

TOWARD A STRATEGY FOR TRANSPORT AND TRADE FACILITATION (TTF) IN THE GREATER MEKONG SUBREGION (GMS)

A PAPER TO BE PRESENTED AT THE SECOND ECONOMIC CORRIDORS FORUM, 16-17 SEPTEMBER 2009

I. Introduction

1. The background to this paper is that:
 - (i) ADB carried out a diagnostic (Strategy and Work Program, SWP) assessment of the GMS Cross-Border Transport Agreement (CBTA) and other TTF initiatives, in April-June 2009;
 - (ii) a Regional Workshop on the Draft Strategy and Work Program for Transport and Trade Facilitation in the GMS was held in Bangkok, on 3-4 June 2009;
 - (iii) at the 15th GMS Ministerial Conference in Cha-am, Thailand on 17-19 June 2009, GMS Ministers considered key issues impeding the effective implementation of the CBTA and other TTF initiatives; and
 - (iv) senior ADB staff conducted consultations with most of the GMS countries on national institutional arrangements for the implementation of the CBTA and other TTF initiatives in the GMS, from July to September 2009.
2. Based on the foregoing, the objectives of this paper, to be presented at the Second Economic Corridors Forum on 16-17 September 2009, are to:
 - (i) set out the overall strategic direction of the institutional evolution required to implement the changes warranted by the SWP's diagnostic assessment;
 - (ii) summarize key outcomes of the country consultations from July to September 2009 regarding country-specific institutional arrangements for transport and trade facilitation initiatives in the GMS; and
 - (iii) propose an action plan for TTF technical assistance (TA) and a related implementation work program supporting this institutional evolution.

II, Overall Strategic Direction of the Institutional Evolution Required to Implement the Changes Warranted by the SWP's Diagnostic Assessment

3. The 15th GMS Ministerial Meeting called for the acceleration of TTF as a first step toward economic corridor transformation. ADB's diagnostic SWP assessment of the CBTA and other TTF initiatives found that a strategic and integrated approach to TTF will be key to reducing the transaction costs of cross-border trade in the GMS and thus making the GMS corridors economically viable, by transforming them from transport corridors to logistics corridors and ultimately to economic corridors.¹ While there may not

¹ See Asian Development Bank, *Logistics Development Study of the Greater Mekong Subregion North-South Economic Corridor*, prepared under ADB TA 6310-REG: Development Study of the North-South Economic Corridor, 2007, p. 6. Between transport corridors (physical infrastructure) and logistics corridors (broad trade facilitation, including beyond-the-border measures, and enhanced cross-border logistics services), one may consider the development of TTF corridors (cross-border transport operations and efficient border formalities); between logistics corridors

be a simple solution to the issues in implementing the CBTA and other TTF measures, there is a need for parallel but integrated efforts. Solutions relate to looking at CBTA and other TTF initiatives, such as the strategic framework for action on trade facilitation and investment (SFA-TFI) and national/ASEAN single window from a more strategic perspective. The aim is to try to build on the strengths of each initiative and get them moving as fast as possible, in a sequenced way, prioritizing components based on the scope of application and geographic areas

4. In line with the proposed strategic and integrated approach, ADB's diagnostic assessment pointed to the need to strengthen the existing institutional arrangements for CBTA implementation. It found that in order to ensure sustainable and effective implementation of the CBTA, there is a pressing need to strengthen the National Transport Facilitation Committee (NTFCs), mainstream them within each of the six GMS governments, give them a strong mandate for inter-ministerial coordination, and expand their membership to include more representatives from the private sector and other key stakeholders. It further noted that while recognizing that national institutions should be determined on a country-by-country basis based on sovereign choices ("no one size fits all"), it is possible to set out certain basic principles that each NTFC should consider, such as the need for: (i) a standing committee meeting at regular intervals in plenary sessions with an established agenda rather than an ad hoc arrangement; (ii) a "champion" with political weight and keen interest in TTF to serve as chair¹; (iii) high-level representation from all ministries; (iv) a coordination mechanism (including involvement of the trade sector/commerce ministry); (v) a strengthened secretariat; (vi) involvement of local authorities and agencies at the border; and (vii) greater involvement of the private sector, by integrating representation of the GMS Business Forum into the process to ensure linkages and inclusiveness. In addition, the assessment stated that institutions required for single-window (customs) and the SFA-TFI (Trade Facilitation Working Group) will need to be supported and strengthened and should take the lead in implementing such initiatives (instead of relying on the NTFC and the CBTA's Joint Ministerial Committee and its subcommittees). It also highlighted that an effective and sustainable coordination mechanism between/among these institutions at the national and subregional level must be put in place in all GMS countries.

