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INSTITUTIONAL AND FINANCIAL MECHANISMS of NEASPEC:

Review and Options

Note by the secretariat

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1. This paper reviews all historical discussions and decisions on the institutional and financial mechanisms of the North-East Asia Subregional Programme for Environmental Cooperation (NEASPEC), and examines the current situation of NEASPEC. Upon the assessment, the paper presents options for developing NEASPEC into a comprehensive and more effective subregional environmental programme. The paper is particularly prepared upon the request of the Eleventh Senior Official Meeting (SOM) to facilitate NEASPEC member countries' consultations on the further development of the institutional and financial mechanisms

I. REVIEW OF RELEVANT DISCUSSIONS AND DECISIONS

2. Prior to the formal inception of NEASPEC, prospective member countries held two preparatory meetings in 1992 to discuss institutional and financial mechanisms and activity areas. The meetings envisaged to create North-East Asian Regional Environmental Programme (NEAREP) through a gradual approach starting from feasible and practical activities, and then moving towards a stronger institutional mechanism. Thus, the creation of a permanent secretariat was sought to be a mid or long term plan, while a proper mechanism for responsibility sharing among member countries was proposed. In particular, it was suggested that a country with special expertise in a certain area would operate an "activity coordination centre" for subregional activities. In terms of the financial mechanism, the meetings put an emphasis on the need of reliable financial resources which would be generated from *inter alia* voluntary and/or mandatory contribution from the member countries and funds from international organizations. The meetings furthermore recognized the need to create a trust fund following the examples of other subregional programmes including South Asia Cooperative Environmental Programme (SACEP).

In connection with the potential areas of collaborative activities, the meetings identified environmental impact assessment, ESDD technologies, energy and the environment, ecosystem management, public participation, and capacity building.

3. Upon the basis of the overall consensus of the preparatory meetings, the First and Second SOMs held in Seoul on 8-11 September 1993 and in Beijing on 28-29 November 1994, respectively, entered into the process for formulating an agreed framework on subregional environmental cooperation. While the meetings acknowledged the need to arrange an institutional mechanism which would ensure viability, continuity and efficiency, it was viewed that setting a plan on the establishment of the permanent secretariat would not be appropriate. Instead, the meetings requested 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.

Nevertheless, the two meetings laid the basic foundation of subregional actions. The first SOM considered potential priority areas of activities on the basis of their strong relevance to

subregional implication in the context of participating members and direct benefits to the subregion, and practicability for joint actions, and identified three priority areas, *i.e.* energy and air pollution, ecosystem management and capacity building. Having reaffirmed the previous decision, the second SOM endorsed five projects on air pollution from coal-fired power plants, biodiversity conservation, and environmental data management. However, it was not possible to commence all endorsed projects, with the exception of an air pollution project as the implementation of the projects had fully depended on funds from external sources.

4. The Third Meeting of SOM in Ulaanbaatar on 17-20 September 1996 made a significant stride in terms of institutional development by adopting the Framework for the North-East Asian Subregional Programme of Environmental Cooperation, which elaborates the geographic coverage; programme objective; governing body; participation, coordination and management; collaborating agencies, financial mechanism and criteria for project/activity selection.

a) Firstly, the programme objective mainly draws on two major directions: the primary goal of NEASPEC, and its prospect on the institutional development. As the primary objective, the Framework defines the promotion of subregional environmental cooperation and sustainable development efforts. For the institutional arrangement, the Framework reiterates “step-by-step approach” with a condition to consolidate the results to harness as building blocks for strengthening subregional cooperation over time.

b) Secondly, the Framework stipulates that the SOM shall serve as the Governing Body for the Programme. However, the Framework was not able to provide any visible plan for a permanent secretariat and financial mechanism. The Framework recommends that ESCAP shall continue to provide secretariat service pending the final decision on the future institutional arrangements, and the SOM will strive to reach a consensus on establishing a trust fund to ensure effective and efficient Programme implementation over a longer time frame.

c) Thirdly, the Framework elaborates the criteria for project selection, *i.e.* commonality of interest, contribution to capacity-building, priority setting by the countries themselves, the impact on environment and sustainable development efforts, tangible subregional environmental benefits, and cost effectiveness.

