



Global Environment Facility

December 2003

STRATEGIC APPROACH TO ENHANCE CAPACITY BUILDING

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PREFACE

The GEF Council approved the Strategic Approach to Enhancing Capacity Building in November 2003. In approving the strategy, the Council requested the GEF Secretariat, in collaboration with the Implementing Agencies and the monitoring and evaluation unit, to undertake further work to operationalize it. This will include the development of:

- (a) targets and indicators for measuring results and impacts of capacity building activities;
- (b) operational modalities and project criteria for the implementation of the strategic approach, including for the enhancement of capacity building components within GEF projects and for country capacity building programs for LDCs and SIDS; and
- (c) proposals for Council consideration for a technical support program.

The Council also requested the GEF Secretariat to report regularly to the Council, on the development and implementation of the strategic approach.

Council Members also made the following comments during the Council discussion:

- (a) The council requested the GEF Secretariat and the Implementing Agencies to facilitate assistance to all eligible countries for the preparation of national capacity needs self assessments (NCSA) given their importance in assisting countries to identify priority capacity building activities.
- (b) The Council agreed that whenever possible capacity building should be integrated with other GEF project activities.
- (c) The Council stressed the need for the development of indicators to measure results and impacts, including the sustainability of the capacity built.
- (d) The Council underlined the importance of capacity building across focal areas as a means of promoting synergies among the conventions. It was also noted that capacity building should be provided to strengthen policy planning and project cycle management.
- (e) It was agreed that the level of support for capacity building should not be preset or anticipated in the strategy but rather should be determined on the basis of country needs and the evolving approach to country-based allocations.
- (f) Several Council Members noted the importance of capacity building in implementing the environmental initiative of NEPAD and urged the GEF to be a partner in these efforts.

- (g) One Council Member requested the GEF to provide clear guidance to assist countries to develop and implement free standing capacity building projects.
- (h) It was noted that co-financing of capacity building projects by governments and Implementing and Executing Agencies would increase ownership of the project, and it was recommended that minimum co-financing ratios for capacity building projects be defined.
- (i) The capacity building strategy should include a participatory approach to ensure that the priorities and capacity building needs of civil society are addressed.

I. BACKGROUND

1. The issue of capacity building has become a major priority within the global conventions, the GEF and the international community. Recent events such as the WSSD and the Second GEF Assembly reaffirmed the priority of building the capacity of developing countries. The GEF Secretariat, in consultation with the Implementing and Executing Agencies, is developing a strategic framework to give greater focus to capacity building in the GEF.

2. In May, 1999, the GEF Council, aware of the growing importance being assigned by the conventions to capacity building as well as the fragmentation of efforts to address this need, approved the 18-month Capacity Development Initiative (CDI) as a strategic partnership between the GEF Secretariat and UNDP, for the preparation of a comprehensive approach for developing the capacities needed at the country level to meet the challenges of global environmental action. The CDI was undertaken to: (i) make a broad assessment of capacity building needs of developing countries and countries with economies in transition; (ii) take stock of earlier and ongoing efforts to assist national capacity building; and (iii) prepare a strategy as a basis for strengthening the GEF portfolio.

3. The CDI was undertaken in a highly consultative manner, based on national inputs, regional expertise, contributions by NGOs and bilateral/multilateral agencies, and the discussions of the global conventions on climate change, biological diversity, and desertification. The findings of the CDI, and the actions proposed were presented to the GEF Council in May 2001.¹

4. The Council took note of the proposed strategic elements and framework and requested the GEF Secretariat to consult further with the Conventions, and intergovernmental and non-governmental organizations participating in capacity building activities related to the global environment and sustainable development. It also requested the GEF Secretariat, in collaboration with the Implementing Agencies and Executing Agencies, to initiate processes for expedited funding of one of the proposed activities - the self assessment of capacity building needs - in countries that request such assistance. Finally, it requested the GEF Secretariat to present to the Council revised strategic elements and framework for GEF action that take into account the views expressed by the Conferences of the Parties and others consulted, pursuant to this decision as well as lessons emerging from the national assessments.

