

# **AN ANALYSIS ON THE EVALUATION OF SUSTAINABLE DEVELOPMENT IN THE PROJECT CYCLE OF THE CLEAN DEVELOPMENT MECHANISM (CDM)**

Makoto Azuma

*Key Words: Climate Change, Sustainable Development, Kyoto Protocol, Clean Development Mechanism, Designated National Authority, Project Design Document*

## **1. BACKGROUND AND OBJECTIVE**

Clean Development Mechanism (CDM) is the system for achievement of the two-fold objective – reducing of the Greenhouse Gas (GHG) and contributing to sustainable development (SD) for developing countries. CDM is only mechanism that it has ability to achieve both of these objectives and is the most robust among 3 market mechanisms under the Kyoto Protocol called “Kyoto Mechanism”. However, the problem of trade-off also exists between those objectives, and there have been considerable analyses that contributions to SD by past CDM projects are not enough. This study primarily intends to show the way improving for present CDM system, in which, SD is not appropriately evaluated.

## **2. PROBLEMS ON OPERATING THE CDM**

At the beginning, this study categorizes problems of the CDM into 2 types: problem in negotiation process and that related to two-fold objective. The former analysis reviews the negotiation process until deciding Marrakesh Accord at 7<sup>th</sup> Conference of the Parties (COP7) describing only host countries have prerogative to evaluate SD. The latter analysis discusses the factor that present CDM prefers the benefit of GHG reduction than that of contributing SD, including present projects registered and perspective of each actor. From these analyses, this study derived the hypothesis that defect in the system of the project cycle makes the achievement of contributing SD by CDM projects difficult.

## **3. HYPOTHESIS VERIFICATION**

For verifying the hypothesis above, this study discusses the problem in the project cycle of the CDM. From the analysis of whole the cycle, national approval process is only the process responsible to evaluate SD to host country so that SD evaluation could not conducted in whole the cycle.

Also, focusing that the Project design document (PDD) is only instrument that we can confirm how the project contribute to SD in the host country, this study evaluates and scores the enrollment about SD in the PDD and compares the difference of the enrollment in the PDD among project sectors and also among host countries. As the result, there is difference about contents of SD in PDD among both of project sectors and host countries. From this, this study discovered that projects get past through the national approval process regardless of whether the effects of the SD is low.

## **4. PROPOSAL FOR BETTER SD EVALUATION**

In the CDM system, that host countries are given almost plenary powers to evaluate SD lessen soundness of SD evaluation. Resolving the problem needs to revisit existence of present system relegating host countries SD evaluation. Chapter 5 recommends 3 points as to improve the system: setting common criteria for all host countries; enhancing SD evaluation out of national approval process and projecting SD value to the issued credit.

Analyzing project cycle of the CDM, it also became apparent that this study still needs work to sort out the opacity of information on informal consultation among project participants and of cutoff ratio on the national approval process.