



Canadian International  
Development Agency

Agence canadienne de  
développement international

# **Canada Climate Change Development Fund**

## **Mid-term Evaluation**

### **Final Report**

### **May 2004**

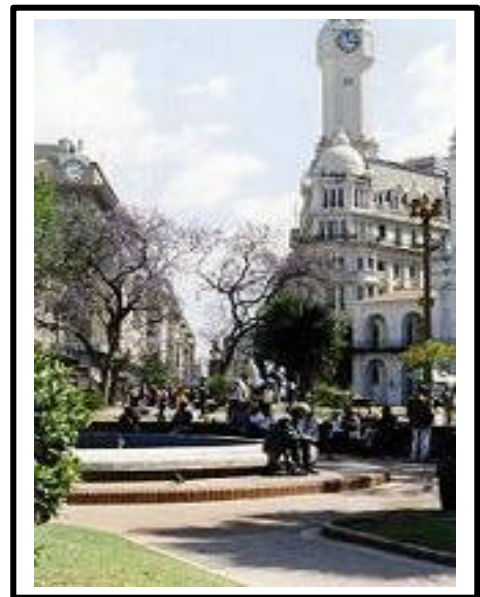
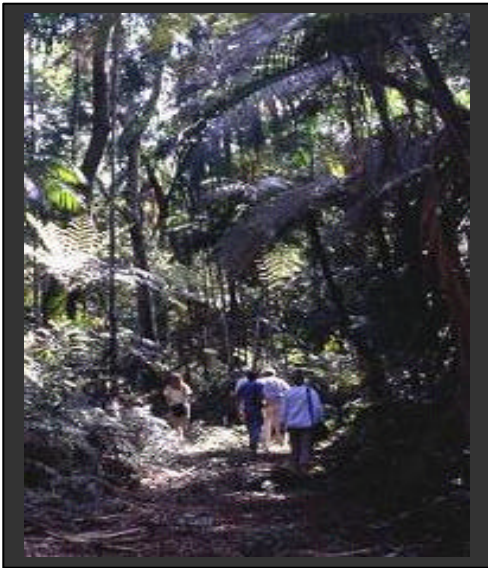
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**Canada** 

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# CANADA CLIMATE CHANGE DEVELOPMENT FUND

## MID-TERM EVALUATION FINAL REPORT



**Performance and Knowledge Management Branch  
Canadian International Development Agency**

**May 2004**

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## **Acknowledgements**

We would like to thank all our partners in the Americas, Africa, the Middle East, Asia and Central and Eastern Europe who provided us with their forthright thoughts and comments related to their experiences with the Canada Climate Change Development Fund.

We wish to acknowledge the valuable contribution of our CIDA colleagues: Judi Allen, Philip Baker, Onil Banarjee, Lisa Lachance, Clair Miquet, Willow Minaker, Rob Patzer, Susan Pereverzoff, Jan Sheltinga, and Brian Weller who provided guidance, support, feedback and constructive suggestions during the evaluation.

The Agency's Climate Change Working Group was very helpful by sharing their ideas and supplying background information and program documents.

We are very grateful to our colleagues Colette Kawa and Manon Boisclair (Managers of the Climate Change Fund Secretariat) for their excellent cooperation and professionalism throughout the course of the evaluation.

Our colleagues in the Department of Foreign Affairs and International Trade; Natural Resources Canada; Environment Canada; Treasury Board and the federal Government's Climate Change Secretariat, were very generous with their time and positive comments, which improved the quality of our work.

Our consultants Noel Keough and Bruce Smedley, of Plannet, did a very thorough analysis of complex ideas, information and interviews, which lead to provocative consultation drafts for further discussion. Their patience and professionalism furthered our learning of climate change issues.

Finally, we would like to thank Pradip Shastri who managed this evaluation.

G. Singh  
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May, 2004

## ACRONYMS

ACCC	Adapting to Climate Change in the Caribbean
CACBI	Canada-Argentina Capacity Building Initiative
CARICOM	Caribbean Community
CCAF	Climate Change Action Fund
CCCDF	Canada Climate Change Development Fund
CCPC	Climate Change Plan for Canada
CCWG	Climate Change Working Group
CDM	Clean Development Mechanism
CDPF	Country Development Program Framework
CEA	Canadian Executing Agency
CIDA	Canadian International Development Agency
CIT	Countries In Transition
COP	Conference of the Parties
DFAIT	Department of Foreign Affairs and International Trade
EC	Environment Canada
GEF	Global Environment Facility
GERBI	Greenhouse Gas Emissions Reduction in Brazilian Industry
GHG	Greenhouse Gas
ICLEI	Cities for Climate Change Protection Campaign in Latin America
IRC	Interdepartmental Review Committee
LDC	Least Developed Countries
LFA	Logical Framework Analysis
LULUCF	Land Use, Land Use Change and Forestry
MEA	Multi-lateral Environmental Agreement
MFBP	Management Framework and Business Plan
NGO	Non-Governmental Organizations
NRCAN	Natural Resources Canada
ODA	Official Development Assistance
PIP	Project Implementation Plan
PRSP	Poverty Reduction Strategy Paper
PTL	Project Team Leader
REACH	Renewable Energy, Energy Efficiency, and Climate Change
RFP	Request For Proposal
SAE	Strengthening Aid Effectiveness
SD	Sustainable Development
SDS	Sustainable Development Strategy
SPF	Small Project Fund
SWRC	Social Work Research Centre
TEAM	Technology Early Action Measures
UNCED	United Nations Conference on Environment and Development
UNDP	United Nations Development Program
UNEP	United Nations Environment Program
UNFCCC	United Nations Framework Convention on Climate Change
VP	Vice President

## **TABLE OF CONTENTS**

Management Response .....	i
1.0 Highlights .....	1
2.0 Context of the Evaluation.....	2
3.0 Fund Profile .....	3
4.0 Notes on Methodology .....	7
5.0 Findings .....	8
5.1 Relevance of the CCCDF .....	8
5.2 Program Design and Structure.....	13
5.3 Project Level Results .....	18
6.0 Conclusions and Recommendations .....	27
6.1 CIDA and Climate Change.....	27
6.2 Mainstreaming Climate Change.....	27
6.3 CIDA and Technology Transfer .....	28
6.4 CCCDF Program Areas.....	28
6.5 The Focus of Climate Change Development Funding.....	29
6.6 CCCDF Timeframe .....	29
6.7 Financial Reporting.....	29
6.8 Science and Technology Specialists and the CCCDF .....	30
6.9 Project Identification and Evaluation .....	30
6.10 Building on the CCWG Success.....	30
6.11 Governance for Sustainability .....	31
6.12 Interdepartmental Initiatives and The Role of Secretariats.....	31
6.13 Climate Change Objectives and Departmental Mandates .....	32
6.14 Conflicts of Interest.....	32
6.15 Mid-Term Recommendations.....	32
Appendix I: Project Approval Process.....	36
Appendix II: Bibliography.....	37

## **MANAGEMENT RESPONSE**

This is the proposed management response to the mid-term evaluation of the Canada Climate Change Development Fund (CCCDF), for review at the December 10th Audit and Evaluation Committee meeting. The management response is composed of a 2-page summary and a grid detailing proposed actions.

Given the interdepartmental governance structure for the CCCDF, the management response was prepared in consultation with the departments represented on the Governance Board. The management response was also discussed at the November 18th SPWG meeting. Please find below the highlights of the discussion.

- The group agreed that the evaluators produced a quality report.
- The evaluation accurately identified the short timelines and the lack of participation of developing countries as two of the main challenges encountered in implementing CCCDF projects.
- Despite the challenges encountered in implementing the CCCDF, there are clear benefits to Canada and CIDA.
- Should another dedicated fund on climate change be introduced, it should be structured differently from the CCCDF and take into account the recommendations of the consultant.
- It was noted that care should be taken when proposing to mainstream climate change, in light of the scarcity of resources. If the Agency takes on such a commitment, it is then accountable to achieve such a commitment. Members of the group felt that mainstreaming should be done where appropriate.

Please note that a Ministerial Submission was signed on November 24th by Minister Carroll authorizing a one-year extension of the CCCDF within remaining unallocated IAE funds (ref: INFORMATION D-04/0479). Given that this extension would be funded from CIDA's A-base, the specific modalities associated with the management of the funds may differ from those under the CCCDF. Hence, it is recommended that the matter of the extension be kept separate from the mid-term evaluation exercise.

**CCCDF MID-TERM EVALUATION – DETAILED MANAGEMENT RESPONSE**

<b>Recommendation</b>		<b>Commitments / Actions</b>	<b>Responsibility Centre</b>	<b>Target Completion Date</b>	<b>Status</b>
6.1	CIDA should articulate a climate change and development strategy to guide its climate change activity. This strategy should be one that: achieves a convergence between climate change initiatives and development policy; defines CIDA’s climate change niche; and focuses its climate change contribution on its unique experience, expertise and mandate.	CIDA will develop a climate change strategy by December 2005. This strategy will be part of CIDA’s renewed Policy on Environmental Sustainability.	CIDA/YEN	December 2005	In progress
6.2	Future climate change programming at CIDA should be mainstreamed and integrated into existing programming.  Assuming a continued and growing use of directed interdepartmental funds, CIDA should ensure that future funds include a mainstreaming strategy in the MFBP to ensure as rapid a transition to mainstreaming and integration as possible.	Appropriate mainstreaming of climate change into CIDA programming will be a key component of the Agency’s climate change strategy.	CIDA/YEN	December 2005	In progress
6.3	CIDA should create a technology transfer policy paper to guide its own technology transfer initiatives and as a tool to communicate to its partners, a developmental perspective on technology. Issues addressed in the paper should include criteria of appropriateness, replicability and sustainability of technology transfers, and capacity building for endogenous technology development and assessment.	Issues related to the appropriateness, replicability and sustainability of technology transfers will be addressed in the context of CIDA’s climate change strategy	CIDA/YEN	December 2005	In progress
6.4	For future CIDA climate change funds, consideration should be given to a redefinition of program areas to maintain policy coherence, take	These issues will be addressed in any future dedicated fund on climate change that may be	N/A <sup>1</sup>	N/A	N/A

<sup>1</sup> Items labelled N/A relate to recommendations that would only be addressed in the event that a new dedicated fund on climate change were established, and to recommendations where no specific action is proposed.

Recommendation		Commitments / Actions	Responsibility Centre	Target Completion Date	Status
	advantage of developmental synergies, define CIDA's climate change niche, and make the most effective use of its expertise and experience in addressing climate change, in concert with the expertise and experience of OGDs.	established.			
6.5	While remaining consistent with CIDA development policy, future climate change development funding should be focused with consideration to the following parameters: state of development of recipient country; contribution or vulnerability to climate change of the recipient country; geographic distribution of funding; and representation of major ecosystem types in funds allocation.	Parameters used in focusing future climate change funding will be determined with consideration to the principles outlined in CIDA's policy statement on Strengthening Aid Effectiveness (SAE).	N/A	N/A	N/A
6.6	CIDA should more clearly and proactively communicate to OGDs the time requirements for effective development so that it is possible to ensure adequate timelines in future.	Communication activities undertaken to share the results of this mid-term evaluation interdepartmentally will emphasize the time requirements for this type of programming.	CIDA/YEN	March 31, 2005	Ongoing
		As part of the development of a new climate change strategy, CIDA will discuss with OGDs the need for and design of a future dedicated fund.	CIDA/YEN	December 2005	Ongoing
6.7	If the Agency wishes to participate in future dedicated Funds, then it should proactively engage Treasury Board in discussions to find a mechanism whereby future directed funds use the established program branch mechanisms for financial management and reporting to Treasury Board.	In the event of a future dedicated fund on climate change, CIDA will seek to maximize reliance on program branch mechanisms within the results-based accountability framework parameters.	N/A	N/A	N/A
6.8	Directed fund S&T specialists could be	Two S&T positions were assigned	N/A	N/A	N/A



	<b>Recommendation</b>	<b>Commitments / Actions</b>	<b>Responsibility Centre</b>	<b>Target Completion Date</b>	<b>Status</b>
	<p>differentially deployed in program branches (program support) and within policy branch (interdepartmental and international negotiations support) with a clear distinction of the respective roles.</p> <p>S&amp;T Specialists deployed to support international negotiations should be attached to the directed fund Secretariat. Those deployed in program branches could be hired specifically with expertise in the directed fund themes or alternately, a training program for existing S&amp;T Specialists could be incorporated into directed fund activities.</p> <p>Secondment of expertise from OGDs is another potential solution. This proved difficult in the CCCDF Program, but with senior level support (for example from the GB) may be a viable solution.</p>	<p>to the climate change team in CIDA's Environment Division to support international negotiations and the CCCDF.</p> <p>CIDA branches have S&amp;T specialists they can draw on in the remaining months of the CCCDF.</p> <p>Secondment of expertise would be considered in any future dedicated fund on climate change.</p>	<p>N/A</p> <p>N/A</p>	<p>N/A</p> <p>N/A</p>	<p>N/A</p> <p>N/A</p>
6.9	<p>Consistent with the learning organization for sustainable development approach to management, for future interdepartmental directed funds, program branches should be given the responsibility for project identification and selection. At the same time inter-branch and interdepartmental working groups should be established to participate in project evaluation and ensure a continuous learning process throughout project and program life-cycles.</p>	<p>Approaches to project identification and selection will be considered in any future dedicated fund on climate change.</p>	N/A	N/A	N/A
6.10	<p>CIDA should examine the success of the CCWG in more detail and assess its potential as a model to increase effective inter-branch and interdepartmental communication and collaboration.</p>	<p>CIDA's CCWG has remained a valuable support to the CCCDF throughout the life of the Fund. Bi-weekly meetings of the CCWG are held to ensure inter-branch collaboration on climate change.</p>	N/A	N/A	N/A

