



DEVELOPMENT EFFECTIVENESS BRIEF

# Greater Mekong Subregion



## SUBREGIONAL DEVELOPMENT SETTING

1. The Greater Mekong Subregion (GMS) consists of Cambodia, the People's Republic of China (PRC)<sup>1</sup>, the Lao People's Democratic Republic (Lao PDR), Myanmar, Thailand, and Viet Nam. In 1992, with the assistance of the Asian Development Bank (ADB), the GMS countries launched a program of subregional economic cooperation—the GMS Program.
2. The GMS Program has focused strategically on the “3Cs” of connectivity, competitiveness, and community. Connectivity among the GMS countries has been enhanced through the development of infrastructure, particularly transport corridors, power interconnection systems, and telecommunication networks. The economic competitiveness of the subregion as a whole has been improved not only through these infrastructure links but also through the facilitation of trade, private investment, and tourism. A heightened sense of community is being fostered as 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.
3. GMS economies have grown at one of the fastest rates in the world since the early 1990s with gross domestic product (GDP) growth averaging over 6% from 1993 to 2005 despite the Asian financial crisis in 1997, the slowdown in the global and regional economies in 2001, and the outbreak of the severe acute respiratory syndrome (SARS) in 2003. Economic growth in the GMS remained strong in 2005 and 2006 at over 8% annually. The openness ratio of GMS economies—defined as the ratio of total trade to GDP at current market prices—more than doubled between 1992 and 2006; the tripling of total GMS merchandise exports during this period clearly manifests this increase in openness. Intra-regional trade increased even more dramatically with the volume in 2005 being 15 times that in 1992. Annual tourist arrivals also more than doubled from 10 million in 1995 to nearly 24 million in 2006.
4. With regard to poverty reduction, between 1990 and 2003 the proportion of people living on less than \$1 a day fell from 46 to 33.8% in Cambodia, 33 to 13.4% in PRC, 52.7 to 28.8% in Lao PDR, from 10.1% to less than 1% in Thailand, and 50.7 to 9.7% in Viet Nam.
5. While good progress is being made, the subregion continues to face significant challenges in the future among which are the following:
  - lifting the still large number of poor and nearly poor people from poverty, especially in rural and remote communities;
  - making development more inclusive and achieving the Millennium Development Goals;
  - meeting the still considerable requirements for subregional infrastructure development to sustain economic growth;
  - mobilizing the substantial resources needed to support subregional projects and initiatives;

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<sup>1</sup> The People's Republic of China has been represented geographically in the Greater Mekong Subregion by Yunnan Province since 1992. In December 2004, Guangxi Zhuang Autonomous Region was formally included.

- ensuring environmental sustainability while rapid development proceeds;
- ensuring energy sufficiency, efficiency, and security, particularly in light of higher oil prices and concerns over global warming and climate change;
- meeting the considerable requirements for human resource development and enhanced skills;
- adjusting to and effectively exploiting the opportunities and synergies among the GMS economies and those of the rest of the world arising from the increased pace of globalization and the emergence of major economies in the region;
- strengthening links with other subregions, e.g., South Asia and the island nations of Southeast Asia;
- further stimulating and sustaining investment particularly foreign direct investment;
- addressing negative externalities associated with improved connectivity;
- preparing for and responding quickly and effectively to potential crises and emergencies, e.g., an Avian Flu outbreak, natural calamities, or international terrorism.

## ADB'S CONTRIBUTIONS TO DEVELOPMENT RESULTS

### Volume and Performance of ADB Operations

6. **GMS Lending Portfolio.** As of 31 December 2006, ADB had extended loans totaling about \$1.92 billion—\$1.252 billion from ordinary capital resources (OCR) and \$669 million from the Asian Development Fund (ADF)—for 28 loan and grant projects with a total project cost of \$6.8 billion (figure 1). These projects are in transportation (18), energy (4), health (3), and tourism (3) (figure 2). GMS governments and development partners have provided about \$2.2 billion and \$2.7 billion, respectively, for these 28 projects.
7. **Project Implementation Performance and Success Rate.** Of the 28 loan and grant projects approved, 7 were completed from 1998 to 2006. Project completion reports (PCRs) indicated that 4 were rated generally successful, 2 highly successful, and 1 partly successful (figure 3). The PCR findings indicate that successful