5. The Fourth SOM held in Moscow on 13-16 January 1998 discussed institutional aspects of NEASPEC and the feasibility of establishing a trust fund, and particularly 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. Therefore, the Meeting decided to continue the existing institutional scheme but recommended that the further deliberations on institutional and financial arrangements of the Programme be carried out in subsequent SOMs.

6. The Meeting also convened considerable discussions on the financial matters including the appropriate time for decisions on the financial arrangements (including a trust fund), the need for further elaboration on the objectives and modalities with identification of sources of funding, and the use of existing funds. ESCAP also suggested the needs of member countries' financial contribution for projects and SOMs. However, the Meetings concluded with a consensus on which the modalities of the trust fund would be arrived at, possibly at its sixth session.

7. The Fifth SOM held in Kobe on 24-26 February 1999 received a detailed proposal on strengthening institutional and financial mechanisms of NEASPEC. In particular, the proposal noted the strong possibilities of slow progress in producing visible results under "practical and step by step approach" of subregional cooperation and thereby strongly advocated the need to make substantial progress in the existing ad hoc arrangement for promoting, among others, continuity, viability, visibility and efficiency of the Programme. As shown in the attached document, ENR/SO/ECNA(5)/3, the proposal "Options for Institutional and Financial Mechanisms for NEASPEC" particularly focused on the following topics in the context of institutional mechanisms.

I. Institutional Mechanisms

- Governance/policy making structure
 - a) Periodical ministerial participation;
 - b) Fairly senior level officials' participation;
 - c) Appointment of a chairperson during the interregnum period between SOMs;

- Secretariat
 - a) Rationale for an independent Secretariat;
 - b) Options;
 - i) Continue with the existing arrangement
 - ii) Rotating secretariat (e.g. in one country for a period of two years)
 - iii) Interim secretariat (hosted by one country until the establishment of a permanent secretariat)
 - iv) Programme secretariat (a permanent secretariat)
 - c) Location of the secretariat (in a member country);
 - d) Staff requirements;

II. Financial Mechanisms

- North-East Asia Environmental Cooperation Fund (NEAECF)
 - a) Contribution to NEAECF: Options for member countries' financial contribution based on UN Scale of Assessment, a combination of equal shares for a fixed percentage and UN Scale of Assessment, voluntary basis, or NOWPAP Formula
 - b) Management of Financial Mechanism

8. The topic of governance structure particularly proposed the three options in a way to make NEASPEC more effective and visible since the SOMs were not in fact attended by senior officials. The proposal for creating an independent secretariat underlined the fact that the interim arrangement for the secretariat role of ESCAP has been continued without any staff and professional supports from member countries while ESCAP has faced a lack of human resources. Furthermore, the proposal called upon the member countries to recognize the significant value of an independent secretariat that would substantially improve the management and operation of NEASPEC. The proposal indicated the continuation of the existing arrangement. However, this option noted an essential prerequisite, which is the financial and in-kind support from the member countries for the operation of the Secretariat.

9. In regard to the proposal, the Meeting 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 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. While the Meeting requested ESCAP to continue the secretariat role, considering the limited capacity of the Secretariat, a member country, Japan, stated that it would dispatch an environmental expert to ESCAP in order to assist in the implementation of NEASPEC activities. However, ESCAP received an expert only once during 2000-2002 because the second dispatch was not made by Japan or any other member countries.

10. In connection with financial arrangement, the proposal particularly noted that member countries should show their commitment to NEASPEC by making sizable financial contribution because it would be impractical to expect other bilateral and multilateral donors to provide required financial resources while some donor countries themselves are the members of the Programme. However, the Meeting did not approve any proposed options of a trust fund, which could be created by member countries' mandatory contribution based on United Nations scale of assessment or agreed fixed rate, or voluntary contribution. The

discussion on the financial arrangement concluded with a request for ESCAP to prepare a more detailed options and alternatives and to submit to the next SOM.

