



The GMS Beyond Borders

Regional Cooperation Strategy and Program
2004–2008

Asian Development Bank

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Executive Summary

The Greater Mekong Subregion (GMS) Program is the result of a 1992 economic cooperation and integration agreement among Cambodia, the Lao People's Democratic Republic (Lao PDR), Myanmar, Thailand, Viet Nam and Yunnan Province of the People's Republic of China (PRC). The GMS summit declaration issued by the GMS leaders in November 2002 enunciated a vision of freeing their people from poverty and providing sustainable development opportunities for all their citizens. The Subregion needs to be increasingly integrated to attain these goals and to compete in a globalized world. A key objective of the ADB program is thus the development of GMS markets and the movement of goods and people across common borders. The promotion of transport and economic corridors is central to this objective to achieve improvements in competitiveness while deepening the sense of community among the people of the region.

The GMS is an integral part of the movement toward a greater Asian economic community. Within the span of a decade the Subregion has seen the emergence of a more integrated regional market, the growth of regional institutions, the development of a sense of shared experience and community, and an increasing capacity for collective action for the common good and for common purposes.

The Asian Development Bank's (ADB) overarching objective in the GMS is poverty reduction. This objective is to be achieved through the implementation of the GMS vision for enhanced connectivity, increased competitiveness, and a greater sense of community. Greater connectivity will help to physically integrate the region through a network of transport, power, and telecommunications

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The ADB program supports the GMS vision of connectivity, competitiveness, and community.

facilities. Physical connectivity will help to improve the region's competitiveness through greater access to markets. To ensure the full benefits from greater connectivity, corresponding attention is needed to such issues as facilitating trade and investment, the movement of goods and people across borders, and strengthening capacities.

The benefits of enhanced connectivity and improved competitiveness in terms of higher incomes and improved quality of life must be shared widely to contribute to a greater sense of community. In particular, support for greater connectivity imposes a corresponding responsibility to take precautions against negative impacts of transmission of communicable diseases, degradation of the environment, and illegal trafficking in people and wildlife. Protecting and empowering vulnerable groups such as women—who often gain proportionately less from benefits while suffering disproportionately from negative impacts of greater connectivity—is essential to achieve equity in the GMS.

ADB's strategy has four thrusts: (i) strengthening connectivity and facilitating cross-border movement and tourism; (ii) integrating national markets to promote economic efficiency and private-sector development; (iii) addressing health and other social, economic, and capacity-building issues associated with subregional linkages; and (iv) managing the environment and shared natural resources—especially of the watershed systems of the Mekong River—to help ensure sustainable development and conservation of natural resources.

This regional cooperation strategy and program (RCSP) will be supported by a 3-year rolling investment and technical assistance program. A comprehensive development matrix is being improved to serve as a basis for planning and programming subregional projects. The proposed lending pipeline for ADB financing during 2004–2006 consists of 15 firm and 4 standby loan projects totaling \$725 million. The technical assistance program for 2004–2006 amounts to 45 initiatives totaling \$25.5 million. Technical assistance has a particularly important role in the RCSP in terms of harmonizing the legal and regulatory frameworks to create a GMS market, supporting community

participation and human resource development to offset potential negative externalities, and supporting the development of the private sector.

Through this approach, the GMS program seeks to improve the lives of the 255 million people in the Subregion. About three fourths of these people live in rural areas, and their livelihoods depend on subsistence or semi-subsistence agriculture. Modern changes have come slowly to these areas, and many rural residents are poor. In the more remote areas, traditional lifestyles and deeply rooted customs persist.

A new poverty paradigm appears to be emerging centered on food insecurity in remote locations where the people are facing increasing pressures on the natural resources that have traditionally provided their subsistence. Often, people in these locations have not had full access to basic educational and health services. They now face growing environmental, population, and commercial pressures on their habitats. Under the Tonle Sap Environment Management Project in Cambodia, ADB has developed an integrated basin-wide approach to expand peoples' access to natural resources while protecting the ecology through community action. This integrated, basin-wide approach needs to be applied throughout the GMS.

Interrelated poverty and environmental concerns underscore the cross-boundary challenges that the Mekong River poses. Trade in natural resources, drugs, and people further aggravates these challenges. Balancing the competing interests of flood control, power generation, natural resource exploitation, and environmental protection thus takes on a special significance. These interrelated environmental and poverty concerns warrant an integrated, basin-wide approach to economic development, the protection of livelihoods, and natural resources management on the Mekong River. This approach is reflected in the studies undertaken by ADB and the Mekong River Commission in designing flood control measures within the integrated water management system of the Mekong basin.

Given these interrelated concerns, a key aspect of the strategy is using regional technical assistance to set in place

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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, people, and wildlife. Over the medium term, these activities will 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 that incorporates the building of human capabilities, good governance, and the protection of interdependent ecologies.

Broad-based participation by all stakeholders is an important component of this RCSP. It was prepared through an extended series of consultations with government officials, nongovernment organizations, and civil society. It is to be regularly updated over the programming cycle and will thus be informed and revised through continuing consultation. Furthermore, it is envisaged that the various GMS sector working groups will henceforth invite greater participation from stakeholders.

The RCSP is bolstered by safeguards and other measures that provide greater community participation in all stages of project planning, design, and implementation. Corruption compounds the negative social and environmental externalities from increased connectivity. Community participation and monitoring are the first line of defense against such corruption.

The resource requirements for the GMS program are expanding. At the same time, strong government ownership and support for the GMS program has attracted the interest of other donors. As a result, the GMS governments have requested ADB to undertake a coordination effort that encompasses the programs of other donors who are not only actively involved but are essential to lift the GMS program up to the next level. This will require a major change in approach. Instead of lead financing every GMS program, the ADB now needs to initiate and coordinate the overall program in consultation with the GMS governments and donors. Annual coordination meetings will be required at the sector levels that will then need to be reflected in an

overall donor coordination mechanism involving the concerned GMS ministers. Strategic partnerships will need to be developed with other donors to augment this coordination process. To support this process, ADB will enhance its role and leadership by developing sector programs that all partners, including ADB, can support. Higher levels of technical assistance and administrative resources will be required for this sector-wide development planning and intensified donor coordination.

Such changes in form and substance are essential to maintaining the momentum of the program. In outlining these changes, the RCSP identifies the strategic thrusts required for ADB to serve the Subregion through a more effective provision of the most necessary regional public goods—activities with spillover effects across borders. For this task, ADB will specify a pipeline and program that effectively link needs to resources and will articulate a vision of how its capabilities for coordinating collective action will be harnessed. As a trusted platform for regional dialogue and consultation, ADB is uniquely placed to fulfill this role.

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The Mekong People

Rich Human Diversity

A combination of rich natural and human resources make the Greater Mekong Subregion (GMS) an area of enormous economic potential, yet many of its inhabitants remain poor. Of the 255 million people living in the Subregion, about three fourths live in rural areas and survive on subsistence or semi-subsistence agriculture. About 35 million people—one in every seven—are undernourished. Modern changes have come slowly especially in the more remote areas where most children under five are underweight. These communities face structural impediments that have made it difficult to achieve sustained economic growth.

The people that presently occupy the lowlands of the GMS are the ethnic Khmers of Cambodia, the Lao of the Lao People's Democratic Republic (Lao PDR), the Burman of Myanmar, the Thai of Thailand, the Kinh of Viet Nam, and the Han of Yunnan Province in the People's Republic of China (PRC). These groups total about 180 million. With the onset of peace in the 1990s, they experienced rapid changes and improvements in living standards and conditions, and there has been a gradual shift from subsistence agriculture to more diversified economic activities.

Approximately 200 ethnic minority groups totaling about 75 million live in remote mountain areas, mostly along shared national borders.¹ Many inhabit the water-

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¹ For details see ADB. 2004. *Greater Mekong Subregion Atlas of the Environment*. Manila.

The plight of these poor—many of whom are women—can be improved by managing natural resources on a sustainable basis.

sheds along the Mekong River and its tributaries. They live on a combination of subsistence agriculture, hunting, and limited trade in forest products. Because of their geographic isolation, they have little or no access to basic health and education services and often have high levels of both income and non-income poverty. A new poverty paradigm appears to be emerging in these remote locations because people are facing environmental, population, and commercial pressures on the natural resources that have traditionally provided their livelihoods. Forests and fisheries no longer provide adequate subsistence due to overuse and exploitation. The plight of these poor—many of whom are women—can be improved by managing natural resources on a sustainable basis. An example is the Tonle Sap Environmental Management Project² that provides community-based management of natural resources supported by an improved regulatory framework.

Sharing Natural Resources

The ecology of the Mekong River basin is highly complex. The river originates in the Qinghai-Tibet plateau at 5,000 meters above sea level and passes snow-covered mountains, tropical rainforests, and marshy wetlands on its 4,880 kilometer trajectory through the PRC, Myanmar, Lao PDR, Cambodia, Thailand, and Viet Nam. It finally empties into the sea after splitting into scores of tributaries in the highly productive rice growing delta of southern Viet Nam. The river basin encompasses vast floodplains in Cambodia and Viet Nam that remain inundated for up to six months each year. The Tonle Sap Lake in Cambodia depends on the annual flooding cycle of the Mekong. The fish in the Tonle Sap provide as much as 70% of the protein intake of Cambodia's population and 10% of its gross domestic product .

Structural interventions at various locations within the basin such as multipurpose reservoirs, flood control works, river channel deepening, and flow diversions have impacts

² The Tonle Sap Environmental Management Project was approved by the Asian Development Bank in October 2002.

that extend well beyond their sites. Cumulatively they can be detrimental to fish migration and breeding, to the replenishment of groundwater, to the regeneration of wetlands, and to the seasonal flooding of farmland over vast parts of the basin. The countries downstream bear the brunt of these negative effects. These impacts must be assessed and monitored. On the Tonle Sap, for example, such activities could permanently lower water levels or change flooding patterns.

These interrelated environmental concerns underscore the cross-border challenges posed by the Mekong River. Balancing the competing interests of flood control, power generation, natural resource exploitation, and environmental protection thus takes on a special significance. These concerns warrant a basin-wide approach to economic development, the protection of livelihoods, and natural resource management. This is reflected in the studies undertaken by the Asian Development Bank (ADB) and the Mekong River Commission (MRC) in designing flood control measures within the integrated water management system of the Mekong basin. At the same time, ADB is helping regional governments strengthen capacity through a strategic environmental framework that is a combination of analytical, participatory, and policy-oriented processes that guide investment decisions so that projects promote sustainable development that conserves natural resources and biodiversity.

