

Chapter 4

MAJOR THEMATIC AREAS

While resource and time limitations prevented the evaluation team from conducting in-depth reviews of all the major thematic areas, this chapter provides an overview and assessment of the performance and positioning of UNDP in three priority areas: climate change, energy and biodiversity. It also discusses the impact of the dominance of GEF on priority setting in UNDP's environment and energy programme.

4.1 CLIMATE CHANGE

Climate change has been a major component of UNDP's environment and energy work and is central to the organization's future plans in this area. Since 1992 UNDP has mobilized about \$3 billion to fund over 400 large-scale and 1,000 small-scale energy and climate projects, almost entirely with GEF funding plus co-financing. Climate change is also prominent in UNDP's strategic plan for 2008 onwards. The broader attention that climate change has received recently virtually guarantees that this will be the pre-eminent environmental issue during the next decade, with climate change adaptation emerging as a key development issue.

Most of UNDP's climate change activities at the country level have been aimed at mitigating greenhouse gas emissions, a global concern rather than one of developing countries in particular. Such projects are often of marginal relevance to countries' mainstream development agendas, especially in LDCs and SIDS. Projects have included support for renewable energy, energy efficiency, sustainable transportation and new clean energy technologies. A shift from technology-based to market-based approaches has encouraged

tackling barriers that inhibit countries' progress towards more 'climate-friendly' energy policies. Minor activities targeting climate change adaptation planning have helped developing countries prepare for and respond to the impacts of climate change, and support has also been given to help countries fulfil UNFCCC reporting obligations.

4.1.1 GHG EMISSION MITIGATION

Direct impacts are obviously in terms of reduced greenhouse gas emissions (Table 4), although as the portfolio shifts more towards barrier removal this will become a less important indicator. As reported by the PIR, emissions of about 89 million metric tons of CO₂ were avoided during 2007, with projects in the portfolio having cumulatively avoided emissions of about 386 million metric tons. Energy efficiency projects avoided virtually all of these amounts, with 86 and 377 million metric tons, respectively.³⁸ While interesting, these data have limited significance to the countries concerned.

Only six projects accounted for 98 percent of the emissions reductions of the entire global portfolio (Table 5). Five of these are in the Asia-Pacific region and three in China. The other 58 projects in the global portfolio contribute just over 1 percent to the total emissions avoided. The market transformation indicator has proved significantly more difficult to quantify and has to be assessed on a project-by-project basis. Renewable energy projects have in some cases had a socio-economic impact by providing households with energy.

Reviews of the performance of UNDP's climate change projects by GEF have generally been

38. According to the PIR, CO₂ emission savings should be calculated over 10-20 years.

Table 4. CO₂ Emissions Avoided during PIR 2007 Period

UNDP Region	Total CO ₂ Emissions Avoided (million tons CO ₂)
Africa (S&E)	1.44E-03
Arab States	3.44E+00
Asia and the Pacific	8.52E+01
Europe and the Commonwealth of Independent States	8.94E-02
Global	0.00E+00
Latin America and the Caribbean	2.19E-01
Grand Total	8.89E+01

Source: 'UNDP-GEF Project Implementation Review: Climate Change Focal Area Summary Report 2007'.

Table 5. Summary of Projects that Avoided the Greatest Amount of CO₂ Emissions during the PIR 2007 Period

Country	Project Title	OP	Emissions avoided (million tons CO ₂ per year)	Cumulative CO ₂ Reduction (million tons CO ₂)
Egypt	Energy Efficiency Improvements and Greenhouse Gas Reduction	5	2.97	11.79
China	Energy Conservation and GHG Emissions Reduction in Township and Village Enterprise Industries in China Phase II	5	2.05	2.24
China	Barrier Removal for the Widespread Commercialization of Energy-efficient CFC-free Refrigerators in China	5	75.00	347.90
China	End Use Energy Efficiency Project (EUEEP)	5	3.84	5.84
Malaysia	Industrial Energy Efficiency and Improvement Project	5	2.04	7.57
Philippines	Capacity Building to Remove Barriers to RE Development Project	6	2.01	6.55
Total			87.91	381.89

Source: 'UNDP-GEF Project Implementation Review: Climate Change Focal Area Summary Report 2007'.

favourable. However, the selection of projects and allocations of resources between countries for all GEF climate change projects (i.e., those implemented by World Bank and UNEP as well as UNDP) was described by the GEF's independent programme study in 2004³⁹ as "not revealing any evidence of strategic choice."

UNDP has built up a significant body of expertise and experience in this area, although this expertise is located mostly at headquarters and the regional centres, and there is limited expertise in most country offices. There are concerns that the stream of projects entering the pipeline is beyond the capacity of many country offices to implement effectively⁴⁰, raising the prospect that the 'resource mobilization successes' of headquarters and the regional centres will become 'implementation liabilities' for the country offices and UNDP as a whole.

Climate change mitigation has had a somewhat uncomfortable fit with the rest of UNDP's agenda, reflecting the differing objectives of UNDP and GEF. In the developing world the major opportunities for emission reductions can be found in the more industrialized, middle-income countries plus the former Soviet bloc. Potential carbon gains from investing in sub-Saharan Africa or in the SIDS are almost non-existent, although there are opportunities to ensure that future development of energy sources will be carbon-friendly. Recently the GEF's new RAF has begun to concentrate support for mitigation activities in the countries that are the main greenhouse gas emitters. This means that the poorest countries are among those least likely to benefit from international investments in reducing carbon emissions.

