



**United Nations Development Programme**



**Department of Environment and Natural Resources –  
Environmental Management Bureau (DENR-EMB)**

**and**

**The Philippine Inter-Agency Committee on Climate Change (IACCC)**

**Phase 1**

**Establishment of the Clean Development Mechanism (CDM) National Authority,  
Operational Framework and Support Systems for the Philippines**

**Manila, PHILIPPINES**

**August 13, 2003**

**(Final Draft)**

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## CURRENCY RATIOS

As of March 31, 2003

1 US Dollar = Philippine PESO (PhP) 54.07  
1 US Dollar = 0.92653 Euro  
1 Euro (EUR) = 2.20371 Dutch Guilder (NLG)  
1 Euro (EUR) = 1.07950 US Dollar (USD)

## ABBREVIATIONS

ALGAS	Asia Least Cost Greenhouse Gas Abatement Strategy
CAA	Clean Air Act
CDM	Clean Development Mechanism
CER	Certified Emission Reduction
DENR	Department of Environment and Natural Resources
DENR – EMB	Department of Environment and Natural Resources – Environment Management Bureau
DOE	Designated Organization Entity
DFA	Department of Foreign Affairs
ELI	Efficient Lighting Initiative
FATL	Fuels and Appliance Testing Laboratory
GDP	Gross Domestic Product
GEF	Global Environment Facility
GHG	Greenhouse Gas
GNP	Gross National Product
GOV	Government of the Philippines
HLURB	Housing and Land Use Regulatory Board
IACCC	Inter-Agency Committee on Climate Change
IAQIF	Integrated Air Quality Improvement Framework
LUCF	Land Use, Change, and Forestry
MMBFOE	Million Barrels of Fuel Oil Equivalent
MTPDP	Medium-Term Philippine Development Plan
NA	National Authority
NAPCC	National Action Plan on Climate Change
NAQCP	National Air Quality Control Plan
NCCC	National Commission on Climate Change
NSWMC	National Solid Waste Management Commission
PAG-ASA	Philippine Atmospheric Geophysical and Astronomical Services Administration
PDD	Project Design Document
PELMATP	Philippine Efficient Lighting Market Transformation Project
PEP	Philippine Energy Plan
PSSD	Philippine Strategy for Sustainable Development
RESCO	Rural Energy Service Company
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework on Climate Change Convention
VROM	“Ministry of Housing, Spatial Planning, and Environment”

## PROJECT KEY SHEET

**Project Name:** Establishment of the Clean Development Mechanism (CDM) National Authority, Operational Framework and Support Systems for the Philippines

**Project Location:** Nationwide

**Proposed Executing Agency:** Environmental Management Bureau - Department of Environment & Natural Resources- (DENR-EMB) in behalf of the Inter-Agency Committee on Climate Change

**Location and Address  
Details of Head Office:** DENR Compound  
Visayas Avenue, Diliman, Quezon City 1116 Philippines

**Contact Person:** Ms. Joyceline A. Goco  
Head, IACCC Secretariat

**Long Term Objective:** To facilitate the country's shift to sustainable development, through accelerated socio-economic growth, fueled by investments through mechanisms like the Clean Development Mechanism (CDM) and the global reduction of greenhouse gases.

**Immediate Objective:** To put in place the CDM system of the Philippines through the designation of the National Authority (NA) and establishing its operational framework and support systems.

**Project Beneficiaries:** The ultimate beneficiary is the global community and the country's general public with GHG avoided or abated worldwide and the achievement of the Philippines sustainable development goals.

The direct beneficiaries are the industries and the private sector which shall be the recipients of improved technologies and additional project financing, as well as the national government agencies that will be involved in the CDM process.

**Starting Date of the Project:** April 2003

**Completion Date of the Project:** March 2005

**Budget Financing:**

The Netherlands Government:	<b>US\$ 178,500</b>
Philippine Government:	<b>PhP 1.367 M</b> (in-kind contribution)
UNDP:	<b>US\$ 23,742</b> (in-kind contribution)

## 1. INTRODUCTION

### 1.1 BACKGROUND

The Philippines, as a country Party to the UN Framework Convention on Climate Change (UNFCCC) and signatory to its Kyoto Protocol, has embarked on several undertakings over the past years to enable it to comply with its commitments under this Convention. In March 31, 2000, the Philippines completed and submitted to the UNFCCC Secretariat its Initial National Communication on Climate Change (INCCC), detailing what it has done so far to comply with its commitments under the Convention.

The Philippines' Initial NCCC included the results of the 1994 Philippine Greenhouse Gas (GHG) Inventory, which is its main commitment. The inventory indicated that the country released a total equivalent amount of 100,738 ktons of CO<sub>2</sub> into the atmosphere for that period. Likewise, the country's future GHG emissions by the contributing sectors, namely energy, industry, agriculture and wastes were calculated and projected to increase to 195,091 ktons by 2008, a 94% rise from the 1994 level. This figure provides local GHG mitigation and reduction opportunities even if the Philippines, a non-Annex 1 country Party, is not required to do so under the UNFCCC.

Under the Kyoto Protocol, Annex 1 (developed) country Parties are required to reduce their emissions in accordance with their quantified emission reduction objectives or QELROS. Non-annex I (developing) country Parties, on the other hand, do not have quantified emission reduction targets under the Convention and the Protocol. The Philippines as a non-Annex I country, does not have any commitment to reduce GHG emissions within a specific timeframe but is committed to put in place, "win-win" options that will effectively reduce its greenhouse gas emissions, at the same time meeting its sustainable development objectives.

The Kyoto Protocol established legally binding obligations for Annex I countries to reduce their overall GHG emissions by about 5% of their 1990 levels by 2008-2012. It provides for three (3) mechanisms to assist developed country Parties meet their respective GHG emission reduction commitments and obligations overseas. One of the three mechanisms is called the "*Clean Development Mechanism*" (CDM). As enunciated in Article 12 of the Protocol, the CDM is the only mechanism that involves the participation of non-Annex 1 country Parties in the GHG reduction process of the Annex I country Parties. In order to participate, non-Annex 1 countries are required by the Conference of the Parties-meeting of the Parties (CoP-moP), the highest decision making body of the Protocol, through the CDM Executive Board, to establish their National Authorities (NAs) before they can participate in the CDM. The National Authority is the host country entity that provides written approval confirming that the proposed CDM project is voluntary, complies with national and international criteria, and assists in the sustainable development of the host country. It shall be the focal point for all CDM-related business transactions among local and foreign investors.

Since the Philippines is intending to participate in the CDM process, it has to establish/designate its NA and define/ establish the operational framework under which it will operate. This NA and its operational framework establishment is not that easy as it will require significant capacity building. In particular, the NA's capacity to determine whether projects will be eligible for the CDM and meet the country's sustainable development criteria in the process needs to be built up. This would require developing its competency on GHG mitigation analysis, including establishment of baselines and selection of optimum technologies. Moreover, the other stakeholders too, particularly the private sector and other proponents who will eventually design and implement the projects, need to be capacitated.

As early as 1999, when the details of the CDM were still being debated, the United Nations Development Programme (UNDP) provided technical assistance to selected countries, including the Philippines, to undertake a study on the capacity building needs of developing countries that would eventually participate in the CDM process. As the CDM rules were not yet finalized then, the study had to be done under a lot of assumptions. The results were actually meant to input into the then on-going debate about the parameters and scope of the CDM. The study was able to define the existing policy and legal framework existing at the time in the participating countries, as well as, identify representative projects which might be considered eligible for CDM. However, with the full articulation of the CDM rules in the Marrakech Meeting of the Conference of the Parties of the UNFCCC, these parameters are now quite clear and preparations for which need to be completed.

