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**NEASPEC FUNDING MODALITIES: Make reliable, predictable and equitable**

*Note by the Secretariat*

**CONTENTS**

I.	BACKGROUND .....	2
II.	REVIEW OF MODALITIES OF FINANCIAL MECHANISMS OF SUBREGIONAL ENVIRONMENTAL COOPERATION MECHANISMS .....	2
III.	NEASPEC FUNDING MODALITIES.....	6
IV.	ISSUES FOR CONSIDERATION .....	9

Annex 1. Draft agreement on a voluntary trust fund for NEASPEC (considered at SOM-12, 2007)

## I. BACKGROUND

1. The 24<sup>th</sup> Senior Officials Meeting (SOM-24) reviewed the outcome and secretariat response of the NEASPEC independent evaluation,<sup>1</sup> which presented seven recommendations to improve the relevance, effectiveness, efficiency, and sustainability. Amongst the recommendations, the evaluation suggests revising the current funding modality for more reliable and predictable financial resources and more equitable contributions from all member States.
2. It was envisioned in the founding Framework of NEASPEC adopted at SOM-3 in 1996 that a trust fund would be established to ensure effective and efficient Programme implementation over a longer time frame.<sup>2</sup> The funding modality and its scale have been discussed at several SOMs, in particular, SOM-12 in 2007 and SOM-17 in 2012. Both meetings reviewed recommendations to move away from the present voluntary contributions to a more stable and regular mechanism, including the consideration of a voluntary trust fund agreement at SOM-12 (Annex 1). Since then, there has been increasing financial resources, particularly, with project-based funding. However, the evaluation further emphasizes the need for more stable and predictable financial resources. ESCAP management responses to the evaluation suggested institutionalizing the modality of national contributions, for example, through a trust fund agreement.<sup>3</sup>
3. The SOM-24 in 2020, thus, decided to hold a National Focal Point (NFP) Meeting to develop and agree on concrete implementation plan for addressing the evaluation recommendations with clear responsibilities and timelines including on the funding modality.<sup>4</sup>
4. To support the discussions of NFP meeting on a new funding modality, this document provides relevant information of other subregional environmental mechanisms and overview of NEASPEC funding.

## II. REVIEW OF MODALITIES OF FINANCIAL MECHANISMS OF SUBREGIONAL ENVIRONMENTAL COOPERATION MECHANISMS

5. This section reviews the funding modality of three subregional environmental mechanisms, i.e., North West Pacific Action Plan (NOWPAP), South Asia Cooperative Environment Programme (SACEP) and South Pacific Regional Environment Programme (SPREP), considering their relevance in terms of member States or their status equivalent to NEASPEC. Most subregional programmes have established stable financial mechanisms to support secretariat operation and projects.

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<sup>1</sup> [http://www.neaspec.org/sites/default/files//7.%20SOM24\\_Evaluation.pdf](http://www.neaspec.org/sites/default/files//7.%20SOM24_Evaluation.pdf)

<sup>2</sup> Article 7.2 of the Framework for North-East Asian Subregional Programme for Environmental Cooperation (SOM-3, 1996), <http://neaspec.org/sites/default/files/NEASPEC%20Framework.pdf>

<sup>3</sup> Paragraph 19, NEASPEC/SOM(24)/7, [http://www.neaspec.org/sites/default/files//7.%20SOM24\\_Evaluation.pdf](http://www.neaspec.org/sites/default/files//7.%20SOM24_Evaluation.pdf)

<sup>4</sup> [http://www.neaspec.org/sites/default/files//NEASPEC%20SOM-24%20Meeting%20Report\\_Final\\_0.pdf](http://www.neaspec.org/sites/default/files//NEASPEC%20SOM-24%20Meeting%20Report_Final_0.pdf)

### North West Pacific Action Plan (NOWPAP)

6. The Action Plan for the Protection, Management and Development of the Marine and Coastal Environment of the Northwest Pacific Region or mostly referred as North West Pacific Action Plan (NOWPAP) was adopted by China, Japan, the Republic of Korea and the Russian Federation in 1994 as a part of the UNEP Regional Seas Programme.

