

**Greater Mekong Subregion
High-Level Public Private Sector Consultation Meeting
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**SOCIAL DEVELOPMENT, HUMAN RESOURCE DEVELOPMENT
AND THE ENVIRONMENT**

I. Overview

1. The Greater Mekong Subregion (GMS), comprising Cambodia, Lao PDR, Myanmar, Thailand, Vietnam, and Yunan province, the Peoples' Republic of China, covers approximately 2.3 million square kilometers, a vast area abundant in natural resources with a diverse ethnicity. It is bound by the great Mekong river, which provides sustenance and livelihood to the population. A majority of its 250 million people reside in rural areas where they live on subsistence agriculture rooted in traditional lifestyles. This is evident in Lao PDR, where three fourths of the population is rural, as well as in Thailand, the most urbanized of the Mekong countries, where 60% remain largely in rural areas..

2. While the region is predominantly rural in terms of population, employment, and prevailing customs, it is experiencing increasingly rapid urbanization and social change. The shift from subsistence farming to more diversified economies and to open, market-based systems has led to an intertwine of commercial relations among these countries, notably in terms of cross-border trade, investment, and labor mobility. In combination with subregion's combination of rich natural and human resources, these developments have attributed enormous economic potential to the GMS.

3. There are considerable variations within the subregion, however, and development progress and impacts remain uneven. For example, growth in the industrial and services sectors is rapid in Thailand and Vietnam, whereas it is slower in Cambodia, Lao PDR, Myanmar and Yunan. Access to safe water supply and sanitation and other public services in rural areas lags behind those in urban areas. Mountainous regions are relatively isolated in contrast with the coastal areas. Due to the civil unrest during the past few decades, half of Lao PDR and Cambodia's population is under 18 years and the proportion of women adult population is relatively high. Over half of the land area in Cambodia, Lao PDR and Myanmar, are forested, while Thailand's is less than one third. Indeed, the Mekong region, despite its contrasts, has the potential to be one of the world's fastest growing areas. Yet much of its remains poor, and despite significant economic growth, poverty is still widespread.

II. Sector Performance and Achievements

4. Recent statistics indicate that progress has been achieved in the area of social development. In Lao PDR, the adult literacy rate increased from 60% in 1993 to 86% in 2003, infant mortality declined from 110 per 1,000 live births in 1990 to 87 in 2002, and life expectancy increased from 50 years in 1995 to 59 years in 2000. The well-being of the people has improved significantly during the past two decades, although somewhat patchy. The 2003 UNDP human development index, indicates that Thailand ranks 76th among 175 countries in terms of poverty, followed by Vietnam (109th), Cambodia (130th), Myanmar

(131st), and Lao PDR (135th). In 2002, 36% of the GMS population lived below the poverty line.

5. There have been significant improvements in primary education, whereby the net primary enrolment rate has risen. Cambodia and Vietnam have the region's highest enrolment rates despite lower per capita incomes. Innovative programs such as nationwide textbook programs in Cambodia, scholarships for children from poorest families and increased share of girls and ethnic minorities in Lao PDR and building of additional classrooms to increase in secondary school enrolment in Vietnam have in turn resulted in corresponding increases in youth literacy rates. However, access to education by the poorest and most disadvantaged groups, particularly in rural and remote areas, remains limited. Myanmar has a high adult literacy gross and primary school enrolment ratio, yet the primary school completion rate is 50% and the gross secondary enrolment ratio is lower than 40%. There is also a significant variation between male and female education attainment in the GMS, whereby 7% of males had completed primary schooling compared to only 4% for females.

6. Progress has been made with regard to access to health services and prevention of communicable diseases. Governments have been keen to improve access and coverage of health services and increase the budgetary allocation for health services for ethnic minorities and the rural poor. For example, the Government of Cambodia piloted innovative approaches to contract out health services to NGOs and use of equity funds to support the poor. In the GMS, maternal mortality has decreased in recent years as women are gaining better access to health information and services related to safe motherhood and increased availability of birth spacing services. Fewer people suffer from hunger, whereby the proportion of the undernourished had decreased from 23% of the population in 1992 to 15% in 2002. Notwithstanding, with the exception of Thailand, health indicators in the region are still less satisfactory compared to other Southeast Asian countries.

7. There has also been progress in establishing regulatory frameworks and strategies for environment and social management. This includes watershed management strategies, sustainable forest strategies, and issuance of government decrees and regulations, particularly on requirements to undertake environmental impact assessments and preparation of guidelines on public involvement, involuntary resettlement, and compensation. Despite the adoption of various policy reforms, there is a need, however, to improve implementation and application of the reforms and to build institutional capacity needed to carry out these reforms.

