

CLEAN DEVELOPMENT MECHANISM

CDM IN AFRICA FINANCE AND SUPPORT



United Nations
Framework Convention on
Climate Change



INTRODUCTION

As early as 2006, Parties to the Kyoto Protocol recognized the importance of a balanced regional distribution of CDM projects and welcomed the establishment of the Nairobi Framework, which brings together UN and regional organizations to support equitable access to the mechanism. In light of the benefits that the CDM can bring to lesser developed regions, the Nairobi Framework partners and others began funding technical support and capacity-building programmes for the CDM, particularly in Africa.

The following pages provide a short description of the most important financing and support opportunities available for CDM projects in Africa.

UNFCCC'S LOAN SCHEME FOR COUNTRIES WITH FEWER THAN 10 REGISTERED CDM PROJECTS

This loan scheme was established by the secretariat of the United Nations Framework Convention on Climate Change at the request of the Parties to the Kyoto Protocol. It provides zero per cent interest loans to cover the following expenses associated with CDM projects:

- Development of project design document (PDD)
- Validation of the PDD by a Designated Operational Entity (DOE)
- Verification by a DOE of the first issuance of Certified Emission Reductions (CERs)

Projects applying for this loan must have a high probability of getting registered with the UNFCCC and generate at least 7,500 CERs per year for projects in Least Developed Countries (LDCs), and 15,000 CERs per year in non-LDCs. The project documentation must be developed by an experienced CDM consultant and the loan must not “crowd out” other funding sources like donor funding or funding by an already identified buyer of CERs from the project.

Further details on the application procedure and the selection requirements are available here: < <http://www.cdmloanscheme.org> >

AFRICA CARBON ASSET DEVELOPMENT INITIATIVE (ACAD)

Launched in 2009 to kick-start the African carbon market, ACAD supports potential CDM projects with:

- Targeted grants for early stage costs
- Technical assistance for local project developers
- Carbon finance training for local financial institutions

ACAD aims to support highly replicable demonstration projects by reducing the early-stage investment risks associated with African carbon projects. Afforestation and reforestation projects are excluded.

This is an initiative of the United Nations Environment Programme (UNEP) and Standard Bank and is funded by the German government. Further information, including application guidelines, is available at: <<http://www.acadfacility.org>>

AFRICAN CARBON SUPPORT PROGRAMME (ACSP) BY THE AFRICAN DEVELOPMENT BANK (AfDB)

ACSP supports potential CDM projects contained in the AfDB project portfolio by:

- Providing technical assistance to develop the CDM component of eligible projects
- Developing project idea notes (PINs) and PDDs for a few selected projects
- Securing funds to cover transaction costs for potential carbon credit buyers or other sources (e.g. UNFCCC Loan Scheme, ACAD)
- Offering capacity-building upon request to CDM Designated National Authorities (DNAs) and other national institutions in AfDB's regional member countries

Applications can be submitted through the Energy, Environment and Climate Change Department (ONEC), country field offices or regional offices of the AfDB. The programme expires in December 2012, although it may be extended for a second phase.

Further information on ACSP is available at: <<http://www.afdb.org/en/topics-and-sectors/initiatives-partnerships/african-carbon-support-program/>>

CARBON FUND FOR AFRICA (FCA)

The Carbon Fund for Africa was announced at the Africa Carbon Forum in April 2012 and is an initiative of the West Africa Development Bank, Caisse des Dépôts and the French Development Agency Group "Proparco". It is currently under development.

Project developers are encouraged to submit project proposals through the following link where further information will be published as it becomes available:

<http://www.cdclimat-am.com/en>

AFRICAN BIOFUELS AND RENEWABLE ENERGY FUND (ABREF)

ABREF contributes to the development of the biofuel and renewable energy industry in Africa, and was initially focussed on the member countries of the Economic Community of West African States (ECOWAS).

The fund is managed by the African Biofuel and Renewable Energy Company (ABREC), which also offers technical assistance by preparing feasibility studies and engaging in capacity-building and technology transfer. It is open to all renewable energy projects in Africa, including those eligible under the CDM.

