

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

REPORT OF THE SESSION

I. Introduction

1. The Working Group on Further Financial Arrangement for the Acid Deposition Monitoring Network in East Asia (EANET) held its Third Session at the Asian Institute of Technology (AIT), Pathumthani, Thailand on 9-10 October 2003.
2. Representatives of Cambodia, Indonesia, Japan, Lao PDR, Malaysia, Mongolia, Philippines, Republic of Korea, Russia, Thailand, and Viet Nam participated in the Session. The representatives of the EANET Secretariat and the Network Center (NC), as well as experts from international organizations, namely: the United Nations University/Institute of Advanced Studies (UNU/AIS) and the United Nations Environment Programme (UNEP) also attended the Session. The List of Participants is attached as Annex I.

II. Opening of the Meeting (Agenda Item 1)

3. The Session was opened by the Secretariat. Mr. Surendra Shrestha, Director, UNEP Regional Resource Centre for Asia and the Pacific (RRC.AP) delivered the opening remarks on behalf of the Secretariat. In his opening remarks, Mr. Shrestha pointed out the serious potential threat by air pollution/acid deposition due to rapid economic growth and urbanization in Asia, clear message from scientists to policy makers and emphasized the importance of exploring external resources for EANET, and partnership with the private sector. In this connection he mentioned the recent effort to mobilize resources from the Asian Development Bank.

III. Election of the Officers (Agenda Item 2)

4. Ms. Mingquan Wichayarangsaridh, Director, Air Quality and Noise Management Bureau, Pollution Control Department, Thailand was elected as Chairperson; Ms. Chow Peng Leong, Director, Environmental Studies Division, Malaysian Meteorological Service, Malaysia as Vice-Chairperson; and Mr. Chrin Sokha, Deputy Director, Department of Environmental Pollution Control, Ministry of Environment, Cambodia, as Rapporteur.

IV. Adoption of the Agenda (Agenda Item 3)

5. The Session adopted the Agenda as proposed by the Secretariat (EANET/WG 3/3/1).

V. **Consideration on Further Financial Arrangement for EANET (Agenda Item 4)**

6. The Secretariat made a presentation on the Report on Further Financial Arrangement for EANET (EANET/WG 3/4). The Session was invited to review the report and provide comments and guidance, as appropriate, for further development on this topic.
7. Major discussions on this agenda item included the following:

(Burden sharing options)

- Seven countries, Cambodia, Indonesia, Lao PDR, Malaysia, Mongolia, Philippines and Russia expressed their preference on Option 6, which is to be fully based on UN assessment scale. Two countries, namely Japan and Vietnam preferred modified Option 6, fundamentally to be based on Option 6 and to introduce minimum contribution for any participating country. Vietnam suggested a minimum amount from USD 500 to USD 1,000 to be implemented over 3 years period (from 2004-2006).

(Stepwise approach)

- It was pointed out that there was consensus to take step-wise approach but no consensus on the modality of the step-wise approach.
- Two additional proposals had been made from China and Thailand, in addition to the proposal by the Secretariat.
- China proposed a three step approach: voluntary contribution without target amounts as Step 1, burden sharing for the budget to be directly spent by the Secretariat based on the UN assessment scale within certain years of grace period as Step 2, burden sharing for the Network core activities as Step 3 (to be further negotiated).
- Thailand proposed, supported by the Republic of Korea, a different three step approach: a participating country responsible for expenses for participation in all EANET meetings and its national monitoring activities as the first step, as the second step responsible for financial contribution to the budget to be directly spent by the Secretariat in addition to the expenses for participating in meetings, and as the third step responsible for financial contribution to all the EANET activities.

(National monitoring)

- With regard to the expenses for national monitoring mentioned, it was clarified that figures in Annex 2 were those submitted from the participating countries and that the basis of estimation differs from country to country. The Secretariat and the Network Center were requested to develop a format for expenses on national monitoring with detailed information and undertake more detailed investigation in the coming years.
- It was suggested that expenses for national monitoring could be used to demonstrate willingness of participating countries to contribute to EANET activities.

