### Project Name
Yunnan Lincang Border Economic Cooperation Zone Development Project

### Project Number
49310-002

### Country
China, People's Republic of

### Project Status
Active

### Project Type / Modality of Assistance
Loan

### Source of Funding / Amount
| Loan 3759-PRC: Yunnan Lincang Border Economic Cooperation Zone Development Project | Ordinary capital resources | US$ 250.00 million |

### Strategic Agendas
- Environmentally sustainable growth
- Inclusive economic growth
- Regional integration

### Drivers of Change
Governance and capacity development

### Sector / Subsector
- Education - Pre-primary and primary
- Health - Health system development
- Water and other urban infrastructure and services - Other urban services - Urban flood protection - Urban sanitation - Urban solid waste management

### Gender Equity and Mainstreaming
Effective gender mainstreaming

### Description
The project will address cross-border trade capacity, border connectivity, and urban and social development issues in the Cangyuan Wa, Gengma Dai and Wa, and Zhenkang counties in Lincang Prefecture; and support Yunnan Province in enhancing regional cooperation and integration (RCI) under the Greater Mekong Subregion (GMS) program, focusing on economic corridor development. It is expected to enhance RCI in the Shan border province of Myanmar by providing benefits to Myanmar nationals who trade, work, and use social services in the project counties.
Remote location and high poverty levels. Lincang Prefecture is situated in the remote southwest region of Yunnan Province on the border with Myanmar, and is characterized by significant urban and rural poverty. Per capita gross domestic product in the prefecture reached CNY12,967 in 2016 up 10.6% over 2015, however the annual disposable income of urban residents was CNY23,456, well below the People’s Republic of China (PRC) average. The counties of Cangyuan Wa and Zhenkang are officially designated as national poverty counties, and are home to a large share of the prefecture’s urban poor. Many Myanmar nationals live and work in these counties, which are located on the PRC-Myanmar border. Most are seasonal workers and laborers who earn insecurely several months and significantly lower incomes in factories, construction sites, and harvesting fields in China. Regional cooperation and integration potential. Lincang Prefecture’s location and 300 kilometer (km) border with Myanmar provide the potential for it to become an important trade gateway by which the PRC can reach key Indian Ocean ports, and thereby facilitate access to South Asia, the Middle East, and Europe through the AMSR. Lincang Prefecture complements other border cities in the interior and southern border regions of Yunnan, including the counties of Cangyuan Wa, Gengma Dai and Wa, and Zhenkang, which are rich in cross-border economic cooperation zones. Lincang Prefecture’s comparative advantage is its location along the shortest route from Kunming to Myanmar’s Kyaukpyu Port, on the Bay of Bengal. Yunnan’s economic and social development strategies have highlighted the potential for the border areas of Lincang Prefecture to become an important manufacturing and logistics hub along an economic corridor currently being developed through major investment projects such as the Kunming-Mandalay highway and the freight railway linking Kunming to Kyaukpyu.

Strategic fit. The development of the LBECZ is supported by the national and provincial strategic frameworks for urban development and RCI. China’s Thirteenth Five-Year Plan (2016-2020) contains several initiatives to support urban development and RCI, including the following: (i) is aimed at urban-rural integration; (ii) is related to the national and regional and global economy, and is a strategic priority in the Thirteenth Five-Year Plan. In 2016, the State Council approved a list of key border areas and trade ports, and identified actions for their development, while the governments of the PRC and Myanmar began an ambitious cooperation program in 2014 intended to develop a PRC-Myanmar corridor from Kunming to the sea port of Kyaukpyu, linking Kunming to Kyaukpyu and beyond to the southern part of the city and its port. The LBECZ is instrumental in building cooperation dialogue with authorities in Myanmar (nationally and in Shan State) to enhance the development of the economic corridor beyond the PRC. The PRC’s Thirteenth Five-Year Plan for National Economic and Social Development, 2016-2020 includes a number of important content and strategic priorities, including (i) is aligned with (a) ADB’s urban and water operational plans by promoting green, competitive, and inclusive cities; and (b) the support of the achievement of several sustainable development goals of the United Nations related to health, education, sanitation, economic growth, and sustainable cities.

