



## Major Change in Technical Assistance

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### Core Environment Program and Biodiversity Conservation Corridors Initiative in the Greater Mekong Subregion, Phase 2

### ABBREVIATIONS

ADB	–	Asian Development Bank
BCI	–	Biodiversity Conservation Corridors Initiative
CEP	–	Core Environment Program
EOC	–	Environment Operations Center
GMS	–	Greater Mekong Subregion
Lao PDR	–	Lao People's Democratic Republic
TA	–	technical assistance
WGE	–	Working Group on Environment

### NOTE

In this report, "\$" refers to US dollars.

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## I. PROPOSED MAJOR CHANGE

1. An increase in technical assistance (TA) amount for Core Environment Program and Biodiversity Conservation Corridors Initiative (CEP-BCI) in the Greater Mekong Subregion (GMS),<sup>1</sup> Phase 2 is proposed for Board consideration.

2. The Board approved the original TA amount of \$14.8 million on 12 December 2011<sup>2</sup> and a revised TA amount of \$23.1 million on 5 December 2012. The proposed increase of an additional \$5.3 million equivalent (EUR4 million) will be financed on a grant basis by the Nordic Development Fund (NDF), and will be administered by the Asian Development Bank (ADB).<sup>3</sup> The increase in amount will support additional activities and scaling up of activities related to climate change under Output 3 (described in paras. 13–14 below) under the existing TA framework. The revised design and monitoring framework is in Appendix 1.

## II. BACKGROUND

3. During the second GMS environment ministers meeting (EMM) in Vientiane in the Lao People's Democratic Republic (Lao PDR) in 2008, the GMS governments acknowledged the relevance of Phase 1 of the CEP-BCI<sup>4</sup> in achieving the overall goals of the GMS economic cooperation program. As directed by the EMM, ADB assisted the GMS Working Group on Environment (WGE) and technical secretariat, the GMS Environment Operations Center (EOC) to prepare a follow-up phase. In July 2011 the environment ministers of the GMS countries endorsed the program framework document (PFD)<sup>5</sup> for the CEP-BCI 2012–2016 at the third EMM held in Siem Reap, Cambodia, and requested ADB to support its implementation. The TA is designed to implement the PFD.

4. The impact of the TA will be improved biodiversity conservation and climate resilience across the GMS. The TA outcome will be an environmentally friendly and climate-resilient GMS economic cooperation program. It will support activities in priority economic corridors targeted by the GMS program, and in priority transboundary biodiversity conservation corridors and landscapes.<sup>6</sup>

5. The TA is aligned with the strategic framework for the GMS economic cooperation program, 2012–2022 and is included in the GMS Regional Cooperation Business Plan.<sup>7</sup> The TA

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<sup>1</sup> Includes Cambodia, the People's Republic of China, the Lao People's Democratic Republic, Myanmar, Thailand, and Viet Nam.

<sup>2</sup> ADB. 2011. *Regional Technical Assistance for the Core Environment Program and Biodiversity Conservation Corridors Initiative in the Greater Mekong Subregion, Phase 2*. Manila. (TA 7987–REG)

<sup>3</sup> Revised Financing Plan (accessible from the list of linked documents in Appendix 2).

<sup>4</sup> Phase 1 was implemented through the Regional Technical Assistance for the Core Environment Program and Biodiversity Conservation Corridors Initiative in the Greater Mekong Subregion (TA 6289–REG), approved in December 2005 for the amount of \$24.97 million. Increases in TA amount were approved in February 2008 (\$6.60 million) and in April 2011 (\$2.09 million), bringing the total TA cost to \$34.86 million. This comprised contributions from ADB (\$1.62 million), Government of Netherlands (\$14.00 million), Government of Finland (\$4.90 million), Government of Sweden (\$11.09 million), Poverty Reduction Cooperation Fund (\$0.55 million), People's Republic of China Poverty Reduction Fund (\$0.50 million), Climate Change Fund (\$1.0 million), and GMS countries (\$1.20 million).

<sup>5</sup> See <http://www.gms-eoc.org/resources/core-documents> to access: the PFD, the TA Inception Report, and the semi-annual progress reports

<sup>6</sup> While economic corridors enhance physical connectivity, biodiversity conservation corridors support ecosystem connectivity to accommodate movements of species between core areas. These corridors are embedded within wider conservation landscapes, which provide services based on ecosystem functions.