11. The Sixth Meeting of Senior Officials held in Seoul on 9-10 March 2000 considered a Secretariat paper "Institutional and Financial Arrangements for the North-East Asian Subregional Programme [ENR/SO/ECNA(6)/1]", which is attached to this paper. While the paper touched upon options for the institutional mechanism, it particularly focused on a new financial option, the Core Fund. Considering the member countries hesitation in pursuing the creation of the trust fund, ESCAP in collaboration with the Republic of Korea facilitated an additional consultation process by organizing an expert meeting in November 1999 to bring about a shared view on the needs and benefits of member countries' financial commitment, and by extension formulated modalities of the Core Fund, which could be based on voluntary contribution from the member countries as well as other donors. In response to the recommendations, the SOM decided to create the Core Fund and requested ESCAP to administer the Fund and member countries to make voluntary contribution for promoting subregional environmental cooperation.

12. The Meeting also made progress in defining and guiding the direction of NEASPEC by adopting the Vision Statement for Environmental Cooperation in North-East Asia. In the Vision Statement, decisions related to the institutional mechanisms include as follows.

- Promote common policy dialogue and develop NEASPEC into a comprehensive Programme for environmental cooperation in North-East Asia, preferably by SOM-8;
- Request the ESCAP secretariat to continue to provide secretariat support to NEASPEC while SOMs will review the institutional mechanism and its development;
- Enhance member countries' ownership of NEASPEC and support to ESCAP secretariat for its efficient operation and;
- Increase the involvement of major stakeholders.

13. The paper called upon the member countries to make some progress in the matter of the Secretariat by the year 2002 corresponding to Rio + 10 and the five -year tenure of the ESCAP resolution on NEASPEC. The Meeting agreed with the view and decided to develop the existing Framework of NEASPEC into a comprehensive Programme by the SOM-8 in 2002 as stated in the Vision Statement. Nevertheless, it was found later that the commitment was not met by any meaningful follow-up actions.

14. The Seventh SOM held in Beijing on 25-27 July 2001 tabled a Secretariat paper on "Proposal for the Establishment of the Secretariat and the Financial Mechanism for its Operation [ENRD/SO/ECNEA(7)/4]", which is attached to this paper. The paper recognized the need to adhere to the principle of step-by-step and practical approach towards subregional cooperation, but strongly proposed the creation of a permanent

secretariat by 2003, or 2004 at the latest in order to enhance, among others, ownership of member countries and coordination of new phase projects. The paper also called upon the member countries to encourage one of the participating governments to express its intention to host the secretariat. To encourage member countries' concrete action, ESCAP presented a draft "Agreement on the Establishment of the NEASPEC Secretariat". Nevertheless, the Meeting decided that it is premature to establish an independent secretariat and thereby requested ESCAP to continue the secretariat role. However, in view of the importance of establishing an independent permanent secretariat in the future, the Meeting opened a window for any interested member countries to submit a detailed proposal for housing the secretariat to the next SOM.

15. Regarding financial arrangement, the Secretariat paper suggested to create "NEASPEC Fund" with three different accounts: Endowment Account to insure the availability of funds; Operational Account to support the operation and activities of the Secretariat; and Project Account to implement projects. The paper also requested the member countries to provide the SOM with an indicative and non-binding level of possible contribution to the Fund over a period of ten years. The discussion on the proposal reaffirmed the previous position while the meeting recognized financial contributions of some member countries to the Core Fund and noted the significance of appropriate use of the Fund in accordance with the principle of transparency.

16. The Eighth SOM held in Ulaanbaatar on 19-20 June 2002 received a report of the "Workshop on Environmental Cooperation in North-East Asia" held in Jeju, the ROK on 13-14 December 2001 to review the overall pictures of subregional environmental cooperation and draw a common view on the future direction of NEASPEC. In regard with NEASPEC, the report particularly presented the following recommendations.

