



Annex 10

ESTABLISHING A CONSULTATIVE MECHANISM TO SUPPORT THE EXECUTIVE BOARD AND UNFCCC SECRETARIAT ON REGIONAL AND SUB-REGIONAL DISTRIBUTION AND CAPACITY BUILDING

I. Background

1. The CDM Executive Board (hereinafter referred to as the Board) recognises the imbalance in the geographical distribution of the clean development mechanism (CDM) projects and noted the encouragement of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) to the Board to support the enhancement of the regional distribution of the CDM projects through its decision 3/CMP.6.
2. The Board considered a proposal prepared by the secretariat to establish an advisory forum to meet the objective of enhancement of regional distribution of the CDM project activities and programme of activities (PoAs) at its fifty-ninth meeting and requested the secretariat to prepare a concept note on analysis of different forms to establish a consultative mechanism to support the Board in order to meet the objective outlined above in the paragraph.

II. Scope

3. At its fifty-ninth meeting the Board adopted a 2 year business plan in addition to a management plan for 2011. One of the guiding objectives of the management plan is “Improved regional and sub regional distribution and capacity-building”. The new actions and deliverables related to this objective can be categorized in two broad areas:
 - (a) Firstly a greater emphasis has been placed on the systematic identification of barriers to real project and programme implementation;
 - (b) Secondly the management plan identifies the need for additional and broader consultation regarding matters related to regional distribution and capacity-building.
4. The purpose of this paper is to elaborate the workplan in these areas, identify the interlinkages between these areas of work and provide the Board with a basis for decision-making.

III. Existing mechanisms

5. The following existing mechanisms are in place which are established under the Board and/or secretariat to either enhance the distribution of CDM project activities and programmes in under represented regions and sub regions or identify barriers to a more equitable distribution:
 - (a) Nairobi Framework initiatives;
 - (b) DNA Forums and DNA trainings including regional trainings and forums;
 - (c) Dedicated workshops;
 - (d) Unsolicited submissions;
 - (e) Call for public inputs.



IV. General objectives

6. The work-programmes in these areas must be designed to achieve enhanced the regional and sub-regional distribution of the CDM project activities and programmes in under represented regions and sub-regions by means of:

- (a) Enhanced interaction with the relevant stakeholders; designated national authorities (DNAs), project participants, designated operational entities (DOEs), Regional Development Banks and private financial institutions, industry associations, and civil society, in the identified regions and sub regions;
- (b) Providing opportunities to stakeholders, to give ideas for meeting the broader objective of enhancing the regional and sub-regional distribution of the CDM project activities and PoAs, and assess their appropriateness;
- (c) Identifying the specific economic sectors, which need to be targeted for individual regions and sub regions keeping into consideration the socio-economic circumstances of host countries;
- (d) Identifying the sustainable development benefits associated with different types of projects;
- (e) Identifying barriers which inhibit the implementation of the CDM project activities and PoAs in respective sectors of regions and sub regions;
- (f) Proposing solutions to alleviate the barriers identified following subparagraph (e) above;
- (g) Proposing other measures required for capacity building to enhance CDM awareness in focused regions and sub regions.

V. Focus of work

7. While existing mechanisms and efforts to address the matter of regional distribution have been welcomed it is clear from the current inequity in regional distribution and from repeated requests from the CMP that additional and focused efforts are needed from the Board and its support structure. Traditional capacity building initiatives remain an important element of this process and the secretariat has intensified its support of DNAs. Partner agencies in the Nairobi Framework have also supported this work and made significant efforts in capacity building for other stakeholders. However these important contributions will need to be complimented with a more direct approach to barrier identification and alleviation. While it is understood that many barriers to project development are outside the control of the CDM regulatory system, this should not act as an excuse to identify and address those that are with the control of the regulator.

8. For these reasons the secretariat proposes that efforts to address the matter of regional distribution should be aimed at identifying real and potential CDM project activities and programmes, assessing the barriers faced in their realization as generators of certified emission reductions (CERs), and addressing those barriers through the appropriate modification of CDM requirements. Such a focus would ensure that efforts going forward lead to implementation of CDM project activities in under represented regions.

9. The secretariat's work programme would include the following:

- (a) Establishment of agreed indicators of regional distribution, such an indicator may be calculated as Emission Reductions (ERs)/GDP or ERs/historic emissions or



ERs/future emissions The Board needs to then decide on mapping the sub-regions/groupings and calculate the indicators for each grouping;

- (b) Establishment of groupings of targeted sub-regions/countries based on the established indicators and other development indices;
- (c) Elaboration of specific work-programmes project identification and realization in the established groupings based on the established indicators, i.e. for countries and regions with low rates of projects in validation an emphasis would be placed on working with relevant authorities and interested entities to identify focus areas for CDM development, for countries and regions with low rates of registered projects the focus would be placed on the identification of barriers in project realization;
- (d) Implementation of the specific work-programmes in co-ordination with interested agencies, e.g. Nairobi Framework partner agencies, DNAs, DOEs, Regional Development Banks and private financial institutions, donors, industry associations, other private entities.

VI. Consultative mechanisms to support the work-programme

10. The effective delivery of the work-programme outlined above would require an appropriate governance structure. Three options have been identified to deliver this:

- (a) The Board could act directly as an oversight body for this work. This would have the advantage of direct Board involvement in this important area of work and may also speed final decision making. However this option may be constrained by the Board's heavy agenda and the direct involvement with actual project activities may conflict with some of the Board's other functions as a regulatory body;
- (b) The UNFCCC secretariat could create the appropriate internal mechanisms to govern the work. This option would have the advantage of direct management of the work, but may limit the transparency and external oversight of the work;
- (c) The establishment of a new element of the Board's support structure to provide oversight to the work-programme. This final option is recommended as it would provide appropriate external governance to guide the final recommendations being placed before the Board. If the Board agreed to such an option further consideration would need to be given to the composition and terms of reference of the body. Key questions in this regard would be:
 - (i) Chairmanship: Should an independent expert be contracted to Chair the Body?;
 - (ii) The composition of the body: would this be fixed or at the discretion of the Chair?;
 - (iii) The frequency of meetings and modalities of work.

VII. For consideration by the Executive Board

11. The Board may wish to:

- (a) Take note of the secretariat's proposed work programme and provide additional guidance as required;



- (b) Decide on the appropriate means of ensuring broad consultation in the delivery of this work.
