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THE STUDY ON “REGIONAL COOPERATION MECHANISM ON PRIORITY AREAS UNDER MEKONG-LANCANG COOPERATION FRAMEWORK”

December 16, 2019

Mekong Institute
Khon Kaen, Thailand

*Under the project on Capacity Building for National
Coordinators of Mekong-Lancang Cooperation*

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COMPLETION REPORT





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Ministry of Foreign Affairs of Thailand

Mekong-Lancang Cooperation Special Fund Project on
Capacity Building for National Coordinator of Mekong-Lancang Cooperation

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Disclaimer

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Executive Summary

The Mekong-Lancang Cooperation (MLC) is a sub-regional cooperation mechanism initiated by the People's Republic of China and addressing the common development needs of the six GMS countries, namely Cambodia, People's Republic of China (PRC), Lao PDR, Myanmar, Thailand, and Viet Nam. The Mekong-Lancang Cooperation framework was approved in the Sanya Declaration of the first MLC Leaders' meeting in March 2016 where the MLC was officially launched. While the first projects started implementation in 2017, a Five-Year Plan of Action on MLC (2018-2022) was approved in early 2018. Rapid progress was made in implementing the Plan of Action in 2018 and 2019 which were earmarked as the "foundation-laying stage" of the MLC with the focus on strengthening sectoral cooperation planning and implementing small and medium-sized cooperation projects. The period 2020-2022 will be the consolidation and expansion stage of MLC when "cooperation in the five priority areas will further be strengthened and new cooperation areas explored to respond to the evolving and emerging development needs of the Mekong-Lancang countries".

The objective of this study is to: (i) at the national level in each MLC, review effective coordination between national coordinators and line ministries on MLC implementation in five MLC priority areas; (ii) at the regional level, effective coordination between national coordinators in the six MLC countries; (iii) in process, review effective programming of activities/projects under MLC; (iv) review strategic/priorities planning documents/action plans under MLC and their effective implementation; (v) review and make suggestions on coordination of MLC with a crowded field of other Mekong regional cooperation initiatives.

By March 2020, the MLC will be just 4 years old since its official launching in March 2016. The first projects were implemented in 2017 and the Five-Year Plan of Action on MLC (2018-2022) was approved in 2018. In this short time frame, progress under MLC has been very impressive. MLC has indeed established itself as the most comprehensive and detailed cooperation program in the Mekong sub-region and has further highlighted the importance of this region in the world economy.

In contrast to other existing sub-regional cooperation initiatives focusing mainly on infrastructure and economic development to reduce poverty, the MLC as reflected in the Sanya Declaration is a much broader and encompassing initiative under 3 main pillars, namely (i) political and security issues; (ii) economic and sustainable development; and (iii) social, cultural and people-to-people exchanges. Further, in practical terms, the areas of cooperation under the main pillar of "Economic and Sustainable Development" include five broad priority areas during the initial stage of the MLC (2018-2019), namely (i) Connectivity; (ii) Production Capacity; (iii) Cross-Border Economic Cooperation; (iv) Water Resources; and (v) Agriculture and

Poverty Reduction. This is referred to as the 3+5 cooperation model which starting in 2020 might be expanded to a 3+5+X model. Discussions during the country consultations for this study recommended that expansion of MLC cooperation to new sectors should be very gradual until the experience of the current working mechanism is fully understood and tested. The coordination capacities of the Ministries of Foreign Affairs of the MLC countries are also quite stretched even under the current initial stage of MLC.

Given the huge differences in levels of development and institutional capacities among the countries of the Mekong sub-region, the implementation of the MLC is hugely challenging. Official documents adopted by the Leaders of the MLC countries recognize these challenges by always affirming “the MLC principles of consensus, equality, mutual consultation and coordination, voluntarism, common contribution and shared benefits, and respect for the United Nations Charter and international laws” (Sanya Declaration, Phnom Penh declaration, communiqués of Foreign Ministers’ Meetings). To address these challenges, efficient and transparent consultations and coordination mechanisms must be ensured, together with clear, effective and transparent project planning and prioritization. The capacity for coordinating and implementing national institutions need significant support in most MLC countries. There is a perception in the countries that MLC is too centralized and too top-down and that sector and projects priorities are not clear. Plans of action are too broad while yearly project priorities are set by the Ministry of Foreign Affairs of China. The study presents suggestions on how to address these issues.

While the project selection process is relatively simple and standard, the main issue is the too short duration of time given to MLC national secretariats and prospective line agencies for preparing quality projects for MLC consideration. The issue was of particular concern in countries where institutional capacity is lower. Further, as projects approval criteria set by China are not clear and there is significant uncertainty as to the probability submitted projects will be approved, the incentives to allocate time and staff resources to prepare quality project proposals are often lacking. This is particularly true for line agencies and ministries with limited capacities. Also, as there are no tentative “country funding allocation” figures available under MLC, the countries are uncertain as to the volume and number of projects which could be approved yearly, and thus are not sure how many projects to prepare and submit for funding. All these issues put an additional burden on the MLC Secretariats within the countries’ MOFAs, which have not only to adhere to the deadline set by the MLC Secretariat in China’s MOFA but also to identify and notify line ministries and agencies about the opening of MLC project applications.

Plans of action under the priority areas are mostly very broad with a lack of clearly agreed upon priority projects. Further, standard financial guidelines and procurement guidelines have not been provided. This is very confusing for both line/executing

agencies and for Ministries of Foreign Affairs. Different guidelines are used depending on the MLC country. It is recommended that MLC should set up a working group to agree on robust and standard financial and procurement guidelines to be used for all MLC projects. Good international standards exist. A related issue to be look at is the opening of project accounts in MLC countries. Regulations differ among the countries and often delay project implementation. It might be useful to look at the GMS framework experience. First, standard project financial guidelines and procurement guidelines should be agreed upon, possibly through the MLC technical working group. Training on project identification, preparation, implementation and reporting would be one practical way of addressing some of the identified shortcomings

Another way of addressing project identification and implementation issues over the medium term is to shift to a multi-year programming cycle. A relatively unique feature of MLC compared to other regional cooperation mechanisms is its reliance on an annual project approval process. A three-years programming cycle would allow for much better planning and preparation of MLC projects. Implementing agencies could plan projects over the medium term and have more time to properly design quality projects. More complex projects, notably in infrastructure, industry, industrial parks and economic zones, might require pre-feasibility studies before final feasibility studies for project implementation. This can only be done through multi-year programming. Finally, multi-year programming would open MLC projects for possible co-financing from other multilateral or bilateral sources of financing.

The documents prepared under MLC are very comprehensive but present more broad strategies without a prioritized specific list of projects. It is suggested to create more specific thematic working groups under the priority areas, which would be suited to discuss and agree on priority investments pipelines in their areas of responsibility. In most areas, the implementation of MLC will require the prioritization of projects and sequencing of actions and investments. Moving from a programmatic approach to a more concrete projects-based approach for MLC would support a longer-term approach to MLC investments and a three-years programming cycle as mentioned above. A good example is the GMS economic cooperation program which is based on a long-term regional investment framework agreed upon by the governments and listing a pipeline of potential investments -currently for 2013-2022-. To boost confidence in MLC and to raise its profile as the overriding regional cooperation initiative in the Mekong region, transparent branding of the MLC and accurate information on MLC projects and their financing will be required, particularly as the MLC starts addressing larger projects in the next phases of its implementation. In part, this could be done by translating MLC sector strategies and priorities into a longer-term MLC project pipeline and corresponding tentative financial requirements and possible sources of financing including grant and loan funding.

A final issue that does not appear to be clear from the different MLC documents reviewed and the discussions during country consultations is the establishment of an effective MLC monitoring and evaluation mechanism. Evaluation and progress reporting are mentioned in some of the documents such as for instance in the Five-Year Action Plan on MLC Water Resources Cooperation. Reporting is generally left to institutions in each MLC country before final reporting to the MLC Secretariat at MOFA in China. To make sure the MLC program is effective and delivers the best result, its implementation should be clearly monitored and evaluated. Strong country-based and regional M&E mechanisms need to be put in place, an area where institutional capacity is relatively weak and varies widely among the MLC countries. M&E training programs need to be put in place in most MLC countries.

The geopolitical and strategic importance of the Mekong region is reflected in a large number of regional cooperation initiatives which are under implementation in the region. 13 frameworks are under implementation in the Mekong region, making it a crowded field. However, there are major differences between these cooperation initiatives in terms of their coverage, their activity level and importantly their founding member.

Nearly all initiatives include connectivity, communications and ICT, energy, agriculture, tourism, trade and investment, education, environment and climate change in their sector priorities. As shown in the GMS regional investment framework pipeline of potential projects 2013-2022, many of the projects rely on co-financing or parallel financing for regional projects as well as on the governments' own financing. Questions have naturally been raised as to the complementary or competitive nature of MLC.

Looking at the different Mekong cooperation initiatives, close coordination between the three most comprehensive frameworks might be prioritized, namely ACMECS, MLC, and GMS. MLC and GMS have basically the same membership while ACMECS is "central" to the Mekong region and covers the most areas of cooperation. The 2020-2022 consolidation and expansion stage of MLC will be a critical period to jumpstart concrete coordination between the three frameworks. For MLC, this will be a unique opportunity to show its openness and willingness to cooperate with other regional frameworks as stated in all the MLC documents.

There are many ways in which the coordination issues could be addressed. One way would be to progressively develop a joint ACMECS-MLC-GMS comprehensive pipeline of potential regional investment projects, replacing that under GMS. This would greatly contribute to transparency and effectiveness. Further, in some areas, a division of labor between ACMECS and MLC could be possible with ACMECS focusing on the Southern and East-West Economic Corridors (EWEC), including border economic zones and urban development. MLC could focus on North-South

Economic Corridors (NSEC), railway development and the MLC Economic belt. An institutional consultation mechanism would need to be set up at the senior level. This could be similar to the consultation mechanism used during the 8th ACMECS Summit. The experience of ADB could also be looked at. To conclude, there are several ways to proceed with coordination and complementarity while keeping the “branding” of each cooperation framework. To some extent, this has been operational under GMS and JMC.

ACMECS, MLC, and ADB might thus set up a joint working group to review their sub-regional cooperation frameworks and suggest modalities of coordinating the 3 main regional Mekong-Lancang frameworks.

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Acronyms

ACN	Agreement on Commercial Navigation on Mekong-Lancang River
ADB	Asian Development Bank
AIIB	Asian Infrastructure Investment Bank
AMBDC	ASEAN-Mekong Basin Development Cooperation
ASEAN	Association of Southeast Asian Nations
BRI	Belt and Road Initiative
CLV	Cambodia-Laos-Vietnam Development Triangle Area
EWEC	East-West Economic Corridors
GCMS	Global Studies Center for Mekong Studies
GMS	Greater Mekong Sub-region program
GMS-SF	GMS Strategic Framework
IAI	Initiative for ASEAN Integration
JBIC	Japan Bank for International Cooperation
JMC	Japan Mekong Cooperation
LMI	Lower Mekong Initiative
M&E	Monitoring and Evaluation
MFA (MOFA)	Ministry of Foreign Affairs
MPAC	Master Plan on ASEAN Connectivity
Mekong-ROK	Mekong-Republic of Korea
MGC	Mekong Ganga Cooperation
MI	Mekong Institute
MJC	Mekong-Japan Cooperation
MLC	Mekong-Lancang Cooperation
MLCSF	Mekong-Lancang Cooperation Special Fund
MLWRCC	Mekong-Lancang Water Resources Cooperation Center
MRC	Mekong River Commission
NSEC	North-South Economic Corridors
UN	United Nations

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Regional Cooperation Mechanism on Priority Areas under the Mekong Lancang Cooperation Framework

1. Introduction, Scope and Research Methodology

1.1 Introduction

The Mekong-Lancang Cooperation (MLC) is a sub-regional cooperation mechanism initiated by the People's Republic of China in November 2015, and addressing the common development needs of the six GMS countries, namely Cambodia, People's Republic of China (PRC), Lao PDR, Myanmar, Thailand, and Viet Nam. The MLC was announced in November 2015 at the first Foreign Ministers' Meeting on Mekong-Lancang Cooperation. The MLC was established following an earlier initiative of Thailand in 2012 when it convened an international meeting on sustainable development in the Mekong-Lancang sub-region to discuss the narrowing of the development gap among countries and the promotion of sustainable development in the sub-region.