5. At their retreat held as part of the 15th GMS Ministerial Conference in Cha-am, Thailand on 17-19 June 2009, GMS Ministers discussed key issues impeding the effective implementation of the CBTA and other TTF initiatives. Among other things, the GMS ministerial retreat on 19 June 2009 noted that national and cross-border coordination between and among agencies involved in border crossing formalities and cross-border transport operations has been limited, including the exchange of information among them. It was further noted that changes to the institutional mechanisms are needed to ensure that: (i) inter-ministerial coordination is effective; (ii) there will be substantive and regular participation by all relevant ministries and agencies; and (iii) concerns of various affected interest groups are adequately addressed. The

and economic corridors (increased private investment and well-developed production chains), one may consider the development of urban development corridors (improved economic infrastructure and enhanced capacities of corridor towns for public-private partnerships). Arjun Goswami, *Evolution of Economic Corridors: Transport and Trade Facilitation*, September 2009.

¹ This is necessary to obtain "buy-in" from all concerned ministries/agencies. Dr. Peter Faust, *Trade and Transport Facilitation Institutions in the GMS*, Draft Report, prepared for RETA 6450: Enhancing Transport and Trade Facilitation in GMS, April 2009, Part 2, Section B 3 (b).

ministerial retreat concluded that it will take a strong and robust institutional mechanism to bring all related agencies together and make them work toward effective CBTA and TTF implementation. Such mechanism needs to be strong enough to help overcome bureaucratic cultures that are prevalent in certain agencies, which have broad and wide-ranging authority.

III. Key Outcomes of the Country Consultations Regarding Country-Specific Institutional Arrangements

A. Introduction

6. This section summarizes key outcomes of the July-September 2009 ADB Country Consultation Missions regarding country-specific institutional arrangement, in chronological order, as follows: (i) the Lao People's Democratic Republic (Lao PDR), 29 July 2009; (ii) Thailand, 18-19 August 2009; (iii) the People's Republic of China (PRC), 25 August 2009; and (iv) Viet Nam, 3 September 2009. Cambodia and Myanmar were not visited during this period, but recent noteworthy changes to the institutional structure in Cambodia include the transfer of the leadership of the NTFC from the Secretary of State of the Ministry of Public Works and Transport to the Deputy Prime Minister (and Minister of Economy and Finance), who also chairs the national committee in charge of economic affairs. Proposed modified institutional arrangements for TTF in various GMS countries arising from the consultation are presented in the Appendix.

B. Lao PDR

7. The Lao PDR National Transport Committee (NTC) was created in 2002 and acts as the NTFC for the purposes of CBTA in Lao PDR. It is a non-standing Committee that is headed by the Minister of Public Works and Transport. Its functions include: (i) implementation of all tasks as prescribed in Article 39 of the Road Transport Law; (ii) coordinating and implementing all ASEAN Framework Agreements and related activities; (iii) monitoring and implementing the GMS CBTA; (iv) studying the benefits of acceding to international agreements and conventions on road transport facilitation; (v) acting as focal point for transport facilitation activities under the ASEAN, GMS, ESCAP, UNCTAD and other initiatives; and (vi) ensuring coordination and cooperation related to international transport. Membership of the NTC includes the following ministries: (i) Public Works and Transport (Minister); (ii) Industry and Commerce (Deputy Minister); (iii) Finance (Deputy Minister); (iv) Immigration (Director General); (v) Quarantine (Director General); and (vi) Foreign Affairs (Director General). Private sector representatives from the Lao International Freight Forwarders' Association (LIFFA), Passenger Transport Association, Insurance Company and the Bureau of Investment are also members of the NTC. The NTC has four working groups on Customs, Transport, Immigration, and Quarantine, with membership at the same level as the NTC.

8. The GOL officials and the Mission agreed in principle to consider the following adjustments in the national institutional arrangements for the implementation of the CBTA and other TTF measures: (i) a tri-ministerial steering committee consisting of the Minister of Public Works and Transport, Ministers of Finance and Industry and Commerce, and the GMS Minister will be formed to oversee the NTFC; (ii) the GMS Minister will coordinate the work of the steering committee; (iii) the Minister of Public Works and Transport and the Ministers of Finance and Industry and Commerce will be responsible for their respective streams of work, i.e., transport facilitation, and border

management and broader trade facilitation; (iv) reporting mechanism of GMS activities in Lao PDR to the DPM will be done through the regular reporting mechanism by the GMS Minister; (v) a common secretariat to the steering committee will be formed with representatives from ministries and agencies involved in transport and trade facilitation and the GMS National Coordinator to be supported and resourced by ADB TA, and assisted by ADB Lao Resident Mission. The Mission noted the views of the private sector that strong inter-ministerial coordination is needed for successful CBTA implementation, and that, over the long-term, greater participation by the private sector in the common secretariat through, for example, a grouping involving logistics service providers, may be considered to ensure sustainability.

