

**TA-8989 REG: Greater Mekong Sub-region: Capacity
Development for Economic Zones in Border Areas**

Inception Report

**First Meeting of the GMS Urban Development
Working Group, Hanoi, 28-29 June 2017**

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The project delivery specialists

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I. Project Background



GMS Strategic Framework 2012-2022

GMS Urban Development Strategic Framework 2015-2022

GMS Task Force on Urban Development Discussions

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I. Project Background

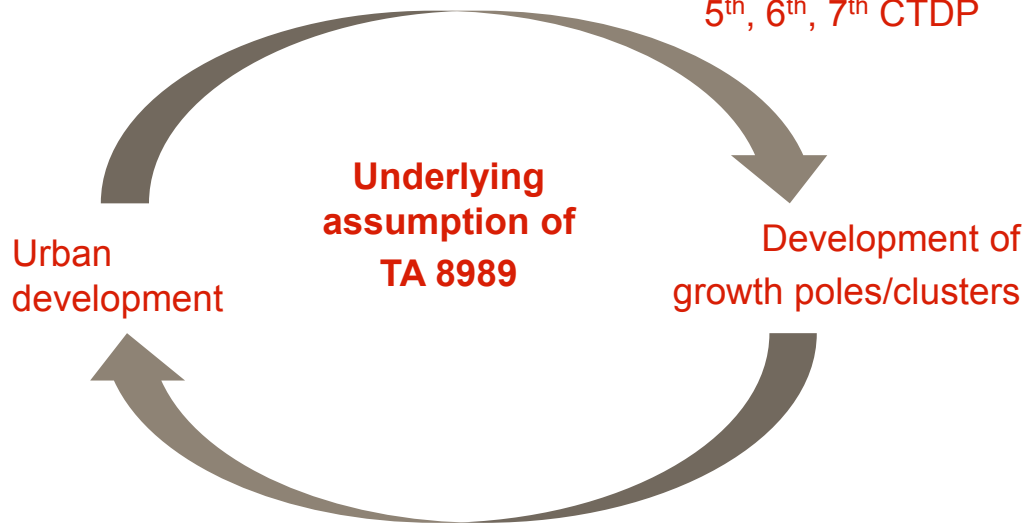


TA 8989 REG: Greater Mekong Sub-region Capacity Development for **Economic Zones** in **Border Areas**

- **Economic zones**
require consideration of **broader institutional and economic development** issues focusing on the **competitiveness of corridor towns**: much broader than urban development issues and multi-sector
- **Border areas**
better potential to **create competitive regions** along GMS corridors because of
 - (i) the opportunities to **create cross border synergies** and complementarities;
 - (ii) **links to value chains**

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No mention of urban focus... But TORs include scoping of 5th, 6th, 7th CTD



TA 8989 REG: Greater Mekong Sub-region Capacity Development for Economic Zones in Border Areas

Cluster development much broader than urban development



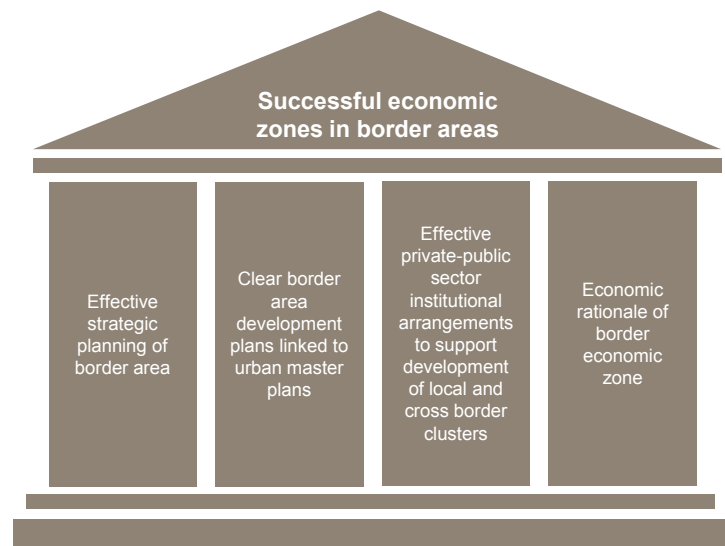
- Requires consideration of broader institutional and economic development issues
- Focusing on competitiveness of corridor towns

- **Urban infrastructure investments** in border towns with **institutional capacity building** for the **development of border economic zones** will contribute to economic growth, job creation and cross border cooperation in the GMS.

BUT

- **Improved urban management, infrastructure and services are essential but not sufficient** to foster the development of value-added clusters because other constraints are still disincentives for investors.