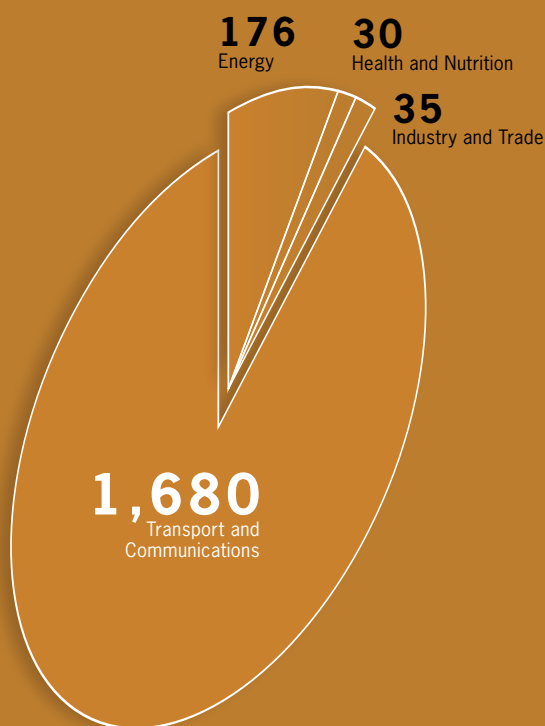
project implementation depends on various factors such as realistic project design, government commitment and ownership of the project, stakeholders' involvement in the entire project cycle, and continuous monitoring and impact evaluation.

### Highlights of ADB Results

8. **Overall Impact of ADB Assistance to the GMS Program.** In the 15 years since the Program's inception in 1992, ADB has played a multifaceted role as (i) a key financier providing loans and technical assistance for high-priority regional projects, (ii) an honest broker bringing the countries together to work toward agreement on various issues, (iii) a technical advisor providing knowledge resources, (iv) a secretariat, assisting in organizing and supporting the various forums and working groups under the Program, and (v) a coordinating development partner helping to mobilize resources for subregional initiatives

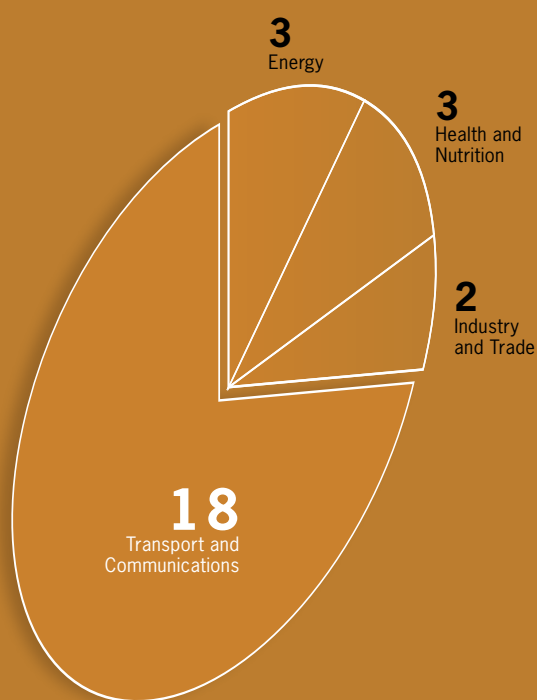
**Figure 1**

Loan/Grant Approvals, 1994–2006 (\$ million)



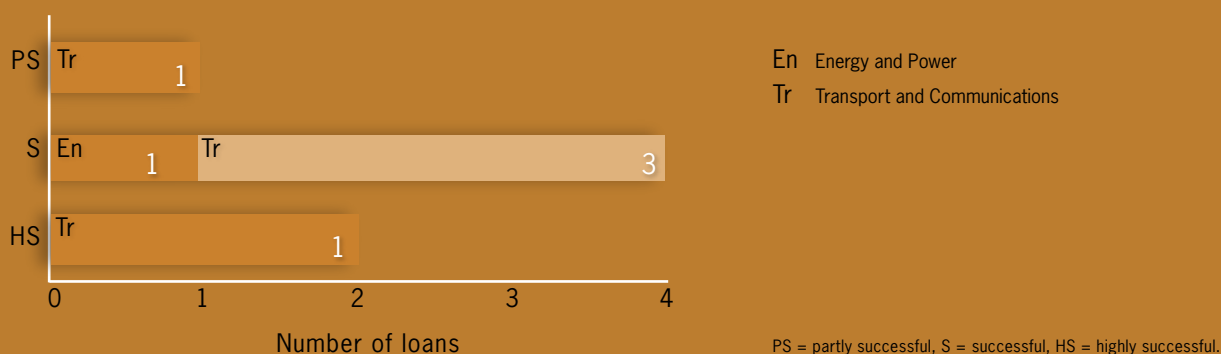
**Figure 2**

Loan/Grant Approvals, 1994–2006 (number of projects)



**Figure 3**

Project Completion Report Ratings, 1998–2006



and coordinating the activities of other development partners.