<sup>7</sup> ADB. 2010. *Regional Cooperation Operations Business Plan: Greater Mekong Subregion 2011–2013*. Manila.

supports and complements other GMS regional and country-specific programs to systematically assess and integrate sound environmental management and climate resilience measures. The TA comprises four outputs: (i) improved environmental planning systems, methods, and safeguards; (ii) improved management of transboundary biodiversity conservation landscapes and local livelihoods; (iii) development of climate-resilient and low-carbon strategies; and (iv) improved institutions and financing for sustainable environmental management.

6. GMS governments are increasingly concerned about the risks posed by climate change and have initiated several efforts to build adaptation and mitigation strategies (e.g. National Adaptation Plan of Action, National Target Programs, Nationally Appropriate Mitigation Actions). These strategies will require institutional and technical capacity building support to enable implementation of risk mitigation measures, formulation of mitigation actions and development of monitoring, reporting and verification (MRV) systems. Existing financing under the TA will build climate change monitoring and modeling capacity through the assessment of climate risks and by identifying potential resource efficiency measures applicable to productive sectors. Greater uptake of climate change adaptation and mitigation will require the leveraging of public and private sector investments; to further enable this, activities are needed to (i) develop appropriate business models and financing solutions; and (ii) create the appropriate enabling policy and institutional environment.

7. The TA, classified as a Regional-Capacity Development Technical Assistance (R-CDTA), was approved on 12 December 2011. The TA was financed in an amount of \$14.8 million (\$0.8 million by ADB's TASF-IV and \$14.0 million by Government of Finland, administered by ADB). On 5 December 2012, a major change in TA was approved by the Board to increase the TA amount, bringing the total value of the TA to \$23.1 million equivalent with additional funding in an amount of \$8.3 million from Government of Sweden, administered by ADB. The proposed increase of an additional \$5.3 million equivalent (EUR4 million) will be financed on a grant basis by the NDF, administered by ADB.<sup>8</sup> The TA's completion date is on 31 December 2016.

8. The TA is executed by ADB and is implemented by the line agencies that represent the countries at the WGE. The WGE focal agencies are: the Ministry of Environment (Cambodia), the Ministry of Environmental Protection (People's Republic of China), the Ministry of Environmental Conservation and Forestry (Myanmar), and the Ministry of Natural Resources and Environment (Lao PDR, Thailand, and Viet Nam). The EOC was established at the inception of the CEP-BCI Phase 1 to facilitate implementation of the TA and continues to do so in Phase 2. The EOC also serves as the technical secretariat to the WGE and has evolved as a credible subregional knowledge hub and resource and referral center on environmental management tools and practices, socioeconomic and biophysical information, and expertise in the environmental and climate-related fields. The National Support Units (NSUs) will assume responsibility of coordination of in-country activities, including assisting with preparation of financial and progress reports, maintenance of environmental databases, and reporting to WGE.

### III. IMPLEMENTATION PROGRESS

9. Since the TA became effective on 12 December 2011, progress has been in line with the planned implementation schedule. Inception missions were conducted in each of the countries and an 18-month (July 2012–December 2013) work plan was formulated in consultation with implementing partner agencies and other key stakeholders. The Inception Report incorporating

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<sup>8</sup> Revised Financing Plan (accessible from the list of linked documents in Appendix 2).

the 18-month work plan was presented and approved at the 18th Annual Meeting of the GMS WGE in May 2012. Around 19 consultants have been mobilized and letters of agreement have been drafted to engage implementing agencies. About \$3.4 million has been committed in contract awards and about \$1.4 million has been disbursed to date. A minor change in TA implementation arrangements was approved on 4 March 2013 to strengthen the financial management and fiduciary safeguards of EOC operations.

10. The focus to date has been on scoping and initiating activities under the four outputs of the TA. Each output of the TA has been elaborated into a detailed four-year activity strategy and road map with corresponding yearly milestones.<sup>9</sup> These milestones collectively make up a more detailed monitoring and evaluation framework for annual assessment of progress. Implementing arrangements for initial activities related to environmental monitoring systems, biodiversity landscape management and climate change have been outlined based on consultations with governments and implementing partners. Climate change activity concepts have been prepared and potential partners in the GMS countries have been identified. Country missions in October 2012 discussed the structure and responsibilities of the NSUs and drafted agreements with government partners. Semiannual progress reports of activities carried out are posted on the EOC website (footnote 5).

