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Cooperation in North-East Asia  
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Seoul

**INSTITUTIONAL AND FINANCIAL ARRANGEMENTS FOR THE NORTH-EAST  
ASIAN SUBREGIONAL PROGRAMME**

(Item 4 of the provisional agenda)

*Note by the secretariat*

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## I. BACKGROUND

1. The institutional and financial matters were included in the discussion of this series of meetings of Senior Officials held for promoting cooperation on environment in the North-East Asian subregion. The step-by- step and practical approach is being followed for evolution of the institutional and financial mechanisms. The Senior Officials also decided that the cooperation should evolve through implementation of projects in the agreed priority areas and this decision is also linked to the institutional and financial matters.

2. Since the adoption of the Framework for North-East Asian Subregional Programme of Environmental Cooperation (NEASPEC), the elaboration and agreement on the institutional and financial aspects of this cooperation continue to be the challenge. To meet this challenge, at the fourth Meeting in Moscow, the Senior Officials “resolved to make efforts towards establishing financial arrangements including a trust fund and reach a consensus on the modality of a trust fund possibly at its Sixth Meeting”. At the fifth Meeting at Kobe, the Senior Officials requested the secretariat to elaborate further on the options and alternatives for financial arrangements for consideration at the Sixth Meeting. The secretariat document ENR/SO/ECNA (4)/3 and ENR/SO/ECNA (5)/3 provided the background materials for discussion at the fourth and fifth meetings of Senior Officials respectively.

3. The fifth Meeting of Senior Officials also recommended consultation among the partner agencies of this cooperation, relevant donor countries and organizations and explore the possibility of private sector financing of projects. The partner agencies have been contacted to consider possible funding of the approved projects for which ADB has already expressed their intention to provide support to the three of the four approved projects through ADB’s regional technical assistance project that they are processing. The UNDP has expressed the possibility of extending support to the project on “Environmental monitoring, data collection, comparability and analysis”. As ADB’s support would include this project, UNDP’s support is also to be requested for the unfunded components of the project approved by the Senior Officials. The project proposal is required to be recasted in the format provided by UNDP.

4. As regards private sector financing of project, the focal points were approached requesting the suggestions for business enterprises who may be interested in participation in NEASPEC projects, particularly the project “Demonstration of dry sorbent duct injection FGD technology”. The large conglomerates in the power sector in this region could be approached after identification of a set of host power plants for selection of the one most suitable technically and effective for demonstration purposes.

5. In line with its commitment made at the fifth Meeting of Senior Officials, the Government of Japan dispatched an expert to assist the secretariat in NEASPEC-related activities and other programmes including the preparation for the fourth Ministerial Conference on Environment and Development in Asia and the Pacific to be held at Kitakyushu, Japan from 31 August to 5 September 2000. The Government of Japan also assisted in implementing selected components of the project “Environmental monitoring, data collection, comparability and analysis”.

6. In order to assist in the elaboration of the financial arrangement of NEASPEC, and to provide a wider focus in relation to other such initiatives in the subregion, such as the Northwest Pacific Action Plan, the Government of the Republic of Korea organized the Expert Group Meeting on Environmental Cooperation Mechanisms in North-East Asia on 10-11 November 1999 at Seoul. The report of the meeting is available as information document for this Meeting. The experts made an in-depth consideration on the financial matters of NEASPEC and formulated a set of recommendations for establishing a core fund and for outreaching NEASPEC activities for its further strengthening. The discussion at the Meeting also included development of a vision for NEASPEC for its own secretariat and trust fund, co-ordination of various cooperation initiatives and the need for its reporting to Rio + 10 review of Agenda 21 in 2002.

## **II. RATIONALE FOR ESTABLISHMENT OF THE CORE FUND**

7. The participating countries have already recognized the importance and benefits of the environmental cooperation in North-East Asia. As a practical step, this cooperation is being promoted through implementation of projects funded generously by the ADB and other partner agencies. However, for the cooperation to be on a sound footing, financial resources together with the already existing close participation of the participating countries are essential. In view of the demonstration of the benefits of this cooperation, the financial support by the participating countries according to their capacities can be justified. Besides, the establishment of the core fund is required to enhance ownership of the programme by the participating countries.

8. Since the inception in 1993, the NEASPEC has been supported by the partner agencies together with the much needed financial assistance provided by the Governments of the Japan and Republic of Korea, and the hosting of NEASPEC activities by the participating countries. NEASPEC is the only initiative in the subregion which is providing a forum for discussion on environment at intergovernmental level. It has made tangible progress in capacity-building of power plant operators and engineers for pollution abatement and poised for dissemination of know-how and technologies for environmentally sustainable operation and maintenance of coal fired power plants and internalization of know-how and technologies in the planning and operating practices by strengthening the national centres and establishing a subregional training centre.