- The pragmatic, action-oriented, results-focused approach of the Program has enabled GMS countries to expedite the implementation of high-priority subregional projects and initiatives.

GMS countries cooperate to complement national efforts to reduce poverty and to improve the lives of their people. Although it is difficult to quantify the precise impact of cooperation on these objectives given the many factors involved including national policies and actions, the GMS Program and ADB support for it

have definitely contributed to significant improvements in macroeconomic performance as well as to poverty reduction.

10. The “peace dividend” of the GMS Program has contributed to regional stability and to better understanding among neighboring countries. The leaders of the six countries have met twice, in Phnom Penh in November 2002 and in Kunming in July 2005, to guide the future direction of the Program. GMS leaders have recognized and appreciated the unique and dynamic role that ADB has played in catalyzing regional cooperation and integration.
11. **Transport.** An important component of the GMS approach to subregional development is enhancing connectivity. ADB supported the development of key cross-border transport infrastructure links through the following projects:

#### **Phnom Penh-Ho Chi Minh City Highway Project** (completed in 2005)

- i. The highway has provided savings in travel time, lower travel costs for passengers, and lower maintenance costs for vehicles.
- ii. The total value of trade through the Moc Bai-Bavet border increased by around 40% per annum between 2003 and 2006. During the same period, people crossing the border increased at an average annual rate of 53% while vehicles crossing the border increased at an average annual rate of 38%.
- iii. Better road conditions induce more tourists and other economic exchanges due to the improved quality of service in terms of speed and comfort.
- iv. The Trang Bang Industrial Park on the Viet Nam side developed as a result of the road improvement project and has generated a large number of local jobs.

#### **East-West Corridor Project**

(rehabilitation of Route 9 in Lao PDR completed in April 2004 and upgrading and partial rehabilitation of Route 9 in Viet Nam completed in 2006)

- i. Travel time from the Lao-Viet Nam border to Savannakhet in Lao PDR by bus has been reduced from about 12 hours in 2001 to about 3 hours; similarly, travel time between Tien Sa-Da Nang Port and the Viet Nam-Lao border has been reduced from 6 hours to 4 hours.
- ii. New and permanent housing, markets, guesthouses, restaurants, trade and service enterprises (e.g., petrol stations, automobile repair shops, and other micro enterprises) have mushroomed in district towns along Route 9.
- iii. Foreign direct investment and joint ventures in Savannakhet Province have grown from \$17.5 million in 1995–2000 to around \$200 million in 2001–2005.
- iv. Subsistence farmers who formerly practiced shifting cultivation have benefited from foreign direct investment that has generated employment and income-generating opportunities in cash crops, silk and cotton weaving, and handicraft production.
- v. The access of rural students to secondary schools has improved, and safe water supplies in districts along Route 9 have expanded.
- vi. The incidence of poverty in Savannakhet Province fell by 35% from 37,282 families in 1998 to 24,400 families in 2004.

#### **GMS Cross-Border Transport Agreement (CBTA)**

(formulated and initially implemented with ADB technical assistance)

- i. This agreement prepared under the auspices of a series of regional technical assistance projects seeks to address nonphysical barriers to the free movement of vehicles, goods, and people across international borders, e.g., restrictions on the entry of motor vehicles that often cause costly and time-consuming transshipment; different vehicle standards; and inconsistent and difficult customs, quarantine, and inspection procedures.

- ii. The CBTA is a compact and comprehensive multilateral instrument that includes single-stop/single-window customs inspections, the cross-border movement of persons, transit traffic regimes, requirements and standards for road vehicles, exchanges of commercial traffic rights, and infrastructure standards.
  - iii. ADB is supporting the preparation for the full implementation of the CBTA.
  - iv. The CBTA has been pilot tested at the Lao-Viet Nam border (Dansavanh-Lao Bao) since June 2005. The processing time for cargo trucks at this crossing point has been reduced from 240 to 70–80 minutes and that for passenger cars has been reduced from 2 hours to 30 minutes. The CBTA is targeted for implementation at four other crossing points by early 2008.
12. **Energy.** ADB has supported this sector by preparing, financing, and generating cofinancing resources for priority power generation and transmission projects and by preparing the requirements for power trading in the subregion (see box).