#### IV. RATIONALE FOR THE PROPOSED CHANGE

11. ADB will administer a grant not exceeding the equivalent of EUR4 million (\$5.3 million) to be financed by the NDF to support Output 3: development of climate-resilient and low-carbon strategies. The additional funds will be utilized to increase the number and scale of climate change adaptation and mitigation related activities, and increase output targets within the existing impact, outcome, and output structure. Paras. 13–14 describe the expanded scale and scope of activities under Output 3. Performance indicators in the design and monitoring framework in Appendix 1 have been revised to reflect the activities and outputs to be financed from the additional financing. The increase in TA amount will not change the project's impact and classification.

12. **Output 3: Climate-resilient and low-carbon strategies developed.** This output will integrate climate change mitigation and adaptation considerations into the planning and implementation of activities of key development sectors. Existing TA funds support the strengthening, testing and application of carbon monitoring systems for sustainable forest management within transboundary landscapes and biodiversity conservation corridors. Original TA funding is also being used to develop methodologies, tools, and knowledge on climate change impacts and risks, and apply climate change risk and vulnerability assessments to rural development plans.

13. Additional financing will be utilized to **increase the number and scale of climate change adaptation activities**. Risk assessments in the context of agrarian community development will be scaled up and applied in at least one additional country.<sup>10</sup> Feasibility studies will be conducted in at least two countries to design locally applicable adaptation interventions (e.g. water management, risk financing, and livelihood diversification). Based on the recommendations from these studies, pilot projects will be instituted to test early warning

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<sup>9</sup> The output (i.e., component) strategies and the detailed monitoring framework can be found at <http://www.gms-eoc.org>

<sup>10</sup> Taking into consideration NDF's priority countries.

systems and local finance mechanisms (e.g. risk insurance) in communities living in biodiversity conservation corridor areas, in at least two countries.

14. Additional financing will also be used to **develop and strengthen low-carbon interventions related to transport and energy**. Awareness raising activities will focus on the development of climate change mitigation programs and actions (e.g. Nationally Appropriate Mitigation Actions) in at least three GMS countries (footnote 10). Institutional and financial mechanisms to deploy low carbon technologies and capacity building in the freight transport sector will be tested in at least three GMS countries. In parallel, additional financing will also support the development of carbon emissions baselines and subsequent monitoring, reporting and verification (MRV) frameworks for the energy and transport sectors, in at least three GMS countries. Feasibility studies will be conducted in at least two GMS countries to identify decentralized energy interventions that could be applied in a rural development context.

15. The expanded scale and number of activities to support Output 3 will require additional consultant inputs. The TA will require the services of 405 person-months of international consultants and 1,438 person-months of national consultants (including the additional inputs of 96 person-months for international consultants and 317 person-months for national consultants to support the expanded scale and number of activities to support Output 3).<sup>11</sup> Consultants will be recruited, either as individuals (to staff the EOC, NSUs, and other program activities) or as firms (for implementing selected program activities). Consultants identified for national consultant positions recruited under the TA will be sourced from RETA countries. They will be recruited in accordance with ADB's *Guidelines for the Use of Consultants* (2010, as amended from time to time). Procurement of goods and services will be in accordance with ADB's *Procurement Guidelines* (2010, as amended from time to time) and disbursements will be made in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time). As per the minor change in implementing arrangements of the TA approved on 4 March 2013, the TA is considered similar to a grant investment project. The EOC, as the TA implementation unit and under the direct supervision of the TA supervising unit, will take full responsibility for all disbursements related to the TA activities and the financial management and fiduciary management responsibilities of the TA.

## V. DUE DILIGENCE

16. Activities supported with additional financing will follow the implementation arrangements established under the TA. The proposed changes comply with the project administration instruction on administering grant-financed TA<sup>12</sup> and address comments from the Operations Services and Financial Management Department, Office of the General Counsel, Controller's Department, and Office of Cofinancing Operations.

## VI. THE PRESIDENT'S RECOMMENDATION

17. The President recommends that the Board approve the increase in the TA amount for the Core Environment Program and Biodiversity Conservation Corridors Initiative in the Greater Mekong Subregion, Phase 2 by \$5,300,000 equivalent, which will finance the change as described in paras. 1–2.

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<sup>11</sup> Revised Outline Terms of Consultants is accessible from the list of linked documents in Appendix 2.

<sup>12</sup> ADB. 2009. Administering Grant-Financed Technical Assistance. *Project Administration Instructions*. PAI 5.09. Manila.



