

**PARTNERSHIP/INITIATIVES TO STRENGTHEN
THE IMPLEMENTATION OF AGENDA 21**

**Regional Programme on Building Partnerships for
Environmental Management in the Seas of East Asia
(PEMSEA)**

Submitted by the International Maritime Organization (IMO)

Name of the Partnership/Initiative	
Implementation of Public-Private Partnerships for Environmental Investments	
Expected date of initiation:	May 2002
Expected date of completion:	June 2004
Partners Involved:	
Governments:	Cambodia, China, Indonesia, Malaysia, Philippines, RO Korea, Thailand, Vietnam
Intergovernmental organizations:	GEF, UNDP, IMO, World Bank, IFC, UNEP, UNIDO, ADB
Major groups:	World Federation of Engineering Organizations, International Federation of Consulting Engineers, venture capital groups, operating companies, investment banks, local governments, local stakeholders
Other: donors	
<i>Leading Partner:</i>	PEMSEA (Regional Programme on Partnerships in Environmental Management for the Seas of East Asia)
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Main objectives of the Partnership/Initiative	
The initiative is focused on accelerating investments in environmental facilities and services at the community/local government level, for the protection and sustainable use of the marine and coastal resources of the Seas of East Asia using public-private partnership (PPP) arrangements. The project entails the establishment of partnerships between the public and private sectors, at the local, national and international levels, employing a procedure that was developed and tested by	

PEMSEA in Batangas Bay, Philippines. The PPP process will be applied at six pilot sites, to refine, verify and demonstrate the approach under a variety of political, social, economic and environmental scenarios. The pilot site locations include: Bali (Indonesia), Bohai Sea (China), Danang (Vietnam), Klang (Malaysia), Manila Bay (Philippines) and Xiamen (China). Each identified pilot site has already embarked on a program of integrated marine and coastal resource management, and has created a policy and investment climate that is conducive to private sector investment and partnership.

The objectives of the initiative are as follows:

1. To verify the PPP procedure for developing pipeline projects for environmental investments at the local government level;
2. To build confidence and capabilities in public-private partnership (PPP) arrangements as an alternative delivery mechanism for financing and sustaining environmental facilities and services;
3. To establish PPP working models at selected sites in the region; and
4. To develop capacities within and among the public and private sectors to effectively implement and sustain new environmental investments in the East Asian region and elsewhere, using the experience, lessons and good practices derived from this initiative; and
5. To engage local and national governments, the private sector, national and international financial institutions, international agencies, donors, the private sector and civil society in development projects that result in practical benefits to the environment, and the social and economic well-being of coastal communities.

The initiative cuts across a number of Agenda 21 objectives. Because the project is focused on the delivery and sustainable operation of environmental facilities and services at the local government level, investment projects will cover a variety of concerns including environmental protection and sustainable use of living marine resources (Chapter 17), as well as integrated approaches to the management of water resources, toxic and hazardous waste, solid waste and sewage (Chapters 18, 20 and 21). But equally important is the approach to partnership building, which begins at the local level. Identified projects must have the consensus and agreement of local stakeholders (Chapters 23 to 32), and address social issues such as poverty alleviation, access to safe drinking water and adequate sanitation services, health protection, job creation, etc., as a vital linkage to environmental management (Chapters 2 to 8) and economic development.

The United Nations Millennium Declaration articulates commitments to strong partnerships between the private sector and civil society organizations in pursuit of development and poverty eradication (Paragraph 20), as well as the adoption of a new ethic of environmental conservation and stewardship (Paragraph 23). The proposed initiative will put these objectives into action at the local government level, where the need is most grave and the impact will be most obvious.

Expected results:

The immediate results of the initiative will be:

1. Five new mixed ownership (public sector-private sector) operating companies established in coastal communities in the region, for the purpose of developing, constructing, operating and managing environmental facilities and services to local stakeholders on a

sustainable and self-reliant basis, and serving as working models for replication elsewhere;

2. A core of regional expertise in PPP development and implementation, including stakeholders at the local and national levels (i.e., local governments; private sector; civil society);
3. An international network of financial institutions, international agencies, investors, operating companies, donors and venture capital groups with experience and awareness in the PPP process as an alternative delivery mechanism for environmental investments at the local government level.

