

Investing in Natural Capital for a Sustainable Future in the Greater Mekong Subregion

September 2015

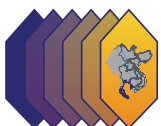


ADB

GREATER MEKONG
SUBREGION
CORE ENVIRONMENT
PROGRAM

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Abbreviations

ADB	Asian Development Bank
ASEAN	Association of Southeast Asian Nations
PRC	People's Republic of China
CBD	Convention on Biological Diversity
CEP	GMS Core Environment Program
D	Vietnamese dong
EMM4	4th GMS Environment Ministers' Meeting
EOC	Environment Operations Center
FDI	foreign direct investment
GDP	gross domestic product
GHG	greenhouse gas
GMS	Greater Mekong Subregion
ha	hectare
I-GEM	Indonesia Green Economy Model
IMBM	incentive- and market-based mechanism
IWRM	integrated water resources management
Lao PDR	Lao People's Democratic Republic
LEAP	Long-range Energy Alternatives Planning system
LMB	Lower Mekong Basin
m ³	cubic meter
MCA	multi-criteria analysis
NBSAP	national biodiversity strategy and action plan
ODA	official development assistance
PA	protected area
PES	payments for ecosystem services
PFES	Payments for Forest Environmental Services (Viet Nam)
REDD	Reducing Emissions from Deforestation and Forest Degradation
REDD+	Reducing Emissions from Deforestation and Forest Degradation, as well as conserving and enhancing forest carbon stocks and practicing sustainable forest management in developing countries
RIF	GMS Regional Investment Framework
SEA	strategic environmental assessment
SEEA	United Nations System of Environmental–Economic Accounting
SMEs	small and medium-sized enterprises
UNCCD	United Nations Convention to Combat Desertification
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
WEAP	Water Evaluation and Planning system



Executive Summary

Natural capital has been a key contributor to the subregion's rapid economic growth over the past 3 decades or so. However, the subregion's key natural capital stocks are in a state of decline. This is evident by the degradation of arable land; considerable losses in forests, wetlands, and mangroves; and many species of fauna and flora becoming endangered or even extinct.

The Greater Mekong Subregion (GMS) is poised to continue developing at a significant pace. The subregion is well placed to benefit from the emerging Association of Southeast Asian Nations Economic Community due to its strategic geographic positioning, extensive subregional connectivity, and strong sense of community established through 2 decades of subregional cooperation.

The GMS Regional Investment Framework Implementation Plan (2014–2018), comprising a pipeline of prioritized investment projects worth over \$30 billion and approved by GMS leaders at the 5th GMS Summit in Bangkok in December 2014, is indicative of the subregion's development potential.

However, the sustainability of the subregion's future prosperity could be undermined unless the GMS invests significantly more in safeguarding and enhancing its natural capital. Indeed, in the context of the subregion's vulnerability to climate change, natural disasters, and human-induced shocks, investments in natural capital present some of the most economically viable and socially inclusive adaptation and resilience strategies. Investing in natural capital will greatly help the GMS realize inclusive and sustainable development.

Below are key messages from this report on natural capital in the GMS.

Natural capital underpins the socioeconomic development of GMS countries and the achievement of inclusive and sustainable growth in the subregion

Natural capital, which accounts for 20%–55% of the total wealth of GMS countries, has been a key contributor to the rapid economic growth achieved in the subregion in the past 3 decades. Agriculture (including forestry) makes up about 30% of gross domestic product (GDP) in Cambodia, the Lao People's Democratic Republic (Lao PDR), and Myanmar, and is the main source of employment in the GMS, engaging between 38% (in Thailand) and 74% (in the Lao PDR) of the labor force. The Mekong River supports the world's largest inland fishery, with annual turnover of \$1.4 billion–\$3.9 billion. Natural capital also sustains the manufacturing and service sectors—such as the thriving furniture industry in Viet Nam,

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