



**THE GREATER MEKONG SUBREGION  
ECONOMIC COOPERATION PROGRAM  
STRATEGIC FRAMEWORK**

**2012–2022**



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ECONOMIC COOPERATION PROGRAM  
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Printed in the Philippines

ISBN 978-92-9092-500-2  
Publication Stock No. RPT114164

#### Cataloging-In-Publication Data

Asian Development Bank

The Greater Mekong Subregion Economic Cooperation Program Strategic Framework 2012–2022.  
Mandaluyong City, Philippines: Asian Development Bank, 2011.

1. Greater Mekong Subregion. 2. Strategic framework. 3. Economic corridors I. Asian Development Bank.

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# Abbreviations

ADB	Asian Development Bank
ASEAN	Association of Southeast Asian Nations
ASEAN+3	ASEAN, the People's Republic of China, Japan, and the Republic of Korea
CBTA	Cross-Border Transport Agreement
CEP-BCI	Core Environment Program and Biodiversity Corridors Initiative
EOC	Environment Operations Center
FDI	foreign direct investment
G20	Group of Twenty major economies
GDP	gross domestic product
GMS	Greater Mekong Subregion
HRD	human resources development
ICT	information and communication technology
ISN	information superhighway network
Lao PDR	Lao People's Democratic Republic
MOU	memorandum of understanding
PPP	public-private partnership
PRC	People's Republic of China
SMEs	small and medium-sized enterprises
TTF	transport and trade facilitation
WGA	Working Group on Agriculture



# Introduction

In 1992, six countries—Cambodia, the People’s Republic of China (PRC) (Yunnan Province), the Lao People’s Democratic Republic (Lao PDR), Myanmar, Thailand, and Viet Nam—established the Greater Mekong Subregion Economic Cooperation Program (GMS Program) as an activity-based subregional economic cooperation program, and asked the Asian Development Bank (ADB) to be the program’s secretariat. Guangxi Zhuang Autonomous Region of the PRC joined the program in 2004.

In 2012, the GMS Program will begin its third decade. Since its inception, the program has achieved noteworthy successes in fostering regional cooperation in a region that, at the commencement of the program, was emerging from a period of prolonged regional conflict. As of September 2011, the program had implemented 55 investment projects with a total project cost of about \$14 billion, involving subregional road, airport, and railway improvements; hydropower projects for cross-border power supply; tourism infrastructure development; and communicable disease control. The GMS Program has built a reputation as a flexible results-oriented project-delivering vehicle for promoting regional cooperation and contributing to economic growth and poverty reduction as well as meeting the needs of regional public goods.

Economic cooperation among countries with shared borders has long been recognized as contributing to the creation of larger markets for national producers and consumers and encouraging scale economies by reducing barriers to trade and movements of capital and labor. Regional cooperation is particularly relevant for

landlocked countries as it enables them to integrate with external markets. Cross-border cooperation facilitates the development of regional infrastructure networks and the management of spillover of costs and benefits across borders. The globalization process of past decades, as well as issues such as climate change, natural resource scarcity, communicable diseases, and even the global financial crisis, have further underlined the relevance of regional cooperation.

Increased recognition of regional cooperation is manifest in the evolution of regionalism both within Asia and more broadly. New institutions have emerged (e.g., the G20<sup>1</sup>), while others have become more vigorous. The Association of Southeast Asian Nations (ASEAN) in particular has unveiled a blueprint for an ASEAN economic community, which is in the process of implementation by member countries. Within this context of evolving regionalism, the GMS Program remains highly relevant today, both as an established platform for member countries to cooperate on a range of issues, and as a proven vehicle for delivering projects and results. At the same time, the program can explore complementarities and synergies within the expanding Asian regionalism, including ASEAN+3<sup>2</sup> and the East Asia Summit.

Notwithstanding its continued relevance to the efforts of member countries to pursue growth and poverty reduction, the start of a new decade is an opportune time for the GMS Program to assess the achievements of the current GMS Strategic Framework, which ends in 2012, and to develop this new strategic framework for 2012–2022.

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<sup>1</sup> The Group of Twenty (G20) is a forum that promotes discussion between industrial and emerging market countries on key issues related to global economic stability ([www.g20.org](http://www.g20.org)).

<sup>2</sup> ASEAN+3 refers to ASEAN, the People’s Republic of China, Japan, and the Republic of Korea.



# The GMS Program after 20 Years

This section draws on (i) the findings and recommendations of the mid-term review of the GMS Strategic Framework, (ii) the retrospective on that review, and (iii) the feedback from in-country consultations.

## Current Vision, Goals, and Approach

The GMS member countries envisioned that the GMS Program should help link their countries through improvements in infrastructure, and thereby promote trade and investment and stimulate economic growth. The countries also agreed that there were other sector issues, including in human resources development and environmental management, which needed to be addressed jointly at the subregional level to complement national efforts. To help realize this vision and address these issues, priority programs and projects were identified and implemented in a range of sectors.

In 2002, the GMS countries assembled the various sector approaches with their associated programs and projects into a comprehensive strategic framework for subregional development—the GMS Strategic Framework—with a focus on five strategic thrusts:

- strengthening infrastructure linkages;
- facilitating cross-border trade and investment, and tourism;
- enhancing private sector participation and competitiveness;
- developing human resources; and

- protecting the environment and promoting the sustainable use of shared natural resources.

To further focus the program, and as part of the strategic framework, the GMS countries also agreed on 11 flagship programs:

- the North–South Economic Corridor,
- the East–West Economic Corridor,
- the Southern Economic Corridor,
- the telecommunications backbone,
- regional power interconnection and trading arrangements,
- facilitating cross-border trade and investment,
- enhancing private sector participation and competitiveness,
- developing human resources and skills competencies,
- a strategic environment framework,
- flood control and water resource management, and
- GMS tourism development.

Since 2002, the GMS countries have met frequently at various levels, including at the level of heads of state, to review the program and fine-tune it in the light of progress in implementation. At the First GMS Summit, held in 2002 in Phnom Penh, Cambodia, the heads of governments of the GMS countries endorsed the GMS Strategic Framework as the “key means through which closer economic cooperation and prosperity will be achieved” in pursuit of the primary goals of GMS cooperation of fulfilling the region’s vast potential, lifting people from poverty, and promoting sustainable development for all. At the Second GMS Summit, held in 2005 in Kunming,

Yunnan Province, the PRC, GMS heads of governments reaffirmed the goals and objectives of the program, and laid down “connectivity, competitiveness, and community” as the building blocks for achieving the GMS vision. At the Third GMS Summit, held in 2008 in Vientiane, the Lao PDR, GMS leaders reinforced the focus on connectivity and specified that “enhancing competitiveness and accelerating our economic and social development process through greater use of improved and expanded connectivity will be the focus of our cooperation in the coming years.”

As the GMS Program approaches 2 decades of operation, the GMS countries support the conclusions of various program reviews and evaluations and confirm the validity of the program’s vision and goals. They also confirm that the pragmatic, action-oriented, and results-focused approach of the program, as well as the mutual trust and goodwill that has developed, have enabled GMS

countries to expedite implementation of high-priority subregional projects and initiatives. The program has also mobilized an increasing amount of financial assistance from development partners and other important stakeholders.<sup>3</sup> In so doing, the program has delivered concrete results and contributed to economic growth and poverty reduction in the subregion, as well as to the broader realization of a prosperous, integrated, and harmonious GMS. Gross domestic product (GDP) in the subregion has grown at over 8% per year on average during the past 2 decades or so, real per capita incomes have more than tripled during the same period, the poverty incidence in GMS countries based on national poverty lines has declined substantially, and GMS countries have made major progress in meeting the other Millennium Development Goals.<sup>4</sup> GMS economies have also become much more open, as measured by the increase in the trade-to-GDP ratio and the stock of foreign direct investment (FDI).<sup>5</sup>

<sup>3</sup> ADB has provided around \$5 billion in loans and grants for GMS projects. Other development partners have provided around \$4.6 billion, and the GMS governments themselves have provided \$4.3 billion. In addition, ADB and other development partners have supported 172 technical assistance projects with a total cost of \$233 million for project preparation, capacity development, economic and sector work, and coordination and secretariat assistance. ADB has also played the role of lead development partner, coordinator, and honest broker in the GMS Program.

<sup>4</sup> The economies of five GMS countries, excluding the PRC, grew at a weighted average of 5.27% per year during 1993–2010, while Yunnan Province grew at 11.64% per year and Guangxi Zhuang Autonomous Region grew by 9.96% per year. Sources: World Economic Outlook database, ADB Key Indicators database, CEIC Data on Guangxi Zhuang Autonomous Region and Yunnan Province, and ADB estimates.