- **Beyond urban development, development of successful economic zones in border areas requires:**



II. Summary of Inception Activities

TA implementation

- Since 6 February 2017
- Team mobilization
- Organization of logistics and team coordination

Desk research

- CTD documents
- Border economic zones reports
- Urban development reports

Field assessments

- Border town urban authorities
- Border management authorities
- Economic zones authorities and developers
- Private sector

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GMS Corridors and Priority Border Points



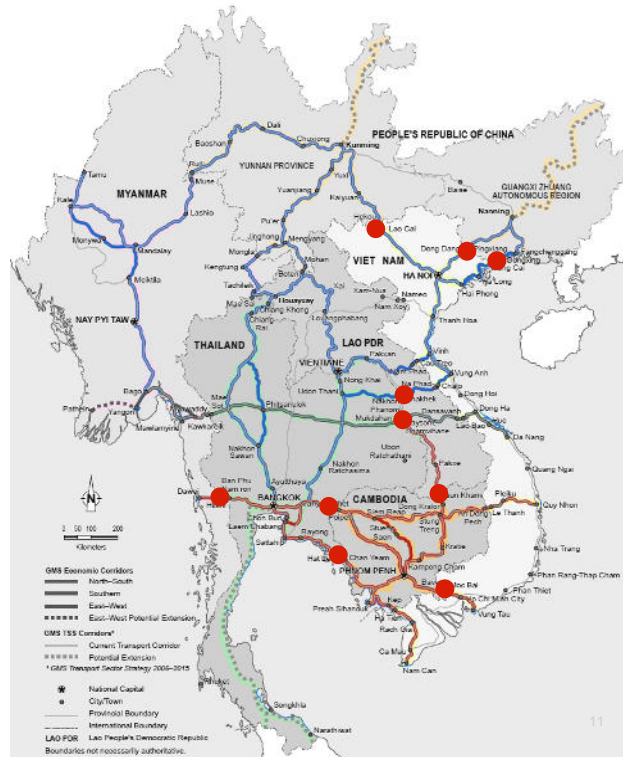
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III. Field Visits

- **Field visits completed**

(as of mid June 2017)

- Nakhom Phanom-Thakhek
- Mukdahan-Kaysone Phomvihane
- Nong Khai-Vientiane
- Aranyaprathet-Poipet
- Dong Kralor-Veun Kham
- Htikhi-Ban Phu Nam Ron
- Bavet-Moc Bai
- Hat Lek-Cham Yeam
- Lao Cai, Lang Son/Dong Dang, Mong Cai



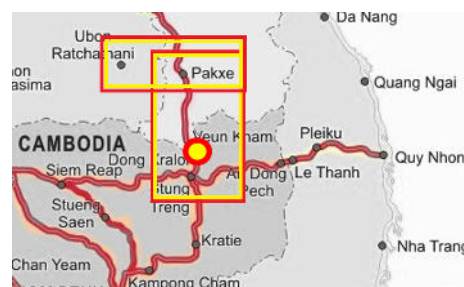
III. Field Visits

- Key issues and questions
 - TA multi-dimensional
 - Urban vs. SEZ development
 - Capacity building
 - Border zones
 - Confusion of responsibility (urban vs. SEZ development)
 - Weak support for TA by partner countries
 - A number of strategic questions looming...

IV. Some Key Findings



- **How to delimit or define a “border area”?**
 - Anchor cities/towns not always located at borders
 - Anchor cities support BEZs
 - “Spatial approach” to corridor town development most appropriate



Pakxe border area

- **TA approach and questions**
 - **Is flexibility supported given that investment along the corridors matter most?**

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IV. Some Key Findings



- **Border points, BEZs and economic corridors**
 - Some BPs only recently included in the GMS corridor network
 - Connectivity and quality of corridor varies
 - Many BEZs only at the beginning of development with uncertain development trajectory
 - Provincial economic centers (anchors) not always at the border
- **Capacity development focus of the TA**
 - TA focus on institutional and managerial capacity building in an urban/SEZ development context

→ **All these issues affect the potential for BEZ development**



Phoukhyo SEZ

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SEZ Development trajectory difficult to predict



Phoukhyo SEZ



Dawei SEZ

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IV. Some Key Findings



- **TA approach and questions**
 - Should TA investigate broader GMS issues (e.g. CBTA) which may be under other GMS working groups?
 - Should TA take into account the potential for successful BEZ development? i.e. Dawei, etc.
 - This would broaden significantly the scope of the TA work

