



INDONESIA-MALAYSIA-THAILAND GROWTH TRIANGLE

MID-TERM REVIEW OF THE IMT-GT ROADMAP FOR DEVELOPMENT: 2007-2011





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EXECUTIVE SUMMARY

I. Introduction

1. At the 4th IMT-GT Summit held in Pethchaburi, Thailand in March 2009, the Leaders agreed to a mid-term review (MTR) of the Roadmap as a means to further focus collective action amid the challenges faced by the program. As envisaged by the Leaders in their Joint Statement, the MTR would be comprehensive and inclusive of all stakeholders, and would include a review of IMT-GT's business processes that will assess how IMT-GT mechanisms could function more effectively to achieve the goals and targets in the Roadmap.

2. The MTR of the IMT-GT Roadmap commenced in March 2009. It provided the platform for taking stock of recent developments, their implications on the Program's strategic thrusts, and the progress and constraints in programme and project implementation. It also provided an opportunity to look at IMT-GT within the larger context of the ASEAN Economic Community (AEC) envisaged for 2015. The Business Process Review (BPR), which was conducted as a separate but parallel exercise, commenced much later in December 2009. The results of the BPR are tackled in a separate report, but are also reflected in the MTR.

3. The objectives of the MTR are the following:

- a) Take stock of accomplishments and progress made in the implementation of the IMT-GT Roadmap and assess their impact on the overall objectives of IMT-GT;
- b) Identify implementation issues and constraints;
- c) Review the strategic thrusts of the Roadmap in the context of recent regional and global developments and recommend adjustments as needed;
- d) Review and recommend programme and project priorities for the second-half of the five-year period (i.e. 2010– 2011);
- e) Initiate the process of developing and implementing a results-based monitoring and evaluation framework, which will include lessons learned, as a means to enhance future implementation; and
- f) Identify the areas where IMT-GT programmes and projects can contribute to the goal of the AEC and seek the appropriate mechanisms to link these IMT- GT activities with the broader ASEAN framework.

4. The MTR involved the following major processes: (i) stock-taking of progress made in the program and project implementation; (ii) national and tripartite consultation meetings to discuss strategies, program thrusts and implementation issues; and (iii) program and project review and prioritization by the different working groups. The MTR involved a highly participatory process among various IMT-GT stakeholders—the national government line ministries, the concerned local governments, and the private sector represented by the Joint Business Councils (JBC)—who were consulted on the strategies, focus and direction that the program should pursue in the coming years.

II. Major Findings of the Mid-Term Review

A. Overall Assessment

5. The IMT-GT has achieved modest progress in the past 15 years in terms of sustaining the economic exchanges and commercial ties among the participating states and provinces. The private sector has been particularly active and has established well-functioning business networks that are helping to boost trade and investment in the subregion. Despite the global disruptions that have intermittently slowed down the economic performance of the three countries, the IMT-GT program per se has been largely shielded from these interferences. However, the program's hiatus from around 1998 to the early part of 2000 was a key factor that contributed to the slow progress of cooperation. The economic growth of the IMT-GT participating states and provinces has either been static or slow. While this may have been caused by a complex set of factors unique to each state or province, it could also be an indication that IMT-GT has not made a difference in terms of stimulating the economic development of these areas over the past 15 years.

6. The IMT-GT Roadmap set a long-term vision, five strategic thrusts, 37 flagship projects and within flagships, more than 50 measures programs and projects (at the time of Roadmap formulation). The link between the strategic thrusts and actual projects are generally weak. The strategic thrusts have not been translated into a critical mass of interrelated projects (the flagships did not serve this purpose; they are too many and not well-conceived) that could make a significant impact on IMT-GT's goals.

7. Except for studies done on the connectivity corridors, maritime transport, logistics development, and opportunities for transport sector (supported by various ADB technical assistance projects), no comprehensive analytical work has been done in other sectors of cooperation by way of identifying development gaps to serve as basis for formulating programs and projects. Project proposals vetted and approved at the working groups are largely randomly conceived. This also reflects the absence at the WG level of a coherent framework for cooperation; as a result, the WGs have been rudderless. For the analytical studies on the connectivity corridors, many recommendations have not been mainstreamed into both the Government and JBC working groups. The weakness in secretariat support both at the national and subregional levels has exacerbated the problem of sound project identification and formulation.

B. Assessment of Implementation Progress in Support of the Strategic Thrusts

8. The MTR also assessed the implementation progress in support of the Roadmap's strategic thrusts. Following are the key observations made:

- (i) Facilitate and promote intra- and inter-IMT-GT trade and investments.

9. IMT-GT's accomplishments in the area of trade promotion and investment facilitation is very modest when tracked against the more ambitious measures planned under the Roadmap. Slow progress can be traced to the lack of clarity in the role of the government in providing incentives to private sector initiatives (e.g. should the national government provide duty free incentives for goods sold in IMT-GT plazas and if so, to what extent), and issue of the scope of authority of local government instrumentalities vis-à-vis those in the national or central governments. An equally important issue relates to the scope of the IMT-GT cooperation in trade and investment vis-à-vis that already undertaken within the framework of ASEAN. For instance, the customs procedures, immigration, and quarantine (CIQ) initiative in IMT-GT is one that is also embedded under the AEC blueprint where a comprehensive and time-bound action plan has been established. The one-stop service centers are another case in point, where those that have been set up so far cater to both IMT-GT and non-IMT-GT businesses alike.

- (ii) Promote the growth of agriculture, agro-industry and tourism (including halal products and services, and tourism)

10. A number of initiatives were implemented in the areas of agricultural processing, dissemination of business opportunities; and cooperation in agricultural research. A more strategic set of interventions however is not apparent in these initiatives. Given the large agriculture sector in many of the IMT-GT participating states and provinces, the main transformative task is to modernize this sector to make it capable of generating high-wage, high-skill employment. This involves the adoption of new production technologies, including the use of agricultural inputs that have been developed through R&D activities, thus extending the processing of raw materials to generate greater value added.

11. Within the agriculture sector, cooperation in Halal products and services has been active. The initiatives undertaken in this subsector however, are mainly in the nature of activities (expos and seminars, capacity building) rather than projects.

12. In tourism, joint tourism promotion and marketing of IMT-GT as a tourist destination have been highly successful. There has also been significant progress in air transport connectivity through the development and expansion of air routes linking the IMT-GT cities. Apart from these activities, many of the initiatives listed in the Roadmap are still being developed, i.e. the proposed waiver or reduction of the travel tax within the IMT-GT subregion, visa exemption to nationals of selected countries outside the subregion, preparation of directories/travel guides covering three-star hotels, and the development of highway rest areas, among others. The required strategic framework for

cooperation in the tourism sector is also not in place, making it difficult to determine the issues and priorities that would yield the optimal results and garner full support of all the stakeholders especially the private sector.

(iii) Strengthen infrastructure linkages and support to integration

13. Although several infrastructure projects have started construction in IMT-GT, technical, financial, and legal impediments are causing delays in some of the planned projects. Feasibility studies for many of the roads and other transport systems need to be conducted, or if they exist, updated. Projects with potential public-private partnership (PPP) arrangements will need significant resources for the preparation of the required feasibility and detailed engineering studies, as well as the procurement, bidding and contract documents. The software aspects of infrastructure connectivity has not been given due attention. Cross-border transport facilitation at border crossings is an important priority, but it would require a more deliberate approach, taking into account the related initiatives under the ASEAN framework.

(iv) Priority Connectivity Projects

14. At the 4th IMT-GT Summit in Thailand in February 2009, the Leaders resolved to individually and collectively strengthen implementation of programs related to the Connectivity Corridors and urged the Asian Development Bank (ADB) to help identify, prioritize and finance appropriate projects to develop the IMT-GT Connectivity Corridors. Following the Summit directive, the Senior Officials Meeting (SOM) held in Putrajaya, Malaysia in September 2009 agreed on a fast-track process of identification and endorsement of priority infrastructure projects that would be developed further with ADB support. A series of national consultations were held to identify these projects. Subsequently, the 16th Senior Officials Meeting/Ministerial Meeting (SOM/MM) held in October 2009 in Melaka, Malaysia endorsed eight priority “fast track” projects (later referred to as priority connectivity projects (PCPs) with a total cost of \$2.5 billion. The list was further refined throughout the first half of 2010 through National Consultation Meetings (NCMs), the Special Consultation Meeting (SCM) on 1 July 2010, as well as post SCM missions to the three countries consultations. As of 27 July 2010, there were 10 projects with a total cost of \$ 5.2 billion in the PCP list (Table 1).

(iv) Cross-cutting concerns: develop human resources and skills competencies, enhance the mobility of labor, and strengthen environment and natural resource management

15. On the whole, the HRD projects under implementation are relatively few. These projects include the establishment of a university network (UNINET) and initial steps towards a Mutual Recognition Agreement (MRA) in 5 sectors identified by JBC (nursing, tourism, shipping, construction and health). The low level of progress in HRD cooperation stems largely from the fact that many of the policy issues like labor mobility and university accreditation are outside the mandate of sub-regional bodies. The Working Group on Human Resource Development (WGHRD) needs to review its action plan and sort projects that properly belong to national ministries and ASEAN.

C. Sector Strategies and the New Flagship Programs

16. In order to address the fundamental weakness of the existing Roadmap sector strategies were developed as part of the Mid-Term Review. These sector strategies and endorsed by the Working Groups and the SOM at the SCM on 1 July 2010. They provided the basis for charting the direction of cooperation and identifying the new set of 12 flagship programs (Table 2) as well as a revised Action Plan Matrix (APM).

17. The Working Groups reviewed the existing APM to determine the consistency of the projects with sector strategies, and to identify as priority, those that directly support the flagship programs. The APM was also updated in the process, identifying those projects that have been completed, and removing from the list, those that have made no progress or does not contain any information. Of the total of 175 projects in the APM, 11% have been completed, 19% were dropped, 39% were retained, and 31% were either merged or transferred to other Working Groups (Table 3). More than half of the retained projects were accorded high priority since they directly support the flagship programs. Of the 57 high priority projects, about half will have their implementation period beyond 2011.

18. Despite the rationalization exercise however, further work will be needed in terms of (i) program and project design and packaging; (ii) financial planning, since financial information is lacking for most programs and projects; and (iii) planning for implementation through the setting of specific milestones per year. While there were efforts to link the projects with sector objectives, the question still remains as to whether the APM has the right mix of strategic projects to achieve sector goals. The sector strategies will therefore have to be studied more carefully, to be followed by a more deliberate and rigorous project formulation process to ensure that the goals intended by the sector strategies are met. Information on the scope and benefits of the projects remain unclear for many of the projects, thus preventing an assessment of the projects' results and impact. Moreover, many of the items listed in the APM are activities rather than projects; these will have to be reformulated if not packaged to generate greater impact. Finally, while there has been a notable effort to identify project accountability (contact persons) linking this accountability to concrete and measurable deliverables remains a challenge.

III. The Business Process Review

19. To ensure that the MTR recommendations are implemented effectively and efficiently, a Business Process Review (BPR) was conducted as a parallel activity. The BPR was mandated by the 4th IMT-GT Summit to address improvements in IMT-GT's present institutional framework. Three Eminent Persons — one from each country — were designated to facilitate an independent review. They are to perform the roles of convenor, intellectual leader, consensus builder and advisor in the review process. The Eminent Persons have submitted an independent report on the Business Process Review.

20. The BPR has come to the conclusion that IMT-GT should apply a different business model in its operations from that of ASEAN. This model has the following features:

- A public-private sector interface in all phases of planning, programming and implementation;
- A separation of the program/project formulation and implementation functions into working units with clear accountabilities; and inclusive participation of concerned stakeholders (including the local governments) in these working units;
- The organization of working units based on projects rather than sectors; and
- A professionally-run regional secretariat, with openly recruited staff.

21. Based on these principles, the BPR put forward the following recommendations:

Vision and Strategy Setting

22. **For Summits to be more meaningful, they should be held once every two years.** IMT-GT Summits may also be held independently of ASEAN Summits, to signify the importance that Leaders accord to the program without necessarily diminishing the larger ASEAN framework of which IMT-GT is a part

23. **The Ministerial Meeting should continue to be held once a year.** Occasional Ministers' retreats would be useful to as a means to brainstorm new initiatives. SOMs may be held more frequently as required, although if the only purpose of a SOM meeting is to monitor implementation progress, electronic media could be explored. For both Ministerial and SOM meetings to be meaningful, strong analytical support from the National Secretariats is essential.

Program Planning, Formulation and Implementation

24. **Sector Forums should be convened once in two years** to discuss sector strategies and important sector developments, and identify the key program areas to be pursued to support the strategy. National Secretariats should take a leading role in sector forums, which should also include senior-level participation from other stakeholders. Analytical sector work, including sector strategies (which may be commissioned through ADB technical assistance) should be provided as inputs to the Forum. The outputs of the Forum should be in the form of program/project concepts or ideas.

25. **Working Groups should be reconfigured into Task Forces**, with appropriate representation, responsibilities, and deliverables. Program/Project Formulation Task Forces (PFTFs) will be the working units assigned to formulate detailed project proposals based on the broad concepts or ideas generated by the Sector Forum. Project Implementation Task Forces (PITFs) will be the working units assigned to implement projects. The composition of the PFTFs should be flexible, and should involve concerned

stakeholders in the project, including provincial or state authorities. All task force members will have clear accountability for specific deliverables within a given timeframe. Although the membership of the PFTF and PITF may overlap, their functions are fundamentally different. These Task Forces, as distinct from the National Secretariats, are not standing committees and are disbanded once their functions have been discharged.

Coordination and Monitoring: Strengthening the Secretariat

26. **A new structure for the Centre for IMT-GT Subregional Cooperation (CIMIT) is proposed to include the public and private sectors in its governance structure (the Executive Board).** Staffing for the new CIMIT should be based on open recruitment. The new CIMIT should be vested with a stronger set of mandates to advise the SOM on technical matters, to be the information hub of all projects, and to outsource or commission work that is needed to support IMT-GT.

