

Foreward

In order to respond to the manifold environmental issues in the Asia-Pacific Region, environmental Ministers adopted the “Kitakyushu Initiative for a Clean Environment” at the 4th Ministerial Conference on Environment and Development in Asia and the Pacific, organized by the United Nations Economic and Social Commission for Asia and the Pacific (UN/ESCAP), in September 2000. The Kitakyushu Initiative is a mechanism for the priority implementation of the Regional Action Programme for Environmentally Sound and Sustainable Development in Asia and the Pacific (RAP), 2001-2005, with special focus on environmental quality and human health. The Kitakyushu Initiative has since been included as a Type I initiative in the Plan of Implementation at the World Summit on Sustainable Development in September 2002.

As part of activities under the Kitakyushu Initiative, UN/ESCAP, as the main promoter of the Initiative, and the Institute for Global Environmental Strategies (IGES), as the secretariat responsible for implementation of the Initiative, have undertaken the organization of thematic seminars to build the capacity of local governments in the area of urban environmental management.

The second thematic seminar, the **Kitakyushu Initiative Seminar on Public-Private Partnerships for Urban Water Supply and Wastewater Treatment**, organised by UN/ESCAP and IGES, was held on 4 November 2002 in Beijing, China. The Seminar provided a forum for open discussions on the experiences, challenges and future plans of local governments on the theme of public-private partnerships, with specific focus on water supply and wastewater treatment. The development of financial mechanisms for urban environmental improvement is an innovative direction that has been receiving increasing attention from local governments. Strategies are necessary to encourage public initiatives and promote private sector participation in financing urban environmental infrastructure. Representatives from eight cities in the Asia-Pacific Region attended the Seminar, as well as representatives of the donor community and outside experts, including the Asian Development Bank (ADB), PRC Resident Mission; Graduate School for International Development and Cooperation, Hiroshima University; Japan Bank for International Cooperation (JBIC); and the United Nations Environment Programme / International Environmental Technology Centre (UNEP/IETC).

The Kitakyushu Initiative Seminar was held during the same period as the **International Seminar on Financial Mechanisms for Environmental Protection** (5 November), organized by IGES, the Japan Bank for International Cooperation (JBIC), and the China Council for International Cooperation on Environment and Development (CCICED). This International Seminar examined the experiences of developed countries for reference in the development of environmental financial mechanisms for China. Participants in the Kitakyushu Initiative Seminar also attended this seminar.

Presentations by the local governments spanned a range of topics with different interpretations of the term “public-private partnerships (PPP)”. Focus was placed on the varied projects and challenges being faced by the municipalities in urban water supply and wastewater treatment, including information on traditional BOT (Build-Own-Transfer) projects, the use of multiple financial mechanisms, and current trends and future strategies necessary to address PPP issues.

Experts facilitated discussions on the difficulty of conducting PPP for sewerage projects in certain cities, various methods of collecting user fees, risk sharing, application of PPP projects for water supply in rural areas, institution of Boards of Investment, subsidies by the central government (such as land and assistance for relocation), methods to fix tariffs, decision-making responsibilities, and importance of market competition, as well as improvement of efficiency of public works with the participation of the private sector. Successful factors for PPP – government management capacity, technical capacity, public awareness, and attractive market – were also discussed.

Discussions also highlighted differences between municipalities with regard to autonomy in the water sector, difficulties in changing attitudes of residents (“willingness to pay”) and integration of these attitudes into the decision-making process. Ideas for improvement were also presented with regard to a pilot project being carried out in a city in China that is aiming to introduce the participation of the private sector in wastewater treatment.

The one-day Seminar concluded with open discussions among the local governments, international agencies, and academics with the following points:

- (1) Necessity of studies on PPP from an investment, as well as environmental policy viewpoint
- (2) Acknowledgement of the diverse conditions of countries and cities with regard to “willingness-to-pay” and necessity of public awareness.
- (3) Significance of equity issues, with regard to the different levels of service in different districts.
- (4) Importance of the role of the government and the market. Government should work to establish a framework to provide guidance, design important mechanisms to encourage PPP, and reform existing systems; in this, political will is important. The market should be flexible to the introduction of PPP, i.e. appropriate technology or financial basis, development of domestic firms.
- (5) Necessity of competition to establish a conducive environment for PPP.
- (6) Evaluation of systems to determine if economic and environmental effectiveness can be obtained.
- (7) Consideration of the potential for symbiotic economic growth and environmental protection.

This report provides an overview of the current and future states of public-private partnerships in urban water of the local governments that participated in the 2nd thematic seminar.