

**Greater Mekong Subregion (GMS)
First Meeting of the Urban Development Working Group
28–29 June 2017, Ha Noi, Viet Nam**

Summary Proceedings

I. Introduction

1. The First Meeting of the Greater Mekong Subregion (GMS) Urban Development Working Group was held in Ha Noi from 28 to 29 June 2017. The objectives of the meeting were to (i) update recent developments of the overall GMS Program and review/confirm the GMS Regional Investment Framework 2022 Urban Development and Other Multisector projects; (ii) discuss the planning and implementation of the GMS Corridor Towns Development Project; (iii) discuss the ongoing ADB financed TA9293-REG: Policy Coordination and Planning of Border Economic Zones of the People’s Republic of China and Viet Nam; and (iv) discuss and agree the terms of reference (TOR) for the GMS Urban Working Group (upgraded from the GMS Urban Task Force) and its 3-year work plan. A site visit to the Ha Noi Metro Rail System Project was also organized. The meeting agenda is provided in [Appendix 1](#).

2. The meeting was chaired by Mr. Duong Hung Cuong, Director in charge of GMS Program/Focal, Foreign Economic Relations Department, Ministry of Planning and Investment, Viet Nam. The meeting was co-chaired by Ms. Eri Honda, Principal Urban Development Specialist, Urban Development and Water Division (SEUW), Southeast Asia Department (SERD), Asian Development Bank (ADB). Meeting participants included delegations from each of the working group’s member countries, namely Cambodia, People’s Republic of China (PRC), Lao People’s Democratic Republic (PDR), Myanmar, Thailand and Viet Nam, as well as the ADB. The meeting also included representatives for the consulting firm conducting the technical assistance (TA) on Capacity Development for Economic Zones in Border Areas. The list of meeting participants is provided in [Appendix 2](#).

II. Opening Session

3. The Chair welcomed participants to Ha Noi on behalf of the government of Viet Nam. Viet Nam is honored to serve as the host country of the working group in Ha Noi, and highly appreciated the cooperation and support from GMS countries and ADB for the preparation of the meeting. Mr. Norio Satio, Deputy Country Director, ADB resident mission in Viet Nam, welcome participants to Ha Noi, and congratulated participants on upgrading the urban task force to a working group with a permanent mandate, which is the result of collective efforts and hard work of the GMS member countries. He noted that the corridor towns development program had evolved due to a need for holistic urban development across the GMS, and that the economic corridors approach was increasingly relevant in ADB’s operations in other part of Asia, such as South Asia. He noted that ADB was pleased and privileged to be a long-term partner for the GMS agenda, and wished participants an open and constructive discussion.

4. In her opening statement, the Co-Chair thanked the government of Viet Nam for hosting the meeting in Ha Noi. She provided a brief overview of discussions and conclusions from the fifth GMS task force meeting. The country representatives had presented and discussed the progress of national projects listed in the GMS Urban Development Strategic Framework for 2015–2022. The need to set up clear criteria to identify the national projects was highlighted. The OECD had presented the Urban Green Growth in Dynamic Asia project, and a case study in Bangkok, Thailand. The draft final report entitled “Fostering Competitive Cities and Urban Areas in the GMS—building inclusive economic clusters sustainably” focused on the urban

aspects of GMS corridor development and the institutional framework necessary to implement investments. As potential models, the Maputo Corridor Company in South Africa and Mozambique, and the Initiative for the Integration of Regional Infrastructure in South America, were presented. The participants felt it is still premature to consider establishing similar bodies for the GMS. It was generally agreed that the GMS corridor towns development approach needs to be refined towards an increased focus on border areas to strengthen the linkage between GMS corridor towns development projects and overall GMS regional economic growth. This review will be undertaken under the regional technical assistance for GMS Capacity Development for Economic Zones in Border Areas. The Co-Chair also highlighted two developments after last year's meeting, which were (i) the GMS Ministerial Meeting endorsed upgrading of the Urban Development Task Force to the Working Group, and (ii) the TA consultant for the regional technical assistance for GMS Capacity Development for Economic Zones in Border Areas has been mobilized and prepared the inception report, to be discussed during Session 2.

