

CDM-EB107-AA-A02

Information note

Financing and use of the CDM by international finance institutions

Version 01.0



United Nations
Framework Convention on
Climate Change

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1. Procedural background

1. The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), at its eleventh session, encouraged the Executive Board of the clean development mechanism (CDM) (hereinafter referred to as the Board) to explore opportunities for financing the CDM through international finance institutions (IFIs), such as the Green Climate Fund (GCF), 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).
2. The Board considered an initial concept note at its eighty-eighth meeting (EB 88)¹ and a follow-up concept note at its ninetieth meeting (EB 90),² on financing and use of the CDM by IFIs, ensuring prudent management of the resources of the CDM. The notes included a list of potential opportunities highlighted during the in-session workshop held at the forty-fourth session of the Subsidiary Bodies in May 2016.³ The Board took note of both notes and requested the secretariat to prepare a revised concept note describing the support role of the secretariat in the proposed activities.
3. The Board considered a revised concept note on financing and use of the CDM by IFIs, ensuring prudent management of the resources of the CDM, containing a list of activities, means of delivery and costs for supporting the activities identified, at its ninety-first meeting (EB 91).⁴ The Board requested the secretariat to initiate support for the activities listed therein.
4. The CMP, at its twelfth session, encouraged the Board to continue its activities in response to decision 6/CMP.11, paragraphs 7 and 8.⁵
5. The Board considered a concept note on the progress of the support to financing and use of the CDM by IFIs, ensuring prudent management of the resources of the CDM, at its ninety-fourth meeting (EB 94).⁶ The Board agreed to support an additional activity involving a national development bank in a frontier financial market, recognizing benefits for national financial institutions in other countries.
6. The CMP, at its thirteenth session, encouraged the Board to continue its cooperation with financial institutions in response to decision 6/CMP.11, paragraphs 7 and 8.⁷
7. The Board considered a concept note on the progress of the work on financing and use of the CDM by IFIs, ensuring prudent management of the resources of the CDM, at its ninety-seventh meeting (EB 97).⁸ The Board agreed to support additional activities.

¹ <https://cdm.unfccc.int/UserManagement/FileStorage/QJ25XFM9D4I0KACENU8YBVTZ1OHS6R>.

² <https://cdm.unfccc.int/UserManagement/FileStorage/TN9D3B5S04Y6UOPEWQJ2RVCXL87GKF>.

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

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

⁵ <http://unfccc.int/resource/docs/2015/cmp11/eng/08a02.pdf#page=2>.

⁶ <https://cdm.unfccc.int/UserManagement/FileStorage/GWME0Z79CK1J5SPXLHYRUI6B8O3T4D>.

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

⁸ <https://cdm.unfccc.int/UserManagement/FileStorage/CAENSVLD92BP7IRM48W1UQ5XOGHKT6>.

8. The Board considered information notes on the progress of work on financing and use of the CDM by IFIs, ensuring prudent management of the resources of the CDM, at its ninety-ninth meeting (EB 99)⁹ and at its 101st meeting (EB 101).¹⁰
9. The Board considered information notes on the progress of work on financing and use of the CDM by IFIs, ensuring prudent management of the resources of the CDM together with complementary mandates and processes under the UNFCCC, at its 103rd meeting (EB 103)¹¹ and at its 105th meeting (EB 105).¹²
10. The Board requested the secretariat to continue to provide updates on the progress of work.
11. This note relates to work outlined in the CDM two-year business plan and management plan (CDM-MAP) 2018–2019 and the CDM-MAP 2020–2021. This work contributes to goal 2 of the CDM-MAP 2018–2019 (“Nurture the demand for, and participation in, the CDM”) and under objectives 2b (“Enhance the use of the CDM for voluntary purposes”) and 2c (“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 5. It further contributes to goal 2 of the CDM-MAP 2020–2021 (“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

12. Considering the CMP mandates referred to in paragraphs 1, 4 and 6 above, and as requested by the Board, the purpose of this note is to provide the Board with an update of the support provided by the secretariat for the fourth quarter of 2019 and first quarter of 2020 (October 2019 to March 2020 inclusive). Progress in the previous two quarters was reported at EB 105.