Recommendation		Commitments / Actions	Responsibility Centre	Target Completion Date	Status
		CIDA is engaging CCWG in its efforts to develop a climate change strategy.			
6.11	The efficiency and effectiveness of the CCCDF, or other directed interdepartmental funds, would benefit from a structure internal to CIDA and with respect to interdepartmental collaboration that more explicitly supports a learning organization in support of sustainable development. Such an organizational philosophy supports better communication, the nurturing of learning and knowledge-based networks within and between organizations and toward decentralized management and decision-making in concert with interdepartmental and multi-stakeholder coordination.	This issue will be considered in any future dedicated fund on climate change.	N/A	N/A	N/A
6.12	Directed Fund Secretariats should play a facilitative and coordinating role in future interdepartmental directed funds.	This issue will be considered in any future dedicated fund on climate change.	N/A	N/A	N/A
6.13	Assuming ongoing and improved intergovernmental collaboration on climate change, climate change funds should be designated to achieve differentiated climate change objectives in such a manner that climate change funding be allocated to the government department whose mandate most closely aligns with the differentiated objectives.	This issue will be considered in any future dedicated fund on climate change.	N/A	N/A	N/A
6.14	Directed funds administered interdepartmentally should put in place protocols to mitigate or avoid potential or perceived conflicts of interest.	Protocols to mitigate or avoid potential or perceived conflict of interest will be considered in any future dedicated fund on climate change.	N/A	N/A	N/A
6.15.1	To ensure sustainable results, and maximum impact with respect to poverty alleviation, the Fund Secretariat should work with PTLs and CEAs to	The CCCDF communications strategy emphasizes sharing lessons learned.	N/A	N/A	N/A

Recommendation		Commitments / Actions	Responsibility Centre	Target Completion Date	Status
	identify projects with marketing components and devise a strategy for sharing lessons learned and providing marketing support to these projects in need of such support.	Monitoring study of Reducing Vulnerability to Climate Change project in Bangladesh resulted in report containing recommendations on the development of marketing strategies. The report was shared with all PTLs. The monitor also presented the report at CIDA.  Future projects of this nature will give consideration to including in their implementation plan a marketing strategy, as part of good development programming practice.			
6.15.2	The Fund Secretariat should work with the S&T specialists, PTLs, CEAs, developing country partners and OGDs with technology expertise to review the status of technology transfers and identify opportunities to contribute to capacity building for endogenous technology development.	CIDA will organize a forum with CEAs to share lessons learned and discuss opportunities for improving project effectiveness. The issue of technology transfer will be addressed in this forum.	CIDA/YEN	March 31, 2005	In progress
6.15.3	The Fund Secretariat should work with the CCWG, CEAs and the IWG to apply accepted methodologies to calculate carbon sequestration and GHG emission reduction estimates for the CCCDF Program.	CIDA will use the services of an expert to assist in calculating GHG emissions reduction estimates and carbon sequestration for CCCDF projects with specific emissions reduction and carbon sequestration objectives, in consultation with the interdepartmental working group.	CIDA/YEN	March 31, 2005	In progress
6.15.4	The Fund Secretariat should ensure that the recently re-constituted Interdepartmental Working	CIDA will organize a meeting of the IWG in October to discuss the	CIDA/YEN	October 2004	Completed

Recommendation		Commitments / Actions	Responsibility Centre	Target Completion Date	Status
	Group (IWG) continues. The IWG could assist with the technology review and GHG reduction and carbon sequestration calculations. Participation in OGDs' interdepartmental working groups (particularly the TEAM Interdepartmental Review Committee) should be a priority for the Secretariat:	mid-term evaluation and assess opportunities for enhanced interdepartmental collaboration  CIDA will hold an ADM-level Governance Board meeting (chaired by CIDA VP Policy)		November 2004	Completed
6.16.5	To support the marketing, technology review and emissions and sequestration calculation recommendations, all efforts should be made to retain S&T specialists to the end of the project.	As per the MFBP, the CCCDF S&T unit closed down on March 31, 2004. No dedicated S&T specialist is currently assigned to work with the CCCDF (incumbent no longer at CIDA), although each programming branch does have S&T specialists it can consult as needed.  The CCCDF Secretariat surveyed PTLs to identify their needs for the last year of the Fund. None foresaw requiring specific S&T services, given the late stage of their projects.	N/A	N/A	N/A

Acronyms used:

CC = climate change

CEA = Canadian Executing Agency

GB = Governance Board

IWG = Interdepartmental Working Group

OGD = Other Government Department

SDS = Sustainable Development Strategy

TEAM = Technology Early Action Measures

CCWG = Climate Change Working Group

CIDA = Canadian International Development Agency

GoC = Government of Canada

ODA = Official Development Assistance

PTL = Project Team Leader

SAE = Strengthening Aid Effectiveness

WB = World Bank

## **1.0 HIGHLIGHTS**

The purpose of this mid-term evaluation is to assess the efficiency and effectiveness of the Canada Climate Change Development Fund (CCCDF) with respect to its relevance, design, structure and project level results. CCCDF was an experimental program in interdepartmental cooperation. The Fund is a \$100 million initiative that the Government of Canada created as part of its climate change strategy. Its objectives are to: maximize Canada's ability to meet its United Nations Framework Convention on Climate Change (UNFCCC) commitments; contribute to the achievements of global climate change objectives; and, maximize opportunities for Canadian business in international initiatives related to climate change. The program focuses on four areas: emissions reduction, carbon sequestration, core capacity building and adaptation. The Fund was established in 2000 and is expected to terminate in 2005. The Canadian International Development Agency (CIDA) was tasked with the mandate of administering the Fund. Given the circumstances, the program has achieved impressive results in all geographic regions and in each of the program areas.

The CCCDF has made a significant contribution to promoting the climate change objectives of the Government of Canada. The Fund has made considerable progress toward assisting Canada meet its UNFCCC commitments and Kyoto targets by advancing the capacity of developing countries to participate in climate change negotiations and emerging carbon markets. There has been a high level of participation in the Fund of the developing world's largest greenhouse gas (GHG) emitters. There have been substantial opportunities for Canadian companies, with 40% of projects having private sector involvement. The majority of the projects visited were consistent with CIDA's country and regional priorities.

The CCCDF has demonstrated that CIDA does have a vital role to play in a comprehensive Government of Canada policy on climate change. In particular, since the inauguration of the CCCDF, CIDA personnel have played a pivotal role in UNFCCC negotiations. The CCCDF has given Canada a head start in terms of a development and climate change agenda. The Fund has enhanced Canada's reputation and its UNFCCC negotiating position. The Fund has been an experiment and by integrating lessons learned, future climate change activity can be delivered more efficiently and effectively.

The CIDA Sustainable Development Strategy 2001-2003 (SDS) highlights the need to cultivate CIDA as a learning organization. The Climate Change Working Group (CCWG), set up by CIDA, is a shining example of the benefits of the learning organization philosophy. The success of the CCWG demonstrates the need to redouble efforts to operationalize the learning organization concept not only within CIDA but also as the basis for interdepartmental collaboration.

Yet several issues contributed to inefficiencies in the Fund and reduced its overall effectiveness. One of the most pervasive problems with the Fund was the lack of time. CIDA officers worked long and hard to meet CIDA's obligations to the Government of Canada. However, the short timelines for the Fund contributed to establishment of inefficient reporting mechanisms, (especially financial reporting to Treasury Board Secretariat); rushed project planning, and lack of participation of developing country partners. Lack of time is almost universally recognized, yet the politically driven timeframes mitigated against appropriate time horizons.

While the Fund has also made a valuable contribution to developing countries capacities to address climate change, its focus on carrying out broader Government of Canada objectives has at times created challenges for CIDA in its efforts to closely align CCCDF programming with its development mandate and objectives. This challenge, however, has to be viewed in the light of the important distinction between the Fund's overall Government of Canada objectives and the implementation of these objectives by CIDA. In

this context, and considering the experimental nature of the initiative, CIDA worked diligently to ensure CCCDF programming fulfilled its development mandate and objectives to the extent possible.

A major shortcoming of the CCCDF was the lack of participation of developing country partners. Owing to the time constraints and the imperative to meet Government of Canada objectives, there was little consultation with developing countries in setting up the Fund or in project selection. In some instances partnerships were not solidified before projects were approved.

The poorly developed program LFA has hampered evaluation of the achievement of results. Nevertheless, particularly strong results are evident in the core capacity building program area and the unexpected strength of the networking activities that have been supported by the Fund. The Fund's contribution to developing country capacity to participate in climate change negotiations has been impressive. Equally impressive is the broad-based networking among stakeholders nationally, regionally and globally in many of the projects. The other three program areas are generally completing activities as planned. The conditions are in place for medium and long-term results to be achieved.

In the opinion of the evaluators the CCCDF would be more effective if decision-making on project selection and spending were decentralized to program branches. The vital role of the Secretariat could then focus on coordination of the internal and interdepartmental working groups, effective deployment of science and technology expertise, reporting on results, and communication and education within CIDA, with other government departments and other stakeholders.

In summary, the evaluation team has found that the Canadian International Development Agency (CIDA) has invested considerable time and energy in the CCCDF. Over the life of the program CIDA personnel have confronted many challenges and have responded with professionalism, dedication and achieved significant results for which they obviously take much pride. This evaluation should be taken in the spirit of constructive criticism. While it draws attention to the achievements of the Fund, the bulk of the report addresses issues of concern, with the conviction that shedding light in that direction will ultimately improve development policy and practice. Being an interdepartmental initiative, responsibility for the successes and failures of the Fund should be shared. The report should be considered beyond CIDA and its findings will, hopefully, contribute to a better understanding of ways to improve interdepartmental and stakeholder collaboration.

While acknowledging the limited time remaining before the conclusion of the Fund, this report outlines specific recommendations to make adjustments for the duration of the program. Other recommendations address management and organizational issues should there be a continuation of funding.

## **2.0 CONTEXT OF THE EVALUATION**

The CCCDF is a unique contribution to the more than 3.6 billion dollars that the Canadian government has committed to climate change initiatives since 1998. Like other climate change initiatives, the Fund is expected to support Canadian climate change objectives, but the fund is unique in that it is allocated specifically to meeting Canada's UNFCCC commitments to developing countries.

The evaluation of the fund must also be understood in the context of what most observers at CIDA and within other government departments see as an increasing trend toward the use of directed funds to target priority issues in development cooperation. Other recent directed funds include the Canada Fund for Africa and The Canada Landmines Fund managed by the Department of Foreign Affairs and International

Trade (DFAIT). The evaluation must also be seen in the context of an increased interest and demand for interdepartmental collaboration. In fact, the establishment of new modes of horizontal or collaborative governance at the local, the national and international levels is widely considered a key challenge to achieving truly sustainable development.

This evaluation has also been approached with an understanding of the sensitivity and continuing debate about the role of ODA in addressing climate change. As stated in the CCCDF Management Framework and Business Plan (MFBP), “developing countries are very much opposed to the notion of diverting ODA to secure emission reduction credits for developed countries.” This sentiment is expressed in Article 4, Paragraph 3 of the UNFCCC Convention. Developed countries will “...provide such financial resources, including for the transfer of technology, needed by the developing country Parties to meet the agreed *full incremental costs* of implementing measures...” (italics added).

Finally, the Canadian contribution to climate change activity complements a far greater global response. Following the Earth Summit in Rio de Janeiro in 1992, the Global Environmental Facility was designated as the Financial Mechanism of the UNFCCC and the World Bank, UNDP and UNEP were designated as the implementing agency for the Global Environment Facility (GEF). The World Bank, UNDP and UNEP also support activity under several programs including The National Strategy Studies Program, The Prototype Carbon Fund and the Carbon Finance Assist. In addition the Organization for Economic Cooperation and Development and various UN agencies including The United Nations Environment Program and The United Nations Development Program, play a central role in climate change.

### **3.0 FUND PROFILE**

Prior to the 2000 Federal budget an interdepartmental working group crafted a Memorandum to Cabinet specifically aimed at intervention to address climate change in developing countries. The Cabinet decision was to charge CIDA with the management of \$100 million of Government of Canada money, designated as ODA, with a focus on technology transfer and capacity building. A Climate Change Working Group (CCWG), with representation from all CIDA Branches, was established in January 2000. In the February 2000 Federal Budget \$100 million of new ODA was allocated to the CCCDF, to be administered by CIDA, with a Treasury Board directive for \$15 million to be spent in the first year and all funds to be spent in four years. The decision was made to house a CCCDF Secretariat in Policy Branch. Figure 1 outlines the CCCDF organizational structure. Appendix I articulates the project approval process.

CIDA’s Policy Branch, in consultation with a wide group of stakeholders within CIDA and the interdepartmental community, prepared the MFBP. According to the MFBP, the Fund was proposed as a means to assist developing countries take up the challenge of climate change by promoting “activities to combat the causes and effects of climate change in developing countries, while helping to reduce poverty and promote sustainable development.” The MFBP recognized that “As part of Canada’s ODA program, all projects under the CCCDF must have as their primary objective the improvement of the economic development and welfare of the developing country.” The Fund adopted an “approach that combines technology transfer and capacity building” in four program areas (emissions reduction, adaptation, core capacity building and sequestration).

