

ADB Support for BEZ: TAs and Investments for BEZ in PRC and Viet Nam

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Outline of Presentation

- Part I – ADB RCI Strategy and GMS overview
- Part II – BEZ Experiences: History and Lessons
- Part III – ADB Support for BEZ: Cases of TAs and Investment (Guangxi and Yunnan)



Part I: ADB RCI Strategy and GMS Overview

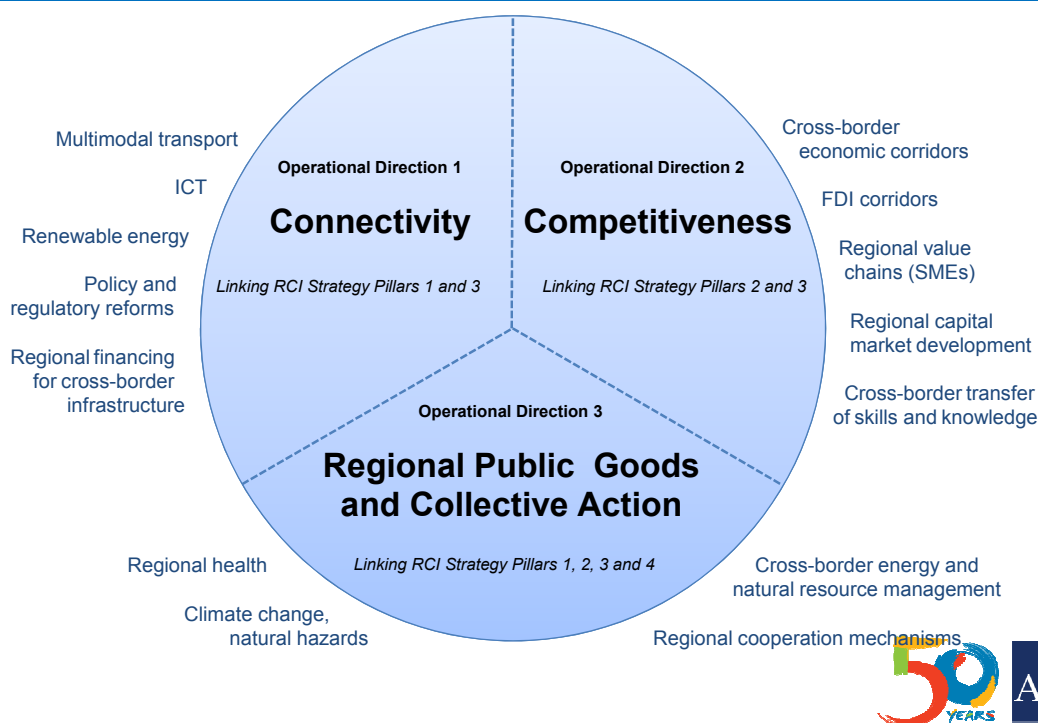


ADB's Role in RCI

- RCI mandated by ADB Charter
- Roles of ADB
 - financing
 - knowledge
 - capacity building
 - honest broker
- Strategy 2020 and mid-term review
 - 30% target by 2020
 - New operational directions



RCI Strategy and Operational Directions



Overview of GMS

- 6-country partnership since 1992
- GMS 3C strategy
 - enhancing Connectivity
 - improving Competitiveness
 - promoting a greater sense of Community
- 9+1 Priority Sectors
- Economic corridor approach

Economic Corridors and SEZs

- From transport to economic corridors
- Key – to promote economic activities along corridors
- Bottlenecks and constraints at borders
 - Poor infrastructure
 - Different laws and procedures
- SEZs/BEZs as an instrument



Part II:

BEZ Experiences: History and Lessons



SEZ Ownership Characteristics

- Public (common in 1970s-1990s)
 - governments taking responsibility for planning financing, defining and administering regulations, offering incentives, working with investors, managing real estate, etc
- Private (since late 1990s)
 - own, develop, and operate
 - 65% by 2010 in developing economies (e.g. 90% in VIE)
- PPP-based