- Promote coordination among ongoing initiatives in the subregion by harnessing its advantageous geographical coverage and broad subject areas;
- Strengthen political support to subregional cooperation and, in this connection, hold a ministerial meeting of NEASPEC during the 5th Ministerial Conference on Environment and Development in Asia and the Pacific (MCED);
- Pursue a step-by-step approach rather than legally binding regime;
- Develop a comprehensive strategic environmental action plan for the subregion; and
- Promote participatory approach.

17. The Meeting's decision on the secretariat issue was basically in line with the previous decisions, requesting ESCAP for the continuation of the existing role. However, the Meeting recognized that the issue of establishment of an independent secretariat will depend

on the willingness of member countries. It therefore recommended ESCAP to consult with countries concerned and report to the Ninth SOM.

18. The Ninth SOM held in Moscow on 2-4 March 2004 did not take the institutional matter as a key discussion agenda but received more proactive views on the future of NEASPEC. In particular, the Republic of Korea expressed the willingness of hosting the NEASPEC Secretariat if agreeable by all the member countries. China suggested utilizing NEASPEC as a facilitator for subregional responses to the Johannesburg Plan of Implementation (JPOI). The Russian Federation proposed to develop a legally binding document defining the principles for subregional cooperation. However, the suggestions were not formally put forward, and the Meeting concluded without taking the institutional matter further. The Meeting also reaffirmed the principle of voluntary contribution for the Core Fund.

19. The Tenth and Eleventh SOMs held in Okinawa on 24-26 November 2004 and Seoul in October 2005, respectively, did not table the institutional matter but discussed the plan and outcome of a NEASPEC ministerial meeting organized as “an informal gathering” during the MCED-5. The eleventh Meeting reviewed the meeting’s recommendations to explore a long-term vision and plan on NEASPEC’s institutional mechanisms including the structure of governing and operational bodies, the scope of activities, and coordination mechanisms with other relevant subregional initiatives on environmental cooperation, and financial mechanisms. In this regard, the Meeting requested the secretariat to prepare a paper presenting possible institutional mechanisms for the future of NEASPEC, including all the abovementioned key areas, to be circulated among the member countries well in advance of the SOM-12 to ensure that substantial consultations were conducted within the governments of the member countries.

II. PROGRESS IN OTHER SUBREGIONAL ENVIRONMENTAL MECHANISMS IN ASIA AND THE PACIFIC

20. Other subregions in Asia and the Pacific since early 1980s have developed environmental cooperation mechanisms such as South Pacific Regional Environment Programme (SPREP) and South Asia Cooperative Environmental Programme (SACEP), ASEAN, etc. Though the characteristics of the mechanisms vary in their institutional arrangements and the scope of work, they act as the hub for multilateral environmental cooperation in their respective subregions. As the mandates and basic functions of the mechanisms are directly relevant to NEASPEC, reviewing the development of the institutional mechanisms may provide useful insights into the consideration of the future institutional arrangement of NEASPEC. In addition, this paper draws lessons from EANET and NOWPAP in which most member countries of NEASPEC are involved. In this light, a

brief summary of institutional progress of selected mechanisms is presented in Annex 1. Key lessons drawn from the review of the subregional environmental mechanisms are as follows.

21. Most mechanisms have developed institutional arrangements on permanent basis by creating an independent secretariat and high-level governing body. SACEP established an independent secretariat upon its establishment in 1982 and governing council represented by ministers of member countries. SPREP has grown from a programme of South Pacific Commission during the 1980s to an independent multilateral body in 1993 with the creation of its own secretariat consisting of over 70 staff. In the case of South-East Asian countries, the ASEAN Secretariat operates subregional environmental cooperation through facilitating regular meetings of AMME (ASEAN Ministerial Meeting on the Environment) and ASOEN (ASEAN Senior Officials on the Environment). NOWPAP and EANET have also established their own secretariats with dedicated full-time staff while housed in existing international or national bodies early 2000s.