## **1.2 RATIONALE FOR DONOR INVOLVEMENT**

As indicated by the results of the 1999 UNDP CDM study and in view of the CDM rules that have been formulated by the CDM Executive Board, the Philippines needs to institute certain interventions at the policy, institutional and individual levels to enable the mechanism's successful implementation. For example, it has to emplace the proper legal context and institutional arrangements to encourage a competitive CDM market in the Philippines, at the same time ensuring that the investments contribute optimally to the achievement of the country's sustainable development objectives. It would also require the generation of the appropriate technical competencies and capacities, particularly in the area of GHG inventory and baseline setting, mitigation analysis and technology option selection, at the individual stakeholder level, in both the implementing national agencies and the private sector and NGO proponents. All of these have to be integrated together in an operational framework which defines the policy and institutional regime governing the CDM's implementation in the country.

While the national network of agencies working on climate change, the Inter-Agency Committee on Climate Change (IACCC), has the basic capacity to undertake coordination function(s), (which is a major activity in generating the endorsement for the CDM proposal to the Executive Board), it cannot do this optimally because of lack of resources (both financial and manpower). This network of agencies, which is being contemplated to constitute the NA, is envisioned to face grave difficulty in the discharge of other corollary functions such as the maintenance of the national GHG inventory and other related information so critical to the verification and validation activities under the CDM process. All of these capacity building requirements are meant to be addressed in a very short time frame (within a year) as the CDM is expected to be operational once the Kyoto Protocol enters into force (expected anytime soon). Unfortunately, the country cannot rely on its own resources alone to prepare for the implementation of this mechanism as it has significant resources and capacity constraints which could be primarily addressed through substantial technical and financial assistance from developed countries like the Netherlands and multilateral agencies like the UNDP.

The Netherlands Government is regarded as an active partner of the Government of the Republic of the Philippines (GoP) with considerable climate change experience. It is also one of the first developed country Parties to assign public funds for implementing the mechanisms of the Kyoto Protocol, including the CDM. It has specifically set up a CDM office under the International Environmental Affairs Directorate under the Ministry of Housing, Spatial Planning and the Environment (VROM), which is tasked to arrange CDM projects with non-Annex I country Parties. It has also formulated its CDM Implementation Plan, which sets out strategies, procedures and the underlying principles for the Netherlands to implement the CDM. The GoP, therefore, recognizes that the Netherlands Government can contribute invaluable related experience, expertise and resources to the Philippines' efforts to set up its own CDM systems and procedures.

The UNDP, on the other hand, as an implementing agency of the Global Environment Facility (GEF), is another preferred partner of the Philippines as it has been instrumental in assisting the country undertake sustainable energy projects and enabling activities under the UN Framework Convention on Climate Change and its Kyoto Protocol, as well as, the other multilateral environmental agreements.

In light of the above, the GoP, with further technical assistance from the UNDP, prepared a project proposal on the development of an operational framework for the implementation of the CDM. The first draft of this proposal was consulted with the Royal Netherlands Embassy (RNE) in Manila, which indicated interest to support the furtherance of the proposal based on certain pre-requisites, particularly the designation of the NA. For the elaboration of the issues tackled by the proposal, the RNE provided preparatory financial assistance, particularly for consultations and further development of the proposal based on the results of the multi-stakeholder consultations.

## **2. NATIONAL AND LOCAL CONTEXT**

The Philippines was among the first countries to subscribe to the sustainable development paradigm and sign the Global Agenda 21 and related multilateral environmental agreements like the UN Framework Convention on Climate Change and the Convention on Biodiversity (CBD) at the Earth Summit in Rio de Janeiro in 1992. Even prior to this, it already crafted its Philippine Strategy for Sustainable Development (PSSD) in 1989, which was

subsequently elaborated into a Philippine Agenda 21 (PA 21) after the UN Conference on Environment and Development (UNCED). The country's decision to tread the path to sustainable development was catalyzed not only by the global developments like the Earth Summit but by its own internal experience which generated consensus on the issue among the country's major stakeholders. It has undergone significant social, political and economic transformation for the past 50 years but continues to face developmental challenges even at the onset of the 21<sup>st</sup> century. Foremost of these is the country's significant, pervasive and persistent poverty situation which seems to demand more radical and innovative solutions. This is compounded by, or as another school of thought would have it, caused by the continuing degradation of the country's environment and natural resources base, on which a significant portion of the population, particularly rural communities, depend for livelihood and sustenance.

Among the causes of this degradation which is not internally generated and has elicited a lot of concern is climate change. Climate change is expected to further exacerbate the poverty situation in the country because its major ecosystems- forests, coastal and marine areas, fresh water resources and agricultural areas are vulnerable to extreme climatic events and the phenomenon's other impacts like sea level rise. The country is also ill-equipped to deal with other effects like impact on health because of the surge in climate related diseases. As majority of the country's poor population live in rural areas, particularly among the coastal communities, the effects of these impacts are expected to be devastating. These are among the reasons why the country aligned itself with more than 150 countries under the UNFCCC process.

However, the Philippines also takes cognizance of the other aspect of the Convention which promises to provide a significant boost to the country's economy, thereby addressing the poverty situation. This is primarily in the energy sector, which fuels the country's economic growth. As the UNFCCC and its Kyoto Protocol provides for the transfer of technology from developed nations to developing countries including additional financial resources to shift from conventional fossil fuel to renewable energy use, it looks with optimism at the mechanisms within the convention process providing for these transfers. Among these is the CDM which is expected to provide a sizeable amount of investments, primarily in the energy sector.

The Philippines' Medium Term Development Plan (MTPDP) for 2001 –2004 stresses macroeconomic stability and sustained growth of income and employment across sectors, socio-economic groupings and regions. It envisions overcoming poverty "with a comprehensive set of social and economic policies and programmes with an equity orientation, underpinned by good governance and adherence to the rule of law." The proposed CDM project is expected to contribute to the enhancement of the policy environment and emplacement of transparent procedures conducive to investments and consequently, socio-economic growth which dissipates equitably to the countryside through CDM projects which also involve the communities.

## 2.1 Brief Description of the National/Sectoral/Sub-sectoral Context

The Philippines was among the first countries to embrace the sustainable development paradigm, adopting the Philippine Strategy for Sustainable Development (PSSD) in 1989. This was followed by the Philippine Agenda 21 (PA 21) in 1996 serving as the country's blueprint for sustainable development. The PA 21 was considered as the highest development policy document in the country encompassing all other national and sectoral development plans. It aims to achieve environment and development goals by:

- 1) Promoting sustainable development through trade liberalization;
- 2) Making trade and environment mutually supportive; and
- 3) Encouraging macroeconomic policies conducive to environment and development.

The vision and guiding principles set forth in the PA 21 were directed to be integrated into the Medium-Term Philippine Development Plan (MTPDP). The current MTPDP (2001 – 2004) envisions "a **sustainable development anchored on growth with social equity.**" This vision is to be measured by poverty reduction and improvement in income distribution. The pursuit of the MTPDP vision entails political stability and a strong and more competitive private sector. The government sees itself as assuming the role of increasingly making competitive markets work to ultimately alleviate poverty. The use of land and natural resources is intended to proceed in a manner that yields the greatest economic benefit to both present and future



generations. The MTPDP focuses on achieving economic growth with social equity by: significantly reducing the number of poor families; enabling the regions outside the National Capital Region to contribute more to development; and creating a more internationally competitive business sector supported by an efficient public sector at the national and local levels.

Aside from the PSSD, the Government of the Philippines also adheres to the Social Reform Agenda, the results of the Conference on Human Ecological Security, the Anti-Poverty Summit, and the Manila International Conference for the Operationalization of Economics of Sustainable Development. Adherence to the above reflects the Philippines' international commitments.

