

CDM-EB109-AA-A03

Information note

Financing and use of the CDM by international finance institutions

Version 01.0



United Nations
Framework Convention on
Climate Change

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1. Procedural background

1. The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), at its eleventh session, encouraged the Executive Board of the clean development mechanism (CDM) (hereinafter referred to as the Board) to explore opportunities for financing the CDM through international finance institutions (IFIs), such as the Green Climate Fund, taking into account the transparent and prudent management of the resources of the CDM, and report back to the CMP at its twelfth session (decision 6/CMP.11, paragraph 8). The CMP, at its twelfth session and thirteenth session, encouraged the Board to continue its cooperation with financial institutions in response to decision 6/CMP.11, paragraphs 7 and 8.¹
2. From an initial concept note considered at its eighty-eighth meeting (EB 88)² and an in-session workshop held at the forty-fourth session of the Subsidiary Bodies in May 2016,³ the Board considered the work at further eight meetings (EB 91,⁴ EB 94,⁵ EB 97,⁶ EB 99,⁷ EB 101,⁸ EB 103,⁹ EB 105¹⁰ and EB 107¹¹). The Board requested the secretariat to continue to provide updates on the progress of work.
3. This note relates to work outlined in the CDM two-year business plan and management plan CDM-MAP 2020–2021.¹² This work contributes to goal 2 (“Nurture the demand for, and participation in, the CDM”) under objective (c) (“Further develop the CDM as a tool for monitoring, reporting and verifying the outcomes of mitigation finance”). Resources assigned are reflected under “Use of CDM in climate finance” in table 6.

2. Purpose

4. Considering the CMP mandates above and as requested by the Board, the purpose of this note is to provide an update on the support provided to the Board by the secretariat in the second, third and fourth quarters of 2020 (April to December 2020 inclusive). Progress in the previous period was reported at EB 107.¹³

¹ <https://unfccc.int/sites/default/files/resource/docs/2017/cmp13/eng/07a01.pdf#page=7>.

² <https://cdm.unfccc.int/UserManagement/FileStorage/QJ25XFM9D4I0KACENU8YBVTZ1OHS6R>.

³ <http://cdm.unfccc.int/stakeholder/index.html>.

⁴ <http://cdm.unfccc.int/UserManagement/FileStorage/7BL6UQ4DMSYZRN9JVEOTFG3A052HIC>.

⁵ <https://cdm.unfccc.int/UserManagement/FileStorage/GWME0Z79CK1J5SPXLHYRUI6B8O3T4D>.

⁶ <https://cdm.unfccc.int/UserManagement/FileStorage/CAENSVLD92BP7IRM48W1UQ5XOGHKT6>.

⁷ <https://cdm.unfccc.int/UserManagement/FileStorage/MCOA3SPN5JHT4IKL60Q9WVR7XGZUFY>.

⁸ <https://cdm.unfccc.int/UserManagement/FileStorage/DONHLYR29FEPV73CJ4610ZMI5WTA8U>.

⁹ <https://cdm.unfccc.int/UserManagement/FileStorage/6E3VO8C4ZXSHPF0UDMW9BK5G12AJT>.

¹⁰ <https://cdm.unfccc.int/UserManagement/FileStorage/50KD4FINMJEP1YT639QSHV7X8ROGZA>.

¹¹ https://cdm.unfccc.int/sunsetcms/storage/contents/stored-file-20200907195009514/EB107_propan02_Use%20of%20CDM%20by%20IFI.pdf.

¹² https://cdm.unfccc.int/sunsetcms/storage/contents/stored-file-20190913162610355/Info_note83.pdf.

¹³ <https://cdm.unfccc.int/UserManagement/FileStorage/BMA50YE79VSQIU1GLRWKCJZODNF3P4>.

3. Key results

5. To ensure prudent management of the resources of the CDM, the work is carried out in combination with a complementary mandate that was given to the secretariat at the twenty-third session of the Conference of the Parties.¹⁴ From this mandate, the needs-based finance (NBF) project¹⁵ was developed by the secretariat to facilitate the mobilization of climate finance to support the needs identified by developing countries regarding the implementation of priority mitigation and adaptation actions (including mitigation as a co-benefit), in accordance with the goals outlined in their nationally determined contributions (NDCs), national adaptation plans and other relevant policies or strategies. The work of the NBF project complements the work of the Board in several ways, resulting in a wider reach of expertise, an increase in the number of partners, agencies and non-party stakeholders, and the assurance that support is provided in a country-driven and results-oriented manner.
6. Despite the COVID-19 pandemic, work within the reporting period progressed, with the completion of technical assessments, the development of climate finance strategies and CDM project pipelines, and arrangements for implementation with partners. In summary, two NBF inception workshops, two pre-inception workshops and one pre-validation workshop were held virtually during the reporting period.¹⁶ The events allowed for the introduction, assessment and validation of finance needs, flows of finance, and compilation of elements of strategies and CDM projects and priorities, as well as an exchange of ideas on implementation with partners.
7. The support provided by the secretariat on behalf of the Board included the assessment of finance needs; finance flows; development of climate finance strategies that include CDM project pipelines; identification of financiers (including IFIs); and access to and mobilization of CDM project development funding; including debt, equity; and de-risk instruments; establishing links with finance providers; including identification of sources of public and private finance such as via bilateral funds, and regional and multilateral development banks. Facilitating support to governments in disseminating information on their climate finance CDM project needs, strategies and investment opportunities both domestically and with IFIs.
8. The regional collaboration centres (RCCs) provided key support in arranging events and providing local finance expertise and contacts to project developers and owners, including to new and existing CDM projects.
9. Detailed progress of support provided in the reporting period under the NBF project and in collaboration with the RCCs is provided in table 1 below.

