



# **ENERGY & CLEAN AIR PROJECT 2005 ANNUAL REPORT**

**December 2005**



**USAID**  
FROM THE AMERICAN PEOPLE

**PA** Consulting  
Group

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## LIST OF ACRONYMS

<b>AAP</b>	Automotive Association of the Philippines
<b>AdDU</b>	Ateneo de Davao University
<b>ADB-CAI</b>	Asian Development Bank – Clean Air Initiative
<b>AMMA</b>	Association of Metro Manila Anti-Smoke Belching Units
<b>AMORE</b>	Alliance for Mindanao Off-Grid Renewable Energy
<b>ASB</b>	Anti-Smoke Belching
<b>ASBU</b>	Anti-Smoke Belching Unit
<b>ASG</b>	Ateneo School of Government
<b>AQMF</b>	Air Quality Monitoring Fund
<b>BKTF</b>	Bantay Kalinisan Task Force
<b>CAPRI</b>	Campaigns, Advocacy, and Public Relations Inc.
<b>CID</b>	Corporate Image Dimensions
<b>CRAVE</b>	Champions for Reducation of Air Pollution from Vehicle Emissions
<b>CWD</b>	Consumer Welfare Desk
<b>DENR</b>	Department of Environment and Natural Resources
<b>DOE</b>	Department of Energy
<b>DOTC</b>	Department of Transportation and Communications
<b>DPWH</b>	Department of Public Works and Highways
<b>DTI</b>	Department of Trade & Industry
<b>DU</b>	Distribution Utility
<b>DWRG</b>	Distribution Wheeling Rates Guidelines
<b>EC</b>	Electric Cooperative
<b>ECAP</b>	Energy & Clean Air Project
<b>EETP</b>	Energy Environment Training Program
<b>EMB</b>	Environmental Management Bureau
<b>EPIMB</b>	Electric Power Industry Management Bureau
<b>EPIRA</b>	Electric Power Industry Reform Act
<b>ERC</b>	Energy Regulatory Commission
<b>ERDB</b>	Energy Resource Development Bureau
<b>FGD</b>	Focus Group Discussion
<b>HLCP</b>	High-level Consultative Panel
<b>IEC</b>	Information, Education, & Communication
<b>IPO</b>	Investment Promotions Office
<b>IPFI</b>	Infinite Progressions Foundation, Inc.
<b>IMBOA</b>	Integrated Metro Manila Bus Operators Association
<b>JICA</b>	Japan International Cooperation Agency
<b>LCP</b>	League of Cities of the Philippines
<b>LGC</b>	Local Government Code
<b>LGU</b>	Local Government Unit
<b>LRTA</b>	Light Rail Transit Authority

<b>LTO</b>	Land Transportation Office
<b>MMDA</b>	Metro Manila Development Authority
<b>MOU</b>	Memorandum of Understanding
<b>MVIS</b>	Motor Vehicle Inspection System
<b>NCTS</b>	National Center for Transport Studies
<b>NEDA</b>	National Economic Development Authority
<b>NG</b>	Natural Gas
<b>NPC</b>	National Power Corporation
<b>OEE</b>	Office of Energy and Environment
<b>PAO</b>	Project Area Office
<b>PBR</b>	Performance-based Ratemaking
<b>PCCMP</b>	Philippine Climate Change Mitigation Program
<b>PETC</b>	Private Emission Testing Center
<b>PIOU</b>	Private Investor-Owned Utility
<b>PMT</b>	Program Management Team
<b>PM<sup>10</sup></b>	Particulate Matter 10 Microns
<b>PT</b>	Power Tracker
<b>PUV</b>	Public Utility Vehicle
<b>RTD</b>	Roundtable Discussion
<b>SEDP</b>	Sustainable Energy Development Program
<b>SOPI</b>	Safety Organization of the Philippines
<b>TA</b>	Technical Assistance
<b>TEACH</b>	Training Experts & Advocates for Change
<b>TIP</b>	Technological Institute of the Philippines
<b>TOU</b>	Time-of-Use
<b>TUP</b>	Technological University of the Philippines
<b>TWG</b>	Technical Working Group
<b>UP</b>	University of the Philippines
<b>USAEP</b>	United States-Asia Environmental Partnership
<b>USAID</b>	United States Agency for International Development

## EXECUTIVE SUMMARY

The Philippines is facing two major challenges to its efforts to sustain the country's economic growth and development. The restructuring, privatization and modernization of the power sector to ensure the supply of reliable power at competitive rates is one of the major challenges. The reduction of vehicle emissions which are one of the largest and fastest growing sources of air pollution in the country is the other major challenge. The availability and access to power at competitive rates is a major consideration of export oriented firms. High levels of air pollutants from vehicle emissions has health and productivity impacts on the country's workforce that also affects the Philippines' ability to attract and keep investors in the country. The GRP has responded to these two separate but interdependent challenges by passing two laws –the Electric Power Industry Reform Act (EPIRA) and the Clean Air Act (CAA).

The Philippine Government and the USAID have been long term partners in addressing these challenges and in implementing the reforms in the two sectors. USAID has an outstanding commitment to assist the Philippines in its pursuit of sustainable economic development.

The **Energy and Clean Air Project (ECAP)** is a 4-year technical assistance program of USAID for the Philippines that seeks to address the challenges it faces for sustainable economic development by developing a project with two parallel and complementary components: **energy** and **clean air**.

Started in October 2004, the project is USAID's concrete response to the Philippine's need for technical assistance in order to sustain its economic growth and development. *This intervention focuses on designing, implementing and monitoring technical assistance activities that is consistent with USAID's Strategic Objective No. 4 (SO4) – Management of Productive, Life-Sustaining Natural Resources Strengthened.*

ECAP pursues a comprehensive approach to achieve its main objectives to 1) **strengthen sector governance**, 2) **improve policy frameworks** and 3) **increase public understanding and support**.

These tasks are implemented through various strategic combinations of three types of technical assistance activities: 1) **policy development and implementation (PDI)**, 2) **institutional capacity building (ICB)** and 3) **communication and outreach (C&O)**.

Each task is broken down into a set of activities geared towards the realization of these objectives. They are designed to contribute to the Project's expected results for each component.

For the energy component, the Project outlined the following expected results:

- 1) Strategic plans developed and implemented to strengthen institutional and staff competency of DOE, ERC and other agencies involved in the energy sector to formulate and implement an institutional development index.
- 2) Key energy policies formulated to promote privatisation of transmission and generation assets: to increase use of natural gas, renewable energy and geothermal in augmenting power supply; and to correct implementing rules and regulations of the EPIRA.
- 3) Supply of indigenous clean sources (natural gas, geothermal, and other renewable sources) increased by at least 15% for power generation to improve self-sufficiency.

- 4) At least two coalitions with academic, research and non-government organizations established in each major islands of Luzon, Visayas and Mindanao to ensure transparency and accountability in implementing reforms.

For the Clean Air component, the Project outlined the following expected results:

- 1) Number of diesel-powered vehicles compliant with emission standards prior to registration increased by 80%.
- 2) Level of fine particulate matter (PM10) contribution from mobile sources reduced to 27, 300 MT from 39, 000MT.
- 3) Cleaner vehicle fuels such as CNG, CME and LPG used by all NGA's and 50 top corporations, and at least 50% of PUV's in project sites.

For its Energy component, ECAP successfully assisted 4 target agencies and stakeholder groups. These are ERC, DOE, NPC and group of 57 distribution utilities. It provided technical advisory support to the DOE's Power Bureau by giving comments to proposed amendments on EPIRA. It provided inputs to develop a framework for the EPIRA.

In December, ECAP assisted the DOE in the production of CDs on *Investment Opportunities in the Philippine Energy Sector*. It also provided media management support to the Renewable Hydrogen Economy Workshop.

Furthermore, ECAP has formally established partnership with 4 academic institutions in its target sites. It conducted a series of introductory, scoping and assessment meetings with various stakeholders such as LGUs, academia, business sector, civil society and media in its project areas namely, Metro Manila, Baguio, Cebu and Davao. ECAP also expanded DOE's yearly consultation on the Power Development Plan (PDP) by organizing a coalition-building activity which allowed stakeholders to actively take part in finalising the plan.

For its Clean Air component, ECAP assisted the DOTC develop a Medium Term Land Transport Action Plan which includes a Clean Emission – Clean Air program, which envisions an environmentally sustainable transport system for the country. ECAP also co-organised with DENR-EMB a training workshop which aims to improve the country's anti-smoke belching program. It also worked with DENR to undertake multi-city campaign to promote the Linis-Hangin-Bantay-Tambutso Program of the Department with Shoe MartMalls as private sectors in identified sites. Furthermore, ECAP also engaged a legal expert who reviewed the AQMF guidelines and evaluated the possibility of setting up Local Clean Air Funds via an LGU ordinance on anti-smoke belching.

