

Thirteenth Session of the Intergovernmental Meeting  
on Acid Deposition Monitoring Network in East Asia  
30 November - 1 December 2011, Hanoi, Vietnam

**REPORT ON REVIEW OF THE CURRENT FINANCIAL MODALITIES FOR  
FURTHER IMPROVEMENT ON TRANSPARENCY OF EANET AND THE  
CEILING OF INCREASE ON FINANCIAL CONTRIBUTIONS (DRAFT)**

**I. INTRODUCTION**

1. At the Twelfth Session of the Intergovernmental Meeting (IG12) held in November 2010 in Niigata, Japan, it was decided that a new task “to review the current financial modalities, especially of the Network Center (NC) for further improvement of EANET transparency” was included in the Terms of Reference (TOR) of the Working Group on Future Development of EANET (WGFD).
2. During the discussion of the “Procedures and Guidelines for Voluntary Financial Contributions to EANET for 2011-2013 (EANET/IG 12/10/2)” at the IG12, issues were raised about possible significant increases in contributions, based on the UN assessment scale. Ceiling of increase was proposed to be discussed at the WGFD for consideration by the Thirteenth Session of the Intergovernmental Meeting (IG13) to be held on 30 November - 01 December 2011.
3. In line with the results of the IG12, this report was developed by the Secretariat and the NC, and discussed at the Tenth Session of the WGFD (WGFD10) in July 2011. This report was revised based on the discussion at WGFD10, and will be reviewed for possible adoption at the IG13.

**II. IMPLEMENTED ACTIVITIES TO IMPROVE TRANSPARENCY**

4. Regarding the financial modalities and other relevant issues, based on the decisions and/or suggestions made at the Sessions of the Intergovernmental Meeting (IG), the Secretariat and the NC have been making effort to promote transparency and efficiency by means of implementation of the following activities.

**II-1 Financial Report of the Secretariat and the Network Center**

**II-1-1 Submission of the Financial Report from the commencement of regular phase activities in 2001**

5. From the commencement of the regular phase activities of the Acid Deposition Monitoring Network in East Asia (EANET) in 2001, the Financial Report of the Secretariat and NC has been submitted to the Sessions of the IG and other meetings of EANET every year and explained in detail for its endorsement at the Session of the IG.
6. In accordance with the “Guidelines on Administrative and Financial Management for the Secretariat and the Network Center (EANET/IG 7/4)” endorsed at the Seventh Session of the Intergovernmental Meeting (IG7) in 2005, the “Financial Report of the Secretariat and the NC” has been developed, and submitted to the Sessions of the WGFD, the Scientific Advisory Committee (SAC) and the IG every year from 2006.

## **II-1-2 Submission of the Audit Report with the Financial Report**

7. At the Eighth Session of the Intergovernmental Meeting (IG8) in 2006, the Secretariat was requested to submit the Financial Report with an Audit Report. In accordance with the result of the IG8, the Secretariat continuously submitted the Audit Report as an attachment of the Financial Report.
8. During the discussion to develop new “Instrument for Strengthening the Acid Deposition Monitoring Network in East Asia (EANET)”, the Secretariat and the NC were requested to submit the Audit Reports issued by independent audit agencies with the Financial Report. In accordance with the request, the Secretariat and the NC submitted the Audit Reports issued by independent audit agencies to the IG12 in 2010 as attachments to the Financial Report of the Secretariat and the NC in 2009, to improve their transparency. Submission of the Audit Report issued by independent audit agencies was also specified in the Item 14 of the adopted Instrument. The Audit Reports will be also submitted to the Sessions of the IG as attachments to the Financial Report after 2010.

## **II-2 Others**

### **II-2-1 Previous discussions on review of financial system, rules and regulation of the Secretariat and the NC**

[Secretariat]

9. The Secretariat submitted the “Report on the Review of the Secretariat System and Establishment of a Trust Fund” to the IG8 in 2006. At the IG8, it was agreed that the issue of the trust fund would be discussed after the financial arrangements have been finalized in the instrument.

[Network Center]

10. In order to promote transparency of the NC, the following “Rules and Regulation of the Japan Environmental Sanitation Center (JESC) and the ADORC as the NC” were submitted to the IG8, and details were explained at the IG8.
- Articles of Association for JESC
  - Office Regulations of the JESC
  - Office Regulations for Temporary Employees of the JESC
  - Regulations on Remuneration for Employees of the JESC
  - Regulations for the Management of Affairs of the JESC
  - Regulations for the Management of Affairs of the ADORC
  - Accounting Regulations of the JESC
- Note: 1) ADORC (ACAP) is a branch office of the JESC, a non-profit organization which is located in Kawasaki City, Kanagawa Prefecture, Japan.
- 2) Although the ADORC was renamed to the Asia Center for Air Pollution Research (ACAP) on 30 June 2010, the function of the NC was not changed.

