

Greater Mekong Subregion (GMS)
2nd Meeting of the GMS Urban Development Working Group
4–5 July 2018, Manila, Philippines

Summary Proceedings

I. Introduction

1. The Second Meeting of the GMS Urban Development Working Group was held in Manila from 4–5 July 2018. The objectives of the meeting were to (i) update the GMS Regional Investment Framework and progress of the regional and national urban projects included in the GMS Urban Development Strategic Framework 2015–2022, (ii) share information on regional projects financed by ADB in other sectors in GMS and South Asia (transport, health, and tourism), and (iii) discuss the revised approach and the future pipeline of the GMS Corridor Towns Development Project. Manila Water kindly hosted site visits for the participants to their central campus in Quezon City, Philippines. The meeting agenda is provided in the attachments.

2. The meeting was chaired by Ms. Eri Honda, Principal Urban Development Specialist, Urban Development and Water Division (SEUW), Southeast Asia Department (SERD), Asian Development Bank (ADB). GMS Urban Development Working Group members from Cambodia, People's Republic of China (PRC), Lao People's Democratic Republic (PDR), Myanmar, Thailand, Viet Nam and ADB participated in the event. The list of meeting participants is provided in the attachments.

II. Opening Session

3. Ms. Eri Honda, chairing the meeting, formally opened the meeting by welcoming all participants. Ms. Honda conveyed sincere regrets from Mr. Vijay Padmanabhan, Director of Urban Development and Water Division, SERD, ADB for missing the meeting due to urgent travel. She began with a recap of the first meeting of the GMS Urban Development WG, which was held 28–29 of June 2017 in Ha Noi. She highlighted the useful outcomes from the meeting, including connections with recent developments of the overall GMS program. She also reminded participants of the review planning and implementation of GMS Corridor Towns Development Projects; discussion of the ongoing ADB TA for BEZ coordination and planning between PRC and Viet Nam, and their review of the TOR for the GMS Urban WG. She noted that the TOR is outlined in the Ha Noi Action Plan 2018–2022 (HAP) as the strategies and priorities for urban development, border economic zones, and other multisector spatial projects.

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

4. Ms. Pinsuda Alexander, Economist, Regional Cooperation and Operations Coordination Division (SERC), SERD, ADB, presented on the GMS Program's recent developments and linkages across sectors and thematic areas. She reviewed the proceedings and outcomes across sectors from the 6th GMS Leader's Summit, which took place in Ha Noi, Vietnam on 31 March of 2017, where the GMS Leaders adopted the Ha Noi Action Plan 2018–2022, which provides medium term strategic guidance for the GMS Program and is operationalized through projects in the GMS Regional Investment Framework 2022 (RIF 2022). Ms. Alexander then highlighted the linkages in the GMS across sectors, starting with the transport sector. The expanded GMS Economic Corridor Network was displayed, which extends corridors further into Myanmar, among other changes. She also shared sector strategies and priorities for urban development and other multisector and BEZs, as summarized in the HAP. She noted that urban development and border

development emerged as particular foci of the 6th GMS Leader's Summit. The RIF project list was reviewed, which includes 143 investment projects and 84 TA projects, totalling \$66 billion in potential investments. Ms. Alexander highlighted the key development partners who have been briefed and consulted on the RIF and HAP in the last year.

5. Ms. Alexander provided detail on the RIF, which includes the transport, energy, agriculture, environment, health, urban, border economic zones, tourism, TTF, and ICT sectors. She noted the annual reviews and reporting under the RIF as well as key updates to the business process, including progress reports limited to annual, and report timing, which are finalized and endorsed by Q4, so that they can be used for program planning in Q1 of the following year. Ms. Alexander presented the progress report formats, which includes the current program. She highlighted the additional columns added for spatial planning and alignment. She also reviewed the RIF project selection criteria.