27. CIMIT can exist as (i) an inter-governmental institution; or (ii) a non-profit NGO. The key issues involved are its authority to coordinate and oversee official work, its ability to work effectively in a joint public-private sector setting, and its financing. The first option implies a financing commitment from all governments and requires a well-defined and structured interface with the private sector. The other option may remove certain administrative-related budgetary constraints, but then CIMIT's long-term financing may be more precarious. As an NGO, it would have restricted authority to "manage" governmental processes, because it would undertake its work with delegated and limited authority. Consequently, it may also have limited leverage with the private sector.

Private Sector involvement

28. **JBC membership needs to be expanded for a fuller representation of local business interests.** In due course, JBC's work can be complemented or replaced by an IMT-GT Business Forum with a wider membership that would include, in addition to the present JBC, the larger business associations and chambers.

IV. MTR Recommendations

29. **Overall, the modest progress achieved in the implementation of the Roadmap reflects fundamental weakness in structures, capacities and processes of IMT-GT cooperation.** These weaknesses are most evident in the lack of capacity for program and project formulation and implementation, and overall secretariat support both at the national and regional levels. These weaknesses need to be addressed seriously if the IMT-GT is to realize its goals and make an impact.

30. **The five strategic thrusts remain relevant for the remaining two years of the Roadmap. The structure of strategies, measures and projects under each thrust however should be realigned for greater focus, synergy and impact.** The MTR has

partly addressed this by developing sector strategies and focusing the flagship programs. The initial step of rationalizing the Action Plan Matrix has been conducted but the development of the Action Plan has to be carried forward more intensively. More specifically:

- The APM has to be developed further to generate the right mix of well thought-out, logically sequenced, strategic projects to achieve sector goals.
- Information on the scope and benefits of the projects would need greater clarity to allow an assessment of the projects' results and impact.
- Activities (rather than projects) that remain in the APM should be repackaged or redesigned.

31. **The sector strategies that have been endorsed by the Working Groups and the Special Consultation Meeting held on 1 July 2010 should be adopted** and should continue to guide the further work on the Action Plan Matrix and the future implementation Blueprint.

32. **The new set of 12 flagship programs, that emanate from the sector strategies should be adopted and should replace the current list of 37 flagships** in the current Roadmap. These 12 flagship programs are in Table 2.

33. As the strategic thrusts of the Roadmap continue to be relevant, **a successor Roadmap that attempts to redefine IMT-GT's strategic directions may not be needed.** After the Roadmap ends in 2011, it is proposed that the Action Plan Matrix be transformed into an implementation blueprint for the next five years.

34. **The WGs should be given the opportunity to deepen their appreciation and ownership of the sector strategies as a basis for project formulation through the conduct of broad-based and inclusive sector forums.** These forums should generate project concepts that could be the basis for a more disciplined and well-informed process for formulating projects for inclusion in the blueprint.

35. **Financing and implementation plans are necessary to ensure that projects are implemented effectively and efficiently. A mechanism for project follow through (in between meetings) will have to be put in place for monitoring all aspects of project implementation --- inputs, thorough-puts and outputs ---** as well as issues and constraints that impede project implementation. CIMT, as well as the national secretariats need to be strengthened to carry out this task; and ADB's Project Coordination Unit may also be tapped to assist the secretariats. An electronic based mechanism for updating, monitoring and access to information on the APM should be set-up to facilitate project coordination and monitoring.

36. **The connectivity corridors should clearly be a focus in the short- to medium-term.** A detailed action plan for each corridor should be developed during the remaining two years of the Roadmap to guide implementation beyond 2011. The connectivity corridor action plans should indicate both hardware and software components. It should have a timeframe with clear milestones based on what can be realistically delivered. Most

importantly, it should have a detailed financial plan, or at least include measures that will lead to one, by 2011.

37. **The process for formulating the connectivity corridor action plans** should be inclusive, well-informed, and deliberate. The process should involve Government agencies at the national and local levels, the JBC as well as other private sector groups (e.g. SMEs, freight forwarders, banks) and interested development partners. The BPR recommendations on an inclusive planning process are relevant in this regard.

38. In the process of rationalizing projects, **the relationship or link between IMT-GT and ASEAN (in particular the ASEAN Economic Community Blueprint) is an important consideration.** The IMT-GT and ASEAN frameworks are similar in many ways --- their vision, institutional structure, and areas of cooperation are similar and overlap or converge at many points. Where they differ fundamentally is on their operating modality --- the manner in which agreements are reached (i.e. by consensus in ASEAN) and how these are implemented (for most of the AEC blueprint, unilateral implementation towards consensually agreed targets and timeframes). The IMT-GT framework can be more efficient than ASEAN. IMT-GT, with only three countries, can forge ahead with “big ticket” items in the ASEAN agenda without having to be entangled with the practice of ASEAN consensus (e.g. mutual recognition arrangements for tourism). This is one way in which IMT-GT can make a difference.

39. Finally, the BPR recommendations (paragraphs 22-28) will need to be given careful and serious consideration to be able to overcome the weaknesses in Roadmap implementation and accelerate cooperation in the subregion.

Table 1. IMT-GT Priority Connectivity Projects¹

Project Name	Amount (US\$ million)
Indonesia	
1. Sumatra Ports Development Project	57.4
1.1 Ulee Lheue Port (\$0.5M)	
1.2 Malahayati Por (\$29M)	
1.3 Belawan Por (\$12.9M)	
1.4 Kuala Enok Port (\$15M)	
2. Melaka-Dumai Economic Corridor Multimodal Transport Project	875.2
2.1 Dumai Port (\$30.2M)	
2.2 Pekanbaru-Dumai Road (\$389.7M)	
3. Sumatra Toll Roads	493.0
3.1 Palembang and Indralaya Toll Road (\$105M)	
3.2 Palembang-Betung Toll Road (\$17.5)	
4. Melaka-Penkanbaru Power Interconnection	300.0
5. Most southerly section of the Eastern Highway from Bandar Lampung to Bakahuni	820.0
6. Development of Aceh Highway Facilities: Banda Aceh-Kuala Simpang	2,000.0
Subtotal: Indonesia	4,545.6.8
Malaysia	
1. Melaka-Penkanbaru Power Interconnection	200.0
2. ICQS Bukit Kaya Hitam	120.0
Subtotal: Malaysia	320.0
Thailand	
1. Southern Thailand Ports Development Program	28.0
2. Hat Yai-Sadao Toll Road	300.0
Subtotal: Thailand	328.00
TOTAL: IMT-GT	5,193.6 (10 projects)

¹ The original IMT-GT priority program totaled \$2,456.8 million for eight projects (without the additional Thailand project, which was added during the Thailand NCM in February 2010). This list was further refined throughout the first half of 2010 through national consultation meetings (NCMs) in Bangkok, Thailand (16-17 Feb. 2010), Kangar, Malaysia (12-13 May 2010), and Medan, Indonesia (24-25 May 2010), the Special Consultation Meeting (SCM) on 1 July 2010, as well as post SCM missions to the three countries consultations. As of 27 July 2010, there are 10 projects with a total cost of \$ 5.2 billion in the PCP list.

Table 2. The 12 Flagship Programs Identified by the Mid-term Review of the IMT-GT Roadmap

Sector		Flagship Program
Transport and Energy	1	Five Connectivity Corridors
		a. Extended Songkhla-Penang-Medan Corridor (Nakhon Si Thammarat – Phattalung – Songkhla – Yala – Pattani – Penang – Medan)
		b. Straits of Melaka Corridor (covering the western coastal belt from Trang in Southern Thailand to Melaka in Peninsular Malaysia)
		c. Bandah Aceh-Medan-Pekanbaru-Palembang Economic Corridor (a road corridor running south to north through Sumatera)
		d. Dumai-Melaka Economic Corridor (a maritime corridor linking Sumatera and Peninsular Malaysia)
		e. Ranong-Phuket-Aceh
Trade and Investment	2	Streamlining of trade regulations and procedures
	3	Promotion of logistics/supply chain and business services
Agriculture	4	Marine fisheries and aquaculture development
	5	Application of new technologies for livestock
	6	Trade in agriculture
	7	Environment-friendly agriculture
Halal products/services	8	Halal integrity (standards and certification)
	9	Industry development
	10	Branding and promotions
Tourism	11	Develop thematic tourism routes or circuits with a logical sequence of destinations and sites
Human resources development	12	Enhanced labor mobility by adopting Mutual Recognition Agreements along the lines of the ASEAN framework

Table 3. Status of Completed/Dropped/Retained/New Projects in the Action Plan Matrix

	Total	Completed		Dropped		Retained		Others (transferred/ combined/ added/etc)	
Working Group		No.	%	No.	%	No.	%	No.	%
Trans	48	7	15	0	0	36	75	5	10
Trade/Inv	47	10	21	10	21	27	57	0	0
Agri	29	5	17	10	34	10	34	4	14
Halal	14	-	-	5	36	9	64	-	-
Tourism	23	5	22	4	17	12	52	2	9
HRD	14	0	0	4	29	10	71	0	0
TOTAL	175	20	11	33	19	68	39	54	31

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I. INTRODUCTION

A. Background

1. The Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT) sub-regional economic cooperation program was established in 1993. The aim is to accelerate the economic transformation of the member states and provinces in the three countries by exploiting their underlying complementarities and comparative advantages. The three countries, which are among the rapidly growing middle-income member countries of ASEAN, were motivated to embark on an area-based cooperation in an effort to accelerate the growth of their lagging localities, especially in Sumatera and Southern Thailand, at a sufficiently rapid pace to allow them to catch up with the leading states and provinces, and thus benefit more evenly from the benefits of economic growth and integration.

2. Since its establishment in 1993, IMT-GT has expanded to its present geographic scope of 32 provinces and states --- 14 provinces in Southern Thailand; eight states in Peninsular Malaysia; and ten provinces in the island of Sumatera in Indonesia. (Box 1). The member states and provinces in this sub-region form a natural bloc for economic cooperation given their many complementarities, geographical proximity, and close historical, cultural, and linguistic ties. The sub-region is predominantly agricultural, with abundant lands and rich natural resources that are potential sources of high economic growth that could help reduce poverty. Combined with a dynamic private sector, these endowments have the potential to transform the region into a powerful growth magnet and substantially improve the quality of life in the IMT-GT region. The sub-region has a population of about 70 million whose consumption spending is an important factor for sustaining output growth. The IMT-GT provinces and states, and their socio-economic profiles are shown in Table 1.

**Table 1. IMT-GT STATES PROVINCES:
POPULATION AND LAND AREA, 2008**

	Population (000)	Land Area□ (sq km)	Population Density
A. Indonesia			
• Aceh	4,294	57,366	75
• Bangka Belitung	1,123	17,250	65
• Bengkulu	1,642	19,789	83
• Jambi	2,788	53,436	52
• Lampung	7,391	35,376	209
• South Sumatra	7,122	71,681	99
• Riau	5,189	95,000	55
• Riau Islands	710	21,992	32
• North Sumatra	13,042	53,436	244
• West Sumatra	4,763	42,297	113
IMT-GT Indonesia	48,064	467,623	103
B. Malaysia			
• Melaka	754	1,664	453
• Kedah	1,958	9,500	206
• Kelantan	1,595	15,099	106
• Negeri Sembilan	996	6,686	149
• Penang (Pulau Pinang)	1,547	1,048	1,476
• Perak	2,351	21,035	112
• Perlis	236	821	288
• Selangor	5,071	8,154	622
IMT-GT Malaysia	14,508	64,007	227
C. Thailand			
• Nakhon Si Thammarat	1,513	9,942	152
• Narathiwat	720	4,475	161
• Pattani	642	1,377	466
• Phattalung	505	3,424	148
• Satun	288	2,478	116
• Songkhla	1,336	7,393	181
• Trang	615	4,917	125
• Yala	476	4,521	105
IMT-GT Thailand	6,095	38,527	158
D. IMT-GT	68,666	570,157	120

Source: IMT-GT Government Authorities; CEIC Data

□ Land area data for Indonesia and Thailand are as of 2005.

3. Supported by the active dynamism of the private sector, several key initiatives were implemented in trade, travel and tourism, as well as in physical connectivity improvements within the IMT-GT subregion. Early progress in the IMT-GT subregional cooperation initiative however, was stalled by several obstacles, among them the 1997 Asian financial crisis, the threat of severe acute respiratory syndrome (SARS) and the avian flu epidemic, and security concerns in some parts of IMT-GT. The absence of an effectively functioning institutional mechanism for cooperation also hindered the progress and pace of cooperation. Around the late 1990s to the early 2000s, IMT-GT experienced a hiatus.

4. The onset of economic recovery and continuing favorable economic performance in most of the Asian region at the onset of 2000 triggered renewed interest in subregional cooperation initiatives in Asia, including the IMT-GT. The globalization of production and accelerating pace of regional economic integration in Asia have increased the strategic importance of subregional cooperation as a means to leverage national development efforts on linking with external markets. Thus, during the 1st IMT-GT Summit Meeting held in Malaysia in December 2005, the member governments reaffirmed their commitment to the IMT-GT and its continuing growth and development. To foster a pragmatic and results-oriented approach to cooperation, the member governments agreed that an IMT-GT Roadmap should be formulated to guide cooperative efforts among the three countries in the next five years. ADB² was requested to assist in formulating the first-ever Roadmap for the subregion covering the period 2007-2011.

B. Rationale and Objectives

5. The IMT-GT Roadmap for Development 2007-2011 was developed in 2006 with ADB assistance and was endorsed at the 2nd IMT-GT Leaders' Summit held in Cebu City, Philippines, in January 2007. It provided the cooperation framework for ensuring that all IMT-GT instrumentalities move in the same direction, and in a mutually reinforcing manner. It also served to guide IMT-GT program/project formulation and implementation through prescribed mechanisms for coordination, monitoring and evaluation, and laid the basis for mobilizing resources from bilateral and multilateral development agencies, private investors and financial institutions.

6. Despite the steady progress in the implementation of IMT-GT programs and projects in the Roadmap, the years 2007 and 2008 posed many challenges --- many of them resulting from global and regional developments, and also from issues internal to the program. The global economic recession in 2008 posed a major challenge as Governments became more deliberate in determining their priorities and expenditure allocations, and private investors were more cautious in their investment decisions. The subregion was also affected by global concerns for energy efficiency, food security,

² In 1996, ADB published the book "Indonesia-Malaysia-Thailand Growth Triangle: Theory to Practice" which identified the potentials, as well as challenges and constraints, to cooperation among the three countries.

environment protection, and climate change, which had to be increasingly mainstreamed into the development agenda.

