

**CDM-EB101-AA-A01**

## Information note

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# 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 information note at its eighty-eighth meeting (EB 88) and a follow-up concept note at its ninetieth meeting (EB 90), on financing and use of the CDM by IFIs, which 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.<sup>1</sup> The Board took note of the information note and requested the secretariat to prepare a revised concept note for the Board to consider at its ninety-first meeting (EB 91), describing in particular the role of the secretariat in the proposed activities.
3. The Board, at its ninety-first meeting (EB 91),<sup>2</sup> considered a revised concept note on financing and use of the CDM by IFIs, which detailed a list of activities, means of delivery and costs for supporting activities identified in the concept note. 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.<sup>3</sup>
5. The Board, at its ninety-fourth meeting (EB 94),<sup>4</sup> considered a further concept note on financing and use of the CDM by IFIs. 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.<sup>5</sup>
7. The Board considered a further concept note on financing and use of the CDM by IFIs at its ninety-seventh meeting (EB 97),<sup>6</sup> where it agreed to support two additional activities: one involving an additional national development bank in a frontier financial market; and the other a regional programme of work involving both national and commercial financial institutions in several countries.

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<sup>1</sup> <<http://cdm.unfccc.int/stakeholder/index.html>>.

<sup>2</sup> <<http://cdm.unfccc.int/UserManagement/FileStorage/7BL6UQ4DMSYZRN9JVEOTFG3A052HIC>>.

<sup>3</sup> <<http://unfccc.int/resource/docs/2015/cmp11/eng/08a02.pdf#page=2>>.

<sup>4</sup> <<https://cdm.unfccc.int/UserManagement/FileStorage/GWME0Z79CK1J5SPXLHYRUI6B8O3T4D>>.

<sup>5</sup> <<https://unfccc.int/sites/default/files/resource/docs/2017/cmp13/eng/l02e.pdf>>.

<sup>6</sup> <<https://cdm.unfccc.int/UserManagement/FileStorage/CAENSVLD92BP7IRM48W1UQ5XOGHKT6>>.

8. The Board considered an information note on financing and use of the CDM by IFIs on the progress of work during the first quarter of 2018 (January 2018 to March 2018) at its ninety-ninth meeting (EB 99).<sup>7</sup>
9. The Board requested the secretariat to continue to provide updates on the progress of work in 2018.
10. This note relates to work outlined in the CDM two-year business plan and management plan (MAP) 2018–2019, in which the Board intends to establish the CDM as an accepted delivery vehicle for development and climate financing (including via the GCF). This work contributes to goal 2 of the MAP 2018–2019 (“Nurture policies to broaden demand for, and participation in, the CDM”) and there 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”), with resources assigned as reflected under “Use of CDM in climate finance” in table 5 of the MAP.

## 2. Purpose

11. Considering the CMP mandates referred to in paragraphs 1, 4 and 6 above and the Board’s ongoing work in exploring other uses for the CDM, the purpose of this note is to provide the Board with an update of the support provided by the secretariat, for the second and third quarters (April 2018 to the first half of October 2018), for the activities described in the concept note, presented at the ninety-seventh meeting of the Board (EB 97). Progress in the first quarter 2018 (January 2018 to March 2018) was reported at ninety-ninth meeting EB 99.

## 3. Key issues and proposed solutions

12. Progress on the seven activities described in the concept note to the Board at its ninety-seventh meeting (EB 97) is described in table 1 below. The activities comprise actions, progress and results from support provided by the secretariat, and for the most part in collaboration with the five UNFCCC Regional Collaboration Centres.

**Table 1. Activities, actions, progress and results**

Activities	Actions	Progress & results <sup>8</sup>
1. Support for the development of CDM project financing via green bonds ( <b>Green Bond</b> )	<p>(a) Sharing information on the concept with market players, CDM project developers and designated national authorities (DNAs);</p> <p>(b) Providing technical support on design specifics to ensure alignment of eligibility conditions for CDM project activities and PoAs (CDM activities) inclusion with investment requirements;</p> <p>(c) Disseminating information on the concept to prospective IFIs,</p>	<ul style="list-style-type: none"> <li>• Provided continued support to the United Nations Development Programme (UNDP) and partners in support of the Government of The Gambia to implement a grid-connected solar energy programme for independent power producers for registration as a CDM programme of activities (PoA); wherein Component Project Activities (CPAs) will be financed in part via a green bond;</li> <li>• Under a nationally determined contribution partnership (NDC Partnership) agreement, supported the</li> </ul>

<sup>7</sup> <<https://cdm.unfccc.int/UserManagement/FileStorage/MCOA3SPN5JHT4IKL60Q9WVR7XGZUFY>>.

