

PROPOSAL FOR PDF "BLOCK B" GRANT

Country: *Regional: Northeast Asia, the five participating countries of the Tumen River Area Development Program (China, Russia, the Democratic People's Republic of Korea, the Republic of Korea, and Mongolia)*

Focal Area: *International Waters/Biodiversity*

Project Title: *Proposal to develop a Strategic Action Program (SAP) Project for the Tumen River Area Development Program and its projected area of impact.*

PDF Funding Request *US\$ 242,440*

Co-funding: *\$10,000 in UNDP Preparatory funds*

Requesting Agency: *United Nations Development Programme (UNDP)*

Block: *PDF Block B*

Block A grant: *No. Given the preparatory work already underway through the UNDP-sponsored Tumen River Area Development Program*

Convention Ratification: *China 5/1/93, Russia 5/4/95, DPRK 26/10/94, ROK 03/10/94, Mongolia 30/09/93*

SUMMARY OF PROJECT OBJECTIVES, DESCRIPTION AND BACKGROUND

UNDP US\$ 2.5M, ADB to be determined

OBJECTIVE:

1. The immediate objective of this project is to develop a proposal for a Strategic Action Programme (SAP) project that builds upon and complements the institutional and programmatic framework put in place by the Tumen River Area Development Programme in Northeast Asia. The long-term objective for the process this project will put in place is to secure global environmental benefits by identifying and implementing incremental programs to conserve international waters and global biodiversity values within the five country region associated with the Tumen River Area Development Programme in Northeast Asia.

The proposed PDF will be primarily a consultative, information gathering process that will serve to lay the groundwork for the preparation of a full SAP development project.

BACKGROUND: The Tumen River Area Development Program (TRADP)

2. The TRADP could become one of the largest international development projects in history, potentially attracting billions of dollars in investment over the long term for new infrastructure (highways, railways, ports), natural resource extraction, manufacturing, and so on. This tremendous growth potential of TRADP is cause for concern over the effect that such development will have on the region's environment and natural resources. Anticipating these concerns, countries participating in the TRADP have signed a Memorandum of

Understanding on the Environment (see paragraph 14) out of which a joint resolution was made to seek funds from the Global Environmental Facility (GEF) for priority areas and effective interventions under the international waters and biodiversity focal areas.

3. The TRADP is a cooperative regional development initiative begun in 1992 by the governments of China, Russia, the Democratic People's Republic of Korea, the Republic of Korea (ROK), and Mongolia ("the participating governments"). At that time, the participating governments requested UNDP's assistance in helping them devise an environmentally sustainable economic and social development program for the Tumen River delta area and Northeast Asia.

4. Due to a truly country driven process catalyzed by 4.5 million in preparatory financing from UNDP, the TRADP has become the major international development initiative in Northeast Asia and has yielded the following specific results:

- a) Some US\$200,000,000 has been committed to the TRADP development efforts and letters of intent have been signed for an additional US\$800,000,000 in investments.
- b) Two major agreements were signed between the five participating governments establishing the first two regional institutions in Northeast Asia. The agreements provide the institutional and legal framework for future economic, social and environmental cooperation in the Northeast Asia region.
- c) A Memorandum of Understanding on environmental principles was signed by all participating governments delineating environmental priorities and commitments by the participating countries to attain environmentally sound, sustainable development in accordance with national and international norms (including requirements of multi-lateral development banks, UN agencies, and so on).
- d) A preliminary Regional Development Strategy enunciating, among other things, the strategy for development of key sectors in the region.
- e) A sense of collaborative momentum and a real foundation for future progress comprised of: participatory working group activities, various reports, a preliminary environmental study.

5. **Regional Focus:**

The geographical scope of the Tumen River Area Development Programme (TRADP) is defined more by the actual and potential economic linkages between participants than by any strict geographical boundaries such as those of a river basin. As a result, TRADP has two levels of geographic focus: 1) the coastal border region centred on the Tumen River where China, DPRK and Russia come together, known as the Tumen River Economic Development Area (TREDA) see Annex 1 for a map of TREDA; and 2) the Northeast Asian hinterlands.

6. The Tumen River serves as the boundary between the DPRK and China in its upper reaches and between the DPRK and Russia nearer the delta. TREDA extends approximately from Chongjin (DPRK) in the south to Vladivostok (Russia) in the Northeast to Yanji (China) in the West -- an area some 200 kilometres north to south and at least 200 kilometres east-west depending on how far the area is extended into the East Sea (Sea of Japan). The second area of geographical focus is the greater Northeast Asia region incorporating eastern Mongolia, northeast China and contiguous regions of the Russian Federation. For the purposes of this project, the scope of these hinterlands has not been delineated. This will be done as part of the Block B.