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Millennium Development Goals

The eight Millennium Development Goals (MDGs) concern human development and poverty reduction and are to be achieved by 2015. Most social indicators have improved in line with the MDGs since the inception of the GMS program in 1992, but progress has been uneven, and in some cases there have been relapses. The incidence of poverty remains high in Cambodia, Lao PDR, Myanmar, and Viet Nam. Most importantly, however, fewer people suffer from hunger: the proportion of undernourished people decreased from 23% in 1990–1992 to 15% in 1998–2000. Much progress has also been made toward universal

Gender equality and empowerment of women are major priorities for the region.

primary education. The net primary enrollment rate rose to an average of 89% in 2000–2001, and that in turn resulted in increases in youth literacy rates from 93% in 1990 to 95% in 2001. Cambodia and Viet Nam have the Subregion's highest net primary school enrollment rates despite lower per-capita incomes.

There have also been substantial but again uneven declines in mortality. The average under-five mortality rate of 69 per 1,000 live births in 1990 fell by 19% to 56 per 1,000 in 2001; however, Cambodia's child mortality rate deteriorated from 115 to 138 per 1,000 live births between 1990 and 2001. Maternal mortality rates in the Lao PDR and Cambodia are very high at 650 and 537 per 100,000 live births, respectively. Fewer pregnancies, adequate nutrition, and better health care would help to reduce these rates.

Gender equality and empowerment of women are major priorities for the region. Only 55% of women in Cambodia and 69% in the Lao PDR enter secondary school. The situation is worse at the tertiary level, although Myanmar is a notable exception.

Communicable diseases are a prime concern, and HIV/AIDS is a grave problem. In 1999, the number of children orphaned by HIV/AIDS had reached 75,000 in Thailand alone, with another 43,000 in Myanmar and 13,000 in Cambodia. Malaria and tuberculosis are also major killers.

In promoting social development, most investments in the education and health sectors are through national programs supported by ADB and other donors, yet the ease with which diseases such as malaria and HIV/AIDS are communicated across borders means that regional approaches are particularly appropriate. Gender equality also has regional dimensions because of migration and other factors.

Promoting Gender Equality

ADB accords high priority to gender equality and empowerment of women. Major efforts are underway in support of these objectives through ADB-supported national programs in the GMS. At the regional level there has been a focus on

exchanging views and coordinating efforts to better understand regional dimensions to complement the attention provided under national programs. At one level, this has involved encouraging greater participation of women under human resource, agriculture, and rural development programs. At another level, more resources are being directed, often in cooperation with other multilateral and bilateral agencies, in combating human trafficking and exploitation of migrant workers, practices that disproportionately affect women. These are critical issues in the GMS given the vulnerability of women in isolated communities as access to markets and roads improves. It will be important to develop a framework to curtail and prevent these problems.

Economic growth is an essential prerequisite for achieving the MDGs. ... However, economic growth alone may not be sufficient.

Reducing Poverty

Economic growth is an essential prerequisite for achieving the MDGs. It creates opportunities to cut income poverty and increases the resources available for investments in nutrition, health, and education that depend on government funding. However, economic growth alone may not be sufficient. The strong links between economic growth and poverty reduction are moderated by policy choices and structural impediments. Consequently, the MDGs and the GMS strategy also focus on public policies to reduce the multifaceted causes of non-income poverty.³ Recent ADB research demonstrates that providing transport and energy contributes meaningfully to improving access to education and health services.⁴

3 See United Nations Development Programme. 2003. *Human Development Report 2003*. New York.

4 Cook, C. 2003. *Assessing the Impact of Transport and Energy Infrastructure on Poverty Reduction*. Manila: ADB.

The Economic Context

The GMS is currently undergoing multiple transitions in a growth environment. The roles of markets and governments are being redefined, and their economies are becoming more diversified and open. A variety of indicators suggests that the region has made substantial progress over the past decade. Despite the Asian financial crisis of 1997–1998, the estimated annual real increase in per-capita income was a remarkable 2.7% from 1992 to 2002.⁵ This implies that income poverty should have been sharply reduced,⁶ but isolated communities did not benefit equally.⁷

Growth continued in 2003 despite severe acute respiratory syndrome (SARS) and avian flu outbreaks. Factors contributing to growth included strong consumer spending, improved agricultural output thanks to better weather, and increased demand for exports. Trade increases in Thailand, Viet Nam, and Yunnan Province that began in 2002 continued into 2003 due largely to improved external demand and, in the case of Viet Nam, to high crude oil prices. SARS and other global uncertainties appear to have had only a muted impact on trade expansion. Generally prudent fiscal, monetary, and external policies have also ensured sustainable levels of external debt.

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5 As measured in purchasing power parity US dollar terms (Appendix 4, Table 4.4), deflated by the US consumer price index.

6 See Adams, R. 2002. Economic Growth, Inequality and Poverty: Findings from a New Data Set, *Policy Research Working Paper 2972*. Washington DC: World Bank.

7 Infrastructure deficiency and lack of access to markets account for a substantial amount of the poverty in Asia. See Yao, X. 2003. Infrastructure and Poverty Reduction-Making Markets Work for the Poor, *Economics and Research Department Policy Brief No. 14*. Manila: ADB.

Economic Challenges within the GMS

Because they are in transition from centrally planned to market economies, there are common problems that Cambodia, Lao PDR, Myanmar, and Viet Nam (CLMV countries) face. Each is, however, at a different stage in this transition, and other country-specific factors suggest that there are also differences in the types of challenges that each must address. At the other end of the spectrum lies Thailand, a market economy that is still grappling with many of the challenges of a developing Asian country.

In Cambodia, the effects of the destruction of social, economic and political institutions during the Khmer Rouge period are still evident, but progress has been made, and the focus is shifting from rehabilitation to economic advancement through growth and development. Lao PDR is the least developed of the GMS countries. It is landlocked, sparsely populated, and has a mountainous terrain. It has a very narrow resource base that limits its capacity to diversify production and exports. Institutions remain weak, and human resources are underdeveloped. The pace of economic reform has been slow, so its transition to a full-fledged market economy remains a long-term challenge. The country is keen to promote connectivity with its GMS neighbors to explore development opportunities. Myanmar's economic constraints range from a highly managed foreign exchange regime to a plethora of controls on production and export in its most important sector: agriculture. Myanmar has limited access to assistance from international donors because of its political situation. Yunnan Province, PRC, and Viet Nam are the more economically advanced of the GMS transitional economies. Viet Nam has been making steady progress toward a market economy, but it needs to accelerate the pace of reforms including those relating to governance.

Thailand has the most developed and largest market and is an important source of knowledge and capital. It is also a communication and transportation hub and is the vantage point from which many potential foreign investors view the GMS. Despite recent, impressive growth,

reducing poverty remains a significant challenge, particularly near the northeastern border with the Lao PDR and in the border regions with Cambodia and Myanmar. There is also a need to continue reforms to consolidate growth. Completing Thailand's banking and corporate restructuring is vital for the recovery of business investment and the medium-term prospects for the GMS economies.

Managing Economic Transition

The future of the Subregion will also depend on how successfully its members manage a number of critical transitions. The first is economic diversification. Subsistence agriculture is giving way to commercialized agriculture, and the share in total income is beginning to fall as manufacturing, including agroprocessing, expands. This is both a cause and a consequence of rising income levels and greater prosperity. As diversification progresses, people will drift from the countryside to towns and cities.

A second important transition is the changing role that the state and markets play. There is a growing acceptance that markets are more effective than governments in allocating scarce resources. In most of the Subregion, the economic activity of the private sector has been growing more quickly than that of the state, and the proportion of the economy occupied by markets and the private sector is likely to expand. Progress in governance and anticorruption reforms may also encourage informal economic activities to enter the formal sector. This will allow governments to refocus their energies and scarce resources on improving the business environment and delivering needed public goods.

Finally, the Subregion is becoming more "open" economically. Informal cross-border trade has always been important, but there has been a resumption of growing subregional integration in formal trade and investment flows since the Asian financial crisis. Recorded cross-border exports from Thailand to Cambodia, Lao PDR, and Myanmar combined increased by 44% in baht terms in 2002.

ADB is helping draw the GMS closer together so that the inhabitants may take full advantage of the opportunities that peace provides.

Economic Cooperation and Integration

It is no coincidence that these transitions have occurred following the return of peace to the region. Conflict arrested connectivity within the region, between the region and the rest of Asia, and with the rest of the world. This is now rapidly changing. ADB is helping draw the GMS closer together so that the inhabitants may take full advantage of the opportunities that peace provides.

Many of the traditional factors that motivate economic cooperation present themselves in the GMS. Complementary resources and levels of income suggest important opportunities for intraregional trade and investment. Economic cooperation can lower transaction costs by reducing structural and institutional impediments to the movements of goods, people, and capital. By acting together, GMS partners can exploit economies of scale and competitive efficiencies enabling activities that otherwise might not occur. The strength of the structure of the GMS program for managing economic cooperation is that it is less formal and hence more flexible than other such agreements.

Global and regional integration encourages GMS economies to become more diversified. In the original Association of Southeast Asian Nations (ASEAN), stable political and macroeconomic environments coupled with reliable and transparent investment rules provided the catalyst for industrial development and structural change. Foreign investment in internationally integrated production systems (e.g. electronics, motor vehicles, etc.) transformed the original ASEAN economies; the GMS will need to tap these funds to fuel growth. GMS economies will be well placed to receive investments as wages rise in the original ASEAN countries if they continue to strengthen macroeconomic performance and institutional, regulatory, and legal systems.

The path toward an integrated Asian economic community is likely to be uniquely Asian. The emergence of formal mechanisms defining this community raises the need for closer relationships among the GMS program,

ASEAN, and ASEAN's supporting institutions. The PRC's accession to the World Trade Organization opened up a vast new market with enormous opportunities for the GMS. The PRC's impressive growth, which is likely to continue as it opens up, presents a large, expanding market right at its doorstep that will be directly accessible through the planned ASEAN-PRC free trade association. Strong growth prospects in India underscore the importance of strengthening GMS ties with South Asia. The recently announced trilateral agreement to improve transport linkages between Thailand, Myanmar, and India is an important step.

Development partners need to carefully assess debt sustainability when they formulate lending and other programs.

Debt Burden and Sustainability

As transitional economies, the CLMV (Cambodia, Lao PDR, Myanmar, Viet Nam) countries need substantial assistance and support from bilateral donors and multilateral financial institutions (MFIs) to meet the developmental, social, and policy reform challenges that they face. In trying to assist these countries, however, it is important to avoid overburdening them with debt. Development partners need to carefully assess debt sustainability when they formulate lending and other programs.