National capacity needs self assessments

5. The National Capacity Needs Self Assessment (NCSA) program is now fully operational, and guidelines² to assist countries in preparing their NCSA's have been prepared by the GEF Secretariat with the assistance of the United Nations Institute for Training and Research (UNITAR) and in collaboration with other partners. Under an NCSA, funding is provided to assist countries for preparing self assessments of their capacity needs and priorities to manage

environment,' GEF/ C.17/Rev.1, May 2001.

² A Guide for Self-Assessment of Country Capacity Needs for Global Environmental Management, September 2001

global environmental issues. Once countries identify gaps in capacity building, they are encouraged to develop a plan of action for overcoming the gaps. NCSAs are intended to be entirely country driven, undertaken in accordance with country priorities and situations. To date, approximately 50 countries have launched NCSA projects. In addition, over 100 countries have expressed an interest in conducting an NCSA.

The Second Overall Performance Study of the Global Environment Facility

6. On the issue of capacity building, the Second Overall Performance Study of the GEF (OPS2) recommended that the GEF continue ongoing efforts to support capacity development of operational focal points, the national GEF coordinating structures, and the country dialog workshops.

Policy Recommendations of the Third GEF Replenishment

7. Participants of the third GEF replenishment process recommended that the GEF Secretariat and Implementing Agencies propose means to rationalize and coordinate activities in the field of enabling activities and capacity building to achieve effectiveness and efficiency. Participants also recommended that the GEF Secretariat and the Implementing Agencies give attention to the special needs of the Least Developed Countries and Small Island Developing States (SIDS).

Beijing Declaration of the Second GEF Assembly

8. The Beijing Declaration issued at the conclusion of the Second GEF Assembly recommends that capacity building in recipient countries should be identified and addressed in a systematic manner, with medium sized projects playing an important role in capacity building, particularly in LDCs and SIDS.

World Summit on Sustainable Development (WSSD)

9. The WSSD (October 2002) also reconfirmed the priority of building capacity to assist developing countries to obtain their sustainable development goals. Over thirty-five references are made to capacity building in the WSSD Plan of Implementation. WSSD recommended that GEF resources be used to provide financial resources to developing countries to meet their capacity needs for training, technical know how and strengthening national institutions.

Convention Decisions

10. Convention Guidance to the GEF assigns growing importance to capacity building. Guidance from the Convention of the Parties for the Convention on Biological Diversity and UNFCCC have requested the GEF to provide funding for country-driven capacity-building activities by developing country parties, in particular, least developed countries and small island developing States. The UNFCCC has adopted a framework for capacity building in developing countries and requested the GEF and other organizations to support its implementation. Within

the deliberations of the UNCCD as well as the Stockholm Convention, capacity building to assist countries to meet the objectives of the Conventions has been highlighted.

GEF Business Plan FY04-FY06

11. The GEF Secretariat has taken recommendations from these other forums into consideration in the development of this strategic approach. The GEF business plan³ states that capacity building is a strategic priority of the GEF that cuts across all focal areas. GEF resources during GEF-3 are to be directed towards capacity building consistent with the Council approved strategic approach.

III. STRATEGIC APPROACH TO ENHANCE CAPACITY BUILDING

12. Based on the consultations and feedback listed above, the GEF's proposed strategic approach for enhanced support for capacity building is guided by the aim of providing adequate support for nationally determined and prioritized capacity building needs consistent with the relevant Conventions and the objectives of the GEF in a cost effective manner, with clearly identified indicators of progress and achievement.

13. As the CDI clearly noted, the GEF is one of many institutions that can assist capacity building efforts in countries, in addition to what countries undertake with their own resources. Working within its mandate, the GEF clearly recognizes the need to leverage other resources and to assist countries to identify complementary sources of financial and technical assistance, both multilateral and bilateral, to meet capacity building needs. Valuable opportunities to do this will be available in countries that prepare an action plan for capacity building on the basis of NCSAs and/or countries for which country programs will be developed. Some activities identified in the action plans or country programs may be supported by the GEF, while others may fall outside the GEF mandate and convention guidance and will require other sources of funding.

