

The Clean Development Mechanism: A Market-based Instrument Supporting Pollution Reduction Initiatives

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The Philippines is blessed with an abundance of water given the numerous waterbodies crisscrossing the islands and the vast expanse of seas and oceans surrounding it. Because of its geomorphologic and topographic attributes, its water resources are unevenly distributed and despite the seemingly immense supply of raw water, the demand for safe and accessible water greatly outweighs its supply. In recent years, many watersheds have been permanently altered due to the rapidly expanding built up areas and poor watershed management. Serious impacts on quality and quantity are plagued with institutional, administrative and financial challenges brought about by pollution sources, illegal connections and inefficiencies in distribution, institutional fragmentation and under-performing water and sanitation utilities, limited access, coverage and information on water supply and sanitation systems, limited sector investment and financing, low tariff and cost-recovery levels, and increasing threat from climate change.

The Philippine government has taken concrete steps to address this in a number of environmental legislation and policies, which for the water supply sector a Philippine Roadmap was devised by National Economic Development Authority (NEDA) in 2007. Beginning in the early 2000's, the government seriously laid out a sector reform process for water and sanitation, consolidating utility performance oversight, opening opportunities to new players through a mix of innovative policies and financing instruments in the face of the sector's lackluster performance. The reforms envision oversight and financing agencies to cater to all types of water utilities and LGUs and provide technical assistance in support of the inexperienced and less-than-credit-worthy ones to improve their bankability over time. The focus on improving the ability of the service providers to increase service takes advantage of the high willingness to pay as confirmed by various customer surveys.

The biggest hurdle is in the sanitation sector which presents a complex challenge to address both supply- and demand-side constraints to sector development within a tight timetable. The increasing experience in pilot sanitation projects carried out with local governments have been instructive in identifying and testing approaches that could form the foundations of a national program, given adequate attention by national leaders.



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One means of controlling pollution is by providing economic incentives for achieving reductions in the emissions of pollutants through the Clean Development Mechanism (CDM). The Carbon Fund created under the Kyoto Protocol provides an opportunity for developing countries to avail of incentives through market-based mechanisms to reduce their emissions. Carbon credits are traded in the carbon market and projects that the LGUs can engage in to promote climate-friendly local development include: 1) waste management, 2) wastewater treatment, 3) transport, 4) public lighting and 5) building codes for energy efficiency / material use / energy use etc. Examples of CDM projects are livestock waste management, waste/wastewater management with methane capture for heating or electricity.