

**CDM-EB104-AA-A04**

## Information note

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# CDM Loan Scheme: Annual Report

Version 01.0



**United Nations**  
Framework Convention on  
Climate Change

## **COVER NOTE**

### **1. Procedural background**

1. Through its decision 2/CMP.5, paragraph 49, the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) requested the Executive Board of the clean development mechanism (CDM) (hereinafter referred to as the Board) to allocate financial resources from the interest accrued on the principal of the Trust Fund for the Clean Development Mechanism, as well as voluntary contributions from donors, to provide loans to support certain activities relating to the CDM in countries with fewer than 10 registered CDM project activities.

### **2. Purpose**

2. The purpose of this information note is to provide an update on the status of the CDM Loan Scheme and key developments in the reporting period from 1 July 2018 to 30 June 2019.

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

3. Pursuant to decision 3.CMP/12, providing further guidance regarding the CDM Loan Scheme, no new windows for loan applications were opened and no new loan applications were received in the reporting period. Instead, the implementing agency is focusing on managing existing loans in accordance with the guidance provided.
4. The CDM Loan Scheme is now scheduled to close operations by the end of 2019.
5. As per the guidance provided by the CMP, loans may be written off under certain circumstances. Currently, out of 63 loans, 19 have been fully repaid, 5 have been partly repaid, 13 have been written off, and the 26 remaining loans are still being processed by United Nations Office for Project Services for cancellation and repayment of write-off.

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

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

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## **1. Introduction**

1. Through its decision 2/CMP.5, paragraph 49, the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) requested the Executive Board of the clean development mechanism (CDM) (hereinafter referred to as the Board) to allocate financial resources from the interest accrued on the principal of the Trust Fund for the Clean Development Mechanism, as well as voluntary contributions from donors, to provide loans to support certain activities relating to the CDM in countries with fewer than 10 registered CDM project activities.
2. In annex III to decision 3/CMP.6, the CMP established the guidelines and modalities for the operationalization of a loan scheme (the G&M) 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 a public or private institution (an implementing agency) to administer 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 1 July 2018 to 30 June 2019.
5. The CDM Loan Scheme was officially launched in April 2012. Since then, a total of 191 applications for loans were received, of which 78 loan agreements were approved and 63 loans were proceeded to execution. In the same period, the number of countries with fewer than 10 projects registered declined from 124 in 2012 to 110 in 2016.
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 (see decision 3/CMP.12, paragraphs 11 to 17 (reproduced in the appendix)).

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

7. There were no new application windows since the end of May 2015, and thus no new loans were approved in the reporting period.
8. During the reporting period, the secretariat and UNOPS followed the CMP guidance and worked to achieve closure and repayment of all loans. In cases where the supported CDM projects were deemed unlikely to be repaid as per the terms in the loan agreement due to delays in implementation or for other reasons, the loans entered a cancellation phase in which the repayment of disbursed funds is sought.
9. When circumstances warrant, as per the guidance in the G&M, individual loans may be written off in accordance with the applicable Financial Regulations and Rules of the United Nations and the guidance from the CMP referred to in paragraph 6 and 7 above. Such write-offs by UNOPS are correspondingly recorded in the accounts of the secretariat in accordance with the Financial Regulations and Rules of the United Nations. Processes for managing write-offs have been established and are now being implemented by UNOPS and UNFCCC.

10. By the end of the current reporting period (30 June 2019):
  - (a) 19 loans had been fully repaid;
  - (b) Five loans had been partially repaid with the remaining amounts written off;
  - (c) 13 loans had been fully written off;
  - (d) The remaining 26 loans were still being processed by UNOPS to either be cancelled and repaid or written-off.
11. The secretariat completed the following tasks:
  - (a) Reviewed and approved four quarterly narrative reports from UNOPS on the implementation of the CDM Loan Scheme;
  - (b) Reviewed and approved the 2019 annual business plan and budget for the loan scheme;
  - (c) Transferred replenishment funds to UNOPS for operational and administrative costs;
  - (d) Reviewed the grounds for cancellation and/or write-off of 29 loans and advised UNOPS accordingly;
  - (e) Where assistance was requested and through 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 (15 loans);
  - (f) When requested by UNOPS, in accordance with provisions in the UNFCCC/UNOPS Memorandum of Understanding,<sup>1</sup> put forwarding of CERs on hold for loans/projects that did not provide adequate documentation to UNOPS to allow an assessment of whether the loan could be repaid or should be written-off;
  - (g) Made administrative and legal arrangements with UNOPS to enable receipt of loan repayment amounts in the longer term, post financial closure of the CDM Loan Scheme (beyond September 2019).
12. UNOPS, together with its technical subcontractor UN Environment–Technical University of Denmark Partnership, completed the following activities:
  - (a) Management of the CDM Loan Scheme as per the G&M.
  - (b) Submission to the secretariat of required documentation (four quarterly reports and two financial statements) for approval;
  - (c) Application of a structured process for assessing the status of approved loans, as well as establishing processes for cancelling and writing off loans in accordance