III. Session 1: Recent Developments and Other Linkages with the GMS Program

5. Mr. Shunichi Hinata, Regional Cooperation Specialist, Regional Cooperation and Operations Coordination Division (SERC), SERD, ADB presented updates from the GMS meetings and other GMS developments. The 21st Ministerial Conference, held in Chiang Rai, Thailand on 1 December 2016 included endorsement by GMS Ministers on (i) upgrading the GMS urban development task force into a regular GMS sector working group; (ii) reconfiguration of economic corridors; and (iii) the mid-term review of the 2012-2022 GMS strategic framework and preparation of the 5-year action plan (Ha Noi Action Plan) 2018-2022.

6. Upcoming events include the GMS Senior Officials Meeting to be held in Bangkok, Thailand from 6-7 July 2017. The meeting will include a discussion on preliminary findings from the mid-term review of the 2012-2022 GMS strategic framework (which has been ongoing since December 2016) and on the concept (themes, deliverables and events) for the 6th GMS Summit that is scheduled in March 2018 in Viet Nam. The 9th economic corridor forum (ECF-9) will be held in Ha Noi, Viet Nam on 19 September 2017, for which a presentation of the ADB-supported Guangxi Regional Cooperation and Integration Promotion and Investment Program is proposed. The 22nd Ministerial Conference, to be held in Ha Noi on 20 September 2017, will include a discussion on urban working group's inputs on the 2022 regional investment framework (RIF), and possibly the notation/endorsement of the GMS Ministers on the urban working group's TOR and work plan. A copy of Mr. Hinata's presentation is in [Appendix 3](#).

7. The Chair noted that a roadmap for the next five years was still to be developed, including the required resources and sources of financing. The Chair invited the participants to share their feedback on the presentation, and to share their opening remarks.

8. **Thailand.** The head of Delegation from Thailand, Ms. Sumitra Pooltong, Strategic Planning Expert, Office of the National Economic and Social Development Board, requested that the TA on cross-border economic zones should include consultations with all GMS countries. She also requested for the results of the study on capacity development for economic zones in border areas should be presented as part of ECF-9. She noted that the working group should work closely with other GMS working groups (e.g. the transport working group) and ensure that non-infrastructure aspects (trade facilitation, logistics, value chain development) were considered.

9. **Myanmar.** Ms. Moh Moh Naing, Director, Foreign Economic Relations Department, Ministry of Planning and Finance noted the importance of linking the GMS urban initiative with the One Belt One Road regional initiatives and corridors.

10. **Lao PDR.** The head of delegation from Lao PDR, Mr. Phouthasenh Arkhavong, Deputy Director General, Department of Housing and Urban Planning, Ministry of Planning and Investment, noted that Lao PDR had limited experience in the development of cross border economic zones, and requested ADB and neighboring countries to share lessons learned and experience with cross border economic zones.

11. The Chair noted that Viet Nam's experience with cross border economic zones was also limited, and that a TA was underway to study in detail the cross border economic zones in Viet Nam and PRC. This would result in a comprehensive plan and roadmap for economic zones in the border areas, lessons from which would be applicable for other GMS countries.

12. **PRC.** The head of the Chinese delegation, Mr. Li Jinze, Deputy Director General, Yunnan Provincial Coordination Office for GMS Cooperation, Yunnan Development and Reform Commission, noted that the PRC had formulated plans and policies for urban development in economic corridors and border areas, which will be shared as part of the upcoming sessions. He noted that urban development was a very important component of the six overland economic corridors planned under the One Belt One Road Initiative. PRC will build the domestic infrastructure under this initiative, and jointly build the infrastructure in other countries involved with the initiative. He invited GMS participants to visit Guangxi.