On climate change, the country was one of the earliest to respond to the challenges of this global phenomenon. It established the Inter-Agency Committee on Climate Change (IACCC) by virtue of Administrative Order No. 220 signed by President Corazon C. Aquino in December 1991. The IACCC is composed of 15 government agencies and NGO representatives. It is co-chaired by the Department of Environment and Natural Resources (DENR) and Philippine Atmospheric Geophysical and Astronomical Services Administration (PAGASA). It is mandated to coordinate various climate change related activities in the country, propose climate change policies and measures and prepare the Philippine positions to the UNFCCC negotiations. The Committee regularly meets to discuss current trends and issues on climate change. There are plans to further expand the membership and functions of the IACCC. Furthermore, it has undertaken various activities and projects (elaborated on in Section 2.3) showing the government's commitment and contributions toward the achievement of the goals and objectives of the Climate Change Convention.

On the Kyoto Protocol, although the Philippines, as a non-Annex 1 country party, has no obligation to reduce its GHG emissions, it has expressed willingness to do its share in mitigating national emissions. This is reflected in the various projects and activities previously and currently being undertaken, which are mostly supported by the Global Environment Facility (GEF) through the UNDP and bilateral support, geared towards GHG mitigation in the context of the country's sustainable development agenda.

The CDM is one of the mechanisms under the Kyoto Protocol that Annex 1 country Parties can adopt to comply with their emission reduction commitments to the Convention in partnership with non-Annex 1 country Parties. The CDM is likewise meant to support the national sustainable development agenda of the non-Annex 1 country Parties and contribute to the ultimate global GHG emission reduction objective of the Convention. Although the Protocol has yet to enter into force, the Philippines would like to position itself this early to be a qualified and active player in the CDM process.

To be able to qualify and play an active role in the CDM market, the Philippines needs to put in place a competitive CDM operational framework at this point in time to be in step with other developing countries with whom it will have to compete for CDM projects. Considering, however, the array of more pressing national socio-economic and political problems competing for its meager financial resources, the equally serious environmental concerns are relegated to the back seat. The Philippines has not been a participant in any "Activities Implemented Jointly (AIJ)", which is similar in nature to CDM, making it inexperienced in crafting CDM fundable projects. While it is recognized that the National Authority and its accompanying administrative machinery is a necessary pre-requisite for participation in the CDM market, the government and other stakeholders have yet to unify their efforts towards this direction.

The Government of the Netherlands is in a position to provide the needed financial assistance to formulate and establish and capacitate the Philippine CDM National Authority and, at the same time, facilitate access to sources of proven environmentally sound and friendly technologies. The Government of the Netherlands, through the UNDP, is the preferred partner of the Government of the Philippines in this particular activity.

## 2.2 Relevant Prior and On-Going Assistance to the Sector

### Relevant Completed Projects:

#### *Asia-Least Cost Greenhouse Gas Abatement Strategy (ALGAS) Project*

The Asia Least-cost Greenhouse Gas Abatement Strategy (ALGAS) project was carried out during 1995-1998. It was implemented under a regional technical assistance executed by the Asian Development Bank (ADB) and funded by the Global Environment Facility (GEF) through the United Nations Development Programme (UNDP). The project involved the participation of 12 Asian countries, which included the Philippines.

The development objective of ALGAS was to limit the growth of GHG emissions from Asia, and to build a substantial pool of expertise in the region for addressing issues on global climate change. Expertise were developed in areas such as the estimation and measurement of GHGs, identification of technologies and initiatives for reducing GHGs, and economic and social analyses for identifying cost-effective mitigation options. The ALGAS Project embodied a strong emphasis on regional cooperation. It has sought to enhance regional capabilities in a number of critical environmental and natural resource disciplines, which will ultimately allow the nations of the region to more effectively meet their commitments to the Framework Convention on Climate Change. The principal objectives of this project were to: (a) develop and improve the regional and national capacity to undertake, prepare, and present baseline and historical inventories of GHG emissions and sinks to meet the standards and requirements of the FCCC; (b) improve the reliability of GHG emission and sink inventories for the region; (c) develop national and regional capacities to identify, formulate, and analyze GHG abatement initiatives; and (d) develop and implement national and regional least-cost GHG abatement strategies.

#### *Enabling the Philippines To Prepare A National Communication Program in Response to its Commitments to the UNFCCC*

The project, conducted in 1997, was aimed at helping the Government of the Philippines build the capacity of various government agencies to prepare the country's initial communication to the United Nations Framework Convention on Climate Change. This was made possible with the financial assistance from the GEF through the UNDP. The main output of the project was the publication of the country's National Communication on Climate Change and its submission to the UNFCCC Secretariat. The project enabled the preparation of the 1994 greenhouse gas (GHG) inventory (baseline for non-Annex I Country Parties) using the guidelines prescribed under Article 12 of the Climate Change Convention and the decisions set by the Conference of the Parties. A series of training courses were conducted on GHG inventory to institutionalize the process among various agencies. Consultation seminars were also conducted involving other key players such as the private sector and industry, policy-makers, academe, non-government organizations and people's organizations. A database of climate change researches and other relevant activities was established at the Inter-Agency Committee on Climate Change (IACCC) Secretariat to consolidate all information gathered and facilitate efficient accessing of data.

During the multi-stakeholders consultation workshops conducted by the project, one of the recommendations was to establish or strengthen the appropriate mechanisms, structures and entities needed to implement the integrated abatement strategy. The need to draw up the policy and institutional framework relevant to mitigation of greenhouse gas emissions in the country was also stressed in these workshops. Training of critical sectors and groups was also recommended, particularly in the fields of renewable energy and energy efficiency.

### Relevant On-going Activities:

#### *Enabling Activity for the Maintenance and Enhancement of National Capacities to Prepare the National Communication on Climate Change*

The Enabling Activity for the Maintenance and Enhancement of National Capacities to Prepare the National Communication on Climate Change, is a bridging project of the GoP, through the IACCC, between the "Enabling Activity to prepare its Initial National Communication on Climate Change" and the second enabling activity for the GoP to prepare its Second National Communication to the UNFCCC. This bridging project involves three major areas. First, it is meant to build the capacity to institutionalize the national communication preparation process with emphasis on the gaps and constraints identified in the initial enabling activity. Secondly, it is supposed to undertake capacity building for participation in systematic observation networks and identify capacity and technological needs in this area. Finally, the project is expected to strengthen/improve national activities for public

awareness and education and access to information, including information from international centers and networks.

*Capacity Building to Remove Barriers in the Promotion of Renewable Energy in the Philippines*

This project, which is just starting up, is the result of the findings and recommendations of a preparatory phase which: (1) identified the key barriers; (2) proposed activities to remove those barriers; and (3) prepared a full project brief and document seeking to remove those barriers at a national level. The PDF-B project further identified linkages and cooperation among donors to remove barriers to promoting renewable energy for the ensuing UNDP-GEF full project. The principal objective of the full project prepared from the PDF-B assistance is to reduce GHG emissions by identifying and removing the major barriers to the development and utilization of renewable energy to replace fossil fuel use in the Philippines. The proposed full project would achieve these objectives by:

- 1) capacity building of government agencies to formulate renewable energy policies;
- 2) information dissemination and public awareness raising;
- 3) institutional strengthening to increase coordination between organizations;
- 4) development of market strategy for utilization of renewable energy;
- 5) support program for renewable energy delivery mechanisms;
- 6) innovative financing schemes; and
- 7) development of standards, specification, testing, and certification for the renewable energy industry in the Philippines.

