

**CDM-EB96-AA-A06**

## Information note

---

# Annual report of the CDM Loan Scheme

Version 01.0



**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 ten registered CDM project activities.

### **2. Purpose**

2. The purpose of this information note is to provide an update about the status of the CDM Loan Scheme and key developments in the reporting period from 30 June 2016 to 30 June 2017

### **3. Key issues and proposed solutions**

3. Following decision 3.CMP/12, providing further guidance regarding the loan scheme, no new windows for loan applications have been opened and no new loan applications have been received in the reporting period. Instead, the implementing agency is focusing on managing existing loans in accordance with the guidance provided, including assessing whether the loan agreements are still viable to continue until completion of the loan cycle as per the loan agreement terms, or if they should be cancelled.

### **4. Recommendations to the Board**

4. The Board is invited to take note of the information provided in this note.

<b>TABLE OF CONTENTS</b>	<b>Page</b>
<b>1. INTRODUCTION .....</b>	<b>4</b>
<b>2. ACTIVITIES COMPLETED DURING THE REPORTING PERIOD.....</b>	<b>4</b>
<b>3. IMPLEMENTATION STATUS.....</b>	<b>5</b>
<b>APPENDIX. DECISION 3.CMP/12, PARAGRAPHS 11-17, GUIDANCE REGARDING THE CDM LOAN SCHEME .....</b>	<b>9</b>

## **1. Introduction**

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 ten registered CDM project activities.
2. At its sixth session, through the annex to 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 ten registered CDM project activities” (the G&M), and requested the secretariat to select and contract with a public or private institution (an implementing agency) to administer the loan scheme (the CDM Loan Scheme).
3. The secretariat selected the United Nations Office for Project Services (UNOPS) as the implementing agency for the CDM Loan Scheme in late 2011.
4. Pursuant to paragraph 21 of the G&M, the secretariat is to provide an annual report to the CMP on the status of implementation of the CDM Loan Scheme. The period covered in this report is from June 2016 to June 2017.
5. The CDM Loan Scheme was officially launched in April 2012. Since then, a total of 191 applications for loans have been received, out of which 78 loan agreements have been approved. Please refer Section 2 for further information about the status of the loan scheme.
6. Following an evaluation of the CDM Loan Scheme in 2016, the CMP, at its twelfth session (November 2016), adopted further guidance in relation to the CDM Loan Scheme (the “recent CMP guidance”) (see decision 3/CMP.12, paragraphs 11 to 17 inclusive, annexed as Annex I).

## **2. Activities completed during the reporting period**

7. There have been no new application windows since the end of May 2015, and thus no new loans have been approved in the reporting period.
8. During the reporting period, the secretariat and UNOPS have been implementing the recent CMP guidance, including by initiating a process to regularly assess if the loan agreements are still viable to continue until completion of the loan cycle as per the loan agreement terms. In cases where the supported CDM projects are significantly delayed or the loans for other reasons are deemed unlikely to be repaid as per the terms in the loan agreement, the loans are entering a cancellation phase in which repayment of disbursed funds is sought. When circumstances warrant, as per the G&M or recent CMP guidance, individual loans may be written off in accordance with applicable UN Financial Regulations and Rules and the guidance from the CMP referred to above. Such write-offs by UNOPS would correspondingly be recorded in the accounts of the secretariat in accordance with the UN Financial Regulations and Rules. Processes for managing potential write-offs are

being undertaken by UNOPS and the UNFCCC, but most actions have not fallen within the reporting period of this annual report.

9. The secretariat has completed the following tasks:
  - (a) Reviewing and approving quarterly narrative reports from UNOPS on the implementation of the CDM Loan Scheme;
  - (b) Reviewing and approving the 2017 annual business plan, budget and forecast of loan disbursements;
  - (c) Transferring replenishment funds for UNOPS' operational (for loan fund disbursements) and administrative costs;
  - (d) Reviewing and advising UNOPS on grounds for cancellation and/or write-off of loans;
  - (e) Where assistance was requested, the regional collaboration centres continued to support the funded projects and provide clarifications on the issues linked to the CDM Loan Scheme in consultation with UNOPS as needed;
  - (f) Making administrative arrangements to enable the continued operation of the CDM Loan Scheme until the end of 2018 without renewing the existing memorandum of understanding, as per the CMP's guidance.
10. UNOPS, together with its technical sub-contractor UNEP DTU Partnership, has completed the following activities:
  - (a) Management of the CDM Loan Scheme as per the G&M, including disbursement of loan funds as per loan agreements, in accordance with the progress of projects against defined milestones;
  - (b) Submission to the secretariat of required documentation (such as quarterly reports and financial statements) for approval;
  - (c) Support to loan recipients and CDM consultants in relation to obstacles faced (such as with obtaining letters of approval from relevant designated national authorities);
  - (d) Elaboration of a structured process for assessing the status of approved loans, as well as establishing processes for cancelling and writing off loans in accordance with UNOPS applicable regulations and consistent with the G&M and CMP guidance and the terms of the memorandum of understanding with the secretariat;
  - (e) Regularly reviewing the status of approved loans by contacting and seeking relevant information from loan recipients;
  - (f) Initiating cancellation and repayment provisions under certain loans in accordance with the G&M and recent CMP guidance. Since there were no new loan application windows during this period, no promotional activities were carried out.

### **3. Implementation status**

11. From the start of the CDM Loan Scheme in April 2012 until the end of the current reporting period (June 2017), a total of 191 applications were received. Seventy-eight loans were

approved, of which 63 progressed to signature of the loan agreements. No new loan application windows were opened for the reporting period, and thus no new loans were approved. Tables 1, 2 and 3 provide more detailed information about the signed loan agreements.