14. Consistent with GEF practices for the past ten years, it is recognized that embedding capacity building components within projects is the most effective means for sustainable capacity development, and it is recommended that this approach continue to be the preferred pathway for capacity building. It is also recognized that the guidance from the Conventions and the deliberations of the international community have indicated that this approach has not always been sufficient to meet all capacity building needs, and that pathways for free-standing projects should be made available for activities not readily covered by regular projects and for countries where the pipeline of projects is weak. The strategic approach proposes that countries requiring special attention should be provided with an opportunity to address critical needs in a decentralized manner, and that technical support for capacity building should be available to all recipients.

15. In pursuit of this approach, the proposed strategic approach has the following elements:

³ GEF/C.21/9, April 2003

- (a) Operational principles to guide project formulation;
- (b) Modalities: strengthened capacity building in GEF projects, new pathways for focal area and cross focal area capacity building, and capacity building through country programs;
- (c) Enabling activities: collaboration with Conventions on redefining coverage of enabling activities;
- (d) Indicators: development of indicators to assess capacity built;
- (e) Over-arching technical support; and
- (f) Program management.

16. These elements are described below. They build upon the extensive work done during the CDI, further consultations on the proposals presented to the Council in May 2001, and the deliberation/ decisions in various international forums.

IV. OPERATIONAL PRINCIPLES

17. The CDI recommended the following broad operational principles for effective capacity building⁴:

- (a) Ensure national ownership and leadership
- (b) Ensure multi-stakeholder consultations and decision-making
- (c) Base capacity building efforts in self-needs assessment
- (d) Adopt a holistic approach to capacity building
- (e) Integrate capacity building in wider sustainable development efforts
- (f) Promote partnerships
- (g) Accommodate the dynamic nature of capacity building
- (h) Adopt a learning-by-doing approach
- (i) Combine programmatic and project-based approaches
- (j) Combine process as well as product-based approaches
- (k) Promote regional approaches

18. A brief description of each of these principles is attached as an Annex . These broad principles are intended to guide the GEF's approach to enhanced support for capacity building and its efforts to stimulate such support by other multilateral and bilateral institutions. Among these, the following will be of immediate relevance for the formulation of programs and projects on capacity building.

⁴ GEF/ C.17/6/Rev.1, May 2001, paragraph 102.

National ownership and leadership

19. This is an important GEF principle and will be followed rigorously. Country drivenness will be determined not just by the usual requirement of endorsement by the GEF focal point but by strong evidence of stakeholder consultation in the preparation of projects or programs at the national and sub-national levels.

Prioritization of activities

20. In the case of focal area specific or cross focal area capacity building, projects or programs will need to be based on a nationally undertaken process of needs assessment and prioritization. This may be through National Capacity Needs Self Assessments (NCSA) funded by the GEF, national communications or national strategies and action plans developed for a relevant convention, poverty reduction strategies, national sustainable development plans or other similar exercises a country may have undertaken.⁵

Harmonization of GEF support

21. As a first step in project preparation, the feasibility of meeting a particular capacity building need through a project to be developed consistent with GEF policies, strategic priorities and operational programs will be examined. Free standing capacity building support (either focal area specific or crosscutting) for that particular need may be considered if it is determined that it would not be appropriate or cost effective to respond to the need through a regular project.

22. Complementary to this approach, in developing a project proposal, the project proponent should take into account other indirect or contextual capacity building needs that could logically be addressed in the project, if necessary by expanding project size and scope.

Consistency with Convention guidance

23. GEF support will be provided through a number of different modalities outlined in this paper and will be consistent with priorities for capacity building identified by the Conventions (and their Protocols) for which the GEF serves as a financial mechanism, within the overall context of national priorities. The framework for capacity building adopted by the UNFCCC (decision 2/CP.7) provides an obvious example of such prioritization through a Convention process. Other Conventions have consistently highlighted priorities for capacity building in their decisions including guidance from the GEF.

Application of good practice

24. All capacity building projects or programs will be required to apply good practices that have emerged from experience of the development community with capacity building. Criteria

⁵ It is important to recognize the dynamic nature of capacity needs. Therefore, when drawing from earlier prioritization exercises, recent developments should be considered, particularly when the exercise was not recently finalized.

for reviewing capacity building projects will be developed once this strategic approach is approved by the Council to ensure quality-at-entry and impact.