A more detailed outline of the Mekong-Lancang Cooperation framework was approved in the Sanya Declaration of the first MLC Leaders' meeting in March 2016 where the MLC was officially launched. While the first projects started implementation in 2017, a Five-Year Plan of Action on MLC (2018-2022) was approved in early 2018. Rapid progress was made in implementing the Plan of Action in 2018 and 2019 which were earmarked as the "foundation-laying stage" of the MLC with the focus on strengthening sectoral cooperation planning and implementing small and medium-sized cooperation projects. The period 2020-2022 will be the consolidation and expansion stage of MLC when "cooperation in the five priority areas will further be strengthened and new cooperation areas explored to respond to the evolving and emerging development needs of the Mekong-Lancang countries". Cooperation on larger sub-regional projects will follow aiming at building an "MLC Economic Development Belt.

While progress under the Mekong-Lancang Cooperation has been impressive since its inception, the number of sub-regional cooperation frameworks and mechanisms existing in the Mekong-Lancang sub-region has raised the need (i) for enhanced coordination among the national agencies involved, (ii) for strengthening of the capacities to negotiate and implement regional agreements, and (iii) for ensuring the harmonization and complimentary of the various regional cooperation frameworks. The coordination mechanisms among the nodal and related agencies in Lancang Mekong countries also need strengthening.

The Ministry of Foreign Affairs of Thailand in coordination with stakeholders from the six Mekong-Lancang countries has therefore submitted a project to the MLC Special

Fund on “Capacity Building for National Coordinators of Mekong-Lancang Cooperation” (MLC). The main objectives of the project are to achieve effective coordination of the regional cooperation mechanisms and to update plans and programming under MLC. The project covers a five years period and includes 5 components, namely (i) Enhancing knowledge for coordination on priority areas under MLC; (ii) Capacity development for effective coordination of MLC; (iii) Development of capacities of the national agencies on policy development and negotiation skills; (iv) Creation of information systems and products for publicity and awareness; and (v) Project steering committee and project evaluation.

The project aims to deliver a wide range of capacity development activities including trainings, forums, structured learning visits and research on crucial coordination issues on the five priority areas of MLC. Mekong Institute (MI), an intergovernmental organization founded by the governments of the Mekong-Lancang countries, has been requested to implement the project.

While the project includes the above 5 components to be implemented over a 5 years period, under the first-year component, the current study on the cooperation mechanisms on the five MLC priority areas was undertaken. The study is expected to assess:

- At the national level, effective coordination between national coordinators and line ministries responsible for the identification, implementation, management, monitoring and evaluating outcomes of projects, which are implemented under the MLC five priority areas;
- At the regional level, effective coordination between national coordinators in the six ML countries on the alignment of projects to address regional issues against the backdrop of ASEAN and the Sustainable Development Goals (SDGs) and other sub-regional cooperation initiatives.

1.2 Scope and Research Methodology

1.2.1 Methodology Approach

The Mekong-Lancang cooperation program is a comprehensive sub-regional cooperation initiative involving six countries linked to the Mekong-Lancang river. Five of these countries are also members of ASEAN which launched the ASEAN Economic Community in 2015, one of the most advanced regional cooperation and integration initiatives. It is also widely recognized that one of the driving forces of ASEAN integration is to keep pace with the growth of the two large regional economies, China and India. The founding documents for MLC, in particular, the Sanya Declaration and the Phnom Penh Declaration, clearly affirm MLC’s support for

the ASEAN Community building. The MLC thus closely coordinates with the ASEAN Community Vision 2015 and the Master Plan on ASEAN Connectivity 2025.

Another particularly remarkable feature of the “Mekong region” is that it is the focus of a crowded field of sub-regional cooperation initiatives. About 13 Mekong sub-regional cooperation initiatives exist, although some are not really active. There is however a significant amount of overlap between some of these sub-regional cooperation initiatives. This needs to be considered in reviewing the MLC sub-regional cooperation mechanism so as to maximize the effectiveness and impact of MLC. In addition, the Ministries of Foreign Affairs of the respective countries are also coordinating all the other sub-regional cooperation initiatives with the exception of the Greater Mekong Sub-regional Program (GMS).

Finally, while the Belt and Road Initiative (BRI) is a global initiative supported mainly by China, the link between the BRI implementation in the Mekong countries and MLC needs to be clarified in a review of the MLC mechanism.

In sum, the overall methodological approach to review the MLC mechanism needs to take into account the broader landscape of regional cooperation initiatives targeting the Mekong sub-region.

1.2.1 Research Methodology

1.2.1.1 Desk Review

The desk review of various documents prepared under the MLC framework was an important part of the research methodology. These included:

- Key guiding documents adopted by MLC Leaders’ Meetings: The Sanya Declaration and the Phnom Penh Declaration.
- The Five-Year Plan of Action on Mekong-Lancang Cooperation 2018-2022.
- Joint Press Communiques of MLC Foreign Ministers’ Meetings.
- Progress Report of the Year 2018 on Implementing the Five-Year Plan of Action on Mekong-Lancang Cooperation 2018-2019.
- Plan on Connectivity Cooperation Between Mekong-Lancang countries 2020-2035.
- Three-Year Plan of Action for Production Capacity Cooperation among Mekong-Lancang Countries 2020-2022.
- Joint Statement on Production Capacity Cooperation Among Mekong-Lancang Countries 2016.
- Five-Year Development Plan for Cross-border Economic Cooperation 2019-2023 (5th draft, September 2019).
- Five-Year Action Plan on Mekong-Lancang Water Resources Cooperation (2018-2022).
- Guidelines on Project Application and Management, February 2019.

- A tentative list of projects submitted by member countries under the MLC.

Various press reports were also reviewed as well as a small number of academic research reports on the MLC.

Finally, information relating to some other main “Mekong” regional cooperation mechanisms was compiled namely: Greater Mekong Sub-region (GMS) program, Mekong-Japan Cooperation (MJC), Mekong-ROK Cooperation, Lower Mekong Initiative (LMI), Mekong Ganga Cooperation (MGC), Initiative for ASEAN Integration-CLMV (IAI-CLMV), and Cambodia-Laos-Vietnam Development Triangle Area (CLV).

1.2.1.2 Consultations with MLC Countries

In addition to the desk review of various documents, the Mekong Institute undertook consultations in all the 6 MLC countries. Two sets of consultations were held in each country. One set of consultations was undertaken with senior officials of the Ministries of Foreign Affairs, and in particular with their MLC coordinating units. This was followed by a second set of consultations with MLC project implementation line ministries or agencies. These consultations allowed MI to have a good understanding of MLC coordination issues in each country as well as of project implementation issues.

1.2.1.3 Dissemination Workshop

A report dissemination workshop will be held in Bangkok on 16 December 2019 with representatives of the MLC coordinating officials from each of the MLC countries.

2. Overview of the Mekong-Lancang Cooperation Program

2.1. The MLC Framework and Priority Areas

In 2012, Thailand put forward an initiative on sustainable development of the Mekong-Lancang Sub-Region focusing on tourism, the safety of navigation, agriculture and fisheries. Following upon that announcement, China formally proposed an initiative on Mekong-Lancang Cooperation at the 17th China-ASEAN Summit in November 2014. The Mekong-Lancang Cooperation was officially launched at the Sanya first MLC Leaders’ Meeting in March 2016 to “contribute to the economic and social development of the sub-regional countries, enhance well-being of people, narrow the development gap among regional countries and support ASEAN Community building as well as promoting implementation of the UN 2030 Agenda for Sustainable Development and advancing South-South cooperation” (Sanya Declaration 2016).

In contrast to other existing sub-regional cooperation initiatives focusing mainly on infrastructure and economic development to reduce poverty, the MLC as reflected in the Sanya Declaration is a much broader and encompassing initiative under 3 main pillars, namely (i) political and security issues; (ii) economic and sustainable development; and (iii) social, cultural and people-to-people exchanges. Further, in practical terms, the areas of cooperation under the main pillar of “Economic and Sustainable Development” include five broad priority areas during the initial stage of the MLC (2018-2019), namely (i) Connectivity; (ii) Production Capacity; (iii) Cross-Border Economic Cooperation; (iv) Water Resources; and (v) Agriculture and Poverty Reduction.

On the positive side, the three MLC pillars parallel the ASEAN Community Vision 2025. However, the long ASEAN experience shows that regional agreements and consensus under such a broad agenda take time and are difficult to reach. This would even be more difficult if the agenda is seen to be driven by a non-ASEAN member with an institutional and financial capacity far exceeding that of the other participating countries.

Based on the Sanya Declaration, a Five-Year Plan of Action on Mekong-Lancang Cooperation (2018-2022) was adopted at the Phnom Penh Leaders’ Meeting outlining numerous areas of “practical cooperation” under the 3 MLC pillars and the 5 priority areas. The “3+5” model (3 MLC pillars + 5 priority areas) serves as the guiding framework for project development under the initial phase of MLC when only small and medium-sized cooperation projects -maximum of US\$500,000- are being implemented. In the expansion and consolidation stage 2020-2022, progressively larger projects will be considered and the guiding framework will be progressively be expanded to a “3+5+x” model, meaning that depending on development needs, areas beyond the 5 priority areas will be explored. Already, at the 4th Mekong-Lancang Cooperation Foreign Ministers’ Meeting in Luang Prabang in December 2018, following a proposal submitted by China, education, customs, health, and youth appear to have been identified as new areas of cooperation. Discussions during the country consultations for this study recommended that expansion of MLC cooperation to new sectors should be very gradual until the experience of the current working mechanism is fully understood and tested, and a number of issues discussed below are solved. The coordination capacities of the Ministries of Foreign Affairs of the MLC countries are also quite stretched even under the current initial stage of MLC.

MLC is a comprehensive and detailed sub-regional cooperation initiative involving all the countries linked to the Mekong River. For instance, just under the economic and sustainable development cooperation pillar, the MLC aims at “enhancing hard and soft infrastructure connectivity and facilities, deepening industrial restructuring and urbanization, unimpeded trade, financial integration, information and communication

technology (ICT), science, technology and innovation, environment, energy, and better cooperation between the government and the private sector” (Phnom Penh Declaration 2018). Given the huge differences in levels of development and institutional capacities among the countries of the Mekong sub-region and the size and advanced level of development of China’s economy, the implementation of the MLC is hugely challenging. Official documents adopted by the Leaders of the MLC countries recognize these challenges by always affirming “the MLC principles of consensus, equality, mutual consultation and coordination, voluntarism, common contribution and shared benefits, and respect for the United Nations Charter and international laws” (Sanya Declaration, Phnom Penh declaration, communiques of Foreign Ministers’ Meetings). To address these challenges, efficient and transparent consultations and coordination mechanisms must be ensured, together with clear, effective and transparent project planning and prioritization. The capacity for coordinating and implementing national institutions need significant support in most MLC countries. There is a perception in the countries that MLC is too centralized and too top-down and that sector and projects priorities are not clear. Plans of action are too broad while yearly project priorities are set by the Ministry of Foreign Affairs of China. These issues will be discussed in detail below.

