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# GMS E-UPDATES

## Recent and Upcoming GMS Events and Initiatives

This GMS E-News is a regular publication to provide readers with an update on activities and major developments in pursuit of accelerated development of the countries sharing the Mekong River.

### Upcoming GMS Events\*

#### June 2012

- **29<sup>th</sup> Tourism Working Group Meeting** (Chiang Rai, Thailand)
- **4<sup>th</sup> Economic Corridors Forum** (Mandalay, Myanmar)

### INTERNATIONAL CONFERENCE ON GMS 2020: BALANCING ECONOMIC GROWTH AND ENVIRONMENTAL SUSTAINABILITY (Bangkok, Thailand, 20-21 February 2012)

Jointly organized by the GMS Working Group on Environment (WGE) and the ADB, the Conference was held to serve as a forum for constructive dialogue on scenarios of impact of GMS development on natural resources and environment, aimed at answering questions as to how food, water and energy security will be impacted by the development course forecast for the GMS countries, and how best to bring about balanced convergence between economic growth and environmental sustainability. The two-day Conference was participated in by the representatives of the private and public sector, bilateral and multilateral development organizations, academia and non-governmental organizations.

The Conference took a look at factors that affected growth and development in the GMS from 2001-2010, and their impacts on poverty reduction, gender and social inclusiveness, and their overall effect on the environment. It then assessed the challenges and opportunities for next decade (2011–2020) especially with respect to food- water- and energy-security for the subregion in the face of emerging climate change. Management of food, water and energy resources in the GMS will be the most critical challenge in the next decade, requiring careful balance of economic and environmental interests and better management of natural resources. “We need to chart a pro-poor, pro-environment road map to 2020. The challenge is to increase efficiencies in resource use, restore and recapitalize the natural resource base, and safeguard environmental quality while creating jobs and sustaining economic growth,” said Stephen P. Groff, Vice President of ADB.

### Featured Article\*

#### Toward More Sustainable Water Resource Use in the GMS

\*See inside pages for details



*While demands on water for agriculture, energy and domestic/ industrial use is rising exponentially... ground and surface water resources are being degraded and depleted.*

Food demand from the Mekong Basin for instance is projected to grow by 20-50% by 2030, while demands on water for agriculture, energy and domestic/industrial use is rising exponentially, even while ground and surface water resources are being degraded and depleted. Mr. Groff stressed that sustainability in the 21<sup>st</sup> century will require investments in smart development, pointing to innovations that make both environmental sense and reduce costs, such as fuel efficient freight fleets, clean energy sources, less water intensive crops, and more rain harvesting and recycling in urban centers. Precision agriculture, efficient water supply and re-use, and clean energy fuels are already part of the green growth agenda in the region, they simply need appropriate policy signals and regulatory incentives to be implemented. GMS leaders have committed to greater environmental cooperation by endorsing, at their 4<sup>th</sup> Summit in Myanmar last December 2011, the new GMS Strategic Framework (2012-2022) that places effective use of environmental and natural resources at its core. (See feature article for more on the issue).

*Strong global linkages have intensified the need for closer regional economic cooperation... the RCI Conference provides an opportune time to take a good, honest look at what has really been accomplished... a reality check and a chance to learn from each other the various facets of regionalism, open regionalism, and RCI.*

## **CONFERENCE ON REGIONAL COOPERATION AND INTEGRATION—Experiences in Asia and the Pacific** (Kunming, PRC, 26-27 March 2012)



The Conference, jointly organized by ADB with municipal government of Kunming, was in line with ADB's Regional Cooperation and Integration (RCI) strategy which was aimed at poverty reduction among its developing member countries (DMCs) through regional collective action that leads to greater physical connectivity; expansion of trade and investment; development of financial systems and macroeconomic and financial stability; and improved environmental, health, and social conditions. Regional/subregional cooperation programs supported by ADB include the GMS, Brunei-Indonesia-Malaysia-Philippines East Asian Growth Area (BIMP-EAGA), and Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT) as building blocks for ASEAN integration and the establishment of the ASEAN Economic Community – and other subregional programs such as South Asia Subregional Economic Cooperation (SASEC), Central Asia Regional Economic Cooperation (CAREC), and the Pacific Plan.

The Conference brought together for the first time, about 110 participants from all developing member countries in the Asia-Pacific region to review past efforts and share experience across subregional programs, and to discuss new opportunities and approaches for widening and deepening intra-regional and inter-regional cooperation. The conference was hailed as timely given that most of the subregional programs have been operating for over a decade, providing what ADB Managing Director General Rajat M. Nag said as “an opportune time to take a good, honest look at what has really been accomplished and where more work is needed”. Mr. Nag stressed that the conference serves both as “a reality check and a chance to learn from each other the various facets of regionalism, open regionalism, and RCI”.