7. Within the IMT-GT program framework, a number of weaknesses also became evident in the course of the Roadmap's implementation. The most important of these pertained to IMT-GT's institutional mechanism which was patterned largely after the public-sector oriented ASEAN structure; the experience with this structure has raised questions as to its effectiveness for a private-sector led initiative such as IMT-GT. The public-private sector interface—which is critical within the IMT-GT framework—remained weak. It needed to have greater depth and clarity and a much-needed results-orientation.

8. Thus, at the 4th IMT-GT Summit held in Pethchaburi, Thailand in March 2009, the Leaders agreed to a mid-term review (MTR) of the Roadmap as a means to further focus collective action amid the challenges faced by the program. As envisaged by the Leaders in their Joint Statement, the MTR would be comprehensive and inclusive of all stakeholders, and would include a review of IMT-GT's business processes that will assess how IMT-GT mechanisms could function more effectively to achieve the goals and targets in the Roadmap.

9. The MTR of the IMT-GT Roadmap commenced in March 2009. It provided the platform for taking stock of recent developments, their implications on the Program's strategic thrusts, and the progress and constraints in programme and project implementation. It also provided an opportunity to look at IMT-GT within the larger context of the ASEAN Economic Community (AEC) envisaged for 2015. The Business Process Review (BPR), which was conducted as a separate but parallel exercise, commenced much later in December 2009. The results of the BPR are tackled in a separate report, but are also reflected in the MTR (shown in paras 92-100).

10. The objectives of the MTR are the following:

- a) Take stock of accomplishments and progress made in the implementation of the IMT-GT Roadmap and assess their impact on the overall objectives of IMT-GT;
- b) Identify implementation issues and constraints;
- c) Review the strategic thrusts of the Roadmap in the context of recent regional and global developments and recommend adjustments as needed;
- d) Review and recommend programme and project priorities for the second-half of the five-year period (i.e. 2010– 2011);
- e) Initiate the process of developing and implementing a results-based monitoring and evaluation framework, which will include lessons learned, as a means to enhance future implementation; and
- f) Identify the areas where IMT-GT programmes and projects can contribute to the goal of the AEC and seek the appropriate mechanisms to link these IMT- GT activities with the broader ASEAN framework.

C. Scope and Approach

11. The MTR involved the following major processes: (i) stock-taking of progress made in the program and project implementation; (ii) national and tripartite consultation meetings to discuss strategies, program thrusts and implementation issues; and (iii) program and project review and prioritization by the different working groups. The MTR involved a highly participatory process among various IMT-GT stakeholders—the national government line ministries, the concerned local governments, and the private sector represented by the Joint Business Councils (JBC)—who were consulted on the strategies, focus and direction that the program should pursue in the coming years.

12. National Consultation Meetings (NCMs) and a tripartite Dialogue on the MTR were held during the second and third quarters of 2009. The 16th Senior Officials/Ministers Meeting held in Melaka on 13-15 October 2009 reached broad agreement on the MTR's preliminary findings to: (i) focus the flagship projects especially on the five connectivity corridors; (ii) rationalize the WGs' project portfolio to forge a stronger link between the strategic thrusts in each sector and the projects; and (iii) improve the interface between the public and private sectors and the national and local development plans in planning and project formulation. Following the 16th Senior Officials and Ministerial Meeting (SOM/MM), ADB continued to work towards the final stage of the MTR. The NCMs held during the first half of 2010, and the Special Planning Meeting held on 1 July 2010 in Penang, Malaysia discussed the areas of focus in the different sectors, which served as the basis for the Working Groups to review and rationalize their project portfolios and to finalize the Action Plan Matrix (APM).

13. Section II presents the substantive elements and structure of the IMT-GT Roadmap 2007-2011—its vision, goals and strategic thrusts. Section III describes the subregional, global and regional context of the Roadmap. Section IV presents the assessment of the Roadmap's implementation, including progress made and the issues and challenges to be addressed. Section V presents sector strategies and areas of cooperation. Section VI discusses measures for strengthening the IMT-GT Implementation Mechanism based on the Business Process Review. Section VII provides recommendations for further action.

II. IMT-GT ROADMAP 2007-2011

A. Subregion-wide Development Strategy

14. The underlying strategy for the establishment of a “growth triangle” or “growth area” is to take advantage of the complementarities among adjacent areas, located within different national territories, through physical connectivity, the removal of barriers to trade and investment and capital flows, and enhancement of export competitiveness. In the case of IMT-GT, the growth area approach was a suitable framework to promote the growth of the three countries' lagging regions that are adjacent to each other, bound by

cultural affinity and historical ties, and actively engaged with each other in commerce. The growth triangle that was configured for IMT-GT is an area with enormous potential to enhance economic growth, while at the same time promoting equity and reducing poverty.

15. Cooperation within the growth area would be private sector-led, meaning that the promotion of market-driven trade and investment will be the primary focus. This approach is generally taken for growth areas since participating localities have limited authority over national-level policy changes (e.g. tariff reduction). Unlike regional cooperation models that involve coordinating or harmonizing policies at the national level (e.g. ASEAN), cooperation of subnational units in a growth area is likely to focus on activities that facilitate the movement of goods and people across their territories, thus enabling the private sector to take advantage of business opportunities. As is the case with classic growth areas, the IMT-GT approach is pragmatic, flexible and results-oriented.

16. Although the strategy underpinning the IMT-GT was clear at the onset, it was only in 2006—or more than 10 years after its establishment—that a more systematic approach to implementing the strategy was taken with the formulation of the first IMT-GT Roadmap (2007-2011). The Roadmap was the first comprehensive document that clearly articulated the vision, strategic thrusts, and flagship programs of IMT-GT cooperation. It was formulated following the First IMT-GT Summit in 2005 and approved at the Second Summit in 2007. The Roadmap signaled renewed commitment at the highest political levels to forge ahead with IMT-GT cooperation.

17. The Roadmap reaffirmed the *raison d'être* for IMT-GT's creation: it stated that IMT-GT will be a "Special Economic Cooperation Area" (the "Area"), within which concerted and systematic efforts will be taken in the next five years to reduce the cost of doing business, facilitate the start-up and operation of business ventures, increase the Area's competitiveness, make the most of the Area's underlying complementarities, and promote its attractiveness as a tourist and investment destination and production base.

B. Vision, Goals and Strategic Thrusts

18. The Roadmap set the vision for IMT-GT as "a seamless, progressive, prosperous and peaceful subregion with improved quality of life." Towards realizing this vision, the Roadmap identified five strategic thrusts, namely: (i) to facilitate and promote intra- and inter-IMT-GT trade and investment; (ii) promote the growth of agriculture, agro-industry and tourism; (iii) strengthen infrastructure linkages and support to the integration of the IMT-GT subregion; (iv) develop human resource and skills competencies, enhance mobility of labor, and strengthen environment and natural resource management; and (v) strengthen institutional arrangements and mechanisms for cooperation, including public-private sector collaboration, participation of stakeholders at the local level, and the mobilization of support from development partners. The Roadmap provided both a framework and a plan of action to guide cooperation over a five-year period.

19. The Roadmap explicitly stated that the development of the IMT-GT should not only be consistent with, but also contribute to, the realization of the AEC. Its objective in the next five years would be to increase intra-IMT-GT (i.e. within IMT-GT and among IMT-GT subregions) and inter-IMT-GT (i.e., between IMT-GT and the rest of the world) trade and investment. By the end of 2011, it was envisioned that intra-IMT-GT trade would have increased by 15%; overall trade in the IMT-GT by 20%; investments in the IMT-GT by 20%; foreign direct investment in IMT-GT by 10%; and total tourist arrivals in IMT-GT by 15 percent. Substantial improvement in physical connectivity of the IMT-GT subregions is expected to be achieved by 2011, with a number of road, airport and port projects being completed. A much closer collaboration between the public and private sectors, as well as more substantive participation of provincial and state governments in the cooperative process are also envisaged to be achieved within the Roadmap implementation period.

20. The Roadmap specified two anchors where projects and activities would be clustered, namely: (i) a policy and regulatory anchor, which is aimed at providing an enabling policy and regulatory environment conducive to private sector activities in the IMT-GT region; and (ii) an anchor built around major IMT-GT connectivity corridors that can serve as the “trunk lines” from which development will radiate to neighboring areas through transport and economic linkages. All the measures directed at facilitating the movement of capital, goods, people and vehicles in the IMT-GT region constitute the “IMT-GT policy and regulatory anchor”. The second anchor aimed at using major IMT-GT corridors as the focal point for the clustering of major economic activities, starting with the improvement of transport facilities and linkages, as well as other supporting infrastructure.

21. The Roadmap identified four connectivity corridors, and subsequently, a fifth one was added (Figure1). The five connectivity corridors are as follows:

- a) Extended Songkhla-Penang-Medan Corridor (Nakhon Si Thammarat – Phattalung – Songkhla – Yala – Pattani – Penang – Medan);
- b) Straits of Melaka Corridor (covering the western coastal belt from Trang in Southern Thailand to Melaka in Peninsular Malaysia);
- c) Bandah Aceh-Medan-Pekanbaru-Palembang Economic Corridor (a road corridor running south to north through Sumatera);
- d) Dumai-Melaka Economic Corridor (a maritime corridor linking Sumatera and Peninsular Malaysia); and
- e) Ranong-Phuket-Aceh

22. There is a critical mass of measures and programs in the Roadmap’s APM (particularly under the thrust on infrastructure linkages) which cluster around these corridors. The strategy is to use these corridors as building blocks for further economic development of the adjacent areas.

23. An Action Plan Matrix (APM) consisting of programs, projects, activities and measures to realize the objectives of the Roadmap was formulated along the five strategic thrusts. The operational responsibility for pursuing these programs and projects was assigned to Working Groups in six areas, namely: (i) trade and investment; (ii) agriculture, agro-based industry and environment; (iii) tourism; (iv) Halal products and services; (v) human- resource development; and (vi) infrastructure and transport.

FIGURE 1. IMT-GT CONNECTIVITY CORRIDORS



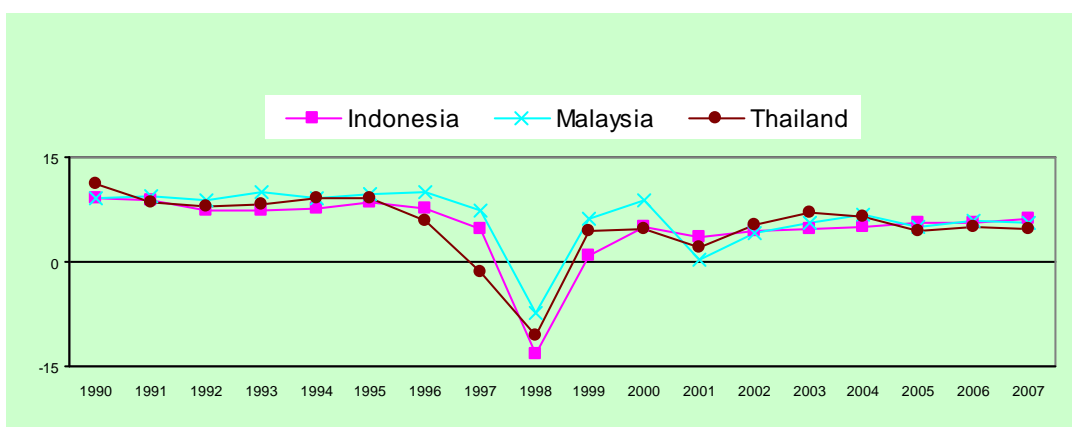
III. SUBREGIONAL, REGIONAL AND GLOBAL CONTEXT

A. Subregional Context

i. Macroeconomic Performance

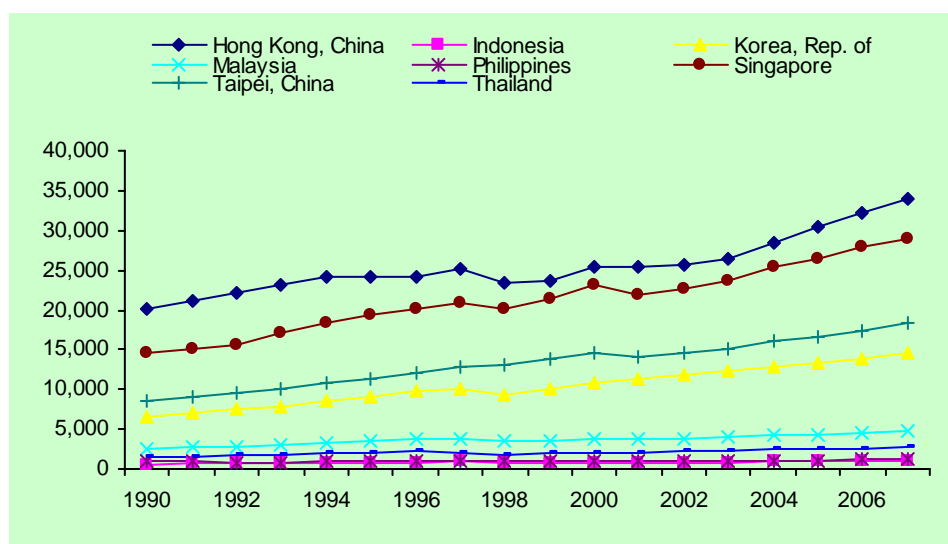
24. Indonesia, Malaysia and Thailand are three of the most dynamic economies in Southeast Asia. Between 1990 and 1996, their respective real GDP growth rates grew at average rates of 8% to 10% annually (Figure 2). This robust growth was disrupted by the outbreak of the Asian financial crisis in 1997, resulting in negative growth rates for all three countries in 1998. Although recovery ensued several years later, real GDP growth was not strong enough to restore growth to the impressive pre-1997 levels. Between 2005 and 2007, real GDP growth rates averaged about 5% to 6% each year for Indonesia and Malaysia, and about 4.5% to 5% for Thailand. Per capita GDP levels were also affected by the 1997 crisis (Figure 3), although the past five years have seen growth in per capita GDP levels for all three countries.