<sup>8</sup> Reporting period from 01 April to mid-October 2018.

Activities	Actions	Progress & results <sup>8</sup>
	<p>credit-rating agencies and development banks, and DNAs;</p> <p>(d) Establishing links with other finance organizations and finance networks, and including outreach and web-based promotion.</p>	<p>application of green bonds in the financing of a new PoA for methane reduction in rice cultivation in the Philippines and a renewable energy and clean cooking PoA in Ghana. Both involved the updating and/or application of existing standardized baseline;</p> <ul style="list-style-type: none"> <li>Presented information on green finance/bond market which pertains to CDM project financing opportunities to DNAs at the annual DNA forum in Bonn in September 2018.</li> </ul>
2. Finance for projects via crowd-investing and -funding platforms ( <b>Crowd-finance</b> )	<p>(a) For CDM projects selected by the facilities, supporting the gathering of project details from project developers and portfolio managers interested in using the platforms;</p> <p>(b) Maintaining a direct relationship with platforms to ensure that projects suitable for crowd-investing are connected and benefit from crowd-funding and other innovative funding sources;</p> <p>(c) Establishing links with new platforms and other networks, including outreach and web-based promotion of the sources of finance and opportunities.</p>	<ul style="list-style-type: none"> <li>Provided continued maintenance of relations with CDM activities interested in crowd-investing and assisted with project development, including advice under the CDM cycle and on potential buyers of CERs;</li> <li>As per 3/CMP.1, Annex, para C 5(i)<sup>9</sup>, two crowd funding platforms were provided with information on CDM activities in east and southern Africa that could potentially be included on crowd-investing platforms in accordance with these platforms' respective investment criteria;</li> <li>Due to declining interest in CDM activities by crowd funders some of the effort on this activity was diverted to activities 6 and 7 below.</li> </ul>
3. Support to the East African Development Bank ( <b>EADB</b> )	<p>(a) Providing support to the EADB in setting up an operational and institutional framework for using the CDM in climate finance, also drawing examples and lessons from the other activities;</p> <p>(b) Assisting the bank in completing information on CDM activities, as identified by the bank as suitable opportunities for its climate finance programmes;</p> <p>(c) Assisting in the establishment of a climate finance desk at the EADB, including capacity- and expertise-building on the use of the CDM in climate finance.</p>	<ul style="list-style-type: none"> <li>Further follow up support was provided to the bank in their process to recruit an environmental manager and a climate finance expert to assist the bank in the process of establishing a climate finance desk;</li> <li>Several meetings were held with the bank's risk department to identify requirements to establish a green revolving credit line for projects;</li> <li>Presented a <i>Renewable Energy Infrastructure Financing</i> facility at the SEED Practitioner Finance Lab held in Kampala;</li> <li>Approached intermediary financial institutions, including partners of the</li> </ul>

<sup>9</sup> CDM-EB shall make publicly available information on projects needing funding and investors seeking opportunities.