7. Member States of NOWPAP decided to create the trust fund at the early stage of its institutional development. The second Intergovernmental Meeting in 1996 came to a conclusion on the tentative scale of each country's contribution towards the targeted amount per year. The modality consists of (a) a 5 per cent "basic contribution" to ensure common participation and shared responsibility and (b) an "additional contribution" between 3-20 per cent upon capacity to pay.

**Table 1. Tentative scale of annual contributions to the NOWPAP Trust Fund**

Country	Basic Contribution	Additional Contribution	Total (US\$)
China	5%	3%	40,000
Japan	5%	20%	125,000
Republic of Korea	5%	15%	100,000
Russian Federation	5%	5%	50,000
<b>TOTAL</b>	<b>20%</b>	<b>43%</b>	<b>315,000</b>

Note: A targeted annual contribution to the Trust Fund was set as US\$ 500,000.

Source: Report of the Meeting, Second IGM on NOWPAP, 1996

8. Since then, member States had revisited the contribution scale and also voluntarily increased the scale of contributions. The Trust Fund first met the targeted annual contribution, US\$ 500,000 in 2017 with equal contribution from all member States.<sup>5</sup>

**Table 2. Current scale of annual contributions to the NOWPAP Trust Fund**

Country	Annual contribution (US\$)
China	125,000
Japan	125,000
Republic of Korea	125,000
Russian Federation	125,000
<b>TOTAL</b>	<b>500,000</b>

Source: Report of the Meeting, 22<sup>nd</sup> IGM on NOWPAP, 2017

<sup>5</sup> Annex B. Report of the 24<sup>th</sup> Intergovernmental Meeting of NOWPAP, available at [https://wedocs.unep.org/bitstream/handle/20.500.11822/31146/IGM24\\_ED\\_2020.pdf?sequence=1](https://wedocs.unep.org/bitstream/handle/20.500.11822/31146/IGM24_ED_2020.pdf?sequence=1)

### South Asia Cooperative Environment Programme (SACEP)

9. SACEP, which was established in 1982, comprises Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka. The work covers the post-2015 South Asia Development Agenda focusing on green economy, biodiversity, sustainable consumption and production, waste management, climate change, South Asia Seas Programme, and Plastic free rivers and seas.

10. Financial resources of SACEP include annual contributions from all member States on **an agreed scale of assessment**<sup>6</sup>, which has been formulated and revised according to a combination of the South Asia Association of Regional Cooperation (SAARC) and the UN formulas. In addition, the Sri Lankan government provides the secretariat facilities and operation cost.

**Table 3. Agreed Country Contributions for SACEP since 2015**

Country	US\$	Country share (%)
Afghanistan	8,050	5.78
Bangladesh	23,430	16.83
Bhutan	3,555	2.55
India	31,850	22.88
Maldives	14,575	10.47
Nepal	8,050	5.78
Pakistan	31,850	22.88

Source: Report of the 15<sup>th</sup> Meeting of Governing Council [http://www.sacep.org/pdf/Reports-GC-SACEP/GC\\_15\\_Report.pdf](http://www.sacep.org/pdf/Reports-GC-SACEP/GC_15_Report.pdf)

11. Furthermore, member States established a voluntary-based Corpus Fund in 2003 to strengthen the financial and project base of SACEP while only India made the contribution of US\$ 200,000 as of 2019. SACEP also receives project-level funding from various international and regional agencies. For instance, US\$ 790,746 of external funding was secured during 2018-2019 for project-based activities from donors such as UNEP, IGES, IMO, and ADB.

12. However, SACEP notes the lack of sufficient funding due to the current low scales as well as arrears of contributions. SACEP Governing Council meeting, thus, emphasizes the need for enhancement in member's contributions and voluntary contributions to project activities and other possibilities for strengthening the trust fund.

### South Pacific Regional Environment Programme (SPREP)

13. SPREP was established in 1993 as a joint initiative of South Pacific Commission (SPC), South Pacific Bureau for Economic Cooperation (SPEC), ESCAP and UNEP. Located in Samoa,

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<sup>6</sup> A combination of weighted national capacity reflecting GNP per capita and the UN formula allocated the share of national contributions between 2.8 and 25 per cent at the 7<sup>th</sup> Governing Council meeting in 1998.