(Voluntary nature of contribution)

- It was clarified that the Secretariat had proposed to set future targets of burden sharing on a voluntary basis and that they were not mandatory.

(Medium-term plan)

- There was a proposal to develop a 4-5 years medium-term plan for EANET activities.
- The Secretariat and NC were requested to consider developing such a plan, taking into account the advantages and disadvantages of this approach.

VI. Arrangement for the Fifth Session of the Intergovernmental Meeting (Agenda Item 5)

8. The Secretariat made a presentation on the proposed date, venue, agenda items, program, and other arrangements for the Fifth Session of the Intergovernmental Meeting and the Third Session of the Scientific Advisory Committee (EANET/WG 3/5). The Session was invited to consider and comment on this topic.
9. Major discussions on this agenda item included the following:
 - It was pointed out that this agenda item should be changed to include the arrangement for SAC3.
 - One of the agenda items of SAC3 should be changed from “Review of the progress of other international programs on acid deposition” to “Updates of other international programs on acid deposition”.

VII. Elaboration of the Report on Further Financial Arrangement for EANET (Agenda Item 6)

10. The Draft Report on Further Financial Arrangement, taking account of comments raised by the participants, was presented for further elaboration.
11. There were some discussions on the Draft Report and some modifications were further suggested.
12. The Session agreed to submit the revised draft report (EANET/WG 3/4 rev.1) with modifications suggested by the participants to IG5 for its consideration.

VIII. Other Issues (Agenda Item 7)

13. The Secretariat mentioned a possibility to send a request for a regional technical assistance project to the Asian Development Bank. In this connection, the participating countries were requested to send their requirements for assistance to the Secretariat by Friday, 7 November 2003, so that the Secretariat could compile the requests and submit a concept proposal to ADB before IG5.

IX. Consideration and Adoption of the Report of the Session (Agenda Item 8)

14. The report of the Session was considered and adopted with some modifications as suggested by the participants.

X. Closing of the Meeting (Agenda Item 9)

15. The Session was officially closed.

Annex 1

List of Participants

Participating Countries

Cambodia

Mr. Chrin Sokha
Deputy Director, Department of Environmental Pollution Control
Ministry of Environment

Indonesia

Ms. Endang Pratiwi
Head of the Atmosphere Protection Division
Ass. Deputy for Climate Change and Atmosphere
The Office of the Ministry for Environment of Indonesia

Japan

Mr. Tokuya Wada
Deputy Director, Global Environment Issues Division
Global Environment Bureau, Ministry of the Environment

Mr. Atsushi Sano
Section Chief, Global Environment Issues Division
Global Environment Bureau, Ministry of the Environment

Lao PDR

Ms. Sisouphanh Luangrath
Director of Environment Quality Monitoring Center
Environment Research Institute, Science Technology and Environment Agency

Malaysia

Ms. Chow Peng Leong
Director, Environmental Studies Division
Malaysian Meteorological Service

Mongolia

Mr. R. Bayaraa
Expert, Environmental Impact Assessment Division
Ministry of Nature & Environment

Philippines

Ms. Ella S. Deocadiz
Chief Science Research Specialist
Research and Development Division
Environmental Management Bureau

Republic of Korea

Mr. Beom-Sik Yoo
Deputy Director, International Affairs Office
Ministry of Environment

Mr. Jae-Moon Yang
Deputy Director, Air Quality Policy Division
Ministry of Environment

Russia

Mrs. Marina Kotlyakova
Head of Atmosphere Air Pollution Division
Environmental Pollution Monitoring Department
Russian Federal Service for Hydrometeorology and Environmental Monitoring

Thailand

Mrs. Mingquan Wichayarangsaridh
Director, Air Quality and Noise Management Bureau
Pollution Control Department (PCD)

Mr. Phunsak Theramongkol
Director, Ambient Air Quality Division
Air Quality and Noise Management Bureau
Pollution Control Department (PCD)

Vietnam

Mr. Nguyen Van Tien
Senior Researcher Atmospheric Air Pollution
Water and Air Environment Research Center (WAERC)
Institute of Meteorology and Hydrology (IMH)
Ministry of Natural Resources and Environment (MONRE)

International Organizations etc.