GDP per capita in 2009 was \$677 in Cambodia; \$3,744 in the PRC; \$944 in the Lao PDR; \$571 in Myanmar; \$3,940 in Thailand; and \$1,052 in Viet Nam, according to the World Bank’s World Development Indicators. The Statistical Communiqué of the PRC indicates that GDP per capita was \$1,349 in Yunnan Province and \$1,606 in Guangxi Zhuang Autonomous Region in 2007.

In Cambodia the poverty rate declined from 47.0% in 1994 to 30.1% in 2007, in the Lao PDR the poverty rate fell from 45.0% in 1992 to 27.6% in 2008, in Thailand from 33.7% in 1990 to 8.1% in 2009, and in Viet Nam from 58.1% in 1993 to 14.5% in 2008. Source: ADB. 2011. *Framework of Inclusive Growth Indicators: Key Indicators for Asia and the Pacific. 2011 Special Supplement*. Manila. Poverty in the PRC declined from 6.0% in 1996 to 2.8% in 2004. Source: World Development Indicators. <http://data.worldbank.org/data-catalog/world-development-indicators>. A detailed analysis of the progress GMS countries have made on both growth and poverty reduction over the past decade will be provided in the completion report for the current GMS Strategic Framework.

<sup>5</sup> Openness, as measured by the ratio of sum of exports and imports of goods and services to GDP (trade-to-GDP ratio), increased in five GMS countries during the last 2 decades. From 1993 to 2010, Cambodia’s trade-to-GDP ratio increased from 48.3% to 136.6%, the PRC’s ratio increased from 42.0% to 54.2%, the Lao PDR’s ratio increased from 52.6% to 71.1%, Thailand’s ratio increased from 80.2% to 135.2%, and Viet Nam’s increased from 66.2% to 165.3%. Sources: ADB Statistical Database System online. <https://sdbs.adb.org/sdbs/index.jsp>; and World Development Indicators. <http://data.worldbank.org/data-catalog/world-development-indicators>. The stock of FDI in the GMS countries has increased manifold in the same period. The FDI stock in Cambodia in 2010 amounted to \$5.96 billion (an increase of 47.7 times since 1993), in the Lao PDR the FDI stock in 2010 was \$2.10 billion (36.5 times more than in 1993), in Myanmar the FDI stock increased by 10.9 times from 1993 and stood at \$8.3 billion, Thailand’s FDI stock in 2010 was \$127.26 billion representing a nine-fold increase since 1993, and that of Viet Nam soared by 19 times to \$65.63 billion in 2010. The PRC’s FDI stock increased 9.1 times, from \$63.58 billion in 1993 to \$578.82 billion in 2010. Source: United Nations Conference on Trade and Development. <http://unctadstat.unctad.org>

In the light of these successes and looking ahead, GMS countries wish to maintain the overall direction of the GMS Program, while further fine-tuning it to boost its results. The countries believe that the program must remain well positioned with respect to emerging global and regional developments and should focus more on “software” activities, or policy and institutional reforms, in cases where the infrastructure or “hardware” is already in place. The program also needs to strengthen its overall monitoring and evaluation system.

## Strategic Thrusts

The GMS countries have set up sector forums and working groups to design each of the strategic thrusts of the GMS Strategic Framework and help ensure their effective implementation. Progress has been most notable on the first strategic thrust (infrastructure linkages) and on the hardware as opposed to the software aspects of the program. But in all five areas, important progress has been and continues to be made.

### Strengthening Infrastructure Linkages

The first strategic thrust of the current GMS Strategic Framework involves subregional cooperation in transport, energy, and telecommunications, as well as cooperation in agriculture to help ensure the full development benefits of the infrastructure investments.

In all three of the infrastructure sectors, substantial progress has been made on the hardware aspects of cooperation. In transport, a major achievement has been the greatly improved physical connectivity in the subregion, exemplified by the near completion of the transport component of the three main GMS economic corridors: the East–West, the North–South, and the Southern. In energy, GMS power interconnection projects have helped lay the basis for grid interconnection in the GMS, and a number of major hydropower projects have been developed with private sector participation. In telecommunications, the optical fiber interconnection of the telecommunications systems of the GMS countries is now in place and the information superhighway network (ISN) is being developed to provide a broadband platform among GMS countries for voice, data, and internet services.

Progress has been slower on the software aspects of cooperation in infrastructure. In transport, for example, some progress has been made in the implementation of the Cross-Border Transport Agreement (CBTA), which is important in helping transform transport corridors into economic corridors; but some GMS countries have still to ratify all of the annexes and protocols. Some progress has also been made in establishing the policy and regulatory framework for power trade in the GMS, but there is still a long way to go. In telecommunications, the program has contributed to the gradual separation of the policy, regulatory, and service operations functions, which is helping create a better enabling environment for the provision of basic services by the private sector.

In agriculture, which was the most recent addition to the GMS Program, the initial scope of the program was too ambitious and therefore overstretched available resources. But the new program—the Core Agriculture Support Program Phase II, 2011–2015—is focusing more directly on issues involving cross-border trade in food and agricultural products, and climate change adaptation.

In both infrastructure and agriculture, strategy and project development and implementation have been supported by sector forums and working groups, including the Transport Forum, the Regional Power Trade Coordinating Committee, the Energy Forum, the Telecommunications Forum, and the Working Group on Agriculture. More recently, the Economic Corridors Forum was established to promote multisector coordination to help drive the transformation of the transport corridors into economic corridors.

### Facilitating Cross-Border Trade, Investment, and Tourism

The second strategic thrust of the current GMS Strategic Framework involves promoting and facilitating intra- and extra-GMS trade, investment, and tourism.

A number of diagnostic studies have been undertaken on trade facilitation, including in the area of enhancing implementation of the CBTA; sanitary, phytosanitary, and other trade measures; the custom transit system; and coordinated border management. Bilateral agreements have been signed by countries on the exchange of traffic

rights. Memorandums of understanding (MOUs) on initial implementation of the CBTA at selected pilot sites have also been signed. But progress in achieving the outcomes of improved transport and trade facilitation has been slow. Institutional issues have also constrained the interagency coordination, at both the subregional and national levels, that is necessary to achieve substantive success in transport and trade facilitation. Given that many agencies are involved in this area, there is a need to ensure coordination and avoid overlap with other institutional parts of the GMS Program.

Subregional cooperation has helped put the GMS firmly on the world's tourism map. The task of "positioning the GMS in the eyes of the international industry" has been accomplished through a series of promotional campaigns and other initiatives. The Tourism Working Group has also been one of the most active of the sector working groups. It has its own secretariat—the Mekong Tourism Coordinating Office—which is funded by GMS governments and collaborates closely with the private sector.

### Enhancing Private Sector Participation and Competitiveness

The third strategic thrust of the GMS Strategic Framework recognizes the critical role of the private sector as an engine of GMS development.

The most noteworthy initiative under this strategic thrust has been the establishment of the GMS Business Forum. The business forum, a joint initiative of the chambers of commerce of the GMS countries, has participated in GMS meetings on the policy and regulatory reforms necessary to promote trade and investment in the GMS. It has also participated in the Economic Corridors Forum, where it has highlighted many of the

issues faced by the private sector in doing business along the GMS corridors. To further increase the effectiveness of the business forum it will be important to expand effective representation of more sectors in the forum.

### Developing Human Resources

The fourth strategic thrust of the GMS Strategic Framework endeavors to contribute to the realization of the human resources development goals of the GMS countries through subregional programs that address capacity building, education and skills development, labor, and health issues.

One major accomplishment under this strategic thrust has been the development and implementation of the Phnom Penh Plan for Development Management to build capacity among GMS government officials, particularly to strengthen their management capacities in support of regional economic integration and the transition toward more open economies.<sup>6</sup> A second major accomplishment has been the implementation of a range of projects focused on the prevention and control of communicable diseases, including HIV/AIDS. Building on these accomplishments, the Human Resource Development Strategic Framework and Action Plan was prepared and approved in 2009 and the Working Group on Human Resource Development has been restructured to facilitate implementation of the framework and action plan.

### Protecting the Environment and Promoting Sustainable Use of Shared Natural Resources

The fifth and final thrust of the current GMS Strategic Framework is directed toward ensuring that environmental concerns are adequately addressed in cross-border initiatives and properly integrated into the subregion's economic development efforts.