22. Most subregional programmes have established stable financial mechanisms. In the case of SACEP, financial resources include annual contributions from all member countries on agreed scale of assessment, the contribution by the host government, Sri Lanka, for offices and facilities of the Secretariat, and financial assistance from bilateral and multilateral donors. The agreed scale of assessment, which is based on a combination of weighted national capacity reflecting GNP per capita and the UN formula, allocates the share of national contributions between 2.8 and 25 per cent. The financial mechanism of SPREP consists of a number of functional funds: Core Fund from annual contributions of member countries; Programme Fund for activities funded by donors; Reserve Fund for unforeseen circumstances; and a special fund, Pacific Islands Trust Fund for Nature Conservation. In the case of NOWPAP, the creation of the trust fund was adopted at the early stage of its institutional development. At the second Intergovernmental Meeting in 1996, the member countries came to a tentative decision on each country's contribution toward the target amount of the Trust Fund. The modality consists of a 5 percent basic contribution for all countries and an additional 3 to 20 percent contribution depending on each country's condition.

23. In the context of implementation mechanisms for activities, most subregional programmes operate, to a certain extent, decentralized systems in such a way to enhance the efficiency of work by enhancing ownership of member countries and reducing the requirements for central secretariat. Environmental activities of ASEAN are substantially coordinated by ASEAN Working Groups on the following themes: Multilateral Environmental Agreements; Nature Conservation and Biodiversity; Coastal and Marine Environment; Environmentally Sustainable Cities; and Water Resources Management. In addition, ASEAN operates Regional Centre for Biodiversity Conservation (ARCBC) in Philippine as the central focus for networking and institutional linkage among member countries on biodiversity conservation.

24. SACEP designates a lead country for each programme area as follows: freshwater and climate change for Bangladesh; biodiversity conservation, energy and environment, environment legislation, education and training, waste management for India; coral island ecosystems, sustainable tourism development for Maldives; participatory forestry management for Nepal; air pollution, desertification, science and technology for sustainable development for Pakistan; sustainable agriculture and land use, sustainable human settlement development for Sri Lanka. The distributed responsibilities are coordinated by the Secretariat in collaborating with Subject Area Focal Points and National Focal Points. SACEP also operates functional centers such as South Asia Environment and Natural Resources Information Centre (SENRIC) and South Asia Biodiversity Clearing House Mechanism (SABCHM).

25. NOWPAP is particularly in line with a decentralized system as shown by the arrangement of Regional Activity Centres (RACs): Special Monitoring and Coastal Environmental Assessment Regional Activity Centre (CEARAC) in Japan, Data and Information Network Regional Activity Centre (DINRAC) in China, Marine Environmental Emergency Preparedness & Response Regional Activity Centre (MERRAC) in the Republic of Korea and Pollution Monitoring Regional Activity Centre (POMRAC) in the Russian Federation. All centres were subsequently established within existing research institutes during 2000-2002.

III. ASSESSMENT OF THE CURRENT SITUATION

26. The record of the previous SOMs shows that potential options for the further development of institutional and financial mechanisms have been explored and reviewed. In the context of the institutional mechanisms, the need for strengthening governance structure by organizing a ministerial meeting or ensuring the participation of fairly senior level officials for SOM, and the options for establishing the Secretariat, i.e. Rotating Secretariat, Interim Secretariat and Programme Secretariat, were well explored for decisions of member countries since the Fifth SOM, in particular. In connection with financial mechanisms, the need for creating the Trust Fund has also been a key agenda of discussions from the early stage of NEASPEC. In particular, the Seventh SOM in 2001 tabled a proposal for creating a NEASPEC Fund, which could consist of an Endowment Account, Operational Account, and Project Account.

27. The recent discussions on the governance mechanism suggest various ways to strengthen the current arrangement. Some notable suggestions include holding regular ministerial meetings, assuring the level of representation at SOM, and creating a chairmanship during the inter-session of SOMs for efficient coordination between the Secretariat and member countries. The suggestion on ministerial meeting brought about the first informal ministerial gathering during Ministerial Conference on the Environment and

Development in Asia and the Pacific, 2005, and provided options to hold similar meetings in other occasions, such as UNEP Governing Council or Commission on Sustainable Development. However, such meetings have not subsequently followed yet.