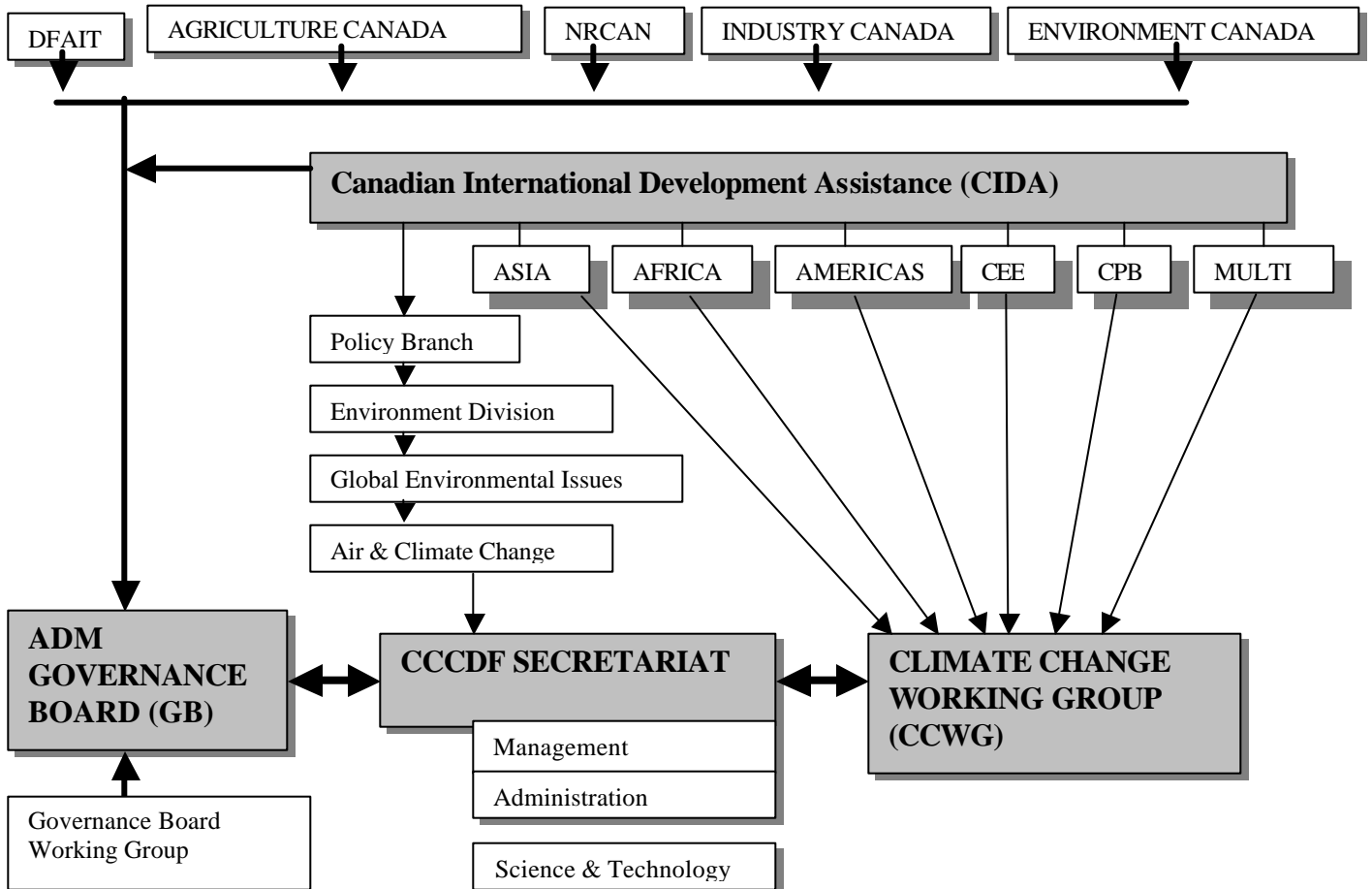
The MFBP stipulates that CIDA is responsible for everyday management of the Fund. A “governing council made up of representatives of several Canadian departments...provides CIDA with strategic advice and guidance in program management.” “The CCCDF Secretariat at CIDA [provides] permanent staff and [serves] as a facilitator in the selection of projects and the monitoring of their implementation via

CIDA mechanisms.” “CIDA’s program branches [are] responsible for identifying and developing project proposals which [are] evaluated on a competitive basis according to pre-set criteria.”

The MFBP further stipulates that to be eligible for CCCDF funding projects must contribute to the promotion of the objectives of the UNFCCC; at least one of three objectives of Canada’s International Strategy on Climate Change; the transfer of technology related activities; and at least one of the four CCCDF program areas. If these eligibility criteria are satisfied then proposals are evaluated on a point system according to geographical criteria and program-related criteria.

The MFBP was approved by Treasury Board on June 8, 2000. The interdepartmental Governance Board approved the MFBP on July 13 and launched the Fund. On August 1, 2000 a Request for Proposals (RFP) was advertised through the CIDA website, other government departments and MERX with a submission deadline of August 11 (10 days). The external deadline for the second round of RFPs was February 15, 2001 (the internal deadline was April 1). The selection process was completed and approved by June 7, 2001. At that point, the majority of the CCCDF funds were allocated.

FIGURE 1- ORGANIZATION - Canadian Climate Change Development Fund





The CCCDF was created based on the three objectives of the 1998 Government of Canada International Strategy on Climate Change:

1. Maximize Canada’s ability to meet its UNFCCC commitments and Kyoto climate change targets at the lowest cost;
2. Contribute to the achievement of global climate change objectives and ensure a level playing field with Canada’s competitors by maximizing participation of major developed and developing economies in the Kyoto Protocol; and,
3. Maximize opportunities for Canadian business in international projects and initiatives on climate change.

The MFBP established Emissions Reduction as the dominant program area of the Fund (37 – 43%), followed by similar weighting of funds to Sequestration (18-23%) and Core Capacity-Building (20-25%). Adaptation funding was to be the smallest program area (10-15%) (see Table 1). The actual program expenditures (~48% Emissions Reduction, ~17% Sequestration, ~14% Core Capacity-Building and ~21% for Adaptation), are relatively consistent with the designated expenditures. Spending in core capacity building is a little low but this is somewhat misleading as core capacity building was a component of most of the projects. These allotments of funds are consistent with the three objectives of Canada’s 1998 strategy. Funding for emission reductions and sequestration provide the opportunity to identify and develop projects that could contribute directly to Canada’s international emissions reduction targets. Core capacity building contributes to the capacity for developing countries to establish national reporting, stakeholder education and pre-feasibility of CDM and emission trading projects under the Kyoto Protocol. Thus indirectly, core capacity building contributes to Canada’s ability to secure emission reduction credits internationally.

Article 4.4 of the UNFCCC identified the commitment of developed countries to financially support adaptation to the negative impacts of climate change in developing countries. The Buenos Aires Plan of Action reinforced this commitment, as have subsequent COPs. The adaptation program area was designed to help Canada meet this UNFCCC commitment. Actual spending on adaptation projects was higher than designated. This is consistent with the general opinion that CIDA’s mandate and expertise is more grounded in adaptation and the fact that adaptation has achieved a higher profile as the UNFCCC negotiations have proceeded.

TABLE 1 – PROGRAM AREA PROJECTS AND EXPENDITURES

<b>PROGRAM AREA</b>	<b>% OF FUND BUDGETED</b>	<b>% ALLOCATED of \$80 million for Program Areas (Approx.)</b>
Emissions Reduction	37-43%	47% (\$38 million)
Sequestration	18-23%	17% (\$14 million)
Core Capacity-Building	20-25%	14% (\$11 million)
Adaptation	10-15%	21% (\$17million)
Small Funds & Multi-lateral		\$20 million

The second objective focuses on participation of major developing country economies in the Kyoto Protocol. Each of the program areas contributes to this objective as well. The MFBP does not identify the ‘major’ developing countries, but the 5 largest GHG generators including China, India, Indonesia, Brazil, and Argentina, received approximately 40 % of the CCCDF funding. China is by far the largest recipient (~17%) followed by Indonesia (~8%), India (~7%), and Brazil and Argentina (~ 3.5 - 4% each). Without putting too fine an analysis on these numbers it is fair to say that the Fund did achieve the objective of targeting major developing countries, especially in comparison to the dispersed nature of CIDA’s overall ODA portfolio. There may also be a case to be made that Brazil was underrepresented and Argentina perhaps over-represented in the Fund. Table 2 lists fund allocation by country/region.

TABLE 2- EXPENDITURES BY COUNTRY/REGION

<b>COUNTRY/REGION</b>	<b>EXPENDITURE OF PROGRAM FUNDS Approximate Percentage</b>
China	17 % (\$17 million)
India	7 % (\$6.6 million)
Indonesia	8 % (\$7.1 million)
Brazil	3.5-4 % (\$3.5 million)
Argentina	3.5-4 % (\$3.75 million)
Other	60%

With respect to the third objective, the Fund has provided significant opportunities for Canadian business. There is Canadian private sector involvement in approximately 40% of the projects, not including the small project funds. Other major players included Government of Canada departments (~25%), NGOs (~32%) and Research Institutions and Universities (~10%). Table 3 details the sectoral participation in the Fund.

TABLE 3- SECTORIAL PARTICIPATION IN THE FUND (% of projects)

<b>SECTOR</b>	<b>PERCENTAGE PARTICIPATION Approx.</b>
Canadian Private Sector	40 %
Canadian Government Agencies	25 %
Non-Governmental Organizations (NGO)	32%
Research Institutions and Universities	10%

#### **4.0 NOTES ON METHODOLOGY**

The CCCDF mid-term review is a program evaluation. The main challenge of program-level assessments, particularly of programs with several components, multiple partners and numerous projects delivered in various countries is to balance “breadth” and “depth” of analysis within the parameters and resources of the evaluation. The evaluation strives to achieve a sufficiently balanced set of perspectives so as to provide clarity on overall program-level performance without becoming caught up in project-level data. At the same time it is important to assess the efficiency with which projects are delivered, as a contribution to a broader assessment of program effectiveness. In terms of project level performance, the challenge is to garner a sufficient overview of understanding to inform CIDA whether the projects supported by the program are being well formulated and delivered, and that they are making progress towards the agreed upon results.

This evaluation reports on the success of the program to date. Ultimately, though, the value of the evaluation will be realized via a forward-looking strategy that responds to the questions: How can performance be improved at this point in the Fund’s implementation? How do we adjust the structure and process of this and other potential CIDA-administered directed funds to ensure optimum results?

The methodology is designed to synthesize existing evaluative documents, fill in the missing pieces including field verification of project results and input from developing country partners and Canadian Executing Agencies, objectively assess the program to date and facilitate a process whereby stakeholders help chart a course for the future.

The CCCDF is evaluated within an appropriately broad context that encompasses **UNFCCC commitments**, **Government of Canada policy** on Climate Change, **CIDA’s mandate** and the global challenge to create new processes that can facilitate the kind of **cross-sectoral governance that sustainable development** demands. Contextualizing the evaluation along these four axes will enhance the potential to realize a comprehensive, informed, mid-term evaluation as the basis for improved development practice and results.

The following steps have been carried out for this evaluation:

1. Existing project documents were reviewed. Key documents included *Reflections on the Canada Climate Change Development Fund (CCCDF): Lessons Learned About Managing a Dedicated Fund* (February 2002); *The SGA Energy Limited CCCDF Project Summaries* (May 2003); and the *Canada Climate Change Development Fund (CCCDF) Information Exchange Report* (August 2003).
2. Key evaluation issues were identified.
3. Interview protocols were prepared for and administered to Canadian Executing Agencies (CEAs), the CCCDF Secretariat, Project Team Leaders (PTLs), the CCCDF Governance Board, Science and Technology Specialists, and developing country project partners.
4. A series of interviews were carried out with CIDA personnel and a sample of stakeholders from other government departments. Interviewees included key actors in the creation of the CCCDF, the CCCDF Secretariat manager, the Climate Change Working Group (CCWG), PTLs and personnel from other government departments.
5. A field mission was carried out from November 9<sup>th</sup> to 29<sup>th</sup> in Argentina, Brazil, Paraguay and the Caribbean. The field mission included site visits and interviews with two projects in Argentina, two projects in Brazil, one project in Paraguay and one project in the Caribbean. The rationale for selecting

countries in the Americas were: initiatives were sufficiently advanced in all four program areas, beneficiaries and executing agencies were eager to participate in the assessment and issues identified were common to program areas in other regions.

6. Additional stakeholder interviews were conducted based on findings of initial interviews and the field mission. Findings from the field mission were validated with partners in Africa, Asia and Central and Eastern Europe.
7. A Stakeholder Briefing Report was prepared and circulated to stakeholders.
8. The evaluators facilitated a participatory review of the Stakeholder Briefing Report. A representative group of stakeholders were consulted on the key recommendations of the evaluation. The process included an internal CIDA consultation, a consultation with the interdepartmental community and a consultation with CEAs.
9. A Draft Mid-Term Evaluation Report was prepared and submitted to CIDA.
10. Following comments from CIDA, this Final Report was prepared and submitted.

## **5.0 FINDINGS**

### **5.1 Relevance of the CCCDF**

#### **5.1.1 Relevance of the CCCDF in Addressing Canada's Climate Change Objectives**

It is instructive to consider the relevance of the CCCDF in light of the newest Government of Canada international climate change objectives. The objectives contained in the 2002 Climate Change Plan for Canada (CCPC) are more specific than those under which the CCCDF was set up. The CCPC “proposes that Canada participate directly in [the] international market [for international emissions permits] ...in close collaboration with the private sector”. The specific international objectives of the CCPC are:

- Help developing countries reduce their greenhouse gas emissions
- Maximize trade opportunities for Canadian goods and services
- Help build an effectively functioning carbon market
- Help risk-manage Canada's ability to reach its targets

The CCCDF Secretariat prepared a program Logical Framework Analysis (LFA) to guide the development of project LFAs. The LFA specifies a result for each of the program areas and several indicators of those results. In line with objective one, the result for emission reduction projects is a “reduced rate of growth of GHG emissions”. Seventeen of twenty-two projects reviewed were identified as emissions reduction projects in whole or in part, but only two projects of the seventeen estimate potential emissions reductions. An August 2003 *Paper on CCCDF Emission Reduction Projects*, reviewed 14 emission reduction projects. The authors concluded that ten of the projects will have direct impact on the growth of GHG emissions (quantifiable reductions) and the other four will have indirect impacts (capacity building and policy development in support of future emissions reductions). Nine of 10 direct impact projects include baseline establishment as part of their activities (~64% of the 14 GHG emissions reduction projects).

