

investors, they may not have adequate institutional capacity in place to monitor GHG emissions effectively, or to enforce commitments. Furthermore, developing nations may lack adequate institutional capacity needed to negotiate the terms of CDM projects and to ensure national renewable and non-renewable resources are used in a manner consistent with their development objectives.

To address these concerns, the COP/MOP could establish a fund for training and capacity building in developing countries. This fund (supported financially by Annex I countries) could provide methodologies, workshops, and training in monitoring and verification activities. As such, the activities would be additional to those currently financed through the GEF's climate change capacity-building projects. This fund could also provide resources to clearly define developing country national goals and priorities, build up research and management capacity, and identify technological and financing needs. These efforts would enable developing countries to direct CDM investments and technology transfer to areas generating developmental benefits.

Similar to option B above, this option may provide an incentive for developing country participation in the CDM and other GHG mitigation activities, but it will require additional contributions from Annex I countries and thus may not be attractive to Canada. If such a fund is supported by a share of CDM project revenues or fees collected from CDM participants, it will decrease the cost-effectiveness of CERs and may discourage private sector participation in the CDM.