

FOR PARTICIPANTS ONLY

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ECONOMIC AND SOCIAL COMMISSION FOR ASIA AND THE PACIFIC

Preparatory Meeting of Experts for the Seventh Meeting of Senior Officials  
on Environmental Cooperation in North-East Asia

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Beijing, China

**FURTHER DEVELOPMENT OF THE NORTH-EAST  
ASIAN SUBREGIONAL PROGRAMME OF ENVIRONMENTAL  
COOPERATION (NEASPEC) FRAMEWORK INTO A COMPREHENSIVE  
PROGRAMME FOR ENVIRONMENTAL COOPERATION IN  
NORTH-EAST ASIA**

(Item 6 of the provisional agenda)

**PROPOSAL FOR THE ESTABLISHMENT OF THE SECRETARIAT AND  
THE FINANCIAL MECHANISM FOR ITS OPERATION**

*Note by the secretariat*

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1. This paper reviews the relevant decisions of the Meetings of Senior Officials on the institutional arrangement of the North-East Asian Subregional Programme of Environmental Cooperation and recommends a step-by-step and practical approach regarding the institutional arrangement, including the eventual establishment of the NEASPEC Secretariat, as well as the establishment of the NEASPEC Fund to support the operation of the Secretariat.

## **I. REVIEW OF RELEVANT DECISIONS**

2. The first and second Meetings of Senior Officials on Environmental Cooperation in North-East Asia held in Seoul on 8-11 September 1993 and in Beijing on 28-29 November 1994, respectively, agreed to request the ESCAP secretariat, in cooperation with UNEP, UNDP, and ADB, to continue to provide professional and secretariat support for furthering the activities of subregional cooperation.

3. The third Meeting of Senior Officials held at Ulaanbaatar on 17-20 September 1996 adopted the Framework for the North-East Asian Subregional Programme of Environmental Cooperation. The Framework stipulates that the Meeting of Senior Officials shall serve as the Governing Body for the Programme and recommends that, in the interim period, the secretariat support shall 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.

4. The fourth Meeting of Senior Officials held in Moscow on 13-16 January 1998 considered three options, namely (a) continue the existing framework; (b) establish North-East Asian Center for Environmental Cooperation as an independent subregional institution; and (c) promote an umbrella approach to institutional and financial arrangements involving all stakeholders and partners with the Meeting of Senior Officials acting as the governing body. The Meeting felt that option (a) was the most practical and would lend itself to step-by-step approach; that option (b) was unrealistic as it required the establishment of an overambitious mechanism to implement the Programme; and that option (c) was also unrealistic, 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.

5. The fifth Meeting of Senior Officials held in Kobe, Japan on 24-26 February 1999 reiterated that the Framework provided an excellent basis for institutional and financial arrangement and there was no need to extend the scope of such arrangement beyond those included in the Framework. The Meeting, however, recognized that the Framework would continue to be an interim agreement and could be developed further, as and when considered necessary. The Meeting reaffirmed that SOM would continue to be the governing body for policy decisions on all substantive matters and recommended that the participation at SOM should be at senior level, to be decided by the individual participating countries.

6. The sixth Meeting of Senior Officials held in Seoul on 9-10 March 2000 considered the ESCAP secretariat paper (document ENR/SO/ECNA (6)/1) containing, among others, various options on institutional mechanism for NEASPEC, namely:

A. Governance/policy making structure:

- (a) The Meeting of Senior Officials with ministerial participation periodically, say, every 3 or 5 years;
- (b) The Meeting of Senior Officials for participation by fairly senior level officials;
- (c) Extended capacity of the chairperson of the Meeting of Senior Officials to provide continual policy guidance to the secretariat in following up the decisions of the Meeting of Senior Officials during interregnum periods of two Meetings of Senior Officials.

B. The Secretariat:

- (a) Continue with the existing arrangement, with ESCAP providing the secretariat support in cooperation with ADB, UNEP, and the World Bank;
- (b) Rotating Secretariat to be hosted by the participating countries;
- (c) Interim Secretariat to be hosted and supported by a certain country (e.g. for five years) till a permanent arrangement can be made;

(d) Programme Secretariat to be established on a permanent basis.

