



# Completion Report

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Technical Assistance Number: 7356  
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## Developing Cross-Border Economic Zones between the People's Republic of China and Viet Nam

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TA Number, Country, and Name:			Amount Approved: \$800,000	
TA 7356-REG: Developing Cross-Border Economic Zones between the People's Republic of China and Viet Nam			Revised Amount: not applicable	
Executing Agency: Asian Development Bank		Source of Funding: Regional Cooperation and Integration Fund	Amount Undisbursed: \$267,740.28	Amount Utilized: \$532,259.72
TA Approval Date: 30 Sep 2009	TA Signing Date: N/A	Fielding of First Consultant: 1 Sep 2010	TA Completion Date Original: 31 Dec 2011	Actual: 31 Dec 2014
			Account Closing Date Original: 31 Dec 2014	Actual: 28 Feb 2015

### Description

The North-South Economic Corridor (NSEC) was designated as one of the flagship corridor initiative under the Greater Mekong Subregion (GMS) Program in 2002. At the 3rd GMS Summit in March 2008, the Leaders noted the substantial improvement of transport infrastructure in the region and called for intensified efforts to transform transport corridors into economic corridors. This can be done by creating a conducive and competitive environment for trade, investment and private sector development. In June 2009, the 15th GMS Ministerial Conference endorsed the NSEC Strategy and Action Plan (SAP). SAP includes key measures to establish special economic zones (SEZs) in border areas and improve coordination for complementarity and strengthened links among the SEZs. A proposal to pilot joint cross-border economic zone (CBEZ) along the borders of Pingxiang in the People's Republic of China (PRC) and Dong Dang in Viet Nam was included in the SAP. The two governments also reached consensus on jointly establishing CBEZs in the PRC's Yunnan Province and Guangxi, and in Viet Nam's Lao Cai and Lang Son provinces. Moreover, the PRC and Viet Nam have ratified the GMS Cross-Border Transport Agreement (CBTA) and expanded the scope of their bilateral transport agreement in the border crossing points (BCPs) of Hekou–Lao Cai and Pingxiang–Dong Dang. Both PRC and Viet Nam are active participants in various regional cooperation initiatives, including the ADB-led GMS Economic Cooperation Program. This regional policy and advisory technical assistance (TA) project was designed to support the development of CBEZs at two BCPs: Hekou–Lao Cai and Pingxiang–Dong Dang. It aimed to operationalize the GMS strategy with regard to economic corridor development as well as contribute to the implementation of ADB country strategies for the two countries and strengthen PRC-Viet Nam partnership for regional cooperation.

### Expected Impact, Outcome, and Outputs

The expected impact of the TA was CBEZs in the border provinces of the PRC and Viet Nam function effectively. The expected outcome was PRC–Viet Nam CBEZs established and managed well, contributing to the development of the NSEC. The key outputs were: (i) establishment of the PRC–Viet Nam joint committee, and subcommittees if necessary, for developing and managing the CBEZs at Hekou–Lao Kai and Pingxiang–Dong Dang; (ii) formulation of CBEZ master plan and key investment plans in priority sectors; (iii) improvements in the environment for cross-border business development; (iv) enhanced capacity for the PRC and Viet Nam government agencies with regard to CBEZ development and management; (v) enhanced private sector participation in the development of CBEZs; and (vi) lessons learned about CBEZ development.

### Delivery of Inputs and Conduct of Activities

The TA's implementation was delayed by factors beyond the control of the executing agency Asian Development Bank (ADB). Thereafter, extensive consultations took place with relevant stakeholders from the two countries from project design and formulation to actual implementation. ADB fielded six review missions and utilized other opportunities to discuss and promote strong coordination with various line ministries and agencies involved in TA implementation. The implementing agencies (IAs) were Ministry of Commerce (MofCom) for PRC and Ministry of Planning and Investment through Ministry of Industry and Trade (MOIT) for Viet Nam side.

Consultants were engaged individually with the Terms of Reference (TORs) prepared in consultation with of the governments. Two consultant teams (comprising international and national consultants) were engaged to prepare: (a) CBEZ masterplan or roadmap and (b) help the two countries establish an institutional mechanism. After a series of consultations and field visits, the Consultants reports were disseminated at a workshop in July 2011 wherein the two governments agreed-in-principle to negotiate a bilateral Memorandum of Understanding (MOU) to jointly prepare CBEZs. On 13 October 2013, the MOU for to formulate a joint master plan and strengthen communication on the establishment and development of CBEZs was signed by PRC (represented by MofCom) and Viet Nam (represented by MOIT).