3. Key issues and proposed solutions

13. To ensure prudent management of the resources of the CDM, the work described above is being carried out in combination with a complementary mandate given to the secretariat at the twenty-third session of the COP.¹³ The needs-based finance (NBF) project¹⁴ aims to facilitate the mobilization of climate finance to support the needs identified by developing countries regarding the implementation of priority mitigation and adaptation actions (also with 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.

⁹ <https://cdm.unfccc.int/UserManagement/FileStorage/MCOA3SPN5JHT4IKL60Q9WVR7XGZUFY>.

¹⁰ <https://cdm.unfccc.int/UserManagement/FileStorage/DONHLYR29FEPV73CJ4610ZMI5WTA8U>.

¹¹ <https://cdm.unfccc.int/UserManagement/FileStorage/6E3VO8C4ZXSHPF0UDMW9BK5G12AJT>.

¹² <https://cdm.unfccc.int/UserManagement/FileStorage/50KD4FINMJEP1YT639QSHV7X8ROGZA>.

¹³ Conference of the Parties serving as the meeting of the Parties to the Convention.

¹⁴ https://unfccc.int/NBF_Project.

14. The NBF project is a country-driven process involving three phases:

(a) Phase I – Initial engagement

- (i) Stakeholder mapping including experts from environment/climate and finance ministries, identify complementarities in their work and the work of other actors, create synergies, and establish partnerships with relevant national and international finance actors, UN regional offices, regional coordination/integration organizations, UN economic organizations and regional community organizations;
- (ii) An Exchange of Letters (EoL) outlining the role of the regional coordination/integration or economic community organizations in its engagement in the region, approach, and communication and collaboration with the project partner(s) and other relevant stakeholders;
- (iii) Convene an inception workshop with relevant external partners, typically hosted by regional integration organizations or UN regional economic commissions and agencies, the operating entities of the financial mechanism (GCF and Global Environment Facility), the World Bank, and multilateral development banks and finance and investment sector stakeholders.

(b) Phase II – Technical engagement

- (i) Support the enhancement and/or development of priority project finance needs and the preparation of national or regional climate finance access and mobilization strategies, investment pipelines and road maps;
- (ii) Convene a validation technical workshop with above hosting agency (iii) to refine the strategies, pipelines and road maps, determine barriers to project finance in different national contexts, and initiate the preparation of financing solutions for project pipelines;
- (iii) Support the hosting agency with multistakeholder engagement at the country or regional level to build and enhance support and endorsement of the project pipeline strategy and the road map of finance mobilization and access activities at the highest political level.

(c) Phase III – Finance mobilization engagement

- (i) Through a partnership dialogue meeting, support the mobilization of project finance in collaboration with national/regional counterparts and partner organizations by facilitating arrangements between support providers and countries/regions through outreach activities such as:
 - a. Bilateral outreach to expert institutions and countries/regions on support for and access to finance;
 - b. Facilitation of contacts between national/regional agencies and international and national finance institutions;
- (ii) Ensure project or opportunities placement with investors and financiers.

15. The work of the Board complements in particular phases II and III of the NBF project with early engagement in the design of both national and regional climate finance access and

mobilization strategies for financing priority projects, including project pipelines, enabling factors and policies. This approach has resulted in a wider reach of the Board's and secretariat's limited resources and expertise, increased the number of partners, agencies and non-party stakeholders, and ensured that support is provided in a country-driven and results-oriented manner. In this way, priority projects obtain the finance needed and can make use of the CDM where additional.

16. The progress of support provided in the reporting period under the NBF project and in collaboration with the regional collaboration centres (RCCs) is detailed in table 1 below. In summary one NBF inception workshop, one NBF validation workshop, one technical workshop on climate finance for finance experts and one CDM dialogue were held in the reporting period. At the twenty-fourth session of the COP two side events were held updating on the NBF project and work of the Board. The events have allowed the assessment and validation of country needs and the subsequent compilation of project pipelines, strategies and road maps for implementation to proceed at pace, several of which are in various stages of completion, validation and endorsement by countries. The RCCs continue to provide key support and contacts to CDM developers and project owners, including new priority considerations, offering support where required and/or receiving additional information on projects needing funding. Contacts were made with more than 70 specific entities and approximately 10% responses were received in the reporting period. Engagement with IFIs has also taken place. Unfortunately, work in the first quarter of 2020 has been affected by the coronavirus disease 2019 (COVID-19) pandemic, resulting in continuing and changing project planning and use of alternatives and virtual arrangements where feasible, available and accepted by stakeholders. The impact of these changes was not clear at the time of preparation of this note.

