



## Annex 50

### Regional distribution of clean development mechanism project activities

#### Mandate

1. Taking into account the provisions of the Marrakech Accords reflected in decisions 3/CMP.1, 4/CMP.1 and 7/CMP.1.
2. By its decision 7/CMP.1 (paragraph 33), CMP 1 also requested the Board to report to it at its second session information on systematic or systemic barriers to the equitable regional and subregional distribution of clean development mechanism project activities, and options to address these issues.
3. By its decision 1/CMP.2 (paragraph 31 to 42), CMP 2 took note of the recommendation of the Executive Board in response to the request contained in paragraph 33 of decision 7/CMP.1 and provided further guidance in this area.

#### Barriers

4. The Board reiterates the existence of barriers at different levels and stages and is cognisant of the fact that only a few of them can be addressed at the EB level, others at the Party level and yet others by the public and private sector in country Parties.
5. The Board considers important to highlight that the existing barriers can be clustered around the following areas:
  - (a) Financial issues - Insufficient access to funds for technical assistance and capacity building and insufficient access to project finance and risk management tools;
  - (b) Structural and institutional issues - Weak institutional and administrative capacity relating to the development of CDM project activities;
  - (c) CDM specific capacity issues - Lack of CDM-related awareness and experience in relevant sectors, investment conditions and small size of projects;
  - (d) CDM process issues - Facilities and procedures not being in place, complexity of processes and methodologies, insufficient guidance on bundling and size limit of bundles, and lack of clarity with regard to the relationship of official development assistance involvement in the project cycle;
  - (e) The uncertainty about the modalities of the continuation of the CDM post 2012.

#### Progress to date

6. The Board took note that some progress has been made in enhancing a more equitable regional distribution of CDM project activities and in implementing activities referred to in decision 1 CMP/2; however the Board also reiterates that more can be done in this area.
7. The Board also took note that there is limited scope in the EB mandate to undertake activities at the country level and therefore urges Parties, IGOs and NGOs to take further coordinated steps in order to implement concrete activities at the country level to enhance the capacity of countries, with limited access to the CDM, to benefit from the opportunities offered by the CDM.



8. The Board also took note that several activities have progressed in this area, in particular:
- (a) The CDM Bazaar has been implemented and officially launched on 5 September 2007 ([www.cdm-bazaar.net](http://www.cdm-bazaar.net)). The CDM Bazaar provides for a web based information exchange platform which facilitates access to and sharing of information among all stakeholders involved in the CDM process, in particular those from developing countries.
  - (b) Two meetings of the designated national authority forum have taken place since CMP 2 including one recently organized in Addis Ababa, Ethiopia, which had a particular focus on the Africa region. The DNA Forum is developing to be an effective platform for information and experience sharing and the Board reiterates the importance of convening DNA Forums at the regional level when possible.
  - (c) The launch of the Nairobi Framework by the UN SG during CMP 2 in Nairobi in November 2006 brought together the United Nations Development Programme (UNDP), the United Nations Environment Programme (UNEP), the World Bank Group, the African Development Bank, and the Secretariat of the United Nations Framework Convention on Climate Change (UNFCCC) with the specific target of helping developing countries, especially those in sub-Saharan Africa, to improve their level of participation in the CDM. Since its launch the partner agencies have intensified on-going activities and/or initiated new ones as well as strengthened their coordination and communication to avoid duplication of efforts. The Board expresses its appreciation to the work undertaken so far by the partner agencies and expresses its gratitude to those Parties who have already provided financial contributions to support the implementation of the Nairobi Framework.
  - (d) Several Parties have undertaken activities to broaden the participation of different stakeholders in the CDM process and to address the existing barriers. This cooperation has taken different formats and means, in particular capacity building programmes. These efforts are being complemented by a South-South type of cooperation.
  - (e) Board members and secretariat staff have continued to participate in sub-regional and global capacity building events or awareness raising activities;
  - (f) The Board at its thirty-fourth meeting took note of the paper prepared by the secretariat, containing an analysis of how the barriers identified by the Board in its recommendations to CMP.2 could be addressed and an analysis of type of projects and methodologies that could be more suitable for regions with limited participation in the CDM, particularly in Africa, SIDS and LDCs (annex 6 to EB 33 agenda). The Board also notes that this paper contains a wealth of information which is of general interest and that the information referring to types of projects and methodologies can be used for future reference in determining further steps in this area.
  - (g) In addition, the Board at its 32nd meeting adopted “Guidance on the registration of project activities under a programme of activities as a single CDM project activity” (annex 38 to EB 32 Report) and “Procedures for registration of a programme of activities as a single CDM project activity and issuance of certified emission reductions for a programme of activities” (annex 39 to EB 32 Report). This first important step constitutes an innovative approach that can facilitate access to the CDM and at the same time reduces transactions costs. The Board will continue to monitor progress in this area on the basis of real cases to determine what additional steps can be taken to achieve a more equitable regional distribution.