The Clean Air component of the Project focused on creating an environment that would enable clean air reforms to take place. The process was considerably extensive in that it involved building confidence with its partner agencies as well as developing common visions for the sector. The Project focused on this aspect in the first year of its implementation and is geared towards achieving significant vehicle emissions reduction in the second year of the project.

The ECAP experience during its first year of implementation proved that the development process is indeed a very complex and paradoxical process. Moving from the status quo or business as usual stage to a desired state is never a linear process all the time. One can expect challenges and situations to arise no matter how carefully one prepares his plans. These challenges sophisticate development work, making

solutions that worked in the past obsolete and thus, current and emerging situations require constant innovations in approaches.

As Jan Knippers Black rightly observed:

*At any rate, development is a complicated process,  
deriving from many different sources and motives –  
an art rather than a science  
and a creature of fortune as much as of planning.  
No one, not even those who pay the bill can control it.<sup>1</sup>*

ECAP has responded to challenges posed by a number of factors that are external to the organization itself in order to keep the project on track. ECAP executed its tasks persistently despite shifts in government priorities at the departmental levels, which in turn were affected by changes in leadership in the partner government agencies. It is a fact that transitions in organizations do not always happen smoothly, but these transitions were at the same time valuable opportunities for learning which the Project and its counterparts from the government has gained insights from.

ECAP is committed to developing and improving the energy sector by providing its beneficiary clients information and recommendations for options and alternative approaches. It recognizes the fact that there will be contrasting views and new insights from other stakeholders and that they are the dynamic sources of ideas which the project can incorporate in executing its goals and objectives.

ECAP focuses on transferring knowledge and building institutional capacity within government agencies to equip their staff in carrying out their task of improving the energy sector. As a technical assistance group, the ECAP must ensure the effective transfer of knowledge and skills to their client government agencies despite the very challenging limitations in government agencies.

During the recent months the attention of the legislative branch of government on energy and clean air may have been diverted to other more immediate and controversial issues involving the executive branch of government and has as a result delayed action for the development and passage of energy bills (natgas and RE).

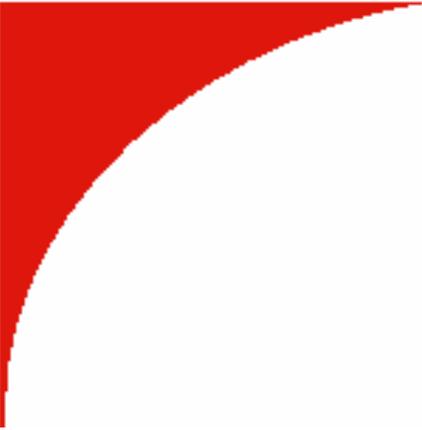
Recently, ECAP has introduced major improvements in its procurement processes to ensure accuracy in contracts and strict compliance to US Government rules and procedures for contracting. These improvements increased ECAP's ability in responding quickly to urgent technical assistance requests from its counterparts in the government. The project has also stepped up its recruitment of and development of new experts to expand the local pool of experts and to address issues of availability of local experts. To address this challenge, the project continues to actively pursue partnerships with academia and with the professional organizations in the private sector.

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<sup>1</sup> Quoted from his book, *Development in Theory and Practice: Bridging the Gap*, (Boulder: Westview Press, 1991) p. 188

**ENERGY AND CLEAN AIR  
2005 ANNUAL REPORT**

(October 2004 – September 2005)



Part 1:  
Introduction/Background

## ENERGY AND CLEAN AIR ANNUAL PERFORMANCE ASSESSMENT REPORT

### I. THE PROGRAM AT A GLANCE

The **Energy & Clean Air Project (ECAP)** is a 4-year technical assistance (TA) project of the US Agency for International Development (USAID) that started in October 2004. Its main government counterparts are the Philippine Department of Energy (DOE) and the Department of Environment and Natural Resources (DENR). PA Consulting Group is the primary contractor of USAID Manila's Office of Energy and Environment (OEE). USAID's other key government partners in the ECAP are the Energy Regulatory Commission (ERC), Department of Environment and Natural Resources (DENR), Department of Transportation and Communication (DOTC), and the Department of Trade and Industry (DTI).



The ECAP is USAID's response to the Philippines' need for sustainable energy development and improved environmental performance. The project designs, implements, and monitors TA activities with USAID's Strategic Objective NO. 4 (SO4), *Management of Productive, Life-Sustaining Natural Resources Strengthened*, as the overall guiding framework. It seeks to address challenges facing two (2) parallel and complementary components: **energy** and **clean air**.

For both components, the ECAP will pursue a comprehensive approach to achieve its objectives. It will seek to:

- ✦ **Strengthen Sector Governance.** The ECAP team shall ensure that good governance is exercised in the energy and transport sectors. It shall endeavor to instill good governance practices as a clear and direct means towards being responsive, responsible, and efficient government agencies that provides and meets the social and environmental needs of the country.
- ✦ **Improve Policy Frameworks.** The ECAP team is committed to assist its GRP partners in ensuring that the energy and transport sectors are guided by policy frameworks that are sound, effective, and focused on achieving results for the good of all their stakeholders.
- ✦ **Increase Public Understanding and Support.** The ECAP team shall facilitate coalition-building and formation of public-private partnerships to increase the involvement of stakeholders in the implementing sector reforms. By providing them with venues to actively participate and bring in their own expertise in the energy and transport sectors, the ECAP team hopes to inculcate ownership of the results of the reform process among the stakeholders.

These three (3) tasks will be implemented through strategic combinations of three (3) types of TA activities: **policy development and implementation (PDI)**, **institutional capacity building (ICB)**, and **communication and outreach (C&O)**.

The ECAP's TA is expected to deliver the following expected results, by the end of the project's life:

Energy Component	Clean Air Component
<ol style="list-style-type: none"> <li>1. Strategic plans of energy agencies developed and implemented;</li> <li>2. Key energy policies formulated to promote privatization of generation and transmission assets;</li> <li>3. Access to indigenous energy resources increased by at least 15% from 2003 levels;</li> <li>4. At least one (1) coalition with academic, research, and NGOs established in Luzon, Visayas, and Mindanao; and</li> <li>5. An energy information database developed.</li> </ol>	<ol style="list-style-type: none"> <li>1. No. of diesel-powered vehicles compliant with emission standards prior to registration increased by 80% in four (4) project sites;</li> <li>2. Level of PM10 contribution from mobile sources reduced by 30%</li> <li>3. Cleaner vehicle fuels used by national government agencies, 50 top corporation fleets, and at least 50% of public vehicles in project sites</li> <li>4. At least 1 coalition with academic, research, &amp; NGOs established in L, V, &amp; M</li> </ol>

In the process of delivering the project's expected results, ECAP's TA is anchored on meeting its strategic goals of improving the supply of cleaner, affordable, and reliable energy, and improving air quality. Thus, inherent in the project's interventions are efforts to 1) ensure that TA produces outputs and outcomes, and 2) transfer technologies and establish process that will sustain initiatives and efforts. These efforts are complemented by the ECAP's strategy to involve not only the GRP agencies and units but also academic and research institutions, non-government organizations, private and business sector, and other donors.

In the same manner, the ECAP builds on the successes and learns from the lessons of two (2) predecessor projects: *Philippines Climate Change Mitigation Program (PCCMP)* which ran from January 1998 to September 2002, and *Energy Environment Training Program (EETP)* from October 2002 to June 2004. It shall also support and complement ongoing USAID initiatives in the energy and environment sectors such as the *Alliance for Off-Grid Renewable Energy (AMORE) Project* and the *Sustainable Energy Development Program (SEDP)*.

## II. MANAGING THE PROGRAM

For its first year, the ECAP has completed various program management tasks. This along with the implementation of its technical activities in both the energy and clean air components, attests to the Program's strong start. Following are brief descriptions of accomplishments in the area of program management.

- A. ECAP Transition Planning.** The ECAP Transition Plan was formally submitted to USAID Office of Energy & Environment (OEE) on 2 December 2004. It was formulated based on results of initial coordination meetings with partner GRP agencies. The plan consists of activities that would be accomplished from October 2004 to January 2005 and were either TA requests from ECAP partners that adhered to the project's scope of work, of program-/management-related. The detailed Transition Plan is presented in Attachment 1.

**B. ECAP Staff Training on PA Financial/Contracting System.** From November 3 – 18, the finance team from PA Consulting Washington visited Manila to train the local team on PA's Financial/Contracting System. The PA Washington Team was composed of:

- Kendra Lesser, Financial Controller
- Kathy Shelton, Contracts Manager
- Amy Galebach, Contracts Associate

Another objective of their visit was to discuss administrative and contractual matters with the USAID and the ECAP Program Management Team (PMT).

**C. Finance Officer Training on Operating Practices in Contract Administration.** ECAP's Finance Officer, Ms. Rona de la Cruz participated in a two-week training on contracts administration in Washington D.C, from January 22 to February 4.