With respect to objective two, most of the projects have been engaged in the transfer of Canadian technology. The Fund has provided market exposure to Canadian goods and services. Whether this

translates into sustained trade in these goods and services cannot be answered at this point in time. One gauge of how well the trade will be sustained is the appropriateness of the technologies transferred. There is reason for concern that some of the technologies are not socially or economically viable in the contexts where they have been deployed. (see Section 5.3 Project Level Results)

With respect to objective three, most of the projects include a core capacity-building component. Developing country partners are appreciative of the opportunity to upgrade their capacities with regard to CDM, energy conservation, methane recovery from landfills, biomass estimation and CO<sub>2</sub> sequestration potential, etc. These increased capacities will undoubtedly contribute to effectively functioning carbon markets in the future through the enhancement of the pool of expertise within the recipient countries. It has been noted, by some CIDA interviewees, that the United States decision not to ratify the Kyoto Protocol has slowed the development of the CDM. In addition, interviewees from other government departments have suggested that given the restrictions on the use of ODA to gain CDM credits, a ‘firewall’ of some sort needs to be erected between the two to ensure potential CDM projects are not disqualified.

Similarly, with respect to objective four, core-capacity building provides a basis for more effective development of carbon markets and CDM projects in developing countries. Through these projects CEAs also develop their capacity to function effectively within global carbon markets. These capacities should eventually enhance opportunities for Canada to risk-manage achievement of reduction targets at least cost and supplementary to any shortfall on the achievement of targets within Canada.

### **5.1.2 The CCCDF Contribution to UNFCCC**

From a developmental perspective, there are three particularly important aspects of the CCCDF contribution to UNFCCC – technology transfer, poverty alleviation and adaptation. The CCCDF projects will likely achieve mixed results with respect to their contribution to UNFCCC commitments. Certainly technology transfer has been a strong theme in the majority of the projects. However, a deeper analysis of the technology issue raises concerns. It is doubtful that all the technologies transferred are appropriate to the social and economic context. The “development and enhancement of endogenous capacities and technologies” is not always apparent. This brings into question whether the technology transfer does in fact comply with the “overriding priority” of “economic and social development and poverty eradication”.

*The CCCDF Information Exchange Report* provides an analysis of “projects that support the poverty reduction and the sustainable development goals of the country as outlined in the Country Development Program Frameworks (CDPFs) and Poverty Reduction Strategy Papers (PRSPs)”. It reports that 30 projects will do so directly, three will do so indirectly and six projects will not do so. The SGA Energy Ltd. (SGA) study by comparison shows that only 4 of 22 projects reviewed have identified baselines or indicators for poverty reduction, in their LFAs. The evaluators own assessment of projects in the field muddies the waters even more. Our field assessment is inconsistent with some of the assertions made in both reports with respect to which projects are identified as contributing or not contributing to poverty alleviation. Our field assessment of projects in the Americas is that four of six projects address poverty alleviation in a meaningful way.

A recent report, *World Bank-Poverty and Climate Change: Reducing the Vulnerability of the Poor through Adaptation* clarifies the importance of climate change adaptation strategies to poverty alleviation:

“The chief messages emerging from this paper are: Climate change is happening and will increasingly affect the poor. Adaptation is necessary and there is a need to integrate

responses to climate change and adaptation measures into strategies for poverty reduction...”

The original nominal allocations of funds for the CCCDF, designated adaptation as the lowest priority, at only 10 –15%. Since the initiation of the Fund adaptation has taken on a more prominent position in the UNFCCC. The above quoted World Bank report is one indication of that increased prominence. The actual allocation of adaptation funds was in the range of 20%. The majority of those interviewed at CIDA were of the opinion that adaptation should have been given a higher priority and that an even larger percentage of the Fund could have been designated for adaptation projects.

Though the evaluators agree with the need to support adaptation in developing countries, we urge that care be taken to avoid sending a message that adaptation support in any way relieves Canada of its domestic obligation to act decisively to mitigate the release of GHGs in the atmosphere.

### **5.1.3 Contribution to Canada’s UNFCCC Negotiations**

By all accounts the Fund has been a tremendous contribution to Canada’s UNFCCC negotiations. The Fund distinguished Canada as the first country to take action to meet the commitments to developing countries established under the UNFCCC. The Fund has raised Canada’s profile at the negotiations and enhanced its standing with developing countries. The good will generated is considered to be of high strategic value to Canada’s negotiating position. Universally, developing country partners are appreciative of the Funds contribution to increasing their capacity to participate in the UNFCCC negotiations. By the accounts of developing country partners encountered in the field mission, such capacity building is desperately needed to assist them to hold their own or even keep their heads above water in the negotiations.

The original UNFCCC called for developed country support for developing countries to respond to climate change. Through subsequent Conference of Parties (COPs), mechanisms to deliver this support have been negotiated and continue to be defined including a special fund for capacity building in Least Developed Countries. The CCCDF has enabled Canada to play a catalytic role in the LDC fund. Ten million dollars of the Fund (Multilateral) was placed in the LDC fund effectively forcing its early operationalization (the evaluators have not examined the projects supported by this LDC Fund). In addition, the CCCDF Policy Branch Small Projects Fund was tapped support greater collaboration between the Least Developed Countries and the CCCDF partners.

According to CIDA interviewees, prior to COP 6, CIDA did not have much presence at the UNFCCC negotiations. In 2000-01 the Multilateral Environmental Agreements (MEA) Unit was created and in conjunction with the Fund, allowed CIDA to play a much greater role in Government of Canada climate policy debates and in UNFCCC negotiations. It is the opinion of CIDA personnel and senior management of other government departments participating in the negotiations, that over time the value of CIDA’s contribution has become more prominent. Of note is CIDA’s participation in the DFAIT-led Developing Country team as part of the Canadian Delegation to the UNFCCC, particularly in the Marrakech and Milan Rounds. The development perspective brought by CIDA to the UNFCCC negotiations has been a valuable addition to the Canadian negotiating team.

### **5.1.4 Relevance of CCCDF Programming Areas**

There are three questions to consider in addressing program area relevance. First, are the program areas relevant to climate change? Second, is the percent allocation of resources across program areas relevant

from a developmental perspective? Third, are the program areas themselves relevant from a developmental perspective?

The evaluation's field mission underlined the importance of core capacity building activities in allowing developing countries to participate fully in UNFCCC negotiations and build the capacity to take advantage of emissions credit and trading mechanisms. A cursory review of key UNFCCC documents confirms that emission reductions associated with energy efficiency and renewable energy is a priority for both developed and developing countries. The debate and discussion over Land Use, Land Use Change and Forestry (LULUCF), its importance to countries with large land masses and more specifically the larger developing countries, and the centrality of this issue at "The Forest COP", COP 9 in Milan (December 2003), highlights the import of this issue. Finally, adaptation also figures prominently in UNFCCC documents including the original Convention, The Marrakesh Accords (COP 7, October 2001) and The Delhi Ministerial Declaration (COP 8, October 2002). The above mentioned World Bank report underlines the growing importance of adaptation, especially for LDCs and most vulnerable countries – those who least contribute to climate change. Clearly, the program areas are relevant to global climate change and the UNFCCC process.

There is some debate as to the percentage allocation of resources to each of the programming areas. Apparently, the percentage allocation mirrored the existing allocation of resources at CIDA based on a 1998 review of CIDA projects associated with climate change themes. There is, however, a significant sentiment among those interviewed in CIDA that perhaps there should have been more of a focus on adaptation and core capacity building, as these more closely align with CIDA's mandate, experience and expertise. In effect, many of the projects, across all four program areas, have a significant core capacity building component. Thus, the nominal allocation of funds to this program area are not entirely indicative of the actual emphasis placed on it in the program. There is a strong argument that adaptation should have been allocated a greater percentage of the Fund. Given the developmental mandate of CIDA, the percent nominal allocations of resources could have been reversed with a greater percentage of resources going to adaptation, capacity building, sequestration and emissions reduction in that order.

Finally, let's examine the relevance of the program areas themselves from a development perspective. There are many ways to reduce CO<sub>2</sub> and other GHGs in the atmosphere. There is only a subset of these possibilities that make developmental sense. The key question to be asked then, is what is CIDA's developmental niche or unique contribution to climate change? In other words, what interventions in climate change are most consistent with CIDA's developmental mandate and the expertise it has to contribute to climate change.

Climate change, from a developmental perspective should be considered within CIDA's larger sustainable development frame. Aside from any climate change benefits, good development practices encompass the four CCCDF program areas. Core capacity building is consistent with CIDA's developmental objectives of good governance and capacity building. Emission reduction is consistent with sustainable energy development and conservation. Sequestration is consistent with good practices of biodiversity conservation, sustainable forestry, soil conservation and sustainable agriculture. Adaptation is consistent with poverty alleviation, sustainable livelihoods and sustainable coastal zone management. Program areas might be more relevantly defined and integration or mainstreaming of climate change at CIDA more likely, if the program were more focused on synergies between good development practice and climate change activities.

*Combating Desertification: Building Bridges – Canada's Second Report to the UN Convention To Combat Desertification on Activities with Developing-Country Partners* contains some valuable perspectives on the issue of synergies between the major UN Conventions and the confluence of

sustainable development and climate change. The report makes clear that aid effectiveness will be enhanced by “mainstreaming” of desertification and through “consultative processes that start within the affected country.” The report goes on to clarify and contextualize CIDA’s approach to desertification.

“The increase in, often overlapping conventions...agreements and agendas – on desertification, climate change, biodiversity and pollutants, as well as various aspects of economic and social development – has become overwhelming... Recognizing the clear linkages, CIDA is actively working to identify ways to implement the three conventions that came out of the 1992 UN Conference on Environment and Development (UNCED) – climate change, biodiversity and desertification – in a synergistic way. Synergies create multiple benefits by strengthening the effectiveness and cohesiveness of efforts in support of the conventions, unnecessary duplication is avoided, maximizing financial and human resources.”

The CCCDF’s four generic program areas are relevant to climate change activity. However, from a developmental perspective, there is certainly room to consider a more refined set of program areas that take advantage of developmental synergies, define CIDA’s niche and make the most effective use of its expertise and experience, in addressing climate change, in concert with the climate change activities of other government departments and international partners.

#### **5.1.5. Relevance of CCCDF to Developing Countries**

In assessing relevance to developing countries it is important to note that developing countries do not present a homogenous perspective on climate change. There are differences of opinion among developing country agencies. Those engaged in the UNFCCC process undoubtedly require significant resources and assistance to be full participants and place a high value on assistance so directed. However, as some CIDA interviewees have pointed out, for other agencies of developing country governments, or representatives of civil society, climate change is often a low priority. CIDA’s task is a complex one. By virtue of its involvement in climate change negotiations it is part of a focused effort to address climate change. Its mandate, however, obliges CIDA to consider climate change in the context of the sustainable development of its partner countries.

Participation in the UNFCCC certainly signals the relevance of climate change initiatives to developing countries. However, a consistent thread in UNFCCC negotiations and documents is the overriding priority for developing countries of sustainable economic and social development and poverty alleviation. This has to be a key determinant of the Fund’s relevance to developing countries. Three pieces of evidence are available to assist in the assessment of the attention the Fund paid to this overriding priority. There is the assessment of whether the projects support the CDPFs/PRSPs contained in the *CCCDF Information Exchange Report*, the inclusion of outcomes relevant to sustainable economic and social development and poverty alleviation in the SGA Report on twenty-two CCCDF projects, and the field assessment of the evaluation mission. As stated in Section 5.1.2, these pieces of evidence are contradictory.

Many CIDA interviewees voiced the concern that the broader Government of Canada context of the Fund provided limited flexibility to focus on specific development objectives. Canadian business and trade development and Canadian climate change objectives are not necessarily congruent with developing country priorities. It is the opinion of the evaluators that the MFBP principles and eligibility and selection criteria were weighted toward these former objectives. In fact, neither the overriding priority of sustainable economic and social development and poverty alleviation nor the need for congruence with the CDPFs and PRSPs is explicit in the MFBP or the Project Evaluation Form used in project selection. (see Section 5.2.5 for an elaboration of this point)



A final point has to be made about developing country participation in project planning. In principle, CIDA policy supports the notion that aid effectiveness requires aid programming to be responsive to developing country needs including, as the Desertification Report states “consultative processes that start within the developing country”. It is clear that the CCCDF projects were often supply driven rather than demand driven, that is, Canadian agencies proposed projects with little or no input from developing country partners and at times without having negotiated a partnership.

## **5.2 Program Design and Structure**

### **5.2.1 The CCCDF within CIDA**

With few of the original personnel involved in the creation of CCCDF still at CIDA, it has been difficult to ascertain the exact sequence of events or rationale for the organization of the CCCDF within CIDA. What is known is that Policy Branch took the lead for CIDA in the interdepartmental negotiations leading up to the Memorandum to Cabinet requesting climate change development funding. It is also of relevance that the CCCDF was created at a time of significant change at Policy Branch. The Branch was undergoing an expansion as part of a proposed reorientation to a knowledge, policy and program support organization. As such there were many new faces in Policy Branch including upper management. The expansion and redefinition of Policy Branch seems to have accentuated the traditional tensions between policy and program branches. Externally, there seems to have been some pressure from other government departments to ensure that the CCCDF funding not be lost in CIDA, in the sense that it had to be clearly directed to new project activity for climate change in such a way that results could be clearly identified and reported.

Against this backdrop, the Government of Canada charged CIDA with the management of the CCCDF. Given the interdepartmental nature of the CCCDF and the fact that it is a directed global fund, Policy Branch’s lead role in both interdepartmental collaboration vis-à-vis climate change and international negotiation of UN conventions, Policy Branch appears to be the logical home for the coordination of Fund activity. Given the time constraints on the creation of the Fund and the challenge of interdepartmental collaboration, the design and structure of the Fund served the objectives relatively well. The CCWG was incorporated into the structure of the CCCDF and by all accounts was an exemplary forum for discussion, project assessment and information sharing.