28. The recent discussions on the secretariat mechanism illustrated the recognition of member countries about the interim nature of the current arrangement. In particular, the Eight SOM opened the window of opportunities for creating an independent secretariat by requesting ESCAP to consult with countries concerned.

29. Concerning the discussion on the secretariat mechanism, the lack of human resource and the mandate of ESCAP would be worthy of attention. ESCAP have been providing RB resources (regular staff time and expertise) for operation of the Secretariat, in response to the requests by NEASPEC member countries and, in particular, the resolution 53/3 of the 53rd Commission Session of ESCAP in 1997. However, ESCAP has been also facing the insufficiency of personnel required to respond to the vast needs in the environmental field in Asia and the Pacific. This situation has well been recognized by the member countries so that Japan kindly offered the Fifth SOM the secondment of one expert to ESCAP for assisting in the operation of the Secretariat. Nevertheless, the departure of the first seconded expert after three years of service has not been followed by the arrival of any successors. As a result, ESCAP has continuously provided its regular staff members as de facto full-time coordinators of NEASPEC. Furthermore, as the adoption of the resolution has passed nearly ten years and the validity of all existing activities should be reviewed under the current UN reform process, it is increasingly questioned the authenticity of offering the RB resources to NEASPEC which covers single subregion only.

30. Contrary to the case of the institutional mechanism, NEASPEC has made a considerable improvement of financial condition by creating the Core Fund and utilizing it for the implementation of a joint activity on nature conservation. NEASPEC with financial support from the ADB has implemented a series of activities on air pollution from coal-fired power plants and expanded the scope of joint work into other areas, namely, nature conservation and eco-efficiency. However, some significant issues remain to be resolved.

a) As the contribution of member countries to the Core Fund is fully voluntarily and the annual contribution from each country is not constant, it is difficult to predict the inflow of financial resources for each year. This uncertainty could become a cause of instabilities in budget operation and impediments in long-term planning of activities.

b) Gaps exist between the UN rules and understandings of member countries on the execution of project budgets. As it was highlighted at the Eleventh SOM, ESCAP requires executing project budgets in accordance with its rules and regulations while it respects the authority of the member countries over making decisions on budget plans. The different understanding is, to a large extent, due to a lack of clear arrangements between ESCAP and the member countries. The Seventh SOM requested ESCAP to administrate the Core Fund

according to UN rules and regulations. However, any subsequent arrangement defining the specific responsibilities of each party, i.e. ESCAP and the member countries, regarding the Fund was not formally spelled out.

c) The current share of financial responsibilities illustrates significant disparities among the member countries. The share of national contribution to the Core Fund as of September 2006 is 44 per cent for the ROK, 34 per cent for Japan and 22 per cent for China. This presents a relatively balanced share of responsibilities among the contributing countries although a significant gap exists with the other member countries.

IV. OPTIONS FOR FUTURE

31. Having recognized the repeated discussions on the institutional mechanism and the commitments expressed by the member countries during the process, it would be timely appropriate for the member countries to take the institutional matter into serious consideration, and produce a decisive conclusion at the Twelfth SOM in 2006. In order to assist the member countries in deciding the next step for NEASPEC, this paper presents the following options for the consideration.

A. Strengthening Governing Body

32. The Framework of NEASPEC defined SOM as 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. The Framework also proposes holding SOM once a year in a participating country on a rotational basis.

33. The last 11 SOMs present that recommendation in the Framework has been fully met, and SOM is the most appropriate and practical mechanism for bringing the countries together for the coordination of the Programme and its all activities. While the role of SOM is well recognized, the member countries have also requested the Secretariat to put forward suggestions on the reorganization of governance and policy making structure in such a way that the structure brings stronger political commitments from the member countries towards a comprehensive mechanism.

34. In view of the needs, the following options are presented.

- **Periodic ministerial meeting:** SOM could be organized with ministerial participation periodically, say, every 1 or 2 years, which is the case for South Asian, South Pacific and ASEAN. This governing mechanism is suggested with the consideration of

SOMs' discussions on the need for holding ministerial meetings. The first ministerial gathering was held during the MCED-5 in 2005 upon the decisions of the Ninth and Tenth SOMs. Subsequently, the Eleventh SOM explored the possibility of holding ministerial meetings taking opportunities of global ministerial meeting in which NEASPEC environmental ministers participate.