9. The experts of the NEASPEC countries are already cooperating and exchanging information on estimation and monitoring of air pollutants so that a subregional comparability and assessment based on national activities could be developed. The projects in the next phase would assist this process by conducting national studies, identification and establishment of national and subregional centres for training and programme development.

10. The Senior Officials have been successful to involve in this cooperation environmental specialists from the subregion in project implementation and research centres to act as catalyst and to draw upon the cooperation of the countries to commit resources in cash and/or in kind. However, like any cooperation mechanism, the financial arrangement has to be formalized to make the support more predictable to undertake the core activities and attain progress in the evolution of the secretariat. In addition to the secretariat support provided by ESCAP and partner agencies for organizing the meetings of Senior Officials and implementation of projects, there is a need for deeper review and analysis of the identified priority areas to propose programmes and projects, secure the services of specialists to design capacity-building activities

and provide funding support for studies, facilitate the participation of all the countries in the project implementation, and set up the appropriate co-ordination mechanism with wider participation of the experts. The establishment of a core fund assumes that existing secretariat arrangement would continue but it will be a step towards ownership of NEASPEC by the countries till further arrangement of the secretariat is agreed upon as the next step.

11. Environmental resources such as air and water have transboundary implications. Improved national environmental management while protecting the natural resources and environmental condition of the individual countries contributes to ameliorating quality of common environmental assets. The benefits from the cooperation also add to the efficiency of national capacity-building programmes through knowledge spillovers, economies of scale in conducting scientific research, training, and assessment of environmental trends through collection of data and management of information.

### **III. PROPOSAL FOR A CORE FUND**

12. The Framework for North-East Asian Subregional Programme of Environmental Cooperation that was adopted at the third Meeting of Senior Officials provided guidelines for developing the funding mechanism in its section 7. The sources of fund would be:

- (a) Voluntary contribution for participating parties in cash or kind or both;
- (b) Collaborating agencies on a project funding basis;
- (c) Contribution from bilateral and multilateral donor;
- (d) The private sector on a project funding basis;
- (e) Other contribution.

13. As regards establishment of the fund, the consensus was to strive for its achievement. Since then, this issue was raised with proposals for various options in the fourth and fifth Meetings of Senior Officials. The proposal at the fourth Meeting of Senior Officials was to establish a programme fund with a total amount of US\$ 350,000 (document ENR/SO/ECNA(4)/3). The proposal at the fifth Meeting of Senior Officials mentioned similar amounts with itemwise breakdown (document ENR/SO/ECNA(5)/3). The Senior Officials may consider establishment of a core fund for US\$ 350,000 and a formula for contribution by the participating countries may be developed through discussion at this Meeting.

14. The core fund or the programme fund as may be called should be used for the following purposes: (1) programme development and implementation, (2) design of capacity-building activities, (3) studies for assessment of country situation in the priority areas and on transboundary environmental issues, (4) awareness raising activities such as preparation of pamphlets, brochures and organizing press briefings, (5) conduct of annual meetings of senior officials, inter-sessional meetings such as the meetings of experts for programme planning and strengthening of the cooperation, and (6) counterpart funding for leveraging other sources of funds.

15. The recommendations of the Expert Group Meeting on Environmental Cooperation Mechanisms in North-East Asia in particular NEASPEC and NOWPAP that was convened in Seoul on 10-11 November 1999 (attached as Annex) could be used to further assist in the discussion for establishment of the core fund.

16. The UN/ESCAP could be requested to administer and manage the fund as per United Nations Financial Rules and Regulations, and the guidelines for its allocation is to be defined by the Meeting of Senior Officials on Environmental Cooperation in North-East Asia as the Governing Body of NEASPEC.

#### **IV. OPTIONS FOR INSTITUTIONAL MECHANISM**

17. The fifth Meeting of Senior Officials recognized the need to further elaborate institutional arrangements. In view of the enhanced financial implications in the establishment of a secretariat and the financial crisis that prevailed at that time, the Meeting considered the establishment of any new secretariat arrangement premature. It was, therefore, decided to keep the various options for the secretariat pending till such time as the Senior Officials decide to take up the matter again.

18. The proposed options on institutional mechanism covered the issues of policy-making or governing structure, the secretariat, Programme planning and implementation and cooperation/coordination, 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.