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<sup>1</sup> As per paragraph 13, Recovery of Loan Funds – “b. UNOPS shall use all reasonable efforts to ensure that Loan Funds disbursed to CDM Consultants and Loan Recipients are Repaid on time and in accordance with the relevant Loan Agreement. In the event of a non-Repayment, UNOPS shall use all reasonable efforts to enforce the Loan Agreement, including: .... iv. *Instructing the UNFCCC (acting as the CDM registry administrator) to withhold CERs from being forwarded to the Project Participants of the Funded Project Activity.*”

with the applicable regulations of UNOPS and consistent with the G&M and CMP guidance and the terms of the memorandum of understanding with the secretariat;

- (d) Regular review of the status of approved loans by contacting and seeking relevant information from loan recipients;
- (e) Initiation of the cancellation and repayment provisions under certain loans in accordance with the G&M and recent CMP guidance.
- (f) Presented the status of the CDM loan scheme at the African Regional Climate Week in Accra, Ghana, on 18-23 March 2019 as means to inform the CDM community.

### 3. Implementation status

13. From the start of the CDM Loan Scheme in April 2012 until the end of the current reporting period (June 2019, a total of 191 applications were received. Seventy-eight loans were approved, of which 63 progressed to the 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 agreements by country**

Country	Total	Least developed country (LDC)/non-LDC
Bangladesh	3	LDC
Belize	1	Non-LDC
Burkina Faso	1	LDC
Burundi	1	LDC
Cambodia	1	LDC
Cameroon	4	Non-LDC
Côte d'Ivoire	2	Non-LDC
Democratic Republic of the Congo	1	LDC
Ethiopia	2	LDC
Ghana	2	Non-LDC
Iran	4	Non-LDC
Kenya	3	Non-LDC
Lao People's Democratic Republic	3	LDC
Madagascar	1	LDC
Malawi	3	LDC
Mali	2	LDC
Mauritius	2	LDC
Mongolia	1	Non-LDC
Mozambique	3	LDC

Country	Total	Least developed country (LDC)/non-LDC
Myanmar	1	LDC
Nepal	2	LDC
Nigeria	2	Non-LDC
Rwanda	2	LDC
Senegal	3	LDC
Sudan	2	LDC
United Republic of Tanzania	3	LDC
Togo	2	LDC
Uganda	2	LDC
Zambia	4	LDC
<b>LDC</b>	<b>44</b>	
<b>Non-LDC</b>	<b>19</b>	
<b>Total</b>	<b>63</b>	

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

Project type	Total
Biogas	1
Biomass	6
Energy Efficiency (EE) in households – lighting	3
EE households – cook stoves	16
EE in industry	1
EE services – water purification	3
Supply-side EE – single cycle to combined cycle	1
Energy distribution	2
Fossil fuel substitution	3
Geothermal	1
Hydropower	7
Landfill gas	4
Methane avoidance (domestic manure)	3
Methane avoidance (wastewater)	2
Reforestation	1
Solar photovoltaics	6
Transport	2
Waste handling and disposal	1
<b>Total</b>	<b>63</b>

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

Size	Total
Large-scale project	19
Programme of activities	31
Small-scale project	13
<b>Total</b>	<b>63</b>

14. The CDM Loan Scheme is entirely funded from the interest accrued on the Trust Fund for the Clean Development Mechanism. As of 30 June 2019, the financial status of the CDM Loan Scheme, according to the second quarterly loan scheme report submitted by UNOPS was as follows:
- (a) Total loan commitment: USD 3,902,070
  - (b) Funds disbursed to loan recipients: USD 3,702,987
  - (c) Loan funds repaid: USD 1,075,049
  - (d) Loan funds written off: USD 580,376
15. By the end of this reporting period, USD 9,020,802 had been transferred into UNOPS loan scheme accounts since the start of the loan scheme, of which:
- (a) USD 3,394,460 was allocated for the disbursements of loans;
  - (b) USD 2,224,389 was allocated for UNOPS service charges;
  - (c) USD 3,401,954 was returned in the reporting period to UNFCCC as unallocated and repaid funds.

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

16. The Board may wish to take note of the information contained in this note.



## **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;

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### Document information

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