

Framework for CLMV Development

I. Introduction

1. In the past two decades, CLMV countries achieved remarkable success in economic growth. With the graduation of Cambodia in 2015, all four CLMV countries have moved from lower-income countries to lower middle-income countries. CLMV's Gross Domestic Products (GDP) per capita more than doubled between 2007 and 2017. The drivers of the economic development were the improvement in infrastructure, expansion of exports and increase in foreign direct investment (FDI).

2. The CLMV countries' next stage of development is occurring in the context of the changing global landscape where geopolitical shifts are affecting international and global value chains, and technologies are disrupting all socio-economic aspects, including industries and the division of labor. A unified strategy for the CLMV countries which defines the areas where the four countries as a group can realize the latent potential of cooperation to address these global challenges and narrow the development gap within the region. The defined areas should be consistent with national CLMV socio-economic development plans and focus on critical regional outcomes. While many actions can be taken unilaterally, meaningful policy will require collaboration between the four countries to realize synergies and collectively engage with external partners. This sentiment is reflected in the Joint Statement of the First CLMV Summit in 2004 in Vientiane, Lao PDR.

3. Based on this spirit, the Eighth CLMV Summit in Ha Noi, Viet Nam in 2016 endorsed the recommendation of the CLMV Economic Ministers to develop a Framework for CLMV Development (hereafter referred to as "Framework") to reap the benefits from regional integration and improve welfare of the citizens.

4. This Framework provides a unifying strategy for the CLMV countries to align and direct the efforts of stakeholders towards a common target. To ensure effective implementation of the Framework, the planning and execution of initiatives will be carried out in close cooperation with the private sector.

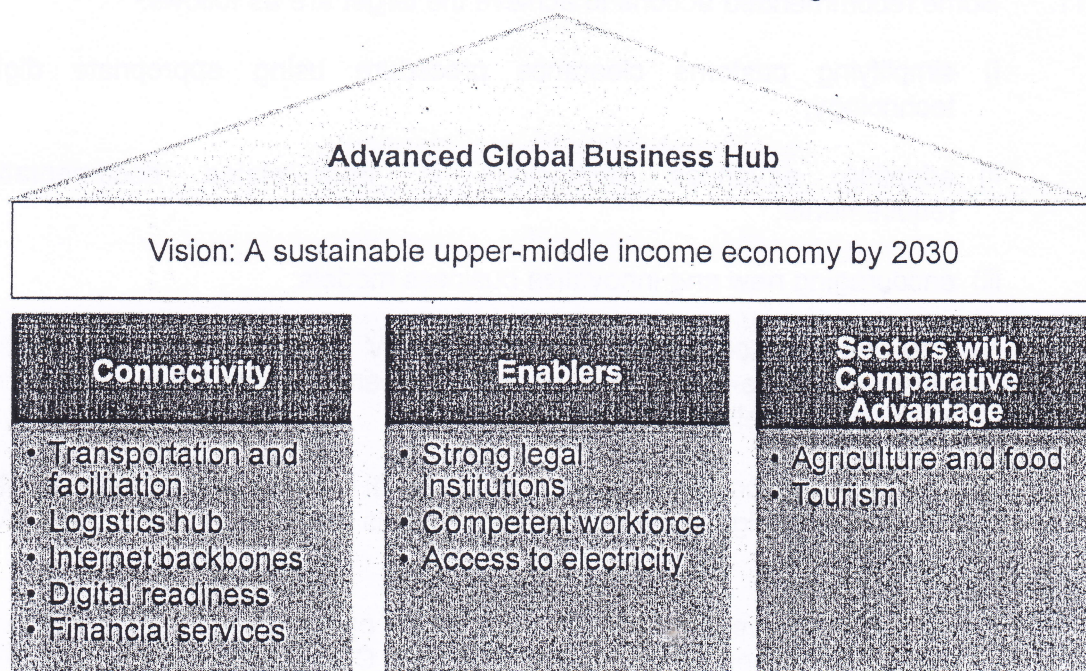
II. Vision 2030

5. The CLMV countries aim to become a sustainable Upper Middle-Income economy by 2030.

6. To achieve Vision 2030, the CLMV countries will be developed into an **Advanced Global Business Hub** that provides transport, logistics, information and communications technology (ICT), financial and other services to ensure efficient flows of economic activities through and within the sub-region. This development will be accompanied with transparent rules and regulations guided by the principle of good governance and adherence to international standard and best practices.

III. Priority Areas of Cooperation

7. The Advanced Global Business Hub has three main components: Connectivity, Enablers and Sectors with Comparative Advantage.



3.1 Connectivity

8. The CLMV countries will be physically connected, especially through land-link (road and rail systems) and inland waterways to weave the sub-region into one operating unit to facilitate trade, investment, tourism and other economic activities. Complementary activities to support the distribution of goods such as the logistic system, communication system and financial services will be developed.

a) Transportation and Facilitation

Rationale

9. In the past three decades, CLMV countries have invested heavily on physical connectivity infrastructure including the development of economic corridors, and entered into many agreements with neighboring countries to provide a legal structure to facilitate the movement of goods, including goods in transit. However, movement of goods still encounters numerous formalities and documentation at border points. These barriers diminish the predicted value of the physical infrastructure and can turn them into liabilities.