**Table 1. Signed loan agreement by country**

<b>Country</b>	<b>Total</b>	<b>LDC / Non-LDC</b>
Bangladesh	3	LDC
Belize	1	Non-LDC
Burkina Faso	1	LDC
Burundi	1	LDC
Cambodia	1	LDC
Cameroon	4	Non-LDC
Cote d'Ivoire	2	Non-LDC
DRC	1	LDC
Ethiopia	2	LDC
Ghana	1	Non-LDC
Iran	4	Non-LDC
Kenya	3	Non-LDC
Laos	3	LDC
Madagascar	1	LDC
Malawi	3	LDC
Mali	2	LDC
Mauritius	2	LDC
Mongolia	1	Non-LDC
Mozambique	3	LDC
Myanmar	1	LDC
Nepal	2	LDC
Nigeria	2	Non-LDC
Rwanda	2	LDC
Senegal	3	LDC
Sudan	2	LDC
Tanzania	3	LDC
Togo	2	LDC
Uganda	2	LDC
Zambia	4	LDC
<b>Non-LDC</b>	<b>19</b>	
<b>LDC</b>	<b>44</b>	
<b>Total</b>	<b>63</b>	

**Table 2. Signed loan agreements by type**

Project Type	Total
Biogas	1
Biomass	6
EE household(lightning)	3
EE household (stoves)	16
EE household industry	1
EE Service (water purification)	3
EE supply side (single cycle to combined cycle)	1
Energy distribution	2
fossil fuel substitution	3
Geothermal	1
Hydro	7
Landfill gas	4
Methane avoidance (domestic manure)	3
Methane avoidance (waste water)	2
Reforestation	1
Solar PV	6
Transport	2
Waste handling & disposal	1
<b>Total</b>	<b>63</b>

**Table 3. Signed loan agreement by size**

Size	Total
Large scale	19
PoA	31
Small scale	13
<b>Total</b>	<b>63</b>

12. In relation to the loan agreements:

- (a) Two of the 63 loan agreements were cancelled upon the request of the loan recipient before any funds were been disbursed. Of the 61 remaining loan agreements, six have already completed repayment. Two of those were early repayment at the choice of the loan recipient, as they completed the project cycle and issued CERs;
- (b) As at the end of the reporting period, 55 loan agreements were still active. Two were in the process of being repaid in instalments. Another five loans were awaiting repayment, one of which has successfully issued CERs;
- (c) In accordance with the recent CMP guidance in 3/CMP.12 and the G&M, UNOPS is in the process of reviewing loans that may need to be cancelled and repaid, or

written off. A number of loans have been cancelled and repayment requested. For some loans, owed amounts may be approved for write-off, in accordance with UNOPS regulations, the G&M and the recent CMP guidance.

13. The financial status of the CDM Loan Scheme is as follows:

- (a) The CDM Loan Scheme is entirely funded from the interest on the trust fund for the CDM. By the end of this reporting period USD 8,691,184 had been transferred into UNOPS loan scheme accounts, of which
  - (i) USD 7,038,020 was allocated for disbursements of loans;
  - (ii) USD 1,653,164 was allocated for UNOPS service charges;
- (b) Total disbursements as at the end of June 2017 by UNOPS to loan recipients totals USD 3,583,386. The payment of the balance between loan funds transferred to UNOPS (USD 7,038,020) and loans disbursed (USD 3,583,386) is scheduled to be disbursed by UNOPS to loan recipients as the supported projects achieve predefined milestones.
- (c) Total loan repayments by loan recipients of loan funds disbursed is USD 304,307 as at 30 June 2017.



## **Appendix.      Decision 3.CMP/12, paragraphs 11-17, Guidance regarding the CDM Loan Scheme**

### **IV. CDM Loan Scheme**

11. *Recalls* the purpose of the CDM Loan Scheme, which is to increase the participation of underrepresented countries in the clean development mechanism;

12. *Takes note* of the report on the evaluation of the CDM Loan Scheme, implemented pursuant to decision 2/CMP.5, paragraphs 49 and 50, and decision 3/CMP.6, paragraphs 64 and 67, and annex III;

13. *Recognizes* the implications for the CDM Loan Scheme of the current low price of certified emission reductions and, in particular, the implications for the recipients of CDM Loan Scheme funds with regard to potential difficulties in the repayment of loans;

14. *Decides* that the implementing agency of the CDM Loan Scheme, after consultation with the secretariat, may write off amounts disbursed under individual loans on a case-by-case basis, where it becomes evident that it will not be feasible for the loan recipient to repay the disbursed funds;

15. *Requests* the implementing agency and the secretariat to work closely with loan recipients that wish to continue under the CDM Loan Scheme to help those recipients to identify ways to progress through the project cycle, including making adjustments to loan agreement terms, if appropriate;

16. *Decides* that the secretariat should not seek a new implementing agency after the expiry of the term of the current contract as required by decision 3/CMP.6, annex III, paragraph 8;

17. *Also decides* that other changes to the CDM Loan Scheme are not required at this time;

- - - - -

### Document information

<i>Version</i>	<i>Date</i>	<i>Description</i>
01.0	04 September 2017	Initial publication as an annex to the annotated agenda of EB96.
Decision Class: Operational		
Document Type: Information note		
Business Function: Governance		
Keywords: annual report, loan scheme, reporting to the CMP		