

CDM-EB76-A01

CDM two-year business plan 2014–2015 and management plan 2014

Version 02.0



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1. Ensuring the continued success of the CDM

1. The Board considers that its role, within the guidance set by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), is to ensure that the CDM remains a viable and effective tool for use by Parties and the private sector to mitigate climate change.
2. Last year, the Executive Board (the Board) expressed its vision for the CDM to continue as *“a credible mechanism for a low greenhouse gas future promoting sustainable development”*. While the desire for continued credibility remains valid and important, the Board considers that the developments over the past twelve months, combined with the uniquely powerful role that the CDM could play, now require it to update its vision of what the CDM can contribute to help the world combat climate change and achieve the ultimate objective of the Convention. To this end, the Board has formulated the following vision for the CDM to guide its future work: **“to continually enhance the CDM as an innovative, effective, credible and successful mechanism for mitigating climate change and driving sustainable development”**.
3. This business plan sets out the Board’s strategic direction for the CDM and establishes two goals each supported by a set of objectives for the period 2014-2015.
4. The goals reflect the medium term desired outcomes. The objectives are more specific and are intended to guide the immediate work to be undertaken to achieve the Board’s goals. The Board intends to prioritize and allocate resources, via a supporting management plan (MAP), to activities which support the achievement of the goals and objectives. The MAP defines the work, capacity needs, and resource requirements needed by the Board and its support structure to achieve the goals and objectives of the business plan.

2. The current and evolving context

2.1. The current operational context

5. The CDM is the largest and most widely recognized offset mechanism in the world. 7,217 projects in 89 countries and 215 programmes of activities (PoAs) in 58 countries have been registered since 2004. The implementation of these projects and programmes is estimated to have leveraged at least USD 315 billion¹ in capital investment to underpin climate mitigation efforts and support the achievement of a range of sustainable development outcomes for host Parties. It has also issued over 1.38 billion certified emission reductions (CERs) and stands ready to further contribute through the crediting of a further 1.4 to 6.2 billion emission reductions by 2020.²
6. With over a decade of operation, the CDM has world-leading expertise in the development and implementation of greenhouse gas emission offset mechanisms. This includes the three core functional areas:

¹ Total capital investment as reflected in the PDDs of 85 per cent of project activities considered not dormant (source data: UNFCCC/UNEP Risoe as of 1 October 2013).

² Projects which are currently issuing CERs are projected to continue issuing a further 1.4 billion CERs, while all currently registered projects could result in the issuance of up to 6.2 billion additional CERs to 2020.

- (a) In assessments, the CDM maintains and administers uniform procedures for registering activities that reduce or remove emissions, issuing credits for such reductions or removals, and accrediting third-party verifiers;
 - (b) In standards, the CDM maintains the world's largest source of credible and internationally accepted standards for measuring, reporting and verifying emission reductions and removals, and these are already widely used by mechanisms and stakeholders outside the CDM;
 - (c) In regulatory management, the CDM has an established, transparent and trusted governance structure, functional emissions registry and a transparent repository of the status and description of all projects and programmes.
7. The CDM accrued strengths from its period of rapid growth from 2009 to 2012 which include a healthy carryover of financial resources, a secretariat with substantive knowledge and expertise, and a rich network of public and private-sector contacts (including designated national authorities, designated operational entities, project participants, and others) in over 120 countries.
8. However, current demand for CERs is low. A number of Annex I countries are not participating in the Kyoto Protocol or its second commitment period. In addition, approximately two-thirds of the present quantitative limit set by the European Union Emissions Trading System for the use of emission reduction units (ERUs) and CERs has already been used. Therefore currently confirmed demand is not nearly sufficient to accommodate the current supply capacities of the mechanism.
9. A comparison between the average figures for the 2008–2012 period and the figures for 2013 reveals that requests for registration have declined significantly, and are now at levels not seen since 2005. They may be expected to remain low for 2014 and 2015, and potentially beyond, barring significant and unexpected external developments. Requests for issuance have also declined though less significantly, primarily because the marginal cost of requesting issuance is relatively low in comparison with the costs of developing, implementing, and registering a project. Nevertheless, rates of issuance requests are well below the peak levels of 2011 and 2012 and may be expected to remain low in light of the current demand levels.