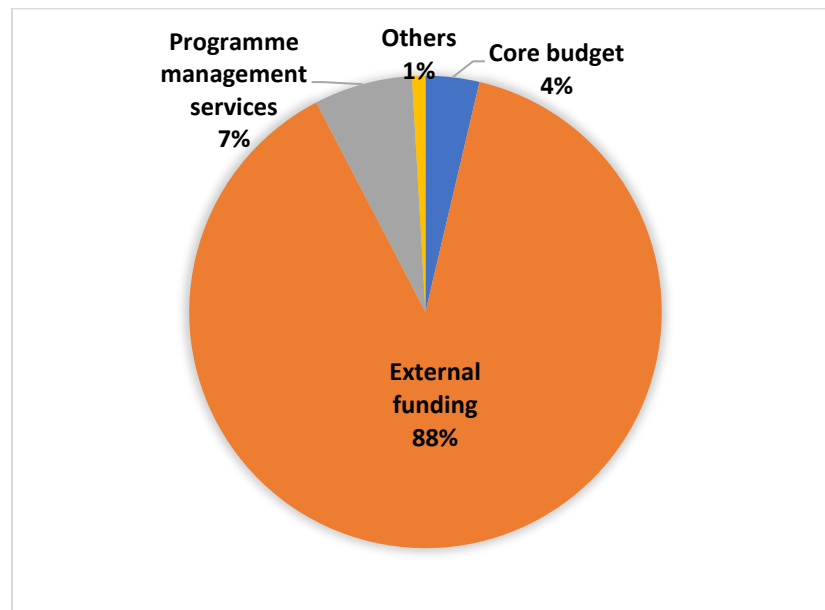
SPREP has 26 member States, including 21 Pacific Islands Countries and territories<sup>7</sup>, and 5 metropolitan countries<sup>8</sup>.

14. In terms of financial arrangements, SPREP has made relatively significant progress compared with other subregional programmes in Asia and the Pacific. While a major proportion of SPREP budget is project-based contributions from UN bodies and developed countries including its metropolitan countries, SPREP has four funding mechanisms as follows:

- (a) **Core fund**, based on annual contributions of member countries, following the agreed scale of assessment;
- (b) **Programme fund**, based on donors' contributions for specific activities;
- (c) **Reserve fund**, for unforeseen circumstances; and
- (d) **Pacific Islands Trust fund**, to support the implementation of National Biodiversity Strategies and Action Plans.

15. The approved biennial budget for 2020 and 2021 is US\$ 67 million, including core budget of US\$ 2.5 million and external funding of US\$ 59.7 million. The secretariat consists of about 150 staff members.

**Figure 1. Funding composition of SPREP for 2020-2021**



Source: [https://www.sprep.org/sites/default/files/documents/circulars/Cir19-70\\_Approved\\_SPREP\\_WPBiennial\\_Budget.pdf](https://www.sprep.org/sites/default/files/documents/circulars/Cir19-70_Approved_SPREP_WPBiennial_Budget.pdf)

<sup>7</sup> Pacific members include American Samoa, Cook Islands, Federated States of Micronesia, Fiji, French Polynesia, Guam, Kiribati, Marshall Islands, Nauru, New Caledonia, Niue, Northern Mariana Islands, Palau, Papua New Guinea, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu, Vanuatu, and Wallis and Futuna.

<sup>8</sup> Metropolitan members include Australia, New Zealand, United Kingdom, United States of America, and France.

**Table 4. SPREP approved scale of country contribution**

Group		Annual contribution (US\$) from each country
<b>Pacific Islands Countries (21)</b>	American Samoa; Cook Islands; Federated States of Micronesia; Kiribati; Marshall Islands; Nauru; Niue; Northern Marianas; Palau; Tokelau; Tonga; Tuvalu; and Wallis and Futuna Islands (13 countries)	10,184 (0.95%)
	Fiji; French Polynesia; Guam; New Caledonia; Papua New Guinea; Samoa; Solomon Islands; and Vanuatu (8 Countries)	20,360 (1.9%)
<b>Metropolitan Countries (5)</b>	France; New Zealand; and UK	134,202 (12.55%)
	Australia	185,106 (17.3%)
	US	186,787 (17.5%)

Source: [https://www.sprep.org/sites/default/files/documents/circulars/Cir19-70\\_Approved\\_SPREP\\_WPBiennial\\_Budget.pdf](https://www.sprep.org/sites/default/files/documents/circulars/Cir19-70_Approved_SPREP_WPBiennial_Budget.pdf)

