

Building on Success

A Strategic Framework for the Next Ten Years

Vision and Goal

The strategic framework of the GMS Program for the next ten years builds on accomplishments to date, lessons learned, and trends and challenges facing the subregion. The framework is founded on a common vision, goal, and strategic thrusts for regional cooperation. The vision and goal are:

- GMS countries envision a Mekong subregion that is more integrated, prosperous and equitable.
- The GMS Program will contribute to realizing the potential of the subregion through (i) an enabling policy environment and effective infrastructure linkages that will facilitate cross-border trade, investment, tourism and other

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forms of economic cooperation; and (ii) the development of human resources and skills competencies.

- To ensure that this development process is equitable and sustainable, environment and social interests will be fully respected in the formulation and implementation of the GMS Program.

Strategic Thrusts

The GMS Program is defined in terms of what is achievable through regional economic cooperation. While eight priority sectors were the focus during the initial years of the Program, a more *multisectoral* and *holistic* approach to regional cooperation will be pursued in the next decade. Accordingly, five strategic thrusts are identified:

- ❑ Strengthen infrastructure linkages through a multisectoral approach
- ❑ Facilitate cross-border trade and investment
- ❑ Enhance private sector participation and improve its competitiveness
- ❑ Develop human resources and skills competencies
- ❑ Protect the environment and promote sustainable use of shared natural resources

■ **Strengthen Infrastructure Linkages Through a Multisectoral Approach**

This strategic thrust will include the following initiatives:

Integration of the GMS Program with national development plans

As the global and regional integration process intensifies, regional priority projects and national development plans should increasingly be made consistent and mutually reinforcing. Thus, cross-border infrastructure projects under the GMS Program will be linked with the national development plans to ensure consistency in policy and maximize developmental impact. For example, feeder and farm-to-market roads are essential to extending the economic benefits of the subregional transport corridors to local communities and remote villages.

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Building physical infrastructure linkages

In building physical infrastructure linkages, a multisectoral and holistic approach will be taken. Investments in priority infrastructure sectors (transport, energy, telecommunications and tourism) will focus on the same geographic space and corridors to maximize their development impact and to minimize costs. To achieve this holistic approach, the investment planning process will be strengthened through the preparation of integrated regional development plans. The needs of the local community, especially the poor in rural and border areas, will be a priority consideration in project design and implementation. Economic corridors will be developed in selected transport routes in the GMS. The aim is to come up with a carefully planned and managed process involving policy,

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regulatory and infrastructure initiatives supporting selected business opportunities.

Cooperation in the agriculture sector

As the GMS countries have disproportionately large rural populations, and since poverty is largely a rural phenomenon, the agriculture sector is seen as playing a vital role in addressing the critical needs of the poor. Thus, the GMS infrastructure projects should be closely linked with agricultural development projects at the national level. At the same time, the GMS Program will address subregional agricultural issues, such as: (i) price control of agricultural products that discourage regional trade and specialization; and (ii) the role of infrastructure in reducing the cost of selling agricultural products in subregional markets.

■ Facilitate Cross-Border Trade and Investment

To take advantage of the move towards free trade arrangements involving ASEAN and the PRC, and to maximize the benefits of cross-border infrastructure linkages, the *Agreement for the Facilitation of the Cross-border Movement of Goods and People* must be implemented immediately. This will continue to be a major agenda of the GMS Program. Moreover, the *annexes and protocols* which stipulate the detailed procedures for the cross-border movement of goods and people will be implemented by 2005 as agreed during the Ninth Ministerial Conference in January 2000. In addition, the following objectives will be pursued:

Trade facilitation

Cross-border trade facilitation will first focus on simplifying customs procedures at selected border crossings. Notable among these is the single-stop customs inspection for border crossings at Poipet and Bavet (Cambodia), Mukdahan and Aranyaprathet (Thailand), Savannakhet and Dansavanh (Lao PDR), and Lao Bao and Moc Bai (Viet Nam). Based on experience gained, single-stop customs inspection systems will be refined and replicated in other areas. Coordination of common hours of operation will also be enhanced. Subsequent phases of cooperation will cover transparency of customs procedures and adherence to the Kyoto Convention.

