UNDP is also developing the Southeast Asia Human Development Report (2004) that focuses on poverty reduction and regional cooperation; and ADB is a reviewer of the document. UNEP has been working with ADB to develop a system for environment and natural resource information under the Subregional Environmental Monitoring and Information Systems project. ADB is working with the UN Office on Drugs and Crime on drug eradication focusing on crop substitution and demand reduction.

ADB coordinates closely with other development partners on a number of policy issues including supporting and implementing (i) reforms to the ASEAN harmonized tariff nomenclature for Cambodia, Lao PDR, Myanmar, and Viet Nam; (ii) harmonized customs documents; (iii) transparent rules of origin; and (iv) transparent valuation and risk assessment procedures.