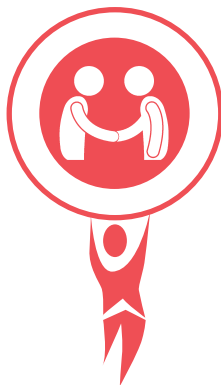
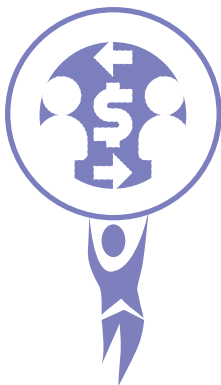


 IMT-gt

VISION 2036







IMT-GT VISION 2036

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IMT-GT LEADERS' DECLARATION ON THE ADOPTION OF THE IMT-GT VISION 2036

WE, the leaders of the Member Countries of the Indonesia-Malaysia-Thailand Growth Triangle (hereinafter referred to as IMT-GT), namely, the Republic of Indonesia, Malaysia and the Kingdom of Thailand, on the occasion of the 10th IMT-GT Summit in Manila, the Philippines;

RECALLING our agreement at the Ninth IMT-GT Summit in Langkawi, Kedah, Malaysia in April 2015 to review the IMT-GT strategy and to identify future strategic directions to ensure the subregional stays relevant and competitive;

RECOGNISING that the ASEAN Economic Community Blueprint 2025 adopted by all ASEAN Leaders at the 27th ASEAN Summit in Kuala Lumpur, Malaysia in November 2015 resolved to create an ASEAN economy that is highly integrated and cohesive; competitive, innovative, and dynamic; well-connected with enhanced sectoral cooperation; resilient, inclusive, people-oriented, and people-centred; and integrated into the global economy;

RECOGNISING ALSO that IMT-GT can be an important building block of the ASEAN Economic Community;

COMMENDING the work of the IMT-GT Ministers and Senior Officials, together with the relevant IMT-GT Bodies and the Centre for IMT-GT Subregional Cooperation, and with the strategic advice of the Asian Development Bank, in developing the IMT-GT Vision 2036;

EXPRESSING appreciation for the support shown by the Asian Development Bank and ASEAN Secretariat as well as our external partners towards the IMT-GT Vision 2036 and their readiness to partner with IMT-GT in the implementation of the Vision;

DO HEREBY:

1. **ADOPT** the IMT-GT Vision 2036;
2. **RESOLVE** that IMT-GT Member Countries as well as all IMT-GT Bodies shall implement the IMT-GT Vision 2036 in a timely and effective manner;
3. **TASK** the IMT-GT Ministers, Chief Ministers and Governors, Senior Officials, National Secretariats, Joint Business Council, Working Groups, Centre for IMT-GT Subregional Cooperation and other relevant IMT-GT bodies to coordinate closely with relevant stakeholders and to mobilise adequate resources for the implementation of the IMT-GT Vision 2036; and
4. **TASK** the Centre for IMT-GT Subregional Cooperation to monitor, evaluate and report the progress and challenges of implementation of the IMT-GT Vision 2036 to the IMT-GT Summit through the IMT-GT Ministerial Meeting on a regular basis.

ADOPTED in Manila, the Philippines this 29th Day of April in the Year Two Thousand and Seventeen, in a single original copy, in the English Language.

Executive Summary

Significant progress made

IMT-GT has experienced an extended period of economic growth since its inception in 1993. The subregion's GDP increased by nearly three times over the last decade. To date, the GDP per capita of IMT-GT is higher than that of ASEAN. Trade between member provinces and states has been on a steady rise over the past two decades, from less than US\$ 15 billion per year recorded in the early 1990s to over US\$ 120 billion per year in 2014.

IMT-GT aims to attain local regionalism through local economic cooperation and integration on the basis of economic complementarities. This report shows that the economic actors in the subregion have been able to exploit these complementarities with some degree of success, as indicated by the positive intra-IMT-GT goods flows, human flows (business visitors, tourists), and capital flows (foreign direct investment).

Inherent strengths

The subregion's cultural diversity, natural beauty and unique ecosystem continue to attract investment and visitors from across the world. IMT-GT is poised to reap the demographic dividend during the Vision 2036 period. Underpinned by such internal strengths, coupled with the strong policy and technical support from the national governments and partner institutions, IMT-GT is on a solid path to development.

Formidable challenges ahead

However, there are challenges facing the subregion. There are still considerable administrative, technical and regulatory barriers to intra-IMT-GT trade. Reflecting this is the current low level of intra-IMT-GT trade to total trade of IMT, which stands at around nine percent. The percentage share has not gone up by much since the creation of IMT-GT and has been significantly lagging behind the 24 percent attained by ASEAN. If this situation is allowed to persist, IMT-GT will not be a meaningful player in the ASEAN Economic Community building process.

There has been no significant progress towards raising IMT-GT's competitive edge. More than 75 percent of IMT-GT's business units are micro, small and medium enterprises involved in relatively low value adding activities with limited capacity to innovate. There has been weak involvement of local governments, local businesses, universities, research organisations and civil societies in the IMT-GT process, thereby limiting the potential spill over or trickle-down effect of regional cooperation. IMT-GT's ecosystems and natural resources are increasingly stressed following decades of exploitation and extraction with little emphasis on sustainability.

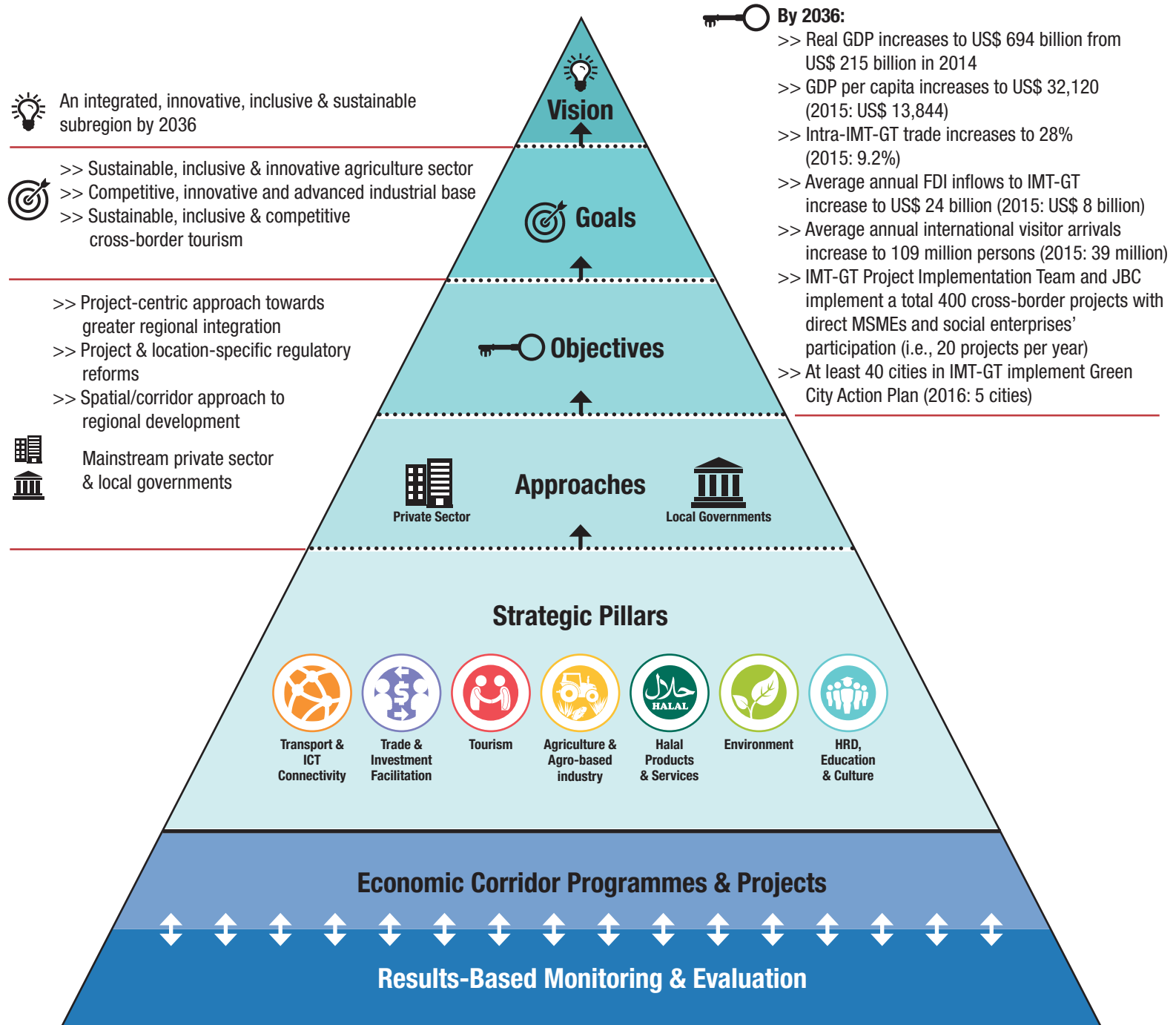
IMT-GT Vision 2036 (Vision 2036) was developed to respond to its development potential and challenges as espoused through the SWOT analysis that was prepared in the Comprehensive Review of IMT-GT Strategy.

Responding to megatrends and new regional economic development paradigms

In developing Vision 2036, special attention was also given to the emerging regional and global megatrends, including: (a) The rise of the consuming class; (b) The rise of the middleweight cities; and (c) The need to improve productivity through capturing of a greater share of global flows in trade and investment through promoting competitiveness in trade-related areas; leveraging on the urbanisation wave in the subregion through development of efficient and sustainable infrastructure solutions; and taking advantage of disruptive technologies.

Vision 2036 features key elements of the new regional economic development paradigms, such as giving greater emphasis on a deeper level of engagement towards economic integration; cross-sectoral approach to development; greater focus on building functional regional economic corridors; and promoting country/regional ownership.

Guiding framework



Vision 2036

IMT-GT's vision is to become an integrated, innovative, inclusive and sustainable subregion by 2036. It is a shared strategy for promoting growth through greater regional economic integration and innovation, and for conserving and investing in IMT-GT's natural capital for the well-being of the present and future generations. It is also a long-term strategy for empowering its people to contribute to and benefit from the socioeconomic development of the subregion. The vision is formulated with the IMT-GT people as the centrepiece of all regional development efforts.

Three priority goals

To realise the vision, IMT-GT will strive to deliver three priority subregional goals: (a) Sustainable, inclusive and innovative agriculture sector; (b) Competitive, innovative and advanced industrial base; and (c) Sustainable, inclusive and competitive cross-border tourism. The three goals were determined based on the comparative and competitive advantages of IMT-GT, the potential for strong and sustained economic growth with significant multiplier effects throughout the subregion's economy.

Three guiding approaches

IMT-GT adopts the following three mutually reinforcing approaches to ensure the subregion's future success:

1. Project-centric approach towards greater regional integration
2. Project-specific and location-specific regulatory reforms (joint debottlenecking effort)
3. Spatial approach to regional development

The first approach emphasises on the need to identify and implement catalytic projects that are scalable, replicable and sustainable in order to propel IMT-GT to the next level of economic cooperation and towards economic integration.

The second approach underlines the importance of instituting project-specific and/or location-specific (between port pairs or between border city/town pairs) rule and regulatory changes to accelerate project implementation. More often than not, joint projects that aim to move goods, people and vehicles across the borders face administrative, technical and regulatory bottlenecks on both sides of the border. This calls for a joint and coordinated debottlenecking effort from all Member Countries. Based on the principle of reciprocity, action may be undertaken on a bi-lateral or tri-lateral basis, depending on individual project requirements.

The third approach and the Economic Corridor Programmes and Projects section show how IMT-GT can maximise the economic network externalities of the five priority economic corridors through improving physical connectivity, addressing software deficits, infusion of innovation and creation of cross-border value chains.

It also underscores the importance of applying a spatial approach to better plan and manage IMT-GT's national resources and to conserve the natural environment. Being part of the biogeographical region called Sundaland, IMT-GT Member Countries share the same sea and many of their coastlines, forests and watershed areas are physically linked. Spatial management measures are effective for optimising the usage of the subregion's natural resources, sustaining its resource-based industries over the long-run and conserving the rich biodiversity.

Mainstreaming private sector and local governments

IMT-GT places the private sector and local governments at the heart of its efforts to accelerate subregional economic and social development. These two key stakeholders will take strong ownership of and be the main drivers of IMT-GT projects. Together with the local community, they will be the direct beneficiaries of IMT-GT projects.

At project level, IMT-GT will adopt a bottom-up approach in project identification, planning and formulation. More project proposals will originate from the private sector and local governments so that projects implemented are directly relevant to them and addressed their priority needs.

At an institutional-level, IMT-GT will undertake specific measures to enhance the role of the IMT-GT Joint Business Council (JBC). This includes a measure to legally register JBC to boost its internal organisational strengths, its policy advocacy capability, its role as a regional coordinating body for the private sector, and its ability to recruit new members, fund raise and enter into formal contract and partnership with partners.

Specific measures for mainstreaming the participation of the local governments (LG) include: (a) Developing a robust communications system to facilitate vertical and horizontal information flows; (b) Proposal on setting up subnational level LG secretariat as an in-country focal point for the LG to interface with other in-country IMT-GT bodies and local businesses; and (c) Implementing targeted capacity building programmes for the LGs, such as programmes on sensitising them on the potential benefits and impacts of IMT-GT programmes on local communities; equipping them with the knowledge and skills that will enable them to advocate local interests at IMT-GT forums; and enhancing project management capacity with the view of generating bottom-up projects.

Underpinned by results-based monitoring and evaluation

To accelerate the strategic shift toward results, IMT-GT will mainstream the results-based monitoring and evaluation system as outlined in the IMT-GT Project Manual.

Supported by seven strategic pillars

There are seven strategic pillars to support Vision 2036. The seven pillars that have been carefully identified as key focus areas that could produce the most significant economic and social impact on the subregion over the period 2017-2036 are: (a) Agriculture and Agro-based Industry; (b) Tourism; (c) Halal Products and Services; (d) Transport and ICT Connectivity; (e) Trade and Investment Facilitation; (f) Environment; and (g) Human Resource Development (HRD), Education and Culture.

Lead Focus Areas to spearhead growth

The Agriculture and Agro-based Industry, Tourism, and Halal Products and Services Focus Areas will spearhead IMT-GT's cooperation and integration efforts over the next two decades and beyond. Earmarked as Lead Focus Areas of IMT-GT, they were selected based on careful evaluation of the comparative and competitive advantage of the subregion and individual member economies as guided by the results of the Comprehensive Review of the IMT-GT Strategy.

Enablers to support and facilitate development

The three Focus Areas will be supported by four other Focus Areas that act as enablers, namely Transport and ICT Connectivity, Trade and Investment Facilitation, Environment and Human Resource Development, Education and Culture. The enablers support and empower the Agriculture and Agro-based Industry, Tourism, and Halal Products and Services Focus Areas through the provision of a facilitative and conducive environment. They are the main bodies that drive the 'Project and Location-Specific Regulatory Reforms' (Guiding Approach 2), involving actively in the debottlenecking of administrative, technical and regulatory barriers that impede the cross-border flow of goods, services, investment, people and vehicles.

Focus Areas' strategies

The combined outcomes and impacts of the programmes and projects under the seven Focus Areas are expected to result in the realisation of Vision 2036 and its priority goals. To this end, each Focus Areas will systematically pursue a set of key strategies. These strategies will be implemented in an incremental manner over four successive five-year Implementation Blueprints.

Institutional strength in implementing Vision 2036

As the highest decision-making body of the subregion, the IMT-GT Leaders' Summit discusses and creates policies for the subregion. It fosters consensus on IMT-GT issues and provides overall policy guidance on subregional cooperation and integration.

The Ministerial Meeting (MM) provides overall guidance and advice on the implementation of the IMT-GT Vision 2036. The MM also provides guidance to address key issues and challenges of common interest and sets policy directions to achieve the priority goals of Vision 2036.

The Chief Ministers and Governors Forum (CMGF) provides policy inputs to and collaborates closely with SOM and MM for effective implementation of Vision 2036 at local government level.

The Senior Officials Meeting (SOM) determines the implementation priorities and provides directions and advice on Vision 2036 to ensure coordination and integration of its guiding approaches, key measures and strategies. The SOM also oversees the overall implementation of the measures and strategies of Vision 2036 both in terms of timeliness and effectiveness.

The National Secretariats (NS) support the SOM in the operationalisation of Vision 2036. The NS also act as national focal point for the coordination and monitoring of Vision 2036 programmes.

The existing six Working Groups will be retained. From time to time, where necessary, the existing terms of reference of the WGs may be updated or revised to ensure effective implementation of Vision 2036.

The Environment Pillar will be handled by CMGF and facilitated by CIMT. A Sub-Working Group on ICT is added to the WG on Transport Connectivity to coordinate and facilitate ICT connectivity programmes. To highlight the role of education in HRD, the role of UNINET is recognised under a new "Education" area, which is added to the WG on HRD. To mainstream social-cultural cooperation, a cultural sub-working group is added to the WG on HRD.

As the seven strategic pillars are inextricably linked, success of a project under one Focus Area is contingent on the performance of projects in other Focus Areas. This calls for closer cross-sectoral collaboration between the Working Groups and convening of convergence meetings to accelerate project implementation.

Project Implementation Teams will be created under the WG structure for implementation of specific projects of Vision 2036. Such project teams will include private sector and local government representation. Relevant private sector champions or industry leaders are strongly encouraged to be members of the team.

The Joint Business Council will act as the focal point of the private sector with a clear mission of encouraging the private sector to pursue trade and investment opportunities created by the Vision 2036. Its members will be key implementers of Vision 2036 projects.

CIMT's role is to initiate, advise, coordinate, facilitate, implement, monitor and evaluate Vision 2036 programmes and projects, in line with its mandate stipulated under its establishment agreement.

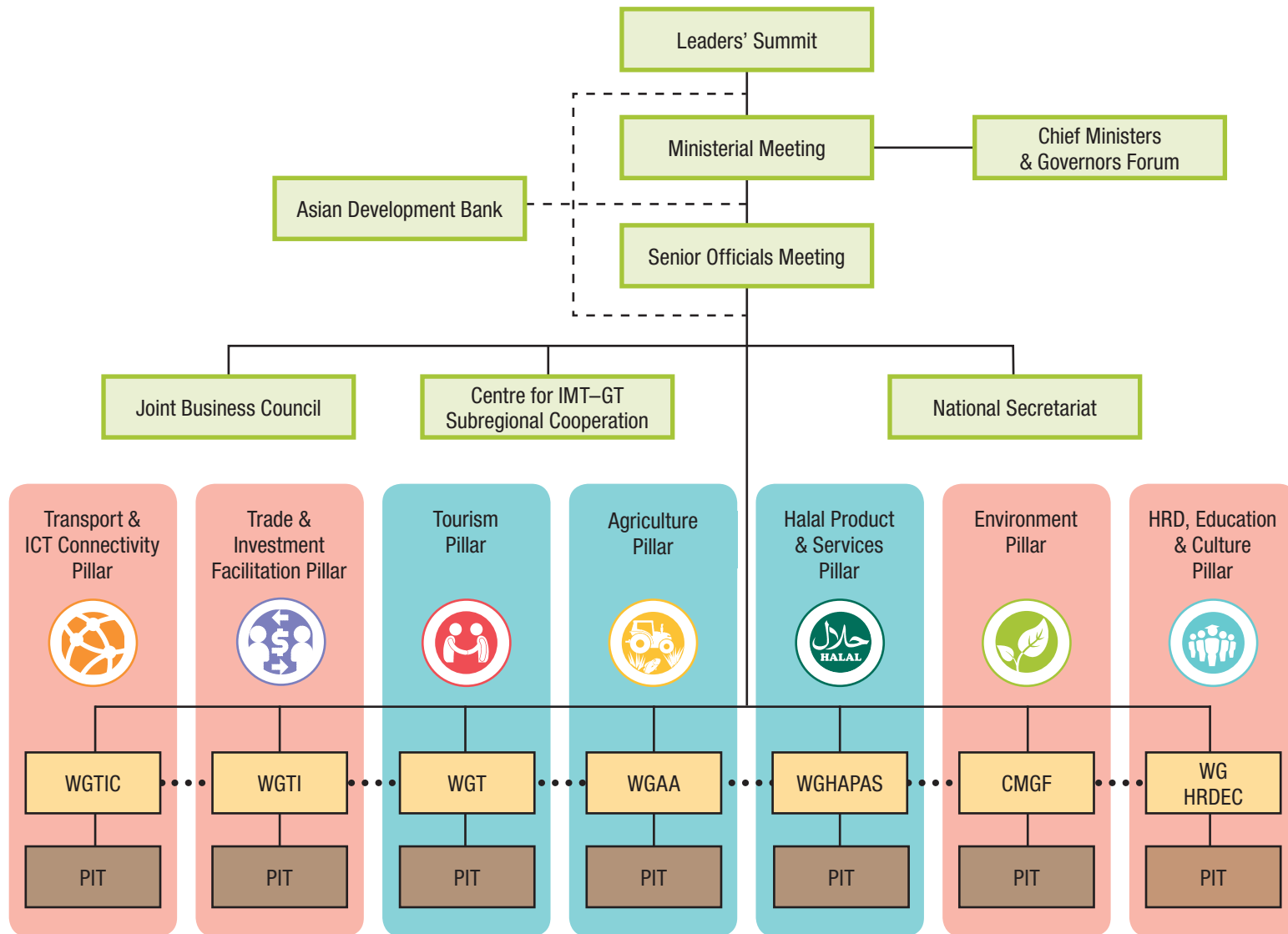
IMT-GT needs the support of international development partners in achieving the goals set out in Vision 2036. Vision 2036 places high priority on strengthening the institutional linkages between CIMT and the ASEAN Secretariat. ADB has been a Regional Development Partner and Development Advisor since 2007. IMT-GT will continue to give high priority to strengthen its collaboration with ADB over the Vision 2036 period. IMT-GT will constantly seek to forge new partnerships with potential institutional partners.

Communicating Vision 2036

IMT-GT will step up its efforts to articulate and communicate the key messages about Vision 2036 to the stakeholders. The end goals are to instil a strong sense of ownership and identity among IMT-GT's citizens; demonstrate the range of opportunities and benefits offered under Vision 2036; and inspire and bring new opportunities to the people of IMT-GT and the broader global community. Under Vision 2036, a robust communication strategy that is intentional and strategic in its objectives will be developed and implemented.

Supported by five-year Implementation Blueprints

There are three other self-contained yet inter-related reports that accompanied Vision 2036. They are: (a) Implementation Blueprint (IB) 2017-2021; (b) Project Portfolio of IB 2017-2021; and (c) Showcase Projects of IB 2017-2021. IB 2017-2021 is the first five year strategic document and action plan for the operationalisation of Vision 2036 (IB 2022-2026, IB 2027-2031 and IB 2032-2036 will be developed in the future). The Project Portfolio of IB 2017-2021 and Showcase Projects of IB 2017-2021 provide project-level information of the IB.



