

**Greater Mekong Subregion
Ninth Meeting of the Subregional Transport Forum (STF-9)
Beijing, People's Republic of China
01-02 June 2005**

SUMMARY OF PROCEEDINGS

I. Introduction

1. The Ninth Meeting (the Meeting) of the Subregional Transport Forum (the STF) was held in Beijing, People's Republic of China (PRC) on 1-2 June 2005. The Meeting was jointly organized by the Ministry of Communications (MOC) of the Government of the PRC and the Asian Development Bank (ADB).

2. The objectives of the Meeting were as follows: (i) to maintain the momentum of cooperation in the transport sector in the Greater Mekong Subregion (GMS); (ii) to review progress of priority subregional initiatives/projects in the transport sector; (iii) to review, discuss, and act on the recommended strategic objectives and directions of the GMS Transport Sector Strategy Study; (iv) to refine and update the development matrix for the North-South, East-West, and Southern Economic Corridors; and (v) to discuss further issues and details of transport sector plans and initiatives contained in the GMS Plan of Action endorsed by the 13th GMS Ministerial Conference in December 2004. The Meeting Agenda is attached as Appendix 1.

3. The participants of the Meeting included delegations from the Kingdom of Cambodia, the People's Republic of China (PRC), Lao People's Democratic Republic (Lao PDR), the Union of Myanmar, Kingdom of Thailand, and the Socialist Republic of Viet Nam, and ADB. Representatives from the Japan International Cooperation Agency (JICA), Japan Bank for International Cooperation (JBIC), Mekong River Commission (MRC), Kreditanstalt für Weideraufbau (KfW), United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), and the World Bank attended the Meeting as observers. The list of participants and observers is attached as Appendix 2.

4. The Meeting was chaired by M. Li Guangling, Deputy Director General, Department of International Cooperation, Ministry of Communications (MOC) and co-chaired by Mr. John Cooney, Director, Infrastructure Division, Mekong Department (MKID), ADB.

II. Opening Session

5. Mr. Li Guangling, Chair, opened the Meeting and welcomed the participants. He introduced the Meeting's keynote speaker, H.E. Mr. Weng Mengyong, Vice Minister of Communications, the PRC, Mr. Toru Shibuichi, Country Director of ADB Resident Mission in the PRC, and other ADB officers seated at the head table.

6. H.E. Mr. Weng Mengyong, welcomed the country delegates and other participants of the Meeting. He said that the STF meeting's being held in Beijing before the Second Summit of GMS Leaders is very significant. Noting that the GMS countries have had close contacts since ancient times, he said that the joint efforts and cooperation of the six countries with the assistance of ADB have achieved excellent results. On the hard infrastructure side, he mentioned in particular the Kunming-Bangkok

road in Lao territory and the improvement of navigation channels and installation of navigation markers along the upper Mekong River, which are projects that have been achieved with the joint efforts of the countries concerned. With regard to the software side, he cited the GMS Cross Border Transport Agreement. Moreover, in order to further promote economic cooperation in the subregion, PRC has increased its investments in the construction of roads connecting the economic corridors, such as the Kunming-Mohan section of the Kunming-Bangkok Road, Kunming-Hekou section of the Kunming-Hanoi Highway, the Nanning-Youyiguan section of the Nanning-Hanoi Highway, as well as looking into the feasibility of upgrading and reconstructing sections of the Asian Railway in Chinese territory. He thanked ADB for its initiating role and financial and technical support for GMS transport projects, and also thanked other international institutions and governments that have helped in GMS transport sector development.

7. Mr. Toru Shibuichi, Country Director, ADB Resident Mission in PRC, in his opening remarks, emphasized the key role of transport sector cooperation in overall regional cooperation, noting that the enhanced connectivity and the easier flow of goods and people that results from such cooperation promotes the competitiveness of the GMS countries and the entire subregion. He said that the GMS serves as the bridge between East, Southeast and South Asia but can only perform this important role if the needed transport infrastructure linkages are in place and there are no impediments to their optimum use. The development of such linkages and the harmonization and simplification of transport rules can only be accelerated through pragmatic regional cooperation. He also noted that the recent inclusion of the Guangxi Zhuang Autonomous Region of PRC in the GMS Program would further boost connectivity and economic linkages in the region. Lastly, he stressed that the ultimate aims of infrastructure development are to help achieve sustained economic development, reduce poverty and improve people's lives.

8. Mr. John Cooney, ADB, Meeting Co-Chair, thanked the Government of the PRC for hosting the Meeting. He shared some personal reflections on his involvement in the GMS Program. He said that ten years ago, when he had the chance to be involved with the first transport sector study, the vision being spoken of was of a region long divided by history, politics, ideology, and conflict becoming a connected economic power house. Later, when he experienced working on actual projects with the countries involved, he felt that there was a genuine spirit of cooperation and enthusiasm, with everyone sensing that he is involved in something that would have far-reaching and fundamental impacts. It was also accepted from the start that the hardware would never be enough, and that the difficult software challenges had to be resolved for the full potential of the projects to be achieved. To everyone's credit, and to the lasting benefit of the subregion, these challenges have been met, and overcome. Looking around, one would see concrete evidence of the significant changes that are taking place, such as the transformation of what had been a sleepy border post in Cambodia to a bustling construction site, as Cambodia and Viet Nam rush to complete their border crossing facilities, and more importantly to a bustling crossing point for people and vehicles. It is indeed a great pleasure to see a long ago vision rapidly becoming a reality.

III. GMS Program Updates

9. Mr. Peter Broch, ADB, briefed the Meeting on the GMS Program and important recent developments in the Program that have a bearing on transport sector initiatives. He presented as major elements in GMS cooperation in the sector the development of the economic corridors and the formulation and implementation of the Cross-Border Transport Agreement. He informed the Meeting on the results of two significant events in the Program, namely, the 13th Ministerial Meeting (13th MM) held in Vientiane in December 2004 and the forthcoming 2nd GMS Leaders' Summit in Kunming on 4-5 July 2005. The 13th MM adopted the GMS Plan of Action, which identifies a series of coordinated projects and activities that the GMS countries have committed to implement under clear timelines. The parts of the Plan of Action that pertain to the Transport Sector will be discussed in the present Meeting. The Second Summit, on the other hand, has the theme: "A Stronger GMS Partnership for Common Prosperity". Among its substantive outcomes are the findings and recommendations of four ongoing sector strategy studies for the GMS, on (i) tourism, (ii) trade facilitation and investments, (iii) biodiversity conservation corridors, and (iv) the transport sector. Thus, the present STF Meeting will discuss the preliminary findings and recommendations of the GMS Transport Sector Strategy Study currently being undertaken.

IV. Country Presentations

10. The GMS delegations presented their respective country reports, which provided a updates in the transport sector, including priority transport projects, programs, and policies under the GMS Program. Presentations were made by the following participants: (i) H. E. Mr. Chhin Kong Hean, Director General, Ministry of Public Works and Transport, Cambodia; (ii) Ms. Xiong Yan of the Department of International Cooperation, Ministry of Communications, PRC; (iii) Mr. Math Sounmala, Director General, Department of Planning and Cooperation, Ministry of Communications, Transport, Post, and Construction, Lao PDR; (iv) U Myint Maw, Director, Transport Planning Department, Ministry of Rail Transportation, Myanmar; (v) Mr. Sunant Kliengpradit, Director of Planning Group, Planning Bureau, Department of Highways, Ministry of Transportation, Thailand; and (vi) Mr. Pham Thanh Binh, Senior Expert, Ministry of Transport, Viet Nam. Copies of their presentations have been distributed at the Meeting and are available from the Secretariat upon request.

11. Based on these country reports, a summary of progress of the three GMS economic corridors, including the GMS cross-border transport agreement, was prepared and is attached as Appendix 3. In addition to the progress listed in Appendix 3, the country delegations noted or raised points regarding the status/achievements/issues on certain transport-related initiatives, as follows:

- The pressing need for the implementation of the bridge across the Mekong connecting Houayxay and Chiang Khong in time with completion of the corresponding road; this is seen as necessary to maximize the potential of the North-South Economic Corridor. In particular, PRC proposed that (in addition to the TA being provided by ADB) a task force be formed, consisting of experts from PRC, Lao PDR, Thailand and ADB to address issues such as location, design standard and relationship with shipping development, project cost, and social development impact, as well as discuss and make recommendations on the issue of financing. It was

noted that an informal meeting among ADB and the countries concerned regarding the project will be held immediately following the STF-9 Meeting.

- The greater focus that needs to be given to inland waterways and shipping development on the Lancang-Mekong River and the offer of the PRC to share its experience in this area and conduct training courses for GMS members, such as planning for inland waterway systems development and regulation of navigation channels. PRC also offered to assist in training for the design of roads and bridges.
- The need for training the human resources involved in the implementation of the GMS Cross Border Transport Agreement.
- The extensive ports development being undertaken in the PRC (e.g., Simao, Jinghong, Guanlei, Fangcheng)
- The project to develop the National Road 2 in Lao PDR, with Thailand extending a soft loan to construct the missing link from Pakbeng to Muong Ngeun and Viet Nam agreeing to also provide assistance to build the section from Muong Khoa to Taichang, and the middle section from Pakbeng to Muong Khoa being rehabilitated using World Bank funding.
- The Lao Government's request to use the saving on the ADB loan for the reconstruction of Road 9 portion between Muong Phin-Dansavanh to overlay the Savannakhet-Seno section of Road 9 (30 km) with asphalt and to build some important rural roads along this corridor.
- The construction of several bridges in Myanmar and the work on its railways development, part of which will eventually create links to India.
- The Thailand-Myanmar-India linkages are now under discussion.
- The project to reconstruct the missing rail link in Cambodia (Poi Pet-Sisophon) being assisted by Malaysia, the project being planned by ADB to rehabilitate the existing railway in Cambodia, and the studies being undertaken on the planned rail link from Phnom Penh to the Viet Nam border
- The forging of bilateral air service agreements between countries, as reported by Thailand, which agreements has led to more flight routes.
- The efforts of Thailand to address the transport-related issues of pollution and road accidents; its development of Mass Transit Transport for Bangkok that will minimize pollution.
- The new Flagship Program being proposed by Lao PDR, namely, the improvement of National Road 4, which would link EWEC and NSEC

V. GMS Transport Sector Strategy Study

12. Mr. Peter Broch, ADB, gave some introductory comments prior to the presentation of the consultant's recommendations on the Study's directions and focus. He said that the demand for infrastructure development in the GMS is as great as ever and that the nature of the requirements has changed. Whereas the need at the time of the first Transport Master Plan in 1995 was for basic cross border access, now the concerns are for (i) securing sufficient capacity to support continued economic growth, (ii) improving the efficiency of transport to further enhance the international competitiveness of the GMS countries, and (iii) spreading economic growth more equally. He also noted that the existing GMS Development Matrix, which has been produced by the countries and the ADB, contains an overview of the infrastructure needs for the development of the subregion, but is not a comprehensive plan for infrastructure development and does not contain the projects needed to address future demands. The Study will make use of the Matrix as an important input but will cover other potential projects and issues as well, and will also introduce ways for enhancing and streamlining the transport infrastructure system and related software in the subregion.