Funding for the project comes from the GEF, through the UNDP, with the Department of Energy as the Executing Agency. Local participating agencies and institutions provide counterpart funding.

*Palawan Alternative Rural Energy and Livelihood Support Project*

This project which is aimed at reducing the long-term growth of greenhouse gas (GHG) emissions through removing barriers to commercial utilization of renewable energy power systems to substitute for use of diesel generators in Palawan, is winding up. This project is intended to demonstrate the viability of the RESCO (Rural Energy Service Company) delivery mechanism of renewable energy systems, and economic activities of productive use of renewable energy services for rural communities. By the end of the project it is expected that there will be: 1) Increased capacity and recognition of renewable energy and RESCO at the local government level; 2) A range of financial incentives established; 3) A revised Provincial Energy Master Plan; 4) Increased public awareness of renewable energy systems and RESCO; 5) Increased information and services provided to potential investors in renewable energy; 6) A commercial and sustainable RESCO delivery mechanism set up to provide renewable energy services in Palawan; 7) A risk-sharing mechanism established to buy down the risks for the RESCO.

The Center for Renewable Resources and Energy Efficiency (CRREE), a non-government organization, serves as the executing agency with the Palawan Provincial Government as the cooperating agency. The financial support comes from the GEF and UNDP.

*Philippines Efficient Lighting Market Transformation Project (PELMATP)*

The undertaking is a project preparation activity (PDF-B), for a full project meant to overcome the technical and market barriers outside the main focus of the IFC's Efficient Lighting Initiative (ELI) Program and any other international lighting initiatives. The results of the preparatory phase were: 1) preliminary characterization of the Philippine markets for energy efficient lighting; 2) characterization of the stage of development in the legal, regulatory and fiscal frameworks setup by the GOP to promote end-use efficiency (including that of lighting); 3) identification of technical and market obstacles; and 4) proposed activities to help overcome those identified obstacles.

The Department of Energy, through its Fuels and Appliance Testing Laboratory (FATL) Division, is the executing agency with funding support from the GEF through the UNDP. This preparatory phase, which is being implemented by Geosphere Inc., is expected to be completed during the first half of 2003.

### 3. PRESENT SITUATION AND PROBLEM ANALYSIS

The Philippines is among the countries subscribing to the notion of sustainable development, a key pillar of which is a vibrant and resilient environment. Under the country's various plans, therefore, protecting and enhancing the environment, as well as, promoting the sustainable use of its natural resources has been underscored. According to the Philippine Agenda 21, the essence of sustainable development is the harmonious integration of a sound and viable economy, responsible governance, social cohesion and ecological integrity. It postulates that the extent of a country's economic productivity is determined by its environment's carrying capacity and the ability of its natural resources base to provide the basic materials. Economic profitability, therefore, could be increased by enhancing the environmental carrying capacity.

The Medium Term Philippine Development Plan (MTPDP) likewise echoes this concern by stressing that environmental sustainability is a key thrust. The objective is to arrest continuing degradation of the country's environment and natural resources, which is both a cause and effect of poverty in rural areas. The National Anti-Poverty Action Agenda (NAAA) also emphasizes the importance of attending to the ecological dimension because it is critical to the sustainable development of the country's productive resources, and consequently, the alleviation of poverty.

Despite these policy enunciations, however, poverty and unemployment remain the country's gravest economic problems. It is postulated that for these to be fully addressed at the end of the decade, the economy must grow on a sustained basis and across all sectors, while generating the greatest employment. There is a need, therefore, to harness and develop the full potentials of sectors contributing the most and the fastest to the growth of the Philippine economy. Business and industry sectors are seen as the primary engines of economic growth.

Historically, rapid growth and development proceeded unsustainably, most notably at the expense of the environment and natural resources sector. The growing consensus is that the sector has reached a critical stage. The Philippines has a total land area of 30 million hectares. However, as of 1996, only approximately 5.493 million hectares of forestlands remained with actual forest cover. Similarly, mangrove resources have been extensively exploited. The original estimate of 400,000-500,000 hectares of mangrove forests has been reduced to a total of 115,100 hectares in 1996. Further, the Philippines is already suffering from water shortages and air pollution and the situation is expected to worsen in the ensuing years. Moreover, many flora and fauna species face extinction in the uplands, wetlands, and coastal areas and overall, the major sub-sectors of the ENR sector are incurring significant damage.

Clearly, the sustained damage to an already critical environment has disastrous effects on natural resources and, accordingly, sustainable development and poverty alleviation within the Philippines. Although all of humanity suffers similarly due to depleted and damaged resources, people who rely on these resources for their livelihood, as in the case of the Philippines, are the most affected. These communities are usually the most poor and marginalized groups. The coastal and marine ecosystem of the Philippines is considered an important source of livelihood for about 70% of the country's municipalities. Accordingly, the MTPDP identifies that continuing degradation of the country's environment and natural resources, is both a cause and effect of poverty in rural areas. However, while the Philippines recognizes that resource use cannot continue unmanaged and be a major factor in the entrenchment of poverty of the nation, particularly of marginalized groups, such sustainable use requires substantial capacity on the part of the stakeholders. In turn, for this capacity to be built requires a significant amount of technical and financial resources which could be realized through foreign assistance.

As discussed in the previous section, this critical condition of the country's environment and natural resources which have implications on the country's sustained socio-economic growth, stands to be further exacerbated by global environmental problems like climate change which has been brought about by the massive anthropogenic emissions of greenhouse gases from fossil fuel use. While the Philippines considers its GHG contributions to the atmosphere as insignificant, it is committed to do its part in abating/mitigating these emissions.

In 1994, the Philippines released a total equivalent amount of 100,738 ktons of CO<sub>2</sub> into the atmosphere. This is due to the combined effect of greenhouse gas (GHG) emissions from four sectors, namely, energy, industry, agriculture and wastes, and the net uptake (sink) of GHGs from the land-use change and forestry (LUCF) sector. In the global context, this national amount is minimal relative to the GHG emissions of other countries, especially those of developed country parties to the UNFCCC.

However, as climate change is a significant factor affecting the country, the Philippines recognizes that GHG emissions need to be mitigated and addressed. Many people live in coastal areas and are at risk from the impacts of climate change; extreme climatic events, sea level rise and degradation of marine ecosystems. The predicted negative effects of climate change on agriculture, forestry and water resources may also further entrench poverty and burden a struggling economy. Being an archipelago, with prevailing tropical climate, the Philippines is also highly vulnerable to the impact of climate change. Of the vulnerability assessments conducted in preparation for the Philippines' Initial National Communication on Climate Change, the simulation results showed that certain agricultural crops are projected to have a decrease in yield, and that key reservoirs and coastal ecosystems will be seriously affected. Changes in rainfall pattern may also increase the rate of conversion of forests to agricultural lands due to human migration from areas degraded by drought and erosion to more productive forestlands. Local biodiversity also may decrease and the effect of possible disease incidence needs to be studied further.

Thus, the Philippines, by signing of the UNFCCC, commits to contribute to the global effort to mitigate climate change through the reduction of GHG emissions. To begin implementation of the ultimate objective of the FCCC, which is to "stabilize greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system," (Article 2, UNFCCC), the Philippines has begun initial activities to establish an inventory of GHG emissions and sinks, to develop measures to reduce emissions and facilitate adaptation to climate change, apply climate friendly technology, undertake sustainable management of GHG sinks, plans and programs for adaptation and protection of vulnerable areas, to incorporate climate change considerations in its national policies, research and systematic observation, and to develop an initial national communication which details the Philippines' implementation of the Convention.