UNEP/ROAP

Mr. Choei Konda
Deputy Regional Director
Regional Office for Asia and the Pacific
United Nations Environment Programme (UNEP)

Resource Persons

UNU/IAS

Mr. Katsunori Suzuki
Senior Visiting Fellow
United Nations University/Institute of Advanced Studies (UNU/IAS)
Japan

Secretariat

Network Center

Dr. Sergey Arkadyevich Gromov
Deputy Director General
Acid Deposition and Oxidant Research Center (ADORC)

Mr. Jiro Sato
Head, Planning and Training Department
Acid Deposition and Oxidant Research Center (ADORC)

UNEP RRC.AP

Mr. Surendra Shrestha
Director
UNEP RRC.AP

Mr. Mylvakanam Iyngararasan
Senior Programme Officer
UNEP RRC.AP

EANET Secretariat

Dr. Jiang Wei
Coordinator, EANET Secretariat
UNEP RRC.AP

Ms. Adelaida B. Roman
Programme Officer, EANET Secretariat
UNEP RRC.AP

Ms. Sumana Ratanasawetwad
Administrative Assistant, EANET Secretariat
UNEP RRC.AP

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**

Revised Draft

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) in 1998, 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. At their discussions towards the regular-phase monitoring, the participating countries discussed financial issues for the Network activities. At IG2 in 2000, the government of Japan expressed its willingness to contribute to the budget in 2001, assuming that the trust fund might not be established in early stage of 2001 and that the Interim Secretariat would continue its activities until the end of the year. It, however, called for other participating countries to make necessary arrangements to contribute to the budget in 2002 and thereafter, assuming that the trust fund be established in time for contribution to the budget in 2002.
3. Discussions were held at IG3 in 2001 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.

DISCUSSIONS AT WG1

4. The First Session of the Working Group on Further Financial Arrangement for EANET (WG1) was held from 8-9 July 2002 in Pathumthani, Thailand. It reviewed the draft Terms of Reference (TOR) of WG, the Report on Analysis of Financial Arrangements of Several Regional/Sub-regional Environmental Cooperation Organizations/Programs, and adopted the TOR, the Outline for the Preliminary Paper on Further Financial Arrangement for EANET and the Concept on Various Options on EANET Financial Arrangement.

SUGGESTIONS AT IG4

Options for burden sharing

5. 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" (EANET/IG 4/6). In December 2002, the same document was distributed to all National Focal Points of the participating countries for further comments with a deadline for comment until February 2003.

6. The discussions on financial modalities were based on the assumption that the amount required for the core Network activities is approximately USD one million, which includes USD 400,000 to be directly spent by the Secretariat for organization of key EANET meetings such as IG and SAC, and USD 600,000 to be contracted to the Network Center (NC) for essential technical activities such as organization of Senior Technical Managers' Meetings, preparation of data reports and key QA/QC activities.

7. 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 activities to be directly spent by the Secretariat (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

8. For respective options, specific amounts of contribution by each country were 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 were used.

Transitional conditions

9. 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 items:

- Not only cash contribution but also in kinds contribution should be encouraged for certain period of time.
- Newly participating countries to EANET, such as Cambodia and Lao PDR 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

10. 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 effort for their contribution, based on the agreement to be reached by consensus.

DISCUSSIONS AT WG2

11. 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 "Preliminary Report on Further Financial Arrangement for EANET" (EANET/IG 4/6) 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, the Philippines, Republic of Korea, Russia and Thailand. (Exact comments are attached as Annex I):

12. 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 WG2, the participant of each country presented their expenses for national monitoring activities in 2002 as well as current arrangement of their countries to provide contribution to EANET. The summary of the expenses for national monitoring activities of each participating country is attached as Annex 2.

