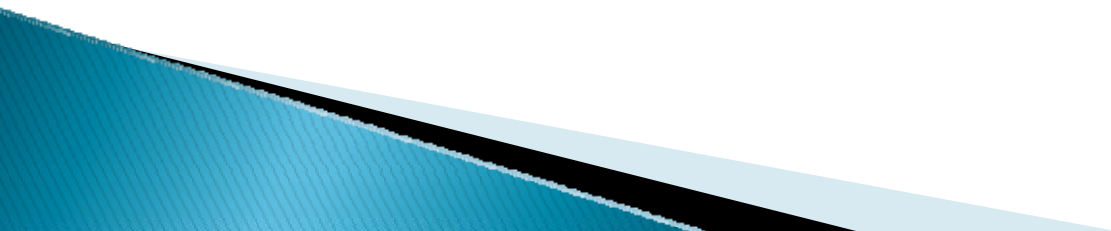


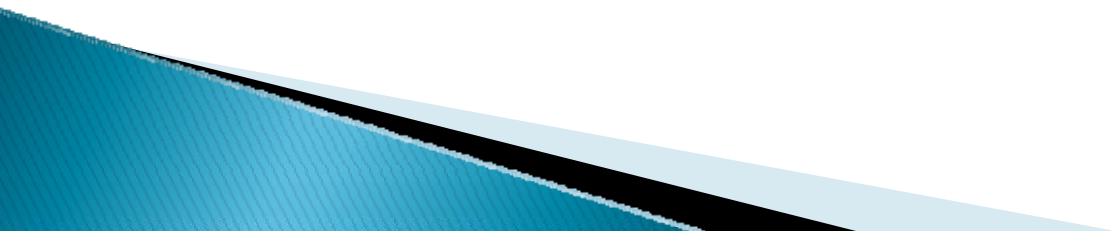
CDM PROJECT APPROVAL PROCEDURE & SUSTAINABLE DEVELOPMENT CRITERIA FOR MALAWI

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FOR:DNA MALAWI

CDM PROJECT APPROVAL PROCEDURE



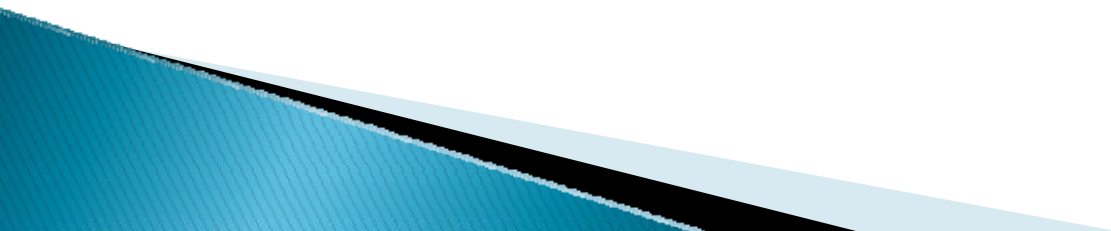
Overview

- ▶ Background
 - ▶ Scope of Approval
 - ▶ Guiding Principles
 - ▶ Approval Procedure
 - ▶ Initial Screening & characteristics
 - ▶ Final Screening & characteristics
 - ▶ Conclusion
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Background

- Procedures for the CDM are prescribed in the Marrakech Accord of 2001.
- Section 40(a), Decision 17/CP.7 : Participants in CDM projects have to provide "*written approval of the voluntary participation from the DNA of each party involved, including confirmation by the host party that the project activity assists it in achieving sustainable development*"
- Host country project approval is one of the prerequisites of the registration of a potential CDM project with the UNFCCC and the KP.
- Rules which govern the CDM require a letter from the DNA of the host country which confirms that the project activity assists it in achieving sustainable development.
- The CDM procedures leave the definition of what sustainable development means as a sovereign decision of each developing country.

Scope of Approval

- COP of the UNFCCC / MOP of the KP develops eligibility criteria for CDM projects, not host countries.
 - DOEs assess and validate compliance of proposed project with the eligibility criteria and general rules of the CDM
 - DOEs are duly accredited by the CDM Executive Board and contracted by the project participants.
 - This validation is thus **not** carried out by the DNA (or any other statutory authority of Malawi).
 - Scope of the national approval is limited to assessing the voluntary participation of Malawi in the CDM project activity and the project's contribution to the SD of the country.
 - However, approval procedures do not give an indication of how much a project contributes to SD.
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Guiding Principles

Principles to guide the DNA's approval process:

- **Efficiency:** assists in reducing transaction costs and assuring high quality projects.
- **Transparency:** SD criteria and approval procedure to be transparent, public, and as simple as possible
- **Certainty and Stability of the Decision:** stability of project approval important for promotion of market participation and confidence of foreign investors.
 - Approval of projects cannot be withdrawn.
- **Participation:** stakeholders participated in defining rules and approval procedures to assure highest benefits for SD of the country.