9. The GOL officials agreed to carry out the necessary approval procedures to establish the proposed tri-ministerial steering committee structure to lead the NTFC as soon as possible, and to make an announcement of the restructured NTFC for Lao PDR at the Second Economic Corridors Forum to be held in Phnom Penh on 16-17 September 2009.

C. Thailand

10. A National Transport Facilitation Committee was established in Thailand subsequent to provisions of the CBTA involving relevant ministries/agencies. It is chaired by the Permanent Secretary of the Ministry of Transport. Membership is generally composed of senior officials at the Director General or Secretary General level. It is not a standing Committee but meets on an ad hoc basis if and when issues arise that are considered to warrant deliberation and coordination by the Committee. There is no special secretariat unit now. Secretariat arrangements are also of an ad hoc nature, consisting of one staff member from the International Affairs Bureau of the Ministry of Transport and one from Department of Land Transport.

11. On the whole, the Royal Thai Government (RTG) officials concurred with the findings of ADB's diagnostic assessment and the discussions during the Ministerial Retreat, and noted the restructuring on national institutional arrangements for TTF being conducted in Cambodia and Lao PDR. In this regard, the RTG officials and the Mission agreed to consider the following restructuring of national institutional arrangements for TTF: (i) two committees will be responsible for TTF in Thailand, i.e., the existing NTFC and a new border management committee; (ii) the existing NTFC will be responsible for transport and other related infrastructure and transport facilitation (through exchange of traffic rights via the CBTA and bilateral road transport agreements); (iii) the border management committee comprising but not limited to representatives from customs, SPS, quarantine, and immigration agencies/ministries to be headed by the Director General responsible for Customs, consistent with the national single window initiative; (iv) a representative from Ministry of Commerce will be in both committees; (v) the two committees will report through the GMS Minister to the Neighboring Countries' Cooperation Committee, which is chaired by the Prime Minister; (vi) the two committees will establish their own permanent and strengthened secretariats and also be jointly supported and coordinated by office of the GMS National Coordinator; and (vii) appropriate networking arrangements among the GMS countries for the individual committees (i.e., CBTA Joint Committee for the NTFC, and GMS Customs Directors General Meeting) will be strengthened/established and supported. The RTG officials agreed to propose the above restructuring of national institutional arrangements for TTF to the Neighboring Countries' Cooperation Committee through the GMS Minister at the

next meeting of the Committee that was to be held on 9 September 2009. Subject to the approval by the Committee, the Mission recommended to the RTG officials to announce the initial guidelines for restructuring of national institutional arrangements for TTF for Thailand at the Second Economic Corridors Forum (ECF-2) to be held in Phnom Penh, Cambodia on 16-17 September 2009.

12. The RTG officials stressed the importance of formulating clear terms of reference for each of the two committees for TTF to ensure proper delineation of roles and responsibilities and appropriate coordination between and among them. The RTG officials and the Mission agreed that logistics development should be included in the work to be done by the two committees, and that further work on logistics development along GMS corridors, particularly on the design of logistics systems, will need to be carried out. The RTG officials and the Mission also agreed that greater participation by the private sector, notably logistics service providers, in coordinating the work on TTF and in promoting greater interaction with the relevant committees may be considered. Toward this end, the Mission offered ADB support through technical assistance.

D. People's Republic of China

13. The PRC officials recognized the important role being played by the NTFC, under the leadership of the Ministry of Transport, in the implementation of the CBTA. Although there are some problems that need to be addressed to facilitate CBTA implementation, the PRC officials expressed the view that: (i) these problems are not due to institutional arrangements; (ii) the NTFC of the PRC is a simple yet effective national institutional mechanism, and (iii) there is no need to institute any changes to the NTFC. The PRC also stated that a separate national institutional mechanism – the Core Group – has been established and is operational to implement the Strategic Framework for Action on Trade Facilitation and Investment (SFA-TFI), for which the Ministry of Commerce is taking the lead coordinating role. The PRC officials, however, acknowledged the Mission's view that national institutions for the CBTA should be determined on a country-by-country basis based on sovereign choices (“no one size fits all”).