13. Mr. Vaughan Corbett, PADECO Co., Ltd., consultant for the study, presented the recommendations on strategic objectives and directions for the study. The technical assistance (TA) paper supporting the study indicated that its purpose is basically to prepare a strategy to develop a comprehensive GMS transport network, which will link the GMS countries in an efficient and sustainable manner, help realize the GMS competitiveness objective, and will be established chiefly by developing GMS-wide multimodal transport systems encompassing all current and possible future transport modes. He presented as the proposed objective of the study, based on the stated TA purpose and the results of the fact-finding missions, as follows: (i) the completion of basic access through the construction or rehabilitation of missing network links; (ii) the achievement in the medium term of sustainable maintenance over the GMS network so as to preserve the asset value that has been created or renewed through the considerable investments undertaken by GMS countries and their development partners; and (iii) a significantly more efficient level of operations over the network that facilitates the competitiveness of GMS shippers and enables the free passage of GMS residents and tourists along GMS transport links.

14. Moreover, Mr. Corbett presented a proposed selection methodology for future interventions, i.e., projects and policy initiatives, to implement the strategy. The methodology consists of the following three-step procedure: Step 1 (Qualitative Test) --- will consider basically whether the intervention promotes the GMS strategic framework and transport sector objectives and whether it is the best solution for the particular problem it addresses; Step 2 (Economic Test) --- to address the economic efficiency of the project/policy initiative, with the basic indicator being the the economic net present value (ENPV) of its cost and benefit streams, discounted at the test discount rate, and the efficiency objective being to maximize ENPV for a given amount of investment; and Step 3 (Balance Test) --- will consider the overall result of the prioritization, whether it results in a transport plan that has an acceptable mix of initiatives, considering issues such as country, region and corridor balance, distribution of initiatives between modes and consistency of spending over the 10-year period. Mr. Corbett further noted that the prioritization based on ENPV is consistent with the GMS Strategic Framework Thrusts, being based on some thrusts and supporting others. The criterion is also aligned with transport cost reduction goals implicit in economic corridor projects. Moreover, the

development of the telecommunications network is critical to the transport sector strategy and to fostering a logistics orientation, which is becoming increasingly important in the GMS.

15. Mr. Corbett also noted more efficient transport sector has significant impact on poverty alleviation, through its support of economic growth. Moreover, in framing the transport sector strategy, poverty alleviation can also be addressed more explicitly through the formulation of rural road programs that connect rural areas to the infrastructure improved under GMS initiatives.

16. The delegates gave their views and suggestions on the strategic objectives and directions presented. These are summarized as follows:

- Is it rational to develop two or three transport modes along the same, corridor knowing that they would compete with each other, for instance, rehabilitating a railway when it may not be able to compete with expressways being built? The response of the Study team is that it would depend on future developments, e.g., future volume and composition of demand, such that multi-modal transport along the same corridors may become viable.
- It was mentioned that transport systems have a significant poverty reduction impact, but this seems to be not shown by actual experience, for instance in Cambodia. Response: This is an important issue. Poverty is a complex problem that could not be addressed solely by transport infrastructure development. But it is also true that efficient transport can help substantially by bringing producers and consumers closer, thus increasing producers' share in the selling price of the product and reducing the price to final consumers, thereby also bringing down the cost of living. But this is assuming that the legal and other systems in each country support such a process. This brings to focus, for instance, transport sector deregulation.
- Explain the further details of the "Balance Test". What is the relation between this and the Economic Test? Response: Balance pertains, among others, to the transport modes – for instance, too much emphasis on roads and too little on inland waterways; to country focus; to distribution of benefits among various sectors. The Economic Test is an absolute criterion – it determines whether a project is viable or not. Assuming that it passes the Economic Test, the project would still have to be considered together with other economically viable projects to determine if it is the best way to achieve the desired results, given other considerations. The Balance Test will be set down in a more rigorous and detailed formulation in the Study Interim Report.
- The Study should give more emphasis to logistics, considering that logistics costs in the GMS are relatively higher than in other regions; improved logistics systems are needed to enhance competitiveness. Response: Broadly agree. However, logistics pertain more to operating the transport network rather than to the development of the network, and is a large and complex subject such that it could be treated separately. But the Study will certainly consider logistics issues.
- What will be the future organization and mechanism for transport sector cooperation, assuming that the multi-modal systems, both hardware and software, shall have

been established? Will a single forum be sufficient? Response: There are several possibilities, such as, working sub-groups, say one for each mode; a group focused on logistics; groups tackling cross-cutting issues; and so on, but this will depend on a fuller picture of the developments in the sector that the Study will generate.

- The important objective in transport network or corridor development, for it to enhance economic exchange and support growth and poverty reduction, is that the corridors link effectively to national road networks, at all levels down to the provincial and local systems.
- There are many economic groupings and regional cooperation initiatives that have emerged, but there has not been much conflict that has developed among them and instead there are substantial complementarities. The Study should look into how the GMS can interface with such other initiatives and groupings to ensure complementation.
- Important transport facilities maintenance issues should also be addressed by the Study. In this regard it may be possible to establish means by which regional best practices in this area may be identified and adopted.
- Given the huge funding requirements of transport infrastructure development, the Study should also give some focus on issues such as why private sector funding continue to be overly scarce for transport projects in the region; what are the major impediments to private investments in such projects.
- The Study should also give sufficient consideration of HRD requirements of transport development.

17. The delegates were requested to send any other comments that they may have by 10 June 2005. The paper on the recommendations on the strategic objectives and directions for the Study has been revised taking into consideration the results of the discussions so far and is attached hereto as Appendix 4.

VI. Transport Sector Plans and Initiatives in the GMS 13th Ministerial Conference Plan of Action

a. Cross Border Transport Agreement

18. Mr. Bruce Winston, PADECO Co., Ltd., presented an update on the GMS Cross Border Border Transport Agreement (CBTA) to initiate discussions on CBTA-related activities included in the transport sector component of the GMS Plan of Action that was adopted by the 13th GMS Ministerial Meeting held in Vientiane in December 2004. He discussed the milestones and planned activities leading up to the CBTA's full implementation, as follows: (i) negotiation, finalization, and signing of Annexes and Protocols [2003-2005]; (ii) ratification by all GMS Governments of the Annexes and Protocols [2004-2007]; (iii) implementation of the GMS Agreement and its Annexes and Protocols [2005-2007]; and (iv) full implementation of the GMS Cross-Border Agreement [starting 2007-2008]. He also presented some of the key issues that have been raised in consultations with the countries regarding the CBTA, as follows: (i) capacity building at

national and border levels, (ii) establishment of required border infrastructure, (iii) development of ICT/MIS for efficient border management, (iv) passage of new legislation to establish various transport facilitation regimes, and (v) continued strengthening of goodwill and trust among GMS countries as the ultimate basis for the success of the CBTA.

19. The delegates gave their comments and views, summarized as follows:

- The World Bank representative, Mr. Graham Smith, offered to share his experience in developing a similar cross border transport facilitation agreement in the Balkans, particularly as regards setting up performance benchmarks for such programs, e.g., indicators of reduced time delays, reduced transaction costs, procedure simplification.
- It was remarked that the use of bilateral MOUs for the initial implementation of the CBTA might impede implementation of the wider agreement. It was explained, however, that such MOUs are only means to jumpstart the process, so that actual initial implementation can pave the way for full implementation.
- There is a need to enact enabling legislation in some countries that is apart from, but essential for, the ratification process.

b. Key Transport Projects in GMS Economic Corridors

20. Mr. Broch gave an overview of key transport projects being assisted by ADB under the GMS Plan of Action, as follows:

- Lao Cai-Hanoi-Haiphong Expressway Project
- Lao Cai-Hanoi Railway Upgrade Project
- North-South Economic Corridor Bridge
- Southern Coastal Corridor Project
- Restructuring and Rehabilitation of the Railway in Cambodia.

He also briefly explained the coverage of the three GMS Economic Corridors.

21. There was a remark that with the inclusion of the Guangxi Zhuang Autonomous Region of PRC in the GMS Program, there would be a need to update the GMS transport projects pipeline to include Guangxi-related projects that are important for the subregions, such as the road project linking the Guangxi capital to Viet Nam.