~~INTERNATIONAL WATERS/BIODIVERSITY~~
The environmental impacts of TRADP-related development will be felt both in and around the TREDAs coastal zone and international waters areas and the broader NEA hinterland. The bulk of the development under TRADP will occur within TREDAs, thus the reason for the International Waters approach here. However a great deal of economic development activity will be occurring in the greater Northeast Asia region under TRADP, potentially impacting globally important biodiversity resources. For this reason, this proposal is being submitted as a dual International Waters/Biodiversity focal area proposal. (for more detail see Eligibility Section, paragraphs 29 - 37)

8. TRADP Goals and Objectives:

Through the TRADP, the overall goal of the participating governments is to accelerate the rate of economic growth and to improve the social welfare of the people of the TREDAs and Northeast Asia. This will be done by working individually and cooperatively to establish and maintain a more attractive investment climate and by facilitating the growth of intra-regional and transit trade while conserving the environmental values of the region.

9. As the TRADP moves into its fourth year, the program objectives are as follows: to support regional cooperation; to help establish and sustain an institutional framework for cooperation; to assist the participating governments in their efforts to improve, coordinate, and progressively harmonise the business enabling environment; to assist in capacity building; to assist in resource mobilization; to support improved environmental management; to assist in promoting sustainable human development.

TRADP Institutional and Programmatic Baseline:

10. Strategies:

After four years of country-driven preparatory work supported by US\$ 4.5 million from UNDP, the implementation phase of TRADP is now beginning. Marking the beginning of the implementation phase, UNDP funded a "Regional Development Strategy for the Tumen River Area and Northeast Asia", outlining the shared vision of the participating governments, strategies for development in the key sectors in the region, progress to date, and the nature of cooperative arrangements among the participating governments. A range of technical feasibility studies, including a preliminary environmental study, and a preliminary study of tourism potential have also been produced.

11. Institutions:

The crowning accomplishment of the TRADP feasibility phase was the signing by the participating governments in December 1995 of three international agreements. Two of these agreements establish the institutional framework for cooperation among the five respective governments (the third is an environmental memorandum of understanding which is described below). The two agreements establish two new, regional institutions: a Consultative Commission comprised of all five participating governments and a Coordination Committee comprised of China, Russia and DPRK (the three riparian governments).

12. The two agreements provide for a central TRADP Secretariat under which the new Commission and the new Committee will conduct their work through three, shared Working Groups: an Environment Working Group, a Telecommunications Working Group, and a Transportation Working Group. These institutions will provide the organizational framework within which future TRADP initiatives will be carried out. Institutional arrangements for

implementation of the MOU are to be consistent with arrangements under the Committee/Commission Agreement. An intergovernmental working group has been functioning since 1993 and will become a permanent joint Working Group of the Commission and the Committee.

The TRADP Environmental Program

13. Environmental Study:

Since the inception of TRADP an important goal has been to assure that any development taking place under the auspices of TRADP is sustainable and environmentally sound. Accordingly, UNDP financed a preliminary environmental study primarily of TREDA. The Chinese Research Academy of Environmental Sciences, assisted by an international expert associated with the Asia Wetlands Bureau, carried out the survey and drafted proposals for action. This study yielded valuable, preliminary information on the environmental implications of development in the TREDA.

14. Environmental Memorandum of Understanding:

At the first meeting of the Program Management Committee (PMC), held at Seoul, ROK in February 1992, a consensus of the participating governments was achieved that "environmental concerns should be addressed early and in all stages of preparation of studies, reports and recommendations for action." To actually do this in practice, it was necessary for the participating countries to agree upon a set of environmental principles. NGOs knowledgeable about the region were consulted informally, and a series of environmental workshops were held with experts from the participating governments to develop a Memorandum of Understanding on environmental principles for TRADP.

15. The MOU on environmental principles delineates environmental priorities and commitments by the participating countries to attain environmentally sound, sustainable development in accordance with national and international norms (including requirements of multi-lateral development banks, UN agencies, and so on). Three objectives are stated in the MOU: (1) that TRADP achieve environmentally sound and sustainable development; (2) that the participating governments coordinate and cooperate with each other to protect and enhance the region's environment; and (3) that TRADP activities be conducted in a manner that does not damage the environment of other states or areas beyond the limits of national jurisdiction.

16. By signing the MOU, the countries have agreed to a wide range of collaborative activities, from conducting EIAs, to data exchanges, to joint monitoring. The Principles mandate environmental assessment on both a regional and project-specific basis, and the preparation of both regional and project-specific environmental mitigation and management plans. The Principles state that the participating governments will provide or seek necessary funding for these activities. The Principles also require the governments to provide opportunities for public participation, adhere to environmental standards set by international agreements, and coordinate implementation (and consider harmonization) of their respective national environmental laws.

17. Finalized and endorsed by the participating governments in Pyongyang in 1993, the Principles were codified in a Memorandum of Understanding on Environmental Principles Governing the TREDA and Northeast Asia. The MOU, initialled in Beijing in June of 1995, was signed in New York on December 6, 1995.

18. These three international agreements -- the MOU and the "Committee and Commission" agreements -- signed earlier this month establish the institutional and legal framework for future economic, social and environmental cooperation in the Northeast Asia region by creating two new regional institutions as discussed above. Equally important, pursuant to the environmental MOU, the participating countries have committed to take a detailed series of actions to protect the region's environment and assure that development in the region proceeds on a sustainable basis. A summary of the environmental obligations undertaken pursuant to the three agreements is provided at Annex 2. At the December 4-5, 1995 TRADP Program Management Committee meeting, the governments called for preparation of an environmental implementation plan to enable them to carry out these environmental obligations.