2.2. The evolving external environment

10. Four trends currently characterize the situation facing market approaches in global climate policy.
11. **First, commitments for the second commitment period of the Kyoto Protocol have been inscribed in a Doha Amendment that is in the process of ratification by Parties.** The end of the first commitment period was shrouded by a period of uncertainty regarding on-going implementation of agreements under the Kyoto Protocol. The outcome of CMP.8 has provided the CDM with a firmer basis for its evolution and a potential source of demand through renewed and potentially more ambitious, targets by some Annex I Parties. In addition Parties are proceeding with negotiations under the ADP to conclude an agreement by 2015. However such an agreement will not directly affect the CDM during the course of this business plan.
12. **Second, an increasing number of governments (local, national and regional) intend to utilize market-based policies to address greenhouse gas emissions.** In addition to established emissions trading systems in Europe, New Zealand, and regions in the

United States of America, systems are emerging in jurisdictions as diverse as Australia, Canada, China, Kazakhstan and South Korea. Crediting programmes are also emerging, including bilateral mechanisms between developed and developing countries as well as a range of offset protocols. A number of other jurisdictions are at more exploratory stages.

13. **Third, the intergovernmental negotiations regarding market-based mechanisms are progressing towards consideration of operational aspects.** Parties, via their subsidiary bodies, are negotiating a “framework for various approaches” (FVA), which aims to clarify the role of national and sub-national mechanisms in the international process. They are also negotiating the “new market-based mechanism” (NMM), and reviewing the CDM and joint implementation (JI) with a view to defining their operational rules within the international climate process. Finally, they are focusing on the broader role of market-based (and non-market-based) mechanisms as part of the 2015 outcome.
14. **Fourth, interest in voluntary offsetting and corporate carbon neutrality is increasing.** There is interest among governments and the private sector to use market-based mechanisms as a means of attaining carbon-neutrality and promoting development benefits. While this share of the market has been historically small relative to the compliance market, it is growing. The CDM registry has to date facilitated the voluntary cancellation of 286,694 CERs. Much of this demand in this area is met by voluntary approaches that allow for third-party verification of development benefits. Credits from these voluntary approaches, particularly those tagged with development benefits, are trading at a premium price.

2.3. Enhancing the CDM within this context

15. The Board considers the growth of carbon market approaches to be a welcome sign of confidence in their potential. The Board notes that the contributions of the CDM in enhancing the cost-effectiveness of mitigation actions, building constituencies supportive of ambitious climate action in developed and developing countries alike, and delivering development benefits may have provided a successful impetus for this growth.
16. However, the Board also notes that the growth of carbon market approaches worldwide appears to be proceeding in different directions, creating potential risks:
 - (a) **Reduced environmental integrity:** the impact of uncoordinated actions by policymakers may be the setting and/or agreeing of standards that do not consistently evaluate emission reductions and removals, thereby raising concerns about environmental integrity and placing further downward pressure on prices of CERs;
 - (b) **Inefficiency:** as the atmosphere is agnostic about where emissions are reduced, market-based mechanisms work most effectively if they are connected to cover as large an area as possible, so as to broaden the range of opportunities for identifying and implementing mitigation activities;
 - (c) **Increased transaction costs:** the burden of navigating multiple regulatory systems may increase transaction costs for the private sector, discouraging participation;
 - (d) **Complexity of linking:** linking mechanisms designed with differing evaluation and monitoring criteria would be an inherently complex undertaking and could pose challenges to environmental integrity.

17. The Board contends that the CDM provides a toolkit for addressing most of these potential risks, in that it can generate a robust set of universal standards for evaluating emission reductions and removals, enhances liquidity by virtue of its broad geographic and sectoral scope, decreases transaction costs through the creation of a single regulatory apparatus, and provides a means for indirect linking of different mechanisms.

3. Goals and objectives

18. To achieve its vision, the Board has established the following two goals and supporting objectives for the period 2014-2015.

3.1. Goal 1: Enable the implementation of mitigation activities and ensure the trusted certification of their outcomes efficiently and transparently

19. The core strength of the CDM is its capacity to drive the implementation of a broad range of mitigation activities through affirmation of mitigation activities and evaluation of emission reductions and removals. The Board intends for the CDM to maintain its leadership position through optimizing the core functional areas of project and entity assessments, governance, and standard-setting.
20. This goal intends to build upon and continue the work of the Board in recent years to improve the credibility, transparency, user-friendliness, environmental integrity and consistency of the CDM. Equally, this goal allows for the development of innovative ways to increase the scale of mitigation activities that can be addressed through the CDM in preparation for more ambitious mitigation targets in the medium to longer term. These include considering how emission sources at a broader level of aggregation can be targeted through the CDM, how greater use of standardization can reduce transaction costs, and how the use of the CDM can further contribute to an overall reduction in global emissions.
21. Under this goal, the following objectives have been identified:
- (a) **Operate efficient project and entity assessment processes:** the Board intends, inter alia, to fully implement the project cycle and accreditation procedures and meet all prescribed timelines without compromising the quality of assessments;
 - (b) **Operate an effective regulatory framework resulting in reduced transaction costs for participants in the mechanism:** the Board intends, inter alia, to consolidate current practices for revising regulatory documents;
 - (c) **Develop simplified and user-friendly standards and procedures that increase efficiency and ensure environmental integrity:** the Board intends, inter alia, to continue to simplify methodologies and tools, further develop the regulatory framework for standardized baselines, facilitate the registration of additional PoAs, and identify quantifiable means to incorporate net mitigation into the CDM.