Some of the products of the initiative that will provide longer-term impact include:

1. A field-tested set of guidelines, training materials and case studies on PPP, supporting national and local government planners and decision-makers in implementing sustainable environmental programs;
2. A set of financing strategies, policies and instruments encompassing the financing and management of environmental facilities and services, including risk identification/risk management, revenue collection, revenue sharing and cost recovery, partnerships with the community/community mobilization and leveraging private sector investments.
3. Recognition of the PPP process as an acceptable alternative delivery system to conventional bidding and tendering processes, by national governments, national and international financial institutions, international organizations and the business sector.
4. A series of PPP pipeline projects at sites throughout the region ready for implementation, with capable and willing partners at the local level.
5. A proposed, self-sustaining regional mechanism to facilitate the development, financing and implementation of environmental investment opportunities involving local governments and the private sector throughout the region.

Specific targets of the Partnership/Initiative and timeframe for their achievement:

The specific targets for the initiative are as follows:

1. Implementation of training workshops on the identification and development of environmental investment opportunities, involving representatives from national and local governments, industry/private sector, community groups/local stakeholders and NGOs, at the six selected pilot sites in the region (May-June 2002);
2. Identification of investment opportunities and formation of a multi-sectoral PPP task force at each location. The multi-sectoral PPP task force is the focal group responsible for development of the investment project and achieving consensus among local stakeholders, including the completion of prefeasibility studies, contingent valuation/market assessment survey, and stakeholders agreement on risk reduction/risk sharing measures among local stakeholders (June-August 2002);
3. Organization and implementation of an Investors Roundtable, to provide a forum for interaction between local proponents of investment projects, and national and international investors, operating companies, etc. (September 2002);
4. Selection, negotiation and finalization of agreements between local proponents of investment projects and private sector parties expressing interest in the proposed investment projects at the respective sites, and willingness to commit to the PPP process (December 2002);
5. Completion of a bankable project document on each proposed initiative,

- identification/confirmation of funding sources, organization/incorporation of mixed ownership operating companies; and start-up of operating companies (December 2003);
6. Regional training workshop on PPP development and implementation, and the preparation of environmental investment projects, using the refined/tested guidelines, materials and core of experience and expertise developed during the first cycle of six pilot projects (January-July 2004);
 7. Formulation/country consultations regarding a proposal for a new or strengthened regional mechanism to facilitate/support national and local governments to: a) identify affordable and socially acceptable development projects; b) develop a policy and investment climate conducive to private sector investment and partnerships; c) access a network of international investors and operating companies interested in partnering environmental investment projects with local governments; and d) source loans, loan guarantees, equity financing, and financial contributions to investment projects (January-July 2003);
 8. Submission of the proposal to a Ministerial Forum for consideration and endorsement (July 2003).

Coordination and Implementation mechanism

The initiative will be coordinated by an intergovernmental, multi-sectoral project steering committee (PSC), comprised of the participating countries, representatives from key private sector associations (e.g., FIDIC; WFEO), international financial institutions (e.g., World Bank; IFC; ADB), UNDP, UNEP/GPA and IMO.

The project will be executed by the Regional Programme Office of PEMSEA. PEMSEA's coastal and marine management demonstration sites will be employed as pilot sites for the initiative. Each pilot site has an existing Project Management Office (PMO), staffed by local government people, and these PMO's will be responsible for the day-to-day coordination of the initiative at the local level. A PPP task force, comprised of local stakeholders from the public and private sectors, will be set up at each site to plan and oversee the initiative, to coordinate sectoral inputs to the project, to build consensus and to mobilize national and local support for the investment.

