

The Third Session of the Working Group  
on Further Financial Arrangement for EANET  
9-10 October 2003, Pathumthani, Thailand

**Report on Further Financial Arrangement  
for EANET**

**Draft for the Working Group**

**October 2003**

## **BACKGROUND**

1. Based on the agreement at the First Session of the Intergovernmental Meeting (IG1) for the Acid Deposition Monitoring Network in East Asia (EANET), the Government of Japan mostly covered the operational costs for the Interim Secretariat (IS) and the Interim Network Center (INC) on a voluntary basis during the preparatory phase. Relevant local governments and organizations also made contributions for INC and relevant EANET activities. Host countries also contributed to cover the costs of meetings. Also based on the agreement at IG1, each participating country implemented their national monitoring by their own expenses during the preparatory phase.
2. Discussions were held at IG3 on further financial arrangement for EANET. It was agreed to establish a working group (WG) to discuss long-term financial issues. It was agreed that the participating countries would make every effort to reach consensus on the financial arrangements at IG in 2003.

## **SUGGESTIONS AT IG4**

### **Options for burden sharing**

3. During IG4 in November 2002 in Bangkok, Thailand, six options for burden sharing were presented through the document entitled the "Preliminary Report on Financial Arrangement for EANET (Draft)" (EANET/IG 4/6). Same document was distributed to all National Focal Points of the participating countries for further comments in December 2002 with a deadline for comment until February 2003.
4. The discussions on financial modalities were based on the assumption that the amount required for the Secretariat activities and the core budget activities of the Network Center are approximately USD 400,000 and 600,000 respectively and in total USD one million.
5. Burden sharing options include (i) the fixed amount of contribution by each country, (ii) burden sharing according to the UN assessment scale, and (iii) combination of (i) and (ii) above. There are still various different options, but the following options may be among typical options that the Intergovernmental Meeting may wish to examine:
  - Option 1: Burden sharing at equal share among all participating countries (same amount burden sharing)
  - Option 2: Same amount burden sharing for the Secretariat activities (USD 400,000) and UN assessment scale-based for the Network Center activities (USD 600,000)
  - Option 3: Same amount burden sharing for major EANET meetings (USD 150,000) and UN assessment scale-based for the rest (USD 850,000)

- Option 4: Same amount burden sharing for travel expenses for major EANET meetings (USD 8,000 for each country) and UN assessment scale-based for the rest (USD 912,000)
- Option 5: Same amount burden sharing for travel expenses for IG meetings (USD 4,000 for each country) and UN assessment scale-based for the rest (USD 956,000)
- Option 6: Fully UN assessment scale-based burden sharing

6. For respective options, specific amounts of contribution by each country are summarized below.

Country	Option 1 USD	Option 2 USD	Option 3 USD	Option 4 USD	Option 5 USD	Option 6 USD
Cambodia	90,900	36,400	13,700	8,100	4,100	100
China	90,900	73,200	65,800	64,000	62,700	61,400
Indonesia	90,900	41,200	20,400	15,300	11,700	8,000
Japan	90,900	505,900	679,000	721,400	751,900	782,400
Malaysia	90,900	42,000	21,600	16,600	13,000	9,400
Mongolia	90,900	36,400	13,600	8,000	4,000	0
Philippines	90,900	38,800	17,000	11,600	7,800	4,000
ROK	90,900	80,600	76,700	75,700	74,900	74,200
Russia	90,900	65,200	54,500	51,900	50,000	48,100
Thailand	90,900	43,500	23,600	18,800	15,300	11,800
Viet Nam	90,900	36,800	14,100	8,600	4,600	600

Note: For UN assessment scale, 2003 figures are used.

### **Transitional conditions**

7. It was also suggested that some transitional conditions to move to new financial arrangements may be needed for some countries to agree on the new arrangements. Such conditions may include the following:

- Not only cash contribution but also in kinds contribution should be encouraged for certain period of time.
- It is proposed that newly participating countries to EANET, such as Cambodia should not be requested to share burden for three years grace period. Since EANET has preparatory phase for approximately three years and during this period, the participating countries had focused their efforts to prepare for the regular-phase, the newly participating countries should also be able to enjoy such grace period to prepare for their national arrangements.