- **The continuation of the current arrangement with substantial representation of senior officials:** The SOM was supposed to consist of a preparatory meeting among working-level officials and a formal meeting of senior officials. However, the arrangement has hardly put in practice. Thus, SOM may strive for participation by fairly senior level officials.

35. In the context of discussions on governing mechanism, appointing the chairmanship among the member countries would be worthy of serious attention. The Eleventh SOM discussed the need for appointing a chairmanship during interregnum periods of two SOMs in order to provide continual policy guidance to the Secretariat in following up the decisions of SOM and to arrange ministerial gatherings. The member countries in principle agreed to have this mechanism and to request the host government of SOM to serve as the chair until the next SOM. Thus, the member countries may confirm this decision and decide appropriate tasks and procedures for the chairmanship.

B. Creating Independent Secretariat

36. A secretariat paper on the establishment of new secretariat and financial mechanisms (ENRD/SO/ECNEA(7)/4) presented to the Seventh SOM in 2001 clearly spelled out the benefit of creating the NEASPEC Secretariat as follows: (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.

37. Thus, ESCAP proposes member countries at the Twelfth SOM to decide on a concrete plan for the discontinuation of the current interim arrangement by establishing the NEASPEC Secretariat. As briefly presented in the paragraph 6 in this paper, the NEASPEC Secretariat could have various forms. However, this paper particularly proposed two options.

- **Rotating Secretariat:** 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.

- **Permanent Secretariat:** An independent and permanent secretariat could be established in a member country. The secretariat would consist of 2~3 Programme officers and 2~3 administrative officers. Programme officers could consist of openly recruited personnel at competency basis and seconded personnel from the member countries. Referring to an Annex “Implementation of the Framework for NEASPEC: Institutional and financial mechanisms”, the costs for operating an independent secretariat would range between US\$ 400,000~500,000 per year while offices and facilities are provided by the host government.

38. Any forms of NEASPEC Secretariat could be supplemented by a decentralized structure. The structure could be established by creating thematic activity centre(s) in each member country in order to alleviate the burden on the host country as well as the Secretariat and boost the ownership of the member countries. The concept of thematic activity centre(s) has been in fact applied to NEASPEC by creating North-East Asian Centre for Environmental Data and Training located in the ROK National Institute of Environmental Research. In this regard, it may be possible for any interested countries to identify potential areas in which the country can lead coordinated subregional actions, and express the interest of operating an activity centre. It is also noteworthy that the expression of interest should be accompanied with the government’s political and financial commitments to the operation of the centre for the tangible work and sustainability of the decentralized structure.

39. For the detailed information regarding the options and operational rules of the Secretariat, it is suggested to refer to two annexes: “Options for Institutional and Financial mechanisms of NEASPEC” and “Proposal for the Establishment of the Secretariat and the Financial Mechanism for its Operation”.

40. Regardless of choosing either option, the following conditions should be seriously taken into account for the appropriate operation of NEASPEC during the transitional period leading to the establishment of an independent secretariat.

a) Establishment of a clear roadmap and timetable for the transitional period.

b) An ESCAP resolution to define the role of ESCAP in the operation of NEASPEC during the period: This should be prepared by the member countries and proposed to the annual Commission Session of ESCAP for the adoption.

c) In-kind contribution to the operation of the Secretariat and activities: As ESCAP has fully provided regular staff members for NEASPEC, which is an extrabudgetary programme, in-kind contribution from the member countries should be viewed as an essential condition.

d) Compliance with financial rules and regulation of the United Nations: Considering the gap of understanding on the operation of the Core Fund as elaborated by paragraph 30/b, it is requested to adopt an agreement between ESCAP and the member countries on the

voluntary trust fund. A draft text is attached to this paper for the consideration at the Twelfth SOM.