Approval Procedure

1. Initial screening (voluntary):

- Developers may submit a PIN for an initial review of the project and feedback from the DNA.
- This submission must be accompanied by an application form and the PIN to be in a format guided by the DNA.
- Formal submission for approval then occurs once the initial review comments have been addressed by proponent.
- Any comment and/or expression of support does not preclude any negative or positive final decisions on the approval of the project.

2. Final approval (mandatory):

- Developers may independently develop a project to the point of validation and submit a project to the DNA in the form of a validated Project Design Document (PDD) for consideration and with the request of final approval.
- The PDD must be in the most recent format as stipulated by the CDM Executive Board – with guidance from the DNA.

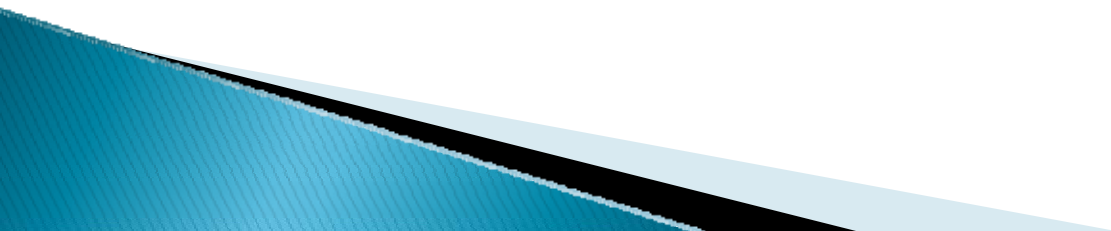
Initial Screening

- ▶ Voluntary initial review of PINs by DNA.
- ▶ **Purpose:**
 - identify potential conflicts with the project approval criteria and government policies.
 - to improve quality of CDM projects;
 - advise if need for an EIA;
 - facilitate contact with prospective partners and investors;
 - provide comments on measures proposed to mitigate possible negative impacts of the Project.
- ▶ DNA evaluates SD impacts of the project against CDM SD criteria.
- ▶ Letter of No-objection may be issued to indicate that Government was consulted on project and has no major objections.
- ▶ Comments provided do not compromise opinion, independence or transparency of DNA when subjecting projects to a the formal process of approval.

Characteristics

1. **Submission format:** standard PIN for initial screening.
 - Must be accompanied by a completed application form called Prior Consideration Form
 - Covering letter, clearly dated.
2. **Response to developers:** results of initial screening are provided within 30 days of the submission.
3. **Confidentiality:** all information submitted to the DNA will remain confidential.
 - DNA may request other government departments, via DNA advisory committee, to provide initial comments on the PIN.
4. **No bearing on final approval decision:** final approval is subject to recommendations from CDM Advisory Committee, consideration of public comments and consideration of the final PDD.

Final Screening

- ▶ Mandatory screening of PDD.
 - ▶ Requirement by the CDM Executive Board
 - ▶ DNA reviews PDDs and makes recommendations to CDM Advisory Board
 - ▶ CDM Advisory Board gives final decision
 - ▶ Based on decision by Advisory Board, Letter of Approval may be issued.
 - ▶ Requires a statement that the project assists in achieving SD in the host country.
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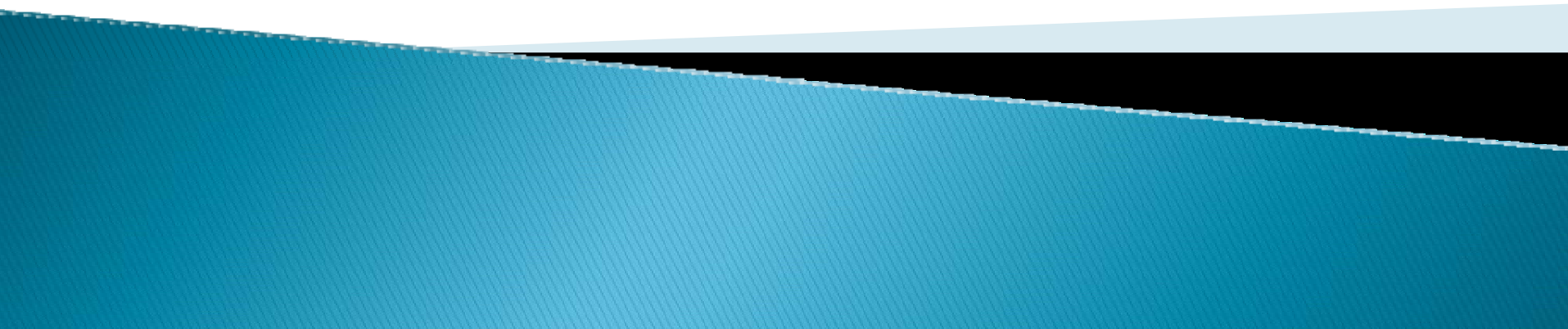
Characteristics

