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**FRAMEWORK FOR THE NORTH-EAST ASIAN SUBREGIONAL PROGRAMME OF
ENVIRONMENTAL COOPERATION:
INSTITUTIONAL ASPECTS AND THE FEASIBILITY OF ESTABLISHING A TRUST
FUND**

(Item 5(b) of the provisional agenda)

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I. INTRODUCTION

1. Recalling the resolution 52/8 endorsing the Regional Action Programme for Environmentally Sound and Sustainable Development, 1996-2000 as adopted by the Third Ministerial Conference on Environment and Development in Asia and the Pacific and the UNEP decision in February 1997 on the Framework for the North-East Asian Subregional Programme of Environmental Cooperation (hereafter the Framework) adopted in September 1996 by the Third Meeting of Senior Officials (hereafter SOM) on Environmental Cooperation in North-East Asia, the Economic and Social Commission for Asia and the Pacific (hereafter ESCAP) at its annual meeting in April 1997 welcomed the Framework and called upon the participating parties to it "to work towards practical institutional and financial arrangements for the Programme, as appropriate, including striving to reach a consensus on establishing a trust fund to be funded by donors, collaborating agencies and participating parties on a voluntary basis."

2. Since the Fourth SOM has one of the important agenda items, the institutional and financial arrangements for intensifying the subregional cooperation on environment in North-East Asia, this paper intended to serve as a basis for consultations among the participating countries to arrive at appropriate practical mechanisms.

II. MAJOR ENVIRONMENTAL ISSUES AND POLICY MEASURES IN NORTH-EAST ASIAN COUNTRIES

3. As discussed in the Regional Action Programme for Environmentally Sound and Sustainable Development 1996-2000 and the report on State of the Environment in Asia and the Pacific 1995 by ESCAP and Emerging Asia 1997 by the Asian Development Bank (ADB), North-East Asian countries have been increasingly confronted with diverse environmental problems and all the national governments have begun to deal with those problems in a much more serious manner than in the past.

4. All the countries participating in the NEASPEC, i.e. the People's Republic of China (China), the Democratic People's Republic of Korea (DPRK), Japan, Mongolia, the Republic of Korea (ROK) and the Russian Federation (Russia) have been increasingly exposed to the serious problems of air, water and soil pollution. The problems of the so-called Brown Pollution are affecting the North-East Asian countries in varying degrees. Commonly responsible for the rapid deterioration in the quality of air, water and soil particularly in urban, industrial areas in the subregion have been the high rates of economic growth, the rapid industrial development heavily oriented toward energy- and materials-intensive, heavy and chemical industries and the

government policies promoting such development both to provide their people with higher per capita income and living standard and catch up with more advanced industrial countries.

5. During the 1960s-90s measures have been taken by the governments of this region to deal squarely with these brown pollution problems as they became serious to the extent of damaging the health of workers, their families and the urban and industrial communities and the prospect of sustained economic and industrial growth of their own countries. The rising pressures of the international community as shown in the United Nations Conference on Human Environment held in Stockholm in 1972 and a series of international protocols, conventions and agreements since then, and the United Nations Conference on Environment and Development (UNCED) and its Agenda 21 as agreed upon in Rio de Janeiro in 1992, have urged the governments to take necessary measures against environmental degradation.

6. While major policy measures taken by the national governments of this region have varied in kind and strength, their approaches have been in common in terms of: 1) introduction and strengthening of environmental laws and regulations, 2) installation, streamlining and reinforcement of government capacity, national and local, for environmental assessment, policy formulation, implementation, monitoring and evaluation, including establishment of national and local environment agencies 3) introduction of fiscal and financial incentives and disincentives for environmental protection by private sector and individual households, 4) establishment and/or improvement of environmental information network, 5) strengthening of environment and related research, and 6) intensification of environmental awareness and education in and out of schools.

7. In addition to brown pollution problems resulting from rapid economic and industrial development, there has been an increasing emergence in this region of “green pollution” problems such as deforestation and desertification. Like in case of brown pollution problems, governments of North-East Asian countries have been taking various measures for solving green pollution problems with varying degrees of success.