**Theun Hinboun Hydropower Project** (started commercial operations in March 1998)

- i. The main macroeconomic benefits are the export revenues (net profits, royalties, and taxes) for Lao PDR from the sale of hydropower to Thailand. In 1999, the first year of full operations, government earnings from the project were \$20.4 million or about 1.5% of GDP.
- ii. Another major benefit is electrification for surrounding rural areas.
- iii. The substantial earnings from the project also allow Electricite du Laos (EdL) to subsidize electricity tariffs for the poor and to ensure equitable distribution of power nationwide.
- iv. Construction created a substantial number of jobs, and some permanent jobs for local people were created in

## Developing a Cross-Border Power Market in the Greater Mekong Subregion

Two major approaches have been pursued to promote the development of the power market in the Greater Mekong Subregion (GMS) and the evolution of an integrated subregional power grid, namely (i) developing a policy and institutional framework for power trading and (ii) formulating and implementing a plan for grid interconnection infrastructure.

At the first GMS summit in 2002, the countries signed the Intergovernmental Agreement on Regional Power Trade (IGA) that was later ratified. To implement the IGA, the Regional Power Trade Coordination Committee (RPTCC) was established to oversee the formulation and adoption of a regulatory, institutional, and commercial framework for power trading. The RPTCC prepared a comprehensive work plan and the “Memorandum of Understanding on the Guidelines for Implementation of the Regional Power Trade Operating Agreement (RPTOA)—Stage 1,” later signed at the second GMS summit in 2005. This memorandum provides for technical studies and other tasks supporting the RPTOA including (i) setting up a power-sector data base; (ii) preparing a power master plan; and (iii) developing best practices for power purchase agreements. These ongoing initiatives are the foundation for power trade that will ultimately ensure benefits to all parties involved through the establishment of fair and transparent rules and principles.

- v. The project was the first public-private venture in hydropower development in Lao PDR as well as the first major subregional energy project in the GMS. It was partly financed by an equity contribution from a Thai company and debt from a syndicate of Thai commercial banks. The successful financing, implementation, and operation of the project has served as a model for other

## The Greater Mekong Subregion Core Environment Program

Robust economic growth and expanding investments in such sectors as transport, energy, and tourism have accentuated the need to ensure that current and planned activities in the Greater Mekong Subregion (GMS) do not jeopardize sustainable development. A comprehensive and integrated approach to environmental conservation and management is required for this purpose. Thus, in 2005 the GMS countries launched the 10-year Core Environment Program (CEP) to address environmental challenges with a strong mandate from the GMS environment ministers' meeting in Shanghai in May of that year. The CEP was subsequently endorsed at the second GMS summit in July 2005. It aims to (i) secure critical ecosystems and environmental quality in the GMS economic corridors; (ii) ensure that investments in key sectors such as hydropower, transport, and tourism are sustainable; (iii) conserve biodiversity in protected areas and corridors; (iv) define and implement sustainable financing strategies and market mechanisms to conserve the natural systems of the GMS; (v) integrate environmental considerations into national and subregional planning; and (vi) develop and apply environmental indicators to measure progress toward a sustainable path to development.

To implement the CEP, the Environment Operations Center was established in Bangkok in April 2006 to serve as the secretariat of the GMS Working Group on Environment. An important feature of the CEP is mobilizing funding with various development partners coordinated by ADB to finance the implementation of various components. Implementing the CEP for the first 3 years of operations is estimated to cost \$36.11 million with ADB managing \$25.57 million of this amount.

The CEP's flagship undertaking is the GMS Biodiversity Conservation Corridor Initiative (BCI) that aims to establish sustainable management regimes for restoring ecosystem connectivity, improve livelihoods, and protect infrastructure investments. Pilot implementation in five biodiversity corridors has yielded encouraging results.

public-private partnerships in the power sector, especially for projects with cross-border aspects.

### Nam Leuk Hydropower Development (completed in May 2000)

- i. The project has significantly increased the reliability of the power supply in the Vientiane grid, an important factor for economic development, and it has facilitated an important step toward national transmission grid interconnection.
- ii. The project also reduced poverty at the microeconomic level as expensive off-grid systems were replaced.
- iii. Households in the project area benefited from the construction of a school, from employment in various activities at above average daily rates, from electricity and water supplies in some larger villages, from fishponds to replace river fisheries in affected villages, from construction of a new bridge, and from an AIDS awareness program in villages along the main access roads.

13. **Environment.** To ensure that environmental concerns are adequately addressed in cross-border initiatives and are properly integrated into GMS economic development efforts, a number of activities supported by ADB regional technical assistance were implemented from 1994 to 2004 including (i) Subregional Environmental Monitoring and Information System (SEMIS) phases I and II; (ii) Strategic Environmental Framework; (iii) Subregional Environmental Training and Institutional Strengthening; (iv) Poverty Reduction and Environmental Management in Remote GMS Watersheds; and (v) Management and Protection of Critical Wetlands in the Lower Mekong Basin. In addition, the 10-year Core Environment Program was launched in 2005 to address future environmental challenges (see box).