## REVISED DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p><b>Impact</b></p> <p>Improved biodiversity conservation and climate resilience across the GMS</p>	<p>Compared to 2011 baselines by 2022:<sup>a</sup></p> <p>Forest patch sizes maintained in GMS biodiversity conservation corridors and landscapes</p> <p>Climate change adaptation and disaster risk preparedness improved in at least 700 communities in GMS conservation landscapes</p>	<p>National and FAO forestry reports</p> <p>EPA reports</p> <p>Provincial and local development plans</p> <p>BCC socioeconomic baseline in Cambodia, the Lao PDR, and Viet Nam</p> <p>CEP-BCI progress reports</p>	<p><b>Assumptions</b></p> <p>GMS governments remain committed to inclusive growth and sound environmental practices.</p> <p>Investment financing (public and private) is available.</p> <p><b>Risk</b></p> <p>Impact of rapid economic growth outpaces environmental response times</p>
<p><b>Outcome</b></p> <p>Environmentally friendly and climate-resilient GMS ECP</p>	<p>Compared to 2011 baselines, by 2016:</p> <p>ECP portfolio comprises at least 25% of pro-environment and climate-resilient investments</p> <p>Livelihoods (cash and noncash elements) of at least 60% of participating households in the conservation landscapes are improved, with at least 35% women beneficiaries</p>	<p>GMS sector and line agency reports</p> <p>Regional, national, and sector publications on economic indicators</p> <p>Reports to GMS ministers meetings and EMM</p> <p>CEP-BCI progress reports</p>	<p><b>Assumptions</b></p> <p>GMS governments remain committed to mainstreaming environmental concerns.</p> <p>Community and local agency support and ownership of activities continue.</p> <p><b>Risk</b></p> <p>Short-term development needs override long-term sustainable development priorities.</p>
<p><b>Outputs</b></p> <p>Environmental planning systems, methods, and safeguards improved</p>	<p>By 2016:</p> <p>Environmental and social considerations included in at least 12 GMS sector or corridor strategies and plans</p> <p>At least 150,000 people in the GMS economic corridors benefit from environmental measures, with at least 35% of them being women</p> <p>At least 150 agency staff (with at least 35% women) able to implement safeguard assessments</p> <p>At least two new or updated legal instruments (laws or regulations) at a sector or national level supporting SEA or related tools prepared in GMS countries</p> <p>At least five GMS strategic plans and environmental reports supported by the EOC Environment Information System</p>	<p>GMS sector plans and strategies</p> <p>National environmental and social safeguards regulations and guidelines</p> <p>GMS country state of the environment reports</p> <p>CEP-BCI progress reports and baseline database</p>	<p><b>Assumption</b></p> <p>Sector agency support is received for environmental initiatives.</p> <p><b>Risk</b></p> <p>Sector authorities promote unsustainable development for short-term revenue target gains.</p>

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
Management of transboundary biodiversity conservation landscapes and local livelihoods improved	<p>By 2016:</p> <p>Biodiversity corridors are gazetted in at least three GMS countries</p> <p>Management and operational plans are formulated and implemented in at least three biodiversity conservation corridors</p> <p>Payment for environmental services guidelines developed in at least two countries</p> <p>Innovative livelihood interventions are tested in at least three biodiversity conservation corridors</p>	<p>Provincial regulations, decisions</p> <p>Provincial land-use plans</p> <p>GMS program evaluation reports</p> <p>Program baseline and progress reports</p> <p>Socioeconomic surveys</p>	<p><b>Assumption</b></p> <p>GMS cooperation on cross-border conservation activities</p> <p><b>Risks</b></p> <p>Conservation and sustainable livelihoods gains negated by ad hoc development</p> <p>Growing demand for wildlife and forest products</p>
Climate-resilient and low-carbon strategies developed	<p>By 2016:</p> <p>At least four national, provincial or city-based MRV systems developed</p> <p>At least four<sup>b</sup> investment proposals on low-carbon technologies and/or climate change adaptation prepared</p> <p><b>Additional financing indicators:</b></p> <p>Climate change coping strategies tested in and benefitted by at least 150 community groups, with at least 35% women beneficiaries</p> <p>Annual carbon emissions of participating companies or households in pilot projects reduced by at least 10%</p>	<p>ADB climate change fund progress reports</p> <p>GMS ECP sector progress reports</p> <p>GMS country REDD reporting</p> <p>GMS business forum reports</p>	<p><b>Assumptions</b></p> <p>Availability of funds for climate change activities</p> <p>Sufficient demand for low-carbon and energy-efficient growth</p> <p><b>Risk</b></p> <p>Affordability and accessibility of climate-proofing technology</p>
Institutions and financing for sustainable environmental management improved	<p>By 2016:</p> <p>NSUs fully operational in at least five countries</p> <p>At least 50% of EOC professional staff are from GMS, at least 40% of them women</p> <p>At least two bankable private sector projects in environment and natural resources developed and collaboration secured</p> <p>At least two joint projects involving WGE and other GMS sector agencies implemented</p>	<p>Government circulars</p> <p>CEP-BCI progress reports</p>	<p><b>Assumption</b></p> <p>Sufficient financial resources and support for environmental service delivery</p> <p><b>Risk</b></p> <p>Sustainable financing systems generate only limited income, with high transaction costs</p>