### **Suggested steps**

8. The following steps were suggested as a step-wise approach:
- For 2003 budget, present financial arrangement, that is, voluntary contribution from participating countries will continue. The participating countries are requested to make every effort to reach consensus on the financial arrangements at IG5 in 2003.
  - Once the consensus is reached, those countries whose financial arrangements for fiscal 2004 can be done after IG5 are encouraged to prepare their contributions, based on the new arrangement.
  - The new financial arrangement should be formally applied from 2005 budget. All the participating countries should make necessary arrangement for their contribution, based on the agreement reached that are by consensus.

### **COMMENTS OF THE PARTICIPATING COUNTRIES**

9. As agreed upon during the Fourth Session of the Intergovernmental Meeting on EANET held in Bangkok, Thailand on 28-29 November 2002, the Secretariat sent an official letter to the National Focal Points inviting comments on the document EANET/IG 4/6 "Preliminary Report on Further Financial Arrangement for EANET" and participating countries were requested to provide their comments by the end of February 2003. As of July 2003, eight countries had submitted their comments to the Secretariat, namely: Cambodia, China, Indonesia, Japan, Korea, Russia and Thailand. The Philippines submitted their comments in July 2003.

10. The Second Session of the Working Group on Further Financial Arrangement for EANET (WG2) was held on 11-12 August 2003 in Pathumthani, Thailand. During the meeting, the participant of each country presented their national monitoring activities in 2002 as well as current arrangement of their countries to provide contribution to EANET. The summary of the expenses of each participating country is attached as Annex 1. For the exact comments of the countries regarding contribution to EANET, please see Annex 2.

11. While the report on expenses provides good idea on how much spent for national monitoring for respective countries, there are differences among participating countries on how to estimate the annual expenses for national monitoring. Some countries included salary for personnel, while others not. Some included various activities related to national monitoring while some others strictly limit expenses for monitoring. It was pointed out that level of salary differs from country to country and they may not be directly comparable with each other.

12. Major comments on further financial arrangement that have been sent to the Secretariat and also presented during WG2 may be summarized as follows:

- Several countries, namely: Malaysia, Mongolia, Philippines, Russia and Vietnam expressed their preference on Option 6, which is to be fully based on UN assessment scale, subject to the approval of their national authorities. Cambodia selected option 6.
- One country preferred option other than Option 1 and Option 6 because according to their views and opinion, Option 1 is not practical and Option 6 is inappropriate since all participating countries should take part in burden sharing of EANET in terms of ownership.
- Another option that was suggested is that all participating countries should be responsible for travel expenses for all EANET meetings and making voluntary contribution for the rest.
- Three principles, voluntary nature of the contribution, step-wise approach and transparency of the network were re-emphasized.
- Burden sharing should be considered, taking into account the economic and other conditions of respective countries.
- Burden sharing should be discussed and agreed on as a desirable target for the future even if it cannot be achieved in a short while.
- It was suggested that the cost of each national center activity should be included in the cost of EANET activities.
- It was pointed out that discussion may be held on strengthening the legal basis of EANET, taking into account the difficulty of providing a financial contribution without the legal instruments. It was suggested that such discussions could be held in the future after IG5. China expressed its willingness to continue annual contribution of US\$15,000 on a voluntary basis.

### **SUGGESTION FOR CONSENSUS AT IG5**

#### **Consensus to be reached**

13. Through the discussions since IG3 until WG2, all the participating countries agreed on the following three principles on further financial arrangements for EANET:

- Financial contribution should be on a voluntary basis, at least for the initial stage of the regular phase. In other words, a burden sharing principle is not mandatory unless otherwise decided.
- Step-wise approach should be taken for financial contribution by the participating countries.
- Effort should also be made to further improve transparency and efficiency of the network.

14. In relation to the need for step-wise approach, the following issues were also suggested, which is agreeable among the participating countries.

- In the future, it is desirable that all the participating countries would provide financial contributions to the EANET activities, taking into account the economic and other conditions in respective countries.
- In-kind contribution should be allowed and encouraged for those countries that have difficulty to make cash contribution immediately.
- A newly participating country should be able to enjoy three-years grace period for burden sharing.

Since a burden sharing principle is a desirable target in the future, it may not be immediately applicable for some countries. Transitional measures need to be introduced to reduce immediate burden. Such transitional measures may include the bearing of travel expenses to participate in the EANET meetings.