8. New environmental problems of urban and household pollution such as emission of CO₂, SO_x and NO_x, household wastes and noise have increasingly emerged in the subregion. They are commonly called “white pollution” problems, arising in the major part from the lifestyles and consumption patterns based on mass production, mass consumption and mass waste which have become entrenched in industrial countries and increasingly spread to developing countries. The urban lifestyles giving priority to convenience, comfort and mobility, the rapid pace of urbanization resulting from concentration of economic and administrative activities and leading to higher population density and traffic congestion in downtown areas with cultural, educational and entertainment facilities and the rapid pace of suburbanization requiring the installation of

energy-intensive transport and communication systems for daily commuters have also intensified the white pollution problems.

9. On top of all these brown, green and white pollution problems, global environmental problems such as global warming, ozone layer destruction, marine pollution and biodiversity reduction have now become an increasing concern to the North-East Asian countries. While solution to national environmental problems has continued to attract government's top priority, global environmental concern has been on the increase in all the other North-East Asian countries since UNCED. The increasing recognition of the negative contribution to the state of global environment lies behind a series of government initiatives of these countries in mobilizing the support of local governments, private sector, academia, research institutions and nongovernmental organizations (NGOs) in environmental cooperation. The particular initiative to note are the NEARSPEC since 1993, North-East Asian Conference on Environment Cooperation since 1992. The Environment Congress for Asia and the Pacific (ECO ASIA) since 1991, the Acid Deposition Monitoring Network in East Asia since 1993 have contributed to the promotion of environmental cooperation.

10. Reflecting on the outcome of the Rio Plus 5 meeting in Rio de Janeiro in April 1997 and at the Special Session of the United Nations General Assembly in June this year and the need for urgent national and international actions regarding the Agenda 21, the international community is looking forward to serious national and international actions including those related to the COP3 in Kyoto in December 1997 with a positive international consensus on climatic change for the decade beyond 2000.

III. MAJOR SCOPE FOR ENVIRONMENTAL COOPERATION IN NORTH-EAST ASIA: LESSONS FROM SUBREGIONAL ENVIRONMENTAL COOPERATION PROGRAMMES IN THE ESCAP REGION

11. It is well known that most environmental problems, whether brown, green, white and global, go far beyond national boundaries and become international in nature. This is particularly true for those environmental problems related to pollution of the atmosphere, seas, international river basins and the overexploitation of migratory fauna. Their solution requires close and effective cooperation among neighbouring countries. Also, pooling of financial and technical resources among those countries concerned can be quite effective in seeking practical solutions to common environmental problems.

12. There are a number of intergovernmental mechanisms and institutions in the Asian and Pacific region established to promote subregional cooperation in environment. They are the South Asian Cooperative Environmental Programme (SACEP), South Pacific Regional Environmental Programme (SPREP), the Coordinating Body for Southeast Asian Seas (COBSEA) and the Northwest Pacific Action Plan (NOWPAP). In addition, the ASEAN Senior Officials on Environment (ASOEN) is functioning as part of the ASEAN Secretariat. A further elaboration on their arrangements is given in **Annex I**. These subregional institutions invariably have set forth their objectives at enhancing national and subregional planning and decision-making capacity and accelerating the implementation of both country-specific and subregional cooperation projects in environment. It is worth noting that each and every country participating in these subregional cooperation programmes does belong to respective subregional institutions foremost to strengthen and improve their cooperative arrangement and their own national planning and implementation capacity in environment. The secretariat for COBSEA is the Regional Coordinating Unit located in Bangkok.

13. In nearly all cases, they have selected some priority areas for project identification and implementation, such as integration of environmental concerns into development planning and implementation process, environmental management, nature conservation, industrial pollution control, marine pollution control, urban and household waste control and environmental education, training and information. Under the overall direction of intergovernmental governing body with coordinating functions among the participating countries and negotiating functions vis-a-vis external donors, they have established a servicing body in the form of a permanent secretariat as with SPREP and SACEP, or on a rotating basis in case of ASOEN to carry out day-to-day activities assigned by the governing body including assistance to implementing and monitoring subregional projects.