Table 1. Current activities

Activities	Actions	Progress & results^(a)
1. South-East Asia (11 countries) ^(b)	Enabling the support of climate finance strategies that include project pipelines, identification of financiers, and access to and mobilization of project development funding, including debt equity and de-risk instruments. Establishing links with other finance organizations and finance networks and including outreach in the identification of suitable financial institutions, bilateral funds, and regional and multilateral development banks on mobilizing private capital, guarantees and investment vehicles. Facilitating support to governments to promote climate investment in their countries and disseminate information on their climate finance needs, strategies and investment opportunities both domestically and with IFIs.	<p>The technical assessment on institutional and policy frameworks, existing sources of climate finance, needs and priorities for the South-East Asian subregion is ongoing and a validation by countries was planned for the first half of 2020. The work is being conducted in collaboration with ASEAN secretariat the ad-hoc working group on climate change (AWGCC) and UN Economic and Social Commission for Asia and the Pacific (ESCAP).</p> <p>In the context of support in scaling up Thailand's access to GCF readiness funding the RCC has co-developed a transport, industry, human settlement and health sector project pipeline.</p>
2. Island States in the Indian Ocean (6 countries) ^(c)	See above.	The island States in the Indian Ocean as represented by the Government of Maldives concluded an agreement to commence work in the region. The validation of the technical assessment of institutional and policy frameworks, existing sources of climate finance, needs and priorities was conducted in February 2020 in Male shortly before COVID-19 restrictions began. Development of a regional climate finance strategy and project pipeline is under way.
3. Middle East (22 countries) ^(d)	See above.	In collaboration with the League of Arab States (LAS) ⁽ⁱ⁾ a technical workshop on climate finance for finance experts including which include from the Ministries of finance and central banks in the Arab region was hosted in February 2020 in Cairo, supported by the RCC Dubai and its host World Green Economy Organization (WGeo), shortly before COVID-19

Activities	Actions	Progress & results ^(a)
		restrictions began. Countries agreed to increase their coordination with climate focal points, climate funds and ministries of finance as representatives on the boards of IFIs. Countries also agreed to place greater emphasis on, and provide more support to, developing long-term strategies on climate action in the region, including with whole-of-government approaches. Technical assessment for the region is almost complete and a validation by countries was planned for the first half of 2020. The work is being conducted in collaboration with UN Economic and Social Commission for Western Asia (ESCWA).
4. Southern Africa (16 countries) ^(e)	See above.	The Southern African Development Community (SADC) ^(m) countries are planning to update the climate change strategy for the region. Validation of the technical assessment, climate finance strategy and priority climate project pipeline are nearing completion and validation was planned for the first half of 2020 to be revisited for later in the year. The EoL agreement is currently undergoing revision.
5. East Africa (6 countries) ^(f)	See above.	In collaboration with the East African Community Secretariat an inception workshop was held in February 2020 in Zanzibar before COVID-19 restrictions began. Government finance and environment experts from all seven countries agreed on several actions such as a finance platform, a regional fund, capacity-building and use of financial instruments (e.g. carbon finance, climate finance, private sector finance). The technical assessment is under development and will be considered by countries in a follow-up validation workshop in the second half of 2020, circumstances permitting. The work includes climate finance capacity-

Activities	Actions	Progress & results ^(a)
		building for Rwanda together with the East African Alliance on Carbon Markets and Climate Finance.
6. West Africa (15 countries) ^(g)	See above.	The Economic Community of West African States (ECOWAS) commission and the West African Alliance on Carbon Markets and Climate Finance have expressed interest in the NBF projects, and a work plan is being compiled in an EoL agreement between the secretariat as supported by its RCC Kampala and its host the West African Development Bank (BOAD). The Global Climate Change Alliance+ ⁽ⁿ⁾ is currently supporting the development of a climate change strategy for the region, as a wireframe for the region's climate finance strategy and pipeline. The EoL agreement is currently undergoing revision.
7. Eastern Caribbean (6 countries) ^(h)	See above.	<p>A climate finance strategy for the region has been completed in collaboration with the NDC Finance Initiative (NDCFI)^(o) The Organization of Eastern Caribbean States (OECS) Commission^(p) has requested refinements to the proposal and the consideration of a pipeline of priority projects and investments.</p> <p>In the interim work has commenced with developing a strategy and project pipeline for the Dominican Republic in collaboration with its Government, and a full overview and assessment of climate finance has been completed for Antigua and Barbuda (2013–2017) as a precursor for the project pipeline and finance needs. Further support was provided to the Private Financing Advisory Network (PFAN)^(q) in identifying potential projects in the Caribbean and providing stakeholder contact.</p>