13. **Cambodia.** The head of the Cambodia delegation, Dr. Bunnarith Meng, Deputy Director General, Ministry of Land Management, Urban Planning and Construction, highlighted that the upcoming study and discussions around the future corridor towns development projects would include a focus on spatial planning, as this is currently the missing link between the planning and the development process in Cambodia.

IV. Session 2: Planning and Implementation of GMS Corridor Towns Development Project: Progress of TA-8989 REG: Greater Mekong Sub-region: Capacity Development for Economic Zones in Border Areas

14. The TA was approved on 12 November 2015 and became effective on 15 June 2016. The TA consultant was fielded on 6 February 2017 and submitted the inception report on 1 June 2017. Jean-Pierre Verbiest, Team Leader, TA8989-REG: Capacity Development for Economic Zones in Border Areas, PM Group, presented an overview of the inception report for the ongoing study. The TA will be implemented in three phases: (i) the situation analysis (currently ongoing, completion by January 2018), (ii) scoping the 5th, 6th and 7th corridor town development projects (CTDPs) (February to June 2018), and (iii) pre-feasibility study (July /2018 to December 2018). An overview of the key findings to date and some key questions for further discussion by the group are summarized below. A copy of Mr. Verbiest's presentation is provided in [Appendix 4](#).

- (i) Is flexibility supported in how a "border area" is defined, given that anchor cities/towns are now always located at borders but may support border economic zones (BEZs), and that investment along the corridors matters the most?
- (ii) Should the TA investigate broader GMS issues (e.g. cross border trade agreements) which may be under other GMS working groups but have a direct bearing on the study?

- (iii) Regarding selection criteria for future corridor towns development projects, should willingness to borrow be a criteria? Should border towns be selected in pairs? Can border towns included in previous CTDPs be selected for further investments?
- (iv) Should the TA consider potential for successful BEZ development (e.g. Dawei etc.)? This would broaden the scope of the work under the TA significantly.
- (v) There is a need to further investigate legal issues, institutional interactions between central and local authorities, and understand experience in previous CTDPs.

Session 3: Presentation on the TA on Policy Coordination and Planning on Border Economic Zones of the People's Republic of China and Viet Nam.

15. Seung Min Lee, Financial Sector Specialist, Public Management, Financial Sector, and Regional Cooperation Division (EAPF), East Asia Regional Department (EARD) gave a presentation that broadly covered (i) ADB's regional strategy and overview of GMS initiatives, (ii) lessons for border economic zones based on previous experience and (iii) ADB's support for BEZs through both technical assistance and investments in PRC (Guangxi and Yunnan). A copy of Mr. Lee's presentation is included as Appendix 5.

16. Some key success factors for special/border economic zones were highlighted, which include the importance of (i) using SEZs as experimental reform centers for demonstration and replication; (ii) infrastructure and connectivity; (iii) business-friendly services for trade and investment; (iv) financing, particularly for SMEs; (v) skills development (both managerial and job skills); and (vi) the need to focus on cross-border coordination, not competition.

17. ADB's historic and ongoing work on border economic zones along PRC's borders with Viet Nam and Myanmar has been a mix of TA and investment support. An ongoing TA on policy coordination and planning focuses on strategic and action planning, joint coordination and capacity development in both PRC and Viet Nam. An ongoing investment (\$450 million), the Guangxi RCI Promotion Investment Program, is a multi-tranche financing facility (MFF) focusing on the promotion of cross-border economic activities to benefit people in border areas of both PRC and Viet Nam. The investment includes five interlinked outputs, namely small and medium enterprises, financial services, e-commerce, BEZ development and connectivity. A future investment (\$250 million, for approval in 2018) aims to improve the urban environment, living conditions and border trade capacity for the Lincang Border Economic Cooperation Zone (LBECZ) in Yunnan Province, which is expected to have significant spill-over benefits for citizens of Myanmar, including a significant number of workers that are permanently or seasonally based in the border areas. Each of these initiatives have strong country ownership and demand, and build on ADB's value addition as an honest broker, facilitator and advisor.