The CCCDF Secretariat was structured to provide management oversight and accountability of the Fund. As such the project selection process combined a responsive mechanism with a competitive selection process. Program Branches received projects and chose those to be submitted to the competitive selection process based on their developmental merit, and the Secretariat oversaw the final competitive selection process. Opinion is split over whether this centralized process worked best or whether a more decentralized process, using the normal Branch project approval processes supported by project assessment via the CCWG and an interdepartmental working group, coordinated by the Secretariat, may have worked better.

A major issue with respect to design and structure of the fund was the role of the climate change science and technology specialists. These specialists were not hired until well into the Fund. Initially, human resource regulations delayed the hiring of these specialists. In the interim, funds were allocated to Branches to hire science and technology specialists on contract. When the science and technology specialists were eventually hired, branches already had specialists under contract. In addition, unsuccessful attempts were made to recruit science and technology specialists by secondment from other government

departments. Throughout the Fund's life there has been tension over where to house the science and technology specialists (in the program branches or policy branch), the climate change experience of the specialists, and the mandate of the specialists (project support or international negotiations support). These issues were complicated by the ongoing debate within CIDA over the role of science and technology specialists, where they fit into the organizational structure and in fact where they were geographically located (many were housed in an entirely different office building). Science and technology specialists eventually contributed to the CCCDF, but as the fund moves into its final 18 months, budget constraints mean these positions are being discontinued in March 2004.

### **5.2.2 The Interdepartmental Governance Structure**

The interdepartmental governance structure worked reasonably well. The Governance Board, made up of departmental Assistant Deputy Ministers (see Figure 1) was fully engaged in the preparation and approval of the MFBP and in initial project selection. The decision to put \$10 million of the Fund toward an LDC fund, for example, was made by the Governance Board. As the CCCDF matured, the Board's involvement declined. One place where the Governance Board could have played a stronger role would have been in facilitating the creation of a strongly-mandated interdepartmental working group.

The CCCDF Management Framework and Business Plan suggested the use of interdepartmental working groups to assist in initial project assessment and preparation at the program branch level and to assist in project evaluation and selection at the Secretariat level. A loose interdepartmental working group (also known as the governance board working group) functioned relatively well prior to the approval of the MFBP and during the initial project selection. As the program progressed the working level interdepartmental collaboration faded. It is hard to ascertain why this occurred but the fact that the interdepartmental working groups were not well defined and were only 'suggested' in the MFBP; the reduced interest from senior levels of other government departments after the MFBP approval and initial project selection; and the succession of new CCCDF Secretariat managers in the first couple of years of the Fund likely contributed to this outcome. The interdepartmental working group was resurrected in August 2003 to contribute to the mid-term evaluation.

Not realizing the potential of an interdepartmental working group was unfortunate, in that the positive experience of the CCWG could have been replicated at the interdepartmental level. In fact, in December 2000 TEAM was honoured with the Head of the Public Service Award for "Excellence in Policy", in large measure on the strength its Interdepartmental Review Committee (IRC). A brief review of the TEAM process by the evaluators, suggests there are many 'lessons learned' to be shared between TEAM and CCCDF.

One note of caution expressed by some interviewees with respect to the formation of interdepartmental working groups was meeting overload. In their opinion, for people to contribute to an interdepartmental working group it has to have a clear mandate and the opportunity to make a meaningful contribution.

The interdepartmental participation in governance of the project does raise the issue of conflict of interest in project selection. Other government departments participated in the governance of the Fund, and in project assessment (though not project selection). Some of these same departments were applicants to the Fund and recipients of funding.

### **5.2.3 Fit with CIDA Policy Priorities**

CIDA has a host of policy documents that are relevant to climate change. For the purpose of this evaluation, the CCCDF's fit with CIDA policy priorities will be discussed on the basis of two of CIDA's major policy documents – *Strengthening Aid Effectiveness (SAE)* and *CIDA's Sustainable Development Strategy 2001-2003 (SDS)*.

As conceived, the CCCDF obligated CIDA branches to incorporate climate change projects over and above existing programs and projects. The add-on nature of the CCCDF did help fulfill the need to take action on climate change and monitor and report the results directly. However, it compromised CIDA's commitment to local ownership. In the case of CCCDF local communities and individuals did not have substantive input into program design and implementation.

CIDA's SDS was "developed within a context that recognizes that Canadian domestic interests are also served by measures that address our global interdependence". By engaging the Canadian private, public and not-for-profit sectors in partnerships with developing countries to address the causes and impacts of climate change, the CCCDF has proven this to be true. However, it must be said that the Fund's objectives, developed as they were within a broader Government of Canada context, made it challenging at times to achieve synergies between CIDA's development policy and the Government of Canada's climate change policy.

Canada's climate change objectives have been defined to serve Canada's national interests with a focus on meeting Kyoto commitments, trade promotion and Canadian business development. Within the interdepartmental community DFAIT, NRCAN and EC play a dominant role in defining climate change policy. As should be expected, Canada's climate change policy is congruent with these departments' mandates. CIDA, however, has a unique mandate of development assistance and within its policies a specific mandate to promote sustainable development in a global context. Given this unique mandate, it is reasonable to presume that a CIDA managed climate change fund would be driven by a unique set of objectives. Furthermore, as CIDA's Desertification report and the World Bank's Adaptation report argue, at an international level, the UNFCCC is only one of several conventions to emerge from the Earth Summit. Taken together, the Conventions and Agenda 21 form a coherent, synergistic strategy in support of sustainable development. CIDA development policy and climate change policy are not identical, but there is a substantial overlap. The area of overlap can be thought of as CIDA climate change policy - its climate change niche.

The objectives of the SDS include the pursuit of "improved programming approaches to poverty reduction as a concrete expression of Canada's commitment to the developing world's fundamental preoccupation; [and] to constructively engage developing countries and Countries in Transition (CITs) in addressing key global challenges..."

Clearly, the CCCDF has been instrumental in allowing CIDA to meet this objective. The CCCDF has supported both developing country participation in climate change activity and CIDA's role on Canada's UNFCCC negotiating team. In doing so the CCCDF has, in the words of the Strategy, "strengthened CIDA's policy influence, in Canada and internationally, to bring perspectives gained from working with developing countries and CITs to bear on key global challenges."

The SAE is the most current CIDA policy document. Although it was formulated after the beginning of the CCCDF, the principles it enunciates are consistent with CIDA's vision for many years and in fact it represents "a consensus which has emerged from over 50 years' experience in development cooperation and a growing body of research into development effectiveness."

The SAE recognizes that “a balanced approach to sustainable poverty reduction, however, also requires measures to stimulate economic growth [and that] there are economic growth paths and policies which are more pro-poor than others.” The SAE also recognizes that private sector development programming must be “designed first and foremost to meet the needs and priorities of developing countries.”

The SAE sounds a cautionary note about tied aid and pledges to reduce it. Tied aid “is considered by many to represent a clear case of policy incoherence...[and is]...seen as incompatible with the promotion of effective development partnerships, local ownership and capacity building strategies.”

The supply driven nature of the CCCDF taxed CIDA’s ability to differentiate those private sector development activities that first and foremost met the needs and priorities of developing countries. It also compromised CIDA’s tied aid policy enunciated in SAE.

Project designs were expected to fit with CIDA’s sustainable development, gender, environment and basic need policies. The program LFA reflected those priorities and in most cases CEAs attempted to align their projects with these policies. However, many project LFAs did not include these priorities.

Finally, it is worth commenting on the fund’s project selection and assessment tools. A complex set of objectives - Government of Canada, UNFCCC, Developmental - are reflected in the MFBP’s program principles. These objectives are not as well reflected in the project eligibility and selection criteria or the project Evaluation Form and its decision logic. Some reformulation of the objectives to reflect the complexity of the Fund’s mandate and to achieve synergy and coherence with CIDA policy may have been more effective.

#### **5.2.4 Program Timelines and Financial Reporting**

It is clear that there was a heavy burden placed on the CCCDF Secretariat and program branches to fulfill the spending schedules and financial reporting guidelines set by Treasury Board. Almost universally, CIDA personnel, CEAs and country partners identified the difficulties presented by the short program life and project timelines.

With respect to financial reporting, in order to spend and avoid losing funds, a crisis mentality seems to have prevailed around dispersal of funds by year-end. It also appears there was a redundancy in financial reporting with both program branches and the CCCDF Secretariat obligated to submit financial reporting for CCCDF projects to Treasury Board. The obligation of the CCCDF Secretariat to report to Treasury Board was imposed externally by Treasury Board. It is not clear if, through negotiation these restrictions could have been lifted and a fund-rollover mechanism included in the agreement with Treasury Board. From conversations with CIDA personnel it seems that with the intense pressure to complete the MFBP, prepare the RFP, select and initiate projects, there was simply not enough time for negotiation on Treasury Board’s spending directives. Not only was there pressure to get the program up and running in order to meet Treasury Board directives, but there was also pressure from private sector groups poised to submit proposals and on the political side, pressure to show progress at the Hague COP in November 2000.

If financial reporting had remained within the conventional reporting mechanisms of the branches then CIDA may have been able to maintain its fund-rollover capability. Furthermore, significant time would have been freed up for the Secretariat to pursue other important activities including, education and communication within CIDA, interdepartmental communication and bridge-building, and external communication and education.

Objective seven of the SDS calls on CIDA “to strengthen Agency strategic planning and integrated decision-making.” To address the issue of process management, the SDS states that “decision-making authority [be] delegated to the right level to achieve results, in a way that ensures clear accountability, due diligence in the management of public funds, and the capacity to report on actual results to Canadians and our overseas partners.” Valid or not, the decision to place the responsibility for financial reporting in Policy Branch (arguably not the right level to achieve results) was in response to a perceived lack of “clear accountability” and “capacity to report on actual results...” through normal reporting channels.

The financial reporting mechanism seems to have been more complex than necessary. In large measure, the financial reporting mechanism was out of CIDA’s hands and CIDA personnel worked long hours to ensure CIDA met its obligations for the Fund. Nevertheless, solutions may be found in existing CIDA policy, as cited above. More streamlined reporting mechanisms, anchored in program branches, might have allayed the other government departments’ fears of directed funds disappearing into the system. It might also support a more rapid mainstreaming and integration of climate change into CIDA operations.

### **5.2.5 Project Evaluation and Selection Process**

The project evaluation and selection process was outlined in the MFBP. The process was designed as a hybrid competitive responsive process - something new for CIDA. At Program Branch level, proposals were received on a responsive basis. Proposals nominated by the Branches were then competitively assessed and selected by the CCWG. This new process for CIDA seems to have experienced some bugs in implementation. For instance, the process was not consistently interpreted within CIDA. Some Branches did minimal screening and sent many projects to the Secretariat for evaluation and selection. More diligent efforts on the part of the CCCDF Secretariat to ensure the process was understood by program branch personnel may have avoided this problem.

While it is true that the MFBP stipulates that “an assessment of each project’s developmental impact and feasibility must be undertaken by the appropriate programming desk before the proposal is submitted to the Secretariat”, and that “as part of Canada’s ODA program, all projects... must have as their primary objective the improvement of the economic development and welfare of the developing country”, the eligibility criteria themselves as outlined in the MFBP and in the Evaluation Form, do not explicitly recognize this overriding priority. Explicit inclusion of development priorities into the MFBP selection criteria may have made the selection process and project development requirements more transparent to project proponents.

The CCCDF project approval process involved three extra steps, as compared to the regular program branch processes (see Figure 2). Candidate concept papers were forwarded from each branch to the CCWG for final selection. These selections were then approved by a CIDA VP Committee with input from the Governance Board Working Group. Final approval was granted by the Governance Board. At this point the program branch proceeded through its normal project development process. These extra steps likely compounded the already tight timelines the project selection process was obliged to meet.

The most obvious shortcoming of the process was the lack of involvement of developing country partners and CIDA field officers in project selection. This shortcoming in part resulted from the fact that the Fund operated outside of the regular branch process that included developing country partner consultation and the creation of CDPFs.

All in all, despite the inefficiencies of the system, the process was effective. The hybrid responsive-competitive process has proven promising enough to have been adopted by The Americas Technology

Transfer Fund. For the most part, there was a thorough review of projects. The CCWG was an effective mechanism for project evaluation and selection. The Governance Board Working Group contributed to the process. The majority of the projects have achieved significant results.

## **5.2.6 Interdepartmental Relations**

The other government departments have played a lesser role in the Fund than might have been possible. Interdepartmental relations were strained in trying to define and fulfill the mandate of the Fund. It seems unavoidable that there is interdepartmental competition for climate change funding. This inherent rivalry was exacerbated by the manner in which the CCCDF emerged out of the original Memorandum to Cabinet. On the other hand, significant effort was made to honour the interdepartmental nature of the Fund, both in its formulation, structure and execution. The Memorandum to Cabinet was the result of collaborative interdepartmental effort. After the February 2000 budget announcement of the CCCDF, the interdepartmental community continued to play a strong role in the creation of the MFBP. However, it seems apparent that interdepartmental channels of communication established during the creation of the Fund were not maintained. This was likely in part due to a lesser interest at senior levels in other departments after the Fund was established to their satisfaction and after CCCDF projects for other government departments were approved.

A compounding factor in the intergovernmental tensions is likely the frequent turnover of personnel within CIDA and within many of the other government departments. For example, managers of CCCDF projects in other government departments related frustration with the changing expectations for project reporting when their Project Team Leaders changed. From CIDA's perspective, there was some frustration that new personnel in other government departments had little knowledge of the CCCDF's early interdepartmental collaboration successes.

Other government departments seem to have played their most prominent ongoing role as CEAs of several projects. The CEA/program manager relationship of the other government departments with CIDA seems to have created significant tensions. Interviewees from other government departments feel CIDA personnel and CIDA project development and reporting processes have been inefficient and inconsistent. CIDA personnel feel that projects of other government departments have been difficult to mobilize because of the time required to ensure projects are planned thoroughly and are developmentally sound.