15. Based on the principle of a voluntary contribution, step-wise approach, and transparency of the network as discussed in WG2, each participating country shall adopt a modified UN assessment scale-based burden sharing, subject to the conditions below:

- If a country wishes to host the EANET meetings, such country's expenses shall already be considered as a part of contribution to EANET.
- Modification will be made over contribution shall be applied in the UN assessment scale-based burden sharing.

16. Regarding the effort to improve transparency and efficiency of the network, the Network Center has developed a proposal to further improve transparency and efficiency of the Network Center, which will be discussed separately (Annex 3). The Intergovernmental Meeting may wish to discuss, review and adopt the Memorandum in consultation with the Scientific Advisory Committee.

### **Modality of consensus**

17. There are three options regarding consensus on financial arrangement, namely formal international agreement, decision of the Intergovernmental Meeting and agreement to be recorded in the report of the Intergovernmental Meeting. Considering the importance of the matter, and taking into account the difficulty of formal international agreement, it is suggested to adopt the decision on this topic at IG5. A proposed decision, is presented as Annex 4 of this document for review, consideration and adoption of the IG.

### **Future steps**

18. The Working Group may wish to consider the following steps to be taken for the coming years.

Those countries whose financial arrangements for fiscal 2004 can be done after IG5 are encouraged to prepare their contributions, based on the new arrangement. The new financial arrangement should be applied from 2005 budget. All the participating countries are requested to make effort to contribute to the EANET.

### **Suggested steps towards IG5**

19. The following steps are suggested for consideration by the Working Group:

- IG5 to be held in late November 2003 will consider the report including the Memorandum on More Efficient and Transparent Activities of the Network Center and the Decision 1/IG5 document by the Working Group and conclude this topic.

**Annex 1**

**National Expenses of the Participating Countries on Monitoring Activities in 2002**

Country	Annual expenses for national monitoring (in US\$)
Cambodia	Figures not available
China	135,000
Indonesia	22,000
Japan	874,000
Lao PDR	Figures not available
Malaysia	248,000
Mongolia	11,000
Philippines	24,000
Republic of Korea	125,000
Russia	37,000
Thailand	69,000
Viet Nam	16,000

**Annex 2**

**COMMENTS OF THE PARTICIPATING COUNTRIES ON THE “PRELIMINARY  
REPORT ON FURTHER FINANCIAL ARRANGEMENT FOR EANET”**

**Cambodia:**

“In connection to the Royal Government’s comment, Cambodia has chosen the fix amount of contribution as mentioned in Option 6.”

**China:**

“According to the Fourth Intergovernmental Session of EANET, most participating countries expressed the difficulties on to provide cash contribution to EANET. Although the Government of China would voluntarily contribute to the budget of EANET USD 15,000 annually, considering the situation we faced, we prefer to using voluntarily contribution mechanism is a realistic way to make the net working at the very first beginning of the regular phase of EANET.”

**Indonesia:**

“Propose the Secretariat to look for other sources instead of options offered. However, if we could follow one of the options mentioned on the document, we will need one more step to be conducted to discuss deeply the impact of each possible scenarios. The results of the discussion should be disseminated to the stakeholders in each member countries to enable them prepare their own strategies to anticipate the impact.”

**Japan:**

1. Regarding the burden sharing on EANET Financial Arrangement, our basic statuses are:
  - (1) It is a principle that all participating countries should make best efforts to financially contribute to the EANET Trust Fund by some means, considering the importance of ownership to EANET activities by all participating countries.
  - (2) It is necessary that the amount of financial contribution and means of burden sharing should be taken into account of the economic and other conditions of each participating country.

