

**Greater Mekong Subregion** 

**Economic Cooperation Program** 





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More information on the GMS Program is available at www.adb.org/gms/

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# **The GMS Program**

he Greater Mekong Subregion (GMS) is made up of Cambodia, the People's Republic of China (PRC, specifically Yunnan Province and Guangxi Zhuang Autonomous Region), the Lao People's Democratic Republic (Lao PDR), Myanmar, Thailand, and Viet Nam. The GMS is a natural economic area bound together by the Mekong River, with an area of 2.6 million square kilometers and a combined population of about 326 million.

In 1992, with assistance from the Asian Development Bank (ADB) and building on their shared histories and cultures, the six countries of the GMS launched a program of subregional economic cooperation—the GMS Program—to enhance their economic relations, covering nine priority sectors: agriculture, energy, environment, human resource development, investment, telecommunications, tourism, transport infrastructure, and transport and trade facilitation.

The GMS Program, with the support of ADB and other development partners, is helping the participating countries achieve the Millennium Development Goals through increased connectivity, improved competitiveness, and a greater sense of community (the three Cs).

**Connectivity** is being achieved through the development of subregional transport infrastructure, particularly transport corridors, power interconnection systems, and telecommunications backbone network.

**Competitiveness** is being facilitated through increased connectivity, transport and trade facilitation and the development

of logistics systems, regional power trade, harnessing of information and communication technology (ICT), expansion of cross-border agricultural trade, and the promotion of the GMS as a single tourism destination. The GMS countries have ratified a landmark agreement to facilitate the cross-border movement of goods and people, which is being implemented on a pilot basis at key border crossings, and is being prepared for full implementation in the GMS corridors.

A sense of **community** is being fostered as the GMS countries jointly address shared social and environmental concerns, such as the prevention and control of communicable diseases, and the protection of the subregion's rich biodiversity and ecosystems.

Implementation of the GMS program is monitored through the Vientiane Plan of Action, which was adopted by the GMS leaders at the Third Summit in Vientiane, Lao PDR, in March 2008. Projects and activities under the plan of action include the completion of key sections of the GMS road corridors; accelerated implementation of the Core Environment Program-Biodiversity Conservation Corridors Initiative (CEP-BCI); strengthened agricultural cooperation through the Core Agriculture Support Program (CASP); joint tourism marketing, promotion, and development; and more focused strategic directions and priorities for human resource development, including capacity building for GMS officials under the Phnom Penh Plan for Development Management.

By the end of 2011, ADB had extended loans and grants totaling \$5.1 billion for

56 investment projects with a total project cost of \$15.0 billion. The projects involved subregional roads, airport and railway improvements, hydropower for cross-border power supply, tourism infrastructure, urban development, and communicable disease control. GMS governments have provided about \$4.3 billion for these projects and development partners have funded about \$5.6 billion. In addition, ADB supported 177 technical assistance projects with a total cost of \$286.1 million for project preparation, capacity development, economic and sector work, and coordination and secretariat assistance.

Future Directions. The GMS countries, with the assistance of ADB, have prepared a new strategic framework for 2012–2022. This was endorsed at the Fourth GMS Summit in Myanmar in December 2011. The new GMS Strategic Framework is anchored on the corridor-development approach and embodies a generational shift in the nature, direction, and scope of the GMS Program as it enters a new decade. The next generation of investment programs will comprise multisector physical infrastructure investments, including urban development, as well as

rural and integrated area development along the corridors. This entails more investments in urban services, such as sanitation; rebalancing in transport, with an emphasis on feeder roads and multimodal transport, including railways; technologically smart investments in energy and telecommunications; and green technologies. The secondgeneration initiatives also include greater emphasis on policy and institutional reforms ("software") to use more effectively existing and future infrastructure through progress in areas related to transport and trade facilitation, development of the regional power market, single-destination tourism, sustainable natural resource management, and the development and improved use of human resources. The new GMS Strategic Framework also involves an increased role for knowledge management and partnerships for effective implementation of the more complex cooperation agenda in the next phase of the maturing GMS Program. All aspects of the new GMS Strategic Framework and Program will require increased resources, and hence greater engagement with the private sector and development partners.

