



Major Change in Scope and Amount

Project Number: 39025
Technical Assistance Number: 6289-REG
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Core Environment Program and Biodiversity Conservation Corridors Initiative in the Greater Mekong Subregion (Supplementary)

I. INTRODUCTION

1. The Environment Ministers' Meeting in Shanghai, People's Republic of China (PRC) (May 2005)¹ and the Second Greater Mekong Subregion Summit of Leaders held in Kunming, PRC (July 2005)² endorsed the Core Environment Program (CEP) and its flagship component, the Biodiversity Conservation Corridors Initiative (BCI). Consequently, ADB approved technical assistance (TA) for the CEP and BCI in December 2005 for \$36.11 million equivalent.³ The cost of the technical assistance (TA) to be administered by the Asian Development Bank (ADB) was estimated at \$24.97 million (\$13.20 from the Netherlands, \$10.0 million from Sweden, \$0.55 million from the Poverty Reduction Cooperation Fund, and \$1.22 million from ADB's TA funding program).

II. BACKGROUND

2. The TA aims to enhance the environmental sustainability and social equity of the Greater Mekong Subregion Economic Cooperation Program (GMS), thereby increasing its development potential, performance, and impact. A key outcome of the TA is expected to be sound environmental management systems and institutions that mainstream environmental considerations and biodiversity conservation in economic development plans and processes.

3. Since its inception in April 2006, there has been good progress under each of the five components of the TA, including the establishment of the GMS Environment Operations Center (EOC) at the Thailand Resident Mission in Bangkok. EOC functions as the secretariat to the GMS Working Group on Environment (WGE) as well as the TA implementation unit. Three strategic environmental assessments (SEAs) for energy, transport, and tourism are underway. Baseline socioeconomic and biodiversity data in all six biodiversity pilot site communities have been collated and livelihood improvement interventions are underway. During the pilot phase, 250,000 people will benefit from these interventions, which include cash payments for raising seedlings, enrichment planting, biodiversity assessments, and monitoring. Implementation of the environmental performance assessments (EPAs) includes assessments of performance against environment monitoring indicators and CEP and BCI program impact indicators. The objective is for the EPAs to be institutionalized by 2011. National support units operate in all GMS countries except Myanmar. Program development and regional cooperation activities include establishing a GMS university network, seconding government staff from participating countries to EOC, and undertaking GMS study visits. A GMS young professionals' program organizes internships at the EOC. To date, 19 letters of agreement have been signed for the five CEP and BCI components and a total of over \$16 million has been committed for these activities.

III. THE PROPOSED CHANGES

4. The demand for activities supported by the TA has increased, particularly in the areas of poverty reduction, and capacity strengthening for environmentally sound transport, tourism, and energy. Additional activities need to be undertaken to monitor the impact of key development

¹ Joint Ministerial Statement, Meeting of the GMS Environment Ministers, 25 May 2005, Shanghai, PRC, para 9: "...we endorse the launching of the GMS Core Environment Program and the establishment of the Environment Operations Center for its implementation by early 2006." Key partners such as Government of Sweden (Sida) and World Wide Fund for Nature (WWF) also expressed their support for the CEP and BCI at the meeting.

² Kunming Declaration.

³ ADB. 2005. *Technical Assistance for the Core Environment Program and Biodiversity Conservation Corridors Initiative in the Greater Mekong Subregion*. Manila.

sectors on the environment and local communities. In recognition of these needs and of the importance of the CEP and BCI for sustainable development in the GMS, the People's Republic of China Poverty Reduction Fund has agreed to contribute the equivalent of \$0.5 million, the Government of Finland the equivalent of \$4.9 million, and the Government of the Netherlands the equivalent of \$0.8 million in supplementary financing for the TA.⁴ ADB will provide supplementary financing of \$0.4 million from its TA funding program. The TA completion date will be extended from 2009 to 2011 to allow time for ongoing and proposed activities to be completed. In addition, the Government of Finland will provide an in-kind contribution of \$700,000 to cover the secondment of a Finnish land use specialist.

5. During January–October 2007, ADB undertook consultations to assess the additional activities that these supplementary funds will support. A fact-finding mission visited GMS countries and discussions were held with development partners, including the governments of Finland, the Netherlands, and Sweden and multilateral partners, including UNEP and the World Bank. The scope of additional activities was discussed at the 13th WGE meeting in June 2007 in Guilin, PRC. The WGE endorsed the need for additional resource mobilization with a special focus on poverty reduction and capacity strengthening for cross-sectoral cooperation.

6. The supplementary funding will be provided on a grant basis and will be administered by ADB. It will be used to support the activities that are not currently adequately funded by the TA. Cross-sectoral integration will be strengthened, with a particular focus on (i) policy and strategy coordination and cooperation in the transport, energy, tourism and natural resource sectors; (ii) strengthening the analytical and operational capacity for policy and strategic environmental and performance assessments of selected WGE and GMS line agency staff; and (iii) broadening and accelerating site-specific poverty reduction and environmental-protection-related interventions.