Evolution of SEZ Development

- First generation – enclave type zones
 - Generating employment and foreign exchange
 - Export oriented and labor intensive
 - Insulated from rest of the economy
- Second generation – strengthened linkage with domestic economy
 - Greater spill-overs (e.g. technology transfer, skill accumulation, innovation)
 - Forming clusters and realizing agglomeration
 - Participating in GVCs
- Third generation – generating nationwide impact through reforms



SEZs/BEZs in GMS

- Long history in GMS
 - Earlier starters: THA, PRC, VIE
 - New comers: CAM, LAO, MYA (since early 2000s)
- Mixed experience so far
 - PRC, THA and VIE regarded as relatively more successful
 - CAM, LAO and MYA learning and catching up
- BEZs gaining new momentum in recent years (since 2010)



BEZs on GMS Corridors

Corridor	Border Special Economic Zones	
North-South economic corridor	Mohan (PRC)	Boten (Lao PDR)
	Thonpeung (Lao PDR)	Golden Triangle (Myanmar)
	Riuli (PRC)	Muse (Myanmar)
	Pingxian (PRC)	Dong Dang/Lang Son (Viet Nam)
	Hekou (PRC)	Lao Cai (Viet Nam)
	Mong Cai (Viet Nam)	Fangchengang (PRC)
East-West economic corridor	Myawaddy (Myanmar)	Mae Sot (Thailand)
	Lao Bao (Viet Nam)	Dansavan (Lao PDR)
Southern economic corridor	Savan-Seno (Lao PDR)	Mukdahan (Thailand)
	Bavet (Cambodia)	Moc Bai (Viet Nam)
	Poipet (Cambodia)	Aranyaprathet (Thailand)
	Koh Kong (Cambodia)	Trat/Souy Cheng (Thailand)



BEZs on GMS Corridors

Corridor	Border Special Economic Zones	
North-South economic corridor	Chiang Kong (Thailand)	Houaysai (Lao PDR)
North-South economic corridor	Tachileik (Myanmar)	Mae Sai (Thailand)
Southern economic corridor	Thadeua (Lao PDR)	Nong Khai (Thailand)
Southern economic corridor	Dom Kralor (Cambodia)	Khong Phapeng (Lao PDR)
None	Vang Tao (Lao PDR)	Chong Mek (Thailand)
None	Pak Nhai (Cambodia)	Pleiku (Viet Nam)



Key Success Factors and Recommendations

- SEZs as experimental reform centers for demonstration and replication
- Infrastructure and connectivity
- Business-friendly services for trade and investment
- Financing, particularly for SMEs
- Skills development (both managerial and job skills)
- Cross-border coordination, not competition



Part III: ADB Support for BEZ Cases of TAs and Investments (Guangxi and Yunnan)



ADB Support Framework

Policy Advisory & Coordination	Capacity Development	Investment
TAs Researches Survey Policy coordination Legal & regulatory advice Publications	TAs Training Workshops International Good Practice Knowledge sharing & exchange	Policy Loan Investment Loan MFF RBL FIL Guarantee PPP Co-financing

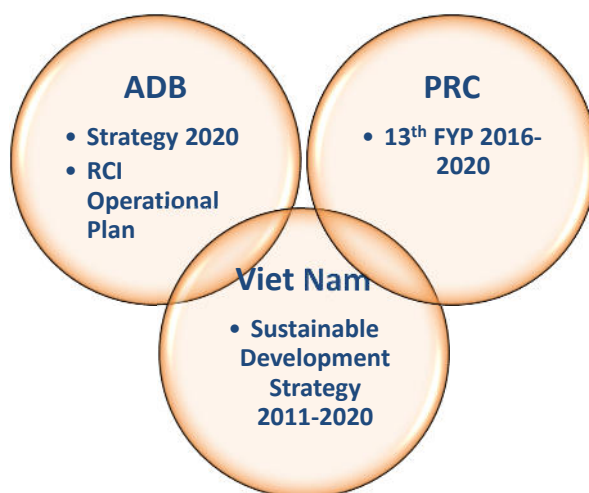


Case 1

ADB TA Support to BEZ- Policy Coordination and Planning of BEZ of PRC and Viet Nam



Strategic Context



- GMS Cooperation Framework
- BEZ as instrument for border development (investment and trade)
- GMS North-South Economic Corridor (Viet Nam to Yunnan and Guangxi) implementation strategy

