

(as of 26 June 2005)

Summary

Rationale

While the GMS has vast natural resources, years of unsustainable exploitation and lax regulation have extensively degraded the subregion's environment. Rapid economic and demographic changes in the subregion, the impact of development programs, and the relative weakness of protective regulatory institutions have compounded the problem. Environmental degradation has serious implications in a subregion where more than half of the population is dependent on agriculture, fisheries, and forestry for livelihood. The poor are especially vulnerable as they directly depend on natural resources for sustenance.

The causes and impacts of environmental degradation across national boundaries are especially evident in the GMS, where the countries are bound by shared natural resources and common development challenges. The GMS countries have recognized, since the inception of the GMS Program, the importance of cooperation in maintaining healthy natural systems and curbing environmental degradation. In 1995, the GMS Working Group on Environment (WGE) was established to serve as a forum to address environment issues in subregional projects and facilitate cooperation in information exchange, training, policy coordination and project financing and implementation.

The WGE oversaw implementation of numerous priority subregional environmental projects. The initial focus was on capacity building on environmental issues, establishment of subregional information networks and development of geographic information system (GIS) capabilities throughout the GMS. This was followed by the Strategic Environment Framework (SEF) initiative, which aimed to develop analytical tools to integrate environmental issues into development planning and critical subregional investment decisions. One of the tools was the Early Warning Information System (EWIS) used to pinpoint GMS "hotspots" or areas of environmental sensitivity. The SEF is currently developing environmental performance indicators to document progress in meeting environmental targets and goals. The WGE also oversaw projects that developed joint approaches for sustainably managing shared natural resources such as critical wetlands and remote watersheds. The Tonle Sap initiative, a comprehensive basin-wide approach to address poverty and environment threats in a critical GMS hotspot, the Tonle Sap region, resulted from one such project.

Building on this work, the WGE proposed upgrading regional environmental planning to the GMS Environment Ministers. At a meeting of the Environment Ministers in Shanghai, PRC, on May 25, 2005, the Ministers endorsed the implementation of the GMS Core Environment Program and agreed to raise it to the attention of the 2nd GMS Leaders Summit.

Flagship Objectives

CORE ENVIRONMENT PROGRAM (CEP)

The long term **vision** of the GMS Core Environment Program (CEP) is that by 2015, GMS countries will have established environmental programs for maintaining the quality of ecosystems, ensuring sustainable use of shared natural resources, and improving the livelihoods of people in the GMS economic corridors. The CEP will start with a first phase over three years (2005 – 2008) of a 10-year (2005 – 2014) program implementation period.

The **goal** of the Core Environment Program is that by 2015, GMS countries will endeavor to maintain and enhance the natural systems of the GMS in the economic corridors and, thereby, improve the cover, condition, and biodiversity of forestlands and associated ecosystems in priority biodiversity conservation landscapes and corridors. The essential role of ecosystems in their natural state is maintaining the stability and productivity of subregional economies and social systems. Few regions demonstrate in such dramatic terms the fundamental links between human and ecosystem well being. Around 80% of the GMS population is directly dependent on the productive capacity of healthy natural systems. The relationship between water resources and protected areas in particular is of growing significance to the subregional economy.

The **purpose** of the first phase of the CEP is to strengthen capacity to implement the Greater Mekong Subregion (GMS) Core Environment Program at the subregional level with the establishment of an effectively functioning Environment Operations Center (EOC) by 2008 and to have sustainable management regimes in place for restoring ecological connectivity and integrity in a selected set of important biodiversity areas. In the medium to long term, it is expected that the EOC will be financed by GMS member country contributions.

The **three main components** of the CEP are:

- A)** Securing critical ecosystems and environmental quality in the GMS Economic Corridors and ensuring that investments in key sectors (eg. hydropower, transport, tourism) proceed in a sustainable manner;
- B)** Conserving biodiversity within protected areas and corridors linking them; and
- C)** Establishment of integrated environmental planning with effective performance assessments and mechanisms for sustainable environmental financing, coordination and information flows.