LEGEND

	Lead	WGAA	Working Group on Agriculture and Agro-based Industry
	Enabler	WG HAPAS	Working Group on Halal Products and Services
	Coordination and facilitation roles	WG HRDEC	Working Group on Human Resource Development, Education and Culture
	Implementation role	WG T	Working Group on Tourism
	Convergence relationship	WG TI	Working Group on Trade and Investment
CMGF	Chief Ministers and Governors Forum	WG TIC	Working Group on Transport and Information and Communications Technology Connectivity
PIT	Project Implementation Team		

Abbreviations

ACIA	ASEAN Comprehensive Investment Agreement
ADB	Asian Development Bank
AEC	ASEAN Economic Community
AFAFIST	ASEAN Framework Agreement on the Facilitation of Inter-state Transport
AFAFGIT	ASEAN Framework Agreement on the Facilitation of Goods In Transit
AQRF	ASEAN Qualification Reference Framework
ASEAN	Association of Southeast Asian Nations
ATIGA	ASEAN Trade in Goods Agreement
BIMP-EAGA	Brunei Darussalam–Indonesia–Malaysia–Philippines East ASEAN Growth Area
CBTP	Cross Border Transport of Passenger
CIMT	Centre for IMT-GT Subregional Cooperation
CIQ	Customs, Immigration and Quarantine
CMGF	Chief Ministers and Governors Forum
EC	Economic Corridor
ERIA	Economic Research Institute for ASEAN and East Asia
FDI	Foreign Direct Investment
GCAP	Green City Action Plan
GDP	Gross Domestic Product
HRD	Human Resource Development
IB	Implementation Blueprint
ICLEI	International Council for Local Environmental Initiatives
ICT	Information and Communications Technology
IMT	Indonesia, Malaysia, Thailand
IMT-GT	Indonesia-Malaysia-Thailand Growth Triangle

JBC	Joint Business Council
KLIA	Kuala Lumpur International Airport
LG	Local Government
MoU	Memorandum of Understanding
MM	Ministers Meeting
MPAC	Master Plan of ASEAN Connectivity
MRA	Mutual Recognition Arrangements
MSME	Micro, Small and Medium Enterprises
NS	National Secretariat
NSW	National Single Window
PIT	Project Implementation Team
PPP	Purchasing Power Parity
RO-RO	Roll On-Roll Off
SEZ	Special Economic Zone
SME	Small and Medium Enterprises
SOM	Senior Officials Meeting
SWOT	Strengths, Weaknesses, Opportunities, and Threats
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNINET	University Network
WG	Working Group
WGAA	Working Group on Agriculture and Agro-based Industry
WGHAPAS	Working Group on Halal Products and Services
WGHRDEC	Working Group on Human Resource Development, Education and Culture
WGTIC	Working Group on Transport and Information and Communications Technology Connectivity
WGT	Working Group on Tourism
WGTI	Working Group on Trade and Investment



The Context of IMT-GT VISION 2036



Why IMT-GT Vision 2036 is urgently needed



GDP
per capita



poverty
incidence



IMT-GT has great potential given its rich resource endowments, a dynamic private sector, huge internal market of 81 million people and strong support from the three member governments.

The subregion has achieved much in improving the socioeconomic well-being of the majority of its population since its inception.

However, IMT-GT must not rest on its laurels. It must constantly strive to improve through optimising its inherent strengths and continue to innovate and reposition to capture new opportunities arising from emerging regional and global trends. To stay ahead of the competitive curve and be effective, IMT-GT must be responsive to the dynamic socioeconomic landscape that it is in and be mindful of the latest changes in regional economic development paradigms.

Against this backdrop, the Ninth IMT-GT Summit held in April 2015 underscored the urgent need for a comprehensive review of IMT-GT's strategy to ensure the subregion stays relevant and competitive over the long-run.

The Summit tasked the Centre for IMT-GT Subregional Cooperation (CIMT) to conduct the review exercise. The effort will involve a review of IMT-GT's progress since its inception and the formulation of a long-term strategic direction for the subregion. The results of the review exercise are presented in this report titled IMT-GT Vision 2036.¹

Vision 2036 is designed to guide IMT-GT to the next level of economic cooperation and integration as well as social development from 2017 until 2036 and beyond.



2017



Vision 2036

¹ For brevity, the term Vision 2036 is also used in the Report

IMT-GT has experienced an extended period of political stability and economic growth since its inception in 1993. It has a combined gross domestic product (GDP) of close to US\$ 400 billion (current price) in 2014. Its GDP per capita (current, purchasing power parity (PPP)) in 2015 was US\$ 13,844, higher than the US\$ 11,009 achieved by the Association of Southeast Asian Nations (ASEAN) the same year.² Its cultural diversity, natural beauty and unique ecosystem continue to attract investment and visitors from across the world.



However, IMT-GT is confronted with the following challenges:

- >> IMT-GT's economy is not well integrated as there are still significant technical, administrative and regulatory barriers to intra-regional trade and investment, and people and vehicle mobility. This implies its production networks and internal markets remain fragmented, and the IMT-GT initiative has not significantly lowered business transaction costs. If this situation is allowed to persist, IMT-GT will not be a meaningful player in the ASEAN Economic Community (AEC) building process;
- >> There has been no significant progress towards raising IMT-GT's competitive edge and moving it up the global value chains into higher technology and knowledge-intensive manufacturing and services industries. There is no robust cross-border mechanism to promote active technology transfer, adaptation and innovation;
- >> Most of IMT-GT's business units are micro, small and medium enterprises (MSMEs) involved in relatively low value adding activities with limited capacity to innovate to become competitive regional and global players;
- >> There has been weak involvement of local governments, local businesses, universities, research organisations and civil societies in the IMT-GT process, thereby limiting the potential spill over or trickle-down effect of regional cooperation; and
- >> IMT-GT's ecosystems and natural resources are increasingly stressed following decades of exploitation and extraction with little emphasis on sustainability.



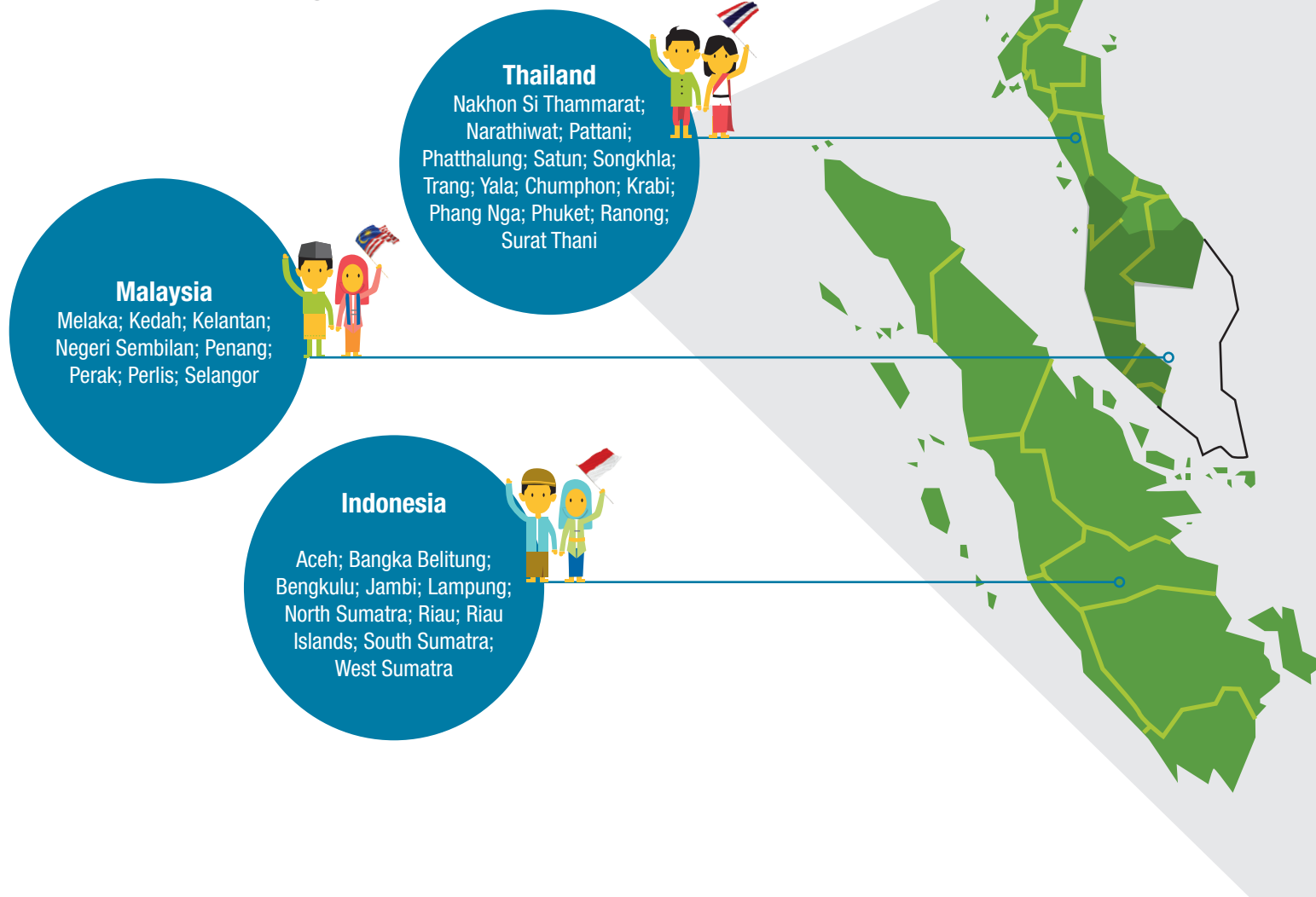
This is only a snapshot of the complex and interrelated challenges facing the subregion. Vision 2036 outlines bold and clear strategies to overcome these challenges in the context of a subregion grappling with rapid social changes, economic development and climate change.

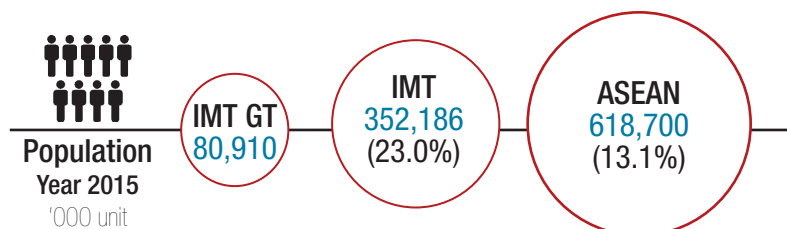
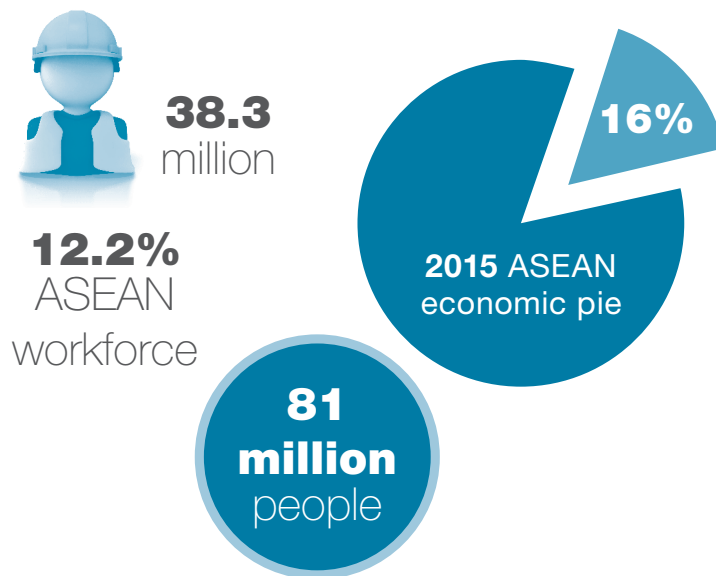
² *IMT-GT at a Glance: A Statistical Information Brief*, ADB, April 2017

About IMT-GT

The Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT) was established in 1993. It provides a regional framework for accelerating the economic transformation of its member provinces and states in the three countries. Some of these provinces and states are the least-developed areas in the countries and subregion. IMT-GT promotes private-sector led growth through exploiting the underlying complementarities and comparative advantages of the participating provinces and states. The IMT-GT initiative plays an important role in narrowing the development gaps within the overall context of the national and subregional economies.

IMT-GT participating Provinces/States





- >> IMT-GT is an important part of the overall Indonesia, Malaysia and Thailand (IMT) and ASEAN economies;
- >> In 2015, IMT-GT had a 16 percent share of the ASEAN economic pie, while within the IMT, IMT-GT accounted for almost one quarter of the economy;
- >> Malaysia-GT contributed almost 50 percent to the Malaysia economy contrasting sharply with Thailand-GT contribution at under 10 percent;
- >> In 2015, IMT-GT had a 12 percent and 17 percent share of IMT's total FDI and domestic investment respectively; and
- >> IMT-GT had 81 million people and a labour force of 38.3 million in 2015, representing 13 percent and 12.2 percent of ASEAN's total population and labour force, respectively.³

General Profile	Unit	Year	IMT GT	IMT	ASEAN	% of IMT	% of ASEAN
Land Area	sq km	2015	615,141	2,754,374	4,325,800	22.3	13.7
Labour Force	000	2015	38,340	175,446	230,851	21.9	12.2
Population Density	persons per sq km	2015	132	128	143		
GDP, Current PPP\$	PPP\$ billion	2015	1,120	4,754	6,923	23.6	16.2
Total International Trade	US\$ million	2015	423,946	1,102,583	2,276,440	38.5	18.6

Source: *IMT-GT at a Glance: A Statistical Information Brief*, ADB, April 2017 and ASEAN Community in Figures, The ASEAN Secretariat, 2016

³ *IMT-GT at a Glance: A Statistical Information Brief*, ADB, April 2017



Repositioning to Stay Relevant and Competitive

2



How we began

It all began with a question asked at the **9th IMT-GT Summit held in April 2015:**

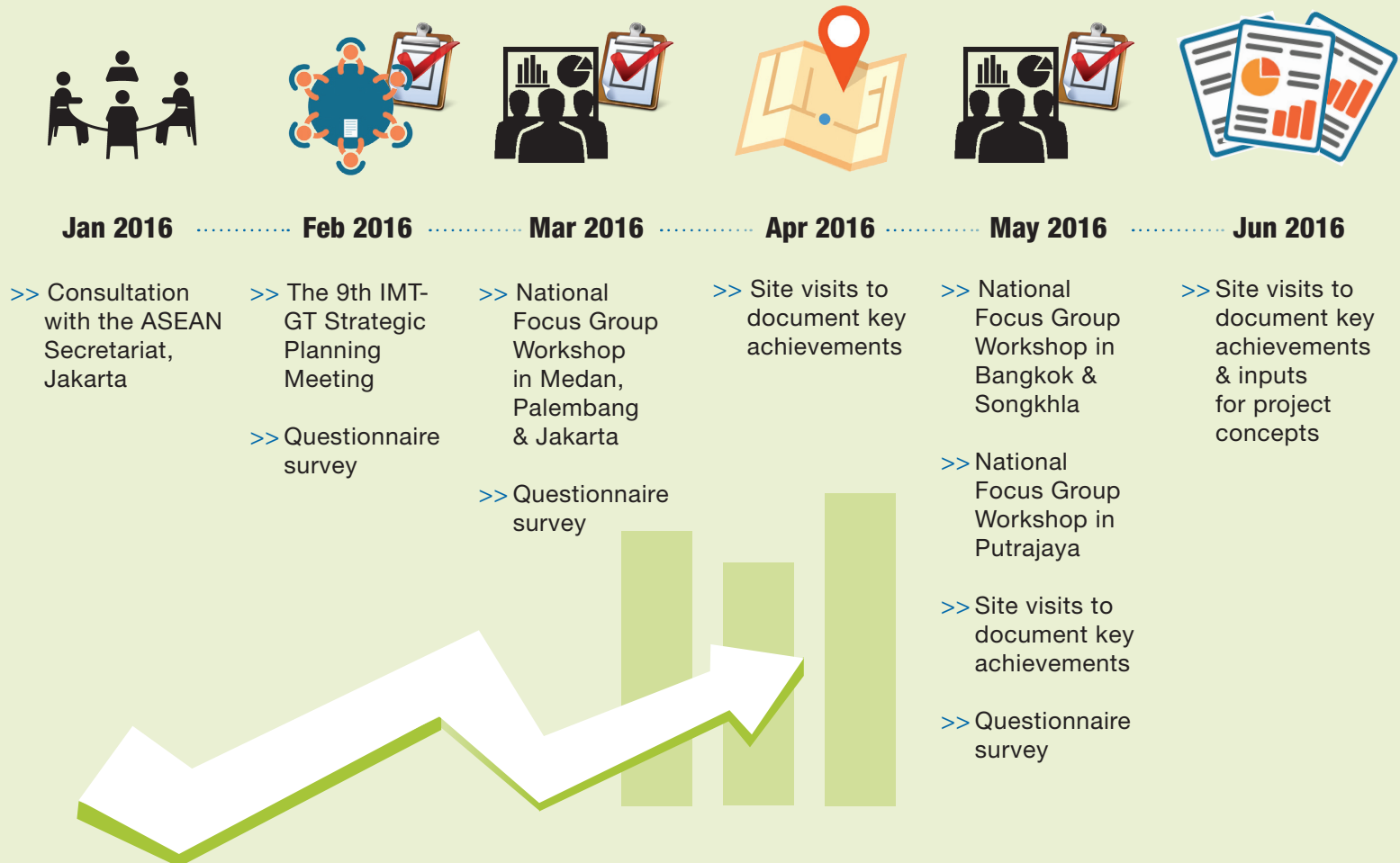
How could IMT-GT stay relevant and competitive in the coming decades?



To find the answer, a comprehensive review of the IMT-GT strategy was conducted. It focused on reviewing the performance of IMT-GT since its inception in 1993 and developing a long-term (2017 to 2036) vision and strategic direction for the subregion. A SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis technique was applied to provide a structured and objective means for identifying, differentiating and weighing the strategic strengths, weaknesses, opportunities and threats that face the subregion.



An extensive bottom-up stakeholder consultation exercise



The process also involved extensive stakeholder consultations conducted both at the in-country and subregional level. A bottom-up approach was adopted towards primary data generation and CIMT together with its project team sat down with over 550 key stakeholders in face-to-face discussions during the period January-June 2016.

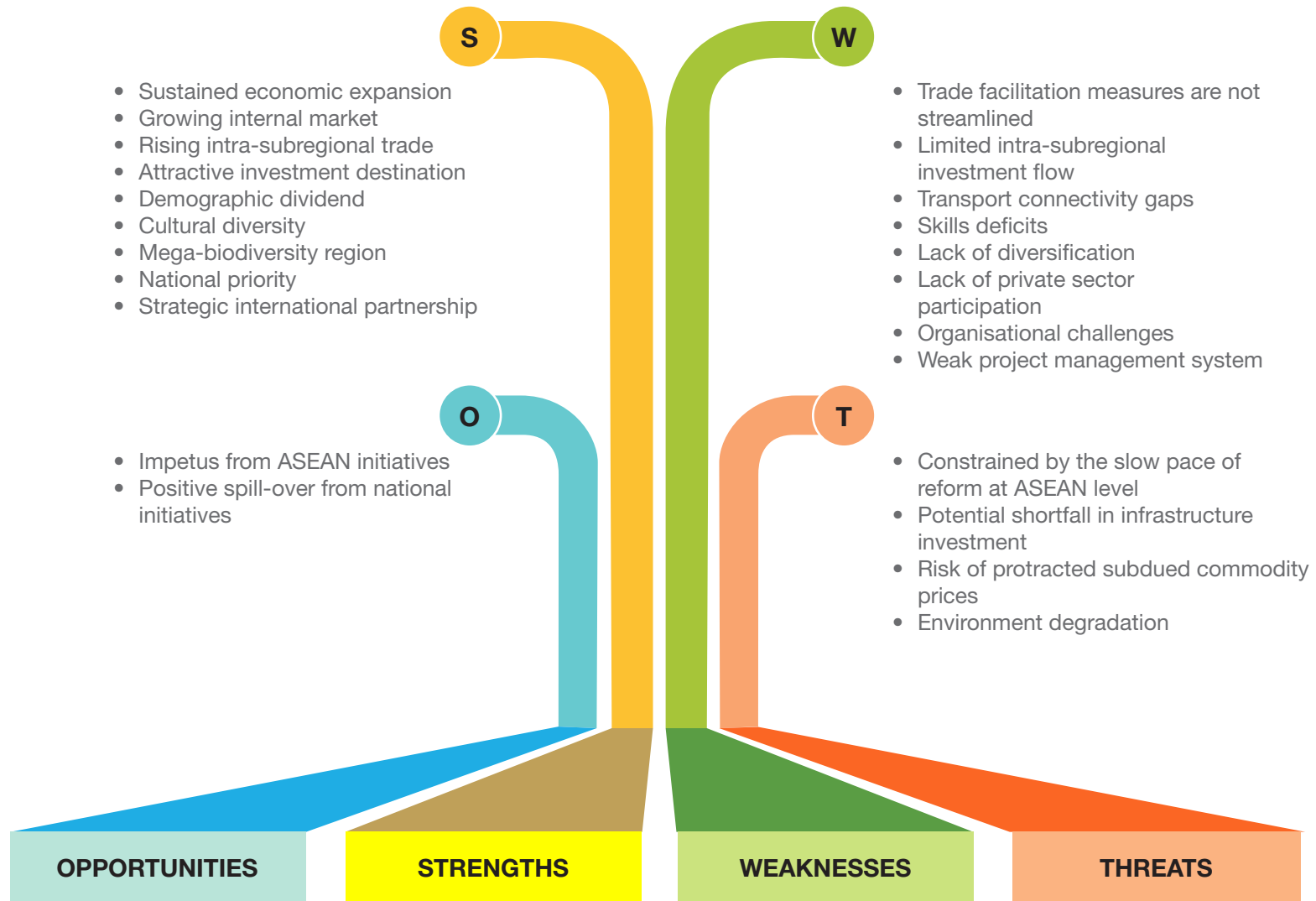
CIMT and its project team met with the key IMT-GT decision makers from the national, provincial/state and local governments; small, medium and large business owners and operators who have significant presence and interest in the subregion; IMT-GT-based university and research institution representatives; local communities; and civil societies.

A questionnaire survey exercise was conducted as part of the consultation process. In all, 255 people responded to the survey. A significant number of the stakeholders engaged were young people, under 40 years old, who have a real stake in IMT-GT's future.

Recognising development potential and challenges

Vision 2036 was developed to respond to the analysis of IMT-GT's development potential and challenges as espoused through the SWOT analysis that was prepared in the Comprehensive Review. To move forward, IMT-GT needs to be mindful of a number of critical internal factors (strengths and weaknesses) and external factors (opportunities and threats) affecting its performance and long-term success.