Finally, while MLC is the most comprehensive and ambitious Mekong cooperation initiative, several other sub-regional cooperation mechanisms are being implemented including the GMS program coordinated by the Asian Development Bank (ADB), created in 1992 and involving all MLC countries. MLC will also need to coordinate with a number of other development strategies such as the Master Plan on ASEAN Connectivity 2025 (MPAC 2025), the Initiative for ASEAN Integration (IAI-Work Plan III), the UN 2030 Agenda for Sustainable Development and, most importantly, China’s own Belt and Road Initiative (BRI). For MLC countries, the effective implementation of MLC and the maximization of its impact will require appropriate coordination with all these cooperation initiatives involving Mekong countries. Again, all official documents adopted by the MLC Leaders and Foreign Ministers’ Meetings clearly affirm that MLC will “complement and develop in synergy with existing sub-regional cooperation mechanisms” (Sanya Declaration and Phnom Penh Declaration). However, the practical modalities to ensure coordination with these mechanisms have not yet been put in place and are a matter of priority for MLC to ensure credibility. For the Ministries of Foreign Affairs of MLC countries, this is a particularly important issue as they are also in charge of coordinating the other sub-regional cooperation initiatives. The issue to clarify is whether MLC will be a complementary sub-regional cooperation initiative or a competitive one. This is an important question that needs clarification with concrete actions. The present study will attempt to make some proposals.

2.2. MLC: Achievements and Outcomes

By March 2020, the MLC will be just 4 years old since its official launching in March 2016. The first projects were implemented in 2017 and the Five-Year Plan of Action on MLC (2018-2022) was approved in 2018. In this short time frame, progress under MLC has been very impressive. MLC has established itself as the most comprehensive and detailed cooperation program in the Mekong sub-region and has further highlighted the importance of this region in the world economy.

Progress in the implementation of MLC has indeed been swift. The institutionalization process of MLC progressed rapidly with the setting-up of National MLC Secretariats within the Ministries of Foreign Affairs of each of the countries in 2017. A multi-layered planning and decision framework including LMC leaders' meetings, Foreign Ministers' meetings, Senior Officials' meetings, and Diplomatic Joint Working Groups meetings and priority areas joint working groups' meetings have organized and fine-tuned to improve policy planning and cooperation coordination, and guide long-term strategic planning.

In 2017, the Mekong-Lancang Water Resources Cooperation Center and the Mekong-Lancang Environmental Cooperation Center were set up, followed in 2018 by the Lancang Mekong Agricultural Cooperation Center. To better interact with the private sector, a Lancang-Mekong Business Council was initiated and a Track II Global Center for Mekong Studies (GCMS) launched as a platform for project coordination and joint research and policy dialogue.

In the 2016 Sanya Declaration, MLC Leaders endorsed 45 "early harvest projects" and the creation of a MLC Fund of \$300 million to finance small and medium-sized cooperation projects over the next 5 years (2018-2022). The first batch of 132 projects was approved in 2017, and the second batch of 138 projects in 2018. In 2019, projects submitted are still under evaluation by the Chinese government.

The implementation of the Five-Year Plan of Action on Mekong-Lancang Cooperation started in 2018 with the setting up of joint working groups on priority areas. The work of the joint working groups has resulted over the past two years in the drafting of several detailed plans of action on the different priority areas, namely the Plan on Connectivity Cooperation Between Mekong-Lancang Countries 2020-2035, Three Year Plan of Action for Production Capacity Cooperation among Mekong-Lancang Countries 2020-2022 including the Mekong-Lancang Countries "multi-countries and Multi-Parks" Cooperation Program, the Five-Year Action Plan on Mekong-Lancang Water Resources Cooperation 2018-2022, The Five-Year Development Plan for MLC Cross-Border Cooperation 2019-2023, and The Five-Year Plan of MLC on Poverty Reduction 2018-2022. All these documents are important strategic documents that will define MLC over the next years. These

documents are at various stages of drafting with consultations on-going before finalization with the exception of the working group on Water Resources Cooperation which already adopted its plan of action.

The period 2018-2019 was labelled the “foundation laying stage” of the MLC; 2020-2022 will be the “consolidation and expansion stage”. It is clear from the above that during the foundation stage of MLC many achievements have been realized which augur well for the success of the consolidation stage. This study aims to contribute some ideas and suggestions on how best to consolidate MLC as the premier economic and development cooperation framework in the Mekong sub-region.

2.3 MLC Management and Coordination Mechanisms

The overall coordination mechanism of MLC is shown in Figure 1.

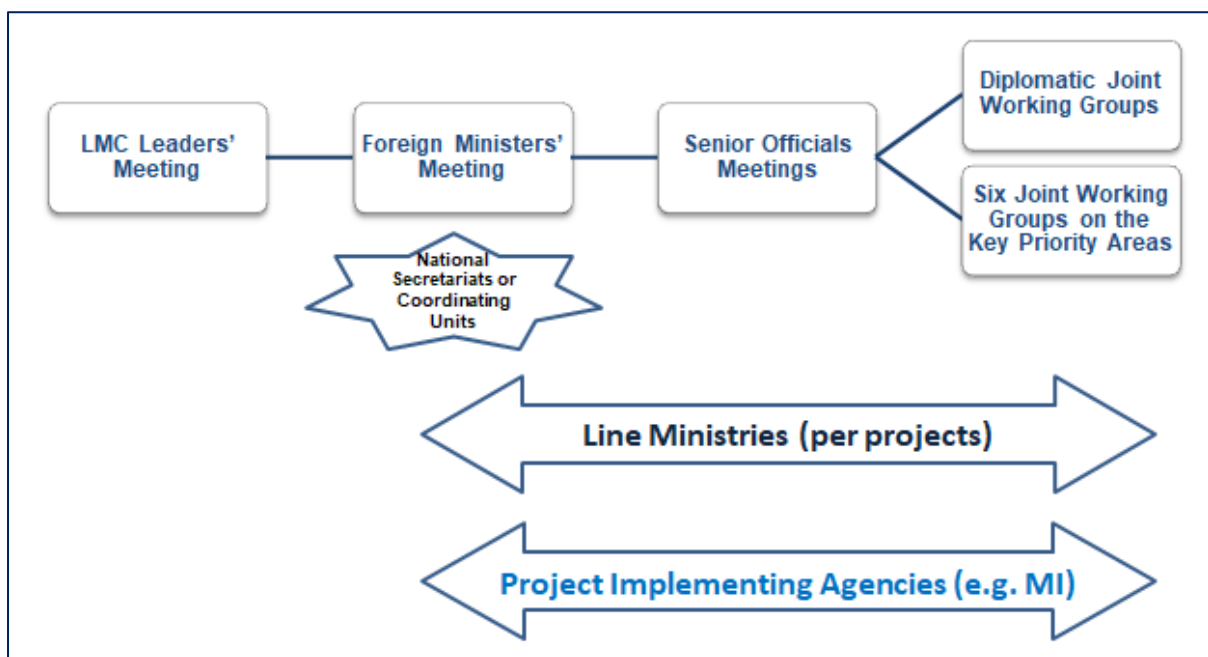


Figure 1: MLC Management and Coordination Mechanisms

The Ministries of Foreign Affairs of the MLC countries play the key MLC coordinating role through the annual Foreign Ministers’ Meetings which in turn sets the agenda for the MLC Leaders’ Meetings held every two years. As of the end of 2019, four MLC Foreign Affairs Ministers’ Meetings have been held and two MLC Leaders’ Meetings. National MLC secretariats or coordinating units have been set up in each MLC country’s Foreign Affairs Ministries, and an overall MLC Secretariat has been set up in China’s Ministry of Foreign Affairs. The possibility to set up a MLC International Secretariat is also mentioned in the Five-Year Plan of Action on MLC Cooperation. No follow-up action appears to have been taken so far.

At the programming and strategic level, joint working groups (JWG) meetings of line ministries on each of the five priority areas are tasked to discuss plans in their area

of expertise. Once a year, these joint working groups meet with joint diplomatic working groups to discuss and prepare plans and strategies for future MLC cooperation, and to review progress and experience under MLC. As of the end of 2019, nine MLC diplomatic Joint Working Group (DJWG) meetings have been convened. The DJWG meetings report to the Senior Officials' Meetings, of which seven were held by the end of 2019. Officials from ministries of Foreign Affairs of the MLC countries are also invited by JWG.

In some MLC countries, one issue appears to have been that some sector working groups contacted each other directly without involving the MLC Secretariats in the Ministries of Foreign Affairs. This has created communications and coordination problems. There is a need for national MLC secretariats to set clear guidelines on communication channels under MLC. In turn, the issue might reflect a lack of capacity of MLC secretariats in some countries.

Finally, many regional meetings and cooperation and capacity building events relating to MLC cooperation areas have also taken place in several MLC countries.

2.4 MLC Planning Mechanisms and Project Implementation

Project Selection and Implementation

During consultations in MLC countries, the process for application for MLC project funding was extensively discussed. Some feedback provided during the country consultations is summarized in appendix 3. The process is essentially a yearly exercise. It starts with the Ministry of Foreign Affairs (MFA) of China preparing an annual plan for the Mekong-Lancang Cooperation Special Fund (MLCSF) indicating funding priorities for the year and other requirements. Submitted projects must involve at least 3 MLC countries. The information is then sent to the Foreign Ministries of each of the MLC countries via the Chinese embassies. Notifications are typically sent out around February each year to the MLC countries. In each country, Ministries of Foreign Affairs call for project submissions from line ministries and other agencies. After a period of 1-2 months, proposals are collected and reviewed by each country's MLC Secretariat within Ministries of Foreign Affairs. Selected projects are forwarded to the Chinese embassies in each country for review and then forwarded to the MFA of China and the Ministry of Finance of China for final approval of qualified projects. Projects approved are notified back to each MLC countries' MOFA in October-November each year and are followed by agreement signing between the Chinese embassy and the MLC governments. Project funding is disbursed rapidly and project implementation starts by implementation agencies. Annual project reports are prepared and shared with the MOFAs in each country and the Chinese embassies. A completion report needs to be prepared within 2 months of project completion day.