Projects have also been undertaken to gain experience in climate change mitigation. The UNDP/GEF project, Asia Least-Cost GHG Abatement Strategy (ALGAS) highlighted the important role the energy sector can play in reducing future GHG emissions in the Philippines and identified renewable energy technologies (RETs) as a priority area in the country's GHG abatement strategy. Furthermore, the Philippines Agenda 21 also identified the need to develop and utilize RETs as the country's priority strategy and the National Action Plan on Climate Change proposed the gradual shift from the current fossil fuel-dominated energy mix towards NRE. However, as the "Capacity Development Initiative (CDI) Country Capacity Development Needs And Priorities- A Synthesis" report (UNDP-GEF, October 2000) outlines, six priority areas have been identified for country capacity development in climate change. These are: a) awareness/understanding, b) abatement, c) vulnerability and adaptation, d) the Clean Development Mechanism, e) Convention negotiations, and f) technology transfer.

The Philippines faces several constraints in these 6 areas. Identified constraints to the Philippines' capacity to assess its vulnerability to climate change and its adaptation options are the absence or weakness of an overall policy framework to direct what is, by necessity, an integrated multi-sectoral, multi-disciplinary approach to V&A. Such an integrated approach requires the clear definition of mandates and functions of those agencies (both government and civil society) tasked to undertake V&A. Another constraint is the inadequacy of critical human resources and analytical skills needed to undertake vulnerability assessments and adaptation planning. The shortage and inaccessibility of data from climate measurement/monitoring systems, together with the lack of institutions specializing in V&A are other impediments to effective action in this area.

A comprehensive awareness and understanding of the issue itself which seems to underpin many of the concerns and capacity constraints is needed for all sectors involved. Moreover, the capacity constraints associated with this priority area cut across all levels, (systemic, institutional, and individual), and focus largely on the lack of a managed system of information that can be attributed to a lack of human, financial, and information resources. Poverty also contributes to ambiguities in understanding climate change. These

constraints inhibit consensus building and the clear definition of mandates and programs in the national and local arena.

For the abatement of greenhouse gas emissions, in order for the Philippines to: a) reduce a growing dependence on fossil fuels; b) meet ambitious targets for reliable, economic supplies of grid electricity; and, c) realize widespread electrification and poverty relief in remote communities, new and renewable energy (NRE) sources of energy will have to be tapped over the next ten years. These are abundant throughout the country but relatively under-utilized.

Innovative financing and market delivery mechanisms will play a central role in providing the capital and access to the market required to meet expansion targets. Efforts in various facets of NRE development have been extensively pursued by the public sector. With meager resources, however, the government alone cannot sustain the development of the industry.

Recent years, however, have witnessed the growth in private sector participation in NRE development. There have been significant studies and projects, which have been undertaken on this area. However, despite these previous studies and projects, there exist both substantive and procedural barriers in the country's policies and laws, which inhibit private sector participation and public-private sector partnership necessary for sustainable NRE development. A general assessment however, leads to the conclusion that effective private sector involvement and partnership with Government and other sectors of civil society can take place on a broad and commercialized scale only if these barriers are adequately addressed.

Moreover, the lack of market strategies, economic incentives that can promote alternative energy systems or energy efficiency, and the lack of institutional coordination and commitment may also constrain the Philippines' efforts to undertake abatement measures.

The fourth area for which capacity development is needed is the clean development mechanism (CDM). The Philippines' participation in this mechanism is currently constrained, firstly by the absence of a National Authority for CDM, an operational framework for CDM to operate under and also by a lack of understanding of and information on CDM in general, of an institutional and legal framework, of technical infrastructure, of enforcement capacity, and of human resources needed to operationalize the mechanism. These capacity constraints and others mentioned under this section, create gaps in project negotiation and development skills, project baselining, monitoring, verification, auditing, and certification, setting up sustainable development indices, and cost-benefit assessments, etc. In this context, barriers to effective technology transfer for CDM may also be a constraint with the lack of a clear country policy and entity responsible for this area, the unavailability of local R&D infrastructure and professional expertise, the absence or incompleteness of the Philippines' assessment of its technological needs, the lack of information on local practices or traditional technologies, of motives and incentives for innovation.

Specific capacity development interventions needed to address the lack of overall national climate policy framework revolve mainly around clearly defining the mandates of various agencies engaged in climate change and thereafter, CDM; strengthening climate change focal points and establishing a national authority to coordinate climate change activities including CDM, instituting mechanisms of accountability to the public, and raising the level of public awareness on the issue. Moreover, there is the need to strengthen "relevant and key academic and research institutions and non-governmental organizations" (Annex, Decision 10/CP5) in their capacity to respond to the Philippines' issues and concerns on climate change. A fully integrated approach to V&A has been espoused, taking into account the socio-cultural and economic context that is inextricably linked to the vulnerability of the Philippines.

In terms of the absence of a legal or regulatory framework, the Philippines is close to ratification of the Kyoto Protocol and methods are explored within the project proposal to expedite the designation of the National Authority.

Some of the required economic measures related to CDM are being addressed through projects outlined below. Market mechanisms skewed towards fossil fuel utilization (because of their ready availability and familiarity) are identified to be a major constraint. Capacity needs in this area focus on market development, the

promotion, development, multiplication, and utilization of alternative energy systems beyond the pilot stage and in areas where feasible. However, in general, information, human, financial, and technical resources are needed to capably analyze the impact of subsidies and incentives, market mechanisms, and to enhance the public appreciation and use of these abatement systems. These needs are likewise stressed in areas where traditional fossil fueled systems are being renovated for greater efficiency.

An enabling environment for investment in CDM and renewable energy systems depends on the availability of technically accurate energy resource assessments, endogenous capacity in the workforce to gain access to and absorb this alternative technology, and an "enlightened" population that can discern the value (for climate protection) of these alternative systems. There is need, also to internalize (on a systemic level) the external costs of global climate degradation through extensive training on the relatively new economics and science of this global issue. In this regard, capacity is likewise being sought to familiarize the various sectors in the country with the various policy instruments such as command-and-control and market based mechanisms being forwarded today in the climate arena. Capacity to discern the applicability of either or a mix of both in the unique social, economic, and political context of the Philippines is needed.

Policy statements in this area of energy that directly touch on climate change require more advocacy with the pending NRE Bill. Although, GHG mitigating systems under the outlined projects below also establish policies for the use of other viable sources of energy, lessening the dependence on fossil fuel.

The clean development mechanism, which provides for the participation of developing country parties in the climate protection effort through funding of their initiatives in sustainable development, will help to address some of these many constraints, partial solutions and needs. Although as mentioned above, capacity needs here include the establishment of institutional linkages, project development and implementation, development of sustainable development indicators, project negotiation skills, and other such aspects that are required for meaningful participation in this Kyoto Protocol mechanism.

The value of civil society or NGO participation in climate-related activities will also be evident, although capacity needs to focus on developing those relevant and key institutions by renewed infusion of financial and material resources and the expansion of a human resource pool of experts. Any lack of coordination within and among the different sectors of society (e.g. government, NGOs, civil society, private sector) will indicate that serious capacity needs exist in the area of management and leadership. Enabling the clear definition of institutional roles and functions through the establishment of an operational framework for CDM, is an important capacity need.

In addition to all of this, the need for enhancing management and administrative capacities is also evident. It also follows that developing management capacity entails training people in institutions to plan effectively and to evaluate policies and measures according to well-defined performance indicators.

Capacity is still needed to increase the level of participation of all stakeholders. The effectivity of any such participatory approach to decision making will also necessarily depend on the level of conscientization of all the participants in the policy formulation and implementation process. Capacity interventions are, therefore, needed to increase the participation and level of understanding of all the stakeholders in this issue.