14. The Mission stated that the NTFCs in the six GMS countries have been highly instrumental in the negotiation, finalization, signing, and ratification of the CBTA and its annexes and protocols. The Mission also recognized that the NTFCs are well placed to take the lead coordinating role in implementing the CBTA given that the strength of the CBTA is transport facilitation, notably the exchange of traffic rights (on a multilateral basis) and associated arrangements (e.g., customs transit system). The Mission, however, emphasized that the facilitation of frontier crossing formalities through a single-window, sanitary and phytosanitary measures, and other broader trade facilitation measures (including behind-the-border procedures), are only covered in a limited way in the CBTA. Frontier crossing formalities may be better coordinated by a specialized agency, such as Customs, which is the case in other regional cooperation groupings and is considered international best practice. Broader trade facilitation may be coordinated by Ministry of Commerce. This was essentially the reason behind the recent indications from the Governments of Cambodia, Lao PDR, and Thailand that they would restructure their respective national institutions for TTF by establishing a separate body to be responsible for effective border management and formalities. The Mission also stated that the PRC is participating actively in the Customs Cooperation Committee (CCC) under the Central Asia Regional Economic Cooperation (CAREC) Program, for which it is playing a shepherd's role in the CCC's Working Group on Trade Facilitation.

15. The Mission underscored the need for a mechanism for broader trade facilitation to be established within the PRC to enable appropriate networking with similar mechanisms in other GMS countries and move forward the wider trade facilitation agenda. The Mission proposed the following alternative mechanisms for the consideration of the PRC: (i) border management committee for facilitation of frontier formalities for Yunnan Province (for purposes of the Hekou and Mohan borders); (ii) Core Group for SFA-TFI (which will network through the GMS Trade Facilitation Working Group); and/or; (iii) Customs committee (which will network through the proposed GMS Heads of Customs Meeting, similar to the CCC for the CAREC Program). The Mission emphasized that the proposed mechanism will not compete with, duplicate, or undermine the work of, the NTFC in coordinating the work on the CBTA. These could help respond to and strengthen the movement in other GMS countries toward the implementation of single window inspection and trade facilitation. The Mission expressed ADB's offer to support, through technical assistance, a joint secretariat, which will serve both the NTFC and the mechanism for trade facilitation, and will have members from all ministries and agencies concerned and, possibly, from logistics service providers. The PRC officials welcomed the planned convening of a GMS Heads of Customs meeting, and efforts for increased involvement of customs agencies in coordinating border-crossing formalities in the GMS, which is in line with the relevant recommendations of the World Trade Organization, the World Customs Organization, and other United Nations agencies.

E. Viet Nam

16. The Viet Nam NTFC was established subsequent to provisions of the CBTA involving relevant ministries/agencies. The Ministry of Transport is responsible for and chairing the NTFC under the CBTA. The NTFC was created in 2001 by Prime Minister's decree. The decree established the Vice Minister of Transport as chairman of the NTFC, while vice chairs and members are at the Director General level. The membership of the NTFC extends to the following ministries/agencies: (i) Transport (including the Viet Nam Road Administration), (ii) Finance (Customs), (iii) Planning and Investment, (iv) Agriculture and Rural Development, (v) Health, (vi) Foreign Affairs (Immigration), (vii) Public Security (Border Control), and (viii) the Vietnam Automobile Transport Association (VATA) as private sector association representing some 700 trucking companies. The NTFC also acts as National Transit Transport Coordinating Committee under the ASEAN Framework Agreement on Facilitation of Goods in Transit.

17. The officials met by the Mission noted their appreciation of the initiatives taken in other countries, especially Cambodia, Lao PDR, and Thailand. The Chairman of NTFC informed the Mission of his plan to propose the upgrading of current NTFC, which is regarded as a "working group" to a "Committee" for CBTA Implementation, which will have higher authority. The Committee is proposed to be chaired by Vice Minister of Ministry of Transport, with one co-chair from Customs and one co-chair from Public Security. The Committee will consist of senior officials (some at Director-General level) from concerned ministries and agencies. There will be four working groups under the Committee: Customs, Immigration, Transport and Quarantine. At local level, in Lao Cai, and Lao Bao, there are similar arrangements for CBTA implementation. The Committee will meet at least quarterly or as needed, and will report to the Deputy Prime Minister in charge of transport, tourism and culture. The Chairman of NTFC hopes to submit this

proposal for inter-ministerial/agency review in the near future so that a revised proposal can be submitted to Prime Minister for approval.