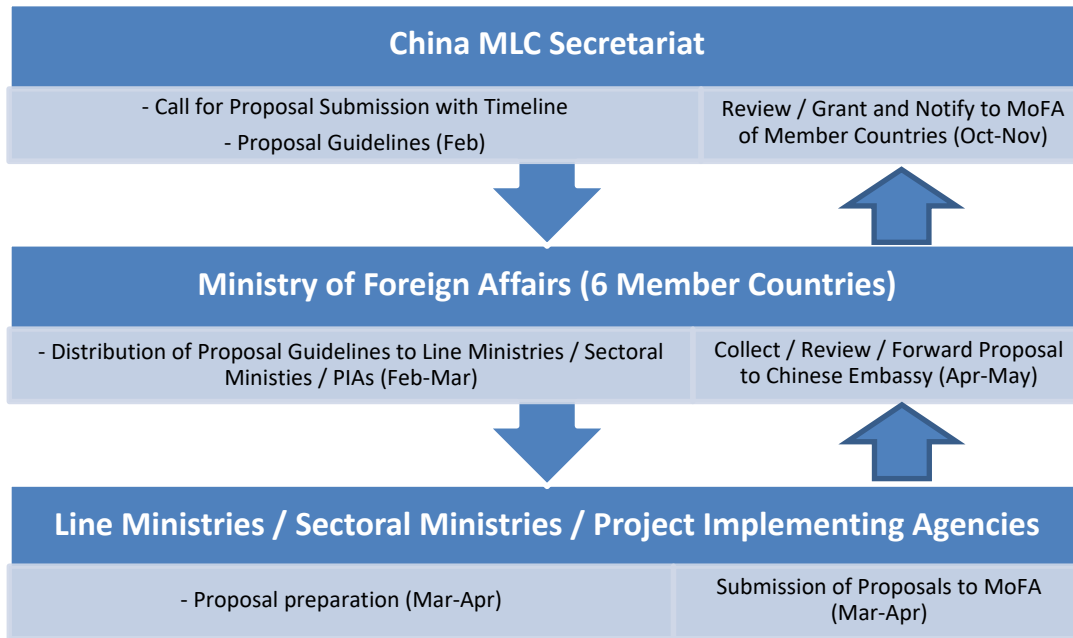


Figure 2: MLC Projects Proposal Submission Process

While the above project selection process is relatively simple and standard, feedback received during country consultations indicates a number of important difficulties. The main issue is the short duration of time given to MLC national secretariats and prospective line agencies for preparing projects for MLC consideration. Line agencies requested to submit MLC projects indicated that the duration of time to prepare quality projects was too short. The issue was of particular concern in countries where institutional capacity is lower. Further, as projects approval criteria set by China are not clear and there is significant uncertainty as to the probability submitted projects will be approved, the incentives to allocate time and staff resources to prepare quality project proposals are often lacking. This is particularly true for line agencies and ministries with limited capacities. Also, as there are no tentative “country funding allocation” figures available under MLC, the countries are uncertain as to the volume and number of projects which could be approved yearly, and thus are not sure how many projects to prepare and submit for funding. All these issues put an additional burden on the MLC Secretariats within the countries’ MOFAs, which have not only to adhere to the deadline set by the MLC Secretariat in China’s MOFA but also to identify and notify line ministries and agencies about the opening of MLC project applications. In this connection, plans of action under the priority areas are mostly very broad with a lack of clearly agreed upon priority projects. This is particularly the case for the priority areas of “production capacity”, “cross-border economic cooperation” and “connectivity”. MOFAs in most MLC countries experience great difficulties in identifying project counterparts in these areas, thus affecting the quality of projects submitted and the overall impact of MLC. Line ministries and agencies are not always responsive to the request by MOFAs. While the above issues have been identified at the current phase of the MLC implementation stage when only small and medium-sized projects are considered,

these issues will become critical when larger projects will be considered from 2020 onwards.

Other important issues related to project implementation, which were identified during country consultations, are the lack of standard financial guidelines and procurement guidelines. This is very confusing for both line/executing agencies and for Ministries of Foreign Affairs. Different guidelines are used depending on the MLC country. For instance, in Cambodia, ADB-GMS guidelines are applied. It is recommended that MLC should set up a working group to agree on robust and standard financial and procurement guidelines to be used for all MLC projects. Good international standards exist. A related issue to be look at is the opening of project accounts in MLC countries. Regulations differ among the countries and often delay project implementation. In Cambodia for instance, funds have to transit through the Ministry of Finance and Economy. As part of the review of financial guidelines, MLC should look at the issue of creating project accounts in each country. It might be useful to look at the GMS framework experience.

Finally, an additional issue is the process of approval of foreign-funded projects. Procedures for final approval of foreign-funded projects vary among MLC countries and sometimes require high-level cabinet approval. Approval processes thus vary across countries and can be lengthy. Once MLC moves to larger projects such as detailed feasibility studies, the approval process for foreign-funded projects will become a major issue.

The above issues could be addressed in a number of ways. First, standard project financial guidelines and procurement guidelines should be agreed upon, possibly through a MLC technical working group. International financial institutions including ADB and the World Bank have set up such a working group. Training on project identification, preparation, implementation and reporting would be one practical way of addressing some of the identified shortcomings. A standard project template similar to that used in GMS might also be developed. One set of training programs could involve joint training of officials from the MLC secretariats on the whole MLC project implementation cycle. Another set of trainings could be implemented in each MLC country with the participation of current and prospective MLC project implementation line ministries and agencies. The use of media tools could also be considered so as to make the training sessions available online. Project training programs on project identification and preparation would also contribute to raising the profile of MLC in each country and make MLC better understood in Mekong countries. Besides project preparation training programs, other training modules could also be developed for instance on the economic and financial analysis of projects. This would particularly be useful once MLC considers larger and more complex projects.

Multi-Year Programming

Another way of addressing project identification and implementation issues over the medium term is to shift to a multi-year programming cycle. A relatively unique feature of MLC compared to other regional cooperation mechanisms is its reliance on an annual project approval process as described above. This is probably partly due to the recent launching of MLC which will only be 4 years old in March 2020. A three-years programming cycle would allow for much better planning and preparation of MLC projects. Implementing agencies could plan projects over the medium term and have more time to properly design quality projects. More complex projects, notably in infrastructure, industry, industrial parks and economic zones, might require pre-feasibility studies before final feasibility studies for project implementation. This would be a typical approach to identify the most appropriate investments in industrial and economic zones. Multi-year programming would also allow for needed sequencing of most institutional, economic and legal reforms such as customs reforms, trade reforms, cross border transport agreements and financial reforms. Finally, multi-year programming would open MLC projects for possible co-financing from other multilateral or bilateral sources of financing. A multi-year programming approach could really scale up the approach of MLC and its image. As the multi-year programming approach is implemented, second and third year MLC projects would only require short project brief which could then also be discussed at joint working group meetings and senior official meetings.

Project-Based Approach

A major issue with MLC is the lack of substantive and concrete plans on its pillars and priority areas -the 3+5 model- together with a list of agreed-upon prioritized projects, both investment projects and technical assistance projects. The documents prepared under MLC are very comprehensive but present more broad strategies without a prioritized specific list of projects. In fact, the lists of projects approved so far are not publically available. The Five-Year Plan of Action on Mekong-Lancang Cooperation 2018-2022 covers, for instance, a wide range of issues. But the various sector plans prepared by the Joint Working Groups on each of the priority areas - connectivity, production capacity, cross-border economic cooperation, water resources and agriculture and poverty reduction- while comprehensive, do not include a list of agreed-upon priority projects over a number of years. Because the priority sector plans are broad, reaching a consensus among all the MLC countries on them might take a significant amount of time. To address some of the above issues, it is suggested to create more specific thematic working groups under the priority areas, which would be suited to discuss and agree on priority investments pipeline in their areas of responsibility. For instance, connectivity could be divided into railways, roads, maritime, aviation, telecommunications and oil and gas pipelines.

In most areas, the implementation of MLC will require the prioritization of projects and sequencing of actions and investments. Moving from a programmatic approach to a more concrete projects-based approach for MLC would support a longer-term approach to MLC investments and a three-years programming cycle as mentioned above. A good example is the GMS economic cooperation program which is based on a long-term regional investment framework agreed upon by the governments and listing a pipeline of potential investments -currently for 2013-2022-. Producing a long-term MLC investment pipeline would greatly contribute to making the MLC more transparent and addressing some of the concerns of the countries. It could serve as a platform for encouraging financial and resources inputs from the six MLC countries themselves as well as facilitating support from financial institutions such as the Asian Infrastructure Investment Bank (AIIB), the Silk Road Fund and the Asian Development Bank (ADB), as mentioned in the Five-Year Plan of Action on Mekong-Lancang Cooperation 2018-2022. It would also enable coordination among the different Mekong regional cooperation initiatives as discussed below.

Information Transparency

One issue frequently raised about MLC relates to the precise details about its implementation. Apart from the 3 MLC pillars and 5 priority areas, no public information is available as to the projects approved so far, including the 45 Early Harvest Projects and the 13 initiatives put forward by China at the Second MLC Foreign Ministers' Meeting. Further, while the MLC special fund is only \$300 million for small and medium-sized projects over a 5 years period, large funding appears to have been pledged by China under the MLC umbrella. This includes concessional loans for US\$ 1.6 billion and credit totaling US\$ 10 billion to promote industrial capacity development and infrastructure construction. The Phnom Penh Declaration and the Five-Year Plan of action on MLC Cooperation also indicate that the MLC will seek to leverage existing financial mechanisms offered by the AIIB, the ADB, the World Bank and the Silk Road Fund in addition to governments and business sector financing. Finally, while BRI is mentioned in various documents including in the press communiques of the various Ministers of Foreign Affairs' meetings, it is not clear on how BRI and MLC will relate to each other. For instance, the MLC Economic Corridor is mentioned in several documents without elaborating on its location or content. To boost confidence in MLC and to raise its profile as the overriding regional cooperation initiative in the Mekong region, transparent branding of the MLC and accurate information on MLC projects and their financing will be required, particularly as the MLC starts addressing larger projects in the next phases of its implementation. In part, this could be done by translating MLC sector strategies and priorities into a longer-term MLC project pipeline and corresponding tentative financial requirements and possible sources of financing including grant and loan

funding. Finally, an issue often raised about transparency is the long term future of MLC after the initial funding ends in 2022.

Priority Sectors Action Plans

The draft on the MLC connectivity Plan is concise and yet comprehensive. While most of the MLC documents cover the period 2018-2022, the MLC Connectivity Plan covers the longer period of 2019 to 2035. With regard to connectivity project financing, in addition to financing under MLC funds and by the MLC countries themselves, co-financing with ACMECS, ADB, AIIB, the Silk Road Fund and the World Bank will be relied upon. Similarly, coordination with existing other cooperation mechanisms such as ACMECS, GMS and ASEAN will be insured. The draft does however not discuss how coordination will be insured. While a detailed list of key connectivity projects is not included -it is to be provided by MLC countries-, the draft indicates that a list of projects will be prepared and made publicly available. A large pipeline of potential connectivity projects does, in fact, exist under the GMS Regional Investment Framework (GMS-RIF) 2013-2022 which is the planning framework for project identification and prioritization provided by all the MLC countries under the GMS program. These regional connectivity priority projects are based on each country's connectivity masterplans. For instance, JICA supported Cambodia and Myanmar in their preparation of transport masterplans. A comprehensive list of priority projects has also been prepared under ACMECS and is reflected in the GMS-RIF. Many of the projects included in the GMS-RIF and ACMECS are in fact financed by the MLC countries themselves. The GMS-RIF and the ACMECS connectivity priorities could be used as the starting point to prepare a comprehensive MLC connectivity projects platform and accelerate the implementation of MLC. This would also save on time and resources of line agencies and help jumpstart coordination among main Mekong regional cooperation initiatives. As mentioned above, there is a need to disaggregate the "connectivity" priority area into main sub-sectors to better identify priority projects. Finally, a welcome feature of the MLC Plan on Connectivity is that it proposes the setting up of a "project evaluation Mechanism".

In contrast to the Connectivity Plan, the Plan of Action on Production Capacity covers a relatively short period of three years (2020-2022). MLC is the only Mekong cooperation initiative that includes "production capacity" in its priorities. Cooperation in the area of production capacity and industrial parks appears a much more complex area of cooperation as industrial/economic zones/parks' policies in the MLC countries are very different, with the private sector playing the main role in most countries such as Thailand. This is a very complex area where clarification is needed and much research required. Approaches to the different aspects of "production capacity" in the MLC countries differ very much. Also as mentioned, in most MLC countries -with the exception of China-, different line ministries/line

agencies are responsible for different areas covered by “production capacity”, with the main decision making a role in most MLC countries played by the private sector. Also, rules on incentives and regulations on domestic and foreign investment and on foreign labor are quite different between the countries. The draft action plan on production capacity appears to suggest a very top-down policy approach which is not possible in many MLC countries. This is a delicate area of cooperation which needs much further research, and also clarity in its objectives.