Main findings of the Comprehensive Review



Acknowledging progress and inherent strengths

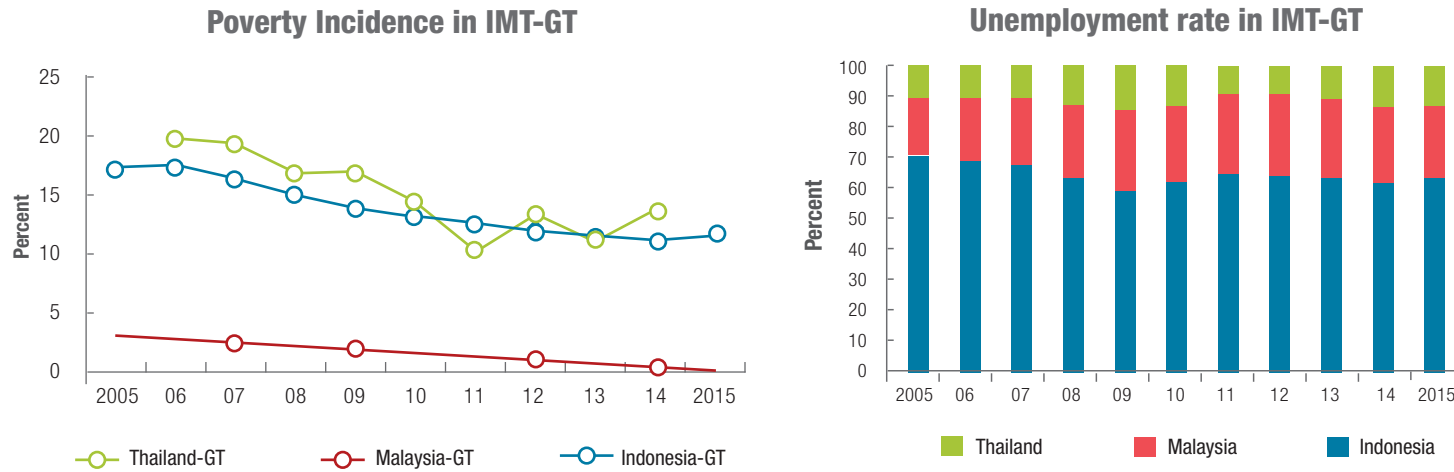
a) Sustained economic expansion

IMT-GT has experienced an extended period of economic growth underpinned by political stability. The subregion's GDP increased by nearly three times over the last decade, from US\$ 143 billion in 2005 to nearly US\$ 400 billion in 2014. This sustained economic growth has led to a long-term decline in its poverty and unemployment rates.⁴



Source: *IMT-GT Statistical Figures and Trends*, ADB, May 2014 and *IMT-GT at a Glance: A Statistical Information Brief*, ADB, April 2017

⁴ *IMT-GT Statistical Figures and Trends*, ADB, May 2014 and *IMT-GT at a Glance: A Statistical Information Brief*, ADB, April 2017



Source: *IMT-GT at a Glance: A Statistical Information Brief*, ADB, April 2017

b) Growing internal market

IMT-GT has a growing internal market. The states and provinces involved in this subregional initiative bring together a total population of nearly 81 million in 2015, up from the 69 million recorded in 2005. The people of IMT-GT have substantial purchasing power on the back of strong income growth. IMT-GT's GDP per capita (current PPP) stood at US\$ 13,844 in 2015, higher than the US\$ 11,009 achieved by ASEAN in the same year.⁵

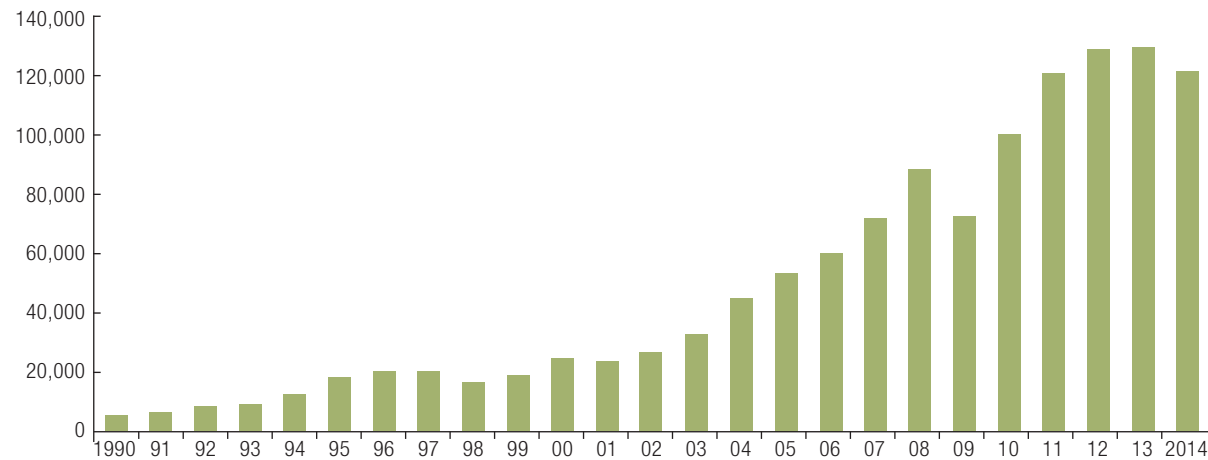
c) Rising intra-subregional trade

Trade between member provinces and states has been on a steady rise over the past two decades, from less than US\$ 15 billion per year recorded in early 1990s to over US\$ 120 billion per year registered in 2014.⁶

⁵ *IMT-GT at a Glance: A Statistical Information Brief*, ADB, April 2017

⁶ Asia Regional Integration Centre, ADB

Intra-IMT-GT Total Trade, million US\$



Source: Asia Regional Integration Centre, ADB

d) Attractive investment destination

IMT-GT is an attractive investment destination by virtue of the fact that it is strategically located in the heart of South East Asia, endowed with abundant natural resources, and with a growing internal market.

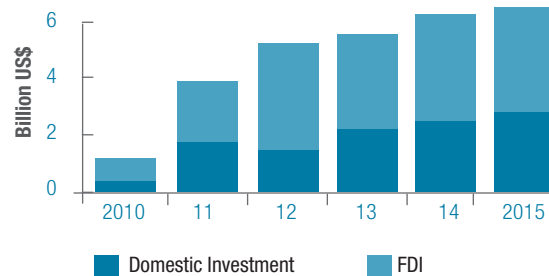
About 51 percent of the total investment (domestic investment plus foreign direct investment (FDI)) in Malaysia went to Malaysia-GT in 2012. This figure is significant given the fact that Malaysia-GT contributes to less than 46 percent of Malaysia's GDP (at current price; year 2012). As for Indonesia-GT, the corresponding figures are 15 percent (total investment in Indonesia-GT) and 19 percent (contribution of Indonesia-GT to Indonesia's GDP at current price; year 2012), respectively.⁷

Despite the challenging global economic environment, investment in Indonesia-GT has been steadily increasing over recent years, driven mainly by FDI. While Malaysia-GT has experienced a decline in approved FDI in the manufacturing sector since 2012, the sector continued to attract investment from domestic sources. In the case of Thailand-GT, the healthy growth in domestic investment more than offset the modest decline in FDI.⁸

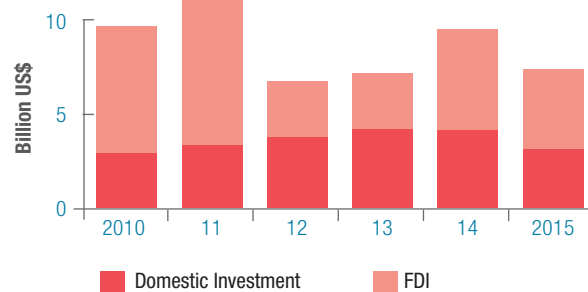
⁷ The corresponding total investment figure for Thailand-GT is not available

⁸ *IMT-GT at a Glance: A Statistical Information Brief*, ADB, April 2017

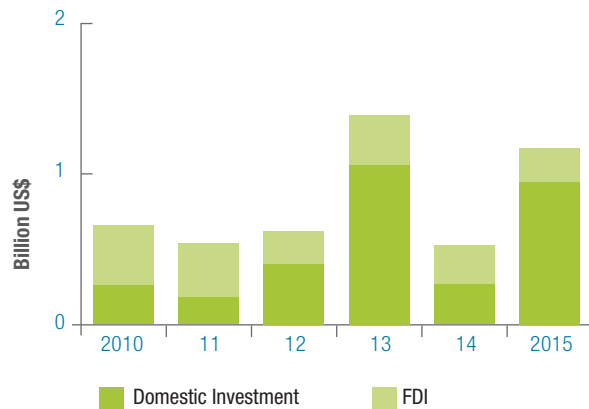
Realised investment in IMT-GT, Indonesia



Approved investment in manufacturing sector in IMT-GT, Malaysia



Approved investment in IMT-GT, Thailand



Source: *IMT-GT at a Glance: A Statistical Information Brief*, ADB, April 2017

Spatial approach towards attracting investment

Increasingly, IMT-GT Member Countries are using special economic zones (SEZ) and specialized industry clusters as a means to attract foreign and domestic investment. The designated IMT-GT priority economic corridors introduced in 2007 under the IMT-GT Roadmap for Development (2007-2011) provides a region-wide spatial framework for the SEZs and clustering process to take place.

In Indonesia-GT, the Tanjung Api Api Special Economic Zone in Palembang (South Sumatra) is designed for resource-based export processing and energy, capitalising on the province's strength as the largest rubber producer in Indonesia; fourth largest crude palm oil producer in Indonesia; second largest coal deposit in Indonesia; and having 10 percent of national reserves on gas. The SEZ is expected to be operational in July 2017. The Sei Mangkei Special Economic Zone in Simalungun (North Sumatra), which was inaugurated in January 2015, focuses on activities in the form of industrial downstream palm oil and rubber with fatty acids, fatty alcohol, surfactants, biodiesel, and biogas being the main products.

In Malaysia-GT, medium- and high-tech industrial clusters are being promoted along economic corridors. This includes the automotive and petrochemical clusters in Gurun (Kedah); semi-conductor and electronics clusters in Penang; semi-conductor and high-technology clusters in Kulim (Kedah); solar, green manufacturing

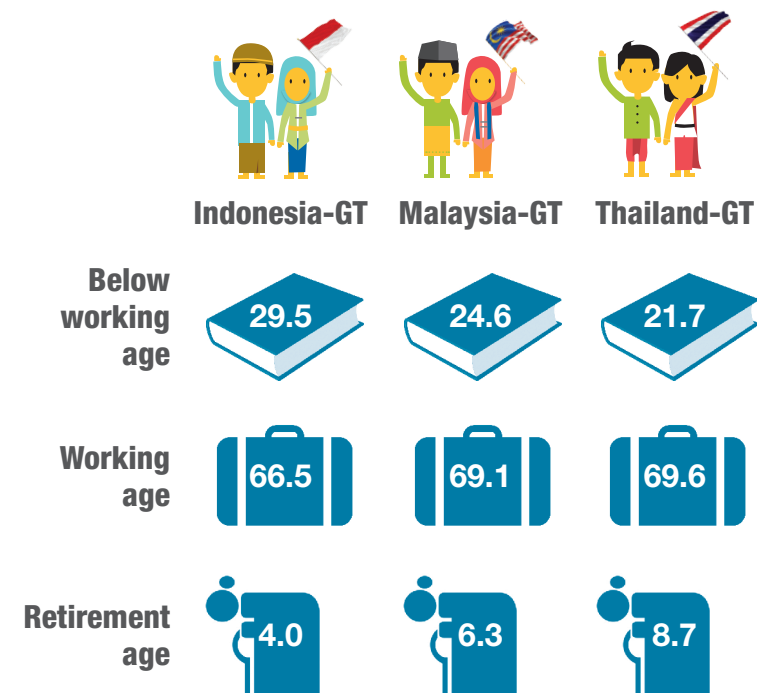
and Halal food hub in Chuping Valley, Chuping (Perlis); Halal food manufacturing and processing hub at Pasir Mas Halal Park, Pasir Mas (Kelantan); fish and marine-based economic activities hub at Tok Bali Integrated Fisheries Park in Pasir Puteh (Kelantan); ship manufacturing cluster in Lumut (Perak); automotive clusters in Tanjong Malim (Perak), Serendah (Selangor), Alor Gajah (Melaka), Shah Alam and Subang (both in Selangor); and space industry cluster in Cyberjaya (Selangor), among others.

In Thailand-GT, the Songkhla Special Economic Zone was launched in 2014 as a pilot project to drive economic integration with neighbouring IMT-GT provinces/states. Its target industries are agriculture and fisheries, furniture, garments, textiles and leather products, logistics, industrial estates and tourism. Additionally, a One Stop Service Centre was officially opened in Narathiwat in February 2016 as an initial step towards becoming a special economic zone. Narathiwat will be developed as a gateway to border trade connecting Malaysia and Singapore through three border checkpoints, namely Sungai Kolok, Tak Bai, and Buketa.

Bolstered by a broad range of fiscal and non-fiscal incentives, supporting infrastructure and ancillary services, these designated economic zones with their specialised industry clusters are poised to propel export growth, spur cross-border value chain creation and accelerate the integration of the IMT-GT economy.

e) Demographic dividend

The share of IMT-GT’s working-age population is significantly larger than the non-working-age share of the population. With growing numbers of young people in the workforce and declining fertility, there will be less spending on dependents, which in turn is expected to spur economic growth. This demographic condition is termed as the “demographic dividend”. IMT-GT is poised to reap the demographic dividend during the Vision 2036 period. For one, Indonesia-GT, the most populous region in IMT-GT, with a population size of 55 million or 68 percent share of the total population of IMT-GT, is predicted to enjoy its demographic dividend between 2025 and 2035.



f) Cultural diversity



IMT-GT is a culturally rich region. Indonesia-GT has extremely diverse indigenous tribes as well as numerous megalithic, aboriginal, and matriarchal societies. Sumatra Island is also home to numerous ethnic groups, including Batak, Minangkabau and Javanese. Malaysia-GT has a multicultural society, comprising of Malay, Chinese, Indian and indigenous people such as Temier, Jahais, Bateks and Mendriqs. Thailand-GT consists of three main ethnic groups, namely Thai, Chinese and Malay. The Orang Asli or Ngo live along the Thai-Malaysian border, the Chao Le live along the coast and the island of the Andaman Sea and the Urak Lawoi live between Phuket Island and the Malaysian border. The Archaeological Heritage of the Lenggong Valley and Melaka and George Town Historic Cities (in Malaysia-GT) and the Tropical Rainforest Heritage of Sumatra (Indonesia-GT) are listed as United Nations Educational, Scientific and Cultural Organization (UNESCO) World Heritage Sites. This cultural diversity, along with the subregion's natural beauty and unique ecosystem, have been capitalised as major assets to attract visitors from across the world.



Building air linkages to spur tourism activities

Air links are crucial for the growth of the IMT-GT tourism industry. Presently, there are five flights connecting Sumatra and Selangor, two each with Penang and Subang, and another flight connects Riau with Malacca.

There are daily flights between Kuala Lumpur International Airport (KLIA) in Selangor and Medan and between Penang and Banda Aceh. Low cost carriers such as AirAsia fly almost daily between KLIA and Medan Kuala Namu, Banda Aceh, Padang and Palembang in Indonesia and Phuket in Thailand.

Fares are increasingly competitive with Malindo Air, for example, offering many promotional fares between Medan Kuala Namu and KLIA and between Medan Kuala Namu and Penang.

There are many daily flights linking the main airports in Malaysia-GT and Thailand-GT. For example, Phuket International Airport has 16 flights to KLIA; Hatyai International Airport has three flights to KLIA; Samui has four flights to Penang and 10 flights to KLIA; Surat Thani International Airport has two flights to KLIA; Krabi International Airport has five flights to KLIA and one flight to Penang.

However, while there are frequent and regular flight services linking the main cities and growth centres of IMT-GT, the challenge is to expand these services and connectivity to secondary cities and rural areas in the subregion to ensure greater inclusivity in tourism development.

g) Mega-biodiversity region

The communities of the subregion are closely knit. They are not only linked by the transportation systems, economy and culture, but also by its ecosystems. The subregion rests on Sundaland, a mega-biodiversity region with a wide array of coastal, marine and terrestrial eco-systems, featuring a vast range of plants and animals with many rare, endemic and globally significant species. The Sankalakhiri Range (Thailand) or Titiwangsa Mountains (Malaysia) forms the backbone of Thailand-GT and Malaysia-GT. It provides the habitat for a number of endangered species. There are over 60 protected areas in the subregion, including terrestrial national parks, marine parks, permanent forest reserves and wildlife sanctuaries. Tropical forests in the subregion are home to many rare species, such as Rafflesia, which is the largest flower in the world, as well as diverse endangered animals, including tigers, rhinoceros, elephants, orang-utan, gibbons, tapirs, deer, and various species of birds and butterflies.



h) National priority

Member Governments accord high priority to the development of the IMT-GT subregion, with significant investment channelling through respective national and subnational development plans. The economic interests and development priorities of the less developed or marginalised areas of the subregion are given due attention and policy support by the national governments through a bottom-up approach to development, placing the subregion on a solid path to inclusive and equitable growth.

i) Strategic international partnership

IMT-GT's development partners such as the Asian Development Bank and ASEAN Secretariat have been supportive of its endeavours to secure economic and social development. ADB has been actively involved in the IMT-GT initiative since its inception, and has been officially appointed as Regional Development Partner and Regional Advisor for IMT-GT since 2007. ADB has provided the subregion with a wide range of technical assistance and funding support, contributing significantly to the advancement and realisation of its development agenda and goals. IMT-GT institutions collaborate closely with the ASEAN Secretariat to ensure that the subregion's programmes always contribute meaningfully to the ASEAN Economic Community building process.

Economic complementarities: Some evidence

IMT-GT aims to attain local regionalism through local economic cooperation and integration on the basis of economic complementarities. These economic complementarities exist because of the economic asymmetries at the local level that prevail between the participating provinces and states. In other words, differences in terms of structure and cost of both inputs (labour, capital, land and entrepreneurship) and outputs (production of goods and services) across the member provinces and states give rise to positive transboundary flows in commerce/trade.

Complements generated from geographical proximity and close historical, cultural and linguistic ties, often manifest themselves in terms of transboundary flows in the form of goods flows (primary and intermediate inputs, final products), human flows (business visitors, tourists, etc), and capital flows (foreign direct investment, etc). The larger the value or volume of these flows, the higher level of interdependence between the member provinces and states.

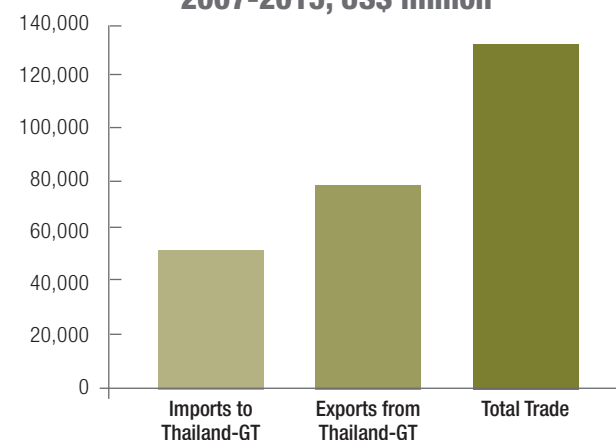
The following facts clearly demonstrate the existence of economic complementarities among the participating territories of IMT-GT, and furthermore, that the economic actors in the subregion have been able to explore and exploit these complementarities with some degree of success.⁹

Goods flows

Malaysia-GT and Thailand-GT:

- During the period 2003 to 2015, an average US\$ 14.8 billion worth of goods were traded each year at the nine border-crossings situated along the border of Malaysia-GT and Thailand-GT. This trade grew at an annual rate of 3.1 percent. Cumulatively, more than US\$ 133 billion of goods were traded at these border crossings over the nine-year period; with the balance of trade in favour of Thailand-GT. Reflecting the comparative advantage of its resource-based economy, Thailand-GT's main exports to Malaysia were minerals, rubber and timber. Thailand-GT complements its resource-based economy by importing manufactured products from Malaysia, especially manufacturing articles and equipment, chemical products and construction materials.

**Thailand-GT and Malaysia Border Trade
2007-2015, US\$ million**



Source: Department of Foreign Trade,
Ministry of Commerce, Thailand

⁹ The main sources of the data are: National Statistics, Indonesia; Ministry of Tourism, Indonesia; Department of Statistics, Malaysia; Malaysian Investment Development Authority; Ministry of Tourism and Culture Malaysia; Office of National Statistic, Thailand; Ministry of Commerce, Thailand; Board of Investment, Thailand; Tourism Authority, Thailand. National data is used whenever subregional level data is not available.

Indonesia-GT and Malaysia:

- The value of Malaysia's export to West Sumatra reached US\$ 116.2 million in 2015, making the country the second largest source of West Sumatra's imports.
- Malaysia was Riau's fifth largest export market. Riau exported US\$ 1.1 billion worth of products to Malaysia in 2014. Malaysia was the province's second largest source of imports. The total value of imports from Malaysia stood at US\$ 249 million in 2014.
- With a total export value of US\$ 15 million, Malaysia was the second largest export destination of Bengkulu in 2014.
- With a total export value of US\$ 155 million, Malaysia was the third largest export market for Jambi in 2015.

Indonesia-GT and Thailand:

- Thailand had been one of the main import sources for North Sumatera. In 2014 alone, the total value of North Sumatera's imports from Thailand reached US\$ 224.7 million, which made it the seventh largest source of imports for the province that year.
- Thailand is Riau's fifth largest source of imports. Its imports from Thailand reached US\$ 41.4 million in 2014.
- With total export value of US\$ 232 million, Thailand was the second largest export market for Jambi in 2015.

Capital flows (FDI)

- Since 2013 Malaysia has been the second largest foreign investor after Singapore in North Sumatera. With a total of 41 investment projects, Malaysia's total investment in North Sumatera valued was US\$ 177.6 million in 2013. This was further improved in 2015 where the province saw an increase in Malaysia's investment to US\$ 204.4 million, covering 47 investment projects. In general, foreign investors usually put their money in the mining sector (30 percent), chemical industry (31 percent), crops and plantations (14 percent), food industry (five percent), other services sector (14 percent), and other industry (six percent).

- Lampung is a major livestock producer in Indonesia, which is primarily due to its natural landscape and the presence of some of the largest feed mills in the country, including Thai-based conglomerate, Charoen Phopkhand Indonesia Tbk.
- Malaysia topped Aceh's major foreign investors list in 2011 and 2015, each with total investment of US\$ 10.3 million and US\$ 16.3 million respectively.
- Malaysia was the third largest foreign investor in Riau in 2015 with a total investment value of US\$ 82.5 million, or 23.6 percent of total foreign investment in the province
- Between 2010 and 2013, Malaysia was amongst the five largest investors in Riau Islands. In fact, in 2011 and 2012, Malaysia took the second spot as the major foreign investor in Riau Islands, each year with total investment of US\$ 6.8 million and US\$ 30.4 million respectively. With a total of 29 projects, Malaysia's investment in the province was valued at US\$ 12.1 million in 2015.
- In 2015, Malaysia was the largest foreign investor in Bengkulu, with a total investment worth US\$ 8.3 million.
- With a total investment value of US\$ 13.6 million, Malaysia was the third largest foreign investor in Jambi in 2015.
- The primary source of investment in Bangka-Belitung in 2015 came from Malaysia, with a total investment value of US\$ 32.2 million in 2015, and this was followed by Singapore at US\$ 15.3 million. Thailand was the sixth largest investor in Bangka-Belitung in 2015 at US\$ 301, 000.

Human flows (tourists)

- In 2014 alone, tourists from Malaysia and Thailand made up 30.7 percent of total visitors to Sumatra. During the same year, revenue from Malaysian and Thai visitors to Indonesia shows an upward trend from US\$ 327.8 million in 2000 to US\$ 1.2 billion.
- In 2015, Malaysian tourists made up 72.5 percent of the total foreign tourists in Aceh. The figure has been more or less consistent over the last few years. Thailand has also been consistently standing in the top-ten position as key tourist sending country in Aceh, though with much smaller numbers than from Malaysia.
- Available data from the Class 1 Immigration Office in Palembang suggests that, in 2013, Malaysia formed the majority of foreign visitors, with around 6,872 visitors, which far outnumbered the number of visitors from Singapore (947 visitors)

- The number of foreign visitors to Riau Islands has been increasing in the past three years. The total number of foreign visitors in 2014 was 1.9 million, up from 1.7 million in 2012. Malaysia took the second spot as the main sending country of foreign tourist to the province, with 270,058 visitors
- During the period 2009-2014, tourists from Malaysia dominated foreign visitors coming to West Sumatra. In 2014, for example, Malaysian tourists made up 77 percent of total foreign visitors to West Sumatra.
- Over the last few years, the number of foreign visitors to North Sumatra has been rising. The number of foreign tourists visiting the province, rose from 223,126 in 2011 to 270,837 in 2014, the majority of which came from Malaysia. In 2014 alone, Malaysian tourists made up 56.3 percent of total foreign visitors to North Sumatra.
- In 2013, Songkhla Province received 1,682,365 Malaysian tourists and 52,041 Indonesian tourists.
- The number of Indonesian tourists visiting Chumporn Province increased significantly from 105 tourists in 2011 to 2,453 tourists in 2013 or an increase of 186 percent.
- Selangor was one of the states in Malaysia-GT that receives the most tourists from Indonesia and Thailand. In 2015 alone, airports in Selangor received 9,836 tourists from Indonesia and 145,193 tourists from Thailand. Port Klang received 54,702 tourists from Indonesia and 49 tourists from Thailand.
- Kedah received many tourists from Indonesia and Thailand. In 2015, 74,756 tourists from Indonesia and 39,940 tourists from Thailand entered Kedah through Jeti Kuah Langkawi and 114 tourists from Indonesia and 1,112 tourists from Thailand entered Kedah through Kuah. In the same year, 140,319 tourists from Indonesia and 340,961 tourists from Thailand entered Kedah through Bukit Kayu Hitam and 92,626 tourists from Indonesia and 45,216 tourists from Thailand entered Kedah through CIQ Durian Burung. Langkawi international airport received 79 tourists from Indonesia and 1,526 tourists from Thailand.
- Kelantan received a relatively large number of tourists from Indonesia and Thailand. In 2015, border crossings in Bukit Bunga, Rantau Panjang and Pangkalan Kubur received 7,314 tourists, 267,163 tourists and 71,099 tourists from Thailand, respectively. In the same year, Sultan Ismail Petra Airport in Kelantan received 686,350 tourists from Indonesia and 13,228 tourists from Thailand.