VII. Updating of Transport Sector Projects in the GMS Development Matrix

22. Mr. Broch, ADB, introduced the session, noting that the GMS Development Matrix is a “work in progress” and is subject to continuous updating and is open to proposals on new projects for inclusion. He then presented the list of proposals made by the country delegations on new projects for inclusion in the Matrix. These were taken from the proposed new projects contained in the country reports presented at the meeting and from consultations with the respective delegations. The proposals are as follows:

- From Cambodia:
 - Improvement of channel and navigation downstream of Mekong from Viet Nam border to Phnom Penh port and on access to Siemreap port, including installation of aids to navigation
- From Lao PDR:
 - Proposed New GMS Flagship Road Project: National Road 4 (360 km) (part of Northern Lao Transport Network) --- from Lao-Thai Bridge at Nam Heuang, via Kenthao-Paklay and Sayaboury to Luang Prabang; to connect the East West Economic Corridor (EWEC) and the North South Economic Corridor (NSEC)
 - Improvement of Luang Prabang Airport --- the city is the former royal capital of Laos and a world heritage town, which would be a valuable addition to the GMS subregional tourism network.
- From Myanmar:
 - Construction of Lao-Myanmar Friendship bridge across Mekong River ---
 - Extension of the Southern Economic Corridor (SEC) westward from Bangkok to Kachanaburi, to the Thailand-Myanmar border, to Dawei
- From Viet Nam:
 - Road 217 Improvement Project (Thanh Hoa province, border with Lao PDR) -- - could form part of a new east-west economic corridor involving Thanh Hoa Province in Viet Nam, northern Lao PDR, and northern Thailand.
 - Ninh Binh-Thanh Hoa Expressway Project (Highway 1)
 - Construction/Upgrading to an expressway of the Bien Hoa to Vung Tau road

23. Thailand strongly supported the Myanmar proposal for the extension of the SEC westward, to Kachanaburi to Dawei, noting that this would make possible the linking of four seaports in four countries, and thus further boost trade in the region. It was suggested that a specific study be made to provide more details on this project.

24. Mr. Broch reminded the delegates that they will need to submit completed project concept profiles, as much as possible using the format that has been provided, for the new projects proposed for inclusion in the Matrix. These should be forwarded to ADB's Mekong Department, by facsimile [(63 2) 636-2226 or 636-2227] or email [sbando@adb.org, with copy to rabutiong@adb.org and rcastelo@adb.org], preferably within June 2005. The countries may also submit further proposed projects for inclusion or deletion from the Matrix.

25. Mr. Cooney reiterated that the Development Matrix (DM) and the Transport Sector Strategy Study are closely linked. The DM is a major source of inputs for the Study and the screening methodology that will be produced by the Study will likewise be applied to the projects and initiatives contained in the DM. He also suggested that for the concerns that have been identified in the Meeting, such as the need for focus on inland waterways transport development and the need for HRD to support the CBTA's management, project proposals be developed for possible inclusion in the DM.

VIII. Important Issues Regarding GMS Transport Projects

26. Mr. Broch, ADB, noted that given the large financing requirements of infrastructure improvement and the scarcity of traditional sources, such as government funds and concessionary international aid, new sources of financing will need to be tapped. A flexible approach is therefore needed where the financing decision is based on the individual project's ability to generate economic benefits and financial revenues, with concessional funds reserved only for components that cannot be financed by market based funds.

27. Mr. Cooney commented further that countries should perhaps start looking to more innovative combinations of public-private partnerships in financing infrastructure projects, rather than just focusing on public resources. He said that there are financing options by which both public sector objectives and private returns are both served, such as those adopted by India for some of its transport projects. He also suggested that given that projects in known growth centers within countries usually have higher returns, it may be useful to consider these for public-private financing and to utilize scarce purely ODA funds for inter-regional projects.

IX. Statements from Observers

28. Ms. Tomoko Onuki, Project Formulation Advisor, Japan International Cooperation Agency (JICA), Regional Support Office for Asia, said that JICA is helping the GMS countries particularly on the software aspects of infrastructure projects. She referred for instance to the concern expressed by Cambodia on infrastructure projects' impact on poverty reduction; this is the kind of issue that JICA wants to help address.

29. Mr. Hozumi Katsuta, JICA Expert in Public Works and Transport, who is currently advisor for the Government of Cambodia, gave two comments regarding the GMS Transport Sector Strategy Study. First, when the Study was initially discussed there was mention of increasing consideration of demand side factors, which he said has not been mentioned in the discussions of the Study during the Meeting. He suggested giving more focus to this in the Study. Second, he proposed that the Study also address certain unexpected impacts of transport development, such the transfer of "functions" across countries. For instance, he cited the example of highways development that improves access of Phnom Penh to Vietnamese ports having a potentially unintended impact on the Sihanoukville port.

30. Mr. Masatomo Toyoda, Japan Bank for International Cooperation (JBIC), presented JBIC's experience in providing assistance to transport development in the GMS. He explained JBIC's overall concepts for GMS development, which emphasizes

stability for the entire region, networking, and partnerships for trade and investment, and capacity building. He briefed the Meeting on JBIC-assisted transport projects in the GMS, e.g., the Second Mekong International Bridge between Thailand and Lao PDR, the Sihanoukville port improvement project in Cambodia, and the Cai Mep Thi Vai International Port Project in Viet Nam. He then suggested that greater focus be given to the social aspects of transport projects. He cited the example of a JBIC project to assist in mitigating HIV/AIDS impact of the Sihanoukville port project, which has increased because of increasing economic activity, migration, separation of workers from families, and other causes. There are other important social issues related to infrastructure development that must be addressed to ensure that it contributes to development with minimal negative effects on the populations of the countries and areas concerned.

31. Dr. Olivier Cogels, Chief Executive Officer, Mekong River Commission (MRC), briefed the Meeting on the activities of the MRC in the GMS. He said that MRC has the following among its priority areas of involvement: navigation systems development, flood management, irrigation, fisheries, watershed management, and environment management. Its activities complement those of the GMS Program. MRC would like to further develop its collaboration with GMS in various areas in pragmatic ways. It has technical, financial and strategic capabilities that other national and regional initiatives can tap to help them in attaining their development objectives, jointly with MRC. He cited the close cooperation between MRC and ADB at the level of investment planning in flood management, with a Regional Flood Management Center being established in Phnom Penh. He also mentioned cooperation with PRC, with the latter providing real time hydrological data for flood forecasting. MRC has also received substantial assistance from Belgium, for instance in establishing a Navigation Master Plan for Cambodia. He offered the GMS countries and other partners present in the Meeting MRC's support in their various initiatives.

32. Mr. Li Yuwei, Economic Affairs Officer, UNESCAP, informed the Meeting that 26 countries, including the GMS countries, signed the Intergovernmental Agreement on the Asian Highway Network at the 60th session of the commission held in Shanghai in April 2004. UNESCAP is also taking a similar approach to the formulation of a Trans-Asian Railway Network and launched the negotiation process for this in November 2004. In parallel with infrastructure related activities, UNESCAP is implementing a project on capacity building for trade and transport facilitation in the landlocked and transit countries, including the GMS countries. This project aims to assist countries in reducing nonphysical impediments to trade and transport through the establishment of national coordination mechanisms among various stakeholders, formation of legal regimes, and the use of various UNESCAP guidelines and models. He also noted that UNESCAP has also been working closely with ADB in promoting transport development in the GMS and SCO (Shanghai Cooperation Organization) countries, for instance with regard to the GMS CBTA, and intends to continue this fruitful collaboration.

X. Other Matters and Date and Venue of Next Meeting

33. Consistent with the tradition of rotating the venue of the STF among the GMS members according to the alphabetical order of country names, ADB will discuss with Lao PDR the possibility of it hosting the Tenth Meeting of the STF in 2006, and separately advise the Forum delegates appropriately. It was agreed that the Tenth Meeting of the STF (STF-10) would be held in May 2006.

XI. Acknowledgements

1. The Meeting adopted the Summary of Proceedings of the Meeting on 3 June 2005. The Meeting, however, agreed that any further comments on, and/or revisions to, the Summary may be forwarded to ADB (pbroch@adb.org and rcastelo@adb.org, with cc to yrazote@adb.org) on or before 10 June 2005.

2. The GMS countries and the ADB expressed their sincere thanks and appreciation to the Government of the PRC, in particular, to the Ministry of Communications, for the warm hospitality and excellent arrangements provided to the Ninth Meeting of the Subregional Transport Forum.

**Ninth Meeting of the GMS Subregional Transport Forum
Beijing, People's Republic of China
1-2 June 2005**

AGENDA AND PROGRAM

First Day: 1 June 2005

- 0800-0830 **Registration**
- 0830-0920 **Opening Session**
- Welcome Remarks
 *By H.E. Mr. Weng Mengyong
 Vice Minister of Communications, PRC*
- Opening Remarks
 *By Mr. Toru Shibuichi
 Country Director, ADB Resident Mission, PRC*
- Opening Remarks
- *Mr. Li Guangling, Deputy Director General, Department of International Relations, Ministry of Communications, PRC
 Chair*
 - *Mr. John R. Cooney, Director, Infrastructure Division,
 Mekong Department, ADB
 Co-Chair*
- 0920-0930 Group Photo Session
- 0930-0945 **GMS Program Updates** (Recent key events, activities, and achievements in the GMS Program, particularly those that relate to the transport sector.)
- By Mr. Peter Broch, ADB
- 0945-1000 Coffee/Tea Break
- 1000-1130 **Country presentations** (Updates on developments in the transport sectors of GMS countries, focusing on programs and projects that have subregional dimensions; 15 minutes for each country.)

