##### Project Document Format for non-CPAP Countries or Projects outside a CPAP

**United Nations Development Programme**

**Countries: to be selected in Asia-Pacific and Africa Regions**

**Project Document**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Project Title: Scaled-up Carbon Finance For Sustainable Development** | | | | |  |
| **UNDAF Outcome(s): Local capacities are strengthened to manage the environment and expand access to environmental and energy services, especially for the poor.** | | |  | | |
| **Expected CP Outcome(s): NA** | | |  | | |
| **Expected Output(s): NA** | |  | | | |
| **Implementing Partner: UNDP/GEF (DEX/DIM)** | | | |  | |
| **Responsible Parties: UNDP** |  | | | | |

Total resources required US$ 2,606,882

Total allocated resources: US$ 2,606,882

* Regular NA
* Other:
  + Donor AusAID: US$2,606,882

Unfunded budget: NA

In-kind Contributions: NA

Programme Period: June 2013 – December 2015 (2.5 yrs)

Key Result Area (Strategic Plan): Catalysing environmental finance: creating conditions that allow markets to provide effective solutions for sustainable development.

Atlas Award ID: 00073071

Atlas Output ID: 00086035

Start date: June 2013

End Date December 2015

PAC Meeting Date 23 May 2013

Management Arrangements \_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Brief Description**

The Clean Development Mechanism (CDM) has established itself as an important instrument in assisting developing countries to transition to low-carbon, climate resilient economies. In particular, the CDM’s Programme of Activities (PoA) modality has opened the door to reducing transaction costs through aggregation, and to implementing activities in developing countries with low emission reduction potential, many of which could previously not benefit from carbon finance.

Going forward, the opportunity is for the CDM and carbon finance to move to mitigation actions at scale, and to draw linkages with next generation instruments such as Nationally Appropriate Mitigation Actions (NAMAs) and New Market Mechanisms (NMMs). In this regard, the CDM’s PoA and Standardized Baselines (SBs) can act as an important starting point for sector-wide activities. Developing countries can gain bottom-up, direct experience with PoAs and SBs that can then serve as building blocks in developing the NAMAs and NMMs of the future.

To this end, the mission of MDG Carbon is to promote carbon finance solutions at scale in underrepresented developing countries through projects with high sustainable development outcomes. Using the MDG Carbon platform, the Project will have 3 core outputs: (i) UNDP capacity building for CDM and scaled-up mitigation approaches, (ii) UNDP specialised technical assistance to achieve UNFCCC registration for CDM projects; and (iii) UNDP technical assistance to pilot a sector-wide approach based on a SB.

Cleared by: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Approved by: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  
Name: Adriana Dinu Name: Olav Kjorven  
Title: UNDP/GEF Officer-in-Charge & Title: Director Bureau for Development Policy

Deputy Executive Coordinator

Date: Date:

**Acronyms**

**CDM** Clean Development Mechanism

**CER** Certified Emission Reduction

**CME** Coordinating/Managing Entity

**CPA** Corporate Programme Activity

**CPA DD** Corporate Programme Activity Design Document

**DNA** Designated National Authority

**DOE** Designated Operational Entity

**ERPA** Emission Reduction Purchase Agreement

**EU-ETS** European Union Emission Trading Scheme

**GEF** Global Environment Facility

**GHG** Green House Gas

**GS** Gold Standard

**IRRI** International Rice Research Institute

**JI** Joint Implementation

**LECB** Low Emission Capacity Building

**LEDS** Low Emission Development Strategies

**LoA** Letter of Approval

**MRV** Monitoring Reporting Verification

**NAMA** National Appropriate Mitigation Action

**NMM** New Market Mechanism

**SB** Standardized Baseline

**MDGs** Millenium Development Goals

**PDD** Project Design Document

**PoA** Programme of Activity

**PoA DD** Programme of Activity Design Document

**PP** Project Proponent

**UNFCCC** United Nations Framework Convention on Climate Change

**UNDP** United Nations Development Programme

1. **Situation Analysis**
   1. **Carbon Finance**

Carbon finance - with the potential to mobilize large volumes of private sector capital for mitigation activities - can act as an important instrument to assist developing countries transition to low-emission pathways.

The Clean Development Mechanism (CDM) has quickly established itself in a relatively short time, and has 5,194 registered CDM projects and 1,094 million issued Certified Emission Reductions (CERs) as of December 2012[[1]](#footnote-1). Renewable energy projects have so far been the dominant CDM project types followed by methane capture, waste disposal and the manufacturing industries.

Despite increasingly alarming reports from climate scientists and an obvious increase in climate related disasters, there is an alarming lack of ambition amongst the Parties. Weak targets and over-allocation of emission allowances combined with a prolonged economic slow-down has resulted in an oversupply of CERs, the price of which has fallen to below USD 0.40 per unit. There is no sign of increased demand from the EU ETS, other developing ETS or Annex 1 Parties. As a result, new projected CDM driven investment in clean energy and low carbon projects till 2020 has fallen dramatically from its potential of USD 600 -750bn,.

In spite of this changed, and unfavourable, context, it is of critical importance to maintain the CDM as a mechanism and the capacities that were built through this it over the last decade in developed as well as in developing countries in order to be ready for the new global framework which is expected to enter into force in 2020. A reformed and scaled-up CDM which is capable of generating additional and permanent emission reductions in a cost efficient and effective manner is a key element to progress towards enhanced ambition from developing and developed countries. A reformed CDM also represents the foundations for the development of New Market Based Mechanisms and for the establishment and the indirect linkage of emission trading schemes in developed and developing countries. This is essential not only to raise demand for CERs and therefore emission reductions in the short term, but also to prevent the technological lock-in which is taking place in developing countries and which threatens the viability of the objective to limit climate change to 2°C.

Despite its many important achievements with regard to emission reductions and global awareness about the importance of setting a price on carbon, only a few large, developing countries have benefited disproportionately from the CDM in terms of number of projects and CERs issued. The CDM has very effectively identified the least cost abatement opportunities which the mechanism was designed to exploit but has fallen short in terms of promoting human development outcomes and addressing the poverty-environment nexus. The CDM has shown itself to be highly responsive to the likes and dislikes of the market, more than any other mechanism in the climate change space. Consequently, the majority of countries that benefited from the CDM most were advanced developing countries and emerging economies with high emission reduction potential. Countries and project types with low emission reduction potential but with high sustainable development co-benefits (e.g. cook stove projects Africa or the Pacific) have so far been underrepresented in the CDM.

More generally, carbon finance and the CDM are characterised by a rapidly changing and fast-evolving regulatory and market context. As of the drafting of this proposal, some key developments in the CDM are:

* *Emergence of PoA modality*. It is only recently that the CDM’s Progamme of Activities (PoA) modality has started to be implemented in practice. PoAs, by reducing transaction costs through aggregation, hold much promise for bringing CDM to countries with low overall potential for emission reductions, and of promoting micro-scale activities with high sustainable development benefits.
* *Piloting of standardized baselines*. The CDM’s SB modality reduces complexity and transaction costs through a standardisation of the additionality demonstration, establishment of a data set and selection of data via indicators, and streamlined collection procedures. The very first SBs are now being developed.
* *Demand for CERs*. The EU-ETS has historically acted as the main source of demand for CERs. Recently, the EU-ETS has been viewed by market participants as being over-supplied, creating downward pressure on CER prices. While the overall demand picture is uncertain, in the medium and longer term new sources of demand are anticipated.
  1. **Carbon Finance and Next Generation, Scaled-up Approaches**

While the CDM has operated to date on a project-by-project basis, it is increasingly recognized that there is a need to move towards programmatic approaches within the CDM, and to draw linkages between the CDM and the next generation of scaled-up mitigation instruments.

Figure 1: CDM to Next Generation Instruments



Figure 1 illustrates the continuum of current and evolving carbon market and climate finance mechanisms and shows how existing standards, oversight frameworks and experience of the CDM can be used in the design of next generation instruments.

On the left-hand side of Figure 1, the CDM has traditionally involved discrete project activities. The CDM PoA modality takes a step forward in achieving scale by allowing multiple methodologies and technologies to be combined under the same programme.