<sup>6</sup> The Phnom Penh Plan for Development Management is a program that supports the building of a critical mass of highly competent and qualified middle- and senior-level development planners and managers to lead and drive the subregion's socioeconomic development. The Phnom Penh Plan supports learning programs on a range of topics specifically designed to address the needs and enhance the competencies of the GMS civil service, a fellowship program in prestigious learning institutions for contextual immersion, a research program that supports new analytical insights for more informed policy choices, and an alumni program for continuous networking and expansion of professional contacts and lifelong learning. The Phnom Penh Plan also promotes access to development information through the establishment of learning resource centers, maintenance of a website, and publication of a newsletter and the *GMS Journal of Development Studies*. It promotes discussion of key development issues and sharing of insights and experiences through the GMS Development Dialogue.

Substantial progress has been achieved in this area of cooperation in terms of laying the foundation for implementing a more effective and comprehensive agenda for sustainable development in the GMS, especially through the Core Environment Program and Biodiversity Corridors Initiative (CEP–BCI) with the vision of “a poverty-free and ecologically rich GMS.” The first phase of CEP–BCI (2006–2011) has helped improve land-use management and sustainable finance mechanisms in rural communities through the flagship component of the BCI, and mainstream environmental issues into national planning processes through strategic environmental assessments and environmental performance assessments. An environment operations center (EOC) has been established to serve as the secretariat of the GMS Working Group on Environment and the subregional implementing agency for CEP–BCI.

## Resource Mobilization and Institutional Development

### Resource Mobilization and Donor Coordination

All the GMS countries see the close link of the GMS Program to resource mobilization as critical to the program’s success because the resources generated have enabled it to move from general discussion of strategies and programs to implementation of specific projects with real results.

Throughout its operation and particularly in recent years, the program has been successful in raising resources. The program raised \$7.1 billion during 2007–2010 (equivalent to \$1.8 billion per year) compared with \$4.3 billion during 2000–2006 (equivalent to \$570 million per year). The main contributor to the recent increase has been loan-financed projects. ADB’s share of total financing has also increased,<sup>7</sup> suggesting that greater efforts are necessary to generate more cofinancing from other official sources as well as the private sector.

### Recognizing Different Levels of Development

The GMS countries have clearly recognized the importance of giving special attention to the less-developed member countries to enable them to benefit from and contribute fully to subregional cooperation and integration. They have also recognized that this would require the GMS Program to pay particular attention to capacity building in the low-income GMS countries. In the absence of clear capacity-building targets, it is difficult to assess how much progress has been made on this aspect of the GMS Program; but a review of ADB-supported GMS operations (both loans and technical assistance projects) shows a clear focus on GMS countries with lower per capita incomes.

### Links to Other Regional Organizations and Initiatives

The GMS Program has paid particular attention to the importance of building strategic alliances and partnerships, particularly with ASEAN and the Mekong River Commission. The program has worked hard to avoid duplication and ensure close coordination with both of these initiatives and has made important progress in this regard, but more work is required to ensure that the GMS Program is better coordinated with the broader ASEAN cooperation framework, including ASEAN+3. It is also important to continue to enhance the GMS Program’s interactions with other subregional initiatives, such as the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation, and the Mekong River Commission.

### Broadening Participation and Support

The GMS countries believe that it is critical that knowledge and understanding of the GMS Program is built up not just at the top levels of national governments but also further down the bureaucracy and in local governments. It is also critical, as the current GMS Strategic Framework

<sup>7</sup> ADB’s share during 2007–2010 rose to 41%, up from 31% during 1992–2006. GMS governments’ share however fell from 33% during 1992–2006 to 29% during 2007–2010.

notes, that “genuine participation by all stakeholders—not just government but civil society, nongovernment organizations, the private sector, academia, and the donor community as well—is needed in the management and coordination of the Program.” Anecdotal information indicates that there has been some improvement in recent years, including more interagency coordination with respect to the GMS Program, an increase in the flow of communications within and among countries, and wider dissemination of information about the program. These efforts now need further reinforcement.

### Monitoring and Evaluation

The GMS Program has stressed the importance of good monitoring and evaluation, while recognizing the complexity of evaluating regional cooperation projects. Although the Vientiane Plan of Action (2008–2012) is regularly updated and ADB conducts post-implementation evaluations for some projects, this critical issue has not received the attention it deserves. The definition of what constitutes a regional project still needs to be effectively operationalized. Baseline indicators need to be established for all programs and projects, and progress must be better monitored and evaluated.

### Organizational Effectiveness

The GMS Program has been pursued through an institutional arrangement consisting of (i) a GMS leaders’ summit at the political level, (ii) a ministerial-level conference supported by

meeting of senior officials at the policy level, and (iii) sector forums and working groups at the project and operational levels. A national inter-ministerial committee assisted by a designated focal point or national secretariat coordinates GMS activities in each country. A unit at ADB headquarters provides overall secretariat support to the GMS Program in coordination with national secretariats in the GMS countries.

These arrangements have provided an adequate administrative framework for implementing the GMS Strategic Framework. They are flexible, simple, and generally effective in supporting the pragmatic, activity-driven, and results-oriented approach of the GMS Program. The capacity of the GMS national secretariats is being improved and most of the GMS forums and working groups have taken steps to sharpen the focus of their work and make their activities more effective, for example by further prioritizing planned projects and preparing strategies and work plans to guide their activities.

### Ownership of the Program and Role of ADB

The GMS countries have strong ownership of the program, but they also appreciate the important secretariat role that ADB has played. They would like ADB to continue to play a secretariat role and to enhance it further by capitalizing on the respect and trust it has gained from member countries to help forge agreements across countries on some of the more challenging aspects of the program.



# The Changing Global and Regional Context

**T**he GMS countries believe it is critical that the GMS Program takes cognizance of the changing global and regional context and remains flexible and adaptable in response to changing circumstances.<sup>8</sup>

## Economic Trends

### Growth, Connectivity, and Competitiveness

The Great Recession has accentuated the shift in economic activity toward Asia. The region proved to be more resilient than the rest of the world, despite the sharp contraction in trade, and developing Asian economies suffered a smaller dip and have benefited from a quicker rebound than advanced economies or other developing economies. This pattern also holds true for the GMS countries, which have benefited from the GMS strategy of connectivity and have become linked to the most vibrant, resilient economies in the world. Indeed, GMS countries have experienced a very dynamic growth in trade with the rest of the world. Intra-GMS trade has been growing even faster than trade with the rest of the world, and there have been substantial changes in its composition, with growing signs of intra-industry trade and development of value chains.

Prospects for growth are good but the strength of the GMS and other Asian economies depends on maintaining their competitiveness. In Asia, competitiveness has been driven by the creation of regional supply chains with many different countries adding value to specific parts of the supply

chain. That strategy requires excellent logistics, good information technologies, modern business and inventory management, attention to standards and quality, and speedy and dependable supply. Understanding the requirements of business is critical for governments to prioritize the reforms that will enable firms in their countries to participate in supply chains.

The Great Recession and the associated volatility in commodity markets and prices have reopened old debates as to whether an export orientation is a superior development path to a focus on domestic demand. There is some evidence that more open economies suffered sharper growth slowdowns in 2009; but they also rebounded faster than others and have had superior long-term growth performance. The lessons to be drawn are that an ability to manage risk through sound macroeconomic management and healthy financial institutions, along with a diversification of markets and products are the keys to taking full advantage of the opportunities provided by globalization. In this context, ASEAN's commitment to establish an ASEAN economic community by 2015, the signing of the ASEAN–China Free Trade Agreement as well as free trade agreements between ASEAN and other countries and regions, and the rapid growth of both North and South Asia will provide great opportunities for all the GMS countries.

### Spatial Development

Because of its export orientation, most of Asia's growth has been concentrated along its coastlines. In the larger GMS countries, interior regions and provinces have lagged behind national

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<sup>8</sup> A much more detailed perspective on the changing context is provided in ADB. 2011. *Asia 2050: Realizing the Asian Century*. Manila.

growth, prompting governments to articulate subnational development plans to bring prosperity to these regions. And while the poorer members of the GMS (Cambodia, the Lao PDR, Myanmar, and Viet Nam) have achieved rapid growth and are converging with the rest of ASEAN, the speed of this convergence is still slow.

The trend toward spatial concentration is likely to continue, along with a trend toward urban development. This leads to growing inequality within economies and across countries. The GMS focus on agriculture, infrastructure, and human resources can help change the trajectory of these market forces, producing more equitable growth within and between GMS countries. Linking GMS strategies with subnational growth plans would also promote coherence in area development, for example for northeast Thailand and Yunnan Province in the PRC.

But development experience in lagging regions shows that infrastructure and other productive investments can only help offset market forces toward divergence to a certain degree. Migration tends to be a powerful force equalizing living standards. This puts a premium on human capital development and mechanisms to connect migrants with their homes, such as transport and financial links for remittances.

