



Sixteenth Meeting of the GMS Subregional Transport Forum

Nay Pyi Taw, Myanmar

24–25 October 2012

I. SUMMARY OF PROCEEDINGS

Introduction

1. The Sixteenth Meeting of the Subregional Transport Forum (STF-16) was held in Nay Pyi Taw, Republic of the Union of Myanmar, on 24–25 October 2012. The Forum was jointly organized by the Ministry of Rail Transportation (MORT) of the Republic of the Union of Myanmar and the Asian Development Bank (ADB). The objectives of the Forum were: (i) to conduct a final review of the progress of priority Greater Mekong Subregion (GMS) transport projects in the Vientiane Plan of Action (VPOA); (ii) to introduce the process for preparing the new GMS ten-year Regional Investment Framework (RIF); (iii) to discuss possible GMS transport sector initiatives under the RIF; and (iv) to explore possible GMS transport sector initiatives that can be pursued in Myanmar to strengthen connectivity with the GMS and beyond. (The Forum Program and Agenda is attached as **Appendix 1**).

2. The Forum participants included delegations from the Kingdom of Cambodia, the People's Republic of China (PRC), the Lao People's Democratic Republic (Lao PDR), the Union of Myanmar, the Kingdom of Thailand, the Socialist Republic of Viet Nam, and ADB. Representatives from various development partner organizations (Australian Agency for International Development [AusAID]; Japan International Cooperation Agency [JICA]; Neighboring Countries Economic Development Cooperation Agency [NEDA]; and United Nations Economic and Social Commission for Asia and the Pacific [UNESCAP]) also attended the Forum. The Forum's opening session was also attended by the Deputy Ministers of the Ministries of Transport, Construction, Rail Transportation, and National Planning and Economic Development of Myanmar. (The list of participants is attached as **Appendix 2**).

3. The Forum was chaired by U San Aung, Director General, Transport Planning Department, MORT, Republic of the Union of Myanmar, and co-chaired by Mr. James P. Lynch, Director, Transport and Communications Division, Southeast Asia Department (SETC), ADB.

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I. Opening Session

4. His Excellency Thura U Thaug Lwin, Deputy Minister, MORT, Republic of the Union of Myanmar welcomed the participants. In his Welcome and Opening Remarks, he emphasized the importance of transport to economic development, as it facilitates trade and enhances access to social services. He acknowledged the many achievements of the GMS Program so far in the transport sector. He noted that Myanmar is embarking on a new era to engage strongly with the international community and is undertaking reforms in many sectors in support of economic and social development. The Government is also planning to develop 3 Special Economic Zones (SEZs), namely at Thilawa, Dawei, and Kyaukphyu. The Dawei SEZ, the

western end of the GMS Southern Economic Corridor, will be connected to Kanchanaburi, Thailand through a highway project that is ongoing. Myanmar is also planning to set up industrial estates along their border to provide jobs for residents living near the border areas and for the refugees and migrant workers living abroad. He thanked ADB and the other development partners for the help they have been providing the GMS countries in building recipient country capacities and upgrading their infrastructure. (The Minister's statement is in **Appendix 3**).

5. U San Aung, Chair, in his opening remarks, noted that the transport sector has a substantial bearing on overall development of Myanmar, and that the country's strategic location as a land bridge between South and Southeast Asia, and between the two dynamic economies of India and China, is also a key factor for its economy. The country has also adopted a policy of encouraging privatization and reducing the share of state-owned enterprises in the overall economy, and now an auspicious time for foreign enterprises to invest in Myanmar. He also encouraged the participants to actively support the proposed establishment of the Greater Mekong Railways Association (GMRA). (The Chair's statement is in **Appendix 4**).

6. Mr. James Lynch, Co-Chair, in his opening statement, noted that STF-16 is a landmark event for the following reasons: (i) it marks the 16th full year of the STF's existence, having been established as one of the first (together with the Subregional Electric Power Forum) sector forums in the GMS Program; (ii) the year 2012 marks the end of the VPOA, under which much progress has been achieved in the transport sector; (iii) the Forum will initiate the preparation of a new pipeline of transport projects to support the thrusts and objectives of the new GMS Strategic Framework (2012–2022); and (iv) it coincides with the momentous changes taking place in Myanmar as it adopts a policy of greater openness and liberalization. He remarked that transport is an essential key to unleash Myanmar's true potential, saying, however, that there are challenging dimensions that transport has to address, namely domestic connectivity and regional connectivity. A third important dimension is "knowledge connectivity": Myanmar needs to connect to the knowledge and expertise in each of its GMS neighbors so that it can successfully and more deeply integrate into the GMS and into the global economy. (Co-Chair's statement is in **Appendix 5**).