Activities	Actions	Progress & results ^(a)
8. Least developed countries in Asia (6 countries) ⁽ⁱ⁾	See above.	The region's technical assessment on institutional and policy frameworks, existing sources of climate finance, needs and priorities is under way, but has been delayed due to illness. An inception workshop with the Government of Bhutan was planned for the first half of 2020, and a possible alternative is in discussion for September. An EoL agreement is currently undergoing legal consideration.
9. Polynesia (5 countries) ⁽ⁱ⁾	See above.	The Pacific Island Forum (PIF) and Secretariat of the Pacific Regional Environment Programme (SPREP) have expressed interest in the NBF projects and a work plan is being compiled in an EoL agreement with the secretariat as supported by its RCC Bangkok.
10. Melanesia (4 countries) ^(k)	See above.	The regional assessment of potential for CDM, carbon finance and collaborative instruments has been completed for 74 projects identified in the 2019 Climate Finance Strategy and Pipeline of the Melanesian Spearhead Group (MSG) countries. The assessment included several recommendations and a road map for arranging finance for these projects.
11. Latin America (per country basis)	See above.	The Governments of Plurinational State of Bolivia, Guatemala, Honduras and Uruguay have expressed interest in the NBF project. Support to date has included matters related to the implementation of priority mitigation and adaptation actions in accordance with goals set out in NDCs and national development strategies or instruments. Several virtual meetings were conducted and RCC Panama, in collaboration with Miambiente de Panama, various business associations, the Interamerican Development Bank and the Governments of Costa Rica and Colombia, organized a

Activities	Actions	Progress & results ^(a)
		<p>CDM Regional Dialogue in March 2020 to inform project participants.</p> <p>In collaboration with UNEP the RCC Panama will contribute to the GCF readiness funding proposal on “Advancing a regional approach to e-mobility in Latin America”, which aims to support 10 Latin American countries (Argentina, Costa Rica, Cuba, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Paraguay and Uruguay) building on experiences obtained from the CDM projects registered in the transport sector in these participating countries.</p>

(a) Reporting period from October 2019 to March 2020 inclusive.

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

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

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

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

(f) Burundi, Kenya, Rwanda, South Sudan, United Republic of Tanzania and Uganda.

(g) Benin, Burkina Faso, Cabo Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo.

(h) Antigua and Barbuda, Dominica, Grenada, Saint Kitts & Nevis, Saint Lucia, and Saint Vincent and the Grenadines.

(i) Bangladesh, Bhutan, Cambodia, Myanmar, Nepal, and Timor-Leste.

(j) Cook Islands, Niue, Samoa, Tonga and Tuvalu.

(k) Fiji, Papua New Guinea, Solomon Islands and Vanuatu.

(l) <http://www.lasportal.org>.

- (m) <https://www.sadc.int>.
- (n) <http://www.gcca.eu>.
- (o) The NDCFI is a joint initiative of the OECS and the Government of Saint Lucia, established with the support of the secretariat under the auspices of the NDC Partnership, and with initial funding from Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ).
- (p) <https://oeecs.org>.
- (q) <https://pfan.net/>

4. Impacts

17. 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.
18. The work does not foresee any cost implications for third parties/stakeholders.

5. Subsequent work and timelines

19. All the activities listed in table 1 above are under way and are envisaged to continue into 2021.

6. Recommendations to the Board

20. 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.

Document information

<i>Version</i>	<i>Date</i>	<i>Description</i>
01.0	7 September 2020	Published as an annex to the annotated agenda of EB 107. Due to time constraints, the Board could not consider this document (CDM-EB106-AA-A02) in EB106 and agreed to consider it at EB107.

Decision Class: Operational

Document Type: Information note

Business Function: Governance

Keywords: climate finance, climate investments, financial institutions, regional collaboration centres