18. Mr. Lei Zhuning, Deputy Director/Associate Professor, Institute of Myanmar Studies, Yunnan Academy of Social Sciences, PRC noted that the results from the learnings and experience in PRC and Viet Nam can be extended to order border economic zones, including the border with Lao PDR. He noted that Myanmar, as a relatively new party to the border economic zones agenda, required financing and TA support, and encouraged ADB to help to identify resources for this support.

19. Mr. Nguyen Van Hoi, Deputy Director General of Border Trading, Ministry of Industry and Trade, Viet Nam noted two important dimensions of cross-border economic zones. The first was the need to follow the cross-border trade agreement between two countries (covering both goods and services). The second was the need to develop hard infrastructure, particularly

roads, on the Viet Nam side of the border zones, particularly as roads on the PRC side are already well developed.

20. **Myanmar** noted that it has recently (2016) developed its 12-point economic policy, one of which was to build environmentally sustainable cities, upgrade public services and utilities, expanding public spaces, and to protect and conserve cultural heritage. Myanmar emphasized the linkage of this policy to SDG 11, noting that urban issues were a key part of the government's economic policy moving forward.

21. **Thailand** shared examples of “anchor towns” in Thailand that are located along the GMS economic corridors, and of the selection of border towns in pairs, such as towns in the southern economic corridor in Thailand and Cambodia. On the willingness to borrow from ADB in the selection of the corridor towns, Thailand noted it could mobilize domestic resources for the corridor towns on the Thailand side, while the complimentary investments in towns across the border could be financed by ADB, PRC or others. Thailand offered to continue close coordination and dialogue with neighboring countries.

22. **Cambodia** noted that the concept of “anchor city” was important for Cambodia. The importance of complimenting infrastructure investments with capacity development (including on border management) and skill building for workers was noted. Cambodia noted that spatial planning should be a starting point for such cross-border initiatives.

23. **Lao PDR** expressed appreciation for the presentation on border economic zones, which was helpful to better understand the BEZ concept. Lao PDR noted the importance of protocol to facilitate dialogue between the national and local governments on the selection of and proposal for corridor towns. Lao PDR also noted that the GMS countries largely overlap with ASEAN countries, except for the PRC.

24. **Thailand** supported the proposal to coordinate efforts with other working groups, particularly the transport and trade competitiveness working groups.

25. The Chair expressed appreciation for the TA team for their hard work, and encouraged GMS member countries to continue to engage with the study. He requested the TA team to elaborate, based on the experience in the GMS countries in the past few decades, which of the eleven elements highlighted in the paper were most important to ensure the success of border economic zone. The consultant highlighted that the success of specific border economic zones is linked to identifying, and building on, the comparative advantage or unique characteristics of specific border zones.

Session 4: Planning and Implementation of GMS Corridor Towns Development Project.

26. Each country was asked to present their view on planning and implementation of GMS corridor development projects, focusing on the following issues:

- (i) How do you define “Border Economic Zone (BEZ)” and do you have a national strategy/policy for BEZ development?
- (ii) What are the challenges for BEZ development?
- (iii) How do you coordinate BEZ development and urban infrastructure development?
- (iv) How do you propose to integrate BEZ development in the design of 5th, 6th, and 7th GMS Corridor Towns Development Projects?

- (v) What criteria should be applied for selection of project towns for the 5th, 6th, and 7th GMS Corridor Towns Development Projects?
- (vi) (for PRC and THA) How are you going to be involved in the 5th, 6th, and 7th GMS Corridor Towns Development Projects?

27. **Cambodia** used their presentation to highlight the rationale and challenges associated with border economic zone (BEZ) development. Key challenges included lack of coordination between policies and strategies and development and local plans, a lack of spatial planning prior to development, land free holding (including compensation for land), and the need to develop an Industrial Development Policy. Cambodia proposed that selection criteria for future GMS CTDPs include (i) whether a land use or master plan currently existing for a project area; (ii) potential to boost the local economy; (iii) whether policy coordination across borders is in place, and (iv) potential to create local employment. A copy of Cambodia's presentation is provided in [Appendix 6](#).