C. Programme Planning and Implementation:

- (a) Continue with the existing arrangement with guidance of Meeting of Senior Officials and support from the secretariat;
- (b) Expert Working Group may be established in each identified priority area, to develop project proposals and review their implementation.

7. At this Meeting, the Senior Officials adopted the Vision Statement for Environmental Cooperation in North-East Asia. As part of this Vision Statement, the Meeting agreed (a) to request the ESCAP secretariat to continue to provide secretariat support to NEASPEC, in collaboration with UNDP, UNEP, ADB, the World Bank, and other relevant institutions; (b) to extend support, as appropriate, to the ESCAP secretariat for its efficient operation, which also shall enhance the ownership of participating countries of NEASPEC; and (c) to keep under review the institutional mechanism.

8. It is quite evident from the record of all the Meetings of Senior Officials that numerous proposals and various options for institutional arrangements have already been put forward and the Senior Officials have stated that the development of the institutional mechanism should adhere to the principle of step-by-step and practical approach towards subregional cooperation. It is also clear, however, that the current arrangements are understood to be of a temporary nature and that the institutional mechanism shall be kept under review.

**II. PROPOSAL FOR INSTITUTIONAL AND FINANCIAL  
ARRANGEMENTS AND ESTABLISHMENT OF THE NEASPEC  
SECRETARIAT**

9. In line with the principle of step-by-step and practical approach towards subregional cooperation as enunciated in the Vision Statement and in the light of the decisions of the Meetings of Senior Officials, it is proposed that for the interim period, the ESCAP secretariat shall continue to provide secretariat support to NEASPEC, in

collaboration with UNDP, ADB, the World Bank, and other relevant institutions. However, in view of the reduction in both staff and financial resources of the ESCAP secretariat arising from the implementation of UN reform, it is suggested that participating governments send experts on secondment to assist the ESCAP secretariat in supporting and strengthening NEASPEC activities. In particular, the seconded experts could assist in monitoring and coordinating the implementation of NEASPEC projects, and in preparing for the Meetings of Senior Officials.

10. The Government of Japan has generously dispatched an NRL expert to the Environment Section of the ESCAP secretariat to, among others, assist in the implementation of NEASPEC activities. It is suggested that the Government of the Republic of Korea, as well as the other participating governments, be requested to also dispatch an expert(s) to assist in secretariat activities. At current level of activities, at least two experts would be needed at the ESCAP secretariat to help support and strengthen subregional cooperation activities.

11. It is expected that by 2003 or 2004, the second phase projects would be fully underway in their implementation, and that new projects, possibly following a programme approach as proposed in another secretariat paper, would be in their initial stages of implementation. In addition, there would be increasing need to intensify subregional cooperation in order to help address the worsening common and transboundary environmental problems affecting the subregion. In order to address these problems in a more effective and efficient manner, there would be need for central coordination and monitoring. Accordingly, it is recommended that a permanent NEASPEC Secretariat be established in one of the participating countries by 2003, or 2004 at the latest. The establishment of the NEASPEC Secretariat would be justified for the following reasons: (a) it would enhance the ownership of participating countries in the programmes of NEASPEC; (b) it would promote wider participation of national experts and institutions in programme development and implementation; (c) it would enhance coordination and monitoring of projects and activities; (d) it would provide a distinct identity and rallying point for subregional cooperation; and (e) it would serve as a permanent custodian for the official records, reports, and other papers of NEASPEC.

12. The location of the Secretariat would depend greatly on the level of interest of a member country to host it and on her willingness and ability to provide the needed resources and counterpart funding support. It is suggested that efforts be exerted now to encourage participating governments to make an offer for the hosting of the Secretariat. The decision on the final location of the Secretariat shall be made by consensus of all participating governments.

13. It is recommended that the Secretariat should start with a small staff and with modest facilities. In the initial year, the staff may consist only of the Executive Director (as head of the Secretariat), one professional staff, and three locally recruited staff to provide administrative, secretarial and support functions. As the subregional cooperation further grows and intensifies, the Secretariat may be allowed also to expand. However, it should always remain lean and efficient and not be allowed to become a large bureaucracy. Presented in Annex 1 is a draft Agreement on the Establishment of NEASPEC Secretariat, which contains further details on the nature, functions, operation and funding of the proposed Secretariat. This draft Agreement is presented for the consideration of the Senior Officials with the view to finalizing it at the eighth Meeting.

