

**CDM-EB86-AA-A04**

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# CDM loan scheme 2014–2015 annual implementation and performance assessment report



**United Nations**  
Framework Convention on  
Climate Change

## COVER NOTE

### 1. Procedural background

1. At the fifth session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), through decision 2/CMP.5, paragraph 49, Parties requested the Executive Board of the clean development mechanism (the Board) to allocate financial resources from the interest accrued on the principal of the trust fund for the clean development mechanism (CDM), as well as voluntary contributions from donors, in order to provide loans to support certain activities relating to the CDM in countries with fewer than 10 registered CDM project activities.
2. At its sixth session, through decision 3/CMP.6, the CMP established the guidelines and modalities for the operationalization of a loan scheme. The secretariat subsequently (in late 2011) selected the United Nations Office for Project Services (UNOPS) as the implementing agency for the loan scheme, which was launched in April 2012.
3. This work relates to the activity 'CDM Loan Scheme', under objective 2(c): 'Further develop the CDM as a key tool for monitoring, reporting and verifying the outcomes of mitigation finance' with a resource allocation as referred to in table 1 on page 5 of the Management plan 2015 (EB81, annex 1)".

### 2. Purpose

4. The purpose of this report is to inform the Board of the three main aspects and status of implementation of the CDM loan scheme, including:
  - (a) Status of implementation of the loan scheme;
  - (b) CDM loan scheme performance assessment;
  - (a) Implementing agency (UNOPS) performance assessment.

### 3. Key issues and proposed solutions

5. The CDM loan scheme has completed seven windows for loan applications and 191 applications have been received. Seventy-eight loans have been approved, including approvals from the seventh window for application, from which loan agreements are still being processed. A total of USD 6.38 million has been committed.
6. The disbursement of funds to date amounts to over USD 2.6 million. Least developed countries account for more than half of the approved loans (78) with 68 per cent, and Africa represents 71 per cent.
7. During the previous reporting period (2013-2014), a request to terminate a loan agreement was received. The reason given for termination was that the loan recipient had filed for bankruptcy and was in insolvency proceedings. The loan recipient has initiated repayment. The fulfilment of the repayment process and its timelines should be closely followed up by UNOPS and observed by the secretariat.

8. One approved application in phase 6 was withdrawn by the applicant immediately after the approval notification. Therefore, the loan agreement was not signed and the funds were not disbursed. The reason for declining the CDM loan was that the project developer decided to sponsor the CDM process using their own resources.
9. Three loans approved during phase 5 are not yet signed and are pending a decision on the Memorandum of Understanding (MoU) extension between the UNFCCC secretariat and UNOPS (as some of the milestone dates are outside of the current MoU period, ending in 2017).
10. The phase 7 application period closed on 31 March 2015. As per the agreement between UNOPS and the UNFCCC secretariat, this application phase was limited to cases seeking loan funds for monitoring and verification stages. Seven loan applications were submitted for phase 7 and four of them were approved. It appears that the low number of applications in this phase is due to the limitation to monitoring, verification and first issuance projects only.
11. The secretariat has prepared Terms of Reference for contracting a consultant to act as an independent expert on the evaluation of the implementation and management of the loan scheme. The independent evaluation is to provide the secretariat with a basis for considering a possible extension of the term of the loan scheme.
12. The performance assessment of the CDM loan scheme was undertaken by the secretariat based on the following criteria: effectiveness, success rate, distribution of loans among eligible countries, and project distribution. The assessment shows an overall good performance of the scheme to date. A few areas for improvement have also been identified.
13. The performance assessment of the implementing agency was undertaken based on compliance with reporting timelines, completeness, responsiveness, recovery of loans, etc. The assessment shows that UNOPS performance has improved over time as experience has been gained and common understanding on expectations between the UNFCCC secretariat and UNOPS is reached.

#### **4. Impacts**

14. The effective implementation of the loan scheme had increased the participation of a significant number of underrepresented countries in the CDM.
15. There may still be an opportunity for the loan scheme to continue enhancing participation of underrepresented countries in the CDM, considering that only projects from 51 per cent of the eligible countries have applied for this type of financial support.
16. The secretariat and UNOPS are to continue intensifying the promotion of the loan scheme for verification and issuance stages through outreach activities, especially in the regions of Latin America and the Caribbean and Eastern Europe, where few projects from the eligible countries have actively made loan applications. The regional collaboration centres (RCCs) should also intensify their support to project participants interested in the loan scheme by assisting with the preparation of application documents.
17. The proposed work does not foresee any cost implications for third-parties/stakeholders.

## **5. Recommendations to the Board**

18. The Board may wish to take note that the overall performance of the loan scheme and UNOPS is satisfactory as it has considerably improved the reporting timelines, completeness and responsiveness over the past couple of years. However, some recommendations for further improvements have been made.

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## 1. Background

1. At the fifth session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), through decision 2/CMP.5, paragraph 49, Parties requested the Executive Board of the clean development mechanism (the Board) to allocate financial resources from the interest accrued on the principal of the trust fund for the clean development mechanism (CDM), as well as voluntary contributions from donors, in order to provide loans to support certain activities relating to the CDM in countries with fewer than 10 registered CDM project activities.
2. At its sixth session, through decision 3/CMP.6, the CMP established the guidelines and modalities for the operationalization of a loan scheme to support the development of CDM project activities in countries with fewer than 10 registered CDM project activities, and requested the secretariat to select and contract with a public or private institution (an implementing agency) to administer the loan scheme.
3. The secretariat selected the United Nations Office for Project Services (UNOPS) as the implementing agency for the loan scheme in late 2011.
4. The CDM loan scheme was launched in April 2012 and has so far closed seven periods for loan applications by eligible project developers.
5. The purpose of this report is to inform the Board of three main aspects of the CDM loan scheme:
  - (a) Status of implementation of the loan scheme;
  - (b) CDM loan scheme performance assessment;
  - (c) Implementing agency (UNOPS) performance assessment.
6. The period reported in this document is from June 2014 to June 2015.

## 2. Activities completed by the secretariat

7. After the official launch of the CDM loan scheme in April 2012, and following the implementation stages described in the 2012–2013 and 2013–2014 annual implementation reports, the secretariat has completed the following tasks:
  - (a) Approval of replenishment requests and transfer of loan funds for the fifth and sixth windows for loan applications;
  - (b) Approval of quarterly narrative reports from UNOPS on the implementation of the loan scheme;
  - (c) Approval of 2013 and 2014 annual narrative and financial reports from UNOPS;
  - (d) Approval of 2015 annual business plan, budget, and forecast of loan disbursements;
  - (e) Approval of replenishment requests and transfer of administrative funds for 2015;
  - (f) Approval of the audited certified financial report for 2013 submitted by UNOPS;