14. **Strategic Environmental Framework for the GMS** (completed in September 2001). This produced three key outputs: (i) decision-making tools including a prototype computerized early warning system that allows the user to overlay proposed projects onto GMS maps to identify potentially significant environmental impacts, (ii) identification and analysis of “hotspots” or locations of outstanding biological and/or social importance and vulnerability, and (iii) key recommendations for strategic interventions under the GMS Program. The project created an extensive library, deposited with the United Nations Environment Program at the Asian Institute of Technology in Bangkok for use by academics, researchers, and practitioners. The project was a landmark initiative with very few precedents in Asia or in the developing world.
15. **Subregional Environmental Monitoring and Information System Phase II** (completed in September 2003). A key output was the production of the Greater Mekong Subregion Atlas of the Environment that highlighted the challenges and means of achieving sustainable development in the GMS. The atlas also provided the impetus to upgrade environmental databases and generated broader awareness of environmental monitoring and information skills.
16. **Agriculture.** GMS cooperation in agriculture was initiated relatively late as the Working Group on Agriculture (WGA) was established in 2003. The GMS countries recognized that agriculture has important links with the other sectors and areas of cooperation in the Program and is a key area for poverty reduction. During its first several meetings, the WGA defined its work program and initiated a number of cooperative activities including establishing an agriculture information network, controlling the spread of animal diseases across borders, and capacity building in advanced agricultural science and technology.
17. **Promoting Partnerships to Accelerate Agriculture Development and Poverty Reduction.** The key output of this technical assistance project is the formulation of a strategic framework for cooperation in agriculture and the Core Agriculture Support Program (CASP) for 2006–2010 to guide WGA activities during the period. The CASP is composed of five program components: (i) facilitating cross-border agricultural trade and investment, (ii) promoting public-private partnerships in sharing agricultural information, (iii) enhancing capacity in agricultural science and technology, (iv) establishing emergency response mechanisms for agricultural and natural resource crises, and (v) strengthening institutional links and mechanisms for cooperation. The strategic framework and the CASP were endorsed by the GMS agriculture ministers’ meeting in April 2007 in Beijing. The strategic framework and CASP will help to achieve a more focused, systematic, and cumulative approach to cooperation in this sector.
18. **Strengthened Regional Cooperation in Advanced Agricultural Science and Technology and in the Prevention and Control of Animal Diseases.** These technical assistance projects have facilitated the establishment of regional cooperation frameworks for the safe use of advanced agricultural science and technology and for preventing and controlling the spread of animal diseases across borders. Institutional and staff capacity building programs have contributed to upgrading and strengthening national and regional institutions to address cross-border concerns about livestock and agricultural food product safety.

## The Greater Mekong Subregion Tourism Sector Strategy

The Tourism Sector Study conducted in 1993 with Asian Development Bank (ADB) technical assistance identified potential areas for cooperation and proposed a number of tourism projects that were subsequently pursued by the Tourism Working Group. In 2003, there was agreement on the need to update the study and to prepare a tourism sector strategy that will guide future GMS cooperation with a particular focus on improving the contribution of tourism to poverty alleviation and to achieving the other Millennium Development Goals. Thus, a 10-year Tourism Sector Strategy (TSS) was formulated with ADB assistance in 2004 and was adopted in 2005.

The TSS identified the main issues, opportunities, and challenges for cooperation and recommended a set of measures to address them. It also provided a comprehensive framework and basis for the future agenda for cooperation and identified 29 projects, 13 dealing with planning and developing priority tourism projects and 16 dealing with thematic activities (e.g., training and capacity building, pro-poor tourism). Funding will be undertaken on a project-by-project basis with financial resources from development partners, including ADB, and Greater Mekong Subregion (GMS) countries for public sector projects, and with private sector financing for tourist facilities and services. Opportunities for public-private partnerships also exist. The private sector is recognized as the primary supplier of tourism facilities and services within the GMS countries and will play the major role in the development of the sector.

