

PARTICIPANTS

FOR

ENR/SO/ECNA(5)/3

9 December 1998

ENGLISH ONLY

ECONOMIC AND SOCIAL COMMISSION FOR ASIA AND THE PACIFIC

Meeting of Senior Officials on Environmental Cooperation in North-East Asia

Fifth meeting

24-26 February 1999

Kobe, Japan

**IMPLEMENTATION OF THE FRAMEWORK FOR THE NORTH-EAST ASIAN  
SUBREGIONAL PROGRAMME OF ENVIRONMENTAL COOPERATION:  
INSTITUTIONAL AND FINANCIAL MECHANISMS**

(Item 6(a) of the provisional agenda)

**OPTIONS FOR INSTITUTIONAL AND FINANCIAL MECHANISMS  
FOR NORTH-EAST ASIAN SUBREGIONAL PROGRAMME  
FOR ENVIRONMENTAL COOPERATION (NEASPEC)**

*Note by the secretariat*

**CONTENTS**

	<b>Page</b>
I. Introduction	1
II. Options for Institutional Mechanisms	2
A. Governance/policy making structure	3
B. The Secretariat	4
C. Programme Planning and Implementation	6
D. Programme Coordination	7
E. Linkage with other relevant subregional initiatives/projects	7
III. OPTIONS FOR FINANCIAL MECHANISM	8
A. Financial Support	9
B. Financial Mechanisms	9
C. Contribution to NEAECF	11
D. Management of Financial Mechanisms	13
IV. Interim Arrangements	14
V. Issues for Consideration	14

Table I. Estimated Cost for Institutional Options  
Table II. Estimated Contributions by Participating Governments

---

This paper has been reproduced as submitted by the secretariat. It is for use at the current meeting only and may not be reproduced or reprinted without the express permission of the United Nations.

## I. INTRODUCTION

1. The efforts at promoting subregional environmental cooperation in North-East Asia were undertaken by ESCAP in cooperation with UNDP, UNEP, ADB and the World Bank immediately following the organization of the United Nations Conference on Environment and Development in 1992, when a few countries of the subregion requested ESCAP to take this initiative. The institutional and financial aspects of this cooperation engaged the attention of the senior officials from the very beginning of this initiative.

2. The First Meeting of Senior Officials on Environmental Cooperation in North-East Asia, which was held from 8 to 11 February 1993 at Seoul, decided to continue consultations at the senior officials level and requested the ESCAP secretariat in cooperation with UNEP, UNDP, and ADB to continue to provide professional and secretariat support for furthering the activities of regional cooperation till an appropriate time comes for its institutional arrangement.

3. The Second Meeting of Senior Officials (SOM II) from 28 to 29 November 1994 at Beijing decided to draft a Framework for subregional environmental cooperation in North-East Asia and requested the ESCAP secretariat in collaboration with other cooperating bodies and institutions to continue to provide professional, financial and secretariat support for furthering the activities of regional cooperation. It also decided to take step by step and practical approach towards this subregional cooperation.

4. The Third Meeting of Senior Officials (SOM III) from 17 to 20 September 1996 at Ulaanbaatar adopted a "Framework for the North-East Asian Subregional Programme on Environmental Cooperation (NEASPEC)". This Framework *inter alia* included SOM to serve as the Governing Body for the Programme and recommended that in the interim period, the secretariat support to SOM would continue to be provided by the ESCAP secretariat in

collaboration with UNDP, UNEP, ADB, the World Bank and other relevant institutions pending the final decision on the future institutional and financial arrangements of the Programme. It also indicated that SOM will strive to reach a consensus on establishing a trust fund.

5. The Economic and Social Commission for Asia and the Pacific, at its 53rd session in 1997, through its resolution 53/3 titled “Framework for the North-East Asian Subregional Programme of Environmental Cooperation” decided to work towards practical institutional and financial arrangements for the Programme including striving to reach a consensus on establishing a trust fund. The resolution also requested the Executive Secretary to continue to provide secretariat support in cooperation with other collaborating agencies and bodies to the Meeting of Senior Officials in the interim period pending a final decision on the future institutional arrangements of the Programme.