Agreed indicators

25. Project preparation will need to give particular attention to indicators for assessing the success of capacity building in terms that are as specific as possible. Indicators will be agreed with recipient countries on a project by project basis, and monitored by the Implementing Agencies. Generic capacity building indicators will be developed by the Monitoring and Evaluation unit of the GEF will provide useful guidance for the selection of indicators for particular projects that such generic indicators will be developed by the M&E unit as early as possible after approval of the strategic approach by the Council. The M&E unit will collaborate with the Implementing Agencies and will draw upon their experiences and knowledge on monitoring and measuring the impact of capacity building activities.

26. Similarly, agreed indicators will be included in the preparation of capacity building country programs where undertaken, and periodically monitored at a programmatic level.

V. MODALITIES FOR ENHANCED GEF SUPPORT FOR CAPACITY BUILDING

27. On the basis of considerable deliberations the CDI recommended the establishment of three new pathways for GEF support for capacity building, and the strengthening of an existing pathway:

- (a) a self assessment of capacity needs,
- (b) strengthening capacity building elements in GEF projects,
- (c) targeted capacity building projects, and
- (d) country specific programs for addressing critical capacity building needs in LDCs and SIDS.

28. The first pathway, the preparation of National Capacity Self Assessments, became operational through the provision of expedited support for national capacity needs self assessments (NCSAs), as described in paragraph 5 above. It is proposed that the other pathways now be made operational and an additional pathway for cross-focal area capacity building be created, consistent with the GEF Business Plan FY 04-06.⁶

29. The proposed pathways are intended to complement each other and should together be able to cover the entire range of GEF support for capacity building. *Enhanced attention to capacity building components in GEF projects* is perhaps the most effective modality for the sustainable development of hands-on capacity for action on the ground, but there are a number of capacity building needs that require specific, focused attention that may not fit the framework of

⁶ GEF/C.21/9 pf April 9, 2003. In particular please see paragraphs 19 to 23.

a regular project. Some of these are focal area specific and can be addressed through *targeted capacity building* projects, while others may stretch across more than one focal area and can benefit from *cross focal area efforts*. Finally, the LDCs and SIDS have special needs that could most expeditiously be met through *decentralized, country level capacity building programs*.

Enhanced capacity building in GEF projects

30. GEF projects contain substantial capacity building components, aimed at capacities critical to the achievement of project goals and GEF strategic priorities but in these projects capacity building is not the principal objective of the project. This will continue to be the principal pathway for addressing country capacity building needs identified through the NCSAs and other nationally undertaken processes of needs assessment and prioritization. In general, capacity building to achieve the objectives of the GEF's strategic priorities, particularly with respect to mainstreaming the global environment in sectoral policies and national sustainable development planning, will be achieved through this pathway

31. As indicated from the GEF portfolio feedback, almost all existing projects have capacity building elements, but these components can be enhanced, strengthened and the financial outlay quantified to allow better tracking of the activities undertaken. Best practice and case studies based on the experience of the GEF and others will be important to improve this process in a major way. More specifically, this pathway will allow for:

- (a) Capacity needs assessments within the design and preparation phase of the project through PDF resources;
- (b) a more considered approach to iteration during project preparation and implementation;
- (c) phasing projects, where necessary, with the first phase concentrating on building the necessary capacity (at the individual, institutional and organizational level, as appropriate) as well as pilot and demonstration activities, with investments scaled up over time;
- (d) quantification of allocation for capacity building elements;
- (e) longer time horizon for projects so that time and resources required to support change processes are taken into account;
- (f) development of indicators to monitor growth in capacity during project implementation; and
- (g) ownership by local experts and stakeholders, with a view to encourage south-south co-operation, and nationally-based centers that are recognized regionally (or even globally) for their expertise.

32. This pathway emphasizes the application of best practices based on an iterative approach which recognizes the dynamic nature of capacity building. It will also encourage the integration of capacity in the wider context of sustainable development, a holistic approach to capacity building, and long-term sustainability and ownership of project outcomes.