**D. Operational Meetings with Foreign Subcontractors.** From February 14 – 18, ECAP's Deputy Chief of Party (DCOP), Ms. Arlene Donaire and Communications Specialist, Ms. Josephine Mangila met with the different foreign subcontractors in Washington D.C. The purpose of the operational meetings was to determine the specific tasks that would be included in the subcontractors' terms of reference based on the GRP-endorsed ECAP energy and clean air work plans. As next steps, scoping and assessment missions/trips for each subcontractor have been scheduled for May and June 2005.

**E. Set-up of ECAP Permanent Office.** From October to the first half of November 2004, the ECAP temporarily set-up office at the Ateneo School of Government (ASG) in Makati. This set-up signaled the intent of ASG to be one of ECAP's partner academic institutions in Metro Manila. While the local PMT was preparing and arranging its permanent office, ECAP also temporarily held office in Alabang from November 2004 to April 2005. At present, the ECAP is permanently located in Ortigas.

**F. GRP Needs Assessment.** From October to December 2004, the ECAP Team initiated a series of meetings with key partners to gather inputs for the development of the project's Life of Project (LoP) and 2005 work plan. A total of 24 energy meetings and 25 clean air meetings were conducted with partner GRP agencies (DOE and affiliated agencies, ERC, DENR, DTI, DOTC and other CAA-implementing agencies), academic institutions, industry players, USAID cooperators, other donors, and the legislature. A summary of the energy and clean air meetings is presented in Attachment 2.

During the first week of December, ECAP's lead technical advisors, PA Consulting Group's Mike Ellis (energy) and EFEE's Chris Weaver (clean air) were in-country to participate in the needs assessment and analysis of the GRP partners and assisted in work plan development. The experts were able to provide the local ECAP team with firm directions on the appropriate and timely provision of TA.

**G. Work Plan Development.** The ECAP team submitted two (2) draft versions of the ECAP Life of Project (LoP) and 2005 Work Plan to USAID last December 3, 2004 and January 31, 2005. Continuous work plan development and refinements were done from December to March. Another round of meetings with GRP partners was undertaken to obtain endorsements of the work plan.

The diagram on the next page presents a snapshot of the project’s workplan development process. In April, ECAP formally submitted to USAID, its Implementation Plan.

**H. Establishment of ECAP’s Project Area Offices (PAO).** ECAP is expected to produce results in three (3) geographical locations, Luzon, Visayas, and Mindanao, specifically in four (4) sites, Metro Manila, Cebu, Davao, and Baguio. Its strategy, therefore, included the establishment of project area offices (PAO) in these areas. This strategy aims to maximize the utilization of local human resources and to build and sustain partnerships with the academic community.

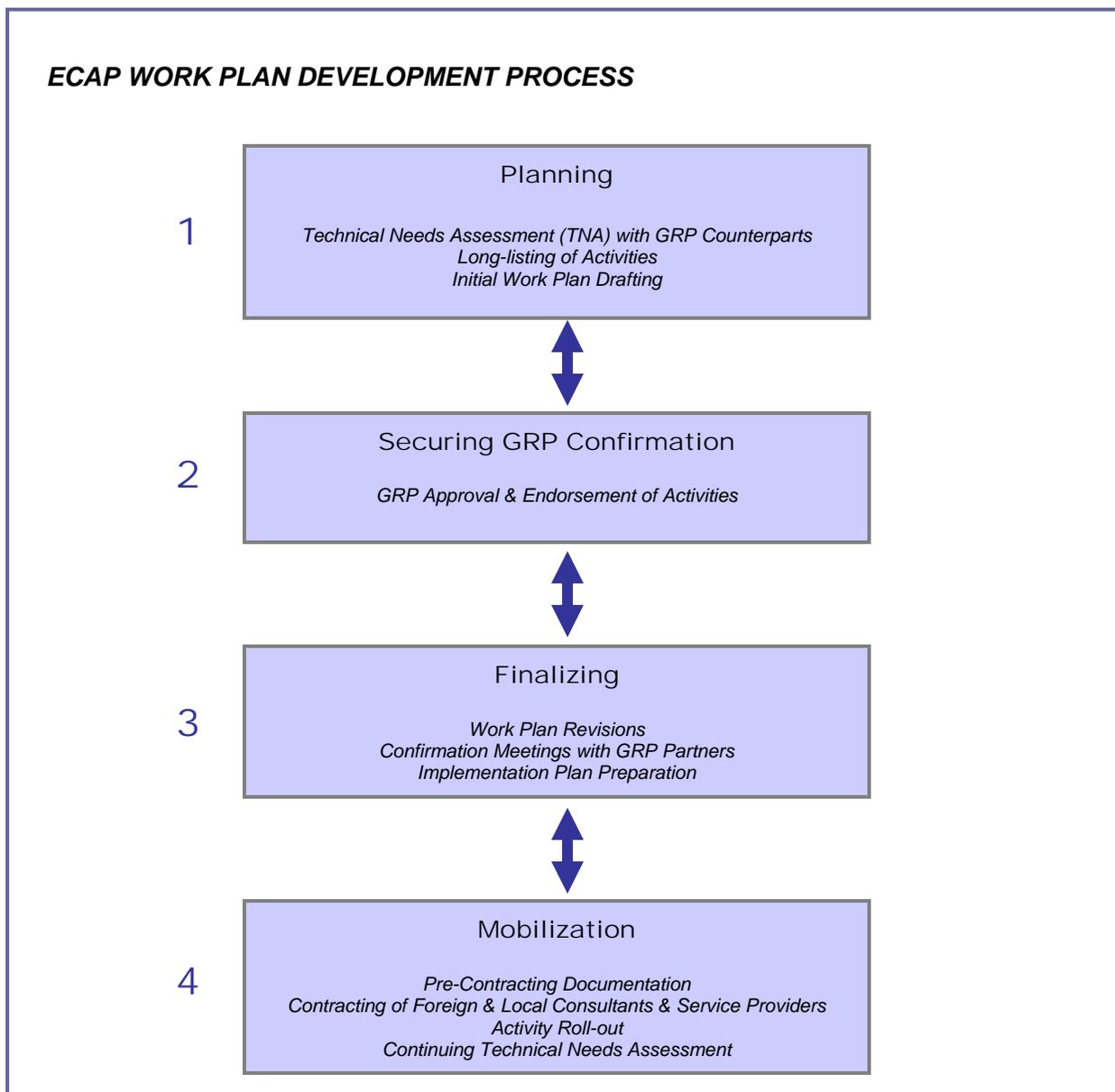
After a series of introductory and scoping meetings with ECAP’s target university partners, discussions on the draft Memorandum of Understanding (MOU) between the two parties ensued. By the end of August, the partnership between ECAP and the following universities have been formally established:

University	Project Site	MOU Signatory
Ateneo de Manila – School of Government (ASG)	Metro Manila	Fr. Bienvenido Nebres, SJ
University of San Carlos	Cebu	Fr. Roderick Salazar, SVD
Ateneo de Davao University – Resource Center for Local Governance (ARCLG)	Davao	Fr. Antonio Samson, SJ
University of the Cordilleras (UC)	Baguio	Mr. Benjamin Salvosa

At present, the contractual implementation arrangements for the PAOs are being finalized. Prospectively, ECAP will be conducting a workshop in December for all PAOs to discuss geographic-based work plans and administrative matters.

#### **I. Donor Coordination**

ECAP has established regular coordination with the Asian Development Bank-funded Clean Air Initiative (ADB-CAI) to discuss areas of complementation and cooperation on air quality management efforts in the country. The ADB-CAI has created a Technical Working Group composed of the ADB-CAI’s technical staff, consultants, ADB personnel, and USAID/ECAP, that will explore the possibility of initiating a transport modernization program that utilizes the “Bus Rapid Transport” technology. ECAP is in dialogue with ADB-CAI on the technical assistance areas that are eligible in ECAP’s scope of work.