FIGURE 2. GDP GROWTH RATE OF IMT-GT COUNTRIES (%)



Source: ADB Key Indicators, various years

FIGURE 3. PER CAPITA GDP OF IMT-GT COUNTRIES (2000 US\$)



Source: ADB Key Indicators, various years

TABLE 2. PER CAPITA GDP (IN 2000 US\$)

	1960	1970	1980	1990	2000	2007
Indonesia	196	235	397	612	800	1,034
Malaysia	784	1,103	1,848	2,511	3,881	4,715
Thailand	317	516	796	1,462	2,023	2,713

Sources: World Economic Outlook (IMF), World Development Indicators (World Bank)

25. In 2008, just a year into the implementation of the Roadmap, the stable macroeconomic performance of the three countries was again disrupted by the oil- and food-price hikes, and the US-led financial crisis that resulted in a global economic downturn. The average real GDP growth rate of the IMT-GT member countries slowed down to 4.4 % in 2008 from 5.8 % in 2007 and in per capita terms, to 3.1 percent in 2008 from 4.5 percent in 2007. The growth slowdown in 2008 occurred in the industry and services sectors; and only agriculture's value added increased between 2007 and 2008.

26. Exports generally remained robust in 2008: in Indonesia, it grew by 18% up from 14% in 2007; in Malaysia, it grew by 2.8% compared to 9.6% in 2007. Thailand suffered a slowdown in export growth, from 17.3 % in 2007 to 16.8 % in 2008. Similarly, domestic investment's share to GDP showed some vigor in 2008. In Indonesia and Thailand, domestic investment's share to GDP increased, but slowed down in Malaysia. As for foreign direct investments (FDI), flows into Indonesia increased from US\$ 6.9 billion in 2007 to US\$ 8.3 billion in 2008; flows to Thailand declined from US\$9.4

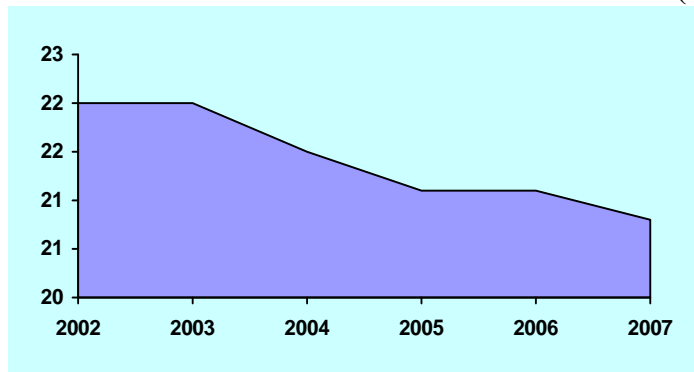
billion in 2007 to US\$ 7.7 billion in 2008. By the end of 2008, recession was not imminent yet in any of the IMT-GT countries.

ii. Economic Performance of Participating Provinces and States

27. Indonesia's Sumatera Island includes 10 provinces with a total population of 45 million or roughly 18% of the country's 237 million inhabitants. The island is the largest producer of coffee, and has vast plantations of rubber and oil palm. In addition, the island is also endowed with significant reserves of oil, coal and gold.

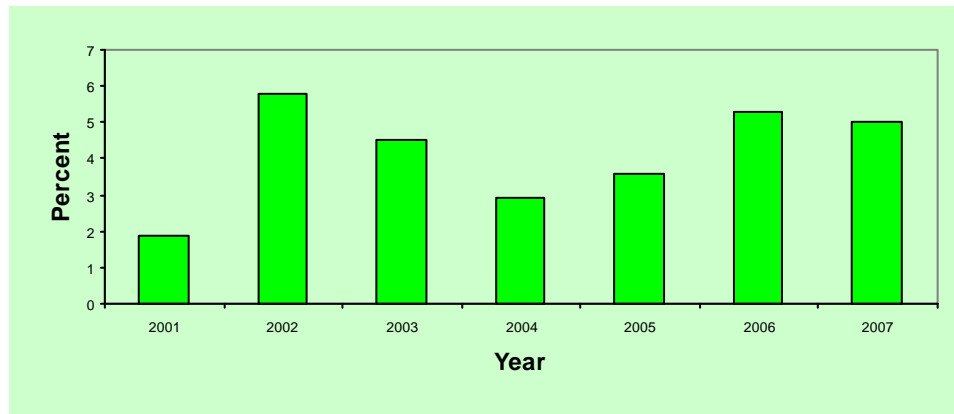
28. Sumatera's share in Indonesia's GDP, which ranged between 21-22% since the turn of the century (Figure 4), has been slowly declining; this decline could have been more pronounced if not for the surge in commodity prices, especially, that of palm oil. The drop in Sumatera's share in the national GDP could be traced to the characteristics of its GDP growth (Figure 5). After a high of 5.8% in 2002, the GDP growth declined to less than 3% before climbing back above 5% in 2006 and 2007. As a consequence, Sumatera's contribution to Indonesia's GDP growth rate has remained below or at about 1% since 2002 (Figure 4). This has occurred amid a rising national GDP, indicating that Sumatera's role in the country's economic growth has been dwindling. This would be the case unless new sources of growth open up in Sumatera.

FIGURE 4. SUMATERA'S SHARE IN INDONESIA'S GDP (%)



Source: BPS Indonesia

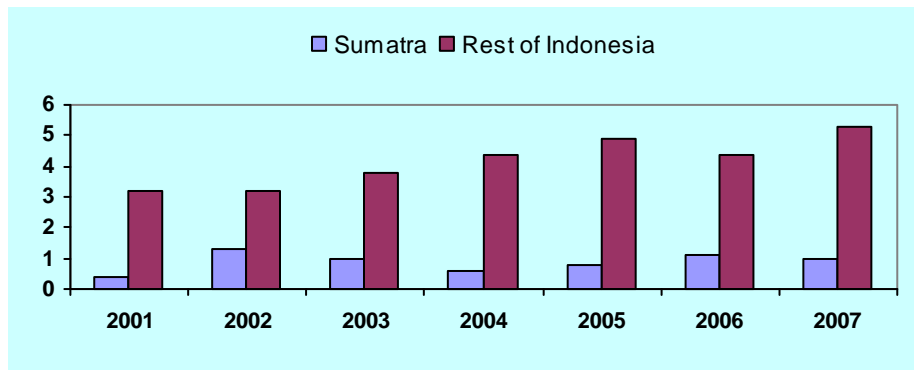
FIGURE 5. SUMATERA'S GDP GROWTH RATE (%)



Source: BPS Indonesia

29. As a consequence, Sumatera's contribution to Indonesia's GDP growth rate has remained below or at about 1% since 2002 (Figure 6). This has occurred amid a rising national GDP, indicating that Sumatera's role in the country's economic growth has been dwindling. This would be the case unless new sources of growth open up in Sumatera.

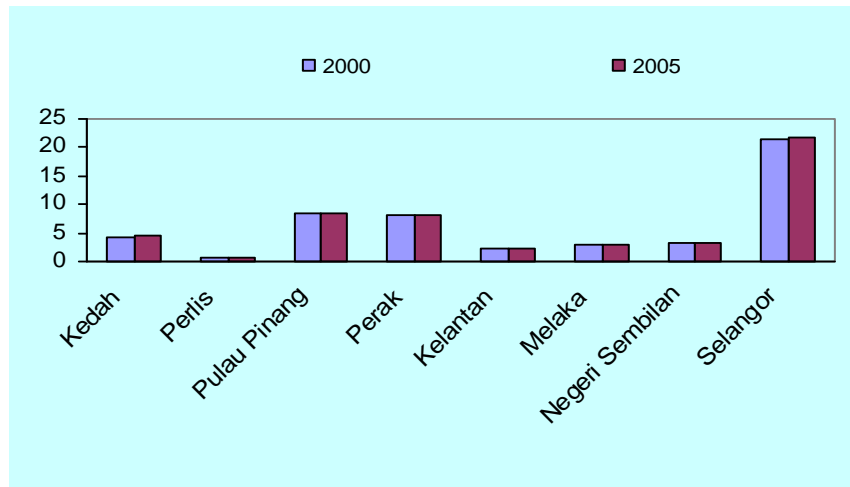
FIGURE 6. SUMATERA'S CONTRIBUTION TO INDONESIA'S GDP GROWTH RATE (%)



Source: BPS Indonesia

30. In the case of Malaysia, the eight provinces participating in the IMT-GT accounted for about 51.5% of the country's GDP in 2005, which was a slight improvement over the 2000 level of 51.4%. Among the provinces, Selangor with its more developed manufacturing and service sectors accounted for more than 20% of the country's GDP in 2005 (Figure 7). Other provinces with relatively large shares in the country's GDP in 2005 are Pulau Pinang and Perak.

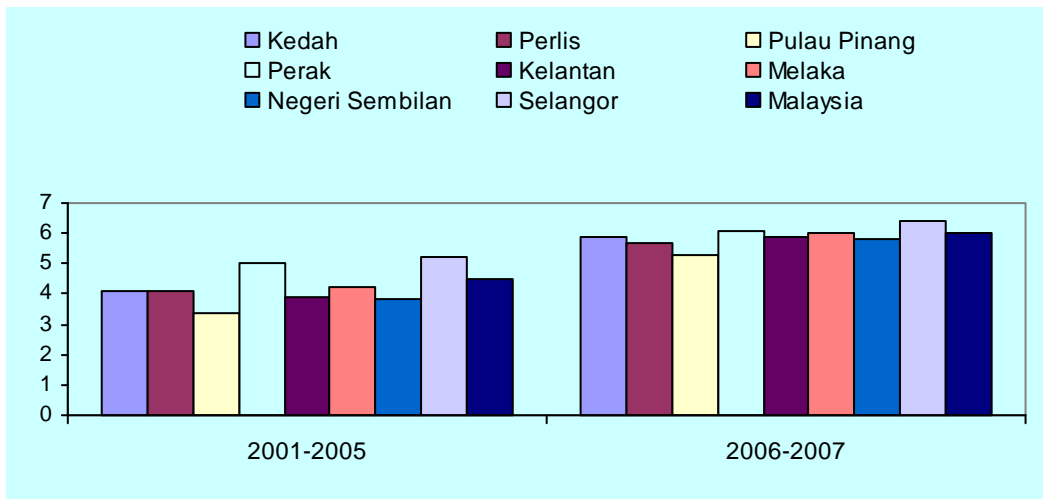
FIGURE 7. PARTICIPATING PROVINCES' SHARE IN MALAYSIA'S GDP (%)



Source: Economic Planning Unit, Malaysia

31. The GDPs grew at higher average annual rates in 2006-2007 than 2001-2005 (Figure 8). This suggests that growth was showing some degree of convergence throughout the various provinces in the country. The shares of the provinces to GDP remained more or less the same despite strong growth. Moreover, the growth in the IMT-GT provinces was similar to those at the national levels.

FIGURE 8. GROWTH IN GDP OF THE PARTICIPATING PROVINCES IN MALAYSIA (%)

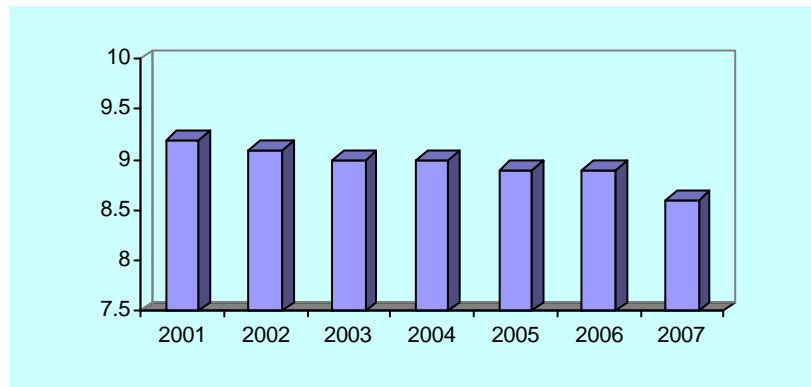


Source: Economic Planning Unit, Malaysia

32. Thailand's Southern Peninsula which is part of the IMT-GT is dominated mainly by agriculture with major contributions from fishing (shrimp farming), rice production and tree crops (rubber, oil palm, and coffee). Other important sectors include tourism, and mining (tin, monazite, barite, lignite or brown coal and gypsum). The Peninsula's

share to Thailand's GDP was 8.6% in 2007, which has been on a slow and steady decline from 9.3% in 2001 (Figure 9).

FIGURE 9. SOUTHERN PENINSULA'S SHARE IN THAILAND'S GDP (%)

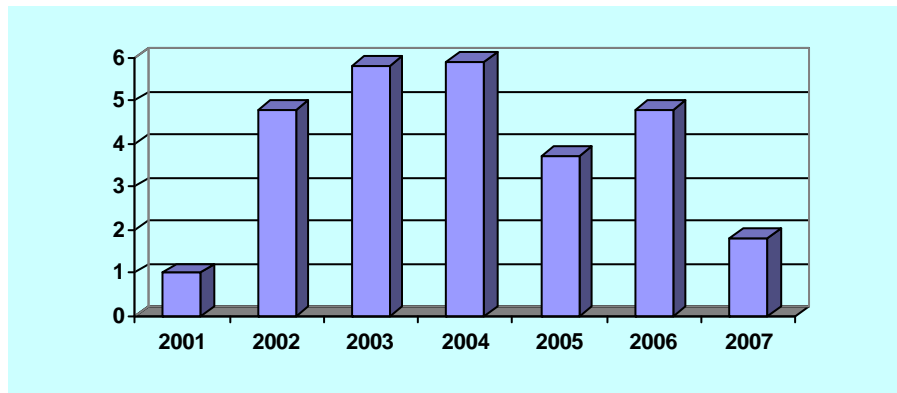


Source: National Economic and Social Development Board (NESDB), Thailand

33. In terms of output growth, the Peninsula grew at less than 2% in 2007, which is a substantial decline since the growth rates of nearly 6% in 2003 and 2004 (Figure 10). This decline is of special concern given that it occurred despite high commodity prices of late. The decline could have been larger if it were not for the favorable prices for rice, palm oil, and other commodities.