Continuity of development initiatives and lessons learned. The project is part of ADB’s continuous engagement to assist Yunnan in achieving green and sustainable urban development, and support the PRC in enhancing RCI. The project design incorporates lessons learned from previous ADB-financed urban development projects in Yunnan, as well as in small and medium-sized cities in the PRC. These lessons include enhanced implementation arrangements with integral capacity support from the Yunnan provincial authorities and improved design of project components in order to further support urban-rural integration. The project will also build on ADB’s experience from recent urban development and RCI projects in strategic border areas of the PRC on key issues such as construction and management of logistics and industrial parks and on the role of cross-border migrant workers.

Value addition of ADB assistance. By designing a multisector project that includes urban, social, and trading infrastructure, ADB has strengthened a holistic approach that enhances competitive, green, and inclusive development in the small and medium-sized urban centers of this border region. The project is thus aligned with both the PRC and ADB’s national and international policies and strategies, and is intended to generate long-term economic benefits. The project will build on previous Lincang Prefecture projects and many ADB-financed development projects in Yunnan, as well as regional and international development initiatives. The project will also build on ADB’s experience from recent urban development and RCI projects in strategic border areas of the PRC on key issues such as construction and management of logistics and industrial parks and on the role of cross-border migrant workers.

Impact

Economic growth potential for LBECZ and border areas of Myanmar enhanced; benefits of regional cooperation and integration in LBECZ and border areas of Myanmar realized; and living conditions and public health of residents of LBECZ and border areas of Myanmar improved

Competitiveness of urban centers, logistics and industrial parks, and land ports in project counties and LBECZ enhanced
The loan became effective on 11 July 2019. A loan pre-inception mission and inception mission were fielded on 22-24 January 2019 and 16-19 September 2019, respectively. Advance implementation activities have been undertaken to facilitate timely recruitment of individual project start-up consultants which include (i) contract management and procurement specialist, (ii) environment specialist, (iii) resettlement specialist. The project management and implementation consultants is expected to be mobilized in October 2019. Construction of RD-C04 will also commence in Q4 2019.

Status of Implementation Progress (Outputs, Activities, and Issues)

1. Three works contracts included. Planned target of advertisement in Q1, Q3 and Q4 of 2020. One goods contract included and planned advertisement is Q1 2022. Bidding document of first package under preparation.
3. Four works contracts included. Planned target of advertisement in Q3 2019, and Q1 and Q2 2020. The first package is for contract signing and the bidding documents of the second package is under review.
4. Several works packages are under preparation and jobs will be created once construction works commence.

Procurement to be financed by the loan will follow the ADB Procurement Policy (2017, as amended from time to time) and Procurement Regulations for ADB Borrowers (2017, as amended from time to time). For meaningful consultations have been conducted with all relevant stakeholders and the findings have been incorporated in the project design. Any potential environmental disputes will be handled in accordance with the grievance redress mechanism established for the project. The potential impacts during construction include excavation, movement of soil, and treatment of sediments associated with river rehabilitation works, causing air, soil, and water pollution. Earthworks are required for construction of river embankments; roads, bridges, and culverts; and water and wastewater installations with temporary impacts on soil, surface water, air, and community and occupational safety. During operations, mitigation measures identified in the EMP require environmental compliance for air pollution, water treatment, municipal solid waste, and hospital and industrial wastes. An assessment to determine the significance of project impacts and risks on biodiversity and natural resources has been conducted; and adequate measures to mitigate potential impacts and risks have been included in the EMP.

The ethnic population makes up of 42.8% of project beneficiaries. Among ethnic minority beneficiaries, Dai, De’ang, Wa, and Yi minorities comprise 83.57% of the total. Ethnic people will benefit from improved municipal infrastructure and social services, and additional business and job opportunities. With the exception of one household (4 persons) whose house will be totally affected and will be required to relocate, none of the 41 ethnic minority households (171 of the total) will be affected by house demolition. These households have other sources of income. For the Cangyuan subproject, the impacts are found to be marginal for the Zhenkang subproject where an estimated 38.24 mu of state-owned construction land was acquired in the past, due diligence indicated that there are no outstanding issue. There are three resettlement plans that have been prepared in consultation with the affected people and various stakeholders to address land acquisition and resettlement issues. Key information in the resettlement plans have been disclosed to the affected persons.