- (g) Promotion of the loan scheme on the CDM website, through the CDM social media accounts and regional events;
- (b) Promotion of the loan scheme during the regional training sessions held in Bogota, Colombia (31 August–2 September 2014), and in Bangkok, Thailand (13–15 October 2014); also during the Africa Carbon Forum in Windhoek, Namibia (2–4 July 2014);
- (h) Promotion of the loan scheme through the regional collaboration centres (RCCs) was carried out in the following events: Climate Finance & Investment Forum in West Africa (1 and 2 June 2014 in Lomé, Togo); Africa Carbon Forum (2–4 July 2014 in Windhoek) in a joint session with UNFCCC RCC; Climate Finance & Investment Forum - Eastern and Southern Africa (29 and 30 June 2014 in Kampala, Uganda); Uganda National Alliance on Clean Cooking (24 October 2014, Kampala); Fourth Conference on Climate Change and Development in Africa (9 October 2014, Marrakech, Morocco), Eritrean National Workshop on CDM, (5 November 2014 Asmara, Eritrea), East African Development Bank staff training (13 November 2014 Tanzania office and 5 December 2014, Kenya); designated national authority (DNA) training workshops (13 November 2014, Comoros); DNA training workshop (18 November 2014 Burundi); CDM experiences for the future (23 October 2014, Quito, Ecuador), through the RCC team in Latin America; Renewable Energy Latin America & Caribbean Conference & Exhibition (RELACCx), 20 and 21 November 2014, Farjado, Puerto Rico, through the RCC team in the Caribbean;
- (c) Communication was circulated by RCC Kampala to all project participants (PPs), coordinating/managing entities (CMEs), consultants and DNAs in the East Africa region. A total of 516 stakeholders have been e-mailed, and individual follow-ups are ongoing. Feedback has been received from several stakeholders with regard to the eligibility of their projects in terms of country location and CDM cycle stage, to which an appropriate response has been given. No direct support has been extended so far to stakeholders to assist with the application process;
- (d) The loan scheme promotion was circulated to 791 stakeholders by RCC Lomé to all PPs, CMEs, consultants and DNAs in the West Africa region. Responses and feedback were submitted directly to the loan scheme managing entity;
- (e) During the reporting period, RCC Bogota has shared the call for the last application window with its network of PPs and CMEs in the region comprising more than 1,000 contacts. Moreover the scheme has been promoted via the CDM survey that has been implemented since the beginning of 2015 and reached out to nearly 200 PPs/CMEs in Latin America;
- (f) Apart from disseminating information on the latest call for applicants for the CDM loan scheme, the RCCs of Lomé and Saint George's have directly supported applications from three projects. RCC on-the-ground support has helped to increase the quality of submissions to the calls for proposals.



### 3. Activities completed by the implementing agency

8. Following the implementation phase<sup>1</sup> and the activities reported in the 2012–2013 and 2013–2014 annual implementation reports, UNOPS has completed the following activities:
  - (a) Closing of the sixth and seventh window for loan applications;
  - (b) Assessment and approval of loan applications from the sixth and seventh windows for applications;
  - (c) Issuance of loan agreements to approved loan recipients, and disbursement of the payments of the fifth and sixth phases;
  - (d) Disbursement of payments for loans as milestones reached;
  - (e) Submission of 2014 annual narrative (consolidated in the fourth quarterly report);
  - (f) Submission of 2015 annual business plan and budget; Submission of 2015 narrative first and second quarterly reports;
  - (g) Promotion of the loan scheme through several events, such as Carbon Expo in Cologne, Germany (May 2015); Africa Carbon Forums (July 2014 and April 2015); Latin American and Caribbean Carbon Forums (September 2014 and 2015); and the African Bankers' Forum (25 and 26 March 2015);
  - (h) Communication of the opening of phases for application for loans through Climate-L and the CDM Bazaar mail list;
  - (i) Updating of the loan scheme website <[www.cdmloanscheme.org](http://www.cdmloanscheme.org)>.
9. The seventh window for loan applications closed on 31 March 2015. This application phase was limited to cases seeking loan funds for monitoring, verification and issuance stages. Seven loan applications were submitted for phase 7. The applications were assessed by the implementing agency, resulting in the approval of four new loan applications. The loan agreements for these approved funds are being drafted at the time this report is written.
10. The approval for the replenishment request for phase 7 and a late replenishment request for one approved loan in phase 6 are being processed at the time this report is written.
11. Despite the low rate of applications in phase 7, phase 6 reached a record amount of 31 applications since the last highest number in phase 3 (43). This is evidence of the interest and demand for loans, in particular for validation and registration stages. The second highest number of approved loans also corresponds to phase 6, with 17 approved loans, following phase 1, with 22 approved loans.

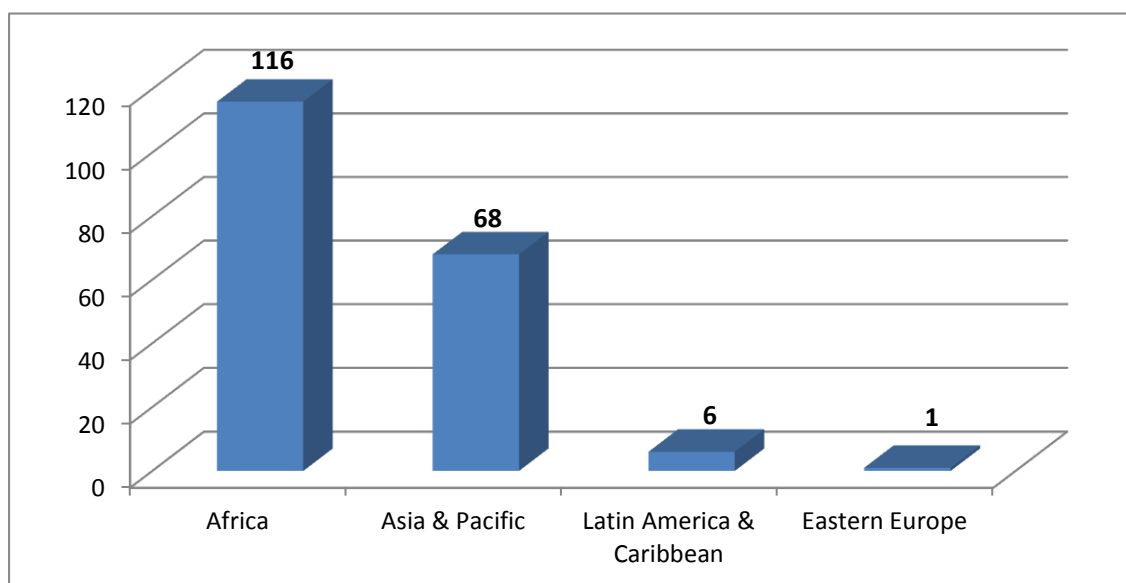
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<sup>1</sup> A phase means the implementation stage of loans approved in each of the seven windows for application. Currently seven windows for applications have been opened and therefore there are seven phases of implementation.