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IV. Some Key Findings



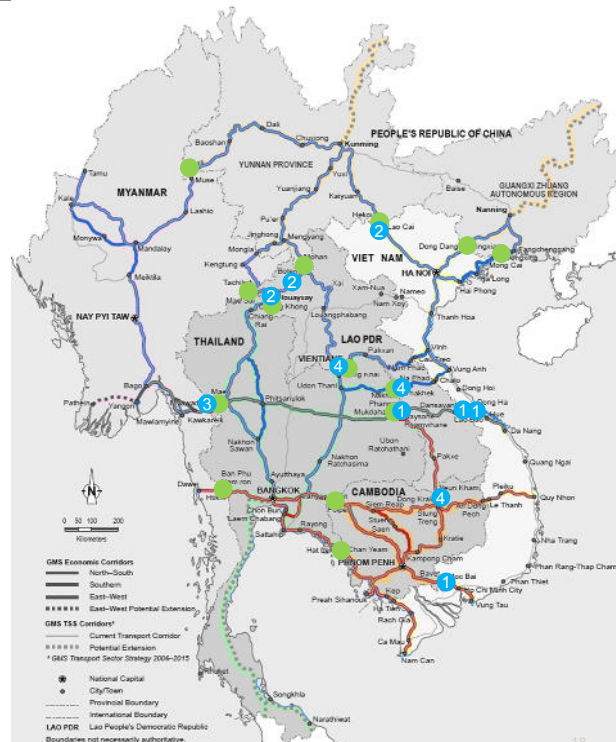
- **Strong linkages between urban and SEZ development?**
 - Well managed cities/towns can positively impact EZ development
 - Successful BEZs can have a huge impact on urban infrastructure
 - But urban planning and SEZ development not in sync
 - National vs. provincial/local level
 - SEZ development vs. urban planning authorities
- **TA approach and questions**
 - Need for investigating legal issues relating to urban and economic zones planning and management
 - Examine institutional interactions between central and local authorities on BEZ and urban development
 - Need to understand what worked and what did not in previous CTDPs to propose an improved approach

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IV. Some Key Findings



- **11 border towns included in previous CTDPs or other projects** ●
- **14 of the 34 border towns included are in Thailand and PRC** ●



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- **TA approach and questions**
 - Should willingness to borrow from ADB be a criteria for the 5th, 6th and 7th CTD?P?
 - Should border towns be selected as pairs (each side of the border) for the next CTD?P?
 - Can border towns be selected that have been included in previous CTD?Ps?
 - The team will ensure to avoid overlap and duplication
 - The team will include a time-dimension in project planning

- **Cross-border cooperation**
 - Coordination on senior level annually, semi-annually, etc.
 - Coordination on working level mostly informal
 - No coordination on strategic/planning level
 - Border provinces seem to compete rather than to cooperate
- **TA approach and questions**
 - The TA team will look at best practices for establishing cross-border working mechanisms to develop complementary border economic zones

- **Definition of border economic zone**

An area that uses effectively linkages with economic activities across the border.

- Should be guided by a clear and coherent vision and strategy
- Develop the comparative advantage of a given area
- Focusing on specific value chains and to strengthen related cross-border linkages
- The TA team examined economic development and emergence of border economic zones at several border points included in on-going CTDPs

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- **Mixed picture in BEZ development in the GMS:**

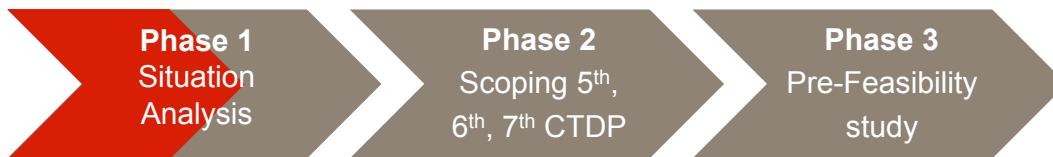
- Kaysone Phomvihane vs. Mukdahan
 - Successful development of Savan-SENO
 - Mukdahan BEZ at the initial stage of development
- Dansavanh vs. Lao Bao
 - Lao Bao BEZ able to attract a significant number of investors, mostly in trade and services but also in industry
 - Dansavanh seen little progress in the development of a BEZ
- Bavet vs. Moc Bai
 - Bavet able to attract significant investment in labor intensive industries
 - Moc Bai's BEZ has been slow and limited to the commercial sector (duty free)
- Bavet vs. Poipet
 - Poipet only recently attracted investments as infrastructure and planning remains a constraint
 - Other impediments: security concerns, operation of border facilities and cross border cooperation and congestion in Poipet town.