14. With respect to the financial mechanism for the operation of the Secretariat, it is suggested that the capital, operational and administrative requirements of the Secretariat be funded from two sources: (a) the counterpart contribution of the Host Country; and (b) the operational account of the NEASPEC Fund, as described in the next section. The Host Country is expected to provide the capital requirements of the Secretariat in terms of land, building and facilities, and to contribute a significant amount to the endowment and operational accounts of the NEASPEC Fund in order to insure the effective operation of the Secretariat, particularly during the initial years. Other participating governments are also expected to make voluntary financial contributions and to send experts and other seconded personnel to the Secretariat with funding from the sending government.

15. Once the NEASPEC Secretariat is established in 2003 or 2004, subregional cooperation may be further strengthened if a meeting at the ministerial level could be convened in 2005. At that meeting, the ministers may decide the frequency of their

future meetings, which could be every five years. A meeting at the ministerial level would be essential in setting a long-term strategic vision and in providing high-level policy direction for the subregional programme of environmental cooperation. To keep the ministerial-level meeting short but effective, a preparatory meeting of senior officials shall precede it. The NEASPEC Secretariat shall be tasked to assist in the preparations for this ministerial-level meeting.

16. As more subregional cooperation projects get underway, Expert Working Groups may be established in the identified priority areas. These working groups shall develop project proposals, identify possible funding sources, and review and assess the implementation of on-going projects, with the assistance of the NEASPEC Secretariat. They shall meet only as and when necessary and report to the Meeting of Senior Officials. The NEASPEC Secretariat shall be tasked to submit recommendations on this matter for the consideration of the Meeting of Senior Officials.

### **III. PROPOSAL FOR THE ESTABLISHMENT OF THE NEASPEC FUND**

17. Once a decision is made to establish the NEASPEC Secretariat, it is essential that an adequate and reliable source of funds is made available for its continuing operation. Otherwise, it would be difficult to have effective central coordination and monitoring that is needed for the efficient implementation and development of subregional cooperation projects. Accordingly, in order to insure the viability of the operation of the NEASPEC Secretariat in the long term and to provide a reliable source of funding for NEASPEC projects and activities, it is recommended that the NEASPEC Fund be established also by 2003 or 2004.

18. In line with the Framework and the Vision Statement, the NEASPEC Fund shall be open to voluntary contributions from participating governments, collaborating agencies, bilateral and multilateral donors, foundations, the private sector, and other sources. The NEASPEC Secretariat shall keep and manage the Fund.

19. The Fund shall have three accounts: an Endowment Account, an Operational Account, and a Project Account. Voluntary contributions to the Fund shall be paid into one, any two, or all of the three accounts. The donors shall specify the allocation of the contributions to the various accounts. If not specified by the donors, the contributions shall be paid to the Endowment Account.

20. The fund of the Endowment Account shall be invested or deposited in interest bearing accounts in order to earn income. The income from the Endowment Account shall be paid to any of the three accounts as decided by the Meeting of Senior Officials. For example, 20 per cent of the income may be paid back to the Endowment Account for capital accumulation, 60 per cent may be paid to the Operational Account, and the balance of 20 per cent to the Project Account. The allocation of the income of the Endowment Account would depend on the initial amount of the NEASPEC Fund, the operational needs of the Secretariat, and the amount of income earned. The primary objective should be to insure the availability of funds to support the operation and activities of the Secretariat while also providing for the long-term growth of the Fund.

21. The Operational Account shall be used primarily to support the operation and activities of the NEASPEC Secretariat, and secondarily the convening of Meetings of Senior Officials and other meetings, as approved by the Meeting of Senior Officials.

22. The Project Account shall be used for the implementation of subregional cooperation projects and other activities approved by the Meeting of Senior Officials. In the initial years of operation, this will supplement, but not replace, the Core Fund in order to allow the completion of on-going activities. Subsequently, however, voluntary contributions intended for the Core Fund may be directed instead into the Project Account, if agreed by the Senior Officials.