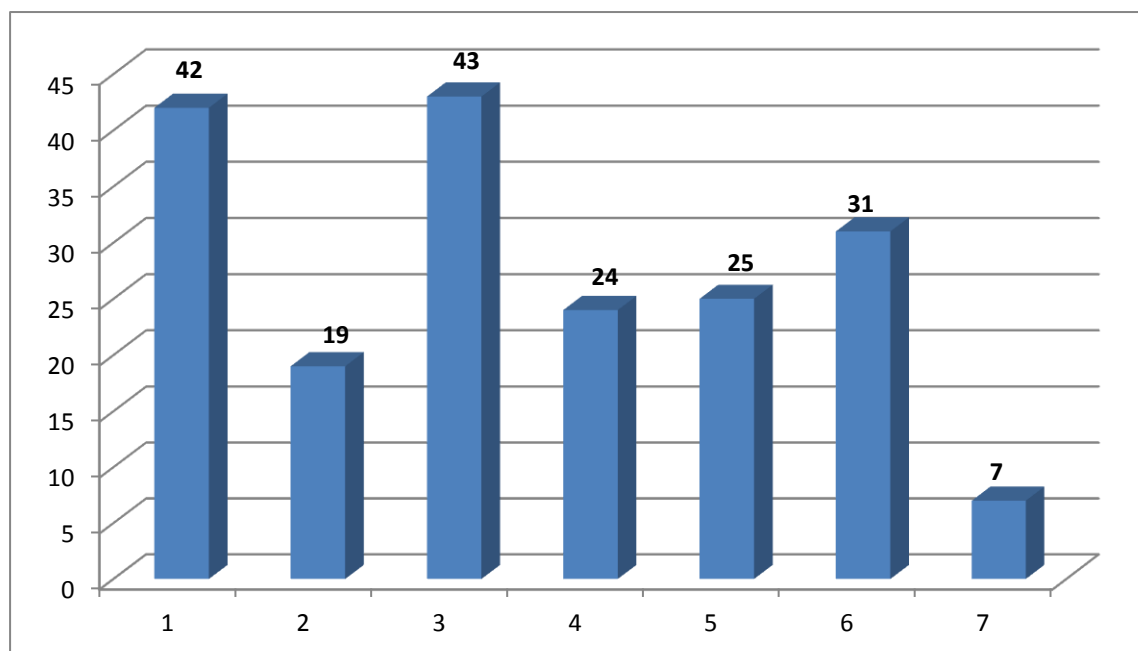
## 4. Implementation status

12. A total of 191 applications have been received in the seven application windows.

**Figure 1. Number of loan applications per region**



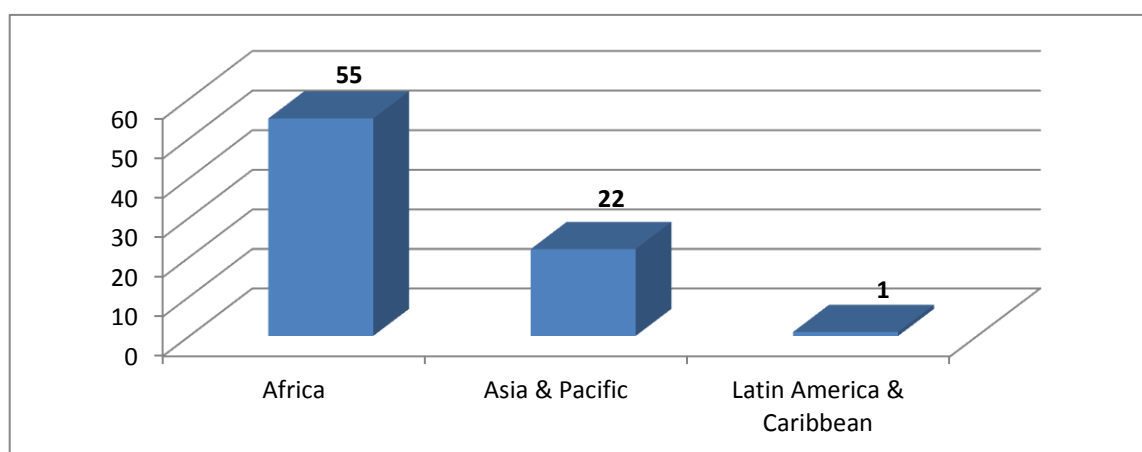
**Figure 2. Number of applications per window of application**



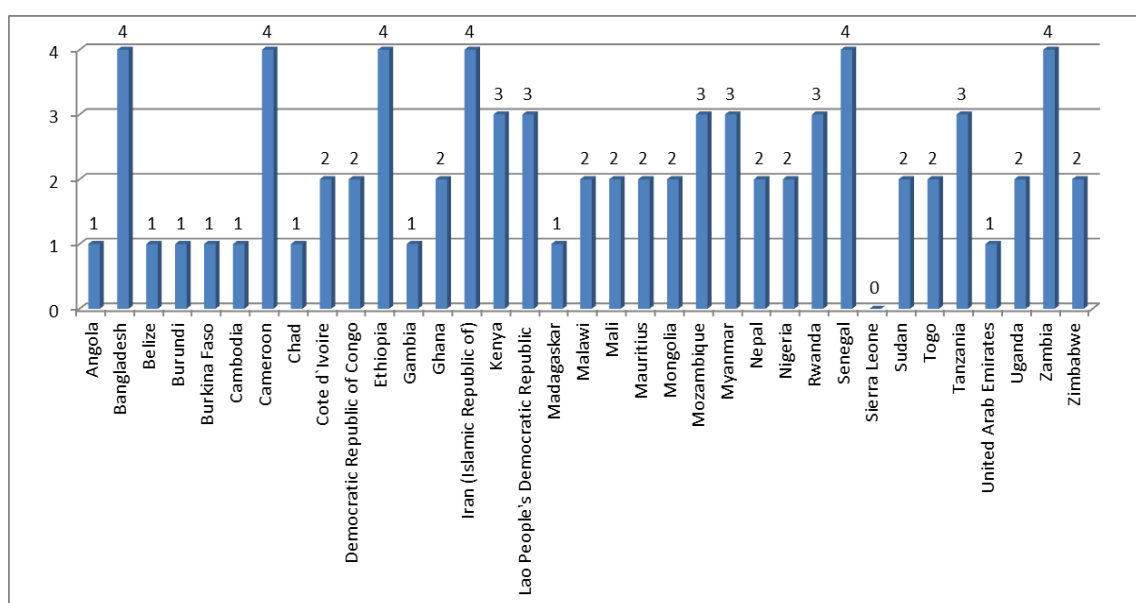
13. Of the applications received, 60 per cent have come from Africa and 57 per cent from least developed countries (LDCs).

14. A total of 78 loans have been approved up to the seventh window for applications. Currently 59 approved loans have a signed agreement, corresponding to phases 1 to 6 and representing a total amount of USD 6,384,401 so far committed.
15. Sixty per cent of loan applications have not been approved by UNOPS. The main reasons for non-approval of loan applications include: ineligible country status, insufficiently mature projects, lack of information provided for the Technical Review Committee to assess the application, the amount of certified emission reductions (CERs) lower than the required threshold and lack of proof of feasibility.

**Figure 3. Loans approved per region**

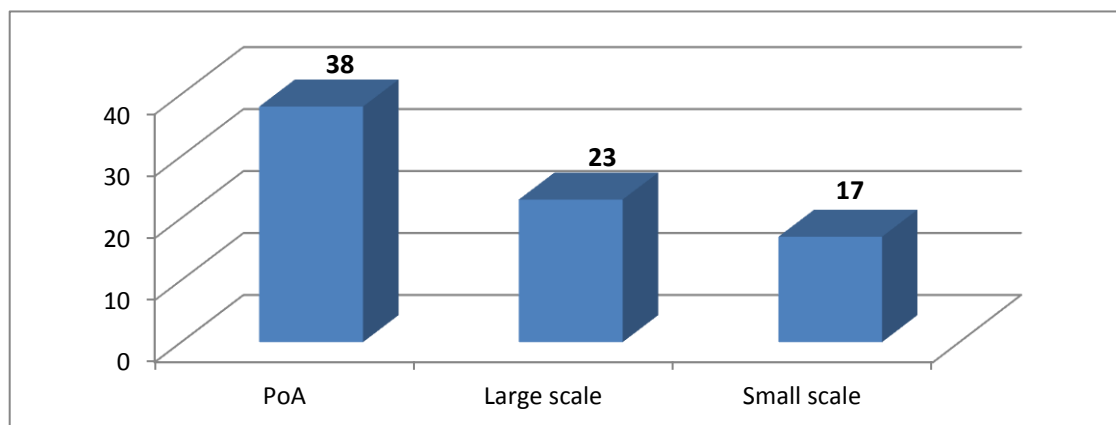


**Figure 4. Loans approved per country**



16. Programmes of activities (PoAs) represent 49 per cent of the loans approved.

**Figure 5. Approved loans per project size**



17. LDCs represent 68 per cent of the loans approved. Africa represents 71 per cent.

**Table 1. Loan funds committed per country (in United States dollars)**

Country	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6	Total
Bangladesh	167,500		200,000	130,000			497,500
Belize	187,265						187,265
Burkina Faso	140,000						140,000
Burundi						75,000	75,000
Cambodia	24,250						24,250
Cameroon		110,000			50,000	226,000	336,000
Cote d'Ivoire				45,000		39,000	84,000
Democratic Republic of Congo						55,500	55,500
Ethiopia				140,000		170,000	310,000
Gambia	85,000						85,000
Ghana					50,475		50,475
Iran (Islamic Republic of)	210,848		433,650				644,498
Kenya	417,500						417,500
Laos PDR			90,000		85,000	85,000	260,000
Madagascar	90,000						90,000
Malawi	175,000		103,234				278,234