33. This pathway will operate according to current project cycle and approval procedures that are continuously being streamlined. The GEF project review criteria will be enhanced to give capacity building the same profile as other criteria, such as sustainability and replicability, in GEF documentation. Each project should have a clear identification of capacity building elements, quantification of allocation for capacity building elements, and measurable indicators. It is expected that the level of GEF funding will be guided by the scope and scale of the project, and that co-funding (through partnership and collaboration), and non-GEF contributions for each project will reflect the comparative advantages and mandates of the key agencies involved.

Targeted capacity building within a focal area

34. In addition to capacity building through projects that address the GEF's focal area strategic priorities, the GEF would establish a new pathway that will finance focal area specific, free-standing capacity building projects that address national priorities and are responsive to the guidance and decisions of the relevant Conventions. Before any such projects are undertaken, it will be ensured that the proposed activities cannot in fact be included in other projects that address the focal area strategic priorities, in accordance with the harmonization principle mentioned above.

35. These projects will seek to build capacity as an end product, which in turn is expected to stimulate a broad based impact on global environmental management. Projects would emerge out of a country's priorities as identified through the self-assessment of capacity needs or some other national priority setting exercise, normally within a convention process, and would be guided by convention priorities and the GEF mandate.

36. Some illustrative examples of targeted capacity building needs that this pathway could support are:

- (a) new and challenging areas (e.g., benefit sharing, vulnerability and adaptation);
- (b) areas where traditionally there is weak capacity (e.g. taxonomy, global circulation models);
- (c) special needs of specific groups (for example, scientific and technical personnel, indigenous communities).

37. Consultation during the CDI led to an identification by countries of generic capacity building needs that countries suggested are priorities to assist them to address global environmental issues. Indicative lists for the climate change, biodiversity and land degradation

focal were compiled, both at the regional level and in a synthesized list at the global level.⁷ Work will be needed to undertake a similar identification for the international waters and POPs focal areas. It is clearly recognized, however, that the identification of capacity building needs is a dynamic process and that the GEF's support for meeting those needs will be country driven, in accordance with the particular priorities of each country. It is also recognized that the GEF is not the only source of assistance for countries, and other partners may be better placed to address some of the needs identified.

38. There are some key challenges when designing targeted capacity building projects, and it is important to build in appropriate safeguards. For example it might take some time before capacities are fully functional, and verifiable indicators and benchmarks should therefore be clearly spelt out so that progress can be tracked, and if necessary the project corrected in mid-course.

39. Briefly stated, targeted capacity building projects will have the following main features :

- (a) Should arise from a process of national prioritization (for instance in NCSAs, national communications, biodiversity strategies and action plans or other similar exercises);
- (b) Are country driven and prepared with adequate stakeholder consultation;
- (c) Address capacity building needs unique to a focal area and consistent with Convention guidance;
- (d) include agreed indicators for monitoring implementation and evaluating results; and
- (e) normally be medium sized projects.

Targeted capacity building across focal areas (cross-cutting)

40. This new pathway is seen as a cost effective means of addressing capacity building needs at a systemic or institutional level that are not unique to any one focal area but will assist countries to manage global environmental issues in a more general way. Some immediate examples are

- (a) institutional strengthening;
- (b) assistance for enacting legislation, regulations or other administrative measures;
- (c) capacity building for public awareness and education; and
- (d) development of training material

⁷ 'Capacity Development Initiative : Country Capacity Development Needs and Priorities – A Synthesis' (October 2000), available on the GEF's website.

41. Cross focal area capacity building projects will have the following features :
- (a) not be focal area specific, since they are intended to create an enabling environment, including foundational work where necessary, to address global environmental issues in the long term;
 - (b) be based on a national prioritization process, typically the NCSA but possibly other similar exercises;
 - (c) have full national ownership and be responsive to stakeholder concerns;
 - (d) are complementary to targeted capacity building efforts;
 - (e) include indicators to measure progress and achievement agreed with the recipient country; and
 - (f) normally be medium sized projects with funding not exceeding the level for expedited enabling activities.