II. Session 1. Country Status Reports on Priority Transport Projects

7. The GMS delegations presented their country reports, which provided updates on the priority transport projects of their respective countries, particularly those included in the VPOA, as well as other GMS-related projects considered high priority by their governments. Presentations were made by the following participants: (i) Mr. Vasim Sorya, Ministry of Public Works and Transport (MPWT), Cambodia; (ii) Mr. Ge Fengliang, Project Officer, International Cooperation Department, Ministry of Railway, PRC; (iii) Mr. Math Sounmala, Director General, Department of Planning and Cooperation, MPWT, Lao PDR; (iv) U Kyaw Linn, Managing Director, Public Works, Ministry of Construction (MOC), Myanmar; (v) Dr. Siriphan Jitprasithsiri, Director of International Highways Development Division, Department of Highways; and (vi) Mr. Nguyen Ngoc Thuyen, Deputy Director General, International Cooperation Department, Ministry of Transport (MOT), Viet Nam. (The GMS delegations' respective country reports are in **Appendices 6-A to 6-F**).

III. Session 2. Final Review of Priority Transport Projects in the VPOA

8. Mr. Ronald Antonio Butiong, Principal Regional Cooperation Specialist, ADB, made a presentation summarizing the accomplishments in the transport sector under the GMS Program,

particularly those under the VPOA, as well as the remaining gaps, problems, and challenges that the sector faces, and tried to identify areas for possible reprioritization and improvement. Among the GMS Leaders' key directives in their 3rd GMS Summit for the transport sector, which were embodied in the VPOA, were to: (i) accelerate the completion of GMS transport corridors, which are a key factor in the subregion's competitiveness; (ii) develop other transport modes, particularly railways as these promote energy-efficient transport; and (iii) to develop the subregional road system to support tourism and extend connectivity to the poor and remote areas. Apart from transport infrastructure projects, the VPOA also included software-related projects, which are mostly focused on the effective implementation of the Cross-Border Transport Agreement (CBTA).

9. He noted that, by and large, the infrastructure components of the VPOA have been achieved, with near completion of the transport corridors network. However, the software side was more challenging, with only limited and varying progress in the implementation of the CBTA, for instance. He concluded by saying that the transport sector was the backbone of GMS achievements, the signature sector of the GMS program, in the last two decades, but that there is now a need to take stock and reflect on the future of the sector and address the gaps and challenges that remain. Among the gaps were: (a) on hardware side (infrastructure insufficiency) – linked with the inadequate resources for rehabilitation and maintenance; need for further rail connectivity; and the need to expand links to South Asia particularly through the development of transport connectivity in Myanmar; (b) on the software side – the limited success of the CBTA; but he noted that the CBTA increased overall awareness of the existing bottlenecks and problems in cross-border transport. (The VPOA presentation is in **Appendix 7**).

Open Discussion

10. Myanmar stated that transport development is of high priority for their country, particularly now that they are re-integrating with the regional economy, and committed that they will readily cooperate with other countries in this regard. Mr. Lynch remarked that Myanmar's full re-engagement with the GMS Program is very much welcome.

11. Lao PDR agreed that the transport sector is the most advanced sector under the GMS cooperation program and that transport connectivity is the key to enhancing synergies with the fast growing economies in the region. To achieve greater progress, particularly on the software side, there should be effective communication hotlines, among GMS focal persons in the transport sector. Mr. Lynch reiterated that transport is the backbone of the GMS program and that the future of the program depends on every stakeholder's collective efforts to address the sector's tremendous challenges, in both hardware and software.

12. UNESCAP representative noted that transport does not exist on a standalone basis; rather, it is an enabling factor in the achievement of certain objectives, e.g., facilitating trade. Also, in planning infrastructure, one should not separate roads from rail; rather, it is necessary to have a multimodal perspective. Focus is necessary for transport development from an overall strategic and economic perspective rather than just a projects perspective. Mr. Lynch added that in preparing a pipeline of transport projects, there is a need to focus on outcomes. Therefore, focus is not only on transport infrastructure projects but also on logistics, trade-related, and other projects. This approach shows that GMS transport cooperation is maturing.