Country	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6	Total
Mali						193,000	193,000
Mongolia						40,000	40,000
Mozambique		90,000		60,000	107,000		257 000
Myanmar	55,000						55,000
Nepal			200,000		85,000		285,000
Nigeria	272,500						260,000
Rwanda	90,000			147,500			237,500
Senegal		60,000			150,000	37,000	247,000
Sudan	125,000		95,000				220,000
Tanzania	357,680						357,680
Togo						137,000	137,000
Uganda	110,000	135,000					245,000
Zambia	105,000			135,000		25,000	265,000
<b>Total</b>	<b>2,600,042</b>	<b>395,000</b>	<b>1,121,884</b>	<b>657,000</b>	<b>527,475</b>	<b>1,082,500</b>	<b>6,384,401</b>

**Table 2. Funds committed per project type (in United States dollars)**

Project Type	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6	Total
Biogas			90,000				90,000
Biomass			143,650	135,000		168,000	446,650
EE household (lightning)	305,000						305,000
EE household (stoves)	572,680	60,000	303,234	105,000	50,000	296,500	1,387,414
EE service (water purification)	340,000						340,000
EE supply side (single cycle to combined cycle)	210,848						210,848
Energy efficiency			200,000				200,000
Energy distribution				140,000	150,000		290,000
Fossil fuel substitution		110,000			107,000	39,000	256,000
Geothermal	125,000						125,000
Hydro	105,000		290,000		170,000	275,000	840,000

Project Type	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6	Total
Landfill gas	187,265		95,000	130,000	50,475	36,000	498,739
Methane avoidance (domestic manure)	257,500						257,500
Methane avoidance (waste)	184,250						184,250
Reforestation		90,000					90,000
Solar photovoltaic (PV)	140,000			147,500		268,000	555,500
Transport	235,000	35,000					370,000
<b>Total</b>	<b>2,600,042</b>	<b>395,000</b>	<b>1,121,884</b>	<b>657,500</b>	<b>527,475</b>	<b>1,082,500</b>	<b>6,384,401</b>

**Table 3. Funds committed per project size (in United States dollars)**

Size	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6	Total
Large-scale	455,848	225,000	328,650	270,000	277,000	318,000	1,874,498
PoA	1,491,930	60,000	490,000	387,500	150,000	634,500	3,213,930
Small-scale	652,264	110,000	303,234		100,475	130,000	1,295,973
<b>Total</b>	<b>2,600,042</b>	<b>395,000</b>	<b>1,121,884</b>	<b>657,500</b>	<b>527,475</b>	<b>1,082,500</b>	<b>6,384,401</b>

**Table 4. Funds committed per cost item (in United States dollars)**

Cost item	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6	Total
PDD development	337,756	33,500	158,000	69,000	133,300	128,800	860,356
Validation	1,770,684	272,750	751,725	454,250	313,675	713,250	4,276,334
First verification	491,602	88,750	212,159	134,250	80,500	240,450	1,247,711
<b>Total</b>	<b>2,600,042</b>	<b>395,000</b>	<b>1,121,884</b>	<b>657,500</b>	<b>527,475</b>	<b>1,082,500</b>	<b>6,384,401</b>

18. From the total number of approved loans (78), 59 loan agreements were signed. Ten of the approved loans were withdrawn before an agreement was signed, either by the loan recipient or UNOPS, and therefore no loan agreements were signed for those loan offers. Three loan agreements approved during the fifth window of application have not been signed yet and are pending decision on the Memorandum of Understanding (MoU) extension between UNOPS and the UNFCCC secretariat. Those projects cannot commit and confirm to repay within a given 2017 cut-off date, as stated in the current MoU. Two loan agreements approved during phase 6 have not been signed yet, pending further clarifications with the consultant and loan recipient. The loan agreements for the four approved applications corresponding to phase 7 are being drafted at the time this report

is written. Of the loans approved for phases 1 to 6, the total amount of loan funds disbursed to date is USD 2,665,934.

**Table 5. Funds disbursed per country during the reporting period Q3–Q4 2014 and Q1–Q2 2015 (in United States dollars)**

Country	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Total
Belize	18,726	37,453			56,179
Burundi			14,000		14,000
Cameroon			83,150	28,500	11,650
Cote d'Ivoire			22,000		22,000
Democratic Republic of Congo				30,300	30,300
Ethiopia	20,000		21,500		41,500
Ghana	12,975				12,975
Kenya	25,000				25,000
Laos		22,500			22,500
Malawi			22,500		22,500
Mozambique	60,262	23,652	6,000		89,914
Nepal		15,000			15,000
Nigeria			30,250		30,250
Rwanda	31,000	33,500			64,500
Senegal		69,000	20,250	18,000	107,250
Sudan	36,250	39,500			75,750
Uganda			37,600		37,600
Zambia		27,000	20,250	19,000	66,250
<b>Total</b>	<b>20,4213</b>	<b>267,605</b>	<b>277,500</b>	<b>95,800</b>	<b>845,118</b>

19. Out of the total USD 2,665,934 disbursed to date, USD 647,473 cover project design document (PDD) preparation, USD 1,314,990 cover validation and USD 703,471 correspond to the registration process<sup>2</sup>.

<sup>2</sup> The registration amount means the costs incurred during the registration request process, and it does not mean registration fees.

## **5. CDM Loan Scheme performance assessment**

20. The assessment of performance of the scheme is carried out based on the analysis and evaluation of the four criteria indicated below.

### **5.1. Effectiveness**

21. This criterion determines the effectiveness of the use of the available funds in relation to allocation and repayment. It is evaluated under the following subcriteria:

#### **5.1.1. Allocation**

22. This subcriterion assesses the total amount of loan funds allocated to approved loans, as a percentage of total funds available.
23. Table 6 indicates that 79 per cent of the funds available for allocation among loan applicants have been committed. This is a satisfactory rate of allocation, considering that this rate has increased from 67 per cent, based on the last annual report for 2013-2014.
24. It is important to mention that the maximum net amount for administration fees, as per the MoU, is USD 1,890,000 over the term. Approximately USD 1.1 million has already been transferred to UNOPS for the administration expenses. If the expected administrative costs for 2015 (USD 541,952) are added to this figure, UNOPS will be almost reaching the total limit of USD 1.8 million (87 per cent of the total limit).
25. UNOPS has clarified that 2015 is the last year for which the more elaborate and resource-intensive loan application and evaluation/selection exercises are implemented while the loan execution focus and recovery phase starts in 2016. Hence, substantially lower administrative costs are expected for 2016 and 2017. The majority of costs for 2016–2017 will be direct UNOPS operational costs.