IV. ASSESSMENT

7. The additional activities will address (i) exacerbated poverty and environment protection issues arising from increased population growth—both in situ and caused by migration (domestic and/or international) within the pilot sites and landscapes. Additional local capacity building and interventions are needed to address diseases including HIV/AIDs and climate-change-related risks to local livelihoods, ecosystem functioning, and performance. Risk and vulnerability assessments of the impact of climate change and global warming on (i) local livelihoods and ecosystem services; and (ii) natural resources, energy (hydropower in particular), tourism, transport, and investment in the GMS will be undertaken. In addition, the feasibility of making GMS transport corridors carbon neutral will be assessed. The revised cost estimates and financing plan are shown in Appendix 1.

V. THE PRESIDENT'S RECOMMENDATION AND DECISION

8. The President recommends that the Board approve:

- (i) the major change in TA scope described in paragraph 4 above, including an increase in the TA budget by \$6,600,000 equivalent; and

⁴ As of 11 October 2007, the People's Republic of China Poverty Reduction Fund had committed \$0.5 million, and the Government of Finland had confirmed in principle a commitment of \$4.9 million with an in-kind contribution of \$0.7 million. The contribution of the Government of the Netherlands of \$0.8 million will cover the cost of a social development specialist at EOC.

- (ii) ADB administering a supplementary grant not exceeding the equivalent of \$4,900,000 for the change in scope of the Implementation of the Core Environment Program and Biodiversity Conservation Corridors Initiative in the Greater Mekong Subregion to be financed on a grant basis by the Government of Finland.

9. If the Board approves the major change in scope, the President, acting under the authority delegated by the Board, will approve ADB: (i) administering supplementary grants not exceeding the equivalent of (a) \$500,000 to be financed by the People's Republic of China Poverty Reduction Fund, and (b) \$800,000 to be financed by the Government of Netherlands; and (ii) providing the balance of the TA budget increase, in an amount not exceeding the equivalent of \$400,000 on a grant basis.

REVISED COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Original Allocation	Additional Allocation	Revised Allocation
A. Asian Development Bank Financing			
1. Consultants			
a. Remuneration and Per Diem			
i. International Consultants	3,104.0	1,300.0	4,404.0
ii. National Consultants ^a	900.0	50.0	950.0
b. International and Local Travel	525.0	300.0	825.0
c. Reports and Communications	50.0	0.0	50.0
2. Greater Mekong Subregion Country Implementation	3,576.0	1,000.0	4,576.0
3. Partnership Agreements ^b	11,500.0	2,000.0	13,500.0
4. Equipment ^c	240.0	100.0	340.0
5. Training, Seminars, and Conferences			
a. Capacity Building/Seminars	200.0	100.0	300.0
b. Regional Symposia/Workshops	230.0	150.0	380.0
c. Support for Working Group on Environment Meetings	130.0	100.0	230.0
d. Study Tours	100.0	0.0	100.0
e. Travel of Resource Persons ^d	100.0	0.0	100.0
6. Surveys and Impact Monitoring	100.0	0.0	100.0
7. Miscellaneous Administration and Support Costs	680.0	300.0	980.0
8. Publications and Media Documentation	278.0	200.0	478.0
9. Contingencies	3,257.0	1,000.0	4,257.0
Subtotal (A)^e	24,970.0	6,600.0	31,570.0
B. Government Financing (in kind)			
1. Greater Mekong Subregion Countries ^f	600.0	600.0	1,200.0
Subtotal (B)	600.0	600.0	1,200.0
Total	25,570.0	7,200.0	32,770.0

^a Including secondees from the Greater Mekong Subregion countries.

^b For all components.

^c Computer software and satellite imageries.

^d Includes Asian Development Bank (ADB) staff.

^e The technical assistance amount includes ADB's administration fee, audit cost bank charges and provision for foreign exchange fluctuations, if any, to the extent if these items cannot be covered by the interest and investment income earned on this grant or any additional grant by the governments of the People's Republic of China, Finland, and the Netherlands. The technical assistance funds will be financed on a grant basis and administered by ADB.

^f Cambodia, People's Republic of China, Lao People's Democratic Republic, Myanmar, Thailand, and Viet Nam

Source: ADB estimates.

Table A1: Revised Financing Plan
(\$'000)

Financing Source	Original	Additional	Revised
ADB	1,220.0	400.0	1,620.0
PRF (DFID)	550.0	0.0	550.0
PRCF	0.0	500.0	500.0
Netherlands	13,200.0	800.0	14,000.0
Sweden	10,000.0	0.0	10,000.0
Finland	0.0	4,900.0	4,900.0
GMS countries	600.0	600.0	1,200.0
Total	25,570.0	7,200.0	32,770.0

Asian Development Bank = ADB, GMS = Greater Mekong Subregion, PRCF = People's Republic of China Poverty Reduction Fund, PRF (DFID) = Poverty Reduction Fund (Development for International Development).
Source: ADB estimates.