## **5.3 Project Level Results**

### **5.3.1 Achievement of Results**

The CCCDF Program LFA calls for results in each of the program areas:

- Emission Reductions – Reduced rate of growth in GHG emissions in developing countries.
- Carbon Sequestration – Increased sequestration of carbon in sinks.
- Adaptation – Reduced vulnerability to the adverse effects of climate change.
- Core Capacity Building – Increased capacity of developing countries to participate in global efforts to combat climate change.

In general, the Program LFA was incomplete and developed after many projects' implementation plans had been completed. It was not apparent from the LFA at what result horizon (output, outcome or impact)

the above stated results would be realized. For example emission reductions appears in both Fund level expected results and Project level outcomes, while several CIDA interviewees expressed the view that emission reductions were an expected impact. Program level expected results, risks and project level impacts were underdeveloped. At worse, the consideration of the LFA leads to the conclusion that important results were not met by the Program. At the very least, the results-based management tools were poorly applied. The poor elaboration of the LFA makes it difficult to assess achievement of program results.

As pointed out in Section 3, Table 2, the largest developing country emitters of GHGs are well represented in the Fund. The Section also summarizes a CIDA internal report on 14 emissions reduction projects. The authors report that 10 of 14 projects will have direct emissions reduction impacts and the other 4 will have indirect impacts. One missing element of the report is estimates of the volume of reductions to be expected.

Seven CCCDF projects addressed Sequestration. Owing to the ambiguity that still exists with respect to sequestration accounting it is difficult to assess the sequestration potential of the projects. What the projects have done is further develop, test and refine the technologies and methodologies for sequestration activities. Many of the projects include support for alternative livelihoods in order to maintain carbon-sequestering ecosystems or build carbon sequestering potential. It is not clear how well these livelihood initiatives will fare. In some cases, the crucial marketing of alternative products is problematic.

The CCCDF has funded seven Adaptation projects. Some of the projects focus on institutional strengthening for disaster preparedness at a national or regional level. Other projects work at the community level to strengthen organizations, households and communities' capacity to respond to climate-induced events. Community-level interventions often include alternative livelihood activities designed to rehabilitate natural systems to increase community and household income potential and the resilience of the natural systems.

The core capacity-building activities are the most easily assessed. The result stated in the LFA has been achieved in significant ways. The small project funds have supported capacity building of developing country delegations to the UNFCCC negotiations. In part, as a result of these efforts, developing countries, particularly least developed countries, have a higher profile in the negotiations. In many cases, these projects have strengthened the capacity of developing countries by supporting national reporting processes and the development of CDM screening tools, and project development processes. An outstanding result of core capacity-building projects has been networking, education and advocacy in support of climate change action at national, regional and global scales.

### **5.3.2 Fit with Area and Country Program Development Frameworks**

It should be noted that none of the countries visited during the field mission currently have either a PRSP or Interim PRSP registered with the World Bank. The reference to Country Development Programming Frameworks within the program principles and the selection criteria of the MFBP demonstrates the initial intent to assure CCCDF projects were consistent with CDPFs. The majority of the projects visited during the field mission are consistent with CIDA's country priorities. In Argentina, CIDA priorities include governance and public sector reform, international economic integration, environment, partnerships and institutional ties with Canada, and the promotion of Canadian expertise. The Canada-Argentina Capacity-Building Initiative (CACBI) focused on aspects of good governance in strengthening the climate change capacities of the Argentinean government and other stakeholders (see Project Profile 2). The Argentinian Solid Waste Management project responds to CIDA's environment priority for Argentina and does

promote Canadian expertise in waste management. The project is also complementary to CIDA's Southern Cone Technology Transfer initiative.

The Guyra Paraguay project is directly aligned with CIDA's country priorities including the reduction of poverty and rural migration, and sustainable resource use and management. The project focuses on biodiversity conservation through sequestration activities and the provision of sustainable rural livelihoods for poor communities on the margins of biodiversity conservation areas. (see Project Profile 3)

The ICLEI project responds to the priority for Brazil and Argentina for good governance and public sector reform. The project works with seven municipal governments (4 in Brazil, 2 in Chile and 1 in Argentina) to establish GHG inventories and baselines and a Plan of Action for reducing GHG emissions. The project indirectly supports the ongoing work of the municipalities in Brazil (only participating municipalities from Brazil were visited on the field mission) with respect to poverty reduction and inequity and sustainable and participatory environmental management.

The *Adapting to Climate Change in the Caribbean Region (ACCC)* project is aligned with CIDA's Caribbean regional priorities of regional integration, good governance and environment. Climate change is an issue with important environmental consequences for small island states. The project focus was the integration of efforts to create regionally integrated governance structures to more effectively respond to the effects of climate change.

**Project Profile 1: Adapting to Climate Change in the Caribbean  
(ACCC)**

At the Small Island Developing States (SIDS) conference in Barbados in 1994, climate change was identified as a major environmental issue. Regardless of global efforts to significantly reduce GHG emissions projected changes in climate could result in sea level rise, increased storm surge, change in rainfall frequency and intensity, and increased air and water temperatures. Such changes would lead to dire consequences for local economies and result in damage and loss of infrastructure along coastlines at great social and economic cost. Low lying island states contribute less than 1 % of global GHG emissions; their only response to climate change is adaptation. The Adapting to Climate Change in the Caribbean project supported by CIDA runs for 3 years and supports further work carried out by the Global Environmental Facility (GEF).

The ACCC project continues and sustains climate change initiatives including: Public Education and Outreach, Physical Planning Risk Management, Strengthening Regional Technical Capacity, Adaptation Planning to Environmental Assessments, Adaptation Strategies in the Water Sector, Protection of Human Health, Adaptation Strategies for Agriculture and Food, and Fostering Collaboration with non-CARICOM Countries. The CARICOM countries participating in the ACCC Project include: Antigua & Barbuda, Bahamas, Barbados, Belize, Dominica, Guyana, Jamaica, St. Lucia, St. Kitts & Nevis, St. Vincent & The Grenadines, and Trinidad & Tobago.

Some of the many benefits of the ACCC Project include building climate change adaptation into planning and assessment processes in key economic and social sectors, strengthening scientific and technical competence in the



region, supporting international climate change participation, and encouraging appropriate response from the private and public sectors.

As reported in Section 5.1.2, the *CCCDF Information Exchange Report* documented that of 39 projects reviewed 30 projects (75%) will directly contribute to the CDPF, three will do so indirectly and six projects (15%) will not do so. However, the *Field Observations on the Management/Operation of the Climate Change Development Fund* report on Fund activities in Asia states, “in many cases, activities supported by the Fund were inconsistent with the priorities established in individual CDPF’s”.

### 5.3.3 Participation of Partners

For the projects visited during the field mission, the level of partnership was generally good. Where prior partnerships existed project planning was undertaken with good participation of the partners. Both ICLEI and Guyra Paraguay projects were founded on existing partnerships. ICLEI is an international council of municipalities with a Latin America office in Brazil. To be eligible to participate in the ICLEI project municipalities had to be members of ICLEI. One way in which participation was fostered in this project is that municipalities were required to submit a proposal of how they would develop their Climate Change Plans.

The Guyra Paraguay project was founded upon a relationship between Canadian Nature Federation and Guyra Paraguay, two long-time active members of Birdlife International. The GERBI project in Brazil is the second phase of a project begun with funding from CCAF and there appears to have been meaningful participation of the Brazilian partners in project preparation. In new partnerships, participation in project planning was an issue. The lack of participation caused delays in project start-up, tensions and confusion in partnerships, and less than optimum project design. These issues were evident in both projects in Argentina. The CACBI project in particular has made up lost ground with respect to partner involvement and has developed a strong relationship with its Argentinean partner. In the ACCC project, CARICOM, several regional organizations, the National Focal Points in each country and individual countries have provided financial, logistic and human resources which have contributed to the overall success of the ACCC program. There was some concern expressed by project partners that though the project was perceived as valuable, it did obligate countries to redirect or second financial and human resources from other important priorities. In several projects, the objective of maximizing Canadian participation became an issue. Canadians were contracted to do work for which local people, or third parties, might have been better suited.

The lack of participation of local partners seems to have been an issue of concern for the Program across all major geographic regions. This observation is borne out by the *Field Observations on the Management/Operation of the Climate Change Development Fund* Report states that “overall it seems that climate change projects have been weak when issues of ownership and consultation are considered.”

### 5.3.4 Technology Transfer

In the projects reviewed during the field mission, there were inefficiencies of both the hard and soft technology transfer as a result of inattention to criteria of appropriateness and sustainability. The CACBI project transferred Canadian expertise through training. While a range of stakeholders benefited greatly from the seminars held, Argentinean government personnel felt the training was at times too generic and

general. In their opinion, more up-to-date information on climate change topics and more locally specific training would have been of more value.

There was little evidence of efforts to build endogenous technology transfer, adaptation or development capabilities in the partner countries. The Argentinian Solid Waste Management project has introduced a relatively expensive technology to a smaller community in Argentina. It was not apparent that aspects of social or economic sustainability were considered in the application of the technology or that it will be sustainable in the long term in Catamarca. The ICLEI project introduced a generic greenhouse gas inventory software developed for developed country application. There have been difficulties in adapting it to the needs of developing country municipalities. In addition, it seems the use of the technology is proprietary and the cost of its dissemination in Latin America through licensing is prohibitive.

The ACCC project provided access to Canadian technologies such as weather modeling and hazard risk assessment, areas of technology development in which Canadian technology is well-respected. These technologies were adapted to Caribbean circumstances and capacities.

In the short term, the projects have provided a great opportunity to expose other countries to Canadian technology. However, there seemed to be too little attention to criteria of appropriateness, replicability and sustainability or support for the endogenous technology development and assessment capacity of the host countries. Lack of attention to these factors may harm the reputation of Canadian technology transfer in the long term and limit the impacts to combat climate change while reducing poverty and promoting sustainable development.

### **5.3.5 Opportunities for Canadian Business**

Of the six projects reviewed during the field mission, two have been successful at providing exposure in Latin America for several Canadian companies, two have limited their impact for the most part to the CEA, and two projects have not generated significant opportunities for Canadian business. The impact of the ICLEI project is for the most part confined to participating municipalities. The project is managed by the Latin American partners with very little direct input from the Canadian partner.

#### **Project Profile 2: Building the Foundation for Climate Change Action in Argentina (CACBI)**

The *Canada Argentina Capacity Building Initiative* (CACBI) has brought together over 1000 participants from across Argentina to enhance their understanding of climate change, identify and support the development of CDM projects throughout the country, and strengthen linkages among Argentine and Canadian government, industry and NGO stakeholders. As of November 2003 CACBI had hosted nine workshops. CACBI has been a catalyst for the development of the CDM sustainable development screening tool to be used to assess potential CDM projects in Argentina to ensure they not only achieve credits but also contribute to the sustainable development of the country. Although the financial crisis of the past several years is abating, it has proven more difficult than anticipated to identify CDM projects. Still, thirteen potential project pre-feasibility studies had been identified and 3 chosen for completion, including a collaboration with the other Argentinian CCCDF project (a Waste

Reduction Project in Catamarca Province). Seven other pre-feasibility studies have been identified for future consideration.

During the field mission, the evaluation team participated in a series of meetings with a wide range of government, industry and NGO stakeholder groups. The cross-sectoral collaboration and discussion was impressive. Equally impressively, CACBI has drawn participants from 18 of the 23 provinces of Argentina. The project identified opportunities for Canadian technology in biomass, energy management, forestry, oil and gas and climate change expertise. Among Argentinian stakeholders, there is also considerable interest in carbon sequestration projects. One innovative and unexpected outcome of the project is a long-distance CDM learning initiative being pursued by some of the Argentinian organizations participating in the project.

As part of the project goal of developing a Canada-Argentina Technology Transfer Platform CACBI has brought several large Canadian companies with an interest in the CDM together with Argentinian stakeholders. In addition, some of the more promising project partners will be showcased at Globe 2004. CACBI has also facilitated an exchange between CDM offices in Canada and Argentina.

The Guyra Paraguay project is likewise managed very directly by the Paraguayan partners. Opportunities for Canadian business were not a major objective of either of these projects. The Argentinian Solid Waste Management project in Argentina has focused on marketing of a 'Biocell' technology. This is the second installation of the technology in Argentina, the first having been supported by TEAM. One other Canadian company has participated as a supplier of an autoclave for processing medical waste. An important objective of both the CACBI and GERBI projects has been exposure of Canadian companies and expertise to Argentina and Brazil respectively. In the case of Argentina, CACBI has introduced several Canadian companies with an interest in GHG credits, into the Argentinean market. In Brazil, GERBI has introduced several Canadian companies with an expertise in energy management and conservation into the Brazilian market. The ACCC project offered exposure to a wide range of Canadian expertise in various sectors. Overall approximately 40% of CCCDF projects had private sector involvement and direct opportunities for Canadian business. (See Section 3, Table 3)

### **Project Profile 3: Climate Change, Biodiversity Conservation and Poverty Alleviation in Paraguay**

Guyra Paraguay is an organization founded by Paraguayans concerned with the conservation of birdlife. Over time its mandate has expanded to biodiversity conservation and to sustainable rural livelihoods. *Diversifying Incomes, Sequestering Carbon, and Conserving Rare Habitat in the Interior Atlantic Forest of Paraguay* project is a partnership between Guyra and The Canadian Nature Federation. The project forges a link between action on climate change and biodiversity conservation. Guyra works with local landowners and adjacent rural communities to support and strengthen private biodiversity reserves. The project is also facilitating a participatory process to engage eight rural communities in a diagnosis of their socio-economic situation, identification of alternative sustainable livelihoods and the development of business plans to support those livelihoods. In addition, the project is also refining and testing methodologies for the measurement of carbon sequestration potential of Paraguay's Atlantic forests.

