

Telex : DIPSERV BU 2292 OR 2411
 Telegrams : DIPSERV BRUNEI
 Telephone : 41177, 40281
 40282, 40283/95



مكتبين حال احوال لوارنكري
 MINISTRY OF FOREIGN AFFAIRS
 BANDAR SERI BEGAWAN 1120
 NEGARA BRUNEI DARUSSALAM

Our Reference : ASNBD: 20/6.29

18 March 1993

Your Reference :

Secretary-General of ASEAN,
 ASEAN Secretariat

Excellency,

Re: MOU on ASEAN-US Project in Environmental
Improvement (EIP)

I have the honour to submit the original copy of the MOU on ASEAN-US Project in Environmental Improvement (EIP), to be deposited in the ASEAN Secretariat. The MOU was signed on 8th August 1992 in Bandar Seri Begawan by H.E. Hj Yussof bin Hj Abdul Hamid, the then Director-General of ASEAN-Brunei Darussalam on behalf of ASEAN, and Mr. Lawrence J. Ervin, USAID Representative to ASEAN.

Best regards,

(PG HJ YUNUS PG HJ MAHMUD)
 for Director-General
 ASEAN Brunei Darussalam
 Ministry of Foreign Affairs
 Negara Brunei Darussalam

SFA/nhi

THE ASEAN SECRETARIAT		
RECEIVED	FAX/MAIL	
DATE 1/4/93	TIME 15.00	
BY SK		
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MEMORANDUM OF UNDERSTANDING

ASEAN-US PROJECT IN ENVIRONMENTAL IMPROVEMENT

In consideration of the mutual desire of the Association of Southeast Asian Nations (ASEAN) and the United States of America to pursue under the ASEAN-US Dialogue a regional project of assistance to ASEAN in urban and industrial environmental improvement, we have the honor to state that the United States of America, acting through the Agency for International Development (AID) hereby expresses its intent to support the aforementioned project, as described in Annex 1, hereto. The furnishing of such support will be subject to detailed arrangements and funding in accordance with United States foreign assistance legislation.

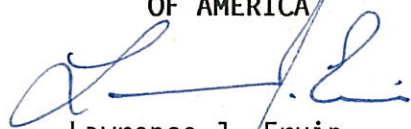
This ASEAN environmental improvement project aims to assist in environmentally acceptable economic development in ASEAN countries by promoting private sector initiatives and strengthening local, national and regional capabilities to address urban and industrial pollution. The project will provide assistance in policy and institutional development, technical assistance and training and technology commercialization and investment promotion. Project funding will be provided for these activities and for regional technical support of them through a management and technical assistance contractor.

For purposes of implementing this understanding, including entering into a management agreement with the contractor, the Government of the United States of America shall be represented by the United States Agency for International Development.

Further, this note, with ASEAN's acceptance of the foregoing, shall be considered as representing the intent of the Government of the United States of America in implementing this project, which will become effective upon ASEAN's concurrence and will remain in force until terminated by either the United States of America or ASEAN.

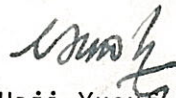
CONCUR:

FOR THE UNITED STATES
OF AMERICA :



Lawrence J. Ervin
USAID Representative to ASEAN

FOR ASSOCIATION OF SOUTHEAST
ASIAN NATIONS :



H.E. Haji Yusuf bin Haji Abdul Hamid
Director General
ASEAN-Brunei Darussalam



PROJECT DESCRIPTION

1. PROJECT GOAL AND PURPOSE

The Environmental Improvement Project (EIP) responds to the growing concern in ASEAN countries that continued economic development without proper environmental management cannot be sustained. In the past two decades, the ASEAN region has seen very strong economic growth, principally in the industrial and urban sectors. However, there is evidence that this growth has come at the expense of adequate environmental protection and adequate pollution control.

The Project's goal is to assist environmentally acceptable economic development in ASEAN countries. The Project's purpose is to promote private sector initiatives and strengthen local, national, and regional capabilities to address urban and industrial pollution.

