

Frequently Asked Questions on the proposed Regional Cooperation Strategy and Program (RCSP) for the Greater Mekong Subregion (GMS)

I. What is the Regional Cooperation Strategy and Program (RCSP) for the GMS?

1. The Regional Cooperation Strategy and Program (RCSP) for the Greater Mekong Subregion (GMS) is ADB's roadmap designed to guide operations in the GMS. It would connect the vision of the future with the work that must be performed now to move the region forward. The RCSP defines ADB's strategic thrust, areas of intervention, and assistance program and answers the following fundamental questions from the ADB perspective: (i) where is the region now? (ii) where does the region want to be?, and (iii) how will it get there? The RCSP is a five-year strategy with a three year rolling assistance program. It is a key vehicle in achieving ADB's overarching goal of poverty reduction.

II. What is the Vision for the GMS?

2. The vision for the GMS is articulated in the 10-year GMS Strategic Framework endorsed by the Leaders at the Summit in November 2002. The leaders envisioned the GMS to be a *prosperous, dynamic and equitable subregion*. The GMS 10-Year Strategic Framework also outlines 11 flagship programs to help operationalise the Strategic Framework and realize the vision for the GMS. The RCSP will be based on this vision. It will specify ADB's strategy to support the vision and will define ADB's program of assistance to help operationalise this vision through supporting the 11 Flagship programs as articulated in the Development Matrix.

III. How is the RCSP being Formulated?

3. Consistent with the operational thrust of the GMS Program of broadening the participation of stakeholders, the formulation of the RCSP will be through a consultative and partnership process between ADB, GMS Governments, Development Partners and the civil society. To assist in the consultation process a Small-scale technical assistance project for *Promoting NGO Support in Poverty Reduction in the GMS* has been approved. The preparation of the RCSP will involve three main phases. These include:

- Diagnostic phase: which involves a thorough assessment of the economic, social and environmental issues and trends in the GMS. This phase was undertaken during March – June 2003;
- Formulation phase: which involves extensive consultation with the GMS Governments and key stakeholders. The RCSP Initiating Paper/Concept Paper will be the outcome of this process. The proposed timetable for this phase is July – December 2003; and
- Finalization phase: which involves the concurrence of the GMS Governments and the approval of ADB Management and the Board of Directors. The proposed timetable for this phase is January – February 2004.

IV. What is the Background/Context in which the RCSP is being Formulated?

4. The RCSP is formulated to address key development challenges identified during the Diagnostic Assessment phase of the RCSP, do better based on lessons learnt, and to respond to new

opportunities created by the changing regional and global environment. Poverty continues to be a key development challenge facing the GMS with about two thirds of the 256 million people surviving on less than \$2 a day. Despite rapid economic growth and progress made in reducing poverty from the 78 million living in poverty in 1990 to 61 million in 2002, much still remains to be done to further reduce the numbers living in poverty. Whilst poverty varies considerably in incidence, depth and severity among the six countries, there are common characteristics: (i) inequality between the remote rural areas and urban areas is growing despite progress in poverty levels; (ii) the majority, about 90% of the poor live in rural areas and are mainly involved in agriculture; and (iii) those in remote and isolated areas, particularly near the border mountainous areas where reach and access to basic economic and social infrastructure and services is limited, are worse off. Ethnic minorities living in remote and national border areas are among the most impoverished groups. In addition to pervasive poverty, the GMS is faced with the potential threat of dangerous diseases, people and drug trafficking, and environmental degradation. In general the governance framework and institutional capacities of the GMS are weak, reflecting a scarcity of skilled human resources. By comparing the performance against the Millennium Development Goals (MDGs), the GMS lag behind other groupings in the region in many indicators.

5. The pace at which Trade and Investment are being facilitated and promoted in the GMS is relatively slow. There is need for more intensified efforts to facilitate trade and promote investment. These are needed to expedite the creation of a conducive and competitive economic environment in the GMS. The adoption of measures to reduce border barriers to trade and stimulate a more attractive investment climate has progressed, but impediments to regional trade and investment remain. In the area of trade the key challenges include: (i) inefficient customs clearance procedures, (ii) lack of sufficient technical skills to apply regulatory systems, (iii) lack of information on price and quality of goods, and (iv) inconsistencies in the application of trade agreements. For investment the key challenges include: (i) the need to promote good governance and curb corruption, (ii) provision of adequate infrastructure, (iii) defining adequate and responsive policies on foreign investment, and (iv) establishing efficient industrial zones.