The three Asian countries that are officially classified as highly indebted poor countries (HIPC) are Lao PDR, Myanmar, and Viet Nam. MFIs now view Viet Nam as a sustainable case. Lao PDR has chosen not to take advantage of debt relief under the HIPC Initiative. None of the MFIs currently have lending operations in Myanmar.

A common feature of debt in the three HIPC is the significant share owed to the Russian Federation. In each of these countries, more than half the debt stock is Russian. This debt is not being serviced, and all three countries have been negotiating on its final disposition. In September 2000, the Russian government agreed to discount its claims on Viet Nam by 70%. Of the remaining debt (valued at one transferable ruble per US dollar), 50% will be written off, and the balance of \$1.7 billion will be repaid over 23 years, 10% in cash and 90% in goods. In June 2003,

Nurturing and improving the private sector remains the key to long-term regional growth and development and to increasing employment opportunities for the poor.

the Russian government agreed in principle to write off 70% of the Lao debt and to service the remaining \$380 million over a period of 33 years at a preferential interest rate. However, agreement on other repayment terms is still pending. In Cambodia, discussions with the Russian Government in June and September 2002 reached an understanding on the broad terms for the pre-cutoff date, but further negotiations are required for the post-cutoff date. About 15% of Cambodia's debt is owed to the United States and is also subject to negotiation. A number of exchanges have occurred since April 2002 to determine the precise amount to reschedule, but final agreement has yet to be reached.

Resolution of its Russian debt has significantly reduced Viet Nam's total debt burden. The Lao PDR's debt position will also improve markedly if Russia applies similar terms. Incorporating Russian discounts, total external debt to GDP is now about 70% in the Lao PDR and about 40% in Viet Nam. Debt service as a share of exports is about 10% in both countries, assuming comparable terms are extended to the Lao PDR. Although no agreement has been reached on Cambodia's debt to Russia, the developments in Viet Nam and the initial follow through with the Lao PDR bode well for a favorable, speedy resolution. Putting aside the unserviced debt owed to Russia and to the US, Cambodia has low and manageable external debt in both stock and flow terms. The total external debt is only around 10% of GDP, while debt service is less than 5%. In general, the debt situation in the GMS is moving toward sustainability, and the Subregion can continue to absorb more lending, particularly on concessional terms, if it leads to improved productivity, policy reforms, and revenue generation in excess of servicing costs.

GMS—Beyond Borders

Greater Mekong Subregion

In 1992, the countries that formed the GMS were seeking a regional identity. Today the GMS has emerged as a regional entity. Strategically located in the heart of Asia, the GMS is a vital land bridge between the dynamic economies of East and Southeast Asia. Its future lies in two directions: expanding and reaching out more strongly to other parts of Asia, including South Asia and as an integral part of the movement towards a greater Asian economic community.

The emergence of the GMS in these roles has been striking. Within the span of a decade, the Subregion has witnessed a more integrated regional market, the growth of regional institutions, the development of a sense of shared experience and community, and a growing capacity for collective action for the common good and for common purposes. ADB has played a key role in these developments. The financial and intellectual resources and leadership wielded by ADB have contributed to the economic transformation of the region, created new opportunities for its members to compete more effectively in a global economy, and fostered a sense of community among like-minded countries.

In promoting these outcomes in the GMS, the initial focus was on overcoming inadequate transport and communications linkages. Overcoming geographical barriers and integrating regional markets and promoting new economic opportunities have been key dimensions through which regional projects have complemented national assistance programs.

As a result of these efforts, the GMS is no longer a simple grouping of countries: it is a regional entity

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This RCSP takes the program to its next stage, one that recognizes in equal measure the public benefits of managing the GMS commons.

dependent upon closer linkages in transport, power distribution, trade, and commerce. These networks contribute powerfully to the creation of integrated markets with corresponding benefits for all. These linkages also provide substantial network effects arising from increased scale and competition. Realizing those benefits depends on the harmonization of legal and regulatory frameworks and the facilitation of cross-border flows to allow the integration of markets for products and services as well as for inputs such as finance, labor, and energy. Programs and projects that promote these benefits are essential to the future prosperity of the GMS.

The regional public goods that arose out of improved connectivity were initially the principal justification and focus of the GMS program. Greater recognition of environmental and social issues has widened the program's scope over the last 5 years. This RCSP takes the program to its next stage, one that recognizes in equal measure the public benefits of managing the GMS commons. Such regional benefits also emanate from programs and projects that contribute to the shared management of public goods within the GMS such as natural resources, watersheds, the Mekong River and its tributaries, public health, and regional safety and security. These public goods are clearly part of the GMS commons that must be protected, preserved, and nurtured for the benefit of all.

Since its launch in 1992, the program has been gradually extended reflecting the increasing commitment of its members to regional cooperation. One fundamental accomplishment has been building confidence among participants. It has also significantly enhanced economic cooperation and resource mobilization among members. At the program level, it has adopted a phased or building-block approach. At the project level, it has progressed in terms of implementing or planning implementation of priority projects that are part of the current 11 flagship programs.

Government Programs

Regional cooperation has been a catalyst for members to form agreements on issues such as air routes and energy trading and—on their own initiative—to start spinoff activities such

as commercial navigation, border development plans, and the “Emerald Triangle” to promote tourism in Thailand, Cambodia, and Lao PDR. In January 2002, the Prime Ministers of Cambodia, Lao PDR, and Viet Nam met and confirmed their commitment for a development triangle initiative⁸ as a high-priority, multisectoral way to promote further economic cooperation and reduce poverty in border areas where the density is higher. It complements the development of economic corridors and has been included as part of the Southern Economic Corridor flagship program. In April 2003, Thailand initiated an economic cooperation strategy including four GMS members: Cambodia, Lao PDR, Myanmar, and Thailand. This concept is called Ayeyawaddy-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS). ACMECS is a welcome development signaling the emergence of Thailand in a strategic partnership role as a donor. With the GMS serving as the backbone, its initiatives are expected to complement and be closely linked to ADB support for the Subregion. A concrete example of this is in terms of ongoing efforts to develop a single visa concept for ACMECS members, in a manner that is consistent with and closely coordinated with the GMS and ASEAN objectives in this area.

ADB’s assistance has been a catalyst for broad-based economic cooperation and for mobilization of development resources.

Asian Development Bank Program

Central to the rationale for ADB’s regional approach is that it is the most effective way to provide regional public goods. ADB’s assistance has been a catalyst for broad-based economic cooperation and for mobilization of development resources. ADB approved \$1.2 billion in loans from 1992 to 2003 for regional development projects and mobilized another \$922 million in cofinancing.⁹ ADB together with cofinanciers and GMS governments has provided \$79 million in technical assistance for project preparation and for studies to promote effectiveness.

The principal investment components are now nearing

⁸ The “development triangle” includes seven neighboring provinces in the three countries. These include the provinces of Dac Lac, Gia Lai, and Kon Tum in Viet Nam, Rattanakiri, and Stungtreng in Cambodia, and Attapeu and Sekong in the Lao PDR. Viet Nam has been nominated to coordinate preparation of a master plan for the development of the area.

⁹ Includes national projects with significant regional benefits.

**GMS projects
complement and
amplify national
projects.**

completion. The Theun-Hinboun Hydropower Project, a run-of-river power facility in the Lao PDR that exports electricity to Thailand over a 100-kilometer (km), 230-kilovolt (kV) transmission line was completed in March 1998. This was an innovative public-private partnership underwritten by a 25-year power purchase agreement from the Electricity Generating Authority of Thailand, which guaranteed pay relative to 95% of electricity output. For the Lao PDR, the project is now the largest single source of foreign exchange accounting for about \$60 million in sales each year.

The first major transport components of the East-West Corridor project are scheduled for completion in 2004–2005. Given concerns about the degree of utilization of the bridge across the Mekong that was completed in 1994, increased efforts to ensure freer movement of goods and services across GMS borders were initiated in 1996 and culminated in the signing of the GMS Cross-Border Transport Agreement by all members at the ministerial meeting in September 2003. Substantial steps still remain to implement this agreement and to build the institutions to ensure freer cross-border movement of people and goods. These steps include single-stop/single-window customs, transit traffic regimes, eligibility of vehicles, commercial traffic rights, and cross-border facility standards.

Impact Evaluation Lessons

GMS projects complement and amplify national projects. As such, their contributions to development objectives are difficult to separate and evaluate. An overall performance and evaluation plan for regional programs is desirable but not yet possible. Monitoring and evaluation are best conducted at the project level using the most appropriate tools and indicators available. It remains difficult to accurately measure cross-border benefits and costs and to allocate their distribution. ADB is preparing guidelines on appropriate methodologies for evaluating regional projects, and development indicators are being formulated for each of the RCSP programs.

The only project that has been evaluated to date is the Theun-Hinboun Hydropower Project. It was rated

successful, bordering on highly successful.¹⁰ ADB's Operations Evaluation Department concluded that the project could be a model for effectively combining multilateral and bilateral aid and establishing a successful public-private partnership. On the other hand, significant difficulties were encountered in adequately assessing the potential environmental and social impacts prior to project preparation. This underscores the importance of comprehensive social and environmental impact assessments and community consultations prior to project implementation.

Important lessons have been drawn from an impact evaluation study of the ongoing program.¹¹ Results show that it has provided the opportunity for governments to develop a shared vision for developing the Subregion. It has focused on activity-based initiatives to secure reforms and facilities that promote connectivity which contrasts favorably with the rule-based approaches of many regional institutions. The sustained high level of participation in GMS meetings, most notably the ministerial meetings, indicates strong support and ownership. The study also recommends adjusting ADB's role, improving coordination between national and GMS programs, increasing information dissemination, and upgrading linkages between the GMS program and other regional institutions.

The impact evaluation study also indicated that there was a need to improve marketing and information dissemination on the GMS program and its associated business opportunities. ADB missions have been fielded to major donor capitals to raise awareness of the program in association with the Eleventh and the Twelfth Ministerial Conferences in Phnom Penh, Cambodia in September 2002 and Dali, PRC in September 2003, respectively. In Dali, the private sector participated in the Development Partners' Meeting for the first time. Key information on GMS programs and activities is provided on the GMS web site and is regularly updated. The study also noted the need for clear links between GMS and other regional organizations such as ASEAN and the MRC.

Results show that it (GMS) has provided the opportunity for governments to develop a shared vision for developing the Subregion.

10 ADB. 2002. *Project Performance Audit Report on the Theun-Hinboun Hydropower Project in the Lao People's Democratic Republic (Lao PDR)*. Manila. (Operations Evaluations Department [PPA: LAO 27325], November 2002).