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Trade Financing

The important role of the financial sector in facilitating cross-border trade and investment has been highlighted by the private sector in GMS. One of the major impediments to cross-border business transactions, for example, is the lack of a reliable payment system among commercial banks in the GMS. At present, commercial banks involved in cross-border transactions apply different banking regulations. Harmonizing banking regulations has been identified as another important area to be addressed.

Investment Promotion

The GMS will contribute to creating a favorable environment for private firms, especially for small and medium-sized enterprises. The establishment of economic corridors and other cooperation initiatives will bring economies of scale in production and distribution and improve the member coun-

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tries' capacity to export. Agriculture-based and labor-intensive products have been identified as areas of comparative advantage for enterprises located along the major economic corridors. Technical, marketing, credit and management support will be made more accessible. The GMS Business Forum, in collaboration with the governments and local business, will help promote investment.

Tourism Promotion

The GMS possesses vast potentials for tourism development because of its rich historical and cultural heritage and ecological attractiveness. Tourism development will directly contribute to the increase in income and employment of the poor. The GMS Program will promote joint tourism initiatives in the subregion as a single tourist destination through the simplification of the visa issuance process, improvement of the tourism infrastructure, and other activities in partnership with the private sector.

■ Enhance Private Sector Participation and Improve Its Competitiveness

The private sector is the main engine of growth for the subregion. Measures to enhance the competitiveness of the private sector will include: (i) lowering production and distribution costs through efficient utilities/infrastructure services; (ii) improving the skills competencies of the labor force; (iii) training entrepreneurs for small and medium enterprise (SME) management, production and marketing; and (iv) extending credit lines for the provision of working capital. Further, the policy environment for private sector enterprises will be better harmonized.

The private sector is also a potential source of financing for GMS infrastructure projects. This, however, raises a complex set of issues, including the risk premium of investing in the subregion and the investment regimes of GMS countries. Public-private sector partnerships, including guarantee facilities and other mechanisms, will likely be needed before private sector participation in infrastructure projects can be secured.

The private sector is a major beneficiary of regional economic cooperation. It should be actively involved in the process. However, to date, private sector involvement in the GMS Program has been relatively limited. The newly established GMS Business Forum provides an entry point for more active private sector participation. Once fully established with an active membership base (including the Chambers of Commerce), the GMS Business Forum will serve as a channel for communicating with the GMS governments and resolving impediments to business development.

■ ***Develop Human Resources and Skills Competencies***

The GMS has a large labor force, much of which is greatly underutilized, as shown by the high rates of unemployment and underemployment. Also, productivity is low, reflecting, among other factors, lack of skills. The population-age structure is relatively young, with large annual additions to the labor force. While Thailand and the PRC have succeeded in reducing fertility rates, other GMS countries continue to experience relatively rapid population growth. This has exacerbated the labor surplus problem.

In Cambodia, Lao PDR, Myanmar, and to lesser extent Viet Nam, the PRC, and Thailand, labor pro-

The region has a large, young but underutilized labor force, and a labor surplus problem.

Some HRD issues require subregional cooperation over national programs of education, training and health. ductivity is hindered by low literacy/schooling levels and, in some cases, malnutrition and generally poor health. National development strategies for these countries focus on poverty reduction and improved labor productivity. Assistance goes mostly to basic health and education services which take precedence over skills training and higher education. The challenge remains for GMS countries to upgrade their labor force for more skilled jobs.