#### **II-2-2 Submission of “A Memorandum on More Efficient and Transparent Activities of the Network Center” by the NC**

11. In order to promote efficient and transparent activities of the NC, “A Memorandum on More Efficient and Transparent Activities of the NC” was submitted to the Fifth Session of the Intergovernmental Meeting (IG5) in 2003 as an Annex of the Report on Further Financial Arrangement for EANET. The Memorandum was endorsed.
12. The following were explained in the memorandum:
- Compared with the initial stage of EANET, many NC activities, such as documentation of inter-laboratory comparison projects, became more systematic and efficient.
  - Several members of the ADORC (ACAP), whose jobs include the NC activities, are seconded by other organizations. The salaries of them were borne by their mother organizations.
  - Based on its commitment at the IG2, the JESC has employed a staff member from a participating country as the Deputy Director General (DDG) in charge of the NC since October 2002.
  - The NC has been expressing its view that it would welcome additional staff members from the participating countries, if sufficient resources are available, or non-reimbursable experts are seconded by the participating countries.
  - Regarding research activities, it would contribute to improvement of both efficiency and transparency of the NC activities to share research activities necessary for EANET among the participating countries and the NC.

**II-2-3 Submission of the Report on the Review of the Performance of the Secretariat and the NC, etc.**

13. In accordance with the request from the Intergovernmental Meeting (IG), so as to promote transparency, the Reported the “Review of the Performance of the Secretariat and the NC (2002-2004)” was submitted to the Seventh Session of the Intergovernmental Meeting (IG7) in 2005. The report including the financial situation was accepted by the IG7. The “Reports on the Review of the Performance of the Secretariat and the NC in (2005-2007)”, and the “Reports on the Review of the Performance of the Secretariat and the NC (2008-2009)” were submitted to the Tenth Session of the Intergovernmental Meeting (IG10) in 2008 and the IG12 in 2010 respectively. The reports were endorsed/adopted by the respective IG.
14. In order to explain the implemented activities and financial situation in 2006-2008 in the Strategy on EANET Development (2006-2010), the “Mid-Term Report on the Implementation of the Strategy on EANET Development (2006-2010)” was submitted to the Eleventh Session of the Intergovernmental Meeting (IG11) in 2009. The report was endorsed. The “Final Report on the Implementation of the Strategy on EANET Development (2006-2010) (Draft)” was submitted to the WGFD10 and will be submitted to the IG13 in 2011. It is expected to be adopted at the IG13. These reports also include the financial situation.

**III. FURTHER IMPROVEMENT OF TRANSPARENCY ON THE FINANCIAL MODALITY**

15. Based on the discussion at the IG12 and WGFD10, in order to improve transparency on the financial modality, the Secretariat and the NC will implement the following:  
  
[Secretariat]
16. The Secretariat will continuously minimize the gap between the budget and expenditures and will exert significant clarification on the result of the increase in expenditures, in case it will arise.
17. The Secretariat will consistently and appropriately submit the financial audit report, annually as requested by the IG.
18. Within the budget and program of EANET, the Secretariat will perform its functions and information on financial expenses will be easily and timely accessible.

[Network Center]

19. In order to improve further transparency, the NC will implement the following:
- (1) To submit the report in accordance with the endorsed formats with the audit report by an independent audit agency;
  - (2) To make efforts to improve more accurate estimation of the budget including its revenue;
  - (3) To make efforts to carry out the relevant activities in accordance with the estimated budget;
  - (4) To make necessary supplementary explanation in the financial report if there is rather big difference between the actual expenditures and the estimated budget; and
  - (5) Through the submission of the Performance Review Report, etc., the NC will make efforts to disseminate information on the contents of the activities on a transparent manner.
20. The Secretariat and the NC will develop the “Draft Guidelines on Administrative and Financial Management for the Secretariat and the NC (2014-2015)” to be submitted to the Fourteenth Session of the Intergovernmental Meeting (IG14) in 2012.

#### **IV. CEILING OF INCREASE ON FINANCIAL CONTRIBUTIONS**

21. The funds of the EANET are fundamentally provided by the participating countries of EANET.
22. The IG8 agreed that the voluntary financial contribution to the Secretariat budget from the participating countries in 2008-2010 will be a flat rate amount calculated from the projected budget for consecutive 3 years period (2008-2010) as reported in the document “Workload and Cost for Implementing the Strategy on EANET Development (2006-2010)” (EANET/IG 8/7/2 rev), based on UN assessment scale burden sharing.
23. In line with the “Revised Procedures and Guidelines for Voluntary Financial Contribution (2008-2010) to EANET” (EANET/IG 9/7.rev1) approved by the Ninth Session of the Intergovernmental Meeting (IG9), the participating countries agreed on a three-year (2008-2010) flat rate amount voluntary financial contributions to the NC core budget starting from 2008. The IG9 endorsed the minimum amount of US \$ 50.00 for voluntary financial contribution.
24. Estimated amounts of contribution in 2011-2013 from the participating countries to the Secretariat and the NC budget, if burden sharing will be applied as correspondent to the latest UN assessment scale (flat rate amount in 3 years) were reported in the document “Procedures and Guidelines for Voluntary Financial Contributions (EANET IG