11 ADB. 2000. *Impact Evaluation Study on the Greater Mekong Subregion*. Manila (Operations Evaluations Department [IN 45-00], February 2000).

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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An essential objective of the RCSP is to incorporate regional priorities into the operational pipeline and to complement country strategies and programming.

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/.

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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Increasing integration with the original ASEAN countries is an important step toward establishing a greater Asian economic community.

children are combated through participatory approaches at the community level where such pressures are best understood and resisted.¹² 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.

¹² 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.

Nurturing and improving the private sector remains the key to long-term regional growth and development and to increasing employment opportunities for the poor.

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.

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.

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.

An important focus under the RCSP is the systematic building up of national capacities and the strengthening of regional and subregional institutions.

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

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.

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,

Governance is a high priority with stakeholders, with disclosure and transparency of information, and in measures to strengthen GMS mechanisms and processes.

ADB is also increasing strategic collaboration with other multilateral institutions.

and civil society.¹³ 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

13 *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.

Resource Mobilization— An Enhanced ADB Role

GMS programs and projects with regional ownership and support now exceed ADB's resources to lead them. The evaluation study recommended that instead of acting as lead financier in every case, ADB should initiate, coordinate, and finance a strategic share of programs in consultation with governments and donors. This RCSP will initiate a new donor coordination approach that will require periodic sector strategies and coordination meetings for interested and contributing donors and line ministries of the GMS governments, development partners, and civil society when appropriate. Such meetings have already been held, but they will now need to be sequenced so that an annual donor coordination meeting can be held at the ministerial level.

Expanded partnerships will not only bring intellectual capital to the sectors and thematic areas but will also bring badly needed financial resources.

Expanded Partnerships

Expanded partnerships will not only bring intellectual capital to the sectors and thematic areas but will also bring badly needed financial resources. The GMS governments have encouraged development partners to attend the working group meetings and to participate in sector debates and program formulation. Partners are also invited to identify their areas of interest from the development matrix and to support those activities through a choice of means that ranges from sole support in partnership with the governments

The regional strategy covers 2004–2008 and is supported by a 3-year, rolling program initially covering 2004–2006.

to multipartner engagement. In addition, the development partners' meeting during the annual ministerial conference will be redesigned to ensure a more focused and inclusive discussion on issues that the partners wish to raise with the GMS governments and vice versa.

Resource Constraints

ADB's resource constraints imply that alternative financing must be sought to support even the flagship programs under implementation. ADB must therefore develop sector programs to which all donors, including ADB, would commit funds for individual programs and projects. This approach allows for flexibility in that individual contributions are based on each donor's assessment of the program. It also means that ADB is neither the main financier nor the residual financier of the program. ADB is, however, the most appropriate regional institution to provide the intellectual leadership to ensure that all GMS public goods are appropriately addressed.

The regional strategy covers 2004–2008 and is supported by a 3-year, rolling program initially covering 2004–2006. ADB's proposed lending pipeline for 2004–2006 consists of 15 firm and 4 standby loan projects totaling \$725 million. Overall financial needs for the program, including ADB's technical and investment pipeline, could exceed \$10 billion over the next 10 years if all 11 flagship program proposals are pursued. At present, there is a financing gap of about \$5 billion. The financial needs over the next decade are very large. Technical assistance, often small-scale, is needed in all dimensions to support regional cooperation. Connectivity projects in transport, energy, and telecommunications are costly and cannot be made at the expense of vital initiatives such as harmonized customs procedures, human resource development, private-sector development, and protection of the environment. Technical assistance financing is also required to deal with cross-border programs on communicable disease control and

poverty alleviation. A major focus is agriculture as the majority of people in the GMS live in rural areas and are dependent on agriculture for food security and livelihood. The indicative technical assistance program for 2004–2006 amounts to 45 initiatives totaling \$25.5 million.

ADB resources are inadequate for the proposed program due to constraints on Asian Development Fund resources and technical assistance funds. Implementation experience shows that continued momentum and progress in GMS projects were achieved only when adequate financial resources were committed on a timely basis. ADB has stimulated the interest of development partners and helped them to identify suitable investment opportunities and modalities. ADB has fielded missions to various European capitals and to Japan to mobilize public sector financing, and has sought private sector funds from the United States, Singapore, and Germany. Agence Française de Développement and the European Investment Bank have expressed interest in cofinancing GMS projects. At the development partners' meeting convened during the GMS ministerial meeting in September 2003, agreement was reached on closer cooperation between ADB and the World Bank. ADB also consults the PRC and Thailand concerning their regional project financing initiatives.

There must also be a parallel effort to involve private sector financing. The public-private partnership approach that was utilized in the Theun-Hinboun Hydro-electric Power Project needs to be replicated in other sectors. In services such as tourism, many of the activities have already been transferred to the Mekong Tourism Forum—the agency for coordinating Mekong tourism activities—and to the Pacific-Asia Travel Association, both of which are financed from national sources.

ADB has stimulated the interest of development partners and helped them to identify suitable investment opportunities and modalities.

Toward 2008— Assessing the Strategy and Potential Risks

Collective action presupposes a regional mindset. Creating a regional mindset involves recognizing the regional effects of national policies. Collective action to solve regional problems requires carefully separating the types of public goods generated. Distinguishing transnational impacts from regional or global ones is crucial to effective policymaking. The practical implications for ADB are twofold. First, ADB must concentrate on issues it can most readily address by virtue of its membership and the geographical impact of the project or policies. Second, it must form partnerships with existing institutions—global or local—whose mission and specialization better places them to generate the desired benefits and outcomes.

A new, integrated master plan is needed to take regional cooperation to the next level.

Economic Corridors

The heart of the program is in the economic corridors, so progress there will have the earliest and most meaningful impact on reducing poverty. Economic activity in these corridors, when completed, will exceed that of the surrounding economies given the synergies they offer. Successful utilization of the corridors can be ascertained using indicators such as traffic counts. Should utilization of these corridors fall below expectations, future investments in the GMS will need to depend on government acceptance of changes needed to encourage cross-border markets to function successfully.

ADB continues to play a key role in ensuring a level playing field for all its cooperating member countries.

Transport and economic corridors depend upon many factors for their viability: sources and magnitude of demand, trade flows, price movements, etc. Because almost a decade has passed since the initial master plan, a new, integrated master plan is needed to take regional cooperation to the next level. Equally important for the success of the economic corridors are national programs addressing issues such as access and feeder roads, urban management, health, education, and poverty eradication. National development programs will increasingly need to reflect regional dimensions as the corridors are completed.

Potential Risks

Despite national and regional efforts, a variety of risks remains. The RCSP takes account of them and offers effective means of mitigation.

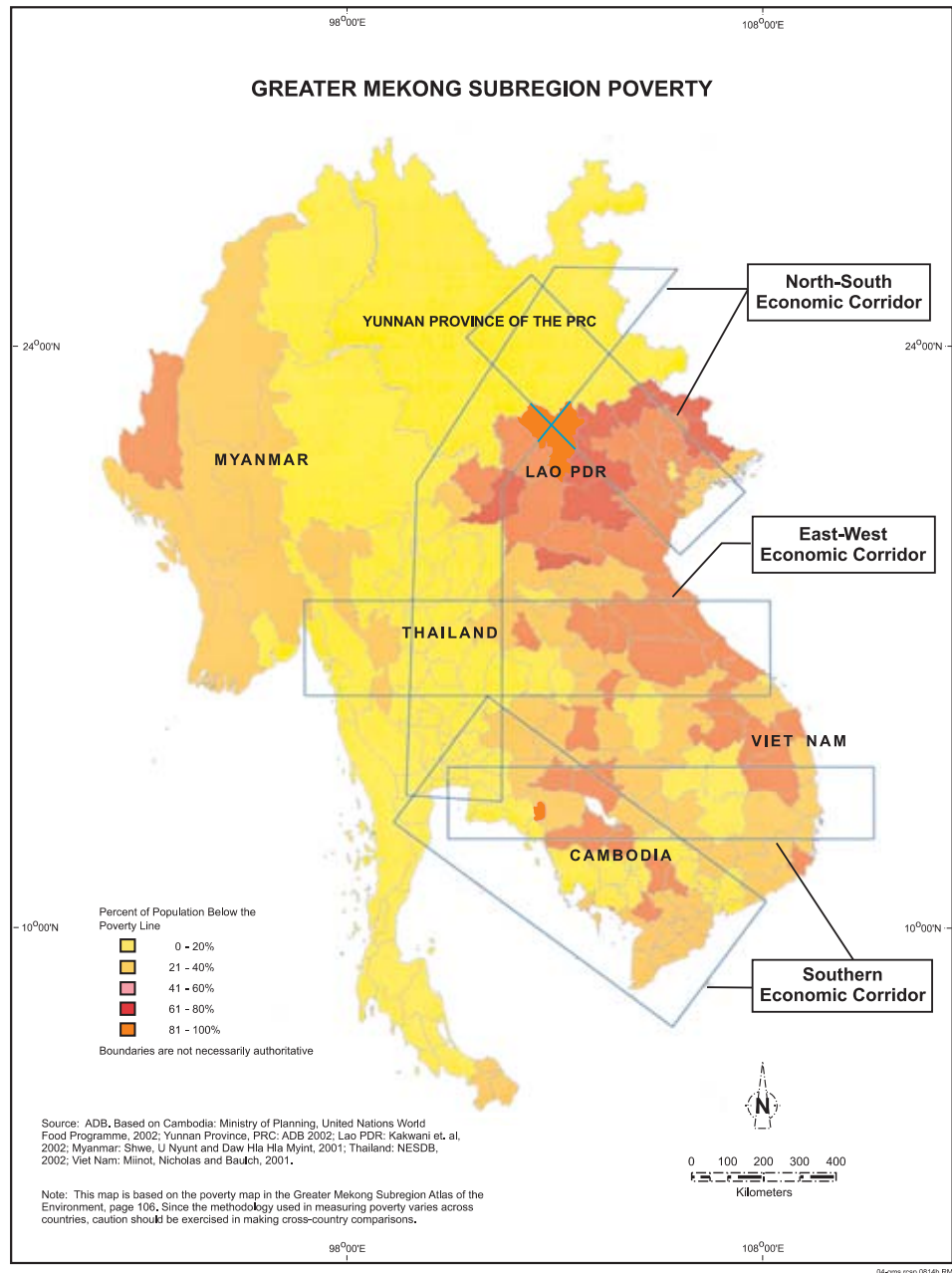
- There is a risk that poverty reduction will bypass some communities and/or leave others vulnerable to unexpected changes. A range of studies is being undertaken to monitor and assess actual impacts and develop measures to enhance inclusive growth.
- Macroeconomic stability in light of external debt that is only now approaching sustainability, especially in the less-developed GMS members, must be assessed. These developments will be monitored through updates of the Mekong Region: An Economic Overview, prepared by ADB
- The capacity of some GMS countries to adequately implement regional projects is an important factor to be taken into account. Experience shows the need to give more attention to project monitoring and to social and environmental impact assessment.
- A key challenge is to ensure that the interests of smaller, less developed countries are not subordinated to those of larger countries. ADB continues to play a key role in ensuring a level playing field for all its cooperating member countries.
- There is a risk as connectivity improves of increasing hardships for women and children as a result of

exploitation, illegal trafficking, and of vulnerability to communicable diseases such as HIV/AIDS, particularly in border areas. Measures to address these issues will be built into project design.