23. Presented in Annex 2 is a draft Agreement on the Establishment of the NEASPEC Fund, which presents further details on the nature, operation and management of the Fund. This draft Agreement is presented for the consideration of the Senior Officials with the view to finalizing it at the eighth Meeting.

24. For planning purposes, it is suggested that the participating parties provide the Meeting of Senior Officials with an indicative, non-binding level of possible contributions to the Fund over a period of ten years, showing the amounts allocated to the three accounts. Multilateral and bilateral funding agencies and other donors may also be requested to provide the same.

25. To further assist the Senior Officials in their discussions concerning the proposed Fund, a brief description of the Relevant Experience in ASEAN in Establishing Funds to Support Subregional Cooperation is presented in Annex 3.

#### **IV. ISSUES FOR CONSIDERATION**

26. The Senior Officials may wish to request the participating governments, particularly, Japan and the Republic of Korea, to send experts on secondment to the Environment Section of the ESCAP secretariat to assist in the monitoring and implementation of NEASPEC activities and in the preparation for the Meetings of Senior Officials.

27. The Senior Officials may wish to approve in principle the establishment of a permanent NEASPEC Secretariat by 2003 or 2004 and encourage the participating governments to make an offer for the hosting of the Secretariat. In this connection, the Senior Officials may wish to consider the draft Agreement on the Establishment of the NEASPEC Secretariat with the view to finalizing the Agreement during their eighth Meeting.

28. The Senior Officials may wish to approve in principle the establishment of the NEASPEC Fund by 2003 or 2004 and consider the draft Agreement on the Establishment of the NEASPEC Fund with the view to finalizing the Agreement during their eighth Meeting.

29. The Senior Officials may wish to request their respective governments to provide an indicative, non-binding level of voluntary contributions to the NEASPEC Fund for the next ten years starting in 2003 or 2004, showing the amounts allocated to the Endowment Account, Operational Account, and Project Account.

30. The Senior Officials may wish to recommend to their respective governments to consider convening a meeting at the ministerial level in 2005 to set the long-term vision and provide policy directions for the North-East Asian Subregional Programme of Environmental Cooperation.

## **Annex 1**

### **Agreement on the Establishment of the NEASPEC Secretariat**

**The Governments of the People’s Republic of China, Japan, the Republic of Korea, the Democratic People’s Republic of Korea, Mongolia and the Russian Federation:**

**MINDFUL** of the importance and the growing activities of the North-East Asian Subregional Programme of Environmental Cooperation (NEASPEC) and the need to further enhance and strengthen this cooperation;

**RECALLING** the Framework for the North-East Asian Subregional Programme of Environmental Cooperation and the Vision Statement for Environmental Cooperation in North-East Asia, which affirm the strong commitment to vigorously promote subregional cooperation to achieve environmentally sound and sustainable development in North-East Asia;

**RECOGNIZING** the need for a central administrative body to provide greater efficiency in the planning, coordination, monitoring and implementation of projects and activities of NEASPEC;

**DO HEREBY AGREE AS FOLLOWS:**

#### **ARTICLE 1**

##### **NEASPEC Secretariat Establishment and Location**

1. There shall be established a permanent secretariat for NEASPEC, which shall be called the NEASPEC Secretariat (hereinafter referred to as “Secretariat”).
2. The Secretariat shall have its seat in [*Name of host country*] (hereinafter referred to as “Host Country”).

## **ARTICLE 2**

### **Composition**

3. The Secretariat shall comprise the Executive Director of the Secretariat, Openly Recruited Staff (ORS), and Locally Recruited Staff (LRS).

## **ARTICLE 3**

### **Executive Director**

4. The Executive Director shall be a national of a NEASPEC Member State and shall be appointed by the Meeting of Senior Officials on Environmental Cooperation in North-East Asia (hereinafter referred to as "Meeting of Senior Officials") on an alphabetical rotation basis starting with the Host Country for a non-renewable term of five years.

5. The Executive Director, in discharging his/her functions, shall represent the NEASPEC Secretariat and not his/her country or any other institution.