18. The Mission welcomed the initiative of the current NTFC to upgrade its status to a Committee reporting to Deputy Prime Minister. However, the Mission expressed its concern over the accountability of Customs in facilitating border crossing formalities for which it is seen to be taking a coordinating role. The Government of Viet Nam (GOV) officials and the Mission shared the view that Customs should play an important focal role in border management, which includes responsibilities beyond the core mandate of the CBTA. It was noted that Viet Nam Customs is coordinating a National Single Window Committee under the ASEAN initiative of the National Single Window, which is led by the Ministry of Finance. In that context, the Mission supported the notion of recognizing a reporting line by the Customs working group responsible for border management to the National Single Window Committee. The Mission noted that this was reflective of existing reporting relationships between Customs and the Ministry of Finance. The Mission also supported GOV officials' suggestion to have GMS Heads of Customs Meeting to promote regional customs cooperation, and efforts for increased involvement of customs in coordinating border-crossing formalities, which is in line with World Customs Organization and international best practice.

19. The GOV officials and the Mission agreed that Customs should play an important focal role in border management, which went beyond the core mandate of the CBTA. For this reason, the Mission recommended that the Customs working group under the proposed "upgraded NTFC" with a Committee status with clear mandate for CBTA implementation have a dual reporting line to both "upgraded" NTFC and the National Single Window Committee. The Mission expressed ADB's offer to support, through technical assistance, to support the new organizational arrangement which should be supported by all ministries and agencies concerned.

IV. Overview of Proposed Action Plan for TTF

A. Introduction

20. This section presents an overview for achieving TTF in the GMS, by considering (i) emerging subregional networking arrangements for TTF arising from the country consultations, (ii) a TTF Action Plan for 2009Q4-2011Q1, (iii) TTF resourcing, and (iv) TTF monitoring and reporting.

B. Subregional Networking Arrangements for TTF

21. In terms of subregional institutions, the Chairs of the NTFCs in the six countries, as provided for in the CBTA, constitute the CBTA Joint Committee, which so far met twice (the first time in Phnom Penh in 2004 and the second in Beijing in 2007). It is proposed that the Joint Committee focus on CBTA implementation, particularly the exchange of traffic rights, which is the CBTA's strength. The Committee should also be responsible for identifying and mobilizing resources for infrastructure improvement related to cross-border transport.

22. Based on the country consultations, it is also proposed that the GMS Heads of Customs meeting be reactivated, with the next meeting to be held prior to the next GMS Ministerial meeting, tentatively scheduled for March 2010.

23. ADB would be pleased to prepare a work program for both the Joint Committee and Heads of Customs meeting based on the priorities for the next two years identified during the country consultations. Both subregional entities will be supported by a secretariat, functions of which will initially be provided by ADB.

B. TTF Action Plan (2009Q4-2011Q1)

24. By 16th GMS Ministerial Conference, in March 2010, it is planned that:

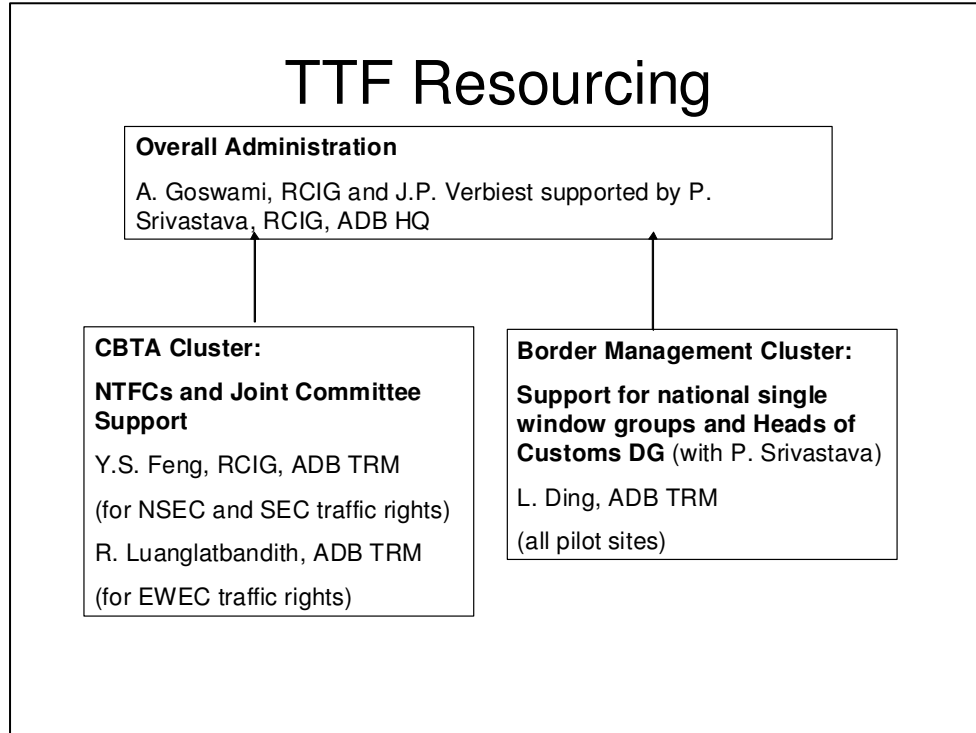
- (i) the 3rd CBTA Joint Committee and 1st Heads of Customs meetings will be convened; and
- (ii) ADB TA support for joint and strengthened national secretariats and subregional secretariat will be approved