# Institutional Arrangements

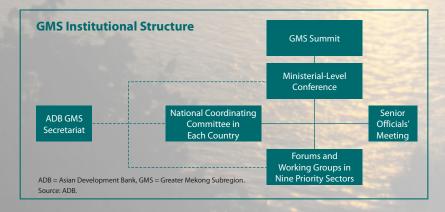
he GMS is managed by an institutional mechanism involving both the political and operational levels of the six GMS member governments.

**Development Partners in the GMS.** The GMS Program has forged new and innovative partnerships and project financing arrangements. Significant progress has been made on priority projects with the support of development partners. Bilateral donors include the governments of Australia, the PRC, Denmark, Finland, France, Germany, Japan, the Republic of Korea, the Netherlands, New Zealand, Spain, Sweden, Switzerland, the United Kingdom, and the United States. Among the multilateral partners are ADB; the European Commission: the European Investment Bank; the Food and Agriculture Organization of the United Nations; the International Fund for Agricultural Development; the International Labour Organization; the International Organization for Migration; the Nordic Development Fund; the OPEC Fund for International Development; the United Nations Development

Programme; the United Nations
Environment Programme; the United
Nations Economic and Social Commission
for Asia and the Pacific (UNESCAP); the
United Nations Educational, Scientific and
Cultural Organization; the World Bank; and
the World Health Organization.

**ADB's Role**. ADB plays a multifaceted role in the GMS Program as

- financier, providing financing and assistance to the GMS countries;
- provider of technical and advisory support for many activities under the GMS Program;
- secretariat and coordinator of the GMS Program;
- honest broker, supporting subregional dialogue at the political and operational levels, and among stakeholders of the GMS Program; and
- catalyst, by bringing together the different participants in the GMS Program and helping them reach consensus on key issues.



# **Program Sectors**

The GMS Program has nine priority sectors of cooperation:

### **Agriculture**

The GMS countries recognize agriculture's important links with other sectors and areas of cooperation in the GMS Program and view it as a key area for poverty reduction. The second phase of the Core Agriculture Support Program (CASP II), covering 2011–2015, was endorsed by the 16th GMS Ministerial Conference held on 19–20 August 2010 in Ha Noi, Viet Nam.

CASP II takes into account emerging issues and opportunities in agricultural development, including global concerns relating to food safety, the effects of climate change on food security, rising energy costs, and competitiveness of GMS agri-food products, and changing market demand and the rise of ethical consumerism.

CASP II envisions that the GMS will be recognized as the leading producer of safe food grown using climate-friendly practices and integrated into global markets through regional economic corridors. The core strategy of CASP II is built on three pillars: (i) building global competitiveness by promoting food safety and modernizing agricultural trade;

(ii) promoting climate-friendly agriculture and natural resource management; and (iii) promoting agriculture as a leader in providing rural renewable energy and supporting eco-friendly cross-border supply chains. The strategy and its pillars are based on a foundation that includes agricultural research and technology focused on climate-friendly agricultural development, private sector involvement to ensure sustainability, and institutional mechanisms for regional cooperation.

### **Energy**

GMS cooperation in energy primarily aims to establish a competitive and integrated regional power market that will exploit, in a sustainable manner the rich energy resources of the GMS, improving the subregion's energy security and enhancing the peoples' access to modern and affordable energy supplies, thereby helping realize the GMS countries' poverty reduction and economic development goals.

Initially, cooperation focused on the development of the regional power trade, which can help reduce investment costs, stabilize power supplies, and lower tariffs. Two major approaches were pursued: developing a policy and institutional framework for the power



trade, and adopting a master plan for grid interconnections. The Regional Power Trade Coordination Committee was created in 2004, and it set up working groups to handle specific tasks in 2006. Given the differences in the GMS countries' regulatory frameworks and transmission facilities, the GMS power market is expected to evolve in stages, from cooperation in harmonizing power systems development, to appropriate regulation of a more competitive GMS power market. A regional power coordination center will be established to oversee the GMS power market's changing needs.

The GMS countries are also looking to expand cooperation in other energy subsectors, such as energy efficiency, renewable energy, gas, and coal, to secure supplies, keep costs down, and reap economic benefits. ADB's study of various scenarios for the subregion's energy mix was the basis for the road map for expanding GMS energy cooperation. The road map has been adopted by the GMS countries and is being implemented with an initial emphasis on promoting renewable energy and energy efficiency and enhancing the environmental sustainability of regional energy plans and programs.