3.2. Goal 2: Nurture policies to broaden demand for, and participation in, the CDM

22. The Board and the secretariat continue to undertake many measures to support designated national authorities and project participants in underrepresented countries

and sectors, including the CDM loan scheme, a help desk, and, more recently, regional collaboration centres. These are additional to the work of the Board in developing new approaches under the CDM that are particularly well suited to underrepresented countries, including the development of standardized baselines, PoAs, specific methodologies and tools, positive lists of technologies, and the incorporation of suppressed demand, and other tools that the market demands.

23. This goal intends to build upon and continue the work of the Board in recent years to position the CDM as a reliable source of trusted offset credits. This goal also sets a more explicit direction for encouraging the use of CERs to meet a variety of compliance and voluntary purposes, both now and into the future, for increasing the use of voluntary cancellations in the CDM registry, and for better understanding the contribution of the CDM towards sustainable development.
24. The potential of the CDM to contribute to mitigation and sustainable development in the longer term is however far from exhausted, both as a stand-alone mechanism and as a means to support other collaborative measures by Parties. The Board seeks to continue extending the CDM in realizing this greater potential.
25. Under this goal, the following objectives have been identified:
 - (a) **Facilitate the acceptance of CERs for compliance purposes:** In addition to the use of CERs by Parties to the Kyoto Protocol, the Board intends, inter alia: to engage in dialogue with emissions trading systems and sectoral programmes on the use of CERs in such systems; to support initiatives for the use of CERs to help close the pre-2020 mitigation gap and possibly facilitate meeting post-2020 international mitigation targets; and to develop strategic partnerships;
 - (b) **Enhance the use of the CDM for voluntary purposes:** the Board intends, inter alia, to develop a strategy for achieving greater offsetting by public and private entities;
 - (c) **Further develop the CDM as a key tool for monitoring, reporting and verifying the outcomes of mitigation finance:** the Board intends, inter alia: to plan for the implementation of the revised modalities and procedures; to provide recommendations to Parties on further improvements to the CDM and links between it and other components of the evolving international response to climate change; to consider links between the CDM and supported nationally appropriate mitigation actions; and to establish the CDM as an accepted delivery vehicle for development and climate financing (including via the Green Climate Fund).

4. Principles guiding the elaboration of the MAP

26. As noted above, the MAP will define the work, capacity needs, and resource requirements needed by the secretariat to realize the Board's vision. The Board intends to prioritize activities that help realize its vision and to terminate activities that do not. In implementing this business plan and considering the supporting MAP the Board renews its commitment to:
 - (a) Operate with the highest level of integrity, ensure the adequacy of technical, quality, and information/knowledge systems to support the CDM in the long term, and secure a healthy long-term financial future;

- (b) Strengthen its review of performance in light of the CDM's environment and financial situation, including via appropriate monitoring systems;
- (c) Undertake reviews of the revenues and expenditures of the Board and assessing what activities are necessary to sustain the CDM, identifying and implementing adjustments over time as needed;
- (d) Prioritize its work and agendas to support the efficient use of its meeting time and resources;
- (e) Ensure the capacity and expertise of a highly-skilled and motivated support structure by providing a framework that supports collaboration within the support structure;
- (f) Instruct the secretariat to optimize the use of the Board's meeting time through the provision of enhanced reports that identify and present clear options requiring policy direction;
- (g) Instruct the secretariat to continue managing costs prudently, and make precautionary cuts in expenditures to respond to reduced resource requirements in order to maintain the financial resources necessary for the operation of the mechanism.

Appendix 1. Management plan

1. Introduction

1. This management plan (MAP) sets out the activities, capacity needs and resource requirements to support the effective execution of the Board’s vision and defined goals and objectives for 2014. Section 2 identifies and elaborates a set of critical success factors related to achieving implementation of the MAP. Section 3 provides an overview of resource allocations against the goals of the business plan. Section 4 links each of the Board’s objectives to routine or project activities with estimated volumes and resource requirements. Sections 5 and 6 provide additional information on the programme budget and human resources respectively.