IV. Session 3: Introduction of the Regional Investment Framework (RIF) for the GMS (2012–2022)

13. Mr. Kang Hang Leung, Financial Specialist, SETC, ADB made a presentation on the GMS RIF, its key objectives and principles, its relation to the new GMS Strategic Framework (SF) (2012–2022), and its implications for GMS transport sector cooperation. He explained that the RIF is the process and framework for developing a detailed and time-bound pipeline of new generation projects to implement the SF and to succeed the existing VPOA whose term of implementation ends in 2012. He said that the SF and the RIF are still anchored in the economic corridor approach. He then presented the initial findings from the diagnostic assessments under RIF that have important implications for the transport sector, as well as on overall economic corridors development in the GMS.

14. Under the new SF and the RIF, corridor development will focus on their widening and deepening, particularly through multi-sector investments encompassing urban development along and around corridors, linking corridors to the rural hinterland through secondary and rural road network development, integrated area and rural development, and continued efforts in transport and trade facilitation, as well as measures to support logistics development and increased engagement of the private sector. Under such an approach, the GMS program will also need to become increasingly knowledge intensive to provide meaningful inputs to relevant policy areas. He also presented an analytical scheme by which various efforts/projects may be classified as to their impact toward “widening” the corridor and as to impact toward increasing the corridor’s regional dimensions.

15. Among the key findings of the assessment of the transport sector and the related logistics system are: (i) existing corridors are not fully aligned with flows of trade and other economic activities; (ii) almost all inter-regional trade and much of intra-regional trade is maritime; (iii) road transport is still the dominant mode of transport in any GMS country, but its principal role is to complement maritime trade, collecting goods from interior to transfer to ports and distributing goods into hinterland from ports; and (iv) there are large imbalances in the structure of transport services and logistics sectors across GMS.

16. Some of the key implications for future cooperation in the transport sector are: (i) the need to realign corridors with existing and potential economic flows; (ii) spatial prioritization of corridor areas for development; (iii) the need to connect gateway ports to corridors and the hinterland areas; and (iv) multi-sector approaches to urban development and integrated development of rural areas. An important basic principle of the RIF is that project selection should be rather demand-driven (i.e., based on both economic criteria and country ownership) rather than supply-driven (i.e., just build the infrastructure expecting that it would create its own demand). (The RIF presentation is in **Appendix 8**).

V. Session 4: Report on the Initial Assessment of the Transport and Logistics Sectors in the GMS

17. Mr. Robert Anderson and Mr. Anthony Bailey, ADB consultants, presented the results of the initial assessment of the road transport infrastructure and transport logistics services in the GMS. Mr. Anderson presented the status of road asset management and operating conditions of the sections of the GMS road corridors in each of the GMS countries, as well as the identified constraints, gaps, and bottlenecks along the identified primary trade routes along these corridors. Mr. Bailey described the structure of transport logistics services in the GMS, giving a profile of each of the transport modes. He noted that transport is a demand responder and not a traffic creator, but that it can have an impact on demand based on efficiency, and that in the GMS, competition is mainly within modes rather than between modes.

18. On the various transport modes, the key findings are that (i) maritime transport dominates GMS trade and is expected to do so in the medium-to-long term, currently accounting for 90% of overall inter-GMS trade and 75% of intra-GMS trade; (ii) the road subsector dominates land transport, but only as collection and distribution service for ports-based trade; (iii) the major GMS transport corridors are those that serve the ports; (iv) rail transport are underutilized, given limited network and lack of international linkages; and (v) demand for air freight is growing, but mainly for long-haul, with only small volumes for intra-GMS trade. (The presentations on the Initial Assessment of the GMS Transport and Logistics Sectors are in **Appendix 9** and **Appendix 10**, respectively).

Open Discussion

19. Myanmar informed the Forum that it has already submitted proposals for priority projects to address the constraints identified in the initial assessment, including possible projects to enhance containerization. Mr. Lynch said that ADB and the other GMS countries will consider Myanmar's proposals.