34. Declining trends in the Peninsula's share in Thailand's GDP has been due to continued dependence on the primary sector, while Thailand's economy was increasingly shifting towards industry and services. In 2007, the Peninsula's contribution to overall GDP growth rate of 4.8% was only 0.2 percentage points—less than 4% of the country's growth rate. Although the Peninsula's contribution to the country's GDP growth rate has not exceeded more than half a percentage point in recent years, its contribution in 2007 represented a significant drop from the 2003 and 2004 levels when the Peninsula contributed about 0.5 percentage points.

FIGURE 10. SOUTHERN PENINSULA'S CONTRIBUTION TO THAILAND'S GDP GROWTH RATE (%)



Source: National Statistical Office, Thailand

35. The lagging local economies in Indonesia and Thailand are, at this juncture highly dependent on agriculture and a few extractive industries. To transform them into industrializing ones and raise living standards, it is important to raise agricultural productivity to a sufficiently high level so that in principle even only a small part of the farm population will be needed to produce the total food requirements. Ideally, however, agricultural workers should produce a surplus that can be traded, the proceeds from which can be used to purchase other basic requirements of households dependent on agriculture.

36. In general, all three countries have been able to reduce their reliance on agriculture (ADB Outlook, 2004, 2009). Between 2002 and 2007, the share of agriculture to Indonesia's GDP fell from 16.1% to 13.8%. In Thailand, this share dropped from 10.2% to 8.7% over the same period. In Malaysia, the most industrialized of the three countries, the share of agriculture fell from 7.9% in 2002 to 7.4% in 2007. It is likely that Southern Thailand and Sumatera in Indonesia, which are both largely agricultural, also experienced a similar decline in the share of agriculture to the gross regional domestic product (GRDP) over time. At present, however, in view of the food-price shocks in 2008, these countries have given renewed emphasis to improving agricultural productivity through investments in modern technology and R&D. New high-yielding seed varieties and fish fry, for instance, have replaced the low-yielding ones. The approach to production would rely heavily on transforming traditional agriculture and making farmers receptive to inputs from investments in R&D that yield increasing returns.

B. Global and Regional Context

37. The global economic downturn of 2008 presented both a risk and an opportunity for the program. The general contraction in global aggregate demand has adversely affected business, in particular the export sector, and consequently, employment and incomes. At the same time, government responses through economic stimulus packages

(ESPs) provided a window of opportunity for addressing both short-term needs (i.e. social protection, short-term subsidies to consumers and firms), as well as medium- to long- term reforms. For one, around 17% of Indonesia's \$6.3 billion ESP has been allocated to infrastructure which could be directed to poor provinces in Sumatera. Malaysia's ESP contemplates the grant of benefits to industries in the construction sector, increased investments in telecommunications, tourism, and agriculture among others, and entrepreneurial credit facilities which could also be directed to IMT-GT participating states. Thailand's ESP is mostly directed to social protection for those affected in the export sector.

38. In Asia, the emergence of PRC and India has expanded both the sources of supply, and the goods and services market, for ASEAN. The growing importance of these two countries in the world economy has driven the push to accelerate economic integration in ASEAN. To enhance its competitiveness, ASEAN accelerated the implementation of the ASEAN Free Trade Area (AFTA) and related agreements to pave the way for realizing an ASEAN Economic Community (AEC) by 2015.

IV. ASSESSMENT OF ROADMAP IMPLEMENTATION

A. Overview

39. The IMT-GT has achieved modest progress in the past 15 years in terms of sustaining the economic exchanges and commercial ties among the participating states and provinces. The private sector has been particularly active and has established well-functioning business networks that are helping to boost trade and investment in the subregion. Despite the global disruptions that have intermittently slowed down the economic performance of the three countries, the IMT-GT program per se has been largely shielded from these interferences. However, the program's hiatus from around 1998 to the early part of 2000 was a key factor that contributed to the slow progress of cooperation. The economic growth of the IMT-GT participating states and provinces has either been static or slow. While this may have been caused by a complex set of factors unique to each state or province, it could also be an indication that IMT-GT has not made a difference in terms of stimulating the economic development of these areas over the past 15 years.

40. The IMT-GT Roadmap set a long-term vision, five strategic thrusts, 37 flagship projects and within flagships, more than 50 measures programs and projects (at the time of Roadmap formulation). The link between the strategic thrusts and actual projects are generally weak. The strategic thrusts have not been translated into a critical mass of interrelated projects (the flagships did not serve this purpose; they are too many and not well-conceived) that could make a significant impact on IMT-GT's goals.

41. Except for studies done on the connectivity corridors, maritime transport, logistics development, and opportunities for transport sector (supported by various ADB technical assistance projects), no comprehensive analytical work has been done in other sectors of cooperation by way of identifying development gaps to serve as basis for formulating

programs and projects. Project proposals vetted and approved at the working groups are largely randomly conceived. This also reflects the absence at the WG level of a coherent framework for cooperation; as a result, the WGs have been rudderless. For the analytical studies on the connectivity corridors, many recommendations have not been mainstreamed into both the Government and JBC working groups. Also, the weakness in secretariat support both at the national and subregional levels has exacerbated the problem of sound project identification and formulation.

B. Assessment of Implementation Progress in Support of the Strategic Thrusts

42. This part of the Review assesses the progress that has been made under each strategic thrust, highlighting key achievements and major issues and challenges that need to be addressed.

- i. Facilitate and promote intra- and inter-IMT-GT trade and investments.

43. Trade and investment facilitation in IMT-GT includes measures aimed at enhancing the competitiveness of the sub-region for investment and exports by reducing the cost of doing business and promotion of the freer flow of goods and services in the IMT-GT region. These measures include: (i) simplification, standardization and harmonization of customs procedures, immigration, and quarantine (CIQ) procedures; (ii) establishment of one-stop centers (OSC) to facilitate approval of business licenses and other required permits; (iii) joint promotion of the IMT-GT region as an investment destination; (iv) establishment of common wholesale markets and trading centers in border areas to promote and support trading activities; (v) compilation and wide dissemination of applicable policies, rules, regulations and procedures to increase their transparency and facilitate compliance; and (vi) collection, compilation and dissemination of economic and business information on the IMT-GT (e.g. socio-economic profile of the IMT-GT region, data base on trade, investment and tourism) and prospects on IMT-GT business opportunities. During the first half of the Roadmap implementation the following were implemented:

- **Simplification, standardization and harmonization of CIQs.** Efforts to simplify and harmonize CIQS regulations in major entry points in the IMT-GT have not made progress in view of the complexities of coordinating different agencies involved in the process, and the limited mandate of provincial and state authorities to alter regulations that are formulated at the national level. In addition, the representation at the Working Group on Trade and Investment (WGTI) is not adequate to discuss in depth, the issues and possible approaches to CIQS harmonization. To address these constraints, the WGTI has proposed the establishment of a Task Force on CIQ at the 16th SOM/MM. This Task Force has been established and a detailed Terms of Reference has been drawn up. In addition, Malaysia has included as a priority connectivity

project, the Integrated Immigration, Customs, Quarantine and Security (ICQS) in Bukit Kayu Hitam and Kedah Darul Aman.

- **Establishment of one-stop investment centers.** Several one-stop investment centers have been established to facilitate licensing and processing of business permits. Most of the participating states in Malaysia have put up such centers; Thailand has them in the provinces of Hatyai and Surathani, and where none exists, the Board of Investment (BOI) brings a mobile unit; Indonesia has a regional investment coordination board (BKPM) in all provinces in Sumatera. Assessment of the impact of these investment centers on facilitating business will require information on how many investors in a given period of time have been able to avail of the centers' services.
- **Establishment of common wholesale markets and distribution centers in border areas.** At the initiative of the private sector, plazas in the following places have been completed: Trang, Thailand; Batam, Riau Island, Indonesia; Bukit Tinggi, Padang, Indonesia; and Sabang Island, Indonesia. New IMT-GT plazas in Phatthalung, (Thailand), Port Dickson (Malaysia) and in Riau Province (Indonesia) are currently being developed. However, ongoing activities are modest, given tepid interest from the private sector. One reason is traceable to government requirements that have to be met in establishing such plazas. Moreover, the JBC has found the need to develop mechanisms for product exchange between different plazas. The Roadmap also commits to Border Township Development. The following are ongoing: Kota Putra Township, Kota Perdana Township, Takbai-Pengkalan Kubor, Sungai Golok-Rantau Panjang, Buketa-Bukit Bunga; and Betong-Pengkalan Hulu. The development of a Border Township at Padang Besar (Friendship City) is in progress. Also ongoing in Klang, Selangor is the Harbor City Development project which includes a passenger terminal, ro-ro jetty, IMT-GT Plaza, and a duty-free terminal.
- **Joint promotion of the IMT-GT region as an investment destination.** To raise awareness of stakeholders about trade and investment trends, the private sector has mounted trade fairs and investment missions in the IMT-GT to promote trade and attract FDI. The Sumatra Trade and Investment Survey (SITS)—which compiles information on factors affecting the conduct of business—has been completed under ADB technical assistance. The findings of the survey will be useful in instituting improvements in the policy and regulatory environment for business.
- **Collection, compilation and dissemination of economic and business information on the IMT-GT.** The Joint Business Council launched the

Business Opportunity Directory in 2009 as a means to further facilitate businesses within the subregion. The JBC is actively promoting coastal maritime trade with the inclusion of 13 ports in the JBC's IMT Coastal Trade Network. The Working Group on Trade and Investment (WGTI) has rolled out a project on the development of a Investment, Trade and Tourism Database; wherein phase one of this project will reflect aggregate trade data among the three countries is currently featured in the IMT-GT website; and phase two will compile customized provincial and state trade data in ongoing.

44. On the whole, IMT-GT's accomplishments in the area of trade promotion and investment facilitation is very modest when tracked against the more ambitious measures planned under the Roadmap. Slow progress can be traced to the lack of clarity in the role of the government in providing incentives to private sector initiatives (e.g. should the national government provide duty free incentives for goods sold in IMT-GT plazas and if so, to what extent), and issue of the scope of authority of local government instrumentalities vis-à-vis those in the national or central governments. An equally important issue relates to the scope of the IMT-GT cooperation in trade and investment vis-à-vis that already undertaken within the framework of ASEAN. For instance, the CIQ initiative in IMT-GT is one that is also embedded under the AEC blueprint where a comprehensive and time-bound action plan has been established. The one-stop service centers is another case in point, where those that have been set up so far cater to both IMT-GT and non-IMT-GT businesses alike.

ii. Promote the growth of agriculture, agro-industry and tourism

a) Agriculture and agro-industry

45. In the agriculture and agro-industry sectors, the Roadmap seeks to: (i) promote investment in the production and processing and marketing of agricultural products in the IMT-GT region; (ii) compile and disseminate business opportunities in agriculture and agro-industry; (iii) promote cooperation in agricultural research and development activities related to agriculture (e.g., palm oil, rubber, marine fisheries and aquaculture) and halal food production to help upgrade technology and increase productivity; and (iv) promote environmental management and sustainable practices in fishery, forestry and plantation agriculture. The Working Group on Agriculture, Agro-Industry and Environment (WGAAE) has pursued a number of initiatives along these lines.

- **Promoting investment in the production and processing and marketing of agricultural products in the IMT-GT region.** The establishment of a beef cattle breeding center in the IMT-GT Area, a flagship project to enhance the quality of meat products in IMT-GT, has been completed. The beef cattle and goat production biotechnologies in Thailand started in 2008 where farmers raise crossbred beef cattle. A network for animal production and biotechnology is currently being

developed. Other projects planned under this objective are in various stages of project development, mostly needing further clarity in the scope and nature of activities required. This includes projects on (i) food safety; (ii) freshwater cluster industry development; and (iii) integrated seaweed development.

- **Compilation and dissemination of business opportunities in agriculture and agro-industry.** A Fisheries Sector Website has been established and linked to the IMT-GT website and an IMT-GT Fisheries Seminar and Expo has been conducted in Phuket, Thailand.
- **Promotion of cooperation in agricultural research and development activities related to agriculture (e.g., palm oil, rubber, marine fisheries and aquaculture) and halal food production to help upgrade technology and increase productivity.** Completed projects include the Joint-Venture on Banana Estate in Nanggroe Aceh Darussalam (NAD) and Market Access and Quality Improvement for Horticulture Products. Other projects involving cooperation in rubber, palm oil and marine culture, the promotion of SMEs and policies on contract farming are in various stages of project development and implementation.

b) Halal products and services

46. Within the agriculture sector, cooperation in Halal products and services has been active. The Halal industry is a growth wave of the future and presents significant opportunities for the IMT-GT countries. It currently accounts for about 12% of global trade in agri-food products and can generate further growth opportunities, as greater awareness and availability of Halal alternatives are promoted. The Halal market is not limited to food items alone. It encompasses a wide range of products and services from pharmaceuticals, cosmetics, health care, finance and other non-consumables. It also includes services, such as, logistics, packaging, branding, marketing, print and electronic media and travel and tourism. The global market size for Halal food alone is estimated at US\$ 547 billion annually.

47. Under the Working Group on Halal Products and Services (WGHPS), projects and activities fall into three categories: (i) expos and seminar; (ii) capacity building; and (iii) trade and logistics. Seminars and expos serve to create awareness of developments and issues affecting the sector and discuss approaches for developing and promoting the Halal industry. Three expos and a seminar have been implemented in 2009. Capacity building activities that have been organized includes the Halal Forensic Laboratory Training Course, the World Halal Science Industry and Business International Conference, and the Second International Halal Science Symposium. Pioneering work in Halal testing and accreditation continued to make progress. In trade and logistics, there are five projects currently being implemented to help address transport and trade-related concerns of Halal food and non-food projects. These include: (i) Integrated Halal

Superhighway that will enhance linkages in the Halal value chain; (ii) International Halal Hub for IMG-GT; (iii) Southern Science Park; (iv) Development of the Halal park in Sumatra; and (v) Halal Medical Hub.

48. To develop the export-market niche for Halal products and services, the WGHPS is actively engaged in R&D and promotional work. The Halal Center at Chulalongkorn University in Thailand actively provides scientific information and has collaborative scientific research projects with Prince Songkhla University. To make Halal products commercially viable, the WGHPS fosters business relationships with international Halal entrepreneurs and develops business incubator projects.