The dedication, professionalism and enthusiasm of the Guyra team were evident during the evaluation teams time in Paraguay. The Guyra project demonstrates an ambitious attempt to craft a holistic development project with significant interventions to address climate change, biodiversity conservation and poverty alleviation. One of the most outstanding achievements of the project has been the role Guyra and Canadian Nature Federation have played in demonstrating the synergies of action on climate change and biodiversity conservation to fellow members of Birdlife International globally.

### 5.3.6 Sustainable Development and Poverty Reduction

The majority of projects have attempted to address poverty reduction and sustainable development, but with differing degrees of success. Some of the projects were planned from a holistic, sustainable development perspective and poverty reduction is an integral component of these projects. For other projects, the focus has been on technology transfer and Canadian business development with poverty reduction really not addressed at all or addressed as a secondary issue. Where technology transfer and Canadian business development have been the focus of projects, it has largely been through the efforts of local partners and CIDA project officers that poverty alleviation has been addressed. The CACBI project's contribution to sustainable development has been via workshops to include SD criteria into Argentina's CDM project screening tool and in the promotion of small-scale solar energy in off-grid locations. This latter effort is the only real attempt by the project to address poverty reduction. The Argentinian Solid Waste Management project's local partners in Catamarca have pursued a poverty reduction and gender inclusion agenda in their work. The Guyra Paraguay project is a model project design for sustainable development. Carbon sequestration activities have been incorporated into a holistic approach to biodiversity conservation and rural community economic development. Although the ICLEI project is technical in nature, it is integrated into a holistic program very directly addressing sustainability and poverty reduction. The regional workshops have been a valuable forum for sharing experiences with regard to poverty alleviation. The GERBI project is more narrowly focused on energy management and conservation and if successful, could indirectly contribute to long-term sustainability, but does not address poverty alleviation. The ACCC project focuses on institutional development with no direct impact on poverty alleviation. One of its objectives is to create the regional governance conditions that will support sustainable development. Project Profile four highlights a Partnership Branch SPF project that integrates sustainable development and poverty alleviation into an emission reduction project.

#### **Project Profile 4: Bringing Solar Power to Rural India**

*Energy for the Future – Building Capacity and Creating Sustainable Energy* is a project designed on the strength of an eighteen-year partnership between the Falls Brook Centre in New Brunswick and The Social Work Research Centre (SWRC) in India. The project is supported through the Partnership Branch Small Projects Fund.

SWRC has been serving the needs of rural Indian communities since 1972. The SWRC taps into the existing skills and knowledge of people from village communities for providing basic needs - drinking water, health, education, energy, and local employment. SWRC has been working with solar energy technology and training since 1986.

The collaborative Social Work Research Centre and Falls Brook Centre project advances renewable energy development in the remote region of North Sikkim,

located in the Himalayas. The project features strong participation from local women who are trained as barefoot solar engineers. Project priorities for the Sikkim project include installing photovoltaic (PV) systems in rural communities; focusing on sustainability and building local capacity to install and maintain PV systems; creating local mechanisms for carbon emission reduction calculations for small-scale distributed generation projects. The project also builds synergies for technology transfer and climate change awareness-raising in Canada and India.

### **5.3.7 Sustainability of Initiatives**

Projects supporting existing long-term partnerships not solely dependent upon the CCCDF are likely to be sustainable. The ICLEI and Guyra Paraguay projects both fall into this category. In these instances, the CCCDF has provided important resources and significant value added to an ongoing process. One of the most beneficial outcomes of the projects examined in the field has been the degree of cross-sectoral and geographic networking, and collaboration that the CCCDF projects have facilitated. Developing country partners have used the CCCDF funding as a catalyst to initiate, diversify and strengthen networks within countries, across regions and even globally in some instances. This collaboration, networking and sharing of experiences will likely continue into the future and over time make a significant contribution to efforts to address climate change.

Projects supporting new partnerships are more tenuous. In these instances, the sustainability of the initiative is compounded in new partnerships due to the short time frame of the fund. The CACBI project in Argentina has fostered a strong partnership between the Canadian and Argentinean partners. There is certainly the will on both sides to sustain the partnership. The results achieved thus far are a strong base from which sustainable long-term results can be realized. The Argentinian Solid Waste Management project does not appear to have built strong long-term partnerships. Questions about the sustainability of the technology make it hard to predict long-term sustainability. The ACCC project is also difficult to assess. The project has injected valuable capacity building in the Caribbean region. It has also helped to sustain a regional adaptation initiative between rounds of World Bank funding. There are ongoing negotiations for the new round of World Bank funding. The CARICOM Ministers have endorsed the ACCC's Public Education and Outreach Strategy and will be asking CIDA to take climate change adaptation into its core programs for the region. Project sustainability rests on successful outcomes in these negotiations.

Project profile five highlights a sustainability success story. Faced with a significantly different environment than initially perceived, this Nigerian project adjusted its approach. Its success has convinced CIDA to incorporate the project into its core activities and support a second phase.

### **5.3.8 Small Projects Fund**

The consensus at CIDA is that Small Projects Funds (SPFs) have been very effective. They have provided flexible funds for emergent projects in a program where the majority of funds were allocated very early on. The funds are responsive in the sense advocated by Strengthening Aid Effectiveness – responsive to developing country needs. Small project funds exist in each of the program and the policy branches of CIDA. In many instances CIDA branches collaborated on the use of these small (up to \$500,000) funds. The Africa SPF has supported Adaptation and Capacity-building workshops. The Americas SPF has funded nine projects as of August 2003. Most of the Americas SPF projects support adaptation and core-capacity building. The Asia SPF has supported capacity-building workshops, many related to CDM training. All projects approved by the CEE SPF are operational and going well, but in the

early stages as of August 2003. The Partnership Branch SPF projects cover most geographical areas. The projects have supported a diversity of educational initiatives including workshops, training, educational materials design and production and exchanges between Canadians and partner countries. The Policy Branch Strategic fund has focused on capacity building with respect to the negotiations capacity of partner countries. In particular, the Strategic Policy Fund has reinforced CIDA's longstanding support for, and made important contributions to, the LDC Expert Group and the UNFCCC-LDC Group. Least developed Countries have a much stronger voice at the UNFCCC negotiations as a result.

**Project Profile 5: Setting the Stage for Climate Change Action in Nigeria**

*Canada-Nigeria Climate Change Program - Engagement and Capacity Building in Support of GHG Reductions* was begun in September 2001. The \$1.49 million project is a partnership between Global Change Strategies International (CEA) and Nigeria Environment Study and Action Team (NEST). Founded in 1987, NEST, is a non-governmental organization with headquarters in Ibadan, Nigeria. Its primary focus is on the environment and sustainable development, to which it is dedicated to providing advocacy and raising public awareness. The goal of the Canada-Nigeria Climate Change Program is to help build the policy and institutional capacities of the Government of Nigeria, its agencies and related organizations to enable them to fulfill their obligations and take advantage of opportunities related to the United Nations Framework Convention on Climate Change (UNFCCC) and Kyoto Protocol.

The project is undertaking activities to strengthen the capacities of Federal Institutions, raise awareness in targeted segments of the public, improve the information base on greenhouse gas emissions and mitigation options, and undertake an analysis of the country's vulnerability to climate change.

Major activities planned for the project included the drafting of Nigeria's First National Communication to the UNFCCC, the development of a Federal Ministry of Environment climate change business plan, GHG emissions inventories and the development of pilot CDM projects.

Due to the fact that Nigeria has not ratified the Kyoto Accord these planned activities had to be re-assessed. The project partners shifted the focus of the project towards education of elected officials and facilitation of a dialogue between civil society and the government of Nigeria. The project has hosted climate change seminars for Members of Nigeria's parliament. It has pursued a relationship with the newly created Ministry of Environment. The project has also created a website for communication on climate change activity in Nigeria. The dialogue between civil society and government is a rare thing in Nigeria and an unexpected bonus for the project. On the strength of these achievements, Africa and Middle East Branch have recognized the synergies with their Nigeria program and is developing a proposal to fund a second phase of the project.

### **5.3.9 Multilateral Fund**

The multilateral funds respond to the mandate set out in CIDA's Sustainable Development Strategy to improve donor coordination. A total of \$10.9 million has been committed to three multi-lateral funds

including the Multilateral Consultant Trust Fund, the Canadian Cooperation Fund on Climate Change (CCFCC) and Scaling Up Greenhouse Gas Mitigation in Asia: Support to the World Bank's Asia Alternative Energy Program (ASTAE). The evaluators have been able to find very little information on the disbursements, or results achieved through these Funds. As of December 2003 very little of The Consultant Trust Fund had been disbursed. The CCFCC is one of three-donor country funds (the other two being Netherlands and Denmark) administered by the Renewable Energy, Energy Efficiency and Climate Change (REACH) project of the Asia Development Bank. CCFCC has approved two projects with two other projects under consideration. The ASTAE mandate is to mainstream renewable energy and energy conservation in Asia. A wide range of developed country and UN agency donors have contributed over \$1 billion to the fund since 1992.

Most notably, at the seventh session of the UNFCCC COP, the GEF, as the financial mechanism to the Convention, was requested to operate two new funds related to the Convention the Least Developed Countries Fund (LDC Fund) and the Special Climate Change Fund (SCCF) as well as a new fund related to the Kyoto Protocol (the Adaptation Fund). To date, only the LDC Fund has been operationalized and has secured funding with pledges totaling approximately \$16 million. Through CIDA's Multilateral branch, Canada contributed CDN\$10 million to the LDC Fund with funds from the Canada Climate Change Development Fund (CCCDF). Canada, through CIDA, has also played a leadership role on the LDC Expert Group (LEG). The first priority of the fund is to support LDCs in the preparation of national adaptation programs of action (NAPAs).

## **6.0 CONCLUSIONS AND RECOMMENDATIONS**

### **6.1 CIDA and Climate Change**

Prior to the CCCDF, CIDA projects were already contributing to action on climate change through a host of sound development projects, including projects in energy conservation, social forestry, soil conservation, good governance, etc. The CCCDF caused some consternation within CIDA as it was felt that the broader Government of Canada climate change agenda at times made it challenging to maintain good development policy and practice. It is the opinion of the evaluators that in fact good development policy and practice were at times compromised in the CCCDF.

The time constraints and the conflicting objectives and principles of the CCCDF at times compromised the commitment to poverty reduction and local community input. A CIDA Climate Change strategy would avoid some of the difficulties experienced with respect to interdepartmental collaboration and project development with CEAs by making CIDA's approach to climate change more coherent and transparent.

**CIDA should articulate a climate change and development strategy to guide its climate change activity. This strategy should be one that: achieves a convergence between climate change initiatives and development policy; defines CIDA's climate change niche; and focuses its climate change contribution on its unique experience, expertise and mandate.**

### **6.2 Mainstreaming Climate Change**

There is a perennial debate about the effectiveness of establishing dedicated funds for emerging development issues. Some believe these funds are necessary to address a priority issue in a meaningful way. Others feel education and awareness raising around the issue, so that it is effectively integrated into

development policy and practice, is more effective. There is a clearer consensus that mainstreaming is ultimately more effective. CIDA's SD Strategy, *Combating Desertification* and the World Bank *Adaptation Report* all support the notion that climate change activity should be mainstreamed in development programming. *Combating Desertification* states that "The increase in, often overlapping conventions... agreements and agendas – on desertification, climate change, biodiversity and pollutants, as well as various aspects of economic and social development – has become overwhelming..." The World Bank report states that "Our combined experience, suggests that the best way to address climate change impacts on the poor is by integrating adaptation measures into sustainable development and poverty reduction strategies."

**Future Climate Change programming at CIDA should be mainstreamed and integrated into existing programming.**

**Assuming a continued and growing use of directed interdepartmental funds, CIDA should ensure that future funds include a mainstreaming strategy in the Management Framework and Business Plan to ensure as rapid a transition to mainstreaming and integration as possible.**

### **6.3 CIDA and Technology Transfer**

The CCCDF experience highlights the importance of the link between technology and development. The relationship is a complex and subtle one. The conventional view of technology transfer focuses on the transfer of hardware from developed countries to developing countries. CIDA made clear in the CCCDF MFBP that technology transfer is also a matter of soft technology transfer (capacity building, knowledge transfer, etc.) and must consider appropriateness and replicability. In practice, a more narrow understanding of technology transfer is evident in many of the CCCDF projects. It is the opinion of the evaluators that not enough attention was paid to the social and economic appropriateness, replicability or sustainability of technology transfers. Furthermore, few projects contribute to capacity-building for endogenous technology development and assessment. In creating the technology transfer policy, CIDA should consult with other organizations with recognized technology transfer expertise. One such organization,

**CIDA should create a technology transfer strategy to guide its own technology transfer initiatives and to communicate to its partners, a developmental perspective on technology. Issues addressed in the paper should include criteria of appropriateness, replicability and sustainability of technology transfers, and capacity-building for endogenous technology development and assessment.**

### **6.4 CCCDF Program Areas**

Given the development focus of the CCCDF, adaptation should have been given a higher priority and a larger percentage of the CCCDF should have been designated for adaptation projects. Given the developmental mandate of CIDA, there is an argument to be made that the percent nominal allocations of resources could have been reversed with a greater percentage of resources going to adaptation, capacity building, sequestration and emissions reduction, in descending order.

**For future CIDA climate change funds, consideration should be given to a redefinition of program areas to maintain policy coherence, take advantage of developmental synergies, define CIDA's climate change niche, and make the most effective use of its expertise and experience,**



**in addressing climate change, in concert with the expertise and experience of other government departments.**

## **6.5 The Focus of Climate Change Development Funding**

In the course of this evaluation, discussion often turned to the question of how to focus climate change development funding. There are several factors in this debate. Each country has a unique contribution to climate change and is uniquely affected as a result of climate change. CIDA has recently made a strategic decision to focus new development aid on fewer countries. It is clear that Least Developed Countries face particularly acute challenges to their effective participation in climate change negotiations and their vulnerability to changes in climate. On the other hand, larger industrializing countries and countries on the verge of independence from development funding are some of the biggest contributors to climate change. Meanwhile, some argue that a more coherent approach to climate change would focus on key ecosystems.