14. All the subregional programmes have made some progress since their respective inceptions in formulating and implementing subregional projects of common interest to two or more of the participating countries. In pursuing their respective objectives of promoting subregional cooperation in environment, these subregional organizations have emphasized, with a varying degree of success: 1) information collection and exchange, 2) training and capacity building, 3) technology transfer, adaptation and development, 4) partnerships in institution building and 5) partnerships in policy development, testing and evaluation.

15. Another feature of the subregional cooperation projects in environment undertaken by subregional institutions in the Asian and Pacific region has been a heavy emphasis on, and orientation to, joint studies on policies and operational implications, rather than experimental projects and guideline development in directly reducing or eliminating environmental degradation

whether in air, water, soil, noise, congestion or biodiversity. In this respect, a lot can be learned from a number of activities carried out by NGOs in such areas as raising public awareness for environmentally sustainable development and concrete remedies for specific sources of environmental degradation, all working in close cooperation with local communities and favouring a participatory approach to environmental improvement.

16. While these NGO projects tend to be country, area or community-specific and in that sense are not generally aimed at promoting environmental cooperation on a subregional basis, their results can provide good lessons for other countries, areas and communities concerned with similar environmental problems and inadequate institutional and financial capacity, thus contributing to environmental cooperation at a subregional level.

17. In this connection, it is also advisable to study the concrete steps being undertaken by many cities in the form of local initiatives for international cooperation in environment in North-East Asia. They include among others the promotion of twinning arrangements between two or more cities with support from participating governments, private sector, academic and research institutions and NGOs. A number of concrete examples of local government initiatives can be given between China, Japan, Mongolia, ROK and Russian Federation for twinning cities in the coastal shores and inland.

18. Besides these twinning arrangements for environmental cooperation, a number of local governments in the NEARPEC member countries have established international environmental cooperation centres for providing an information network, conducting joint research and training programmes, promoting technology transfer through on-the-job training and internship programmes and holding international seminars, workshops and conferences.

19. These local initiatives for environmental cooperation in North-East Asia have been made possible because of: 1) a strong initiative by top political leadership in local governments, 2) rich experiences of people-to-people exchange at all levels for a sustained period of time, 3) long-term exposure and struggle among local residents to environmental degradation, leading to a common concern for sharing the know-how in environmental policy formulation, implementation and monitoring as well as in environmental information collection, analysis and evaluation and technology transfer, adaptation and development, and 4) financial, technical and administrative support of the cooperating countries, private sector, academic and research institutions particularly in local communities. Also, it is interesting to observe that each of these local initiatives in environmental cooperation has been focused in terms of priority sectors and modalities of cooperation on those areas in which the local governments, private sector and academic and research institutions concerned have had comparative advantage.

20. Tangible results in the immediate future have been observed in nearly all these programmes whether in the legislation and revision of environmental laws, regulations and ordinances by cooperating local governments, organizational reforms and increased budgetary allocation in local government administration in favour of environmental protection and improvement, the reinforcement of environmental education and research activities, the birth and strengthening of environmental NGOs in cooperating communities, the improvement in the technical and administrative quality of local government staff, private- and public-sector enterprise personnel and engineers engaged in environmental management, the expansion of reforested areas and nature parks, a perceptible improvement in the quality of air, river and lake water and household waste disposal facilities.

21. Longer-term benefits and the mutuality of interests sought after by these local initiatives have resulted in a steady improvement in the quality of air water and soil to ensure both reduction in health hazards and a long-term health of the people in cooperating communities as well as long-term environmentally sustainable development of the cooperating communities and countries.

These long-term benefits of environmental cooperation are expected to extend to the sustained growth of trade and investment by public- and private-sector enterprises not only in environmental sectors but also across the board, leading to increased income per capita and higher living standards of people consistent with improved environmental quality in cooperating communities.

