



Greater Mekong Subregion Economic Cooperation Program

The 14th Annual Meeting of the Working Group on Environment **(Luang Prabang, Lao PDR 1-2 July 2008)**

Opening Remarks by

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Your Excellency Deputy Governor of Luang Prabang, Ladies and Gentlemen, Colleagues and Friends,

It is a great pleasure for me to welcome you all today to the 14th Working Group on Environment Meeting here in the beautiful city of Luang Prabang. We certainly have a substantive and packed agenda that is meant to prompt action in a number of areas following this meeting. The direction of our activities will draw heavily on the directives given at the 2nd Environment Ministers' Meeting and the 3rd GMS Leaders Summit, both of which were held here in Lao PDR earlier this year. Our meeting agenda today is also mindful of the pressing issues of our times and is meant to help us develop regional response strategies to address shared concerns.

The world is witnessing a dramatic rise in the price of food. Soaring food prices led to serious hardship for poor and vulnerable people who spend a substantial part of their incomes on food. Food prices in international and domestic markets reached all-time highs. Over the past year, the price of rice in the international market rose by 196% (from \$325/ton in May 2007 to \$963/ton in May 2008).¹ Wheat prices in the international market rose by 72% (from \$203/ton in May 2007 to \$349/ton in May 2008). Falling stocks, increased demand, high energy and fertilizer prices, steep depreciation of the dollar, and trade restrictions imposed by some countries amplified the price surge of food grains. In the face of a shortfall in production, attempts to build stocks heightened price pressures. Though some of the cyclical factors, such as weather-related impacts, are likely to fade, strong structural factors are pushing up prices of food and these have some mutually reinforcing effects.

Structural factors are much more prominent in explaining the rise in food-grain prices. The surge in energy prices, driven by structural factors, with resultant rise in prices of fertilizers, irrigation pumps, and transportation costs fed into the production cost, further raising the food-

¹ FAO database, 2008

grain prices. Rapid urbanization and competing demand for land for commercial as opposed to agriculture purposes and growing scarcity of fresh water for agriculture have adversely affected production growth. The diversion of cereal use from food to produce biofuel also contributed to the food crisis. Rising incomes in emerging countries steadily increased demand for food-grain consumption. With higher income, the demand for meat and dairy products increased. Production of meat and dairy products requires large amounts of grain for livestock feed. In many countries, policy inadequacies, weak institutions, and lack of needed investment inhibited the growth of the agriculture production.

The era of cheap food prices appears to be over, and the world has stumbled into an era of scarcity. Food-grain prices are eventually expected to moderate somewhat because of the increased supply response of farmers. But the structural factors are likely to dominate cyclical factors causing high prices to persist for the foreseeable future. Although the international prices of many agricultural commodities have started to fall, prices are unlikely to fall significantly because of a host of reasons, including the higher cost of inputs.² In this context, undoubtedly those most vulnerable to food price shocks need to be protected from nutritional deprivation, erosion in their real purchasing power and asset shedding. Failure to protect the poor from income erosion could seriously undermine recent gains in poverty reduction and political and macroeconomic stability of the country.

The globally rising food prices demand action as they will impact development in Asia, including the GMS. For the 28 million people in the subregion who constitute the “poorest of the poor” and use over 60% of their income on daily basic food commodities, this development threatens to deepen the poverty and reverse the declining poverty rates that we have been experiencing in the GMS countries. As the rice bowls can no longer be filled, the critical value of agriculture becomes clear. And the focus on agriculture extends beyond to natural resources and the environment, as the pressure on the earth and our ecosystems further increases to fuel our economies and feed a growing world population.

Another key concern relates to climate change, which is casting a dark shadow over the unique landscapes that the GMS countries share. Changes in temperatures will affect both agriculture and fisheries as well as bring a plethora of unwanted weather extremes such as droughts, floods, storms, storm surges and rising sea levels to the region, all with the devastating potential to turn lives upside down. The recent tragedy in Myanmar caused due to Cyclone Nargis bears testimony to the cruelty of nature on human lives and livelihood, natural resources and the environment. Once again, allow me to extend on behalf of the GMS countries, our development partners and the Bank our deepest sympathies to the people of Myanmar.

Climate change will affect the forests that stretch across the subregion and the Mekong River that connects all six countries and adds stress to the natural resources that are the backbone of development.

² FAO, Food Outlook, June 2008.