6. Ms. Alexander reviewed strategic alignments in the urban portfolio under the RIF. She reviewed specific updates which have been kindly submitted by Lao PDR, highlighting this submission as a good example for other participants to follow with their updates. She highlighted key progress within the urban pipeline. After walking participants through the updated entry fields, she concluded by reminding the participants of the 31 July 2018 deadline for updates to projects in the urban program RIF pipeline. A copy of Ms. Alexander's presentation as well as the instructions for submission and the updated RIF reporting table are provided in the attachments.

IV. Session 2: Information sharing on other regional projects financed by ADB in GMS and South Asia

7. The Chair invited guest speakers to present on the progress of regional projects in GMS as well as South Asia.

A. GMS Tourism sector

8. Ms. Rhodora Concepcion, Senior Regional Cooperation Specialist, Thailand Resident Mission, SERD, ADB presented on tourism sector progress in the GMS. She highlighted key developments, including major sector statistics and connections to socio-economic development in each GMS country. She reviewed tourism cooperation under the GMS Program, which has been a flagship initiative and has been supported by a well-established institutional framework. She noted that tourism is the only GMS sector cooperation with a secretariat (the Mekong Tourism Coordinating Office or MTCO) financed by member countries, while ADB functions as an advisor. Progress under the GMS tourism cooperation, its strengths, constraints, opportunities and threats were highlighted, including ongoing efforts to establish MTCO as an intergovernmental organization. She shared key features of the GMS Tourism Sector Strategy 2016-2025, noting its alignment with the GMS Hanoi Action Plan 2018-2022 and the Regional Investment Framework 2022.

9. Ms. Concepcion also detailed the linkages between tourism and urban development, noting the need to balance the suitability and quality of urban infrastructure and services for both tourists and residents. Public revenues from tourists and a good public financial management of local governments to effectively collect tourist fees to share in the costs of urban services delivery, and operations and maintenance, are important. She highlighted the completed and ongoing ADB-funded investment and technical assistance (TA) projects in the GMS tourism industry. She shared the impacts and lessons learned of two completed investment projects on Mekong tourism development (CAM, LAO and VIE), and sustainable tourism development (LAO, VIE). She

concluded by reiterating the role of tourism in inclusive development, its spillovers into other sectors requiring synergies and private investment, and the nexus between tourism and urban development calling for a more balanced approach in serving the needs of tourists and residents alike. A copy of Ms. Concepcion's presentation is provided in the attachments.

B. GMS Health sector

10. Ms. Azusa Sato, Health Specialist, Southeast Asia Health Sector (SEHS), ADB highlighted key developments in GMS cooperation in the sector. She started by sharing the rationale for the Working Group on Health Cooperation (WGHC), the approach for their cooperation, and the cited examples of regional health projects before detailing the WGHC's forward plan. Ms. Sato's summary of the rationale for cooperation highlighted the unachieved goals and health challenges in GMS, tallied the economic and social benefits, detailed the under-supply and limited funds, concluding with the indicators of strong demand, despite more traditional national prioritization for health issues. She noted key milestones in the approach, which included: the establishment of the WGHC in December, 2017; the Q4 2018 target for a collective strategy endorsement, knowledge sharing planned for 2019+, and the enumeration of a regional project list. She reviewed the key linkages with urban development, particularly in health impact assessments. Ms. Sato highlighted regional project examples in communicable disease control, health security, and malaria control among mobile and migrant populations. Key priorities moving forward were noted in health impacts of urban development. Areas of potential collaboration between the WGHC and WGUD were proffered in: the identification and mitigation of health issues within urban development, health impact assessments, which quantify effects of urban development, and a shared focus on vulnerable groups affected by urbanization, such as migrants, women, children, and the elderly. A copy of the health sector presentation is provided in the attachments.