19. The Senior Officials may wish to consider the institutional aspect for the long-term prospect of this cooperation and keeping in view the ESCAP resolution 53/3 "Framework for North-East Asian Subregional Programme of Environmental Cooperation" adopted in 1997. It may be appropriate that the decision on a secretariat for NEASPEC could make some progress by the year 2002 to enable reporting to the Rio + 10 Assembly by which time the ESCAP resolution would also have five-year tenure.

20. The main purpose for establishment of the secretariat is to enhance the ownership of the participating countries in the programmes of NEASPEC and to promote wide participation of their experts and institutions in the programme development and implementation as well as to assure its long-term sustainability. Although the existing arrangement has been found most suitable at this stage, the senior officials may wish to consider a process for development of the NEASPEC Secretariat.

## **V. ISSUES FOR CONSIDERATION**

21. The Senior Officials are requested to consider the establishment of the core fund on the basis of a formula for contribution. This document may also be adopted after refinement and deliberations and having reached a consensus on the key issues as protocol to the Framework of NEASPEC.

22. The Senior Officials may wish to review the institutional matters and provide further guidance to the secretariat.

23. The Senior Officials may wish to consider reporting the relevant outcome of this Meeting and a vision for environmental cooperation for North-East Asia to the Fourth Ministerial Conference on Environment and Development in Asia and the Pacific to be held in Kitakyushu from 31 August to 5 September 2000 and at the Rio +10 Assembly in 2002.

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## **Annex**

### **Recommendations and Matters to be brought to the attention of the 6th Meeting of Senior Officials on Environmental Cooperation in North-East Asia.**

#### **Institutional and Financial Matters**

1. As a new driving force for the programme, the meeting felt that the present framework of NEASPEC should be developed into a comprehensive programme which should include institutional and financial matters as early as possible. In that regard the senior officials may wish to take into consideration the ESCAP resolution 53/3 Framework for North-East Asian Subregional Programme of Environmental Cooperation adopted in 1997.
2. The meeting appreciated the secretariat support provided by ESCAP in cooperation with UNEP, ADB, UNDP and the World Bank. The meeting considered that the ownership of the programme by the participating countries was important for future funding of NEASPEC projects. The meeting urged the senior officials to consider further development of institutional and financial mechanism of NEASPEC.
3. The meeting recommended the establishment of a core fund based on voluntary contributions of member countries of NEASPEC. The core fund will function as a seed to attract additional funding from different donors, and should be further developed as early as possible to enhance effectiveness of NEASPEC activities. While establishing this fund, the senior officials may consider a non-binding formula as guidelines for contribution. The NOWPAP formula maybe used as a guide for this purpose.
4. The meeting greatly appreciated the approval of funding by ADB for the three projects on (1) pollution reduction in coal-fired power plant, (2) environmental monitoring, data collection, comparability and (3) efficiency improvement of electrostatic precipitators in existing power plants. The meeting noted that the countries should actively participate in the implementation of the projects.
5. Taking into account the nature of decision making process at the meetings of senior officials, the experts were of the view that those meetings should be represented at senior level, to be decided by individual countries, as was agreed upon at the fifth meeting of senior officials held in Kobe, Japan in February 1999.

#### **Outreaching of NEASPEC**

6. The linkage between NEASPEC activities and the other events on environmental cooperation in Northeast Asia, such as the Northeast Asia Conferences on Environmental Cooperation, Environment Congress for Asia and the Pacific (ECOASIA), Tumen Rivier Area Development Programme and the Acid Deposition Monitoring Network in East Asia (EANET), organized under various initiatives, is important. The meeting therefore, requested that the outcomes of those events should be brought to the attention of the meeting of Senior Officials for coordination and harmonization as appropriate.

7. The experts considered that public awareness was important for making further progress on NEASPEC objectives. The meeting therefore, recommended that outreach activities should be undertaken in the form of preparing brochures on NEASPEC and its projects for awareness raising at local level. It further requested the senior officials to consider other means using examples elsewhere such as that of ECE which needed to be studied by the Secretariat.
8. The experts considered the use of Internet as effective means for wider dissemination of NEASPEC information materials. The meeting recommended the development of a Website for this purpose. It also recommended that the brochures should be developed in the languages of the participating countries as was done for the fifth meeting of senior officials held at Kobe, Japan in 1999.
9. The meeting requested that the participating countries of NEASPEC may wish to consider delivering a message on the achievements of NEASPEC including a vision for the environmental cooperation in Northeast Asia into the 21<sup>st</sup> century to the fourth Ministerial Conference on Environment and Development in Asia and the Pacific to be held in Kitakyushu, Japan on 31 August-5 September, 2000.
10. The meeting requested the next meeting of senior officials to consider reporting the actions related to the achievement of NEASPEC objectives and these recommendations to RIO+10 review meeting of Agenda 21 in 2002.

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