- An equally important risk associated with the increased connectivity is environmental sustainability. Preserving the GMS commons is recognized by the RCSP as crucial to developing the sense of community which is one of the key objectives of the strategy.

The above risks are mitigated by measures built into the RCSP itself. The planning, design, and implementation of the GMS projects will further address these risks. Risks and the measures to mitigate them need to be placed within the context of the successful experience of the GMS program to date. With this as backdrop, the risks appear manageable. More importantly, experience demonstrates the substantial advantages of the GMS program. It is therefore critical that the momentum of the program is sustained and, where possible, accelerated.

APPENDIX 1



APPENDIX 2

Millennium Development Goals

1. The Millennium Development Goals (MDGs) were adopted in the United Nations Millennium Summit in September 2000 and have been fully supported in the operations of the Asian Development Bank (ADB), where they are reflected in the long-term strategic framework. A review of the progress of the MDGs in the Greater Mekong Subregion (GMS) follows:

2. MDG 1 seeks to eradicate extreme poverty by reducing by half between 1990–2015 the proportion of people who suffer from hunger.¹ Hunger is an important dimension of poverty because it influences people's productivity, as well as their opportunities to realize full capabilities. Although poverty incidence remains high in Cambodia, Lao People's Democratic Republic (Lao PDR), Myanmar, and Viet Nam, there are less people now in the GMS that suffer from hunger, with the proportion of under-nourished people decreasing from 23% during 1990–1992 to 15% during 1998–2000 (Table A2.1). The GMS countries have had marked success toward achieving this goal.

3. MDG 2 seeks to achieve universal primary education by ensuring that by 2015, both boys and girls alike will be able to complete a full course of primary schooling. In the GMS, the net primary enrolment rate has risen to an average of 89% during 2000–2001, which has in turn resulted in corresponding increases in youth literacy rates from 93% in 1990 to 95% in 2001. Cambodia and Viet Nam have the highest net primary school enrolment rates, despite lower per capita incomes (Table A2.1).

4. MDG 3 seeks to promote gender equality and empower women by eliminating gender disparity in primary and secondary education. Promoting the education of girls allows them to become productive members of society and, as the predominant caregivers, contribute

1 The more common formulation of MDG 1 is to reduce by half the number of people living on less than \$1 a day. This formulation cannot be applied in the GMS because data is incomplete.

more to the upbringing of the next generation. The ratio of girls to boys in the primary school enrolment is generally above 90%, except in Cambodia and Lao PDR where rates are in the mid-80% range (Table A2.2). The proportion of women entering the secondary school level, however, is not as high, with only 55% and 69% for Cambodia and Lao PDR, respectively. The situation deteriorates even more at the tertiary level, although Myanmar is a notable exception.

5. MDG 4 seeks to reduce under-5 child mortality by two-thirds between 1990 and 2015. Child mortality can be traced to unhealthy conditions surrounding birth, inadequate know-how and improper child-care on the part of mothers, and chronic malnourishment. It is therefore an important indicator of overall health conditions and life expectancy. In the GMS, the average under-5 mortality rate of 69 per 1,000 live births in 1990 has fallen 19% to 56 per 1,000 live births in 2001 (Table A2.3). Child mortality in Cambodia has deteriorated from 115 to 138 per 1,000 live births between 1990 and 2001.

6. MDG 5 seeks to improve maternal health by reducing by three-quarters the maternal mortality ratio between 1990 and 2015. Maternal mortality rate in the GMS is only available in 1995 when the maternal mortality ratio was 124 per 100,000 live births (Table A2.3). Maternal mortality rates for Lao PDR and Cambodia are very high at 650 and 537 per 100,000 live births, respectively. Fewer pregnancies, adequate nutrition—especially during pregnancy and childbirth—and better general health care would help to further reduce maternal mortality.

7. MDG 6 seeks to combat human immunodeficiency virus/acquired immunodeficiency syndrome (HIV/AIDS), malaria, and other diseases. The target is to have reduced these diseases by half by 2015 and begun to reverse the spread of HIV/AIDS, malaria, and other infectious diseases. The fight against these diseases has grown increasingly important in curbing their effect on the labor force and the cost of health care. HIV/AIDS has been recognized as a very serious malaise in the GMS. In 1999, the number of children orphaned by HIV/AIDS reached 75,000 in Thailand, 43,000 in Myanmar, and 13,000 in

Cambodia. The incidence of malaria in Lao PDR is highest with 759 cases per 100,000 persons reported in 2000, while other GMS countries reported much less, and in fact almost none for Yunnan Province (Table A2.4). Incidence of tuberculosis is much more homogeneous across the GMS, with cases generally within the 90–145 range per 100,000 persons in 2001, although Cambodia had a very high incidence of 560 cases per 100,000 persons.

8. MDG 7 seeks to ensure environmental sustainability by integrating principles of sustainable development into country policies and programs and by reversing the loss of environmental resources. The GMS' ecosystem is both rich and diverse, with a wide variety of flora and fauna in habitats from deciduous forests to swamps, mangroves, and dry coastal forests. Land covered by forests are decreasing on account of human encroachment, illegal logging, and poor environmental management. Forest cover has declined to 40% in 2000 compared to 46% in 1990 (Table A2.5). Environmental degradation, if left unabated, will adversely affect the sustainability of ecosystems and could affect the subsistence of many poor people that depend on these environments. For a number of GMS countries, the proportion of rural populations with access to safe drinking water has improved. However, the proportions of urban population having sustainable access to improved water source are generally substantially higher, indicating the need for greater outreach to remote rural areas.

9. To help the GMS pursue the MDGs more vigorously and focus on attainment by 2015, MDG 8 calls for a global partnership for development. This global partnership includes, among others, the provision of debt relief for highly indebted poor countries, access to affordable and essential drugs, and access to new technologies. Access to affordable drugs has improved markedly to acceptable levels, with the exception of Cambodia. While access to telephone has shown remarkable gains since 1990, the GMS still lags badly behind East Asia in personal computer and Internet use. In the context of the GMS Program, this global partnership is being promoted through regional cooperation strategies and programs that amplify national initiatives and widen development options for participating countries.

Table A2.1: Millennium Development Goals

	Goal 1: Eradicate extreme poverty and hunger. Halve, between 1990 and 2015, the proportion of people whose income is less than \$1 a day.					Goal 2: Achieve universal primary education. Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.						
Item	Population Living Below \$1 a Day (%) ^a	Poverty Gap Ratio (%)	Share of Poorest 20% in National Income or Consumption (%)	Children Under Weight for Age (% Under Age 5)	Undernourished People (as % of Total Population)		Net Primary Enrolment Ratio (%)		Children Reaching Grade 5 (%)		Youth Literacy Rate (% Age 15–24)	
	1990–2001 ^b	1990–2001 ^b	1990–2001 ^{b,c}	1995–2001 ^b	1990/1992 ^d	1998/2000 ^d	1990–1991 ^{e,f}	2000–2001 ^{e,f}	1990–1991 ^e	1999–2000 ^e	1990	2001
Cambodia	..	..	6.9	45	43	36	..	95	..	63	73.5	79.7
Yunnan Province in the PRC ⁱ	16.1	3.7	5.9	10	16	9	97	93 ^{h,j}	86	..	95.3	97.9
Lao PDR	26.3	6.3	7.6	40	29	24	..	81	53	..	70.1	78.6
Myanmar	..	..	..	36	10	6	..	83	..	..	88.2	91.2
Thailand	<2	<0.5	6.1	19 ^k	28	18	..	85 ^h	..	97 ^{g,h}	98.1	99.0
Viet Nam	17.7	3.3	8.0	33	27	18	..	95	..	..	94.1	95.4
Greater Mekong Subregion ^m	..	..	6.9 ⁿ	27	23	15	..	89	..	..	92.9	94.7
East Asia and the Pacific	..	..	..	..	..	..	96	93	..	..	95.1	97.4
Developing countries	..	..	..	..	21	18	80	82	..	..	81.0	84.5

.. = data not available.

PRC = People's Republic of China, Lao PDR = Lao People's Democratic Republic.

a Poverty line is equivalent to \$1.08 (1993 PPP US\$).

b Data refer to the most recent year available during the period specified.

c For information on survey years and whether data refer to income or consumption, see UNDP Human Development Report 2003.

d Data refer to the average of the years specified.

e Data refer to the 1990/91, 1999/2000 and 2000/01 school years. Data for some countries may refer to national or UNESCO Institute for Statistics estimates. For details, see <http://www.uis.unesco.org/>. Because data are from different sources, comparisons across countries should be made with caution.

f The net enrolment ratio is the ratio of enrolled children of the official age for the education level indicated to the total population of that age. Net enrolment ratios exceeding 100% reflect discrepancies between these two data sets.

g Data refer to the 1998/99 school year .

h Data are preliminary and subject to further revision.

i Data refer to the 1999/2000 school year.

j Data refer to the 1991/92 school year.

k Data refer to a year or period other than that specified, differ from the standard definition or refer to only part of a country.

l Data assume that Yunnan Province performance reflects the PRC average.

m Weighted by respective populations.

n Weighted average does not include the figure for Myanmar, which is not available.

Source: United Nations Development Programme. 2003. *Human Development Report 2003*. New York: Oxford University Press.