25. By the time of the 4th GMS Summit in 2011, it is planned that:

- (i) bilateral and multilateral exchange of traffic rights will be in place along the three main GMS corridors; and
- (ii) facilitated border formalities through national single window will be in place at five pilot sites.

C. TTF Resourcing

26. ADB has have recently completed a restructuring of regional cooperation and integration work to respond better to the need to accelerate CBTA and TTF implementation. The following figure presents the proposed organization and staffing resources for helping implement the TTF action plan.



27. The overall administration will entail: (i) overseeing the existing TTF TAs for continuing support (i.e., RETAs 6307, 6450, and 6307 supplementary); (ii) processing of a multi-year TA for approval by March 2010; (iii) TA administration, review, and monitoring of TTF activities (including monthly reports to ADB headquarters from the ADB Thailand Resident Mission (TRM) TTF team and quarterly review missions with the TRM TTF team); (iv) strengthening of national and subregional institutional arrangements, establishment of national secretariat support (including clearinghouse of information); and (v) organization of GMS Heads of Customs Meetings.

28. A CBTA Cluster 1 will involve the Southern Economic Corridor (SEC) and the North-South Economic Corridor (NSEC) exchange of traffic rights (XTR; including a customs transit system) and include: (i) operationalizing the Cambodia-Thailand and Cambodia-Viet Nam bilateral road transport agreement (BRTAs); (ii) expanding the PRC-Viet Nam BRTA to cover Kunming-Hanoi and Nanning-Hanoi; (iv) implementing a three-country XTR for PRC-Lao PDR-Thailand; (v) implementing a three-country XTR for Cambodia-Thailand-Viet Nam; (vi) identifying and mobilizing resources for required transport and border infrastructure for NSEC and SEC border checkpoints; and (vii) organizing an annual CBTA Joint Committee Meeting. Additional work will include participation in regional meetings for TRM.

29. A CBTA Cluster 2 will involve East-West Economic Corridor (EWEC) XTR and include: (i) improving the implementation of three-country XTR for Lao PDR-Thailand-Viet Nam along the EWEC, including expanding the geographic scope; (ii) identifying and mobilizing resources for required transport and border infrastructure for EWEC border checkpoints; and (iii) helping to organize the annual CBTA Joint Committee Meeting. Additional work will include: (i) support for the Subregional Investment Working

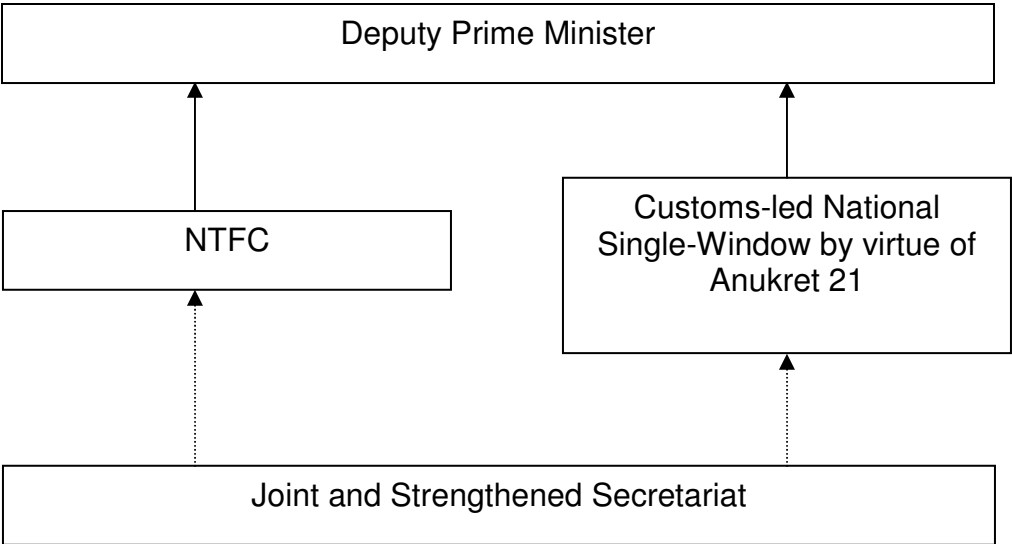
group and EWEC value chains; (ii) identifying and organizing training courses for headquarters and TRM staff on TTF; and participation in regional meetings for TRM.