Given the importance of the Mekong-Lancang River for all the MLC countries and the vulnerability of the MLC countries on the impact of climate change, cooperation on water resources is of the highest importance for MLC countries. Hence, the inclusion of water resources management in MLC has been welcome by all MLC countries. Water resources issues are notably not included in the GMS program. The Five-Year Action Plan on MLC Water Resources 2018-2022 is a well-prepared comprehensive document. The establishment of the Mekong-Lancang Water Resources Cooperation Center (MLWRCC) in 2017 early in the implementation of MLC is also a most positive development and an important new cooperation platform for sustainable water resources development in the MLC region. The LMWRCC intends to work in close cooperation with the Mekong River Commission (MRC). A welcome feature of the MLC Water Resources Cooperation Action Plan is that MLC countries are encouraged to lead or co-lead cooperation areas under the action plan. MLC countries should very much take a proactive approach in the water cooperation approach, particularly Mekong downstream countries. This will contribute to greater ownership and engagement by MLC countries.

The Five-Year Development Plan for MLC Cross-Border Cooperation is a large document covering many different areas of cross-border cooperation for the period 2019-2023 -different from the MLC 5-year Plan of Action 2018-2022-. The Joint Working Group seeks to reach a consensus on the plan before the next MLC summit in March 2020. The Cross-Border MLC Cooperation Development Plan covers over 15 different areas of cooperation, ranging from agriculture and agro-products processing to tourism, industrial parks and cross-border cooperation zones, to human resources development. As such it appears to overlap with other priority MLC areas. Given the many areas covered by the plan and as such the many different institutions and organizations involved in each MLC country, the plan does not appear realistic and a meaningful consensus will be difficult to reach. It is also not clear how the preparation of the cross-border cooperation plan was coordinated with other working groups or consultation mechanisms under MLC.

Finally, the preparation of plan on agricultural cooperation and on poverty reduction appears to be on-going but the project team did not have access and could not review the concerned document.

Monitoring and Evaluation Mechanism

A final issue that does not appear to be clear from the different MLC documents reviewed and the discussions during country consultations is the establishment of an effective MLC monitoring and evaluation mechanism. Evaluation and progress reporting is mentioned in some of the documents such as for instance in the Five-Year Action Plan on MLC Water Resources Cooperation. Reporting is generally left to institutions in each MLC country before final reporting to the MLC Secretariat at MOFA in China. The MLC aims to become the flagship regional cooperation program in the Mekong-Lancang region. To make sure the MLC program is effective and delivers the best result, its implementation should be clearly monitored and evaluated. Strong country-based and regional M&E mechanisms need to be put in place, an area where institutional capacity is relatively weak and varies widely among the MLC countries. Hence to maximize the effectiveness of MLC, MLC support for building robust M&E systems in MLC countries is required. A series of regional and country-based MLC capacity building training program on M&E should be given priority and be implemented starting in 2020.

3. Mekong Sub-regional Cooperation Mechanisms and MLC

The geopolitical and strategic importance of the Mekong region is reflected in a large number of regional cooperation initiatives which are under implementation in the region. 13 frameworks are under implementation in the Mekong region, making it a crowded field. However, there are major differences between these cooperation initiatives in terms of their coverage, their activity level and importantly their founding member.

The Mekong-Ganga Cooperation (MGC) initiated by India in 2000, the Mekong-Japan Cooperation (MJC) initiated by Japan in 2007, the Lower Mekong Initiative initiated by the United States in 2009 and the Mekong-ROK initiated by Korea in 2011 were all founded by non-regional members. The Mekong River Commission (MRC) was also originally set up by the United Nations.

Two initiatives involve ASEAN, namely the ASEAN-Mekong Basin Development Cooperation (AMBDC) involving ASEAN-10 and China -AMBDC has not been active since 2013-, and the Initiative for ASEAN Integration (IAI) coordinated by ASEAN. 5 initiatives involve only Mekong-Lancang countries: Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS) initiated by Thailand in 2003, the Greater Mekong Subregion Economic Cooperation Program (GMS) started by ADB in 1992, the Cambodia, Laos, Myanmar, Vietnam Cooperation (CLMV) initiated in 2003, Cambodia, Laos, Vietnam Development Triangle Area (CLV) started in 1999 and the Mekong-Lancang Cooperation initiated by China in 2015. There is also the

Agreement on Commercial Navigation on Mekong-Lancang River (ACN) signed in 2000.

As mentioned, all the above Mekong sub-region cooperation initiatives vary very much in their sector coverage and their financing capacity, but they do also have considerable areas of overlap stretching resources in coordinating ministries and technical and line ministries. Most frameworks with the notable exception of GMS are coordinated by the ministries of foreign affairs of each country. Line ministries and technical agencies identify and implement most projects. Most of the frameworks have regular meetings at senior levels including heads of state summits, ministerial meetings, and senior official meetings as well as numerous technical meetings resulting in a crowded calendar for governments.

Excluding MRC, IAI, and AMBDC, nearly all initiatives include connectivity, communications and ICT, energy, agriculture, tourism, trade and investment, education, environment and climate change in their sector priorities. As shown in the GMS regional investment framework pipeline of potential projects 2013-2022, many of the projects rely on co-financing or parallel financing for regional projects as well as on the governments' own financing. For instance, many GMS projects including transport and economic corridors are co-financed by China, Thailand, Japan, India and Korea, in addition to ADB financing. Also, and most importantly, the different regional cooperation frameworks undertake regular program reviews and assessments highlighting issues, bottlenecks and institutional shortcomings to be addressed. These are valuable lessons that can be shared among the different frameworks. For instance, the GMS program undertakes regular mid-term reviews which include detailed assessments on the relevance and implementation of the program for consideration at ministerial conferences and heads of state summits, as in the MLC. The latest mid-term review of the GMS Strategic Framework (GMS-SF-II) was discussed at the sixth GMS Summit held in Hanoi in March 2018. Notably, the tenth CLV Summit was held back-to-back with the GMS Summit.

As the latest Mekong sub-regional cooperation framework to have been initiated by the second-largest economy in the world, questions have naturally been raised as to the complementary or competitive nature of MLC. The lack of information on MLC operations, as well as the noted lack of clarity as to how MLC will relate to other regional initiatives led by China, notably the BRI, have been raising suspicions as to China's intentions under MLC. In response to these suspicions, it is quite clear from all MLC documents including the communiques of the Heads of State in the Sanya and Phnom Penh Declarations that MLC intends to operate on the basis of consensus and to closely coordinate with existing sub-regional frameworks including ACMECS and GMS, and the ASEAN Community Vision 2025, the Master Plan on ASEAN Connectivity and the UN 2030 Agenda for Sustainable Development and advancing South-South Cooperation. While official statements are clear, concrete

steps should, however, be initiated to make badly needed coordination among sub-regional cooperation mechanisms a reality. This has not happened yet. Urgent actions are required on several fronts.

Looking at the different Mekong cooperation initiatives, close coordination between the three most comprehensive frameworks might be prioritized, namely ACMECS, MLC, and GMS. MLC and GMS have basically the same membership while ACMECS is “central” to the Mekong region and covers the most areas of cooperation. The 2020-2022 consolidation and expansion stage of MLC will be a critical period to jumpstart concrete coordination between the three frameworks. For MLC, this will be a unique opportunity to show its openness and willingness to cooperate with other regional frameworks as stated in all the MLC documents.

GMS has a long history of supporting sustainable socio-economic development in the Mekong sub-region through regional cooperation in a wide number of areas. It is coordinated by the ADB which is a politically neutral institution where MLC countries are well represented on the ADB decision-making board of directors. The experience acquired during the implementation of the GMS over the past three decades is invaluable for the future of Mekong regional economic cooperation. GMS has also built up regional cooperation mechanisms and information platforms that can be replicated and expanded under MLC. Finally, it has a network of development partners which it shares with other regional cooperation frameworks.

ACMECS which was set up by Thailand in 2003 has been remodeled in a major way at its latest 8th ACMECS Summit in June 2018. The summit adopted the first detailed ACMECS Master Plan (2019-2023) which covers a wide range of cooperation in areas under 3 pillars: (i) Seamless ACMECS; (ii) Synchronized ACMECS; and (iii) Smart and Sustainable ACMECS. The Master Plan also includes an extensive list of tentative projects for financing and implementation. Part of the projects’ list is linked to the ADB regional investment potential projects list. In terms of connectivity, ACMECS will focus on missing links in the East-West Economic Corridor and the Southern Economic Corridor. For the first time, Thailand has announced a funding contribution of US\$200 million. Initially, Australia, China, India, Japan, South Korea, and the US have agreed to contribute another US\$200 million. Other ACMECS members will also contribute US\$100 million in funding. Finally, ACMECS is looking at setting up a private infrastructure financing facility to fund revenue-generating projects.

Covering a wide range of regional cooperation issues and backed by the financial and technical capacity of China, the MLC will give Mekong-Lancang countries a unique opportunity to address a wide range of regional development issues in a comprehensive manner. While MLC has moved fast by working with high-ranking government officials, it still needs to address however in concrete terms how to

complement existing projects so as to avoid overlap, maximize resource utilization and mitigating over-dependence on China.

There are many ways in which the coordination issues could be addressed. One way would be to progressively develop a joint ACMECS-MLC-GMS comprehensive pipeline of potential regional investment projects, replacing that under GMS. This would greatly contribute to transparency. Further, in some areas, a division of labor between ACMECS and MLC could be possible with ACMECS focusing on the Southern and East-West Economic Corridors (EWEC), including border economic zones and urban development. MLC could focus on North-South Economic Corridors (NSEC), railway development and the MLC Economic belt. An institutional consultation mechanism would need to be set up at the senior level. This could be similar to the consultation mechanism used during the 8th ACMECS Summit. The experience of ADB could also be looked at. To conclude, there are several ways to proceed with coordination and complementarity while keeping the “branding” of each cooperation framework. To some extent, this has been operational under GMS and JMC.

ACMECS, MLC, and ADB might set up a joint working group to review their sub-regional cooperation frameworks and suggest modalities of coordinating the 3 main regional Mekong-Lancang frameworks.

4. Summary Findings and Recommendations

Some of the main findings and recommendations of this study on the MLC mechanisms can be summarized as follows:

- To avoid confusion, clarify the coverage/definition of MLC and its relation to BRI, AIIB and bilateral support from China. MLC would gain from “branding”.
- Review the yearly project application guidelines to allow more time for MOFAs in MLC countries and for line agencies to prepare quality projects, particularly as large projects will start to be considered.
- Chinese MLC Secretariat should consult with other MLC MOFAs about procedures/internal processes for each government to approve foreign-funded projects. In some cases, cabinet approvals might be required which is a more time-consuming process.
- Review the MLC sector priorities action plans/development plans to avoid some overlaps and to introduce a clearer and better sequencing of actions/priorities. Make more concrete plans focusing on projects by disaggregating the 5 priority areas into subsectors.
- Strengthen coordination among sector working groups to minimize overlap and maximize synergies.
- Create sub-sector working groups.