C. Making NEASPEC Financially Viable

41. The significance of stable funding mechanism has been a key concern of member countries and a constant topic of discussions throughout the SOMs. In this light, the member countries have requested ESCAP to seek for funding from UN agencies, financial institutions and donor countries. The member countries have also recognized that it is very unlikely to funding from the potential donors if the member countries themselves are not financially committed to their own programme since the membership of NEASPEC includes two donor countries.

42. Since 2001, the member countries have made significant financial contribution to NEASPEC. As of September 2007, the total cumulative contribution of the member countries to the Core Fund reaches US\$680,000. The contribution provided ESCAP with relatively sufficient resources to financially support holding SOMs and expert meetings, and enabled NEAPEC to start the first self-financed project on nature conservation in 2005. It is, however, important to recognize the need for constant contribution and considerable increase for the strengthened institutional mechanism. Thus, the following options are suggested.

- **Mandatory Contribution:** The member countries may adopt agreed rules for each country's contribution to the Core Fund in order to secure constant and stable accumulation of the Fund. There are various possible formulas to determine the scale of national contribution. One of formulas could be the UN Scale of Assessment as shown in the <Table 1>. Since the Fifth SOM already discussed that applying the UN Scale of Assessment to NEASPEC is not realistic due to the extremely disproportionate distribution of financial responsibilities among the member countries, <Table 2> shows another example following the formula adopted by NOWPAP, which is shown in the annex "Options for Institutional and Financial Mechanisms for NEASEPC". This option is to combine the principle of shared responsibilities among the member countries while respecting distinctive conditions of each country.

<Table 1> Example 1: UN Scale of Contribution

UN Scale of Assessment (2005, %)	National Contribution based on the UN Scale of Assessment
China (2.053)	8.404
DPRK(0.010)	0.040
Japan(19.468)	79.696
Mongolia (0.001)	0.004
ROK (1.796)	7.352
Russia (1.1)	4.503

<Table 2> Example 2: An Alternative Example based on NOWPAP Formula

Countries	Basic Shares (%)	Additional Shares (%)
China	5	10 ~ 15
DPRK	5	
Japan	5	20 ~ 25
Mongolia	5	
ROK	5	20 ~ 25
Russia	5	10 ~ 15

- **Voluntary Contribution:** It would mean the continuation of the current voluntary contribution. However, the continuation entails a committed plan of “voluntary contribution”. As NEASEC activities increase, the clear projection and stable inflow of financial resources would become more significant. The member countries may present annual plans of contribution to the Core Fund and confirm stronger commitment if the member countries wish to continue the current mechanism.

43. Regarding previous discussion on different options of a NEASPEC Fund such as Endowment Account, Operational Account and Project Account, please refer to the annex

“Proposal for the Establishment of the Secretariat and the Financial Mechanism for its Operation”.

V. ISSUES FOR CONSIDERATION

44. The member countries may decide upon an option of secretariat structure and a concrete plan for the establishment.

45. Any interested member countries may wish to present a proposal for creating or/and hosting the NEASPEC Secretariat and the Twelfth SOM may wish to make a meaningful decision on the proposals.

46. The member countries may consider the appropriate ways to actualize the agreed principles in the Vision Statement that guides to develop the current Framework of NEASPEC into a comprehensive mechanism for environmental cooperation. The comprehensive mechanism would imply to shape NEASPEC into a forum for policy dialogue and coordinated actions, and to shift from project-oriented to programme-oriented. For developing NEASPEC into a comprehensive mechanism, the member countries may present their views on the following topics.

- The need to revitalize the Vision Statement and the appropriate way to reformulate the current framework of NEASPEC;
- Plans to enhance the member countries’ ownership of NEASPEC through, for example, a decentralized structure; and
- New programme areas of NEASPEC and the role of the member countries in developing and implementing the new areas.

47. The SOM may decide on the arrangement between ESCAP and the member countries during the transitional period. As elaborated by the paragraph 40, the required arrangement includes a clear roadmap, an ESCAP Resolution, in-kind contribution from the member countries and an Agreement on the Voluntary Trust Fund.