2. Critical success factors

2. The successful implementation of the Board’s activities will depend on a number of factors. The most critical of these are now described:
 - (a) The **first critical success factor** is that the international response to climate change evolves in a manner which recognizes and utilizes the full capacity of the mechanism to transparently support mitigation activities and ensure the verification of these outcomes;
 - (b) The **second critical success factor** is that further improvements to the mechanism are closely monitored, and adjusted as and when required, to ensure that expected benefits are sustainably and predictably achieved;
 - (c) The **third critical success factor** is that the support structure, including panels and working groups operating under the Board, operate in a more flexible manner, as fluctuations in demand dictate;
 - (d) The **fourth critical success factor** is ensuring the retention of core staff capacity within the secretariat while simultaneously addressing the need to appropriately reduce costs.

3. Resource allocation

3. An overview of the resources allocated is provided in table 1. The allocation is broken down to show the resource allocation per objective, expressed as a percentage of the total allocation.

Table 1. Indicative allocation of resources by objective

Objective	Title of objective	% of budget
1(a)	Operate efficient project and entity assessment processes	30.2 %
1(b)	Operate an effective regulatory framework resulting in reduced transaction costs for participants in the mechanism	39.1 %

Objective	Title of objective	% of budget
1(c)	Develop simplified and user-friendly standards and procedures that increase efficiency and ensure environmental integrity	14.2 %
2(a)	Facilitate the acceptance of CERs for compliance purposes	2.4 %
2(b)	Enhance the use of the CDM for voluntary purposes	12.2 %
2(c)	Further develop the CDM as a key tool for monitoring, reporting and verifying the outcomes of mitigation finance	1.9 %

4. Activities, estimated volumes and resource requirements

4. Tables 2 to 8 link specific activities to the goals and objectives as set out in the business plan. These include routine activities as well as projects (denoted by an asterisk (*)). The amounts set out in tables 2 to 8 refer only to the estimated direct effort required to perform the activities set out therein.

4.1. Goal 1: Enable the implementation of mitigation activities and ensure the trusted certification of their outcomes efficiently and transparently

Table 2. Objective 1(a): Operate efficient project and entity assessment processes

Area	Activity	Volume	Staff months
CDM registry	* Upgraded CDM registry. Deliverables: (a) upgraded software for faster processing of transactions and improved transparency of operations, including through a security audit, the implementation of new cancellation accounts, and improved business process documentation; (b) web-based access for registry account holders; (c) means for improved tracking of issued units on the basis of serial numbers.	1	10.0
	Transactions	6000	46.0
	Other registry processes (including changes to modalities of communication)	4800	36.8
	Monthly reports	12	2.2
	Quarterly reports	4	0.4
Project assessments	* Development of specific simplified project-cycle templates. Deliverables: (a) a generic simplified PDD template; (b) a minimum of 5 methodology-specific simplified PDD templates; (c) a validation report template; (d) a generic simplified monitoring report template; (e) a minimum of 5 methodology-specific monitoring report templates; (f) a verification report template.	1	10.0
	Requests for direct communication	48	4.4
	Requests for POA issuance	24	3.8
	Requests for POA post-registration changes	24	3.8
	Requests for POA registration	60	9.4
	Requests for project issuance	948	148.2
	Requests for project post-registration changes	180	28.1
	Requests for project registration	204	31.9
	Requests for renewal of crediting period	48	7.5
	Requests for review	74	11.6

Area	Activity	Volume	Staff months
Entity assessments	Calibrate Assessment Team Leads	1	2.0
	Performance assessments (validation)	26	9.0
	Performance assessments (verification)	26	14.9
	Regular surveillance	29	16.7
	Requests for initial accreditation	2	1.5
	Requests for re-accreditation	1	0.8
	Spot checks	1	0.6
Total			399.3

Table 3. Objective 1(b): Operate an effective regulatory framework resulting in reduced transaction costs for participants in the mechanism

Area	Activity	Volume	Staff months
Communications	CDM/JI today	250	2.9
	Press releases	30	1.4
	Publicity materials	10	4.6
	Social media	250	1.4
	Website (monthly maintenance)	12	0.7
External queries	CDM info	540	5.4
	DNA queries	36	0.6
	Letters to the Board	120	13.8
	Media requests	240	2.8

Area	Activity	Volume	Staff months
	Project developer queries	72	0.8
	* Streamlined handling of stakeholder communications. Deliverables: (a) a consistent approach in processing all stakeholder communications (other than submissions under the project cycle procedure); (b) a consistent approach to track and report back to stakeholders the remedial/proactive actions taken by the secretariat in response to stakeholder inputs.	1	14.0
Market and policy analysis	Policy analysis (weekly)	52	3.0
	Quarterly reports to the Board	4	2.3
Outreach	Carbon market conferences/workshops	36	7.4
	Regional carbon market conferences/workshops	5	5.4
Secretariat-organized interactions	African Carbon Forum (includes regional DNA Forum)	1	3.9
	Calls for input	18	2.1
	DOE conference calls	5	3.5
	DOE forums	1	2.0
	Global DNA forum	1	4.5
	Regional DNA Forum (Asia)	1	3.9
	Regional DNA Forum (LAC)	1	3.9
Servicing of panels/working groups	A/R Working Group	1	4.3
	Accreditation Panel	4	17.0
	CCS Working Group	0	0.0