### Climate Change and Food Security

Climate change, including its implications for food security, has become a major global and regional issue. In the GMS context, two aspects need to be highlighted: the push to take action on climate change mitigation, including controlling greenhouse gas emissions and rewarding carbon sinks, and the increasingly likely need to adapt to climate change. The push toward mitigation will raise the value of the GMS countries' still ample stock of forest resources, while the need for adaptation will raise the value of commodities that make intensive use of scarce factors of production, such as water. GMS countries need to understand how to unlock the potential future value added of these natural resources through appropriate agriculture, human resources, and infrastructure development. In addition to effective global responses to climate change issues, greater efforts at the regional and subregional levels are also necessary.

Climate change will accentuate the significant challenges of meeting the increased food demand arising from a world population that will approach 9 billion by 2050 and from the higher incomes of consumers in hitherto poor countries. Real agricultural prices are likely to increase and national governments will need to provide the supporting policy and infrastructure environment to enable farmers to raise productivity and better manage risk. It will also be critical that the global trading regime helps ensure that changes in comparative advantage translate into unimpeded trade flows to balance world supply and demand. Over the past 2 decades, all GMS countries have considerably increased their agricultural production, and technologies and practices already exist that can help farmers further enhance production by using water more efficiently, increasing crop yields further, and promoting climate-friendly agriculture. Governments can help encourage such developments by rethinking ways to secure land and water rights, diversify production to high-value crops, and provide financial safety nets.

### Finance for Development

Finance for development has held up reasonably well despite the Great Recession. After a decade of rapid expansion, net official development assistance flows fell slightly in current US dollar terms from \$122.3 billion in 2008 to \$119.6 billion in 2009 before increasing again to \$128.7 billion in 2010.

The future may be less promising. As rich countries wrestle with growing budget deficits and fiscal stances shift from expansion to consolidation, aid budgets are under attack. They may also become more targeted. The rich world is committed to providing more resources for climate change mitigation, for example; but despite the rhetoric to the contrary, it is likely that at least part of these resources will be a substitute for traditional development assistance. However some traditional donors are increasing their assistance, and emerging economies (including the PRC and Thailand) have begun to establish significant development support programs with a strong regional focus.

The somewhat uncertain situation with respect to development assistance does suggest, however, that GMS countries should also look elsewhere to

mobilize resources for development projects. The private sector is the largest pool of capital in the world, but insufficient creditworthiness in most GMS countries in the past limited the potential to mobilize private finance. That situation has now changed and private FDI flows are becoming important for all GMS countries. With appropriate risk mitigation and credit enhancement features, it is realistic to expect that private capital will play a more significant role in GMS countries in the future.

## Institutional Developments

### Global Developments

At the global level, the Group of Twenty (G20) has emerged as the premier forum for international economic cooperation, and development issues are likely to be integral to the framework for strong, sustained, and balanced growth articulated by the G20. The decision by the G20 to address development issues signals its members' belief that future global growth will be driven by emerging economies.

G20 discussions will have a close bearing on GMS activities. For example, the GMS is committed to the creation of a favorable environment for small and medium-sized enterprises (SMEs). The G20 has formed the Financial Inclusion Experts Group with a subgroup on SME Finance to take stock of the role, needs, and barriers of SMEs. The G20 has also launched a new Global Agriculture and Food Security Program, an example of a vertical fund through which aid resources are increasingly being channeled. Moreover, countries applying to this new program have had their own programs vetted by regional organizations, enhancing prospects for success.

This example shows how regional and subregional institutions are being used as a link between global programs and individual countries. Regional and subregional organizations are also playing a significant role in the negotiation of free trade and other partnership agreements, and are increasingly acting as financial intermediaries for regional projects to help streamline overall financing arrangements.

### Developments in Asia

The trend toward a greater role for regional and subregional institutions is prominent in Asia as well; indeed the GMS Program is firmly rooted in a broad evolving structure of Asian regionalism that already includes 54 regional institutions. These institutions fall into four broad categories: (i) overarching, with the purpose of convening summits that provide normative and declaratory frameworks that legitimize and support regional cooperation and integration; (ii) functional, with a specialized technical agenda on a focused topic; (iii) facilitating, through the provision of advisory, administrative, technical, and financial support to a given area; and (iv) security. The GMS Program is the principal facilitating institution for the subregion, and, in the context of the increasing role of regional organizations of all kinds, it needs to coordinate effectively not only with ASEAN (and ASEAN+3) but also with some of the functional entities operating in the same countries, such as the Ayeyawady–Chao Phraya–Mekong Economic Cooperation Strategy (ACMECS), the Mekong River Commission, and the Southeast Asian Ministers of Education Organization (SEAMEO). It also needs to coordinate more with regional organizations in South Asia.

# A Strategic Framework for the Next 10 Years

## Vision, Goals, and Approach

The strategic framework for the next 10 years of the GMS Program builds on the substantial progress the program has made and the likely future global and regional trends. It also builds on the commitment that member countries have made in their national development plans to the promotion of regional integration and, in that context, to encouraging greater GMS integration as part of a broader process of greater integration within ASEAN and the Asia region.

Bearing in mind the progress that has been made and the expectations for the future, GMS member countries wish to maintain the vision and goals that currently guide the program:

- GMS countries envision a Mekong subregion that is more integrated, prosperous, and equitable.
- The GMS Program will contribute to realizing the potential of the subregion through (i) an enabling policy environment and effective infrastructure linkages that will facilitate cross-border trade, investment, tourism, and other forms of economic cooperation; and (ii) the development of human resources and skills competencies.
- To ensure that this development process is equitable and sustainable, environment and social interests will be fully respected in the formulation and implementation of the GMS Program.

Member countries also recognize the importance of continuing with a similar overall approach to

their cooperation in designing and implementing the program. This means adhering to the principles of member ownership, equal consultation, mutual benefit, steady progress, win-win results, and recognition of the differing levels of development of the GMS countries. It also means continuing with the very practical, action-oriented approach to the program that has characterized its design and implementation over the past 2 decades.

In the context of the vision, goals, and approach for the GMS Program, member countries agree on the need for further fine-tuning of the program; speeding up the implementation of policies, programs, and projects; and taking the program to the next level in terms of results. Member countries also concur on how such improvements will be accomplished.

First, there needs to be a more effective focus on the software aspects of the program to complement the continued focus on hardware. This will require not only greater progress on the policy and institutional dimensions of infrastructure development (e.g., transport and trade facilitation or power market integration), but also an increased emphasis more broadly on knowledge generation and management related to program initiatives and cross-country coordination.

Second, there should be more selectivity and prioritization of focus areas within sectors, including less emphasis on information sharing and a greater focus on decision making on issues that are clearly regional in nature. This should lead to more tangible results and greater impact.

Third, the program should be more closely linked to the broader regional integration agenda, leading

to more clarity on which regional issues should be covered by the GMS Program and which ones are better left to other regional organizations.

Fourth, it is important that the program focuses more attention on the linkages across different sectors (e.g., between energy, agriculture, and food security, and the environment) and recognizes climate change as a broader development issue as well as an environment issue.

Fifth, there is scope for some rebalancing of attention and resources without changing the broad sector focus of the program and bearing in mind organizational capacities and the potential for achieving real results across the sectors.

Finally, the GMS Program will focus more strongly and effectively on monitoring results and on other improvements in program implementation that will help enhance its overall effectiveness and impact.

## Sector and Multisector Priorities

The GMS Program will continue to focus on a broad range of sector and multisector priorities:

- developing the major GMS corridors as economic corridors;
- strengthening transport linkages, particularly roads and railways;
- developing an integrated approach to deliver sustainable, secure, and competitive energy;
- improving telecommunication linkages and information and communication technology (ICT) applications among the GMS countries;
- developing and promoting tourism in the Mekong as a single destination;
- promoting competitive, climate-friendly, and sustainable agriculture;
- enhancing environmental performance in the GMS; and
- supporting human resources development initiatives that facilitate the process of GMS integration while addressing any negative consequences of greater integration.

To strengthen the results focus of the program and enhance monitoring and evaluation, a common framework has been developed for each priority of the new GMS Strategic Framework and associated program that links the various sector forums and working groups with specific interventions. These, in turn, are connected with sector results (outputs and outcomes), and ultimately to improvements in region-level outcomes and impacts. The summary program results framework is provided in the Annex. Detailed sector and multisector indicators and targets will be prepared through the sector working groups in the first year of implementation.