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- **But good examples exist:**
 - Southern Champasak province and Ubon Ratchatani province
 - Emergence of de facto agro-industry border economic zones
 - Contract farming arrangement supported by provincial authorities
 - Southern Laos rich in agricultural resources, low cost labor and some processing
 - Southeastern Thailand provides value-added processing and related logistics services and marketing
 - **Success factors supporting cross-border cooperation**
 - Improved transport connectivity, communications and border infrastructure and trade facilitation
 - Pakse Urban Environmental Improvement Project improves urban infrastructure needs
 - **Pakse developing as a cross-provincial economic center**
 - Pakse – Stung Treng corridor has tremendous potential to develop a agro-industry and tourism cluster
 - Potential for manufacturing investments under +1-strategy from Thailand

- **Use example of Pakxe to learn**
 - How an “expanded” border economic zones can be developed through a constructive dialogue between the public and the private sector
 - How provincial authorities – partly with ADB support – have developed comprehensive long term strategic plans for the whole area (Pakse – Champasack – Dong Kralor/Veun Kham)
- **TA approach and questions**
 - The TA needs to look at issues broader than those currently under the purview of the Working Group on Urban Development. The issues relating to the development of BEZs are multi-sector
 - Coordination with other GMS working groups might also be required

TA Implementation

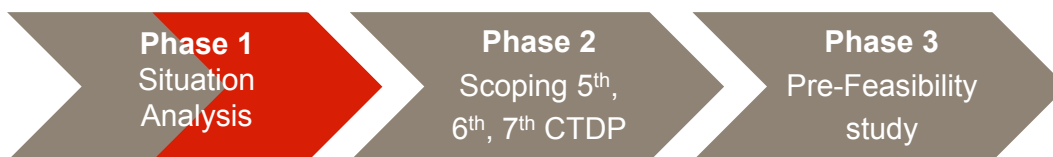


Part 1 – Completed by 09/2017

- Review of government policies and plans on BEZ development
- Evaluation of BEZ developments incl. types, legal status and management at all 17 border points
- Assessment of urban developments and urban master plans of “anchor cities”
- Evaluation of linkages between BEZ developments and urban infrastructure development
- Analysis of cross-border cooperation mechanisms
- Create data set of indicators on economic activities

→ **Progress report 1**

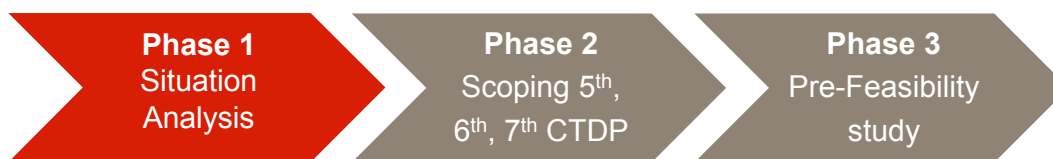
TA Implementation



Part 2 – Completed by 01/2018

- Analysis of challenges and opportunities for provisions of urban infrastructure and services to develop urban centers at border points with direct links to BEZ developments
- Approaches to support development of different types of clusters incl. institutional capacity and private-public coordination mechanisms
- Opportunities offered by border locations and cross border cooperation

→ **Progress report 2**



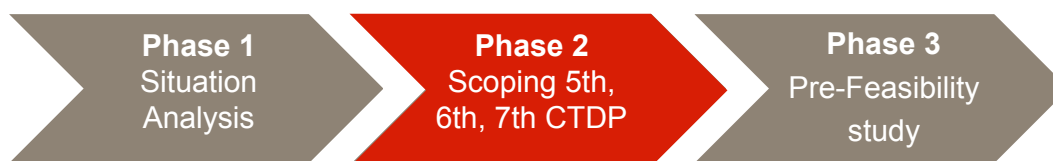
Phase I will develop and deliver capacity development programs

Preliminary topics:

- Issues and challenges for border economic zone development and management, and the links with urban and border area spatial planning
- Cluster support and cross border coordination and on private-public sector cooperation.
- Seminars and workshops will target provincial and border area representatives, private sector representatives, national representatives and representatives of all GMS countries

→ **Capacity development programs**

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02/2018 – 06/2018

- Present a broadened CTD approach to maximize impact of investment program
- Factors include
 - Urban planning and development
 - Institutional strengthening at the national, local and cross-border level
- Contribute to clustering of economic activities at border areas
- Scoping of 5th, 6th, 7th CTD - 6 border points/12 towns identified selected on a clear set of indicators developed during TA implementation
- Stakeholders consultations and capacity development programs

→ **Progress report 3 and capacity development programs**

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Phase 1
Situation
Analysis

Phase 2
Scoping 5th,
6th, 7th CTDP

Phase 3
Pre-Feasibility
study

07/2018 – 12/2018

- Develop a detailed pre-feasibility study for the 5th CTDP and involve two border points and 4 towns

→ Pre-Feasibility study for 5th CTDP

→ Final report

Thank you