6. The SOM IV held at Moscow from 13 to 16 January 1998 considered three options namely (a) continue the existing framework; (b) establish North-East Asian Centre for Environmental Cooperation as an independent subregional institution; and (c) promote an umbrella approach to institutional and financial arrangements involving all the stakeholders and partners with SOM acting as the governing body with all functions and responsibilities as in the existing framework. The Meeting felt that option (a), that is, existing arrangements as elaborated in the Framework, was the most practical at this stage and would lend itself to step-by-step approach. The Meeting also felt that the option (b) was unrealistic at that stage as it required the establishment of an overambitious mechanism to implement the Programme. The Meeting felt likewise about option (c), as it would have to count on the participation and cooperation of several entities, including non-governmental organizations, which were beyond the concept of the Framework.

7. As regards the financial arrangements of the Programme, there was general sentiment that it would be difficult for that session of the Senior Officials Meeting to decide on the establishment of a trust fund. Therefore, the Meeting felt that “it should consider the issues relating to the establishment of a trust fund, including the feasibility of seeking financial contributions from donors outside the region as well as a time schedule towards reaching an agreement on the matter”.

8. Finally, it resolved to “make efforts towards financial arrangements, including a trust

fund, and reach a consensus on the modalities of the trust fund, possibly at its Sixth Meeting, which may include: (a) voluntary contributions from the participating parties in cash or in kind or both; (b) collaborating agencies on a project-funding basis; (c) contributions from bilateral and multilateral donors; (d) the private sector on a project-funding basis; and (e) other contributions”. It agreed to further elaborate issues relating to institutional and financial arrangements as appropriate and requested the secretariat to prepare a paper on these issues for discussion at the Fifth Meeting of Senior Officials. This paper has been prepared with these objectives in mind keeping in view the suggestions and recommendation of the earlier SOMs.

9. The paper has been divided into 5 sections. Section I provides background on the preparation of this paper and introduces the existing institutional and financial framework for North-East Asian subregional environmental cooperation. Section II proposes practical options for institutional mechanisms. Section III elaborates on the financial mechanism keeping in view the requirements of institutional framework and the activities under the programme. Section IV presents an option for an interim arrangement. Finally section V delineates the issues for consideration and decision by SOM V.

## **II. OPTIONS FOR INSTITUTIONAL MECHANISMS**

10. SOM IV has already cautioned against proposing and building an ambitious institutional and financial frameworks. Keeping in view the economic downturn in the subregion, it would be unrealistic to propose an overly optimistic framework. The paper, therefore, attempts to present practical and skeletal frameworks which are amenable to a modular and step-by step approach in further building up these frameworks.

11. Generally speaking, the institutional mechanism may cover policy-making or governing structure, the secretariat, programme planning and implementation and cooperation/coordination mechanisms. This institutional mechanism should use, to the greatest extent possible, the national capabilities available in the subregion and capabilities of existing regional and international organizations and coordinating bodies and deal with national institutions through the appropriate national authorities of the participating countries. Wherever necessary, national institutions should be strengthened so that they may participate actively and effectively in the various programmes and projects. Until now, three priority areas have been identified for subregional cooperation without prejudice to its future expansion to other priority areas.

Accordingly, the institutional arrangements should be flexible enough to accommodate future requirements.

12. The approved Framework does provide an excellent nucleus for such a flexible and practical institutional framework. It lays down the general 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.

13. In terms of the objectives and approach, it has been stressed that “the activities of the Programme will be primarily aimed at strengthening their (national institutions) relevant technological and managerial capabilities”. In so doing “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”. Any options for institutional and financial arrangements for NEASPEC, therefore, would have to squarely meet the above objective and approach, and any options inconsistent with these stated objectives and approach would not be proposed for discussion.

#### **A. Governance/policy making structure**

##### ***Present arrangement***

14. As proposed in the Framework, SOM is a governing body making 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 of sharing experiences and information and for consultation and stocktaking on all relevant activities. SOM meets once a year in a participating country on a rotational basis.

##### ***Options***

15. SOM is the most appropriate and valuable institutional mechanism for bringing the countries together for policy and programme coordination and guidance for subregional

cooperation and there could not be any better and practical alternative option. However, following suggestions could be offered to make the Programme more effective and visible keeping in view the high level participation needed for policy guidance:

(a) SOM could be organized with ministerial participation periodically, say, every 3 or 5 years; beginning with the year 2000 to launch an action programme for the new millennium. (South Asian, South Pacific and ASEAN environmental programmes have ministerial meetings either annually or biannually);

(b) SOM may strive for participation by fairly senior level officials (South Asia: minimum participation at joint secretary level; ASEAN: permanent secretary level participation in ASOEN and SPREP: fairly senior level participation). SOM may wish to consider making a recommendation in this regard.