- The planned expansion of MLC cooperation to new sectors (model 3+5+x) and the upgrade of working groups to more senior levels should be implemented only very gradually after learning from the experience of the current working mechanisms as in most MLC countries institutional capacities and human resources are limited. This would ensure greater ownership of programs and projects.
- Develop country-specific allocation for grants and loans under MLC depending on absorptive capacity and level of development.
- Move to develop a medium to a long-term pipeline of projects (5-10 years) and a multi-year project programming cycle (perhaps 3 years).
- Make a list of projects available on a public portal. Information sharing will boost the image of MLC.
- Develop standard templates for projects included in the project pipeline.
- Develop and agree on financial and procurement guidelines for projects.
- Develop training programs on project pipeline preparation and on the financial and economic analysis of projects.
- Develop a strong M&E mechanism to support the impact of MLC.
- Support training programs on M&E regionally and in the different MLC countries.
- Broaden participation and membership of the Global Studies Center for Mekong Studies (GCMS) to include more leading regional research institutions -as done in Cambodia-.
- Develop on an urgent basis a concrete coordination mechanism between ACMECS, MLC, and GMS.
- Seek to widen the coordination mechanisms to include other regional cooperation frameworks. Conclusion

Appendices

Appendix I: MLC country missions: List of officials met

1. Kingdom of Cambodia

I. National Consultation with Ministry of Foreign Affairs and International Cooperation

Date: 06 September 2019: 09.30 - 11.00 AM

Venue: Ministry of Foreign Affairs, Phnom Penh, Kingdom of Cambodia

No.	Name	Position	Affiliation
1	H.E. Mr. Sim Vireak	Director General	ASEAN General Department, Ministry of Foreign Affairs and International Cooperation (MFAIC)
2	Mr. Chor Samphal	Deputy Director	Mekong Cooperation Department, MFAIC
3	Ms. Tralong Pannharoth	Bureau Chief	Mekong Cooperation Department, MFAIC
4	Mr. Kuoy Tola Pheakkdey	Deputy Bureau Chief	Mekong Cooperation Department, MFAIC

II. National Consultation Workshop with Line Ministries and Project Implementing Agencies (PIAs) in the Kingdom of Cambodia

Date: 05 September 2019: 13.30 - 16.00 PM

Venue: "BOKOR" meeting room, 1st fl. At Sunway Hotel, Phnom Penh, Cambodia

No	Name	Position	Affiliation
1	Mr. Klok Sam Ang	Head of Joint Working Group (JWG) on Water Resource and Director	Planning and International Cooperation (DPIC), Ministry of Water Resource and Meteorology
2	Mr. Tung Chanla	Focal Point of JWG on Water Resource and Official of DPIC	Official of DPIC, Ministry of Water Resource and Meteorology
3	Mr. Neou Dina	Deputy Director	Expressway Mega Bridge and Investment Department, Ministry of Public Works and Transport
4	Mr. Eab Ngoun Heng	Official	Planning Department, Ministry of Public Works and Transport
5	Mr. AING Povmanich	Vice Chief Officer	Department of Rural Economic Development, Ministry of Rural Development
6	Mr. Soth Sobot	Fisheries Administration	Fisheries Department, Ministry of Agriculture, Forestry, and Fisheries
7	Mr. Ngot Chamnan	Official	Department of International Cooperation, Ministry of Agriculture, Forestry, and Fisheries
8	Mr. Chhup Thavith	Official	Department of Planning and Statistics, Ministry of Agriculture, Forestry, and Fisheries

2. People's Republic of China

I. National Consultation with Ministry of Foreign Affairs

Date: 17 October 2019: 09.30 - 11.00 AM

Venue: Ministry of Foreign Affairs, P.R. China

No.	Name	Position	Affiliation
1	Mr. Zhou Yunliang	First Secretary	Mekong-Lancang Cooperation China Secretariat, Ministry of Foreign Affairs (MoFA)
2	Ms. Feng Congcong	Third Secretary	Department of Finance, MoFA
3	Mr. Wang Lin	Third Secretary	Mekong-Lancang Cooperation China Secretariat, MoFA

II. National Consultation Workshop with Line Ministries & PIAs in P.R. China

Date: 17 October 2019: 14.00 – 16.30 PM

Venue: China Institute of International Studies (CIIS), Beijing, P.R. China

No	Name	Position	Affiliation
1	Dr. Rong Ying	Director	Global Center for Mekong Studies (GCMS), China Institute of International Studies (CIIS)
2	Mr. Zhou Yunliang	First Secretary	Mekong-Lancang Cooperation China Secretariat, Ministry of Foreign Affairs (MoFA)
3	Mr. Wang Lin	Third Secretary	Mekong-Lancang Cooperation China Secretariat, MoFA
4	Mr. Cao Xun	Deputy Director	International Planning Division 1, Planning Department, China Development Bank
5	Mr. Wei Sisi	Consulting Researcher	International Cooperation Center, National Development and Reform Commission
6	Mr. Li Lu	First Secretary	Department of Asian Affairs, Ministry of Commerce
7	Mr. Wang Hongming	Deputy Director	Department of International Cooperation, Science and Technology, Ministry of Water Resources
8	Dr. Zhong Yong	Secretary-General	Mekong-Lancang Water Resources Cooperation Center, and Deputy Director of GCMS China Center
9	Ms. Zhang Bin	Official	Foreign Economic Cooperation Center, Ministry of Agriculture and Rural Affairs
10	Mr. Chen Yaxiang	Program Manager	Mekong-Lancang Environmental Cooperation Center
11	Mr. Liu Chang	Member	GCMS China Center, CIIS
12	Ms. Liang Xue	Program Officer & Assistant Research Fellow	Office of International Exchanges, GCMS China Center, CIIS
13	Ms. Ma Jie	Member	GCMS China Center, CIIS

3. Lao People's Democratic Republic

I. National Consultation with Ministry of Foreign Affairs

Date: 14 August 2019: 09.00 - 11.30 AM

Venue: Ministry of Foreign Affairs, Vientiane, Lao PDR

No.	Name	Position	Affiliation
1	Mr. Virasack Somphong	Acting Director- General	Economic Affairs Department, Ministry of Foreign Affairs (MOFA)
2	Mr. Ammala	Director	Mekong Countries and Development

	Saengchonghack		Partners Cooperation Division, Economic Affairs Department, MOFA
3	Mr. Othong Somvichit	Official	Mekong Countries and Development Partners Cooperation Division, Economic Affairs Department, MOFA

II. National Consultation Workshop with Line Ministries and PIAs in Lao PDR

Date: 13 August 2019: 13.30 - 16.00 PM

Venue: Donchan Hotel, Vientiane, Lao PDR

No	Name	Position	Affiliation
1	Mr. Ammala Saengchonghack	Director	Mekong Countries and Development Partners Cooperation Division, Economic Affairs Department, MOFA
2	Mr. Othong Somvichit	Official	Mekong Countries and Development Partners Cooperation Division, Economic Affairs Department, MOFA
3	Ms. Haknilan	Research Fellow	Institute of Foreign Affairs (IFA), MOFA
4	Mr. Ekto	Research Fellow	Institute of Foreign Affairs (IFA), MOFA
5	Mr. Sisouvanh	Director of Division	Department of ICT, Ministry of Posts and Telecommunications (MPT)
6	Mr. Bounchan Herlholy	Technical officer	Department of ICT, MPT
7	Mr. Jirana Thavisay	Officer	Planning and Cooperation, MPT
8	Ms. Keodokmay	Head of Division	Department of Water Resource (DWR), Ministry of Natural Resources and Environment (MONRE)
9	Mr. Thatsakone	Deputy Head of Division	DWR, MONRE
10	Mr. Aphisath Phanthay	Technical officer	LNMLS, MONRE
11	Ms. Soudavy Nanthavong	Technical officer	LNMLS, MONRE
12	Ms. Nalinhone	Acting Director	Department of Rural Development Cooperations, Ministry Agriculture and Forestry (MAF)
13	Mr. Samlan Paseatkhamla	Head of Division	Department of Planning and Finance (DoPF), MAF
14	Mrs. Phonesouk	Technical officer	DoPF, MAF
15	Ms. Maliny Ophetsane	Technical officer	Department of Rural Development Cooperation, MAF
16	Mr. Boonthavy	Vice head of Department	Rural Development, National University of Laos (NUoL)
17	Ms. Vimala	Deputy Director	Planning and Cooperation, Ministry of Energy and Mines (MEM)

18	Mr. Somphanith mangnomek	Official	Department of Planning and Cooperation (DPC), MEM
19	Mr. Bounyaved	Technical officer	Department of Energy Policy and Planning (DEPP), MEM
20	Mr. Khambai	Deputy	Academic Affair, Ministry of Education and Sports (MOES)
21	Mr.Somsy Xayalath	Head of Division	Academic officer, Development and Training Center (DATC), MOES
22	Mr. Kmon Khiunvisith	Director	Department of Industry, Ministry of Industry and Commerce (MOIC)
23	Mr.Sundeth Bodthisan	Researcher	DRITT, MOIC
24	Ms. Viengsavanh Battanavong	Official	Department of Planning and Cooperation, Ministry of Science and Technology (MOST)
25	Mr.Vilaiya Phimphanh	Technical officer	Department of Technology and Innovation, MOST
26	Mr. Pisa	Technical officer	Department of Statistic, MOST
27	Mr. Khamsithideth	Official	DPM, Ministry of Home Affairs (MoHA)
28	Mr. Mouknapha Manirath	Technical officer	Department of Planning and Cooperation (DPC), MoHA
29	Mr. Bounleuan	Deputy Director General (DDG)	Department of Works (DOW), Ministry of Public Works and Transport (MPWT)
30	Mr. Chasouy	Technical officer	Department of Premier and Cabinet (DPC), MPWT

4. Republic of the Union of Myanmar

I. National Consultation with Ministry of Foreign Affairs, Republic of the Union of Myanmar

Date: 11 September 2019: 09.30-11.30 AM

Venue: Ministry of Foreign Affairs, Nay Pyi Taw, Republic of the Union of Myanmar

No.	Name	Position	Affiliation
1	Mr. Win Zeyar Tun	Deputy Director-General	Sub-Regional Cooperation Division (SRCD), International Organizations and Economic Department (IOED), Ministry of Foreign Affairs (MoFA)
2	Ms. Aye Aye San	Director	SRCD, MoFA
3	Dr. Htuann Naung	Deputy Director	SRCD, MoFA
4	Ms. May Thet Htun	Deputy Director	SRCD, MoFA
5	Ms. July Kyaw Zaw	Head of Branch-2	SRCD, MoFA

II. National Consultation Workshop with Sectoral Ministries and PIAs in Yangon/ Nay Pyi Taw, Republic of the Union of Myanmar

Date: 11 September 2019: 13.30 - 16.00 PM

Venue: "NILAR 1" @Park Royal Hotel, Nay Pyi Taw, Myanmar

No	Name	Position	Affiliation
1	Dr. Htuann Naung	Deputy Director	SRCD, MoFA
2	Ms. July Kyaw Zaw	Head of Branch-2	SRCD, MoFA
3	Ms. Yee Yee Naing	Director	Small-Scale Industries Department, Ministry of Agriculture, Livestock, and Irrigation
4	Dr. Thi Thi Mor	Official	Department of Agriculture, Ministry of Agriculture, Livestock, and Irrigation
5	Mr. Ye Khaung	Director	Department of Rural Development, Ministry of Agriculture, Livestock, and Irrigation
6	Dr. Aye Thinzar Khine	Deputy Director	Livestock, Breeding and Veterinary Department (LBVD), Ministry of Agriculture, Livestock, and Irrigation
7	Mr. Myo Min Thu	Assistant Director	Department of Planning, Ministry of Agriculture, Livestock, and Irrigation
8	Ms. Wai Hnin Soe	Deputy Assistant	, Department of Agriculture, Ministry of Agriculture, Livestock, and Irrigation
9	Mr. Sai Myo Tint	Director	Department of Marine Administration, Ministry of Transport and Communications
10	Dr. Khin Lin	Deputy Director	International Relations and Information Division, Ministry of Transport and Communications
11	Ms. Nwe Ni Win Kyaw	Deputy Director	Department of Civil Aviation, Ministry of Transport and Communications
12	Ms. Thanda Thatoe Nwe Win	Deputy Director	Directorate of Water Resources and Improvement of Rivers, Ministry of Transport and Communications
13	Mr. Kyaw Naing Oo	Deputy Director	Directorate of Water Resources and Improvement of Rivers, Ministry of Transport and Communications
14	Mr. Phyo Htet Kyaw	Assistant General Manager (Planning)	Myanmar Railways, Ministry of Transport and Communications
15	Mr. Hein Zaw	Director	DIPI, Ministry of Industry
16	Mr. Zaw Tun Aung	Deputy Director	DIPI, Ministry of Industry
17	Mr. Thaug Oo	Director	Directorate of Industrial Supervision and Inspection (DISI), Ministry of Industry
18	Mr. Win Oo	Director	DISI, Ministry of Industry
19	Mr. Nay Lwin Htet	Deputy Director	DISI, Ministry of Industry
20	Ms. Zon Zin Lae	Assistant Director	DISI, Ministry of Industry
21	Ms. Tin Aye Aye Latt	Head of Division	DISI, Ministry of Industry