The SB modality contributes significantly to the sustainable development path of countries and regions and is likely to act as a key link to next generation carbon finance approaches. SB are predefined for all emission reduction activities within a given sector and country and can be used at the national level or across countries to determine both baseline and additionality. The SB modality reduces transaction costs and thus, improves the financial viability for micro-scale and small-scale projects with a smaller emission reduction potential but high sustainable development co-benefits by shifting major costs upfront away from the individual project developers to the developers of the SB. The SB modality also increases transparency, objectivity and predictability by providing ex-ante decisions on additionality and baseline emissions from specific project types and at the end facilitate access to carbon finance for the private sector by reducing risks and costs, particularly for underrepresented countries. SBs allow for a broad applicability - in CDM projects as well as build the basis for greenhouse gas emission quantifications and monitoring for NAMAs and NMMs. Guidelines and procedures for the establishment of SBs have been developed and adopted by the CDM Executive Board (EB). The recently introduced rules for the development of SBs, will enable countries to ex-ante estimate their sector-wide GHG emission reduction potential. All of these aspects have the potential to stimulate sustainable development and increased private sector involvement in scaled-up mitigation actions.

The right hand side of Figure 1 represents new scaled-up mitigation instruments. Sector wide approaches may include NMMs, amongst other possible designs. While a sector wide approach can conceivably take many different forms, one configuration may involve combining (i) policy measures, for example the implementation of a liberalized domestic energy market, with (ii) standardized quantification and monitoring approaches, or financial transfers based on concrete emission reductions achieved. At the end of the continuum, there is also the opportunity to establish emission trading schemes in developing countries, covering installations in one or more domestic sectors.

In this evolving market environment, a number of key actors and programmes are assisting developing countries to design and implement scaled-up climate finance instruments. These include (not exhaustively):the UNFCCC’s continued efforts and programmes supporting low mitigation activities through a reformed CDM, NAMAs and other modalities; the UNFCCC’s Green Climate Fund, which will act to contribute to transformative, low carbon, climate resilient development; the World Bank’s Partnership for Market Readiness with the objective to finance the development and implementation of innovative carbon finance instruments; and USAID’s Low Emission Development Strategies that support integrated, long-term planning for sustainable development at the national and sub-national level.

* 1. **UNDP’s support for Carbon and Climate Finance**

UNDP seeks to assist developing countries to access, combine and sequence different sources of climate finance, both public and private, to achieve their developmental objectives. UNDP’s various qualities - its in-country presence, its ability to act as a convener and aggregator, its long-held track-record in capacity building, and its experience in climate finance – mean it is well suited to play this role.

***MDG Carbon***

In the area of carbon finance, UNDP organizes its activities globally through its MDG Carbon platform. MDG Carbon was launched as a programme in 2007 and provides direct, specialised technical assistance for carbon finance activities globally.

Over its past 5 years of operations, UNDP, through MDG Carbon, has gained significant experience in developing CDM/JI projects, working on a large diversified portfolio spanning multiple technologies and project types, and active in all regions of the world. UNDP’s technical assistance has followed two main operational models. The first operational model has involved overseeing regional CDM capacity development programmes in Africa, Central Asia and Latin America, addressing a broad range of barriers and stakeholders, for example Designated National Authorities and the local financial sector, through workshops, policy work and awareness-risking. The second operational model has involved UNDP acting as a “one-stop-shop” source of specialised technical assistance to achieve CDM registration direct to third party carbon projects. Here UNDP has focused on assisting first-of-a-kind and/or high-sustainable development carbon projects, which can then act as demonstration projects for the private sector to replicate. In addition to technical assistance, MDG Carbon also provided capacity development for Designated National Authorities, UNDP Country Offices and Regional Technical Advisors through trainings, workshops and a comprehensive learning-by-doing experience. The lessons drawn from MDG Carbon’s global activities in the previous phase are reflected in the design of the new project.

MDG Carbon’s work has now started to focus on programmatic approaches and how the CDM can act as a basis for scaled-up carbon finance modalities. This includes directly supporting a number of PoAs, for example in Kenya (micro-scale hydropower), United Arab Emirates (solar power), and El Salvador (efficient cook stoves). Complementing this, UNDP has begun rolling out a series of PoA capacity building workshops and most recently also Standardized Baseline capacity building workshops for DNAs. In the framework of the Standardized Baseline workshop, MDG Carbon has published a recommendation report for further improvement of the SB development, submission and approval process. MDG Carbon is also performing technical studies for NAMAs using existing CDM building-blocks, for example develop a sustainable charcoal NAMA study for Uganda based on Uganda’s SB (currently under UNFCCC review) for charcoal production and regional SB assessments for rural electrification in Sub-Saharan-Africa.

***Global Environment Facility***

As a GEF implementing agency, UNDP has over the last 20 years been one of the largest sources of technical assistance to developing countries governments on clean energy market transformation projects. UNDP’s approach focuses on working with the government and relevant local stakeholders to systematically identify and address barriers (skills, policy, technology and regulatory) to clean energy deployment, and then to implement policy instruments to create an enabled investment environment which can subsequently catalyse private sector flows. More recently, UNDP has increasingly begun supporting the development of NAMAs under the GEF, including a first of its kind energy sector NAMA project in Peru, and planning for NAMA projects is under way in Costa Rica, Tunisia, Kazakhstan, Uzbekistan and Azerbaijan to name but a few. The experiences gained during the implementation of this AusAID funded project will build a strong foundation for UNDP’s involvement in scaled-up carbon finance activities in GEF 6 and help build critical skills and capacity in this highly technical area of climate finance. The project will help UNDP position itself as a key player in the coming years and allows it to maintain an effective presence and internal capacity that will be important for scaling up its activities in the future when the carbon markets are expected to rebound This project is also strongly linked to EITT’s signature program on new market mechanisms, under which the above mentioned NAMA projects are being developed for GEF funding.

***Low-Emission Capacity Building Programme***

The LECB Programme is a recently launched UNDP initiative supported by AusAID amongst other donors. The programme is designed to provide coordinated, expert capacity building support to assist participating countries to transition to low emission pathways. The programme is composed of two areas. The first area, *Capacity Building for the Public Sector*, includes GHG emission inventories, NAMA formulation, Low Emission Development Strategies (LEDS), and MRV to support LEDS and NAMAs. The second area, *Capacity Building for Industry*, includes technology identification, data gathering and management, and business practices.

A summary of the programme, including Asian LECB countries, is found in Annex II. Linkages between MDG Carbon and the LECB programme are further elaborated in this proposal.

1. **Strategy and Objectives**
   1. **MDG Carbon Platform Overview**

The Project will be part of UNDP’s existing MDG Carbon platform.

MDG Carbon’s overall mission is to increase and facilitate the access to carbon finance in developing countries in order to assist them in financing their transition to low carbon economies. To this end, MDG Carbon has 3 core objectives:

* *Access.* To expand access to carbon finance to under-represented developing countries;
* *MDGs*. To promote carbon finance activities with sustainable development outcomes;
* *Scale*. To promote carbon finance solutions at scale.

MDG Carbon’s activities are based on the principle that the most effective and efficient way to assist developing countries in carbon finance is through promoting hands-on, learning-by-doing experiences. As such, MDG Carbon aims to assist in the implementation of concrete, viable carbon finance activities that can then act as demonstration projects for further private sector replication and involves the Regional Service Centres and targeted Country Offices as appropriate MDG Carbon’s hands-on approach for CDM project development allows for constant involvement of Country Offices throughout the project development process while building their capacities, continuing and building upon the efforts started in the earlier phases of MDG Carbon.

Operationally, the MDG Carbon platform follows two main models: the first model involves capacity building activities (workshops, awareness raising and policy/technical dialogue); the second model involves direct project development assistance (specialized technical assistance for the CDM project cycle).

In terms of human resources, MDG Carbon has a dedicated, core team of experienced technical advisers specializing on carbon and finance matters. Collectively these advisers can comprehensively address the various facets and aspects of carbon finance activities.

