

CDM-EB111-AA-A01

Information note

Financing and use of the CDM by international finance institutions

Version 01.0



United Nations
Framework Convention on
Climate Change

TABLE OF CONTENTS		Page
1.	PROCEDURAL BACKGROUND.....	3
2.	PURPOSE	3
3.	KEY RESULTS.....	4
4.	IMPACTS.....	9
5.	SUBSEQUENT WORK AND TIMELINES.....	9
6.	RECOMMENDATIONS TO THE BOARD	9

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 nine meetings (EB 91,⁴ EB 94,⁵ EB 97,⁶ EB 99,⁷ EB 101,⁸ EB 103,⁹ EB 105,¹⁰ EB 107¹¹ and EB 109¹²). 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 2020–2021.¹³ 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

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-20210215195658255/EB109_propan03_Use%20of%20CDM%20by%20IFI.pdf.

¹³ https://cdm.unfccc.int/sunsetcms/storage/contents/stored-file-20190913162610355/Info_note83.pdf.

first and second quarters of 2021 (January to June 2021, including July 2021). Progress in the previous period was reported at EB 109.¹⁴

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.¹⁵ From this mandate, the needs-based finance (NBF) project¹⁶ 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 challenges posed by the ongoing global COVID-19 pandemic, work within the reporting period has progressed steadily. In summary, nine workshops were held virtually during the reporting period.¹⁷ The events allowed for the further elucidation, validation, adoption and endorsement of the assessment of institutional and policy frameworks, existing sources of climate finance, needs and priorities including ways to address these needs in the development of climate finance strategies, implementation priorities and CDM project pipelines. Implementation of these priority actions were also initiated with partners.
7. The support provided by the secretariat on behalf of the Board continues to include: the refinement and assessment of finance needs and finance flows; development of climate finance strategies, implementation plans and project pipeline which include CDM projects; and the identification of financiers (including IFIs); arrangement of access to and mobilization of CDM project development funding such as debt, equity; and de-risk instruments; and the establishing of links with finance providers including the identification of sources of public and private finance such as via bilateral funds, regional and multilateral development banks. Furthermore, facilitation of support in accessing and mobilizing climate finance for projects, as well identification of regional and international finance available, has continued in parallel.
8. In this regard the regional collaboration centres (RCCs) also continue to provide support in arranging meetings, sourcing and contracting local climate finance experts, and maintaining contact with project developers, financiers and owners for both new and existing CDM projects.
9. Detailed progress per regional activity of support provided in the reporting period under the NBF project and in collaboration with the RCCs is provided in table 1 below.

¹⁴ [See footnote 12.](#)

¹⁵ [Decision 6/CP.23, paragraph 10.](#)

¹⁶ https://unfccc.int/NBF_Project.

¹⁷ https://unfccc.int/NBF_Project.

Table 1. Current activities

Activities	Progress & results ^(a)
1. South-East Asia (9 countries) ^(b)	The work is being conducted in collaboration with the ASEAN Ad-hoc Working Group on Climate Change (AWGCC) and the UN Economic and Social Commission for Asia and the Pacific (ESCAP). The technical assessment on institutional and policy frameworks, existing sources of climate finance, needs and priorities was approved by the AWGCC for submission to and endorsement by the ASEAN Senior Officials on the Environment (ASOEN). In the interim and by way of implementation, a “ <i>Guidebook for Accessing Climate Finance for Member States of Association of Southeast Asian Nations</i> ” is being developed together with UNDP and Japan International Cooperation Agency (JICA) under the guidance of the secretariat and the AWGCC. An Asia-Pacific workshop for finance experts to consider the elements of a draft climate finance strategy and a project pipeline, based on the assessment, is also under development.
2. Island States in the Indian Ocean (6 countries) ^(c)	The work is being conducted in collaboration with the Government of Maldives. The technical assessment and a draft climate finance strategy have been developed and reviewed by country counterparts. A virtual meeting was held May 2021 with country counterparts, where it was agreed that further validation of the draft assessment, strategy and project pipeline would take place virtually, due to travel restrictions in the region.
3. Arab States (22 countries) ^(d)	The work is being conducted in collaboration with the League of Arab States (LAS) secretariat ¹⁸⁾ and the UN Economic and Social Commission for Western Asia (ESCWA). A stakeholder workshop was held in May 2021, where it was agreed to submit the assessment to the Council of Arab Ministers Responsible for the Environment (CAMRE). Further workshops, including for stakeholder engagements, are planned for the second half of 2021.
4. Southern Africa (16 countries) ^(e)	The work is being conducted in collaboration with the Southern African Development Community (SADC). ¹⁹⁾ A revised agreement with SADC is under legal review and awaits approval. An inception workshop was held in 2019 and a technical assessment on institutional and policy frameworks, existing sources of climate finance, needs and priorities has been drafted.
5. East Africa (6 countries) ^(f)	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. Two virtual validation workshops were held (in April and June 2021) resulting in a draft climate finance strategy, pipeline of projects and an implementation plan as