5. Kingdom of Thailand

I. National Consultation with Ministry of Foreign Affairs, Kingdom of Thailand

Date: 6 September 2019: 09.30 - 12.00 AM

Venue: Ministry of Foreign Affairs, Bangkok, Kingdom of Thailand

No.	Name	Position	Affiliation
1	Mr. Nikordej Balankura	Ambassador	Ambassador attached to the Ministry of Foreign Affairs, Ministry of Foreign Affairs (MFA)
2	Ms. Kundhinee Aksornwong	Director	Division of Economic Relations and Cooperation, Department of International Economic Affairs, MFA
3	Mr. Kasem Sailuenam	Counsellor	Division of Economic Relations and Cooperation, Department of International Economic Affairs, MFA
4	Mr. Chatnophdol Aksornsawad	First Secretary	Division of Economic Relations and Cooperation, Department of International Economic Affairs, MFA
5	Mr. Wasin Keatparitus	Third Secretary	Division of Economic Relations and Cooperation, Department of International Economic Affairs, MFA

II. National Consultation Workshop with Line Ministries and PIAs in Thailand

Date: 16 September 2019: 09.30 - 12.00 AM

Venue: Sukosol Hotel, Bangkok, Kingdom of Thailand

No	Name	Position	Affiliation
1	Mr. Kasem Sailuenam	Counsellor	Division of Economic Relations and Cooperation, Department of International Economic Affairs, MFA
2	Mr. Wasin Keatparitus	Third Secretary	Division of Economic Relations and Cooperation, Department of International Economic Affairs, MFA
3	Ms. Vanitcha Thumnithikul	Commercial Officer	Professional Level, Department of Foreign Trade, Ministry of Commerce
4	Ms. Waranya Phupitakphol	Trade officer	Professional level, Department of Trade Negotiations, Ministry of Commerce
5	Mr. Pongsak Laoswatchaikul	Plan and Policy Analyst	Professional Level, Ministry of Industry
6	Ms. Chawee Lomlek	Professional Foreign Relations Officer	Office of the National Water Resources
7	Ms. Phuttikul Thongcheusuk	Civil Engineer Officer, Professional	Office of the National Water Resources

		Level	
8	Ms. Suparadee Pothisath	Plan and Policy Analyst Officer	Foreign Agricultural Relations Division, Ministry of Agriculture and Cooperatives
9	Mr. Pithipong Sukonyeunyongkul	Information Management Officer	Foreign Agricultural Relations Division, Ministry of Agriculture and Cooperatives
10	Ms. Duanjai Suriyaarunroj	Technical Officer	Senior Professional Level, Department of Rice, Ministry of Agriculture and Cooperatives
11	Mr. Natapat Touchkulisadej	Transport Technical Officer	Foreign Relations Division, Ministry of Transport
12	Ms. Natthaleeya Narash	Foreign Relation Officer, Practitioner Level	International Affairs Division, Office of the Permanent Secretary, Ministry of Digital Economy and Society (MDES)
13	Ms. Chakriya Kathaleephan	Plan and Policy Analyst, Professional Level	Neighbouring Countries Economic Development Cooperation Agency (Public Organization) (NEDA), Ministry of Finance
14	Mr. Vudthidech Chumnikij	Plan and Policy Analyst	Senior Professional Level, Office of the National Economic and Social Development Council
15	Ms. Rachadaporn Suphunpong	Foreign Relations Officer, Professional Level	Bureau of International Cooperation Department of Water Resources, Ministry of Natural Resources and Environment

6. Socialist Republic of Vietnam

I. National Consultation with Ministry of Foreign Affairs, and National Consultation Workshop with Line Ministries and PIAs in Vietnam

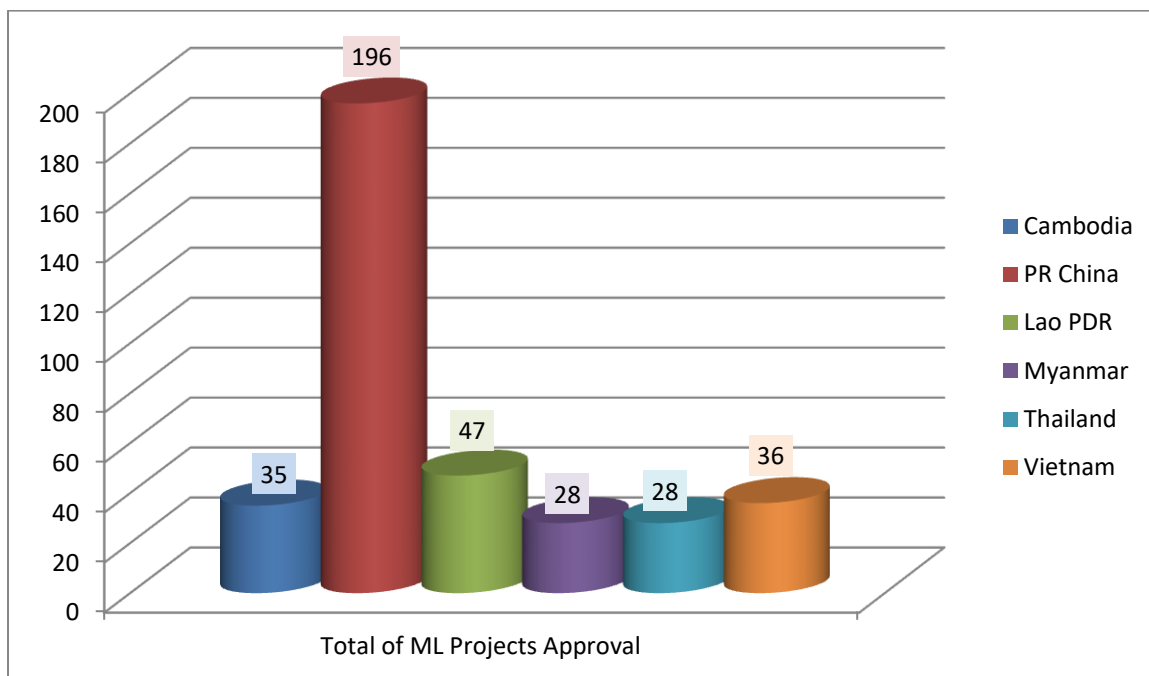
Date: 17 September 2019: 09.30 - 11.00 AM

Venue: Diplomatic Academy of Vietnam, Hanoi, Vietnam

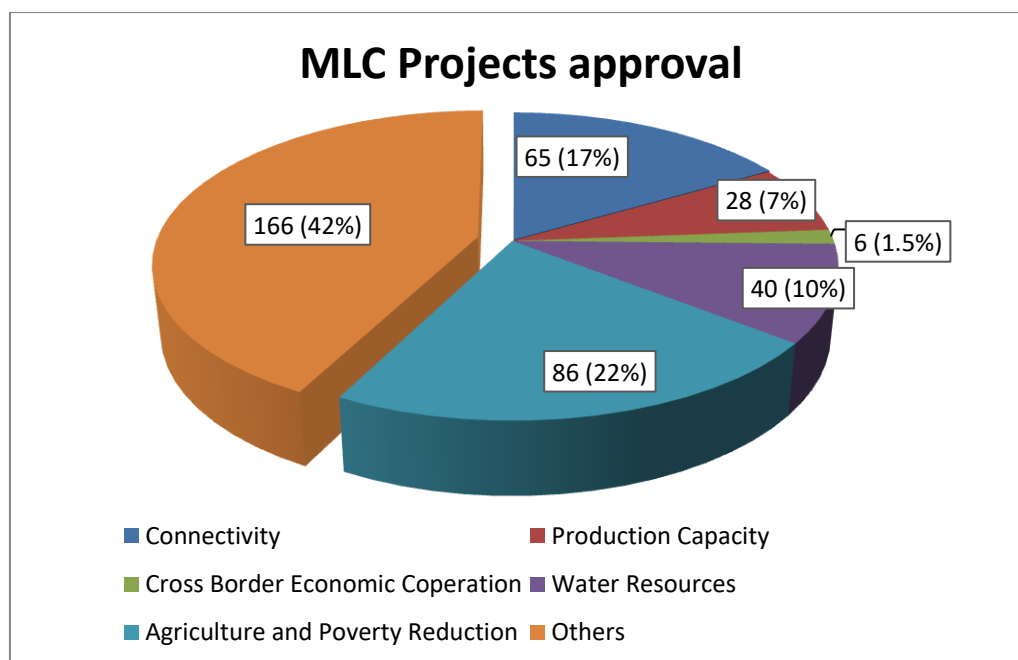
No	Name	Position	Affiliation
1	Ms. To Minh Thu	Deputy Director-General	Institute Foreign Policy and Strategic Studies, Diplomatic Academy of Vietnam
2	Ms. Doan Thi Xuan Huong	Senior Official	Department of International Cooperation (ICD), Ministry of Natural Resources and Environment (MONRE)
3	Mr. Nguyen K. Khang Duy	Official	Department of Economic Affairs, Ministry of Foreign Affairs (MOFA)
4	Mr. Trinh Dinh Cuong	Official	Department of Economic Affairs, Ministry of Foreign Affairs (MOFA)
5	Ms. Vu Thi Thuy	Official	Department of International Cooperation, Ministry of Industry and Trade
6	Mr. Can Van Toan	Official	Department of International Cooperation, Ministry of Agriculture and Rural Development
7	Mr. Nguyen Dinh Sach	Researcher	Institute Foreign Policy and Strategic Studies, Diplomatic Academy of Vietnam

8	Ms. Nguyen Le Ngoc Anh	Researcher	Institute Foreign Policy and Strategic Studies, Diplomatic Academy of Vietnam
9	Ms. Han Lam Giang	Researcher	Institute Foreign Policy and Strategic Studies, Diplomatic Academy of Vietnam
10	Ms. Vu Thi Thanh Tu	Researcher	Institute Foreign Policy and Strategic Studies, Diplomatic Academy of Vietnam

Appendix II. Preliminary Summary of MLC Projects



MLC Project approval



Appendix III. Summary Notes on Country Consultations

1. Cambodia:

• Line Ministries:

- 1) Request more coordination/cooperation with the Ministry of Foreign Affairs and International Cooperation (MFIC); more clarification on the criteria of project approvals as line ministries believe only 20% of their proposed projects got approved. Request more communication among line ministries and MFIC coordinators.
- 2) Limited fund for connectivity: the proposed projects are large scale projects but the budget limited- only \$500,000 for early harvest projects and \$1 million for last year (2018) projects.
- 3) Short notice and confusing fund release process. It takes time to receive grant/fund, with a complicated process related to the manual (SOP) of the Ministry of Economics and Finance.
- 4) Officers in charge of Connectivity JWG were able to directly propose projects to China at a meeting in Nanning. For example, the officers from the Ministry of Public Works and Transport (MPWT), Cambodia, proposed 15 projects directly to China, out of which 7 projects were selected. The event did not involve MFIC. After that, the officer in charge was trying to follow up with the Chinese side – i.e. the MLC secretariat in Beijing – but there is no further information on how to start implementing the selected projects. Communication with the JWG on the Chinese side was not smooth. They tried to communicate via MFIC in Cambodia as well but no further comments from the MFIC.
 - In Cambodia, the proposed plan for connectivity (2020-2035) e.g. railroad, railway, is based on a JICA study (ie. Cambodia ASEAN master plan is based on a JICA study). In the MLC connectivity plan, some of the proposed plans do not rely on the JICA study. Plans are combined from different frameworks e.g. the MLC priorities areas, ASEAN Connectivity 2025, ACMECS and GMS plan.
 - For some projects, the MPWT would like to do bilateral with China PRC. For some other projects, the MPWT would like to have multi-national cooperation.
- 5) There is no financial focal point to consult on procedures. The processes are lengthy, too many and sometimes complicated. Because MFIC, Cambodia applied the procedures in line with the SOP manual for receiving funds by the Ministry of Economic and Finance, but Chinese MLC does not require these procedures. It depends on the member country's consideration.
 - For rural development, the ministry changes the focal point quite often, sometimes the previous official in charge is moved to other departments, thus causing a loss in information loss and lack of continuity.