49. On account of increasing demand for Halal foods, companies throughout the world are seeking authentic Halal certification to gain consumer confidence and expand their existing markets. Related to this is the need to develop internationally accepted Halal standards in production, marketing and logistics, including production and transport facilities for these products. Port, shipping, freight forwarding, warehousing and handling are some of the services that must also be Halal compliant. Malaysia has been in the forefront in terms of developing standards for Halal products and is relatively advanced in harmonizing its certification process. Thailand, meanwhile, has initiated steps towards this end with the establishment of the Institute of Halal Standards of Thailand. Indonesia, with its huge Muslim population, has also taken steps to implement a certification system consistent with international standards in Halal products.

c) Environment

50. As regards cooperation in environment, the Roadmap focuses on four programs: (i) managing and protection of natural resources; (ii) promoting the use of environmentally-friendly technologies; (iii) cooperation in the surveillance and public response to pandemics; and (iv) early warning systems on natural disasters. Several projects have been identified under this rubric, among them a framework for cooperation in transboundary haze, and the promotion of the use of environmental friendly technologies in agriculture and tourism. These projects are in various stages of discussion and development.

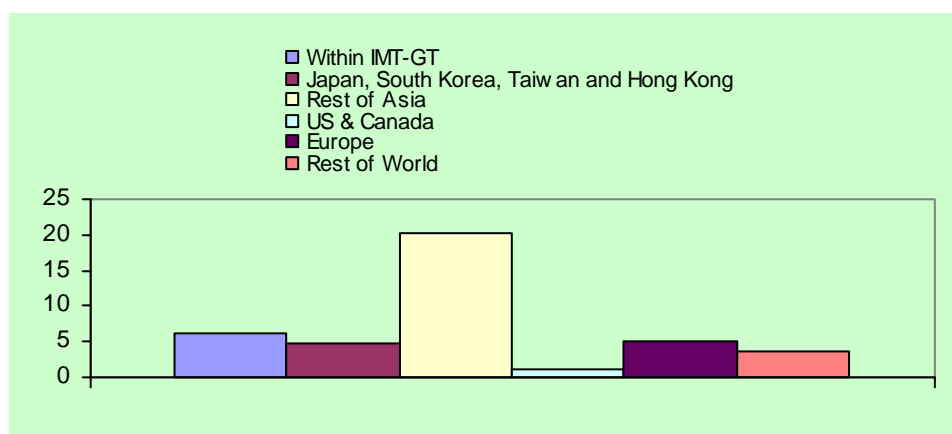
Issues and Challenges

51. Given the large agriculture sector in many of the IMT-GT participating states and provinces, the main transformative task is to modernize this sector to make it capable of generating high-wage, high-skill employment. This involves the adoption of new production technologies, including the use of agricultural inputs that have been developed through R&D activities, thus extending the processing of raw materials to generate greater value added. IMT-GT states and provinces can also tap into supply chains linked to foreign trade, given their current endowments of human capital and a vibrant entrepreneurial sector. This entails linking the rural periphery with the modern activities in urban centers and major trading points. Linking cooperation in agriculture with that of trade is an area that needs to be considered closely over the medium-term.

d) Tourism

52. Tourism in Asia and the Pacific region has grown at a much faster rate than the rest of the world, and recorded average annual growth rates of 17.4% to 24.7% between 1990 and 2006. In 2006, the total number of tourist arrivals, both from within and outside the region had reached 209 million and tourism's contribution to the economy of Asian and Pacific region had risen to about 1.3% of the aggregate GDP. However, despite the rapid growth of tourism in Asia and the Pacific, tourism remains an underexploited sector within Southeast Asia and IMT-GT. In 2006, Southeast Asia accounted for some 54 million-tourist arrivals, which is about 7% of the global tourist arrivals and about 26% of the tourist arrivals in Asia and Pacific. The IMT-GT countries account for about 5% of the global tourist arrivals with Indonesia, Malaysia, and Thailand accounting for one percent, two percent, and two percent, respectively. Although, the share of IMT-GT countries among the Southeast Asian countries is very high, it still remains very small from a global perspective and below potential given the richness of their cultures and biodiversity, the pristine beaches, and mountains and tropical forests. Intra-IMT-GT tourism volumes also remain low (Figure 11). Of the 41 million tourists arrivals reported for these countries in 2007, only 15% were from other IMT-GT countries. Developed economies in Asia accounted for another 11% of the tourists while the rest of Asia, including PRC and India, accounted for about 49%. Share of tourists from US, Canada and Europe was about 16% while the share for the rest of the world was slightly less than 9%.

**FIGURE 11. TOURIST ARRIVALS BY ORIGIN IN IMT-GT COUNTRIES IN 2007,
IN MILLIONS**



Source: ASEAN Statistics.

53. The preparation of a Tourism Master Plan for IMT-GT was envisaged in the Roadmap to provide the overall strategy and direction for tourism cooperation in the subregion. Although an initial draft discussion paper has been prepared based on spot field visits by the UN World Tourism Organization in the first half of 2008, no further progress has been made towards the formulation of the plan. Pending completion of the Master Plan, cooperation in the tourism sector focused on the following four areas specified in the Roadmap: (i) joint tourism promotion and marketing for IMT-GT as a tourist destination; (ii) development of tourism product(s) and facilities, as well as new IMT-GT tourist destinations in each of the IMT subregions; (iii) promotion of regional and international sea and air linkages with IMT-GT; and (iv) conduct of training programs for skills needed by the tourism industry in the subregion.

- Joint tourism promotion and marketing for IMT-GT as a tourist destination.** One of the most successful initiatives has been the Visit IMT-GT Year launched in Hatyai, Songkla, Thailand in January 2008. The event included more than 40 related events in IMT-GT member countries throughout the year. The success of the initial event encouraged the IMT-GT countries to conduct it every year until 2011. Projects are also underway to develop Medical Tourism, the Homestay Programme, and Joint Tourism Packages. The study for the development of a home-stay tourism program will be completed in 2010; it will address, among others, the viability of the program and its possible linkage to existing village tourism development programs. A study for the Student Exchange Programme is ongoing and will be completed in 2010 to serve as the basis for discussions with concerned stakeholders, i.e., government, universities and colleges. Marketing programs that focus on IMT-GT as a single destination are promising and are expected to be completed in 2010. Discussions are underway on whether these tour packages should be tagged with an IMT-GT brand for promotional purposes.

- **Promoting regional air linkages** has been addressed with more IMT-GT cities being interconnected with new low cost carrier airlines. To further enhance connectivity for tourism, routes with high demand such as Hat Yai/Penang and Hat Yai/Kuala Lumpur would need to be developed.

54. In connection with the Halal Products and Services thrust of the IMT-GT cooperation, a feasibility study on Halal tourism and hospitality is being conducted. Recommendations of the study have yet to be approved and implementation will depend on recommendations by the concerned working groups. Similarly, the hospitality-training program in Aceh, which was planned for 2009, is still in the discussion stage.

55. Apart from these activities, many of the initiatives listed in the Roadmap are still being developed. The proposed waiver or reduction of the travel tax within the IMT-GT subregion and visa exemption to nationals of selected countries outside the subregion are being discussed. Initiatives to prepare directories/travel guides covering three-star hotels in the IMT-GT subregion and to develop rest areas are still in the planning stage. Some discussions have been held with private sector highway operators on the development of highway rest areas. The proposed compendium of policies and regulations covering tourism investments in the subregion has yet to be completed and disseminated. Discussions on the proposed issuance of an IMT-GT privilege card are ongoing.

Issues and Challenges

56. Currently, the needed strategic framework for cooperation in the tourism sector is not yet in place, making it difficult to determine the issues and priorities that would yield the optimal results and garner full support of all the stakeholders especially the private sector. The current Roadmap measures do not adequately address sub-region-wide gaps and weaknesses in the sector, among them, the tendency to rely on public sector initiatives instead of that by the private sector, poor collaboration between tourism and heritage site managers, and a tenuous subregional institutional arrangement, capacities and resources for implementation.

57. The primacy of the private sector in the tourism industry needs to be firmly established, with the governments laying the enabling condition for tourism's growth. New public-private partnerships must be explored to promote innovation and ensure growth. In eco-tourism, for example, the central government sets standards for sustainable tourism. The private sector then steps in to finance and build the facilities, provided pricing of the services is possible and fees can be charged and collected. Local governments would be largely responsible for issuing permits and other licenses to operate tourist facilities in their respective jurisdictions, and seeing to it that standards imposed by the central government are met. The government at various levels and the private sector, therefore, must harmonize their efforts to ensure sustainable tourism.

- iii. Strengthen infrastructure linkages and support to the integration of IMT-GT

58. Cooperation in the field of infrastructure is aimed at physically integrating the three subregions on a complementary basis and supporting the spatial and economic growth trends and patterns in the IMT-GT region. Projects and measures under this strategic thrust are clustered around the five connectivity corridors. They include: (i) improvement of cross-border infrastructure and transport service connections between Malaysia and Thailand; (ii) facilitation of road transport in the IMT-GT region through mutual recognition of road vehicle registration, transport operating license and vehicle inspection certificates; (iii) development of shipping services and facilities between Sumatera and northern Malaysia and southern Thailand to support cross-border trade and investment activities; (iv) improvement and development of transport infrastructure in the north-south corridor in Sumatera to enhance economic linkages with the Malaysia and Thailand subregions of the IMT-GT region; (v) improvement and development of IMT-GT air services and facilities; and (vi) development of a strategy and program for IMT-GT cooperation on energy. The Working Group on Infrastructure and Transport (WGIT) has developed a sufficiently large number of projects and measures —land, sea, and air--- that support the connectivity goal of the six corridors. With regard to energy, although the possibilities for cooperation in this sector have been discussed, a comprehensive strategy and program of IMT-GT cooperation in energy has not been developed.

- **Improvement of cross-border infrastructure and transport service connections between Malaysia and Thailand.** Several road projects to connect the two countries are ongoing. These include the Pattani-Yala-Betong-Penang; Nathawi-Prakob/Durian Burong-Alor Setar; and the Satun-Wang Prachan/Wnag Klian-Perlis Highway Development. The budget for the Padang Besar-Bukit Kayu Hitam Highway has been approved and the project is ready to be implemented.
- **Facilitation of road transport in the IMT-GT region through mutual recognition of road vehicle registration, transport operating license and vehicle inspection certificates.** There has been no concrete progress in this area but Malaysia and Thailand are presently discussing the possibility of adopting the GMS Cross Border Transport Agreement (CBTA) as a model under the Joint Development Strategy (JDS) bilateral cooperation framework.
- **Development of shipping services and port facilities between Sumatera and northern Malaysia and southern Thailand.** A number of sea-transport projects in Thailand are ongoing, namely: (i) the Improvement of Existing Tammalang Port in Satun Province, Thailand is expected to be completed in 2010; the estimated cost is US\$ 5.7 million financed by the Thailand government and private development partners; and (ii) the Improvement of Existing Kantang Port in Tang Province, Thailand, which involves the construction of a container terminal and construction of a new berth for dry bulk cargo (e.g. minerals); the estimated total project cost is US\$ 3.5 million. Undergoing pre-

construction activities is the development of the new Kantang Coastal Port at Naklua, Thailand which will serve primarily the export of gypsum; detailed design and environmental impact studies are being undertaken for this project. Operation of the ro-ro service between Penang and Belawan has commenced but it was suspended due to lack of promotion, competition from faster and cheaper ferry services, and regulatory issues. Meanwhile, a ro-ro ferry service is in the process of development between Port Dickson and Dumai.

- **Improvement and development of transport infrastructure in the north-south corridor in Sumatera to enhance economic linkages with the Malaysia and Thailand subregions of the IMT-GT region.** This primarily involves the road corridor running south to north in Sumatera. Work on the eastern coast corridor has started with ADB financing and work primarily on the western corridor is likely to be supported by the World Bank, following the completion of a World Bank study in March 2009. Meanwhile, full development of the Trans-Sumatera Railway is a long-term program, with some sections targeted for completion in 2020 and beyond. Priority will be the lines providing access to prime agricultural land and those with onward sea connections.
- **Improvement and development of IMT-GT air services and facilities.** More cities within IMT-GT are now being interconnected by air with new low-cost carrier airlines. Establishment of air linkages to new destinations in IMT-GT has generally been successfully achieved with the development of new aviation routes by low cost carriers (LCCs). To reduce entry point charges (i.e., landing and take-off fees), Thailand has waived 50% for airport charges for airlines flying within the IMT-GT region. Malaysia has agreed to waive landing and parking charges up to May 2007 for current and new airlines operating within the IMT-GT region; however, the waiver or reduction of charges for airline flying new routes is on a reciprocal basis. To further enhance air connectivity within IMT-GT, improvements in the connectivity in and out of Hat Yai and to a lesser extent Phuket would need to be developed. The primary demand would be expected in Hat Yai/Penang and Hat Yai/Kuala Lumpur, as these are high tourist routes, with Hat Yai/Medan as another potential service which could be developed.

59. Infrastructure and transport serve as linchpin of the major economic connectivity corridors underpinning IMT-GT. Spreading development from the center to communities in the neighboring areas has many requirements, including a sound policy and regulatory framework that will promote the free movement of finished goods as well as of factors of production. In addition, physical integration generally calls for investment in infrastructure and multi-modal transport facilities. These “anchor programs” of the IMT-

GT are vital elements of a bigger economic system that encourages capital accumulation in its broadest form, e.g., human, physical, technological, and social overhead, from which long-run growth emanates.

60. Although several infrastructure projects have started construction in IMT-GT, technical, financial, and legal impediments are causing delays in some of the planned projects. Feasibility studies for many of the roads and other transport systems need to be conducted, or if they exist, updated. Projects with potential public-private partnership (PPP) arrangements will need significant resources for the preparation of the required feasibility and detailed engineering studies, as well as the procurement, bidding and contract documents. The subregional project development facility to be established by ADB seeks to help address these requirements. Moreover, PPP projects require a stable legal and regulatory framework to provide a stable and predictable environment for the private investor. Infrastructure development is capital-intensive and generally calls for large financing. The IMT-GT countries can leverage on the synergies resulting from regional cooperation to mobilize funds for priority projects, including from the proposed ASEAN Infrastructure Fund.