Others: Transport Logistics

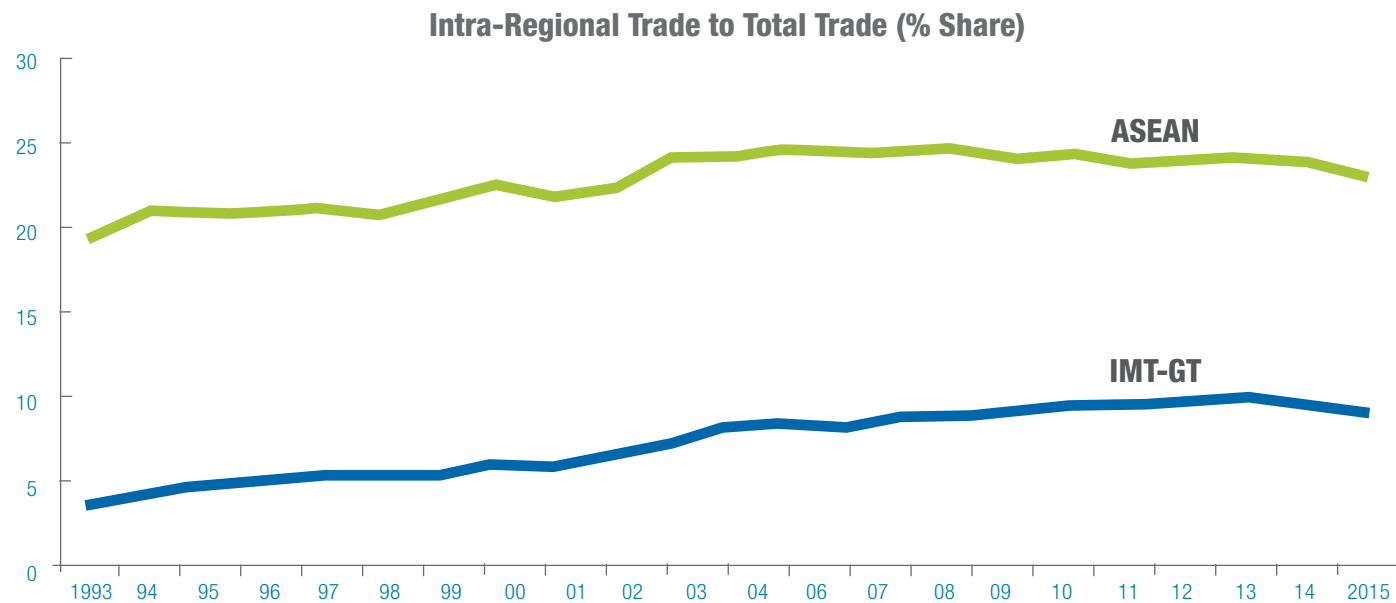
- Shippers in Thailand-GT use Penang Port as a transshipment port. About 40 percent of the laden containers exported through Penang are from southern Thailand.¹⁰

¹⁰ *Turning Penang Port around*, The Star Newspaper, Malaysia, 20 September 2014

Facing up to internal weaknesses

a) Trade facilitation measures are not streamlined

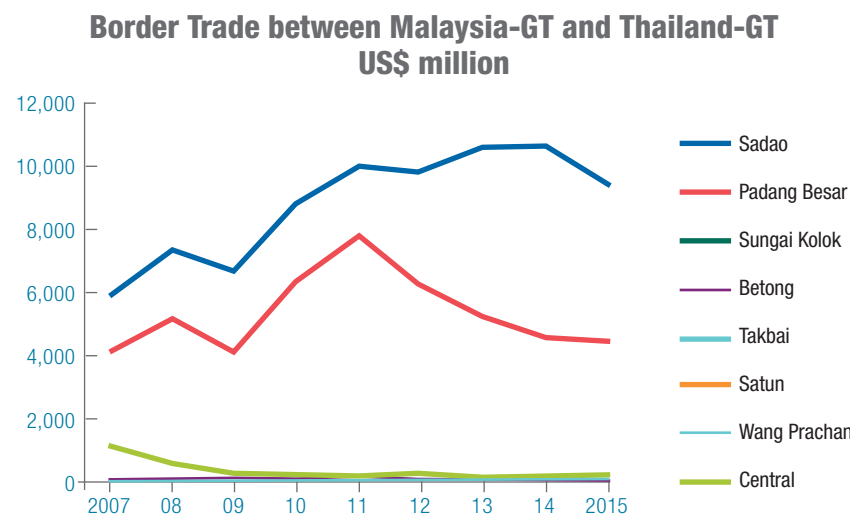
There are still considerable administrative, technical and regulatory barriers to intra-IMT-GT trade. Reflecting this is the current low level of intra-IMT-GT trade to total trade of IMT, which stood at around nine percent of the total IMT trade. The percentage share has not gone up by much since the creation of IMT-GT in 1993 and has been significantly lagging behind the 24 percent attained by ASEAN. This implies that IMT-GT member provinces and states have not been able to take full advantage of the geographical proximity and economic complementarities between them.



Source: Asia Regional Integration Centre, ADB

Trade facilitation measures including customs, immigration and quarantine (CIQ) rules, regulations and procedures are not standardised and harmonised even between port pairs or between border city/town pairs. Operationally, no single-window inspection and single stop inspection system has been put in place. There is also a lack of any serious effort to synchronise the working hours of the border agencies involved. As a result, shippers and logistics players continue to face numerous challenges in performing cross-border operations, including the need to undertake double handling at border-crossings, time-consuming documentation requirements and burdensome inspection requirements.

While Malaysia-GT and Thailand-GT are very well connected physically by two major highways, namely the ASEAN Highways No. 2 and No. 18 and a railway link via Padang Besar-Padang Besar, the administrative, technical and regulatory barriers discussed above have constrained the trading activities between them. As shown in the following chart, border trade values recorded at the two major border-crossings between Malaysia-GT and Thailand-GT, namely the Bukit Kayu Hitam-Sadao border crossing and Padang Besar-Padang Besar border crossing have been on a downward trend in recent years. There has been no significant increase in border trade value at the Rantau Panjang-Sungai Kolok border crossing, another main gateway between Malaysia-GT and Thailand-GT.



Source: Department of Foreign Trade, Ministry of Commerce, Thailand

b) Limited intra-subregional investment flow

Intra-IMT-GT investment flow is generally low. While there may be some investment flows from Malaysia-GT to Indonesia-GT and from Malaysia-GT to Thailand-GT, flows in the opposite direction are often not significant. For instance, investment from Indonesia and Thailand accounted for only 0.02 percent and 0.04 percent of the total approved foreign manufacturing investment in Melaka for the period 1990-2015, respectively. Similarly, investment from Indonesia and Thailand contributed to only 0.04 percent and 0.09 percent of the total approved foreign manufacturing investment in Penang for the same period, respectively. For Kedah, the corresponding figures for the same period are 2.7 percent and 0.02 percent, respectively. It is noteworthy that the data on Indonesia and Thailand are national level data. Sub-national level data is likely to show much lower percentage shares.

One of the primary purposes of establishing a growth area is to gain a competitive edge in export production through regional economic cooperation. However, there is no strong evidence suggesting that IMT-GT is effective in leveraging on the comparative advantages of its members to make it well-positioned as a regional production base that exports to markets beyond the growth area. This is an opportunity missed by IMT-GT. The low level of intra-IMT-GT investment flow is indicative of the fact that the IMT-GT economy is not well integrated, but instead is characterised by fragmented production networks, supply chains and internal markets.

c) Transport connectivity gaps

While transport connectivity between Malaysia-GT and Thailand-GT is reasonably well established, especially in areas of air, road and rail transport, this is not the case for connectivity between Indonesia-GT and Malaysia-GT and between Indonesia-GT and Thailand-GT. Presently, most of the air linkages are concentrated between a handful of main cities in Indonesia-GT and Malaysia-GT, such as the five flights connecting Sumatra and Kuala Lumpur, two each with Penang and Subang, and another flight that connects the island with Melaka. Significantly, there is no direct air linkage between Indonesia-GT and Thailand-GT.

The planned RO-RO ferry link between Dumai and Melaka has yet to materialise as there are still outstanding physical infrastructure and regulatory issues that need to be resolved.

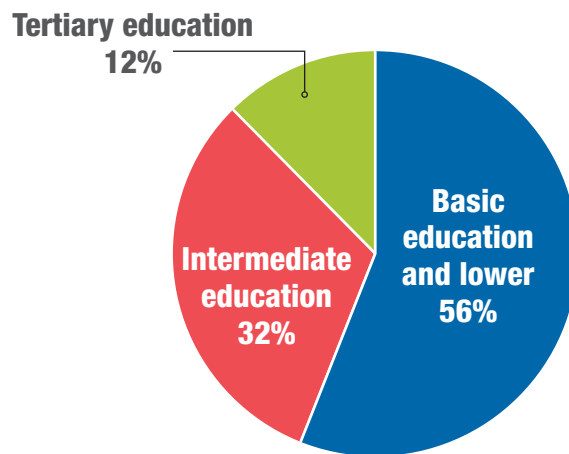
Despite being physically linked and with a long history of cross-border trade, there is still no seamless and point to point road transport service between the northern states of Malaysia-GT and southern provinces of Thailand-GT. Cross-border formalities, procedures and rules governing the movement of road vehicles in IMT-GT remain complicated and lack standardisation and harmonisation. This includes the CIQ rules, regulations and procedures governing admission of foreign commercial and private vehicles and cargo and passengers on-board the vehicles. Furthermore, there are practical challenges with respect to mutual recognition of vehicle inspection certificates; insurance policies; vehicle registrations; and cross-border vehicles permits.

Implementation of the proposed RO-RO ferry links between Dumai and Melaka and between Belawan, Penang and Trang are expected to go up against the same set of barriers. These software issues will jeopardise the connectivity and integration objectives of IMT-GT if they are not explicitly addressed.

d) Skills deficits

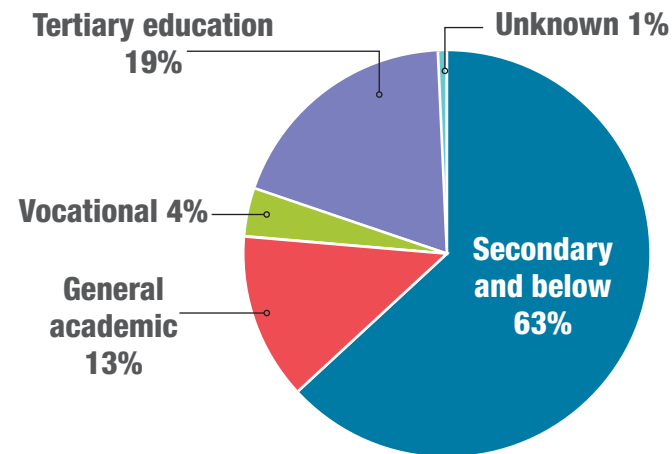
An inadequate supply of skilled labour stands in the way of IMT-GT achieving its long-term development goals of becoming a knowledge intensive economy. The labour force in Indonesia-GT is dominated by those with basic education. In 2015, some 56 percent of the labour force possessed basic education or lower. Only 12 percent of the labour force, in the same year, had received a tertiary education. Similar data for Malaysia-GT is not available. However, for the nation as a whole, only 27 percent of Malaysia's labour force was composed of workers with tertiary education in 2014. There is also evidence of a brain drain with a million talented Malaysians working overseas. In the case of Thailand-GT, less than 20 percent of the labour force had tertiary education in 2015.

Labour Force of Indonesia-GT, 2015



Source: Central Bureau of Statistics, Indonesia

Labour Force of Thailand-GT, 2015



Source: Office of National Statistic, Thailand

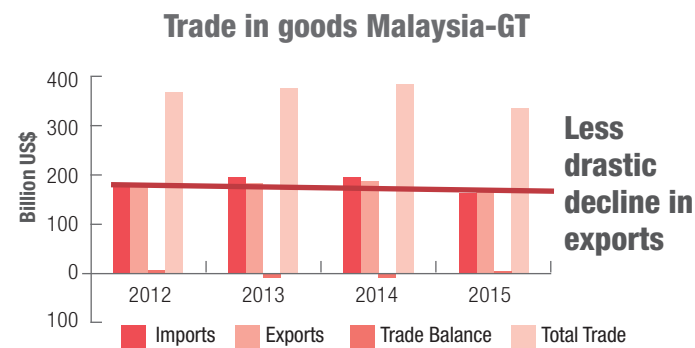
e) Lack of diversification

The heavy dependence on a handful of primary commodities such as fish, oil palm, rubber, coal, tin and oil and gas means IMT-GT’s economy is highly susceptible to the cyclical nature of global demand and resultant price fluctuations. The recent lacklustre external demand and weak global primary commodity prices have clearly had a negative impact on Indonesia-GT and Thailand-GT trade performances, which have significant commodity exports. On the other hand, Malaysia-GT with its more diversified manufacturing and service-based economy appeared to withstand relatively well from the sluggish external demand.

More than 75 percent of IMT-GT’s business units are micro, small and medium enterprises (MSMEs)¹¹ engaging in relatively low value adding resource-based activities. Generally, they lack capacity to innovate and diversify to become competitive regional and global players and this is compounded by their difficulty in mobilising finance from traditional banking sources.

At the regional level, there is a lack of a robust cross-border mechanism for active technology transfer, adaptation and innovation. The IMT-GT University Network (UNINET) is a potential source of knowledge for industrial innovation. However, it has yet to be properly engaged by the business community and has so far been left outside of the main policy decision making process of IMT-GT.

¹¹ IMT-GT Implementation Blueprint 2012–2016, Mid-term Review, ADB, 2015



Source: *IMT-GT at a Glance: A Statistical Information Brief*, ADB, April 2017

f) Lack of private sector participation

For the private sector, IMT-GT represents a useful platform for business networking and people-to-people interaction. However, businesses are increasingly losing interest in IMT-GT as they do not see any special fiscal and non-fiscal incentives offered under the IMT-GT framework. If anything, the treatment and incentives offered are no different from those offered at the national or ASEAN level. To them, the IMT-GT programme has not helped them in lowering their business transaction costs. Accordingly, the private sector sees little benefit in using IMT-GT platform.

g) Organisational challenges

The interests of the local governments and private sector are not always being elevated to the national and IMT-GT levels in an effective manner. Also, decisions made at the IMT-GT level are not always promptly disseminated to the provincial/state governments and private sector. Due to resource limitations, the IMT-GT National Secretariats face enormous challenges in performing their roles as an in-country coordinator of IMT-GT matters.

Local governments' involvement in the IMT-GT process remains weak. They often stay on the periphery in the decision-making process, both at the programme and project level, and at the planning and implementation stages. Central line ministries are still the dominant force at the Working Group level.

h) Weak project management system

Sound project proposals, especially 'bottom-up' proposals originating from provincial or state governments and private sector, have been hard to come by. The existing institutional mechanism does not have the capacity and incentive to initiate and formulate good project proposals. A lack of any clear project owner or champion is also a significant reason why projects have not been driven forward. Also, there is a disconnect between the sense of urgency that the private sector requires in project implementation and that provided by the WGs, which are public-sector driven.

As a result, strategies and measures seldom translate into implementable projects. Additionally, the project implementation mechanism of IMT-GT is weak and ineffective. Though good in policy coordination, the Sectoral Working Groups are ineffective in implementing projects. As a result, there are not many concrete IMT-GT projects that have been successfully implemented to showcase.

Capitalising on the unique opportunities available to IMT-GT

a) Impetus from ASEAN initiatives

IMT-GT is strategically located at the heart of the ASEAN region. There are many benefits of being an integral part of this dynamic region, which in many respects is already a major hub in global production networks and international trading systems, as the following evidences suggest.

- ASEAN is the sixth-largest economy in the world with a combined GDP of US\$ 2.43 trillion in 2015 (at current prices), higher than the GDP of France (US\$ 2.42 trillion) and India (US\$ 2.01 trillion).¹² ASEAN is projected to rank as the fourth-largest economy by 2050;¹³
- Home to 628 million people (year 2015), ASEAN has the third-largest population and labour force in the world, trailing only China and India;¹⁴
- With an average annual GDP growth rate of 5.4 percent for the period 2004-2015, ASEAN has one of the fastest-growing consumer markets in the world;¹⁵

¹² *World Development Indicators*, World Bank, October 2016

¹³ *Understanding ASEAN: Seven things you need to know*, Mckinsey and Company, May 2014

¹⁴ *Selected Key Indicators*, ASEAN Secretariat, 2016

¹⁵ *ibid*

- ASEAN continues to capture a greater share of global trade. It is the third largest exporter among regional trade agreements, behind only the European Union, North American Free Trade Agreement (NAFTA). In 2014, ASEAN shipped seven percent (US\$ 1,295 billion) of world merchandise exports. In 2013, ASEAN accounted for 10 percent of total commercial services exports and 5 percent of imports;¹⁶ and
- ASEAN remains a major destination of global FDI, receiving around 16 percent of the world FDI among developing economies with total FDI flows of US\$ 120 billion in 2015. The figure is not very far behind the total FDI received by China in the same year (excluding Hong Kong), which is US\$ 136 billion.¹⁷

IMT-GT is benefiting from being intertwined with the ASEAN economy and the various development programmes being implemented at the ASEAN level. For instance, under the Master Plan on ASEAN Connectivity 2025 (MPAC), various programmes are being implemented to enhance physical (transport, Information and Communications Technology (ICT), and energy), institutional (trade, investment, and services liberalisation), and people-to-people linkages (education, culture, and tourism). These programmes will contribute positively to IMT-GT's connectivity objective.

The prospects of stronger trade and investment ties between ASEAN and Australia, China, India, Japan, South Korea and New Zealand under the proposed Regional Comprehensive Economic Partnership (RCEP) will expose IMT-GT to new export markets and new sources of investment. These are significant opportunities.

b) Positive spill-over from national initiatives

IMT-GT stands to benefit from the various development programmes being implemented at the national level, given that it is a priority area for development under the respective national development plans. Some of these in-country programmes may be initiated and funded external to the IMT-GT framework, yet offer direct or indirect benefits to the development of the subregion. This may include national programmes on promoting technical and vocational education and training (TVET) and skills development, improving public sector governance, enhancing energy security and strengthening cyber security.

¹⁶ *International Trade Statistics 2015*, World Trade Organization, 2015

¹⁷ *ASEAN Investment Report 2016*, ASEAN Secretariat, 2016

Guarding against the potential threats facing IMT-GT

a) Constrained by the slow pace of reform at ASEAN level

Essentially, ASEAN adopts a top-down approach to ensure convergence of trade and investment policies, rules and regulations across its ten Member Countries with the end goal of establishing a rules-based, integrated and market-driven multilateral economic system. IMT-GT, on the other hand, is designed to be a delivery mechanism of ASEAN initiatives via a project-centred and bottom-up approach. To date, IMT-GT has never entered into any codified agreement characterising the ASEAN free trade agreements. Inherently, IMT-GT does not deal with policy and regulatory matters related to the reformation of ASEAN's trade and investment regimes. This is the mandate and responsibility of ASEAN and its member governments. IMT-GT is effectively operating within a regional policy framework defined by ASEAN and its progress is wedded to those of ASEAN. Any slowdown in ASEAN's policy and regulatory reform process will therefore have a direct impact on IMT-GT's own progress.

ASEAN has entered a more legally binding phase of economic integration, focusing on the removal of non-tariff barriers, harmonisation of rules and standards, simplifying the rules of origin, liberalisation of investment flows, liberalisation of services and opening up labour market for skilled workers.¹⁸ The road ahead is likely to be challenging and time consuming given the ASEAN Way of consensus building and its complex institutional set-up.

As it is, ASEAN is already behind schedule in implementing the ASEAN Single Window, mutual recognition agreements in services, ASEAN inter-state and transit transport agreements, and ASEAN agreement on facilitation of transport passengers by road vehicles, among others. Additionally, of the original 125 initiatives listed under MPAC 2010-2015, 52 (or 42 percent) remained to be completed as of 2015.¹⁹

These and many other high-level ASEAN policy measures are critical for bringing about a conducive, predictable and transparent trade and investment environment for ASEAN and its subregional groupings, including IMT-GT.

The slow pace of policy reform at the ASEAN level is adversely affecting the IMT-GT private sector's sentiment and confidence towards the subregion. Some of the IMT-GT private sector players consulted under this study were not convinced that they could live up to the expectation of being the 'engine of growth' of IMT-GT. This is simply because there is a lack of an enabling business environment at the subregional level for them to thrive.

¹⁸ *ASEAN 2025: Forging Ahead Together*, ASEAN Secretariat, 2015

¹⁹ *Master Plan of ASEAN Connectivity 2025*, ASEAN Secretariat, 2015

b) Potential shortfall in infrastructure investment

IMT-GT has made good progress in the development and expansion of its physical infrastructure. As shown in the ASEAN Transport Strategic Plan 2016-2025, there are no more missing links in IMT-GT as far as the ASEAN Highway Network is concerned. Nevertheless, poor road systems can still be found in some parts of IMT-GT, even within the designated economic corridors.

IMT-GT constantly needs to attract an adequate amount of investment for the expansion, upgrading and maintenance of its ICT, power and transport infrastructure systems. The amount required is often huge and takes effort and time to secure. For example, the project to connect the 24 toll road sections along the 2600-kilometer trans-Sumatra highway is estimated to cost US\$ 24.7 billion. There was concern that the project might not be able to meet its original deadline of 2019 as it has run up against financing and land procurement problems.²⁰

Though estimation specifically for IMT-GT is not available, the MPAC 2025 has estimated that ASEAN as a whole will need to invest more than US\$ 110 billion in infrastructure annually for the period of 2015-2025 in order to meet the needs of its Member Countries. The amount is about two to six times higher than the historically spending trend.²¹ Any shortfall in infrastructure investment will likely derail the current growth trajectory, hamstringing IMT-GT's goal of becoming globally competitive in a wide range of industries.

c) Risk of protracted subdued commodity prices

If the current subdued global commodity prices is pro-longed it will have significant negative impact on the provinces and states that have built their export industries around natural resources. Falling commodity revenues will also adversely affect the livelihood of IMT-GT's resource-based MSMEs such as the rubber smallholders and oil palm smallholders, which in turn will have negative knock-on effects on the subregion's structural reform effort to becoming a knowledge-based and high income economy. It will also put a dent in its inclusive growth objective given the important role of the MSMEs as a main generator of employment opportunities for the rural communities.

²⁰ The Jakarta Post, 6 June 2016

²¹ *Master Plan of ASEAN Connectivity 2025*, ASEAN Secretariat, 2015

d) Environment degradation

IMT-GT is highly vulnerable to climate change as a large proportion of its population and economic activity is concentrated along the coastlines. The subregion relies heavily on agriculture for livelihoods and has built its export industries around natural resources. However, its natural resources and biodiversity are under severe pressures from years of exploitation and extraction. Its natural areas are increasingly fragmented within a matrix of human-dominated landscapes and seascapes. This fragmentation affects the movement of species and the flow of ecological processes critical for the provision of ecosystem services that are vital to the well-being of the people.