Out of this work planning process, the local PMT drew up the following activities for each component: Energy and Clean Air:

***Energy***

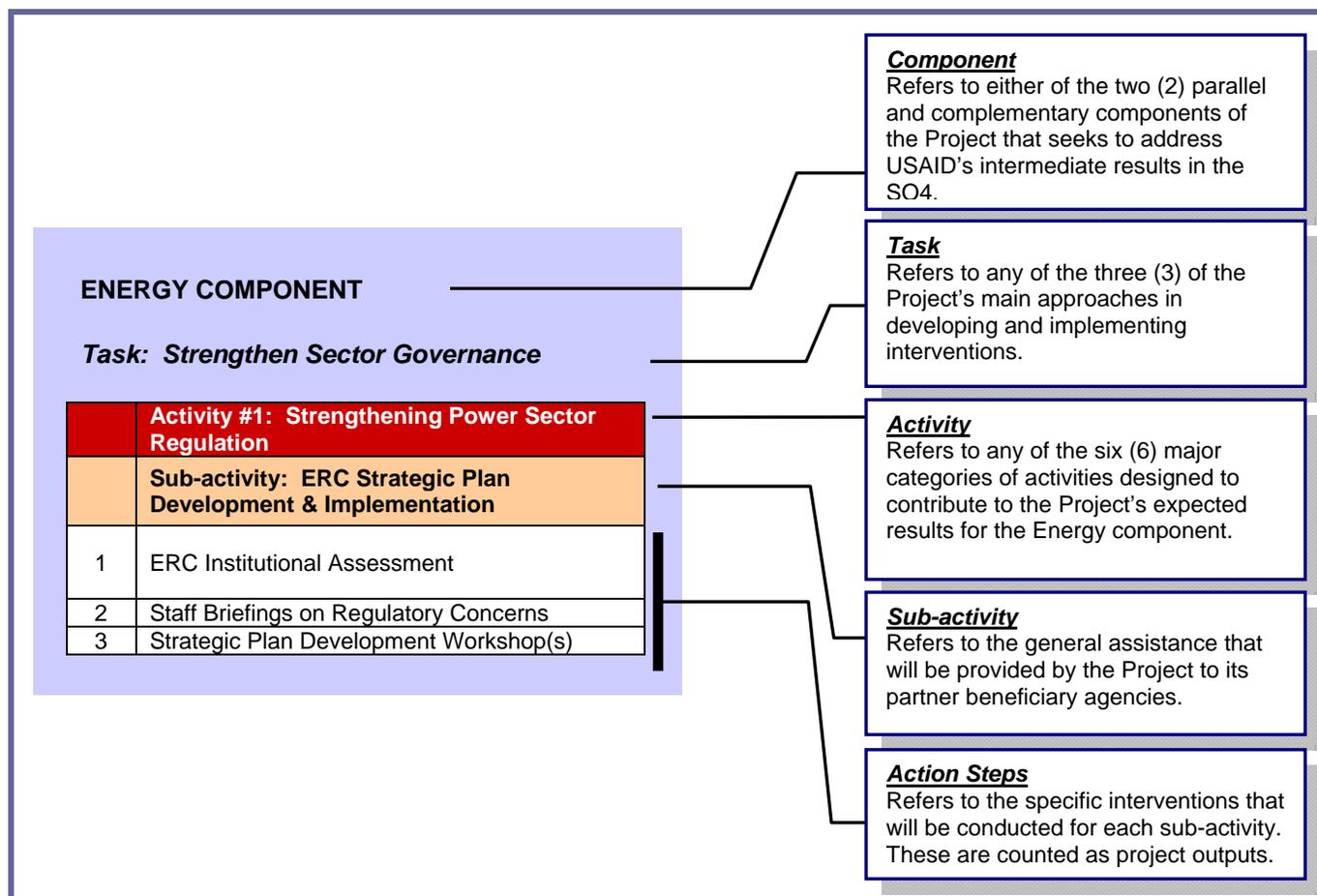
- Activity 1: Strengthening Power Sector Regulation
- Activity 2: Strengthening the Distribution & Supply Sectors
- Activity 3: Management Support for Energy Reforms
- Activity 4: Development of Policy & Regulatory Frameworks
- Activity 5: Promotion of Public-Private Partnerships for Energy Reforms
- Activity 6: Enhancing DOE's Energy Efficiency/Conservation Program

**Clean Air**

- Activity 1: Strengthening the Implementation of the Clean Air Act
- Activity 2: Strengthening the National Motor Vehicle Inspection & Maintenance System
- Activity 3: Strengthening Local Governance for Clean Air Reforms
- Activity 4: Strengthening Public-Private Partnerships

Each of these activities is composed of sub-activities. To illustrate the hierarchy/order of work plan inputs, please refer to the diagram below. This hierarchy applies to both components.

Diagram 2: Hierarchy/Order of Workplan Inputs





## Part 2: Accomplishments

## I. SUMMARY OF ACCOMPLISHMENTS

### *Energy Component*

The six (6) major energy activities are designed to directly or indirectly contribute to USAID’s four (4) expected results for the energy component.

At a glance, a total of 41 sub-activities were identified for implementation for the Project’s first year.

- 22 sub-activities have been initiated,
- Of the 22, five (5) have been completed, and
- Seventeen (17) are ongoing.

A significant part of the accomplishments laid down the foundation that would support the implementation of the Electric Power Industry Reform Act (EPIRA). It is ECAP’s response to the needs of its partners such as the DOE, ERC, and NPC, all of which recognize 2005 as a critical year. From the perspectives of these agencies, 2005 is the year where the “building blocks” must be set in place for the advent of two (2) major reforms: the operation of the wholesale electricity spot market and the implementation of the open access and retail competition. For the ERC, the regulatory agency, they have foreseen the need to be organizationally strong and equipped. For the DOE, the policy-making body, they sought assistance to promote investment initiatives geared towards creating a more conducive environment for private sector participation, and to advance EPIRA implementation through the development of a road map. For the NPC, they needed to “prime” the employees to create a world class work force ready to join the private sector.

The Project, however, took on a holistic approach by addressing implementation gaps not only at the “top” level of the sector but at the “bottom” as well. Thus, ECAP responded to the distribution sector’s expressed need for building technical capability. Further, it sought alternative partners in the academia, local government units, consumer groups, and the private sector to contribute to USAID’s expected result of creating coalitions.

Below is the summary of the energy component’s Year 1 accomplishments:

Summary of Planned Activities Versus Accomplishments		
Activity	Sub-Activities	Accomplishments
<b>Strengthening Power Sector Regulation</b>	<ul style="list-style-type: none"> <li>✚ ERC Institutional Governance Retreat</li> <li>✚ Development of PBR Communication Strategies</li> <li>✚ Layout &amp; design of ERC Compendium</li> <li>✚ Communications Planning Workshop</li> </ul>	<ul style="list-style-type: none"> <li>✚ ERC Declaration of Governance developed</li> <li>✚ ERC internal and external communications capability strengthened</li> <li>✚ Clearer understanding among DUs of regulatory guidelines/mandates promoted</li> </ul>
<b>Strengthening the Distribution and Supply Sectors</b>	<ul style="list-style-type: none"> <li>✚ Training on Customer Service Skills</li> <li>✚ Trainors’ Training on Customer Service</li> <li>✚ Assessment of Philippine TOU Programs</li> </ul>	<ul style="list-style-type: none"> <li>✚ 57 DUs from L, V, &amp; M trained</li> <li>✚ Pool of Customer Service</li> </ul>

		<ul style="list-style-type: none"> <li>✚ Trainors established</li> <li>✚ Selected DUs and DU representatives consulted on TOU programs</li> </ul>
<b>Management Support for Energy Reforms</b>	<ul style="list-style-type: none"> <li>✚ Organization Development Support for NPC</li> <li>✚ Investment Promotions Support for Energy Reforms</li> <li>✚ Development of Power Tracker 2</li> <li>✚ Development of the Natural Gas Industry</li> <li>✚ Power Sector Information Drive</li> <li>✚ Strengthening the Philippine Energy Planning System</li> </ul>	<ul style="list-style-type: none"> <li>✚ NPC STAR Program developed</li> <li>✚ NPC STAR Program Secretariat created</li> <li>✚ NPC “STAR Awards” conceptualized and developed</li> <li>✚ DOE-EPIMB’s capacity to implement Power Tracker 1 strengthened</li> <li>✚ Four (4) investment kits and CDs developed and produced</li> <li>✚ Policy papers on the natural gas industry prepared</li> <li>✚ DOE EPIMB’s external communication and consultation procedures strengthened</li> <li>✚ Three (3) consultation-workshops supported</li> </ul>
<b>Development of Policy and Regulatory Frameworks</b>	<ul style="list-style-type: none"> <li>✚ Advisory support for EPIRA Implementation</li> </ul>	<ul style="list-style-type: none"> <li>✚ EPIRA implementation road map developed</li> </ul>
<b>Promotion of Public-Private Partnerships for Energy Reforms</b>	<ul style="list-style-type: none"> <li>✚ Media Capacity Building</li> </ul>	<ul style="list-style-type: none"> <li>✚ Relations with energy beat reporters established</li> </ul>

### 1. Strengthening Power Sector Regulation

ECAP organized an *Institutional Governance Retreat* for the ERC for the Commissioners to discuss and reflect on the core principles of institutional governance in the context of ERC’s concerns and activities. A follow-up output to this retreat is the development of the Commission’s Vision-Mission, Value Statements, Code of Governance, and Code of Ethics, which ECAP is monitoring.

ECAP also developed ERC’s communication strategy for its new regulation on the use of Performance-based Ratemaking (PBR) methodology, which is included in the Distribution Rates Wheeling Guidelines (DWRG). In tandem with the ERC, the ECAP also developed the sequence guide for conducting public consultations on the subject regulatory methodology.

To strengthen ERC’s communication capacity, a communications planning workshop was conducted by ECAP. The workshop provided the participants with basic appreciation of communications concepts and principles, branding and marketing strategies as well as media relations. A significant prelude to the workshop is the conduct of focus group discussions

(FGDs) designed to elicit perception of staff and external stakeholders such as industry players and residential consumers on the capability of ERC to communicate.