2. Concerning the referred options of burden sharing, our ideas are:
- (1) Given the basic stance of our Government mentioned above, Option 1 and Option 6 should be excluded from considerable options. Because Option 1 is not practical, and Option 6 is inappropriate in the view that all participating countries should take part in burden sharing of EANET in terms of ownership, and that it is problematic to apply the UN scale of assessment as it is to the financial arrangement of EANET, for a reason that there is a proportionate ratio of developed and developing countries in the UN compared to EANET.
  - (2) Considering the severe pressure made by the Ministry of Finance of Japan, which underscores the fact that extreme high ratio of financial contribution to EANET is made by Japan, and the importance of ownership shared by all participating countries, Japan prefers an Option which requires all participating countries to contribute as much as possible.
  - (3) It is indispensable to discuss which option should be taken with the view that what should be the final ratio of burden sharing in the future. For countries which have difficulty of bearing the amount based on the agreed ratio immediately after the introduction of burden sharing, it may be appropriate to leave a possibility to introduce a measure for mitigation, such as payment exemption for a certain period, taking Step-by-Step-approach into consideration.  
(We should not agree on the practical ratio at present level. We should agree on a desirable and final ratio by which all countries are expected to contribute in the future.)
  - (4) Although there are many aspects to be considered, it is a beneficial idea to arrange a framework to substitute in-kind contribution for financial contribution to some degree. It is also necessary to give flexible consideration to whether or not the preparatory phase, which was introduced before regular phase and when burden sharing were exempted to all newly participating countries, should be applied to newly participating countries.

**Korea:**

According to the three principles of EANET, it is necessary that the financial arrangement burdening expenses with participating countries not at a time but step-wise should be examined. The cost of each national center activity should be included in the cost of EANET activities.

**Philippines:**

The comments of the Philippines include the following: authority/mandate/legal basis; timing; other types of contributions; and self-sustaining activities.

- 1) **Authority or mandate or legal basis for the financial arrangement for EANET.** The Philippines is currently preparing the documentation requirements for the inclusion of its proposed contribution (based on Option 6) in the International Commitment Fund, the funding source of the country's contributions to regional and international organizations (e.g. UN, etc) and the implementation of the relevant treaties, agreements, and conventions. The Philippine National Focal Point needs assistance in the identification of relevant international agreements or conventions that require/enjoin countries to undertake environmental monitoring that includes, among others, atmospheric pollutants. Direct reference to such international agreements or conventions would further strengthen the justification for country's voluntary contribution.

The working group should now review, apart from the financial arrangements, the authority or mandate or legal basis used by the countries concerned to justify their contribution in regional/sub-regional environmental cooperation, organizations/programs such as NEAC, NEASPEC, NOWPAP, APN, ASEAN Strategic Plan of Action, RHAP, Male Declaration, SACEP's strategy and programme and EMEP-LRTAP.

- 2) **Time element.** The participating countries should be given sufficient time within which to officially endorse, approve and initiate the remittance of each contributions. Given the serious constraints, for instance, the Philippines could start its contributions in year 2005, at the earliest.
- 3) **Other types of contribution.** Not only cash contribution should be considered as participating countries' contribution. In kind contribution, particularly those associated with the implementation of the monitoring plans, should also be accounted for.
- 4) **Self-sustaining activities.** In the medium or long term, some of the EANET's activities could be expanded to involve other groups. For instance, even laboratories outside EANET could be encouraged to participate in EANET inter-comparison exercises and for these, fees could be collected to defray expenses for sample preparation, distribution, result evaluation and reporting. EANET activities that could be operated in a "self-sustaining" manner in the future should be identified and the mechanisms for such should be developed.

**Russia:**

Decision on the financial participation of Russia in accordance with international engagements will require quite a sophisticated procedures of inter-agency coordination. This procedure is already started by Roshydromet in order to elaborate options for Russia to share holding in the financial arrangement for EANET program from the year 2005 (in addition to financing of the national monitoring activities, data exchange, etc.).

Taking into consideration that the suggested Option 6 is based on the international practice and the UN scale contributions by countries into financing of international programs and projects, in our opinion, this option is rather preferable for the procedure of inter-agency coordination.

At the same time, making process on this issue would be much easier if the EANET program takes a legal status of official international document.

**Thailand:**

The Pollution Control Department transmitted the EANET/IG 4/6 "Preliminary Report on Further Financial Arrangement for EANET" to the Sub-committee on Acid Deposition Monitoring Network in Thailand. After having carefully reviewed the said document, the Sub-committee would like to propose an additional option for consideration of the Intergovernmental as follow:

Option 7: All participating countries being responsible for travel expenses for all EANET meetings and making voluntary contribution for the rest.

The Sub-committee also commented that it would be difficult for Thailand to make commitment to the mandatory contribution without any international agreement.