### **Environment**

The GMS faces a growing need for cooperation in providing environmental public goods because the subregion's ecosystems are increasingly at risk from

development. The natural and economic interdependencies of the GMS countries make it vital to cooperate in managing shared natural resources.

The GMS response has been to adopt the Core Environment Program (CEP), which focuses on (i) ensuring the environmental sustainability of the GMS Program's sector and economic corridor strategies, (ii) institutionalizing environmental performance assessment practices, and (iii) carrying out the Biodiversity Conservation Corridors Initiative (BCI). Under the initial phase of the CEP-BCI (2006-2011), nine conservation landscapes have been identified and, within each one, sustainable management regimes are being set up to restore ecosystem connectivity, conserve biodiversity, improve and sustain livelihoods, and protect infrastructure investments. The next phase (2012–2016) of the CEP-BCI will work toward better integration of biodiversity conservation, climate change, and rural development in GMS development and investment plans, and the scaling up of GMS capacities for environmental planning, monitoring, reporting, and management.

# Human Resource Development

A GMS human resource development (HRD) strategy and action plan has been developed to provide the framework for GMS cooperation in areas including health, education, labor and migration, and social





development. The objectives of the strategy are to (i) support HRD initiatives that directly facilitate the process of subregional cooperation and integration (e.g., managing labor migration, and harmonizing national HRD regulations and standards to facilitate the portability of educational skills and training qualifications); and (ii) address cross-border HRD issues directly linked to GMS integration (e.g., cross-border transmission of communicable diseases, and human trafficking).

Current initiatives include (i) preventing and controlling the transborder spread of communicable diseases, (ii) preventing and mitigating the spread of HIV/AIDS in infrastructure development, (iii) preventing human trafficking and promoting safe migration, (iv) developing and piloting a framework for mutual recognition of technical and vocational skills, and (v) enhancing the capacity of GMS officials in development planning and management through the Phnom Penh

Plan for Development Management. This plan responds to the need to develop a critical mass of middle- and senior-level managers in the public sector.

### Investment

Mobilizing resources from development partners and the private sector remains a key priority for the GMS Program on investment. Investment promotion is also an area of focus of the Economic Corridors Forum, whose fourth meeting will be in 2012.

Under the GMS Program, the national chambers of commerce of the six member countries, aided by ADB and UNESCAP, set up the GMS Business Forum, a multi-country, independent nongovernment organization tasked with strengthening private sector participation in GMS development. The forum promotes networking for the GMS private sector and provides a channel for public–private dialogue on policy issues. It has organized various conferences and provides useful facilities and services, such as a website and an investment handbook.

### **Telecommunications**

The GMS Program foresees enhanced telecommunication linkages that will ease the flow of and access to information, as well as lower the costs of transacting business.

Under the GMS Information Superhighway Network (ISN) initiative, the GMS Telecom Backbone Network, which consists of interconnected fiber-optic cable loops, is being transformed into a broadband platform for voice, data, and internet services linking all six GMS countries. Phase I of the ISN, comprising national network interconnections through point-to-point cross-border links, was completed

in 2008. The succeeding phases will focus on completing the ring network and laying the foundation for integrated ICT services and applications for development and poverty reduction.

### **Tourism**

The GMS Tourism Sector Strategy aims to develop and promote the GMS as a single destination. The strategy is built on the principles of sustainable tourism development, which require developments to be economically viable, ecologically sound, and have minimal negative social impacts on local communities.

A revised spatial strategy and road map for 2011–2015 was endorsed by the Third GMS Tourism Ministers' Meeting in January 2011. This focuses on the development of multi-country tour circuits along the GMS economic corridors and the Mekong River tourism corridor. Priority programs include tourism-related HRD, subregional marketing and product development, and pro-poor tourism.







### **Transport Infrastructure**

GMS Program cooperation in transport aims to develop the priority transport corridors critical to linking the subregion together and to enhance transport links to population centers, tourist destinations, and markets (see box). This will promote trade, tourism, and investment. The main achievement in the sector has been the emergence of transport corridors linking the subregion, which form the base for the economic corridors that are being developed:

- The North–South Economic Corridor, with its three subcorridors: Kunming– Bangkok via Lao PDR or Myanmar; Kunming–Ha Noi–Hai Phong; and Nanning–Ha Noi. The corridor is virtually complete, except for a bridge between Lao PDR and Thailand, which is under construction.
- The East–West Economic Corridor, the only direct and continuous land route between the Indian Ocean

- (Andaman Sea) and the South China Sea, completed in 2006.
- the Southern Economic Corridor that includes the Phnom Penh–Ho Chi Minh City Highway Project, completed in 2005.