### III. NEASPEC FUNDING MODALITIES

16. In accordance with the commitment “to reach a consensus on establishing a trust fund...to ensure effective and efficient Programme implementation” as stipulated in the Framework of NEASPEC adopted by SOM-3 in 1996, member States considered the feasibility of establishing the NEASPEC trust fund at SOM-4 in 1998 and decided to reach consensus on the modalities of the trust fund towards SOM-6. Having heard divergent views of member States on setting up a trust fund, member States at SOM-5 requested the secretariat further elaborate options and alternatives for financial arrangements in consultation with partner agencies and donor countries on the possible financial support and report to SOM-6.

17. SOM-6 in 2000 agreed to create a Core Fund with initial contribution of US\$ 100,000 from the Republic of Korea (ROK), and suggested all member States, donor and collaborating agencies enhance their support to accelerate the implementation of NEASPEC projects in line with the Framework and the adopted Vision Statement.

18. The Core Fund received further voluntary contributions from the ROK and Japan in the following year. SOM-7 further reviewed a secretariat proposal for strengthening the Core Fund as the “NEASPEC Fund” consisting of three accounts: Endowment Account, Operational Account, and Project Account, while each member State would make a voluntary contribution. As this arrangement was discussed in connection with the proposal of establishing NEASPEC’s independent secretariat, of which member States decided to request ESCAP to continue its role as the interim secretariat, SOM-7 agreed to continue with the Core Fund and called on member States to make voluntary contribution in cash or in-kind contribution.

19. Since then, annual voluntary contributions have been made by China (US\$ 50,000 since 2003), and the ROK (US\$ 100,00 since 2000 and increased to over US\$ 200,000 since 2019). The Russian Federation has provided project-based funding since 2010. Japan also made contributions during 2001-2004 (ranging US\$ 100,000 – US\$ 57,600). The information of contributions is presented in Table 5.

**Table 5. Member States' contribution to NEASPEC Core Fund and Project-based Fund (2000-2020)**

	China	DPRK	Japan	Mongolia	ROK	Russia (project fund)	TOTAL (US\$)
<b>2000</b>	-	-	-	-	100,000	-	100,000
<b>2001</b>	-	-	100,000	-	100,000	-	200,000
<b>2002</b>	-	-	-	-	100,000	-	100,000
<b>2003</b>	49,985	-	72,000	-	-	-	121,985
<b>2004</b>	-	-	57,600	-	100,000	-	157,600
<b>2005</b>	49,970	-	-	-	-	-	49,970
<b>2006</b>	49,985	-	-	-	100,000	-	149,985
<b>2007</b>	49,985	-	-	-	100,000	-	149,985
<b>2008</b>	49,985	-	-	-	100,000	-	149,985
<b>2009</b>	49,985	-	-	-	-	-	49,985
<b>2010</b>	50,000	-	-	-	-	75,000	125,000
<b>2011</b>	50,000	-	-	-	100,000	75,000	225,000
<b>2012</b>	50,000	-	-	-	80,750	60,000*	190,750
<b>2013</b>	50,000	-	-	-	57,522	-	107,522
<b>2014</b>	50,000	-	-	-	58,000	170,000	278,000
<b>2015</b>	50,000	-	-	-	121,487	-	171,487
<b>2016</b>	50,000	-	-	-	182,241	-	232,241
<b>2017</b>	50,000	-	-	-	100,000	120,000	270,000
<b>2018</b>	50,000	-	-	-	100,000	-	150,000

<b>2019</b>	50,000				200,000		250,000
<b>2020</b>	44,985				245,727	377,081**	667,793
<b>Total</b>	<b>844,880</b>	-	<b>229,600</b>	-	<b>1,945,727</b>	<b>877,081</b>	<b>3,897,288</b>

\*Note: The Russian Federation contributed US\$210,000, over the period from 2010 to 2012 for the projects on nature conservation and transboundary air pollution. After completing the projects, the residue balance of US\$61,104 was returned to the Russian Federation.

\*\* Note: a 33-month project fund on nature conservation from January 2020 to September 2022.