13. While the report on expenses for national monitoring activities 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 did not. Some included various activities related to national monitoring such as training and relevant research activities, while some others strictly limited the scope of their estimate to expenses for national monitoring activities only. It was pointed out that level of salary differs from country to country and they may not be directly comparable with each other.

14. 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, the Philippines, Russia and Viet Nam 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.
- Several countries emphasized the need for flexibility, e.g., to allow in-kind contribution.
- Japan emphasized that all participating countries should make best efforts to financially contribute to the EANET Trust Fund and that the amount of financial contribution and means of burden sharing should be decided, taking into account the economic and other conditions of each participating country. It 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.
- Another option that was suggested was 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 discussed and agreed as a desirable target for the future even if it cannot be achieved in a short while.
- Suggestion was made to have one more step to deeply discuss the impacts of each option.
- 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 was made that EANET should consider some self-sustaining activities.

15. Regarding the effort to improve transparency and efficiency of the Network, NC developed and presented a Memorandum on More Efficient and Transparent Activities of NC (Annex 3). The participating countries were requested to provide their comments to the Secretariat by mid-September 2003.

DISCUSSIONS AT WG3

16. The Report on Further Financial Arrangement for EANET (Draft) (EANET/WG 3/4) was sent to the participating countries for their comments. Seven countries (Cambodia, China, Malaysia, the Philippines, Republic of Korea, Thailand and Viet Nam) sent their written comments. The summary of their comments are attached as Annex 4.

17. The Third Session of the Working Group on Further Financial Arrangement for EANET (WG3) was held on 9-10 October 2003 in Pathumthani, Thailand. Major comments that were sent to the Secretariat or presented during WG3 were summarized as follows:

(Burden sharing options)

- Seven countries, Cambodia, Indonesia, Lao PDR, Malaysia, Mongolia, the Philippines and Russia expressed their preference on Option 6, which is to be fully based on UN assessment scale. Two countries, namely Japan and Vietnam preferred modified Option 6, fundamentally to be based on Option 6 and to introduce minimum contribution for any participating country. Vietnam suggested a minimum amount from USD 500 to USD 1,000 to be implemented over 3 years period (from 2004-2006).

(Step-wise approach)

- It was pointed out that there was consensus to take step-wise approach but no consensus yet on the modality of the step-wise approach.
- Two additional proposals had been made from China and Thailand, in addition to the proposal by the Secretariat.
- China proposed a three step approach: voluntary contribution without target amounts as Step 1 (present arrangement), burden sharing for the budget to be directly spent by the Secretariat based on the UN assessment scale within certain years of grace period as Step 2, burden sharing for the Network core activities as Step 3 (to be further negotiated).
- Thailand proposed, supported by Republic of Korea, a different three step approach: as the first step, a participating country should be responsible for expenses for participation in all EANET meetings and its national monitoring activities, as the second step they should be responsible for financial contribution to the budget to be directly spent by the Secretariat in addition to the expenses for participating in meetings and national monitoring activities, and as the third step responsible for financial contribution to all the EANET activities.

(National monitoring)

- With regard to the expenses for national monitoring mentioned in Paragraph 13 above, it was clarified that figures in Annex2 were those submitted from the participating countries and that the basis of estimation differs from country to country. The Secretariat and NC were requested to develop a format for expenses on national monitoring with detailed information and undertake more detailed investigation in the coming years.
- It was suggested that expenses for national monitoring could be used to demonstrate willingness of participating countries to contribute to EANET activities.

(Voluntary nature of contribution)

- It was clarified that the Secretariat had proposed to set future targets of burden sharing on a voluntary basis and that they were not mandatory.

(Medium-term plan)

- There was a proposal to develop a 4-5 years medium-term plan for EANET activities.
- The Secretariat and NC were requested to consider developing such a plan, taking into account the advantages and disadvantages of this approach.

SUGGESTIONS FOR CONSENSUS AT IG5

18. Through the discussions since IG3 until WG3, all the participating countries agreed on the following three principles:

- 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.