III. Sectoral Goals and Cooperation

8. Reducing poverty continues to be the key development goal of governments in the GMS, which have agreed to focus on national efforts towards achieving the Millennium Development Goals (MDGs). These are channeled largely through various overall poverty reduction strategies, among others, the National Poverty Reduction Strategy (Cambodia), 10th Five-Year Plan (China), National Poverty Eradication Program (Lao PDR), 9th Social Economic Development Plan (Thailand), and Comprehensive Poverty Reduction and Growth Strategy (Vietnam).

9. Sectoral goals which have emanated from these strategies include: achieving universal primary education, promoting gender equality; reducing child mortality; improving

maternal health; combating HIV/AIDS and other diseases; and ensuring environmental sustainability through access to safe water supply and sanitation and safeguarding the health of ecosystems that underpin economic growth and development. Governments in the GMS has come to realize that social development and sustainable environmental management, to include greater people's participation, improvement of well-being of the population, inclusion of minorities, women, and vulnerable groups in society, and protection of the environment should complement economic growth.

IV. Issues and Challenges

10. Although most social and environmental indicators have improved in line with the MDGs, progress has been uneven. Poverty in the subregion is characterized by low income and consumption, poor nutritional status and health, low educational attainment, lack of access to public services, vulnerability to external shocks, social exclusion, and environmental degradation. Poverty incidence remains high in Cambodia, Lao PDR, Myanmar and Vietnam.¹ For example, evidence in Cambodia suggests that poverty reduction is progressing slowly with a poverty incidence of about 39%; the Lao PDR government indicated that poverty incidence has fallen from 39% in 1998 to about 30% in 2003. In Vietnam, poverty incidence declined from 37% in 1998 to about 29% in 2002; Thailand's poverty incidence dropped from 33% in 1995 to about 11% in 2002, although with the onset of the 1997 financial crisis in 1997 poverty incidence climbed to 16 percent in 1999. In Myanmar, 23% were poor with most cases of severe poverty were reported to occur in border regions. Alleviating poverty for such a large number of people remains a formidable challenge for GMS governments.

11. Social issues are becoming apparent as the GMS is experiencing structural change, widening disparities between urban and rural areas, and the gap between rich and poor. There is a growing indication that migrants are moving across borders, and that upland ethnic communities living in border areas are becoming increasingly vulnerable to disease because of poverty and lack of access to health information and services. Issues of rising unemployment among the youth, sex and child trafficking, drug abuse, and violence against women have yet to be adequately addressed to assure social and economic stability. Implementation of prevention and care programs have proved particularly difficult for at risk groups such as squatters, cross-border populations, and ethnic minorities due to their social or geographical marginalization.

12. Notwithstanding progress in gender awareness and mainstreaming, women still face obstacles to participating fully in economic and broader social life. Although legislation provides equal rights for men and women, women have less access to job opportunities than men and are underrepresented in some areas of economic, political, and community life. Protecting and empowering women – who often gain proportionately less from benefits, while suffering from negative impacts of greater connectivity - is essential to achieve equity in the GMS.

13. In the education sector, the related development challenges include the lack of access, and consequently, participation of poor families due to the high cost burden for education and education-related expenses such as transportation and meals. Other constraints include continuation of informal contributions by parents, linked to low teacher

¹ For example, Cambodia's northwest region, Lao PDRs' northern region, and Vietnam's central region, still have a disproportionate number of the poor.

pay levels, prevalence of incomplete primary schools, and limited capacity to expand early childhood education, secondary education, and education/training opportunities for unemployed youth, and limited capacity of public sector management. Other challenges include the cost barriers to basic education, high repetition and dropout rates especially in grades 1–6, and low participation from the private sector and communities.

14. Communicable diseases such as malaria and TB remain a major problem as access to and affordability of health services for the poor is limited. There are concerns of relatively high child and maternal mortality rates particularly in Cambodia, Lao PDR and Myanmar. HIV/AIDS remains a serious concern given the spread and lack of public awareness on its causes and impacts on deteriorating human conditions and child mortality rates. Providing access to affordable and quality medical care along with preventive services is a challenge that requires continued government commitment. The recent outbreak of avian flu and SARS indicate that disease recognizes no borders and that regional cooperation is imperative to minimize its impacts. These incidents have also exposed long-standing problems public health sector, including a large gap in the quality of health services between rural and urban areas; inadequate disease prevention, control, and treatment systems; weak health insurance systems and exclusion of rural residents and inequitable and inefficient distribution of public health resources. Food insecurity is evident in remote locations where people are facing pressures on the local natural resources that have traditionally provided their subsistence. Inadequate food intake, lack of proper hygiene practices, and poor sanitation and health have contributed to malnourishment, which, according to UNDP estimates, number approximately 35 million people.