(c) In order to provide continual policy guidance to the secretariat in following up the decisions of SOM during interregnum periods of two SOMs; it may perhaps be considered that, at the request of the secretariat, the chairperson of the previous SOM may continue to provide such a guidance until the next chairperson is elected.

## **B. The Secretariat**

### ***Present arrangement***

16. The first SOM in February 1993 requested the ESCAP secretariat in collaboration with UNEP, UNDP, the World Bank and the Asian Development Bank to provide professional, financial and secretariat support for furthering subregional cooperative activities till an appropriate time comes for its institutional arrangements. This position was reiterated by subsequent SOMs. The ESCAP secretariat, in cooperation with the aforementioned agencies has accordingly provided secretariat support to this subregional cooperation since 1992 without any additional staff or professional support; and with ad hoc funding arrangements. This required a substantial amount of time and staff resources to be devoted for securing necessary financial support for pursuing the Programme. In fact, with the implementation of UN reform proposals, its environmental programme has received cuts both in staff and financial resources. It would be expected that the participating countries would provide substantial support to the ESCAP secretariat for managing this subregional programme. The time has also come when SOM has to decide on a time frame for transition from the existing arrangement to a more stable arrangement or a dedicated secretariat as outlined in the options presented below:

### ***Need for a secretariat***

It is essential to create a dedicated secretariat as

- (a) A dedicated secretariat could provide continuity, viability, visibility and efficiency;
- (b) As SOM is held only once a year, need for continued guidance and policy support will be met through this arrangement;
- (c) This arrangement will facilitate development of long-term, medium-term and short-term action plans;
- (d) It will assist in consolidation of all the ongoing subregional and regional efforts with wider scope; which could not be possible under this current arrangement owing to staff and budgetary constraints ;
- (e) It will assist in continued development of programme and its execution and monitoring;
- (f) It will ensure greater accountability;
- (g) Even though it is useful to have practical and step by step approach in subregional cooperation, results are visible only over a large time frame. There is a danger of developing a fatigue in the absence of a dedicated secretariat and continued follow up.

### *Options*

17. There could be following options for a more stable and dedicated arrangement for the secretariat.

#### **(a) Continue with the existing arrangement**

18. It has its weaknesses as it is a temporary arrangement with severe staff and financial constraints, which are likely to exacerbate over time with the UN reform process. The participating countries should provide financial and in kind support to the secretariat to continue this task.

#### **(b) Rotating Secretariat**

19. Like ASEAN / ASOEN, the secretariat could be located in one country for a period of two years, after which it may be shifted to another country in an alphabetical order. The operational costs are borne out by the host country and as such, are minimal in terms of institutional costs as the host country generally utilizes the existing staff to service the secretariat. It may not be an appropriate option for North-East Asia, where the countries have varying levels of development, capacities and facilities to support the subregional cooperation. Further, this arrangement may suffer from lack of institutional memory, operational efficiency and effective

cooperation and coordination with cooperating agencies.

**(c) Interim Secretariat**

20. In view of difficulties in arriving at a consensus on the establishment of a permanent secretariat in the near future, one country may offer to provide host facilities for the interim secretariat (let us say for five years) till a permanent arrangement can be made. The host country may be prepared to bear the cost of hosting the secretariat, while cost of project development and implementation and convening of SOM may be met through the participating countries voluntary contributions in an organized manner or in exceptional cases through project funding support.

**(d) Programme Secretariat**

21. The most effective way to manage the Programme for subregional cooperation and its timely and harmonious implementation is to establish a Programme Secretariat, whose capacity and staff strength could be enhanced step-by-step in a phased manner over a period of time. The secretariat could start operation with a minimal staff in order to ensure that the maximum amount of available funds are utilized to implement the identified priority programmes and projects.

22. The secretariat would operate under the overall supervision and guidance of SOM and will carry out the technical, project development and implementation, administrative and information functions as mandated by SOM. It will also be responsible for preparing and organizing SOMs and other technical meetings as necessary.

***Location***

23. The physical location of the secretariat can affect its operational efficiency and cost significantly. Naturally, the secretariat should be situated in one of the countries of North-East Asia, where these costs could be minimized or significantly shared by the host country. However, in choosing a specific location, the following points could be borne in mind:

- (a) Proximity to other organizations supporting the programme;
- (b) Suitable telecommunication and travel conditions;
- (c) Local availability of qualified and efficient support staff and back-up services;
- (d) Local availability of physical space for offices and adequate conference facilities;

- (e) Other factors bearing on the cost and efficient functioning of the secretariat.