28. **PRC** presented the definition of border economic zones and its strategy and policy for BEZ development, including key border areas and platforms for cooperation in the GMS region, challenges for BEZ development, and PRC's approach to coordinating BEZ development with wider urban infrastructure development.

29. For future GMS CTDPs, PRC highlighted key factors for selection criteria, including the closeness of potential project to nodes of corridors and connections to economic centers; existing bilateral or multilateral agreements for BEZ development; involvement of a Public-Private Partnership (PPP); and potential impacts on inclusive growth, sustainable development and promoting regional connectivity. PRC will be involved in the GMS CTDPs through jointly promoting policy coordination, infrastructure connectivity, border trade and financial cooperation and through sharing PRC's experience in urban and BEZ development. PRC also expected further support from ADB, both financing and technical assistance, as BEZs in PRC still face many difficulties and challenges. A copy of PRC's presentation is provided in [Appendix 7](#).

30. **Lao PDR** highlighted that there were limited successful cases and experience in BEZs to learn from, and limited coordination, strategy and policy mechanisms in place. For future projects, Lao PDR recommended better synergies of strategies and plans with infrastructure development; initiating a BEZ project in the country; studies on how infrastructure development and facilities can complement BEZ development; and developing plans to ensure sustainable spillover economic benefits. In terms of selection criteria, these should include the potential for towns to serve as urban, service, government or trade and investment centers; and should target towns with more than 2,000 residents or with a population density of at least thirty people per square hectare. A copy of Lao PDR's presentation is provided in [Appendix 8](#).

31. **Myanmar** presented its strategic approach and planned as well as its ongoing projects for economic corridors and border economic zones. Myanmar's National Spatial Development Framework Plan adopted the Yangon and Mandalay bipolar development concept, and practiced a strategy of concentrated decentralization and balanced development. The criteria proposed by Myanmar for GMS Corridor Town Development included (i) border cities with GMS countries; (ii) cities along the GMS corridor whose population is great than 100,000; and (iii) strategic location (sea port/dry port/SEZ) and development potential. For the way forward, Myanmar noted that while 81+ city/town development concept plans had been developed, comprehensive plans were still to be developed. A copy of Myanmar's presentation is provided in [Appendix 9](#).

32. **Thailand** gave an overview of the national policy, vision and key principles for special economic zone (SEZ) development in their country, including the establishment of SEZs in 10 border provinces. The government is providing several support measures for BEZ development, including on investment promotion, development of basic infrastructure, engaging foreign labor, identifying land, and developing industrial estates, and one stop service centers. Key challenges encountered include acceptance by local people, limited budget availability, impact on environment and natural resources, public health impacts in border areas, security, human trafficking and illegal migrant workers, and collaboration with neighboring countries. Greater efforts are being made to coordinate SEZ development with urban infrastructure development. In terms of selection criteria, these should include a strong relationship between two cross-border communities, strong national and regional government support and geographic suitability for future spatial expansion or linkages. A copy of Thailand's presentation is provided in [Appendix 10](#).

33. **Viet Nam** noted ongoing support from ADB for urban services in selected towns (Sa Pa, Bac Giang, Mong Cai) under the ongoing second GMS corridor town development project (CTDP-2), which are located along the Kunmin – Lao Cai – Ha Noi – Hai Phong economic corridor that connects northern mountainous provinces of Viet Nam and west provinces in PRC. Moving forward, under the proposed fourth phase CTDP, Viet Nam is requesting support for development of the Lao Cai BEZ, which is proposed as a link between Viet Nam and PRC's Yunnan province (with population of 45 million people). Overall investment needs of about \$200 million have been identified to date, part of which would be financed under the government's 5-year plan and budget allocation for public investments. A copy of Viet Nam's presented is provided in [Appendix 11](#).