30. A Border Management Cluster will include: (i) facilitation of frontier crossing formalities based on CBTA Annex 4 and ASEAN national single window procedures at five pilot sites; (ii) identification and mobilization of resources for equipment/ICT requirements at border checkpoints at five pilot sites; and (iii) helping headquarters organizing GMS Heads of Customs Meetings. Additional work will include processing sanitary and phytosanitary (SPS) project preparation technical assistance (PPTA) and investments as well as participation in regional meetings for TRM.

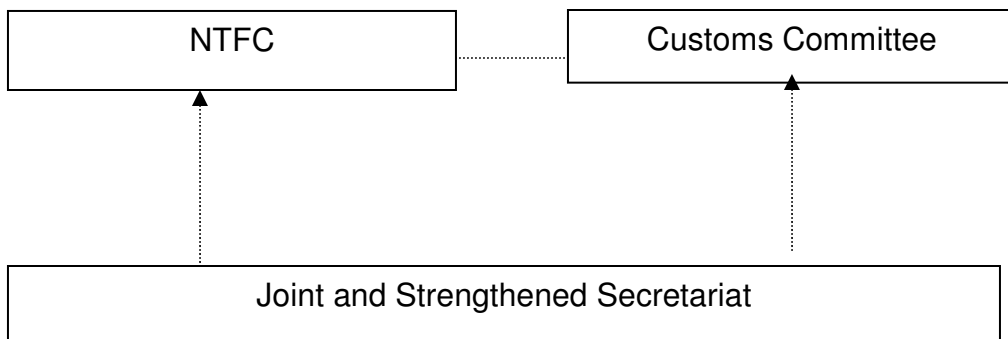
D. TTF Monitoring and Reporting

31. TTF monitoring and reporting will include: (i) monthly reporting to ADB headquarters; (ii) quarterly reviews by ADB headquarters and TRM staff and quarterly reports to AusAID and other development partners; (iii) semi-annual time release studies for border formalities, time-distance cost model measurements for cross-border transport operations along corridors, traffic counts, and intra-corridor trade; and (iv) annual reporting to the CBTA Joint Committee, Heads of Customs Meetings, and GMS Ministerial Meeting.