Target

10. CLMV countries shall apply digital technology to improve the efficiency and transparency of customs clearance process and create seamless movement of goods by 2030.

11. Some recommended actions to achieve the target are as follows:

- i) simplifying customs clearance procedure using appropriate digital technology;
- ii) adopting advanced technology in trade-related documentation requirements;
- iii) encouraging new and innovative business models;
- iv) strengthening coordination among CLMV countries in implementing effectively cross-border transportation agreements that have been signed bilaterally as well as multilaterally;
- v) strengthening coordination in studying and investing in building missing rail-link and highways connecting capitals and large cities of CLMV countries; and
- vi) conducting survey and feasibility studies on opening existing routes for cargo and passengers between and among CLMV countries.

b) Logistics Hub

Rationale

12. The demand for logistics service is growing with the complexity of product value chain driven by digital technology. There is also demand for a new logistics system as e-commerce and businesses expand rapidly. However, CLMV countries are currently underperforming in the logistics space.

Target

13. CLMV countries shall aim to achieve Logistic Performance Index (LPI) exceeding 3.5 (1=low to 5=high) across the six parameters: Customs, Infrastructure, International shipments, Logistics quality and competence, Tracking and tracing, and Timeliness by 2030.

14. Some recommended actions to achieve the target are as follows:

- i) creating economic zones at border checkpoints to attract private investment including warehousing, depot and other amenities;
- ii) facilitating cross-border logistics services, including insurance service taking into account the law and regulations of each CLMV country; and

- iii) capacity building in logistics-related activities for public and private sectors in CLMV countries.

c) Internet Backbones

Rationale

15. Installation of fiber optic cable grew at a rapid rate in CLMV countries. However, the reliability and stability of connectivity service are important and depend on the network system. Hence, fiber optic backbones from east end to the west end of the sub-region, connecting the Pacific and Indian Oceans, will improve the security of the entire network system.

Target

16. CLMV countries shall be equipped with fiber optic backbones along the economic corridors to facilitate interoperability across the CLMV countries by 2030.

17. Some recommended actions to achieve the target are as follows:

- i) assessing the commercial and technical feasibility of aligning the fiber optic facility; and
- ii) reviewing telecommunication regulation and standards of CLMV countries for the purpose of exploring harmonization among the countries.

d) Digital Readiness

Rationale

18. The application of digital technology can improve the capability of both the government and private sectors in CLMV countries and provide the opportunity to leap frog the development in the sub-region. While internet penetration is high in CLMV countries, other elements such as system, application and content need to be in place. It is also important that CLMV countries are equipped with the ability and knowledge to manage the data.

Target

19. CLMV countries shall be in the high stage of digital readiness by 2030.

20. Some recommended actions to achieve the target are as follows:

- i) encouraging the use of digital documentation in government services to lay the foundation for e-government for the sub-region and for future interface with the global environment;

- ii) developing digital literacy programs to increase the digital knowledge and skills of different age groups in CLMV countries;
- iii) strengthening cooperation on cybersecurity; and
- iv) enhancing cooperation in developing a favorable regulatory framework in support of Industry 4.0.

e) Financial Services

Rationale

21. Financial services are important to support the Advanced Global Business Hub. CLMV countries are promising new frontier markets because of the potential expansion of trade through the region. CLMV countries are adopting innovative payment arrangement within each country. Domestic digital payment platforms can be further linked to support payment in other countries.

Target

22. CLMV countries shall use digital technology for payment transactions by 2030 and facilitate the inter-linkage of real-time retail payment systems among CLMV countries.

23. Some recommended actions to achieve the target are as follows:

- i) adopting common standard for cross-border payment and using domestic digital platforms as the gateway for trade settlement;
- ii) carrying out the electronic blue card issuance through ASEAN Scheme of Compulsory Motor Vehicle Insurance (ACMI) system; and
- iii) developing joint training programs in financial literacy and sharing of information on new financial technologies to enhance the knowledge of CLMV countries.

3.2 Enablers

24. Several enablers have been identified to support the implementation of this Framework. The ability of CLMV countries in becoming an Advanced Global Business Hub will be enhanced by strong legal institutions, competent workforce and adequate supply of electricity.

a) Strong Legal Institutions

Rationale

25. The Advanced Global Business Hub should provide an innovative environment to attract skills and investment. Effective, innovative, inclusive and

transparent institutions based on the principle of good governance shall provide an efficient and reliable operating environment for public and private stakeholders from within and outside of the sub-region. More innovative regional arrangement will be needed to improve the feasibility and efficiency of cross-border projects. There is a need to strengthen the enforcement and compliance to commitment made at the sub-regional, regional and multilateral agreements to make them effective and transparent.