6) Project Procurement

- MFIC requests a project implementing agency (PIA) to follow the SOP manual of the Ministry of Economy and Finance (MEF) as China hasn't provided a guideline on the procurement procedure.
- Bidding and procurement procedures take a lot of time, i.e recruiting consultant/civil works takes 1 or 2 years for a budget of 1 million USD
- In the first phase, there was a direct contract with the PIA since there were no guidelines from MFIC. But in the second phase, MFIC advised the PIA to follow national SOP from MEF's procurement manual. The procurement document needs to have approval from different authorized agencies.
- Project implementation cannot be moved forward due to budget and time constraints, so it was suggested that the procedure should be simplified and go through only MFIC and China side. (New instruction causes projects delays)

7) Lack of expertise on bidding procedure within Line Ministries. (e.g. Ministry of Rural Development)

• **MFIC, Cambodia:**

- The country-run projects under MLC separately from other mechanisms (MLC 35 projects approved)
- Applied SOP procedure for monitoring and implementation, based on the experience of ADB projects, for having certain standards and transparency (worked with the Ministry of Economics and Finance)
- A clear timeline of MLC project submission and approval is preferred
- Lack of human resources, a small number of officials with many regional cooperation mechanisms
- Suggested MI and regional cooperation engage more with local expertise/think tanks e.g. CDC, CDRI, AVI (Asian Vision Institute) – to add more local actors and have more understanding of local needs.

• **Capacity Building requirements:**

- Training on Project Management emphasizing monitoring and evaluation of development projects to improve skills and knowledge on specific methods and prepare formative and summative project evaluation reports.
- Establishment of monitoring and evaluation system for MFIC and line ministries for two-way communications on updating the progress of project implementation, tracking the status of projects as well as effective monitoring and evaluation on projects.

- For connectivity JWG, Structured Learning Visits (SLVs) are suggested along the corridors, rail routes, train routes, cross border points for seeing potentials of proposed projects and observing best practices.

2. China PRC:

• MoFA, China PRC:

- MLC established an MLC hotline platform, with the focal person for working closely with the countries,
- MI suggests MOFA, China to do a feasibility study of the projects
- MOFA, China is in the process of preparing/researching suitable monitoring and evaluation systems for project approval and implementation.
- MOFA, China is in the process of improving project proposal guidelines
- MOFA, China will try to review and approve projects of longer terms e.g. 3-5 years for a project.
- MI suggests MOFA, China to divide the grant in percentage or portion according to the project's progression e.g. 40/40/20, for the approved project with the project progress report, apply the tracking system on the use of grants/funds. (Proposed M&E system)
- MOFA, China informs that there is no budget limit per country, project approval depending on the quality of the project.
- MOFA, China is open to cooperate with other regional mechanisms e.g. ACMECS, MRC, ADB, and ASEAN.
- Limited manpower (officials in MOFA) might be making some processes slower than expected.

• Line Ministries:

- Connectivity: China Development Bank (CDB) reviews the MLC connectivity plan, the MLC connectivity plan drafted by the Ministry of Commerce, China PRC with representatives of ministries of all six countries.
The proposed JWG Connectivity (2020-2035) has been reviewed by CDB e.g. promote highway/railways network: the 3 verticals + the 3 horizontals, based on investment and finance plans, and shared benefits among member countries. The plan is in the process of getting consensus from six member countries.
- Production Capacity – it is under the responsibility of the National Development and Reform Commission representing China PRC, under International Capacity Cooperation Department, the unit initiated to support the building up of the BRI. Specifically, its responsibility is to categorize new demand by increasing the effectiveness of production capacity in aspects of enterprise bases, manufacturing, shared resources & infrastructure, construction/advancement equipment, and technical progression.

Under 7 projects e.g. investment promotion alliance, networks, MLC production capacity fund, MLC production capacity network, development capacity building projects, development joint research, aim is to set up MLC Production Capacity Funds (under China Investment Cooperation, China ASEAN Fund – some part of projects will get support from MLC Special Fund). They wish to host more investment promotion activities and direct investment (industrial-based), more exports of products to the south (shred resources, investment, and information)

- Cross-border: the responsibility of the Ministry of Commerce. There are some limitations e.g. too many mechanisms (GMS, ACMECS, etc.), and hard to reach agreements (consensus) between all countries, and there are differences in the speed of countries' economic growth rates that affect effective coordination of the plan. But he expressed the commitment of his unit, to work closely with the member countries to move forward the ML cooperation.
 - Water Resources: the MLC Water Resources Center has been established in China. It is working closely with the six countries and experts from MLC Water resources cooperation. There is cooperation with MRC in various areas (including research and development)
 - Agricultural / Rural Affairs: China proposed 3 years work plan to the JWG (we don't have the paper)
 - CIIS: Suggests the country members implement the projects by top-down management, creating partnerships, ownerships, integration of mechanisms and avoiding political issues.
- **Capacity Building requirement:**
 - Capacity Building to set up an effective Monitoring and Evaluation System
 - Capacity Building on Project Management and Evaluation for Sub-Regional Development Projects. E.g. (i) Project Initiation: Project Conceptualization and Identification, (ii) Project Formulation and Appraisal, (iii) Project Planning and Implementation, Project Control, and (iv) Projects' Monitoring and Evaluation
 - Develop clear guidance and setting a clear timeline of project submission with details to provide to the ML members' country
 - Feasibility study on projects

3. Lao PDR:

• Line Ministries, Lao PDR:

- Line ministries report that they do not understand how the MoFA, Lao PDR selected the projects, there is no clear identification on criteria. (At the meeting, the MoFA, official response was that they submitted all project submissions by line ministries and PIAs to the Chinese embassy, no decision is made by Lao PDR, MOFA.
- There is no clarification on project submission and approval because some of the approved projects do not belong to the five priority areas.
- There is no clear format on the report and M&E guidelines. (similar issues in all countries)
- A slow process of fund transfer
- There is no feedback on why projects have not been selected. Request MOFA (China) to inform, why projects have not been selected, for the betterment or improvement of future project proposals.
- Short notice and delay in communication
- For the consensus on the WG action plan, e.g. production capacity WG, proposed JWG paper was given to country members to review and comment only one week before the meeting. (the timeline is not enough to review all details, and not enough time for internal consultation, Thus, not easy to reach the conclude/consensus of the members' countries and the effects to the outcomes)

• MoFA, Lao PDR:

- MOFA informed their lack of expertise in the specific areas in order to review, comment, and provide recommendations for the improvement of the proposals that were submitted by Line Ministries and PIAs.
- They give their best and shortest time to inform all processes and guidelines to Line Ministries.
- MLC mechanism in Lao PDR, MOFA is managed separately, no coordination with another mechanism
- The Ministry of Planning and Investment applies ODA regulations on projects that are implemented
- Request to add more priority areas, suitable to their country needs.
- Request sharing of data on water resources management. (Mekong River)

• Capacity Building requirements:

- It is necessary to enhance the writing skills of officials, line ministries agencies, and PIAs for the betterment of projects proposed.
- Expertise to comment/consult for the betterment of project proposals.
- Monitoring and Evaluation of the development projects.

4. Myanmar:

- **MoFA, Myanmar:**

- Myanmar got a total of 29 projects (1st year 10 projects, 2nd year 19 projects) under MLC.
- MOFA received 60-70 project submissions. They reviewed and rejected some projects. It is time-consuming to review and sometimes comment, with the recommendation to improve the proposal.
- In Myanmar, the MLC Special Fund grant process is faster and fund allocation is easier.
- MOFA would like to request Line Ministries to always include MOFA in all communications with the China side as well as in all the JWGs to coordinate. A regional government has no authority to make a commitment, and they must go through / or report/transfer the communication to Central Government.
- MLC is in line with Myanmar's NSDP (National Sustainable Development Plan)
- Request capacity building on project writing proposal and designing the project proposal for Myanmar (MOFA, and Line Ministries) because on reviewing the projects, they found out that many of the projects which were submitted were not of good quality.
- Lack of manpower: for reviewing/selection of projects, they have no expertise in specific topics.
- MOFA proposes to line ministries to draft master strategic plans of the ministries and prepare proposals in advance for better management of time and also there is a possibility to submit to others development partners (mechanisms/framework)

- **Line Ministries, Myanmar:**

- No clarification on how/which projects are selected
- They follow the procurement process of the Myanmar National Procurement Process.
- Some line ministries are unclear on the project submission timeline.
- Lack of skill to write a good quality proposal

- **Capacity Building requirements:**

- Skills for writing project proposals (including language issue)
- Strategic planning for the ministries on their priorities, activities for proposing projects.

5. Thailand:

• **MFA, Thailand:**

- Synergize MLC with others regional cooperation/mechanism e.g. ACMECS
- Request China to always communicate through MFA or include MFA representative in the loop of communication. If there are direct communications with line ministries or PIAs, MFA should be updated on these for better cooperation.
- Synchronize systems of water resource management, request data sharing on water resources management (instant data)
- Request China side to have more understanding of processing timelines and procedures of each country: some processes in some countries could take a long time. Request China's side to inform in advance, for better cooperation.
- Request a feasibility study for projects proposal
- Request clarity on the process of proposal submission

• **Line Ministries, Thailand:**

- No clear criteria of project selection
- Short notice
- China MOC is in direct contact with MOC sometimes; MOC requests to always keep MFA in the loop of communications.

• **Capacity Building/other requirements:**

- Conduct a feasibility study
- Build a system of data sharing on water resources management

6. Vietnam:

• **MOFA and Line Ministries, Vietnam:**

- MONRE - international cooperation proposed some projects to MLC but still waiting for the result. The officer requested to attend more workshops/training to get more information for better cooperation under MLC.
- Limited knowledge of cooperation and understanding how to get funding.
- MOFA informs that they deliver the information to line ministries through the ministry and each ministry communicates with concerned departments by their internal process.
- Ministry of Industry and Trade of Vietnam, after receiving information from MOFA, circulate to the concerned department under their Ministry, after receiving project proposals review/screen projects. But due to time limitations, the quality of projects is not so good.

- Request to invite/concern other Ministries for each communication of training/seminars and JWGs – they didn't get the information from MOFA (or MOFA sent but goes to another department within the Ministries).
- The researcher informed there is a limitation to approach the MLC. They would like to have more cooperation with MI for the researcher network.
- **Capacity Building requirements:**
 - Lack of skills in writing project proposals
 - Capacity building of focal points to establish a clear channel of Information and communication strategic platform between MOFA to their Line Ministries.
 - Set up a researcher network in MLC for the priority areas/sectors.

The Greater Mekong Subregion

The Greater Mekong Subregion (GMS) comprises five Southeast Asian countries and two provinces of China sharing the Mekong River, namely Cambodia, Lao PDR, Myanmar, Thailand, Vietnam, and Yunnan Province and Guangxi Autonomous Region of the People's Republic of China.

About Mekong Institute

Mekong Institute (MI) is a GMS intergovernmental organization (IGO) working closely with the governments of six countries to promote regional development and cooperation through capacity building programs and projects in three thematic areas of agricultural development and commercialization, trade and investment facilitation, and innovation and technological connectivity.



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