## GMS Corridor Development

Strategies and action plans have been prepared for each of the economic corridors to help ensure that they contribute to enhanced agriculture, industry, and service sector development and trade (including the development of SMEs), and to the overall promotion of economic growth and poverty reduction. These strategies differ significantly from earlier strategies in recognizing the important interlinkages across sectors while being very focused on relatively fewer high-profile initiatives. For each corridor, there is a need for carefully planned investments aimed at strengthening urban development, upgrading logistics, improving the network of feeder and rural roads, and developing other transport modes. These investments should be reflected in a new regional master plan. Easier movement of goods and people through improvements in the software of transport and trade facilitation (TTF) will also be essential. In addition, private sector investment through supply chains and in the special economic zones or industrial parks that have been established at the borders or along the corridors will need to be encouraged. Further development of the corridors must also take due account of food and energy security and climate change concerns.

Within the context of this broad set of sector and cross-sector issues, a comprehensive approach to the urgent need to improve TTF has been finalized that covers

- transport facilitation—including expanding and streamlining exchange of traffic rights

- arrangements, improving the customs transit system, accelerating infrastructure construction and improved procedures at border posts, pursuing the proposed establishment of a GMS freight transporters' association, and strengthening the road transport industry;
- trade facilitation—including enhancing coordinated border management and aligning these efforts with regional trade facilitation measures, enhancing the sanitary and phytosanitary regime for GMS trade, strengthening national and subregional institutions for trade facilitation, and developing an effective regional trade logistics strategy; and
  - capacity building and improving the legal and regulatory framework for TTF.

The Economic Corridors Forum will coordinate the overall development of the regional corridors, including through implementation of the agreed strategies for each of the corridors and strengthening coordination and ownership of the strategies at the provincial and local levels. Consideration will also be given to expanding the responsibilities of the forum to include a wider range of cross-sector issues, including trade and investment facilitation and the development of urban areas along the corridors. This will require increased coordination with other sector working groups and a clear division of responsibilities that also reflects the specific institutional arrangements of each of the GMS countries. For example, transport sector agencies will need to take the lead on cross-border transport facilitation through exchange of traffic rights, while a different set of agencies will need to focus on other aspects of corridor development related to trade facilitation and investment promotion. Efforts will also be made to integrate the progress and lessons learned with respect to trade and investment facilitation for the economic corridors into the broader agenda of trade and investment facilitation being pursued in the context of ASEAN integration and in other forums.

## Transport

Transport will remain at the forefront of the GMS Program and will continue to be guided by the GMS Transport Strategy 2006–2015, which focuses on the development of priority road transport

corridors, the reduction of nonphysical barriers to transport and trade, and the eventual transformation of the road transport corridors into economic corridors. The strategy also recommends broadening the scope of the transport program in the GMS to include not only roads but also railways and other modes of transport (water and air).

As the strategy nears completion, and with major road links now in place in all countries except Myanmar, GMS countries are increasing the focus on

- encouraging multimodal systems, particularly road and rail;
- improving road safety and addressing the broader social dimensions of transport investments;
- ensuring that climate change considerations are considered in transport development (e.g., controlling greenhouse gas emissions through freight traffic management);
- addressing the nonphysical barriers to cross-border transport; and
- promoting the development of economic corridors.

The importance of focusing on both the hardware and the software has been recognized in the case of railways where the strategic framework for connecting the GMS railways, finalized in August 2010, highlights the following priority actions:

- ensuring that all GMS countries are connected to a GMS rail network by 2020;
- promoting the development of a seamless rail network in the GMS by
  - (i) agreeing on common technical standards of interoperability,
  - (ii) streamlining and harmonizing procedures for cross-border movement of people and goods,
  - (iii) agreeing on regional operating rules and safety standards,
  - (iv) fostering cooperation between GMS railways, and
  - (v) ensuring connection to other modes of transport;
- ensuring that railway infrastructure and equipment in the GMS are modern and sufficient to

- meet the demand for services, and operated and regulated according to best practices in the operation and regulation of railways;
- developing GMS railway organizations to support the network by establishing a GMS rail coordination office; and
- involving the private sector in the planning and development of the GMS railway network.

The strategic framework for railways has four components to support these priority actions:

- completing at least one connecting route before 2020,
- providing the supporting investments needed to upgrade the capacity of the existing railway lines on the selected route,
- undertaking technical assistance projects to prepare national strategies and investment studies and develop information networks, and
- establishing the GMS Railway Coordination Office.

The GMS Transport Forum will continue to coordinate the overall program, including reviewing the current GMS Transport Strategy and developing a new strategy for the years beyond 2015, while the newly established GMS Railway Coordination Office will facilitate implementation of the strategic framework for connecting the GMS railway systems. These groups will need to increasingly interact with other regional organizations in to ensure the system is well linked to other regions, such as South Asia. The program as a whole will also need to look in more depth at broader issues of intermodal transport and logistics as well as promoting more private sector financing of transport infrastructure and more public–private partnerships (PPPs) in the sector.

### Energy and Power Market Integration

Given the widespread energy poverty of the GMS and recent global developments, such as financial turmoil, fluctuating energy prices, pressures on the environment, geopolitical uncertainties of energy supply, and interconnectedness of global energy markets, GMS countries have never felt a stronger need for an integrated approach to deliv-

ering sustainable, secure, and competitively priced energy. In this context, GMS energy cooperation has recently been expanded and now focuses on four major strategic objectives:

- enhance access to energy for all sectors and communities, particularly the poor in the GMS, through promotion of best energy practices in the subregion;
- develop and utilize more efficiently indigenous, low carbon, and renewable resources, while reducing the subregion's dependence on imported fossil fuels;
- improve energy supply security through cross-border trade while optimizing use of subregional energy resources; and
- promote PPP and private sector participation, particularly through SMEs for subregional energy development.

Priority regional initiatives for both hardware and software improvements have been identified as part of the Energy Road Map and include the following:

- **across the energy sector:**
  - (i) promoting environmentally sustainable regional power trade planning, coordination, and development in the GMS;
  - (ii) improving energy efficiency through demand-side management and energy conservation in the GMS;
  - (iii) promoting the development of renewable energy resources such as biogas, solar, wind, hydro, and geothermal, and clean fuels such as compressed natural gas; and
  - (iv) promoting a policy framework for facilitating renewable energy development and energy efficiency;
- **in the power subsector:** continuing the development of a regional power market through a two-pronged approach: providing the policy and institutional framework for power trading, and developing the grid interconnection infrastructure to connect the various GMS power systems;
- **in the oil and gas subsector:** supporting realization of GMS segments of the trans-ASEAN gas pipeline and promoting the

development of environmentally friendly oil and natural gas logistics and network; and

- **in the coal subsector:** promoting clean technologies while remaining cognizant of the importance of coal in meeting countries' energy demand.

The Subregional Energy Forum will be responsible for overseeing this comprehensive and ambitious program. It will also ensure that social and environmental factors are integrated into energy planning, and that high levels of private financing are mobilized for major energy projects. The forum plans to identify a lead country for specific projects that would be developed, ensuring greater GMS ownership of the projects, as well as getting the countries to coordinate with development partners for funding and technical support. This will help to better align partners' country programs with their regional and GMS programs. The forum is also tasked with regular monitoring of the progress of the Road Map for Expanded Energy Cooperation, and will serve as the vehicle for information sharing on GMS energy cooperation. To properly monitor and reflect the successes in realizing its goals, the forum has begun to adopt national and subregional performance targets in the various areas of the Energy Road Map.

It will also be important to develop more momentum for the integration of the regional power market, due to the enormous efficiency benefits to be gained, by establishing a GMS regional coordination center to oversee power trade development and report to the Regional Power Trade Coordination Committee. The center would focus initially on synchronizing the building of new power plants and transmission lines in the region and would later turn its attention to allowing or encouraging competition in the electricity market as it grows in size and maturity. Besides harmonizing regional power plans and investments and coordinating regulatory and trading regimes and sector reforms, the center would systematically internalize environmental and social impacts in the preparation of the GMS power expansion plans. This link with the environment further reinforces the case for the GMS Program to focus more on linkages across GMS sectors of cooperation.

## Telecommunications and Information and Communication Technology Applications

The long-term goal of subregional cooperation in telecommunications will be to improve telecommunication linkages and promote ICT applications among the GMS countries, thereby facilitating communications and access to information, lowering transaction costs, and enhancing the competitiveness of the subregion as a whole. Further progress toward this goal will require an updated sector strategy focused on efforts to

- strengthen the institutional structure for sector cooperation,
- identify and prioritize further information superhighway network (ISN) infrastructure needs,
- build capacity for the use of advanced technology,
- advance cooperation on new ICT,
- promote ICT applications including e-commerce and e-learning,
- channel human resources to ensure the sustainable development of the sector, and
- continue to develop pilot ICT projects in rural areas.