Country capacity building programs for LDCs and SIDS

42. One significant finding of the CDI was the need to address critical capacity bottlenecks in the Least Developed Countries (LDCs) and Small Island Developing States (SIDS) in view of their special situation. Modeled on the GEF Small Grants Program, the idea is to provide limited financing at the country level that would be managed through a multistakeholder decision making process so as to provide flexibility and agility to the countries to agree on small amounts of targeted assistance to remove bottlenecks at the country level that inhibit good management of global environmental issues. Financing through such a mechanism should be based on identified priority needs highlighted through an NCSA or similar exercise. Examples of activities that may be supported are

- (a) capacity building for accessing documentation (electronic access, or facilities and training for translation into the local working language);
- (b) sensitization of decision makers and political leadership;
- (c) identification and financing of local or regional experts to assist in preparing project concepts and proposals;
- (d) preparation of tools for information dissemination, public education, and outreach.

43. It is recognized, however, that not all LDCs and SIDS are at the same level of institutional development and their individual needs vary considerably. It may not be necessary for all countries in these categories to have access to such support. Specific eligibility criteria for operationalizing this decentralized capacity building program will be developed upon

approval of this approach by the Council. A country program for LDCs and SIDS will have the following characteristics :

- (a) Country ownership and commitment to secure multi-stakeholder participation in the development and implementation of the program.
- (b) Prioritization of sequencing of activities, based on NCSA or similar exercise
- (c) Agreed goals, objectives, milestones and indicators of outcomes/impacts for each phase of program, with specific details for the seeking approval of subsequent phases
- (d) Well defined country-based approval process with multi-stakeholder participation
- (e) Individual country programs would be approved by the GEF Council.

Technical support

44. The need for technical support for capacity building is an important lesson emerging from the experience of both developing countries and donors. Countries need information, tools, methodologies, and examples of good practices in order to identify, develop and implement capacity building measures at various levels. Much of this information can be prepared globally or on a regional basis. In order to determine common tools and means to deliver this technical support, the GEF Secretariat and the Implementing Agencies will propose an over-arching technical support program, once various elements of the strategic approach for capacity building have been made operational. In addition to providing tools to ensure that capacity building is taken into account in the design and start up of projects, the technical support program should also serve to suggest mid-course corrections and refinements in the strategic approach on the basis of feedback from implementation of capacity building projects or programs.

45. Collaboration among the Implementing Agencies and decentralized delivery of technical support will be key features. As highlighted at several of the CDI regional consultations, in many cases countries will benefit from a regional approach to the delivery of technical support, particularly when countries share similar contexts and problems. The technical support system will therefore contribute to regional learning and exchange where most relevant through regional workshops, networking of regional experts⁸, and existing institutions that are recognized regionally for their expertise. In other cases, it might be more appropriate to provide services made available on a global level and delivered at a national level. Efforts will also be made to promote south-south cooperation through partnering of those with successful experiences with others facing similar challenges and to promote synergies and information sharing through existing science networks to strengthen capacity building efforts.

Enabling activities

⁸ These can be identified through existing rosters such as those of STAP, UNDP's Sub-Regional Resource Facilities, and others.

46. Currently, enabling activities are the only modality for GEF support for free-standing capacity building projects. The content of enabling activities at present is almost entirely governed by Convention decisions and guidance, and their primary objective is the preparation of national communications/ reports/ strategies and action plans. They also serve to build some capacity in the process, both for preparing such reports on a continuing basis and for assessing country situations with regard to the relevant global environmental issues.

47. Once the GEF's new opportunities for capacity building become operational, it should be possible to separate the support that is offered for purely reporting requirements under the Conventions from the support that is offered for other capacity building directly or indirectly associated with national reporting. But this separation will require close collaboration with the Convention processes so that their decisions and guidance to the GEF are appropriately tailored in the future. The GEF will actively collaborate with the Secretariats of the Conventions to work towards this goal. In the meanwhile, the present structure of enabling activities, including expedited support for national reporting, will be continued.