**Annex 3**

**A Memorandum on More Efficient and Transparent Activities of the Network Center  
(Draft 2003/05/16)**

May 2003  
Network Center

**I. Introduction**

1. Long-term financial issues for EANET have been discussed at sessions of the Intergovernmental Meeting and the Working Group on Further Financial Arrangement (WG). It was agreed at the Third Session of the Intergovernmental Meeting (IG) that the participating countries would make every effort to reach consensus on the financial arrangements at the Fifth Session of IG in 2003.
2. During the discussion at the Third Session of the Intergovernmental Meeting of EANET in November 2001, it was recommended that WG should consider efficiency as well as appropriateness for spending for EANET activities. This item was included in the terms of reference (TOR) of WG (para. 3 (i) of TOR for WG).
3. At the First Session of WG and the Fourth Session of IG in 2002, it was pointed out that it is important to continuously consider possibility of further improving efficiency and transparency of EANET activities. While no concrete suggestions were presented by the participating countries, the Network Center has been trying to follow this guidance. This document is prepared to present the effort by the Network Center to further improve efficiency and transparency of EANET activities.

**II. Streamlining of the work of the Network Center**

4. Regarding the budget required for the activities of the Network Center, it is divided into two parts: core budget and additional budget. The core budget is for the cost for providing the minimum basis indispensable for promoting the EANET activities, such as data management and QA/QC, and is financed by the budget in the trust fund established by the Secretariat. The additional budget is for the cost for strengthening the EANET activities by providing technical assistance to the participating countries and by promoting further research activities.
5. According to the work program and budget for EANET, the estimated budget and man-months for the Network Center activities since the start of the regular phase are as follows:

Year	2001	2002	2003
Core budget* [US\$]	555,000	540,000	547,000
Man-months	61.8	57.8	71.8
Additional budget [US\$]	945,000	960,000	953,000
Man-months	83.2	87.2	88.2
Total [US\$]	1,500,000	1,500,000	1,500,000
Man-months	145	145	160

\* Overhead by the Secretariat is excluded.

6. The participating countries are encouraged to support the core budget for the Network Center as well as the budget for the Secretariat by making cash contribution to the trust fund, following the decision at the Third Session of IG in 2001. They are also encouraged to support the additional budget for the Network Center by providing cash and/or in-kind contributions to activities of the Network Center.
7. Several members of the Acid Deposition and Oxidant Research Center (ADORC), whose jobs include the Network Center activities, are seconded by other organizations. The salaries of them are borne by their mother organizations and the expenses are not contained in the estimated budget of "Salary of staff members" in the Work Program and Budget.
8. Because the number of monitoring sites for EANET has grown gradually and new countries have participated in EANET, the Network Center activities, such as data compilation/evaluation, preparation of data report, technical missions, QA/QC activities and training activities, have been increasing. In addition to this situation, the Network Center is expected to implement further activities such as inter-laboratory comparison study for dry deposition monitoring as some participants expressed their views at the Second Session of the Scientific Advisory Committee.
9. Although it has been doing its best in carrying out the tasks within the limited budget, the Network Center could make further efforts for more efficient implementation of the tasks as follows
10. Except the Deputy Director General in charge of the Network Center activities, all of the staff members of ADORC have been working for both the Network Center activities and the other activities including the Japanese National Center activities. This is because there are similar kinds of tasks for the Network Center and the National Center such as data compilation/evaluation and QA/QC. Various different disciplines of knowledge and experience (many different disciplines of experts as well) are required for the Network Center activities as well as the National Center activities. If ADORC divides its staff members rigidly into two groups: one for the Network Center activities only and the other for the other activities, it would be not only inefficient but actually impossible taking the limited manpower into account.

11. However, compared with the initial stage of EANET, many Network Center activities, such as documentation of inter-laboratory comparison projects, became more systematic and established, and require less input from experts from substantive departments. It may, therefore, contribute more efficient activities of the Network Center to have a few staff members exclusively in charge of the Network Center activities to mainly carry out the established activities in an efficient manner, particularly taking into account the linguistic problems.
12. The Network Center will assign, in addition to the Deputy Director General in charge of the Network Center activities, a staff member of ADORC to be exclusively in charge of the Network Center activities from 2004 as the first step. The personnel arrangement after 2005 would further be considered, based on the evaluation of the performance in 2004.
13. By this arrangement, the Network Center expects to improve its efficiency and reduce the man-months for its core-budget activities gradually from 71.8 in 2003 to 60 in three years, starting with 68 in 2004. A possibility may be pursued to operate the Network Center activities mainly with the Deputy Director General, one program officer, one technical experts plus partial contribution from various disciplines of experts in the substantive departments of ADORC as well as outside experts.
14. In addition, the Network Center will try hard to keep receiving non-reimbursable staff members from relevant organizations (referred to in para.7) in order not to increase personnel expenses.