20. The following further points were raised during the discussion:

- There is a need for a new masterplan for Thailand's motorways and to generate greater private sector involvement and funding in their development.
- Transport is only part of logistics and not all of it; transport logistics is concerned with the movement of goods from producers/suppliers and end users; trade logistics often refers to international trade rather than domestic trade.
- There is a need to address and control the problem of overloading of trucks, which causes serious deterioration of road assets.
- To address the constraints, physical infrastructure projects are important, but also knowledge/software products are equally important.

VI. Session 5. Update on the GMS Railway Association (GMRA)

21. Mr. Lynch provided the background of the proposal to establish the GMRA, explaining that it could be traced to a key recommendations of the Strategic Framework for Connecting GMS Railways, endorsed by the 16th GMS Ministerial Conference (Ha Noi, August 2010), namely the establishment of a GMS Railway Coordination Office. To act on this recommendation, ADB provided a regional technical assistance (TA), under which work started in 2011 and led to agreement among the countries on the name of the entity as GMRA, its membership base (railway authorities of all the GMS countries), and its mission statement. He discussed the advantages and disadvantages of two options that were considered regarding the establishment of the GMRA: (i) as a legal body – for instance, as a chartered organization to be registered with the UN system, or (ii) initially as a non-legal body, with possible eventual conversion into a legal body in the future. In the latter case, ADB could serve as its secretariat for a period of no more than two years. (The GMRA presentation is in **Appendix 11**).

22. The country delegations agreed on the establishment of the GMRA initially as a non-legal intergovernmental entity that eventually evolves into a self-sustaining legal entity. The next steps to be undertaken include endorsement of it by the 18th Ministerial Conference in December 2012, to reach consensus by early 2013 on the formal agreement on the establishment of the GMRA, and for ADB to process a small-scale TA for building the

institutional capacity of the GMRA, under which it would provide secretariat services for a period of no more than two years.

VII. Wrap Up of First Day Sessions

23. Co-Chair wrapped up the first day sessions, as follows:

- It was generally agreed that transport remains the backbone of the GMS program.
- However, there was also recognition of the need for new approaches in terms of:
 - widening and deepening the corridors,
 - focusing on the needs of end-users,
 - connecting centers of economic activity with one another, as well as with the hinterland,
 - adopting integrated multi-sector approaches,
 - developing logistics facilities and services,
 - continuing work on comprehensive trade and transport facilitation measures, and
 - ensuring the sustainability and reliability of transport infrastructure through adequate maintenance and management.
- There was also recognition of the importance of developing and sharing knowledge and of strengthening institutions involved in both hardware and software aspects of the transport sector.

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VIII. Session 6. Myanmar: Transport Sector Assessment and Future Directions

A. ADB's Initial Assessment of Myanmar's Transport Sector

24. Mr. James Leather, Principal Transport Specialist, SETC, ADB, presented a summary of ADB's initial assessment of Myanmar's transport sector, which focuses primarily on the road, railway, and inland waterway subsectors. He noted the salient features of the dominant road subsector as, several ministries/agencies involved in the subsector, and relatively low road density and high road fatalities compared with other countries in the region. He also summarized the key constraints in the road subsector, including inadequate tertiary roads, development project selection that is often not based on economic criteria, inadequate budget, and a fragmented institutional structure.

25. In the railway subsector, although the network has doubled in the period from 1992 to 2011, among the key constraints are the high cost of expansion with low revenue potential, inadequate maintenance, old and inadequate rolling stock, and little private sector involvement. In inland waterways, among the key constraints are low budget allocation, centrally fixed tariffs not related to costs, poor access to inadequate port/dock facilities, and inadequate maintenance dredging and vessel repair facilities. He further presented an overview of the constraints faced by the overall transport sector, among which are the fragmented overall institutional framework, absence of an overall transport sector strategy, lack of market orientation in pricing and decision making, limited capacities and experience in economic assessment of development projects, in safeguards requirements, and procurement, and limited capacity of the private contracting industry. He emphasized the need for a comprehensive transport sector strategy, as well as for

some immediate actions concerning transport asset maintenance management, mobilizing development partner support, a strategic approach to fill the gaps, particularly between the core network and the rural communities. (The Myanmar Transport Sector Assessment presentation is in **Appendix 12**).