In Indonesia-GT, the Tropical Rainforest Heritage of Sumatra, which consists of three national parks, namely the Gunung Leuser National Park (8629.75 km²), Kerinci Seblat National Park (13,753.5 km²) and Bukit Barisan Selatan National Park (3568 km²) and with a total rainforest area of 25,000 km², has been declared by the United Nations Educational, Scientific and Cultural Organization (UNESCO) as “World Heritage in Danger”.²²

In Malaysia-GT, the integrity of the Royal Belum State Park has been undermined by poaching, unsustainable harvesting, poorly regulated tourism and human-wildlife conflict.²³

Thailand’s protected area system is also experiencing growing fragmentation due to forest clearance for housing, infrastructure development, agricultural expansion and other unsustainable land uses. As a result, the size of many officially designated national parks, and wildlife sanctuaries may have become too small to sustain their flora and fauna.²⁴

Overexploitation, excessive by-catch and discards, destructive fishing practices, water pollution and disease have severely impacted the health of the marine ecosystem, threatening the long-term sustainability of the IMT-GT’s fishing industry and marine-based tourism.²⁵

²² *World Heritage List*, UNESCO, 2016 (<http://whc.unesco.org/en/list/>)

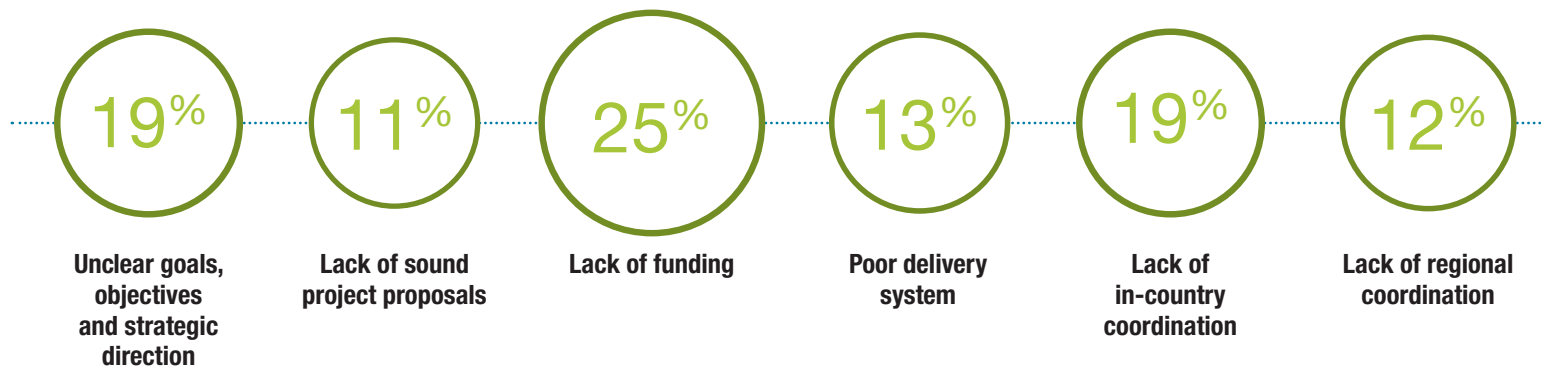
²³ *Royal Belum State Park*, World Wide Fund for Nature-Malaysia, 2016

²⁴ *Catalysing the Sustainability of Thailand’s Protected Area System*, UNDP, 2010

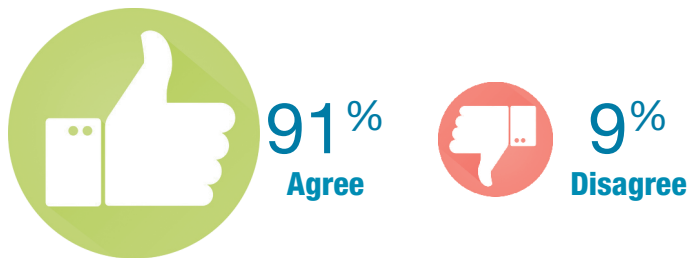
²⁵ *Challenges to International Waters; Regional Assessments in a Global Perspective*, UNEP, February 2006

Survey Results

To determine how IMT-GT could best serve its stakeholders, the challenges that they faced in participating in the IMT-GT process, and what they would like the subregion to be in the year 2036, a questionnaire survey exercise was conducted with IMT-GT stakeholders as part of a broader engagement process. In all, 255 people responded to the survey. The main findings of the questionnaire survey are summarised below.

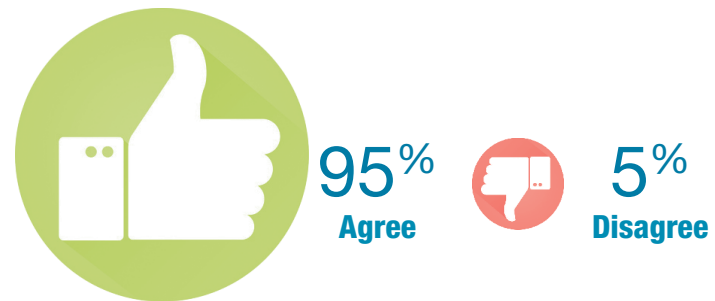


Inclusion of social-cultural programmes



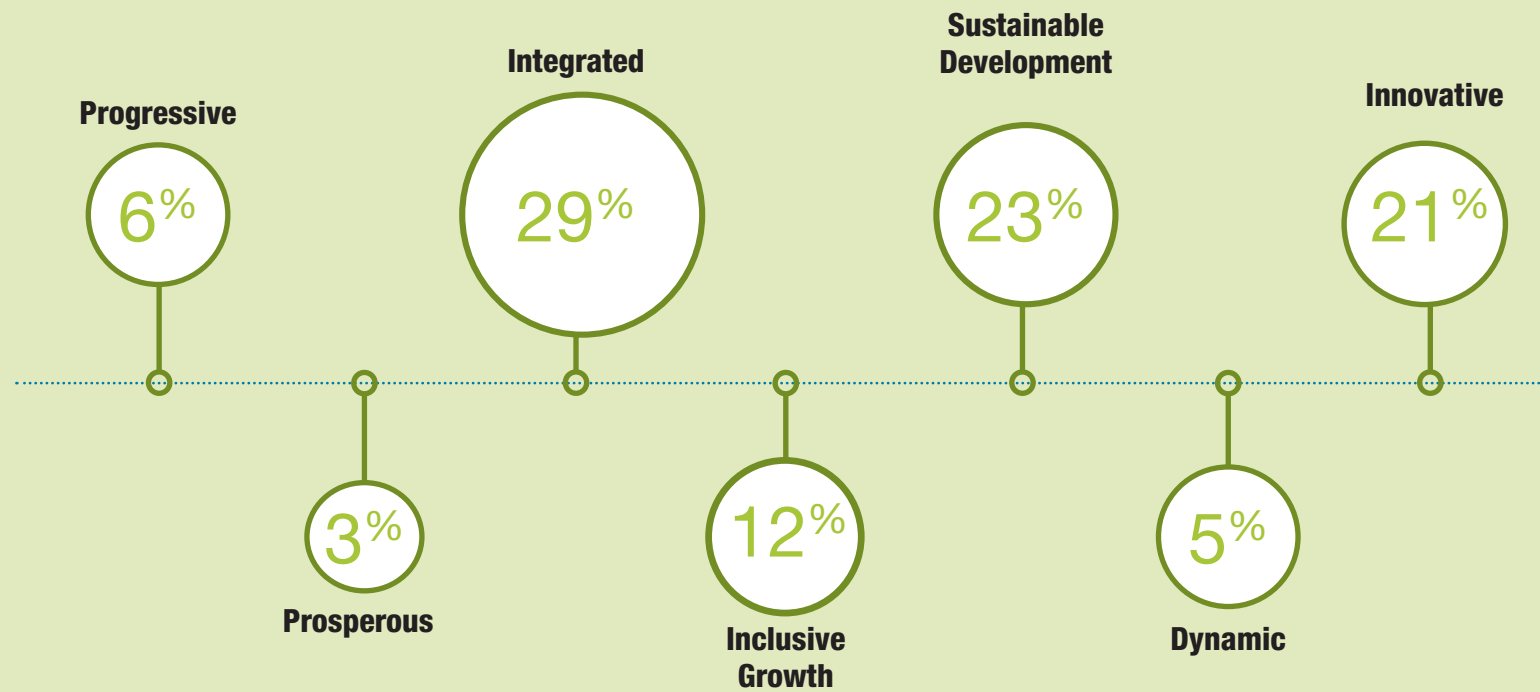
Most of the stakeholders want social cultural programmes (e.g., sports, education, art, gender, youth, etc) to be featured in the IB 2017-2021, alongside the economic cooperation and integration programmes

Need new long term Vision?



Most of the stakeholders would like to see a new vision statement for IMT-GT

The top challenges facing the stakeholders were: Lack of funding; IMT-GT's goals, objectives and strategies are unclear to them; lack of in-country coordination; and poor delivery system.

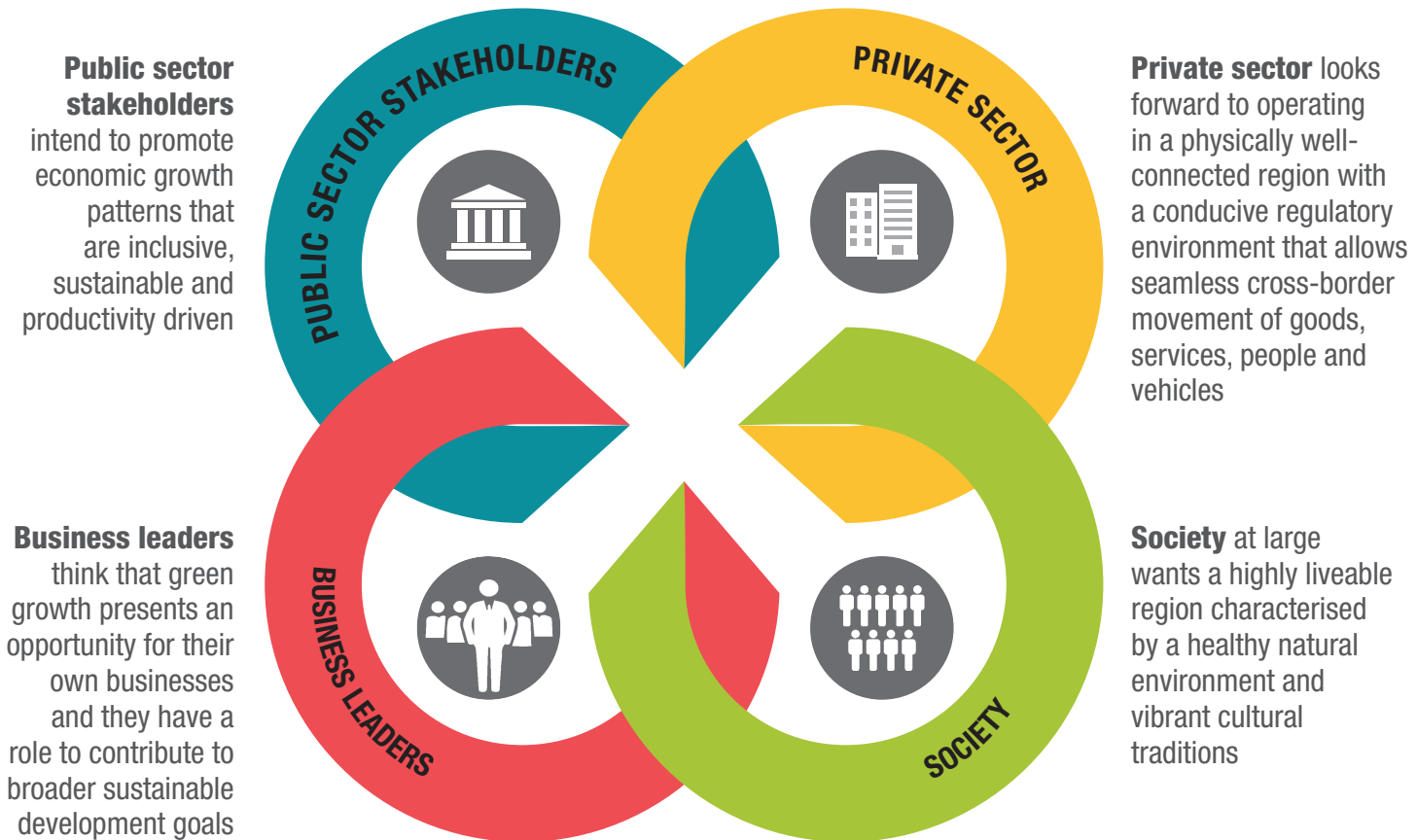


The stakeholders envisaged an integrated, environmentally sustainable, innovative and inclusive IMT-GT.

Reprioritising and repositioning

The Comprehensive Review has generated specific insights into the internal and external environments facing IMT-GT as well as the potential and critical issues that impact the overall success of the subregion. Such insights have enabled an informed selection and prioritisation of strategic goals and directions for the subregion to be established.

Additionally, having concluded the 6-month intense bottom-up stakeholder consultation exercise, it has become quite clear that:



In short, the people of IMT-GT spoke up about their desire for an integrated, inter-connected, innovative, environmentally sustainable, socially inclusive, and culturally thriving region.

All these aspirations are very much in line with the development priorities of IMT-GT Member Countries, as outlined in their respective long-term and medium-term national and subnational development plans, which underscores the need to embrace free trade through entering into free trade agreements; participate in regional and global value chains; and promote productivity driven, equitable and environmentally sustainable growth.

In developing the IMT-GT Vision 2036, due consideration was given to the evidences and strategic insights gained from the Comprehensive Review as well as the views and aspirations expressed by the stakeholders consulted. Special attention was also given to the emerging regional and global megatrends and shift in regional economic development paradigms.

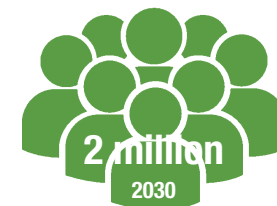
Leveraging megatrends that are shaping and reshaping IMT-GT

IMT-GT operates in a dynamic environment. It is crucial to take into consideration the emerging megatrends that are likely to impact on the development of the subregion over the next one to two decades. This includes those trends identified under the Master Plan on ASEAN Connectivity (MPAC) 2025 that are highly relevant to IMT-GT, as summarised below:



- **The rise of the consuming class:** The number of ASEAN’s households that are part of the “consuming class” will double from the current 81 million households to 163 million households by 2030. The “consuming class” refers to those with incomes exceeding the level at which they can begin to make significant discretionary purchases. This dramatic consumption shift is expected to spur the growth of intra-ASEAN and Intra-IMT-GT trade and tourism.

• **The rise of the middleweights:** Some 90 million people are forecast to move to cities in ASEAN by 2030, particularly to the smaller “middleweight” cities with 200,000 to 2 million people. With real annual GDP growth of more than 7 percent, these cities are expected to drive almost 40 percent of the region’s GDP growth through 2030. The challenge for ASEAN and IMT-GT is therefore to develop more liveable and sustainable cities throughout the region.



- **Exploring new sources of productivity growth:** The demographic dividend that ASEAN (and IMT-GT) enjoys will gradually disappear as its population begins to age. Therefore, ASEAN cannot rely solely on an expanding workforce to boost its economic growth. ASEAN (and IMT-GT) has to constantly find new sources of productivity growth in order to maintain its current growth momentum. It is estimated that many ASEAN Member Countries will need to more than double their historical rates of productivity gains in order to sustain their past pace of economic growth.

For future productivity improvement, ASEAN (and IMT-GT) will reposition itself to capture a greater share of global flows in trade and investment through completing major trade deals and promoting competitiveness in trade-related areas; leverage on the urbanisation wave in the region through development of efficient and sustainable infrastructure solutions; and take advantage of disruptive technologies.



- Deploying disruptive technologies:** It is projected that disruptive technologies, particularly mobile Internet, big data, cloud technology, the Internet of Things, the automation of knowledge work and the Social-Mobile-Analytics-Cloud (SMAC), could unleash some US\$ 220 billion to US\$ 625 billion in annual economic impact in ASEAN by 2030, resulting from increased efficiency and new products and services. To capture this opportunity, IMT-GT will need to prioritise building the backbone infrastructure (including fibre connections and mobile networks) that can provide universal and low-cost Internet access and establish a policy framework for data sharing, online privacy, and cyber security, as well as supporting MSMEs in technology adoption.²⁶



Responding to the new regional economic development paradigms

IMT-GT must also be mindful of the shift in regional economic development paradigms, as outlined in the following table. To stay ahead of the competitive curve and be effective, the IMT-GT Vision 2036 must feature some if not all of the elements of the new paradigm.

The new paradigm emphasises on a deeper level of engagement towards economic integration, something that ASEAN is going to pursue more aggressively over the next 10 years. Under the ASEAN Vision 2025, ASEAN Member Countries are committed to intensify effort to reform, align and harmonise their trade policies, rules and regulations and cross-border procedures and processes. To promote intra-ASEAN investment, ASEAN is working purposefully to put in place a more liberal regional investment regime.

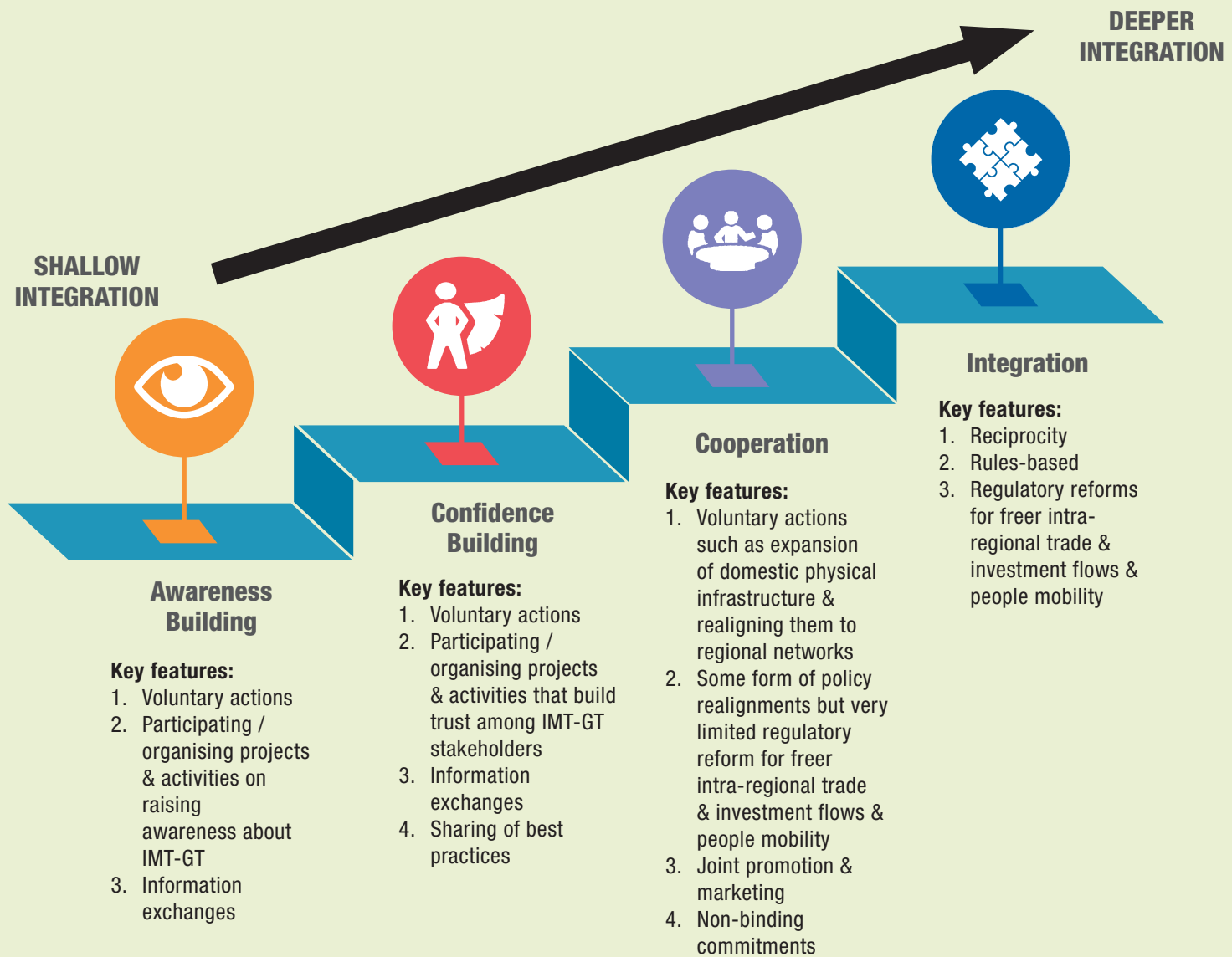
²⁶ *Master Plan on ASEAN Connectivity 2025*, ASEAN Secretariat, 2016

Change of Paradigms in Regional Economic Development

Orientation	Old Paradigm	New Paradigm
Level of engagement	Economic cooperation; voluntary in nature	Economic integration; reciprocity
Approach	Sectoral approach with a limited set of sectors	Cross-sectoral or programmatic
Spatial orientation	Lagging regions, within administrative areas	All-region focus, with orientation towards functional economic corridors
Economic model	Resource-driven economic development	Knowledge-based economy. Green economy, which is low carbon, resource efficient, socially inclusive, and climate resilience over the long run
Policy making	Top down policy development by central government	Participatory policy development involving various stakeholders, including local governments and local business community
Policy type	One-size-fits-all	Context specific
Emphasis on external funding	Donor driven	Country/regional ownership
Measuring performance	Progress monitoring focusing on output	Monitoring based on results (outcomes and impacts)

Source: CIMT's construction

In the case of IMT-GT, it is important to continue developing and implementing joint projects and activities that aim at raising awareness, building confidence and enhancing sectoral level collaboration. However, to fulfil its role as a building block of the ASEAN Economic Community, which it has been called to be, the subregion must switch to a higher gear to work towards greater economic integration, with a clear focus on trade and investment facilitation.



Source: CIMT's construction

However, making region-wide policy and regulatory reforms for freer intra-regional trade and investment flows and greater people mobility has always been ASEAN's forte. IMT-GT will not duplicate this key role of ASEAN.

Significantly, whilst ASEAN may deliver the policy framework in top-down fashion, IMT-GT can contribute to ASEAN through the bottom-up implementation of projects together with general and specific policy feedback. Given its subnational focus, IMT-GT's unique strength is in delivering project results at provincial/state and local levels.



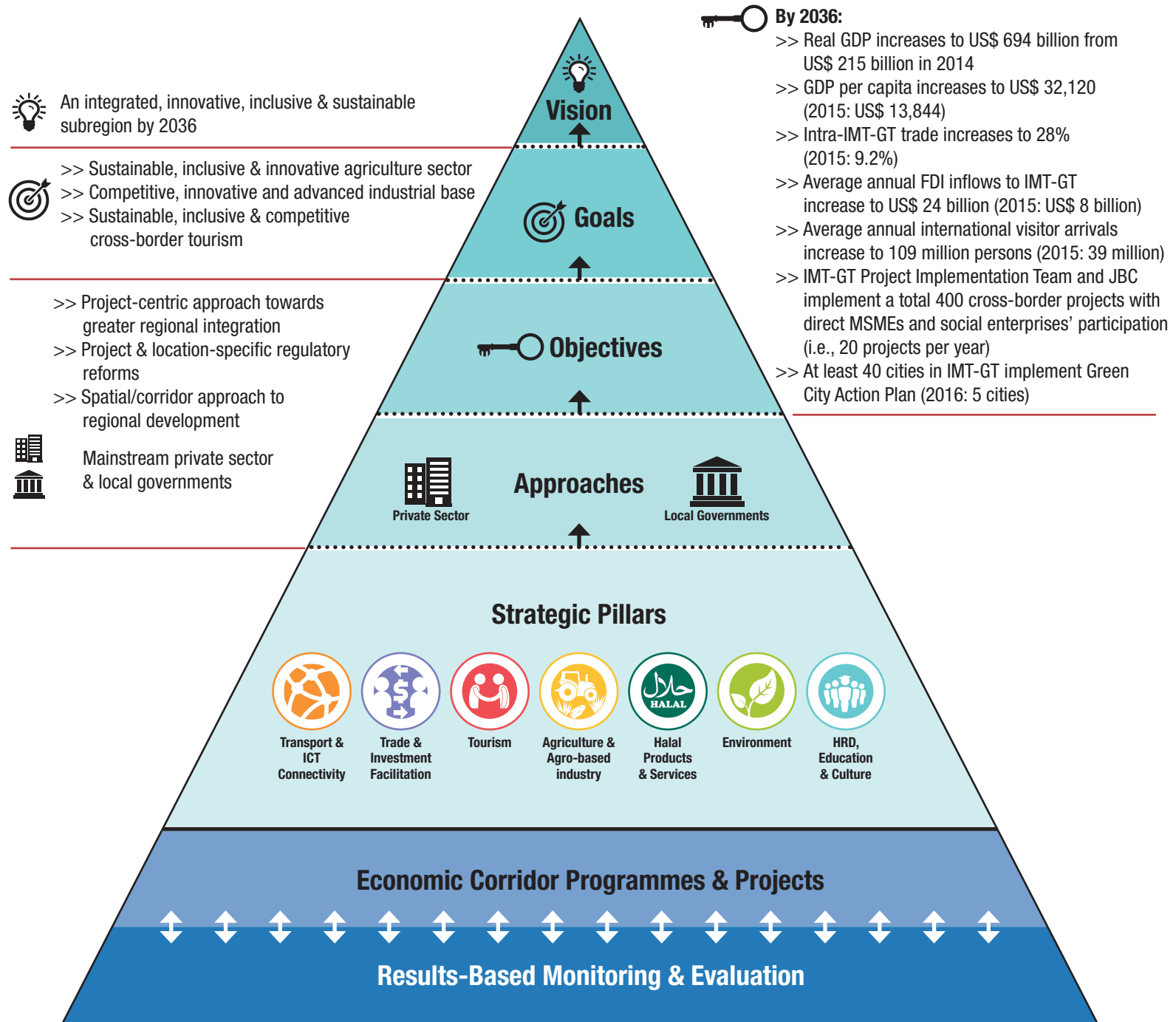


**IMT-GT Vision 2036,
Towards the
Next Level of
Regional Cooperation
and Integration**

3

Guiding Framework

The following guiding framework encapsulates the key components of Vision 2036 and outlines the relationships between them. This section explains the components in detail.



