



ENHANCING CAPACITY – A MISSING LINK IN GREENING DEVELOPMENT

February 2012

In developing countries, environmental resources and services make a vital contribution to economic growth and well-being, accounting for an estimated 26% of total wealth; this compares to 2% in industrialised countries. In a world facing the pressures of a growing population, climate change and increasing risks of food shortages, economic growth based on the unsustainable use of natural resources is no longer viable. Greening the development path is therefore crucial.

A lack of capacity for environmental management is a key obstacle preventing developing countries from moving to a greener development path. Overcoming this will require enhancing capacity for: monitoring and collecting information on environmental degradation, conducting environmental risk assessment, making the economic case for greening development, facilitating cross-sectoral co-ordination, and implementing environmental fiscal reform.

ACTIONS THAT WILL MAKE THE DIFFERENCE

For policy makers in developing countries:

- Use multi-year development planning processes as a vehicle to systematically incorporate green objectives into national and sectoral plans and budgets. This requires effective governance and mechanisms to provide environmental input into national processes.
- Environment ministries must have the skills to compete for financial resources as they shift from project funding to funds that are pooled in sector or national budgets. Ministries must be able to make the case for the environment in terms that budget planners understand.
- Encourage the participation of non-government actors to engage in the planning processes to create accountability, facilitate learning and incorporate citizens' rights. This participation should go beyond simple consultation to real engagement.
- Build functional and technical skills, including a good understanding of what the basic elements of the national planning process are, as well as how to collect robust analytical data to support the case for integrating the environment into national development plans.
- Plan and target efforts carefully. Plan for the long haul, but target early efforts to where the most difference can be made.

For development assistance providers:

- Have capacity development for the environment underpin all development support at all levels of design, implementation and valuation
- Collaborate across domestic agencies to exploit their comparative advantages.
- Harmonise approaches among development assistance providers to ensure effective programme delivery, facilitate exchange of information and avoid duplicated efforts.
- Nurture local ownership to secure interest, oversight and management of development support to address the environmental challenges of the developing country.
- Focus on results to enable developing countries to learn lessons and identify new and emerging environmental issues.
- Implement best practice guidelines to understand key principles and tools required to deliver effective support to integrating capacity development for environment into national systems.
- Assess their own capacity needs required in order to effectively provide support to developing countries on enhanced capacity for environmental governance.

CONTACT INFORMATION

For more information contact: Remy Paris (remy.paris@oecd.org) or Michael Mullan (michael.mullan@oecd.org)

A FIVE-STEP FRAMEWORK FOR ENHANCING CAPACITY FOR GREENING DEVELOPMENT AT THREE LEVELS

Greening development demands innovative approaches that engage all stakeholders in shaping national policies and investment decisions. A five-step framework has been developed to guide capacity development efforts at the levels of national development planning, budgetary processes and in key economic sectors:

- 1. Assess the political and institutional context**, by conducting an analysis of the national context, understanding incentive structures and gaining familiarity with country level analysis of natural resource constraints and opportunities.
- 2. Identify key actors and their capacity development needs**, such as government officials, private sector representatives and members of civil society groups, recognising the political and economic dimensions that influence stakeholders.
- 3. Identify opportunities to shape organisational incentives**, including finding entry points, setting priorities and outlining the appropriate timescale, targets and resources needed.
- 4. Identify awareness / knowledge needs and existing analytical tools**, raise awareness of the role the environment plays in achieving economic development, becoming familiar with existing knowledge products and adopting and using technical tools to make the economic case for environmental programmes and measures.
- 5. Identify options for policy response**, ranging from revised priorities and implementation strategies to specific environmental management measures and investments.

Developing country contexts vary tremendously. Any approach to building and enhancing capacity for greening development must therefore be flexible by design and should make use of countries' own systems. Assistance providers should target their capacity development initiatives at weaknesses in existing environmental management in developing countries and foster collaboration between finance, planning and environment ministries as well as other stakeholders involved. Examples of issues for domestic actors and development assistance providers to consider when greening national budget processes are outlined in the table below.

The capacity needed	Enabling environment	Organisational level	Individual level
Stakeholders understand the importance of environmental issues	Stakeholders involved in the institutional process for preparing national budget	Finance ministry has incentives and mechanisms to assess economic value of environmental policies	Finance staff are aware of economic value of environmental policies and programmes
Environment agencies formally involved in national budget process	Finance ministry agrees on role of environment agency in budget process	Finance and environment officials understand how environment stakeholders may participate	Environment staff understand how budget process works and how to engage effectively
Analyse links between environment and development – make the economic case	Budget allocations to spending ministries in accordance with national plan and priorities	Finance ministry has incentives to include environmental priorities and measures in budget formulation	Environment staff skilled in economic valuation, programme costing and stating the environmental case to budget officials
Formulate environmental management measures and environmental fiscal reform in budget	Budget process includes environmental management measures, environmental fiscal instruments, subsidy reform	Environment agency participates effectively in drafting budget proposals and finance ministry adopts its guidance	Environment staff can analyse and communicate benefits of budgeted environmental measures, economic instruments, subsidy reform
Environment-development indicators and monitoring mechanisms used	A well functioning national audit system promotes sound expenditure management in all government agencies	Environment and line ministries have management systems to disburse funds efficiently to meet policy priorities	Environment staff skilled in project screening, management and monitoring/evaluation skills

Since 2009, the OECD Development Assistance Committee (DAC) and Environmental Policy Committee (EPOC) have, in collaboration with developing country experts, worked together to produce the guidance *Greening Development: Enhancing Capacity for Environmental Management and Governance*. It is available at: www.oecd.org/dac/environment.