C. South Asia, Conceptual Planning and Infrastructure Investments for the Visakhapatnam-Chennai Industrial Corridor (VCIC)

11. Mr. Hoe Yun Jeong, Principal Economist, SARC highlighted economic corridor development approaches in South Asia in order to boost the manufacturing sector and expand intraregional trade. He highlighted their approach through easing infrastructure bottlenecks, improving business environments, stimulating trade and investment, and boosting productivity and efficiency. Mr. Jeong noted that ADB-supported corridors in South Asia include: the East Coast Economic Corridor in India, the Colombo-Trincomalee Economic Corridor in Sri Lanka, and the Southwest Economic Corridor in Bangladesh. Mr. Jeong reviewed progress with the East Coast Economic Corridor, noting key elements of the comprehensive development plan and master plan as well as ADB's plans to invest up to \$5 billion in the corridor over a 5-year period. Mr. Jeong cited the example of the Visakhapatnam—Chennai Industrial Corridor (VCIC) as particularly apropos for GMS countries, highlighting the corridor's industry-linked approach and nodal foci with Visakhapatnam staged as a Technology and Engineering Hub and Srikalahasti clustering end-product and manufacturing. Master plan strategy highlights where shared, which include the establishment of an anchor region and enforcement of global standards for utilities. Regulatory priorities for business environment improvements via single window systems, automated construction permit approval, advanced automated solutions in environmental and pollution-related approvals, and inspection and judicial reforms were enumerated. He noted that these have facilitated initial discussions with specific anchor industry companies, which were presented. Mr. Jeong concluded by highlighting the cascade impacts of initial public and international finance interventions and identifying future priorities in attracting private sector participation, especially in housing and social infrastructure. Finally, Mr. Jeong shared key lessons to-date.

12. Mr. Akira Matsunaga, Economist, SAUW, ADB presented on the VCIC development program, where ADB is financing infrastructure, policy, and capacity development. He shared VCIC's key features in expanding industrial output and increasing employment opportunities. He highlighted the geographic features of the corridor and identified nodes. He noted the impressive activity of the state government under the VCIC. The impact, outcome, and outputs were featured, which are supported by a \$125 million policy based loan (PBL) from ADB, and more than \$700 million in investments for infrastructure developments from both ADB and government counterparts. He shared key features of the PBL, which focuses in corridor management as well as ease of doing business. He highlighted milestones in implementation progress for the PBL as well as the multitranche financing facility (MFF), which supports infrastructure development. A copy of the South Asia presentations are provided in the attachments.

D. Discussion

13. The Chair requested member countries to raise any questions or clarifications from the morning session. Ms. Honda followed-up with Mr. Jeong about the borrowing capacity of the local governments. Mr. Jeong responded that the national government supports the borrowing capacity in the corridor states. Mr. Matsunaga added that state governments of Andhra Pradesh have the sufficient borrowing capacities, while noting that in general the borrowing capacity is the constraints for many of state governments in India to receive the external funds.

14. In response to the health sector presentation, Mr. Jean-Pierre Verbiest, Team Leader of TA8989-REG: Capacity Development for Economic Zones in Border Areas, noted that the important towns in the GMS have in-migration issues with health, both from other countries (regional) as well as within the country itself, suggesting that the health sector incorporate these features. He further noted that the South Asia example features connected industries, and thus a strategic vision. He suggested that GMS could have a better focus on strategic vision rather than disproportionate focus on border towns.

15. Ms. Azusa Sato requested that the group share ideas for coordination with the health sector. Mr. Htun Zaw, Myanmar, responded by encouraging further exploration of links with tourism and health. The chair added that because the urban working groups is so new, it has not yet identified opportunities for collaboration. Ms. Pinsuda Alexander shared different working groups' processes that could facilitate coordination, citing the 2015 Urban Development Task Force meeting in Nay Pyi Taw, Myanmar, which involved joint participation from transport, urban and water, and regional coordination representatives working on projects in the same geographic zone of the East-West Economic Corridor. She noted the GMS Agriculture and Environment working groups convene their working group meetings back-to-back in order to

16. Mr. Thongchai Roachanakanan, Thailand inquired about the definition of economic corridors and the value of applying the concept. He followed-up with questions about the industrial corridor's features, including length. He noted the importance to GMS countries. Ms. Alexander responded that the GMS economic corridor concept has been used for 20 years. In the GMS, the economic corridors have been traditionally transport corridors, while the current efforts focus on transforming transport corridors to economic corridors. In terms of length and breadth, she noted that this is still greatly debated. Mr. Jeong shared that the east coast economic corridor in India is well-defined in hardware and software in order to integrate infrastructure with regulatory features in the region. He noted the economic corridors concentration is broad and comprehensive.