6. The Executive Director shall:

- (a) represent and manage the Secretariat and be responsible for the discharge of all the functions and responsibilities entrusted to him/her by the Meeting of Senior Officials;
- (b) have the authority to address communications directly to the Participating Parties;
- (c) attend personally all the Meetings of the Senior Officials as Secretary, and may attend or designate a representative to attend other NEASPEC meetings and activities;
- (d) keep himself/herself informed of the activities of NEASPEC and other relevant bodies;
- (e) undertake activities to raise funds for NEASPEC's projects and activities, in accordance with the guidelines and procedures established by the Meeting of Senior Officials;
- (f) have authority to appoint such professional, secretarial and administrative staff as necessary to achieve the objectives of

NEASPEC, subject to the approval of the Meeting of Senior Officials;

- (g) prepare an Annual Report for submission to the Senior Officials Meeting;
- (h) coordinate and monitor the implementation of all approved NEASPEC projects;
- (i) initiate plans and programmes for NEASPEC subregional cooperation in accordance with approved policy guidelines;
- (j) prepare the Annual Budget of the Secretariat for the approval of the Meeting of Senior Officials;
- (k) act as the custodian of all NEASPEC documents;
- (l) be responsible for the Secretariat's security; and
- (m) perform such other duties as the Meeting of Senior Officials may

direct.

7. The Executive Director shall prepare the Staff Regulations, Financial Regulations and Security Regulations of the Secretariat for the approval of the Meeting of Senior Officials and shall implement these Regulations from such date as specified.

8. The Executive Director may propose amendments to such Regulations for the approval of the Meeting of Senior Officials and such amendments shall come into force from such date as specified.

#### **ARTICLE 4**

##### **Staff of the Secretariat**

9. The staff of the Secretariat shall be composed initially of the Executive Director, one Openly Recruited Staff and three Locally Recruited Staff to provide professional, administrative and secretarial support for the effective initial functioning of the Secretariat. The emoluments of the Executive Director shall be set by the Meeting of Senior Officials. The Executive Director shall recruit, appoint, and determine the functions, duties and emoluments of the staff.

10. At the end of the first year of operation of the Secretariat, the Executive Director shall make a comprehensive recommendation to the Meeting of Senior Officials on the actual requirements regarding the size, composition, functions, duties and emoluments of the staff of the Secretariat.

11. From time to time, the Executive Director shall review and assess the needs of the Secretariat and shall present for approval to the Meeting of Senior Officials any additional Openly Recruited Staff and/or Locally Recruited Staff and/or experts, consultants or seconded personnel that may be needed.

12. The Openly Recruited Staff shall be nationals of NEASPEC Member States recruited internationally based on merit and qualifications, taking into consideration the equitable representation of all Member States in the Secretariat.

13. The Locally Recruited Staff shall be nationals of NEASPEC Member States recruited locally in the Host Country based on merit and qualifications.

14. Subject to the provisions of this Agreement, the terms and conditions of employment of the members of the staff of the Secretariat, including duties, functions, tenure, salaries, benefits, and others, shall be set out in Staff Regulations issued by the Executive Director and approved by the Meeting of Senior Officials. These Regulations shall also include a section covering the hiring and appointment of non-regular staff, such as experts, consultants, seconded personnel and the like.

## **ARTICLE 5**

### **Budget and Funding**

15. An Annual Budget for the Secretariat shall be submitted by the Executive Director to the Meeting of Senior Officials for approval. The Annual Budget shall also include the number and grade of personnel to be employed.

16. The budget of the Secretariat shall be categorized into Capital Outlay and Recurrent Expenditure.

17. Capital Outlay shall include all costs related to the acquisition of land, construction of building, provision of basic utilities and services, initial office furniture, equipment, decoration and landscaping, installation of air conditioning plants, major maintenance and such other items as the Host Country may offer.

18. Recurrent Expenditure shall include all other expenses including payment of salaries, allowances and benefits of all Secretariat personnel, utility charges, traveling expenses, office supplies and materials, and all other recurring maintenance, operating and administrative expenses.

19. Capital Outlay expenditure shall be borne by the Host Country. Recurrent Expenditure shall be provided for from the Operational Account of the NEASPEC Fund.

## **ARTICLE 6**

### **External Audit**

20. The Secretariat's operations and its financial accounts shall be subject to yearly financial auditing.

21. As and when the Meeting of Senior Officials deems fit, operational and management audit of the Secretariat shall also be undertaken.