At the end of six years, the Project will have produced the following results:

- o Improved regional cooperation on environmental policies leading toward harmonization of laws, regulations, standards, monitoring and enforcement within ASEAN.
- o More effective government, private industry, and NGO organizations for developing and implementing environmental policies.
- o More effective use within ASEAN of market incentives to encourage environmental compliance.
- o More effective assessment and implementation of "waste minimization" and other cost-effective environmental practices and technologies.
- o Increased trade and investment in environmental technologies and services with the U.S. and within ASEAN.

2. DESCRIPTION OF PROJECT

To achieve the Project goal and purpose, EIP will support three components of inter-related activities.

Component 1: Policy and Institutional Development

Policy and institutional development activities will focus on the regional (i.e., ASEAN), national and local levels. **Regional efforts** will help ASEAN and other organizations coordinate environmental programs. It will also promote regional cooperation in environmental management efforts among governments, NGOs, and industry organizations. Specific activities may include:

- o Developing a comparative summary of environmental laws, regulations, standards, implementing organizations, and enforcement procedures for the ASEAN countries. This will provide a basis for harmonizing ASEAN environmental activities and allow sharing of lessons learned.
- o Evaluating the relative effectiveness of "command and control" environmental policies (e.g., regulations, standards, surveillance, punitive enforcement, and "end-of-pipe" technologies) and economic market incentives (e.g., waste minimization process techniques, tax policies, emissions trading, and pollution charges), and develop guidelines for selecting the best mix of such policies for environmental control.
- o Evaluating the potential for regional policy research, training, and technical development centers within ASEAN. Initial efforts will focus on industry problems and policies such as regional approaches to hazardous wastes and transboundary pollution, and on the feasibility of establishing a regional hazardous waste database tracking system, similar to the USEPA's TOXNET system.
- o Developing a regional environmental certification program for testing laboratories that will establish equipment and testing standards and procedures, monitor performance, and provide accountability.
- o Conducting conferences, seminars and workshops for discussion of regional activities and problems among national and local governments, industry, and NGOs. Initial efforts will focus on regional industry problems, especially of small and medium size firms.
- o Promoting public information activities that emphasize the importance of regional approaches to specific environmental management problems.

In addition to regional activities, the Project will provide country-specific support to promote needed environmental policy activities and to help develop environmental organizations. Activities may include:

- o Assisting national governments develop environmental laws and regulations. This will coordinate efforts with organizations such as the World Bank and AID bilateral missions, and initially focus on developing economic incentives for industry.
- o Assisting local governments to monitor and enforce environmental regulations and standards.
- o Improving the ability at all levels (national and local government, private sector, and NGO) to prepare and evaluate Environmental Impact Assessments for major projects and facilities, especially in the industrial sector.

- o Assisting governments and local organizations develop the environmental baseline information (such as identification of point sources of pollution, inventories of toxic wastes, and local ambient environmental conditions) needed for effective evaluation of environmental policies. This will be coordinated with existing similar programs such as that of the Federation of Malaysian Manufacturers to inventory hazardous wastes.

Component 2: Technical Assistance and Training

Technical assistance and training activities will fall into four areas: environmental assessments; short courses; seminars, workshops, and conferences; and environmental databases and information services.

The Project will provide experienced industrial environmental engineers to visit ASEAN factories and carry out **environmental assessments**, and to help implement pollution prevention and waste minimization programs. It will also assist firms in installing emissions monitoring and pollution control technologies. Technical assistance will focus on promoting "waste minimization" activities that both lower costs and improve environmental performance. EIP will draw on the resources of U.S. NGOs such as the World Environment Center (WEC) and the Coalition for International Environmental Research and Assistance (CIERA), the U.S. Environmental Protection Agency, U.S. Trade Associations such as the American Water Pollution Control Federation, as well as U.S. industry particularly U.S. companies operating in the region. It will also draw on regional resources such as American Chambers of Commerce. This effort will cooperate closely with similar industry sector efforts in the region, including the USAID Mission in the Philippines, and the World Bank effort in Indonesia.