The Vision

An integrated, innovative, inclusive and sustainable subregion by 2036



A shared strategy with people as the centrepiece of regional development efforts

Vision 2036 is a shared strategy for promoting growth through greater regional economic integration and innovation, and for conserving and investing in IMT-GT's natural capital for the well-being of the present and future generations. It is also a long-term strategy for empowering its people to contribute to and benefit from the socioeconomic development of the subregion. It looks ahead at what the subregion wants to be in the year 2036 and identifies key issues that it needs to tackle to get there.

Building on its strengths, the vision will help IMT-GT to unlock its full potential and to improve the well-being of its citizens. It will guide the subregion in its endeavour to exploit its underlying economic complementarities and comparative advantages, and maximise the benefits stemming from its geographical proximity and close historical, cultural and linguistic ties.

IMT-GT has given itself 20 years to realise the vision. The timeframe is longer than the 10-year planning timeframe adopted by ASEAN as outlined in its long-term strategic plan titled ASEAN 2025: Forging Ahead Together. This long-term timeframe will allow IMT-GT to implement bold strategies and transformative measures to appropriately address the structural challenges facing its economy and establish a solid foundation necessary to propel the subregion to the next level of economic cooperation and integration as well as to develop an advanced industrial base. IMT-GT is one of the more developed subregional groupings in Southeast Asia with per capita GDP higher than that of ASEAN. In this context, Vision 2036 is expected to set the pace for future ASEAN Economic Community building process.

Explaining the IMT-GT Vision for 2036

Keyword	Meaning
Integrated	<ul style="list-style-type: none"> > Seamless movement of goods, services, capital and skilled labour and business persons within IMT-GT > Integrated trade and production networks along the priority economic corridors and beyond > MSME and social enterprises are an integral part of regional and global value chains
Innovative	<ul style="list-style-type: none"> > Increases in IMT-GT's competitive edge through innovation, science and technology, and human resource development > Productivity-driven growth > Knowledge-based economy
Inclusive	<ul style="list-style-type: none"> > Development gaps within IMT-GT are narrowed > MSME, social enterprises and community at large have equal access to economic opportunities and benefits
Sustainable	<ul style="list-style-type: none"> > IMT-GT is on an environmentally sustainable growth path underpinned by sustainable production and consumption patterns, and responsible management and conservation of its natural resources and biodiversity

Target Group



- The IMT-GT vision for 2036 is formulated with the IMT-GT peoples as the centrepiece of all regional development efforts
- The economic cooperation and integration efforts are aimed at bringing about opportunities and benefits to the peoples, regardless of gender, ethnicity, socioeconomic status and geographic location
- All key stakeholders must work together to ensure that all segments of society are benefited from IMT-GT's prosperity, which includes jobs, business opportunities, lower cost of living, clean and green living environment and social inclusion

Three priority goals

To realise the vision to become an integrated, innovative, inclusive and sustainable subregion by 2036, IMT-GT will strive to deliver three priority subregional goals, as follows:

- a) Sustainable, inclusive and innovative agriculture sector
- b) Competitive, innovative and advanced industrial base
- c) Sustainable, competitive and inclusive cross-border tourism

The three goals were determined based on the comparative and competitive advantages of IMT-GT, the potential for strong and sustained economic growth with significant multiplier effects throughout the subregion's economy, and its current and expected institutional and organisational capability. The goals of the agriculture sector and tourism industry are self-explanatory. A competitive, innovative and advanced industrial base (point b) above), on the other hand, is characterised by competitive and innovative industrial clusters and cross-border production networks situated along the priority economic corridors which serve as FDI hubs of the subregion. The advanced industries are featured by knowledge intensive agriculture, advanced materials, advanced electronics, and manufacturing of high end optics and photonics, petrochemicals, pharmaceuticals and aerospace products, among others.

Objectives

To bring to fruition the three priority regional goals, IMT-GT is committed to achieve seven key objectives by 2036, as follows.

- a) Real GDP increases to US\$ 694 billion from US\$ 215 billion in 2014
- b) GDP per capita increases to US\$ 32,120 (2015: US\$ 13,844)
- c) Intra-IMT-GT trade increases to 28 percent of total IMT trade (2015: 9.2 percent)
- d) Average annual FDI inflows to IMT-GT increase to US\$ 24 billion (2011-2015: US\$ 8 billion per annum (5-year average))
- e) Average annual international visitor arrivals increase to 109 million persons (2015: 39 million)
- f) IMT-GT Project Implementation Team and JBC implement a total 400 cross-border projects with direct MSMEs and social enterprises' participation (i.e., 20 projects per year)
- g) At least 40 cities in IMT-GT implement Green City Action Plan (2016: 5 cities)

Three guiding approaches

IMT-GT's current cooperation efforts have served the subregion well. These efforts cover mutual sharing of information and best practices through seminars and conferences, skill upgrading programmes, joint research and development, social and cultural exchange programmes, joint investment promotional activities and trade fairs, expansion and upgrading of domestic physical infrastructure and border facilities, and the establishment of industrial parks, among others.

While IMT-GT will continue with such efforts, as the subregion has been doing for the past 23 years, it must now begin to place greater importance on implementing economic integration programmes and projects that will get its raw materials, capital, workers and final products moved across the national boundaries more freely and cost effectively. Trade and investment lies at the heart of the IMT-GT initiative and opportunities for cooperation in this area will be pursued on an intentional basis.

Strengthening the subregion's capacity to trade and invest will require a commitment to simplify and streamline its cross-border formalities and processes, harmonisation of its product standards, as well as addressing a host of other software issues that have constrained the free movement of goods and services and restricted the mobility of its people.

Having comprehensively reviewed IMT-GT's past performance, reassessed its own strengths and weaknesses, and examined the potential opportunities and external threats facing the subregion, IMT-GT Member Countries have come to the conclusion that it is absolutely crucial for IMT-GT to adopt and implement the following three mutually reinforcing approaches to ensure the subregion's future success:

- a) Project-centric approach towards greater regional integration;
- b) Project-specific and location-specific regulatory reforms (joint debottlenecking efforts); and
- c) Spatial approach to regional development.

Adopting a project-centric approach towards greater regional integration

IMT-GT is committed to progress to the next level of economic cooperation and towards economic integration through adopting a project-centric approach. To this end, the subregion will focus its effort on identifying and implementing catalytic projects that are scalable, replicable and sustainable.

These are the key principles that will guide IMT-GT in its project identification and selection process. More specifically, a selected project must meet the following eligibility criteria:

- It addresses a priority objective of an IMT-GT plan or agreement;
- The problem to be addressed by the project is regional in nature;
- The problem and its causes can be effectively and appropriately addressed at the IMT-GT level;
- Implementation of the project will bring benefits to at least two IMT-GT Member Countries;
- The project is consistent with the national development objectives of at least one IMT-GT member country; and
- The project falls under the purview of the mandate of at least one of its Working Groups.²⁷

Adoption of project-centric approach will lead to convergence of institutional support. This is because delivering of project outputs, outcomes and impacts usually demands the involvement and support of more than just one single Working Group. In other words, the project-centric approach necessitates Working Groups to collaborate closely in order to successfully deliver the agreed project goals and objectives.

Project by project and with enough critical mass, IMT-GT's economy will become more integrated and its people and places will be brought closer to each other.

²⁷ *IMT-GT Project Manual, ADB, 2014*

Securing Project-Specific and Location-Specific Regulatory Reforms

Where necessary, IMT-GT will institute project-specific and/or location-specific (between port pairs or between border city/town pairs) rule and regulatory changes to accelerate project implementation.

Individually and unilaterally, IMT-GT Member Countries have implemented packages of policy and regulatory reform measures to promote export and to attract the inflow of foreign investment into their respective domestic economies. This includes measures designed to debottleneck relevant bureaucratic and policy barriers such as streamlining of investment permits through a single/minimum number of investment coordinating bodies, accelerating the issuance of licenses, granting of attractive tax incentives, eliminating the requirement for a minimum investment value, offering of a range of special fiscal and non-fiscal incentives for designated special economic zones, among others.

At the subregional level, Member Countries accord high priority to promote intra-IMT-GT trade and investment and deepen and broaden the hardware and software connectivity especially in the priority economic corridors. One crucial way to increase intra-IMT-GT trade and investment flows and improve the connectivity across the subregion is to debottleneck the administrative, technical and regulatory barriers that impede the effective implementation of the joint projects. However, the removal of such bottlenecks will require more than just unilateral action by a single Member Country in isolation.

More often than not, the joint projects that aim to move goods, people and vehicles across the borders face administrative, technical and regulatory bottlenecks on both sides of the border. This calls for a joint and coordinated debottlenecking effort from all Member Countries. Based on the principle of reciprocity, action may be undertaken on a bi-lateral or tri-lateral basis, depending on individual project requirements.



Some examples of projects that may require joint debottlenecking effort:

- > Simplification of Customs, Immigration and Quarantine (CIQ) regulations and procedures
- > Harmonisation/Mutual Acceptance of Halal Standards and Halal Certification
- > Pilot implementation of trade and investment facilitation agreements of ASEAN. E.g. ASEAN Comprehensive Investment Agreement (ACIA), ASEAN Trade in Goods Agreement (ATIGA), ICT, National Single Window (NSW)
- > Malaysia-Thailand Special Border Economic Zones
- > Ratification and operationalisation of the ASEAN Framework Agreement on the Facilitation of Inter-state Transport (AFAFIST)
- > Finalisation and operationalisation of the ASEAN Framework Agreement on Cross Border Transport of Passenger (CBTP)
- > Developing air and sea linkages
- > Liberalisation of air services arrangements, including projects to review and revise the existing IMT-GT MoU on Air Linkages
- > Economic corridor programmes and projects focusing on the creation of cross-border agricultural, tourism and manufacturing value chains

Note: The above project list was agreed at the 9th IMT-GT Strategic Planning Meeting held in Penang on 3-4 February 2016; National Focus Group (NFG) Workshops held in Medan on 15-16 March 2016; NFG Workshop held in Palembang on 17-18 March 2016; NFG Workshop held in Jakarta on 21-22 March 2016; NFG Workshop held in Bangkok on 2-3 May 2016; NFG Workshop held in Songkhla on 17-18 May 2016; and NFG Workshop held in Putrajaya on 24-25 May 2016. The last bullet point refers to the "Economic Corridors Programmes & Projects" as appears in the Guiding Framework of Vision 2036 which was discussed at the 1st Task Force Meeting held in proposed at the First Meeting of the Task Force of the Comprehensive Review and Implementation Blueprint 2017-2021 held in Phang Nga on 8 August 2016



Project and Location-Specific Regulatory Reforms: Specific measures for implementation

There are various ways to implement project or location-specific regulatory reforms in IMT-GT. One of the least problematic ways is to latch onto the relevant economic agreements that have already been signed, but yet to be fully implemented by ASEAN.

Over the past few decades, ASEAN has signed many economic agreements that aim at debottlenecking the various trade and investment barriers in the region. However, over two-third of these signed agreements remain unimplemented or not yet in force to date.

The multilateral negotiation process of the 10-member ASEAN can be complicated and slow, requiring multiple rounds of domestic consultation and clearance and regional consensus building. Past experience has shown that such a negotiation process can take years before an agreement finally gets signed.

Furthermore, given ASEAN's complex institutional set up and the diverse patterns and levels of economic development of its Member Countries, there is no guarantee that the signed agreements will get implemented promptly.

Notwithstanding, having regional agreements signed is an achievement in itself. And, IMT-GT will latch onto the achievement to advance its cooperation and integration objectives.

To this end, IMT-GT will repackage a relevant signed, but unimplemented ASEAN agreement for implementation at project level or port pairs or border city/town pairs level. The specific actions include identifying, simplifying or adopting in part a relevant ASEAN agreement and implementing it via a subregional memorandum of understanding (MoU). While the MoU may in many ways be less binding than the original ASEAN agreement, it is robust enough to effect positive changes on the ground.

Effectively, IMT-GT will be used as a test bed for implementation of the signed, but unimplemented ASEAN agreements. The 22nd IMT-GT Ministerial Meeting held in Phang Nga, Thailand in September 2016 reiterated the importance of applying the test bed approach in IMT-GT.

The Experience of BIMP-EAGA

The experience of the Brunei Darussalam–Indonesia–Malaysia–Philippines –East ASEAN Growth Area (BIMP-EAGA) Ministerial MoU on Cross-border Movement of Buses and Coaches (signed in 2007) has shown that this project/location-specific approach is highly workable. For one, there was little domestic political and technical resistance to the negotiation, signing and implementation of the MoU since the key provisions of the MoU were taken from the signed (but unimplemented) ASEAN transport agreements, as listed below:

- Protocol 1 (Designation of Transit Transport Routes and Facilities), Protocol 5 (ASEAN Scheme of Compulsory Motor Vehicle Insurance) and Protocol 9 (Dangerous Goods) (status: signed and ratified but not implemented) of the ASEAN Framework Agreement on the Facilitation of Good In Transit (AFAFGIT);
- Agreement on the Mutual Recognition of Domestic Driving Licences Issued by ASEAN Countries (1985) (signed and ratified but not fully implemented); and
- Agreement on the Commercial Vehicle Inspection Certificates for Goods Vehicles and Public Service Vehicles Issued by ASEAN Member Countries (1998) (signed and ratified but not fully implemented).

Effectively, BIMP-EAGA had offered itself as a test bed for these signed, but unimplemented ASEAN transport agreements.

Implementation of the MoU since 2007 has resulted in lowering of administrative, technical and regulatory barriers at a few main port pairs in BIMP-EAGA, including at the Sungai Tujoh (Brunei Darussalam)-Miri (Malaysia) land border crossing and Entikong (Indonesia)-Tebedu (Malaysia) land border crossing, which in turn has contributed to greater people mobility with the subregion.

As far as facilitation of cross-border movement of passenger by buses is concerned, BIMP-EAGA has now a more advanced regulatory framework than ASEAN. And private sector sees this as some form of special/exclusive incentive that BIMP-EAGA has offered.

Source:

1. *Report of the 22nd IMT-GT Ministerial Meeting, Phang Nga, Thailand, 23 September 2016, CIMT*
2. *Review of the BIMP-EAGA Land Transport MoUs, ADB, 2015*
3. <http://agreement.asean.org/home/index.html>, ASEAN Secretariat

Devising a spatial approach to regional development

IMT-GT will continue to adopt the economic corridor approach introduced in the IMT-GT Roadmap for Development 2007 – 2011 and expanded under the Implementation Blueprint (IB) 2012-2016. The approach is still very relevant as the five IMT-GT economic corridors continue to serve as trunk lines for regional development. Transport facilities are being built, upgraded and reconfigured to serve as the backbone of the corridors. IMT-GT can also see key economic activities are beginning to cluster in these corridors. To realise their full potential, IMT-GT must intensify these initiatives in the coming years.

To attain its vision of an integrated, innovative, inclusive and sustainable growth by 2036, IMT-GT is resolved to:

- Enhance the capacity of the clusters through the infusion of innovation. IMT-GT must put in place the right policy mix that stimulates collaborative efforts between its member governments, businesses, civil societies, universities and research organisations with the goal of infusing innovation on the widest scale possible, starting with the five priority economic corridors.
- Intentionally steer the development of these corridors so that they will also benefit the wider area including rural areas and urban centres that are at the peripherals or outside of the corridors. To promote inclusive growth, IMT-GT will apply the value chain approach to integrate micro, small and medium enterprises into the regional and global value chains.
- Apply a spatial approach to better plan and manage its national resources and to conserve the natural environment. Being part of the biogeographical region called Sundaland, IMT-GT Member Countries share the same sea and many of their coastlines, forests and watershed areas are physically linked. Member Countries take their fish from the same sea. Some of the marine species, wildlife and birds in the subregion are migratory, moving across national boundaries through different governance and political frameworks. Therefore, joint planning and management of the foraging areas and commuting corridors of the migratory species are critical to ensure their survival. Spatial management measures are effective for optimising the usage of the subregion's natural resources, sustaining its resource-based industries over the long-run and conserving the rich biodiversity.

Promoting participation of MSMEs in regional and global value chains: Specific measures for implementation

Benefits

MSMEs in IMT-GT may become internationalised through supplying to multinational corporations located in IMT-GT or by operating trade and supply links with producers and buyers outside the subregion. Through participating in regional and global value chains or production networks, the IMT-GT MSMEs are exposed to a large buyer base, new business opportunities as well as opportunities for technology transfer from larger firms. This in turn will contribute to enhancing the MSMEs' competitiveness, creating more jobs, and contributing to the inclusive growth objective of IMT-GT.

Specific measures

Value chain promotion is an effective way to connect MSME to regional and global value chain. This is to be achieved by:

- Enhancing the functionality of the product markets that are crucial for the commercial success of the MSME;
- Improving their ability to access to and move up regional and global value chains; and
- Influencing the distributive outcome of market processes.

The required intervention would normally include the following actions:

- Assessing the potential and limits of value chain promotion in a given development context
- Selecting a value chain for promotion. The required groundwork include undertaking a mapping exercise to identify constraints in the value chain; understand the role of the MSME (targeted actors) in the value chain; visualise the networks and relationships; understand the markets and factors (infrastructure, policies, processes) affecting the performance of the value chain
- Agreeing on goals and objectives of upgrading the selected value chain and devising strategies to achieve the goals and objectives
- Identifying actors to implement the strategy

- Implement the value chain upgrading strategies. This usually involves a multi-stakeholder approach with participation of public and private stakeholders, and development partners. Specific activities to be carried out under the strategies may include:
 - Business matching
 - Fostering of vertical and horizontal collaboration between the MSME and global and regional value chain operators, such as through entering of sub-contracting relationships with large enterprises operating in the subregion and beyond
 - Capacity building to improve the competitive edge and enterprise connectivity of the MSME
 - Addressing financing needs of the MSME
 - Removing policy and regulatory constraints
- Monitoring the implementation of the intervention and evaluate its results.

Reference:

1. Integrating SMEs into Global Value Chains, Challenges and Policy Actions in Asia, ADB and ADB Institute, 2015
2. The Methodology of Value Chain Promotion, Value Links Manual, First Edition, Deutsche Gesellschaft für Internationale Zusammenarbeit, 2008

Two key stakeholders

Mainstreaming private sector and local governments

IMT-GT places the private sector and local governments at the heart of its efforts to accelerate subregional economic and social development. These two key stakeholders will take strong ownership of and be the main drivers of IMT-GT projects. Together with the local community, they will be the direct beneficiaries of IMT-GT projects.

In this connection, IMT-GT will adopt a bottom-up approach in project identification, planning and formulation. More project proposals will originate from the private sector and local governments so that projects implemented are directly relevant to them and address their priority needs.

Through innovative public-private partnership initiatives, Vision 2036 will accelerate investments from the private sector, including from small and medium-sized enterprises, which are the key economic actors in IMT-GT.

IMT-GT's national governments, including the line ministries and agencies, will support and promote the growth of the private sector and local governments by laying the enabling conditions.



Mainstreaming the participation of private sector: Specific measures for implementation

The role of the IMT-GT Joint Business Council

The primary strategy of IMT-GT is for the private sector to be the engine of growth of its development efforts. This is to be achieved by encouraging the private sector to explore and develop the IMT-GT-related trade and investment opportunities.

Inaugurated in 1995, the IMT-GT Joint Business Council (JBC) is entrusted to be the focal point of engagement with the private sector having a clear mission of encouraging the private sector to pursue trade and investment opportunities created by the subregional economic cooperation programmes. Empowering the JBC is therefore the key to mainstream the private sector.

Specific measures to empower the JBC

1. Legal registration

Despite being in existence for more than two decades, the JBC is still a loosely organised regional body. It does not have a legal personality under any international or national law. Operationally, such a loose set up has provided JBC with plenty of flexibility. However, it has also undermined the JBC's internal organisational strengths, its role as a regional coordinating body for the private sector, and its ability to recruit new members, fund raise and enter into formal contract and partnership with partners.

The proposal to formally register the JBC as a legal entity has been around for a while. To mark a fresh start for the organisation under the IMT-GT Vision 2036, it's now time for the JBC to act on the proposal. The JBC may be registered as a corporation or non-governmental organisation.¹

Once legally registered, the JBC will then work towards meeting one of its most basic needs, to be financially sustainable. At the same time, the JBC may also review and, where necessary, re-prioritise its main roles, particularly in policy advocacy, business development services, and secretariat services, taking into account the strategic goals and objectives of the Vision 2036.

1 The BIMP-EAGA Business Council, the counterpart of JBC, has been registered as a corporation under the Offshore Companies Act 1990 in Labuan FT, Malaysia

2. Revenue generation

The JBC will be intentional in finding ways to generate its own revenues to sustain its operations. This may be done through:

- Collection of membership fees, both from corporate and individual members. This fundraising exercise must go hand-in-hand with a membership drive. To be successful in this endeavour, the JBC needs to be formally registered as a legal entity with a transparent and credible governance structure. Only then can it legally collect membership fees from its members;
- Organising promotional events, which could be a stable source of revenue for the JBC as promotional events such as trade expo and investment forums may be organised on a regular basis. Revenue may be generated from booth rentals, entrance fees, participant fees and advertising space sales, among others. IMT-GT governments may consider extending their support through granting of exclusive franchises for the JBC to organise IMT-GT trade and investment events on the grounds that such activity will allow the JBC to fulfil its mandate of promoting private sector interaction and enhancing business networking; and
- Provision of business development services such as business networking, business matchings, advisory services, consultancies and supplying of market intelligence.

3. Effective policy advocacy

The JBC needs to reassess its effectiveness as a voice for the private sector in IMT-GT. To be an influential and credible voice, the JBC must build a strong membership base through an aggressive membership drive. To fulfil its mandate as a focal point of the private sector, the JBC must aim to be a more inclusive subregional organisation. It must grow a diverse membership base, including representatives from MSMEs, social enterprises, SMEs, large domestic corporations and multinational corporations.

The JBC must also invest in enhancing its research capability to be able to convincingly and constructively elevate the private sector's concerns and interests to the IMT-GT governments and the public at large.

4. Organisational efficiency

Overall, the national chapters of the JBC are well structured and organised. However, the same cannot be said for the IMT-GT JBC. There is an apparent lack of a robust internal systems and procedures for effective communication and coordination among its three national chapters. The JBC will revisit its organisational set up with the objective of putting in place a governance system and management structure that are robust and responsive to the needs and concerns of the individual national chapters. Having a subregional JBC secretariat with dedicated full time manpower will also contribute significantly to the organisational efficiency of the JBC.

Mainstreaming the participation of local governments: Specific measures for implementation

1. Closing the information gaps

The first step towards mainstreaming the participation of local governments (LG) in IMT-GT is through heightening their awareness about IMT-GT, its goals, objectives, programmes, projects and activities, and updated information on the opportunities that it brings. As it is, the level of awareness about the subregion varies from one LG to another. The uneven level of awareness is partly due to the unavailability of regular updates on IMT-GT matters from the main IMT-GT bodies such as the National Secretariats, Working Groups and CIMT.

One straightforward measure to close the information and communication gap is through the effective use of the existing CIMT-administered IMT-GT website (<http://www.imtgt.org/>) for automated dissemination of updates on IMT-GT to the local governments. Besides this quick-win measure, over the longer term, Member Countries may consider embarking on establishing and formalising an internal communication system for the LGs to ensure speedier and freer flow of information within the in-country set up. Such a communication system will be able to cater for both the vertical (Summit-Ministerial Meeting (MM)-Senior Officials Meeting (SOM) -National Secretariat (NS) -LG) and horizontal (LG-LG) flows of information.