* 1. **Project Overview**

MDG Carbon recognizes that the CDM has not sufficiently contributed to sustainable development by neglecting micro-scale projects opportunities with high sustainable development co-benefits in Least Developed Countries and Small Island States and consequently, CDM projects have been unevenly distributed among regions and sectors.

In response to this, MDG Carbon is determined to assist underrepresented CDM countries to maximize its impacts through capacity building for scaled-up approaches and technical assistance for the implementation of sector-wide standardized baselines in sectors with high sustainable development benefits.

Working within the framework of the MDG Carbon platform, the Project will have three outputs:

* **Output 1: Capacity building for CDM and scaled-up mitigation approaches**. This will involve a combination of hands-on and online capacity building, through PoA workshop and SB workshops, online tools, webinars, and awareness-raising targeted to Designated National Authorities and public and private Coordinating/Managing (CMEs) entities of PoAs in Asia-Pacific and Africa (through co-funding from the African Regional CDM Capacity Development Project). The training of CMEs will ensure sustained capacity in the region.
* **Output 2: High-sustainable development CDM project pipeline.** This will involve UNDP providing a comprehensive package of specialized technical assistance direct to third party project proponents in order to achieve UNFCCC registration for at least 3 CDM projects.
* **Output 3: Technical assistance to pilot a sector-wide approach based on a Standardized Baseline (SB).** This will involve UNDP assistance to pilot sector-wide approaches in 1 selected country based on a SB, NAMA study on integration of the SB into a NAMA and linkages to the LECB programme.

Overall, the Project’s three output areas are intended to collectively promote CDM projects with high-sustainable development benefits in underrepresented CDM countries and pave the way to inclusive, scaled-up mitigation approaches in the future. The Project will have a clear emphasis on using the PoA and SB modalities. More generally, the Project will take a bottom-up approach of promoting developing countries’ direct experience in the CDM as a building block in the design and implementation of new scaled-up mitigation activities.

MDG Carbon will link to and create synergies with the LECB programme. Conceptually, an integrated approach will be followed, where a SB (MDG Carbon) is incorporated in the design of the NAMA (LECB Programme). Joint planning workshops between MDG Carbon and the LECB programme will be held to determine which countries and sectors to coordinate in.

* 1. **Project Scope**

The following two sections, on CDM project types and geographic scope, apply to Output 1 (PoA Capacity Building) and 2 (Project Pipeline).

* + 1. **CDM Project Types**

The Project will take a targeted approach to CDM project types.

Preference will be given to high sustainable development CDM project activities. Large and small-scale CDM projects may also be considered as long they meet sustainable development objectives. Possible sectors include, but are not limited to, renewable energy and waste.

While not prescriptive, CDM project types and methodologies may meet the following criteria: be listed in the positive list of technologies; be eligible to apply “Guidelines for demonstrating additionality of micro-scale project activities”; involve suppressed demand; and, take into account standardised approaches for determining emissions (e.g. AMS-I.D, AMS-I.I, AMS-II.G or AMS-III.AU).

The Project will target committed, financially and technically viable Project Proponents, whose CDM project concepts are advanced and have the strongest likelihood of successful implementation. Project proponents may be public or private sector. The projects’ viability but in particular the projects’ sustainable co-benefits will determine the final country selection under Output 2. The projects selected shall aim to also promote gender equality and specifically the empowerment of women for improving their daily lives.

The CDM project types and individual countries will be selected based on a variety of criteria and will include: the capacity of the DNA in the respective country to support the proposed CDM project, the commitment and capacity of the PP proposing the CDM project, the progress of the carbon layer of the proposed project as well as the progress of the underlying project, the likelihood of the project of reaching financial closure in a meaningful time period, the chances of the project getting UNFCCC registered etc.

UNDP’s due diligence process before committing to the project will ensure that the most viable CDM project will be selected.

* + 1. **Geographical Scope**

The Project will aim to implement at least 3 CDM projects with a fair regional balance of at least 1 CDM project in each of the following regions: the Asia-Pacific and Africa. This project will put an emphasis on the Asia-Pacific region since it was constantly underrepresented during the previous phase of MDG Carbon.

MDG Carbon will remain focused on developing countries with less than 10 registered projects but the overall focus of the Project is the support of carbon finance projects with high sustainable development dividends and scale-up potential (i.e. PoAs).

SIDS have not had many viable carbon market project opportunities but AusAID’s on-going grant financed interventions around biomass, EE appliances and off-grid energy applications in SIDS might build the basis for scale-up for carbon markets through programmatic CDM in the Pacific region.

Excluded are countries classified as UN high income countries.

# III. Results and Resources Framework

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Intended Outputs as stated in the Country Programme Results and Resource Framework: NA** | | | | |
| **Outputs indicators as stated in the Country Programme Results and Resources Framework, including baseline and targets: NA** | | | | |
| **Applicable Key Result Area (from 2008-11 Strategic Plan and its extension 2011-2013):** Environment and sustainable development focus area that consists of four key result areas, which are to assist countries to:  (i) mainstream environmental considerations into national development planning,  (ii) catalyze environment finance,  iii) adapt to climate change, and  (iv) expand access to environmental and energy services for the poor. | | | | |
| **Partnership Strategy: NA** | | | | |
| **Project title and ID (ATLAS Award ID):** | | | | |
| **INTENDED OUTPUTS** | **OUTPUT TARGETS FOR 2013-2015** | **INDICATIVE ACTIVITIES** | **RESPONSIBLE PARTIES** | INPUTS |
| **OUTPUT 1**  Capacity building for CDM and scaled-up mitigation approaches  ***Baseline****:*  Lack of capacity in underrepresented countries to implement scaled-up mitigation actions under a reformed CDM  ***Indicators:***  LoAs approved by DNA and first SB submitted for approval by DNA to UNFCCC | **Targets:**  Developing countries have enhanced capacity for CDM and linkages to scaled-up mitigation approaches, in particular  NAMAs | Capacity development workshops, webinars, publications and other knowledge products for:   * Coordinating / Managing entities * DNAs * Project Developers * Other stakeholders | **UNDP** | **US$ 510,000** |
| **OUTPUT 2**  High-sustainable development CDM project pipeline  **Baseline:**  Less than 10 registered CDM projects or PoAs and underdeveloped CDM project pipeline  **Indicators:**  3 highly sustainable CDM projects validated and registered | **Targets:**  Developing countries have enhanced capacity to generate a CDM project pipeline, with a focus on PoAs, through direct, learning-by-doing experiences on high sustainable development projects | CDM project development:   * carbon, financial and legal Due Diligence * legal review of contracts in consultation with UNDP’s Legal Support Office * PDD development * validation * registration process * buyer identification support through brokers * project cash flow analysis | **UNDP** | **US$ 460,000** |
| **OUTPUT 3**  Technical assistance to pilot a sector-wide approach based on a Standardized Baseline  ***Baseline:***  No SB developed and few carbon finance activities undertaken in the respective sector and country  ***Indicators:***  One sector-wide SB approved by UNFCCC and one NAMA study for the established SB developed to assess the SB’s applicability within a NAMA | **Targets:**  The target country has an enabled environment for implementation of scaled-up mitigation actions in a particular sector, embedded in a national low emission development strategy. This shall allow for widespread deployment of mitigation actions throughout the country. | * Establishment of sectoral Standardized Baseline * Development of NAMA study analyse the scope of intervention, evaluation of cost-effectiveness and evaluation of impacts | **UNDP** | **US$ 290,000** |