Inherent in the response to these pressures is the importance of environment *for* development; the only way through this crisis is to strengthen agriculture and natural resource management by working on increasing productivity and food supply, enhance the efficiency of resource use, and continue to give our natural environment the top priority both in national development plans as well as in regional cooperation. It is now amply clear that without appropriate measures to protect, conserve and manage the environment, our very effort for development will be undermined.

In this regard, I am very pleased to report to you that at the ADB's Annual General Meeting held in Madrid, Spain in May this year, the Board of Governors endorsed our Strategy 2020 which includes environment both as a key pillar of the strategy for environmentally-sound economic growth as well as a core area of interventions by the Bank. In addition, climate change and sustainable resource development, especially water resources management, are considered in the strategy to be major areas requiring the Bank's attention and scaling up of activities and investments.

The Core Environment Program is in full speed and I am pleased to note good progress on all fronts. Allow me to summarize some key accomplishments to date.

The Strategic Environment Assessment (SEA) has focused on three development sectors: Hydropower in Viet Nam, Tourism in Cambodia and transport and trade as well as spatial planning along the North-South Economic Corridor, the highway that has just been completed along the old silk route from Kunming to Bangkok. The SEAs in Viet Nam and Cambodia are feeding recommendations directly to the planning processes within the Ministry of Industry and Trade and Ministry of Tourism, respectively. They are also helping craft methodologies for integrated planning across these sectors. While the two first SEAs are nearly completed, the third one on the North-South Economic Corridor is in its initial stages. The scoping workshop took place in March this year and the EOC team and partners are now evaluating impacts on the corridor's natural assets and ecosystem services as well as on poor and vulnerable populations along the corridor.

The Biodiversity Conservation Corridors Initiative (BCI) has achieved the commendable accomplishments in mainstreaming the BCI within the national governments of the GMS countries. We are pleased to mention that the Thai cabinet has recently acknowledged the corridor concept and issued a circular for collaboration among multi-government agencies on establishing the Tenasserim Corridor. In Viet Nam, MONRE has drafted a national level decree to be submitted to National Assembly for approval. Recently, our colleagues from the Environment Operations Center undertook a monitoring and evaluation trip to all BCI sites has just been completed and overall progress is reported to be good.

Environmental Performance Assessment (EPA) is well underway. The EOC team has been engaged in extensive consultations with the GMS countries to ensure ownership and to encourage the mainstreaming of EPAs into country sustainable development planning. As a response to country request for additional capacity development, the team carried out a week-

long training on EPA and Sustainable Development Planning, followed up by national EPA trainings in Cambodia and Lao PDR.

Capacity and Institutional Development is being undertaken across all national support units in the GMS countries and regional connectivity has been strengthened through the facilitation of the Environment Ministers' Meeting in Vientiane as well as the environment seminar on climate change that was held for GMS senior officials. At the brainstorming workshop in May in Bangkok, you were all part of the important discussions on how the future institutionalization of the EOC will develop. A capacity building activity plan has been drafted and is in your folders for endorsement to guide the coming years increasing demand for a common GMS ground level of environmentally toned capacity.

In addition, work has commenced on developing a Sustainable Investment Framework to expand and upscale the operations.

Finally, a Communications Strategy etching out target groups, activities and scope has been drafted for endorsement that will guide procedures, events and production of material that disseminates knowledge and results that the GMS countries are producing in the important area of environment.

Colleagues, Ladies and Gentlemen, We can all be proud of the work being performed by the staff of the EOC.

The Core Environment Program reaches far and the subject of environment and natural resources in the GMS is something that generates much interest and attention beyond the borders of the subregion. As you may know, we recently experienced this sentiment among partners on our mission to Europe in May this year. We visited the capitals of the co-financiers of the CEP and also made presentations to Rome-based agricultural organizations on issues surrounding food security and environmental sustainability in addition to reporting on progress being made under the GMS working groups on agriculture and environment. We were indeed privileged to be involved in very rich and constructive discussions on latest developments in the programs of partner agencies, scientific organizations, research institutions and academe on sustainable natural resources use and management, as well as in helping to lay the ground for deeper relations with development partners. We have prepared a short briefing note on our mission for distribution at our meeting so as to apprise every one of our discussions in Europe.

I look forward to participating in discussions and urge every one of you to listen, let yourself be heard and exchange opinions over the next two days. The outcome of this – a continuously strong and coordinated regional response – will be the way to overcome the pressures that threaten the environment and the livelihoods of the Greater Mekong Subregion.

I wish us all the very best in our deliberations.

Thank you.