2. The role of subnational level secretariats

Subnational level secretariats can serve as a pivotal in-country focal point for LGs to interface and coordinate with NS, SOM, Working Group representatives, national and provincial/state-based central agencies and local businesses on IMT-GT matters.

Good practices on this can be drawn from the Chief Ministers and Governors Forum (CMGF) Secretariat in Thailand-GT: a) it has a clear mandate from the Central Government of Thailand to support and empower the LGs of Thailand-GT; b) located in Songkhla Province, the secretariat is physically close to the LGs and private sector of Thailand-GT; c) it has a relatively formalised mechanism to reach out to the LGs and local businesses as well as a system to consolidate the LGs' positions for elevation to Central Government of Thailand and IMT-GT official meetings; d) it serve as a central depository for Thailand-GT; e) it conducts structured trainings for LGs such as in areas of developing project proposals for submission to relevant IMT-GT forums and national government; and f) it monitors the implementation progress and evaluates the impacts of Thailand-GT projects.

Presently, Indonesia-GT and Malaysia-GT do not have such a formal set-up within their system.

3. Targeted capacity building programmes

The National Governments, CMGF Secretariats and individual LGs may consider providing their members/officials with awareness and capacity building activities that focus on the following objectives:

- a) Sensitising the LG members about the IMT-GT structure, development goals, objectives and programmes as well as their direct and indirect benefits and impacts on local communities, including local businesses;
- b) Equipping the LGs members with knowledge and skills that will enable them to advocate local interests at IMT-GT forums;
- c) Increasing the capacity of LGs as key partners in delivering IMT-GT Vision 2036; and
- d) Enhancing the project management capacity of the LG members with the view of generating more bottom-up projects.

Supported by seven strategic pillars

There are seven strategic pillars to support Vision 2036. The seven pillars that have been carefully identified as key Focus Areas will produce the most significant economic and social impact on the subregion over the period 2017-2036 are:

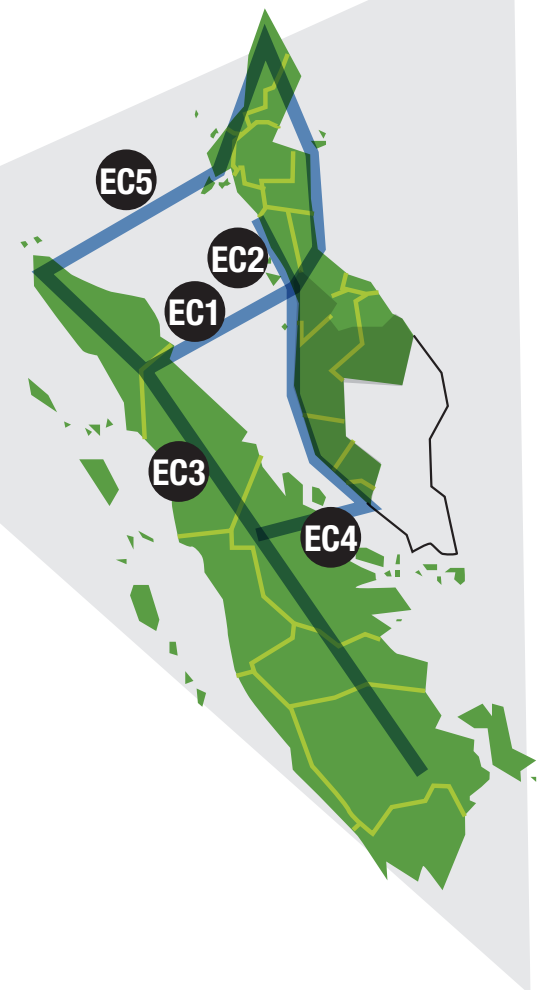
- a) Agriculture and Agro-based Industry;
- b) Tourism;
- c) Halal Products and Services;
- d) Transport and ICT Connectivity;
- e) Trade and Investment Facilitation;
- f) Environment; and
- g) Human Resource Development (HRD), Education and Culture.

Chapter 4 will explain the strategic pillars and focus areas in greater detail.

Economic Corridor Programmes and Projects: Maximising economic network externalities

There are five priority economic corridors in IMT-GT. Each corridor has its own unique characteristics as defined by its geographic location and comparative advantage. However, what is common among them all is the deliberate policy to enhance connectivity and promote industrial clusters and cross-border production networks along these corridors. This is done with the specific goal of maximising economic network externalities along and beyond the corridors. The IMT-GT's corridors therefore represent a confluence of regional economic integration and inclusive growth.

In this context, IMT-GT will identify, develop and implement programmes and projects that serve to connect the right economic agents in and outside of the corridors, including the MSMEs and SMEs which are the mainstay of IMT-GT economy both in terms of number of business establishments and employment generation.



Key characteristics of Priority IMT-GT Corridors

IMT-GT Corridor	Key Characteristics
Extended Songkhla–Penang–Medan Corridor (EC1)	EC1 hosts some of the most agriculture-rich provinces in Southern Thailand that trade with Malaysia, Sumatra and Singapore and plays an important role in the supply chain of traded goods outside the subregion. EC1 covers several provinces in the border areas of these two countries and will serve as the anchor for clustering major economic activities through the development of industrial hubs and special economic zones.
Straits of Melaka Corridor (Trang–Satun–Perlis–Penang–Port Klang–Melaka) (EC2)	Due to the proximity of this corridor to Sumatra, there is considerable potential to complement the various stages of the production chain with this province, especially if a series of economic and industrial zones are established at strategic points along the corridor. This corridor has the potential to serve as a food hub, especially for halal, since a number of food terminals and integrated food centres are being planned within the corridor.
Banda Aceh–Medan–Pekanbaru–Palembang Economic Corridor (EC3)	This corridor, which is part of ASEAN Highway Network, is of critical importance for developing Sumatra, as well as an important building block for further enhancing connectivity within the IMT-GT subregion. Its development is closely linked with that of the other three corridors.
Melaka–Dumai Economic Corridor (EC4)	This maritime corridor has a long tradition of freight and passenger traffic between Sumatra and Malaysia. Dumai is the gateway port of Riau Province, one of the richest provinces of Indonesia with abundant palm oil plantations and on–shore oil and gas resources. Dumai is principally a palm oil-related export port with general cargo, fertiliser, cement and rice being the main import traffic.
Ranong–Phuket–Aceh Corridor (EC5)	The Ranong Phuket–Aceh Corridor is envisaged to enhance the connectivity between Sumatra and Southern Thailand primarily through maritime mode. Connectivity will be established through the development of facilities in key ports in Sumatra.

Source: Adopted from *Mid-term Review of IMT-GT Implementation Blueprint 2012–2016*

Key corridor programmes and projects

IMT-GT will continue to accord high priority to the implementation of programmes and projects that aim at expanding and enhancing the physical connectivity of these corridors, particularly in areas of transport, ICT and power connectivity.

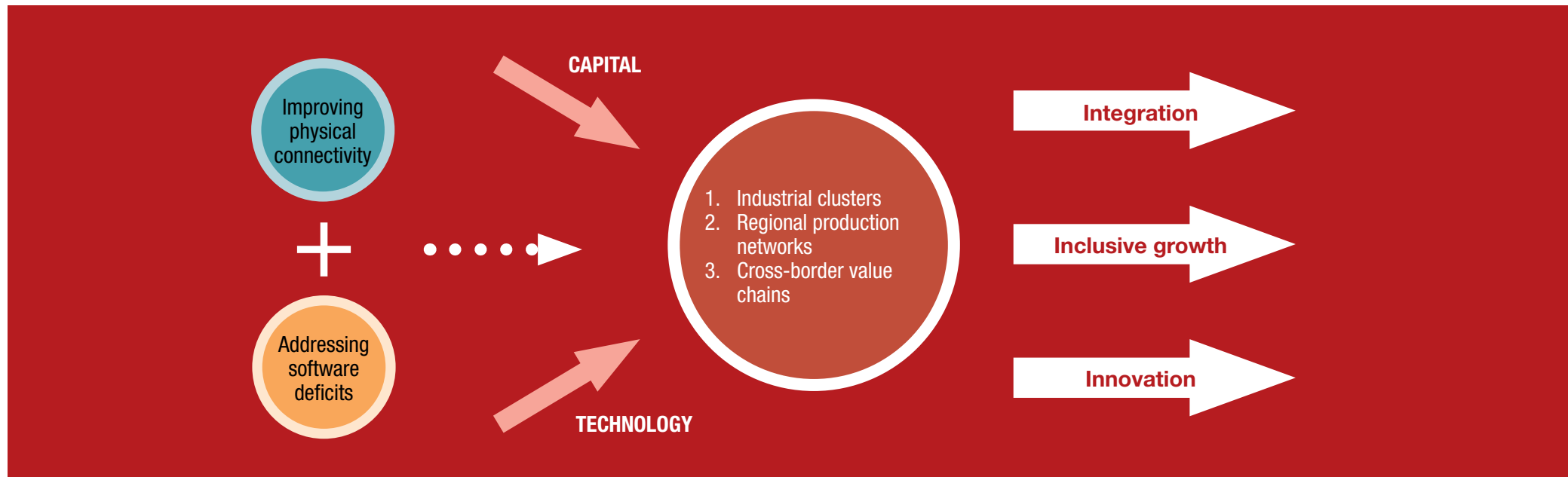
To support infrastructure development, IMT-GT will tap into emerging funding vehicles such as the Asia Bond Fund, the Asian Bond Market Initiative, the ASEAN Infrastructure Fund, and the Asian Infrastructure Investment Bank. IMT-GT will also encourage more private sector investment in infrastructure in the corridors through putting in place robust public private partnership frameworks characterised by clear risk-sharing arrangements and project development.²⁸

Equal attention will be given to programmes and projects that aim at addressing the software deficits of the corridors as well as programmes and projects that contribute to the service performance and interoperability of the hardware and software of the corridors. Among others, this will include projects to streamline the CIQ rules, regulations and procedures along the corridors.

The next category of corridor programmes and projects are those that contribute to the development of industrial clusters and production networks along the corridors; and expansion, diversification and sophistication of the manufacturing, agribusiness and tourism value chains. This includes projects on developing Special Border Economic Zone (SBEZ), Special Economic Zones (SEZ), as well as projects on enhancing skills and technology infusion. The latter may involve collaborative activities between the governments, businesses, civil societies, universities (e.g., UNINET) and research organisations.

²⁸ *Master Plan on ASEAN Connectivity 2025*, ASEAN Secretariat, 2016

Maximising Economic Network Externalities through Corridor Development



Underpinned by results-based monitoring and evaluation

IMT-GT acknowledges that producing quality outputs is simply not enough. In order to realise Vision 2036, IMT-GT projects must be able to deliver results close to where the intended beneficiaries are located.

To accelerate the strategic shift toward results, IMT-GT will mainstream the results-based monitoring and evaluation system as outlined in the IMT-GT Project Manual. The system will capture the delivery of project outputs, outcomes and impacts. Better decision making will be achieved through focusing systematically on the whole results chain, from inputs to impacts.

Vision 2036 will be reviewed every five years to monitor progress and evaluate outcomes and impacts with a view towards fine-tuning and enhancing the subregional cooperation and integration efforts.





Strategic Pillars and Focus Area

4

Spearheading Growth, Enabling Development

As outlined in Chapter 3, the seven strategic pillars to support Vision 2036 are as follows:

1. Agriculture and Agro-based Industry;
2. Tourism;
3. Halal Products and Services;
4. Transport and ICT Connectivity;
5. Trade and Investment Facilitation;
6. Environment; and
7. HRD, Education and Culture.

These pillars have been identified as key Focus Areas that will generate the most significant economic and social impact over the next two decades.

In terms of scope, the Agriculture and Agro-based Industry Focus Area covers a range of resource-based economic activities, specifically agriculture, fisheries and livestock. The Tourism Focus Area includes tourism development and promotion. The Halal Products and Services Focus Area encompasses all Halal-promoted economic activities.

The Transport and Information and Communications Technology (ICT) Connectivity Focus Area covers transport facilitation and transport infrastructure development and ICT infrastructure development and business transformation using ICT. The Trade and Investment Facilitation Focus Area comprises of trade and investment facilitation and trade in goods and services, and investment.

The Environment Focus Area consists of economic activities that are aimed at achieving a low carbon economy, including, but not limited to, sustainable urban development, and the promotion of renewable energy, energy efficiency and green mobility; and sustainable management of natural resources and protection and conservation biodiversity.

The Human Resource Development, Education and Culture Focus Area covers developing and upgrading of IMT-GT workforce skills; improving labour mobility capacity building, knowledge exchange, technology transfer and research and development performed under the IMT-GT University Network (UNINET) framework; and cooperation in education, sports, arts, music and other forms of socio-cultural activities that contribute to greater people-to-people connectivity and a strong IMT-GT identity, shared values and goals.

Lead Focus Area and Enablers

The Agriculture and Agro-based Industry, Tourism, and Halal Products and Services Focus Areas will spearhead IMT-GT's cooperation and integration efforts over the next two decades and beyond. Earmarked as Lead Focus Areas of IMT-GT, they were selected based on careful evaluation of the comparative and competitive advantage of the subregion and individual member economies as guided by the results of the Comprehensive Review of the IMT-GT Strategy.

Definition of Lead Focus Area







- Lead Focus Areas are economic sectors/sub-sectors/industries that produce goods and services
- Economic actors under the Lead Focus Areas are physically involved in the production, trading and marketing of goods and services and in mobilisation of funds, technology and human capital for the said economic activities
- They are the private sector players, ranging from multinational corporations to micro, small and medium-sized enterprises, and government-linked corporations/state-owned enterprises.

The three Focus Areas will be supported by four other Focus Areas that act as enablers, namely Transport and ICT Connectivity, Trade and Investment Facilitation, Environment, and Human Resource Development, Education and Culture.

Definition of Enabler

- Enablers are critical actors that support and empower the private sector, other economic agents and wider community to growth and thrive through provision of a facilitative and conducive environment
- They are the central governments (MM, SOM, NS), line ministries (WGs), provincial, state governments and local authorities (CMGF)
- They are the main bodies that drive the 'Project and Location-Specific Regulatory Reforms' (Guiding Approach 2), involving actively in the debottlenecking of administrative, technical and regulatory barriers that impede cross-border flow of goods, services, investment, people and vehicles
- These bodies also identify the capacity gaps of economic agents and help them to overcome those gaps through capacity building programmes.

The following table summarises the role and scope of each Focus Area.

Role	Focus Area	Scope
Lead	 Agriculture and Agro-based Industry	>> Agriculture, fisheries and livestock
	 Tourism	>> Tourism development and promotion
	 Halal Products and Services	>> All Halal-promoted economic activities
Enabler	 Transport and ICT Connectivity	>> Transport facilitation and transport infrastructure development >> ICT infrastructure development and business transformation using ICT
	 Trade and Investment Facilitation	>> Trade and investment facilitation and trade in goods and services, and investment
	 Environment	>> Low carbon economy, including, but not limited to, sustainable urban development, and promotion of renewable energy, energy efficiency and green mobility >> Sustainable management of natural resources and protection and conservation biodiversity
	 Human Resource Development (HRD), Education and Culture	>> Developing and upgrading of IMT-GT workforce skills and improving labour mobility >> Capacity building, knowledge exchange, technology transfer and research and development performed under the IMT-GT UNINET framework >> Cooperation in education, sports, arts, music and other forms of socio-cultural activities that contribute to people-to-people connectivity

Focus Area strategies

The seven strategic Focus Areas are inextricably linked. Success in each Focus Area is contingent on the performance in other Focus Areas. Vision 2036 therefore places great importance on interconnectedness and cross-sectoral collaboration.

The combined outcomes and impacts of the seven Focus Areas will result in the realisation of Vision 2036. More specifically, this will lead to the attainment of the following priority goals.

1. Sustainable, inclusive and innovative agriculture sector
2. Competitive, innovative and advanced industrial base
3. Sustainable, inclusive and competitive cross-border tourism

To this end, each Focus Area will systematically pursue a set of key strategies, as outlined below. These strategies will be implemented in an incremental manner over four successive five-year Implementation Blueprints. The first Implementation Blueprint will cover the period 2017-2021.

Strategies to spearhead growth




















Agriculture and Agro-based Industry Focus Area Strategies

IMT-GT will implement multi-pronged strategies under the Agriculture and Agro-based Industry Focus Area in order to create a sustainable, inclusive and innovative agriculture sector as well as to use the Focus Area to propel regional economic integration. The strategies are, as follows:

1. Create an innovative mechanism of collaboration between government, private sector, academia and civil society for technology transfer through capacity building and knowledge sharing
2. Promote a conducive financial environment for the development and innovation of value added products regionally
3. Promote high value and knowledge intensive agriculture products (e.g., “Superfruits”), including products that place nutritional safety as a central component
4. Design and implement cooperatively an educational programme to raise awareness on eco-friendly and sustainable agriculture practices
5. Encourage the practice of eco-friendly and sustainable agriculture following national and international standards
6. Promote environmentally sustainable cross-border agriculture value chains
7. Support the private sector in promoting agriculture products that meet the market demand
8. Encourage sharing of market information on agriculture products and agricultural product prices within IMT-GT, including through creation of mechanism for sharing of real time information
9. Recommend agriculture trade regulatory framework for movement of agriculture product throughout IMT-GT/to comply with ASEAN trade regulatory framework
10. Improve the agro-logistics system across borders
11. Implement pilot projects to spur cross-border agriculture value chain creations for subsequent upscaling with MSMEs participation

Different strategies may entail different types of intervention which in turn may yield different end results. The following table shows the types of intervention the Agriculture and Agro-based Industry Focus Area strategies and their respective direct contributions to attaining Vision 2036. The key types of intervention include capacity building, knowledge sharing, regulatory reform, research and development, eco-labelling, cross-border value chain development and private sector promotion.

Strategy	Type of intervention	Direct contribution to Vision 2036			
1. Create an innovative mechanism of collaboration between government, private sector, academia and civil society for technology transfer through capacity building and knowledge sharing	Capacity building; knowledge sharing				
2. Promote a conducive financial environment for the development and innovation of value added products regionally	Regulatory reform*				
3. Promote high value and knowledge intensive agriculture products (e.g., “Superfruits”), including products that place nutritional safety as a central component	R&D				
4. Design and implement cooperatively an educational programme to raise awareness on eco-friendly and sustainable agriculture practices	Awareness building				
5. Encourage the practice of eco-friendly and sustainable agriculture following national and international standards	Eco-labelling; value chain development				
6. Promote environmentally sustainable cross-border agriculture value chains	Value chain development				
7. Support the private sector in promoting agriculture products that meet the market demand	Private sector promotion; regulatory reform*				
8. Encourage sharing of market information on agriculture products and agricultural product prices within IMT-GT, including through creation of mechanism for sharing of real time information	Information sharing				
9. Recommend agriculture trade regulatory framework for movement of agriculture product throughout IMT-GT/to comply with ASEAN trade regulatory framework	Regulatory reform*				
10.Improve the agro-logistics system across borders	Regulatory reform*				
11.Implement pilot projects to spur cross-border agriculture value chain creations for subsequent upscaling with MSMEs participation	Regulatory reform*				

*Note: This may be a joint debottlenecking measure, i.e., project and/or location-specific regulatory reform and not necessarily an IMT-GT-wide reform (see the section on ‘Three guiding approaches’ in Chapter 3)

Legend: Integration  Innovation  Inclusiveness  Sustainable development 









Tourism Focus Area Strategies

To optimise its tourism potential, IMT-GT will implement the following strategies on tourism promotion and development.

1. Improve connectivity between strategic areas of the subregion to support selected thematic cross-border tourism circuit development
2. Enhance the sustainability, inclusiveness and competitiveness of the subregion as a destination
3. Market the subregion as a single destination

The following table shows the different types of intervention that are needed to deliver the Tourism Focus Area's strategies, and their respective direct contribution to realising Vision 2036. It is obvious that the Tourism Focus Area needs many different forms of intervention. They go beyond the more usual joint promotional and marketing activities to include research, infrastructure development, value chain development and regulatory reforms, among others. Also, given the broad range of tourism activities and their dependence on the services provided by other industries, cross-sectoral collaboration is therefore crucial for the sustained expansion of the IMT-GT tourism industry.

Strategy	Type of intervention	Direct contribution to Vision 2036		
1. Improve connectivity between strategic areas of the subregion to support selected thematic cross-border tourism circuit development	infrastructure development; transport facilitation; value chain development; regulatory reform*			
2. Enhance the sustainability, inclusiveness and competitiveness of the subregion as a destination	Eco-labelling; capacity building; promotion; regulatory reform*			
3. Market the subregion as a single destination	Trade promotion			

*Note: This may be a joint debottlenecking measure, i.e., project and/or location-specific regulatory reform and not necessarily an IMT-GT-wide reform (see the section on 'Three guiding approaches' in Chapter 3)

Legend:

Integration 

Innovation 

Inclusiveness 

Sustainable development 



Halal Products and Services Focus Area Strategies

To promote trade and investment in Halal products and services, IMT-GT will intensify cooperation in promoting technology transfer and innovation, capacity building and networking among university-based Halal research centres. Moreover, the Focus Area will aim to move up to the next level of subregional cooperation and integration. This will entail achieving acceptance of Halal Standards amongst the IMT-GT Member Countries. To enhance competitiveness and promote inclusive growth, IMT-GT will increase the number of technical experts and professionals in Halal related industries; nurture Halal enterprises to become export oriented; increase number of Halal manufacturers and service providers; and facilitate consumers through better access to Halal products and services. To this end, IMT-GT will implement the following strategies:

1. Narrow the gap of practices in Halal Certification
2. Develop Halal Curriculum
3. Exchange of Halal expertise
4. Encourage more collaboration between Halal SMEs and large local corporations and multinationals
5. Promote Halal related trade promotional events within IMT-GT
6. Provide Halal knowledge to industry players
7. Improve efficiency of Halal certification process
8. Cross-sectoral collaboration in information access

To effectively deliver its eight priority strategies, IMT-GT will embark on measures such as policy and regulatory reforms, research, capacity building, technology transfer and trade promotion, as describes in the following table.

Strategy	Type of intervention	Direct contribution to Vision 2036			
1. Narrow the gap of practices in Halal Certification	Policy and regulatory reform*				
2. Develop Halal Curriculum	Research and development				
3. Exchange of Halal expertise	Technology and knowledge exchange				
4. Encourage more collaboration between Halal SMEs and large local corporations and multinationals	Value chain development				
5. Promote Halal related trade promotional events within IMT-GT	Trade promotion				
6. Provide Halal knowledge to industry players	Capacity building; knowledge transfer				
7. Improve efficiency of Halal certification process	Capacity building; knowledge transfer				
8. Cross-sectoral collaboration in information access	Networking; institutional strengthening				

*Note: This may be a joint debottlenecking measure, i.e., project and/or location-specific regulatory reform and not necessarily an IMT-GT-wide reform (see the section on ‘Three guiding approaches’ in Chapter 3)

Legend:

Integration

Innovation

Inclusiveness

Sustainable development

Strategies to enable development



Transport and ICT Connectivity Focus Area Strategies

Transport Connectivity

The focus of the Transport Connectivity Focus Area strategies is on emplacing a subregional regulatory framework to facilitate cross-border movement of vehicles and passengers and developing and improving transport physical infrastructure.

The former will involve leveraging on the policy and regulatory reform measures that have been agreed at the ASEAN level. In this context, IMT-GT will seek to accelerate the implementation of the ASEAN Framework Agreement on the Facilitation of Inter-state Transport (AFAFIST) and ASEAN Framework Agreement on the Cross-Border Transport of Passengers (CBTP), among others. IMT-GT will review and update the IMT-GT MoU on Expansion of Air Linkage signed in April 1995 to enhance air connectivity and to complement the ASEAN Open Sky arrangements. To improve maritime connectivity, IMT-GT will promote RO-RO ferry services and cruise shipping.













IMT-GT will continue to expand and modernise the existing physical transport infrastructure for greater physical connectivity, starting with the infrastructure along the five subregional priority economic corridors and later expanding to secondary cities, smaller towns and rural areas.