Given the demonstrated success globally of the private sector in efficiently delivering ICT services, there is also a need to clearly assess the relative roles of the private and public sectors in ICT development. It is also necessary to identify and prioritize issues to be addressed at the regional level through GMS cooperation. The strategy for the sector will recognize that national point-to-point interconnections have been established, and it will therefore focus on promoting ICT applications services, especially those associated with cross-border activities using the ISN.

The Subregional Telecommunications Forum will coordinate the updated sector strategy and determine the specific actions to be supported in the coming years, based on the findings and recommendations of the sector study. The forum will need to consider how its work should relate to and be coordinated with GMS telecommunications cooperation under the GMS ISN bodies created by memorandums of understanding (MOUs) on

ISN development signed in 2004 and 2005. While these MOUs have expired, the GMS countries are preparing a successor MOU, to be signed later in 2011, that will continue the functioning of the ISN bodies. The forum will also need to determine what future secretariat support it will require and how this should be provided in the context of ADB's decision to transform the cooperation mechanism of the sector.

## Tourism

GMS cooperation in tourism will continue to be guided by the GMS Tourism Sector Strategy (2006–2015), adopted in 2005, and the recently agreed modifications to that strategy designed to provide greater focus and prioritization. The overall aim of GMS tourism cooperation remains to “develop and promote the Mekong as a single destination, offering a diversity of quality and high-yielding subregional products that help to distribute the benefits of tourism more widely; add to the tourism development efforts of each GMS country; and contribute to poverty reduction, gender equality and empowerment of women, and sustainable development, while minimizing any adverse impacts.” Recently, the seven strategic programs of the original strategy were consolidated into three to better align with the institutional capacity and resources of the national tourism organizations and to encourage multisector cooperation during implementation. The spatial strategy has also been revised to focus more directly on segments of the Mekong River tourism corridor and linked circuits.

GMS national tourism offices, development partners, and the private sector will now focus resources on implementing the following activities under three consolidated programs and in the priority Mekong segments and subregional tour circuits:

- **Tourism-Related Human Resource Development Program.** The program focuses on capacity building and training of government officials and tourism hospitality enterprises, and upgrading of tourism training facilities.
- **Pro-Poor Sustainable Tourism Development Program.** The program focuses on safeguarding heritage and vulnerable

groups from the negative impacts of tourism, accelerating the development of pro-poor tourism products and services, developing ecologically sensitive and socially responsible tourism infrastructure, promoting private sector investment in responsible tourism ventures, and promoting energy efficiency and environmentally friendly technologies.

- **Sustainable Marketing and Product Development Program.** The program focuses on improvements in quality standards of tourism facilities and services, joint marketing of priority Mekong River segments, further streamlining of cross-border travel (including visa) formalities, and harmonizing the collection, analysis, and dissemination of tourism statistics.

The GMS Tourism Working Group will continue to review the implementation of priority programs and projects, exchange lessons on the implementation of projects, coordinate with development partners, and report to the GMS tourism ministers and senior officials. It is also mandated to interact with other GMS working groups, including those on environment and human resources, and with the GMS economic corridors and transport forums. The Mekong Tourism Coordinating Office, as the working group's secretariat, will continue to coordinate the implementation of particular projects; lead the single-destination marketing program; monitor developments in the subregion; maintain promotional and institutional websites; and maintain relations with national tourism offices, the private sector, and development partners. Efforts will be exerted to resolve the legal status of the coordinating office to enable it to mobilize additional resources and discharge its responsibilities more effectively.

## Agriculture

Under the Core Agriculture Support Program Phase II, the GMS countries have agreed on new strategic directions to address emerging regional challenges to agricultural development. The second phase of the program recognizes the drivers of change in the region, including the ongoing process of trade liberalization, changing market demands, the degradation of natural resources, the contribution of agriculture to climate change and the impact of climate

change on the sector, and global concerns about food security. It also acknowledges the need to prioritize focus areas in the context of limited resources, and focuses specifically on issues linked to expanded cross-border trade in agri-food products and climate change adaptation.

The new program has three pillars:

- **Pillar 1: Building global competitiveness in food safety and modernizing agricultural trade.** This pillar will be pursued by promoting agricultural trade and agribusiness investment in the GMS economic corridors through harmonized food safety standards based on international standards, information technology-based traceability systems and e-commerce, and a community-based participatory guarantee approach.
- **Pillar 2: Promoting climate-friendly agriculture and natural resource management.** This pillar will be pursued by supporting climate-resilient farming systems; a weather-based insurance system; and control of transboundary invasive species, pests, and animal diseases.
- **Pillar 3: Promoting agriculture as a leader in rural renewable energy technology and eco-friendly cross-border supply chains.** This pillar will be pursued through a regional bioenergy regulatory framework and harmonized standards, biomass technologies and fertilizers for carbon credit, and eco-label systems for market access.

The new program responds to many of the broad ideas for strengthening the effectiveness of the GMS Program, including the need for greater prioritization and the focus on climate change issues and on software issues more broadly. Proposed new projects under preparation emphasize country-led initiatives aimed at regional partnering to promote cross-border agricultural trade and agribusiness investment. The GMS Working Group on Agriculture (WGA) will continue to monitor the overall implementation of the program and ensure it is well coordinated with other sector programs. The WGA will seek a broader range of financing sources, including multilateral and bilateral development partners, private enterprises, and national government financing. Country-led

initiatives aimed at regional cooperation which promotes cross-border agricultural trade and agribusiness investment will be emphasized. A more effective institutional mechanism for the WGA will be defined to improve project performance and engage GMS member countries in a more systematic and sustained manner.

## Environment and Biodiversity

In considering the further development of the Core Environment Program and Biodiversity Conservation Corridors Initiative (CEP-BCI), the GMS countries have identified the following priority thematic issues:

- **Biodiversity conservation and poverty alleviation.** With infrastructure and other development being major drivers of ecosystem fragmentation and destruction and as poverty alleviation remains at the core of the GMS countries developmental efforts, it will be important to expand the biodiversity conservation and pro-poor activities of the CEP-BCI, especially among the vulnerable upland communities and as a means of ensuring biodiversity conservation.
- **Climate change adaptation and mitigation.** GMS countries are also concerned about the potential negative impacts of climate change on food and energy security. Increasing weather variability is also likely to increase the vulnerability of ecosystem services and amplify impacts on dependent poor communities. Furthermore, major destruction of biomass in recent years from the subregion's forests is frustrating efforts to control greenhouse gas emissions.
- **Capacity development.** This will include increased activities under CEP-BCI projects and programs involving the participation of young GMS national researchers through the environmental education network, thereby enhancing environmental awareness in the younger generation and increasing environmental management performance and nature conservation in the subregion. GMS universities and civil society will also support such targeted capacity development.

To address these issues and ensure enhanced environment and development performance

within the GMS, the GMS countries have agreed on the following four components of CEP–BCI Phase II:

- sustained development planning systems, methods, and safeguards;
- improved management of conservation landscapes for sustainable livelihoods;
- enhanced climate resilience and promotion of low-carbon development; and
- strengthened institutions and sustainable financing for environmental management.

The next phase of the CEP–BCI is consistent with the changes being implemented for the GMS Program as a whole. The overall CEP–BCI program will be closely coordinated with the work of other GMS working groups.

The GMS Working Group on Environment will continue to play its steering and umbrella functions by continuing to deliberate on the annual program of implementation, receiving progress reports from the GMS Environment Operations Center (EOC), and reporting to the GMS Environmental Ministers Meeting and the GMS ministerial meetings. National support units will play a pivotal role in overseeing implementation of program and project activities launched under the CEP–BCI and will be the network nodes between the EOC and the GMS country focal points for various sectors. The EOC will maintain the core functions of facilitation, coordination, program and project design, monitoring, and securing and leveraging financial resources for implementation of the investment framework. It is also envisaged that the EOC will emerge as the subregional referral center for environmental issues relating to the CEP–BCI.

### Human Resources Development

The Strategic Framework and Action Plan for Human Resource Development in the GMS, approved in 2009, aims to (i) support human resources development (HRD) initiatives that directly facilitate the process of subregional cooperation and integration, such as managing labor migration and harmonizing HRD standards; and (ii) address cross-border issues directly linked to GMS integration, such as cross-border transmission of communicable diseases, and human trafficking.

The framework highlights the need to focus on activities that are truly regional in nature by exploiting one or more of the following types of opportunities:

- facilitating subregional integration by harmonizing HRD regulations, standards, policies, and procedures;
- addressing cross-border HRD issues resulting from subregional integration;
- obtaining additional value added by conducting selected activities at the subregional level;
- exchanging relevant information and experience within the subregion; and
- complementing subregional investments in other sectors.