### **III. Transparency improvement by promoting cooperation with the participating countries**

15. The Network Center is expected to implement its tasks in a transparent manner as expressed in “Designation of the Network Center for EANET” (Decision 4/IG.2) and “Tentative Design of the Acid Deposition Monitoring Network in East Asia (EANET)” (EANET/IG 2/5/3).
16. To improve transparency of EANET activities, the rules of procedure and the procedures on data and information disclosure were adopted at IG3.
17. There has been a long debate that the Network Center should employ more staff members from the participating countries other than Japan in order to improve its transparency.
18. Based on its commitment at IG2, the Japan Environmental Sanitation Center (JESC), the mother organization of ADORC, has employed a staff member from a participating country as the Deputy Director General of ADORC in charge of the Network Center activities since October 2002.

19. In response to the request from a participating country, the Network Center invited an expert from this country from October 2001 through March 2002 by utilizing a fellowship system in Japan. ADORC has also employed some staff members from another participating country.
20. The Network Center 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. The Network Center expects offers by participating countries to dispatch non-reimbursable experts.
21. It was, however, pointed out by an international organization that a certain period (such as a month or two) of joint research activities at ADORC with experts from participating countries were more efficient to improve transparency rather than the effort to recruit long-term staff of ADORC from participating countries.
22. As a part of such efforts, the Network Center would like to consider inviting a few researchers to ADORC in a year for short-term (one month or two) research activities for EANET. The researchers would be decided based on their proposals for the research.
23. Regarding research activities, it would contribute to improvement of both efficiency and transparency of the Network Center activities to share research activities necessary for EANET among the participating countries and the Network Center.

**DECISION 1/IG. 5**

**FURTHER FINANCIAL ARRANGEMENT FOR EANET**

**(Subject to change based on further discussions)**

Recognizing the importance of long-term, secured financial arrangement for the EANET activities,

Recalling the agreements reached at the Second Session of the Intergovernmental Meeting through Decisions 1 to 6 for the regular phase of EANET,

Taking into account the discussions at the sessions of the Intergovernmental Meeting as well as the Working Group on Further Financial Arrangement for EANET,

The Fifth Session of the Intergovernmental Meeting on the Acid Deposition Monitoring Network in East Asia (EANET), on (dates), November 2003 in (venue),

1. Confirms the principles that were agreed on at the Second Session of the Intergovernmental Meeting should remain the basic policy of the EANET activities, at least in the initial stage of the regular phase.
2. Takes note that the following three principles for further financial arrangements.
  - (i) Financial contribution should be on a voluntary basis, at least for the initial stage of the regular phase. In other words, a burden sharing principle is not mandatory unless otherwise decided.
  - (ii) Step-wise approach should be taken for financial contribution by the participating countries.
  - (iii) Effort should also be continued to further improve transparency and efficiency of the network.
3. Decides that the participating countries should make effort, on a voluntary basis, to make financial contributions, taking account of the attached list (to be further negotiated and finalized later), as a desirable burden sharing in the future.
4. Also decides the following items.
  - (i) In-kind contribution should be allowed and encouraged for those countries that have difficulty to make cash contribution immediately.
  - (ii) A newly participating country should be able to enjoy three-years grace period for burden sharing.

- (iii) Since a burden sharing principle is a desirable target in the future, it may not be immediately applied. Transitional measures can be applied to some countries to reduce their immediate burden.
  - (iv) Such transitional measures may include the bearing of travel expenses to participate in the EANET meetings.
5. Formally applies the new financial arrangement in paragraph 3 above from 2005 budget.
6. Encourage those countries whose financial arrangements for fiscal 2004 can be done after IG5, to prepare their contributions, based on the new arrangement.