ICT Connectivity

While IMT-GT has a long history of transport cooperation, its experience in ICT cooperation is relatively recent. The decision to include ICT as a strategic pillar and focus area of Vision 2036 was made at the 23rd IMT-GT Senior Officials' Meeting and 22nd IMT-GT Ministerial Meeting held in Phang Nga, Thailand in September 2016. The SOM and MM agreed that ICT is an important driver of subregional connectivity and an effective enabler for accelerating the transformation of the subregion's economy towards knowledge-intensive and inclusive growth.

To further institutionalise the ICT cooperation agenda, IMT-GT will establish a Sub-Working Group on ICT Connectivity. The ASEAN's Digital Innovation Strategic Area as outlined in the Master Plan on ASEAN Connectivity (MPAC) 2025 provides a useful guide for the sub-working group to frame its potential areas of ICT cooperation. Given that ICT connectivity is a relatively new area of cooperation, IMT-GT will refrain from adopting too many ICT-related agenda items of the MPAC 2025. The top priority will be on applying ICT for business transformation and ICT infrastructure development along the priority economic corridors. IMT-GT recognises that application of ICT and related disruptive technologies such as mobile Internet, big data, cloud technology, and the Internet of Things are cross-cutting in nature and could result in increased efficiency and new products and services. In view of this, parallel to the initiatives of the Transport and ICT Connectivity Focus Area, individual Focus Areas will actively promote ICT in their respective areas.

The following table summarises the different types of intervention that are required to deliver the Transport and ICT Connectivity Focus Area's strategies, and their respective direct contribution to realising Vision 2036.

Strategy	Type of intervention	Direct contribution to Vision 2036			
a) Transport Connectivity					
1. Ratify and implement the AFAFIST	Regulatory reform*				
2. Improve the capacity of all stakeholders to implement the AFAFIST	Capacity building				
3. Finalise and operationalise the ASEAN CBTP	Regulatory reform*				
4. Improve the capacity of all stakeholders to implement the ASEAN CBTP	Capacity building				
5. Review and revise the existing IMT-GT MoU on Air Linkages	Regulatory reform*				
6. Enhance maritime connectivity, including enhancement of container throughput, promotion of RO-RO ferry services and cruise shipping	Regulatory reform*				
7. Build and upgrade transport infrastructure	Infrastructure development				
b) ICT Connectivity					
1. Raise awareness and develop capacity on online business activities such as e-commerce and e-payment for MSMEs	Capacity building				
2. Leverage on disruptive technologies such as mobile technology, big data, Internet of Thing and cloud technology for business efficiency and productivity	Technology transfer				
3. Build and upgrade ICT infrastructure and services	Infrastructure development; Capacity building				

*Note: This may be a joint debottlenecking measure, i.e., project and/or location-specific regulatory reform and not necessarily an IMT-GT-wide reform (see the section on ‘Three guiding approaches’ in Chapter 3)

Legend: Integration  Innovation  Inclusiveness  Sustainable development 



Trade and Investment Facilitation Focus Area Strategies

The key strategies of the Trade and Investment Facilitation Focus Area are:






1. Simplify technical, administrative and regulatory barriers to trade in goods and services and investment
2. Improve logistics services along supply and value chains
3. Increase trade and investment promotion activities

They were formulated to address the major challenges facing the subregion, as follows:

- Relatively high business transaction costs owing to the presence of technical, administrative and regulatory barriers to intra-IMT-GT trade and investment
- Supply chain challenges for companies investing in cross-border trade due to lack of simplification and standardisation of cross-border formalities and procedures (e.g., CIQ rules and procedures)
- There is a pressing need to incentivise the private sector players to utilise IMT-GT as a platform to expand their business interests as there are signs showing that the private sector is beginning to lose interest in IMT-GT
- Increased competition for FDI across ASEAN and beyond amid a challenging global economic environment

Implementation of the strategies is expected to increase intra and inter-IMT-GT trade and investment and enhance the subregion's attractiveness to domestics and foreign investors. This will go a long way to spur the development and growth of the Lead Focus Areas, i.e., the agriculture and agro-based, tourism and Halal industries.

The following table depicts the three key strategies of the Focus Area, the types of interventions needed and how they will contribute to attaining Vision 2036.

Strategy	Type of intervention	Direct contribution to Vision 2036	
1. Simplify technical, administrative and regulatory barriers to trade in goods and services and investment	Regulatory reform*		
2. Improve logistics services along supply and value chains	Facilitation; regulatory reform*		
3. Increase trade and investment promotion activities	Trade and investment promotion		

*Note: This may be a joint debottlenecking measure, i.e., project and/or location-specific regulatory reform and not necessarily an IMT-GT-wide reform (see the section on 'Three guiding approaches' in Chapter 3)

Legend:

Integration 

Innovation 

Inclusiveness 

Sustainable development 



Environment Focus Area Strategies

IMT-GT is highly vulnerable to climate change as a large proportion of its population and economic activity is concentrated along the coastlines. The subregion relies heavily on agriculture for livelihoods and has built its export industries around natural resources. However, as the findings of the Comprehensive Review of the IMT-GT Strategy have shown, the subregion’s natural resources and biodiversity are under severe pressures from years of exploitation and extraction. Its natural areas are increasingly fragmented within a matrix of human-dominated landscapes and seascapes. This fragmentation affects the movement of species and the flow of ecological processes critical for the provision of ecosystem services that are vital to the well-being of the people.

Acknowledging that sustained economic growth can take place only when there is a healthy natural environment, IMT-GT will mainstream environmental considerations in its cooperation agenda during the Vision 2036 period. The scope of the environmental cooperation covers:

1. Low carbon economy, including, but not limited to, sustainable urban development, and promotion of renewable energy, energy efficiency and green mobility
2. Sustainable management of natural resources and protection and conservation biodiversity

IMT-GT will pursue three priority strategies, as follows:

1. Upscale and replicate the Green City Initiative across the subregion
2. Undertake coordinated efforts for the sustainable management of the natural resources in IMT-GT, such as the forests, water, wildlife, among others
3. Enhance collaboration in the management and restoration of adjacent ecosystems (e.g., watersheds, breeding grounds and migration routes of animals)

The following table shows the types of intervention that are needed for each strategy. It also shows the direction and contribution of the respective strategies to attaining Vision 2036.

Strategy	Type of intervention	Direct contribution to Vision 2036		
1. Upscale and replicate the Green City Initiative across the subregion	Technology transfer; capacity building			
2. Undertake coordinated efforts for the sustainable management of the natural resources in IMT-GT, such as the forests, water, wildlife, among others	Research; facilitation; coordination			
3. Enhance collaboration in the management and restoration of adjacent ecosystems (e.g., watersheds, breeding grounds and migration routes of animals)	Research; facilitation; coordination			

Legend:





Human Resource Development, Education and Culture Focus Area Strategies










This Focus Area consists of three key components: Human Resource Development, Education and Culture. The common themes that cut across the three components are people empowerment and people-to-people connectivity.

This focus area aims to address the issue of skill deficit facing IMT-GT in general and the three Lead Focus Areas (Agriculture and Agro-based, Tourism and Halal Industries) in particular. The issue stands in the way of IMT-GT achieving its long-term development goals of becoming an innovative subregion. The Focus Area also aims at improving labour mobility through regulatory reforms and enhancing people-to-people connectivity through socio-cultural cooperation.

Towards this end, six priority strategies will be pursued, as follows:

1. Implement demand-driven skills trainings
2. Undertake capacity building and knowledge exchange
3. Pilot skills competency recognition in selected professions in IMT-GT
4. Establish a labour market information system in IMT-GT
5. Mainstream the UNINET programme in IMT-GT cooperation effort
6. Intensify cooperation in education, sports, arts, music and other forms of socio-cultural activities and to promote youth engagement and civil society participation

The following table summarises the types of intervention that the strategies represent and their direct contribution to realising Vision 2036.

Strategy	Type of intervention	Direct contribution to Vision 2036			
		Integration	Innovation	Inclusiveness	Sustainable development
1. Implement demand-driven skills trainings	Research; capacity building				
2. Undertake capacity building and knowledge exchange	Capacity building				
3. Pilot skills competency recognition in selected professions in IMT-GT	Research; regulatory reform*				
4. Establish a labour market information system in IMT-GT	Information sharing				
5. Mainstream the UNINET programme in IMT-GT cooperation effort	Facilitation; coordination				
6. Intensify cooperation in education, sports, arts, music and other forms of socio-cultural activities and to promote youth engagement and civil society participation	Facilitation; coordination				

*Note: This may be a joint debottlenecking measure, i.e., project and/or location-specific regulatory reform and not necessarily an IMT-GT-wide reform (see the section on 'Three guiding approaches' in Chapter 3)

Legend: Integration  Innovation  Inclusiveness  Sustainable development 



Implementing and Communicating Vision 2036

5



Securing cohesiveness through an effective institutional set-up

Leaders' Summit

The IMT-GT Leaders' Summit is the highest decision-making body of the subregion. It discusses and creates policies for the subregion. It fosters consensus on IMT-GT issues like economic growth and social development and provides overall policy guidance on subregional cooperation and integration. This helps to coordinate all the relevant policy areas between the IMT-GT Member Countries and ensure smooth implementation of Vision 2036.

Ministerial Meeting

The IMT-GT Ministerial Meeting (MM) provides overall guidance and advice on the implementation of Vision 2036. The MM also provides guidance to address key issues and challenges of common interest and sets policy directions to achieve the priority goals of Vision 2036. The annual MM Retreat provides a useful platform for the IMT-GT ministers to candidly discuss major concerns and issues facing the implementation of Vision 2036 and exchange views on possible solutions.

Chief Ministers and Governors Forum

The Chief Ministers and Governors Forum (CMGF) provides policy inputs to and collaborate closely with SOM and MM for effective implementation of Vision 2036 at local government level. It sensitises local governments in IMT-GT on the goals, objectives, programmes and projects of Vision 2036. It also creates awareness among local governments about the opportunities and direct and indirect benefits of Vision 2036. As a prominent member of the Project Implementation Team, CMGF promotes bottom-up projects and insights for incorporation into Vision 2036. In close collaboration with local community and businesses, CMGF coordinates and facilitates IMT-GT projects at local government level. With CIMT's support, CMGF coordinates the environmental cooperation agenda under the Environment Focus Area.

Senior Officials Meeting

The IMT-GT Senior Officials Meeting (SOM) determines the implementation priorities and provides directions and advice on Vision 2036 to ensure coordination and integration of its guiding approaches, key measures and strategies. The SOM also oversees the overall implementation of the measures and strategies of Vision 2036 both in terms of timeliness and effectiveness. The SOM interfaces and engages with senior representatives of partner organisations and key industry leaders with the view of forging strategic partnerships with these entities and personalities and soliciting resources, expertise and technology crucial for the effective implementation of the measures and strategies.

National Secretariats

The National Secretariats (NS) support the SOM in the operationalisation of Vision 2036. Respectively, they act as national focal point for the coordination and monitoring of Vision 2036 programmes and projects. The NS ensure Vision 2036 programmes and projects are included and prioritised in the national and subnational development plans, and with adequate policy and funding support from the national governments. The NS involve the provincial/state governments, private sector and other IMT-GT stakeholders in project identification, planning and implementation in accordance with the bottom-up approach advocated under Vision 2036.

Working Groups

The Working Groups (WGs) serve as SOM's implementing arms in their respective Focus Areas under Vision 2036. To coordinate and facilitate the implementation of programmes and projects under the seven strategic pillars, the existing six sectoral Working Groups will be retained.

Programmes and projects under the Environment Pillar will be driven by CMGF and facilitated by CIMT. The experience of the on-going Green City Initiative has shown that this is an effective arrangement. This shall be an interim arrangement. Over the longer term, a full-fledged working group on environment may be necessary.

A Sub-Working Group on ICT is added to the WG on Transport Connectivity to coordinate and facilitate ICT connectivity programmes and projects. To highlight the role of education in HRD, the role of UNINET is recognised under a new "Education" area, which is added to the WG on HRD. To mainstream social-cultural cooperation, a cultural sub-working group is added to the WG on HRD. A significant number of the social-cultural programmes (e.g., sports, youth exchange) are expected to be driven by UNINET.

Given the changes, the updated names of the six WGs are listed below. From time to time, where necessary, the existing terms of reference of the WGs may be updated or revised to ensure effective implementation of Vision 2036.

- a) WG on Agriculture and Agro-based Industry;
- b) WG on Tourism;
- c) WG on Halal Products and Services;
- d) WG on Transport and ICT Connectivity;
- e) WG on Trade and Investment; and
- f) WG on Human Resource Development, Education and Culture.

Convergence meeting

As the seven strategic pillars are inextricably linked, success of a project under one Focus Area is contingent on the performance of project(s) in other Focus Areas. This calls for closer cross-sectoral collaboration between the Working Groups. Depending on the needs of individual projects, convergence meetings between related WGs may be held to accelerate project implementation.

Inter-agency consultation and collaboration will be further improved. In addition to convergence meetings, ad hoc/special inter-agency and inter-sectoral technical consultative forums will be organised to promote better sharing of project level technical information.

Project Implementation Team

While the six WGs may be effective bodies to coordinate and facilitate project implementation, they are not suited to lead project implementation as they usually meet only once a year leaving projects unattended between meetings. In line with the recommendation of the Mid-Term Review of Implementation Blueprint 2012-2016, Project Implementation Teams (PIT) will be created under the WG structure to improve project implementation. The PIT will include private sector and local government representation. Relevant private sector champions or industry leaders will be strongly encouraged to be members of the PIT. To ensure clear accountability for specific deliverables, a PIT are required to prepare implementation plans, set benchmarks, and develop indicators for monitoring project results. The role and responsibilities of each team member will be clearly spelt out and agreed upon by the members. Not all projects will need a PIT and its life span (usually finite and in tandem with project implementation timeframe) and member composition may vary from project to project. WGs will decide what project will need a PIT. In general, projects that are cross-border in nature which demand the involvement and support of multiple agencies at its implementation phase will require a PIT.

Joint Business Council

The IMT-GT Joint Business Council (JBC) will act as the focal point of the private sector with a clear mission of encouraging the private sector to pursue trade and investment opportunities created by Vision 2036. It will enlarge its membership base to include MSMEs, SMEs, social enterprises and high calibre players and representatives of large corporations. It will solicit, consolidate and prioritise policy inputs and project ideas from its diverse membership base for achieving the inclusive objective of Vision 2036. JBC members will be key implementer of Vision 2036 projects. As a key member of the Project Implementation Team, JBC will engage in regular dialogue with WGs, NS, SOM and MM to ensure issues and challenges related to the implementation of Vision 2036 are properly and promptly dealt with.

CIMT

CIMT's role is to initiate, advise, coordinate, facilitate, implement, monitor and evaluate Vision 2036 programmes and projects, as in line with its mandate stipulated under Article 6.4C of the Agreement on the Establishment of CIMT (2013).

- **Initiate:** CIMT's role is to introduce new project ideas for incorporation under Vision 2036 and fresh processes and mechanisms that contribute to the effective implementation of Vision 2036;
- **Advise:** CIMT acts as a regional think tank for IMT-GT. This requires CIMT to engage in research and advisory services to support the goals of Vision 2036;
- **Coordinate:** CIMT plays the central secretariat role, coordinating intra and inter-IMT-GT programmes and projects of Vision 2036;
- **Facilitate:** CIMT is required to facilitate stakeholder collaboration processes, including dissemination of relevant information, for effective and efficient implementation of Vision 2036;
- **Implement:** In addition to the coordinative and facilitative roles, CIMT is entrusted to be an implementer of Vision 2036 programmes and projects; and
- **Monitor and evaluate:** CIMT plays the lead role to mainstream and implement the results-based monitoring and evaluation system as outlined in the IMT-GT Project Manual. The aim is to capture the delivery of project outputs, outcomes and impacts under Vision 2036.

To carry out these roles, CIMT is guided by the following core principles:

Facilitate reciprocity: To make reciprocity credible and feasible in order that IMT-GT may optimise gains from Vision 2036 programmes and projects

Inclusivity and impartiality: To adopt a participatory approach towards facilitating the implementation of Vision 2036 to ensure the priority interests of all parties are taken care of and the benefits of regional cooperation and integration programmes and projects are optimised and equitably shared among the Member Countries.

Partner organisations

IMT-GT needs the support of international development partners in achieving the goals set out in Vision 2036. This support may be in terms of expertise, technology, networks, market access and funding.

To this end, IMT-GT will further enhance its existing strategic collaboration with partner organisations such as the ASEAN Secretariat and Asian Development Bank and strive to forge new partnerships with potential institutions involved in the work on regional economic cooperation and integration and social development.

ASEAN Secretariat



Being an important integration component of ASEAN, IMT-GT needs to closely track the developments taking place at the ASEAN level. To chart and implement its socioeconomic cooperation agenda for the next 20 years, IMT-GT must be mindful of the ASEAN Community Vision 2025 and the related policy measures outlined in the ‘ASEAN 2025: Forging Ahead Together’ as well as other emerging ASEAN initiatives.

Vision 2036 advocates the needs for IMT-GT to align its strategies to ASEAN initiatives to realise its role as a building block of the ASEAN Economic Community (AEC). However, it also advocates for the subregion to find its niches beyond just being a delivery mechanism for ASEAN.

In this light, close interaction, consultation and collaboration with relevant ASEAN bodies is imperative in the course of the implementation of Vision 2036. The most effective and practical way of approaching this matter is for CIMT, as the subregional secretariat of IMT-GT, to connect and work closely with the ASEAN Secretariat, as the regional secretariat of ASEAN. Vision 2036 places high priority to strengthening the institutional linkages between these two focal organisations.

Asian Development Bank



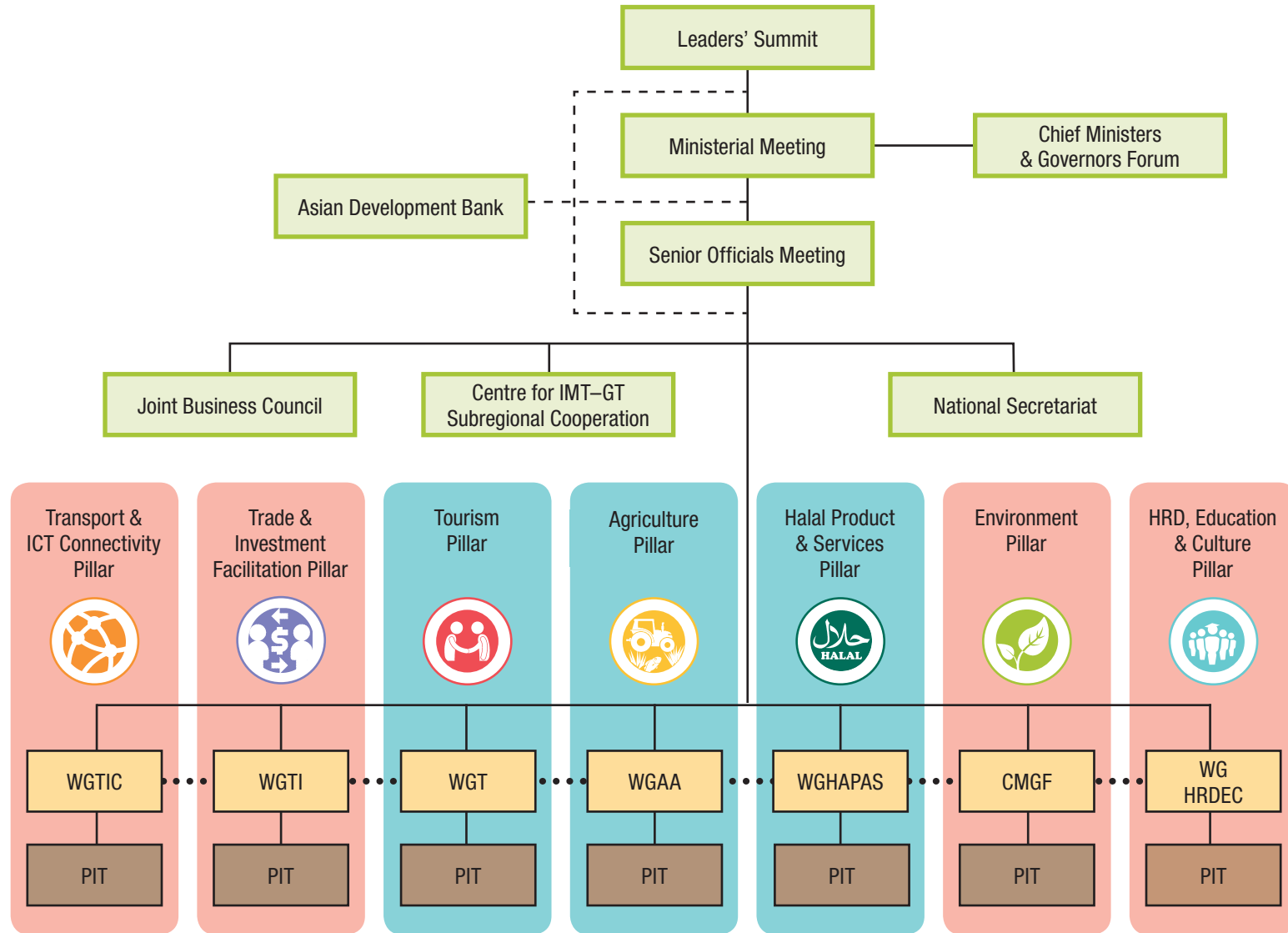
ADB has been involved in the IMT-GT initiative since its inception, and has been a Regional Development Partner and Development Advisor since 2007. ADB's support to IMT-GT covers a wide range of technical assistance. It has been playing a key role as an adviser on policy and technical matters, an honest broker in facilitating partnership, and a mobiliser of funding. The partnership between IMT-GT and ADB has been productive and fruitful. The signing of the Cooperation Agreement between ADB and CIMT in September 2014 marked yet another milestone in the partnership. IMT-GT will continue to give high priority to strengthen its collaboration with ADB over the Vision 2036 period.

Other institutions






To realise the goals of Vision 2036, IMT-GT will constantly seek to forge new partnership or formalise partnerships with other institutional partners, such as, but not limited to the relevant specialised agencies of the United Nations, World Bank, Economic Research Institute for ASEAN and East Asia (ERIA), ASEAN Foundation, International Council for Local Environmental Initiatives (ICLEI) - Local Governments for Sustainability and other like-minded national and international development organisations and NGOs.



The IMT-GT Institutional Framework



LEGEND

	Lead	WGAA	Working Group on Agriculture and Agro-based Industry
	Enabler	WG HAPAS	Working Group on Halal Products and Services
	Coordination and facilitation roles	WG HRDEC	Working Group on Human Resource Development, Education and Culture
	Implementation role	WGT	Working Group on Tourism
	Convergence relationship	WGTI	Working Group on Trade and Investment
CMGF	Chief Ministers and Governors Forum	WG TIC	Working Group on Transport and Information and Communications Technology Connectivity
PIT	Project Implementation Team		

Pursuing intentional and strategic communications

An effective communications strategy is a vital aspect of Vision 2036. This is by virtue of the fact that the stakeholder network facing IMT-GT is multifaceted and complex. The network comprises of a wide range of internal and external stakeholders, across a range of sectors and involving the central and local governments, private sector, external partner institutions, civil society, academia, media and community at large. They will all have different perceptions and opinions about IMT-GT and seek engagement with IMT-GT in different ways and at different times.

Against this backdrop, IMT-GT will step up its efforts to articulate and communicate the key messages about Vision 2036 to the stakeholders. The end goals are to:

- Instil a strong sense of ownership and identity among IMT-GT's citizens, including to create a collective sense of pride in IMT-GT heritage and achievement
- Demonstrate the range of opportunities and benefits offered under Vision 2036
- Inspire and bring new opportunities to the people of IMT-GT and the broader global community
- Showcase IMT-GT's successes and maintain a positive view of its capability

Under Vision 2036, a robust communication strategy that is intentional and strategic in its objectives will be developed and implemented. It will include measures to systematically articulate and communicate the key messages of Vision 2036 through a spectrum of communications activities across traditional media, electronic and social media as well as face-to-face interactions such as public outreach programmes and roadshows.

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