Table A2.2: Millennium Development Goals

Goal 3: Promote gender equality and empower women.										
Eliminate gender disparity in primary and secondary education, preferably by 2005, and at all levels of education no later than 2015.										
Item	Ratio of Girls to Boys ^a				Ratio of Literate Females to Males (Age 15–24) ^b		Female Share of Non-Agricultural Wage Employment (%)		Seats in Parliament Held by Women (as % of total) ^c	
	In Primary Education		In Secondary Education	In Tertiary Education	1990	2001	1990	2001	1990	2003
	1990–1991	2000–2001	2000–2001	2000–2001						
Cambodia	..	0.86	0.55	0.38	0.81	0.89	..	52	..	7
Yunnan Province in the PRC ^d	0.86	0.92 ^{e,f}	0.83 ^{e,f}	..	0.95	0.98	38	39	21	22
Lao People's Democratic Republic	0.77	0.83	0.69	0.58	0.76	0.84	..	..	6	23
Myanmar	0.94	0.97	0.93	1.74	0.96	0.99	..	..	..	..
Thailand	0.94	0.94 ^f	0.94 ^f	0.82 ^f	0.99	0.99	45	47	3	9
Viet Nam	..	0.91	0.89	0.73	0.99	1.01	..	..	18	27
Greater Mekong Subregion ^g	0.91^h	0.93	0.88	0.98^h	0.97	0.99	..	..	13^h	19^h
East Asia and the Pacific	..	..	..	..	0.96	0.98	..	..	..	..
Developing Countries	..	..	..	..	0.89	0.91	..	..	..	..

.. = data not available.

PRC = People's Republic of China.

- a Calculated as the ratio of girls' enrolments to boys'. Data refer to the 1990/91 or 2000/01 school year. For the 2000/01 school year, data for some countries may refer to national or UNESCO Institute for Statistics estimates. For details, see <http://www.uis.unesco.org/>. Because data are from different sources, comparisons across countries should be made with caution. Enrolments for years after 1997 are based on the new International Standard Classification of Education, adopted in 1997 (UNESCO. 1997. International Standard Classification of Education 1997. [http://portal.unesco.org/uis/TEMPLATE/pdf/isced/ISCED_A.pdf]. March 2003.), and so may not be strictly comparable with those for earlier years.
- b Calculated on the basis of female and male youth literacy rates.
- c Data refer to the lower house only and are as of 1 March 2003. For more detailed information on the status of the parliament in particular countries, see UNDP Human Development Report 2003.
- d Data assume that Yunnan Province performance reflects the PRC average.
- e Data refer to the 1999/2000 school year.
- f Preliminary UNESCO Institute for Statistics estimate, subject to further revision.
- g Weighted by respective populations.
- h Weighted average does not include data that are not available.

Source: United Nations Development Programme. 2003. *Human Development Report 2003*. New York: Oxford University Press.

Table A2.3: Millennium Development Goals

Item	Goal 4: Reduce child mortality.						Goal 5: Improve maternal health.	
	Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.						Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio.	
	Under-Five Mortality Rate (per 1,000 live births) ^a		Infant Mortality Rate (per 1,000 live births) ^a		One-Year-Olds Fully Immunized Against Measles (%)		Maternal Mortality Ratio (per 100,000 live births) ^b	Births Attended by Skilled Health Personnel (%) ^c
	1990	2001	1990	2001	1990	2001	1995	1995–2001 ^c
Cambodia	115	138	80	97	34	59	590	32
Yunnan Province in the PRC ^d	49	39	38	31	98	79	60	89
Lao People's Democratic Republic	163	100	120	87	32	50	650	21
Myanmar	130	109	91	77	90	73	170	..
Thailand	40	28	34	24	80	94	44	85
Viet Nam	50	38	36	30	85	97	95	70
Greater Mekong Subregion	67	56	50	43	84	85	124	75 ^f
East Asia and the Pacific	58	43	42	33	88	77	144	80
Developing countries^e	104	90	70	62	71	69	463	56

.. = data not available.

PRC = People's Republic of China.

- a The primary agencies responsible for these two Millennium Development Goal indicators are the United Nations Children's Fund (UNICEF) and the World Health Organization (WHO). The table shows World Bank estimates, however, because the more recent estimates from UNICEF and the WHO were not ready for release. The estimates shown are largely consistent with the UNICEF and WHO estimates.
- b Data are estimates based on available national data and adjusted for the well-documented problems of underreporting and misclassification of maternal deaths or, where national data are unavailable, model-based estimates.
- c Data refer to the most recent year available during the period specified.
- d Data assume that Yunnan Province performance reflects the PRC average.
- e Weighted by respective populations.
- f Weighted average does not include the figure for Myanmar, which is not available.

Source: United Nations Development Programme. 2003. *Human Development Report 2003*. New York: Oxford University Press.

Table A2.4: Millennium Development Goals**Goal 6: Combat HIV/AIDS, malaria, and other diseases.**

Have halted by 2015 and begun to reverse the spread of HIV/AIDS.

Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases.

Item	HIV Prevalence Among Pregnant Women Aged 15–24 (%) ^a		Condom Use at Last High-Risk Sex (% age 15–24) ^b		Orphans' School Attendance Rate as % of Non- Orphans ^c	Malaria-Related Mortality Rate (per 100,000)		Malaria Cases (per 100,000 People) ^d	Children Under 5		Tubercu- losis- Related Mortality Rate (per 100,000 People) ^e	Tuberculosis Cases		
												Per 100,000 People ^f	Detected Under DOTS (%) ^g	Cured Under DOTS (%) ^h
						All Ages	Children Aged 0–4		With Insecti- cide- Treated Bed Nets (%)	With Fever Treated with Anti- Malarial Drugs (%)				
	In Major Urban Areas	Outside Major Urban Areas	Female	Male										
	1999– 2002 ⁱ	1999– 2002 ⁱ	1996– 2002 ⁱ	1996– 2002 ⁱ	1995–2001 ⁱ	2000 ^j	2000	2000	1999– 2002 ⁱ	1999– 2002 ⁱ	2001	2001	2001	2000
Cambodia	43	..	71	14	4	476	..	..	95	560	41	91
Yunnan Province in the PRC ^j	0	0	1	..	..	21	107	29	95
Lao PDR	28	4	759	..	..	27	143	40	82
Myanmar	20	3	224	..	..	34	113	59	82
Thailand	8	9	130	..	..	18	100	75	69
Viet Nam	9	1	95	15.8	6.5	23	93	85	92
Greater Mekong Subregion ^k	10	3	147	..	..	27	126	..	..
East Asia and the Pacific	28	137	..	..
Developing Countries	32	144	..	..

.. = data not available.

PRC = People's Republic of China; DOTS = directly observed treatment, short course; Lao PDR = Lao People's Democratic Republic.

a Data are median estimates based on data collected from surveillance sites, mainly antenatal clinics.

b Because of data limitations, comparisons across countries should be made with caution. Data for another agreed indicator under the HIV/AIDS target, the percentage of young people aged 15-24 who correctly identify two ways of preventing the sexual transmission of HIV and who reject major misconceptions about HIV transmission, are not yet available. Data for two proxy indicators of HIV/AIDS knowledge and misconceptions among 15- to 24-year-olds are available. For details, see <http://millenniumindicators.un.org>.

c Data refer to children aged 10-14.

d Data refer to malaria cases reported to the World Health Organization (WHO) and may represent only a fraction of the true number in a country because of incomplete reporting systems, incomplete coverage by health services or both. Because of the diversity of case detection and reporting systems, comparisons across countries should be made with caution.

e Excluding HIV-related deaths.

f Data refer to the prevalence of smear-positive cases of tuberculosis.

g Calculated by dividing the new smear-positive cases of tuberculosis detected under the directly observed treatment, short course (DOTS) case detection and treatment strategy by the estimated annual incidence of new smear-positive cases. Values can exceed 100% because of intense case detection in an area with a backlog or chronic cases, overreporting (for example, double counting), overdiagnosis or underestimation of incidence (WHO (World Health Organization). 2003. Global Tuberculosis Control: WHO Report 2003. [<http://www.who.int/gtb/publications/globalrep/>]. March 2003.).

h Data refer to the percentage of new smear-positive cases registered for treatment under the DOTS case detection and treatment strategy in 2000 that were successfully treated.

i Data refer to the most recent year available during the period specified.

j Data assume that Yunnan Province performance reflects the PRC average.

k Weighted by respective populations.

Source: United Nations Development Programme. 2003. *Human Development Report 2003*. New York: Oxford University Press.

Table A2.5: Millennium Development Goals**Goal 7: Ensure environmental sustainability: land and air.**Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources.^a

Item	Land Area Covered by Forests (%)		Ratio of Protected Area to Surface Area ^b	GDP per Unit of Energy Use (PPP US\$ per kg of oil equivalent)		Carbon Dioxide Emissions Per Capita (metric tons)		Consumption of Ozone-Depleting Chlorofluorocarbons (ODP metric tons) ^c	
	1990	2000		1990	2000	1990	1999	1990	2001
Cambodia	56.1	52.9	0.18	..	..	(.)	0.1	..	..
Yunnan Province in the PRC ^f	..	33.0	0.07	1.7	4.1	2.1	2.3	41,829	33,923
Lao PDR	56.7	54.4	0.10	..	..	0.1	0.1	4 ^e	41
Myanmar	60.2	52.3	(.)	..	..	0.1	0.2	16 ^e	39
Thailand	31.1	28.9	0.14	4.7	5.1	1.7	3.3	6,660	3,375
Viet Nam	28.6	30.2	0.03	2.7	4.2	0.3	0.6	303 ^d	243
Greater Mekong Subregion	41.1^g	41.0^g	0.07^g	..	..	0.9^h	1.4^h	9,570^h	7,004^h
East Asia and the Pacific	..	..	..	..	..	2.0	2.3	..	..
Developing Countries	..	..	..	3.2	4.6	1.6	1.9	..	..

.. = data not available; (.) = less than half of the unit shown.

PRC = People's Republic of China, GDP = gross domestic product, kg = kilogram, Lao PDR = Lao People's Democratic Republic, ODP = ozone-depleting potential, PPP = purchasing power parity, US = United States of America.

- a The World Health Organization is collecting country data for another indicator under this target, the proportion of the population using solid fuels, to be published in World Health Report 2003 (WHO forthcoming).
- b Refers to the ratio of area protected to maintain biological diversity to surface area. Surface area is a country's total area, including areas under inland bodies of water and some coastal waterways but excluding sea areas.
- c Data refer to chlorofluorocarbons controlled under the Montreal Protocol on Substances That Deplete the Ozone Layer, measured in metric tons multiplied by a factor of ozone-depleting potential (ODP).
- d Data refer to 1991.
- e Data refer to 1992.
- f Data assume that Yunnan Province performance reflects the PRC average, except with respect to forest cover.
- g Weighted by respective land areas.
- h Weighted by respective populations.

Source: United Nations Development Programme. 2003. *Human Development Report 2003*. New York: Oxford University Press.

Table A2.6: Millennium Development Goals

Goal 7: Ensure environmental sustainability: water and sanitation.