It is important to note that during the early implementation of the TA, PRC received technical assistance from UNDP on CBEZ development hence, PRC had additional external support. To support the negotiation of the MOU, Viet

Nam requested further ADB support through a feasibility study on CBEZ development in Lao Cai and Lang Son provinces. MOIT also indicated preference to engage national consultants with strong country knowledge to conduct the feasibility study. The feasibility study required additional 24 person-months inputs from 5 national consultants. The original TA planned to engage 12 person-months of international and 13 person-months of national consultant services. The TA's original duration was over a period of 27 months with a completion date of 31 December 2011. The TA was extended three times up to 31 December 2014, a cumulative of 36 months from original completion date. The series of extensions were necessary to continue to support the two governments to complete the negotiations for the MOU. The TA extension also allowed for the implementation of capacity building including a study tour on border gate management for Viet Nam officials and forum for public-private dialogue.

#### **Evaluation of Outputs and Achievement of Outcome**

Output (v) was partially achieved with private sector participation during the consultation process and inception workshops under the TA. The other five outputs were achieved. The following reports were completed: roadmap for PRC-Viet Nam CBEZ; proposal for institutional development and capacity building for CBEZ; and CBEZ feasibility study for Viet Nam. Viet Nam underscored the need to consider international experiences in CBEZ and address concerns of widening deficits between the two countries in terms of commerce and urban development at the borders. The informal tripartite meeting arranged by ADB in May 2013 facilitated negotiations on the MOU which will form the basis of institutionalizing development of CBEZ. A joint working group was created to regularly discuss and consult with the local stakeholders (including the private sector) at the borders of PRC and Viet Nam on the establishment of the Joint CBEZ program. Overall, the TA achieved its intended outcome of establishing the CBEZ – through the signing of the landmark MOU – that was a significant step to support effective functioning of CBEZs.

#### **Overall Assessment and Rating**

The TA was *highly relevant* as it continues to support subregional and national priorities. The TA was *effective* as it has delivered the planned outputs towards achieving the outcome. While the timeliness of TA implementation was an issue, the considerable delay was due to external factors (assumed risks) in the TA. While both governments of PRC and Viet Nam have generally expressed satisfaction with the quality of work and recommendations from the TA, the establishment of CBEZ and institutional arrangements are dependent on political decision. Nonetheless, substantial savings were realized due to careful planning, engagement of national consultants and government-in-kind support in organizing workshops. Therefore, in terms of efficiency, the TA is rated *efficient*.

The TA is *likely sustainable* as the MOU continues to support bilateral discussions for policy coordination and planning for CBEZ. The 19th GMS Ministerial Conference in December 2013 in Vientiane noted the broadened GMS activities into new areas of cooperation, such as the development of CBEZ between PRC and Viet Nam. The MOU led to the identification of priority investments under the PRC: Guangxi Regional Cooperation and Integration Promotion Investment Program, which aims to promote cross-border economic activities between Guangxi Zhuang Autonomous Region and northern Viet Nam. Overall, having met all planned outputs, the TA is rated as *successful*.

#### **Major Lessons**

- Given that the CBEZ was a relatively new concept, innovative approach through exposure to international practices would support countries arrive at better informed decision. Engagement of national experts with extensive country knowledge could promote deeper understanding of issues and development of more appropriate response based on country needs.
- Bilateral arrangements for CBEZ or other cross-border projects may need to be institutionalized as early as possible to avoid delays in implementation and promote sustainability of outcomes. Political willingness and commitment to regional cooperation remain critical and some degree of flexibility in terms of timing and approach is required for ADB as an honest broker.
- A participatory inclusive approach – including through strong coordination with relevant ministries, consultations with local governments, border agencies and other stakeholders will be necessary to ensure ownership and support especially at the grassroots level.

#### **Recommendations and Follow-Up Actions**

- Development of CBEZ requires holistic approach – from coordinating strategies to streamlining of policies and regulations at the borders (e.g., one-stop border posts and single window) and possibly, harmonizing investment plans and taking into consideration social and environmental implications.
- In future ADB TA or project in CBEZ, it is important to look at top-down (high political commitment) and bottom-up (support from border communities and local governments) to ensure its operationalization.
- To demonstrate potential benefits, it would be worthwhile to engage and enhance awareness of the private sector at the earliest opportunity including through market surveys prior to the design of the CBEZ.