# IV. Total Budget and Work Plan



|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Years: 2013-2015** | **PLANNED ACTIVITIES** | **TIMEFRAME 2013-2015** | **RESPONSIBLE  PARTY** | **PLANNED BUDGET** | | |
| Funding Source | Budget Description | Amount USD |
| **OUTPUT 1**  Capacity building for CDM and scaled-up mitigation approaches  ***Baseline****:*  Lack of capacity in underrepresented countries to implement scaled-up mitigation actions under a reformed CDM  ***Indicators:***  LoAs approved by DNA and first SB submitted for approval by DNA to UNFCCC  ***Targets:***  Developing countries have enhanced capacity for CDM and linkages to scaled-up mitigation approaches, in particular  NAMAs  ***Intended Outcome (BDP Outcome 63):***  National, regional and international policy makers have increased and improved access to local learning and knowledge services in the area of climate change mitigation. | 1.PoA workshop  2 day workshop to present on:   * CDM requirements * PoA standards and management systems and requirements’ * greater involvement of DNAs | February 2014 | UNDP | Donor | Core Budget – output 1 | 138,500 |
| 2. SB workshop  2 day workshop to discuss:   * UNFCCC guidelines and rules * QA/QC of data * submission process of SB to UNFCCC * establishment of Governance structure | February 2015 | UNDP | Donor | Core Budget – output 1 | 138,500 |
| 3. and 4. Publications and presentations, online presence   1. webinars and regular project blogs 2. online depositaries, publications and presentations 3. flagship publication on activities and achievements of the project 4. knowledge products including translations 5. presentations at conferences | **Webinars** 2014 in quarters 2 and 4  2015 in quarter 1 | UNDP | Donor | Core Budget – output 1 | 233,000 |
| **Interim report**  2014 in quarter 1 |
| **Knowledge products**  2014 in quarter 4 |
| **Flagship publication**  2015 in quarter 1 |
| **Final report**  2015 in quarter 2 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Years: 2013-2015** | **PLANNED ACTIVITIES** | **TIMEFRAME 2013-2015** | **RESPONSIBLE  PARTY** | **PLANNED BUDGET** | | |
| Funding Source | Budget Description | Amount USD |
| **OUTPUT 2**  High-sustainable development CDM project pipeline  ***Baseline:***  Less than 10 registered CDM projects or PoAs and underdeveloped CDM project pipeline  ***Indicators:***  3 highly sustainable CDM projects validated and registered  ***Targets:***  Developing countries have enhanced capacity to generate a CDM project pipeline, with a focus on PoAs, through direct, learning-by-doing experiences on high sustainable development projects  ***Intended Outcome (BDP Outcome 63):***  Communities, municipalities and other local actors have increased capacity to access environmental finance and manage environment and energy programmes, projects and initiatives in the area of climate change mitigation. | Carbon Layer development, financial and legal support for the underlying project:   * Coordination of PDD development including stakeholder consultation * Management of Validation * GS validation if feasible * development of CME manual if relevant * UNFCCC interactions * early stage project development support  (where needed) * legal review of contracts in consultation with UNDP’s Legal Support Office * advising the PP in putting together financing proposals for investors (where applicable) * identification of intermediaries to guide the PPs through ERPA negotiations and sale of the CERs (where applicable) * assisting PP to understand market practice on commercial matters including ERPAs  (where applicable) | * September 2014   CDM projects submitted for registration   * Financial support (where applicable) until approval of projects by UNFCCC | UNDP | Donor | Core Budget – output 2 | 460,000 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **OUTPUT 3**  Technical assistance to pilot a sector-wide approach based on a Standardized Baseline  ***Baseline:***  No SB developed and few carbon finance activities undertaken in the respective sector and country  ***Indicators:***  One sector-wide SB approved by UNFCCC and one NAMA study for the established SB developed to assess the SB’s applicability within a NAMA  ***Targets:***  The target country has an enabled environment for implementation of scaled-up mitigation actions in a particular sector, embedded in a national low emission development strategy. This shall allow for widespread deployment of mitigation actions throughout the country.  ***Intended Outcome (BDP Outcome 63):***  Communities, municipalities and other local actors have increased capacity to access environmental finance and manage environment and energy programmes, projects and initiatives in the area of climate change mitigation. | 1. Selection of country and sector for SB development on the basis of the following considerations:   * Inclusion as a Top 20 AusAID partner country * target country of the UNDP LECB programme * potential for incorporation of outputs into LECB approved NAMAs * sector-potential for the development of a sector-wide baseline * consultation with AusAID and UNDP | June 2013 | UNDP | Donor | NA | NA |
| 2. Establishment of SB for selected sector, including   * establishment of eligibility criteria (e.g. positive lists of fuel/feed stocks and technologies) * identification of the baseline for the measures * determination of baseline emission factor if applicable * identification of procedures for updating the baseline * integration of the SB into a NAMA framework | February 2015 | UNDP | Donor | Core Budget – output 2 | 230,000 |
| 3. Development of NAMA study, including   * situation analysis * scope of intervention to address the problem * Monitoring of results * evaluation of cost-effectiveness (including economic indicators) * evaluation of impacts | May 2015 | UNDP | Donor | Core Budget – output 2 | 60,000 |

# V. Management Arrangements

The Project will be directly implemented by UNDP.

Reporting of programme success to AusAID will be done by the Regional Technical Advisor for Energy, Infrastructure, Technology and Transport based in Bangkok.

Reports will be provided on an annual basis to AusAID and in line with the AusAID reporting calendar.

**Project Manager**

**(Carbon TA)**

**Project Board**

**AusAID**

**Head of MDG Carbon**

**Senior Beneficiary:**

**Project   
Quality Assurance**

RTA EITT based in Bangkok

**Finance TA**

**Project Organisation Structure**

**Environmental Focal Points, CO**

**Representatives of   
RBA and RBAP**

The **Project Board’s** role is to provide appraisal of the programme and perform an oversight function. The Board will review the Project’s performance on an annual basis to monitor Project implementation and to oversee adherence to the Project’s plan as per the Project Document and Annual Project Work Plan.

The Board’s task is also to coordinate with different parties throughout the process to ensure inclusiveness of stakeholders.

The **Regional Technical Advisor (RTA CC-M)** will provide oversight and quality assurance for the project and communicate the status of project implementation and achievements, as well as LECB linkages, every 4 months through conference calls to AusAID. The RTA will report to the Head of MDG Carbon.

* Monitor the progress of project activities to ensure they are as per schedule
* Provide quality assurance and reliability of project outputs and deliverables
* Consolidate and prepare progress and financial reports for submissions to AusAID
* Maintaining an up to date accounting system to ensure accuracy and reliability of financial reporting.

The **Project Manager** has the authority to run the project on a day-to-day basis on behalf of the Implementing Partner within the constraints laid down by the Board.

The Project Manager is responsible for day-to-day management and decision-making for the project. The Project Manager’s prime responsibility is to ensure that the project produces the results (outputs) specified in the project document, to the required standard of quality and within the specified constraints of time and cost.

# VI. Monitoring Framework And Evaluation

In accordance with the programming policies and procedures outlined in the UNDP User Guide, the project will be monitored and screened through the following.

The contribution shall be subject exclusively to the internal and external auditing procedures provided for in the financial regulations, rules and directives of UNDP.

Within the annual cycle

* On a quarterly basis, a quality assessment shall record progress towards the completion of key results, based on quality criteria and methods captured in the Quality Management table below.
* An Issue Log shall be activated in Atlas and updated by the Project Manager to facilitate tracking and resolution of potential problems or requests for change.
* Based on the initial risk analysis submitted (see annex 1), a risk log shall be activated in Atlas and regularly updated by reviewing the external environment that may affect the project implementation.
* Based on the above information recorded in Atlas, a Project Progress Reports (Interim Report) shall be submitted by the Project Manager to the Project Board through Project Assurance, using the standard report format available in the Executive Snapshot.
* A project Lesson-learned log shall be activated and regularly updated to ensure on-going learning and adaptation within the organization, and to facilitate the preparation of the Lessons-learned Report at the end of the project
* A Monitoring Schedule Plan shall be activated in Atlas and updated to track key management actions/events

Annually

* **Annual Review Report.** An Annual Review Report shall be prepared by the Project Manager and shared with the Project Board and the Outcome Board. As minimum requirement, the Annual Review Report shall consist of the Atlas standard format for the QPR covering the whole year with updated information for each above element of the QPR as well as a summary of results achieved against pre-defined annual targets at the output level.
* **Annual Project Review**. Based on the above report, an annual project review shall be conducted during the fourth quarter of the year or soon after, to assess the performance of the project and appraise the Annual Work Plan (AWP) for the following year. In the last year, this review will be a final assessment. This review is driven by the Project Board and may involve other stakeholders as required. It shall focus on the extent to which progress is being made towards outputs, and that these remain aligned to appropriate outputs.