Halve, by 2015, the proportion of people without sustainable access to safe drinking water.

Have achieved, by 2020, a significant improvement in the lives of at least 100 million slum dwellers.^a

Item	Population with Sustainable Access to an Improved Water Source				Urban Population with Access to Improved Sanitation (%)	
	Rural (%)		Urban (%)		1990	2000
	1990	2000	1990	2000		
Cambodia	..	26	..	54	..	56
Yunnan Province in the PRC ^b	60	66	99	94	56	69
Lao People's Democratic Republic	..	29	..	61	..	67
Myanmar	..	66	..	89	..	84
Thailand	78	81	87	95	95	96
Viet Nam	48	72	86	95	52	82
Greater Mekong Subregion^c	..	69	..	91	..	82
East Asia and the Pacific	..	67	..	93	..	73
Developing Countries	..	69	..	92	..	77

.. = data not available.

PRC = People's Republic of China.

a The United Nations Human Settlements Programme (HABITAT) has prepared country estimates of slum dwellers for this target using several indicators: the proportion of the urban population with sustainable access to an improved water source, the proportion of the urban population with access to improved sanitation, an indicator of overcrowding and an indicator of the durability of housing. Estimates for another indicator to be used in this exercise, the proportion of households with access to secure tenure, will become available soon.

b Data assume that Yunnan Province performance reflects the PRC average.

c Weighted by respective populations.

Source: United Nations Development Programme. 2003. *Human Development Report 2003*. New York: Oxford University Press.

Table A2.7: Millennium Development Goals

Goal 8: Develop a global partnership for development: debt sustainability.

Deal comprehensively with the debt problems of developing countries through national and international measures.

Item	Total Debt Service (as % of Exports of Goods and Services)		Debt Relief Committed under HIPC Initiative ^a
	1990	2001	
Cambodia	3.8 ^b	1.1	..
Yunnan Province in the PRC ^e	10.6	4.2	..
Lao People's Democratic Republic	8.5	9.0	.. ^{c,d}
Myanmar	8.8	2.8	.. ^{c,d}
Thailand	11.4	7.9	..
Viet Nam	..	6.5	.. ^{c,d}
Greater Mekong Subregion^f	10.2^g	5.5	..
East Asia and the Pacific	12.0	6.4	..
Developing Countries	15.3	11.0	..

PRC = People's Republic of China, HIPC = heavily indebted poor countries.

a Data are as of March 2003. The Debt Initiative for Heavily Indebted Poor Countries (HIPC) is a mechanism for debt relief, jointly overseen by the International Monetary Fund (IMF) and the World Bank. Bilateral and multilateral creditors have provided debt relief through this framework to heavily indebted poor countries since 1996.

b Data refer to 1992.

c Country included in the HIPC initiative.

d Decision and completion points not yet reached under the HIPC initiative.

e Data assume that Yunnan Province performance reflects the PRC average.

f Weighted by respective ratios of exports of goods and services to gross domestic product.

g Weighted average does not include the figure for Viet Nam, which is not available.

Source: United Nations Development Programme. 2003. *Human Development Report 2003*. New York: Oxford University Press.

Table A2.8: Millennium Development Goals**Goal 8: Develop a global partnership for development: work opportunities, access to drugs, and access to new technologies.**

Develop and implement strategies for decent and productive work for youth.

Provide access to affordable essential drugs in developing countries.

Make available the benefits of new technologies, especially information and communications.

Item	Youth Unemployment (% of Labor Force Aged 15–24) ^a						Population with Sustainable Access to Affordable Essential Drugs (%) ^b	Telephone Mainlines and Cellular Subscribers (per 100 people)		Internet Users (per 100 people)		Personal Computers in Use (per 100 people)	
	Total		Female		Male			1990	2001	1990	2001	1990	2001
	1990	2001	1990	2001	1990	2001		1999	1990	2001	1990	2001	1990	2001
Cambodia	..	..	..	..	..	..	0–49	(.)	1.9	..	0.1	..	0.1
Yunnan Province in the PRC ^c	3	3 ^d	1	..	1	..	80–94	0.6	24.8	..	2.6	(.)	1.9
Lao PDR	..	..	..	..	..	..	50–79	0.2	1.5	..	0.2	..	0.3
Myanmar	..	..	..	..	..	..	50–79	0.2	0.6	..	(.)	..	0.1
Thailand	4	7 ^d	4	6 ^d	4	7 ^d	95–100	2.5	22.2	0.0	5.8	0.4	2.8
Viet Nam	..	..	..	..	..	..	80–94	0.1	5.3	..	1.2	(.) ^c	0.9
Greater Mekong Subregion ^f	..	..	..	..	..	..	73–90	0.8	11.6	..	2.3	..	1.3
East Asia and the Pacific	..	..	..	..	..	..	..	1.8	23.5	..	4.1	..	3.3
Developing Countries	..	..	..	..	..	..	..	2.1	16.3	..	2.6	..	2.5

(.) = less than half of the unit shown, .. = data not available.

PRC = People's Republic of China, Lao PDR = Lao People's Democratic Republic.

Note: The targets covered in this table read in full as follows: In cooperation with developing countries, develop and implement strategies for decent and productive work for youth. In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries. In cooperation with the private sector, make available the benefits of new technologies, especially information and communications.

- a As a result of limitations in the data, comparisons of labour statistics over time and across countries should be made with caution. For detailed notes on the data see ILO (2002. Estimates and Projections of the Economically Active Population 1950-2010. 4th ed., rev. 2. Database. Geneva; 2002. Key Indicators of the Labour Market 2001-2002. [<http://kilm.ilo.org/kilm/>]. March 2003; and 2003. Laboursta database. [<http://laborsta.ilo.org>]. March 2003).
- b The data on access to essential drugs are based on statistical estimates received from World Health Organization (WHO) country and regional offices and regional advisers and through the World Drug Situation Survey carried out in 1998-99. These estimates represent the best information available to the WHO Department of Essential Drugs and Medicines Policy to date and are currently being validated by WHO member states. The department assigns the estimates to four groupings: very low access (0-49%), low access (50-79%), medium access (80-94%) and good access (95-100%). These groupings, used here in presenting the data, are often employed by the WHO in interpreting the data, as the actual estimates may suggest a higher level of accuracy than the data afford.
- c Data refer to 1992.
- d Data refer to 2000.
- e Data assume that Yunnan Province performance reflects the PRC average.
- f Weighted by respective populations.

Source: United Nations Development Programme. 2003. *Human Development Report 2003*. New York: Oxford University Press.

APPENDIX 3: Indicative ADB Program for Greater Mekong Subregion: 2004–2006

Table A3.1: GMS Indicative Assistance Pipeline for Lending Products, 2004–2006

Sector Project/Program Name	Countries Involved	Poverty Classi- fication	Thematic Priority	Division	Year of PPTA	Total ^a	Cost (\$million)			Gov't	Co- Financing
							ADB				
							OCR	ADF	Total		
2004 Firm Loans											
Transport and Communication											
1. Yunnan Dali - Lijiang Railway Project ^b	PRC	Other	ECO	ECTC	2003	542.0	200.0		200.0	342.0	
Total 2004						542.0	200.0		200.0	342.0	
2005 Firm Loans											
Energy											
1. GMS Nam Theun 2 Hydropower Development ^c	LAO	Other	ECO/ENV/ RC/ PSD	MKID	2003	120.0	120.0		120.0	tbd	
Subtotal						120.0	120.0		120.0		
Social Infrastructure											
1. Communicable Disease Control in Border Areas	CAM/LAO/ VIE ^d	PI	HD	MKSS	2004	30.0		30.0	30.0	tbd	
Subtotal						30.0		30.0	30.0		
Transport and Communication											
1. GMS Information and Communication Technology Project	CAM/LAO	Other	ECO/RC/ PSD	MKID	2003	35.0		35.0	35.0	tbd	tbd ^e
2. GMS Kunming-Haiphong Transport Corridor	VIE	Other	ECO/RC	MKID	2002	90.0		60.0	60.0	30.0	tbd ^f
Subtotal						125.0		95.0	95.0	30.0	
Total 2005						275.0	120.0	125.0	245.0	30.0	
2006 Firm Loans											
Energy											
1. GMS Power Interconnection, Phase 1	LAO	Other	ECO/RC/ PSD	MKID	2003	60.0		15.0	15.0	5.0	40.0 ^g
2. GMS Power Interconnection, Phase 1	VIE	Other	ECO/RC/ PSD	MKID	2003	40.0	30.0		30.0	10.0	
Subtotal						100.0	30.0	15.0	45.0	15.0	40.0

- ADB = Asian Development Bank, ADF = Asian Development Fund, CAM = Cambodia, PRC = People's Republic of China, ECO=economic growth, ECTC = East and Central Asia Department Transport and Communications Division, ENV = environmental protection, GMS = Greater Mekong Subregion, HD = human development, LAO = Lao People's Democratic Republic, MKID = Mekong Department Infrastructure Division, MKSS = Mekong Department Social Sectors Division, OCR = ordinary capital resources, PI = poverty intervention, PPTA = project preparatory technical assistance, PSD = private sector development, RC = regional cooperation, tbd = to be determined, VIE = Viet Nam.
- a Total Project Costs are subject to adjustment.
 - b Agence Française de Développement (AFD) is cofinancing the project and has proposed about \$40 million.
 - c The proposed total project cost is \$1.1 billion. ADB's proposed share is \$20 million from public sector OCR and another \$100 million from the private sector.
 - d Standby.
 - e European Investment Bank has expressed interest to cofinance the Lao portion.
 - f Agence Française de Développement has expressed interest to cofinance the project.