PROJECT DESCRIPTION:

19. The trans-boundary environmental concerns and additional needed actions are not adequately defined in the Northeast Asia region associated with the TRADP-sponsored development and its potential impacts upon international waters and global biodiversity values.

20. This proposed Block B initiative, to be implemented by UNDP with the full participation of WB and UNEP, will carry-out consultations, consensus-building efforts, public involvement, incremental issue identification, problem definition and analyses -- necessary to effectively prepare a full-scale SAP formulation project proposal. The SAP will in turn identify priority actions to be taken by the participating countries, GEF incremental opportunities, and other multi-lateral and bilateral institutions.

The Block B PDF will be conducted in such a way as to:

- utilize the institutional framework for regional cooperation already developed by the TRADP, as elaborated in the international agreements and environmental MOU, and newly created institutions as described above;
- be shaped by consultations to be held between UNDP, the World Bank, UNEP, and the five Participating Countries to develop and confirm the appropriateness of a SAP formulation approach;
- coordinate with ongoing UNDP and UNEP regional seas and marine pollution projects, the UNDP/GEF project on Prevention and Management of Marine Pollution in East Asian Seas, and benefit from GEF Pilot Phase experiences related to the management of transboundary water bodies (e.g., the Black Sea; the Danube River Basin; the Red Sea and Gulf of Aden; and the Caspian Sea);
- benefit from other cumulative activities undertaken by UNDP during the development of the TRADP such as: environmental workshops, a preliminary environmental study and other pre-investment feasibility studies conducted under the auspices of UNDP for TRADP, as well as any germane work WB-GEF China Biodiversity Project and the WB-GEF Russia Biodiversity Project;
- utilize precedents established by other environmental protection and cooperation

initiatives in Northeast Asia, such as: meetings of senior officials on regional environmental cooperation for Northeast Asia, the Northeast Asian Conference on Environmental Cooperation, the Northeast Asia-North Pacific Environmental Forum and the Asia Pacific Economic Cooperation Group (APEC);

- ensure complementarity with the Action Plan for Protection and Development of the Marine and Coastal Areas of the East Asian Region (UNEP) and the Northwest Pacific Action Plan (NOWPAP) (UNEP);

Roles of the Implementing Agencies:

21. The TRADP has been a UNDP-sponsored initiative. The participating governments have asked UNDP to continue in this capacity during the next phase of the Program. However, this proposal is intended to be the nexus between the UNDP-sponsored feasibility phase (now ending) and the implementation phase just beginning. The implementation phase requires a truly collaborative, complementary approach to the TRADP by all three Implementing Agencies (IAs). Through this Block B effort, each of the three IAs will cooperatively define their respective substantial roles, commensurate with its mandate and comparative advantage. Each IA will have equal representation on the Task Force for Project Preparation (see paragraph 22).

Implementation Arrangements

22. The Block B will be implemented through a Task Force for Project Preparation. This task force will be comprised of one Ministry of Environment representative from each country, representatives from each of the IAs, and the project Chief Technical Advisor (consultant). The Task Force will, to the extent possible, be drawn from the TRADP Environment Working Group mentioned above. The task force will meet twice (at the beginning and the end) during the duration of the Block B project.

DESCRIPTION OF PROPOSED PDF ACTIVITIES

23. All the activities proposed below are preliminary in nature, designed to prepare a full-scale SAP development project document. They will build upon and be complementary to the extensive preparatory work already undertaken by the five TRADP countries and UNDP. The following activities are proposed:

a. Coordination and Steering of Project Development.

Activity 1: Develop process and mechanisms for IA coordination/involvement in SAP. Establish a working group or steering committee consisting of representatives from the five participating countries and the three IAs. Assess how working group can dovetail with the work of the TRADP Secretariat, Committee and Commission, and Environment Working Group.

Activity 2: Building upon the TRADP country endorsed priorities for action, coordinate with nascent TRADP-sponsored efforts to develop a regional environmental mitigation and management plan (EMMP) and country-specific programs relating to areas of concern.

Activity 3: Compile relevant bibliographic information and list of contacts in local and international NGOs with an interest in environmental protection of the region and

- Identify information networking and management needs.**
- b. Background Analysis of Trans-boundary Issues, Regional Issues, and Existing Institutional Framework**

Activity 4: Build upon existing analyses of potential environmental "problems" or "needs" in TREDAs and take the first process of expanding the scope of the analysis to include those areas likely to be impacted by TRADP-inspired activities within the four country area, related to: international waters, and biodiversity conservation.

Activity 5: Determine the process, within the established framework, for conducting ongoing trans-boundary analyses of international waters and biodiversity issues.

Activity 6: Assess feasibility of integrating the SAP development process with the implementation of the TRADP environmental MOU (TRADP Secretariat). This would include, *inter alia*, public participation program, EA procedures, institutional arrangements and capacity-building training.

Activity 7: Coordinate and consult with other countries and institutions in the region not participating in TRADP (e.g., Japan and the Asian Development Bank, NOWPAP and other related Northeast Asia regional environmental programs) and with NGOs (both local and international) to identify country-based responses and priority actions.