**Actions by the CDM Executive Board**

9. The CDM Executive Board will further enhance a more equitable regional distribution of CDM project activities by :
- (a) Identifying and implement actions that increase the access of LDCs, SIDS, African and South-East Asian countries with less CDM project activities to the CDM;
  - (b) Further facilitating the process for project activities in particular in the area of methodologies, by identifying particular issues and constraints for the application of such methodologies;
  - (c) Identifying potential and scope for synergy and co-operation between CDM and micro-finance mechanisms in order to:
    - (i) Further promote sustainable development, mitigation of climate change and poverty alleviation;
    - (ii) Contribute to the Nairobi Framework.
  - (d) Including in its MAP, financial provisions to support information access, i.e. the CDM Bazaar and to facilitate the participation of project proponents and/or national experts to carbon forums and fairs.

**Recommendations**

10. The Board, taking into account the mandate received, agreed on the following recommendations to be submitted to CMP 3 for its further consideration and guidance. The Board recommends CMP 3 to:
- (a) Decide to abolish the payment of the registration fee and the payment of the share of proceeds at issuance for CDM project activities originated in LDCs and sub-Saharan countries.
  - (b) Urge Annex I Parties to:
    - (i) Provide financial support to non-Annex I Parties, especially LDCs countries and with particular attention to African countries, small islands developing States and countries in South-East Asia with less CDM project activities, to cover the start-up costs relating to the development of CDM project activities;
    - (ii) Provide technical support for the development of methodologies applicable to LDCs and other non-Annex I Parties with less CDM project activities;
    - (iii) Organize hands-on trainings for project developers, local experts, DNAs and other stakeholders as necessary;
    - (iv) Develop financial tools to secure funding for the development of CDM project activities that can help developing countries with lack of access to financing;
    - (v) Provide financial support to the activities of the organizations partner of the Nairobi Framework;
    - (vi) Pay particular attention to a more equitable distribution of CDM project activities.



- (c) Encourage all Parties to cooperate bilaterally in order to develop and implement CDM project activities and in particular to facilitate a South-South type of cooperation;
- (d) Encourage all Parties to consider how they may stimulate investments in CDM projects in the context of their broader development and finance policies;
- (e) Encourage Parties and UN organizations, in particular those partners of the Nairobi Framework, to focus, in close consultation with the recipient countries, and in a coordinated fashion between bilateral and multilateral activities, on capacity building in areas that are specific to the development of CDM project activities, in particular:
  - (i) development of PDDs, assessing proposals, awareness raising, financial engineering, information sharing and the development of methodologies that are more suitable for LDCs, SIDS, African and South-East Asian countries;
  - (ii) support of non-Annex I Parties in the creation of an organized infrastructure such as DNAs or CDM promotion offices;  
  
and to particularly focus on those countries that are currently not benefiting from such initiatives.
- (f) Encourage Parties, IGOs and NGOs to support the organization of, or participation in, region wide “carbon market” forums for LDCs, SIDS African and South-East Asian countries with special sessions on sectors relevant to the regions. Such forums should serve to mobilize also the local financial sector and private sectors;
- (g) Encourage the private sector to further engage in the CDM process and encourage all Parties to facilitate the participation by the private sector by creating the appropriate enabling environment;
- (h) Encourage financial institutions, in particular regional development banks, to provide seed funding to develop CDM project activities and to be actively involved in the development and promotion of CDM project activities;
- (i) Encourage a closer cooperation between the DNAs of Annex I and non-Annex I Parties in particular through the DNA forum;
- (j) Encourage Designated Operational Entities (DOEs), to establish offices and partnerships in developing countries in order to reduce the transaction costs for those countries and contribute to a more equitable distribution of CDM project activities;
- (k) Encourage UNEP/RISOE to further expand its current work on handbooks and manuals about the preparation of CDM project activities, in particular covering topics such as:
  - (i) the use of methodologies and best practice for their successful applications;
  - (ii) case studies;
  - (iii) PDDs templates which would require minimal customization efforts by users in order to reduce the transaction costs related to validation.