Table A3.1 – Continued

Sector Project/Program Name	Countries Involved	Poverty Classi- fication	Thematic Priority	Division	Year of PPTA	Total ^a	Cost (\$million)			Gov't	Co- Financing
							ADB	ADF	Total		
2006 Firm Loans <i>(continued)</i>											
Social Infrastructure											
1. Pro-poor Tourism Development	CAM/LAO/ VIE	PI	RC	MKSS	2005	40.0		40.0	40.0	tbd	
Subtotal						40.0		40.0	40.0		
Transport and Communication											
1. GMS Southern Coastal Corridor	VIE	PI	ECO/RC	MKID	2004	90.0		60.0	60.0	30.0	
2. GMS-ECS Cooperation Bridge	LAO	Other	ECO/RC	MKID	2003	30.0		10.0	10.0	tbd	20.0
3. GMS Restructuring of Royal Railway of Cambodia and Rehabilitation of Track ^h	CAM	Other	RC/PSD	MKID	2004	50.0		40.0	40.0	10.0	tbd
Subtotal						170.0		110.0	110.0	40.0	20.0
Total 2006						310.0	30.0	165.0	195.0	55.0	60.0
Total Firm 2004–2006						1,127.0	350.0	290.0	640.0	427.0	60.0
Standby for 2006 ⁱ											
Agriculture and Natural Resources											
1. GMS Flood Management	CAM/LAO/ VIE	PI	ENV/RC/ PSD	MKAE	2005	121.8		85.0	85.0	26.8	10.0
Total Standby						121.8		85.0	85.0	26.8	10.0
Overall Total 2004–2006						1,248.8	350.0	375.0	725.0	453.8	70.0

ECS = economic cooperation strategy, MKAE = Mekong Department Agriculture Environment, and Natural Resources Division.

a Total Project Costs are subject to adjustment.

h Formerly called GMS Railway Development.

i There are 2006 standby projects in the finance and industry and social infrastructure sectors which are yet to be discussed with respective governments, and will be included accordingly.

Table A3.2: Indicative Assistance Pipeline for Non-lending Products, 2004–2006

Sector Assistance Name	Countries Involved	Responsible Division	Assistance Type	Sources of Funding				Total (\$'000)
				ADB Source	Amount (\$'000)	Others Source	Amount (\$'000)	
2004								
Agriculture and Natural Resources								
1. Promoting Safe Migration for Women and Prevention of Trafficking of Girls and Women in the GMS	GMS	MKAE	RETA	tbd	—	tbd	700.0	700.0
2. Unmasking Cross-border Poverty in the GMS	GMS	MKAE	RETA	tbd	—	tbd	750.0	750.0
3. Capacity Building for Promoting Sustainable Agricultural Development in the GMS	GMS	MKAE	RETA	TASF	800.0	tbd	—	800.0
4. Capacity Building on Promoting Sustainable Development in the GMS	GMS	MKAE	RETA	TASF	500.0			500.0
5. Study on Cooperation Opportunities between ADB and Mekong River Commission	GMS	MKAE	RETA			tbd	45.0	45.0
Subtotal					1,300.0		1,495.0	2,795.0
Energy								
1. GMS Nam Theun 2 Hydropower Development Project-Phase II		MKID	PPTA	TASF	1,000.0			1,000.0
2. Delivering Energy Services to the Poor-Learning from the Mekong		MKID	RETA	tbd	600.0	tbd	—	600.0
Subtotal					1,600.0		—	1,600.0
Finance and Industry								
1. GMS Trade and Investment Facilitation	GMS	MKGF	PPTA	JSF	600.0	tbd	—	600.0
2. Mekong Project Development Facility	CAM/LAO/VIE	MKGF	RETA	TASF	300.0	tbd	—	300.0
3. Human Resources Development for Trade in GMS	GMS	MKGF	RETA	TASF	500.0			500.0
Subtotal					1,400.0		—	1,400.0
Social Infrastructure								
1. Communicable Disease Control in Border Areas in the GMS	CAM/LAO/VIE	MKSS	PPTA	JSF	—	tbd	600.0	600.0
2. Awareness and Capacity Building for Sustainable Water and Wastewater Utilities	CAM/LAO/VIE	MKSS	RETA	TASF	500.0	tbd	—	500.0
3. GMS ICT and HIV/AIDS Preventive Education -Phase II	GMS	MKSS	RETA	TASF	1,000.0	tbd	—	1,000.0
4. GMS Tourism Sector Strategy Study	GMS	MKSS	RETA	TASF	800.0	tbd	160.0	960.0
5. GMS Poverty Reduction through Education of Ethnic Minorities on Cross-Cutting Issues	GMS	MKSS	RETA	TASF	300.0	—	700.0	1,000.0
Subtotal					2,600.0		1,460.0	4,060.0

– = data not available.

ADB=Asian Development Bank, CAM = Cambodia, GMS = Greater Mekong Subregion, HIV/AIDS = human immunodeficiency virus/acquired immune deficiency syndrome, ICT = information and communications technology, JSF = Japan Special Fund, LAO = Lao People's Democratic Republic, MKAE = Mekong Department Agriculture and Natural Resources Division, MKGF = Mekong Department Governance and Finance Division, MKID = Mekong Department Infrastructure Division, MKSS = Mekong Department Social Sectors Division, PPTA = project preparatory technical assistance, RETA = regional technical assistance, TASF = Technical Assistance Special Fund, tbd = to be determined, VIE = Viet Nam.

Table A3.2 – Continued

Sector Assistance Name	Countries Involved	Responsible Division	Assistance Type	Source	Sources of Funding		Total	
					ADB Amount (\$'000)	Others Source Amount (\$'000)		
2004 (continued)								
Transport and Communications								
1. GMS Restructuring of Royal Railway of Cambodia and Rehabilitation of Track ^a	CAM	MKID	PPTA	JSF	—	tbd	500.0	500.0
2. GMS Information and Communication Technology Project Phase 1	CAM/LAO	MKID	PPTA	TASF	450.0			450.0
3. GMS-ECS Cooperation Bridge	LAO	MKID	PPTA	TASF	150.0			150.0
4. Multimodal Transport Sector Study	GMS	MKID	RETA	TASF	1,000.0			1,000.0
Subtotal					1,600.0		500.0	2,100.0
Others/ Multisector								
1. Promoting Subregional Cooperation in the GMS - Phase VI	GMS	MKOC	RETA	JSF	800.0	tbd	—	800.0
2. GMS Development Triangle ^b	CAM/LAO/VIE	MKID	RETA	TASF	150.0	tbd	—	150.0
3. Infrastructure Connections in Northern GMS	LAO/VIE	MKID	RETA	TASF	150.0	tbd	—	150.0
4. Mekong Basin Natural Resources Initiative: Knowledge Base	GMS	MKAE	RETA	tbd	150.0			150.0
Subtotal					1,250.0		—	1,250.0
Total 2004					9,750.0		3,455.0	13,205.0
2005								
Agriculture and Natural Resources								
1. Expansion of Subregional Cooperation in Agriculture Sector	GMS	MKAE	RETA	tbd	500.0	tbd	—	500.0
2. GMS Flood Management	CAM/LAO/VIE	MKAE	PPTA	tbd	1,000.0	tbd	2,700.0	3,700.0
3. Regional Business Initiative for Rural Development	GMS	MKAE	RETA	tbd	200.0			200.0
4. GMS Cooperation in Agriculture Biotechnology	GMS	MKAE	RETA	tbd	500.0			500.0
5. Improving Food Standards and Safety Enforcement in the GMS	GMS	MKAE	RETA	TASF	700.0			700.0
Subtotal					2,900.0		2,700.0	5,600.0
Finance and Industry								
1. GMS Customs Harmonization Program	GMS	MKGF	PPTA	TASF	800.0	tbd	—	800.0
2. GMS Industrial Standards Harmonization	GMS	MKGF	RETA	TASF	800.0	tbd	—	800.0
Subtotal					1,600.0			1,600.0

— = data not available.

ECS = economic cooperation strategy, MKOC = Mekong Department Operations Coordination Division.

a Formerly called GMS Railway Development.

b The PPTAs and underlying concept papers have already been approved under the respective country strategy and program updates, except for Cambodia.

Table A3.2 – Continued

Sector Assistance Name	Countries Involved	Responsible Division	Assistance Type	Source	Sources of Funding			Total (\$'000)
					ADB Amount (\$'000)	Others Source Amount (\$'000)		
2005 (continued)								
Social Infrastructure								
1. Pro-poor Tourism Development	GMS	MKSS	PPTA	tbd	900.0	tbd	160.0	1,060.0
2. ICT Enhanced Education Partnerships for Educational Quality Improvement and Community Development		MKSS		tbd	700.0			700.0
3. GMS Phnom Penh Plan for Development Management - Phase II ^c	GMS	MKSS	RETA	TASF	800.0	tbd	—	800.0
Subtotal					2,400.0		160.0	2,560.0
Others/Multisector								
1. Implementing the GMS Agreement on Facilitation of Cross-Border Transport of Goods and People, Phase II	GMS	MKOC	RETA	tbd	800.0	tbd	—	800.0
2. Asian Economic Community: Roadmap for 2020	GMS	MKOC	RETA	tbd	300.0	tbd	—	300.0
3. GMS Development Triangle	CAM/LAO/VIE	MKID	PPTA	TASF	2,400.0	tbd	—	2,400.0
4. Supporting GMS Sector Working Groups	GMS	MKOC	RETA	TASF	800.0	tbd	—	800.0
5. Sustainable Livelihoods Protection and Natural Resources Management in the Mekong Subregion: Emerging Issues and Concerns	GMS	MKAE	RETA			PRF	1,500.0	1,500.0
Subtotal					4,300.0		1,500.0	5,800.0
Transport and Communications								
1. Northern GMS Transport Network Improvement	LAO	MKID	PPTA	tbd	800.0	tbd	—	800.0
2. GMS Southern Coastal Corridor	VIE	MKID	PPTA	JSF	—	tbd	1,000.0	1,000.0
3. Developing the Airport Authority	LAO/CAM	MKID	RETA	tbd	450.0	tbd	—	450.0
Subtotal					1,250.0		1,000.0	2,250.0
Total 2005					12,450.0		5,360.0	17,810.0
2006								
Agriculture and Natural Resources								
1. Subregional Environmental Governance and Institution Building Project (SEF Phase III)	GMS	MKAE	RETA	tbd	1,000.0	tbd	—	1,000.0
Subtotal					1,000.0			1,000.0

— = data not available.

ICT = information and communications technology, PRF = Poverty Reduction Fund, SEF = strategic environment framework

c Three-year scholarship training program.

Table A3.2 – Continued

Sector Assistance Name	Countries Involved	Responsible Division	Assistance Type	Source	Sources of Funding		Total	
					ADB	Others		
					Amount (\$'000)	Amount (\$'000)		
2006 (continued)								
Energy								
1. GMS Northern Power Transmission	LAO	MKID	PPTA	tbd	800.0	tbd	—	800.0
2. GMS Power Interconnection Phase II	LAO/THA/VIE	MKID	PPTA	tbd	700.0	tbd	—	700.0
Subtotal					1,500.0			1,500.0
Others/Multisector								
1. Promoting Subregional Cooperation in the GMS–Phase VII	GMS	MKOC	RETA	tbd	800.0	tbd	—	800.0
Subtotal					800.0			800.0
Total 2006					3,300.0			3,300.0
Total 2004–2006					25,500.0		8,815.0	34,315.0

– = data not available.
THA = Thailand.