Indicators

48. The development of indicators for capacity built is critical at two levels : to assess the overall impact of GEF support for capacity building, and to assess the effectiveness of projects and country level programs. At the general level, the CDI suggested that indicators for capacity built cover the following 11 dimensions :

- (a) Awareness and knowledge;
- (b) national policy, legal and regulatory frameworks;
- (c) institutional mandates, coordination, and processes for interaction and cooperation between all stakeholders;
- (d) information management, monitoring and observation;
- (e) mobilization of science in support of decision making;
- (f) financial resources and technology transfer;
- (g) incentive systems and market instruments;
- (h) negotiation skills;
- (i) cooperation and networking within regions;
- (j) institutional management and performance; and
- (k) individual skills and motivation in key institutions.

49. The GEF will work with the M & E unit, STAP and the Implementing Agencies to develop and elaborate these indicators for program performance, but also encourage their selective and appropriate use at the project level. This will clearly be a dynamic process, with indicators being refined as experience is gained at the project level and at the overall program level.

VI. PROGRAM MANAGEMENT

50. Implementation of the strategic approach will require the GEF to put in place a system of continuous management, and to monitor progress of the strategic collaboration. Based on feedback, it will also need to adapt the framework to maintain responsiveness to capacity building needs. This oversight and management function will be undertaken by the GEF Secretariat, and will seek to:

- (a) ensure that the pathways and technical support are responsive to country needs;
- (b) report regularly progress to Conventions and ensure the framework continues to be responsive to new Convention guidance;
- (c) develop and apply indicators at the programmatic level to track overall progress and delivery of capacity to countries
- (d) monitor progress on the dialogue with partners on the strategic collaboration; and
- (e) ensure that there is a system in place for adapting the framework in light of feedback.

51. The GEF Secretariat will work with the IAs, EAs, Convention Secretariats and STAP to put in place processes to facilitate this program management. For example, M&E unit and STAP would play an active advisory and support role especially on development of specific indicators to track the overall program; the IAs and EAs would ensure that learning is fed back through coaching and program delivery, and the Convention Secretariats on the overall guidance on capacity building from the COPs.

VII. FINANCING OF CAPACITY BUILDING PROJECTS

52. Given the enabling nature of capacity building activities, many such activities may be funded on an agreed full cost basis, since the baseline cost to be met from other resources may be zero. Partnerships, however, are central to sustaining capacity building activities, and they will be encouraged to ensure national and local commitment as well as to build on complementary initiatives. It is expected that partnerships with other donors will result in co-financing.

VIII. NEXT STEPS

53. The Council is invited to approve the strategic approach to capacity building described in this paper. On the basis of Council approval, the GEF Secretariat, in collaboration with the Implementing Agencies and the monitoring and evaluation unit, will undertake further work to operationalize the strategic approach. This will include the development of:

- (a) targets and indicators for measuring results and impacts of capacity building activities;
- (b) operational modalities and project criteria for the implementation of the strategic approach, including for the enhancement of capacity building components within GEF projects and for country capacity building programs for LDCs and SIDS;
- (c) proposals for Council consideration for a technical support program.

54. The GEF Secretariat will report to the Council at its meeting in May 2004, and regularly thereafter, on the development and implementation of the strategic approach.

ANNEX OPERATIONAL PRINCIPLES FOR EFFECTIVE CAPACITY BUILDING⁹

1. Ensure national ownership and leadership
2. Ensure multi-stakeholder consultations and decision-making
3. Base capacity building efforts on self-needs assessment
4. Adopt a holistic approach to capacity building
5. Integrate capacity building in wider sustainable development efforts
6. Promote partnerships
7. Accommodate the dynamic nature of capacity building
8. Adopt a learning-by-doing approach
9. Combine programmatic and project-based approaches
10. Combine process as well as product-based approaches
11. Promote regional approaches

1. Ensure national ownership and leadership

It is a fundamental principle that for positive outcomes of the capacity building process, including its long-term sustainability, the efforts should be nationally owned, led and driven. A high degree of national political commitment and leadership consistently sustained over time is essential. Related implications of this principle are that country representatives decide on priorities and courses of action and their links to other national priorities. It also implies self-monitoring, self-evaluation and learning-by-doing.

2. Ensure multi-stakeholder consultations and decision-making

National decision-making should involve multiple stakeholders, particularly with a view to tackling inter-sectoral issues. A necessary condition for effective and sustainable results is the involvement of principal stakeholders right from the start of the planning process as full and equal partners.