¹⁴ [Decision 6/CP.23, paragraph 10.](#)

¹⁵ https://unfccc.int/NBF_Project.

¹⁶ https://unfccc.int/NBF_Project.

Table 1. Current activities

Activities	Progress & results^(a)
1. South-East Asia (9 countries) ^(b)	<p>The work is being conducted in collaboration with the ASEAN Ad-hoc Working Group on Climate Change, and the UN Economic and Social Commission for Asia and the Pacific (ESCAP).</p> <p>The technical assessment on institutional and policy frameworks, existing sources of climate finance, needs and priorities has been developed and circulated to country counterparts for comment. A webinar was held with countries in August where principles for the development of the draft Climate Finance Strategy and refinements to the technical assessment were agreed. The lead countries (Philippines and Brunei Darussalam) requested an additional product – “<i>Handbook/Guideline: sources of climate finance, instruments, focus on priorities identified</i>” – partners have been sourced to develop this product and a validation workshop to consider elements of a strategy and project pipeline is being planned for 2021.</p> <p>A signed Exchange of Letters has been received from the Government of the Philippines to initiate work on finance for the Haiyan region, to include the development of a pipeline of CDM projects and programmes for local government units and assist in the establishment of a national system for tracking and transparency of climate finance.</p>
2. Island States in the Indian Ocean (6 countries) ^(c)	<p>The work is being conducted in collaboration with the Government of Maldives. The technical assessment on institutional and policy frameworks, existing sources of climate finance, needs and priorities has been developed and circulated to country counterparts for comment. A validation workshop, including for finance experts, is being planned for 2021, depending on availability of country participants in the region.</p>
3. Arab States (22 countries) ^(d)	<p>The work is being conducted in collaboration with the League of Arab States (LAS) secretariat^(l) and the UN Economic and Social Commission for Western Asia (ESCWA).</p> <p>The technical assessment on institutional and policy frameworks, existing sources of climate finance, needs and priorities has been developed and circulated to the LAS secretariat and ESCWA for review, and comments have been received. A climate finance access and mobilization strategy is being developed based on the technical assessment. Engagement with countries is planned to be conducted through a series of webinars, with a validation workshop planned for 2021.</p>
4. Southern Africa (16 countries) ^(e)	<p>The work is being conducted in collaboration with the Southern African Development Community (SADC).^(m) A new Framework Memorandum of Understanding has been developed to increase the scope of work with the secretariat,</p>

Activities	Progress & results ^(a)
	as requested by SADC. The draft agreement is currently with SADC for legal review. In the interim, discussions have been held with experts, banks and a power utility in the region, seeking ways to further advance the work.
5. East Africa (6 countries) ^(f)	<p>The work is being conducted in collaboration with the East African Community (EAC) Secretariat, together with the East African Alliance on Carbon Markets and Climate Finance.</p> <p>The technical assessment on institutional and policy frameworks, existing sources of climate finance, needs and priorities was developed and circulated to the EAC for comment. A virtual pre-validation workshop was held in December 2020 with over 40 participants who considered the work and provided comment and are being incorporated. A draft climate finance strategy and implementation plan has been developed to be circulated by EAC to countries for consideration. A validation workshop, including for finance experts, is being planned for 2021.</p>
6. West Africa (15 countries) ^(g)	<p>The work is being conducted in collaboration with the Economic Community of West African States commission and the West African Alliance on Carbon Markets and Climate Finance. A virtual introductory workshop was held in September with over 40 participants to introduce the project to countries. A virtual inception technical workshop was held in October 2020 with over 40 participants to consider needs and flows of finance in the region as well as priority projects and investments. A questionnaire was issued, and responses received from all countries, including lists of projects and needs. The technical assessment on institutional and policy frameworks, existing sources of climate finance, needs and priorities has been developed and is being circulated to country counterparts for comment. An expert has been sourced to develop the strategy for the region and identify the priority projects with countries. A validation workshop, including for finance experts, is being planned for 2021.</p>
7. Caribbean (5 countries & per country basis) ^(h)	<p>The work is being conducted in collaboration with the GIZ NDC Finance Initiative,^(o) the Organization of Eastern Caribbean States (OECS) Commission^(p) and governments of Antigua and Barbuda, Belize, Cuba, Dominican Republic and Grenada. An operational framework for a Climate Finance Strategy for the OECS region has been developed to include how to identify Public Sector Investment Programme projects in all member countries. The document is currently being reviewed.</p> <p>The technical assessments for the individual countries are under various stages of development or are under review by governments nominated experts. All are being developed with other partners (World Bank, NDC-P, Cuba Energia, Euroclima+, Commonwealth secretariat) to maximize the impact and potential for implementation of priority projects that could become CDM projects.</p>
8. Least developed countries in Asia (6 countries) ⁽ⁱ⁾	<p>The work is being conducted in collaboration with the Government of Bhutan. An inception workshop was held in October 2020 with over 30 participants. The technical assessment on institutional and policy frameworks, existing</p>