The Project will organize and conduct short courses (from one to four weeks) in various ASEAN countries. Courses will be targeted at national and local government officials, private sector plant managers and engineers, local environmental consultants, and ASEAN-based NGO representatives. These courses will be developed and conducted in cooperation with existing programs such as the U.S. Environmental Training Institute (USETI -- now under development with USEPA assistance), regional activities of USAID bilateral missions, and the Private Investment and Trade Opportunities (PITO) project of USAID/ASEAN.

The Project will sponsor a series of **seminars, workshops, and conferences** aimed at public sector officials, industry representatives, and NGOs. The meetings will be used to disseminate information on new approaches to environmental policy and enforcement, introduce new technologies and practices, and network persons in the region involved in similar environmental activities. The timing and content of these will be determined during preparation of annual workplans for the Project, and will be planned and coordinated with input from existing organizations in the region.

The Project will disseminate technical information on environmental practices and technologies through **database and other information services**. It will work with USEPA, which is developing an environmental information clearinghouse that gives users access to commercial

databases, U.S. government technical experts and references, technology overviews and description, names of vendors, and other information. The Project will serve as a pilot test for the clearinghouse in Asia. In addition, the Project will disseminate USEPA's Technical Information Packages (TIPS) that give technical overviews of the most effective ways to handle specific environmental problems including hazardous wastes.

Component 3: Technology Commercialization and Investment Promotion

This component will promote environmental technology transfer and commercialization activities within the region and between the ASEAN and U.S. private sectors. This component will focus on three areas: identification of opportunities for U.S. industry; feasibility studies and technology demonstrations; and project financing assistance.

The Project will assist U.S. firms **identify commercially viable opportunities**. EIP will work closely with other U.S. government agencies such as the Department of Commerce and USEPA to match U.S. companies and technologies with potential applications in the region. This will be done through development and expansion of databases on U.S. environmental firms and technologies that are currently under development by AID and USEPA, through market assessments and analyses, through seminars in the U.S. acquainting U.S. firms with the ASEAN potential, by developing a database on environmental projects and opportunities in the region, through preparation of promotional materials, and through trade and reverse trade missions. These activities will build on and expand the efforts already initiated under PITO, and use the PITO offices in the ASEAN countries where appropriate.

The Project will cost-share preparation of **feasibility studies** for environmental projects and **demonstrations** adapting U.S. environmental technologies to ASEAN conditions. EIP will pay 50 percent of the cost, up to \$50,000, for preparing feasibility studies and demonstrating technologies. The Project will assist U.S. companies and possible joint venture partners identify and develop opportunities by preparing, jointly with industry, feasibility studies for specific projects or ventures. The Project will work with U.S. manufacturers and U.S.-ASEAN joint ventures to adapt and transfer American technologies to ASEAN markets, and to demonstrate them in the region.

The Project will help **identify funding sources** for environmental projects in ASEAN. It will help U.S. companies access financing sources for environmental projects, such as multi-lateral development banks, the U.S. Overseas Private Investment Corporation, the U.S. Export Import Bank, and other U.S. Government trade promotion programs. It will also identify funds available for environmental investments from national development banks in ASEAN countries.

3. Financing and Project Completion Date

AID will provide a grant of \$17.5 million over six years to ASEAN for technical assistance, cooperative grants, and limited commodity purchases. The funds will be administered by a single Management and Technical Assistance contractor selected through competitive procurement.

The technical assistance, consisting of policy and institutional development, environmental technical assistance and training, technology commercialization, and project evaluations and audits, will have an estimated value of \$15.24 million. Approximately \$1.75 million will be allocated to cooperative grants to local NGOs and similar institutions, and \$0.5 million to commodity purchases. Funding will be incremental over the life of the project, with an initial obligation of approximately \$2.7 million. All subsequent obligations are subject to the availability of funds.

