Economic Corridor Development: The Greater Mekong Subregion Experience

Joint Training Program on Economic Corridor Development for a Competitive and Inclusive Asia

Singapore
17-19 August 2016

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Outline

I. GMS Economic Corridors

II. GMS Framework for Economic Corridor Development

III. Economic Corridor Development Projects, Progress and Impacts in the GMS

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I. GMS ECONOMIC CORRIDORS
GMS Economic Cooperation Program

- **Countries**: Cambodia, People’s Republic of China (Yunnan Province and Guangxi Autonomous Region), Lao PDR, Myanmar, Thailand, and Viet Nam

- **Strategic Priorities**:
  - Vision – a more integrated, prosperous, and harmonious subregion
  - “3Cs” – Connectivity, Competitiveness, Community
  - Economic Corridor Development

- **Size**:
  - $15 billion (1/3 from ADB)
  - 80% in transport connectivity
Developing Economic Corridors is a Strategic Priority for the GMS

Transform some of the 9 transport corridors…

…into economic corridors to boost cross-border trade and investment and to stimulate jobs and growth.
• North-South Economic Corridor (NSEC)
• East-West Economic Corridor (EWEC)
• Southern Economic Corridor (SEC)
Evolution of Transport Corridors into Economic Corridors

1. *Transport Corridor* – Physical Infrastructure

2. *TTF Corridor* – Cross-border transport operations and efficient border formalities

3. *Logistics Corridor* – Broader trade facilitation (behind-the-border) and developed cross-border logistics services

4. *Urban Development Corridor* – Improved economic infrastructure and enhanced capacities of corridor towns for public-private partnerships

5. *Economic Corridor* – Increased private investment, well-developed production chains
A Framework for Corridor Development (P. Srivastava)

- **Zone II**: National + Broad
  - Urban, SMEs, Rural Roads
- **Zone IV**: Regional + Broad
  - CBEZ, Integrated regional border plan
- **Zone I**: National + Narrow
  - Road construction, upgrading
- **Zone III**: Regional + Narrow
  - TTF, logistics

- National → Regional

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**A Framework for Corridor Development**

1. **Zone II**: National + Broad
   - Urban, SMEs, Rural Roads
   - Focus on broad national corridors
2. **Zone IV**: Regional + Broad
   - CBEZ, Integrated regional border plan
   - Emphasis on broad regional corridors
3. **Zone I**: National + Narrow
   - Road construction, upgrading
   - Strong national focus
4. **Zone III**: Regional + Narrow
   - TTF, logistics
   - Regional development

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**ADB**

National → Regional
II. GMS FRAMEWORK FOR ECONOMIC CORRIDOR DEVELOPMENT
Economic Corridor Development Approach

Adopted in 1998 in the GMS:

- Practical response to maximize impact of limited resources for regional projects
- Cluster regional projects along corridors
- Catalyze investment from within and outside region
- Facilitate prioritization of regional projects and coordination of national projects with regional implications
The Economic Corridor Development Approach

• Infrastructure was developed in specific geographical areas based on economic potential. Initially transport links; subsequently improving “software” and then other infrastructure investments for urban development, SEZ, agriculture

• Successful Economic Corridors:
  • Link major markets/nodal points;
  • Ensure cheap, fast and reliable transport and trade
  • Catalyze private investment
  • Benefit the local population living nearby the corridors;
GMS Economic Corridors Forum

- Established in 2008. Seven already organized
- ECF is held annually at the Ministerial level.
- A Provincial Governors Forum linked to the ECF.

“The ECF shall serve as the main advocate and promoter of economic corridors in the GMS. It shall raise the profile and increase awareness of the needs and priorities of GMS economic corridor development, and enhance collaboration among various stakeholders in the development of GMS economic corridors.”
GMS Strategies and Action Plans for Economic Corridor Development
Formulation Process for Strategies and Action Plans

- Stakeholder consultations: national & local
- Confirming configuration and alignment
- Preparing corridor assessments
  - Socio-economic characteristics
  - Development potential
  - Comparative advantages
  - Constraints and challenges
  - Opportunities for cooperation
- Preparing strategic directions and action plans for each corridor
Strategic Framework for the NSEC Action Plan

**Vision**
- Dynamic, well-integrated
- Engine for socio-economic development
- Attract investment
- Gateway for ASEAN-PRC trade

**Ultimate Goals**
- Generate higher income
- Increase employment opportunities
- Reduce income disparities
- Improve living conditions

**Objectives**
- Address social and environmental concerns
- Strengthen physical infrastructure
- Facilitate cross-border trade and transport
- Promote investment
- Address human resource constraints
- Enhance institutional arrangements

**Focal Sectors**
- Environment
- Infrastructure
- Trade and transport facilitation
- Investment promotion
- Human resource development
- Institutional development

72 projects in the NSEC Action Plan
For each project or activity:
- Expected outcomes/results
- Progress indicators
- Implementing bodies/agencies
- Timeframe
- Status
Assessment of GMS Corridor Development

Around 75% of planned projects completed or ongoing

- Notable achievements are in road transport infrastructure
- Rail and power sectors requires more attention
- Good progress in tourism, social & environment sectors
- More efforts required for cross-border transport and trade facilitation, investment promotion, private sector participation
Lessons learned from the economic corridors SAP

• Provided a strategic macro-planning framework for corridor development

• Promoted a multi-sector approach

• Encouraged participation of local authorities in corridor development

• Economic corridor planning process could have been strengthened by more regular monitoring, and greater engagement with the private sector.