IV. OPTIONS FOR INSTITUTIONAL AND FINANCIAL ARRANGEMENTS FOR NORTH-EAST ASIAN SUBREGIONAL PROGRAMME OF ENVIRONMENTAL COOPERATION

22. At the Third SOM which met in Ulaanbaatar in 1996, the participating parties comprised of China, Democratic People's Republic of Korea, Japan, Mongolia, Republic of Korea and Russian Federation agreed on the principles, direction and thrusts of the Framework for NEASPEC in terms of geographical coverage, programme objectives and governance, the role of participating parties in general and national focal points in particular in programme participation, coordination and management, collaborating agencies, financial mechanism and criteria for project/activity selection.

23. In terms of the NEASPEC objectives and approach, it is useful to note that “the activities of the Programme will be primarily aimed at strengthening their (national institutions’) relevant technological and managerial capabilities,” and that in carrying out the Programme, the participating parties agreed upon that “it would be advantageous to have a step-by-step and practical approach towards this subregional cooperation and consolidate the results as the

Programme develops in the future. That approach could be used as building blocks for strengthening subregional cooperation over time.”

24. Any options for institutional and financial arrangements for NEASPEC, therefore, would have to squarely meet the above objectives and approach, and any options inconsistent with these stated objectives and approach would serve no useful purpose as a basis for discussion at the Fourth SOM in Moscow. For this reason, following three options that would meet the above Programme objectives and approach are now being presented as a basis for consultations with the six participating parties. In presenting these options, the criteria of essentiality, urgency, direct impact, cost-effectiveness, partnership and networking, pragmatism and complementarity have been considered most important than any other criteria. It is hastened to note that those criteria for project and activity selection as defined in the Framework, such as commonality of interests, contribution to capacity building, priority set by participating parties, impact on environment and sustainable development and tangible subregional environment benefits, where relevant, will remain the core elements in subregional cooperation. Consensus reached may be further elaborated in an intersessional activity as per guidance of the Fourth SOM.

1. Option One

25. All the institutional and financial arrangements for NEASPEC shall remain as they are today only with minor changes toward refinement. It consists of SOM and a few priority projects either partially funded internally and externally or entirely unfunded, though agreed upon by participating parties and collaborating agencies as vital to them under NEASPEC. As it is, SOM provides a forum for information and discussion among the governments of participating parties and collaborating agencies, with secretariat function being provided by ESCAP. And the three priority projects now under implementation shall be reviewed at the mid-term and at the completion stage, while a few other priority projects already identified shall remain on the agenda of NEASPEC, seeking funding sources.

A. Institutional arrangements

26. SOM is a governing body making all policy decisions concerning all substantive and financial matters related to the Programme, including monitoring, reviewing and evaluating the on-going cooperation activities and budgetary performance, formulating a common framework of policies on NEASPEC, reviewing and suggesting on institutional and financial arrangements and acting as forum for sharing experiences and information and for consultation and stocktaking on all activities related to NEASPEC.

27. SOM will be meeting once a year in a participating country on a rotational basis.

28. During the interim period prior to the final decision on the future institutional and financial arrangements of the Programme, support of the ESCAP secretariat is requested in collaboration with UNDP, UNEP, ADB, World Bank and other relevant international and regional institutions.

29. National focal points (NFPs) act as official channels of communications between all institutions participating in NEASPEC, provide guidance to, and assist, those national institutions and agencies designated by SOM in the preparation and implementation of the approved projects as well as in the presentation of periodic reports.

B. Financial arrangements

30. Voluntary contribution from the participating parties in cash, kind or both, project support from collaborating agencies, contributions from multilateral and bilateral donors other than the participating parties, project support from private sector and other contributions

31. A trust fund for carrying out the action programme of NEASPEC may be created by donors, collaborating agencies and participating parties on a voluntary basis.