## 2. *Strengthening the Distribution and Supply Sectors*

ERC and ECAP co-organized the *Consumer Welfare Development Program* for distribution utilities. The program aims to build the institutional capability of consumer welfare desks (CWDs) and the frontliners of DUs for customer service and handling. It is divided into two parts: (a) the Training on Effective Customer Service designed to train participants in customer handling and to establish a benchmark for customer service enhancement; and b) the Training Experts and Advocates for Change (TEACH): Trainors' Training on Effective Customer Service for Distribution Utilities (DUs).

To complement government's supply side initiatives in addressing capacity shortages in the country's major island grids, ECAP initiated a study to assess the TOU programs in the Philippines. ECAP undertook the first task of identifying and assessing past and existing TOU program in the Philippines so that valuable information may be gleaned from experience and be considered in the preliminary TOU program the ECAP will eventually design. Consultation meetings and roundtable discussions with electric cooperatives and private investor-owned utilities were conducted to obtain more in-depth understanding of the conditions of each DU in implementing TOU program.

## 3. *Management Support for Energy Reforms*

ECAP extended organizational development assistance to the NPC through the development of the "STAR" Program. This program aims to enhance the organizational effectiveness of the employees. ECAP has also provided implementation support to the program by providing advisory and training support for the "STAR" Program secretariat and the development of additional components (i.e. STAR Awards) to the program.

Together with the DOE-IPO, ECAP developed and produced collateral materials for the promotion of the country's energy resources – oil & gas, geothermal, and clean coal. ECAP supported the Philippine Energy Contracting Round (PECR) 2005 by providing logistics and communications support for the conduct of the event.

Assistance was provided to the DOE-EPIMB's annual consultations on its Power Development Plan (PDP). The consultations were designed to also serve as information, education, and communication campaigns on the different reform provisions of the EPIRA.

Responding to the DOE-NG Office's request to develop a framework for the development of the natural gas industry, ECAP extended advisory support to analyze identified policy issues. In preparation for this framework, ECAP developed discussion papers on the NG industry and provided mentoring to the NG Office staff.

## 4. *Development of Energy Policy & Regulatory Frameworks*

At present, the DOE's main thrust is to allow the power reforms be put in place according to the timeline set by EPIRA. However, it also recognizes the need to respond to legislative actions that may impact on the implementation of reforms.

The DOE sought the assistance of USAID-ECAP in reviewing and analyzing the various legislative actions and in providing recommendations to address the points raised in the proposed amendments. The ECAP provided advisory assistance which aimed to strategically address this need so that the proposed amendments may be analyzed within and be fit into a bigger policy framework.

#### 5. *Promotion of Public Private Partnerships for Energy Reforms*

ECAP searched for new and unconventional partners in implementing reforms in the energy sector. The media, in particular, the energy beat reporters are potential allies in informing and educating energy sector stakeholders of the benefits of energy reforms. For its first year, ECAP touched-based and established links with the energy beat reporters and has developed a capacity-building program for them.

#### ***Clean Air Component***

The overall year 1 efforts of the Project in implementing the Clean Air Component focused on creating the enabling environment for clean air reforms to take place. The process proved to be quite extensive particularly because it involved confidence building with stakeholders and partners and developing shared visions for the sector.

- ✚ *Building ECAP's Partnership with the Clean Air Government Agencies* - The Clean Air High Level Consultative Panel and Technical Working Groups, led by the DENR and comprised of the CAA implementing agency heads and technical officials of DOTC, DTI, LTO, DOE, and NEDA, were convened by ECAP to establish a regular mechanism for effective consultation, co-planning, co-implementation, and monitoring of the project's technical assistance interventions. The creation of the HLCP and TWG is a good signal of government's acceptance of ECAP's role in the country's overall clean air efforts and provides the much-needed real-time presence and participation of government partners
- ✚ *Coalition Building at the Project Sites* – A considerable amount of time was devoted to getting to know the project site stakeholders. Scoping meetings and stakeholder consultations were made with local government officials, regional heads of the local clean air government agencies, and civil society players in order to build awareness and initiate discussion on the need for concerted efforts in local air quality management. ECAP also initiated the signing of memoranda of understanding with the city mayors to formalize the proposed ECAP assistance. ECAP was able to successfully establish working relationships with the 4 project site LGU officials and, in Baguio and Cebu Cities, multi-sector coalitions/groups were assisted in their organizational activities, namely the Baguio Bantay Kalinisan Task Force and the Metro Cebu Clean Air Technical Working Group. The ECAP Project Offices, i.e., University of Cordilleras and University of San Carlos/Cebu, serve as the respective technical secretariat partners.

Given the above, the Project was not poised to achieve significant vehicle emissions reduction yet during the first year of implementation. Notwithstanding this, the Project was able to accomplish critical steps in moving towards the expected results of the Clean Air Component. Below is a summary of these accomplishments, based on our planned major activities:

Summary of Planned Activities Versus Accomplishments		
Activity	Sub-Activities	Accomplishments
<b>Strengthening the Implementation of the Clean Air Act</b>	<ul style="list-style-type: none"> <li>✚ Improving the Clean Air Act Framework and Action Plan</li> <li>✚ Establishing a Mechanism and Monitoring System for the Allocation and Utilization of the AQMF and Other Fund Sources</li> <li>✚ Improving the Existing Air Quality Monitoring System in Four project Sites</li> <li>✚ Strengthening Public Understanding of Clean Air Initiatives</li> </ul>	<ul style="list-style-type: none"> <li>✚ Development of DOTC's Clean Emissions-Clean Air program assisted through regional consultative planning workshops in Baguio, Cebu, and Davao.</li> <li>✚ A Template ordinance for LGUs' anti smoke belching program was drafted, to be endorsed to the government partners and local government units</li> </ul>
<b>Strengthening the National Motor Vehicle Inspection and Maintenance System</b>	<ul style="list-style-type: none"> <li>✚ Development and Institutionalization of the National Motor Vehicle Inspection and Maintenance Program</li> <li>✚ Strengthening the MVIS Program</li> <li>✚ Improving PETC Performance</li> <li>✚ Improving Roadside Inspection</li> <li>✚ Improving Standards and Procedures for the Accreditation of Service Shops to do Preventive Maintenance</li> <li>✚ Improving the Anti-Smoke Belching Program in Four Project Sites</li> <li>✚ Improving Standards and Smoke Test Procedures</li> <li>✚ Provision of Technology Options to Reduce Emission from PUVs</li> </ul>	<ul style="list-style-type: none"> <li>✚ Intensified anti-smoke belching operations assisted via organizational support the AMMA</li> <li>✚ Intensified advocacy campaign and communications support for anti-smoke belching</li> <li>✚ DTI Moratorium on Accreditation of PETCs enforced</li> </ul>
<b>Strengthening Local Governance for Clean Air Reforms</b>	<ul style="list-style-type: none"> <li>✚ Training Support for LGUs for Cleaner Air</li> <li>✚ Building Partnerships at the Local Level</li> </ul>	<ul style="list-style-type: none"> <li>✚ Baguio City's Bantay Kalinisan Task Force Organizational activities assisted</li> <li>✚ MOU with Cebu City LGU signed and Metro Cebu Clean Air Technical Working group organized</li> <li>✚ Association of Metro Manila ASB Units organized</li> </ul>
<b>Strengthening Public-Private Partnerships</b>	<ul style="list-style-type: none"> <li>✚ Popularize Results of Scientific-Base Studies on Air Pollution Health Impacts</li> <li>✚ Develop a Youth Movement to Raise Awareness on the Ill Effects of Poor Air Quality</li> <li>✚ Support Networks and Coalitions for Clean Air</li> <li>✚ Media Capacity Building on Clean Air</li> <li>✚ Development of Collaterals on Air Pollution Health Impacts</li> </ul>	<ul style="list-style-type: none"> <li>✚ Collateral materials developed</li> <li>✚ Supported DENR-SM Malls partnership in Smoke-Free Mall Drive</li> </ul>

### 1. *Strengthening the Implementation of the Clean Air Act*

ECAP assisted the DOTC develop a Medium Term Land Transport Action Plan which envisions an environmentally sustainable transport system for the country. The Plan includes a “Clean Emissions – Clean Air program” that provides the framework for improving the country’s Motor Vehicle Inspection System (MVIS) and Private Emission Testing Centers (PETCs) under the purview of the DOTC. The DOTC is the primary agency mandated to enforce the emission standards prescribed in the Clean Air Act through motor vehicle inspection.

### 2. *Strengthening the National Motor Vehicle Inspection and Maintenance System*

ECAP co-organized with DENR-EMB a training workshop that aimed to improve the country’s anti-smoke belching program. The training helped to identify and resolve operational problems in carrying out the anti-smoke belching program, particularly in Metro Manila where air quality deterioration is worst compared to other urban areas in the country. An action plan was developed by the Metro Manila anti-smoke belching units, which now serves as the blueprint in strengthening their operations in the Metropolis. The training also facilitated the formation of a coalition among LGUs in Metro Manila called the Association of Metro Manila Anti-smoke Belching Units (AMMA). The group has become ECAP’s focal point for implementing capacity-building and public outreach activities on clean air in Metro Manila.