Component A – Economic Corridors: ADB's GMS cooperation strategy and program 2004-2008 aims to strengthen connectivity and facilitate cross border movements. Key to the strategy are three economic corridors—"north-south," "east-west" and "southern"—in which infrastructure development is linked directly with trade, investment, and production opportunities. Of special concern are the potential cumulative and multiplier impacts of many interconnected projects along entire corridors on sustainability, on critical ecosystems and biodiversity, and on the poor and disadvantaged. Furthermore, the GMS development program is organized largely on a sectoral basis—agriculture and natural resources, energy, industry and trade, tourism, transportation, and telecommunications. A significant proportion of the investment streaming into the Subregion goes to these sectors. There is a pressing need to provide

tools and mechanisms for sectors to recognize the value and safeguard the ecosystem services they benefit from and to rehabilitate the ecosystem services they degrade.

The purpose of this component is to give greater attention to environmental impact assessment within the economic corridors and provide appropriate tools of analysis to investment sectors. Initially, the economic corridors component will focus on the north-south and the southern economic corridors and sector work will initially focus on the hydropower and tourism sectors, which have an immediate and substantial dependence on the maintenance of healthy natural systems. Component A outputs include:

- Evaluation of ecosystem goods and services in the selected corridors including the benefits of ecosystem services to development
- Environmental frameworks delineating environmental safeguards and social action plans for ensuring that developments are equitable
- Detailed GIS maps, data bases and communication materials for use in decision making
- Environmental spatial plans including GIS maps, data and communication materials for input into decision-making and Corridor Development Plans
- Sector strategic environmental assessments (SEAs) and specific sector safeguard strategies and action plans
- Codes of Practice including proposed market mechanisms.

Component B – Biodiversity Conservation: Protected areas have increased in number and coverage with the most significant expansions occurring in Cambodia, Lao PDR, and Thailand, which are moving rapidly towards a 25% protected area coverage of their collective territory. The land set aside for protected areas in the GMS as a whole is approaching 20% covering some of the most significant remaining natural systems and biodiversity in the region. In spite of increasing attention, protected areas are continuing to degrade because of low investments, pressure from rapidly increasing populations along with natural resource demand, overuse and neglect of natural resources outside protected areas by development sectors, and non-recognition of economic benefits of ecosystem services and products in development plans and budgets. Furthermore, ecosystem fragmentation is being increasingly associated with transport and economic corridors. There is a need to establish biodiversity conservation corridors that restore connectivity within and between priority GMS landscapes.

The purpose of this component is to conserve biodiversity within priority GMS conservation landscapes. This entails restoration and conservation of biodiversity and ecosystem services within protected areas as well as in the corridors of land and water linking them. Biodiversity conservation corridors will be established in pilot sites to provide functional linkages between protected areas. They have three main functions: (i) conserving habitat for species movement and for the maintenance of viable populations, (ii) conserving and enhancing ecosystem services, and (iii) promoting and enhancing local community welfare through the conservation and sustainable use of natural resources. Component B outputs include:

- Valuations of protected area services and products
- Demonstration of sector agreements based on valuation of ecosystem benefits
- Demonstration of protected area landscape planning and management
- Poverty alleviation through sustainable use of natural resources and development of livelihoods

- Clear definition of optimal land uses and harmonized land management regimes
- Restoration and maintenance of ecosystem connectivity
- Capacity building in local communities and government staff
- Sustainable financing mechanism and structures integrated with government planning and budgeting procedures.

Component C – Integrated planning, performance assessments and sustainable financing: Environmental performance assessments and national sustainable development strategies need to mainstream, integrate and institutionalize environmental concerns. This requires working closely with GMS countries to integrate social, economic, and environmental objectives into existing planning mechanisms for sustainable development on both national and subregional levels. It is also important to formulate and apply environmental performance indicators to measure progress in meeting the environmental objectives of the GMS countries. Through work already done under the WGE, GMS countries have developed a series of national environmental performance indicators. These indicators have to be tested, adjusted, adopted, and fed into decision-making systems at national and subregional levels.