**While remaining consistent with CIDA development policy, future climate change development funding should be focused with consideration to the following parameters – stage of development of the recipient country, contribution or vulnerability to climate change of the recipient country, geographic distribution of funding and representation of major ecosystem types in funds allocation.**

## **6.6 CCCDF Timeframe**

It is widely recognized that capacity building for development is a long-term endeavour. It is common for the project planning and development phase to take one to three years and the life of a project to span five to eight years. Clearly there was not enough time for sound project development in the CCCDF. The efficiency and effectiveness of the CCCDF suffered as a result. It hurt project selection and development, partnership development, partner participation, and project sustainability. Furthermore, it taxed CIDA personnel unnecessarily.

**CIDA should more clearly and proactively communicate, to other government departments, the time requirements for effective development so that it is possible to ensure adequate timelines for future directed funds.**

## **6.7 Financial Reporting**

Placing the responsibility for financial management and reporting with the CCCDF Secretariat was burdensome for the Secretariat and time consuming for both the Secretariat and program branches. It was also redundant with program branch reporting obligations.

**If the Agency wishes to participate in future dedicated Funds, then it should proactively engage Treasury Board in discussions to find a mechanism whereby future directed funds use the established program branch mechanisms for financial management and reporting to Treasury Board.**

## **6.8 Science and Technology Specialists and the CCCDF**

Throughout the Fund's life there has been tension over where to house the science and technology specialists (in the program branches or policy branch); the mandate of the specialists (project support or international negotiations support); and the climate change experience of the specialists. These issues were complicated by the ongoing debate within CIDA over the role of science and technology specialists, where they fit into the organizational structure, how they were deployed, and in fact where they were geographically located.

**Directed fund Science and Technology specialists could be differentially deployed in program branches (program support) and within policy branch (interdepartmental and international negotiations support) with a clear distinction of the respective roles.**

**Science and Technology Specialists deployed to support international negotiations should be attached to the directed fund Secretariat. Those deployed in program branches could be hired specifically with expertise in the directed fund theme or alternately, a training program for existing Science and Technology Specialists could be incorporated into directed fund activities.**

**Secondment of expertise from other government departments is another potential solution. This proved difficult in the CCCDF Program, but with senior level support (for example from the Governance Board) may be a viable solution.**

## **6.9 Project Identification and Evaluation**

The MFBP called for the use of a range of project identification mechanisms. Eventually a hybrid responsive –competitive mechanism was used for all projects. While sound in concept, the mechanism was not consistently applied. The project identification and evaluation process was unnecessarily complex and time consuming in that three extra steps were required, in comparison to the normal branch process.

**Consistent with the learning organization for sustainable development approach to management, for future interdepartmental directed funds, program branches should be given the responsibility for project identification and selection. At the same time inter-branch and interdepartmental working groups should be established to participate in project evaluation and ensure a continuous learning process throughout project and program life-cycles.**

## **6.10 Building on the CCWG Success**

The CCWG was unanimously considered a success. It was a model of the benefits of a learning organization philosophy. The working group contributed to the project evaluation and selection process, was an effective vehicle for sharing lesson learned and for facilitating learning opportunities. It provided a forum for communication between policy branch and program branches and for establishing points of contact with other government departments.

**CIDA should examine the success of the CCWG in more detail and assess its potential as a model to increase effective inter-branch and interdepartmental communication and collaboration.**

## **6.11 Governance for Sustainability**

Increasingly, the impacts of, and solutions to, sustainability issues like climate change are not easily contained within traditional hierarchically managed governance units – in this case single departments of the Government of Canada.

Governance for sustainable development implies the collaboration of multiple stakeholders within and beyond government. It implies organizational shifts toward learning and knowledge-based networks and toward decentralized management and decision-making in concert with interdepartmental and multi-stakeholder coordination.

The CCWG appears to have embodied the learning organization philosophy. The CCWG's success underscores the need to increase efforts to support a learning organization philosophy at CIDA and in relations with other government departments.

There are several areas where CCCDF performance could have been improved with a more concerted agency-wide and interdepartmental effort to foster a learning organization in support of sustainable development:

- Much more time at the front end could have been programmed for the organizational learning process to build a consensus around the need for the CCCDF, and to build the understanding of the confluence of climate change and development within CIDA and interdepartmentally.
- Financial reporting to Treasury Board could have been the responsibility of the program branches.
- Project selection could have been the responsibility of the program branches, with consultation with the CCWG and an interdepartmental working group.
- The Secretariat could have played a greater role as a facilitator of organizational learning by creating and supporting channels of communication between policy branch and program branches and between CIDA and other government departments and stakeholders.

**The efficiency and effectiveness of the CCCDF, or other directed interdepartmental funds, would benefit from a structure, internal to CIDA and with respect to interdepartmental collaboration' that more explicitly supports a learning organization in support of sustainable development. Such an organizational philosophy supports better communication, the nurturing of learning and knowledge-based networks within and between organizations and toward decentralized management and decision-making in concert with interdepartmental and multi-stakeholder coordination.**

## **6.12 Interdepartmental Initiatives and The Role of Secretariats**

The CCCDF Secretariat served a valuable function for the CCCDF. Convening the CCWG was a great success. The Secretariat played a significant role in communication of climate change activity within CIDA to other departments and beyond. The Secretariat also played a significant role as a link to international climate change negotiations. Policy branch was an appropriate home for the Secretariat. However, financial reporting through the Secretariat appears to have been a redundant and time-consuming task and the project approval process more complex than necessary.

**Directed Fund Secretariats should play a facilitative and coordinating role in future interdepartmental directed funds.**

### **6.13 Climate Change Objectives and Departmental Mandates**

The diverse Government of Canada and development objectives of the CCCDF were well articulated in the program principles. In practice, it proved difficult to honour all of these principles within one program and one government department. This broader set of objectives hindered the developmental effectiveness of the CCCDF. In particular, Government of Canada climate change objectives and trade and Canadian business development objectives at times conflicted with sound development objectives.

**Assuming ongoing and improved intergovernmental collaboration on climate change, climate change funds should be designated to achieve differentiated climate change objectives in such a manner that climate change funding be allocated to the government department whose mandate most closely aligns with the differentiated objectives.**

### **6.14 Conflicts of Interest**

Other government departments participated in the governance of the CCCDF through the Governance Board and in assessment (though not project selection) of project proposal through the Governance Board Working Group. Some of these same government departments were applicants to the Fund and recipients of funding. The MFBP contained no explicit protocols to ensure that conflicts of interest would be avoided. As such, the Fund was left vulnerable to potential charges of conflict of interest.

**Directed funds administered interdepartmentally should put in place protocols to mitigate or avoid potential or perceived conflicts of interest.**

### **6.15 Mid-Term Recommendations**

The CCCDF is a mid-term review. Although less than a year remains to the Fund, there are several opportunities to apply lessons learned and improve final results.

#### **6.15.1 Provide Marketing Support to Livelihood Projects**

Several of the sequestration projects reviewed were designed with a holistic approach to sustainable development. Peatland and forest conservation and rehabilitation projects included participation of communities living in or near these conservation areas. Project strategies often include the investigation of alternative sustainable livelihoods. Marketing of new products is often a component of the strategies. However, in many cases, support to these projects, with respect to marketing expertise seems lacking.

**To ensure sustainable results, and maximum impact with respect to poverty alleviation, the Fund Secretariat should work with PTLs and CEAs to identify projects with marketing components (e.g. the Paraguayan and Indonesian sequestration projects) and devise a strategy for sharing lessons learned and providing marketing support to these projects in need of such support.**

#### **6.15.2 Assess the Sustainability of Technology Transfers**

As discussed throughout this evaluation document, there has been insufficient attention, in technology transfer projects, to the social and economic appropriateness, the replicability and sustainability and development of endogenous capacity for technology development and assessment.

**The Fund Secretariat should work with Science and Technology specialists, PTLs, CEAs, developing country partners and other government departments with technology expertise, to review the status of technology transfers and identify opportunities to contribute to capacity building for endogenous technology development.**

### **6.15.3 Estimate GHG Reductions and Carbon Sequestration**

The CCCDF Program LFA identifies reduced growth in GHG emissions and increased sequestration of carbon as results targets for the Fund. Even if these results are not anticipated during the life of the projects, it is important to provide some assessment of the likelihood of achieving these results and an estimate of the volume of GHG reductions and carbon sequestration. Where appropriate and transferable, the CCCDF may wish to build on the experience of the Prototype Carbon Fund which has been working to develop the practical methods to determine baselines as well as creating tools to monitor data and calculate emissions reductions as they pertain to the CDM/JI projects.

**The Fund Secretariat should work with the CCWG, CEAs and the interdepartmental working group to apply accepted methodologies to calculate carbon sequestration and GHG emission reduction estimates for the CCCDF Program.**

### **6.15.4 Re-invigorate the Interdepartmental Working Group**

The experience of the CCWG and the TEAM-IRC demonstrate the importance and value of interdisciplinary, interagency and interdepartmental collaboration.

**The Fund Secretariat should insure that the recently re-constituted interdepartmental working group continues. The interdepartmental working group could assist with the technology review and GHG reduction and carbon sequestration calculations. Participation in other government departments' interdepartmental working groups (particularly the TEAM Interdepartmental Review Committee) should be a priority for the Secretariat.**

### **6.15.5 Maintain Science and Technology Support**

The science and technology specialists were, unfortunately, a late addition to the CCCDF. However, they provide a necessary service to the Fund. The recommendations pertaining to marketing, technology and emissions and sequestration calculations will require the support of science and technology specialists.

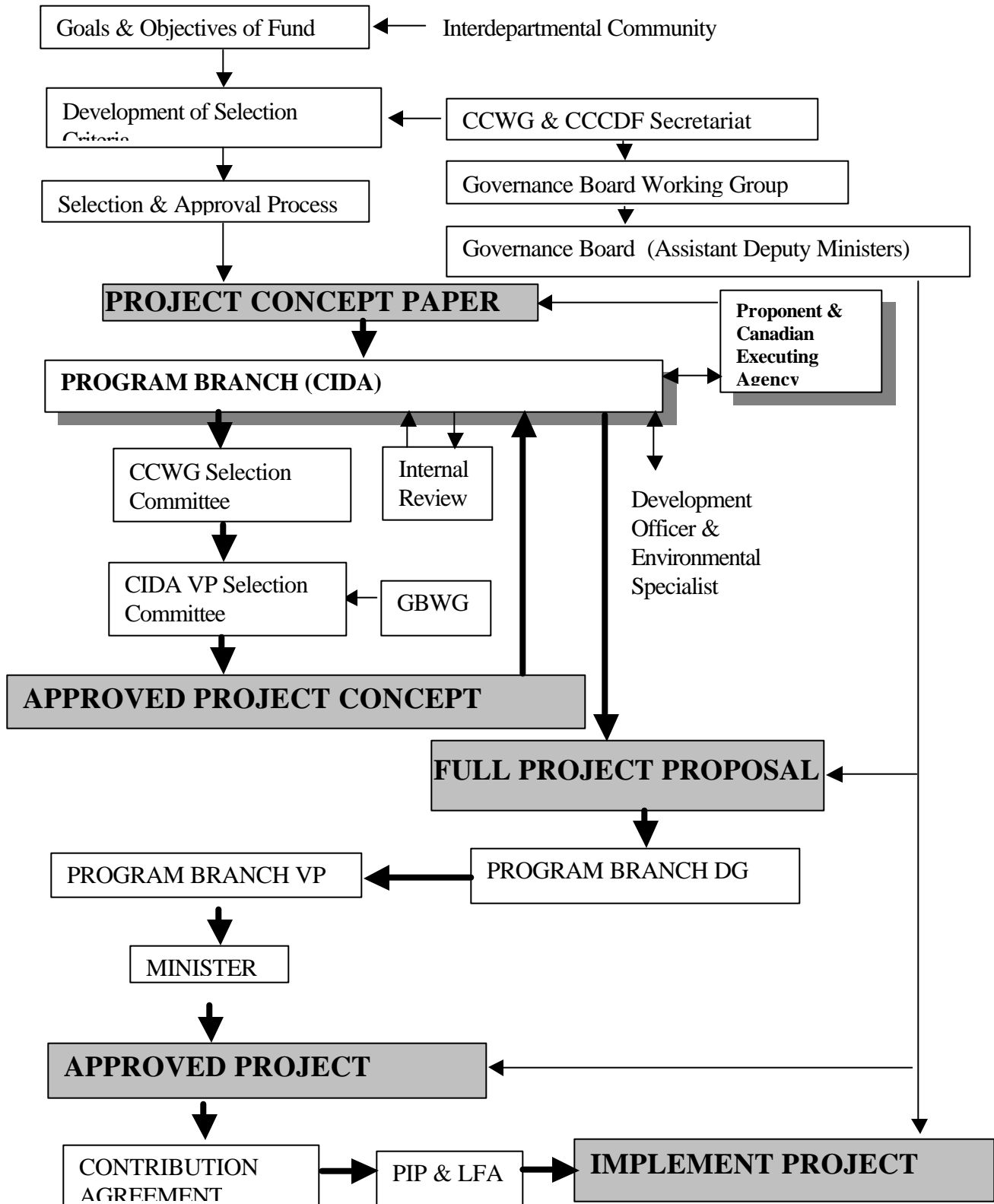
**To support the above marketing, technology review and emission and sequestration calculation recommendations, all efforts should be made to retain Science and Technology specialists to the end of the project.**

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## **APPENDICES**

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**APPENDIX I: PROJECT APPROVAL PROCESS**  
**Canadian Climate Change Development Fund (CCCDF)**



## **APPENDIX II: BIBLIOGRAPHY**

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