19. The participating countries also agreed on the following items:

- 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.

20. 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.

Consensus to be reached

21. Based on the principle of a voluntary contribution, step-wise approach, and transparency of the Network, IG5 may wish to consider and adopt a decision from the following two options with modifications if necessary.

(Option 1)

- Participating countries will make effort to contribute to the budget to be directly spent by the Secretariat, using fully UN assessment scale-based burden sharing as the first step. After three years it will be reviewed to explore the possibility of introducing minimum contribution amount for any participating country and expanding this burden sharing methods for the Network core budget.

(Option 2)

- Participating countries will be responsible for expenses for participation in all EANET meetings and their national monitoring activities as the first step. As the second step they will be further responsible for financial contribution to the budget to be directly spent by the Secretariat in addition to the expenses for meetings and national monitoring activities. As the third step, they will be responsible for financial contribution to all the EANET activities.

22. Regarding the effort to improve transparency and efficiency of the Network, IG5 may wish to discuss, review and endorse the Memorandum on More Efficient and Transparent Activities of the Network Center in Annex 3 in consultation with the Scientific Advisory Committee.

Modality of consensus

23. 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 recommended to adopt the decision on this topic at IG5. The proposed decision is presented as Annex 5 for review, consideration and adoption by the Intergovernmental Meeting.

Annex 1

**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 Networking 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 2

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

(Remarks)

1. Figures in the table are those submitted from the participating countries. The basis of estimation differs from country to country, for instance some countries include strictly monitoring activities only, while some others include relevant training and research activities. Some countries include salary of their staff while others do not.
2. The Secretariat and the Network Center will develop a format for expenses on national monitoring with detailed information and will undertake more detailed investigation in the coming years.

Annex 3

A Memorandum on More Efficient and Transparent Activities of the Network Center

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.

Annex 4

**COMMENTS OF THE PARTICIPATING COUNTRIES ON THE REPORT
ON FURTHER FINANCIAL ARRANGEMENT FOR EANET
(DRAFT FOR THE WORKING GROUP: EA NET/WG 3/4)**

Cambodia

Thank you for your e-mail regarding the comments on revised financial report for WG3 meeting. I actually have no comment on this report.

China

According to last meeting's discussion, in order to get fruitful results for IG5 consideration, we suggest step-wise approaches.

We consists on the three principles on, which we agreed by all participating countries, are voluntary basis, step-wise approach and improving transparency and efficiency of network.

- 1) Step 1: Each participating country should voluntary commit to make a contribution in EANET, which could be in kind or in cash to the Secretariat or the network center.
- 2) Step 2: Based on the Financial Report of the Secretariat, each participating country shares the cost of the Secretariat based on the fully UN assessment scale-based burden sharing, within X-year grace period which they can choose.
- 3) Step 3: Based on the Financial Report of the Network Center and the Secretariat, discussion the further contribution to the core budget activities.

Generally speaking, we should consist on the voluntary contribution and step-wise approaches. The efficiency and transparency of the Secretariat and NC is very important to absorb more contribution.

Malaysia

On behalf of the Malaysian Focal Point, I am pleased to submit our comments on the revised Financial Report which was circulated to all participating countries:

Report on Further Financial Arrangements for EANET

The contents of this document are generally acceptable to Malaysia. We are of the opinion there is no necessity for a formal international agreement regarding the financial arrangement aspect at this point of time. A decision made at the coming IG5 on this matter should suffice.

Annex 1: National Expenses of the Participating Countries on Monitoring Activities in 2002
The details on the national expenses have been submitted to the EANET Secretariat at WG2. Malaysia has no additional comments on this matter.

Annex 2: Comments of the Participating Countries on the Preliminary Report on Further Financial Arrangement for EANET
Malaysia prefers Option 6 which is based on the UN assessment scale, subject to approval from our Cabinet.

Annex 3: Memorandum on More Efficient and Transparent Activities of the Network Center
The intention of the EANET Network Center to be more efficient in conducting its activities and programs as well as to increase its transparency is commendable. We support this initiatives.

