The Carbon Initiative for Development (Ci-Dev) will use emission reduction-based performance payments to support projects that improve and increase energy access in Least Developed Countries using clean and efficient technologies.

Two Components
*The Carbon Initiative for Development comprises two reinforcing components*

**Readiness Fund**
The Readiness Fund finances capacity building activities in least developed countries for developing standardized baselines and technical assistance to energy access programs. It also supports the development of new methodologies and of proposals for simplified CDM rules, and dissemination of the results.

**Carbon Fund**
The Carbon Fund provides performance-based-payments to energy access programs in the form of purchases of certified carbon emission reductions.

Program Objectives
- To demonstrate that performance-based payments in the form of certified carbon emission reduction purchases can lead to successful and viable business models that promote increased private sector participation and share lessons for replication.
- To influence future carbon market mechanisms so that least developed countries, especially in Sub-Saharan Africa, receive a greater and fairer share of carbon finance that results in both high development benefits and that avoid carbon emissions.
- To support low income countries in developing standardized baselines and establishing “suppressed demand” accounting standards in such key areas as rural electrification, household energy access and energy efficiency.
- To contribute proposals to further improve and extend the scope of the CDM for use by the Least Developed Countries, especially for Programmes of Activities (POA).
The Challenge

There are today about 1.4 billion people without access to electricity, 85% of which are in rural areas. About 2.7 billion people are relying on the traditional use of biomass for cooking, which results in an estimated 1.45 million premature deaths each year due to indoor air pollution. Achieving universal access to electricity by 2030 would require an additional annual average investment of $36 billion.

At the same time, energy is the greatest contributor of greenhouse gas emissions worldwide and low income countries are among the most vulnerable to climate change, underlying the importance of clean energy for increasing energy access.

Until 2012, carbon markets have played a significant role in funding clean energy projects with over 66% of registered projects in the energy sector. Very few of these projects however are taking place in Least Developed Countries, and the current low demand for CDM credits means that other sources of finance need to be harnessed until carbon markets recover. At the same time, the rigorous monitoring and verification framework of the CDM can provide a powerful vehicle for disbursing results-based climate finance. Supporting CDM experience in LDCs is also a means to raise climate mitigation awareness in these countries and prepare them to benefit from future carbon markets.

Applying Lessons Learned

The World Bank has gained extensive experience in supporting low-income countries’ efforts to benefit from carbon finance, in particular from the Community Development Carbon Fund (CDCF), a fund created in 2003 with a specific focus on the low income developing countries and on small-scale projects providing co-benefits to the poorest communities.

Currently, World Bank Carbon Funds are supporting 59 CDM projects in IDA countries, with close to half of these in Africa. (IDA is the World Bank’s International Development Association, which provides concessional financing to some of the world’s Least Developed Countries.)

From this experience, it is clear that significant or even radical improvements in the CDM regulations are required to facilitate the large-scale development of carbon finance in Least Developed Countries (LDCs) and other low income countries. Policy makers need to cut transaction costs, minimize delays and uncertainties and enable the deployment of carbon finance at a sectoral or policy level.

Besides these regulatory changes, promoting carbon finance in low income countries in the current depressed carbon market also requires the ability to purchase carbon credits at prices disconnected from market references, and reflecting more the financial needs of individual projects and programs.
The Readiness Fund

The Ci-Dev Readiness Fund will focus on enhancing existing and developing new carbon finance mechanisms, building capacity to undertake carbon finance transactions in low income countries and disseminating the lessons learned.

The Readiness Fund will contribute to ongoing efforts to reform the CDM. This will help ensure that when demand for carbon offsets returns, countries with lower technical capacity have sufficient opportunities to participate.

Through its on-the-ground work creating carbon assets for its various carbon funds, the World Bank has made significant contributions to capacity building and knowledge creation and dissemination of carbon finance – efforts which benefit the whole carbon finance community (“public good creation”) and can generate lessons of value for future carbon market mechanisms. The technical work of the Readiness Fund will include:

- Supporting developing countries’ DNAs develop standardized baselines in such key areas as rural electrification, household energy access and energy efficiency;
- Ensure the crediting of low-carbon projects in energy low income countries by establishing “suppressed demand” accounting standards; and
- Contributing proposals to further improve and extend the scope of the CDM towards new market mechanisms for use by low income countries.

The Carbon Fund

The Carbon Fund will purchase CERs from projects selected in accordance with project selection criteria which will be published soon. These projects will also be eligible for technical assistance, as needed, funded from the Readiness Fund, to support *inter alia* their validation, registration, and successive verifications.

The Carbon Fund will complement the Readiness Fund in the sense that it plans to support projects and programs that would apply and benefit from the standardized baselines and other new CDM methodologies to be developed.
Targeted technologies

The projects will be innovative and have high development benefits. In addition, project selection will prioritize technologies that deliver primarily community and household level results, such as biogas, household solar and micro-hydro power.

They will have to be predominantly implemented by the private sector.

For Project Developers

Please check the carbon finance unit’s website which will be soon updated with information on how to apply for Ci-Dev support.

For more information please visit www.carbonfinance.org