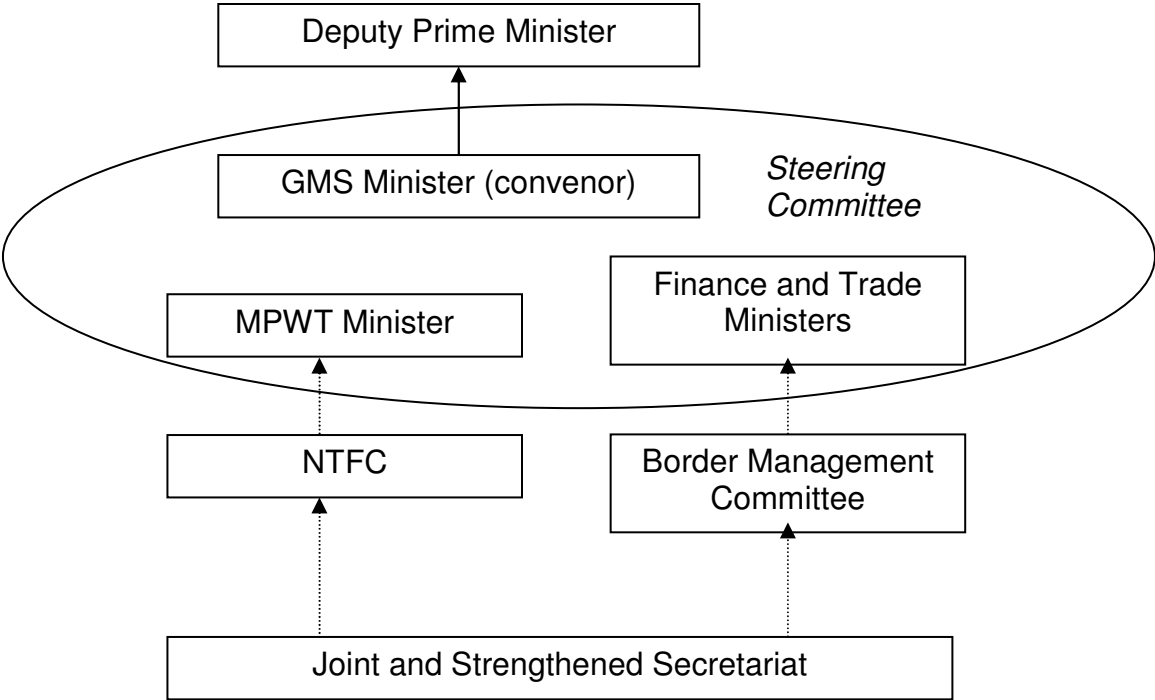
Cambodia



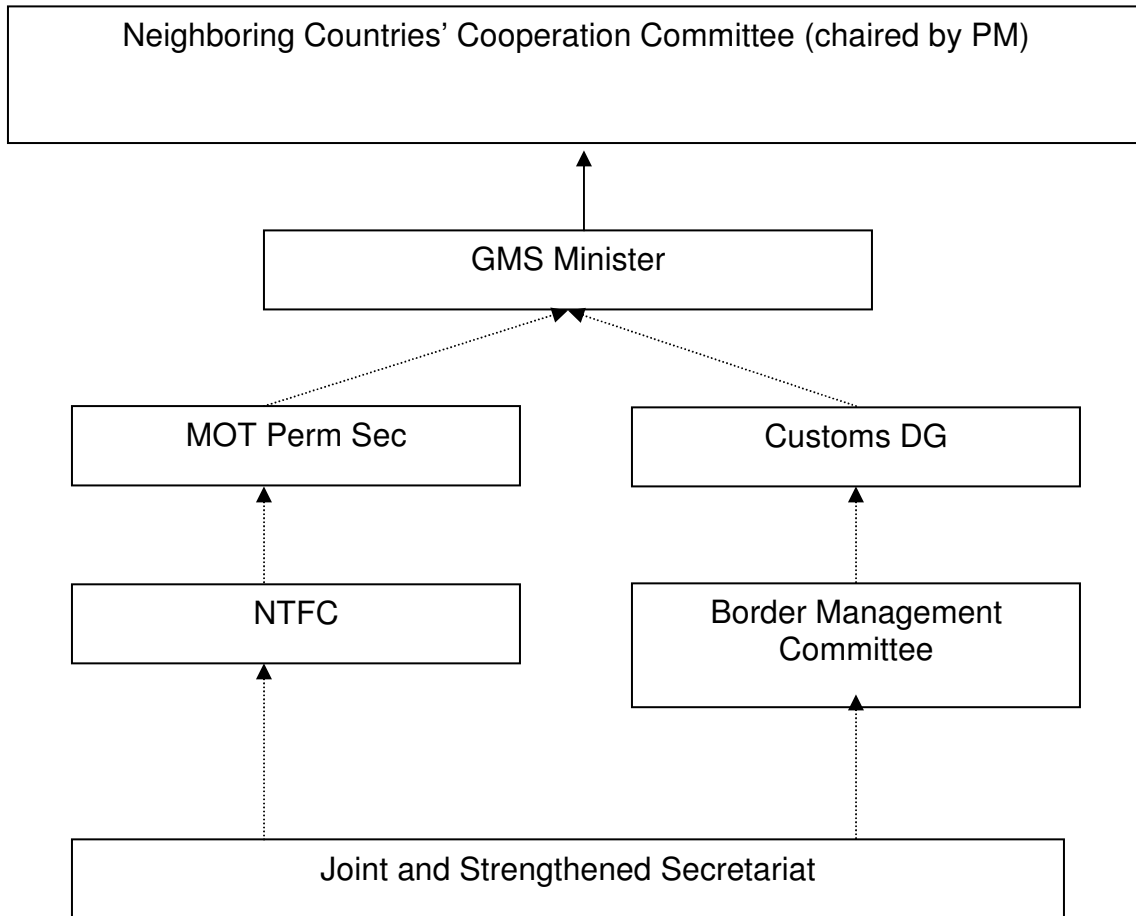
PRC



Lao PDR



Thailand



Viet Nam