- 1130-1230 **GMS Transport Sector Strategy Study: Recommendations on Strategic Objectives and Directions for the Sector**
(Presentation of the draft recommendations on the strategic objectives and directions of the sector study.)
- Introduction by Mr. Peter Broch, ADB
Presentation by Mr. Vaughan Corbett, PADECO
- 1230-1345 Lunch (Café Cha)
- 1330-1430 **Discussion of the Recommendations of the Study** (The meeting will discuss the recommended strategic objectives and directions. The draft will be revised and finalized to take account of the results of the discussions. This will form part of the substantive GMS Program outcomes or deliverables that will be presented to the 2nd Summit of Leaders in July 2005.)
- Discussion Facilitators:
Mr. Peter Broch, ADB
Mr. Bruce Winston, PADECO
- 1430-1500 Coffee/tea break
- 1500-1645 **(i) Discussion of transport sector plans and initiatives set in the 13th Ministerial Conference GMS Plan of Action:**
- Actions re Cross Border Transport Agreement
 - Key transport projects in GMS Economic Corridors
- (ii) Updating of transport sector projects in the GMS Development Matrix**
- 1645-1700 **Closing Session for First Day (Summing-up of key agreements)**
- 1830 **Dinner/Reception**
Hosted by the Ministry of Communications, PRC
- Second Day: 2 June 2005**
- 0830-0845 **Important issues regarding GMS transport projects** (These pertain particularly to the need to mobilize private sector and non-traditional funding sources.)
- By Mr. Peter Broch, ADB
- 0845-1000 **Statements from Observers**
By representatives from bilateral and multilateral agencies
- 1000-1030 Coffee/tea break

1030-1100	Other Matters (including date and venue of STF-10)
1100-1145	Consideration of: <ul style="list-style-type: none">○ Draft Summary of Proceedings of STF-9○ Revised/Final Version of the Recommended Strategic Objectives and Directions of the GMS Transport Sector Study
1145-1200	Closing Session
1200-1330	Lunch (Café Cha)

Note: The Ministry of Communications will be arranging a technical tour, depending on the schedule of the participants.

Greater Mekong Subregion Economic Cooperation
Ninth Meeting of the Subregional Transport Forum (STF-9)
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List of Participants

GMS Countries

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The Greater Mekong Subregion

Status of Implementation of Economic Corridors and the GMS Cross-Border Transport Agreement (as of June 2005)

1. East-West Economic Corridor

- a) About 1,450 km long. When the undeveloped or missing sections are in place (2007), it will be the only direct, continuous land route between the Indian Ocean (Andaman Sea) and the South China Sea.
- b) Will link the following points: (i) Mawlamyine-Myawaddy in Myanmar; (ii) Mae Sot-Phitsanulok-Khon Kaen-Kalasin-Mukdahan in Thailand; (iii) Savannakhet-Dansavanh in Lao PDR; and (iv) Lao Bao-Dong Ha-Hue-Da Nang in Viet Nam.
- c) Status, Financing, and Expected Completion Date

▪ **Mawlamyine-Myawaddy, Myanmar**

- Upgrading of the first (18 km) section of Mae Sot-Myawaddy-Paan-Mawlamyine road in Myanmar, with assistance from Thailand, commenced in March 2005, and is expected to be completed by April 2006, as part of the road linking Thailand with India. The upgrading of the remaining section beyond (18.0 km) is still under consideration by Myanmar if it will avail of a soft loan offered by the Thai Government.
- Construction of a bridge crossing the Thanlwin River in Myanmar financed by the Government of Myanmar was completed in December 2004, and is now operational.
- There is a need to develop the 40 km road section and two major suspension bridges between Eindu to Mawlamyine to provide the link to the western terminus of the EWEC. At a later stage, the Government of Thailand may assist in developing an alternative route to Mawlamyine from Kawkareik via Mudon, as part of the Thailand-Myanmar-India Transport Project.
- The rehabilitation of the remaining road sections in Myanmar, and the upgrading of the port or development of a deep sea port at the western end of the EWEC in Mawlamyine area needs financing to complete the EWEC transport corridor.

▪ **Mae Sot-Mukdahan, Thailand**

- 300 km of national roads are planned to be upgraded into four-lane highways. The 120-km route, Phitsanulok-Uttaradit and Khon Kaen-Nong Rue, has been completed.
- Improvement under way for: (i) Mae Sot-Num Mae (8 km), (ii) Tak-Sukhothai (27 km), (iii) Phitsanulok-Wang Tong (18 km), (iv) Khon Kaen-Yang Talad-Kalasin (91 km), and (v) Mukdahan-Kamcha-ee (35 km).
- Upgrading of 102-km section from Kalasin to Mukdahan to be implemented during the 9th National Development Plan period (2002-2006).

▪ **Bridge and approach roads at Mukdahan, Thailand-Savannakhet, Lao PDR (Second Mekong International Bridge)**

- Financed by Yen 8.1 billion loan from the Japan Bank for International Cooperation (JBIC) to Thailand and Lao PDR. Loan became effective in March 2002.
- Project started in December 2003; now 55% complete; expected completion date for civil works is in end-2006 or early 2007.

▪ **Rehabilitation of Route 9: Xeno to Muang Phin in Lao PDR (130 km)**

- Completed in 2003 with grant financing from the Government of Japan amounting to Yen 7.2 billion

▪ **Route 9: Muang Phin to Lao/Vietnamese Border (78 km)**

- Civil works underway (US\$32 million ADB loan to Lao PDR).
- Physical works completed in April 2004.

- **Route 9: Lao Bao to Dong Ha in Viet Nam (83 km)**
 - Civil works underway (US\$25 million ADB loan to Viet Nam)
 - Expected completion date: June 2006.

- **National Highway 1, Dong Ha to Da Nang in Viet Nam**
 - A 6.4 km tunnel located on Highway No. 1 connecting Da Nang and Hue is under construction.
 - Partly financed by Yen 18.9 billion from JBIC (Total cost is US\$251 million).
 - Construction started in November 1999. Expected completion date: May 2005. Inauguration on 15 June 2005.
 - Improvement of World Bank-funded Highway 1 (US\$22 million loan) in Viet Nam from Dong Ha to Da Nang completed in 2003.

- **Upgrading of Da Nang Port at Tien Sa**
 - Partly financed by Yen10.7 billion loan from JBIC (total cost is US\$73.1 million).
 - Civil works commenced in November 2001. The component of Tuyen Son Bridge construction completed on February 2004. The 1st phase of the Tien Sa-Da Nang Port project has been completed in 2004, with its capacity reaching 2.5million tons/year. In the 2nd phase (2004-2010), the capacity will be increased to 4 million tons/year.

- **Other Activities**
 - Preinvestment study, which identified investment potential along the EWEC, was completed in 2001.
 - Website/CD to promote tourism in the EWEC exists.
 - Annual workshop and senior officials' meeting to develop the EWEC is being held, participated in by EWEC officials, private sector, and development partners.

2. North-South Economic Corridor

- a) Two different routes along the north-south axis are involved in the North-South Economic Corridor initiative: (i) the Kunming-Chiang Rai-Bangkok via Lao PDR and Myanmar route, and (ii) Kunming-Hanoi-Haiphong which connects to the existing Highway No. 1 running from the northern to the southern part of Viet Nam.

b) Status, Financing, and Expected Completion Date

- **Improvement of Kunming-Mohan road in the PRC (827 km)**
 - Upgrading of Kunming-Yuxi section (86 km) to a six-lane expressway completed in 1999.
 - Upgrading of Yuxi-Yuanjiang section (112 km) to a four-lane expressway was completed in 2003.
 - For the Yuanjiang-Mohei section (216 km). Upgrading to a four-lane expressway started in 1999, and is partly financed by a US\$250 million loan from ADB to the PRC. Entire project expressway was completed in December 2003.
 - Upgrading of Mohei-Simao section (71 km) to class II road was completed in 1996. Upgrading of this section to a four-lane expressway by the PRC Government is expected by 2008.
 - The Simao-Xiaomenyang section (130 km) is a class III and IV road with asphalt pavement. Upgrading of this section to a four-lane expressway with a length of 98 km started in June 2003 and is expected to be completed in 2006.
 - The Xiaomenyang-Mohan section (217 km) is currently a class IV road with asphalt pavement. This section is planned to be upgraded to a combination of class I and II standard road with a length of 176 km. Construction has commenced in 2004 and completion is expected by 2008.
 - The total length of the Kunming-Mohan road will be reduced from 832 km to 690 km after completion of all construction activities by 2008.

- **Rehabilitation of Boten-Houayxay in Lao PDR (228.3 km)**

- PRC and Thailand, and ADB have approved their respective loan assistance to Lao PDR to rehabilitate this section (US\$88.5 million).
- Civil works have commenced in 2004. (The construction of the PRC section is 40% complete, the Thai section 15% complete, and the Lao PDR/ADB-funded section 10% complete.) Expected completion is in early 2007.

- **Construction of International Bridge Connecting Houei Sai and Chiang Khong**
- It has been agreed that this bridge is a key component of the North-South Economic Corridor, and, as such, is a priority project for immediate implementation. The feasibility study is in progress under an ADB technical assistance. It aims to select the best site for the bridge, make a preliminary design of the bridge, including preparing preliminary cost estimates. The Thai Government is providing in grant 50% of the cost of the bridge; Lao PDR is seeking financing for the other 50%.

- **Chiang Khong-Chiang Rai in Thailand**
- There are a number of alternative routes linking Chiang Khong and Chiang Rai, length of which varies from 110-150 kms.
- The road network in Thailand is well developed and is not seen as a constraint to cross-border movements.
- Rehabilitation/widening of the road in Thailand from Chiang Rai province to Amphoe Chiang Khong (115 km) would be implemented as part of the 9th National Development Plan of Thailand (2002-2006).

- **Chiang Rai-Bangkok (830 km) in Thailand**
- Upgraded to at least four-lane standard.

- **Upgrading of Mongla-Kengtung-Tachileik in Myanmar (256 km)**
- Upgrading of Mongla-Kengtung (93 km) is being undertaken by Public Works Department, in collaboration with regional authority, was already done up to two-lane bituminous road, but curvatures and gradients are still below standard due to mountainous terrain.
- Upgrading of Kengtung-Tachileik (163 km) is being undertaken by Hong Pang Co., Ltd., on a BOT arrangement; was already completed to two-lane width to meet the minimum design class III of the standard.
- As the route between Tachileik and Mae Sai in Thailand is experiencing traffic congestion problems, a new by-pass route has been introduced. This includes construction of a new alignment and a bridge across the Mae Sai River (2nd Mae sai bridge) at the border of Myanmar and Thailand.