**Table 6. Allocation of available loan funds**

Indicator	USD or percentage (%)	Comments
Total amount available for loans and administrative expenses	9,147,628	Based on total interest accrued until 31 December 2014
Total amount spent on administrative expenses	1,097,849	As of 31 December 2014 based on the financial statement total cost submitted by UNOPS
Maximum net amount for administration fees	1,890,000	As per the MoU between UNOPS and secretariat
Percentage used of the total amount for administration fees	58%	
Total amount allocated to loans (excluding administrative expenses)	6,384,401	As of 30 June 2015, based on the UNOPS 2015 Q2 progress report
Percentage allocated	79%	

**5.1.2. Disbursement**

26. This subcriterion considers the amount of loan funds disbursed, as a percentage of loan funds allocated.
27. Table 7 indicates that in total, 41 per cent of the allocated funds have been disbursed to loan recipients. The relatively low fraction of disbursed funds is due to the fact that the total amount approved for each loan is not disbursed to the recipient in one tract, but in seven, according to seven milestones for disbursement of funds that have been established in the UNOPS operational manual. Since the loan scheme has been operational for three years, and most of the loans have been approved even more recently, and given the length of time required to prepare a PDD, validate and register a project, it is understood that the majority of loans have received only a fraction of the total amount committed at this point.

**Table 7. Total funds disbursed as a percentage of total funds allocated, based on UNOPS 2014 second quarter progress report**

Indicator	USD or percentage (%)
Total amount allocated for loans	6,384,401
Total amount disbursed for loans	2,665,934
Percentage disbursed	41%

28. Accordingly, table 8 also indicates the percentages of funds disbursed for each of the three stages of each loan, namely PDD development, validation, and verification. As can be seen, the percentages of 75 per cent, 61 per cent and 32 per cent for funds that correspond to PDD development, validation and registration services respectively, show that the projects are steadily progressing through the CDM cycle. In addition, the fact that the scheme has started recently and the majority of approved projects have only recently signed the loan agreements means that disbursements have so far only been made for the first stages of the process.

29. To date, there is no ongoing verification for projects that received loans to conduct this stage. Only one project has undergone verification without using loan scheme funds.

**Table 8. Disbursement of loan funds per stage of development of the projects**

Stage of development	Indicator	USD or percentage (%)
PDD development	Amount allocated for PDD development	860,356
	Amount disbursed for PDD development	647,473
	Percentage disbursed for PDD development	75%
Validation	Amount allocated for validation	2,136,770
	Amount disbursed for validation	1,314,990
	Percentage disbursed for validation	61%
Registration	Amount allocated for registration	2,139,564
	Amount disbursed for registration	703,471
	Percentage disbursed for registration	32%
Verification	Amount allocated for verification	1,247,711
	Amount disbursed for verification	0
	Percentage disbursed for verification	0%

### 5.1.3. Repayment

30. This subcriterion establishes the total amount of loan funds repaid, as a percentage of loan funds that have reached the repayment phase. Currently, three loans have started repayment.
31. One of the loan repayments is due to cancellation of the loan agreement. The disbursed amount of USD 24,250 of the total loan amount of USD 195,000 has been agreed to be repaid in 11 instalments of set amounts. A repayment schedule was agreed upon and signed. Two instalments were received for a total amount of USD 3,599. The next instalment is due by July 2015.
32. A second loan recipient has initiated the process for repayment of USD 167,500, after requesting cancellation of the loan agreement. The reason given for termination was that the loan recipient had filed for bankruptcy and was in insolvency proceedings. The repayment is expected to be received after this reporting period.
33. A third loan recipient has completed the repayment of the total amount disbursed, USD 25,000. Therefore, all contractual obligations regarding this loan are completed. The loan recipient requested the cancellation of the loan agreement because the project activity was performing better than expected, and therefore the remaining loan funds were no longer necessary for supporting the project. The loan recipient also informed UNOPS that the first issuance of CERs was received on 5 February 2014.

34. The low amount of loan funds repaid is due to the fact that the loans are repaid once the projects reach the first issuance of CERs. Most of the projects have not yet performed the first verification. However, 20 projects have been registered and are starting the verification process. It is expected that those projects will reach the issuance phase by the next reporting period.

#### 5.1.4. Write-off

35. This subcriterion assesses the total amount of loan funds written off, as a percentage of loan funds that have reached the repayment phase. Currently, there is no case of loan write-off request.

### 5.2. Success rate

36. This criterion evaluates the success of the projects in reaching the main milestones of the CDM project cycle which are included in the scheme, comprising the following:

#### 5.2.1. Project design document completed

37. This subcriterion establishes the percentage of projects that have completed the PDD preparation. It only includes loans granted for PDD preparation, validation, and first verification (some loans are granted only for validation and first verification, and others for first verification only).
38. Table 9 shows that 74 per cent of the projects that have received funds for preparation of the PDD have completed it. Given the fact that the scheme has been implemented for a relatively short period of time, as explained above, and that some projects have only recently received the funds for this activity, this is considered a high level of success.

**Table 9. Total funds disbursed as percentage of total funds allocated**

Indicator	Number or percentage (%)
Number of projects with loans for PDD preparation	39
Number of projects completing PDD preparation	10
Percentage completed PDD	74%

#### 5.2.2. Registration achieved

39. This subcriterion defines the percentage of projects that have achieved registration. It does not include loans granted for first verification only.
40. A total of 33 projects have started the validation process. Twenty projects have successfully achieved registration to date. Thirteen of them are PoAs. Another four projects were reported to be undergoing a late stage of registration.
41. This shows a low registration rate of 34 per cent, out of 59 projects that have received loans. However, it could be explained by the reasonably new scheme and the length of the project cycle. Also, UNOPS has confirmed that based on the communications and check-ups with the loan recipients and consultants, the main obstacle still remains, which is to obtain a Letter of Agreement (LoA) from the host country. Many projects have been waiting for the issuance of the LoA for more than a year.

### 5.2.3. Issuance achieved

42. This subcriterion calculates the percentage of projects that have achieved first issuance (considering all approved loans, including those approved only for first issuance).
43. As previously mentioned, only one project has conducted its first verification and issued CERs. This could be explained by the lengthy CDM project cycle, including the PDD development and validation processes.
44. It is expected that the aforementioned registered projects supported by the loan scheme will reach the issuance phase by the next reporting period.

### 5.3. Distribution among eligible countries

45. This criterion determines the contribution of the loan scheme to increasing the representation of the targeted countries in the CDM, based on the following subcriteria:

#### 5.3.1. Percentage of the eligible countries that have received a loan

46. This subcriterion indicates how many of the countries eligible in 2015 to receive support from the scheme have at least one project with a loan approved.
47. Table 10 shows that 36 per cent, or a total of 35 eligible countries, are represented among the approved loans of the scheme.

**Table 10. Percentage of eligible countries that have an approved loan**

Indicator	Number or percentage (%)
Number of countries eligible for a loan in 2015	96
Number of eligible countries that have applied for a loan since the start of operationalization of the scheme	49
Percentage of eligible countries that have applied for a loan	51%
Number of countries that have received a loan	35
Percentage of eligible countries supported	36%

48. The percentage of eligible countries with projects that have received financial support (71%) is significant, considering the total number of countries with projects that applied for a loan (49). However, the percentage of eligible countries with projects that have requested a loan is low (51%), considering that a total of 96 countries are eligible and only 49 have projects that have actually applied for financial support. Also, few applications have been received from the Latin American and the Caribbean (LAC) and Eastern Europe regions, which is probably due to the current low CER prices in the carbon markets, and the restrictions in the European Union Emissions Trading System (EU-ETS) on the use of CERs from post-2012 projects located in LDCs. A total of six submissions (4 per cent of a total of 191 applications) have been received from LAC countries and one from Eastern Europe (see table 13).
49. UNOPS and the secretariat have put in place requirements and procedures to promote the distribution of the funds among as many eligible countries as possible, but these measures are limited by the breadth of the countries actually represented in the loan applications.