12/10/2.rev1)". The document also mentioned that the budget for 2012-13 might change based on discussions at the IG13 since there will be important changes after the "Instrument for Strengthening the Acid Deposition Monitoring Network in East Asia (EANET)" is operational and its likely impacts will be discussed at IG13.

25. At IG12, it was raised that the ceiling on contributions is important to discuss in the future.
26. Some participating countries raised the issue on fairness on contributions and requested the Secretariat to review the current modality of burden sharing due to rapid increase of the economy of some countries, and particularly noting the huge increase on some countries' contributions.
27. The Secretariat calculated the rate of increase on contributions from 2008-2010 flat rate amounts to 2011 estimated contributions of the participating countries, as presented in the tables of the Attachment.

## **V. ACTIONS REQUIRED**

28. Considering the discussion at the WGFD10, the IG13 is invited to review this issue, take note of the actions to be taken by the Secretariat and the NC to improve the transparency on the financial modality, and provide further guidance as appropriate.

Appendix: Information on the Financial issues from the Cooperative Programme for Monitoring and Evaluation of the Long-range Transboundary Transmission of Air Pollutants in Europe (EMEP)

**Attachment**

**Table 1: Calculation on the Percentage of Increase on Contributions of the Participating Countries to the Secretariat budget**

Country	2008-2010		2011		Percentage of Increase (B/A(%))	Scale of EANET burden sharing in 2011-13(%)
	Estimated contribution (US\$) (A)	Average Actual contribution (US\$)	Estimated contribution (US\$) (B)	Actual contribution (US\$)		
Cambodia	19 (50*)	50	71		<b>273.7 (42.0)</b>	0.015
China	54,157	15,000	73,942	15,000	<b>36.5</b>	15.620
Indonesia	3,271		5,519		<b>68.7</b>	1.166
Japan	337,571	366,555	290,526		<b>-13.9</b>	61.373
Lao PDR	19 (50*)	50 (2009)	24 (50*)		<b>26.3 (0.0)</b>	0.005
Malaysia	3,858	3,835	5,865	5,839	<b>52.0</b>	1.239
Mongolia	19 (50*)	50	47 (50*)	50	<b>147.4 (0.0)</b>	0.010
Myanmar	99		137		<b>38.4</b>	0.029
Philippines	1,586		2,088		<b>31.7</b>	0.441
Republic of Korea	44,127	26,858	52,403	52,403	<b>18.8</b>	11.070
Russia	24,368		37,146		<b>52.4</b>	7.847
Thailand	3,777	3,777	4,843	4,843	<b>28.2</b>	1.023
Vietnam	488	495	767		<b>57.2</b>	0.162
<b>Total</b>	<b>473,359</b>	<b>416,670**</b>	<b>473,378</b>	<b>78,135</b>	<b>0.0</b>	<b>100</b>

Note 1: (\*) These countries are expected to make a minimum contribution of US\$ 50 based on the “Revised Procedures and Guidelines for Voluntary Financial Contributions to EANET” (EANET/IG 9/7.rev1).

Note 2: (\*\*) The total is total amount of the columns above.

**Table 2: Calculation on the Percentage of Increase on Contributions of the Participating Countries to the Network Center core budget**

Country	2008-2010		2011		Percentage of Increase (B/A(%))	Scale of EANET burden sharing in 2011-13(%)
	Estimated contribution (US\$) (A)	Average Actual contribution (US\$)	Estimated contribution (US\$) (B)	Actual contribution (US\$)		
Cambodia	17 (50*)	48	59		<b>273.7 (18.0)</b>	0.015
China	45,306		61,855		<b>36.5</b>	15.620
Indonesia	2,735		4,617		<b>68.8</b>	1.166
Japan	282,403	412,439 (Core)	243,037	65,193 (Core for 3 month)	<b>-13.9</b>	61.373
Lao PDR	17 (50*)	50 (2009)	20 (50*)		<b>26.3 (0.0)</b>	0.005
Malaysia	3,228	3,228 (2008)	4,907		<b>52.0</b>	1.239
Mongolia	17 (50*)	50	40 (50*)		<b>147.4 (0.0)</b>	0.010
Myanmar	85		115		<b>38.4</b>	0.029
Philippines	1,325		1,746		<b>31.7</b>	0.441
Republic of Korea	36,914		43,837		<b>18.8</b>	11.070
Russia	20,385		31,074		<b>52.4</b>	7.847
Thailand	3,160	3,160	4,051	4,051	<b>28.2</b>	1.023
Vietnam	408	498 (2009-10)	642		<b>57.4</b>	0.162
<b>Total</b>	<b>396,000</b>	<b>419,473**</b>	<b>396,000</b>	<b>69,244</b>	<b>0.0</b>	<b>100</b>