The following project types are covered by the fund:

- Biofuels
- Fuel-switching to biomass energy
- Hydro power
- Wind
- Methane leakage
- Capture of methane from landfills
- Forestry

Further information is available at: http://www.faber-abref.org/index_english.php

UNDP'S MILLENNIUM DEVELOPMENT GOALS (MDG) CARBON FACILITY (LDC SUPPORT)

The carbon facility of the United Nations Development Programme supports projects in countries with few or no CDM projects. It focusses on projects that strongly contribute to the MDGs in least developed countries, where it offers:

- Project development services
- Technical assistance for the approval process
- Assistance in monitoring and reporting during a project's first year of operation
- Finance support

Certain types of projects are excluded, such as geo-sequestration including enhanced oil recovery, electric power load shifting and capture and destruction of industrial gases.

Further information is available at: <http://www.mdgcarbonfacility.org/>

CARBON FUNDS AND INITIATIVES UNDER THE UMBRELLA OF THE WORLD BANK GROUP

Of the 15 carbon funds managed by the *World Bank*, three are open for CDM support or will be opened after the conclusion of the fund raising process.

CARBON PARTNERSHIP FACILITY (POA SUPPORT)

The Carbon Partnership Facility (CPF) supports CDM Programme of Activities (PoA) by developing large scale emission reduction projects and purchasing the resulting CERs. In order to scale up carbon finance, the CPF collaborates with governments and market participants on investment programmes and sector-based interventions. These initiatives have to be consistent with low-carbon economic growth and the sustainable development priorities of developing countries. Further information is available at:

<http://cpf.wbcarbonfinance.org/cpf/>

CARBON INITIATIVE FOR DEVELOPMENT (LDCS AND ACCESS TO ENERGY SUPPORT)

This fund was launched at the United Nations Climate Change Conference in December 2011 in Durban, South Africa. It aims to help low-income countries access sustainable financing for low-carbon investments through carbon markets. Its three components are the Readiness Fund, the Financing Fund and the Carbon Fund, which together support capacity-building, methodology and project development. In addition, the initiative helps with up-front financing and purchases carbon credits generated by the supported projects. Further information is available at: <http://wbcarbonfinance.org/Router.cfm?Page=CIDEV&FID=65997&ItemID=65997&ft=About>

BIOCARBON FUND (AFFORESTATION AND REFORESTATION SUPPORT)

Phase 3 of this fund was also launched in Durban in December 2011 with the aim of increasing the number of projects that sequester or conserve carbon in forests and landscapes, such as REDD (reducing emissions from deforestation and forest degradation) and afforestation and reforestation CDM projects. Further information is available at: <http://wbcarbonfinance.org/Router.cfm?Page=CIDEV&ItemID=65997&FID=65997> >

FINANCIAL SUPPORT FOR PUBLIC SECTOR PROJECTS (NOT EXCLUSIVELY CDM RELATED)

The *World Bank's* country offices provide support for public sector projects. Contact details are available at: <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/0,,pagePK:180619~theSitePK:136917,00.html>

FINANCIAL SUPPORT FOR PRIVATE SECTOR PROJECTS (NOT EXCLUSIVELY CDM RELATED)

The *International Finance Corporation* provides support to private sector projects. An overview of the various programmes, as well as contact details for IFC's regional and country offices, is available at: <http://www.ifc.org>

TRAINING SEMINARS ON THE CDM

World Bank Institute holds training seminars for identified stakeholders. It also offers online seminars that are open to the public. Further information is available at: <http://einstitute.worldbank.org/ei/CourseTheme>

An overview of financial options for climate action in developing countries in general is available at: <http://www.climatefinanceoptions.org>

In addition, there are national programmes for the purchase of CERs, some of which also include early-stage support for CDM projects. For example:

GERMANY'S KfW CARBON FUND (PoA support)

The KfW Carbon Fund serves as a platform for CDM projects and offers:

- Financial support for Programme of Activities (PoA) in least developed countries through the **PoA Support Centre Germany**
- Early investment finance for PoA through a newly established **PoA foundation**

Information on all initiatives is available at the Carbon Fund homepage: <http://www.kfw.de/carbonfund>

The Nairobi Framework Partners are:

- United Nations Framework Convention on Climate Change
- United Nations Development Programme
- United Nations Environment Programme
- World Bank Group
- African Development Bank
- United Nations Conference on Trade and Development
- United Nations Institute for Training and Research

The first version of this publication was distributed at the Africa Carbon Forum in Addis Ababa in April 2012. This on-line version was updated on 30 June 2012. Future editions will include further finance and support opportunities available from multilateral and domestic sources. If you know of a CDM finance or support programme not listed here, please contact cdm-info@unfccc.int

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