### 5.3.2. Number and percentage of the eligible countries that have reached or surpassed the 10 registered project activities threshold with support from the loan scheme

50. This subcriterion evaluates the number of eligible countries that have surpassed the 10 registered projects boundary in part as a result of support from the scheme.
51. Since the start of the loan scheme's operation, eight countries have surpassed the 10 registered projects threshold. The countries that are no longer eligible but have previously received a loan through the CDM loan scheme are the following: Iran (four projects), Kenya (three projects), Nigeria (two projects), Uganda (two projects), Cambodia (one project), Laos (three projects), Rwanda (three projects) and Bangladesh (four projects). The last three countries have surpassed the 10 registered countries threshold since 2014.
52. However, so far only four of those eight countries no longer eligible have had their projects registered through the loan. Bangladesh, Kenya, Laos and Nigeria have one project each registered and supported by the loan scheme.

## 5.4. Project distribution

53. This criterion considers the sectoral and geographical contribution of the scheme, to try to identify areas for improvement in its implementation. The criterion is evaluated through four subcriteria:

### 5.4.1. Scale of project including small-scale, large-scale, and PoA

54. Table 11 shows that the majority of the supported projects are PoAs, followed in number by large-scale project activities. This result is expected, as the loan scheme targets countries where the PoA approach is better suited for the development of CDM projects.

**Table 11. Number of loans approved by project scale**

Scale of project	Number of projects	Percentage
Large-scale	23	29%
Small-scale	17	22%
Programme of activities (PoA)	38	49%

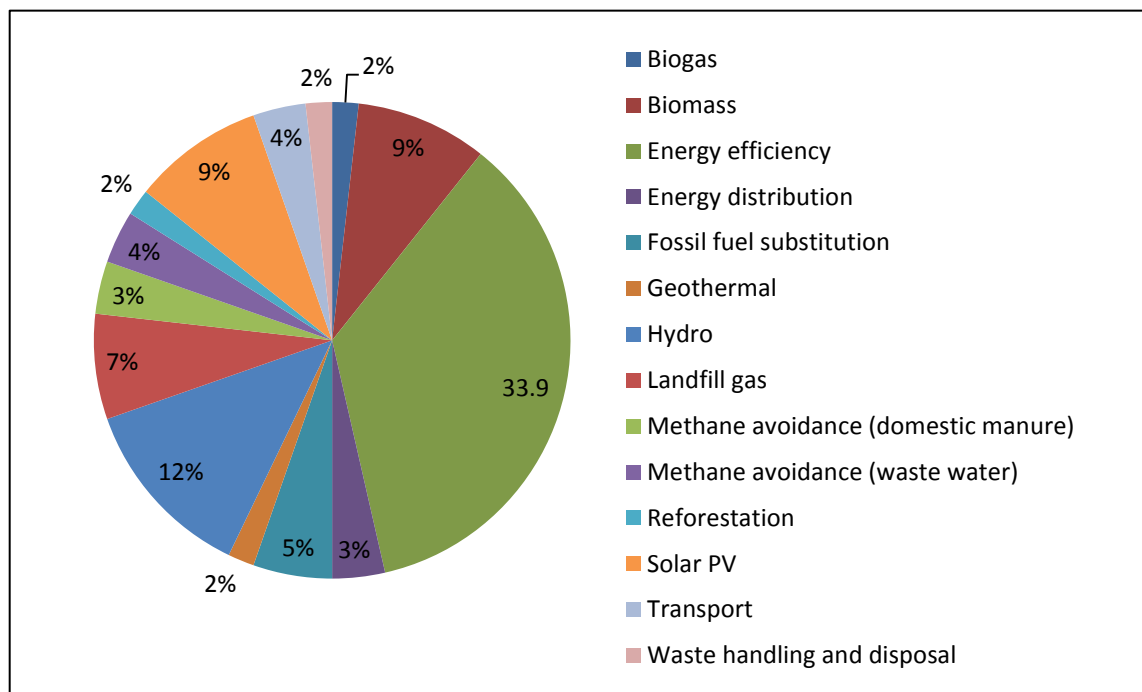
### 5.4.2. Project type (sector)

55. Table 12 is based on the CDM project types, which is used by UNOPS, and considering only the projects that have received loans (59). It indicates that energy efficiency is the most common project sector (20 loans awarded), followed by methane avoidance, including landfill gas, waste handling, manure and wastewater treatment with eight loans in total. These project types are expected to be among the most supported, since they are relevant for the majority of targeted countries.
56. Additionally, these project types, which include efficient lighting, improved cookstoves, water purification, wastewater treatment, solar power, and manure treatment, are recognized as projects with high sustainable development benefits, which is positive.
57. Renewable energy is also represented, with five solar projects and five hydro projects.

58. It is interesting to note that there are two transport sector projects, and one reforestation project. These are sectors which have been underrepresented in the CDM pipeline, and the scheme is contributing to their implementation.

**Table 12. Number of loan agreements approved and signed per sector (classification as used by UNOPS)**

Project type	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6	Total	%
Biogas			1				1	1.7
Biomass			1	1		3	5	8.5
Energy efficiency	12	1	3	2	1	4	20	33.9
Energy distribution				1	1		2	3.4
Fossil fuel substitution		1			1	1	3	5.1
Geothermal	1						1	1.7
Hydro	1		2		2	2	7	11.9
Landfill gas	1			1	1	1	4	6.8
Methane avoidance (domestic manure)	2						2	3.4
Methane avoidance (waste water)	2						2	3.4
Reforestation		1					1	1.7
Solar PV	1			1		3	5	8.5
Transport	1	1					2	3.4
Waste handling and disposal			1				1	1.7
<b>Total</b>	<b>21</b>	<b>4</b>	<b>8</b>	<b>6</b>	<b>6</b>	<b>14</b>	<b>59</b>	<b>100</b>

**Figure 6. Percentage of loan agreements approved and signed per sector**

59. In terms of total representation in the wider project type classification, figure 6 shows that the energy efficiency sector holds one third of all loan agreements signed until phase 6, followed by methane avoidance, and renewable energy generation with 14 per cent and 21 per cent, respectively.

#### 5.4.3. Geographical regions

60. As can be seen from table 13, most applications have been received from Africa. This result is not surprising if one considers the restrictions in the EU ETS on CERs from non-LDCs.

**Table 13. Total number for all windows of loan applications and loans approved by geographical region**

Region	Number of applications	Percentage	Number of projects	Percentage
Africa	116	60%	55	71%
Asia and Pacific	36	19%	17	22%
Middle East	32	16.5%	5	6%
Eastern Europe	1	0.5%	-	0%
Latin America	4	3%	1	1%
Caribbean	2	1%	-	0%

61. The only two countries in the Caribbean subregion from which applications were received are Haiti and Trinidad and Tobago, and only one application has been approved from Latin America, from Belize.

62. As noted above, UNOPS and the secretariat have put in place requirements and procedures to promote the distribution of funds among as many countries as possible, but these measures are limited by the breadth of the countries actually represented in the loan applications.