Area	Activity	Volume	Staff months
	Methodologies Panel	4	17.0
	Roster of experts	3	7.1
	Small-scale Working Group	4	17.0
Servicing of regulatory body	Executive Board	5	75.9
	Executive Board (meeting abroad)	1	16.1
	Executive Board retreat	1	0.0
	Payment of grants and token appreciation to Board members	20	0.1
	Report to the CMP	1	3.2
Accreditation system	Entity administration	46	16.8
	Entity assessment planning	85	7.4
	Entity performance monitoring (semi-annual reports)	2	3.0
	Entity performance monitoring system	6	7.4
	Handling of complaints and requests for revisions	8	3.0
Planning and monitoring/reporting	* Updated documentation of key internal processes. Deliverables: (a) process maps of key internal processes; (b) key performance indicators for such processes.	1	21.5
Regulatory management	Processing and managing official documents	457	15.5
Regulatory improvement	* Improve the management of the regulatory framework and enhance the clarity, consistency and user-friendliness of regulations. Deliverables: (a) comprehensive internal procedure and systems for tracking regulatory needs, planning and preparing draft regulations, ensuring quality, and monitoring impacts; (b) revisions of relevant existing regulations requiring improvements in quality and reductions in regulatory uncertainty and transaction costs.	1	13.0

Area	Activity	Volume	Staff months
	* Revision of the PS, VVS and PCP. Deliverable: revised drafts of the PS, VVS and PCP to integrate collated amendments to resolve areas of inconsistency, complexity and unclarity.	3	13.0
Total			348.7

Table 4. Objective 1(c): Develop simplified and user-friendly standards and procedures that increase efficiency and ensure environmental integrity

Area	Activity	Volume	Staff months
Methodologies	Processing of clarification requests	45	8.5
	Processing of requests for deviation	6	1.1
	Processing of micro-scale additionality	16	3.0
	Processing of new submissions	10	14.0
	Processing of revision requests	18	5.4
	Processing of submitted standardized baselines	10	26.7
	* Design and implementation of CCS standards and procedures. Deliverable: finalization of project design, validation, monitoring, and verification requirements.	1	8.0
	* Further development and implementation of standardized baselines. Deliverables: (a) road testing of current approaches; (b) revised guidelines (including on the establishment of sector specific standardized baselines and on QA/QC); (c) the collection of data for inclusion in a database; (d) the development of two standards with a methodological framework for two specific project types; (e) the top-down development of three standardized baselines.	1	55.5
	* Development of best practice guidance for monitoring A/R projects. Deliverable: a field manual for the measurement of forest carbon pools when monitoring A/R projects/PoAs.	1	5.0
	* Simplification and streamlining of methodologies, tools, and standards. Deliverables: (a) development of eligibility criteria for PoAs for greater applicability; (b) other deliverables to be elaborated in a concept note and confirmed at EB77.	20	53.0
Total			180.3

4.2. Goal 2: Nurture policies to broaden demand for, and participation in, the CDM

Table 5. Objective 2(a): Facilitate the acceptance of CERs for compliance purposes

Area	Activity	Volume	Staff months
Partnerships	* Engagement with policymakers and stakeholders in compliance markets. Deliverables: (a) engagement with all existing and prospective compliance markets for CERs, including emissions trading systems and sectoral programmes; (b) support to initiatives for the use of CERs to help close the pre-2020 mitigation gap and to meet post-2020 international mitigation targets.	1	26.5
Total			26.5

Table 6. Objective 2(b): Enhance the use of the CDM for voluntary purposes

Area	Activity	Volume	Staff months
Partnerships	Engagement with other intergovernmental organizations	5	5.0
	Nairobi framework	1	1.5
	RCC administration and partner engagement	4	20.0
Project support	CDM loan scheme contract administration	1	5.5
	Off-site support to bottom-up SBs (help desk)	6	5.5
	On-site support to bottom-up SBs	12	11.5
	On-site support to projects (RCCs)	150	27.6
Partnerships	* Engagement with policymakers and stakeholders in voluntary markets. Deliverables: (a) engagement with a minimum of 20 potential voluntary buyers representing aggregate demand of at least 20 million CERs per year; and (b) increased promotion and facilitation of voluntary cancellation; (c) support to initiatives for the use of CERs to meet corporate social responsibility and carbon neutrality goals.	1	16.5