34. In **summary**, it was agreed, in principle, that the BEZs, if rationalized, should be defined in a flexible manner, to include "anchor cities." The project towns should be identified as those located in one BEZ covering multiple countries, such as the area of southern Lao PDR, eastern Thailand, and northeastern Cambodia. It was also agreed that a multi-sectoral approach should be taken which includes not only urban infrastructure but also spatial planning, capacity development, and skills development. However, noting that the GMS CTDPs cannot cover everything, coordination with other WGs on the issues such as trade facilitation, logistics, transport infrastructure, and tourism development is needed.

Session 5: Next Steps

35. Mr. Shunichi Hinata, Regional Cooperation Specialist, ADB presented the next steps for the working group, focusing on two areas: (i) the proposed TOR (including functions, tasks, membership and resources) of the urban working group, and (ii) the proposed work plan for the working group for 2017-2019. A summary of the proposed TOR (including functions/tasks, membership and resources) was presented. Proposed work plans for 2017-2019, including the elements, activities and timelines were also presented. As next steps, ADB will distribute the full TOR and work plans for the working group for comments, and seek nominations for Working Group members from each country. Mr. Hinata's presentation is provided in [Appendix 12](#).

36. The Co-Chair invited member countries to share comments on the presentation. Regarding membership and participation, **Thailand** will follow a similar process as other GMS working groups, where the relevant line Ministry (in Thailand's case, the Department of Public Works and Town and Country Planning under the Ministry of Interior) will serve as the focal point for the working group, while the national GMS coordinators, with other relevant Ministries, will ensure and facilitate internal coordination. In principle, Thailand agreed to the proposed TOR. Thailand also requested a clarification on whether the training on the special economic

zones was the same training course as the one under the former Phnom Penh Plan, which was extended to cover not only GMS but also IMT-GT. ADB clarified that the sources of funding for the trainings were the same, but that the course content could be adapted and updated in line with the requirements of the GMS countries.

37. In **Viet Nam**, the focal agency will be the Ministry of Planning and Investment. Viet Nam suggested that the title and function of the national heads of the working group should be re-considered, given that high-ranking officials (DG/DDG) are quite busy and may not be able to serve in a coordination role. Viet Nam also proposed that GMS countries have sufficient time for internal discussions on the proposed TOR and work plan. **Thailand** noted that high ranking officials (DG/DDG level) of concerned departments should be appointed as focal points or chairs for each country, to ensure that substantive engagement on policies is possible. The Co-Chair noted that the decision on heads of the working group would be left to respective member countries.

38. As **next steps**:

- (i) ADB will send a formal letter to the national GMS coordinators, and request comments on the draft TOR and work plan for the urban working group by 31 July 2017. Soft copies of both documents were provided to all delegations.
- (ii) ADB will distribute again the draft Regional Investment Framework (RIF), covering 2018-2022, for final comments from GMS working group members by 5 July 2017.
- (iii) ADB will distribute the Mid-term Review of the GMS Strategic Framework 2012-2022 and Ha Noi Action Plan 2018-2022 for review, especially the relevant sections on the urban sector, effectiveness of the Working Group, and urban sector strategies and priorities, for comments from GMS working group members by 27 July 2017.
- (iv) The venue for the second meeting of the GMS Urban working group will be in Cambodia. ADB will coordinate further with Cambodia on the dates, venue and logistical arrangements for the meeting.

V. Site Visit - Ha Noi Metro Rail System Project

39. The Government of Viet Nam organized a site visit for participants to the Ha Noi Metro Rail System Project. The site visit included a presentation on Line 3 of the metro system by the Ha Noi Metropolitan Railway Management Board (MRB) and the project implementation consulting firm (SYSTRA SA). Line 3 is one of 8 lines that are included in the Ha Noi Master Plan for 2030. The implementation of the metro system is expected to reduce the number of vehicles and motorcycles plying roads, which will ease traffic congestion, create a safer transport environment for people, and improve environmental conditions, particularly air quality. As these issues are common to all participating countries, the site visits provided useful insights to the participants.

VI. Closing Session

40. The Chair and Co-Chair thanked all attendees for their participation, and wished all participants a good remaining stay in Ha Noi.