GMS member governments need to mobilize and sustain funding for both immediate program implementation and for long-term conservation of natural systems. Current levels of investment in natural systems maintenance are less than 1.4% of the development investment flowing into the GMS. Both government budgets and donor funds are low and under pressure from other sectors of the economy such as defense, health and education. Sources of commercial funds are also limited and under heavy competition from activities which may more easily be shown to be profitable. But there are both innovative finance schemes and market mechanisms, which are relevant to GMS efforts to conserve natural resources: both within the GMS and worldwide there are mechanisms such as targeted “environmental funds,” user fees, and compensatory financing. Carbon credits and debt-for-nature swaps are obvious candidates for application in the GMS. Opportunities for engaging private sector investment will be given particular attention and options will be explored at the project, national, and subregional levels.

As the WGE undergoes staged development, institutional capacities need to be matched with their evolving role and work program. The Core Environment Program proposed herein is an integrative and systematic approach to tackle some of the environmental concerns expressed by the GMS countries. There is a need to establish a GMS Environment Operations Center (EOC) as a modest Secretariat to build institutional capacity to implement the Core Environment Program and support the WGE. Milestones will be identified for each stage in WGE/EOC evolution and could trigger further development. The institutional capacities should keep pace with increasing technical demands and responsibilities as the CEP is implemented and the WGE seeks to fulfill its mandate. The EOC will act as a Secretariat to the GMS Core Environment Program and the WGE. Functions of the GMS EOC during 2005 – 2010 include: (i) managing implementation of the GMS CEP; (ii) helping define and track progress on conservation of key natural systems identified in the GMS; (iii) contributing to design and sustainability of development projects (iv) convening regular consultative meetings of development partners and fostering collaborative relationships in engaging them in the CEP; (v) support meetings and the work of the WGE in-between meetings; (vi) overseeing preparation of GMS environment action plan for WGE and the Long-Term

CORE ENVIRONMENT PROGRAM (CEP)

Institutional Development plan for the WGE and EOC; (vii) maintaining and sharing environmental information from CEP and other GMS initiatives and tracking general environmental trends for state of environment reporting; and (viii) contributing environmental input to GMS development planning.

The purpose of Component C is to provide backstopping and cross-cutting services to the CEP that will cover planning, performance assessment, financing and program implementation. Component C outputs include:

- Integration and institutionalization of environment into GMS country development planning processes
- Implementation of a sustainable development planning process on a regional level to identify common goals and objectives
- Adapted national and regional environmental performance indicators based on those developed through Strategic Environment Framework II
- A set of indicators to measure progress in meeting objectives of the CEP
- GMS strategies to sustain long-term financing for natural resource conservation at the project, national, and subregional levels and assisting GMS stakeholders in accessing existing mechanisms for financing
- Developing market mechanisms to conserve natural resources in the GMS

The CEP flagship program is a systematic and integrated approach to conserve the natural systems of the GMS for the ecosystem services they provide. It focuses its actions over the next ten years to ensure the sustainability of GMS economic development, with its 6 inextricably linked components providing the means to address the immediate and long-term stresses that rapid economic growth would otherwise have on the environment and natural resources of the GMS.

Risks

The CEP flagship program is expected to enshrine environmental protection principles and policies in the mainstream of subregional and national investment planning, programming, and implementation. Advances made in this area may, however, be slowed down by the sensitivity of some GMS governments to the slightest perceptions of external interference. Mainstreaming the environment in development planning may also be more difficult to implement, in the face of limited institutional capacity for environmental planning in the subregion, especially of agencies at the local levels. Yet adverse cross-country effects in the subregion will likely be aggravated if GMS countries sharing common environmental resources, such as wetlands and watersheds, do not do their share and cooperate with neighboring countries in a strategic way.

As many donor agencies are working on the environment sector in the GMS, there is need to better coordinate donor programs and efforts to avoid duplication and leverage scarce donor resources as well as to maximize development impacts.

Transparency in consultations and information sharing on environmental matters is also important and would enable more effective participation by civil society in efforts to protect the environment. Participation, in some cases, is incomplete and the role of NGOs still very much restricted.