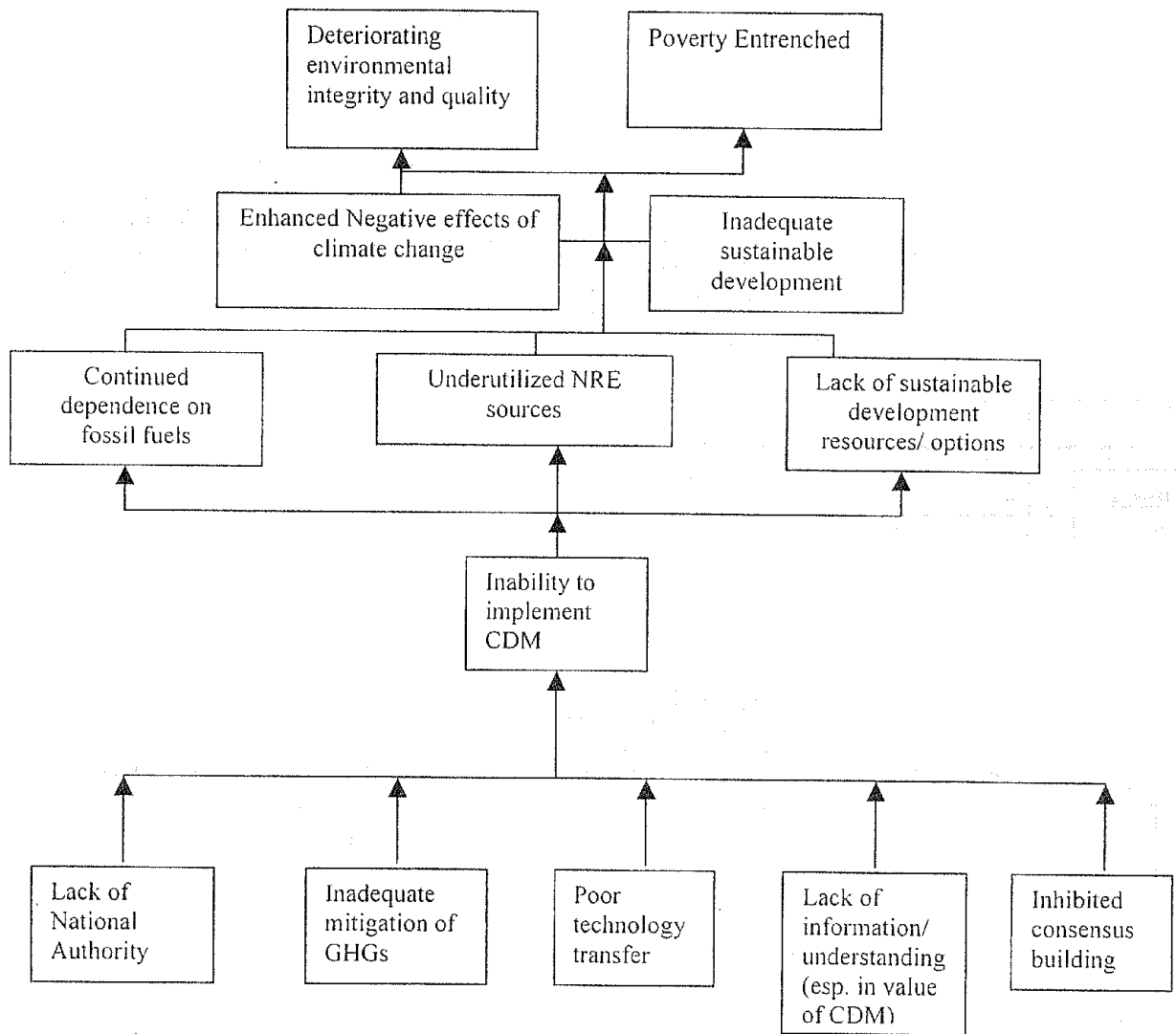
Informed decision making is critical for management of CDM and it depends on the organized and managed flow of information. Such technology is currently lacking and therefore a constraint. Capacity is, thus, needed to enable agencies to set up managed systems of climate related information, to supervise and retain capacity that has been built up through information or training, and to institutionalize public access to publicly owned information.

Capacity is likewise needed to develop a large pool or "critical mass" of resource people in both government and civil society who are conversant with the multi-faceted issue of global climate change. Most of the capacity development constraints and needs at the individual level touch on the issues of human resource availability, awareness raising, information sharing, and skills training. The constraints that have been identified are the lack of human resources, the generally low level of public awareness, the lack of information dissemination, and the absence of requisite skills to address climate change.

A notable capacity gap at the individual level touches on the acquisition of skills in vulnerability assessment and adaptation planning, abatement analysis, project development and management, international negotiation, fund raising, and administrative skills such as strategic planning. Because the availability of such skills is also constrained by financial matters, capacity is, therefore, likewise sought to address this lack of funding while ensuring, as above, that the training received diffuses effectively.

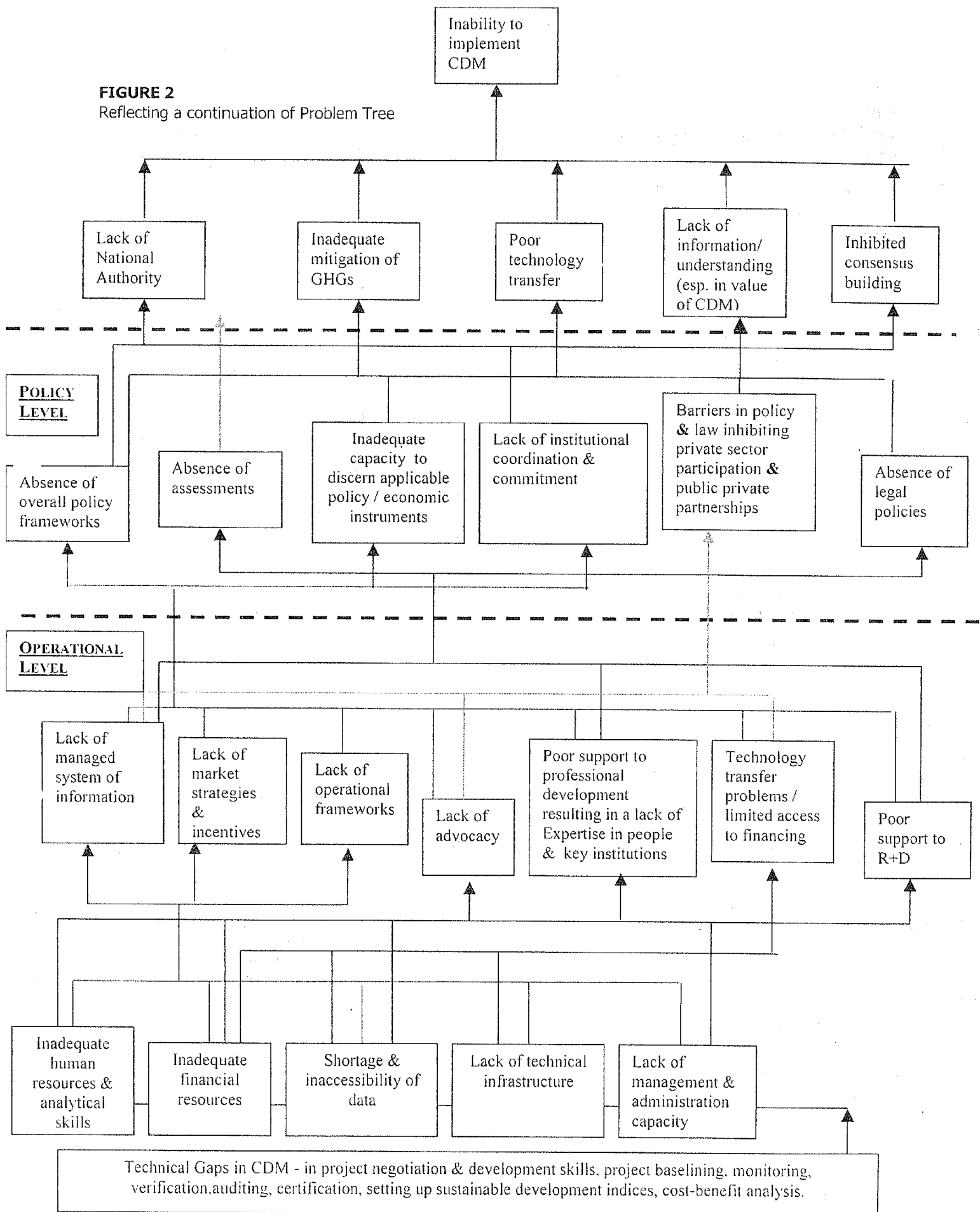
Figures 1 and 2 reflect an analysis of the problem in Problem Tree Format.