The action plan covers five areas:

- promoting regional cooperation on education and skills development, including building the capacity of GMS government officials in development management through further phases of the Phnom Penh Plan for Development Management and developing and piloting a framework for the mutual recognition of technical and vocational skills in the GMS;
- facilitating safe labor migration within the subregion, including upgrading labor migration management systems, enhancing social protection for migrant workers, and improving labor market information systems;
- supporting communicable disease control (including HIV/AIDS, malaria, and dengue) in the subregion and improving food and drug safety;
- enhancing regional cooperation for social development, including strengthening subregional cooperation in anti-human-trafficking activities, improving the capacity of vulnerable groups including women, and conducting research on the social impacts of increased subregional connectivity; and enhancing the sense of community in GMS youth; and
- strengthening regional institutional links and mechanisms for HRD cooperation in the GMS.

It will be important to further prioritize initiatives in each of these areas. Labor migration may

deserve greater attention in the light of expected regional developments. The future directions of the Phnom Penh Plan and the GMS Program's overall capacity building programs will also need careful review.

Given the multisector nature of subregional cooperation in HRD, the institutional arrangements, structure, and operations of the GMS Working Group on Human Resource Development will continue to be reviewed and strengthened at the

subregional, subsector, and national levels. In addition, strategic partners in the HRD program, which are critical to the GMS Program's overall success—including international, regional, and subregional organizations; bilateral donors; nongovernment organizations; and GMS universities and research institutes—will be encouraged to become more engaged. The working group is expected to meet more regularly (probably on an annual basis) and is considering organizing subgroups on a less formal and more task-driven basis.



# Implementing the Strategic Framework

There will be no fundamental change in the organization of the GMS Program or its implementation arrangements; but GMS countries would like to see continued improvements in areas such as capacity building (particularly for Cambodia, the Lao PDR, Myanmar, and Viet Nam); coordination with other regional organizations; participation of all concerned stakeholders; and monitoring and evaluation.

## Resource Mobilization

The close links of the GMS Program to resource mobilization will continue to be important for its overall success. A good understanding of resource availability will also help in the prioritization and sequencing of future investments and other activities. During the next 10 years, the relative share of investments in road infrastructure will diminish with the completion of the major transport corridors; but some investments in roads will still be important—particularly in Myanmar and in secondary roads. In addition, there will be a continued need for major investments in the energy and, possibly, telecommunications. There may also be major new investments in railways and the hardware dimensions of other sector programs in the context of GMS corridors development.

The financial resource needs of the program will therefore remain very large. A detailed investment pipeline to implement the strategic frame-

work, including second-generation investment projects,<sup>9</sup> will be formulated based on a regional planning exercise which will begin in 2012. The pipeline will be provided as a detachable supplement to the strategic framework, and will be updated at suitable intervals over the next decade. The supplementary annex to this report provides an interim indicative baseline investment program for the GMS, associated financing requirements, and, where available, potential sources of finance.

Resource mobilization efforts will need to be stepped up to meet the financing needs of the program over the next decade. In addition to continued support from ADB and the GMS countries themselves (particularly the more developed GMS countries), the program should look to other development partners for greater financial support. The GMS Program recognizes the importance of accessing some of the newer and specialized global funds, including those concerned with climate change. The program will also need to tap private sources of financing more effectively, and review various possible mechanisms, including guarantees. The public-private partnership (PPP) modality, which is already being developed in some of the member countries, may be viable during the next decade in other countries. Each GMS country will be expected to play an active role in project development and private sector resource mobilization. ADB's Private Sector Operations Department is also expected to play a larger role.

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<sup>9</sup> Multisector and sector investments in areas like urban development, logistics, industrial parks, secondary roads, and rural development, that will build on transport arteries developed by first generation investments.

## Knowledge Platform

In the coming years, the GMS Program will move increasingly into more complex software and second-generation issues where high-quality analytic work and effective discussion and consensus building around its results will be critical. Issues to be addressed could include (i) identifying the relative costs and benefits to member countries from integration through transport and trade facilitation; (ii) addressing the complex interlinkage between energy, agriculture and food security, and the environment; and (iii) the role of improved labor market flexibility, including migration, in the future integration of the GMS. To address such issues, a knowledge platform needs to be established as an integral part of the GMS Program and the necessary resources mobilized to undertake critical knowledge activities. In developing such a platform, the program will work closely with the Greater Mekong Subregion Academic and Research Network and other institutions and think tanks involved in work relating to the GMS.

## Strategic Alliances and Partnerships

The GMS countries are committed to ensuring that the program develops stronger linkages with other regional initiatives. The relationship of the program to ASEAN and ASEAN+3 is of particular importance because of the GMS Program's potential to help drive some of the broader objectives related to ASEAN integration and the formation of an ASEAN economic community. The relationship of the program to the Mekong River Commission will also be of increasing importance as many of the initiatives supported by the GMS Program have substantial implications for management of the Mekong River and other aspects of water resource management. The GMS Program will also need to work closely with many other subregional organizations and initiatives, including Central

Asia Regional Economic Cooperation (CAREC, on the transport and trade agenda); the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC); the Indonesia–Malaysia–Thailand Growth Triangle (IMT-GT, on broader connectivity issues); the Southeast Asian Ministers of Education Organization (SEAMEO, on higher education); and the Ayeyawady–Chao Phrya–Mekong Economic Cooperation Strategy (ACMECS).

## Capacity Building

The GMS Program will maintain its focus on capacity building, particularly for the lower-income member countries. In addition to enhancing the Phnom Penh Plan for Development Management, which is a major capacity building effort, capacity building will continue to be a major component of most sector initiatives.<sup>10</sup> The program will also work closely with the Mekong Institute and other organizations involved in capacity building for GMS regional development.

The Phnom Penh Plan will seek innovative strategies for capacity development of GMS civil servants to contribute to the implementation of the new GMS Strategic Framework. It will continue to offer learning programs focused on leadership for regional cooperation and development. The quality and depth of the learning programs will be improved with new partnership modalities; training of trainers; learning materials development (case studies, multimedia materials, manuals, and tool kits); and blending learning formats. The program will organize more learning programs along the GMS economic corridors to give government officials hands-on experience of the challenges and development opportunities in the subregion. The program will continue efforts to better integrate with other GMS Program activities and sector working groups to influence and support their work programs and strategies. The Phnom Penh Plan's monitoring and evaluation systems will be further improved to ensure that the envisaged results are achieved.

<sup>10</sup> The Transport and Trade Facilitation Program, for example, has an important capacity building component which will focus, among other things, on training government officials responsible for providing services at border posts.

## Engagement with the Private Sector and Other Stakeholders

The GMS Program has always recognized the critical role of the private sector as an engine of GMS development and understood the need for its perspectives and concerns to be well integrated into all of the program's initiatives. The program needs to become more effective at raising private sector resources for major infrastructure and other development projects, and developing PPPs for infrastructure development. In addition, it will be important that the GMS Business Forum expands its sector representation and is used more effectively to ensure that private sector perspectives are well reflected in the deliberations of all the GMS sector forums and working groups, and that government officials are able to obtain a more thorough understanding of the evolving requirements of the business sector. The GMS Business Forum will also be expected to play an important role in promoting PPPs and encouraging the development of small and medium-sized enterprises (SMEs).

The program also needs do more to make contact with other concerned stakeholders. Information on the program needs to be disseminated more widely, including using local languages. It also needs to continue to pursue consultative mechanisms in the design, implementation, and monitoring of GMS projects.

## Monitoring and Evaluation

The importance of good monitoring and evaluation has never been in dispute as the GMS Program has evolved, but neither has it been pursued with the seriousness and intensity of effort required. ADB monitors and evaluates the GMS investment and technical assistance projects it supports and its Independent Evaluation Department has also carried out some more general evaluations of work in specific sectors and of the effectiveness of the program as a whole. Although these are very valuable inputs, they are not a substitute for a strong GMS monitoring and evaluation system. It is already apparent that the absence of good

information and effective use of that information in monitoring and evaluating GMS initiatives is limiting the effectiveness of those initiatives. This constraint will be amplified in the future as the program moves into more complex second-generation and software issues.

Responding to these concerns, the new GMS Strategic Framework focuses more specifically on the results expected from each sector initiative and the program as a whole. Results matrices will be carefully monitored by the relevant sector working groups and senior GMS officials, and by the GMS ministers themselves when appropriate. The monitoring and evaluation process for the strategic framework will complement and reinforce the monitoring and evaluation arrangements for the different GMS sectors of cooperation which are already embedded in various sector strategies and road maps.