Environmental and social screening

In 2012, UNDP launched a new project-level environmental and social screening procedure.   
It aims to provide Project Managers with a set of tools and guidance to be able to strategically design and implement quality projects that support the achievement, equitability and sustainability of development results. The screening procedure aims to enable (rather than constrain) UNDP in our efforts to support human development.  
Additionally, the screening procedure strengthens UNDP’s accountability to the countries and communities we aim to support, stakeholders in the development processes, and the broader development cooperation and donor community. Environmental and social screening and assessment processes for projects have now become standard practice in development cooperation and are usually required by national regulatory frameworks and multilateral and bilateral donors. Therefore, application of UNDP’s environmental and social screening and review process allows UNDP to demonstrate to partners and stakeholders that UNDP has the appropriate safeguard measures in place for its projects.

Additionally, safeguard approaches have proven to be ideal vehicles for consultation and disclosure of information. When associated with well-designed grievance mechanisms, they can provide an effective process for conflict resolution and mediation.

UNDP’s screening procedure is also aligned with the evolving [*Framework for Advancing Environmental and Social Sustainability in the UN System*](http://www.unemg.org/Cooperation/EnvironmentalandSocialSafeguards/tabid/2895/language/en-US/Default.aspx) and [UNDAF Guidelines](http://www.undg.org/docs/11096/Five-Programming-Principles.pdf) which identify three reinforcing normative principles for programming at the country level: [human rights](http://www.undg.org/index.cfm?P=221), [gender equality](http://www.undg.org/index.cfm?P=222) and [environmental sustainability](http://www.undg.org/index.cfm?P=223)[[2]](#footnote-2). As such, UNDP needs to ensure these principles are mainstreamed into its own Programme and Project management cycles and need to also be considered as part of the screening process.

An initial environmental and social screening of the project has been conducted and Category 3a has been selected.

Since the three CDM PoAs have not been selected yet, further review of the potential environmental and social issues of each of the projects is required.

After the selection of the individual projects under the PoAs, another environmental and social screening for each of these projects will be conducted and any potential issues will immediately be addressed and managed. In addition to the UNDP environmental and social screening, also the UNFCCC approved screening tool will be applied to describe and showcase the sustainable development benefits of the projects.

# Quality Management for Project Activity Results

|  |  |  |  |
| --- | --- | --- | --- |
| **OUTPUT 1:** Capacity development for CDM and scaled-up mitigation approaches | | | |
| **Activity Result 1**  **(Atlas Activity ID)** | *PoA workshop* | | StartDate: February 2014  End Date: February 2014 |
| **Purpose** | Build capacity in underrepresented countries to implement scaled-up mitigation actions under a reformed CDM | | |
| **Description** | *PoA Workshop on:*   * CDM requirements * PoA standards and management systems and requirements’ * greater involvement of DNAs | | |
| **Quality Criteria**  *how/with what indicators the quality of the activity result will be measured?* | | **Quality Method**  *Means of verification. What method will be used to determine if quality criteria has been met?* | **Date of Assessment**  *When will the assessment of quality be performed?* |
| At least 3 LoAs for CDM projects/PoAs are issued in the underrepresented country | | Interview with DNA | Mid-term and at the end of the project |
| A soft pipeline of at least 5 potential CDM projects/PoA ist developed | | Interview with DNA | Mid-term and at the end of the project |
| **OUTPUT 1:** Capacity development for CDM and scaled-up mitigation approaches | | | |
| **Activity Result 2**  **(Atlas Activity ID)** | *Standardized Baseline Workshop* | | StartDate: February 2015  End Date: February 2015 |
| **Purpose** | Build capacity in underrepresented countries to implement scaled-up mitigation actions under a reformed CDM | | |
| **Description** | *SB Workshop on:*   * UNFCCC guidelines and rules * QA/QC of data * submission process of SB to UNFCCC * establishment of Governance structure | | |
| **Quality Criteria**  *how/with what indicators the quality of the activity result will be measured?* | | **Quality Method**  *Means of verification. What method will be used to determine if quality criteria has been met?* | **Date of Assessment**  *When will the assessment of quality be performed?* |
| At least 1 SB developed, DNA reviewed, submitted to UNFCCC and approved by UNFCCC | | Interview with DNA | Mid-term and at the end of the project |

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| **OUTPUT 1:** Capacity development for CDM and scaled-up mitigation approaches | | | |
| **Activity Result  3 and 4**  **(Atlas Activity ID)** | *Develop webinars and presentations* | | Start Date: 2013-2015  End Date: 2013-2015 |
| **Purpose** | The complexity and constantly evolving nature of the policy, regulatory and commercial environment for PoAs and SBs creates the need to keep stakeholders regularly informed of new developments and latest best practice | | |
| **Description** | *Webinars, online depositaries, publications, presentations, knowledge products* | | |
| **Quality Criteria**  *how/with what indicators the quality of the activity result will be measured?* | | **Quality Method**  *Means of verification. What method will be used to determine if quality criteria has been met?* | **Date of Assessment**  *When will the assessment of quality be performed?* |
| 2 successfully held webinars | | Survey/evaluation among participants and stakeholders to evaluate the relevance and user-friendliness of the products and necessity to revise the documentation upon receipt of negative feedback | Mid-term and at the end of the project |
| Supporting online depositaries posted | |
| Knowledge products developed and posted | |
| Presentations and publications developed and posted | |

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| **OUTPUT 2:** High-sustainable development CDM project pipeline | | | |
| **Activity Result 1**  **(Atlas Activity ID)** | *Develop 3 highly sustainable CDM project* | | Start Date: March 2013  End Date: March 2015 |
| **Purpose** | To support several third party projects with the aim to register at least 3 CDM projects, preferable PoAs, first-of-its-kind projects or projects with notably high development dividends with replication potential, and if feasible 1 project utilising a SB | | |
| **Description** | * Coordinating the PDD development for the individual project or PoA * Coordinating the DOE validation on the Project Proponent’s (PP’s) behalf, including hiring and paying for DOEs and overseeing the validation * -Development of guidebooks for the respective CMEs to manage the programme smoothly * -Supporting the PP to prepare GS local stakeholder consultation, GS sustainable development matrix, GS Do No Harm assessment, and ongoing MRV * -Facilitating interactions with the government, including seeking Government buy-in and obtaining LoAs * -Assisting the PP on business planning, and to analyse and structure the CDM project’s cash flows to ensure that the project is financially feasible * -Assisting the PP in putting together financing proposals for investors, and making introductions with the aim of securing investments * -Assisting the PP to understand the CER off-take process, either to present its project directly to possible buyers or to work with specialized brokers for the sale of CERs * -Assisting the PP to understand market practice on commercial matters, including price structures in ERPAs, for any sale of the project’s CERs | | |
| **Quality Criteria**  *how/with what indicators the quality of the activity result will be measured?* | | **Quality Method**  *Means of verification. What method will be used to determine if quality criteria has been met?* | **Date of Assessment**  *When will the assessment of quality be performed?* |
| 3 UNFCCC registered CDM projects | | Access and check on UNFCCC website | March 2015 |

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| **OUTPUT 3:** Pilot sector**-**wide approach based on a standardized baseline | | | |
| **Activity Result 1**  **(Atlas Activity ID)** | *Develop a sector****-****wide Standardized Baseline* | | Start Date: June 2013  End Date: February 2015 |
| **Purpose** | To support one DNA in the preparation and approval of a sector-wide SB with the aim to projects with the aim to reduce future transaction costs for project developers and facilitate the access to carbon finance, particularly with regard to under-represented project types and regions, and scale-up the abatement of greenhouse gas emissions, while ensuring environmental integrity. | | |
| **Description** | * establishment of eligibility criteria (e.g. positive lists of fuel/feed stocks and technologies) * identification of the baseline for the measures * determination of baseline emission factor if applicable * identification of procedures for updating the baseline * integration of the SB into a NAMA framework | | |
| **Quality Criteria**  *how/with what indicators the quality of the activity result will be measured?* | | **Quality Method**  *Means of verification. What method will be used to determine if quality criteria has been met?* | **Date of Assessment**  *When will the assessment of quality be performed?* |
| 1 UNFCCC approved SB | | Access and check on UNFCCC website | February 2015 |