The categorization was based on the project having numerous multisector components and potential accumulative impacts to the project area. An environmental impact assessment (EIA), including an environmental management plan (EMP) was finalized in compliance with the Asian Development Bank’s (ADB) Safeguard Policy Statement and disclosed on ADB’s website on 25 May 2018. The EIA incorporates findings of the domestic feasibility studies, domestic EIAs, climate risk and vulnerability assessment, and technical reports conducted. The domestic EIAs were approved by the local environmental protection bureau in March 2018. The EMP complies with the People’s Republic of China’s environmental laws and ADB’s Safeguard Policy Statement. An external monitoring entity will be recruited by the project management office to perform evaluation and assessment of the implementation and compliance with the EMP during all stages of the project. During project preparation, two rounds of meaningful consultations have been conducted with all relevant stakeholders and the findings have been incorporated in the project design. Any potential environmental disputes will be handled in accordance with the grievance redress mechanism established for the project. The potential impacts during construction include excavation, movement of soil, and treatment of sediments associated with river rehabilitation works, causing air, soil, and water pollution. Earthworks are required for construction of river embankments; roads, bridges, and culverts; and water and wastewater installations with temporary impacts on soil, surface water, air, and community and occupational safety. During operations, mitigation measures identified in the EMP require environmental compliance for air pollution, water treatment, municipal solid waste, and hospital and industrial wastes. An assessment to determine the significance of project impacts and risks on biodiversity and natural resources has been conducted; and adequate measures to mitigate potential impacts and risks have been included in the EMP.

Safeguard Categories

Environmental

Involuntary Resettlement

Indigenous Peoples

Summary of Environmental and Social Aspects

Environmental Aspects

There are 145 households (766 persons) who will be affected by the acquisition of collective farmland (1,038.37 mu) in the Mengding subproject. There are 28 households (110 persons) who belong to the Wa and Yi ethnic groups. The impacts are found to be insignificant since loss of land per household is less than 5% of their total landholdings and households have other sources of income. For the Cangyuan subproject, the impacts are found to be marginal where four households (20 persons) will lose about 7.65 mu of cultivated land while one household (4 persons) will be affected by house demolition. These five households are from the Wa and Dai ethnic group. Impacts are also found to be marginal for the Zhenkang subproject where an estimated 38.24 mu of collective land will be affecting nine households (41 persons) from the De’ang ethnic group. An estimated 125 mu unallocated state-owned rubber forest land in Mengding and a 39.53 mu state-owned construction land owned by a real estate company in Cangyuan will be required. For Zhenkang, where 85.26 mu of state-owned construction land was acquired in the past, due diligence indicated that there are no outstanding issue. There are three resettlement plans that have been prepared in consultation with the affected people and various stakeholders to address land acquisition and resettlement issues. Key information in the resettlement plans have been disclosed to the affected persons.

Indigenous Peoples

The ethnic population makes up of 42.8% of project beneficiaries. Among ethnic minority beneficiaries, Dai, De’ang, Wa, and Yi minorities comprise 83.57% of the total. Ethnic people will benefit from improved municipal infrastructure and social services, and additional business and job opportunities. With the exception of one household (4 persons) whose house will be totally affected and will be required to relocate, none of the 41 ethnic minority households (171 people) will be marginally affected by acquisition of their farmland. An ethnic minority development plan has been prepared and endorsed by the project management office.

Stakeholder Communication, Participation, and Consultation

During Project Design

Meaningful consultations have been conducted with all relevant stakeholders and the findings have been incorporated in the project design.

During Project Implementation

This includes policy dialogue with the executing agency, information gathering and sharing with civil society organizations, and participation of neighborhood and village committees and the Women’s Federation in project activities during the GAP and EMIP implementation.

Business Opportunities

Consulting Services

Consulting services will be undertaken in accordance with the ADB Procurement Policy (2017, as amended from time to time) and Procurement Regulations for ADB Borrowers (2017, as amended from time to time).

Procurement

Procurement to be financed by the loan will follow the ADB Procurement Policy (2017, as amended from time to time) and Procurement Regulations for ADB Borrowers (2017, as amended from time to time).

Responsibles

Responsible ADB Officer: Andrew McIntyre
Responsible ADB Department: East Asia Department
Responsible ADB Division: Urban and Social Sectors Division, EARD
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YNSWC@126.COM
Wuhuashan, Kunming Yunnan, Peoples Republic of China

Timetable

4. Several works packages are under preparation and jobs will be created once construction works commence.
Loan 3759-PRC

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