Note 1: (\*) These countries are expected to make a minimum contribution of US\$ 50 based on the “Revised Procedures and Guidelines for Voluntary Financial Contributions to EANET” (EANET/IG 9/7.rev1).

Note 2: (\*\*) The total is total amount of the columns above.

## Appendix

### Information on the Financial issues from the Cooperative Programme for Monitoring and Evaluation of the Long-range Transboundary Transmission of Air Pollutants in Europe (EMEP)

#### I. Format of Financial Statement of Chemical Coordination Center (CCC), etc.

Item	Situation of CCC
1. Format of Financial Statement	<ul style="list-style-type: none"> <li>- Format of Financial Statement is shown in the Agreement between Norwegian Institute for Air Research (NILU) and United Nations Economic Commission for Europe (UNECE), which is agreed as an annual implementing instrument.</li> <li>- Expenditure items included in the Financial Statement are: 1) Staff costs, 2) Computer costs, 3) Reporting costs, 4) Meeting cost, 5) Staff travel cost and 6) Miscellaneous, etc. by each activity item such as “Acid deposition measurements”, “Photo-oxidants measurements”, “Heavy metals measurements”, etc.</li> <li>- The format was attached in the page 11.</li> </ul>
2. Personnel cost in the Financial Statement	<ul style="list-style-type: none"> <li>- Total Personnel cost is reported as one of the items in the Financial Statement. (Expenditures are reported by each activity item.)</li> </ul>
3. Difference between allocated budget and actual expenditures	<ul style="list-style-type: none"> <li>- There isn't any rule on the differences between allocated budget and actual expenditures. (Actual expenditures in each expenditure item were slightly more than allocated budget, in case of Financial Statement of CCC in 2010.)</li> <li>- Minor shifts between budget lines may occur during the implementing period. Such possible shifts are reported by the Centres to the Steering Body and are normally approved.</li> </ul>

#### II. Ceiling of increase on financial contributions

Regarding the “Ceiling” of increase on financial contribution, there isn't any rule in the 1984 Geneva Protocol on Long-term Financing of the Cooperative Programme for Monitoring and Evaluation of the Long-range Transmission of Air Pollutants in Europe (EMEP).

Since the EMEP Protocol is legally-binding for the Parties, the relevant cost-sharing annex has to be formally amended (although without ratifications) after each change. Such changes have been very numerous over the years, in particular in connection with the dissolution of the Soviet Union, Czechoslovakia and Yugoslavia, after which emerging Parties acceded to the Protocol. In this connection, the previously applied system of contributions-in-kind for Parties with non-convertible currencies was abandoned, which added a new dimension to the financing of EMEP.

**BUDGET REQUIREMENTS/FINANCIAL STATEMENT –  
INTERNATIONAL CENTRES OF EMEP**

(All costs are given in US Dollars or US Dollars equivalent; Contributions are specified as contribution in cash and in-kind)

**Centre:** ..... **Programme element:** ..... **Period:** .....

**A. Time and average costs to the International Centre for the programme element**

	Time (in work-month)	Costs including overhead expenses (in costs per work-month)
Scientific staff	.....	.....
Technical staff	.....	.....
Administrative staff	.....	.....

Computer time: ..... h                      Computer costs: ..... h<sup>-1</sup>

Specify overhead costs: \_\_\_\_\_  
\_\_\_\_\_  
.....

**B. Estimated cost for the programme element**

		In cash	In kind
1.	Regular staff		
	a) Scientific staff		
	b) Technical staff		
	c) Administrative staff		
2.	External expert		
	in:		
	from:		
	work month:		
3.	External temporary assistance		
	in:		
	from:		
	work month:		
4.	Computer costs		
5.	Reporting costs		
6.	Meetings		
7.	Staff travel		
8.	Non-expendable equipment		
9.	Miscellaneous		
	<b>TOTAL</b>	\$ 0.00	\$ 0.00

Please specify contribution in-kind (country, amount), reports, meetings, travel and equipment separately. Voluntary extra-budgetary contributions should be marked as \*.

Responsible Officer : \_\_\_\_\_ Signature : \_\_\_\_\_  
Location : \_\_\_\_\_ Date : \_\_\_\_\_