Open Discussion

26. The representative from Myanmar Railways agreed with the assessment and noted that among the reasons for the constraints was Myanmar's isolation. However, Myanmar is now ready to join hands and to integrate with the rest of the region, and would appreciate receiving support through sharing of technology from other countries. Mr. Lynch noted that the constraints can be turned into opportunities and agreed that knowledge sharing is very important. He said that the GMS is very keen in re-engaging Myanmar into the GMS Program.

27. The representative from Myanmar's MOC also expressed support for the assessment, and offered as possible explanation for the constraints the lack of technological capacities, particularly in advanced engineering. Although there had been scholarship grants, (e.g., JICA, NEDA), they could not really use the advanced learning in the field because of inadequate budget for new machinery and for new construction and rehabilitation. Mr. Lynch noted that the other GMS countries have also gone through similar problems and challenges in the past and can share with Myanmar their very useful lessons learned from their experiences.

28. In response to some comments raised from the floor regarding discrepancies in the values for certain indicators, Mr. Lynch responded that ADB would further review and refine the data used in the assessment.

29. Thailand encouraged ADB and other development partners to support Myanmar in developing the transport sector in a sustainable way. Apart from the infrastructure side, it will also be necessary to help Myanmar on the policy and information generation and management side. Co-Chair remarked that in its efforts in transport sector development, Myanmar can make use of the experiences of other countries. Cambodia noted that when their country started to rebuild and develop their transport sector 20 years ago, their transport system was in worse condition than Myanmar's today. However, through planning and with the help of development partners, such as ADB, UNESCAP, UN Development Programme, and others, they were able to introduce improvements. Also, since the start of the GMS Program in 1992, Cambodia has been committed to regional cooperation and integration, and to overall connectivity in the region. Lao PDR also noted that their road network, starting from about 10,000 kilometers in 1995, has steadily grown to about 40,000 kilometers at present, although they clearly still need more. Lao PDR also noted that Myanmar need not go it alone and can benefit from the lessons of other countries.

30. On the whole, the other countries' delegations congratulated Myanmar for its new policy of greater openness and re-engagement with its neighbors, and all of them pledged their support to Myanmar, particularly in terms of sharing their experience and knowledge gained in their own efforts in developing their transport sector and its related sectors.

B. Myanmar Government Presentations

31. U Khin Maung Kyaw, Chief Engineer (Road), Public Works, MOC, made a presentation on the challenges and opportunities in the Myanmar road subsector. He noted that geographically Myanmar provides a land bridge between South Asia and the People's Republic

of China. Myanmar also puts priority on the development of the GMS economic corridors, particularly of the nodal points at the borders with other GMS countries. He highlighted some of the key road transport and related projects, including the planned international dry ports, the Dawei deep sea port and component projects, and the various road link projects with neighboring countries. He also outlined some of the key challenges and issues facing the road transport subsector, including inadequate financing from both government and private sector sources, limited participation from development partners, lack of technical know-how, the problem of overloading, and the need for more road asset maintenance funding. The strategies and initiatives to be pursued include developing other multimodal transport, promoting private sector participation through build-operate-transfer and joint ventures, and requests for assistance from bilateral and multilateral donors/development partners. (The Myanmar Road Subsector presentation is in **Appendix 13**).

32. Mr. Aung Ye Tun, Director, Department of Transport, MOT made a presentation on the Situation on Myanmar's Transportation and Logistics. He first outlined the institutional framework for various aspects of the transport sector. He outlined the various measures for the liberalization and development of logistics services in Myanmar, as well as the various regional agreements on logistics and trade facilitation in which Myanmar is a participant. He gave a profile of the Myanmar air transport sector, as well as the key seaports (Yangon, Thilawa, Dawei) and the inland water transport system. He concluded his presentation with a summary of the challenges facing the above subsectors, including the upgrading of domestic ports to handle container cargo, the improvement of inland waterway access channels for all seasons, need for newer vessels and modern navigational equipment, establishment of truck terminals and dry ports, reduction of missing links, standardization of cargo transport, HRD program and ICT applications, and need for careful strategy formulation. (The presentation on the Situation of Myanmar's Transportation and Logistics is in **Appendix 14**).

