China, People's Republic of: Yunnan Lincang Border Economic Cooperation Zone Development Project

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Yunnan Lincang Border Economic Cooperation Zone Development Project</th>
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<tbody>
<tr>
<td>Project Number</td>
<td>49310-002</td>
</tr>
<tr>
<td>Country</td>
<td>China, People's Republic of</td>
</tr>
<tr>
<td>Project Status</td>
<td>Active</td>
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<tr>
<td>Project Type / Modality of Assistance</td>
<td>Loan</td>
</tr>
<tr>
<td>Source of Funding / Amount</td>
<td>Loan 3759-PRC: Yunnan Lincang Border Economic Cooperation Zone Development Project</td>
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<tr>
<td></td>
<td>Ordinary capital resources</td>
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<td>Strategic Agendas</td>
<td>Environmentally sustainable growth</td>
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<td>Inclusive economic growth</td>
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<td></td>
<td>Regional integration</td>
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<td>Drivers of Change</td>
<td>Governance and capacity development</td>
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<td>Sector / Subsector</td>
<td>Education - Pre-primary and primary&lt;br&gt;Health - Health system development&lt;br&gt;Water and other urban infrastructure and services - Other urban services - Urban flood protection - Urban sanitation - Urban solid waste management</td>
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<td>Gender Equity and Mainstreaming</td>
<td>Effective gender mainstreaming</td>
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<tr>
<td>Description</td>
<td>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.</td>
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Remote location and high poverty levels. Lincang Prefecture is situated in the southwestern 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 CNY1,967 in 2016 up 10.6% over 2015, however the annual disposable income of urban residents was 23,258 yuan in 2015, which was only 47% of 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 factory workers earning insecure, low incomes in factories and construction projects. Many people from Myanmar use hospitals and schools in the three project counties in preference to the poor municipal services available in Myanmar. Most of the seasonal workers belong to ethnic minorities, which account for a significant proportion of the population in the three counties: 93.9% in Cangyuan Wa County, 52.2% in Zhenkang County, and 31.5% in Zhenkang County.

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 regions of Yunnan and Myanmar. Lincang Prefecture complements other border areas of the PRC in the Middle East and Myanmar, which reached $9.7 billion in 2015, up from $3.6 billion in 2010. Much of the trade originates at the local level, and is conducted largely by private sector small and medium-sized enterprises (SMEs). In May 2017, the ministries of commerce of the PRC and Myanmar signed a memorandum of understanding for the joint development of 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.

Development needs. Lincang Prefecture’s poor infrastructure and the low competitiveness of its second- and third-tier cities are hindering the enhancement of cross-border trade, and the achievement of sustainable economic and social development. The existing customs and quarantine inspection facilities at Qingshuishui, the prefecture’s main land port, are inadequate to handle the border crossing point’s growing trade volume. Further, the current trading market area and warehouses are outdated and in poor condition, affecting the quality of logistical services provided to local traders and SMEs. A similar situation exists in the towns supporting the land port. Qingshuishui’s urban road network is inadequate for current residential and commercial needs and the lack of road capacity makes urban areas difficult to access, causing economic losses and safety concerns for road users and pedestrians. Access to basic utilities is limited—26% of households lack access to clean piped water and 29% are not connected to the sewerage system. Municipal solid waste (MSW) management capacity is limited, sorting facilities are lacking, and collection systems are basic, resulting in considerable environmental pollution and general nuisance. Qingshuishui is crossed by the Nanling River, which lacks flood alleviation infrastructure; some areas experience seasonal flooding, causing significant economic losses. Limited customs and logistical facilities in the city and its land port inhibit the activity of local enterprises and traders, slowing the flow of goods across the border. In addition, the prefecture’s border counties of Cangyuan Wa, Gengma Dai and Wa, and Zhenkang have outdated social services (e.g., schools and hospitals), and are unable to serve growing populations, and of Myanmar across the border.