**FIGURE 1 – Problem Tree Analysis**





**FIGURE 2**  
Reflecting a continuation of Problem Tree



## **4. THE PROJECT**

### **4.1 SCOPE OF THE PROJECT**

The Project, "Establishment of the Clean Development Mechanism (CDM) National Authority, Operational Framework and Support Systems for the Philippines", seeks to create/establish the Philippine National Authority for CDM and establish the framework within which it shall operate.

#### **Project Components**

The Project shall cover two (2) specific areas, namely:

- I.** Establishment of the CDM National Authority
- II.** Development of the Operational Framework of the National Authority

#### **I. Establishment of the CDM National Authority**

The Kyoto Protocol requires non-Annex 1 country parties to designate a National Authority which shall endorse to the Executive Board, proposed CDM projects that support national sustainable goals. The legal document creating the National Authority will identify it as the entity responsible for overseeing the process of CDM implementation in the country, including the formal endorsements of CDM proposals to the CDM Executive Board. The output of this scope of work is a legal document defining what the National Authority is, identifying the institution designated as the National Authority, defining its functions and scope of authority. The most expedient path will be chosen. The possible legal options are discussed in greater detail in Section 4.6, "Project Approach and Strategies".

Parallel to the creation of the National Authority is the overarching need to push the ratification of the Kyoto Protocol. Presently, the "Instrument of Ratification" has been endorsed by the Department of Foreign Affairs to the Office of the President and is now with the Senate. This activity will follow through the process until the ratification is completed.

#### **II. Development of the Operational Framework of the NA**

The project shall set up an Operational Framework, which will include definition of the legal and administrative requirements and the prescribed systems and procedures for securing the NA endorsement, among others.

Securing the Certified Emissions Reduction (CER) certificate, which is equivalent to the amount of GHG emissions mitigated, requires a validation and monitoring scheme regulated by the Executive Board of the CDM. The validation scheme will require a Project Design Document (PDD) that provides objective evidence that there is indeed a valid GHG emission reduction resulting from the use of the clean technology, which would not happen without the benefit of CDM.

Whichever government agency will be designated as NA, the operational framework should already be worked out, ready for implementation once the Kyoto Protocol takes effect and the Philippines has ratified it.

### **4.2 PROJECT JUSTIFICATION**

Participation in the Clean Development Mechanism requires a developing country to have in place an operational National Authority, which shall be the official entity to orchestrate the country's participation in CDM, following the criteria established in the Kyoto Protocol. Without the National Authority's approval and endorsement, no CDM project will happen in that country. Based on the outcome of COP7, the Marrakech Accord generated optimism that the Kyoto Protocol will enter into force anytime now. In view of this possibility, the country Parties including the Philippines, which have or are contemplating to ratify the Protocol, need to take immediate action to prepare for the required systems and procedures to allow them to participate in the CDM.

Viewing the CDM as an opportunity to achieve its investment targets for priority sectors like energy, this project is considered by the GoP as a high priority project because it will help put in place, the policy, technical and human infrastructure needed to make the mechanism operational in the Philippines.

### **4.3 LONG TERM OBJECTIVES**

The projects over-all long term objective is the country's achievement of sustainable development goals through sustained economic growth anchored on a healthy and vibrant environment and the reduction of GHG, globally, resulting in the climate change mitigation. Its medium term objective is the alleviation of poverty by enhancing the capacity of certain sectors like energy, agriculture and forestry to increase their contribution to the country's economy through a mechanism like the CDM.

### **4.4 IMMEDIATE OBJECTIVES**

The immediate objectives leading to the overall objective are the following:

- 1) Immediate Objective One: To secure the official designation of a national government entity (e.g. the IACCC) as the National Authority for CDM.
- 2) Immediate Objective Two: To formulate the CDM Operational Framework.

### **4.5 PROJECT BENEFICIARIES**

The ultimate beneficiary is the global community and the country's general public with greenhouse gases avoided or abated worldwide and the Philippines' sustainable development goal achieved through specific development projects.

The establishment of the CDM process starting with the designation of the National Authority will usher the entry of an emerging global industry spearheaded by the private sector that makes possible the transformation of an environmental concern (GhG mitigation) into investment opportunities in support of the country's sustainable development aspirations. The direct benefit to the national economy may be initially insignificant due to the limited size of business transactions that may result. However, it may be expected that in due time, for as long as the bureaucratic hurdles in the operation of the CDM process are minimized, potential investors will recognize the advantages and benefits of transacting CDM business in the Philippines, resulting to more investments coming in, in the future.

The first line beneficiaries will be the national government agencies who will be involved in implementing the CDM process in the Philippines, as well as, the industries/ private sector and other CDM project proponents who will be the recipients of additional capacity building, new technologies and project funding. The second line beneficiaries shall be the consuming public who are the intended users of the resulting products and services generated by the CDM process. The more competitively priced products and services will make them more affordable and accessible to a greater number of target users.

### **4.6 PROJECT STRATEGY AND APPROACH**

The project will utilize a variety of strategies and approaches to achieve its objectives. Among these are the generation of the necessary policy and legal issuances to institutionalize the operationalization of the CDM in the Philippines. Another is the establishment/ designation of the required mechanisms (e.g. NA).

The National Authority is the focal point for all CDM-related transactions. By the nature of its operation, the NA shall interface with various stakeholders from the different agencies and sectors including among others those from the energy, agriculture, forestry, and industry sectors. The multi-sectoral coverage of the functions of the NA is an important characteristic that must be given priority consideration in its identification. To facilitate immediate establishment of a workable CDM process within the country, the project will work for the

immediate designation of a national government entity or network of entities, which will respond to the above concern of multisectoralism, drawing in broad multi-stakeholder support through continuous and extensive consultations.

An initial assessment of the competencies of member agencies and institutions of the IACCC versus the requirements of the National Authority given in **Table 1 (Annex 1)** and elaborated in **Table 2 (Annex 2)** was conducted, including consultations to validate the same.

## **5. PROJECT IMPLEMENTATION**

The following are the activities that shall be carried out in establishing the National Authority for Clean Development Mechanism (CDM) and making it operational in the Philippines. Under each activity is a description of what shall be done.

### **A1 ESTABLISHMENT OF THE NATIONAL AUTHORITY**

**Immediate Objective A1:** To secure the official designation of the appropriate governmental entity as the National Authority for CDM in the Philippines.