- 1. Submission format:** to DNA in form of a PDD
 - To be accompanied by a completed application form.
 - To be in most recent format as stipulated by the EB.
 - To have already been validated by a DOE .
 - If an EIA is required the final record of Decision of the assessment will need to be included as a component of the PDD.
- 2. Public comments:** DNA will make available the PDD for comments, for a period of **30 days**.
 - Any interested parties can request PDD for comments.
- 3. Evaluation and supplemental information:** DNA may request for additional information.
 - DNA submits to CDM Advisory Committee for final approval.

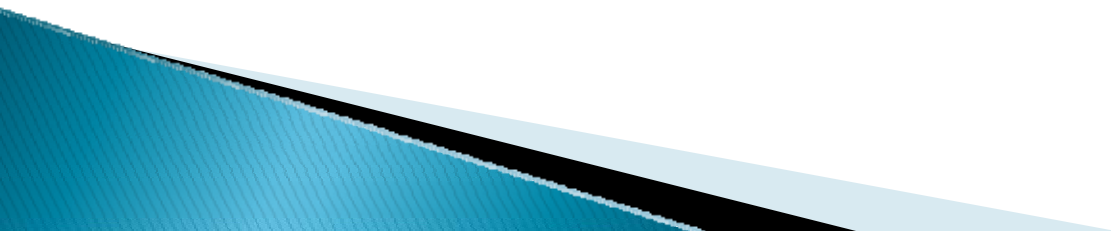
4. Approval or rejection of project is a result of the assessment of project's contribution to SD criteria of the country.
5. **CDM Advisory Committee:**
 - DNA can convene meeting of AC or submit via e-mail for comments.
 - Public comments are also submitted to AC for consideration.
6. AC evaluates the PDD, based on recommendations and submits comments to DNA.
7. **Composition of the AC:** CST, Trade & Industry, MIWD, DOF, DOE, Transport and Public Works, EAD, MOF, MDPC, Foreign Affairs, WESM, CURE, MEET, MIPA, MCCCCI, UNIMA, FRIM, Malawi College of Forestry and the Mzuzu University.

8. **Final decision:** Based on comments from AC, the DNA makes final decision on approval of the project.
 - Comments will be with regard to compliance with the approval criteria.
9. **Letter of Approval:** Based on decision by the DNA, a LOA is prepared
 - LOA is signed by the DEA and sent to the developer as an official answer to its request for approval.
 - A standard LOA is usually published on the web site of the DNA.
 - Final communication of decision by DNA to developer to be done **within 45 days** from date of submission.
10. **Appeal against Decision by DNA:**
 - May firstly appeal with the Minister for Environment.
 - Minister will verify decision taken by the DNA versus Approval Procedures.
 - Minister will notify developer of her decision **within 60 days**.
 - If unsatisfied, developer can appeal the determination of the Minister before the Environment Tribunal.

CDM SUSTAINABLE DEVELOPMENT CRITERIA



Overview

- ▶ Introduction
 - ▶ Criteria for Project Approval
 - ▶ Regulatory Authority of the DNA
 - ▶ Application of the SD Criteria
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Introduction

- ▶ CDM project approval procedure leaves definition of SD as a sovereign decision of each country.
- ▶ In the Environmental Management Act 1994 (EMA), SD is defined as "*the integration of social, economic and environmental factors into planning, implementation and decision making so as to ensure that development serves present and future generations*".
- ▶ In Malawi, this definition of SD will inform decisions of the DNA regarding the CDM.
- ▶ Host country must ensure that activities of CDM projects contribute to its SD.
- ▶ CDM activities must be oriented to improve quality of life of the population, especially the most impoverished segments.