- **Construction of 2nd Mae Sai bridge**
- Myanmar and Thailand agreed to undertake construction of second bridge to cross the Mae Sai River, which was completed recently, with assistance from Thailand, and is going to open to the public soon.

- **Improvement of Mae Sai to Chiang Rai (60 km)**
- Improvement to 4-lane highway has been completed.

- **Improvement of Kunming-Hanoi-Haiphong Transport Corridor (850 km)**
- The expressway from Kunming to Hekou (407 km) is being constructed, and is expected to be completed by 2007. When completed, the travel time from Kunming to Hekou will be reduced from seven to four hours. The status of the respective sections are as follows:
 - Kunming- Shilin (79 km) has been upgraded to expressway.
 - Shilin Mengzi is currently class II road; planned to be upgraded to expressway (183 km); project commenced in 2004 and is expected to be completed by 2007.
 - Mengzi-Xinjie is planned to be upgraded to an expressway (84 km); construction commenced in 2004; expected to be completed by 2007.
 - Xinjie-Hekou is planned to be upgraded to an expressway (56 km); construction commenced in 2004; expected to be completed by 2007.

- Upgrading of 291 km section from Lao Cai to Hanoi is under way and is expected to be completed by 2008.
- Hanoi-Lao Cai Expressway (260 km):
 - (i) Section: Noi Bai – Viet Tri (56km, expected cost of \$200 million) -- financing will be requested from JBIC; expected construction period: 2007-2010
 - (ii) Section: Viet Tri – Lao Cai (204km, estimated cost of \$365million -- will be calling for OCR loan from ADB; expected construction period: 2008-2011.
 - (iii) Mai Dich – Noi Bai (35km, estimated cost of \$350 million, new construction alignment from 4-6 lanes) -- expected to request OCR funding from ADB; expected construction period: 2006-2009.
- Trans-Asia Railway (Kunming-Hekou section)
 - Kunming-Yuxi section has been built into Kun-Yu Railway.
 - Yuxi-Mengzi section (147km) is to be built into standard railway with total investment of RMB 4.5billion yuan.
 - Mengzi-Hekou section is to be built into standard railway of 153km, with total investment of RMB11.7billion yuan.
- The project on upgrading Yen Vien – Lao Cai Railway Section (285 km) to capacity up to 4 million tons per year -- estimated investment cost \$120-140 million, which will include ADB loan of \$60 million, co-financing from France of \$40-60 million, and counterpart funding of \$20 million; the process of selecting consultant for FS preparation done by ADB.
- Road section from Hanoi-Haiphong (110 km), which was improved with financing from JBIC, is in good condition.
- Hanoi-Haiphong rail link (102 km) rehabilitation (electrification) with an estimated cost of US\$374 million is planned; expected to request financing from JBIC; expected construction time 2006-2010.

3. Southern Economic Corridor

- a) The SEC is defined by three main road subcorridors and their areas of influence: (i) the Central Subcorridor: Bangkok (Thailand)-Phnom Penh (Cambodia)-Ho Chi Minh City (HCMC)-Vung Tau (Viet Nam); (ii) the Southern Coastal Subcorridor: Bangkok-Trat (Thailand)-Koh Kong-Kampot (Cambodia)-Ha Tien-Ca Mau-Nam Can (Viet Nam); and (iii) the Northern Subcorridor: Bangkok (Thailand)-Siem Reap-Stung Treng-Rattanakiri-O Yadav (Cambodia)-Play Ku-Quy Nhon (Viet Nam). An important inter-corridor link is the Southern Lao PDR-Sihanoukville Road (Dong Kralor - Stung Treng-Kratie-Phnom Penh-Sihanoukville (Cambodia)).
- b) Status, Financing, and Expected Completion Date
 - **Central Subcorridor: Bangkok-Phnom Penh-Ho Chi Minh City(HCMC)-Vung Tau Road Subcorridor is expected to be completed by 2007**
 - **Bangkok to Thai-Cambodian Border at Aranyaphathet (Thailand).** The Bangkok to Phanom Sarakham road (165 km) has been upgraded from 2- to 4-lane highway. There are two alignments from Phanom Sarakham to Thai-Cambodian border: First alignment follows Highway 304 to Kabinburi and then route 33 to Sra Kaeo-Aranyaphathet and onward to the Thai-Cambodian Border at Khiong Luoek. Widening from 2- to 4-lane has been completed for Phanom Sarakham-Kabinburi (44 km). Budget for upgrading of Kabinburi to Thai/Cambodian border (49 km) to 4-lane highway has been approved. The remaining portion of 54 km is planned for upgrading to 4-lane highway next year. Second alignment from Phanom Sarakham to Sra Kaeo, which shortens the length from Bangkok-Thai/Cambodian border by about 20 km, has been completed.

- **Thai-Cambodian Border (Poipet) to Phnom Penh (Cambodia).** Rehabilitation of the Poipet to Sisophon section (48 km) is part of ADB Loan 1945-GMS: Cambodia Road Improvement Project, which was approved in November 2002. Civil works is expected to commence in November 2005 for completion in early 2008. The Sisophon-Battambang section (68 km) was rehabilitated as part of ADB Loan 1824: Emergency Flood Rehabilitation Project. Physical works were completed in April 2004. Rehabilitation of the section from Battambang to Pursat to Krakor (131 km) was completed in December 2003 under ADB Loan 1697: Primary Roads Restoration Project. Repair of the section from Krakor to Kampong Chhnang (62 km) was completed in May 2004 under ADB Loan 1824: Emergency Flood Rehabilitation Project. Repair of the section from Kampong Chhnang to Phnom Penh (91 km), which was financed by the Government of Cambodia, was completed in mid-2003.
- **Phnom Penh to Cambodian/Viet Nam Border (Bavet- Cambodia).** Upgrading of Phnom Penh-Neak Loueng (up to the Mekong River ferry crossing - 61 km): Civil works are to be implemented through grant financing from the Government of Japan and expected to start in 2006. Financing for the feasibility study of the second bridge over the Mekong (at Neak Loueng ferry crossing) has been approved by the Government of Japan. The study for the bridge commenced in May 2004, and construction is expected to be completed in 2010 with loan or grant financing from the Government of Japan. Upgrading of the Neak Loueng-Bavet (107 km) section was completed with ADB's assistance (Loan 1659-Phnom Penh-Ho Chi Minh City Highway Improvement) in 2004. The contract for the construction of the cross border customs facilities at Bavet was awarded in February 2004, and physical works will be completed by end 2005.
- **Cambodian/Viet Nam Border to Ho Chi Minh City (Viet Nam).** Upgrading of the Moc Bai-Ho Chi Minh City (80 km) section is substantially completed with ADB's assistance (Loan 1660-Phnom Penh-Ho Chi Minh City Highway Improvement). The highway was inaugurated in April 2003. The whole project will be completed by December 2005.
- **Ho Chi Minh City to Vung Tau (Viet Nam).** This 86.5-km section (National Road (NR) No. 51A) was upgraded to a four-lane highway in 2000 with financing from the Government of Viet Nam for about US\$45 million. A 12-km section (National Road No. 51B) is being reconstructed at a cost of VND290 billion for completion by the end of 2004. According to Master Plan of Viet Nam, it is necessary to build a new expressway from Bien Hoa to Vung Tau.
- **Southern Coastal Subcorridor from Bangkok-Trat (Thailand)-Koh Kong-Kampot (Cambodia)-Ha Tien-Ca Mau-Nam Can (Viet Nam) is expected to be completed by 2010**
 - **Bangkok-Trat (Thailand).** This 310-km section has been upgraded to a 4-lane highway. The section from Trat to Thai/Cambodian border at Hat Lek (89 km), which is a 2-lane highway, is planned to be upgraded to a 4-lane highway within the 10th National Development Plan period (2007-2011).
 - **Cham Yeam - Koh Kong - Sre Ambel (Cambodia).** Rehabilitation of this 138-km road paving with laterite was completed in January 2003 with locally-arranged financing and grant aid from the Government of Thailand. The Government of Thailand has agreed to provide a loan to Cambodia for further upgrading of this road, encompassing widening, gradient reduction and paving with bituminous pavement. The 567 million baht loan, was signed in July 2003. Upon the request of the Cambodian Government, Thailand has also provided a supplementary loan of about 300 million bath to cover the shortfall in budget. Physical works commenced in January 2005. In addition to this loan, the Government of Thailand will provide a grant of 288 million baht for the construction of four large bridges. This road section is expected to be completed in 2007 and with improved gradients would allow for the movement of trucks carrying containers from Bangkok to Ho Chi Minh City via National Road (NR) 48 (Koh Kong-Sre Ambel) to NR 1.
 - **Sre Ambel - Veal Rinh (Cambodia).** Sre Ambel - Veal Rinh (40 km): The whole section of Road 4 was rehabilitated under USAID fund, and maintenance works are undertaken by a local firm under BOT contract. The road section is in good condition.
 - **Veal Rinh - Kampot - Lork (Cambodia).** Road 33 - Veal Rinh - Kampot - Lork (105 km): Rehabilitation works are being undertaken under loans from the World Bank and Korea International Cooperation Agency. Physical works for the World Bank-financed section was completed in 2004. The section, financed by the Government of Korea, is expected to be completed in 2007. ADB may finance an 18-km missing section from Kampot to Lork in 2006.