20. SOM-12 in 2007 revisited the funding modality and reviewed the need for creating “Trust Fund” including options of country contributions based on UN Scale of Assessment, a combination of equal shares for a fixed percentage and UN Scale of Assessment, and voluntary basis in terms of scale.<sup>9</sup> SOM-17 in 2012 again reviewed a recommendation from an analytical study on NEASPEC, proposing member States to consider strengthening the financial mechanisms by moving away from the present voluntary contributions to a more stable and regular mechanism in financing. Furthermore, the most recent independent evaluation of NEASPEC recommends revising the current funding modality to ensure more reliable and predictable flow of funding, and equitable contributions.

21. NEASPEC Strategic Plan 2016-2020 and 2021-2025 adopted by SOM-20 and SOM-24, respectively, also call on member States to, *inter alia*: improve financial resources by making more stable and predictable national contributions to the Core Fund; mobilize financial resources and in-kind contributions from ministries and partners in member States as well as other stakeholder groups.

22. The continuing contributions from China and the Republic of Korea, and project-based funding of the Russian Federation have sustained NEASPEC’s capability to undertake technical projects and expand the programmatic areas over the recent years. However, the current financial contributions alone will not be sufficient to maintain NEASPEC’s operation. The in-kind support of ESCAP for the secretariat operation and project management has allowed NEASPEC to maintain the current level of operation without facing significant financial constraints. However, the gradual expansion of the programme areas and further operation of institutionalized platforms in each programmatic area will require predictable and stable increase of the contributions from NEASPEC member States. Thus, member States need to fully reflect the spirit of cooperation by sharing responsibilities including for the financial resources.

23. With unfolding climate crisis affecting all spheres of lives, member States have recently scaled up the commitments to climate actions including plans for becoming carbon neutral by mid-century, which requires massive transformations in all sectors of economy and society. Such

<sup>9</sup> See more information available at

[http://www.neaspec.org/sites/default/files//EGM\\_Secretariat%20Paper%20on%20Institutional%20Mechanism\\_0.pdf](http://www.neaspec.org/sites/default/files//EGM_Secretariat%20Paper%20on%20Institutional%20Mechanism_0.pdf). Also, see pp 42-59 of the report on NEASPEC challenges and opportunities at [http://www.neaspec.org/sites/default/files/SOM17\\_Institutional%20arrangement\\_Annex.pdf](http://www.neaspec.org/sites/default/files/SOM17_Institutional%20arrangement_Annex.pdf)



transformations will entail strengthened multilateral collaboration from subregional to global levels, and expand the scope of the current subregional environmental cooperation. Thus, member States could envision the future of NEASPEC, a unique intergovernmental mechanism for environmental cooperation, in this context and consider improving the funding modality to strengthen the basis of multilateral cooperation in the mid and long term.

24. In this regard, the member States may deliberate on the following options for making the financial arrangements of NEASPEC more reliable, predictable, and equitable.

- **Option 1: Mandatory contribution based on agreed scale for each member State:** Member States could review the funding modality of the three mechanisms, i.e., NOWPAP, SACEP and SPREP, and consider adopting similar modality.
- **Option 2: Voluntary contribution with nationally pledged scale from all member States:** Each member State could pledge the scale of its intended annual contribution to the Core Fund and commit to delivering on the pledged scale.

25. Member States could also provide **project-based funding** including through direct contributions to NEASPEC as being made by the Russian Federation and indirect contributions through their respective national institutions to the development and implementation of activities in the areas of the NEASPEC Strategic Plan. Such intended contributions could be communicated with other member States and the secretariat well in advance to make the contributions predictable for better planning.

26. Furthermore, a new modality of national contributions needs to be better institutionalized, for example, through a trust fund agreement, as proposed in the ESCAP management response to the independent evaluation. The trust fund modality has been widely and well applied by other subregional environmental cooperation mechanisms. A draft trust fund agreement was also presented to SOM-12 in 2007 for the consideration of member States, which is attached as an annex to this document as a reference for further discussion. Thus, member States may wish to consider adopting a formal agreement on a trust fund for NEASPEC.

#### IV. ISSUES FOR CONSIDERATION

27. The Meeting may wish to exchange initial views on the funding modalities and decide the process for further discussion and decision to be made at the SOM-25 in 2021.

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