19. **Tourism.** Subregional cooperation in the tourism sector has helped put the GMS firmly on the world's tourism map. The Tourism Working Group (TWG) was one of the first to be established and has been very actively pursuing a substantial cooperation agenda since 1993. One of its principal activities is promoting the GMS as a single tourist destination by holding the annual Mekong Tourism

Forum (MTF) in collaboration with the Pacific Asia Travel Association with financial assistance from ADB and the United Nations Economic and Social Commission for Asia and the Pacific. The MTF provided a venue not only for marketing the GMS and its tourism products but also for public-private sector dialogue on tourism development. Cooperation contributed to good results from 1995 to 2004 including the following:

- International tourism grew at an average rate of 8% per annum which is approximately twice the growth rate of global international tourism for the period.
- More than 24 million tourists traveled annually between border provinces using border travel passes.
- In terms of economic impact, international tourism in the GMS generated total receipts of around \$14.8 billion and contributed around \$22 billion in economic output, \$18.6 billion in “net” output, and \$2.3 billion in government revenues and also provided nearly 4 million jobs. Future cooperation in tourism will be guided by the Tourism Sector Strategy adopted in 2005 (see box).

20. **Trade Facilitation and Private Investment.** The GMS Business Forum was established in 2000 to increase the participation of the private sector in GMS initiatives (see Box 4). In addition, to energize GMS cooperation, with ADB assistance the GMS Trade Facilitation Working Group (TFWG) formulated the Strategic Framework for Action on Trade Facilitation and Investment (SFA-TFI) in 2004 that was subsequently endorsed at the second GMS summit. It defined the objectives, guiding principles, strategic thrusts, and priority areas for facilitating trade and investment in the GMS.

21. The ADB regional technical assistance project Support to Trade Facilitation and Capacity Building in the GMS was approved in July 2006. The project's initial technical report analyzed the status of the four priority areas (customs, inspection and quarantine, trade logistics, and mobility of business people) and identified possible programs/projects/capacity building and other cooperative activities to support implementation of the framework. The GMS countries also discussed national actions to support SFA-TFI implementation.
22. In line with trade facilitation efforts, the first meeting of the GMS heads of customs administrations was held in Bangkok in September 2006. Jointly organized by the Thai Government, the World Customs Administration, and ADB, participants agreed on a set of priority medium-term issues to be dealt with as part of a common action plan including the status of customs modernization, challenges, progress to date, and related capacity-building activities.
23. **Human Resource Development.** Cooperation in human resource development (HRD) has so far covered the following areas: (i) capacity building for managing economic development (see box); (ii) preventing and controlling communicable diseases particularly HIV/AIDS and malaria, including HIV/AIDS preventive education in cross-border areas and financing HIV/AIDS prevention and care; (iii) the health and education needs of ethnic minorities; and (iv) preventing trafficking in women and promoting safe migration.

## The Greater Mekong Subregion Business Forum

The critical role of the private sector as an engine of growth in development was recognized early on in the Greater Mekong Subregion (GMS) Program. The Program has so far been successful in generating active private sector participation in tourism as well as in a number of power and telecommunication projects; however, significant scope for increasing and enhancing private sector participation remains. The establishment of the GMS Business Forum (GMS-BF) in 2000 can be considered an important milestone in this regard.

GMS-BF is an independent, nongovernment organization and a joint initiative of the chambers of commerce of the six GMS countries. It is an important element in integrating the private sector into the GMS Program and has the potential to serve a key role in promoting, facilitating, and catalyzing cross-border investment as well as investment from "third countries." The forum has already implemented a number of activities that promote private sector engagement including organizing six fee-based conferences (that generated revenues to help finance its operations) on such key areas as east-west economic corridor development, mining opportunities in the Lao People's Democratic Republic, financing of small and medium-sized enterprises (SMEs), and high-value agricultural products. It was also one of the principal organizers of the high-level public-private sector consultation meeting in September 2004. GMS-BF has set up a website and has compiled a business handbook and directory of SMEs. In 2006, the board was expanded to include representatives of major corporations active in GMS countries.

## The Phnom Penh Plan for Development Management

The Phnom Penh Plan for Development Management (PPP) initiated in 2002 has developed and implemented a strong program to build capacity among GMS government officials, particularly to strengthen their managerial capacities in support of regional economic integration and transition toward more open economies. So far, about 50 courses of 1 to 6 weeks' duration have been conducted in collaboration with the PPP's capacity-building partners (e.g., the Asian Institute of Technology, the Administrative College of India, and the Economics and Finance Institute of Cambodia), and around 900 middle- and senior-level officials from the GMS countries have completed them. In addition, three groups of two trainees each have been sent to special programs under the PPP Fellowship Program. Other activities undertaken under the PPP include (i) a lecture series and GMS Development Dialogue; (ii) the PPP newsletter and the Journal of GMS Development Studies; and (iii) the PPP website. The PPP Learning Resource Center was also established at ADB's Cambodia Resident Mission.