### ***Staff Requirements***

#### For the first three years

Director/ Programme Coordinator	-	1
Programme Officer	-	1
Secretary	-	1
Driver	-	1

#### When fully operational

Director/ Programme Coordinator	-	1
Programme Officer	-	3
Administrative Officer	-	1
Librarian/data management officer	-	1
Secretary	-	2
Staff Assistant	-	1
Driver	-	1

24. The estimated cost of the secretariat's operation will vary depending upon its location. This cost could initially be significantly reduced if the hosting government could second a senior official to serve as Director/Project Coordinator. However, the following consideration should be kept in mind while recruiting or managing staff resources for team building and their optimum utilization:

- The participating countries should be encouraged to second staff to the secretariat on a non reimbursable loan basis;
- Staff members should preferably be recruited from North-East Asian region;
- Support staff should be recruited only from the country in which secretariat is located. Only in exceptional cases because of language disability, these could be hired from outside the host country;
- A balanced staff representation should be ensured;
- Merit should be the sole criteria for recruitment;
- The consultants would be recruited from the subregion, failing which from the region;
- Technical expertise of international agencies such as UN-ESCAP /UNEP/ UNDP/ ADB/World Bank should be utilized to the fullest extent.

### **C. Programme Planning and Implementation**

25. NEASPEC has already identified a few priority areas and may include additional areas,

as necessary. At present, the secretariat is responsible for developing the projects in the priority areas, which on approval by SOM, are implemented by the secretariat in cooperation with the participating countries and international agencies. The project ideas are not distilled and consolidated through expert consultations. There may be a merit in establishing an Expert Working Group in each identified priority area; so that project ideas could evolve through intensive consultations of national experts in the priority area [such Working Groups (six in number) provide support to ASOEN in ASEAN]. As new priority areas are identified, additional Working Groups may be constituted. Continued participation of all the countries in the Working Group may result in positive interaction, confidence building and enhanced cooperation among them. These Working Groups will report to SOM.

26. The essential features of the Expert Working Group may be as follows:

(a) One country may chair one working group and be responsible for developing one programme area, which would secure long-time commitment of the country;

(b) Each country may be represented by one or two experts in each Working Group;

(c) Working Groups may meet once a year;

(d) Cost of participation should be borne by the countries themselves to the extent possible.

(e) The organization, hosting and convening of the meeting of the Working Groups will be the responsibility of the country in cooperation with the secretariat;

(f) The Working Group will develop project proposals and review their implementation;

(g) The secretariat may assist the Working Groups in mobilizing financial resources for implementation of projects.

(h) Either the secretariat or an international organization or a nominated institution of a country may be entrusted to implement the project, the final decision on which will be made by SOM.

#### **D. Programme Coordination**

27. The mechanism for coordination among the countries and role of national focal points, national institutions and subregional institutions have already been delineated in the Framework. The communication links on policy and technical matters have also been indicated. The modalities of cooperation with collaborating UN bodies and agencies and multilateral financial institutions have also been clearly laid down.

### **E. Linkage with other relevant subregional initiatives/projects**

28. There are already a number of ongoing subregional cooperation initiatives and projects in North-East Asia. It may be useful for NEASPEC to have good linkage with and derive feedback and benefit from such efforts. SOM has to take a decision, whether it would be interested in having a proactive stance towards consolidation and cooperation with these ongoing activities in which case some ideas on cooperation and linkage with existing programmes are indicated below for consideration:

#### **(a) North-East Asian Conference on Environmental Cooperation:**

29. This forum is an annual event, in which officials and experts meet for sharing of views and information on environmental cooperation in North-East Asia. Seven such Conferences have been organized and priority environmental concerns engaging the minds of environmental policy makers of North-East Asian Subregion were discussed with the essential objective of promoting subregional environmental cooperation and subregional implementation of Agenda 21. It appears desirable that outcome of the deliberations of the Conference may be available to SOM, which could, then, be utilized for discussion on identification of additional priority areas for subregional cooperation. Two modalities are suggested:

(a) The secretariat is generally invited (and sometimes financially supported) to participate in the Conferences, but such an arrangement should be formalized;

(b) The Chairman of the Conference may be invited to SOM to present the outcome of its deliberations.