Activity 8: Conduct preliminary assessment of regional and national environmental infrastructure needs.

- c. Determine SAP Development Processes**

Activity 9: Develop recommendations for a transparent, participatory SAP development process involving all stakeholders.

Activity 10: Hold discussions and secure consensus and understanding within and between the participating countries to prepare for the SAP development process on the national level. This will include the development of mechanisms for national level coordination and consultations in order to identify -- together with government bodies, scientific and academic institutions, NGO's and local communities -- country based responses, priority areas, and priority actions for protection of the environment and promotion of sustainable development in the affected region.

Activity 11: Determine how existing, germane IA and other multi-lateral and bilateral projects in the region can be built-in to SAP development process

- d. Institutional Strengthening in Preparation for SAP Development**

Activity 12: Strengthen capacity of TRADP Institutions (Secretariat, Commission, Committee, environment Working Group) and/or other necessary institutions to assist in the formulation of SAP.

- e. Preparation of Terms of Reference.**

Activity 13: Prepare full SAP Development Project Proposal.**BLOCK "B" OUTPUTS**

- A full project document along with a brief detailing approach to be taken in the formulation of a Strategic Action Program under the International Waters and Biodiversity focal areas. (Proposal to be a joint submission of the three Implementing Agencies)

Identification of SAP development partners

ELIGIBILITY

24. The proposal comports with the GEF "Draft Operational Strategy" of November 1995 as delineated in Chapters 1,2 and 4 regarding GEF's strategic emphases and the International Waters and Biodiversity Focal Areas. Each one of the participating countries have signed and ratified the Convention on Biodiversity.

25. The proposal will incorporate the priorities delineated by other international environmental agreements to which some or all of the participating governments are signatories (including the Ramsar Convention), and conferences such as the Asian Wetlands Conference held in Malaysia in the Fall of 1995. Russia, China, DPRK, and ROK are active participants in international wetlands initiatives as evidenced by their participation in East Asian wetland and waterbird conservation conferences.

International Waters

26. The TREDAs encompass: the Tumen River delta, other riverine and coastal wetlands and transboundary coastal seas. The TREDAs are an important area for biodiversity in Northeast Asia. The Tumen River and the coastal seas (e.g., the East Sea) of TREDAs are "international waters" as defined by the GEF Operational Strategy.

27. The upper reaches of the Tumen River form the border between the DPRK and China, while in its lower reaches it forms the border between the DPRK and Russia. Tumen River water flows into an internationally important coastal wetland complex (the Tumen River wetlands) on the border of the PRC, DPRK and the Russian Federation.

28. The marine environment of the TREDAs can be divided broadly into Peter the Great Bay (including Possiet Bay, Expedition Bay, Novogorodskaya Bay, Reyd Pallada Bay and outer Possiet Bay) in the Russian Federation, extending from the vicinity of Vladivostok in the north to the Tumen River mouth in the south, and the coastal shelf of the northern DPRK. The coastal seas offshore from northern DPRK and the southern part of the Russian Primorsky Territory (approx. 200 km) are "shared." Water discharged at the mouth of the Tumen river joins the Korean Current flowing north into the shallow, environmentally sensitive Possiet Bay system in Khasan District in the Russian Federation. Water discharged along the northern coast of the DPRK probably follows this same course.

29. The Possiet Bay marine environment has high levels of biodiversity and is the most

productive area in the East Sea (Sea of Japan)¹. Recognizing the importance of this area, the Russian Government has established at the mouth of Possiet Bay (and within the TREDA) the Dalnevostochny Reserve, the only marine reserve in the Russian Far East.

Biodiversity Issues

30. Implementation of the biodiversity-related aspects of this proposal will be guided by priority concepts delineated by the Biodiversity Treaty and the GEF Operational Strategy (Operational Programs and priority activities): the importance of the need to promote regional cooperation among states; the need to integrate sustainable use with biodiversity conservation; the need to promote the protection of ecosystems, natural habitats and the maintenance of viable populations of species in natural surroundings; the need to integrate consideration of the conservation and sustainable use of biological resources into national decision-making; and the need to promote the international/regional scientific cooperation in the fields of conservation and sustainable use of biodiversity.

31. A preliminary environmental study of TREDA² indicates that environmentally sensitive areas include coastal wetlands in the Primorsky district of the Russian Far East and in DPRK, the Tumen River itself, cold-temperate, temperate, and warm-temperate forest ecosystems, and coastal waters of the East Sea.

32. TREDA lies in a region of globally significant biodiversity values in the Amur-Sakhalin/Manchurian bioregion. It includes a wide range of ecosystems, many of which are themselves regionally or globally significant. Examples are:

the temperate mixed coniferous and broad-leaved forests with high levels of endemism among their plants and insects, 53 species of mammals and 280 species of birds.

- the Tumen River/Possiet Bay wetlands meet all of the Ramsar Convention criteria for wetlands of international significance³. The entire area is situated at the northern end of the East Asian Flyway for wading birds that extends from southern Australia through Southeast and East Asia to northern Russia, including those which are threatened and endangered potentially protected by the Ramsar Convention.