2. Option Two

A. Institutional arrangements

32. Participating parties shall establish North-East Asian Centre for Environmental Cooperation (NEACEC), an independent subregional institution governed by a governing council with all those functions, responsibilities and meetings assigned to SOM mentioned in Option One. The governing council of NEACEC shall be composed of members representing the governments of participating parties on an equal footing, irrespective of the amount of financial contributions made by participating countries. In addition, there shall be a management board which will act on behalf of the governing council and review, monitor and evaluate the progress of the work programme and, if necessary, revise it to meet the programme objectives more effectively. Members of the management board are appointed by the governing council in individual capacity on the basis of their professional and technical competence.

33. Governing council of NEACEC shall meet once a year and its management board semi-annually in a country hosting its secretariat, as it will enable the secretariat more easily and less expensively to provide all the necessary documentation and secretarial assistance required by the members of the council attending the meeting.

34. Participating parties shall install an independent NEACEC with its own secretariat, like SPREP, to execute the work programme, as decided by the governing council, in collaboration with national institutions and designated agencies in participating parties and under the supervision of the management board. The NEACEC will be headed by the executive director appointed by the governing council on a rotational basis in terms of nationality, with an appropriate number of staff recruited on a non-reimbursable loan basis from among participating countries with technical expertise consistent with the requirements of the work programme under execution.

35. While it is vital that during the interim period prior to the establishment of an independent NEACEC with its own secretariat the support of the ESCAP secretariat is requested in collaboration with all those international and regional development and finance institutions, closest possible working relations shall be maintained between all those international organizations mentioned in Option One and the NEACEC secretariat after its establishment so that a greater degree of programme effectiveness will be achieved through information exchange, joint programming and even joint programme/project execution.

36. Members on the governing council and their respective divisions in participating governments shall act as official channels of communications with the NEACEC secretariat, management board, all the countries and collaborating agencies participating in NEACEC activities.

B. Financial arrangements

37. Modeled after the Asian and Pacific Development Centre (APDC) headquartered in Kuala Lumpur, Malaysia, the NEACEC shall have as its major sources of institutional funding both voluntary membership contributions from participating parties worked out in some proportion to GDP and per capita GDP and host country's institutional support to NEACEC, and as major sources of programme/project funding voluntary contributions of participating parties, bilateral and multilateral donors and private sector including foundations. In view of tighter budgetary constraints imposed on participating parties in recent years, NEACEC will find it difficult to raise a sufficient financial support from its member countries alone. The governing council and the executive director of NEACEC will have to be in constant touch with the international donor community and, by mounting attractive environmental cooperation projects and programmes with

the help of the management board, do their best to obtain as much voluntary contributions from bilateral and multilateral donors and project funding from participating parties, collaborating agencies, private sector enterprises and foundations.

38. As it stands now, it will be quite difficult to procure voluntary contributions from participating parties, donors and collaborating agencies to set up trust funds. Japan has announced a 10 percent reduction in its overall official development assistance (ODA) for fiscal 1998, to be followed by further cuts in the following years up to fiscal 2000. Japan will be forced to review its strategy vis-a-vis international organizations and readjust its financial contributions downward in most cases to a large number of international organizations both within the ESCAP region and elsewhere. Under these circumstances, creation of a trust fund for NEASPEC and, for that matter, for any other subregional cooperation programme will be rather unrealistic from a Japanese perspective, however laudable such programmes are in objectives and substance.

39. With DPRK, Mongolia and the Russian Federation facing financial difficulties at home, it is quite unlikely that they may be in a position to provide any substantial amount for the trust fund to be established at NEACEC. China, though with a growing amount of current account surplus in recent years, will find it somewhat difficult to justify any substantial contribution to NEACEC, in view of its still relatively low per capita GDP and enormous capital investment requirements at home for sustaining high annual economic growth rates in the foreseeable future. This would leave only ROK in a position as new donor to make significant and sizeable financial contribution to such trust fund, when and if established. This, however, certainly will not be acceptable to ROK, and probably result in the list of possible donors to the trust fund being Japan, ROK, Russian Federation, China, Mongolia and DPRK, the latter two only on a token basis. The realization of such trust fund, may, therefore, be a long, enduring process to participating parties and negotiating intermediaries.