61. The software aspects of infrastructure connectivity will require equal focus. Cross-border transport facilitation at border crossings is an important priority, but it would require a more deliberate approach taking into account the related initiatives under the ASEAN framework. Given the important role of maritime transport in enhancing IMT-GT connectivity, greater attention will be needed in a number of key areas, among others, the pricing of port services, the standardization and automation of ports customs services, and overall improvements in port operational efficiency.

- iv. Cross-cutting concerns: develop human resources and skills competencies, enhance the mobility of labor, and strengthen environment and natural resource management

- a) Human Resources Development

62. Human capital is one of the most important sources of long-run economic growth. It refers mainly to the efficiency units that people bring to the workplace. As efficiency units grow, earnings rise and welfare is improved. Increasing the efficiency units of labor can be done through education and on-the-job training.

63. Cooperation in human resource development and mobility involves measures to upgrade the quality of the labor force, enhance their competitiveness and improve the efficiency of labor markets in the IMT-GT region. To support these objectives, the Roadmap includes several measures: (i) training in skills competencies required in priority sectors in the IMT-GT region; (ii) adoption of mutual recognition arrangement and accreditation programs in line with agreements under the ASEAN framework of cooperation; (iii) facilitation of the entry of foreign workers and professionals among the IMT-GT subregions, including easing of travel requirements such as visa and permit

requirements; and (iv) promotion of cooperative HRD programs among educational and training institutions in the IMT-GT region.

64. Under the Mutual Recognition Arrangement (MRA) framework, the JBC has identified 5 priority sectors for piloting the harmonization of competency standards; these sectors are shipping, tourism, nursing, construction and health. Guidelines for harmonizing competency standards within IMT-GT has been initiated but with very little progress to date. The adoption of Mutual Recognition Agreements cannot proceed at a rapid pace due to difficulties met in harmonizing regulations for foreign workers which are determined by national entities.

65. On the supply side, the UNINET (University Network) has been established to strengthen networking among institutions of higher learning that will provide training and conduct studies supportive of human resource development and labor mobility. The UNINET initiative has been stalled on the issue of sharing up-front costs among participating institutions, but it has now been resumed.

66. On the whole, the HRD projects under implementation are relatively few. The slow progress in the various projects of the WGHHRD stems largely from the fact that many of the policy issues like labor mobility and university accreditation are outside the mandate of sub-regional bodies. The WHHRD needs to review its action plan and sort projects that properly belong to national ministries and ASEAN.

b) Environment

67. Cooperation in environment and natural resource management under IMT-GT is intended to complement those being undertaken through ASEAN, and will be location-specific for the IMT-GT region. The measures in this area include: (i) development of a framework for strengthening cooperation in the management and protection of natural resources in the IMT-GT region; (ii) promotion and use of environmentally-friendly technologies and approaches in the IMT-GT region such as biofuels; and (iii) cooperation in the control and improvement of surveillance, public awareness and response to pandemics due to transboundary animal diseases and natural disasters to complement and reinforce measures being taken by ASEAN. The IMT-GT cooperation framework for the management and protection of natural resources still needs to be developed. Meanwhile, activities and measures to protect the environment have been pursued under the agriculture sector.

V. SECTOR STRATEGIES AND THE NEW FLAGSHIPS

A. Sector Strategies

68. As part of the current Mid-Term Review, sector strategies (Appendices A1- A6) were developed and endorsed by the Working Groups and the SOM at the Special Consultation Meeting on 1 July 2010. They provided the basis for charting the direction of cooperation and identifying the new set of flagship programs, and the projects and

activities to support them. They would also be useful in determining the role of the public and private sector in specific areas of cooperation. The highlights of the six sector strategies are described below:

i. Trade and Investment

69. In the short- or medium- term, a realistic strategy for promoting trade and investment would consist of actions where immediate tangible effects are likely, aside from being cost-efficient. Such actions are to be found in the areas of regulation, public-private sector collaboration and business services, followed by improvements in facilities where demand obviously exceeds supply. Two priority areas are recommended. First is the streamlining of customs, immigration, quarantine, and security (CIQS) formalities and other border/transit procedures; This would include, among others: (i) an inventory of all other measures affecting trade and minimize them; (ii) rationalization of port fees and charges; (iii) implementation of transport and transit agreements; and (iv) an examination of the barriers to trade in services particularly those affecting cross-border exchange, movements of natural persons and consumption abroad.

70. A second area of priority is the provision of logistics/supply chain and business services. An assessment is needed of the demand for logistics and business services along the corridors, and logistical constraints to intra-IMT-GT trade and investments. This would cover transport, cargo handling, storage, rental or leasing, packaging, laboratory testing, finance, insurance, accounting, management, information and communication, and advertising services. Where the physical infrastructure and demand exist, private sector investments in logistics and business services will happen. For instance, the private sector has already expressed interest in providing a maritime connection through barges/lighters/ ro-ro services in certain ports where links are not yet settled but demand is indicated.

ii. Agriculture and agro-industry

71. In laying down the strategy for future cooperation in the agriculture sector, it is useful to distinguish between the substantive strategy for the sector, and the choice of implementation modality(ies). The complementarities in the subregion (see Section I) offer a market opportunity signal for investors, and where Governments have identified production and investment projects as essential, these should be listed in the Roadmap as such, but qualified that these are looking for private investors. The concerned Governments should provide information on the facilitation measures and/or incentives that they will provide to potential investors in these projects. JBC would play an important role in tapping into its network for potential investors for these projects.

72. The constraints to promoting investments in identified priority areas should be the focus of the public sector mechanism of the IMT-GT (i.e. the Working Groups and SOM/MM). Apart from reducing or eliminating these constraints, they could also consider measures to promote coordination of policies and standards to facilitate production, investment and trade-related initiatives for agriculture.

73. In the agriculture sector, the recommended areas of focus are: (i) marine fisheries and aquaculture development; (ii) the application of new technologies for livestock; (iii) facilitating trade in agriculture; and (iv) the promotion of environment-friendly technology. Activities in marine fisheries development could include (i) a comprehensive plan for the development of marine resources in the IMT-GT area; (ii) infrastructure for landing, processing and distributing harvested fish (especially in North Sumatra); (iii) a more responsive licensing procedures for fishing vessels; (iv) better coordination in policing harvesting techniques and catch quota; and (v) a review of policies for granting access of fishing vessels of the IMT countries within the sub-region. For livestock, the areas of cooperation could include (i) the expansion of existing productive capacities and the application of new technologies; (ii) the development of horticulture and floriculture; and (iii) the harmonization of product and packaging standards. Coordinated marketing efforts could also be undertaken for tree crops (such as rubber and palm oil) given pressures from new sources of supply and alternative products. Measures to facilitate trade in agriculture (coordination of sanitary and phytosanitary measures) and environment-friendly agriculture are also important areas of cooperation.

iii. Tourism

74. One of the most significant changes in tourism in recent years relates to interconnection, which is evident at various levels of tourism planning. Strategic alliances between rival companies, vertical integration within large hierarchical firms, collaboration between public and private sectors, and partnerships between countries and regions have become common practice in contemporary tourism. These interconnections in the IMT-GT will need to be further developed and strengthened. The primacy of the private sector in the tourism industry needs to be firmly established, with the governments laying the enabling condition for tourism's growth.

75. Moreover, there is a growing trend of travel based more on activity-interest than on destination. For example, tours built around biodiversity themes or eco-tourism can cover a number of countries. Other examples include tours structured along cultural lines or cruises covering multiple countries. This should be linked with the strategy of projecting IMT-GT as a single destination. Apart from the marketing aspect, the countries must invest in improving conservation of resources and biodiversity, as well as preservation of cultural heritage. Potential areas that could be addressed by a forward-looking subregional cooperation agenda include:

- **Designating and developing thematic tourism routes or circuits with logical sequence of destinations and sites.** This will require (i) the preparation (completion) of the tourism masterplan, which should be prepared with the involvement of the private sector and other stakeholders; (ii) harnessing private sector support in tourism investment promotion opportunities; (iii) joint cooperative marketing with the public sector on a project-by-project basis, and (iv) raising facility and service standards and adopting responsible tourism approaches; and (v) linking local communities

with the tourism value chain through investment in, and adoption of, community based tourism projects and programs.

- **Improving environmental controls and safeguards for heritage sites and landscapes;** and
- **Developing and implementing a tourism HR program targeting SME** tourism enterprises including tour operators and guides, public sector tourism officials, and heritage site landscape managers.

iv. Halal products and services

76. In order to boost the potential of the Halal industry within the IMT-GT, three strategic components must be addressed i.e. Halal Integrity, Industry Development and Branding and Promotions. Integrated programs must be implemented to facilitate these thrusts. Halal Integrity would focus on: (i) the protection of the Halal framework through the development of regulatory processes; (ii) development of comprehensive standards; development of efficient Halal certification process; and (iii) halal research and training. Industry development could focus on (i) enhancing Halal production by developing Halal small and medium enterprises; (ii) encouraging innovation, and (iii) developing Halal parks and conducting Halal exhibits.

77. One of the activities that can be pursued by the WGHPS during the remaining period of the Roadmap is to develop a matrix of the three countries' strengths and weaknesses within the Halal sector on the basis of which strategic alliances and complementarities can be developed. This exercise should also consider the activities of the ASEAN Halal Working Group to promote synergy and avoid duplication.

v. Infrastructure and Transportation

78. In addressing the future needs for promoting enhanced connectivity, both in respect of the existing and future Roadmaps, a modal approach has been adopted at this stage. Surface transport modes should be sub-divided on a corridor basis in the future, but for aviation, maritime and facilitation the proposed corridor approach would appear less logical and sub-optimal. The structure would be to only include programs/projects that enhance IMT-GT connectivity intra-regionally or with key external markets.

Aviation

79. There does not appear to be any outstanding gaps in the existing Roadmap other than air links to Southern Thailand. Proposals for an implementation Blueprint for 2012-2016 include:

- Enhancement of primary airports, including completion of the new Medan Airport;
- Further improvements in regional air intra-connectivity, using bespoke and LCC airlines;

- Support for developing regional agreements on air safety; and
- Monitoring a performance at IMT-GT airlines based in ICAO standards.

Maritime

80. The focus on port development should be on external connectivity i.e. of IMT-GT with international markets. This is because intra-IMT-GT maritime trade is very small in terms of overall volume and port activities. Much of the bilateral maritime trade is being handled by non-conventional vessels and is often integrated within ‘localized’ cross border trading arrangements.

81. In the remaining years of the Roadmap (and possibly beyond) the outstanding targets should be to promote the establishment of a ro-ro ferry service between Indonesia and Malaysia, continue to support the developments at Belawan and Dumai ports and support the development of the southern Thai ports on the Andaman coast. Proposals for an implementation Blueprint for 2012-2016 include:

- Promotion of the improvement of container services on the north and east coast of Sumatera by the provision of additional handling capabilities;
- Improvement of passenger/cruise facilities at selected ports;
- Development of Thai Andaman Sea ports; and
- Monitoring and dissemination of information on infrastructure development in IMT-GT enhancing internal and external maritime connectivity.

Road

82. In the existing Roadmap the outstanding targets are continued upgrading of the A25 and the Padang Besar-Bukit Kayu Hitam Highway link and some initial discussions on how to address the transport facilitation ‘soft issues’. Proposals for an implementation Blueprint for 2012-2016 include:

- Development of ASEAN Highway Route 25 between Bandah Aceh and Palembang in Sumatra (north-south link) with associated port link roads;
- Development of Hat Yai – Sadao/Padang Besar – Penang – Kuala Lumpur – Melaka with main port linkages.
- Development of roads on designated secondary priority corridors; and
- Upgrading on main corridor roads to appropriate Asian Highway standards

Rail

83. In the existing Roadmap it is difficult to ascertain what has been achieved and what remains to be undertaken because of the lack of detail. Clearly, some improvements are taking place on the Southern Thailand-Northern Malaysia Railway link and these should be continued. Progress in Sumatera is difficult to identify. The priority in terms of the 2012-2016 Roadmap is to provide some substance by clearly indicating what programs and projects are to be undertaken where and when, such that the Roadmap can

be used as an effective transport planning tool. Proposals for an implementation Blueprint for 2012-2016 include:

- Progress on double tracking and electrification on the rail link between Chumphon in Thailand and Ipoh in Malaysia; and
- Completion of planning studies and design of rail links in Sumatera, followed by implementation in form of construction programs
- Development of missing links to the Singapore-Kunming Railway Link (e.g. in Thailand, the Three Pagodas Pass to Nam Tok).

Transport Facilitation

84. It is important to come to an agreement to separate transport facilitation from the road component, which is principally ‘hardware’. Following that decision, a Working Group on Transport Facilitation should be established with the dedicated function of developing cross border transport agreements between IMT-GT members. Proposals for an implementation Blueprint for 2012-2016 include:

- Development of Cross Border Transport Agreements promoting the elimination of the need to transship goods at IMT-GT borders;
- Development of Cross Border Transport Agreements promoting through passenger road transport services;
- Development of Cross Border Transport Agreements facilitating the movement of private passengers vehicles through IMT-GT surface and maritime borders; and
- Enhancement of road and rail border crossing facilities and operation on the designated IMT-GT corridors.

Priority Connectivity Projects

85. At the 4th IMT-GT Summit in Thailand in February 2009, the Leaders resolved to individually and collectively strengthen implementation of programs related to the Connectivity Corridors and urged the ADB to help identify, prioritize and finance appropriate projects to develop the IMT-GT Connectivity Corridors. Following the Summit directive, the Senior Officials Meeting held in Putrajaya, Malaysia in September 2009 agreed on a fast-track process of identification and endorsement of priority infrastructure projects that would be developed further with ADB support. A series of national consultations were held to identify these projects. Subsequently, the 16th SOM/MM held in October 2009 in Melaka, Malaysia endorsed eight priority “fast track” projects (later referred to as priority connectivity projects (PCPs) with a total cost of \$2.5 billion. The list was further refined throughout the first half of 2010 through National Consultation Meetings (NCMs), the Special Consultation Meeting (SCM) on 1 July 2010, as well as post SCM missions to the three countries consultations. As of 27 July 2010, there 10 projects with a total cost of \$ 5.2 billion in the PCP list (Appendix B).

vi. Human Resources and Labor Mobility

86. Many of the measures under HRD and labor mobility are encompassed under the ASEAN framework. For instance, ASEAN, under the AEC Blueprint is working towards harmonization and standardization of competencies and qualifications for job/occupational and trainers skills to facilitate the movement of skilled labour in the priority services sectors by 2009 and in all services sectors by 2015. The AEC also acknowledges the cross-sectoral nature of HRD issues by also covering HRD as part of the ASEAN blueprint. Each of the 12 priority integration sectors has several HRD components that are being pursued.