V. Session 3: Discuss the revised approach to and the future pipeline of the GMS Corridor Towns Development Project

17. The chair made a short introduction reminding that the consultant team of TA8989-REG: Capacity Development for Economic Zones in Border Areas presented the inception report at the first meeting of the GMS Urban Development WG in 2017 to discuss the TA approach and work program. The idea of “anchor cities” was introduced and the participants agreed that the future GMS CTDPs should focus on the economically connected areas covering both border cities and anchor cities. Today the consultant team will present its draft final report. The aim of this session is to identify the project cities for the 5th (approval in 2021), 6th (approval in 2023), 7th (approval in 2025), and 8th (approval in 2027) GMS CTDPs.

18. Mr. Jean-Pierre Verbiest, Team Leader of TA8989-REG: Capacity Development for Economic Zones in Border Areas presented the Draft Final Report of the TA. He identified the key objectives to: identify potential “anchor urban areas” for the 5th, 6th, and 7th Corridor Towns Development Projects (CTDPs); identify economic zones in border areas; and unite urban development of competitive regional or sub-regional GMS growth poles. He noted that the investigation visited 17 potential border town priorities. He provided background on the economic zone and border area priorities and highlighted the GMS CTDPs locations. He reviewed the seven phases of implementation of the regional TA. The key findings highlighted were in the importance of capacity development for urban management and investment in local urban infrastructure as well as the constraints to economic growth and investments that need to be addressed taking into account natural endowments, such as geographical location. He concluded that many GMS border towns are unlikely to develop as economic hubs. Mr. Verbiest construed the vision, pillars, and foundations for economic hub and cluster development as well as multisectoral approaches to help achieve the vision. Five hotspots from the 5th, 6th, and 7th CTDPs were reviewed, with the next two identified. Mr. Verbiest summarized each of the hotspots’ economic zone development, location, natural resource, and industrial strengths along with key urban issues. He concluded by sharing specifically on the Wider Pakse area.

19. Mr. Keith Perry, Consultant with the TA consulting team, continued to present on the identified hotspots with a particular focus on Viet Nam. He noted the juxtaposition between Vietnamese and PRC border towns, pointing to the importance of integrated and cross-sectoral plan implementation. He concluded the discussion on Dong Dang - Lang Son on the management of urban master plans, which are not well enforced in many GMS areas. He noted the environmental quality and loss of potential tourism can be directly linked to unconstrained development. He enumerated the economic strengths and highlighted opportunities to leverage the strengths and to better connect and integrate with the region. He noted the need for master plan revision. He encouraged all participants to think more creatively about how and what they invest in. He encouraged a review of the three border gates with the potential to upgrade or eliminate those at risk. In detailing the Mong Cai Master Plan for BEZ to 2030, he highlighted progress to-date as well as plans for future developments. He noted the urban services need similarities between Dong Dang - Lang Son and Mong Cai - Donxing as well as the shared challenges with uncontrolled development. He highlighted the economic strengths of Mong Cai - Donxing that could be further leveraged for strategic development, particularly contingent upon the upcoming transport infrastructure.