3. Option Three

A. Institutional arrangements

40. As revealed by a number of twinning arrangements for environmental cooperation of the type initiated by local governments in China, Japan and ROK in recent years, a support to twinning approach to institutional and financial arrangements involving central and local governments, public- and private-sector enterprises, academic and research institutions and NGOs seems to be most realistic and practical option under the current financial squeeze of the governments participating in NEASPEC activities. The twinning approach involves a large number and different combinations of partners working with different financing sources in varying width and

depth in diverse projects and programmes of environmental cooperation aimed at different areas and sectors in different geographical locations of participating countries. Flexibility in institutional and financial arrangements for planning and implementation of environment cooperation projects is most essential to the twinning approach.

41. SOM shall act as a governing body with all those functions, responsibilities and meetings as spelt out in Option One. In addition, there will be a few technical committees appointed by SOM from among participating countries to oversee different types of projects approved by SOM for additional funding. The technical committees shall meet on a quarterly or semi-annual basis, as appropriate, to monitor those twinning projects under implementation and will make periodic reports of progress on the on-going projects through their chairperson at an annual session of SOM.

42. This type of governance structure for NEASPEC projects will ensure: 1) a clear project ownership by host countries in planning, implementation and monitoring phases, 2) more autonomous and efficient project management by participating institutions and/or designated agencies, 3) a greater direct project impact on participating communities and countries, 4) a greater degree of accountability by both participating countries and institutions, 5) a higher degree of transparency to participating parties, collaborating agencies, local governments, private sector, NGOs and other partners making financial and technical contributions.

43. As in Option One, but technical committees will have to meet more frequently to discharge their functions and responsibilities effectively. A quarterly meeting may be more desirable for the purpose of good monitoring, but this certainly not only will be more expensive but may reduce the sense of project ownership among participating institutions and host countries. For these reasons, a semi-annual meeting will be more realistic and cost-effective. Though depending on project scheduling, two or more technical committees may meet back to back so that the committee members, participating institutions and sponsoring organizations concerned with these twinning projects will be able, if they so wish, to participate as observers in each other's committee meetings for mutual learning. Local cost for SOM and technical committee meetings has to be borne by host country governments. International component of the cost of the technical committee meetings, however, shall be borne by the concerned project.

44. Secretariat services shall be provided by ESCAP to service SOM with hosting to be provided on a rotational basis and counterpart institutions including local governments involved in twinning projects will provide secretariat services for each of these projects. To meet the cost of SOM, there could be a small fund available to the ESCAP secretariat so that no negotiation for financing SOM need be done for each session. An environmental expert could also be made

available to ESCAP by some participating countries on a non-reimbursable loan basis so that he or she will provide documentation essential to successful conduct of SOM and act as a liaison officer vis-a-vis NFPs for all the projects and programmes under NEASPEC.

45. The support of the ESCAP secretariat shall be requested in collaboration with UNDP, UNEP, ADB, World Bank, other relevant international and regional institutions and local governments, depending upon the nature of environmental cooperation projects concerned.

46. NFPs nominated by the participating countries will act as official channels of communications between all the countries participating in NEASPEC, while project technical committee members representing the participating parties shall act the as NFPs for projects.

B. Financial arrangements

47. Contrary to Option Two, the twinning approach to planning and implementing selected environment cooperation projects under NEASPEC will essentially entail a decentralized, building-block approach to financing them.

48. Under the twinning approach project proposals can be submitted through NFPs to SOM by any participating parties, be they government agencies, local governments, private sector, academic and research institutions or NGOs in all member countries of NEASPEC. The project proposed will of course have to meet all the criteria mentioned in paragraph 41 under Option Three and the Framework. The participating parties proposing such project under NEASPEC will be primarily responsible for conducting its feasibility study and must present its findings to SOM weeks prior to its meeting so that SOM can refer to some possible professional bodies for their independent review and recommendations. In other words, no project proposal under NEASPEC will be approved by SOM unless a feasibility study done prior to the submission either by the proposed technical committee or its associates should find the proposal technically and financially feasible and unless financing of the project is assured beforehand.