22. The Meeting of Senior Officials shall have the authority to appoint the external auditor and the external auditor shall submit its Report directly to the Meeting of Senior Officials.

## **ARTICLE 7**

### **Working Language**

23. The working language of the Secretariat shall be English.

**ARTICLE 8**  
**Privileges and Immunities**

24. The Host Country shall grant to the Secretariat, the Executive Director and the Staff such privileges and immunities as may be necessary for the performance of their duties and functions.

**ARTICLE 9**  
**Amendments**

25. Any NEASPEC Member State may propose amendments to this Agreement. Such amendments when approved by all Member States shall come into force on such date as may be agreed upon.

**ARTICLE 10**  
**Ratification**

26. This Agreement is subject to ratification by the Contracting Parties. The Instruments of Ratification shall be deposited with the Ministry of Foreign Affairs of the Host Country.

**ARTICLE 11**  
**Entry into Force**

27. This Agreement shall enter into force on the day on which the sixth Instrument of Ratification is deposited.

**ARTICLE 12**  
**Accession**

28. This Agreement is open to accession by any Government that is accepted as a new member of NEASPEC. The Instrument of Accession shall be deposited with the Ministry of Foreign Affairs of the Host Country.

29. With respect to any such new member Government acceding to this Agreement after it has come into force, this Agreement shall become effective in relation to that new member Government on the date of deposit of its Instrument of Accession.

**IN WITNESS WHEREOF**, the undersigned, being duly authorized thereto by their respective Governments, have signed this Agreement.

**DONE** in [*Location in Host Country*], in six originals in the English language this [*date*]

**For the Government of the  
People's Republic of China:**

[*Signature, name and title*]

**For the Government of  
Japan:**

[*Signature, name and title*]

**For the Government of the  
Republic of Korea:**

[*Signature, name and title*]

**For the Government of the  
Democratic People's Republic of Korea:**

[*Signature, name and title*]

**For the Government of  
Mongolia:**

[*Signature, name and title*]

**For the Government of the  
Russian Federation:**

[*Signature, name and title*]

## **Annex 2**

### **Agreement on the Establishment of the NEASPEC Fund**

**The Governments of the People’s Republic of China, Japan, the Republic of Korea, the Democratic People’s Republic of Korea, Mongolia, and the Russian Federation;**

**BEING** members of the North-East Asian Subregional Programme of Environmental Cooperation (NEASPEC);

**DESIRING** to accelerate and intensify the implementation of the vision and objectives of NEASPEC as embodied in the Framework for North-East Asian Subregional Environmental Cooperation and the Vision Statement for Environmental Cooperation in North-East Asia;

**RECOGNIZING** the long-term need for a reliable source of timely financing to support the cooperation programmes and activities of NEASPEC, including the efficient operation of the NEASPEC Secretariat, with the objective of achieving environmentally sound and sustainable development in North-East Asia;

**DO HEREBY AGREE AS FOLLOWS:**

#### **ARTICLE 1**

##### **Establishment and Membership**

1. The Contracting Parties shall establish the NEASPEC Fund (hereinafter referred to as the “Fund”). Members of NEASPEC shall be members of the Fund.

#### **ARTICLE 2**

##### **Contributions and Administration**

2. The Fund shall be open to voluntary contributions from the members of NEASPEC, collaborating agencies, bilateral and multilateral donors, foundations, the private sector, and other sources.

3. The Fund shall be administered solely by NEASPEC and shall be kept and managed by the NEASPEC Secretariat.

### **ARTICLE 3**

#### **Nature of the Fund**

4. The Fund shall be expressed in United States dollars and shall be deposited in bank(s) to be determined by the NEASPEC Secretariat with the approval of the Meeting of Senior Officials.

5. The Fund shall have three accounts: an Endowment Account, an Operational Account, and a Project Account.

6. Voluntary contributions to the Fund shall be paid into any of the three accounts, as specified by the donors. If not specified by the donors, the contributions shall be paid to the Endowment Account.

7. The fund of the Endowment Account shall be invested or deposited in interest bearing accounts in order to earn income. The income from the Endowment Account shall be allocated and paid to any of the three accounts according to a proportion recommended by the Executive Director of the Secretariat and approved by the Meeting of Senior Officials.