- **Ha Tien – Ca Mau – Nam Can (Viet Nam).** ADB has agreed to provide a grant to conduct PPTA for this project in 2005; a loan (US\$60 million) is in the pipeline (2006/2007) for Viet Nam to support the rehabilitation of this road section. Construction is expected to start in 2007. The Government of Viet Nam has approved the Xa Xia border check-point and the Southern Coastal Corridor under GMS Cooperation as a prerequisite condition for this project to request funding from ADB.
- **Northern Subcorridor from Bangkok (Thailand) via Siem Reap-Preah Vihear-Stung Treng Rattanakiri-O Yadav (Cambodia)-Play Ku-Quy Nhon (Viet Nam) is expected to be completed beyond 2010**
- **Bangkok to Thai-Cambodian Border at Aranyaphathet (Thailand).** See above.
- **Thai-Cambodian Border (Poipet) to Siem Reap (Cambodia).** Rehabilitation of the Poipet-Sisophon-Siem Reap section (150 km) is part of ADB Loan 1945-GMS: Cambodia Road Improvement Project, which was approved in November 2002. Civil works is expected to commence in 2005 for completion in 2007.
- **Siem Reap-Preah Vihear-Stung Treng Rattanakiri-O Yadav (Cambodia).** The Government of Cambodia is preparing a proposal for rehabilitation of NR 66 from Siem Reap via Preah Vihear to Stung Treng (about 250 km). Initially, it is anticipated that crossing of the Mekong River will be by deployment of highway ferries from Neak Loueng, which would become redundant when the bridge is completed at that site in 2010. The Government of Viet Nam has extended technical assistance for the study of the section (198 km) from O Pong Moan (Stung Treng) to Banlung (Rattanakiri) and has committed to providing a loan of about US\$26 million for upgrading of road from Banlung (Rattanakiri) to the Cambodian-Vietnamese border at O Yadav (70 km).
- **Play Ku-Quy Nhon (Viet Nam).** This link, which involves a 251-km route following NR 19 from the Cambodia-Viet Nam border to the deep-sea port in Quy Nhon, including a 183-km, category III road and a 68-km, category IV road, will have to be rehabilitated. The Government of Viet Nam has carried out a master plan for the road network, including the Cambodia and Lao PDR components, as part of the “Development Triangle Initiative.” The master plan will focus on the section on NR 78 from Bung Lung in Cambodia to Duc Co in Viet Nam.
- **Inter-Corridor Link: Lao PDR (Dong Kralor) – Cambodia (Stung Treng-Kratie-Phnom Penh-Sihanoukville) is expected to be completed by 2008**
- **Lao-Cambodian border at Dong Kralor-Stung Treng-Kratie.** The Government of the PRC has committed to a loan of about US\$85 million to the Government of Cambodia for the improvement of the 198-km section from Cambodia-Lao border to Stung Treng and Kratie. Civil works commenced in late 2004, and expected to be completed in late 2006.
- **Kratie-Phnom Penh-Sihanoukville.** Kratie-Phnom Penh: The 205-km section from the junction of NR7 and NR11 at Thnal Totueng (Chub) to Kratie is included in ADB Loan 1697: Primary Roads Restoration Project. Work on this section was completed in 2003. Works on about 11.5 km from Kampong Cham Bridge to the junction of NR7, NR11, and Maoth Khmoung, financed by the Government of Japan as grant aid, was completed in 2003. The road section from Phnom Penh to Sihanoukville is in good condition.
- The Viet Nam **ports** at HCMC and Vung Tau (Central Subcorridor), Van Phong (Northern Subcorridor), and Can Tho (Central and Southern Coastal Subcorridors) could act as the eastern terminuses of the SEC. The Vung Tau ports are planned to be rehabilitated during 2004-2007 with financing from the Japan Bank for International Cooperation (JBIC). The Van Phong port is planned to be upgraded as an international port. The Can Tho port is planned to be upgraded for which financing is being sought. The channel to Can Tho port is being rehabilitated with World Bank financing, and is expected to be completed in 2004. Similarly, the Sihanoukville Port in Cambodia is the terminus for the inter-corridor link from Southern Lao PDR and could act as a central location for overseas trade from parts of the Southern Coastal Sub-corridor. Sihanoukville port has been extensively upgraded and expanded in recent years, and is now a modern port capable of handling oil products, containers and break bulk cargoes. Sihanoukville has experienced rapid growth in traffic, primarily to serve the expanding economy in Cambodia. However, for the port to become

attractive to traffic, to and from the neighboring countries, it will require reductions in its port tariffs and other charges to levels commensurate with those in the subregion.

4. GMS Cross-Border Transport Agreement and Single-Stop Customs Facilitation

- All GMS countries are already signatories to the Agreement.
- Twelve out of the 20 annexes and protocols that will provide the implementation arrangements for the GMS Cross-Border Transport Agreement have been finalized and signed. The rest of the annexes and protocols are expected to be finalized and signed within 2005. Full implementation of the Agreement and its annexes and protocols is expected by 2007/2008.
- Main nonphysical barriers to be addressed: (i) restrictions on the entry of motor vehicles, often causing costly and time-consuming transshipment; (ii) different standards pertaining to vehicle size, weight and safety requirements, and driver qualifications; (iii) inconsistent and difficult formalities related to customs procedures, inspections, clearances, and assessment of duties; and (iv) restrictive visa requirements.
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- At the 8th Meeting of the subregional Transport Forum in Phnom Penh in August 2004, the four countries concerned -- Cambodia, Lao PDR, Thailand, and Viet Nam, reiterated their agreement to undertake the initial implementation of the GMS CBTA at 5 border crossing points, namely:
 - Bavet (Cambodia)-Moc Bai (Viet Nam),
 - Dansavanh (Lao PDR)-Lao Bao (Viet Nam),
 - Poipet (Cambodia)-Aranyaprathet (Thailand),
 - Mukdahan (Thailand)-Savannakhet (Lao PDR), and
 - Hekou (PRC)-Lao Cai (Viet Nam) border crossing points.
- An initial MOU for the Dansavanh-Lao Bao border crossing was signed at the 13th MM in Vientiane in December 2004 and the full MOU was signed on 25 March 2005, initial implementation is expected by the end of June 2005. The MOU for Aranyaprathet-Poipet and Mukdahan-Savannakhet have been finalized and would be ready for signing. The discussions for the MOU on Bavet-Moc Bai are ongoing.
- ADB and ESCAP are undertaking a joint study on transit fees to serve as a basis for the negotiation and finalization of Protocol 2: Road User Charges in Transit Traffic.

5. Other Transport Sector Projects in GMS Countries

Road Projects

PRC:

- Kunming-Baoshan-Longling-Ruili:
 - Kunming-Chuxiong section (153 km) is being upgraded to expressway;
 - Chuxiong –Dali section (180 km) has been upgraded to expressway;
 - Dali- Baoshan section (166 km) has been upgraded to expressway;
 - Baoshan-Longling section (78 km) is being upgraded to expressway with loan from ADB, and will be completed and opened to traffic by 2007;
 - Longling-Ruili section (154 km) is expected to be upgraded to expressway by 2008 with loan from ADB.
- Nanning- Youyiguan:

- Nanning-Youyiguan section (136 km expressway and 43 km Class 1 road to be constructed with loans both from ADB and European Investment Bank) will be completed and opened to traffic in October 2005;
- Nanning-Baise:
 - Nanning-Baise section (188.6 km) will be upgrade to expressway with total investment of RMB 5 billion yuan (about 600 million US dollars), of which 200 million US dollars will be sourced from an ADB loan.

Lao PDR:

- National Road 13 South (Southern Lao PDR - Sihanoukville Road -R6) --- construction of the portion in the Province of Champassak was financed by ADBhas been completed; the construction of the Second Mekong Bridge, which is an important link of this road inside Lao territory, was financed by JICA and also been completed since August 2002.
- National Road 18A -- being built under a special soft loan from Vietnam; completion is targeted by the end of 2005 or early 2006.
- National Road 2 (Portion of R9) -- a soft loan from Thailand (approximately USD20 M) will finance the construction of a missing link from Pakbeng to Muong Ngeun; in addition, Vietnam has agreed to provide an assistance to build the section from Muong Khoa to Taichang; the middle section, from Pakbeng to Muong Khoa, is being rehabilitated by using the World Bank Fund.

Thailand:

The major trunk roads in Thailand, which link Bangkok with the neighboring countries are being widened to four-lane highways in each region of the country, namely; Bangkok – Chiang Rai (Northern Linkage), Bangkok – Trat (Eastern Linkage), and Bangkok – Su-Ngai Kolok (Southern Linkage). Total length of these 4 highway linkages is approximately 3,000 kilometers. However, the traffic congested problem in the vicinity of 200 kilometers from Bangkok is quite serious. Therefore, the government has policies to improve the capacity of these linkages by increasing the number of lanes of the existing highways and construction the new shortcut alignments.

Water Transport

a. Navigation Channel Improvement Project on the Upper Mekong River

The Quadrilateral Agreement on the Commercial Navigation on the Upper Lancang-Mekong River was signed in April 2000 by the four concerned countries, namely, People's Republic of China, Lao PDR, Myanmar, and Thailand. The project, which was implemented with grant assistance from PRC, specifically regulated 20 shoals, rapids and scattered reefs that most seriously hinder the navigation. The project has been completed successfully with 75 navigation marks installed. Except for the shoal of Kon Pi Luang, all the expected objectives have been achieved.

On May 12, 2004, the expert group of the four countries signed the Final Joint Working Report on the Project, which concluded that the implementation of the Project was conducted according to the requirements specified in the EIA Report approved by the governments of the four countries, and no negative impacts on the environment appeared as the relevant environment protection measures have been taken.

b. Ports Development

Cambodia:

- Sihanoukville Deep Sea Port – The port has been upgraded by extension of 400m container terminal; the 1st phase of 240m length was completed and the 2nd phase of 160m is expected to be completed in 2007 (under a JBIC loan).
- Phnom Penh and Siem Reap River Port – plans to improve the channel and navigation downstream of the Mekong River from Viet Nam border to Phnom Penh port and on access to Siem Reap port and for the installation of navigation aids

PRC:

- Simao Port has been constructed with designed throughput of 100,000 tons.
- Jinghong Port has been constructed with designed throughput of 100,000 tons.
- Guanlei Port is under construction and will be put into operation by the end of this year with designed throughput of 150,000 tons.
- Fangcheng Port --- By the end of 2004, Fangcheng Port had been constructed with 24 berths for vessels over 10,000 tons, among which there are 14 deep-water berths, with the throughput capacity of 11.42 million tons per year. There are also one container terminal with the design throughput of 160,000 TEUs and one grain berth with the throughput of 980,000 tons.
- Beihai Port --- By the end of 2004, Beihai Port had been constructed with 17 berths for vessels over 1000 tons, among which there are 5 deep-water berths, with the throughput capacity of 4.99 million tons per year. The throughput in 2004 is 4.71 million tons, among which there are 28000 TEUs.
- Qinzhou Port --- By the end of 2004, Qinzhou Port had been constructed with 10 berths for vessels over 1000 tons, among which there are 4 deep-water berths, with the throughput capacity of 3.17 million tons per year. The throughput in 2004 is 3.21million tons.