Area	Activity	Volume	Staff months
Regulatory improvement	* Improved transparency of sustainable development co-benefits. Deliverables: (a) implementation and promotion of the online tool; (b) analysis of the use of this tool.	1	12.5
Total			105.5

Table 7. Objective 2(c): Further develop the CDM as a key tool for monitoring, reporting and verifying the outcomes of mitigation finance

Area	Activity	Volume	Staff months
Servicing of Party-level bodies	CMP	1	2.7
	Subsidiary Bodies	4	5.5
Partnerships	* Development of the CDM as a tool in international climate policy. Deliverables: (a) implementation of the revised modalities and procedures; (b) generation of recommendations on further improvements to the CDM and links between it and other components of the evolving international response to climate change; (c) exploration of links between the CDM and supported nationally appropriate mitigation actions; (d) promotion of the role of the CDM as an accepted delivery vehicle for development and climate financing (including via the Green Climate Fund.	1	13.5
Outreach	* Analysis of the net mitigation potential of the CDM. Deliverable: concept note on options for achieving net mitigation via the CDM.	1	4.0
Total			25.7

4.3. Other activities

Table 8. Cross-cutting activities

Area	Activity	Staff months
Internal administration	Administration	108.2
	Intra-secretariat engagement agreements (including communications, conference affairs, and editorial assistance)	10.0
	Finance (including budget, expert payments, fee payments, and procurement)	27.7
	Human resources (including performance appraisal process)	32.8
	Information and knowledge management	16.0
	Intranet management and newsletters	3.5
	Training attendance	21.1
	Training facilitation and management	26.9
	Travel management	12.2
IT services	Engagement agreement, * Design and implementation of the SDM Information System	77.7
Management	Management and meetings	127.6
	Planning and monitoring/recording	52.7
	Secretariat-wide responsibilities	27.5
Total		543.8

5. Programme budget

5.1. Income

5. The Sustainable Development Mechanisms (SDM) programme of work in support of the CDM will be funded from fees and the share of proceeds (SOP), which are estimated at USD 25 million for 2014 – a decrease (29 per cent) when compared to the income for 2013.
6. The reduction in income can be attributed to the decrease in project submissions related to registrations (see figure 1) after 31 December 2012, that is after the end of the first commitment period of the Kyoto Protocol. However, the strategic analysis on income and expenditure projections, presented for the Executive Board's review annually, indicates that the CDM Trust Fund is sufficient to continue to fund the programme of work for the CDM for the entire second commitment period of the Kyoto Protocol.
7. The following table shows the current balance of funds for the reporting period:

Table 9. Balance of funds (USD)

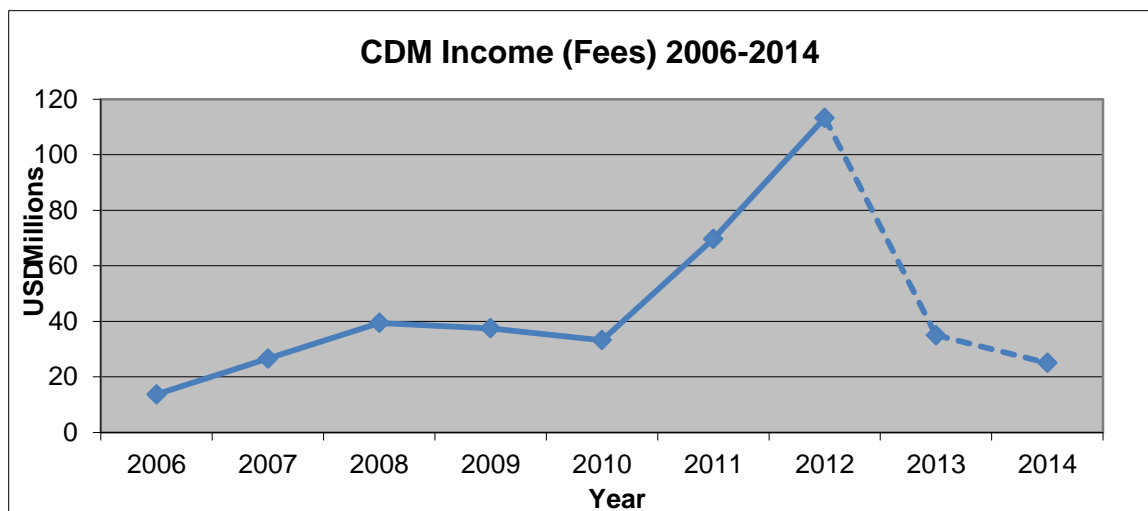
	30 Sept 2013 Actual	31 Dec 2013 Projected
Carry-over from 31 December 2012 (A)	147,729,143	147,729,143
Income	30,127,086	35,000,000
Less : Expenditure	26,153,448	34,871,264
Surplus (B)	3,973,639	128,736
Balance available (A+B)	151,702,782	147,857,879

Note: USD 45 million held in reserve (EB 45, 2009) is not included in the above figures.