Regional connectivity and integration to serve as engine of growth



TA Supports for BEZ

1. TA (2009) for Developing Cross-Border Economic Zone between PRC and Viet Nam

- Upgrading existing BEZ and reinvigorating border areas
- BEZ roadmap prepared – sharing master plan, high-level - agreement, joint master plan, and joint expert group
- MOU on BEZ development by PRC Minister of Commerce and Viet Nam's Minister of industry and Trade (Dongxing-Mong Cai, Hekou-Lao Cai, Longbang-Tra Linh, Pingxiang-Dong Dang)
- 9th Meeting of PRC-Viet Nam Economic and Trade Cooperation Committee 2015
- PRC President Xi Jinping's visit
- Cross Border Trade Agreement renewed in Sep 2016



TA Supports for BEZ (2)

2. TA (2017) Policy Coordination and Planning of BEZ of PRC and Viet Nam

- Focusing on coordination and integration of the BEZ development
- Medium-term BEZ development strategy and action plan
- Coordination mechanism for BEZ development for both public-private
- Capacity development of government stakeholders – Training, knowledge exchange, international good practice, GMC Economic Forum, BEZ operational guideline



ADB's Value Added

- Honest Broker, facilitator, and advisor
- Tailor-made investment plan (PBL, MFF, FIL, etc)
- Catalyzing physical infrastructure investment
- Resource mobilization: sourcing expertise, special funding, Dialogue facilitation, etc.
- Knowledge exchange and capacity development per needs



Case 2

ADB Investment: BEZ-

Guangxi RCI Promotion Investment Program (MFF)



Strategic Context



- GMS economic corridor development
- PRC-Vietnam cooperation initiatives
- RCI: opening up PRC's border areas
- RCI in PRC CPS
- Guangxi: constraints and untapped potential



Multitranche Financing Facility



Impact: Greater economic integration

Outcome: RCI opportunities realized

5 Interlinked Outputs: SME; financial services; e-commerce; BEZ development; connectivity

3 Tranches (\$450 million OCR and Regional set-aside)

Why MFF?: long term commitment; flexibility; phased funding; policy dialogue; private sector participation



Key Features of MFF



- Country ownership and demand-driven
- Focusing on the promotion of cross-border economic activities to benefit people in border areas of PRC and VIE
- Cross-border synergy
- One ADB Approach



ADB's Value Added



- Honest broker for cross-border coordination
- Effectively supporting “horizontal cooperation” within PRC
- RCI knowledge and capacity building
 - Trade facilitation
 - Institutional strengthening
- Demonstration and replication (for GMS NSEC and other PRC provinces)



Case 3 ADB Investment: BEZ- Yunnan Project



Strategic Context – Yunnan Province



- Yunnan: strategic province in PRC's efforts for enhancing RCI
- Growing PRC-Myanmar trade
- Increasing PRC-Myanmar border economic cooperation
- Uncompetitive urban centers and land ports: key constraint to economic corridor and border zone development



Strategic Context - Lincang



- Lincang: offers much needed alternative corridor to Ruili-Muse
- Comparative advantage due to geographical location: shortest route from Kunming to the Kyaukpyu Port on the Bay of Bengal
- September 2013: establishment of the Lincang Border Economic Cooperation Zone (LBECZ)
- Localized cross-border economic and social cooperation/integration



Investment loan – Yunnan Lincang



- **Impact:** improved urban environment, living conditions, and border trade capacity
- **Outcome:** enhanced delivery and efficiency of municipal services in the project counties and LBECZ
- **4 Outputs:** Urban environment infrastructure and services; Social infrastructure and services; Cross-border trade facilitation; Institutional capacity
- **Approach:** Integrated and multisector
- **Spill-over effect:** significant benefits for Myanmar citizens



Investment loan – Yunnan Lincang



- **Modality:** project loan – significant level of project readiness by the LBECZ
- **Amount:** loan of \$ 250 million
- **Target date:** expected to be approved by ADB in Q2/Q3 2018
- **Project preparation:** due diligence is currently underway
- **Timing:** in synchronization with other initiatives for the development of the Kunming-Lincang-Qingshuihe corridor



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Thank you