Activities with Milestones	Inputs (\$'000)	
<b>Output 1: Environmental planning systems, methods, and safeguards improved</b>	<b>ADB and Cofinanciers:</b>	
1.1 Build subregional and national environmental planning capacities, with at least two SEAs/environmental assessments per year completed by 2016	<b>28,400</b>	
1.2 Build capacity for environmental safeguards, through engagement with at least ten projects and/or programs in the GMS by 2014	<b>Item</b>	<b>Amount (\$'000)</b>
1.3 Conduct safeguard training for at least 150 transport and energy sector officials and practitioners by 2016	Consultants (International and National)	18,330
1.4 Strengthen country environmental monitoring processes, with protocols and/or guidelines for at least four national systems established by 2016	Equipment	895
<b>Output 2: Management of transboundary biodiversity conservation landscapes and local livelihoods improved</b>	Training	2,610
2.1 Improve and update biodiversity profiles in conservation landscapes, with at least one profile completed by 2013	Surveys	540
2.2 Support value chain development based on ecosystem goods and services, with recommendations for four investment projects by 2015, and testing of interventions in at least three conservation landscapes by 2016	Miscellaneous administration and support costs	4,325
2.3 Strengthen biodiversity conservation corridor management and monitoring in biodiversity conservation landscapes, establishing cross-border management arrangements, including zoning and gazetting plans, in at least three transboundary landscapes by 2016	Contingencies	1,700
2.4 Improve compliance with multilateral environmental agreements on the movement of wildlife, timber, and other natural resources by supporting at least two cross-border initiatives by 2015		
<b>Output 3: Climate-resilient and low-carbon strategies developed</b>		
3.1. Support climate-resilience measures in key development sectors by integrating adaptation considerations into at least two investments by 2014 and by identifying at least two adaptation projects for financing by 2016		
3.2. Support low-carbon strategies and MRV frameworks in energy and transport sectors, with at least three investment proposals developed by 2015		
3.3. Test institutional and financial mechanisms related to low-carbon transport and climate change adaptation for agrarian communities, with pilot projects established in at least three countries by 2016		
3.4. Support country REDD readiness and piloting, with REDD readiness plans supported in at least three countries by 2016		
<b>Output 4: Institutions and financing for sustainable environmental management improved</b>		
4.1 Strengthen capacity for environmental management and monitoring, with particular emphasis on the roles of the WGE and NSUs, with NSUs functional in at least five GMS countries by 2015		
4.2 Policy and institutional support for sustainable financing of conservation and ecosystem management, with at least two payment for ecosystem services scheme initiated by 2015		
4.3 Facilitate PPPs for conservation and ecosystem management, with at least two PPP financing arrangements developed by 2015		

ADB = Asian Development Bank; BCC = Biodiversity Conservation Corridors; CEP-BCI = Core Environment Program and Biodiversity Conservation Corridors Initiative; ECP = economic cooperation program; EMM = environment ministers meeting; EOC = Environment Operations Center; EPA = environmental performance assessment; FAO = Food and Agriculture Organization of the United Nations; GMS = Greater Mekong Subregion; Lao PDR = Lao People's Democratic Republic; MRV = monitoring, reporting, and verification; NSU = national support unit; PPP = public-private partnership; REDD = reduced emissions from deforestation and degradation; SEA = strategic environmental assessment; WGE = Working Group on Environment.

<sup>a</sup> Baselines for selected indicators are available on the EOC website at <http://www.gms-eoc.org/index.php/resources/resource-list.html>.

<sup>b</sup> The performance targets were revised to reflect an increase in the number of investment proposals from three to four.

<sup>c</sup> Additional activity is commensurate to the increase in TA amount.

Source: Asian Development Bank

**LIST OF LINKED DOCUMENTS**

<http://www.adb.org/Documents/MC/?id=44323-xxx-x>

1. Revised Financing Plan
2. Revised Outline Terms of Reference for Consultants