In addition to learning a broad range of analytical, managerial, and leadership skills, the civil servants attending the courses also had the opportunity to develop professional networks and to be exposed to the latest viewpoints on key development management issues. The PPP has also provided opportunities for continuous learning and networking among GMS managers. The success of the PPP is manifested in the continued and increased financial support provided by various sources.

### 24. Communicable Disease Control.

An ongoing communicable disease control project is helping to strengthen national surveillance and response systems and to develop community-based models for controlling outbreaks of diseases including avian flu, malaria, and dengue fever. It is also improving the control of HIV/AIDS in high-risk groups. Regional coordination for CDC through policy dialogue is also being strengthened. A regional health forum will be convened in November 2007 in Vientiane to further promote cooperation and the development of health systems.

### 25. HIV/AIDS Prevention in Cross-Border Areas.

A technical assistance project cofinanced by ADB; the United Nations Educational, Scientific and Cultural Organization (UNESCO); and the Southeast Asian Ministers of Education Organization successfully developed a regional training curriculum for HIV/AIDS prevention including five training curricula in local languages, teacher-learning materials in local languages, and teacher guides. Basic computer hardware was provided to 30 schools and innovative approaches were developed to disseminate information on HIV/AIDS through culturally and linguistically suitable media. Building upon the successful outputs of the completed project, a follow-on technical assistance project has expanded the coverage of HIV/AIDS preventive education communication strategies to cover additional ethnic minority groups. The clearinghouse facility and geographic information system for mapping vulnerability are also being expanded, and a network for improving research on HIV/AIDS and human trafficking is being initiated.

## C. ADB'S AGENDA FOR ENHANCING PARTNERSHIPS AND AID EFFECTIVENESS

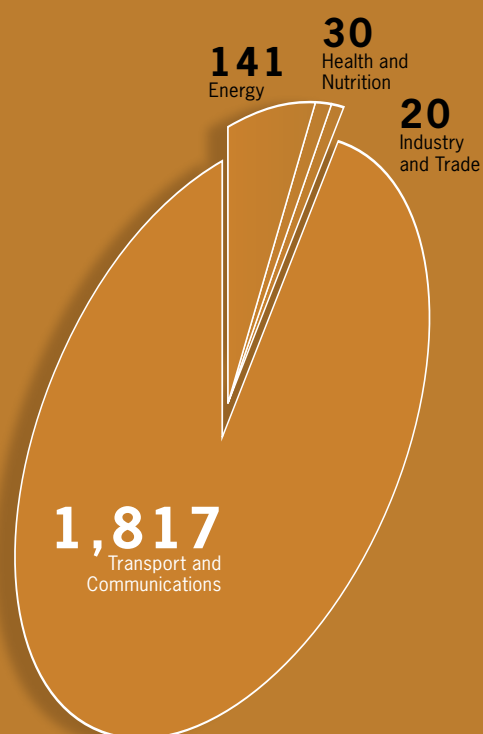
### Current ADB Portfolio and Assistance Pipeline

26. Projected approvals by sector from 2005 to 2008 in millions of dollars and in numbers of projects are shown in figures 4 and 5. The priority to the transport and communication sector is clearly maintained in the GMS portfolio.

27. ADB's current assistance portfolio consists of 25 ongoing loans and three grants with an overall loan amount of \$1.921 billion. Of these 28 ongoing loans and grants, 89% have been rated as satisfactory, 4% as highly satisfactory, and the remaining 7% as partly satisfactory (figure 6).

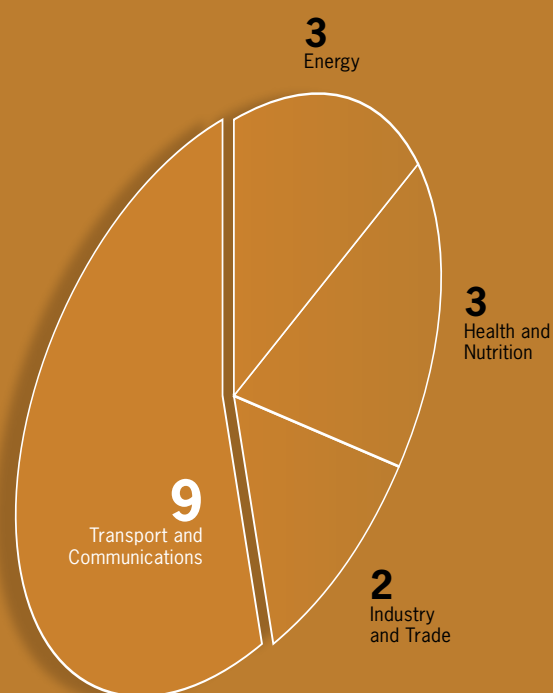
**Figure 4**

Projected Approvals, 2005–2008 (\$ million)