Other transport projects include upgrading inland water navigation systems, seaports, and railway networks. These transport initiatives have helped cut transport costs and travel times, which have greatly improved confidence that the subregion is on its way to becoming an effective and efficient trade link for Asia.

The GMS Transport Sector Strategy for 2006–2015 provides the framework for developing future multimodal linkages between emerging production centers and demand centers, and potential links between the GMS and other regions. In addition, the Strategic Framework for Connecting GMS Railways, endorsed by the 16th GMS Ministerial Conference.

### **Development of GMS Economic Corridors**

The Greater Mekong Subregion (GMS) Transport Sector Strategy (2006–2015) identified nine road corridors that will form the subregion's network of transport links. They form the base for the development of "economic corridors," which integrates infrastructure development with the trade, investment, and other economic potentials of a set of specific geographical areas, while at the same time undertaking efforts to address social, environmental, and other potentially adverse impacts of increased connectivity.

Of the identified transport corridors, those that form the base of the three major GMS economic corridors have been substantially completed, namely, the North–South, the East–West, and the Southern economic corridors.

The countries of the GMS have formed the Economic Corridors Forum to bolster efforts in transforming GMS transport corridors into economic corridors. The forum is designed to enhance collaboration among areas along the corridors and among GMS sector working groups, and will act as a single body focusing on economic corridor development. This will help improve interaction between the public and private sectors, and one between central and local governments.



is a significant first step toward establishing subregional connectivity with a more environment-friendly mode of transport.

### Transport and Trade Facilitation

The smooth movement of people and goods in the GMS is vital to ensuring both maximum benefits from subregional investments in physical infrastructure and the subregion's overall competitiveness. Toward this end, the GMS countries approved, in 2010, the comprehensive medium-term Program of Actions for Transport and Trade Facilitation (TTF). The program of actions encompasses (i) transport facilitation through enhanced exchange and implementation of traffic rights, improved custom transit systems, and the strengthening of road transport industry in the subregion; and (ii) trade facilitation through enhancing coordinated border management, improving the

sanitary and phytosanitary regime in GMS trade, and developing the logistics sector.

The program of actions was developed based on a series of diagnostic and analytical assessments, including extensive consultations with GMS member countries undertaken since 2008. The program was endorsed by the 16th GMS Ministerial Conference.

An important component of TTF initiatives is the Cross-Border Transport Agreement (CBTA) between the member countries. Implementation of the CBTA has been initiated at selected pilot border crossing points in the subregion. The CBTA provides a practical approach to streamlining regulations and reducing nonphysical barriers in the GMS. It seeks to simplify inspection procedures and visa formalities, promote exemptions from inspection of goods in transit, and enhance the exchange of traffic rights so that vehicles in one country can operate in the neighboring country.



# **Recent Developments**

Strategic Framework and Action Plan for Human Resource Development in the GMS, 2009–2012. Implementation of the action plan is now on its final year. Several priority projects are under way in the areas of cooperation—health, labor and migration, education, and social development. There are plans to prepare a new plan of action for 2013–2018, which would emphasize a more program-based (as opposed to project-based) approach and complementarity with other regional programs, e.g., that of the Association of Southeast Asian Nations.

Strategic Framework for Connecting GMS Railways. This strategic framework is the result of the GMS Railway Strategy Study undertaken in 2009 with support from an ADB regional technical assistance project. The project responded to the call by the Third GMS Summit and the GMS Subregional Transport Forum for an assessment of the GMS railways in the light of important considerations, such as climate change, rising fuel prices, and the role of railways in promoting intermodal transport networks. It is a significant first step toward the development of an integrated GMS railway system.

Program of Actions for Transport and Trade Facilitation. The program of actions has been completed, and is embodied in the document entitled, Transport and Trade Facilitation in the GMS: Issues and Proposed Program of Actions. Following endorsement by the 16th GMS Ministerial Conference, ADB approved, in November 2010, a multiyear, regional cluster technical assistance project with funding from the Australian Agency for International Development to support the implementation of the program until 2015. Implementation of the first cluster subproject is ongoing.