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| --- | --- | --- | --- |
| **OUTPUT 3:** Pilot sector**-**wide approach based on a standardized baseline | | | |
| **Activity Result 2**  **(Atlas Activity ID)** | *Develop a NAMA study on the basis of the established SB* | | Start Date: Dec 2014  End Date: May 2015 |
| **Purpose** | The goal of the NAMA study is to undertake a basic assessment of how the established SBs can be further built upon and expanded on a policy level, in the form of a NAMA to provide the essential holistic framework for the improvement of the complete value chain in the respective sector. | | |
| **Description** | The NAMA study will provide a strong basis for steps (i) through (iii) and touches upon (iv) through (vi) below:   * Assessment: Knowing the scale of the problem in order to provide a solution at a sufficient or at least meaningful scale; * Analysis: Presenting a functional chain that links production, consumption and energy use; * Formulation of response: On the basis of a functional chain, identifying and selecting the most appropriate scope of intervention to address the problem (e.g. deployment of improved production technologies; switch to alternative sources of biomass, etc.); * Monitoring of results (first part of the MRV): Computing the results achieved by the NAMA intervention for the selected measures; * Evaluation of the cost-effectiveness of the results (second part of the MRV): Economic indicators on the cost effectiveness of the problem should be included in order to check the cost of avoided emissions against initial assumptions; * Evaluation of the impacts (third part of MRV): The MRV of the results should enable an evaluation of the impacts;   Following the completion of the NAMA study, the next step would be a further elaboration of all steps and integration with the LECB project in the respective countries. | | |
| **Quality Criteria**  *how/with what indicators the quality of the activity result will be measured?* | | **Quality Method**  *Means of verification. What method will be used to determine if quality criteria has been met?* | **Date of Assessment**  *When will the assessment of quality be performed?* |
| NAMA study accepted by Government as basis for further NAMA development in the respective sector and approved by UNFCCC | | * Government response * UNFCCC website check | May 2015 |

# Legal Context

This project forms part of an overall programmatic framework under which several separate associated country level activities will be implemented. When assistance and support services are provided from this Project to the associated country level activities, this document shall be the “Project Document” instrument referred to in: (i) the respective signed SBAAs for the specific countries; or (ii) in the [Supplemental Provisions](http://intra.undp.org/bdp/archive-programming-manual/docs/reference-centre/chapter6/sbaa.pdf) attached to the Project Document in cases where the recipient country has not signed an SBAA with UNDP, attached hereto and forming an integral part hereof.

This project will be implemented by UNDP in accordance with its financial regulations, rules, practices and procedures.

To ensure its responsibility for the safety and security of the UNDP personnel and property, UNDP shall: (a) put in place an appropriate security plan and maintain the security plan, taking into account the security situation in the country where the project is being carried; (b) assume all risks and liabilities related to UNDP’s security, and the full implementation of the security plan.

The UNDP shall undertake all reasonable efforts to ensure that none of the UNDP funds received pursuant to the Project Document are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNDP hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via <http://www.un.org/Docs/sc/committees/1267/1267ListEng.htm>. This provision must be included in all sub-contracts or sub-agreements entered into under this Project Document.”

**ANNEX I   
RISK ASSESSMENT**

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| **Project Title: Scaled-up Carbon Finance For Sustainable Development** | **Award ID:** | **Date: January 2013** |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **#** | **Description** | **Date  Identified** | **Type** | **Impact &**  **Probability** | **Countermeasures / Mngt response** | **Owner** | **Submitted, updated by** | **Last Update** | **Status** |
| **1** | Continued low CER prices and depression of carbon market. | January 2013 | Political Risk | 1. Negative impacts on the additionality, financial viability and monetization of CERs from CDM projects. (probability 3) 2. Negative impact on SB/sector wide approach based on crediting. (probability 1) | Risk mitigation approaches include:   1. pursuing project types with automatic additionality; 2. pursuing Gold Standard registration where feasible so as to achieve premium pricing; 3. pursuing sectors that achieve premium prices from certain buyers (e.g. cook stove projects by the Swedish purchasing programme); 4. exploring offtake arrangements under UNDP’s Long Term Agreement for UNDP’s offsetting initiatives in the HQ and elsewhere; 5. and exploring non market-based financial incentives for the SB/sector wide approach. | Finance TA | Finance TA | NA | NA |
| **2** | International negotiations, or rule changes by UNFCCC bodies, impact relevant modalities such as PoAs, SBs and  NAMAs.  Particullarly SBs are a new modality, with no SB approved yet by the UNFCCC and thus higher implementation risks than the traditional CDM. |  | Regulatory Risk | 1. Effect on the overall applicability of the project. (probability 2) 2. Delays because of revisions of project documentation and validation reports. (probability 3) | If the PoA or SB approach becomes unviable:   1. Alternative modalities will be explored, and some transferability to alternative standards or modalities will likely be achievable. Ultimately the Project’s focus on the unproven SB modality entails risk, however the possible rewards, in terms of demonstration and replication, are high. 2. pursuing project types with automatic additionality and reduced validation requirements to accelerate the project development process. | Carbon TA | Carbon  TA | NA | NA |
| **3** | Lack of substantial level of domestic political support or changes in political administration and/or unforseen political events. |  | Political Risks | 1. Effects on the progress of the project. (probability 2) | Risk mitigation approaches include:   1. Close collaboration with LECB to identify a partner country with full political commitment to the SB/sector wide approach. 2. In a worst-case scenario, the Project’s activities can be moved to an alternative country. | Project Manager | Project Manager | NA | NA |

**ANNEX II**

**Due Diligence for Output 2 - High-sustainable development CDM project pipeline**

The risk management is central to the CDM project development. The better that the project risks are identified and managed, the better the outputs will be for the projects which the Project assists. UNDP will manage the risk though a due diligence exercise, before it fully commits to a project.

The objective of UNDP’s due diligence for each project is to gather information on the project and specifically to: identify risks, to quantify such risks and to determine risk mitigation strategies.

Throughout due diligence, a balance between consistency and flexibility will be sought:

* *Consistency*. This will be achieved through standardized screening criteria.
* *Flexibility*. UNDP’s screening and due diligence will be actively tailored to the particular characteristics of the project, both in terms of what is addressed and when it is addressed.

UNDP’s commitment decision taken at the end of the due-diligence will be the final risk management cut-off, after which UNDP will commit to support the project until registration. This decision will be made on the basis of a review of documents provided by the due diligence exercise.

If the project passes UNDP’s due diligence, the Project Proponent will be invited to enter into a Technical Assistance Agreement with UNDP, which will set out the technical assistance provided by UNDP during PDD development and validation until registration. UNDP will aim to finalise the due diligence within 1 month. This represents a very stream-lined due diligence process and assumes a relatively advanced project development status at the time of start of the due diligence.

**Annex III  
Summary Terms of Reference (TOR) for the Project Board and for Key Positions**

1. **Project Board**

The Project Board’s role is to provide appraisal of the programme and perform an oversight function. The Board will review the Project’s performance on an annual basis to monitor Project implementation and to oversee adherence to the Project’s plan as per the Project Document and Annual Project Work Plan.

The Board’s task is also to coordinate with different parties throughout the process to ensure inclusiveness of stakeholders.

The Project Manager is charged with implementing Board meeting decisions.

*Board Composition*

The Board will be composed of the following members: The Project Manager of AusAID, the Head of MDG Carbon , the Directors of the Regional Bureaux for Africa and Asia, a Governmental Representative from the target country of output 3.

The Chair of the Board will be the Head of MDG Carbon.

The meetings of the Board are open to all Members. The Project Manager and Finance Technical Advisor are invited to participate in the Board Meetings as observers, providing information on the Project’s performance, and guiding and advising the Board on all technical aspects of the Project. Other individuals may be invited to participate as observers to a Meeting providing none of the members object.