GMS countries face different challenges in human resource development. Because of these and because of diverse languages and cultures, the normal tendency is to favor national education, training and health programs. Nevertheless, there are human resource development (HRD) issues where subregional cooperation is logical and urgently needed. These include the following:

Capacity building to address cross-border human resource development and labor market issues

An earlier technical assistance (TA) project on *Cooperation in Employment Promotion and Training in the GMS* established the groundwork for a Subregional Labor Market Information Network. It also outlined a certification and accreditation system regarding graduates of training institutions. GMS countries need to further strengthen the labor market information system and the capability to resolve issues concerning the cross-border movement of workers. Moreover, it is important to harmonize training standards, skills certification, and accreditation of training institutions. This could be achieved through capacity building in labor market management, policy formulation, legal frameworks, and institutional development. It would also help if subregional agreements on skills certification and accreditation could be made.

Addressing health and social problems associated with mobile populations

Health and other social problems associated with mobile populations must be addressed by regional as well as national programs. These problems or issues include the spread of communicable diseases (e.g., HIV/AIDS), the rights of migrants and guest workers, and the trafficking of women and children. The HRD Working Group will continue to address these issues and, through joint projects, strengthen partnership with specialized agencies, such as the United Nations International Drug Control Programme (UNDCP) and the United Nations Programme on HIV/AIDS (UNAIDS). In addition, subregional approaches are needed to take advantage of economies of scale which can be achieved with some health programs, such as the GMS vaccine program for malaria control.

There is need for GMS countries to upgrade their research and development base.

Networking higher education and training institutions

To keep pace with rapidly changing production and information technology, there is an increasing need for the GMS countries to upgrade their research and development (R&D) base. For this purpose, the GMS Academic Research Network (GMSARN) was established in 2000, with membership from major higher education institutions in the GMS countries. This initiative is the first step towards establishing centers of excellence in the Mekong subregion. The GMS Program will explore partnership with the GMSARN in addressing higher education and training needs.

■ ***Protect the Environment and Promote Sustainable Use of Shared Natural Resources***

Environmental considerations must be at the forefront of all decision-making regarding development.

The serious extent of environmental degradation in the subregion must be stopped and reversed. Proper management of shared natural resources and collective action to resolve cross-border environmental problems are among the steps needed to achieve this goal. Environmental considerations must be at the forefront of all decision-making regarding development projects. While the primary responsibility for environmental protection rests with national and local governments, cooperation with neighboring countries is critical to resolving unintended negative outcomes of development activities that go beyond national borders. Cooperation is also needed to ensure sustainable use of shared natural resources. Thus, the strategic framework for the GMS Program includes the following initiatives:

Subregional monitoring of the cumulative environmental impact of development

Large-scale infrastructure investments in the GMS in the next ten years will put additional strain on the environment. To minimize the adverse social and environmental impacts of these projects, a sub-regional approach will be adopted. The Strategic Environment Framework (SEF) for the GMS prepared over the past two years provides the policy, technical and procedural basis for subregional planning and monitoring. The Early Warning Information System (EWIS) included in the SEF will enable GMS governments to monitor the cumulative environmental impact of development projects, and respond to it in a proactive manner. The ultimate goal of the SEF is to engender sus-

tainable rural development, improve forestry coverage (and thus reduce soil erosion, siltation and flooding), restore fish stocks, protect endangered species, and reduce pollution in international waterways.

Sound practices for sustainable use of shared resources

Priority will be given to the protection and management of watershed areas and wetlands, considering their severe degradation. To reverse deforestation and environmental degradation of watersheds, GMS countries will adopt a framework of mutually consistent policies, strategies and guidelines for environmental protection and sustainable use of shared resources. The framework will include measures to reduce poverty in watershed areas, such as creating employment alternatives to slash-and-burn agriculture and other undesirable activities.

Participation in international environmental initiatives

The GMS countries recognize that regional cooperation on the environment should link with global initiatives, such as the World Summit on Sustainable Development. The GMS Program will help member countries share experiences with other nations in international environmental initiatives. In particular, opportunities will be explored and pursued for developing projects eligible for support through the Global Environmental Facility. The GMS Working Group on the Environment will cooperate with international programs to strengthen the subregion's capacity for environmental assessment and management.

GMS will strengthen its capacity to assess and manage the environment.