Separately, in 2010, the Government of Japan announced a \$25 million initiative to support

trade facilitation in Asia. Implementation of the initiative is being piloted through a technical assistance project for trade facilitation in the GMS that is currently under preparation.

The 17th GMS Ministerial Conference. At the 17th GMS Ministerial Conference, held in Phnom Penh, Cambodia, on 2-4 August 2011, the ministers expressed strong support for the new GMS Strategic Framework, 2012-2022, to guide GMS cooperation in the next decade. The conference, which was themed "Building on Success: Expanding GMS Cooperation for New Opportunities," focused on the new GMS Strategic Framework, which is expected to usher the GMS Program into a second generation of initiatives, oriented toward the development of GMS economic corridors. The GMS ministers also explored approaches to enhancing implementation of the new framework, including preparation of a regional master plan for the GMS. The Development Partners' Meeting, a component event of the conference held on 3 August, provided an opportunity for partners to discuss the new GMS Strategic Framework and explore ways to support its effective implementation. The meeting also explored several modalities to help enhance knowledge management and build the capacity of the GMS countries, as well as resource mobilization to fund GMS knowledge work and institutional mechanisms for managing the knowledge platform.

The Fourth GMS Summit. In Nay Pyi Taw, Myanmar, on 19–20 December 2011, the Fourth GMS Summit, themed "Beyond 2012: Towards a New Decade of GMS Strategic Development Partnership," endorsed the new GMS Strategic Framework, 2012–2022, and various sector outputs, including the refocused Tourism Sector Strategy, CASP II, Phase II of the CEP–BCI, a new agreement for accelerating cooperation in constructing the ISN, and various outputs under the TTF. Component activities of the

summit included a business and investment conference, the signing of various memorandums of understanding, presentation ceremonies, and a closed-door retreat of the GMS leaders along with the ADB President.

## Initiatives Endorsed by the Fourth GMS Summit

The New GMS Strategic Framework for 2012–2022. At the Summit Retreat on 20 December 2011, the GMS leaders discussed the nature and extent of commitment and support that each country can provide for the effective implementation of the new GMS Strategic Framework, focusing particularly on resource mobilization and ways to engage subnational public and private stakeholders.

A substantial regional investment program aligned to priorities of the new GMS Strategic Framework would need to be developed. This will comprise the pipeline of specific, well-planned, and analyzed second-generation investments under the GMS Program.

Refocused Tourism Sector Strategy. This was based on a midterm review of the GMS Tourism Sector Strategy undertaken in 2010 with ADB assistance, which recommended improving implementation of the strategic programs and projects at the subregional and country levels, enhancing the capacity and effectiveness of the Mekong Tourism Coordinating Office to mobilize resources, and updating the strategy and road map for 2011–2015. The findings and recommendations of the midterm review were endorsed at the Third GMS Tourism Ministers' Meeting, held on 16–17 January 2011 in Phnom Penh, Cambodia, and further endorsed by the Fourth GMS Summit.

CEP-BCI Phase II Strategy and Program Framework. The Third GMS Environment Ministers' Meeting in July 2011 agreed to submit the CEP-BCI Phase II (2012–2016) for endorsement by the Fourth GMS Summit. It is intended to strengthen environmental

management and climate-friendly measures to improve the performance of GMS economic corridors and reduce the pressure on conservation landscapes. Performance targets include (i) strengthened development planning systems, methods, and safeguards; (ii) improved management of conservation landscapes for sustainable livelihoods; (iii) enhanced climate resilience and developed low-carbon strategies; and (iv) strengthened institutions and sustainable financing for environmental management.

**CASP II, 2011–2015.** The strategic directions outlined for the agriculture sector in the CASP II have served as inputs into the development of the new long-term GMS Strategic Framework. These include addressing emerging challenges to agricultural development, particularly in expanding cross-border trade in agri-food products, climate change adaptation, and food and bioenergy security. ADB is working with other development partners to provide cofinancing and technical assistance support to implement priority CASP II initiatives. The new vision and strategy embodied in the CASP II were endorsed by the Fourth GMS Summit.