¹⁸ <http://www.lasportal.org>

¹⁹ <https://www.sadc.int>

Activities	Progress & results ^(a)
	considered and developed by country counterparts. The technical assessment was validated and approved for publication with minor adjustments. The EAC Climate Change Technical Working Group (CCTWG) plans to meet in the second half of 2021 to validate the strategy, pipeline and implementation plan for submission and endorsement by the EAC Council of Ministers during their December meeting. An in-person implementation launch meeting is planned for as soon as travel restrictions are lifted, potentially at the end of 2021.
6. West Africa (15 countries) ^(g)	The work is being conducted in collaboration with the Economic Community of West African States (ECOWAS) commission and the West African Alliance on Carbon Markets and Climate Finance. Preceded by several national counterpart engagements, a virtual validation workshop was held in July 2021 where the technical assessment was endorsed and approved for publication by country counterparts. A draft strategy, project pipeline and implementation plan were also considered at this meeting, with endorsement by national line ministries planned for October 2021 and consideration by the ECOWAS Council of Ministers in December 2021. Further workshops, including for stakeholder engagements, are planned for the second half of 2021.
7. Caribbean (5 countries & per country basis) ^(h)	<p>The work is being conducted in collaboration with the Caribbean Community (CARICOM),²⁰ the Organization of Eastern Caribbean States (OECS) Commission²¹ and governments of Antigua and Barbuda, Belize, Cuba, Dominican Republic and Grenada. With the inclusion of CARICOM, the activity will cover the entire Caribbean region. An expert is being sourced to develop a technical assessment of priority needs and barriers, as well as a set of strategic options in collaboration with member states of both CARICOM and OECS.</p> <p>The technical assessments for most countries have been developed, reviewed and validated by respective government-nominated experts. Strategies, pipelines and implementation plans are being developed in collaboration with partners (World Bank, NDC-P, Cuba Energia, Euroclima+, Commonwealth secretariat, among others) to maximize the impact and potential for implementation of priority projects.</p>
8. Least-developed countries in Asia (6 countries) ⁽ⁱ⁾	The work is being conducted in collaboration with the Government of Bhutan. A virtual validation workshop was held in February 2021, where the draft technical assessment on institutional and policy frameworks, existing sources of climate finance, needs and priority projects was reviewed by countries with inputs received. A strategy is being drafted based on the assessment with inputs and project priorities being provided by countries.

²⁰ <https://caricom.org>

²¹ <https://oeecs.org>

Activities	Progress & results ^(a)
9. Melanesia (4 countries) ^(l)	The work is being conducted in collaboration with Melanesian Spearhead Group. Strategy development is concluded, and next steps on further implementation support are under consideration.
10. Latin America (per country basis)	The work is being explored with regional organizations and the governments in the region as supported by the RCC in Panama. A series of thematic workshops on needs-based climate and carbon finance ²² were held virtually in June 2021 attended by approximately 60 government officials to consider climate finance and the design of climate finance strategies for countries in the region.
11. Central Asia and South Caucasus (8 countries) ^(k)	The work is being conducted in collaboration with ESCAP and with technical support by the RRC in Bangkok. A virtual validation workshop was held in May 2021, where all countries considered the draft technical assessment on institutional and policy frameworks, existing sources of climate finance, needs and priorities. Further technical workshops with finance experts are planned for the second half of the year.
12. South and South West Asia (3 countries) ^(l)	The work is being conducted in collaboration with ESCAP and with technical support by the RRC in Dubai. A technical assessment on institutional and policy frameworks, existing sources of climate finance, needs and priorities is under development.

(a) Reporting period from January 2021 to July 2021 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.

²² <https://unfccc.int/about-us/regional-collaboration-centres/rcc-panama/3-to-17-july-2021-un-climate-change-supports-honduras-to-improve-the-country-s-technical>.

- (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 and Timor Leste.
- (j) Fiji, Papua New Guinea, Solomon Islands and Vanuatu.
- (k) Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.
- (l) 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 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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