Activities	Actions	Progress & results <sup>8</sup>
		bank, to assist in identifying bankable CDM activities in the region.
4. Support to the West African Development Bank (BOAD)	<p>(a) Providing support to the BOAD in setting up an operational and institutional framework for using the CDM in climate finance, also drawing examples and lessons from the other activities;</p> <p>(b) Assisting the bank in completing information on CDM activities, as identified by the bank as suitable opportunities for its climate finance programmes;</p> <p>(c) Assisting in the establishment of a green bond programme to finance CDM activities, including capacity- and expertise-building on the use of the CDM in climate finance.</p>	<ul style="list-style-type: none"> <li>• In preparation for the BOAD Green Bond, origination of projects for the bond facility was conducted, which included the provision of information on proposed projects seeking funding as per 3/CMP.1, Annex, para C 5(i).<sup>10</sup>;</li> <li>• The following groups of projects received support on CDM registration and access project finance: <ul style="list-style-type: none"> <li>I. Projects in the advanced stage of development (feasibility study completed or undergoing): 4 in Benin, 3 in Burkina Faso, 1 in Cote d'Ivoire, 2 in Mali, 2 in Niger, 10 in Togo, 3 in Senegal &amp; 4 regional projects;</li> <li>II. Projects in the early-stage project development (concept preparation, project idea elaboration): 12 in Mali, 8 in Benin, &amp; 1 in Senegal.</li> </ul> </li> </ul>
5. Support to the Infrastructure Development Bank of Zimbabwe (IDBZ)	<p>(a) Providing support to the IDBZ in setting up an operational and institutional framework for using the CDM in climate finance, including mainstreaming the CDM project cycle into the IDBZ's project development process;</p> <p>(b) Assisting in the establishment of a climate finance desk at the IDBZ, including capacity- and expertise-building on the use of the CDM in climate finance;</p> <p>(c) Providing technical support on design specifics to ensure alignment of eligibility conditions for CDM activities inclusion with investment requirements;</p> <p>(d) Assisting the IDBZ in completing information on CDM activities as identified by the bank as suitable opportunities for its climate finance programmes and</p>	<ul style="list-style-type: none"> <li>• The IDBZ Board of Directors approved the set-up of a Climate Finance Division staffed by a Climate Finance Manager, Chief Climate Financial Analyst, Chief Environmental, Social Sustainability Expert and a Gender Expert;</li> <li>• The IDBZ Board of Directors approved the setting up of a Climate Finance Facility subject to undertaking of a detailed feasibility study;</li> <li>• A consultant call was hired to conduct the feasibility of establishing a climate finance facility (CFF), which is essentially a ring-fenced and thematic trust fund dedicated to financing projects;</li> <li>• The bank received a commitment of USD 30,000 to support the feasibility study under the Green Investment Framework launched at the <i>green investment catalyst roundtable</i> that</li> </ul>

<sup>10</sup> CDM-EB shall make publicly available information on projects needing funding and investors seeking opportunities.

Activities	Actions	Progress & results <sup>8</sup>
	development of a green investment framework.	<p>took place in Victoria Falls in Dec. 2017;</p> <ul style="list-style-type: none"> <li>• The CFF will attract funding from various climate finance sources, development finance institutions (DFIs), multilateral development banks (MDBs) and national development banks (NDBs) and crowd-in private sector investment to be combined with IDBZ own funding and or concessional funding from the GCF, noting IDBZ will not rely solely on the GCF to fund projects;</li> <li>• Next steps include: <ul style="list-style-type: none"> <li>I. Assist in in the development and enhancement of domestic funding sources for the financing of projects, knowledge sharing with UNDP on how to structure green bonds;</li> <li>II. Assist in the development of innovative and sustainable funding mechanisms that are based on or borrow from the experiences in other developing and the more developed markets, through knowledge and information sharing and training sessions;</li> <li>III. Assist in in the integration of the IDBZ CFF as the bank of choice for “Support Towards the Implementation of Zimbabwe’s Nationally Determined Contributions (STIZ-NDC) Project”.</li> </ul> </li> </ul>

Activities	Actions	Progress & results <sup>8</sup>
6. Support to the Uganda Development Bank ( <b>UDB</b> ) diverted to include support to the Development Bank of South Africa's (DBSA) new climate finance facility ( <b>CFF</b> )	<p>(a) Assisting in the establishment of a climate finance desk at the UDB, including capacity- and expertise-building on the use of the CDM in climate finance;</p> <p>(b) Providing technical support on design specifics to ensure alignment of eligibility conditions for CDM activity inclusion with investment requirements;</p> <p>(c) Assisting the UDB in completing information on CDM activities as identified by the bank as suitable opportunities for its climate finance programmes, and development of a green investment framework.</p>	<ul style="list-style-type: none"> <li>• UDB is undergoing an international credit rating process, after which the bank plans to start discussions on the establishment of a climate desk;</li> <li>• In the interim, effort on this activity was diverted to assist the DBSA in GCF approval of the CFF;</li> <li>• The CFF (FP098) was approved by the GCF at the B.21 meeting. The CFF fund will use GCF, DFI and pension funding to provide subordinated, first loss cover and tenor extension to crowd-in private commercial bank lending for projects that struggle to access affordable financing at commercial terms in Eswatini, Lesotho, Namibia, South Africa (countries in Rand Monetary Area);</li> <li>• Next steps include assist in in origination of projects for the CFF by provision of information on proposed projects seeking funding as per 3/CMP.1, Annex, para C 5(i).<sup>11</sup></li> </ul>

<sup>11</sup> CDM-EB shall make publicly available information on projects needing funding and investors seeking opportunities.