Summary Project Cost Estimate

(US \$000s)

<u>Activity</u>	<u>Amount</u>
Policy and Institutional Development	4,015
Technical Assistance and Training	4,486
Technology Commercialization and Investment	6,240
Cooperative Grants	1,750
Commodities	500
Project Evaluation/Audits	500
	<hr/>
TOTAL	17,491

The Project may also generate small amounts of reflows from fees for training courses and other services. However, these will likely be less than \$100,000 per year and any such reflows will be retained by the Project to fund additional Project activities.

In addition to the funding provided by AID, participating ASEAN and U.S. companies, government agencies and NGOs are expected to provide supporting contributions. Combined in-cash and in-kind contributions over the life of the Project are estimated at approximately 20% of AID financed expenditures. In addition, discussions are being held with AID bilateral Missions (Indonesia, the Philippines and Thailand) on cooperative efforts which may result in additional funding for Project activities.

The Project Assistance Completion Date is June 30, 1998.

4. PROJECT ADMINISTRATION

A Project Steering Committee will provide overall policy guidance and oversight. It will be assisted by a network of National Project Advisory Groups. A Management and Technical Assistance (M/TA) contractor will have the responsibility for day-to-day operations and management of the Project.

A. Project Steering Committee

The Steering Committee will approve the annual work plan and budget, and recommend and review policy studies. It will be responsible

for arranging discussions with public and private sector leaders to work towards the resolution of policy issues. The M/TA contractor will serve as the Committee's Secretariat. The Steering Committee will be chaired by the Chairperson of ASOEN, and will have 14 members.

- Six senior representatives to ASOEN, one from each of the ASEAN countries.
- Three senior representatives from ASEAN industry, to be selected by the ASEAN-CCI Committee on Sustainable Development.
- Three senior U.S. private sector representatives, to be selected by the American Chambers of Commerce Environment Committees (or equivalent) in the ASEAN countries.
- The AID Representative of ASEAN
- The AID/R&D Assistant Administrator or representative.

In addition, there may be observers from the USAID/ASEAN Private Investment and Trade Opportunities (PITO) project and the U.S. Environmental Protection Agency.

B. National Project Advisory Groups

Each ASEAN country will organize a National Project Advisory Group (or groups) to involve government, NGO, and other private organizations in the Project. Composition and membership in the Advisory Groups, as well as the schedule and venue of meetings of such groups, are left at the discretion of each country. Some countries might decide not to establish a formal Advisory Group and rely on existing organizations to provide advice to the Project on an ad-hoc basis.

C. Interim Contractor

In order to maintain the momentum gained during the Project design phase, AID will retain an interim contractor to provide administrative support and initiate selected Project activities. The interim contract will last nine months and will provide adequate overlap with the M/TA contractor (see below).

D. Management and Technical Assistance Contractor

The Project will rely on a single Management and Technical Assistance (M/TA) contractor to manage its technical and administrative activities on a day-to-day basis and serve as secretariat to the Project Steering Committee. The M/TA contractor will have responsibility for coordinating Project efforts with those of other organizations, and for integrating project efforts within ASEAN.

5. CONDITIONS PRECEDENT TO INITIAL DISBURSEMENT

Prior to any disbursement for this Project, or to the issuance by AID of documentation pursuant to which disbursement will be made under the

Environmental Improvement Project, the Grantee will, except as the parties may otherwise agree in writing, furnish to AID, in form and substance satisfactory to AID:

The name and specimen signatures of each official representative of the Grantee who will have the authority to sign implementing documents under the Project.

6. TAXATION

This Memorandum of Understanding and the Grant will be free from any taxation or fees imposed under laws in effect in ASEAN.

To the extent that (1) any contractor, including any consulting firm, any personnel of such contractor financed under the Grant, and any property or transaction relating to such contracts and (2) any commodity procurement transaction financed under the Grant, are not exempt from identifiable taxes, tariffs, duties or other levies imposed under laws in effect in ASEAN, the Cooperating Country will pay the same with funds other than those provided under the Grant.

The Parties may consult with respect to the application of this section as needed.

7. COVENANTS

There are no covenants to the Project on the part of ASEAN.