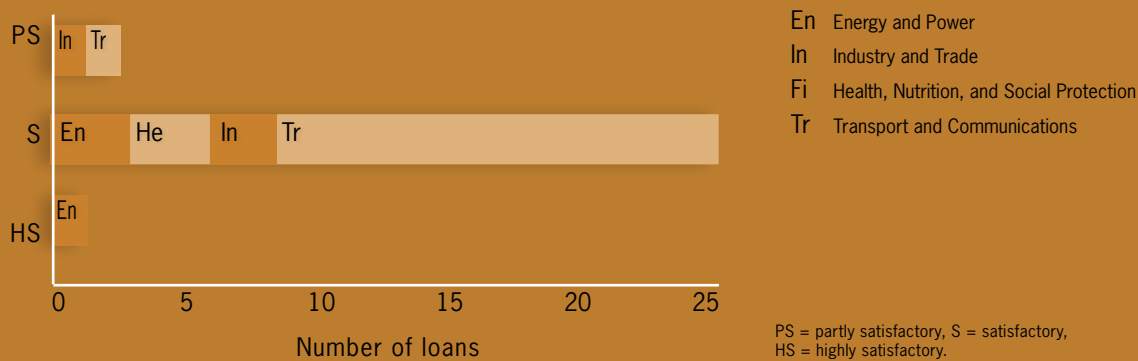
**Figure 5**

Projected Approvals, 2005–2008 (number of projects)



**Figure 6**

Project Performance Report Ratings (as of 30 June 2007)



## Ownership, Alignment, and Managing for Results in ADB Operations

28. Ownership of the GMS Program has been built over the years among the participating countries. Various levels of government and civil society have increasingly committed to and become involved in the goals and objectives of the GMS Program. Governments in particular have expressed their commitment at the two summits and 14 ministerial meetings held so far.
29. More importantly, commitment and ownership are demonstrated by the willingness of the more economically advanced GMS countries to finance projects beyond their borders that have significant subregional impact. For instance, Thailand has financed sections of the East-West Economic Corridor in Myanmar, and the PRC has financed sections of the North-South Economic Corridor (NSEC) in Lao PDR. The PRC and Thailand will be sharing the cost of the NSEC international bridge connecting Houayxay in Lao PDR and Chiang Khong in Thailand. The PRC is also financing the completion of the fiber optic links in Cambodia, and Viet Nam is helping to finance the construction/

rehabilitation of border roads with Lao PDR and Cambodia. These are examples of the significant trend toward greater South-South cooperation with mutually beneficial results for the countries involved.

## ADB'S Role in Donor Coordination and Harmonization Initiatives

30. ADB has played a multifaceted role in the GMS Program as financier, technical advisor, honest broker, secretariat, and coordinator. Indeed, the GMS countries believe that a key advantage of the Program compared with other regional cooperation mechanisms is the close involvement of ADB that has helped to ensure continuity and sustained progress. They expressed this belief again in the recently concluded 14th GMS ministerial conference in Manila in June 2007 when they requested ADB to continue its role as the leading coordinator and secretariat.
31. In performing its leading role, particularly in mobilizing resources for key GMS initiatives, ADB has been strengthening and institutionalizing its coordinating mechanisms. The formulation and adoption of the GMS 10-Year Strategic Framework

in 2002 and the mid-term review in 2007 were intended to provide a road map that will facilitate contributions from other development partners. Other measures taken include the following:

- initiating the development partners' meeting in 2002 as part of ministerial conferences to engage active partners in the GMS Program;
- preparing and disseminating a web-based GMS development matrix to provide a unified source of information on GMS projects, promote coordinated planning, and serve as a tool for mobilizing resources;
- conducting the Mekong Development Forum in Paris (June 2004), Tokyo (July 2005), New Delhi (November 2005), Singapore (March 2006), and Stockholm (April 2006) to promote support for GMS development;
- holding periodic consultations/coordination meetings with individual development partners (e.g., Agence Française de Développement, Government of Japan, Government of the PRC, and the World Bank).

32. Through ADB's efforts, substantial cofinancing has been generated from development partners (bilateral and multilateral development agencies) for priority GMS projects and initiatives. As of December 2006, development partners had provided cofinancing totaling \$2.67 billion accounting for about 40% of total funding for ADB-supported investment projects and \$66.3 million, about 43% of the total funding, for technical assistance projects. Development partners were particularly supportive of infrastructure projects and technical assistance for the environment and for human resource development. Broadening participation to include cofinancing by GMS countries and neighboring Asian countries is particularly noteworthy.

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