#### 5.4.4. Least developed countries (LDCs) and non-LDCs

63. Sixty-eight per cent of the approved loans were awarded to projects located in LDCs. Again, this is in line with the assumption that the current low price of CERs is not promoting development of new CDM projects, and in general only LDCs, whose CERs from post-2012 registered projects are currently eligible for the EU-ETS, show more activity.
64. On the other hand, the fact that LDCs are the most represented country type is positive, as these are the countries that usually face more challenges in registering CDM projects.

**Table 14. Loans approved by country type**

Country type	Number of projects	Percentage
LDCs	53	68%
Non-LDCs	25	32%

#### 5.5. Summary

65. The analysis of the criteria described above results in a positive assessment of the performance of the scheme to date.
66. The total amount committed for loans is USD 6,384,401, representing 79 per cent of the funds available for loan allocation.
67. Although only 41 per cent of the committed funds (USD 2,665,934) have been disbursed so far, it is expected that this rate will increase as projects progress through the CDM approval cycle and reach registration (75 per cent of the committed amount for PDD development has been disbursed followed by 65 per cent disbursed for validation). The allocation of available funds has been satisfactory, also due to the work developed by UNOPS and the United Nations Environment Programme (UNEP) Danish Technical University (DTU) Partnership (formerly UNEP Risoe), the partner of UNOPS in the implementation of the scheme.
68. Twenty projects supported by the scheme have achieved registration. Four projects are in a late stage of the registration process. In addition, the progress of the projects is satisfactory since most of them have now started or finalized preparation of their PDDs, and approximately half are undergoing validation.
69. The loan scheme has contributed to the improvement of the regional distribution of the CDM through assisting four countries to surpass the threshold of 10 registered project activities and therefore crossing the bar of underrepresented countries.
70. The loan scheme is also assisting in the improvement of the distribution of the CDM in sectors where it is underrepresented such as transport and afforestation/reforestation.
71. As for the cancellations, one of them poses no risk since there was no disbursement. For the second cancellation, the repayment process is in place and the next instalment is



due in July 2015. Cancellations were to be expected given the difficult situation that the project developers are facing. However, it is not yet significant since no default has been registered yet. Nevertheless, there is an evident risk that, if the poor market conditions persist, write-offs and loan cancellation requests can be expected.

72. The distribution of loans among the eligible countries is also satisfactory, given that 35 countries are represented in 78 approved loans.
73. The distribution of loans among project sectors, scales, and geographical regions is also considered satisfactory. In general, the most represented sectors, scales and regions coincide with the expectations for the scheme.

## 6. UNOPS performance assessment

74. The performance of the scheme's implementing agency is assessed based on the eight criteria indicated below.

### 6.1. Reporting timelines

75. This criterion evaluates the compliance of UNOPS with all reporting timelines, as established in the signed MoU between the UNFCCC secretariat and UNOPS. Table 15 indicates the compliance with the timelines from the launch of the scheme in April 2012 until the second quarter of 2015, when this report was prepared.
76. It can be seen that some of the documents that had to be prepared at the early stages of implementation of the scheme were delivered late. This can be attributed to the learning curve in the relationship between the two institutions (UNOPS and the UNFCCC secretariat), and to the lack of previous experience for its implementation, which meant that an adaptive approach of 'learning by doing' was required.
77. Another example was the approval of the Operational Manual, which includes all the procedures to be followed by UNOPS for implementation of the scheme. The final approval of the documents took much longer than expected, and was finalized on 5 September 2012, instead of the planned date of 23 June 2012. This was due in part to the need of both agencies to reach a common understanding on several issues, and to align the documents with their internal procedures.
78. In general, there were some difficulties and delays in the delivery of reports in 2013. However, this has improved in 2014 and 2015 due to the experience accumulated and clarifications provided.

**Table 15. Compliance with reporting timelines by UNOPS**

Year	Report	Due date	On time	Comments
2012	Operational manual (procedures) and templates	23 June	Partially	Some required templates were delivered after the due date. Development of the Operational Manual and the Loan Template took longer than expected.
2012	Quarter 2 report	31 July	Yes	
2012	Quarter 3 report	31 October	No	Sent 10 days late.
2013	Quarter 4 report	31 January	Yes	

Year	Report	Due date	On time	Comments
2013	Annual 2013 business plan, annual budget, forecast of loan disbursements	31 January	Yes	
2013	Annual revised procedures and templates	31 January	Yes	
2013	Uncertified 2012 financial reports	31 January	Partially	The uncertified financial report on loan funds was not received on time.
2013	Quarter 1 report	30 April	Yes	
2013	Certified 2012 financial reports	31 May	Yes	
2013	Quarter 2 report	31 July	Yes	
2013	Audited 2012 financial reports	31 July	No	There was a misunderstanding on the difference between the "certified" and "audited" financial reports in UNOPS system.
2013	Quarter 3 report	31 October	Yes	
2013	Quarter 4 report	31 January	Yes	
2014	Quarter 1 report	15 April	Yes	
2014	Quarter 2 report	1 July	Yes	Editorial mistakes were identified and corrections were requested. The new version was submitted on 11 August 2014.
2014	Audited 2013 financial reports	31 July	No	The submission of the audited certified financial 2013 report was delayed and sent by UNOPS on 1 July 2015.
2014	Quarter 3 report	31 October	Yes	
2014	Quarter 4 report	31 January	Yes	
2015	Quarter 1 report	30 April	Yes	Two clarifications were requested. Explanations were provided and the new version of the report was submitted on 15 June 2015.
2015	Uncertified 2014 financial reports	31 May	Yes	Received on 9 February 2015.
2015	Quarter 2 report	31 July	Yes	Two clarifications were requested. Explanations were provided and the new version of the report was submitted on 15 June 2015.
2015	Audited 2014 financial reports	31 July	No	The submission is still pending.

## 6.2. Reporting completeness

79. This criterion assesses whether the reports included all of the information required, as indicated in the MoU and the approved report templates.
80. During 2014 and 2015, UNOPS submitted all reports with the information required, except for the audited certified financial statements for the 12 months of 2014.
81. Clarifications were required from UNOPS during the period being assessed, regarding the completeness of the information of the reports, in particular the quarterly reports, when additional description about the status of implementation of the loan scheme was required. Also regarding the quarterly reports, typographical errors related to the number of loans approved and amounts disbursed were present.
82. As repayment dates of approved loans might fall after the term of the loan scheme MoU, additional information was also requested regarding the projects' milestones before approving the replenishment request for phase 6.
83. Additionally, estimations and completeness of information related to the 2015 annual business plan, which indicated estimated costs for the tasks to be implemented during this year were not clear. More details and information were provided shortly after they were requested.
84. In summary, during 2015 all reports contained the required information with an adequate depth of analysis.