49. Under the twinning approach to environmental cooperation, the participating parties making the project proposal will normally be responsible for financing the project either entirely (Japan, ROK and Russia) or partially (China, DPRK and Mongolia) in collaboration with other financial sponsoring organizations. NFPs and SOM may be requested to assist one or more participating parties either to fund the remainder of the project cost or to locate financial sponsors and collaborating agencies for project implementation. In view of a large number of twinning arrangements, as mentioned before, being either implemented or planned for implementation in the near future among counterpart institutions with support of national governments, private sector,

academic or research institutions or NGOs in North-East Asian countries, NFPs and SOM may wish to suggest to the participating parties concerned to join their forces together with local and other institutions of governments and carry out NEASPEC projects which may prove to be more cost-effective and beneficial to the parties concerned.

50. In this connection, it may also facilitate the adoption and implementation of NEASPEC e.g. NFPs and SOM working under NEASPEC with less financial constraints to advise the participating parties to review their project proposal and, if found feasible and desirable, ally themselves with other better-funded on-going projects and programmes for environmental cooperation in the North-East Asian region. The Green Aid projects undertaken by the collaboration with China and other Asian countries and the Green Productivity projects undertaken in every NEASPEC country by the Asian Productivity Organization (APO) in collaboration with other member countries of APO may be noted for this purpose. Such advice will be far more realistic in view of the Initiative for Sustainable Development (ISD) proposal now being made by the GOJ for fiscal 1998 onward to strengthen the above types of subregional projects and other possible efforts for environmental cooperation in the Asian and Pacific region.

51. As discussed above, the creation of a trust fund for NEASPEC will be extremely difficult at least in the short run. Even in the longer run, however, the creation of the trust fund may not be considered by some people unrelated to NEASPEC as the right choice, in spite of the fact that all the participating parties agree on the critical importance and even essentiality of having it to make further progress in environmental cooperation in North-East Asia. This is because noting that financial constraint facing the governments is not the only stumbling block to the creation of the trust fund, they question the validity of having a separate trust fund only for NEASPEC on the ground: 1) that it duplicates various other funds already existing either at the global level or at the Asian and the Pacific regional level to which NEASPEC may apply for funding their own projects, 2) that the trust fund will limit its financing only to NEASPEC projects and thus may reduce a healthy competition among project proposals, thus leading to the possibility of financing otherwise incompetent and ineffective projects in the eyes of global competitors on environmental cooperation, and 3) that the trust fund will have to be rather limited in amount, thus resulting in financing only smaller scale or mini projects with lesser impact on communities and countries concerned.

52. At the global and regional level there are various “trust funds” available to environmental projects and programmes. Though limited in the scope and sectoral priorities, the Global Environment Facility (GEF) is a good example of the trust fund set up by the international community at the global level for financing environmental projects and programmes in developing countries. The World Bank group also provides financing for environmental projects and programmes in developing countries and in particular in Asian and Pacific countries through its Japan Fund. The Japan-ESCAP Cooperation Fund (JECF) and Korean-ESCAP Cooperation Fund (KECF) set up at ESCAP and the Japan Fund at the ADB and the new ISD by the Government of Japan are good examples of regional initiatives that could be approached for support of environment projects and programmes. The Global Environment Fund of Japan, though limited to financing environmental projects by NGOs whether singularly or in collaboration with local governments and other entities, is another good example of Japanese initiative in this area.

53. A good case, however, can be made for the creation of a trust fund for NEASPEC by participating parties, be they national or local governments, private sector, academic and research institutions or NGOs, if it should be used mainly to supplement the existing trust funds in terms of the volume of financing, the type of project priorities that may not be suitable to other funds and to make aggressive attack on urgent issues confronting not individual but the entire North-East Asian countries as a whole. The first two reasons mentioned above, however, are considered rather weak, given the financial constraints currently observed in all participating countries of the region and the availability of other funds either at the global or regional level that could cover nearly all areas of environmental cooperation. The last reason may be able to stand all criticism, although other funds could support such subregional cooperation projects and programmes as envisaged under NEASPEC. This is mainly because most of the existing funds mentioned earlier are targetted at national projects rather than cooperation projects at the subregional or regional level. For this reason, the trust fund proposed under NEASPEC should apply only to those projects that call very much for the joint, collective action of all the participating parties rather than for only one or two participating parties. A NEASPEC project on capacity-building, transboundary issues can be a good example that should require the joint efforts of all the member countries of this region.