20. Mr. Jean-Pierre Verbiest then detailed the Poipet-Bavet key features. He introduced Mr. Putu Kamayana, Consultant on the TA, who presented a review of the concept and approach to the ongoing and planned GMS Corridor Towns Development Projects. Mr. Kamayana noted the purpose of the review as well as the three stages, reviewing the scope and coverage of previous

projects as well as areas for improvement. He emphasized the heavy biases in previous projects toward hard infrastructure, among others. He shared operational recommendations and identified priority industries for future CTDPs, including stressing the importance of multi-sectoral and hard- and soft- investments. He then identified strengths and challenges in previous project design and implementation along with applicable recommendations for improvements in each sector. He highlighted key institutional aspects that determine project sustainability, including capacity development. Copies of the Mr. Verbiest and Mr. Kamayana's presentations are provided in the attachments.

21. The Chair thanked the TA team and then invited member country representatives to present comments from their perspectives on the featured economic hotspots.

22. Lao PDR reflected on the Greater Pakse presentation, noting the previous ADB support through the Secondary Towns program. He highlighted linkages between urban and agriculture as well as tourism, noting that Lao PDR has smaller urban areas than other countries. He requested future projects to consider the linkages with agriculture, which is central to their situation. He further requested consideration of connections between Pakse and Viet Nam - in particular Paksong and LaLai. He requested Viet Nam to respond on transport plans with three provinces. A Lao PDR colleague from the Special Economic Zone Ministry of Planning and Investment clarified the cities of interest as well as applicable regulatory processes and ministerial authorities.

23. Thailand noted the investments in construction and need for connectivity. The Thai participant noted water shortages and flooding challenges in urban areas, requesting focus on these issues in future projects.

24. Another Thai colleague emphasized the need for disaster risk reduction and sustainability for future projects. He reiterated the emphasis historically on infrastructure, which has been prioritized in Thailand since the 1960's. He would like to see the Asian Highway Network featured as a priority.

25. Viet Nam thanked the organizers and participants. He complimented the border area PPTA, commenting on the report's strong recommendations. He noted the challenge with Viet Nam's limitations on ODA financing, sharing that currently, Viet Nam can only receive OCR from ADB. Viet Nam is currently deliberating how much they should fund from their own resources versus borrow from ADB for the border cities program.

26. Cambodia thanked all participants for support and engagement. He noted challenges in land acquisition and suggested ADB to work with the government on land use management policies as well as to engage in the joint development with neighboring countries to develop spatial plans for border development zones in Poipet, including newly opened gates such as O'Neang and Stung Bot, and Bavet with Thailand and Viet Nam respectively. He recommended more engagement of donor agencies with the national government on land use recommendations. He noted the increased traffic volume on the GMS southern economic corridor has increased congestion around Bavet. He requested the development of anchor cities, such as Neak Loeung and Svay Rieng municipality, farther from the congested border area that is important to provide more jobs in localities. He further recommended capacity development in spatial planning with GIS with stakeholders in public, private, and donor sectors, which would help balance focus on economic benefit with social and environmental benefits as well. Skills for future labor forces and for industrial sector also need to be developed.

27. PRC focused on the cross-border economic zones between PRC and Viet Nam. She suggest 2-3 additional areas for cooperation, such as in labor, e-commerce and finance. Labor between Donxing and Mong Cai is one of the most prominent areas for success in PRC, which has attracted the central government's attention. Vietnamese labor is lower cost than other labor available in PRC, and so in sugar cane harvesting, migrant labor for Viet Nam supports affordable harvesting through the issuance of free visas. She noted the importance of e-commerce to support economic development in Viet Nam. She noted a current project database to support ICT logistics communication with neighboring countries. For financial cooperation, she cited examples of two cities that have state-level initiatives to help Chinese currency globalize. She would like to further expand this initiative. She requested better UDWG alignment with the RIF. The draft final report identifies a project pipeline for the PRC and Viet Nam hotspots, however, the features are not aligned with the RIF.

28. A PRC colleague noted that the Ministry of Commerce plans and implements BEZs, which is a new form of bilateral and subregional cooperation. He encouraged further attention and resources for cooperation, especially with Lao PDR, Myanmar, and Viet Nam. He concluded with compliments of progress to-date.