33. Thorough surveys of the biodiversity in TREDA are needed. However, if the avifauna could be taken as an indication of the overall biodiversity the prospects are large. Approximately 46 species of rare, threatened or endangered birds occur in the Russian sector of TREDA. 225 species of birds have been recorded in the Chinese sector of TREDA -- 19% of all bird species known to occur in China. In addition, the TREDA includes a good deal of the remaining habitat for the extremely rare and endangered Siberian Tiger (population estimated between 200-400) and the Amur leopard (30-40). The Tumen River is home to three endemic species of fish. Various threatened or endangered reptiles and plant

¹ Claridge, G., Xia, Q., Zou, S., Li, H., et al. 1994. Tumen River Area Development Programme Preliminary Environmental Study. UNDP/Chinese Research Academy of Environmental Sciences. Unpublished. Beijing, P.R. China.

² Ibid.

³ Ibid

species rely on habitat within TRED A itself, as do the White-naped crane and the Japanese crane⁴.

34. There are three State Nature Reserves in the Russian sector of TRED A: 1) the marine reserve discussed above; 2) the oldest protected area in Russia, the Kedrovaya Pad reserve protects a range of endangered flora and fauna as well as a representative sample of the Amur-Sakhalin Bioregion -- some of the richest and most unusual temperate forests in the world; and 3) the Barsoviy Zakaznik reserve was established to protect the world's remaining Amur leopards.

35. Within the Chinese sector of TRED A there are four nature reserves. The most significant is Laoyeling Reserve which is contiguous to Russia's Barsoviy Zakaznik reserve and seeks to protect the Amur leopard and Siberian tiger.

Impacts Beyond TRED A

36. TRADP-inspired economic activity will impact various ecosystems, habitats, and species far beyond the borders of the TRED A itself. This broader, Northeast Asia region -- the Amur-Sakhalin/Manchurian and Mongolian bioregions -- to be impacted by TRADP harbors a number of globally significant ecosystem and species level biodiversity resources. The region straddles the transition zone where sub-arctic species dip south and various temperate species reach their northern-most distribution, further contributing to high diversity levels.

37. Numerous animals and plants are endemic to the Amur bioregion, which lies in the extreme southeast of the Russian Federation and is contiguous to China's Manchurian region. Many of these species are rare and/or threatened with extirpation or extinction⁵. Some of these species are: the Red-crowned crane *Grus vipio*, White-naped crane *Grus leucogranus*, the Japanese crane *Grus japonensis*, the Amur sturgeon *Acipenser medirostris*, Steller's sea eagle *Haliaeetus pelagicus*, Blakiston's fish owl *Ketupa blakistoni*, Siberian spruce grouse *Falcpennis falcpennis*, the Amur forest cat *Felis eupillura*, the Amur leopard *Panthera pardus orientalis*, and the Siberian tiger *Panthera tigris altaica*. Several hundred species of vascular plants, ferns, lichens, liverworts, mosses and fungi are considered rare, endemic, and/or threatened.

38. There are several reserves in the Chinese, Mongolian, and Russian sectors respectively of the TRADP Northeast Asia region. Globally significant, large-scale ecosystems and biodiversity assemblages occur in the northeast asian region as well. The Amur region contains some of the world's richest and most unusual temperate forests.⁶ To the southwest of TRED A, in the headwaters of the Tumen River, is the Changbai Shan forest region, one of the major centers of biodiversity in China and a Biosphere Reserve. In eastern Mongolia, over one million gazelle *Caprus guttorosa* migrate freely across some of the world's last remaining undisturbed, temperate, dryland/grassland ecosystems. This grassland ecosystem is globally unique by virtue of it being one of the largest, least disturbed

⁴ Ibid.

⁵ Krever, et al. 1994. Conserving Russia's Biological Diversity: An Analytical Framework and Initial Investment Portfolio. World Wildlife Fund. Corporate Press. Landover, Maryland, U.S.A. pp. 118-120.

⁶ Ibid.

and most pristine temperate grassland ecosystems left on earth.⁷

NATIONAL LEVEL SUPPORT

39. This regional proposal is strongly supported -- indeed is being pushed -- by all of the TRADP participating governments as a national and regional priority in keeping with their respective national policies. In June, 1995, all five of the participating countries expressly endorsed the preparation of GEF Block B proposal to assist them in finalizing a project to protect international waters and conserve biodiversity in the potentially impacted region. At the same time, all of the Governments initialled two international agreements and an environmental MOU governing TRADP. The international agreements commit the participating countries to sustainable development of the region.

40. This general obligation is further elaborated under the MOU, pursuant to which the countries will, *inter alia*, perform coordinated environmental assessments and environmental mitigation and management plans, gather and exchange environmental information relating to the region, prepare and adopt necessary laws, agreements and policies for sustainable development of the region, and provide or seek necessary funding for these activities.

41. In broader sense, the TRADP participating governments have demonstrated their growing commitment to the goal of increased regional cooperation on environmental issues in Northeast Asia in other fora. These initiatives include an ongoing series of intergovernmental meetings on regional environmental cooperation sponsored by UNDP and ESCAP, a UNDP/GEF project on marine pollution in East Asia Seas, a UNDP/GEF/ADB project on greenhouse gas abatement.