#### **Output A1. A Legal Issuance Designating the National Authority for the CDM process in the Philippines.**

Notwithstanding the route to be selected based on the further consultations to be undertaken under the project, the projected output under this objective is a Legal Document (e.g. Legal Opinion from the Office of the President stating that the present mandate of the selected entity (e.g. IACCC as stipulated in AO No. 220) extends to cover the functions of the National Authority; or, as necessary, an amendment to the current legal issuance governing the functioning of that authority, explicitly stating that the mandate of that entity shall be extended to cover the functions and responsibilities of the National Authority or simply a memorandum order from the President designating the NA).

**Activity A1.1** Through further consultations with the stakeholders, primarily the IACCC, and legal advice of experts, the preferred legal option for the NA designation will be selected. There are three possible options in securing the official designation of the most appropriate government entity (e.g., the IACCC) as the CDM National Authority. One is a legal opinion from the Office of the President on the extent of coverage of the existing mandate of the contemplated entity. The second is a revision of the existing legal issuance, Presidential Administrative Order 220 creating the IACCC, governing the functions of the selected entity to specifically cover the discharge of the additional functions as NA. The third involves the mere issuance of the President a Memorandum Order to the designated NA for this additional task.

The project will then work through the formal mechanisms and concerned institutions to have the needed legal document issued during the initial phase of the project.

The appropriate and necessary organizational structure to implement the issuance will then be drawn up and institutionalization of the same effected.

### **A2 DEVELOPMENT OF THE NATIONAL CDM OPERATIONAL FRAMEWORK**

**Immediate Objective A2:** To enable the optimum and efficient functioning of the NA through the provision of a clear National CDM Operational Framework.

#### **Output A2.1. National Authority's Management System**

**Activity A2.1.1.** Review past studies and available literature on the existing policies, legal and administrative requirements governing the entry of new projects/investments; identifying gaps and

constraints and providing recommendations to address these, to facilitate entry and implementation of CDM projects.

**Activity A2.1.2.** Craft new/supplementary policies and legal issuances to address the identified gaps and constraints for the optimum functioning of the CDM process in the Philippines.

**Activity A2.1.3.** Adopt national sustainable development criteria and indicators for use in the CDM assessment process.

**Activity A2.1.4.** Develop Systems and Procedures, with clear accountabilities and timeframes within the NA system, to implement CDM efficiently and optimally. A business "process map" may be drawn up to determine the optimal operating system for the NA. **Annex 3** depicts the CDM Project Cycle which could be the starting basis for the NA business map.

**Activity A2.1.5.** Develop protocols and supplementary tools to implement the systems and procedures.

**Activity A2.1.6.** Develop the documentary requirements of the NA to enable it to assess the CDM proposal and issue the necessary endorsement to the CDM Executive Board.

**Activity A2.1.7.** Pilot test the designed management system.

**Activity A2.1.8.** Prepare and issue the necessary legal and administrative issuances to operationalize the management system.

The Project Implementation Work Plan showing the timetable for the implementation of the above activities is given in **Annex 4**.

## **6. PROJECT ORGANIZATION AND MANAGEMENT**

The Department of Environment and Natural Resources (DENR), through the Environmental Management Bureau that serves as Secretariat to the IACCC, will be the executing agency and shall be responsible for the overall management of the project on a day-to-day basis. The IACCC Secretariat shall designate a Project Manager, two (2) regular technical staff and one (1) administrative staff of EMB to assist in the project implementation on a part time basis. These personnel shall serve as the government counterpart staff to the project. The IACCC Secretariat will ensure proper coordination and liaison between the Project and the UNDP, the Netherlands government and other national government departments and agencies and non-governmental institutions with which cooperation is needed for the efficient and successful operation and implementation of the project. Likewise, UNDP shall provide overall management and technical advice to the project.

To ensure continuity of the project implementation and provision of full-time staff, the project will hire one (1) Project Coordinator who shall be tasked to coordinate the activities of the project staff and consultants, one (1) technical assistant, and one (1) finance officer. The staff to be hired shall form part of a Project Management Office (PMO) directly under the guidance of the Project Manager-IACCC Secretariat (EMB). Various sub-contracts are likewise organised. These would require the services of consulting firms/consultants to undertake specific tasks. The services of expatriate consultants may be required since there is limited local experience in this new field, at present. The Terms of Reference (TOR) of each of the project staff and sub-contract is given as **Annex 5**.

An organizational chart showing the overall project organization and management is presented as **Annex 6**.

## **7. BUDGET**

The total contribution for project activities being requested from the Netherlands Government, through the UNDP is US\$ 170,000. The government contribution, on the other hand, which is in-kind from the IACCC members and the

DENR-EMB, is about PhP 1.367 M. Details of the Dutch contribution per UNDP Component Budget Line is presented in **Annex 7** including the breakdown of GoP counterpart.

## **8. RISKS AND CONDITIONS**

A potential problem analysis identified the following vulnerable areas of the project:

- Delay in the Ratification of the Kyoto Protocol
- Delay in the Creation of the National Authority resulting from the current administration's priority for 2004 election-related preparatory activities.

Preventive measures are identified to address the vulnerable areas that are controllable.

One of the major concerns of the project is the possible delay in the official designation of the NA, which may push the project duration within the vicinity of the 2004 election period. However, all the other activities, particularly those relating to the development of the operational framework can proceed even while the NA designation is being worked out, .

A vulnerable area beyond the control of the project is the ratification of the Kyoto Protocol. The IACCC is closely monitoring the ratification process and would provide a very significant lobbying force, especially when awareness on CDM opportunities needs to be brought to the attention of the decision makers in the Legislative and Executive Bodies of government.

## **9. MONITORING, EVALUATION AND REPORTING**

The EMB, acting as the IACCC Secretariat, will be the agency responsible for the implementation monitoring and evaluation of all the activities throughout the duration of the Technical Assistance. It shall also be responsible for reporting the results of the monitoring and evaluation to the UNDP. The UNDP, on the other hand will provide a copy of these reports to the Netherlands Government through its Embassy in Manila.

A detailed annual and quarterly work and financial plan shall be prepared by the EMB, indicating the activities targeted to be implemented for the said period and will serve as the basis for evaluating the progress of the project activities. The work and financial plan shall be reviewed and revised whenever necessary in consultation with the UNDP.

### **9.1 Reporting**

In accordance with the UNDP procedures, the designated Project Coordinator shall prepare an updated Annual Progress Report (APR) after the fourth (4) month and a final report 15 days before the final ninth (9) month. The final report will serve as an input to the Tripartite Project Review (TPR). The semi-annual progress report and the quarterly progress and financial reports (prepared separately) will be based on the approved work plan and submitted to the UNDP. The TPR will be participated by representatives from the UNDP, DENR, members of the IACCC, private sector and the Netherlands Government. Supplementary meetings may be convened as the need arises.

The project Terminal Report will also be prepared by the IACCC Secretariat. It will be reviewed during the final TPR and final evaluation meeting. A draft terminal report shall be prepared in advance to allow for the review and technical clearance from the UNDP and the Project Steering Committee, at least one (1) month in advance prior to the terminal meeting of the TPR of the project. The terms of reference of review and evaluation shall be submitted by the UNDP to the Netherlands Government, through its Embassy, for review and approval.

## **9.2 Impact Monitoring and Evaluation**

A measure of effectiveness of the project is the establishment of the NA and the operationalization of the Framework.

## **10. ACTIONS TO BE TAKEN PRIOR TO THE START OF THE PROJECT**

There are certain prerequisites that have to be undertaken prior to the start of the project. They are:

- Identification of seconded personnel, office and office facilities and other operational support needed by the National Authority.
- Identification of Consultancy Firm(s) for activities to be subcontracted.

The EMB , as secretariat of the IACCC will be responsible for undertaking the above prerequisites.