8. The fund of the Operational Account shall be used to support the operation and activities of the NEASPEC Secretariat, including the convening of Meetings of Senior Officials and other meetings as recommended by the Executive Director of the Secretariat and approved by the Meeting of Senior Officials. Any income from the Operational Account shall remain in the Operational Account.

9. The fund of the Project Account shall be used to support the implementation of subregional cooperation projects and other activities recommended by the Executive Director of the Secretariat and approved by the Meeting of Senior Officials. Any income from the Project Account shall remain in the Project Account.

#### **ARTICLE 4**

##### **Control, Management, Disbursement and Accounting**

10. The control, management, disbursement and accounting of the Fund shall be in accordance with the Rules and Guidelines prepared by the Executive Director of the Secretariat and approved by the Meeting of Senior Officials, subject to the provisions of this Agreement.

#### **ARTICLE 5**

##### **Projects and Activities**

11. The projects and activities to be financed by the Fund shall meet the requirements contained in the Rules and Guidelines prepared by the Executive Director of the Secretariat and approved by the Meeting of Senior Officials, subject to the provisions of this Agreement.

#### **ARTICLE 6**

##### **Amendments**

12. Any member of NEASPEC may propose an amendment to the provisions of this Agreement. Such amendment shall come into force after it has been accepted by all other members of NEASPEC.

#### **ARTICLE 7**

##### **Entry into Force and Termination**

13. This Agreement shall enter into force on the date of signature by all members of NEASPEC and shall remain in force until it is terminated by the decision of all the members of NEASPEC.

14. This Agreement shall be deposited with the Secretariat.

**IN WITNESS WHEREOF** the undersigned, being duly authorized by their respective governments, have signed this Agreement.

**DONE** at [*Location in Host Country*] in a single copy in the English language, this [*date*].

**For the Government of the  
People's Republic of China:**

[*Signature, name and title*]

**For the Government of  
Japan:**

[*Signature, name and title*]

**For the Government of the  
Republic of Korea:**

[*Signature, name and title*]

**For the Government of the  
Democratic People's Republic of Korea:**

[*Signature, name and title*]

**For the Government of  
Mongolia:**

[*Signature, name and title*]

**For the Government of the  
Russian Federation:**

[*Signature, name and title*]

### **Annex 3**

#### **Relevant ASEAN Experience in Establishing Funds to Support Subregional Cooperation**

1. The Association of Southeast Asian Nations (ASEAN) has established several funds for various purposes. Among these are the ASEAN Foundation Fund, the ASEAN Science Fund, and the ASEAN Cultural Fund. The modalities for establishing these funds are described briefly as the experience in ASEAN may help the discussions on the possible establishment of the NEASPEC Fund.

#### **The ASEAN Foundation Fund**

2. The ASEAN Foundation was established in December 1997 by member countries to support activities in education, health and culture; assist in uplifting the social conditions of the peoples of ASEAN Member States; provide fellowships to and support exchanges of ASEAN youths and students; promote collaborative work among academics, professionals and scientists; and implement projects assigned by ASEAN Leaders and Ministers.

3. The ASEAN Foundation Fund comes from voluntary contributions from ASEAN Member States, Dialogue Partners, private corporations and other foundations or individuals.

4. The Fund has three accounts, namely, the Endowment Account, the Operational Account and the Projects Account. All contributions are paid to any of these accounts, as specified by the donors. If unspecified by the donors, the contributions are paid into the Endowment Account. The Endowment Account is invested to realize income for the Foundation. The Operational Account provides for the day-to-day operational and administrative expenditures of the secretariat of the Foundation. The Projects Account provides financing for approved projects. The Board of Trustees of the Foundation decides the allocation of the annual income from the Endowment Account to any of the three accounts.

5. As of February 2001, ASEAN Member Countries and other donors have voluntarily contributed varying amounts to the ASEAN Foundation Fund (in US \$):

	<u>Endowment</u>	<u>Operational</u>	<u>Projects</u>
<b><u>Member Countries</u></b>			
Brunei Darussalam	1,000,000		
Cambodia		75,000	
Indonesia		1,000,000	
Laos		50,000	
Malaysia	394,736		
Myanmar		100,000	
Philippines		197,000	
Singapore	500,000		
Thailand		300,000	
Vietnam		100,000	
<b><u>Other Donors</u></b>			
Japan			20,000,000
People's Republic of China			200,000
Republic of Korea			200,000
<b><u>Total</u></b>	<b><u>1,894,736</u></b>	<b><u>1,822,000</u></b>	<b><u>20,400,000</u></b>

6. The voluntary contributions from other donors are prompted primarily by the political will shown by Member Countries to support the establishment of the Foundation by voluntarily contributing varying amounts to the Fund.