Note: The BACKGROUND information given up front is also intended to provide ample evidence of the level of national involvement and support for this whole process.

JUSTIFICATION

42. This document describes the significant amount of cooperative effort and financial resources that have been expended to date in developing the entire TRADP effort. However, the TRADP is just now entering its implementation phase. While the institutional arrangements for TRADP have been approved by the participating countries, they currently exist primarily on paper. The participating countries, while making great strides with the TRADP, do not have a history of cooperating with one another. The Environmental MOU has been signed, but the implementation strategy has yet to be developed and the "nuts and bolts" have yet to be worked out.

Given the complex, regional nature of this program, and the fact that TRADP is in the early stages of its implementation phase, a PDF Block B grant is necessary to develop a full SAP formulation project proposal.

43. Urgency:

There is a real sense of urgency related to the need to establish proactive, preventive measures. TRADP progress has not been limited to planning and institutional development. US\$ 200,000,000 have been committed to development of TREDAs to date, with an additional US\$ 800,000,000 in potential investment interests expressed. Investment approval

⁷ Schaller, G. 1995. Personal Communication.

processes are being streamlined. New transportation infrastructure is being actively planned (e.g. a rail line to be built across eastern Mongolia's globally unique grassland steppe). Development is already occurring on the ground in TREDAs and Northeast Asia region, including road and rail building and certain industrial activities. The need for proactive, sustainable development planning and action (coordination and land-use planning) is now.

44. Now -- at the beginning of the implementation phase of TRADP when the two new regional institutions are being launched and major efforts to upgrade infrastructure and attract investment to the region are being made -- is an extremely opportune time for the GEF to provide funding leading to development of a full project brief for preparation of a Strategic Action Program for the region. GEF intervention at this time will enable the participating countries to build upon the framework established by the international agreements and environmental MOU and to conduct preparatory activities necessary to develop full-fledged, concrete projects (fundable by the GEF, other multilateral and bilateral sources and private sector resources) to protect global and regional biodiversity and international waters.

45. Moreover, GEF intervention at this early stage of economic investment in the region will make it possible to implement effective strategies to prevent degradation of international waters and loss of biodiversity, while these adverse effects are still preventable. Postponing such intervention until later stages of economic development of the region runs the risk that such intervention will be significantly less effective or ineffective at preventing irreversible impacts on these vital resources of Northeast Asia.

46. The following threats are likely to be faced as development pressure increases in TREDAs and the surrounding areas within China, Mongolia, Russia and North Korea:

- pollution of the Tumen River and regional seas;

Pollution of international waters is likely to have significant impacts on biodiversity due to resulting degradation of critical habitat, according to the UNDP-sponsored preliminary environmental study conducted for TRADP. The internationally significant marine, coastal and wetland ecosystems in the southern Primorsky Territory are dependent on the quality of the water body moving north from the DPRK. Equally significant, pollution from development activities in TREDAs are likely to have impacts on international waters beyond TREDAs' boundaries, for example, in Republic of Korea and Japan, which share the East Sea.

- land degradation in the Tumen River Basin;
- degradation of critical habitat in the greater Northeast Asia region (wetlands, grasslands, forest);

For example, eastern Mongolia's globally unique temperate grasslands are targeted for infrastructure development under the TRADP, possibly having major impacts on a globally unique grassland ecosystem.

- access for extractive economic activity to previously inaccessible regions (eastern Mongolia, Amur area) through the construction of new rail lines and highways.

47. More specifically related to the GEF Operational Strategy, the project will begin the process of ensuring the sustainability of global environmental benefits by focusing on the development of long-term measures to promote and strengthen: the respective countries' environmental laws and policies; regional institutional arrangements to carry out the environmental commitments made by participating countries; staff effectiveness; and public participation and consultation with NGOs, local communities and other stakeholders throughout the development planning and implementation process for the region.

48. Diversify GEF Portfolio

The project will diversify the GEF portfolio because implementation of the activities proposed will not only provide benefits for Northeast Asia but will serve as a model for other regions where shared water bodies and biodiversity are threatened. The project will complement -- not substitute for -- traditional sources of development funding for regional environmental cooperation in Northeast Asia (which funding has to date been quite limited) and will seek to identify additional public and private funding sources.

49. The SAP, to be developed in the resulting project, is intended to facilitate effective responses on behalf of a wide variety of entities to address global environmental issues related to the TRADP. The SAP will provide a catalytic framework and practical, programmatic approaches to bring far more resources to bear in assisting the TRADP countries in strictly minimizing the pollution of international waters, degradation of relevant coastal areas and adverse impacts upon the globally unique biodiversity in the broader area of Northeast Asia likely to be impacted by the TRADP.

TIMETABLE

50. Given a starting date for this effort of April 1996, all activities in this proposal should be completed by November of 1996. Upon completion of the PDF supported activities, and identification of additional sources of funding (including GEF), a full project proposal would then be submitted for consideration to GEF OP by February 1997 and to the Council by April 1997.

BUDGET

51. The requested PDF Block B grant of US\$242,440 would be used to carry-out the activities as they are listed above. Upon approval of this request, detailed Terms of Reference will be prepared for individual experts.