Activities	Progress & results ^(a)
	sources of climate finance, needs and priority projects will be considered at a virtual validation workshop to be held in February 2021.
9. Micronesia (4 countries) ⁽ⁱ⁾	The work is being considered with the Pacific Island Forum (PIF) and Secretariat of the Pacific Regional Environment Programme. Countries in the region were provided with an update on the work in the Pacific at a virtual meeting held by the PIF in November 2020.
10. Melanesia (4 countries) ^(k)	The work is being conducted in collaboration with Melanesian Spearhead Group. Strategy development is concluded, and a virtual meeting to share updates on implementation is being considered.
11. Latin America (per country basis)	The work is being explored with the governments in the region as supported by the RRC in Panama. An agreement is signed with the government and a consultant has been hired for work to commence in Honduras and Uruguay. Implementing partners, United Nations Environment Programme and the NDC Partnership have been identified.
12. Central Asia and South Caucasus (8 countries) ^(q)	The work is being conducted in collaboration with ESCAP and technical support by the RRC in Bangkok. A technical expert was contracted to work on the technical assessment, and a virtual inception workshop was held in December 2020 with participation from Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Turkmenistan and Uzbekistan. Work on the technical assessment has progressed and a follow-up workshop to include finance ministries is being planned for 2021.
13. South and South West Asia (3 countries) ^(r)	The work is being conducted in collaboration with ESCAP and with technical support by the RRC in Dubai. Nominations have been received from three countries. Discussions were held with Afghanistan, Iran and Pakistan, a work plan and next steps were finalized. A draft outline of the technical assessment was also shared with countries.

(a) Reporting period from April 2020 to December 2020 inclusive.

(b) Brunei Darussalam, Indonesia, Malaysia, Myanmar, Philippines, Singapore, Thailand, Timor-Leste and Viet Nam.

(c) Comoros, Madagascar, Maldives, Mauritius, Seychelles and Sri Lanka.

(d) Algeria, Bahrain, ~~Comoros~~, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, United Arab Emirates and Yemen (all countries listed belong to the League of Arab States; **to avoid duplication of effort, the country struck out is catered for in activity (c) above**).

(e) Angola, Botswana, ~~Comoros~~, Democratic Republic of the Congo, Eswatini, Lesotho, ~~Madagascar~~, Malawi, ~~Mauritius~~, Mozambique, Namibia, ~~Seychelles~~, South Africa, ~~United Republic of Tanzania~~, Zambia and Zimbabwe (all countries listed belong to the Southern African Development Community; **to avoid duplication of effort, the countries struck out are catered for in activities (c) above and (f) below**).

- (f) Burundi, Kenya, Rwanda, South Sudan, United Republic of Tanzania and Uganda.
- (g) Benin, Burkina Faso, Cabo Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo.
- (h) Belize, Cuba, Dominican Republic. The Leeward Islands: Antigua and Barbuda, St. Kitts and Nevis, Montserrat, Anguilla and the British Virgin Islands; and the Windward Islands: Dominica, St. Lucia, St. Vincent and the Grenadines and Grenada, Martinique and Guadeloupe.
- (i) Bangladesh, Bhutan, Cambodia, Lao People's Democratic Republic, Nepal, Timor Leste.
- (j) Kiribati, Republic of Marshall Islands, Palau and Nauru.
- (k) Fiji, Papua New Guinea, Solomon Islands and Vanuatu.
- (l) <http://www.lasportal.org>.
- (m) <https://www.sadc.int>.
- (n) <http://www.gcca.eu>.
- (o) The NDC Finance Initiative is a joint initiative of the OECS and the Government of Saint Lucia, established with the support of the secretariat under the auspices of the NDC Partnership, and with initial funding from Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ).
- (p) <https://oeecs.org>.
- (q) Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.
- (r) Afghanistan, Iran and Pakistan.

4. Impacts

10. Financing and use of the CDM by IFIs can: (i) contribute to climate action; (ii) implement mitigation action that is verified, additional and internationally tracked; and (iii) contribute to nurturing demand for and participation in the CDM. Results are reflected in the continued interest in the registration of new CDM projects.
11. The work does not foresee any cost implications for third parties/stakeholders and funds since activities are covered under the current approved CDM-MAP.

5. Subsequent work and timelines

12. All the activities listed in table 1 above are under way and will continue in 2021.

6. Recommendations to the Board

13. The secretariat recommends that the Board take note of the progress of the support provided by the secretariat for the reporting period, in collaboration with the other divisions of the secretariat and all the RCCs.

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