<p>7. Loans and bonds for CDM projects in south east Asia (ASEAN)</p>	<p>(a) Supporting the identification of green loan and bond market actors that are interested in issuing green debt and bonds in at least two countries with mature capital markets and two in developing capital markets to include CDM activity debt;</p> <p>(b) Raising interest in green loan and bond actors in providing refinancing for CDM activities through capacity-building activities to further enhance understanding of green loans and bonds for public and private sector bodies, including convening a <i>green investment catalyst roundtable</i> in the region, with relevant partners in 2018;</p> <p>(c) Providing technical support on design specifics to ensure alignment of eligibility conditions for CDM activities inclusion with investment requirements;</p> <p>(d) Establishing links with other finance organizations and finance networks, and including outreach and web-based promotion.</p>	<ul style="list-style-type: none"> <li>• Convened a <i>green investment catalyst roundtable</i> in Singapore in association with the Asian Securities Industry &amp; Financial Markets Association and UN-Economic and Social Commission for the Asia Pacific, which was attended by over 200 private and public sector capital market representatives. The second day focused on the launch of three projects funding facilities together with partners, which are:             <ol style="list-style-type: none"> <li>I. <i>Asia-Pacific Green Lending Facility</i> – a finance facility for specifically designed for discerning investor funds, high-net-worth-individuals, family offices and endowment investors;</li> <li>II. <i>Sustainability Bond Facility for Micro Finance Institutions</i> – a bond facility for providing on-lending to projects funded through micro finance institutions in the region;</li> <li>III. <i>Syndicated Regional Green Lending Facility</i> – a loan facility to provide mid-scale syndicated concessional loans to domestic banks in the region for on-lending to projects;</li> </ol> </li> <li>• Assisted in the origination of projects for the above facilities included provision of information on proposed projects seeking funding as per (3/CMP.1, Annex, para C 5(i) resulting in discussions with five proposed activities, namely in Cambodia, Lao PDR, Sri Lanka, India and a Chinese project developer;</li> <li>• Links were established with the following financial institutions in consultations on project finance and use of the CDM, some of which have been conducted via <i>working level network</i> events and targeted in-person engagements in the financial centres:             <ul style="list-style-type: none"> <li>• Banks: <i>BNP Paribas, ING Bank, HSBC, Acleda Bank, ANZ Royal Cambodia, SATHAPANA Bank, ABA Bank, BRED Bank, TMB Bank, KBank, SCB, Krugsthai</i></li> </ul> </li> </ul>
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Activities	Actions	Progress & results <sup>8</sup>
		<p><i>Bank, ANZ Thailand, Yes Bank, BCEL, Maruhan, BFL;</i></p> <ul style="list-style-type: none"> <li>• Microfinance institutions: <i>AMK Microfinance, vision International, EMI;</i></li> <li>• Asset owners/managers: <i>AIA, Manulife, Prudential, Nomura, SCB AM, Swiss RE;</i></li> <li>• Security and financial service firms: <i>SBI Royal, Twin pine, Tris Rating, ADM Capital, IIX, ResponsAbility, Lighthouse Asia, Country Group, S&amp;P Global;</i></li> <li>• Development financial institutions: <i>IFC, ADB, Norfund, Proparco, NIB;</i></li> <li>• Co-organized regional events hosted by Official Monetary and Financial Institutions Forum (OMFIF), Thai Bond Market Association and the SEED practitioner finance lab, to raise awareness on the lending opportunities for projects in the region.</li> </ul>

#### 4. Impacts

13. Financing and use of the CDM by IFIs can: (i) contribute to pre-2020 climate action; (ii) implement mitigation action that is verified, additional and internationally tracked; and (iii) contribute to the exploration of other uses of the CDM.
14. The work does not foresee any cost implications for third parties/stakeholders.

#### 5. Subsequent work and timelines

15. All the activities listed in table 1 above have been initiated and will continue throughout 2019.

## 6. Recommendations to the Board

16. The secretariat recommends that the Board take note of the progress of the support provided by the secretariat and in collaboration with the Regional Collaborations Centres for the reporting period.

### Document information

<i>Version</i>	<i>Date</i>	<i>Description</i>
01.0	12 November 2018	Published as an annex to the annotated agenda of EB 101.
Decision Class: Operational		
Document Type: Information note		
Business Function: Governance		
Keywords: climate finance, climate investments, financial institutions, regional collaboration centres		