Lincang Border Economic Cooperation Zone. As a first step in addressing constraints to cross-border trade, as well as economic and social development in Lincang Prefecture, on 23 September 2013 the PRC’s State Council approved the establishment of a national-level border economic cooperation zone that aims to (i) eliminate bottlenecks created by inadequate infrastructure, (ii) promote cross-border trade and investment to improve living conditions of residents, (iii) promote sustainable regional economic and social development, and (iv) strengthen neighborly cooperation with Myanmar. The Lincang Border Economic Cooperation Zone (LBECZ) is comprised of several core industrial development areas designated in the counties of Cangyuan Wa, Gengma Dai and Wa, and Zhenkang (including a tier 1 national port in Qingshuihe) which provides opportunities for cooperation with the GMS countries, (ii) participating in major international economic corridors linking Yunnan and and the GMS, and (iii) serving as the gateway for the PRC’s corridor to Myanmar. Yunnan Province is constrained by its low urbanization rate; despite rapid development in the Kunming area, half of the province’s small- and medium-sized cities suffer from inadequate infrastructure and limited connectivity. Through the GMS, Yunnan has been able to develop its cross-border trade, including the import of large amounts of border corridor commodities, while highlighting the benefits for neighboring countries, particularly Myanmar. Yunnan’s RCI action plan includes priority investments for development of the PRC-Myanmar corridor through Lincang Prefecture, which are intended for financing by various sources, including the PRC and Yunnan governments, multilateral development banks, and the private sector.

The project (i) supports Strategy 2030 of the Asian Development Bank (ADB) in making cities more livable, fostering RCI, and accelerating progress in green economic development; (ii) enhances the implementation plans by promoting the ADB’s urban and water operational plans with (a) ADB’s urban and water operational plan for small and medium-sized urban centers in key strategic border areas of the PRC, and (b) ADB’s operational plan for RCI by strengthening connectivity between economies; (iii) is consistent with ADB’s country partnership strategy for the PRC, 2016-2020 in terms of facilitating inclusive urbanization and enhancing RCI; (iv) is included in the country operations business plan for the PRC, 2018-2020, which references inclusive development of small cities; (v) is aligned with the ADB’s Green Urban Areas Program, and (vi) is in 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 agenda. The project will provide services to all LBECZ residents, including: (i) urban development and road networks to link urban and rural areas, and access to basic utilities; (ii) social services provision promoting safe motherhood and women’s reproductive health, and the schools will have gender-inclusive design features and will be staffed by at least 60% women.

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
The loan became effective on 11 July 2019. A loan pre-inception mission and inception mission were fielded on 22-24 January 2019 and 22-24 January 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.

### Implementation Progress

**Description of Project Outputs**

Cross-border trade infrastructure improved

Integrated urban environment infrastructure in Mengding and Qingshuixue National Port areas improved

Social infrastructure and services improved

Institutional capacity of involved agencies improved

**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.

### Geographical Location

Lincang

### Safeguard Categories

| Environment | A |
| Involuntary Resettlement | B |
| Indigenous Peoples | B |

### Summary of Environmental and Social Aspects

**Environmental Aspects**

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.

**Involuntary Resettlement**

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 issues. 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 EMDP 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).

### Responsible ADB Officer

Andrew McIntyre

### Responsible ADB Department

East Asia Department

### Responsible ADB Division

Urban and Social Sectors Division, EARD

### Executing Agencies

Lincang Municipal Government

No. 350, Shiji Road, Fengxiang Sub-district, Lincang District

Lincang City, Yunnan Province

Yunnan Provincial Finance Department Division of International Cooperation

YNSWC@126.COM

Wuhuashan, Kunming Yunnan, Peoples Republic of China

### Timetable
Loan 3759-PRC

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<th>Approval</th>
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<th>Effectivity Date</th>
<th>Closing Original</th>
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<td>15 Apr 2019</td>
<td>11 Jul 2019</td>
<td>31 Dec 2024</td>
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### Financing Plan

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<th>Others</th>
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**Project Page**

https://www.adb.org/projects/49310-002/main

**Request for Information**

http://www.adb.org/forms/request-information-form?subject=49310-002

**Date Generated**

03 December 2019

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