6. The involvement of the Private Sector in regional cooperation development activities has been limited. While the role of the private sector as an engine of growth is well recognized, there has been limited success in mobilizing private sector participation in regional development activities. Even with the recent transition to market economy, private enterprise in the GMS is only beginning to adjust to new norms of competition and doing business. A major challenge is to improve the environment required by the private sector to take advantage of new economic opportunities resulting from trade liberalization and the opening of regional markets.

7. The Multiplicity of Regional Integration is posing an important challenge for the GMS. As GMS countries become more open, their ability to cope with the requirements of regional and global trading regimes will become a crucial test of their ability to cope with the pace of regional economic integration. There is a need to strengthen their capacities to compete in areas such as the ASEAN Free Trade Area and the World Trade Organization.

8. Development interventions at the regional level have social and environmental downsides. While improving living standards in the GMS will largely depend on how well the GMS countries can establish cross-border infrastructure linkages and reduce impediments to cross-border movement of goods, services and people, there are concerns about the adverse social and environmental impacts of investment projects undertaken to promote cross-border trade and investment. These include illegal logging, trafficking of wildlife and degradation of common environmental resources (watersheds, wetlands, and other eco-systems). Cross-border migration and increasing labor mobility poses further challenges to the region in matters such as transmission of communicable diseases, human trafficking and the exploitation of low-skilled labor.

9. Resource Mobilization for financing regional development is a crucial challenge. The availability or lack of project financing bears strongly on the pace of economic cooperation. This is one of the lessons of the past 11 years of the GMS Program and is especially true with infrastructure investments designed to link the region. Mechanisms must be created for mobilizing resources. The private sector should also be given a greater role in financing regional projects.

10. Apart from these challenges and issues, developments at the global level such as globalization, interdependence and trade liberalization; investment trends; global supply, production and distribution chains; and production and technology; have important implications for the GMS.

11. Against this scenario the countries of the GMS are placed in a situation where they need collaborative efforts more than ever before. These issues are best addressed by a collective effort through regional cooperation. By working together and sharing resources in mutually advantageous ways, participating countries can reduce poverty and ensure sustainable development in the region. The GMS is at the cross roads – the region is changing at a very rapid rate. The GMS has the potential to be one of the world's fastest growing areas, its rich human and natural resource endowments are making it a new frontier of Asian economic growth.

V. How is the ADB Proposing to Address these Key Issues and Challenges?

12. To assist the GMS countries in addressing these issues, ADB is complementing its efforts at the country levels with a regional strategy and program. The RCSP's overarching objective would be to reduce poverty in the GMS by focusing on the regional dimensions in the following four strategic areas:

- Pro-poor Sustainable Economic Growth, support through strengthening infrastructure linkages through a multisectoral approach, and facilitating cross-border trade and investment.
- Private Sector Development, support through promoting the region's attractiveness to investors through measures designed to enhance its competitiveness.
- Human Development, support through promoting regional human resource skills and competencies, and enhancing labor productivity particularly in the disadvantaged areas in the region.
- Environment and Shared Natural Resource Management, support this by strengthening the common strategic environmental framework among GMS countries for mitigating adverse cross-border environmental impacts of development interventions and promoting the beneficial and sustainable use of the region's shared natural resources.

VI. What Resources are Available to Support this Strategy?

13. A key feature of the proposed RCSP is to catalyze new financing for priority investments in the region. ADB has embarked on a concerted effort to attract the interest of development partners and assist them in identifying suitable investment opportunities and modalities. Targeted contacts are being made with development partners to raise their interest in financing the GMS development program.

14. The strategic thrusts of the RCSP will be operationalized by a proposed three-year rolling assistance program in investments and technical assistance. The proposed assistance program would consist of priority projects that have catalytic impacts in the region.

VII. How is the RCSP Relevant to the GMS Countries?

15. The RCSP is important to the GMS countries for two reasons: First, is that it has important implications for the successful mobilization of ODA and private sector resources in support of regional cooperation and development. Secondly, it will provide a framework for closer coordination among participating countries on projects that have regional impacts and which the concerned GMS countries need to coordinate closely in terms of implementation modalities and approaches.

VIII. What are the Linkages between the RCSP and the Country Strategy and Programs?

16. ADB's operations in each of the GMS countries are guided by the country specific strategy and programs (CSPs) and at the regional level by the GMS Program. The RCSP is intended to complement and amplify ADB's country specific programs by addressing the key development challenges and opportunities from a regional perspective. The RCSP will provide a basis to determine the resource requirements of the region to achieve the development vision of the GMS region.