#### **(b) Northwest Pacific Action Plan (NOWPAP)**

30. UNEP has promoted this cooperation in the subregion under its Regional Seas Programmes. As yet, no linkage has been established between NEASPEC and NOWPAP. SOM may wish to discuss, what kind of linkage it wishes to have with NOWPAP.

#### **(c) Other initiatives**

31. There are several programmes being implemented in North-East Asia in which environment is a major component such as:

(a) TUMEN River Area Development Programme;

(b) North-East Asia Economic Initiative (NEAEI) under the Sasakawa Peace Foundation;

- (c) Acid Precipitation monitoring network in East Asia;
- (d) Bilateral cooperation among the countries of North-East Asia;
- (e) Subregional Project activities of international bodies and multilateral financing agencies;

32. SOM may wish to take a policy decision on its linkage with the above mentioned subregional projects, activities and initiatives.

### **III. OPTIONS FOR FINANCIAL MECHANISM**

33. The Framework has indicated that SOM will work towards practical institutional and financial arrangements for the programme, as appropriate. It will strive to reach a consensus on establishing a trust fund, to be funded by donors, collaborating agencies and participating parties on a voluntary basis. SOM IV had resolved that such a consensus on the modalities of the trust fund may be reached possibly at its sixth meeting.

34. Funds for promoting the subregional cooperation activities may be necessary for the following generic areas:

- (a) Project support, either full or partial support or on a co-financing basis, as necessary;
- (b) Organization of annual SOM and expert consultations, as necessary;
- (c) Institutional costs of the secretariat such as staff and their travel, consultants, rentals and maintenance and equipment and office supplies.

35. Although the cost of supporting the programme to date has been provided by the ESCAP secretariat (through its staff costs / common services / travel support), collaborating agencies (UNDP, UNEP and ADB through project-based and travel support) and the participating governments (through project based and hosting arrangements), it is expected that the contribution of the collaborating international agencies, particularly in respect of institutional costs, would progressively decrease and the Participating Governments, through an appropriate funding mechanism indicated in the Framework, assume greater financial responsibility.

#### **A. Financial Support**

36. As indicated in the Framework, financial support to the activities of the Programme may be available from the following sources:

- (a) Voluntary contributions from the Participating Governments in cash or in kind or both;
- (b) Collaborating agencies on a project-funding basis;
- (c) Contributions from bilateral and multilateral donors;
- (d) The private sector on a project-funding basis; and
- (e) Other contributions.

37. All these contributions may be in cash or in kind (staff time, experts, training, facilities, services, etc). Although contributions in kind may be of great importance, a fixed minimum level of cash contributions is essential for the smooth implementation of NEASPEC. Table I gives some preliminary indications of costs involved in managing the Programme which may indeed vary depending on the location of the secretariat.

38. Another significant source of financing both in cash and in kind could be from the local governments or authorities of the Participating Governments. As the modalities of such a cooperation are still not clear, it may be useful to undertake a government nominated senior level fact finding mission to apprise a few selected local governments and authorities in the sub region on the purpose of this subregional cooperation, seek their views on relevant issues and receive information on the type of cooperation of interest to and funding support expected from them. If the results of such a fact finding mission are positive, it may perhaps help in refining proposals on an appropriate financial mechanism for NEASPEC.

## **B. Financial Mechanisms**

39. It may be borne in mind that some of the participating governments in the subregional cooperation are major donors in the region, it would be impractical to expect that other bilateral and multilateral donors would contribute to this cooperative arrangement unless the Participating Governments themselves show strong commitment and start making sizeable contributions. It is, therefore, essential that notwithstanding the financial support extended by UN bodies and agencies and ADB, financial contributions to begin with, should be forthcoming primarily from the participating governments. To a lesser extent, these could also be expected from bilateral

and multilateral donors and through private sector participation.

40. In any case, at present financial contributions for promoting the activities of NEASPEC are remitted to the ESCAP secretariat in “ESCAP Project Trust Funds”. There is a need for a financial mechanism to attract sizeable funding support from different sources. This financial mechanism could receive contributions from the participating governments as well as funding support from other donors. For want of any better nomenclature, it may be called “North-East Asia Environmental Cooperation Fund (NEAECF)”.