## Evolution of Sector Forums and Working Groups

The GMS countries believe that fine-tuning, rather than a major overhaul of GMS institutional arrangements, is the correct approach. Recently, most of the GMS forums and working groups have taken steps to sharpen the focus of their work and make their activities more effective, including further prioritization of planned projects and preparation of strategies and work plans to guide their activities. Some have been restructured in line with the new strategies (e.g., the GMS Working Group on Human Resource Development). Others may need restructuring once new strategies and work plans have been finalized. It will also be important to give further consideration to the merits of establishing separate secretariats for the forums and working groups, as is now the case for the Tourism Working Group and the Working Group on Environment. The experience of these groups could be evaluated as an input to considering appropriate arrangements for other forums and working groups.

In the medium and long term, it is likely that the institutional structure for each of the forums

and working groups will evolve in very different ways, depending on the nature and requirements of the issues pursued. For some of the programs it is already clear that major institutional change will be necessary. In the case of the power sector, for example, the transition to an integrated power market will require the establishment of a GMS regional power coordination center, among other things. For other programs less major change may be necessary. At some point more in-depth work on the longer-term evolution of the sector forums and working groups and the GMS organization as a whole (including the national GMS secretariats, the GMS ministerial meetings, and the GMS Summit of Leaders) will be needed. It will also be useful to consider other institutional mechanisms to ensure that the GMS Program is responsive to changing global and regional developments and continuously improves its performance. For example, a high-level board of

advisors could be formed to periodically review the program and advise member countries on areas for improvement.

## Role of External Partners

GMS countries have requested that ADB retain its secretariat role in the context of the new GMS Strategic Framework and enhance it with respect to analytic work and supporting member countries in developing a consensus on some of the more complex and challenging issues in which the program is likely to be engaged in the coming years. Member countries are also requesting other external partners to be actively involved in the program as financiers, providers of technical assistance, and knowledge partners, and in seeking innovative ways to strengthen their contribution to the vision of the GMS.

# Annex: Summary GMS Program Results Framework

The Greater Mekong Subregion (GMS) Program has long recognized the importance of good monitoring and evaluation. The member countries also agree that more efforts will be needed to better understand the impacts and outcomes of regional cooperation initiatives. With the shift in the program toward greater complexity, both due to multisector investment projects and the policy and institutional reforms related to software issues, there is need to enhance the seriousness and intensity of efforts for good-quality monitoring and evaluation.

In this context, the new GMS Strategic Framework focuses much more specifically on the results to be expected from each of the sector initiatives and the program as a whole. To strengthen the results focus of the program and enhance monitoring and evaluation, a common framework has been developed for each of the priorities of the new GMS Strategic Framework and associated program that links the various sector forums and working groups with specific interventions. These interventions are, in turn, connected to sector results (outputs and outcomes), and ultimately to improvements in regional outcomes and impacts. The framework has five levels:

- **Level 1—GMS Bodies.** Level 1 lists the various GMS bodies and institutions that are active in the various sectors. The framework starts at this level and sets out the structure that supports the implementation of the program's results focus.
- **Level 2—GMS Interventions.** Level 2 is intended to capture the interventions that will be undertaken to achieve the expected results. The interventions include strategies,

studies, and analytic work; policy changes; projects; and institutional changes. The interventions listed are more generic in nature, as is appropriate for the summary results framework of a strategic framework. This is not an exhaustive list of all planned interventions but rather an articulation of the intended foci of any number of interventions. However, specific flagship projects or interventions may be listed in Level 2 of the more detailed sector-level results frameworks to be developed later. Indicators at this level will include measurement of the GMS portfolio of projects in the sector concerned.

- **Level 3—Sector Outputs.** Level 3 captures the changes at the sector level in terms of the systems and infrastructure that will be improved, expanded, or enhanced over time. Sector outputs are the desired changes in systems and infrastructure brought about by the GMS interventions. These occur within the sectors of the different GMS countries, for example road and rail infrastructure and systems. Indicators at this level measure the amount of infrastructure or the nature of the systems, for example the length of roads connecting countries.
- **Level 4—Sector Outcomes.** Level 4 articulates the changes that are desired in terms of sector outcomes. Sector outcomes are defined as the use of sector outputs by beneficiaries or clients. For example, this would include the use of road and rail infrastructure to transport people and goods across borders. Indicators at this level would measure the amount of cross-border freight, for example.

- **Level 5—Regional Impacts.** Level 5 includes the “end” or “final” impacts that are desired at the level of the subregion. Indicators at this level can be country-level indicators aggregated to the regional level.

The Summary Program Results Framework based on the five levels is provided in the Summary GMS Program Results Framework on the next page. This framework will be applied for each of the sector and multisector initiatives in parallel with a regional planning exercise that will identify the prioritized investment framework and pipeline of investment

projects. All concerned stakeholders, particularly the sector working groups, will finalize an agreed set of indicators and targets for their respective results matrix. The results matrices will be carefully monitored by the relevant sector working groups as well as by the GMS senior officials and, as and when appropriate, by the GMS ministers themselves. The monitoring and evaluation process for the strategic framework will complement and reinforce the monitoring and evaluation arrangements for the different GMS sectors of cooperation which are already embedded in various sector strategies and road maps.

## Summary GMS Program Results Framework

<b>Regional Impacts</b>	Increased economic growth, reduced poverty, and environmental sustainability across the GMS						
<b>Sector Outcomes</b>	Increased cross-border flows: investment, traffic, labor migration, with reduced human trafficking		Increased use of energy by all sectors and communities, particularly the poor	Increased access to information and communications	Increased tourism with reduced negative impacts	Increased sustainable agricultural production	Increased conservation of nature
<b>Sector Outputs</b>	Economic corridors established  All GMS countries connected to a GMS rail network	Enhanced labor migration management systems and social protection for migrant workers	Increased generation of energy from indigenous, low carbon, and renewable sources  Increased connection of GMS country power systems and functioning of regional power market	Improved tele-communication linkages among GMS countries	Improved tourism infrastructure (pro-poor, pro-women, and environmentally friendly)	Science-based regional safety standards operational  Increased resilience of agriculture to climate change	Strengthened protected area networks
<b>GMS Interventions</b>	Promotion of development of economic corridors and trade facilitation institutions  Subregional transport infrastructure and systems planning	Promotion of regional cooperation in education and skills development  Support for communicable disease control and HIV and AIDS prevention	Promotion of environmentally sustainable regional power trade planning  Promotion of environmentally friendly oil and natural gas logistics and network	Capacity building and promotion of information and communication technology, especially for rural dwellers	Capacity building and training of government officials, and tourism and hospitality enterprises  Upgrading of tourism training facilities	Drafting of science-based harmonized good agricultural practices and food safety standards  Regional sustainable biofuel and biomass policy implemented	Strengthening Working Group on Environment and national support units  Environment Operations Center functions as GMS environmental referral and service center
<b>GMS Bodies</b>	Subregional Transport Forum	Economic Corridors Forum	Working Group on Human Resource Development	Subregional Energy Forum	Subregional Tele-communications Forum	Tourism Working Group	Working Group on Agriculture  Working Group on Environment

GMS = Greater Mekong Subregion.  
Source: ADB.

## The Greater Mekong Subregion Economic Cooperation Program Strategic Framework 2012–2022

The Greater Mekong Subregion (GMS) Economic Cooperation Program will begin its third decade in 2012. Since its inception, the program has achieved noteworthy successes in fostering cooperation in a region that, at the commencement of the program, was emerging from a period of prolonged conflict. The program has built a reputation as a flexible, results-oriented, project-delivering vehicle for promoting regional cooperation and contributing to economic growth and poverty reduction as well as to the provision of regional public goods.

Increased recognition of the benefits of regional cooperation is manifested in the evolution of regionalism both in Asia and more broadly. New institutions have emerged while others have become more vigorous. Within this context of evolving regionalism, the GMS Program remains highly relevant. The start of a new decade is an opportune time for the GMS Program to assess its achievements and develop this new strategic framework for 2012–2022.

The new strategic framework builds on the substantial progress the program has made and the likely global and regional trends. It also builds on the commitment that member countries have made in their national development plans to the promotion of regional integration, and will guide the efforts of member countries to steer the program during the new decade to the next level in terms of results.

### About the Asian Development Bank

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to two-thirds of the world's poor: 1.8 billion people who live on less than \$2 a day, with 903 million struggling on less than \$1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

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ISBN: 978-92-9092-500-2  
Publication Stock No. RPT114164