Underscoring the importance of RCI at the conference, Mr. Xiaoyu Zhou, ADB Vice President stressed that “strong global linkages have intensified the need for closer regional economic cooperation.” Mr. Zhou lauded the participants for having “responded to the challenges of globalization by working with neighbors to ensure that human resources, capital, and natural resources are more effectively employed, and common issues jointly addressed”. The participants actively interacted with presenters and panelists from member countries of GMS, CAREC and SASEC, who had been invited to speak at specific sessions. The sessions included (i) Regional Cooperation Initiatives in Asia and the Importance of Regionalism (Session 1); (ii) Regional Cooperation in Transport and Roles of Economic Corridors

(Session 2); (iii) Regional Cooperation in Energy and Environment (Session 3); and (iv) Regional Cooperation in Trade Facilitation, Trade and Investment, and Regional Financial Integration (Session 4).

*The RPTCC-11 meeting reviewed the earlier discussions on setting up the RPCC and firmed up the memorandum of understanding defining the role, structure and organization of the RPCC*

**SPECIAL 12<sup>th</sup> MEETING OF THE GMS REGIONAL POWER TRADE COORDINATION COMMITTEE (RPTCC-12-A): Working Groups Established to Prepare for the Work of the Regional Power Coordination Center** (Bangkok, Thailand, 28-29 March 2012)

The RPTCC-12-A meeting was held mainly to continue discussions on the inter-governmental MOU to establish the Regional Power Coordination Center (RPCC), which will be vested with substantial powers and responsibilities to oversee GMS power market development. The meeting also discussed the process for internal review/endorsement of the MOU by the GMS countries, covering the necessary legal processes and approximate time frame for obtaining internal government clearances for signing the inter-governmental MOU, to gauge the possibility of signing the MOU by the time of the 18<sup>th</sup> GMS Ministerial Conference to be held in PRC in December 2012. Internal clearances would range from three to over six months, depending on the terms of reference of the proposed organization, especially if the RPCC would be set up as a regional institution with privileges and immunities, binding provisions and budget implications.

The meeting also discussed the terms of reference and work plan and agreed on the chair/co-chair of the two working groups (WGs) proposed in the last (RPTCC-11) meeting, namely, the WG on Regulatory Issues (with PRC as chair) and the WG on Performance Standards and the Grid Code (with Thailand as chair), which would conduct technical studies critical to ensuring smooth interim arrangements prior to full functioning of the RPCC. To enhance GMS countries' ownership of the power trade program, the costs of participation in meetings by national power utilities and transmission system operators (TSOs) will be on self-financing basis, while the organization where the chair comes from would act as the Secretariat for each WG, with ADB providing technical and financial support if needed.



A meeting between ADB and Myanmar Energy officials took place on 30 March to discuss the key developments in Myanmar's energy sector in order to undertake informed ADB assessment of Myanmar's needs, which could provide the basis for developing ADB's assistance program for the GMS energy sector.

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## Featured Article

### TOWARDS MORE SUSTAINABLE WATER RESOURCE USE IN THE GMS

#### Introduction

Since the early 1990s, the GMS countries have achieved impressive economic growth and significant socioeconomic progress, realizing average annual GDP growth rates of over 6% during recent years. The two decades of close economic cooperation under the GMS Program has certainly contributed much to this growth, as this has enhanced the GMS countries' integration with the global economy and promoted exports, which were central to the countries' development strategies during this period. Despite the Mekong's progress, much of the subregion, especially the Lower Mekong Basin, remains poor. The upside to this is that the ecology of the GMS remains rich and biodiverse, and current water resource extraction in the Mekong river is limited compared to other river basins, with withdrawals (for agriculture and other uses) amounting to only around 12% of the Mekong's annual discharge, thus leaving the flow regime of the Mekong mainstream close to its natural state.

Water extraction in the Mekong is not expected to remain low in the coming years, however, given the expectation of accelerated development of water resources, especially as the GMS region enters its third decade of cooperation. Proposed hydropower

development in major river basins in the GMS will cause unprecedented changes to river flows. The combined effects of increased infrastructure and larger water withdrawals could irrevocably change the way the river system functions. Water resource management in the GMS thus presents great opportunities and risks in terms of balancing benefits of rivers in their natural state (fisheries) versus benefits of regulated rivers (hydropower, irrigation).

### **Water, Energy and Food Linkages**



Promoting sustainable water uses a challenging endeavor in view of the close inter-relationships of water with key GMS economic sectors. This is made more complicated by issues that are emerging in the face of climate change and development. Agriculture for example, is increasingly impacted negatively by extreme weather and climate variability, and as production targets are met through expanded irrigation and multiple cropping, water systems are further stressed out. Large commercial plantations, land conversion, fertilizer/pesticide use, and saltwater intrusion all adversely affect water quality. There is greater urgency to practice proper water management techniques for both rainfed and irrigated systems. Freshwater fisheries on the other hand, aside from experiencing per capita declines in fish catch (due to a growing population base), are under threat

from loss of fish habitat which is in turn caused by conversion of floodplains to agriculture (disrupting spawning grounds). Large-scale hydropower could result to modification of river flows and blocking of migration routes. This is a serious threat to food security in the GMS as fish comprises a substantial portion of the subregion's protein requirements.