	Estimated Cost	UNDP
Implementing Agency Coordination (Activities 1-3) Costs to be born by individual IAs.		
Background Analysis of Transboundary Issues (Activities 4-13) (Activities 14-15 costs reflected in related meeting and consultant costs)		
1 Int'l Consultant (Mongolia work)	18,000	
1 Int'l Consultant (China-DPRK work)	18,000	
1 Int'l Consultant (Russia work)	18,000 ^a	
1 CTA (Overall Coordination, + ROK work) (half-time for 10 months)	60,000	
4 Nat'l Consultants, (20 mm total) (China, Russia, DPRK, Mongolia)	20,000	
1 Environmental Legal Specialist (1 month)		10,000
National Workshops^b (2 per Mongolia, DPRK, China, & Russia)	40,000	
Initial and Final workshops in NE Asia to wrap-up SAP proposal¹⁰	50,500	
Sub-total	224,500	
Executing Agency Costs (8%)	17,940	
Sub-totals:	US\$ 242,440	10,000

Total 252,440

^a Costs reflect two missions to the region -- to each country in the region, involving extensive consultations, information gathering and analysis.

^b National workshops

¹⁰ This will enable representatives from all three IAs to attend the final wrap-up meeting in the region.

SPECIAL FEATURES

52. This proposal represents a unique opportunity. Five countries of Northeast Asia have been working for three years to develop a regional, sustainable development program. These countries have now requested GEF assistance in identifying development options with clear incremental opportunities to protect global environmental values.

53. TRADP represents a program of unprecedented importance to the future of Northeast Asia. In view of the lack of cooperation between and among many of these countries in the past, the widely varying levels of development in the region, the abundant human and natural resources and enormous potential for growth in Northeast Asia, and the high level of environmental sensitivity of certain portions of the region, the institutional and legal framework for cooperation forged under TRADP is expected to play a critical role in setting the area's future economic--and environmental--course.

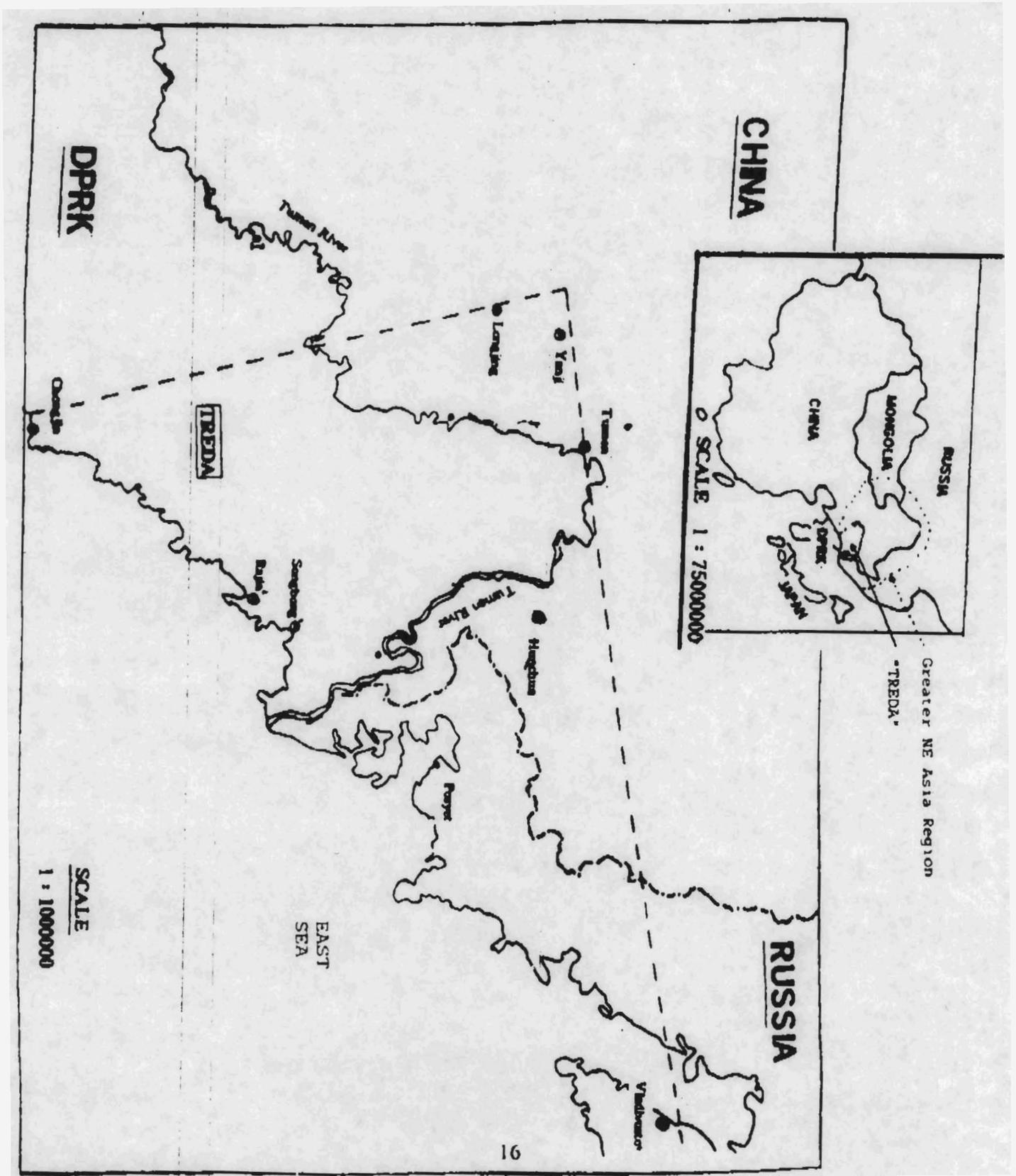
54. Rarely does GEF have the opportunity to assist a multi-country economic development initiative in developing effective environmental protection strategies and programs that are derived from a newly established institutional and programmatic baseline. This is an unparalleled opportunity to prevent the degradation of international waters and globally significant biodiversity resources by integrating national and global resources (incremental costs) from the beginning of the implementation of the TRADP.