**Table I**  
**Estimated Cost for institutional Options (in US Dollars)\*\*\***

A.	Institutional Cost	Interim Secretariat		Full fledged Secretariat
		Organization level	Government level	
1.	Personnel			
	Programme Coordinator / Director	150,000	150,000	150,000
	Programme officer	+	+	100,000
	Secretary (1)	10,000	10,000	50,000
	Staff Assistant	15,000	-	15,000
	Driver	-	5,000	5,000
2.	Consultants	12,000	12,000	12,000
3	International travel	10,000	10,000	25,000
4.	Equipment			
	Computers*	2,000	3,000	5,000
	Fax machine and other office equipment*		1,000	2,000

	Furniture*		10,000	20,000
	Vehicles*		20,000	20,000
	Others		5,000	5,000
	Library	2,000	5,000	5,000
5.	Rentals and maintenance		24,000	30,000
	Subtotal	192,000	255,000	444,000
	A			
<b>B.</b>	<b>Meetings</b>			
6.	SOM	40,000	40,000**	40,000**
7.	Contingency	5,000	5,000	5,000
	Subtotal B	45,000	45,000	45,000
<b>C.</b>	<b>Programme Support Cost</b>	100,000	100,000	100,000
	Total	337,000	400,000	589,000

\* One time cost

+ to be provided by governments on secondment

\*\* rentals to be provided by hosting country (excluded)

\*\*\* costing as indicative only as the actual amount will depend on the country of hosting

### **C. Contribution to NEAECF**

41. There are many possible ways to determine the level of voluntary contributions of the participating governments to the NEAECF. The following alternatives may be of interest in this connection.

#### **Alternative I**

42. All the participating governments should contribute to the NEAECF according to the United Nations scale of assessment agreed upon by the General Assembly of the United Nations.

#### **Alternative II**

43. A fixed percentage of the NEAECF (such as 60 per cent) should be covered by the participating governments in equal shares. The remaining percentage (such as 40 per cent) should be contributed according to the United Nations assessment scale.

#### **Alternative III**

44. All participating governments contribute on a voluntary basis.

45. There are other possible ways to apportion the voluntary contributions as follows:

(a) All the participating countries contribute to NEAECF according to the principles on the scale of contribution agreed upon by NOWPAP states (some basic and additional) with a maximum of 30 per cent and a minimum of 5 per cent for any country;

(b) The participating governments should contribute according to UN Scale of assessment, with the maximum contribution of one government not to be exceed 25 per cent of the total contribution;

(c) All participating countries contribute on the basis of the GDP per capita/Purchasing Power Parity (PPP) subject to a maximum of 30 percent for any country;

(d) A fixed minimum amount, to be agreed upon, towards the secretariat and meeting costs as indicated in (2) and (3) of para 34.

46. Another option could be for the participating government to make additional agreed contribution to newly created NOWPAP Trust Fund so as to avoid multiplicity of North-East

Asian environmental funds. However, it may turn out to be very complicated, keeping in view the composition of the participating governments and coordination problems involved in the process.

47. Whatever may be the scale of contribution, these should be sufficient to cover essential institutional and project costs. The contributions should be announced for a two-year period during SOM. Implications of some of these options for the participating countries are presented in Table II. (A-D)

**Table II**  
**Estimated Contributions by Participating Government**  
**OPTION A: UN Scale of contribution**

Country	Contribution (in percentage)
China (.901)	4
DPRK (.031)	1
Japan (17.98)	78
Mongolia (.002)	1
Rep. of Korea (.955)	4
Russian Federation (2.873)	12

(Figure in parenthesis indicated percentage of the total contribution received in the UN regular budget)

[Note: This option, apparently, is unrealistic]

**OPTION B: 60 per cent equal shares and the remaining amount on UN Scale of Contribution**

Country	Contribution in percentage
China	12

DPRK	10
Japan	41
Mongolia	10
Rep. of Korea	12
Russian Federation	15

**OPTION C: Based on per Capita GDP/(PPP) with the maximum not to exceed 30 per cent for any country**

Country	Contribution in percentage
China	12
DPRK	6
Japan	30
Mongolia	7
Rep. of Korea	30
Russian Federation	15

[Note: Per capita GDP/PPP: China: US\$ 3,650; Japan: US\$ 23,840; Mongolia: US\$2,250; Rep. of Korea US\$13,990; and DPRK: US\$2,000 (estimated); Reference: Asia Week dated 27 November 1998]

**OPTION D: NOWPAP Formula**

Country	Basic	Contribution in percentage
China	5	5
Japan	5	20
Rep. of Korea	5	15

Russian Federation	5	5
<b>Additional (New proposal)</b>		
DPRK	5	-
Mongolia	5	-

[Note: Amount of total contribution required to be prorated as above]

#### **D. Management of Financial Mechanism**

48. The management the financial resources in particular NEAECF would be decided by the Participating Governments contributing to the budget supporting NEASPEC through SOM. In principle, the management of these resources should ideally be entrusted to the newly created secretariat. SOM will need to adopt appropriate financial rules of administering and managing the fund.