Memorandum of Understanding on the Joint Cooperation in Further Accelerating the Construction of the Information Superhighway and its Application in the **GMS.** This memorandum of understanding will bring GMS cooperation in ISN development to the next level, extending the operation of the ISN working groups to focus on promoting ICT application services using the ISN, with special emphasis on piloting e-applications for cross-border and regional projects (e.g., e-commerce and e-government) and piloting rural ICT applications (e.g., education and health care). Following review by the First GMS ICT Ministers' Meeting held in Xian, PRC, in June 2011, the memorandum of understanding was signed at the Fourth Summit in December 2011. The ICT

Ministers' Meeting also adopted the GMS ICT Development Strategy Framework, which outlines priority areas for cooperation, such as strengthened ICT infrastructure development, the promotion of ICT applications and rural ICT projects, and the application of green ICT technology.

Memorandum of Understanding for Joint Action to Reduce HIV Vulnerability Related to Population Movement. Signed at the Fourth GMS Summit, it serves as an enabling framework for regional action and strengthened collaboration in building regional capacity to reduce HIV vulnerability among migrants and mobile population.

Memorandum of Agreement on the
Establishment of the Freight Transporters
Association. Representatives of the GMS
Business Forum signed an agreement to
establish the GMS Freight Transporters
Association (FRETA). The FRETA will provide
a unified platform for trade, transport, and
logistics companies to work together with the
governments of the subregion to enhance TTF.

# The GMS Program's Catalytic Role in Resource Mobilization

Mekong Development Forum. The Mekong Development Forum held in Seoul, Republic of Korea, in September 2010 showcased the GMS to the Korean public and private sectors as a rapidly integrating, increasingly prosperous, and globally competitive subregion. It also explored areas of cooperation and partnership opportunities in priority projects in the GMS, such as (i) transport infrastructure and trade facilitation in line with GMS economic corridor development and the transformation of these transport corridors to economic corridors, (ii) environment programs to help the GMS countries proactively respond to the threat of climate change, (iii) clean energy, and (iv) ICT.

Other related activities include ADB's Southeast Asia Department (SERD)–Australian

Agency for International Development meeting held in November 2010 and the SERD–Japan International Cooperation Agency–World Bank retreat held in July 2011.

# **Emphasis on Economic Corridor Development**

Symposium for Developing the Southern Economic Corridor. The symposium with the theme "synergizing private sector dynamism and public sector planning" was held in Phnom Penh, Cambodia, in March 2011. The symposium proposed setting up a "coalition for Southern Economic Corridor development," which would bring together stakeholders to improve information exchange, coordination, networking, and implementation.

Symposium for Developing the North–South Economic Corridor. The meeting held in Kunming, Yunnan Province, PRC, in May 2011 recognized the crucial role of logistics development in promoting investment and trade in the North–South Economic Corridor.

#### The Third GMS Economic Corridors Forum.

The Third GMS Economic Corridors Forum held in Vientiane, Lao PDR, in June 2011, drew on recommendations of the corridorspecific symposia held earlier and considered such measures as strengthening coordination and networking among various sectors; developing a corridor monitoring system for TTF; improving multisector coordination along the corridors, including developing competitive cities on a sustainable basis; and enhancing participation of the private sector and provincial authorities in GMS economic corridor development. The Forum agreed on the formulation of a regional master plan to implement the new GMS Strategic Framework and requested ADB to support the preparation of the master plan, in coordination with other development partners.

#### Greater Mekong Subregion Economic Cooperation Program: Overview

The Greater Mekong Subregion (GMS) is made up of Cambodia, the People's Republic of China (PRC, specifically Yunnan Province and Guangxi Zhuang Autonomous Region), the Lao People's Democratic Republic (Lao PDR), Myanmar, Thailand, and Viet Nam. In 1992, with assistance from the Asian Development Bank (ADB) and building on their shared histories and cultures, the six countries of the GMS launched a program of subregional economic cooperation—the GMS Program—to enhance their economic relations, covering the nine priority sectors: agriculture, energy, environment, human resource development, investment, telecommunications, tourism, transport infrastructure, and transport and trade facilitation. The GMS Program, with the support of ADB and other development partners, is helping the participating countries achieve the Millennium Development Goals through increased connectivity, improved competitiveness, and a greater sense of community (the three Cs).

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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, quarantees, grants, and technical assistance.

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