55. This PDF proposal will provide: an integrated and comprehensive approach to management of the TRADP region and areas of Northeast Asia impacted by TRADP; actions to mitigate transboundary impacts; global and regional environmental benefits in terms of international waters and biodiversity conservation.

56. The proposed PDF will be informed by successful GEF initiatives for management of shared and transboundary waters in other regions. These initiatives include: Environmental Management and Protection of the Black Sea, Environmental Management in the Danube River Basin, and Strategic Action Programme for the Red Sea and Gulf of Aden Region.

57. This proposed PDF will set a precedent in Northeast Asia that will serve as a model for future regional international waters projects (especially for integrated land, water, multiple focal area programs under the GEF) in the Asian region and other regions. Indeed, this GEF proposal will provide a particularly useful model in dealing with varying levels of development and environmental management capacities, and because TRADP encompasses both private and public sector actors.

ANNEX 1: Map of TRED A and the Region



ANNEX 2: A summary of the environmental obligations**Environmental Obligations Under TRADP International Agreements and Memorandum of Understanding**

The Consultative Commission Agreement provides, in pertinent part, that the Contracting Parties affirm their common interest to "attain greater growth and sustainable development for the peoples and countries of Northeast Asia and TREDA in particular." The Contracting Parties further agree that the Commission established under the Consultative Commission Agreement "shall...promote...environmental and technical cooperation" among their peoples and countries. The Agreement also provides that the Consultative Commission "shall identify common interests and opportunities for cooperation and sustainable development...and promote investment in Northeast Asia and (TREDA) with respect to..environment...."

The Coordination Committee Agreement similarly affirms the Contracting Parties' common interest in attaining greater growth and sustainable development. It states that the Coordination Committee "shall consult about, and provide coordination for ...environmental...issues raised by any Contracting Party related to its sovereign rights."

The MOU elaborates on the Contracting Parties' commitments to sustainable development and environmental cooperation in a number of significant ways. First, the Contracting Parties:

"affirm their intention to cooperate and coordinate with each other to protect and enhance the environment of the Region and to conduct all development activities in the Region in a manner that does not damage the environment of any Contracting Party, of any other state or of areas beyond the limits of national jurisdiction."

Second, the Contracting parties agree to undertake national, coordinated and joint efforts to collect, share and analyze environmental data on the Region and to fill in data gaps.

Third, they agree to conduct a regional environmental assessment ("EA") and to prepare jointly a regional environmental mitigation and management plan ("EMMP") with respect to development plans for the Region as a whole, as

well as to conduct and prepare project-specific EAs and EMMPs, respectively, in consultation with each other. The MOU specifies that the EAs and EMMPs will be conducted in accordance with internationally accepted procedures and guidelines and that the Contracting Parties will cooperate and coordinate with each other to implement the EAs and EMMPs. The regional EMMP is to include appropriate measures, "including but not limited to land use management planning," and a schedule for their implementation, for addressing number of important environmental issues, as further detailed in Section 1.4 of the MOU.

Fourth, the Contracting Parties agree to prepare and adopt "appropriate national laws, regulations, bilateral and multilateral environmental agreements and/or policies, including regional, sub-regional and national institutional arrangements" if needed to attain sustainable development of the Region. They further agree to "coordinate with each other regarding implementation of their respective national environmental laws with respect to their activities in the Region and to consider proposals for progressive harmonization of such laws.

Fifth, the Contracting Parties will, individually and in cooperation with each other, "strive...to meet the objectives of international agreements and norms with respect to their activities in the Region."

Sixth, the Contracting Parties agree to cooperate with each other to strengthen capacity-building for sustainable development through a variety of means specified in Section 2.3.

Seventh, the Contracting Parties "will consult with, give access to information to, and provide opportunities for involvement by affected citizens and interested NGOs at appropriate stages of the development and environmental planning processes for the Region."

Eighth, they will provide or seek funding for preparation of EAs and EMMPs and to carry out their other environmental responsibilities under the MOU.

Ninth, they will agree on institutional arrangements to implement the MOU, consistent with institutional arrangements specified in the Consultative Commission Agreement.

Other miscellaneous obligations relating to the environment are detailed in the MOU.