8. Interest accruing on the CDM Trust Fund from 2009 to 2012 totalled USD 6.8 million. This amount is included in the carry-over and balance given in table 9 above and is earmarked to fund the loan scheme, as decided by Parties to the Kyoto Protocol (decision 3/CMP.6, paragraph 65).

9. Figure 1 provides details of the income received from fees and share of proceeds for the period 2006 to 2013. The actual income of USD 30.1 million received as at 30 September 2013 indicates that the income of USD 35 million projected for 2013 at the beginning of the year will be realized. Therefore, the projected income of USD 25 million for 2014 remains unchanged.

Figure 1. Income from fees and share of proceeds (in United States dollars)



5.2. 2014 budget

10. The proposed budget for the one-year period (2014) of this MAP is USD 32.9 million, a decrease of USD 5.5 million (14.2 per cent) when compared to 2013.

Table 10. Comparison of budgets for 2013 and 2014 (in United States dollars)

	Budget 2013	Budget 2014	Difference	%
Staff	18,812,758	17,628,455	(1,184,303)	(6.3)
General Temporary Assistance	188,128	179,861	(8,266)	(4.4)
Consultants	1,475,726	596,181	(879,545)	(59.6)
Expert Fees¹	1,019,080	366,200	(652,880)	(64.1)
Expert Travel²	1,082,797	519,957	(562,840)	(52.0)
Staff-related Costs	62,420	59,194	(3,226)	(5.2)
Travel of Representatives				
National government representatives (DNAs)	405,820	783,022	377,202	92.9
Executive Board members	856,414	1,127,012	270,598	31.6
Travel of Staff	408,546	389,744	(18,802)	(4.6)
Training & Skills Development	540,647	279,139	(261,508)	(48.4)

	Budget 2013	Budget 2014	Difference	%
Operating Expenses	8,674,147	6,768,085	(1,906,062)	(22.0)
Mobile Telecommunication	49,400	45,600	(3,800)	(7.7)
Supplies	35,000	30,000	(5,000)	(14.3)
EB Grants	357,000	357,000	0	0.0
Sub-total	33,967,882	29,129,451	(4,838,431)	(14.2)
Programme Support 13% Overhead	4,415,825	3,786,829	(628,996)	(14.2)
Total	38,383,707	32,916,280	(5,467,427)	(14.2)

1. Expert fees refer to panel and working group attendance fees and case fees.
2. Expert travel refers to travel costs of panel and working group members.

11. The overall staff cost will be reduced by 6.3 per cent when compared with 2013 (see section 6 of this appendix).
12. The proposed budget for consultants has decreased by 59.6 per cent from 2013. This mainly relates to a more efficient use of staff expertise by re-deploying staff within SDM to respond to areas where particular knowledge and skills are needed. In 2014, a reduction is also expected in the administrative fee payable to UNOPS for managing the CDM Loan Scheme.
13. Regarding expert fees, a decrease of 64.1 per cent is proposed in 2014, compared to 2013. This is attributable to:
 - (a) The expected decrease in the number of requests for registrations; and
 - (b) A decrease in review cases relating to the Methodology Panel and Afforestation Reforestation Working Group.
14. In 2014, the budget for expert travel is expected to decrease by 52.0 per cent compared to 2013. This is due to changes to numbers of meetings scheduled of panel and working groups, in addition to fewer planned workshops and roundtables as a result of the streamlining of a number of projects in 2014.
15. In 2014, travel of national government representatives (DNAs) is budgeted to increase by 92.9 per cent compared to 2013. In 2013, the regional DNA training and forums were implemented at a reduced rate for cost-saving reasons, with no meeting taking place in Latin America. In 2014, these meetings will provide mandated training to DNAs and also be used to further strengthen the demand and acceptance of the CDM in the voluntary markets in support of objective 2(b) in the Business Plan. Thus, regional DNA forums will be implemented at the pre-2013 established rate: four meetings per year. In addition, greater participation of members of the Board in DNA outreach activities is anticipated.
16. The budget for travel of staff is expected to decrease by approximately 4.6 per cent in 2014. This is related to the new United Nations travel policy.
17. Operating expenses for 2014 are reduced by 22.0 per cent, equal to USD 1.9 million to approximately 6.8 million as compared to about 8.7 million in 2013. This reflects a

situation where some long-term investments made in previous years, such as SDM-IS, are now coming to fruition with reduced costs.