87. Given the wide scope of IMT-GT cooperation in HRD, the harmonization of competency standards could continue as an area of focus. The JBC has already identified five pilot sectors for harmonizing guidelines for foreign workers. Efforts to develop guidelines for harmonizing competency standards in these sectors should continue with the view to expanding the number of sectors covered in the long-run.

B. The New Flagship Programs

88. The sector strategies formed the basis for the review and rationalization of the APM. The Working Group meetings that took place back-to-back with the Special Consultation Meeting on 1 July 2010 endorsed 12 flagship programs --- a significant reduction from the 37 that were identified at the start of the Roadmap --- thus providing more focus to the areas of cooperation under IMT-GT. The 12 flagship programs are shown in Table 3 below:

Table 3. The 12 Flagship Programs

Sector		Flagship Program
Transport and Energy	1	Five Connectivity Corridors
		f. Extended Songkhla-Penang-Medan Corridor (Nakhon Si Thammarat – Phattalung – Songkhla – Yala – Pattani – Penang – Medan)
		g. Straits of Melaka Corridor (covering the western coastal belt from Trang in Southern Thailand to Melaka in Peninsular Malaysia)
		h. Bandah Aceh-Medan-Pekanbaru-Palembang Economic Corridor (a road corridor running south to north through Sumatera)
		i. Dumai-Melaka Economic Corridor (a maritime corridor linking Sumatera and Peninsular Malaysia)
		j. Ranong-Phuket-Aceh
Trade and Investment	2	Streamlining of trade regulations and procedures
	3	Promotion of logistics/supply chain and business services
Agriculture	4	Marine fisheries and aquaculture development
	5	Application of new technologies for livestock
	6	Trade in agriculture
	7	Environment-friendly agriculture
Halal products/services	8	Halal integrity (standards and certification)
	9	Industry development
	10	Branding and promotions
Tourism	11	Develop thematic tourism routes or circuits with a logical sequence of destinations and sites
Human resources development	12	Enhanced labor mobility by adopting Mutual Recognition Agreements along the lines of the ASEAN framework

89. The Working Groups reviewed the existing APM to determine the consistency of the projects with sector strategies, and to identify as priority, those that directly support the flagship programs. The APM was also updated in the process, identifying those projects that have been completed, and removing from the list, those that have made no progress or with no information on status. Of the total of 175 projects in the APM, 11% have been completed, 19% were dropped, 39% were retained, and 31 % were either merged or transferred to other Working Groups (Table 4). More than half of the retained projects were accorded high priority since they directly support the flagship programs. Of the 57 high priority projects, about half will have their implementation period beyond 2011. The revised APM appears as Appendix C.

Table 4. Status of Completed/Dropped/Retained/New Projects

	Total	Completed		Dropped		Retained		Others (transferred/ combined/ added/etc)	
Working Group		No.	%	No.	%	No.	%	No.	%
Trans	48	7	15	0	0	36	75	5	10
Trade/Inv	47	10	21	10	21	27	57	0	0
Agri	29	5	17	10	34	10	34	4	14
Halal	14	-	-	5	36	9	64	-	-
Tourism	23	5	22	4	17	12	52	2	9
HRD	14	0	0	4	29	10	71	0	0
TOTAL	175	20	11	33	19	68	39	54	31

C. Outstanding Issues

90. Despite the rationalization exercise however, further work will be needed in terms of (i) program and project design and packaging; (ii) financial planning, since financial information is lacking for most programs and projects; and (iii) planning for implementation through the setting of specific milestones per year. While there were efforts to link the projects with sector objectives, the question still remains as to whether the APM has the right mix of strategic projects to achieve sector goals. The sector strategies will therefore have to be studied more carefully, to be followed by a more deliberate and rigorous project formulation process to ensure that the goals intended by the sector strategies are met. Information on the scope and benefits of the projects remain unclear for many of the projects thus preventing an assessment of the projects' results and impact. Moreover, many of the items listed in the APM are activities rather than projects; these will have to be reformulated if not packaged to generate greater impact. Finally, while there has been a notable effort to identify project accountability (contact persons) linking this accountability to concrete and measurable deliverables remains a challenge.

91. The above issues will need to be addressed in the formulation of the successor document to the existing Roadmap which ends in 2011. As the strategic thrusts of the Roadmap remain to be relevant, what is needed is to focus on refining the APM along the lines suggested above and to transform it into an implementation blueprint for the next five years. Improvements in program/project formulation, as well as implementation and monitoring processes, as proposed by the Business Process Review (BPR), should be carefully considered as means towards a substantive change in the content of IMT-GT cooperation.

VI. STRENGTHENING THE IMT-GT IMPLEMENTATION MECHANISM

A. The Business Process Review

92. To ensure that the MTR recommendations are implemented effectively and efficiently, a Business Process Review (BPR) was conducted as a parallel activity. The BPR was mandated by the 4th IMT-GT Summit to address improvements in IMT-GT's present institutional framework. Two interrelated factors prompted this decision: first was the perception that IMT-GT's structure, being modeled largely from ASEAN, was not responsive to the private sector-oriented character of IMT-GT cooperation; second was the slow progress of the implementation of the IMT-GT Roadmap, which partly stems from the lack of role clarity and capacity of IMT-GT institutions.

93. Following the directives of the 4th IMT-GT Summit, the 3rd Planning Meeting in Pekanbaru in 2009 agreed on the scope and process of the BPR. The Review would (i) revisit the IMT-GT conceptual framework; (ii) assess the effectiveness of different IMT-GT working units; (iii) determine the most appropriate regional level mechanisms; and (v) determine the role of CIMT. Three Eminent Persons — one from each country — were designated to facilitate an independent review. They are to perform the roles of convenor, intellectual leader, consensus builder and advisor in the review process. The Eminent Persons are: Dr. Nuzul Achjar, Special Staff to the Minister on Energy and Mineral Resources, Indonesia; and Dr. Rozali Mohamed Ali, Senior Fellow of the Institute of Strategic and International Studies, and Chairman, International Centre for Education in Islamic Finance, Malaysia; and Dr. Jingjai Hanchanlash, Director, Loxley Thales Company, Thailand.

B. Recommendations of the BPR Report

94. The BPR has come to the conclusion that IMT-GT should apply a different business model in its operations from that of ASEAN. This model has the following features:

- A public-private sector interface in all phases of planning, programming and implementation
- A separation of the program/project formulation and implementation functions into working units with clear accountabilities; and inclusive participation of concerned stakeholders (including the local governments) in these working units;
- The organization of working units based on projects rather than sectors; and
- A professionally-run regional secretariat, with openly recruited staff

95. Based on these principles, the BPR put forward the following recommendations:

Vision and Strategy Setting

96. **For Summits to be more meaningful, they should be held once every two years.** IMT-GT Summits may also be held independently of ASEAN Summits, to signify the importance that Leaders accord to the program without necessarily diminishing the larger ASEAN framework of which IMT-GT is a part. Opportunities should also be taken to involve Leaders of States and Provinces at these events to emphasize the political support for the IMT-GT process.

97. **The Ministerial Meeting should continue to be held once a year.** Occasional Ministers' retreats would be useful to as a means to brainstorm new initiatives. SOMs may be held more frequently as required, although if the only purpose of a SOM meeting is to monitor implementation progress, electronic media could be explored. For both Ministerial and SOM meetings to be meaningful, strong analytical support from the National Secretariats is essential.

Program Planning, Formulation and Implementation

98. **Sector Forums should be convened once in two years** to discuss sector strategies and important sector developments, and identify the key program areas to be pursued to support the strategy. National Secretariats should take a leading role in sector forums, which should also include senior-level participation from other stakeholders. Analytical sector work, including sector strategies (which may be commissioned through ADB technical assistance) should be provided as inputs to the Forum. The outputs of the Forum should be in the form of program/project concepts or ideas.

99. **Working Groups should be reconfigured into Task Forces**, with appropriate representation, responsibilities, and deliverables. Program/Project Formulation Task Forces (PFTFs) will be the working units assigned to formulate detailed project proposals based on the broad concepts or ideas generated by the Sector Forum. Project Implementation Task Forces (PITFs) will be the working units assigned to implement projects. The composition of the PFTFs should be flexible, and should involve concerned stakeholders in the project, including provincial or state authorities. All task force members will have clear accountability for specific deliverables within a given timeframe. Although the membership of the PFTF and PITF may overlap, their functions are fundamentally different. These Task Forces, as distinct from the National Secretariats, are not standing committees and are disbanded once their functions have been discharged.

Coordination and Monitoring: Strengthening the Secretariat

100. **A new structure for the Centre for IMT-GT Subregional Cooperation (CIMIT) is proposed** to include the public and private sectors in its governance structure (the Executive Board). Staffing for the new CIMIT should be based on open recruitment.

The new CIMT should be vested with a stronger set of mandates to advise the SOM on technical matters, to be the information hub of all projects, and to outsource or commission work that is needed to support IMT-GT.

101. CIMT can exist as (i) an inter-governmental institution; or (ii) a non-profit NGO. The key issues involved are its authority to coordinate and oversee official work, its ability to work effectively in a joint public-private sector setting, and its financing. The first option implies a financing commitment from all governments and requires a well-defined and structured interface with the private sector. The other option may remove certain administrative-related budgetary constraints, but then CIMT's long-term financing may be more precarious. As an NGO, it would have restricted authority to "manage" governmental processes, because it would undertake its work with delegated and limited authority. Consequently, it may also have limited leverage with the private sector.

Private Sector involvement

102. JBC membership needs to be expanded for a fuller representation of local business interests. In due course, JBC's work can be complemented or replaced by an IMT-GT Business Forum with a wider membership that would include, in addition to the present JBC, the larger business associations and chambers.

VII. CONCLUSIONS AND RECOMMENDATIONS

103. Overall, the modest progress achieved in the implementation of the Roadmap reflects fundamental weakness in structures, capacities and processes of IMT-GT cooperation. These weaknesses are most evident in the lack of capacity for program and project formulation and implementation, and overall secretariat support both at the national and regional levels. These weaknesses need to be addressed seriously if the IMT-GT is to realize its goals and make an impact.

104. The five strategic thrusts remain relevant for the remaining two years of the Roadmap. The structure of strategies, measures and projects under each thrust however should be realigned for greater focus, synergy and impact. The MTR has partly addressed this by developing sector strategies and focusing the flagship programs. The initial step of rationalizing the Action Plan Matrix has been conducted but the development of the Action Plan has to be carried forward more intensively. More specifically:

- The APM has to be developed further to generate the right mix of well thought-out, logically sequenced, strategic projects to achieve sector goals.
- Information on the scope and benefits of the projects would need greater clarity to allow an assessment of the projects' results and impact.
- Activities (rather than projects) that remain in the APM should be repackaged or redesigned

105. As the strategic thrusts of the Roadmap continue to be relevant, a successor Roadmap may not be needed. What is needed in the remaining two years of the Roadmap is a sharper focus of the Action Plan Matrix, rather than a redirection of the strategic thrusts. The sector strategies that have been adopted by the Working Groups should continue to guide the further work on the Action Plan Matrix. **The Working Groups should be given the opportunity to deepen their appreciation and ownership of the sector strategies as a basis for project formulation through the conduct of broad-based and inclusive sector forums.**

106. **A more disciplined and well-informed process (based on sector strategies) for identifying projects for inclusion in the Action Plan Matrix will have to be observed.** The BPR recommendations to separate the program/formulation function and the project implementation function should be immediately piloted. Consider creating special ad hoc units to undertake project design (project formulation groups) and the attendant analytical work.

107. **Financing and implementation plans are necessary to ensure that projects are implemented effectively and efficiently. A mechanism for project follow through (in between meetings) will have to be put in place for monitoring all aspects of project implementation --- inputs, throughputs and outputs ---** as well as issues and constraints that impede project implementation. CIMT, as well as the national secretariats need to be strengthened to carry out this task; and ADB's Project Coordination Unit may also be tapped to assist the secretariats. An electronic based mechanism for updating, monitoring and access to information on the APM should be set-up to facilitate project coordination and monitoring.

108. **The connectivity corridors should clearly be a focus in the short- to medium-term.** A detailed action plan for each corridor should be developed during the remaining two years of the Roadmap to guide implementation beyond 2011. The connectivity corridor action plans should indicate both hardware and software components. It should have a timeframe with clear milestones based on what can be realistically delivered. Most importantly, it should have a detailed financial plan, or at least include measures that will lead to one, by 2011.

109. **The process for formulating the connectivity corridor action plans should be inclusive, well-informed, and deliberate.** The process should involve Government agencies at the national and local levels, the JBC as well as other private sector groups (e.g. SMEs, freight forwarders, banks) and interested development partners. The BPR recommendations on an inclusive planning process are relevant in this regard.

110. In the process of rationalizing projects, **the relationship or link between IMT-GT and ASEAN (in particular the ASEAN Economic Community Blueprint) is an important consideration.** The IMT-GT and ASEAN frameworks are similar in many ways --- their vision, institutional structure, and areas of cooperation are similar and overlap or converge at many points. Where they differ fundamentally is on their

operating modality --- the manner in which agreements are reached (i.e. by consensus in ASEAN) and how these are implemented (for most of the AEC blueprint, unilateral implementation towards consensually agreed targets and timeframes). The IMT-GT framework can be more efficient than ASEAN. IMT-GT, with only three countries, can forge ahead with “big ticket” items in the ASEAN agenda without having to be entangled with the practice of ASEAN consensus. (e.g. mutual recognition arrangements for tourism). This is one way in which IMT-GT can make a difference.

111. Finally, the BPR recommendations (paragraphs 93-98) will need to be given careful consideration to be able to overcome the weaknesses in Roadmap implementation and accelerate cooperation in the sub-region.