Myanmar:

Myanmar Port Authority is upgrading the ports at Yangon and Thilawa areas under its own national planning and BOT system. It is also planning to develop a deep sea port to accommodate vessels of 50,000 to 300,000 DWT and is considering four alternative sites, which have all been determined feasible based on preliminary study, as follows:

- Kyaukphyu Deep Sea Port
- Kalegawk Deep Sea Port
- Dawei Deep Sea Port
- Bokpyin Deep sea Port

Thailand:

Chiangsaen Port --- began operations in October 2003 to facilitate cargo transportation along Mekong River; managed and operated by the Port Authority of Thailand, and it is equipped with modern handling equipment. Since the existing port is located in central part of the ancient city, a plan has been prepared to construct a new port in the area of Ban Sob Kok, which is about 15 km. south of the existing port; the new location has more potential for high volume of cargoes and traffic management.

Asian Development Bank

**T.A. No. 6195-REG:
GMS Transport Sector Strategy Study**

**Recommendations on Strategic Objectives and
Directions for the Sector**



**9th Meeting of Subregional Transport Forum, Beijing, 1 June
2005**

ADB TA 6915 REG – GMS Transport Sector Strategy Study - Recommendations on Strategic Objectives and Directions for the Sector

I INTRODUCTION

1. The objective of the GMS Transport Sector Study is to prepare: “a vision and strategy to develop a comprehensive Greater Mekong Subregion (GMS) transport network, which will link the GMS countries in an efficient and sustainable manner. The transport network will help realize GMS objectives, particularly to become competitive. The transport network will be established chiefly by developing GMS-wide multimodal transport systems encompassing all current and possible future modes in the GMS: road, rail, inland water, sea, and air.”¹ The purpose of this paper is to report on the emerging strategic objectives and directions for the GMS transport sector following the Consultant’s first two months of field work in all GMS countries, and recommend a prioritization mechanism to guide the rest of the study.

2. The execution of a new Transport Sector Strategy Study was proposed at the 8th meeting of the Subregional Transport Forum in Phnom Penh in August 2004, and endorsed by the 13th Ministerial Conference in Vientiane in December 2004. Clearly, this is an excellent time to be developing a transport strategy for the GMS. There has been a transformation in attitudes towards cooperative economic development, not only in the GMS, but in the Subcontinent and beyond. Governments increasingly realize the synergies obtainable from pooled endeavors and from cooperation between the private and public sectors in fields such as transport. The GMS economies are dynamic, rapidly evolving and characterized by increasing liberalization and transparency, equal opportunity and the acceptance of a level playing field for all participants. The enhancement of economic development potential is a general objective and seen as the primary means of escaping from poverty and of achieving social as well as economic objectives. Economic efficiency is now essential to capture market share in a highly competitive world economy.

3. The GMS transport system is far from efficient in world terms, penalizing users with extra time and transport costs and reducing the competitiveness of GMS traders. Improving the system will be widely beneficial, directly to users and indirectly through its stimulus to trade and economic growth. During the factfinding mission, several issues became apparent: (i) the provision of access remains an important factor with several missing links being identified for future construction or rehabilitation; (ii) sustainable maintenance of improved facilities is a concern in several countries, both from HRD and funding perspectives; (iii) all countries recognize the importance of a logistics orientation to better serve current and potential shippers; and, (iv) future interventions must address “software” issues as well as infrastructure renewal and expansion. The situation of the GMS transport system and its competitive setting calls for a more explicit

¹ TA Terms of Reference, ADB, December, 2004.

economic efficiency dimension to future development of the network and the operations over it than was previously the case.

4. Within the transport sector, work commenced with the preparation of a *GMS Transport Master Plan* in 1993/94.² ADB has to date approved 11 GMS transport loan projects with the bank financing \$0.99 billion, co-financing of \$0.66 billion, and member countries financing \$1.03 billion. The first decade of the GMS transport program was focused on creating access in a subregion suffering from decades of economic stagnation and an attendant neglect of infrastructure maintenance and renewal.

5. The structure of the study reflects developments over the last decade. There are three principal outputs for the first part of the study which will culminate in the submission of a draft final report in mid-July, 2005: (i) the development of a draft strategy to strengthen GMS-wide transport efficiency and accessibility; (ii) the preparation of an associated long list of interventions, both specific projects and policy initiatives, to implement the strategy; and (iii) the development and agreement of prioritization criteria for the selection of a short list of projects and policy initiatives for subsequent detailed study. This paper is concerned with objective (iii), the setting out of a draft prioritization methodology for discussion at the Subregional Transport Forum in Beijing on 1-2 June 2005.

6. The strategic objectives proposed for the study are: (i) the completion of basic access through the construction or rehabilitation of missing network links; (ii) the achievement in the medium term of sustainable maintenance over the GMS network so as to preserve the asset value that has been created or renewed through the considerable investments undertaken by GMS countries and their development partners; and (iii) a significantly more efficient level of operations over the network that facilitates the competitiveness of GMS shippers and enables the free passage of GMS residents and tourists along GMS transport links.

7. All of these objectives it is argued are best evaluated through a three step process: (i) a qualitative test confirming that the project or policy initiative is formulated in line with GMS objectives and promotes the strategic framework; (ii) an economic efficiency test confirming that the initiative has a positive economic net present value (ENPV) at the applied discount rate; and, (iii) a balance test that ensures that the strategy is characterized by an acceptable relationship among countries, corridors and modes.

8. The outcomes of the interventions to be proposed under the strategy arising from a globally competitive GMS transport system would include: (i) lower costs to consumers and producers arising from reduced import costs; (ii) more competitive exports which cost less to transport to local and regional markets or to global market transfer locations; (iii) reduced travel times on the part of GMS residents and tourists alike; (iv) a more attractive environment for inbound investment featuring high-quality transport links. All outcomes would contribute substantially to an enhanced standard of living throughout the GMS.

² *Subregional Transport Sector Study for the Greater Mekong Subregion*. ADB, October, 1995.

II GMS STRATEGIC FRAMEWORK OBJECTIVES

9. The general objectives of the GMS strategic framework are to:

10. **Strengthen infrastructure linkages through a multisectoral approach.** Initiatives include: (i) integration of GMS programs with national development plans; (ii) building physical infrastructure including transport; and (iii) linkage to agricultural development projects at the national level.

11. **Facilitate cross-border trade and investment.** In addition to the ongoing work on the Agreement for the Facilitation of the Cross-Border Movement of Goods and People, other objectives include trade financing, investment promotion and tourism promotion. The transport aspects of tourism promotion projects are being considered in an ongoing TA.

12. **Enhance private sector participation in development and improve competitiveness.** The private sector currently furnishes the vast majority of services for road transport and for coastal and inland/waterways. Government involvement remains significant in the provision of civil aviation and rail services. Infrastructure provision and maintenance is also the preserve of most governments, with in the case of the PRC and Thailand a number of privately financed toll roads have been implemented. The provision and operation of airports has also been privatized in some instances in Cambodia, Lao PDR and Thailand, and private airlines are operating in Thailand and Cambodia.

13. **Develop human resources and skill competencies.** Subregional cooperation in this area includes: (i) capacity building to address cross-border human resource development and labor market issues; (ii) addressing health and social problems associated with mobile populations; and (iii) networking higher education and training institutions. The GMS transport sector, like other GMS service sectors, is characterized by skills deficiencies. Some smaller countries as well have capacity issues as far as long term sustainable maintenance of renovated transport links is concerned.

14. **Protect the environment and promote sustainable use of shared national resources.** This strategic thrust includes: (i) subregional monitoring of the cumulative environmental impact of development; (ii) sound practices for sustainable use of shared resources, and (iii) participation in international environmental initiatives.

15. All of these objectives are consistent with and will be promoted by an economically efficient transport sector. None is in conflict with the proposed prioritization methodology.

III TRANSPORT SECTOR DEVELOPMENT AND FLAGSHIP PROGRAM OBJECTIVES

16. The development matrix for the transport sector is based on the premise that road, rail, water and air transport systems, together with telecommunications systems, must be strengthened to set up better GMS networks and to strengthen linkages with other networks in Asia and elsewhere.

17. The objectives of the **North-South Economic Corridor** flagship initiative are: (i) to facilitate trade, investment and development between and among Cambodia, Lao PDR, Myanmar, PRC, Thailand and Viet Nam; (ii) to reduce transport costs in the corridor area and make the movement of goods and passengers more efficient; and, (iii) to reduce poverty, support development of rural and border areas, increase the earnings of low income groups, provide employment opportunities for women and promote tourism.

18. The objectives of the **East – West Economic Corridor** flagship initiative are: (i) to further strengthen economic cooperation and facilitate trade, investment and development between and among Lao PDR, Myanmar, Thailand and Viet Nam; (ii) to reduce transport costs in the corridor area and make the movement of goods and passengers more efficient; and (iii) to reduce poverty, support development of rural and border areas, increase the earnings of low income groups, provide employment opportunities for women and promote tourism.

19. The objectives of the **Southern Economic Corridor** focusing on Cambodia, Thailand and Viet Nam are consistent with the vision of the GMS of a prosperous, equitable and integrated subregion. Strategies for achieving these objectives include: (i) improving infrastructure connecting major cities; (ii) facilitating cross-border trade and private investment; (iii) developing tourism and agriculture; (iv) protecting the environment and managing water resources; and (v) enhancing productivity and competitiveness.