*Schedule*

The Board meetings will be aligned to the reporting deliverables under the Project. The first meeting will occur one month before the due date of the Interim Report and the last meeting will take place one month before the due date of the Final Technical Report.

Additional meetings of the Board may be requested by the Members or the MDG Carbon Manager as required.

*Inputs*

Agenda *-* On behalf of the Chair, the Project Manager will circulate an agenda to the Board Members at least one week in advance of the Board Meeting.

Draft Interim Report and Draft Final Technical Report *-* The Project Manager, under the oversight of the Head of MDG Carbon , will prepare a “Report to the Project Board” for the annual meeting, and will circulate this Report in advance of each Board meeting. The Reports will highlight results and provide recommendations for the decision of the Board.

Additional reports or information will be prepared as required and/or requested for ad hoc meetings.

All documents will be provided electronically.

Proposed Modus Operandi for Board meetings

|  |  |
| --- | --- |
| **Procedure** | **Proposal** |
| Chairperson | Head MDG Carbon |
| Minutes | * The Project team will provide general secretarial services for Board meeting, including keeping minutes * Minutes will reflect decisions taken at Board meetings * Following a meeting, minutes will be circulated by email |
| Quorum | * The Chairperson plus representatives from 2 regional bureaux, a representative from AusAID and a representative from the recipient country under output 3 will constitute quorum for a Board meeting |
| Duration of meetings | * From 60 to 90 minutes |
| Schedule of Meetings | * 1 Board meeting per year * First Board meeting proposed in March 2014, one months before the due date of the Interim Report * The final meeting will take place one months before the due date of the Final Technical Report |

**(B) Project Manager and Carbon Technical Advisor (P4) (100%)**

This position has dual roles as Project Manager and Carbon Technical Advisor.

In the Project Manager role, this position is responsible for day-to-day management and decision-making for the project. The Project Manager’s prime responsibility is to ensure that the project produces the results (outputs) specified in the project document, to the required standard of quality and within the specified constraints of time and cost.

In Carbon Technical Advisor role, this position is responsible for technical support related to the carbon layer to achieve the outputs 1-3:

*Output 1: Capacity building for CDM and scaled-up mitigation approaches*

* Direction, input and oversight to CDM-related aspect of Output 1’s activities including (i) PoA and SB workshops (agenda, participants (CMEs, DNAs, agenda), (ii) Development of online tools and webinars and (iii) Publications and presentations

*Output 2: High Sustainable Development CDM Project Pipeline*

* *Project Eligibility Assessment*: Assessing the CDM eligibility of a proposed project and provide advice and guidance to the PP
* *PDD Development*: Coordinating the PDD development, including hiring and paying for PDD consultants, review trouble-spot aspects and perform a pre-validation review to streamline validation
* *Validation*: Coordinating the DOE validation on the PP’s behalf, including hiring and paying for DOEs and overseeing the validation
* *Stakeholder Consultations*: Oversee the stakeholder engagement activities, including consultations required by CDM and GS (if applicable)
* *Gold Standard (GS) project component*: Supporting the PP to prepare GS local stakeholder consultation, GS sustainable development matrix, GS Do No Harm assessment, and ongoing MRV
* *CME manual*: Development of a CME manual to support the CME with the management of the programme
* *UNFCCC interactions*: Where applicable, assisting with interactions with UNFCCC

*Output 3: Technical assistance to pilot a sector-wide approach based on a Standardized Baseline*

* Direction, input and oversight to SB development (design and objectives of standardized baseline)
* Direction, input and oversight to NAMA study on integration of the SBwiththe LECB programme

The Project Manager will report to the Head of MDG Carbon.

**(C) Finance Technical Adviser (P4) (33%)**

This position is responsible for technical support related to financial matters.

*Output 1: Capacity building for CDM and scaled-up mitigation approaches*

* Input into the finance aspects and content of Output 1’s activities including (i) PoA and SB workshops, (ii) development of online tools and webinars and (iii) publications and presentations

*Output 2: High Sustainable Development CDM Project Pipeline*

* *Early project assessment:* Conducting an assessment of the business and financial capability of the PP to implement a proposed project
* *Securing underlying financing* (where applicable):Assisting PPs with financial modelling and preparing investor proposals, with the aim of securing investments through UNDP’s climate finance platform
* *Identification of intermediaries* to guide the PPs through ERPA negotiations and sale of the CERs (where applicable)
* *Commercial price structuring*: Assisting the PP to understand market practice on commercial matters, including price structures in ERPAs, for any sale of the project’s CERs

*Output 3: Technical assistance to pilot a sector-wide approach based on a Standardized Baseline*

* Input into financial aspects of sector wide approaches
  + Barriers to investment, business model development, supply chains
  + Financial incentives
  + Assessment of NAMA financing needs and impacts

The Finance Technical Advisor will report to the Head of MDG Carbon.

**(D) PDD consultant roster**

The process for selecting the PDD consultant occurs in two steps: first, a request for proposal to pre-select a roster of PDD consultants; second, a request for quotations for this specific Project. MDG Carbon has an existing roster of PDD experts and will select the PDD consultant from this roster:

The services solicited will be the following:

Based on existing Project Idea Note, develop the PDD/PoA-DD and CPA-DDs in accordance with the latest CDM (PoA) guidelines and procedures, and methodology appropriate for the Project;

* 1. Define the Baseline Scenario for the Project;
  2. Design the Monitoring Plan for the Project;
  3. Provide the PP with a Public Consultation Plan for the Project;

The consultant will be required to accomplish the following tasks:

1. Indicate what information is required for the development of the PDD/PoA**-**DD and CPA**-**DD. This information request will have the form of questionnaires;
2. Provide regular updates to PP/UNDP on the progress of the consultancy, in the form of teleconferences, or e**-**mail on the level of progress on the work plan. At minimum, one report a month will be required, with weekly updates;
3. Provide draft PDD/PoA**-**DD and CPA**-**DDs to PP/UNDP and allow for no less than two iterations incorporating comments from PP/UNDP;
4. Incorporate into the PDD/PoA**-**DD and CPA**-**DD the outputs of, and input received, through stakeholder consultations, to be executed as required by the PP;
5. Conduct project site visits (tbd but at least 1) to ensure conformity of the PDD/PoA**-**DD and CPA**-**DDs with actual project conditions. The consultant will take the lead and consult with the PP and UNDP considering the scheduling of the site visit;

**(E) Standardized Baseline Development Expert**

The objective of this consultancy will be the provision of specialized technical services to enable the successful and timely development of a SB in accordance with the UNFCCC rules and guidelines.

Based on an approved CDM methodology appropriate for the sector, the consultant will be required to develop the SB in accordance with the latest UNFCCC guidelines and procedures and methodology:The consultant is required to accomplish the following tasks:

1. Identify level of aggregation and applicability criteria for the identified measure(s)
2. Identify the baseline for the measure(s)
3. Choosing the approach for determination of baseline activity data and emission factors
4. Identify procedures for updating the baseline
5. Integrate the SB into a NAMA framework

**ANNEX III   
Carbon Finance and the Millennium Development Goals (MDGs)**

The MDGs provide a framework for the entire UN system to work coherently together toward a common end. Carbon finance can be a powerful aid in bringing together human development and climate change management efforts to help developing countries stay on or transition to low**-**carbon climate resilient societies, and contribute to the achievement of MDG targets.