Arrangements for funding

The total estimated cost for the initiative is US\$1,808,500. A GEF Medium-Sized Project application for US\$1 million is pending confirmation. Local governments have committed \$238,500 to the undertaking. A sum of \$570,000 is anticipated from the private sector, as part of their 'buy-in' to the PPP process and a partnership with the local governments, involving the completion of feasibility studies/bankable project documents for the respective investment opportunities.

Arrangements for capacity building and technology transfer

Capacity and awareness building is the major focus of this initiative. Two strategies are being employed to build and transfer capacity. First, there is the direct hands-on experience that is being offered to national and local governments, the private sector and civil society at the selected sites in the region. This particular group will be guided through the entire PPP development and implementation process, increasing and employing skills in a identification and evaluation of investment opportunities, public awareness and consensus building, implementation of pre-feasibility studies and contingent valuation surveys, and packaging and presentation of

investment opportunities to interested investors and operating companies. This group will evolve as a core of trainers and experts in the PPP process, for transferring the acquired skills to others. The second strategy entails regional training workshops, using the tested training materials and resource documents that are produced as a consequence of PPP process implementation at the six pilot sites. The different political, social, economic and environmental scenarios at the six sites will provide a wealth of practical experience, knowledge and skills for transfer to other locations and programs, within and outside of the East Asian Seas region.

Technology transfer occurs as part of the public-private partnership arrangement that is forged between participating local governments and their selected private partner. One of the key characteristics that local stakeholders will be looking for from potential partners is the transfer of innovative, cost-effective technologies, systems or practices that are affordable, accessible and socially acceptable by the community. Other characteristics may include, among others: a good business track record; management/operational experience; an operating facility/site in the region; access to financing; and so on. It is the responsibility of a selection panel, comprised of local stakeholders, to weigh the characteristics of candidate companies and determine the most appropriate partner for their situation.

Links of Partnership/Initiative with on-going sustainable development activities at the international and/or regional level (if any)

At the November 2001 Intergovernmental Review (IGR) of the Global Programme of Action for the Protection of the Marine Environment from Land-based Activities (GPA), governments called on international financial institutions and regional banks and other international agencies to facilitate and expeditiously finance activities to implement the GPA. Governments also committed themselves to strengthen the capacity of local and national authorities with relevant financial and other resources to, "...identify and assess needs and alternative solutions to specific land-based sources of pollution, and to formulate, negotiate and implement contracts and other arrangements in partnership with the private sector."

A key output of the IGR was the Montreal Declaration on the Protection of the Marine Environment from Land-based Activities. The declaration confirmed that the implementation of the GPA was primarily the task of governments, with regional seas programmes and other stakeholders playing an active role. Further, the countries called upon the United Nations agencies and programmes and international financial institutions, to incorporate, where appropriate, the objectives of the GPA into their respective work programmes, giving priority in the period 2002-2006 to addressing the impacts of sewage, physical alteration and destruction of habitats and nutrients on the marine environment, biodiversity and affected industries.

The initiative is aimed at the very substance of the GPA review and Montreal Declaration, namely pollution prevention and sustainable use of marine and coastal resources through innovative partnership arrangements between the public and private sectors. In addition, the initiative will build upon existing GEF-supported I-W activities that are designed to enhance national and local governance of marine and coastal resources, as well as to strengthen awareness and capacities in environmental management and partnership development. The challenges of the initiative are to integrate the public-private partnership development process as a practical, value-added component of coastal and marine resource governance, to build confidence in the process and to create products and a core of expertise that will ensure its replicability.

Monitoring Arrangements

The project will be monitored by the multi-sectoral PSC. In addition, monitoring reports will be compiled on a quarterly basis and submitted to UNDP and the members of the PSC. An annual progress report will also be prepared and submitted to GEF, UNDP and the members of the PSC. The quarterly report will review what has been achieved (according to agreed priorities) over the past quarter and look ahead to the upcoming quarter in accordance with the planned programme of work.

Information concerning the initiative progress will also be distributed to interested parties within the region, and outside of the region through PEMSEA's e-Updates. *Updates* is a monthly newsletter that is accessible via PEMSEA's web-page.

Web-site (if available): www.pemsea.org

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