6. Human resources

6.1. Current situation

18. As at 30 September 2013, there are 177 approved CDM posts. Currently, 157 posts are occupied by staff with fixed-term contracts, 13 posts are under recruitment and 7 posts are frozen.

Table 11. Total numbers of posts in each unit (as at 30 September 2013)

CDM												
Location ¹	Approved			Occupied			Under recruitment			Vacant / on hold		
	D	P	G	D	P	G	D	P	G	D	P	G
OD	1	4	1	1	4	1	0	0	0	0	0	0
PSC	0	10	8	0	7	6	0	3	0	0	0	2
PEA	0	45 ²	14 ²	0	42	12	0	2	0	0	1	2
PMU	0	14	8	0	13	6	0	1	1	0	0	1
SCC	0	17	7	0	15	6	0	2	0	0	0	1
SSU	0	20	5	0	20	5	0	0	0	0	0	0
QPM	0	13	4	0	10	3	0	3	1	0	0	0
CAS (log)	0	0	4	0	0	4	0	0	0	0	0	0
AS	0	0	2	0	0	2	0	0	0	0	0	0
Subtotals	1	123	53	1	111	45	0	11	2	0	1	6
Totals	177			157			13			7		

1. In addition, there are 17 CDM-funded posts in ITS supporting SDM.

2. CDM Registry (4 Professional, 7 General Service) was part of PMU in 2012. In 2013, CDM Registry moved under PEA.

19. During 2013, the number of approved PEA (excluding CDM Registry) professional (P) posts was reduced from 46 to 41, as a result of an internal redeployment process; 1 approved post was moved to PMU (increasing PMU from 13 posts to 14 posts), 3 approved posts were moved to SCC (increasing SCC from 14 posts to 17 posts), and 1 approved post was moved to QPM (increasing QPM from 12 to 13 posts). The total number of approved posts after these moves remains unchanged at 177.
20. Of the 13 posts under recruitment, it is expected that some of these posts will be filled internally which could lead to freezing of vacated posts left behind by the successful internal candidates.

6.2. Workforce adjustments in 2013

21. Taking into consideration the carbon market situation, which has resulted in changes to human resource requirements in the various units, a redeployment process was initiated, with the purpose of using SDM resources more efficiently by moving professional staff from areas of decreased workload to areas of increasing workload.

22. In relation to the PEA unit, in addition to five posts that have been moved to other units (see paragraph 19), 3 posts have been frozen; 5 staff members from PEA have been assigned to Regional Collaboration Centres (RCCs) and 2 staff members have been temporarily moved to SCC to cover for staff relocated to the RCCs. Thus, the PEA P staff strength (excluding CDM Registry) presently stands at 31, a reduction of 15 P staff as compared to 2012 PEA staffing figures.
23. In line with the strategy to reduce staff costs through natural attrition, all vacant posts in the SDM programme were carefully assessed and only those with duties directly aligned to core business activities were approved by the Executive Secretary for filling.
24. In 2011, of the 177 approved posts, 160 were filled. In 2012, of the 177 approved posts, 163 were filled. In 2013, of the 177 approved posts, 157 were filled.
25. An analysis of previous years indicates a staff turnover rate of 1.5–2.0 per cent per year (this equates on average to three resignations per year based on the data for the period of 2010–2013). Therefore, in 2014, the number of approved posts that are actually filled is expected to drop to 154.
26. The reduction of SDM workload in some areas of work, as a result of the market situation, has brought the general workload closer to manageable levels and has allowed staff to focus on work that was previously undertaken by consultants.
27. During 2013, the SDM programme reduced the number of service contract experts engaged by deploying expertise from within the SDM internal workforce. As a result, the number of outside consultants' working days has reduced almost six fold (see table 12).

Table 12. Use of consultants in 2012 and 2013

Consultant (SSA) contracts		
	Number of experts	Days worked
2012	84	3,570
2013	23	561

6.3. Challenges

28. Unlike the challenge of previous years, which was concentrated on identifying and recruiting large numbers of suitable staff, SDM now faces the challenge of retaining highly skilled experts with institutional knowledge who will be ready to engage in new areas of priority work during the expected upturn in the carbon market situation.
29. To address this challenge for the period of 2014–2015, the SDM programme will:
 - (a) Focus attention on staff training and development programmes, in order to ensure that the institutional knowledge is maintained and transferred effectively and that staff are ready to move to new areas of priority work as they emerge;
 - (b) Increase the number of internal lateral rotations within programme units to ensure the effective use of human resources and maintain and increase the motivation level of staff.

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