UNDP, through MDG Carbon, advocates and supports climate change mitigation efforts that can mobilize carbon finance to achieve both carbon emission reductions and sustainable development dividends, thus helping countries progress towards their MDG targets. A few examples where the potential of carbon finance’s contribution towards the achievement of MDGs is clear include:

* *MDG1: Eradicate Extreme Poverty and Hunger*: Carbon finance projects may create employment and/or otherwise increase family income in various ways.
* *MDG2: Achieve Universal Primary Education*: Climate change threatens to destroy infrastructure (e.g. schools) and increase the displacement and migration of families thus disrupting and limiting education opportunities.
* *MDG3: Promote Gender Equality and Empower Women*: Women’s traditional roles as the primary users and managers of natural resources, primary caregivers, and unpaid labourers mean they are involved in and dependant on resources that are put most at risk by climate change.
* *MDG4, 5 & 6: Improve Health*: Carbon finance projects can improve access to safe drinking water and basic sanitation which in turn can result in significant improvements in health conditions of developing countries, and in particular of most poor and vulnerable groups.
* *MDG7: Ensure Environmental Sustainability*: Carbon finance may assist in reducing the threat to environmental sustainability that is caused by alterations in ecosystem relationships from climate change.
* *MDG8: Develop a Global Partnership for Development:* Carbon Finance may assist countries to gain greater access to the markets of developed countries.

**ANNEX IV   
AusAID Partner Countries**

AusAID has the following partner countries:

**East Asia:**

Cambodia

China

Indonesia

Laos

Mongolia

Myanmar

North Korea

Philippines

Timor**-**Leste

Vietnam

**Pacific:**

Cook Islands

Federated States of Micronesia

Fiji

Kiribati

Nauru

Niue

Papua New Guinea

Republic of Palau

Republic of the Marshall Islands

Samoa

Solomon Islands

Tonga

Tuvalu

Vanuatu

**South and West Asia:**

Afghanistan

Bangladesh

Bhutan

India

Maldives

Nepal

Pakistan

Sri Lanka

**AusAID also has regional programmes in:**

Africa and Middle East

Caribbean and Latin America

Regional Pacific

Regional East Asia

Regional South Asia

**ANNEX V   
Country- and sector selection for output 3:   
Sector-wide approach based on a Standardized Baseline**

The two main objectives of the sector-wide approach based on a Standardized Baseline (SB) are to support sectors that (i) can provide significant co-benefits to communities and (ii) will benefit most from standardization and thus provide clear incentives for the private sector to invest on scale.

The UNFCCC approved SB developed under the Project will provide key inputs to the LECB Programme for the design of a NAMA. The Project will develop a sector-wide SB to allow the LECB Programme to fast track the development of an MRV-able NAMA in the selected sector of the target country. Hence, the SB developed under the Project will enable the submission of a NAMA Design Document to the UNFCCC NAMA registry and market it among potential donors and private sector investors.

In order to ensure sustainability and replicability, the UNDP LECB Global Support Unit together with UNDP MDG Carbon will jointly conduct a comparative assessment of different MRV approaches for NAMAs to assure the coherence of sustainable development deliverables and current and emerging MRV requirements and auditing standards. This assessment will complement and be added as a technical toolkit to the NAMA guidebook, currently being developed under a multi-agency cooperation effort of UNFCCC, UNEP and UNDP.

Based on the above strategic approach, the SB development will be pursued in an LECB programme country:

* Indonesia, the LECB Implementation Partners/Government identified the following sectors as priority NAMAs: Heavy Industry: cement, paper and pulp, oil & gas, petrochemical,
* Philippines, the LECB Implementation Partners/Government identified the following sectors as priority NAMAs: Transport, waste, agriculture and heavy industry,
* Vietnam, the LECB Implementation Partners/Government identified the following sectors as priority NAMAs: Heavy Industry: steel, fertilizers;

*Country and Sector selection:*

The first objective of the SB work under the AusAID project is to support sectors that can provide significant co-benefits to local communities. This excludes heavy industry sectors for their limited co-benefits beyond emission reductions.

Both LECB countries, Vietnam and Indonesia have selected the heavy industry sector as priority NAMAs under the LECB Programme and thus, can’t be target countries for the SB development.

The Philippines have prioritized the waste, transport and agriculture sectors for NAMA development. Waste, transport and agriculture are areas that have the potential to provide significant co-benefits to communities. For this reason, UNDP evaluated these sectors on the basis of a recent report commissioned by the UK Department for International Development which analysed standardized approaches under a reformed CDM:

*Transport:*

High emissions from the transportation sector are generally found in countries at a more advanced level of development. Cities offer interesting abatement options such as public transportation and could form the basis of a comparison in the GHG intensity of their transportation.

The UK report estimated a mitigation potential in MtCO2/yr: >300 (based on transportation related emissions of 1 GtCO2/yr in Non-Annex I countries in 2005).

The expectation for a standardised approach is to overcome the problems of monitoring and attribution to a specific measure. :

Based on an in-depth assessment, the expert committee however, rejected the transport sector because of the following reasons:

1. Carbon revenue is only a minimal part of the decision in transportation projects,
2. The large scope of measures requires large efforts in data gathering and analysis; (and would also exceed the time and budget available under the Project),
3. Restricting the scope of this project type would also decrease the CDM revenues significantly and make these projects less attractive;

*Waste:*

The waste sector was one of the sectors already initially rejected by the expert committee that worked on the UK Department for International Development report.

The rationales for the rejection were:

1. The strongest potential for this project type is the avoidance of waste related methane emissions;
2. This project type is already largely successful in the CDM and the CDM has been able to mobilise some large potentials for emission reductions;
3. The introduction of PoAs has already led to landfill gas PoAs which lower the transaction costs per landfill;
4. A major deficiency of this project type is its general underperformance and standardised approaches are not seen as a way of improving the mobilisation of this project type.

The Subsector *rural methane capture* was seen as too complex and diverse to allow for a standardisation. In particular, the need for standardisation would likely require quite similar types of biomass, technologies and climatic conditions which would drastically limit the applicability. In turn, the strong trade-off between standardisation and broad applicability does not favour standardised baselines on this project type.

*Agricultural sector of the Philippines:*

Rice is the most important crop of the Philippines and thus, the rice sector the key agricultural sector of the country. The Philippines are the 8th top global producer of rice.

GHG emissions are significant from the flooded rice paddies. Methane emissions from rice cultivation account for 17% of the country’s total GHG emissions and for more than 50% of the total emissions from agriculture.

75% of the rice paddies are flooded and irrigated and only 25% are flooded rainfed paddies. The total area of irrigated and flooded rice paddies in 2012 was 1.5 Mio ha according to the Bureau of Agricultural Statistics of the Philippines.

Flooded and irrigated cultivation is the only eligible cultivation practice under the approved applicable CDM methodology for methane emission reductions in the rice sector. Since the approved CDM methodology builds the basis for the SB development, the methodology related applicability criteria must be carefully assessed. According to the International Rice Research Institute (IRRI), the dominant cultivation practices in the Philippines are in line with the requirements of the CDM methodology and hence, a standardized approach could be pursued.

The key risk for SB development in general and in particular in the agricultural sector with small dispersed emission sources, is the lack of data. In the Philippines however, the Bureau of Agricultural Statistics (BAS) has a well-managed database for land-use practices and can provide all data. This would avoid the need to conduct expensive surveys and allow for a cost-effective development of the SB.

Currently, the National Irrigation Administration charges farmers water usage per season which doesn’t incentivize farmers to reduce their water consumption. Only in those areas, where diesel pumps are in use, there are incentives for farmers to adjust the water management on their rice paddies. In these areas, the pilot CDM projects conducted by IRRI, showed a significant reduction potential of 70% of the methane emissions.

CDM alone cannot provide the necessary incentives to change behaviour patterns over the whole sector. A well-designed, MRV-able NAMA however that looks at the sector holistically, has the potential to transform the rice sector by providing well designed financial incentives to adjust the water management and in the same time providing additional co-benefits to local communities.

This analysis suggests developing the sector-wide SB under output 3 of the Project for the *rice of the Philippines* in close collaboration with the LECB programme.

1. Source: UNEP Riso CDM pipeline, December 2012 [↑](#footnote-ref-1)
2. Additionally, there are related UNDG guidance notes and tools available for mainstreaming [indigenous peoples](http://www.undg.org/index.cfm?P=270), [HIV/AIDs](http://www.undg.org/index.cfm?P=269), [climate change](http://www.undg.org/index.cfm?P=1408), [disaster risk reduction](http://www.undg.org/index.cfm?P=1093), and [MDGs](http://www.undg.org/index.cfm?P=218) in country level programming. [↑](#footnote-ref-2)