

# CDCCFplus



Helping to Make the CDM a Reality  
for More Developing Countries

WHAT IS

# CDCF *plus*

CDCF*plus* is the technical assistance and project support arm of the Community Development Carbon Fund. CDCF*plus* is the primary vehicle for creating a deal flow in CDCF priority countries—least developed countries (LDCs) and other poor developing countries with a population of less than 75 million. CDCF*plus* builds and strengthens the capacity of project developers and other intermediaries in these countries, and supports first-of-a-kind project preparation, including the identification of community development benefits.



Many small-scale projects such as mini-and micro-hydro, wind energy, small municipal and agricultural waste, as well as energy efficient appliances, and clean transport, can benefit local communities as they abate greenhouse gas emissions.

But these same communities are likely to be bypassed by carbon investors—proportionately higher business costs and bigger risks put them at a disadvantage when competing for carbon finance. To help even the odds, in September 2002, the World Bank launched the Community Development Carbon Fund (CDCF).

CDCF*plus* works in parallel with the CDCF, with its participants contributing either financial resources or technical expertise.

Through targeted technical assistance, CDCF*plus* helps to build the local capacity needed to make the CDM a reality for a larger number of developing countries that otherwise would be bypassed by the emerging carbon market.



# Participants

## AS A CDCF*plus* PARTICIPANT YOU CAN:

Maximize the value of scarce grant resources by leveraging private sector investment in small-scale technologies—micro-hydro, urban and agricultural waste methane capture, wind turbines—in least developed countries and poorer areas of the developing world.

Foster the use of carbon finance as an innovative financial tool to promote cleaner, less greenhouse gas-emitting technologies.

Help ensure a more equitable Clean Development Mechanism (CDM) by demonstrating the viability and replicability of small carbon emission reduction projects in countries and areas normally bypassed by commercial interests.

Demonstrate in practical ways how the CDM can improve the lives of the poor and contribute to sustainable development at the local level.

Acquire first-hand knowledge of the catalytic effect of carbon finance as a tool for development. Access knowledge dissemination and acquisition services provided by the World Bank and the World Bank Institute—including training programs, carbon finance fellowships, staff exchanges, and the CDCF*plus* Internship Program.



## THE CASE FOR CAPACITY BUILDING

Market research by the World Bank shows that during 2002 only 13 percent of direct private sector carbon emission reduction purchases were made from projects in the developing world—and none from the least developed countries.

This research suggests that least developed countries and poorer communities will only become players in the emerging carbon market—with its potential development benefits—if international donors help them develop the local capacity and expertise required to prepare and manage carbon projects.

### WHAT NEEDS TO HAPPEN?

#### **Transactions transactions transactions:**

The work of the Prototype Carbon Fund (PCF) demonstrates that the experience gained from the first and second carbon finance transactions is essential for building the capacity of government agencies, small and medium enterprises, NGOs, and intermediaries to participate in the emerging carbon market.

#### **Supportive CDM approval systems:**

In a recent survey on small-scale CDM project activities by market analyst Point Carbon, experts from government and the private sector identified the existence of a supportive national CDM approval system as the single most critical factor determining the attractiveness of a CDM investment.

#### **Local intermediaries:**

Project development, preparation, bundling, and delivery through competent intermediaries, private sector representatives or NGOs which operate at local/regional cost structures, enjoy local business knowledge, and, where possible invest their own funds, can substantially reduce business costs and mitigate project risks.

#### **Competent designated national authorities for the CDM:**

One of the most significant barriers to the delivery of high volumes of emission reductions through the CDM remains the ability of public sector institutions in developing countries to have clear, transparent and timely project approval procedures. So far, only nine of the more than 70 developing countries that have ratified the Kyoto Protocol have a designated national authority, and perhaps fewer than that have implemented project approval procedures.



## LEARNING BY DOING

Through targeted activities, CDCFplus will:

Identify and enhance the capacity of a selected number of local or regional intermediaries—such as commercial banks, regional development banks, and others which would commit their own funds to the underlying projects supporting the creation of the carbon asset—to develop portfolios of projects and/or create carbon emission reductions for re-sale.

Identify and select local experts or institutions—such as private project developers, investment authorities, savings and loan associations, small and medium enterprise associations, cooperatives, development NGOs, utilities—and build their capacity to identify projects and develop at least one of them to Project Design Document (PDD) stage.

Respond to specific requests from project developers for technical assistance to bring the project to validation stage, including:

- Partial funding for social and environmental due diligence;
- Partial funding for a feasibility study and or a business plan for the underlying project;
- Project Idea Note (PIN) completion costs;
- Carbon asset creation/PDD preparation; and
- Community benefits identification and selection.

Provide technical training to public sector experts who have been mandated by the United Nations Framework Convention on Climate Change (UNFCCC) to designate a national authority. This must put in place procedures to assess whether a specific project proposal meets the sustainable development objectives of the country and other applicable regulations, and to ensure that private entities can participate in the sale of emission reductions.



## HOW CDCF*plus* WORKS

The World Bank has created a CDCF*plus* multi-donor technical assistance trust fund. Financial resources will accrue not only from entities that have entered into a participation agreement with CDCF*plus*, but also from investment income from upfront payments made in full by CDCF participants.

CDCF*plus* participants will receive periodic status reports, budgets and account statements.

CDCF*plus* is part of the World Bank's Technical Assistance Program for Carbon Finance (CF-Assist) which will provide the overall coordination among the various technical assistance initiatives of the World Bank in the area of carbon finance.

### TAILOR-MADE PARTICIPATION

While participation in CDCF*plus* will typically involve the transfer of funds from donors to the technical assistance trust fund, it may also consist of technical assistance rather than financial contributions.

CDCF*plus* is tailor-made to suit the needs of individual participants: the activities to be undertaken; the countries where these activities are to be undertaken; the technologies the participant wishes to support; the duration of participation and other modalities. Individual work programs will be discussed and agreed.

CDCF*plus* components can be designed around existing or planned capacity-building programs and projects in the area of climate change. Adding a carbon finance component will increase the value and sustainability of such projects and programs.

### CDCF*plus* AND THE UNFCCC PROCESS

The work of CDCF*plus* will be consistent with the principles and rules for the CDM—including those of official development assistance—as well as the capacity-building framework for developing countries, adopted at the seventh session of the Conference of the Parties to the UNFCCC (*Marrakesh, October 29-November 10, 2001*).

CDCCF/US



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