15. Development in the subregion has been accompanied by a serious neglect of the environment and natural resources, which is beginning to impede further progress. The rapid growth of industrial and agro-industrial production has also resulted in air, surface, and groundwater pollution, and in some cases, toxic and hazardous by-products. Unsafe water and sanitation conditions expose the poor to health risks, particularly in crowded slums. Basic sewage and drainage systems that are non-existent or not well maintained are leading to problems of public health. These unsanitary conditions further expose people to disease carriers and toxic substances and account for 19% of illnesses and deaths in the region. Environmental problems are expected to worsen over the medium term especially as industrial production expands to upcountry areas, and increased consumerism increases the amount of solid waste.

16. In upland areas, shifting cultivation, growing demand for wood, and limited effectiveness of control over logging continue to result in deforestation and forest degradation. An exception is Vietnam, which invested heavily in reforestation during the past decade. Marine fisheries are already over-exploited, unique freshwater ecosystems are under pressure, and wetlands that harbor endangered species are threatened. Over-exploitation destroys the ecology of the environmental resources on which vulnerable groups depend, who further face risks from natural disasters such as floods, landslides, and severe weather. These problems are further compounded by cross-border environmental issues. Several examples are the impacts that the expansion of irrigation and development of hydropower would have on its neighboring countries, conflicting claims to offshore fisheries and seabed oil resources, and illegal trade of timber and rare or endangered species across borders.

V. Public Sector Programs and Policies

17. A major thrust of the human development effort in the subregion would be to formulate and implement policies that (i) improve the institutional and organizational capacities to develop appropriate policies and provide public services, (ii) improve access and utilization of public services and social facilities, particularly for the poor, and (iii) promote social inclusiveness. Breaking the perpetual cycle of poverty necessitates investments in primary health and education as well as providing opportunities for the poor to participate in mainstream economic activities. Governments in the subregion have expressed their support for increased budgetary allocation for education, health, water supply, sanitation and other services, and expanding these benefits to the poor through various sectoral programs. However, government efforts alone would not be sufficient; it would also entail effective participation and contributions from civil society to include the private sector and communities.

18. Government actions on environment include programs to reduce poverty and social vulnerability, maintain and restore healthy ecosystems, provide support for informed decision making through improved planning and management, foster public participation, and provide assistance for ecosystem protection. These include, among others, watershed management and sustainable forest strategies. A GMS Working Group on Environment was established to develop databases, software, and methodologies to support environment-related decision-making and investment planning.

19. Given the low per capita incomes and vulnerability to economic dislocations and volatility in the GMS, governments are currently pursuing pro-poor sustainable growth policies along with interventions to remove social inequalities, promote social development and inclusiveness, and strengthen governance. Greater interconnectivity among GMS countries imposes a corresponding responsibility to take precautions against negative impacts through transmission of communicable disease, degradation of the environment, and illegal trafficking of people. As interdependencies among the GMS countries increase, it is imperative for GMS countries to seek for regional approaches and cooperation.

VI. Scope for Private Sector Involvement and Private-Public Partnerships

20. As governments are constrained by limited resources to deliver needed public services, efforts should be made to attract private sector investments. This would require policies and actions to promote an enabling environment, particularly through various administrative, financial and political reforms. There is a longer term requirement to address the legal and institutional deficiencies in property right and contract law that are necessary to support the emergence of a vibrant private sector. Another requirement is the infrastructure needed for private sector operations, whereby improvements are needed in transportation, power and communications networks to enhance private sector competitiveness. Finally, there exists the need to revitalize institutions to develop platforms for dialogue and information sharing for the private sector, particularly the sharing of experiences from differing legal and regulatory perspectives at various levels of development from within the GMS.

21. The private sector in much of the GMS is still in its infancy, reflecting a long history of centralized planning and government control. Nurturing and improving the private sector remains the key to the subregion's long-term growth and development. Several areas that would be potentially attractive to the private sector include the development of small and

medium enterprises through training and provision of micro-credits; development of livelihood and vocational skills; management of public utilities such as water supply provision, sanitation, and solid waste collection, delivery of social services such as health and education; technology transfer and ICT; plantation management and processing services; raising capital funding for public/private partnership to reduce risk on investment; environment fund management; portfolio investment; to name but a few.

VII. Conclusion

22. GMS countries are bound by shared natural resources, with a rich environmental endowment and a diverse ethnic population. There exists great economic potential as well as a commonality of the challenges facing these countries. However, despite economic development and modernization, a large portion of the resources remain untapped. Poverty is still widespread and progress within the subregion remains patchy. Governments in the GMS should seek ways of optimizing these potentials, weaving policies into workable strategies, engaging in subregional cooperation to develop its human resources, and managing the environment to enable them to pursue sustainable development goals.

23. The private sector, aside from the international donor community, is a potential partner in development despite its early stage of involvement. However, there is a need for governments to facilitate a conducive environment to attract private investments, overcome legal and institutional barriers that constrain private sector development, and change the existing adverse circumstances under which the private sector operates.