#### **The ASEAN Science Fund**

7. The ASEAN Science Fund was established in 1989 to support projects of the ASEAN Committee on Science and Technology in the following areas: (a) pre-feasibility studies to formulate projects for funding by Dialogue Partners; (b) promotion of completed projects for commercialization; (c) provision of bridge financing for projects which are of priority to ASEAN but awaiting funding from other sources; and (d) other activities approved by the Committee.

8. The Fund is open to contributions from Member Countries, Dialogue Partners and other countries, international organizations, and other sources such as the private sector, multilateral development agencies and foundations.

9. The Fund was initiated with a seed contribution of US\$ 50,000 from each Member Country. In 1998, Member Countries agreed to contribute an equal amount of US\$ 1 million each (including the seed contribution), payable over a period of ten years. The amount of contribution to be remitted to the Science Fund annually is set by the member country, with no predetermined minimum amount. The only requirement is that the total contribution of US\$ 1 million be fully paid at the end of the ten-year period in 2008.

10. The ASEAN Science Fund is a trust fund that is invested to earn income. Only 80 per cent of the earned income is made available for funding projects and other activities while the remaining 20 per cent of the income is added to the capital fund.

11. As of March 2001, member countries and other donors have contributed the following amounts:

<b><u>Member Countries</u></b>	<b><u>Contribution (US\$)</u></b>
Brunei Darussalam	100,000
Cambodia	100,000
Indonesia	50,000
Lao PDR	50,000
Malaysia	100,000
Myanmar	50,000
Philippines	134,000
Singapore	160,000
Thailand	150,000
Vietnam	100,000
<b><u>Other Donors</u></b>	
New Zealand	58,218
<b><u>Total Contributions</u></b>	<b><u>US\$ 1,052,218</u></b>
<b><u>Total Fund</u></b>	<b><u>US\$ 1,250,000</u></b>

12. Because the capital fund is invested, the ASEAN Science Fund has grown to approximately US\$ 1.25 million, as of March 2001, with 20 per cent of the earnings having being added to the capital fund and 80 per cent having been utilized to fund various activities.

### **The ASEAN Cultural Fund**

13. In 1978 the ASEAN Foreign Ministers signed an Agreement on the Establishment of the ASEAN Cultural Fund (ACF) to finance regional cooperation projects in culture and information. The ACF is open to voluntary contributions from Member Countries, other countries, international bodies and other agencies.

14. In the same year, the Government of Japan agreed to contribute five billion yen (about US\$ 25 million), of which two billion yen was remitted in 1978 and three billion yen in 1979.

15. An Advisory Group composed of officials of ASEAN countries who are involved in the management of foreign currency reserves advises ASEAN on the management of the Cultural Fund. The Group's main responsibility is to see to it that the investments made out of the Fund conform to an Investment Policy Schedule drawn up by ASEAN. It meets once a year to consider the reports of the Fund's investments managers and to submit a report to the ASEAN Secretariat.

16. The Fund is invested by two investment managers comprising one bank from Singapore and another bank from Malaysia. The Fund yields an annual income of about US\$ 2.5 to 3 million. Eighty per cent of this income is made available to finance regional cooperation projects on culture and information. The remaining 20 per cent is added into the capital fund. Since its establishment, the Fund has grown from US\$ 25 million to over US\$ 40 million, while providing about US\$ 2 million annually to support various subregional cooperation projects and activities.

17. Since the establishment of the Fund, it has not become necessary for member countries to contribute to the Fund because the voluntary contribution from Japan has earned enough income to support the activities of the ASEAN Committee on Culture

and Information, including funding for the meetings of its four Working Groups. At the same time, the Fund has continued to grow, thus providing a reliable source of funding for ASEAN cooperation in culture and information.