

MANAGEMENT RESPONSE TO THE SECTOR ASSISTANCE PROGRAM EVALUATION FOR THE TRANSPORT AND TRADE FACILITATION IN THE GREATER MEKONG SUBREGION—TIME TO SHIFT GEARS

On 18 February 2009, the Director General, Independent Evaluation Department, received the following response from the Managing Director General on behalf of Management:

I. General Comments

1. We appreciate IED's detailed and carefully prepared evaluation of ADB's assistance to the transport and trade facilitation sectors in the Greater Mekong Subregion (GMS). The report acknowledges that the transport sector has been at the forefront of the GMS Program and its development is a key factor toward achieving the 3Cs in the program's strategy of enhanced connectivity, increased competitiveness, and greater sense of community. We appreciate the considerable work that has gone into preparing the evaluation, which includes both a "top-down" or strategic evaluation and a "bottom-up" or program/project-level impact evaluation.

2. We appreciate the IED report's overall rating, combining both the top-down and bottom-up assessments, of "successful" for ADB's assistance to the transport sector as well as to the trade facilitation sector. We also appreciate the rating of "substantial bordering on high" for the assistance program's alignment with countries' and ADB's strategic priorities as well as the rating of "substantial" for institutional assessment, value addition, and ADB performance. These reflect the importance and commitment that the GMS countries accord to cooperation in these sectors as well as ADB's effectiveness in supporting such cooperation. We are also glad to note the results of the bottom-up assessment of the sector assistance program: highly relevant, effective, efficient, likely to be sustainable, and has substantial impact.

3. We broadly agree with the report's general recommendation for the assistance program to now "shift gear" toward giving greater attention to the software requirements of the sector. This will involve addressing the social and environmental aspects and risks of greater connectivity and enhancing the private sector's participation in the sector's development. Indeed, this is consistent with the findings and recommendations of the Midterm Review of the GMS Strategic Framework conducted in 2007-2008 as well as with the broad directions given by the GMS Leaders in their Third GMS Summit held in March 2008 in Vientiane, Lao PDR. Efforts are already under way that are in line with these recommendations, e.g., work on the accelerated implementation of the GMS Cross Border Transport Agreement (CBTA), and the establishment and activities of the GMS Economic Corridors Forum (ECF), and planned updating of the GMS Transport Sector Strategy Study, which will look more closely into the social and environmental dimensions of subregional transport development.

4. We also note that the report's assessment of assistance to trade facilitation is largely based on efforts related to the CBTA. However, the CBTA alone cannot address all the problems and deliver all the requirements of trade facilitation. There is also currently work being done (by a transport and trade

facilitation team now based at the Thai Resident Mission) on broader trade facilitation initiatives, such as those on sanitary/phytosanitary (SPS) cooperation, logistics development, and business mobility, which have not been covered by the report.

II. Comments on Specific Recommendations

5. **Recommendation 1. Fill gaps in Transport Infrastructure and Trade Facilitation.** We agree with this recommendation. With regard to transport infrastructure gaps, we are aware that the usefulness of the transport corridors that have been built would remain severely constrained if the missing links are not filled in. This is why the Chiang Khong (Thailand) – Houayxay (Lao PDR) bridge,¹ which is the last missing link along the western subcorridor of the GMS North-South Economic Corridor (NSEC), and the Mekong Bridge at Neak Loueng in Cambodia along the Phnom Penh – Ho Chi Minh City link of the GMS Southern Economic Corridor (SEC) are top priority projects under the Vientiane Plan of Action for GMS Development (2008-2012) (although these projects are not directly financed by ADB, ADB plays an important role in their initiation and coordination.). ADB will also assist the countries with developing a subregional railway strategy under the auspices of a TA to be implemented in 2009. With regard to gaps in the trade facilitation sector, initiatives are already underway to address remaining requirements to facilitate trade and investment along the corridors and transform them into genuine economic corridors (para. 3). These include efforts both within the existing CBTA program (e.g., the establishment and implementation of the CBTA transit system) and in relation to other requirements (e.g., comprehensive SPS cooperation, logistics development).

6. **Recommendation 2. Facilitate Institutional Development.** We agree with this recommendation. Again, a number of initiatives are already underway aimed at establishing and/or strengthening institutions that are needed to accelerate and enhance the sustainability of transport development and trade facilitation in the GMS. These include the aforementioned work on the CBTA transit system, including the establishment of related institutions, e.g., issuing and guaranteeing organizations; the proposed freight transporters' association; the establishment of the ECF and, under it, the Governors' Forum; and the strengthening and broadening of the membership of the National Transport Facilitation Committees (NTFCs), enhancing their coordination with agencies across governments and across countries.²

7. **Recommendation 3. Develop Strategic Partnerships and Harness Synergies with Other Regional Cooperation Initiatives.** We agree with this recommendation. This is consistent with the overall thrust toward forging and strengthening partnerships with development partners in the GMS Program. In the transport and trade facilitation sectors, we wish to note that we have forged

¹ ADB, under a technical assistance, has been coordinating the efforts of the Governments of PRC, Lao PDR, and Thailand on this bridge project and was instrumental in the forging of the Memorandum of Understanding (MOU) signed by the three countries, under which PRC and Thailand agreed on a 50-50 cost sharing of the bridge. ADB also assisted in the preparation of studies on the engineering, economic and financial, and social and environmental aspects of the project and has been requested by the countries to participate in the detailed design and procurement stages as project coordinator, facilitator, and advisor.

² Coordination across countries is already being done under a Joint Committee composed of the heads of all the GMS countries' NTFCs, and which includes a senior officials' meeting and subcommittees on the key aspects of the CBTA, i.e., transport, customs, health, and immigration.

partnerships with bilateral and multilateral development partners, such as Japan, Australia, France, PRC, Korea, the World Bank, UNESCAP, ASEAN Secretariat, and the Mekong River Commission. We will strengthen these partnerships and build relations with other potential partners. We will also continue coordinating and building synergies with other regional cooperation initiatives. For instance, efforts are being undertaken to ensure consistency and complementarity between the CBTA and ASEAN Framework Agreement on the Facilitation of Goods in Transit. Also, certain railway projects in ADB's assistance pipeline are part of the ASEAN-Mekong Basin Development Cooperation (AMBDC)-initiated Singapore-Kunming Rail Link (SKRL) network.

8. **Recommendation 4. Mobilize Alternate Forms of Financing.** We agree with this recommendation. ADB's catalytic role in the sector has certainly included mobilizing financial and other resources from various development partners. Of the \$9.1 billion total financing provided in 1994-2008 to GMS transport investment projects in which ADB was involved, around \$3.2 billion was provided through cofinancing by development partners. We agree that resource mobilization efforts will now have to be further stepped up, particularly in countries that are dependent largely on concessionary funds, such as Cambodia and Lao PDR. Scaling up assistance to these countries (as suggested in paragraph 191 of the report) would indeed be difficult, given the shortage in the supply of such funds and the large and increasing demand from them for transport development.

9. We will continue to explore mobilizing resources from existing and new donors for priority GMS infrastructure projects. The Governments of Australia and the Republic of Korea have recently been expressing keen interest in supporting priority transport projects in Cambodia, Lao PDR, and Viet Nam.³ We will also explore continued assistance to GMS projects in less-developed members from more developed GMS countries.

³ These two bilateral donors have provided substantial cofinancing for two key GMS projects approved in the last two years, namely, the Northern GMS Transport Network Improvement project in Lao PDR and the GMS Southern Coastal Corridor project in Cambodia and Viet Nam.