Target

26. CLMV countries shall promote implementation of new ideas at the sub-region level.

27. Some recommended actions to achieve the target are as follows:

- i) developing a guideline for the implementation of “regulatory sandbox”; and
- ii) promoting cooperation on new technologies and policy approaches.

b) Competent Workforce

Rationale

28. To successfully build and operate the Advanced Global Business Hub, many types of skills will be needed at different stages of its development. In the medium term, there will be a dramatic increase in demand for professionals and skilled workers. These professionals and skilled workers should be sourced locally within the CLMV countries to fully reap the benefits from economic growth generated by the Advanced Global Business Hub.

Target

29. CLMV countries shall improve labor market efficiency and skilled labor force by 2030.

30. Some recommended actions to achieve the target are as follows:

- i) encouraging the establishment of regional training centers for executives focusing on business services, digital technology, food, tourism and technology sectors;
- ii) initiating coordinated efforts to produce sufficient competent skilled workers to meet the future demand of the Hub; and
- iii) developing training programs to improve the capability of supportive staff in business services.

c) Access to Electricity

Rationale

31. An Advanced Global Business Hub requires access to stable supply of public utilities particularly electricity. Among the CLMV countries, Viet Nam have succeeded in providing electricity access to 90 – 100 percent of its population. Lao PDR improved significantly while Cambodia and Myanmar still need additional investments to achieve the goal. The gap in access to electricity is more pronounced between urban and rural areas. The lower cost of solar photovoltaic panel and wind farm has made the decentralization of electricity production more feasible. These alternative sources of energy should be considered in a new arrangement with community participation.

Target

32. CLMV countries shall have 90 - 100 percent access to electricity at affordable prices by 2030.

33. Some recommended actions to achieve the target are as follows:

- i) developing strategy to provide electricity access to 90 - 100 percent of CLMV population by 2030; and
- ii) exploring cooperation in utilizing more efficiently indigenous, low carbon and renewable resources, while reducing dependence on imported fossil fuels.

3.3 Sectors with Comparative Advantage

34. The sub-region is well endowed with many natural resources, especially abundant water and cultivation areas, and rich cultural heritages. In the context of the current global and regional environment, two sectors stand out: agriculture and food, and tourism.

a) Agriculture and Food

Rationale

35. The rapid economic growth in Asia has increased the demand for safe and high-quality food among the middle-class in the urban areas throughout the region. Ample cultivating area and water availability give CLMV countries a natural advantage to supply safe and healthy food to these markets. However, food safety is a critical issue for CLMV countries and the capacity to produce food that meets regional and international quality standards remains a challenge.

Targets

36. CLMV countries aim to ensure high safety standard in the production and export of food and agricultural products.

37. Some recommended actions to achieve the target are as follows:

- i) monitoring the coordination of Participatory Guarantee System (PGS) and prioritizing products for Sanitary and Phytosanitary Measures (SPS) negotiation with potential partner countries through a participatory process; and
- ii) encouraging local industry players to adopt international or regional production and distribution standards such as the Good Agricultural Practice (GAP), Good Manufacturing Practice (GMP) and appropriate organic food standards.

b) Tourism

Rationale

38. Tourism is a priority industry sector in all of the CLMV economies because of its potential to create jobs, generate foreign exchange receipts and accelerate sub-regional economic integration. CLMV countries have the potential to attract those visitors due to its diverse historical and cultural heritages. While CLMV countries have made good progress in promoting tourism, they lag in business-enabling environment, quality human capital, transport infrastructure as well as maintenance and protection of cultural heritage assets.

Target

39. CLMV countries shall enhance their competitiveness as global tourist destination and ensure that the tourism sector is sustainable and inclusive.

40. Some recommended actions to achieve the target are as follows:

- i) developing a guideline for the nomination and selection of the appropriate sites for the tourism packages;
- ii) making training courses, including language courses, available for local operators on the principles of sustainability;
- iii) coordinating pan-CLMV tour packages between operators, hotels and airlines;
- iv) promoting responsible tourism to protect the environment, local culture and heritage sites;
- v) improving the quality of tourism services and products through active participation of the local communities;
- vi) promoting public-private partnerships, particularly in tourism promotion activities and tourist product development; and

- vii) enhancing cooperation in promoting more air linkages among the CLMV countries.

IV. Implementation Plan

41. The implementation plan seeks to consolidate existing plans and projects to align goals and prevent overlapping effort. It will enhance synergy and complementarities with other sub-regional and regional institutions and fora. The various external technical assistance and cooperation programs from development partners, the private sector and donor organizations shall be streamlined.

42. The financing and technical assistance of implementation projects could be sourced from development partners and the private sector.

V. Institutional Arrangement

43. The CLMV Senior Economic Officials Meeting (SEOM) will coordinate with the relevant domestic ministries and agencies as well as the CLMV working groups in developing and executing the Action Plan to implement this Framework. The CLMV SEOM will also engage with the relevant stakeholders, including the private sector and development partners in the planning and execution of the Action Plan. New working groups and task forces may be established, as deemed necessary, to support its work.

44. The CLMV SEOM shall periodically report progress to the CLMV Economic Ministers who will report to the CLMV Leaders, as appropriate.

45. CLMV countries will work closely with and receive support from the ASEAN Secretariat in implementing the Framework, where applicable.