**Table 16. Reporting completeness by UNOPS**

Year	Report	Complete	Comments
2012	Annual business plan, forecast of loan disbursements	Yes	
2012	Operational manual (procedures) and templates	Yes	Discussion on this document took longer than expected, but it was duly completed.
2012	Quarter 2 report	Yes	
2012	Quarter 3 report	Yes	
2013	Quarter 4 report	Partially	Analysis on the status of implementation of the scheme in the narrative section of the report was superficial.
2013	Annual 2013 business plan, annual budget, forecast of loan disbursements	Partially	2013 annual business plan was not detailed enough.
2013	Annual revised procedures and templates	Yes	
2013	Certified 2012 financial reports	Yes	
2013	Uncertified 2012 financial reports	Yes	Uncertified report on loan funds was delayed, but complete.
2013	Quarter 1 report	Yes	
2013	Quarter 2 report	Yes	
2013	Audited 2012 financial reports	Yes	

Year	Report	Complete	Comments
2013	Quarter 3 report	Yes	
2013	Quarter 4 report	Yes	
2014	Quarter 1 report	Yes	
2014	Quarter 2 report	Yes	Editorial corrections were made and some additional information requested.
2014	Quarter 3 report	Yes	
2014	Quarter 4 report	Yes	
2015	Quarter 1 report	Yes	Editorial corrections were made and some additional information requested.
2015	Quarter 2 report	Yes	Editorial corrections were made and some additional information requested.
2015	Uncertified 2014 financial reports	Yes	

### 6.3. Responsiveness

85. This criterion assesses the responsiveness of UNOPS to requests for clarification, correction, or additional information with regard to all reports.
86. UNOPS has shown a high degree of responsiveness during the reporting period, providing timely clarifications where information was considered insufficient by the secretariat, and making available additional information when requested.
87. For example, UNOPS provided clarifications on the reports, business plan and other clarifications required throughout the year, until the secretariat was satisfied.
88. UNOPS has also provided additional information in the periods between quarterly reports, to update the secretariat with the latest available information without having to wait for the following report. UNEP DTU has also provided some information and statistics on behalf of UNOPS.
89. UNOPS was also efficient in the process of approval of new loans, meeting all deadlines and making prompt requests for additional loan funds to the secretariat.
90. Despite the fact that this year no face-to-face meeting was held, communication through e-mail proved to be effective and issues were resolved with commitments from both parties in a prompt manner.
91. In general, the secretariat is satisfied with the responsiveness of UNOPS to requests for clarification and additional information, and expects that the delays and difficulties which were experienced will be avoided in the future, due to the experience gained by both organizations and the channels of communication put in place.

#### 6.4. Documentation

92. This criterion assesses the compliance of UNOPS with making modifications to the scheme's documentation, including procedures (UNOPS Operational Manual) and templates, as requested by the secretariat.
93. The previous reporting period (2013–2014) was a development and learning period. Both UNOPS and the secretariat have been developing and adjusting the procedures and templates required to implement the scheme effectively. The modifications that have been made to the procedures and templates were made during the early stages of design of the UNOPS Operational Manual and the Loan Agreement template, which is the agreement that loan recipients sign. After these documents were modified and agreed upon, no significant changes have been made to date.

#### 6.5. Eligibility criteria

94. This criterion assesses compliance with the eligibility criteria for project activities as established in Annex VII of the MoU. Table 17 summarizes the assessment of this criterion.

**Table 17. Compliance with eligibility criteria for project activities by UNOPS**

Criteria	Compliance	Comments
Location in a country with fewer than 10 registered project activities as of 1 January of the year when the application is submitted.	Yes	All approved loans apply to projects located in eligible countries as of 1 January of the year of application.
Minimum estimated emissions reductions for registered projects (7,500 tonnes CO <sub>2</sub> eq. for LDCs, 15,000 tonnes CO <sub>2</sub> eq. for non-LDCs).	Yes	All approved loans are expected to comply with this criterion once registration is reached. Twenty registered projects comply with this criterion.
For multi-country PoAs, no funds are used for component project activities (CPAs) located in non-eligible countries.	Yes	All CPAs supported by the loan scheme are located in eligible countries.

95. As can be seen from table 17, UNOPS has complied with the applicable requirements.

#### 6.6. Marketing activities

96. This criterion assesses the compliance of UNOPS in implementing the marketing activities for the scheme, as agreed in Annex II, section 2 of the MoU.
97. UNOPS implemented the agreed marketing activities during 2014 and 2015, in collaboration with UNEP DTU, by promoting the scheme at the Africa Carbon Forums 2014 and 2015, Latin America Carbon Forum 2014, and Carbon Expo 2014 and 2015. They have also maintained the banner on the CDM Bazaar website and announced the opening of the different phases for application for loans through e-mail campaigns.
98. It is considered that UNOPS has fulfilled this requirement during the reporting period.

## **6.7. Loan scheme website**

- 99. This criterion assesses the preparation and continuous update of the scheme's website as agreed in Annex II, section 2 of the MoU.
- 100. UNOPS, in collaboration with UNEP DTU, prepared and launched the scheme's website on time for the official launch of the scheme in April 2012. UNOPS has continued to update the website by updating the eligible countries at the beginning of 2015, announcing upcoming phases for application, including approved loans in an interactive world map, and providing additional information for prospective applicants when relevant.
- 101. It is considered that UNOPS has fulfilled this requirement during the reporting period.

## **6.8. Approval for writing off funds**

- 102. This criterion assesses the compliance of UNOPS with the requirement to obtain approval from the secretariat before writing off any funds.
- 103. To date, no loan has been written off. Therefore, this criterion cannot be assessed.

## **6.9. Recovery of disbursed funds**

- 104. This criterion assesses the ability of UNOPS to recover the funds disbursed for loans once the time for payment occurs.
- 105. Currently, one loan has been fully repaid and two other loans started repayment. As previously mentioned, the three loan repayments are due to cancellation of the loan agreements.
- 106. The low amount of loan funds repaid is due to the fact that the loans are repaid once the projects reach the first issuance of CERs. Most of the projects have not yet performed the first verification.

## **6.10. Summary**

- 107. The evaluation of the criteria described above results in a positive evaluation of the performance of UNOPS.
- 108. During the early stages of implementation of the scheme, UNOPS showed some delays in the delivery of required documentation and reports, and lack of detail in the content of some of them. However, both situations were discussed and resolved with the secretariat. In most cases the delays were due to the lack of previous experience in the implementation of the scheme, and the need to adapt as such experience was gained.
- 109. On the other hand, UNOPS showed efficiency in the approval process for loans, meeting all deadlines and promptly requesting the corresponding funds from the secretariat, in order to provide the loans in timely manner.
- 110. It is expected that in the years ahead there will be neither delays nor incomplete reports due to the experience gained by both organizations in the previous period.
- 111. UNOPS complied with the requirements evaluated under the rest of the criteria.

## 7. Recommendations for improvements of the loan scheme performance

112. The overall performance of UNOPS is satisfactory as it has considerably improved the reporting timelines, completeness and responsiveness over the past couple of years. It is recommended to ensure that the data provided in the financial reports is consistent in the various reports.
113. The secretariat has prepared Terms of Reference for contracting a consultant to act as an independent expert on the evaluation of the implementation and management of the loan scheme. The independent evaluation is to determine whether the loan scheme is successful and achieving the objectives for which it was set up. The evaluation will also provide recommendations for possible improvements in the purpose, scope and operation of the loan scheme. It will provide the secretariat with a basis for considering a possible extension of the term of the loan scheme.
114. LoA issuance was identified as one of the barriers to registration of projects receiving loans. There are two loans which have been delayed for more than two years; Tanzania and Cameroon are the countries with large LoA problems. The secretariat, especially through the RCCs, has successfully liaised with DNAs to facilitate the LoA issuance process. It is also recommended that direct support from RCCs to the projects receiving loans be intensified, to help move the projects through the approval process and reach the various milestones.
115. To increase the outreach of the loan scheme for verification and issuance processes, it is recommended that the secretariat and UNOPS intensify its promotion, through outreach activities, especially in Latin America and the Caribbean regions. The RCCs should also intensify their support to project participants interested in the loan scheme by assisting with the preparation of application documents, provided that the MoU is extended and a new window of applications is opened.
116. Furthermore, it is necessary to indicate that, due to the current situation in the carbon markets, there is a challenge that some of the funds that have been loaned will face difficulties to be repaid. The secretariat and UNOPS should explore ways to minimize such a risk.

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### Document information

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