49. If NEAECF were to be established before the creation of the secretariat, then the management of those resources may be entrusted to:

- (a) The ESCAP secretariat, the organization designated to provide secretarial support on an interim basis to NEASPEC;
- (b) Any State participating in NEASPEC;
- (c) An independent financial institution at the option of participating countries.

50. Should UN/ESCAP or another United Nations organization be designated to administer and manage the fund, the management of NEAECF would be governed by the United Nations Financial Regulations and Rules, the United Nations Staff Regulations and Rules, and other administrative policies or procedures promulgated by the Secretary-General. While the Secretary-General is the custodian of such cooperation funds, he may delegate authority to the Executive Secretary of ESCAP or other head of a United Nations organization, for the administration of the NEAECF.

51. A standard percentage (presently 13 per cent) is levied in respect of all activities financed under the funds by the United Nations to cover programme support costs (or overheads). These overheads will be borne by the fund itself. If a non-United Nations organization is designated to manage the trust fund, any overhead cost of management will be also borne by the fund.

52. Voluntary contributions to NEAECF should be paid according to a schedule agreed to at the time when the NEAECF is established, preferably before or at the beginning of the financial year, in order to ensure that timely and sufficient funds are available for the implementation of the activities under NEASPEC.

#### **IV. INTERIM ARRANGEMENTS**

53. The general principles concerning the institutional and financial arrangements described above are mutually interdependent. Thus participating governments may only expect the Programme to be fully and independently operational once a new secretariat and NEAECF to cover the costs of the organization and programme have been established. However, this may not be feasible immediately and take some time to evolve. Therefore, Governments may wish to consider adopting an interim institutional scheme of the Programme, on the understanding that such a scheme would be replaced by a permanent arrangement as increasing funds are made available to the Programme through NEAECF and other sources. A phased programme for this transition may be worked out by SOM.

54. Pending the formal establishment of its secretariat, one option could be that the Governments participating in the programme may wish to identify an interim institutional arrangement with more strengthened staff and predictable financial support that may be required for the achievement of the objectives of the NEASPEC. The SOM may wish to consider the matter together with requirements of staff and financial resources and mechanisms for their mobilization.

55. The progress in carrying out the activities will be dependent upon the available financial resources. It may be noted that financial resources to support such activities are generally available on project funding basis. The participating government may also provide financial support for specific projects. However, support for institutional development will have to be

mobilised from the participating governments themselves through their voluntary contributions. The various options for such contributions have been presented in Section III of this paper. In order to meet these costs, the participating governments may wish to raise up to US\$ 337,000 to US\$ 600,000 through such contributions initially. These could be reduced to 187,000 to 450,000 if the project coordinator is seconded by any Participating Government in the initial stages of the establishment of the Fund.

## V. ISSUES FOR CONSIDERATION

56. SOM V may wish to consider the various proposals made in the paper. In particular, its attention is invited on:

- (i) Higher level participation in SOM including ministerial level participation (para 15 (a) and (b));
- (ii) Policy guidance to the secretariat during the interregnum period of two SOMs (para 25(c));
- (iii) Options for a dedicated secretariat including location and staff (paras 19 to 24);
- (iv) Establishment of Expert Working Groups (para 25 and 26);
- (v) Cooperation with other subregional activities (paras 29 to 31);
- (vi) Government nominated fact finding mission to the local governments and authorities (para 38);
- (vii) Establishment of financial mechanism: North-East Asian Environment Cooperation Fund (NEAECF) (para 40);
- (viii) Scale and level of voluntary contributions (para 41 to 46);
- (ix) Management of financial mechanisms (paras 49 to 52);
- (x) Interim arrangement for dedicated secretariat and financial mechanism (para 54 to 55);
- (xi) Phased programme for transition to a full fledged secretariat structure and financial mechanism (para 53).

.....