54. In view of the difficulty, however, of convincing the six participating parties to set up a trust fund endowed with a meaningful amount, say US\$3 million with an annual yield of 10%, NEASPEC will be better off with a programme fund. The NEASPEC Programme Fund will have to have all the six participating countries as its contributors, in addition to other collaborating donors and institutions, with the amount varying among them. For instance, should there be a consensus on the Programme Fund annually requiring a total amount of US\$350,000, Japan, ROK and Russia, being developed country members, could provide US\$100,000 each to the Fund, with China US\$40,000 and DPRK and Mongolia each providing US\$5,000.

4. Conclusions and recommendations

55. The realistic appraisal of the above three Options will lead to the following conclusions and suggestions.

(1) Option One is a harmless choice, but makes no progress beyond what has so far been done. It is costly in terms of time and energy wasted and should not be continued long, as it will most probably result in the termination of the NEASPEC.

(2) Option Two is an ideal choice, but is not a realistic one at present, given all the constraints imposed now on the governments of participating countries. This option, however, should not be abandoned as too remote a reality and should be kept alive in the backburner, since situations may arise when participating parties might agree and go ahead with NEACEC, not only as financing constraints will become less serious to some of the participating governments, but more importantly as urgency of dealing with environmental deterioration should be felt most critical by the parties concerned.

(3) Option Three is most realistic and practical, following a building-block approach. It rests upon the provision of additional funding by sponsoring organizations to all the existing twinning projects now being implemented or soon to be implemented by participating parties in North-East Asian region for environmental cooperation. It is open to all parties, national and local governments, public- and private-sector enterprises, academic and research institutions and NGOs and they can participate in NEASPEC projects without losing their own project ownership and identity, achieving greater cost-effectiveness through joint and collective action. The creation of a small programme fund, together with a strengthening of the secretariat, will go a long way in achieving the direct impact on participating communities and countries.

(4) For these reasons, Option Three may be considered as requiring immediate attention, as a most feasible modality at least during the interim period until realization of Option Two becomes possible.

V. ISSUES FOR CONSIDERATION

56. The three options for the institutional and financial aspects presented above have been made in a general way are intended for discussion by the senior officials. These may need further elaboration and elucidation for decision making by the Meeting. The Meeting may wish to consider and make suggestions in respect of the following:

(a) **The Governance Structure** i.e. level of participation in SOM; linkage and cooperation with existing bilateral/multilateral programmes and other programmes such as NOWPAP, Tumen River Area Development Programme, and North-East Asian Conferences on Environmental Cooperation etc;

(b) **The secretariat** i.e. basic requirement of the interim secretariat such as an expert, support staff, support for organizing SOM, small travel fund and contingencies; need for a core institutional fund or financial support; time frame for transition to a permanent secretariat arrangement, requirements of a permanent secretariat, minimum hosting requirement etc.;

(c) **The project development and implementation** i.e. project proposers; responsibility for developing project proposals; technical review mechanism such as steering committees/working groups for projects or programme areas; role of participating institutions; networking of institutions for project implementation and information exchange etc.;

(d) **The Financial mechanism** - i.e. initial and core funding and incremental requirements including institutional and project funding support; formula for the level of contribution of each participating country (UN Assessment scale, Per capita GNP scale, voluntary contribution, a mix of the three kinds of contribution, NOWPAP scale etc), number of years for which contributions may be pledged; management and operation of the fund, etc.

57. Based on the suggestions presented by the senior officials, the Meeting may wish to either recommend an appropriate institutional and financial mechanism for North-east Asian Subregional Programme of Environmental Cooperation, or advise the secretariat as to how it should proceed further in the matter.

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