Land-use change. Water resources are strongly impacted by land use change in the GMS. Recently it has been observed that dry season flows in tributaries to the Mekong are declining, affecting not only water use for human habitation and agriculture, but also fisheries and overall water quality. Often climate change has been blamed for this phenomenon, but in reality, the declining flows are mostly due to deforestation. Whether for shifting agriculture, for plantations, or from illegal logging, deforestation has the effect of reducing natural storage of water, reducing groundwater recharging, and reducing the speed of runoff during heavy rains. This has the effect of increasing flood flows and decreasing dry-season flows.

Hydropower. Increasingly the GMS region will rely on hydropower to meet its growing thirst for energy. Hydropower will fuel power trading under a more integrated GMS power market. Increase in dams' storage capacity would significantly change seasonal distribution of flows, pose as barriers to fish migration and spawning, and reduce downstream sediment delivery, reducing ecosystem productivity of the floodplains. These interactions will become more difficult to deal with as the observed effects of climate change (CC) become more significant. The effects of CC, which include temperature and sea level rise, and increased rainfall variability, need to be more carefully considered in planning GMS investments. Meanwhile, growing populations and rising living standards will put more pressure on the productive sectors to increase their energy and agriculture inputs, which will further strain water systems.

### **Toward More Sustainable Water Resource Use: Issues for Consideration**

The International Conference on GMS 2020 (*see news article above*) held in Bangkok on 20-21 February 2012, looked into how best to bring about balanced convergence between economic growth and environmental sustainability, focusing on food, water and energy security. A recurring theme at the conference discussions was the critical need to improve the quality of information and analysis on ecological and economic impacts of increased water use. This could be achieved by upgrading food-water-energy databases and undertaking research on their spatial and temporal trends and climate change effects. Enhancing information exchanges on these matters will provide policy makers with a clearer picture of potential trade-offs of planned GMS investments, leading to more optimal policies and programs for water resource use.

The conference also raised priority issues for consideration in various areas. In energy, the main concern is on how to mitigate social/environment impacts of hydropower development through integrated river basin management approaches. The usefulness of Strategic Environment Assessment (SEA) in power planning rests largely on the reliability of existing data and methods for SEA work, and how well GMS institutions are equipped to do SEAs. Suitable business models should be identified in promoting energy efficiency and renewable energy. Food security trade-offs would have to be integrated in the GMS policy on biofuels. In agriculture, constraining factors include low rural incomes/productivity, lack of rural investments (roads, irrigation), and public spending biases. Productivity can be boosted through suitable crop breeding techniques, technology transfer (targeted to poor farmers), efficient water pricing, climate variability adaptation, and expansion of markets for ecosystem services. To better deal with climate change and effectively mainstream it in development planning, there should be more research on interactions between CC and arresting forest/ecosystems degradation and addressing fragmentation of environmental governance.

Integrated water resources planning and management (IWRM). A major challenge for water resources management is to identify critical watershed areas and implement a planning/implementation process that prevents land use change that negatively impacts on water resources. Most countries do not have an integrated approach to land and water resource planning and management, therefore decisions taken for say agriculture, are often not consistent with good water resource management. IWRM, a well-known concept but not implemented very well, is the key to effective decision making on water resources, ensuring transparency and the minimization of sector biases. IWRM can be the vehicle for negotiations between sectors when water development impacts multiple sectors. Since water management is a cross-cutting issue, the key to IWRM is integrated planning, which will ensure that inter-sector coordination takes place to address water issues before these cause harm to other sectors. There is a need to evaluate how effective IWRM is in each GMS country, where the problems and gaps are, and how these can be addressed.

### Upcoming GMS Events

#### **29<sup>th</sup> Tourism Working Group Meeting including Mekong Tourism Forum**

(Chiang Rai, Thailand, 11-14 June 2012)

The meeting will bring together representatives of GMS National Tourism Organizations and development partners to discuss the progress of implementation of the refocused GMS Tourism Sector Strategy including priority tourism marketing and development programs. The Steering Committee of the ADB-funded Sustainable Tourism Project will also meet back-to-back with TWG-29 to review the status of project implementation. Simultaneously, the Mekong Tourism Forum 2012 will be held on the theme "20/20 Vision: Building on Two Decades of GMS Cooperation" and will focus on the development of human resources, pro-poor sustainable tourism, subregional product development and marketing for the next 20 years, building on achievements from the past 20 years.

#### **4<sup>th</sup> Economic Corridors Forum**

(Mandalay, Myanmar, 27-28 June 2012 [TBC])

The Forum will discuss the implications of the new GMS Strategic Framework on economic corridor development, and explore ways to translate the regional investment framework to higher level cooperation in the GMS Program, including increased regional cross-border investments. It will review national, subnational, and sector plans and priorities and identify those that can benefit from or contribute to regional cooperation. It will draw attention to issues affecting development of economic corridors and propose actions to accelerate corridor development guided by the new strategic framework. Finally the Forum will enhance multisector coordination and encourage greater engagement of the private sector and development partners in GMS corridor development.

#### **Links:**

- [GMS Tourism Sector Strategy Midterm Review & Road Map 2011-2015](#)
- [GMS Core Environment Program](#)
- [Development of Economic Corridors](#)
- [GMS Road Map for Expanded Energy Cooperation](#)

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