29. Myanmar commented on the Myanmar potential future economic hotspot on the border with Thailand. He noted that it was approved by the government of Myanmar in May of 2018, reaffirmed Myanmar's support, and invited comments from colleagues. He suggested to include Bago, Dawei, and Myawaddy as the future GMS CTDTP.

30. A Myanmar colleague also thanked organizers for the meeting. She emphasized the importance of development of secondary cities along the GMS economic corridors in order to better integrate development planning using spatial planning resources. She also highlighted the importance of extending the GMS development plan.

31. The chair clarified that the three cities in the report in Viet Nam may not be ripe for investment until after 2025, and so will not be removed from the pipeline due to the current negotiations over ODA limits. She also responded about potential cofinancing from PRC in the two of the projects. She also highlighted the coordination with NEDA in Thailand and other agencies. She noted spatial planning programming, highlighting Cambodia's request for spatial planning support and confirmed that use of spatial planning and enforcement of spatial plans is important for future projects. She responded to Myanmar's request for three additional cities' inclusion in the program is subject to further studies, but confirmed that Myanmar cities are included in the 7th or 8th GMS CTDTP.

32. Mr. Verbiest also responded that linkages between Pakse and Paksong are highlighted in the report, especially with the hinterlands. He noted that Ho Chi Min City has developed an urban plan for Paksong. He thanked the participants for their high quality comments. He noted Thailand and Cambodia's comments that some additional border cities are included in the report but were not featured in presentations. On the Thai side, there is an industrial estate that is emerging that should be included in follow up reports. For Viet Nam, he noted Poipet connectivity to surrounding regions. He highlighted the potential role of Mekong Institute or other atypical stakeholders. He noted the industrial corridors outside of Bangkok, which Myanmar seems to be mirroring in Bago. He shared that there is a study by the government of Korea on the corridor. The connectivity between Thailand and Daway still requires more work; however, it could become a hub for tourism.

33. The chair requested additional comments and questions throughout the day and the following day.

VI. Session 4: Next Steps

34. The Chair affirmed that the Greater Pakse in Lao PDR and Poipet–Bavet in Cambodia will be the 5th and 6th GMS CTDP. ADB will discuss with the Lao PDR and Cambodia resident missions the potential inclusion of Greater Pakse in Lao PDR as well as Poipet and Bavet in Cambodia for further programming. Dong Dang–Mon Cai in Viet Nam and Bago–Dawei–Myawaddy in Myanmar will be further discussed between ADB and the respective governments to consider these cities for the 7th and 8th GMS CTDP.

35. She concluded by requesting that all additional comments be submitted by the week of July 9, particularly on the report presented.

36. The next working group meeting will be in Cambodia. The timing will be established in 2019.

VII. Site Visit – Manila Water

37. Manila Water kindly hosted site visits for the participants to their primary facilities in Quezon City, Philippines. Presentations reviewed the concessionaire’s mission and development trajectory since its inception, which was in response to Manila’s water crisis in the 1990’s. Presenters highlighted key milestones and progress to-date. They offered an overview of Manila Water’s local and GMS regional operations as well as the legal framework under which they operate. They shared key features of their financial incentive structures, operational responsibilities, social responsibility programs, and non-revenue water efforts. Tours covered the consumer-facing business operations branch. Manila Water also offered participants a chance to see some of their quality assurance laboratory space and equipment. They offered a tour of their primary water treatment plant. Participants expressed sincere appreciation for the breadth and depth of information shared from a utility which faces many of the same challenges that GMS water and sanitation providers share.

VIII. Closing Session

38. In closing the Chair reiterated thanks to the participants and presenters. In terms of next steps and timelines:

- i) The 3rd GMS Urban Working Group meeting will be scheduled in 2019, kindly hosted by Cambodia.
- ii) ADB confirmed that it will prepare and circulate draft proceedings from the meeting for comments. Particularly comments for the finalization of the presented report are emphasized.

39. The Chair thanked all participants for their sincere and engaged participation, and looked forward to the third meeting of the work group next year.