ECAP also worked with DENR undertake a multi-city campaign to promote the Linis Hangin-Bantay Tambutso Program of the Department with the Shoe Mart (SM) Malls in identified sites as private sector partners. The roadshow was undertaken in ECAP’s four project sites, namely: Metro Manila, Baguio, Cebu and Davao. Each city program included an orientation on proper vehicle maintenance and fuel efficiency tips for PUV drivers and operators, and free emissions testing of vehicles-for-hire with terminals in the SM Malls.

ECAP, through its High Level Consultative Panel composed of the Undersecretaries of the Clean Air Agencies (i.e., DOE, DENR, DTI and DOTC) and the heads of the Land Transportation Office (LTO) and the Land Transportation Franchising and Regulatory Board (LTFRB), facilitated the discussion of issues on non-competitive practices and corruption of PETCs attributed to their overcrowding in some areas. As a result, the DTI enforced a moratorium on accreditation of PETCs particularly in the National Capital Region.

### 3. *Strengthening Local Governance for Clean Air Reforms*

In order to address the persistent problem on sourcing of funds to sustain ASB operations, ECAP engaged a legal expert who reviewed the AQMF guidelines and evaluated the possibility of setting up Local Clean Air Fund via LGU ordinance on anti-smoke belching. The draft of the template ordinance is under review by the Clean Air Agencies and will consequently be decided upon by the ECAP Clean Air High Level Consultative Panel.

### 4. *Strengthening Public-Private Partnerships*

ECAP assisted the Bantay Kalinisan Task Force (BKTF) in Baguio undertake action planning and training of members in the proper procedure for roadside apprehension of smoke belchers. The

BKTF is a multi-sectoral organization led by the DENR-EMB and DOTC-LTO in Baguio City. Aside from BKTF, ECAP also provided expert assistance during the regular meetings of the AMMA to help the group design their anti-smoke belching activities. Reportedly, ECAP's support to this ASB organizations has renewed the drive for more intense implementation of the anti-smoke belching program in Baguio and in Metro Manila resulting in significant reduction of PM10 level in the areas where the operations were conducted.

During the celebration of the Environment Month in June 2005, ECAP supported DENR-EMB's intensified advocacy campaign against smoke belching, which included development of collateral materials such as stickers and posters. The campaign was done in collaboration with Shoe Mart Malls in Metro Manila, Baguio, Cebu and Davao to promote anti-smoke belching in SM terminals of public utility vehicles. The partnership between DENR and the SM Malls in the drive for smoke-free mall terminals was formalized in the signing of a Memorandum of Understanding between the said parties, where the SM Mall Management committed to sustain the campaign.

## II. PROJECT MILESTONES

### Energy Component:

#### CREATING RIPPLES OF CHANGE IN THE DISTRIBUTION SECTOR

*“The training is one bold and timely initiative... for us people from the energy sector to gather our acts together and make a difference in our ever changing environment. I have valued so much my learning and my new-found friendship not only [with] my fellow [participants] but [with] all of you as well,”* a message shared by Roel Venus, a Customer Welfare Desk (CWD) officer of the Central Negros Electric Cooperative. Roel is one of the sixteen (16) CWD officers of various distribution utilities who were recently “baptized” with training skills under the *TEACH<sup>†</sup> Energy: Trainors’ Program on Excellent Customer Service for Distribution Utilities (DUs)*, a trainors’ training program jointly conducted by the Energy Regulatory Commission (ERC) and the USAID, through its Energy and Clean Air Project (ECAP).

The training was held on August 17 to 19, 2005 at the Traders Hotel, Manila. It aimed to create a pool of trainors on customer service by bringing together CWD officers, who bested 141 of their peers in ECAP’s 3-training series on basic customer service held for Luzon, Visayas and Mindanao DUs from July to August 2005. Joining the CWD officers in the trainors’ training were eleven (11) representatives from the consumer affairs offices of the ERC, DOE and NEA, and ECAP’s universities partners such as the University of the Cordilleras and the Ateneo de Davao University. The training opened with the participants readily embracing ERC’s challenge to become agents of change. When the training ended, the participants returned to their respective provinces, carrying with them both the excitement and energy to spread change and a renewed commitment to start

***[T]he training is an eye opener... I started the mission as "agent of change." [I] was able to schedule [the first batch of] the CWD training to all our frontline employees, which will be held on August 30-31, 2005.***

*– Marirose Sibayan, CWD officer of Isabela Electric Cooperative II (ISECO II)*

their own activities that will create ripples of change in their areas. Below are “reports” of initiatives shared by “new trainors”:



- *[T]he CWD Training for ...the 44 [participants] has gone very successful. [My superiors] were very happy of the outcome. [I]n fact I'll have a second batch on November for Tellers, Collectors and more Linemen. My bosses thought of having a 3rd batch again for Satellite Heads, Branch Engineers and some supervisors. – Marirose Sibayan, CWD officer, ISECO II*
- *Our ISD manager and HRD head had already made an office order institutionalizing the CWD in our electric coop. Together with my officemate, Malou Parroco, we were designated to handle this tough and challenging yet fulfilling job.– Roel C. Venus, CWD Officer, CENECO*
- *I had a meeting with yesterday with ISD managers of Region 6's ten (10) electric cooperatives. The main agenda is the strict implementation of CWD program in every coop. For our coop, I am preparing a draft comprehensive policy of CWD program to be approved by our Board. Once approved, I will officially launch the CWD program of our coop in October and share said policy to other coops in region 6. - Enhanced text message of Jose Mari Bayona, CWD Officer of V-M-C Rural Electric Cooperative (VRESCO)*

<sup>†</sup> T.E.A.C.H. stands for *Training Experts and Advocates for Change*. It is ECAP's trainors' training program designed to search for individuals with training potential and build their capacities to become new trainors in the energy sector. It is also the Project's mechanism for ensuring sustainability in its capacity building initiatives.

## Clean Air Component

### EDSA Revolution 4

#### *...Fostering LGU-NGA Collaboration in Metro Manila's Anti-Smoke Belching Campaign*

There is another reformist movement that has taken its cause to the streets, literally. But this time, instead of placards and flags, the activists are carrying with them smoke meters and citation tickets. That's the AMMA – the Association of Anti-Smoke Belching Units in Metro Manila! They are the 17 LGUs along EDSA who have joined forces and they are all over the streets to rally the cause for breathable air in the metropolis. They apprehend smoke belchers and remand vehicles for clean-up.

The creation of AMMA was triggered by the USAID-ECAP in May 2005 when it called on representatives of Anti-Smoke Belching Units (ASBUs) of Metro Manila to converge in Tagaytay City, to share experiences and listen to experts speak and give tips about effective implementation of vehicle emissions reduction program, including experiences in countries where, like the Philippines, enforcement of anti-smoke belching regulations is also a formidable task.



The participants, fired-up by the discussions and learning in the seminar voluntarily and mutually agreed to unite their forces and wage anew the war against polluters of the air. The AMMA took on the responsibility to clean the air with renewed optimism...for after all, the fight is to guard one's and one's own family's health whose lungs become the repository of the pollutants in the black smoke pervading EDSA.

The AMMA is a showcase of national government – local government partnership in action. As an organized group, there is better coordination with them by DENR-EMB and LTO on operational issues that need immediate attention. With the limited resources of the national government, the DENR has found a strong partner in AMMA in the implementation of the Clean Air Act. Among themselves, there is inter-LGU support and complementation of resources and expertise for ASB activities in Metro Manila - AMMA is implementing its own Big Brother-Small Brother Scheme where one learns from the experiences of the other. Examples of these partnerships are: Quezon City with Taguig; and Mandaluyong with Manila.

Above all, AMMA is a showcase of trust and confidence: these are the fibers that weave the cooperative endeavor among all the players. Everyone has a role to play. Everyone has a stake on the issue to clean the air. Everyone has a piece of EDSA.

Cleaning the air in EDSA is a revolution of its own kind. No partisanship. Just a commitment to reform so that every citizen will breathe cleaner air beginning today until the days, months, and years to come.



Part 3:  
Challenges &  
Lessons Learned

This section enumerates the gaps – the challenges – encountered by the project in its first year of implementation. These challenges may either be **internal or external** to the project. It will also highlight the lessons learned and responses/measures taken by the Project to carry out its commitment of providing technical assistance to its partner government agencies.

## **I. INTERNAL CHALLENGES AND PROJECT RESPONSE**

Internal factors refer to the Project's internal processes that impact on how fast energy and clean air activities can be mobilized. Since these factors are within the Project's control, they can be addressed more easily than the external factors. The internal factors identified below have been long noted and improvements have already been introduced within the ECAP's system.