• There is a need to translate SAPs into implementation plans for specific sections of the corridors with high development potential
III. ECONOMIC CORRIDOR DEVELOPMENT PROJECTS, PROGRESS AND IMPACTS IN THE GMS
LAO: East-West Corridor (Phin-Dene Savanh)

VIE: East-West Corridor (Lao Bao-Dong Ha)

Project under preparation with ADB assistance

With assistance from the Royal Thai Government

JBIC-assisted 2nd Mekong International Bridge

JBIC-assisted Hai Van Tunnel Construction and Da Nang Port Improvement

With assistance from the Royal Thai Government
Upgrading completed in 2006.

Completed with ADB assistance; in good condition

Recently upgraded with Govt financing

Completed in 2013 with financing from PRC, Thailand and ADB

4th Mekong international bridge completed

Completed in Dec. 2005

Expressway completed in 2014 with ADB assistance
Mostly 4-lane highways; not a constraint to cross-border traffic.

Upgrading completed in 2007 with Thailand, Korea, World Bank and ADB assistance.

Upgrading to be completed by 2010 with ADB, Korean, and Australian assistance.

Upgrading completed with ADB and Japan assistance.

Upgrading of a section in Cambodia (70 km) completed with assistance from Viet Nam; financing requested for remaining sections.

Upgrading completed with PRC assistance.

Upgrading completed in 2015 with financing from Japan.

Mekong bridge completed in 2015 with financing from Japan.
Examples of Development Impacts of Improved Connectivity: Southern Economic Corridor

Phnom Penh-Ho Chi Minh City Highway Improvement Project

In 1999 (Before upgrading road)
- Travel time from Phnom Penh to HCM City: 9-10 hours;
- Cross-border trade at Moc Bai (Viet Nam) – Bavet (Cambodia): $ 10 million / year

In 2014 (After both hardware and software are implemented)
- Travel time reduced to 5-6 hours;
- Cross border trade at Moc Bai – Bavet: $ 708 million / year
- Trang Bang Industrial Park (in Moc Bai) : 41 projects, $ 270 million in new investments and 3,000 jobs created
IV. WAY FORWARD FOR ECONOMIC CORRIDOR DEVELOPMENT
Developing GMS Economic Corridors

1. Requires a multi-sector approach to maximize the economic benefits of physical infrastructure:
   a. Cross-border and Special Economic Zones
   b. Corridor Town Development
   c. Logistic and agro-processing Centers, Dry Ports

2. Requires private sector participation to identify investment opportunities and contribute to project financing (viable PPPs)

3. Focus on the “software” side of Economic Corridors (e.g., Transport and Trade Facilitation)

4. Need to realign corridors to include Myanmar, link all GMS capitals and deep ports to the corridor network and align with trade flows

Prepare “section-specific corridor concept plans”
We are committed to continue our joint efforts to transform the GMS transport corridors into economic corridors... **Implementation of the SAPs should focus on selecting priority sections along the corridors** which offer the greatest potential for attracting investment and yielding long-term development benefits. For these corridor sections, the identification of investment needs and opportunities should **draw upon inputs from provincial and local government officials, the private sector and community residents.**

-GMS Leaders at the 5th GMS Summit; Bangkok Thailand
December 20, 2014
A Pilot Initiative for Economic Corridors

Section Specific Concept Plans

1. **Initiate planning processes** for conceptual development plans focused on three prioritized sub-sections of the GMS Economic Corridors.

2. **Promote a bottom-up, participatory planning process** which solicits views and ideas about each corridor's strengths, weaknesses, opportunities and constraints (SWOT analysis) from local stakeholders, including provincial and local officials, the private sector and community representatives.

3. **By adopting a broad, multisectoral approach** the resulting concept plans can serve as a basis for future regional planning, a model for other cross-border planning in the GMS, and provide inputs to the current projects in the corridors.
Three Pilot Locations Along Major GMS Economic Corridors

- **SEC**: Bavet, Cambodia-Moc Bai, Viet Nam
- **EWEC**: Mae Sot, Thailand – Myawaddy, Myanmar
- **NSEC**: Jinghong, PRC-Luang Namtha, Lao PDR