Annex 4: Decision 1/IG5
Malaysia agrees with the current draft, subject there is no major change made during WG3.

Philippines

1. The suggested document structure is as follows:
 - Background – paras. 1-2
 - Suggestions at IG4
 - Options for burden sharing – paras. 3-6
 - Transitional conditions – para. 7
 - Suggested steps – para. 8
 - Comments of the participating countries – current para. 9 – new 10
 - (new title to be inserted) Suggestions at WG2 and WG3 – current paras. 10-12
 - Suggestions for consensus at IG5
 - Consensus to be reached – current paras. 13-16 (para. Numbers to be adjusted)
 - Modality of consensus – current para. 17
 - Future steps – current para. 18
 - Suggested steps for IG5 – current para. 19

2. Second to the last sentence of para. 9: “As of July 2003, eight countries (Cambodia, China, Indonesia, Japan, Korea, Philippines, Russia, and Thailand) have submitted their comments to the Secretariat” Then the last sentence could be deleted.

3. A new paragraph (new para. 10) should be created to contain the summary of the comments of the 8 countries. After the summary, the statement “The exact comments of countries regarding contribution to EANET are presented in Annex 1” should be included. (Annex 1 = Comments of the participating countries on the “Preliminary Report on Further Financial Arrangement for EANET”)

4. The current para. 10 will now become para. 11 in which case the old Annex 1 will be new Annex 2 (National expenses of the participating countries on monitoring activities in 2002).
5. The current para. 11 should be reworded to reflect the intended meaning. The 3rd sentence, in particular, should be clarified as to the difference between “national monitoring” and “monitoring”.
6. On the National Expenses of the Participating Countries on Monitoring Activities in 2002: the basic assumptions used in arriving at the national expenses should be provided/included, specifically, on the object of expenditure considered in the budget calculations. For instance, do the expenses cover monitoring activities only or are training, public awareness programs, etc., also covered in the calculation of the national expenses? Since the levels of salary widely differ among the participating countries, it might also be useful to express the services rendered not only in terms of US\$ but also man-months. It would also be useful to indicate the number of monitoring stations, frequency of measurements, and the distance of the stations from the base, i.e., the laboratories where analyses are made.
7. To date, there are no major comments on Annex 3 (A memorandum on more efficient and transparent activities of the Network Center).
8. To date, except for Sections 5 and 6 that need further clarification, there are no major comments on Annex 4 (Further Financial Arrangement for EANET – EANET/WG 3/4).

Republic of Korea

General Comments

We appreciate the Secretariat’s excellent work in preparing the revised report.

Korea would like to re-emphasize the three guiding principles for the financial arrangement of EANET, which are 1) voluntary contribution and participation, 2) step-wise approach, and 3) transparency of the network.

Instead of specifying for each participating country its contribution amount through limited options, we believe more flexible and voluntary modalities should be sought.

Also, we recommend that these burden-sharing arrangements take more gradual and step-wise approach. Immediate cost-sharing mechanism can be difficult for some countries to immediately reflect in their budget.

Specified Comments

- 1) A stage-by-stage comprehensive project plan that includes the concluding point of the project should be devised in order to make to more knowledgeable decision on the burden-sharing.
 - In order to obtain funding from budget authorities in each participating country, a clearer master plan including mid- to long-term plans and the concluding point of the project is needed.
 - In this regard, it is prudent to develop a mid-term plan (3-4 years) to carry out the first stage of the project and conduct an evaluation process at the end of the first stage, to discuss further direction for the next stage of the project.

- 2) At the IG5, decision on the financial modality on the cost amount for the Secretariat activities should be made and the decision on the financial modality for the Network Center and National Centers should be postponed at the next stage until we have more accurate information on the actual budget of the network operation.
 - Since operations of national centers are significant part of EANET project, cost of national center activities should be included in the EANET cost.
 - Budget saving, as well as, the ownership of EANET activities by all participating countries can be promoted by making travel expenses for EANET meetings a responsibility for the participating countries.
 - Further budget saving can be achieved through encouraging in-kind contributions for the Secretariat expenses.