20. The reduction in transport costs is addressed directly in the objectives of the North – South and East-West Economic Corridors and strongly implied by objective (i) of the Southern Economic Corridor.

21. Closely related flagship programs include: (i) facilitation, cross-border trade and investment; (ii) telecommunications backbone and information and communications technology (ICT); and (iii) GMS tourism development.

IV SELECTION METHODOLOGY

22. To be generally acceptable, a selection methodology must be transparent, equitable and appropriate to best achieve the study objectives. The latter can be formulated as: **maximizing GMS transport efficiency to minimize GMS transport costs**. These are strict economic objectives and their relative achievement can be tested in project and policy cost benefit analyses. Provided that such analyses are undertaken on a consistent basis and set out all key assumptions, the results will also satisfy the transparency test. The equitability criterion is far more difficult to satisfy, but it is in a sense satisfied by the economic test. If a project or policy initiative contributes to increased efficiency in the transport sector, by reducing transport costs and increasing modal and route choice (and thereby also competition), it can reduce the cost of distribution which has a direct and beneficial impact on cost of living. It also lowers the barrier for new and expanded economic activities which, in turn, increase incomes and employment.

23. The GMS encompasses a wide range of income levels, likely economic growth rates and income distributions. Potential initiatives cover a range from primarily GMS-oriented to primarily domestic-oriented, relate to specific modes and to inter-modal transport, range from minor to major projects and address from primarily short-term to long-term objectives. It is impossible in such circumstances to be equitable to all interests: any selection methodology will be biased in one respect or another. Acknowledgement of this fact is the starting point in achieving a consensus.

24. If all countries can accept the primacy of economic efficiency as the objective, then not only can a relatively simple prioritization be achieved, but the results should readily gain general acceptance, whereas with alternative methodologies this is seldom achievable. The proposed methodology focuses on three key issues: (i) ensuring that the projects and policies are adequately scrutinized, and where necessary refined, before further evaluation; (ii) confirming their contribution to economic efficiency through cost benefit analysis; and (iii) carefully reviewing the results of steps (i) and (ii) to ensure that the transport strategy, investment program and set of policies is not only economically efficient, but offers the best possible mix of initiatives for the GMS. A three-step selection procedure is recommended.

Step 1: Qualitative Test

25. The qualitative test will consider whether the project/policy initiative is properly defined for GMS purposes (with particular attention to scope of work, the addressing of risk factors, other necessary measures to fulfill the objectives); whether it promotes the GMS strategic framework and transport sector objectives; whether it is the best solution for the particular problem it addresses; which objectives does it further and how does it further them. This step is frequently omitted, resulting in sub-optimal definition, with projects/policies based on outdated agendas or assumptions. It is necessary to be critical at this stage and to be sure that projects/policies address current and future circumstances and focus on the international aspects of transport development within and without the GMS.

Step 2: Economic Test

26. The economic test will address the economic efficiency of the project/policy initiative, as to whether it produces an acceptable time flow of benefits. The economic indicator to be calculated will be the economic net present value (ENPV) of the cost and benefit streams, discounted at the test discount rate. A strong test of economic efficiency is to maximize ENPV for a given amount of investment.

27. As was the case in the first decade of the GMS Program, the main quantifiable benefits from the road construction and maintenance capacity-building projects are operating cost and time savings attributable to freight and passenger traffic. Expected benefits from induced trade are also estimated. Employment benefits during construction or upgrading of roads is yet another consideration. Long-run benefits can be enhanced by removal of barriers to trade, and completion of the transition to more market-based economic systems.

28. The main quantifiable economic benefit from railway projects is savings in transport costs relative to road transport costs. A high volume of freight traffic is necessary to justify the heavy investment involved. Water transport projects will improve navigation and navigation safety, thereby facilitating the development of trade and tourism and poverty reduction. Benefits from port projects would include ship time and cargo handling savings, reduced insurance premiums, and savings in inland transport costs. Benefits from air transport improvements include the development of international trade and tourism, increased economic activity in export-oriented high value and perishable manufactured and agricultural goods, time savings for flight passengers, increased over flight revenues, aircraft operating cost savings, and increased safety, efficiency, and convenience.

29. Costs and cost-savings are generally expressed in the following terms for non-tradable goods:

$$\text{Economic Costs} = \text{Financial Costs less taxes plus subsidies}$$

30. Economic costs are also referred to as “resource” costs because they represent the costs incurred in providing transport infrastructure or services net of transfer payments to governments (taxes) and from government (subsidies). For traded goods, such as petroleum products and transport equipment including vehicles, a border or world price is recommended.

31. The analysis of the economic benefits of initiatives concerned with institutional strengthening and further involvement of the private sector; capacity building and human resource development; policy and regulatory framework changes; and harmonization are somewhat more complicated because the links between expenditure (cost) and outcome (benefit) are less evident than they are in the case of infrastructure renewal and maintenance capacity building projects. Nevertheless, they are real and measurable and can similarly be submitted to an economic analysis, although it will be incumbent on the Consultant to spell out assumptions very clearly. Such benefits are likely to arise as: (i) reduced transaction costs leading to improved competitiveness and lower costs of living; (ii) more attractive environments for inbound investment; and, (iii) enhanced ability to exploit the comparative advantage offered by the region. Expanded sensitivity and stochastic risk analyses will assist in illuminating the veracity and robustness of the analysis.

Step 3: Balance Test

32. The balance test will consider the overall result of the prioritization, whether it results in a transport plan that has an acceptable mix of initiatives, considering issues such as social and poverty impact,³ country, region and corridor balance, distribution of initiatives between modes and consistency of spending over the 10-year period. This step is analogous to the political process of reconciling the budget claims of competing departments. It requires complete objectivity and a commitment to the overarching goal

³ This will be based on national poverty alleviation strategies wherever possible.

of the study – to achieve the best practical program of measures to carry out the agreed strategy.

33. To choose is to exclude and it must be recognized that the above procedure may sideline highly regarded projects and policies. It would however do so in the general best interests of GMS economic development. The methodology is commended to the senior officials meeting for discussion and refinement.

V RELATIONSHIP TO GMS STRATEGIC FRAMEWORK, TRANSPORT FLAGSHIP PROGRAMME OBJECTIVES AND POVERTY ALLEVIATION

GMS Strategic Framework

34. The prioritization based on ENPV is directly congruent with the first three Strategic Framework Thrusts; namely, Strengthen infrastructure linkages through a multisectoral approach, facilitate cross-border trade and investment, and, enhance private sector participation and improve competitiveness. The fourth thrust of developing human resources and skills competencies will be an enabling one for transport sector strategy development in that the further development of the logistics industry will be critically dependent on significant HRD programs as will the ability of subregional transport organizations to maintain newly constructed or rehabilitated infrastructure. The protection of the environment has long been incorporated into transport project analysis.

GMS Flagship Programs

35. It was earlier argued that the use of the ENPV is aligned with transport cost reduction goals implicit in economic corridor projects. The development of the telecommunications backbone is critical to the formulation of the transport sector strategy because further development of the logistics orientation of increasing importance in all GMS member countries is crucially dependent on information flows that take place in real time thus enabling shippers to know where their cargoes are at all times. Similarly, passenger transport companies increasingly depend on close monitoring of the position of their passenger conveyances. Lastly, the development of human resources and skills competencies is critical for the future development of the transport sector.

36. The ENPV is directly aligned with the facilitation of cross-border trade and investment, the enhancement of private sector participation and competitiveness, and tourism development in the GMS.

Poverty Alleviation

37. Poverty alleviation, along with good governance, and regional cooperation were motivating factors in the early formulation of GMS programs. They remain important today, in that all GMS countries have strong commitments to poverty alleviation. It is now recognized however, that in many cases, economic growth in and of itself can have a powerful impact on poverty alleviation. In the past twenty years, the PRC has managed to lift 400 million people above the generally recognized poverty threshold of

US\$ 1/day. The PRC has consistently been among the leaders in economic growth in Asia over the last few years as Table 1 demonstrates.

Table 1: GDP Growth Rates of GMS Member Countries

Country	GDP Growth (% per annum) by Year			
	2001	2002	2003	2004
Cambodia	5.7	5.5	5.2	4.5
Lao PDR	5.8	5.9	5.8	6.5
Myanmar	11.3	10.0	10.6	Na
PRC	7.3	8.0	9.1	8.8
Thailand	2.1	5.4	6.8	6.4
Viet Nam	5.8	6.4	7.1	7.5
East Asia Average	4.6	6.7	6.5	7.3
Southeast Asia Average	1.9	4.4	4.8	6.2

Source: *Asian Development Outlook Update 2004*, ADB.

38. A recent World Bank publication confirms that the sort of economic growth policies favored by China over the past 20 years can have significant impacts on poverty alleviation.⁴ A more efficient transport system can enable GMS countries to maintain higher growth rates than their near neighbors as they have been doing over the years since the millennium.

39. In framing the transport sector strategy, poverty alleviation can also be addressed more explicitly through the formulation of **country** road programs that connect rural areas to the infrastructure improved under GMS initiatives. This point was made forcefully at the Mekong Development Forum held in Paris in June, 2004. The Consultant has discussed this issue with several GMS transport ministries. It is also important to note that the development and renewal of the inland waterway system has also been found to be effective in reducing poverty.

VI CONCLUSION

40. The proposed prioritization methodology has been shown to be dependent on some GMS strategic framework thrusts and supportive of others. The same applies as regards the GMS flagship programs. Finally, the prioritization criteria proposed is congruent with the procedures of most development partners. It is also applicable to programs mounted by the PRC through bilateral assistance being provided to other GMS members on various crucial corridor connection schemes and by Thailand through ACMECS. It is thus recommended for consideration by the Senior Officials Meeting.

⁴ *Measuring Empowerment: Cross-Disciplinary Perspectives*, edited by Deepa Narayan, World Bank, 2005, quoted in "The Economist" May 14, 2005.