### *1. Contracting Process is rigorous/meticulous*

ECAP follows a contracting process specific to two types of subcontractors: an independent consultant and vendors/service providers. In both cases, it begins with ECAP preparing terms of reference, followed by establishing the cost reasonability through employment record forms for the consultant and requests for quotes/proposal (RFQs/RFPs) for vendors/service providers, last round of negotiations, and finalization of purchase orders. While ECAP recognizes the need to be faithful to procurement processes to ensure accuracy in contracts and prudence in utilizing funds, it also becomes limiting when there is a need to respond to urgent TA requests of its GRP partners.

### *2. Pool of local experts is limited*

The ECAP is fortunate to have local experts that are widely experienced in the energy sector. These local experts have been engaged as far back as 1998 during the implementation of the Philippines Climate Change Mitigation Program (PCCMP), one of ECAP's two predecessor projects. These local consultants have established their niche in the sector, making them targets for engagements by other government agencies, donors and private entities. These other engagements lead to problems of: (a) availability when an urgency arises or (b) conflicts of interest (real or perceived) when the consultant also advises an entity where the Project's GRP partner has reporting obligations to. The Projects deems that it is high to discover and develop new experts to expand the local pool.

To address this challenge, ECAP actively pursues partnerships with academia that are potential sources of new experts. The Project makes it a point to involve partner academic institutions in its activities where there is opportunity for them to be exposed to energy issues. ECAP also assists these partners in advancing their existing programs that are consistent and aligned with the USAID's goals. Lastly, it also supports academic partners that are interested in developing and implementing their own programs.

### *3. Need to strengthen external coordination with partners*

The USAID funds several projects and programs in the fields of energy and air quality. The ECAP aims to strengthen coordination with other USAID-funded projects, especially in common project sites and target areas. This is to prevent overlapping of technical assistance efforts and to encourage sharing of experiences and leveraging of resources between the projects.

It is also very important to clearly communicate the role of the project area offices (PAOs) to the different partners of the Project especially to the local stakeholders.

## II. EXTERNAL CHALLENGES AND PROJECT RESPONSE

External factors are circumstances, decisions, or conditions that fall outside of ECAP's control. Mostly these factors relate to expressed government priorities at the national and department levels, trickling down to project level and therefore, affecting mobilization of ECAP's pipelined and at times, ongoing activities. The rest of the external factors faced are organizational conditions of ECAP's GRP partners.

### *Energy*

While situations may vary from one partner GRP agency to another, they may be summed up in the following:

#### 1. *Need to improve flexibility during transition phases*

During its first year, ECAP encountered changes in leadership in the top seats of its partner government agencies. Transitions in leadership do not always happen fluidly. Inherent to the process are shifts in priorities, agenda and even organizational culture.

ECAP immediately responded to these changes by closely coordinating with the new office and introducing project goals and objectives to new appointees. In anticipation of similar situations in the future, the ECAP ensures that all technical assistance provided to its partner GRP agencies have the buy-in and active involvement of the directors, managers and rank-and-file staff of government agencies.

#### 2. *Need to strengthen partners' capacity to maximize technical assistance*

It is also a fact that ECAP's partner government agencies have limited financial, physical and human resources. The challenge to the Project lies in improving the capabilities of people and partner institutions given this scenario. Enabling government staff and equipping them with new skills and competencies becomes an implementation challenge because government agencies are undermanned. GRP agencies are unable to hire new staff due to financial limitations and to meet new demands they delegate new roles and responsibilities among their staff. Because they are burdened with additional responsibility of receiving technical assistance provided by the project, they tend to rely on the consultants to assume responsibility over their counterpart functions.

To address this challenge, ECAP proposed several solutions:

- Develop stronger training programs which integrate technical and attitudinal/value formation elements in the design. This will capacitate the participants not only in the technical of the subject but also in the social facet which aims to promote behaviour change.
- Build a pool of trainors to echo new acquired lessons and skills to other staff. During the year, ECAP has proven that the development of a core group of trainors (i.e. TEACH Trainors'

Program on Effective Customer Service for Distribution Utilities) has a very high rate of return. This entails the use of a more effective screening tool for selecting training participants to ensure that the “ripple effect” to other stakeholders will be achieved after the conduct of the training.

- Pursue cadetship programs with the academia and private partners. The amount of knowledge and skill resource present in the academia and private sector stakeholders make them excellent partners in helping the government perform its functions. Cadetship programs will allow new graduates, volunteers, and technical staff to work on actual and live cases dealt with by ECAP’s partner agencies. Furthermore, it provides opportunity for the staff of the GRP agencies to mentor the cadets, thereby unlocking a wealth of experience and insights acquired in their years of work in the energy sector and facilitating their transfer to new recipients. It is envisaged that the exposure of the cadets to the challenges of the energy sector will spark their interest and encourage them to join the work force.

### 3. *Need to be innovative in approach*

While the ECAP has committed to assist the energy GRP agencies in the development and passage of critical energy bills, there was a limited opportunity to roll out this TA. Political dynamics at the national level have shifted the focus of the government from passing important legislative measures to resolving controversial issues in the executive branch. Legislative deliberations were momentarily set aside for committee investigations.

ECAP’s approach is to continue working with its GRP partners and jointly look for alternative venues/measures to advance the goals of energy policies. These alternatives may come in the form of department/executive orders, circulars, or other similar documents that may be issued by the GRP agencies to support or complement the pending bills.

## *Clean Air*

ECAP is mandated, by the end of project life, (1) to increase motor vehicle compliance to emission standards prior to registration to 80% and (2) to reduce by 30% the PM10 contribution of motor vehicles. There are some critical challenges in delivering this result that require immediate action in the year 2 work plan:

### 1. *Lack of baseline data and need for more accurate performance indicator to gauge project impact*

There are no reliable baseline data available that can directly measure the performance indicators set forth in ECAP’s scope of work. The closest statistics available, which ECAP monitored over year1, are reports from the Private Emissions Testing Centers (PETCs) and the government-owned Motor Vehicles Inspection System (MVIS) facilities, which disclosed above 90% compliance by vehicles to standards upon emissions testing. Data from roadside apprehension, however, which represents compliance of vehicles post-registration, paint a different picture, with less than 40% actually passing emission standards. Given this disparity in performance statistics, there is need for ECAP to agree with USAID on the appropriate performance indicators that can be used to measure the baseline and ECAP’s impact in “reducing vehicle emissions and contribution to PM10 pollution”. In year 2, ECAP plans to address this data gap by conducting its own emissions testing investigative study on motor vehicles that are in process of registering in

strategically selected land transportation offices. This will allow ECAP to measure the baseline for pre-registration compliance. We will also continue to monitor roadside apprehension data to check consistency with post-registration compliance.

## 2. *Government clean air efforts have systemic and structural weaknesses*

Unabated pollution from diesel-fueled vehicles stems in part from weaknesses in the government's regulatory system to stem the irregularities in the emissions testing process prior to registration. There are anecdotal reports that cite specific cases of regulatory lapses, viz: (1) Fake certificates of emissions compliance (CEC) being issued by PETCs to motor vehicle owners; (2) CECs being issued by PETCs despite non-appearance of vehicles at the testing centers; (3) alleged collusion between certain PETCs and government officials involved in the PETC authorization process and vehicle registration; and (4) price-cutting behavior among PETCs, resulting in cut-throat competition for services. These are significant indicators for concluding that the PETC system needs a thoughtful assessment of its effectiveness. ECAP's plan for year 2 is to assist agencies responsible for PETC monitoring (DENR, DOTC and DTI) in strengthening the regulatory environment, with a view to encouraging improved industry self-regulation and raising standards of performance. A related policy question that will also be addressed by ECAP via technical advisory work is the role of the PETC industry in the government's plan for developing a national motor vehicle inspection and maintenance system that involves the privatization of its existing motor vehicle inspection facilities.

## 3. *Imbalance between Mandate and Available Resources for Government Implementing Units*

In ECAP's assessment of the role of various national and local level government agencies that are implementing the anti-smoke belching program/roadside apprehension campaign we have observed an imbalance between their mandates and the resources available to them. While the Clean Air Act has provided for the creation of an air quality management fund, it appears that there is fundamental difficulty in accessing said funds, both at the national and local levels. DENR has reported that there are over P200 Million in the AQMF, yet so far, none have been allocated to the agencies and LGUs. There is urgent need to intensify and regularize the anti-smoke belching campaigns but the absence of sustainable and accessible, sources of funds to procure basic needs like smoke meters, safety equipment for enforcers, salary for upkeep of trained personnel can be crippling.

Another dimension to the "mandate-resource" imbalance is the lack of clear direction for the local government units, especially in the area of sourcing funds for local enforcement efforts. Some LGUs have already initiated the passage/adoption of local ordinances that would enable them to self-finance ASB campaigns through fines and penalties generated from apprehensions. LTO has posed objections to this scheme because under the CAA, it is only the DOTC that has authority to apprehend violators and collect fines, unless this authority is duly vested via deputization, to the LGUs. Under the latter approach however, funds collected are remitted to the national government treasury as part of the AQMF. The likelihood that these funds will flow back to the LGUs is currently very low.