- 3) Transparency of the project should be promoted through an auditing arrangement on the budget spending by the participating countries.

Thailand

Subject: Report on Further Financial Arrangement for EANET (Draft for Working Group)

Kindly refer to UNEP RRC.AP telefax dated October 3, 2003 inviting comments on the above-mentioned subject.

The Sub-committee on Acid Deposition Monitoring Networks in Thailand discussed on further financial arrangement for EANET. After completion of having carefully reviewed discussion, we would like to propose that the financial contribution for EANET activities should be taken as step-wise approach following the step-by-step approach and principle of EANET as follows:

Step 1: Participating country responsible for travel expenses for all EANET meetings and monitoring activities in its own country.

Step 2: Participating country responsible for travel expense for all EANET meetings and monitoring activities in its own country and make financial contribution to the Secretariat. The share of contribution is subject to further discussion.

Step 3: Participating country make financial contribution for all of EANET activities.

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

Viet Nam

This is our comment on the Preliminary Report on Further Financial Arrangement for EANET:

“Regarding the burden sharing on EANET Financial Arrangement and concerning the referred options of burden sharing, after having reviewed six options as presented in the document EANET/IG 4/6 “Preliminary Report on Further Financial Arrangement for EANET”, we would like to propose another option for consideration of the IG meeting as follows:

Option 6 (Fully UN assessment scale-based burden sharing) but having a minimum amount of contribution for any participating countries is about 500 – 1000 USD (the exact value should be decided at the IG meeting)”

Annex 5

DECISION 1/IG. 5

FURTHER FINANCIAL ARRANGEMENT FOR EANET

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 27-28 November 2003 in Pataya, Thailand,

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.

(Option 1)

3. Decides that the participating countries of EANET should make effort, on a voluntary basis, to make financial contributions, taking account of the attached list to contribute to the budget to be directly spent by the Secretariat using fully UN assessment scale-based burden sharing as the first step. After three years, this list should be reviewed to explore the possibility of introducing minimum contribution amount for any participating country and expanding this burden sharing methods for the Network core budget.

(Option 2)

3. Decides that as the first step, the participating countries of EANET should be responsible for expenses for participation in all EANET meetings and their national monitoring activities. As the second step, the participating countries should be further responsible for financial contribution to the budget to be directly spent by the Secretariat in addition to the expenses for meetings and national monitoring activities. As the third step, they should be responsible for financial contribution to all the EANET activities.
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. Applies the new financial arrangement in paragraph 3 and 4 above from 2005 budget.

Attachment

**Fully UN assessment scale-based burden sharing
among the participating countries of EANET
on the budget to be directly spent by the Secretariat**

Country	UN scale of assessment 2003 (%)	Scale of EANET burden sharing (%)	Remarks (Indicative contribution (US \$))
Cambodia *	0.00200	0.008	(30)
China	1.53200	6.14	24,560
Indonesia	0.20000	0.80	3,200
Japan	19.51575	78.234	312,130(+50)
Lao PDR *	0.00100	0.004	(20)
Malaysia	0.23500	0.94	3,760
Mongolia	0.00100	0.004	20
Philippines	0.10000	0.40	1,600
Republic of Korea	1.85100	7.42	30,480
Russia	1.20000	4.81	19,240
Thailand	0.29400	1.18	4,720
Viet Nam	0.01600	0.06	240
Total	24.94775	100.00	400,000

* Newly participating countries

Remarks:

1. Figures in the "Remarks Column" are the amounts in USD, based on the assumption that the budget to be spent by the Secretariat is USD 400,000.
2. Figures are calculated based on the UN assessment scale in 2003, which is the latest available UN assessment scale as of October 2003 and seems to be same for 2004-2005. This scale of burden sharing will be used for three years from 2005, and then will be revised, based on the latest UN assessment scale.