33. A representative from Myanma Railways, MORT, made a presentation on Challenges and Opportunities in the Railway Subsector in Myanmar. The presentation gave a profile of the existing railway system, in terms of infrastructure, rolling stock and equipment, railway service, and performance indicators. It presented the important existing railway lines in Myanmar, as well as the missing lines needed to connect the existing lines with the railways of neighboring countries (India, PRC, Thailand); it also presented information on the planned projects to address the said missing lines. It also outlined the various constraints facing the railway system, including technical and operational obstacles, and over-aged rolling stock. It also presented a summary of the plans for the expansion of the national rail network and the opportunities that this offers. (The Railways Subsector presentation is in **Appendix 15**).

IX. Session 7: Statements/Updates from Other Development Partners

34. Mr. Mark Barrett, Senior Sector Specialist, Transport, AusAID, recognized the achievements of the STF since 1995, including the many joint transport projects that have been undertaken, and said that AusAID is proud to have been a part in these achievements. Looking forward, it would be important to take stock and identify lessons learned so that others can make use of them. It is important to maximize the use and to preserve the transport infrastructure that has already been built. It should be remembered that the ultimate objective of transport development is to stimulate economic activity and reduce poverty. It is also important to ensure that this development is consistent with social objectives and is sustainable, environmentally and financially. He emphasized three principles, namely, the importance of properly maintaining existing infrastructure, ensuring road safety, and ensuring quality of construction. In the long term, pursuing these principles will be more cost-effective. Moreover,

countries should rely more and more on their internal funds rather than on financier assistance for transport asset maintenance.

35. Mr. Maki Morikawa, Project Formulation Advisor (Infrastructure Sector), JICA Myanmar Office, noted that improving GMS transport network connectivity is important for Asia in general. He briefed the Forum on some of JICA's connectivity-enhancing involvements in Myanmar, such as the survey for the strategic development of the Greater Yangon area and Thilawa port; and the technical assistance to MOT, MOC, and MORT for the preparation of an integrated transport sector strategy and plan.

36. Mr. Sunant Glengpradit, Advisor, NEDA, Thailand, made a presentation on the various projects to which NEDA provides financial and/or technical assistance in Thailand's neighboring countries (i.e., Cambodia, Lao PDR, Myanmar, and Viet Nam). These projects include parts of the 9 GMS transport corridors, as well as subprojects related to the corridors, such as feeder and secondary roads. They also include other transport modes, such as railways, like the Nong Khai-Thanaleng rail line into Lao PDR, and the planned extension from Thanaleng to Vientiane. He noted the important role of transport development in stimulating and enabling economic activity. (NEDA's presentation is in **Appendix 16**).

37. Mr. Peter O'Neill, Chief, Transport Policy and Development Section, Transport Division, UNESCAP, made a presentation on Articulating Transport Policy and Strategies. He first enumerated UNESCAP's involvements in the transport sector, including the development of the Asian Highway Network and the Trans-Asian Railway, cross border facilitation, urban transport, implementation of public-private partnerships, knowledge center development, and network coordination. He then presented key elements of transport planning. He noted that transport exists for many reasons and it is important to be clear about a country's objectives and priorities in developing its transport sector. It is also important to find partners, as well as determine the beneficiaries of these efforts. Other key aspects to consider are sustainability (environmental, social, and economic), maintenance, affordability, and technological aspects. Transport development should also be based on demand considerations, what people and businesses need and want. (UNESCAP's presentation is in **Appendix 17**).

X. Other Matters

38. In line with the tradition of rotating the venue of the STF among the GMS members according to the alphabetical order of country names, the Thailand delegation was requested to confirm their country's hosting of the Seventeenth Meeting of the GMS Subregional Transport Forum (STF-17) in 2013. Dr. Siriphan Jitprasithsiri, Head of the Thailand delegation, said that they would be happy to welcome the STF participants from the other GMS countries to Thailand for the Forum next year, and would confirm with higher authorities in Thailand.

XI. Closing

The Chair and Co-Chair agreed that the Forum has been successful and expressed hope that the results of the Forum will help advance the transport sector cooperation agenda into the near and medium-term future. They thanked the participants for their active participation in the discussions. The delegations from the GMS countries and the ADB thanked the host, the Government of Myanmar, for the hospitality accorded to the participants, as well as the excellent arrangements for STF-16. The Chair formally closed the Forum.