Given therefore that there are very limited available resources for conducting roadside apprehension activities both at the national government agency-level and the LGU-level, it is understandable that figures on "vehicle compliance to emission standards" are not as encouraging.

ECAP recognizes the fact that implementation of the law can be very effective if the LGUs are sufficiently supported in terms of mandate, skills, and resources. For year 2, ECAP plans to provide capacity building assistance for strengthening the anti-smoke belching campaigns of the LGUs and the counterpart regional offices of DENR and DOTC/LTO in Metro Manila, Baguio, Cebu and

Davao. This will include providing the necessary training and equipment for proper conduct of emissions testing during roadside apprehension, development of standardized manuals on roadside apprehension procedures that can be adopted by the LGUs, facilitating the development of local ordinances in support of LGU-based anti-smoke belching programs, and implementation of intensive public awareness campaigns that will enjoin the public stakeholders – drivers, operators, commuters, and private sector – to voluntarily support and participate in clean air efforts.



# Part 4: Moving Forward

ECAP is a four-year project that is expected to run until September 2008. From this time until its closing year, the Project must carry out the critical tasks that will allow it to achieve and deliver its expected results. For 2006, ECAP will do the following as a way forward:

1. *Regularly conduct TNA.*

This is a Project approach to ensure that the TAs are, first and foremost, demand driven and secondly, responsive to GRP's needs. During its first three months, ECAP has conducted a systematic and government-wide technical needs assessment (TNA), the results of which served as inputs to the Project's first year work plan. For the second year, ECAP will continue to conduct coordination meetings with its GRP partners and to integrate and administer diagnostic instruments in its capacity building activities to be continuously in tune with the needs not only of the GRP agencies, but of the whole energy and clean air sectors as well. ECAP will also harness two strengths that are potential venues for partners to express its needs and priorities. These strengths are ECAP's vast network in both sectors and its good working relations with the GRP officials and staff. By sharing stories outside of formal and structured meetings, ECAP is able to listen to challenges and needs communicated by its GRP partners. While some of these expressed challenges and needs may not necessarily contribute to USAID's results framework, there are minute details and information that are worth considering. The key is listening, which in truth, is the essence of TNA. The next step is sifting through the information to identify what is relevant and doable with the Project's available resources.

2. *Continue roll-out of relevant activities under the year 1 work plan.*

After a year of implementation, many of the activities identified in ECAP's first year work plan remain relevant to the needs of the energy and clean air sectors. As a way forward, ECAP simply needs to continue implementing these activities that were requested by GRP during the Project's TNA months (October – December 2004).

3. *Develop Year 2 Implementation Plan.*

ECAP recognizes that developing the Project's 2006 Implementation Plan is more than a requirement; it is a vital task in project implementation. The new plan will not only include new activities, it also takes into consideration the new challenges, developments, and possibly, a new policy framework in both the energy and clean air sectors.

In October, ECAP has conducted a planning workshop in Laiya, Batangas for the purpose of coming up with its 2006 work plan. The project management team divided itself into five (5) groups according to the five elements of the work plan: energy, clean air, communication, training, and administrative/financial. Each group undertook the following steps:

**R – Revisiting and Reviewing**

This involved reviewing the 2005 Work Plan to identify which among the "old" TAs are still valid and relevant for conduct in 2006.

### A – Analysis, Assessment, and Adjustment

This entailed an intensive discussion among the group members to (1) determine which activities, old and new, will be included in the draft work plan and (2) to group activities that have similar objectives and contribute to the same expected result.

### F- Finalization

This involved three (3) critical steps: (1) presentation of new draft work plans to the combined USAID and ECAP team for comments, (2) re-writing the draft work plans to integrate suggestions and recommendations, and (3) consolidating all five elements into one cohesive implementation plan.

### T - Teambuilding

A significant outcome of the workshop is a project management team that is strengthened, united and more ready to take on the challenges of the year ahead.

#### 4. *Seek USAID's concurrence on ECAP's proposed quantitative performance indicators.*

Reporting is an important element in tracking and evaluating the progress of the Project, thus the project team has identified a set of quantifiable performance indicators (PIs) that defines the expected results (ERs) ECAP will deliver by end of its term. At this point, ECAP must seek the concurrence of USAID on its proposed PIs to ensure that they conform with and contribute to USAID's reportorial requirements.

ECAP's proposed performance indicators are classified into **primary** and **proxy indicators**. The primary indicators *directly* correspond to the outputs/outcomes stated in the expected results. The proxy indicators, on the other hand, relate to the processes and outputs that directly contribute to the primary indicators but *indirectly* to the expected results. Simply put, the proxy indicators are the building blocks that must be put in place first before achieving the primary indicators and consequently, the expected results. Given this, it may be assumed that **the expected results may be met not in the Project's first year but in the succeeding years, or even quite possibly, in 2008, the end year of the Project.**

Presented below is a comprehensive list of ECAP's performance indicators. It may be necessary at this point to review how the performance indicators were defined in terms of output, outcome or process before proceeding to the matrices comparing the actual accomplishments against the targets. As the performance indicators are in quantitative in nature, most are measured by their number or by how many such indicators were conducted/implemented, developed/formulated, or facilitated/supported by ECAP and/or adopted by GRP partners. In the energy component, the only primary indicator measured in terms of a percentage is that of ER # 3, Supply of indigenous

### Output & Outcome

#### **Output:**

A description of the level of activity or effort that will be produced or provided over a period of time or by a specified date, including a description of the characteristics and attributes established as standards in the course of conducting the activity or effort.

#### **Outcome:**

A description of an intended result, effect, or consequence that will occur from carrying out a program or activity.

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cleaner sources increased by at least 15% for power generation to improve self-sufficiency. In the clean air component, ER #s 2 and 3 are measured in percentage as well.

List of Performance Indicators

Performance Indicators	Definition in terms of Processes and Outputs
Strategic/Action Plans developed/implemented	Refers to all plans at the strategic (i.e., 5-year agency strategic plan) and operational (i.e. communication plan, media plan, PEMC training strategy) levels
Staff Competency strengthened	Refers to the type of skills (i.e. customer service, presentation and communication) targeted for improvement by the project intervention
Institutional Development Index developed/implemented	Refers to the measures of capacities/competencies in the practice of good governance principles, in developing and implementing policies., and in developing public-private partnerships
Frameworks developed/adopted	Refers to conceptual and theoretical framework/models including vision/mission statements (i.e. diagrams, overall strategies) on which organizational operations are anchored on
Assessment and technical studies conducted	Refers to all reports developed to analyze and evaluate organizational and technical issues and to provide expert recommendations
Capacity-building activities conducted	Refers to all activities, the main objective of which is to build the capacity, skills, and competencies (i.e. trainings, workshops, seminars)
Information, Education, and Communication (IEC) activities conducted	Refers to all activities, the main objective of which is to promote awareness and understanding of different issues (i.e. briefings, forums, roundtable discussions, conferences, exhibits, lectures, information campaigns/drives)
Research activities conducted	Refers to all activities, the main objective of which is to gather quantitative and qualitative information (i.e surveys, focus group discussions)
Planning tools developed/adopted	Refers to all tools, processes, methodologies, and instruments to support planning and operations of an agency (i.e. monitoring & evaluation system)
Annual strategic plan review facilitated	Refers to strategic planning review conducted yearly by an agency as a result of the strategic planning process and output provided by the project intervention
Collaterals developed	Refers to all audio, visual, and print communication materials designed and produced (i.e. investment brochures, FAQs, compendium)
Policy/legislative instruments formulated	Refers to all bills, orders, circulars, and other similar documents developed by partner agencies through expert advice
Policies and bills analyzed	Refers to all existing laws, bills, orders, circulars, and other similar documents analyzed by project experts to support passage of a bill
Codes/Standards/IRRs developed	Refers to all policy documents drafted to support a bill prior to or after its passage
Memoranda of Understanding/ Agreement (MOU/MOA) signed	Refers to all legal documents signed by ECAP or partner government agency and another party to support the objective of partnership and coalition-building

Performance Indicators	Definition in terms of Processes and Outputs
ASB programs enhanced through equipment support	Refers to anti-smoke belching (ASB) action plans reviewed and updated; seminars and trainings conducted; and equipment repaired/provided
Operating manuals & procedures developed	Refers to all manuals, guidelines, or similar documents developed to guide proper program implementation

5. *Expand partnerships and build coalitions.*

This will not only lead to the project achieving its expected result, it also becomes a potent strategy in lending assistance to GRP partners. For the academia, private sector and consumer groups, this paves the way for a more active participation and involvement in the energy and clean air sectors. For the GRP partners, this opens new doors for resource complementation and wider reach of communication efforts. The energy and clean air sectors can expect a higher rate of success in initiatives and reforms through cooperation and collaboration.

6. *Mine new experts for energy and clean air.*

ECAP will continue this initiative to provide the energy and clean air sectors with new technical experts who can provide sound advice and who may offer fresh views and perspectives.