3. Base capacity building efforts on self-needs assessment

National ownership and leadership is more likely when capacity building efforts are preceded by a self-assessment of needs. This is also made imperative because of the wide variation in the levels of capacities to implement Convention obligations across countries. The objectives of capacity building efforts should be commensurate with the existing status of the capacities in the recipient country. Even when focused on problem-centered approaches, the efforts are often more successful when they are realistic, recognize and build on existing strengths, knowledge and experience within countries.

⁹ Extracted from GEF/ C.17/6/Rev.1, May 2001, pages 23 to 25.

4. Adopt a holistic approach to capacity building

All dimensions of capacity need attention – the individual, the institution and the overall policy framework in which individuals and organizations operate and interact with the external environment, as well as the formal and informal relationships between institutions. An inadequate emphasis at the system level may diminish the impact of efforts at the institutional and individual levels. A proper balance, therefore, needs to be established between all three, closely interlinked, levels.

5. Integrate capacity building in wider efforts to achieve sustainable development

Capacity is very fluid and has multiple utility. Any strategy to address capacity building must therefore recognize that developing capacities for global environmental action is closely related to and must be integrated with on-going initiatives to enhance capacities for broader environmental managements and for sustainable development in general.

6. Promote partnerships

Meeting capacity building needs is an immense and urgent task requiring a collective effort that draws upon the comparative advantages of the multiple parties to maximize impact. There is a need for differentiated roles. The opportunity for multiple channeling of financial resources and expertise must be capitalized. Furthermore, partnerships are central to achieving best, sustained results. The most successful capacity building efforts are often those where the partners invest some of their own financial and staff resources. In that context, it is important that the assistance be defined through open and transparent dialogue with all the key players (countries, civil society, donors, and private sector partners) in capacity building.

Coordination both between various efforts at the country-level and amongst donors is essential and there is clearly a potential for more coordinated efforts. However, there are constraints to country-managed aid coordination, as well as donor-induced constraints to coordination. There are, nevertheless, some basic hallmarks of good coordination (OECD, 2000).

7. Accommodate the dynamic nature of capacity building

Capacity building is a dynamic process with many facets: *mobilization* of existing potential that may not be utilized because it does not reside in the institution that is charged with the respective responsibility or individual expertise may not be utilized because of organizational deficiencies, among other reasons; *enhancement* of capacity to avoid obsolescence through continuous utilization and by providing short-term courses, workshops, seminars and other training services; *conversion* or *adjustment* of existing capacity to deal with the new problems; *creation* of capacity through formal training programs; and finally *succession* or the *improvement* of capacities by subsequent generations. Capacity *retention* is also a key challenge.

Given that capacity building is not static but a dynamic and iterative process (as opposed to linear), adequate monitoring and evaluation techniques with appropriate benchmarks and indicators are essential for learning-by-doing and for adaptive management. It is therefore

important for the players to revisit the operational principles, strategic elements, tools and methodologies from time to time.

8. Adopt a learning-by-doing approach to capacity building

Capacity building efforts should be supported by a variety of tools and methodologies. These could range from the more traditional methods to capacity building (such as workshops, in-service technical training) to those that offer greater scope both methodologically and institutionally (such as, networking, horizontal exchanges and co-operation, creation of multi-stakeholder project steering committees, sharing of project management responsibilities, internships, south-south co-operation, issue-based scientific networks).

9. Combine programmatic and project-based approaches

Programmatic approaches to the management of development assistance rather than project-by-project approaches are favorable, particularly if one is to promote local ownership and equal partnership, iterative management, and a cross-sectoral vision.

10. Combine process as well as product-based approaches

Greater emphasis must be placed on the process of capacity building, with recognition of a need to support slow, gradual, and sometimes-unpredictable processes.

11. Promote regional approaches

In some cases it might be more efficient and cost-effective to organize efforts on a regional basis. Technical assistance for national capacity building efforts should come from nationally-based institutions that are recognized regionally (or even globally) for their expertise. A number of other multilateral and bilateral agencies are already supporting regional cooperation and regional networks of expertise.