CRITERIA FOR PROJECT APPROVAL

1. Environmental criteria

- ▶ Reduction of emissions from particulates and other elements that affect quality of the local environment :
 - Indicators: levels of pollution avoided, improvement in the quality of environmental factors such as water, air, soil, etc.
- ▶ Sustainable use of local resources :
 - Indicators : existence of a Management Plan, accomplishment of the goals of this Management Plan, maintenance or increase of local biodiversity, maintenance or increase of the population of local species, improvement in the management of soils, increase in the productivity of ecosystems.
- ▶ Reduction of the local environmental pressure :
 - Indicators: Pressure on biodiversity, water resources, soil resources, reduction of natural disaster risks, increase of the resilience of local communities in relation to climate change, increase of capacities for adaptation to CC .
- ▶ Effects of environmental impacts on local health:
 - Indicators: Index of toxicity of emissions, incidence of respiratory problems or other diseases caused by the environmental impacts of the project, etc.

Criteria cont'd

2. Social criteria

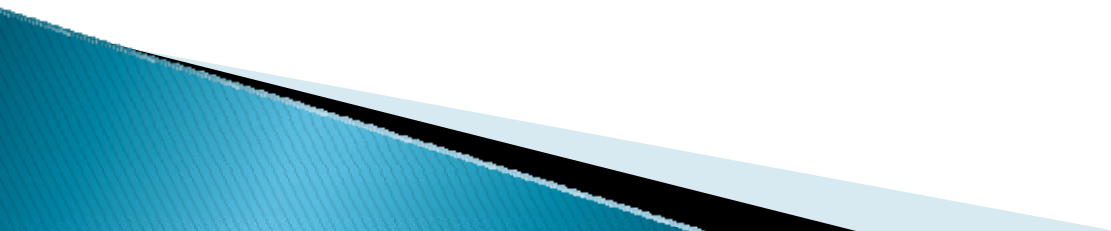
- ▶ Improved quality of life for members of local communities with regard to social variables:
 - Indicators: on health, education, housing, employment.
- ▶ Effects on poverty levels:
 - Indicators: increase in employment levels, increase of per capita income, percentage of the population living under the poverty line, other variables for quality of life and poverty.
- ▶ Increase of equity levels:
 - Indicators: level of participation of local stakeholders, level of ethnic, generational and gender equity, levels of marginalization of social actors, distribution of benefits.
- ▶ Respect of local cultures
 - Indicators: integration of project activities with local stakeholders, appropriate adaptation by local or traditional cultures to the technology used, generation of local engineering and social capacities.

Criteria cont'd

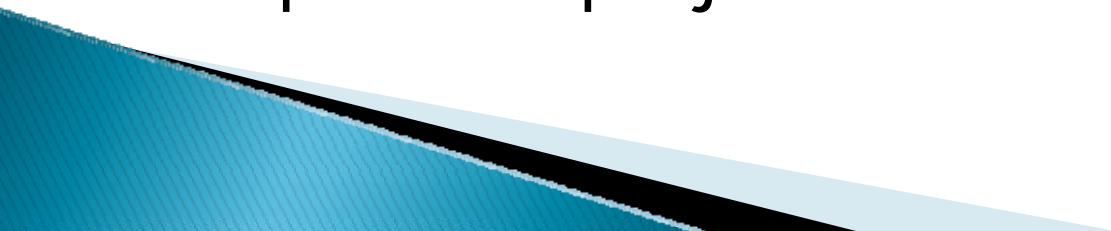
3. Economic criteria

- ▶ Effects on the level of monetary income of local stakeholders:
 - Indicators: percentage of monetary income for service/remuneration of local stakeholders, percentage of investment used in services of Malawian companies or agencies, etc.
- ▶ Effects on the levels of local production:
 - Indicators: rate of variation of local GDP, effects on levels of local prices.
- ▶ Generation of new investment:
 - Indicators: creation of new investment consistent with the needs of local stakeholders, gross formation of fixed capital.
- ▶ Effective transfer of technology:
 - Indicators : efficient technology in use of natural resources (low carbon tech)

Regulatory Authority of the DNA

- ▶ In the event that a project is deemed to be contrary to the mandates of the KP or contrary to intention of government policies the DNA reserves the right to refuse project approval until such time as suitable alterations are made to the project design.
 - ▶ Clear reasons for the rejection of a project must be provided by the DNA.
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Application of the SD Criteria

- ▶ DNA considers each project application against the three core criteria
 - ▶ An assessment of whether *overall* the project supports SD in the Malawi will be made.
 - ▶ In some instances, projects will have a negative impact on one or more dimensions of sustainable development and a positive impact on the other dimensions.
 - ▶ Not all projects would fulfil all the criteria
 - ▶ List is non-exhaustive reference guide of the criteria that must apply to analyse the impacts of projects on SD.
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