Most climate change efforts within UNDP have been focused on energy efficiency and conservation to reduce greenhouse gas emissions. Synergies, or even cooperation, with non-GEF UNDP staff

interested in enhancing the access of the poor to reliable and affordable energy sources (especially rural electrification) have been limited. Following the argument that poor communities cannot develop without access to electricity, it appears that heavy reliance on GEF has moved UNDP towards an approach where the needs of the poorest countries are not being prioritized. This dilemma has not escaped the attention of UNDP staff who recognize that GEF climate change funding will largely be unavailable to LDCs and SIDS. The only solution to serve these countries' energy and environment needs is therefore to allocate funds from UNDP core funds or other external sources.

4.1.2 CARBON FINANCE

One of the most promising features of the global response to climate change has been the rapid growth of carbon trading, or the buying and selling of emission permits, an area that is not in the GEF mandate. Of particular interest to UNDP and its mission, the Clean Development Mechanism has allowed industrialized countries to invest in projects that reduce emissions in developing countries as an alternative to more expensive emission reductions in their own countries.

CDM benefits have so far been limited to a small group of countries (notably China, India, Brazil and Mexico). Very few LDCs or SIDS are ready to participate in carbon markets on a significant scale, although their carbon sequestration potential may increase significantly if credits for sustainable land management or avoided deforestation are approved during the negotiations for a successor to the Kyoto Protocol, which expires in 2012.

In response to this emerging source of funds, UNDP has recently established the MDG Carbon Facility, which aims to realize 'development benefits' from the sale of carbon credits. The target market is countries that have not benefited

39. 'Climate Change Program Study'. GEF Office of Monitoring and Evaluation, 2004.

40. See, for example, 'UNDP Environment Finance Group Regional Business Plan for 2007: Asia and the Pacific Region'.

significantly from CDM (due to lack of capacity, opportunity and so on) as well as regions within countries (notably China) that have not benefited so far. To underwrite its MDG Carbon Facility, UNDP succeeded in attracting bids from major banks, one of which has committed to guaranteeing an attractive carbon price for carbon offset projects around the developing world for 15 million carbon credits. This is a path-breaking initiative for UNDP as a model of collaboration with the private sector (that is, the bank and the investors in the facilities generating the carbon credits) as well as the governments concerned. Critically, it also promises full cost recovery and does not rely on GEF funding.

It is too early to assess how UNDP's entry into this arena is likely to turn out and whether UNDP has found a unique niche. While this market has already attracted some institutions with considerably more carbon finance experience, few possess UNDP's developing country experience.

UNDP is not an early starter here and the MDG Carbon Facility is small. The World Bank, for example, has 10 funds, a decade of experience, and \$2 billion under management, but even so is no longer a significant player in the rapidly expanding carbon market. Among the World Bank funds, there are community, forestry and biocarbon funds. Because these areas all overlap with UNDP interests, they may ultimately prove to be appropriate areas for UNDP's focus. The World Bank's experience with projects that do not readily attract private sector investments, which is exactly the type of projects UNDP is looking for, is that such deals are hard to close. This corresponds with early UNDP experience, underscoring that considerable hands-on work by highly capable and knowledgeable staff is usually required to close deals between project promoters, investors and governments.

However, UNDP has started to assemble a promising pipeline of projects following high-

Box 5. Carbon Finance in Eastern Europe and the CIS

Eastern Europe and the CIS have been slow to participate in the carbon finance market due to low awareness and understanding, even though these countries include some of the world's worst greenhouse gas producers. Six CIS countries are counted among the most carbon-intensive economies globally. But potential investors have been deterred by the absence of needed institutional and legal frameworks as well as problems with the overall business environment.

UNDP has launched 'Leveraging Carbon Finance for Sustainable Development in Southeastern Europe and the CIS', a project aimed at developing public and private sector capacities to access carbon finance, identifying opportunities and providing project management services to individual projects. Under this impressive initiative, capacity development and pilot initiatives have been launched in several countries. FYR Macedonia recently presented a strategy for CDM participation, with other countries following.

A key objective was to identify viable projects for support by the MDG Carbon Facility. This has been difficult, however. Early experience showed that proactive efforts would be needed, going well beyond simply declaring the fund open. The capacity development effort for both governments and UNDP staff appears to have worked well following effective collaboration between BRC, the country offices and respective headquarters units (EEG, UNDP-GEF and the Regional Bureau for Europe and the CIS at the headquarters). As a result, over 70 percent of the global pipeline for the MDG Carbon Facility has originated from this region (as of late 2007).

UNDP capacity development and training support to the FYR Macedonia Ministry of Environment and Physical Planning has supported an effective government climate office (to be closed in 2008 but possibly absorbed by the ministry). More recent UNDP-supported efforts to mobilize carbon finance, admittedly supply-driven, have generated innovative CDM proposals to the emerging MDG Carbon Facility. FYR Macedonia's strong progress in this area seems largely attributable to UNDP capacity development with strong support from BRC. The country office, which is particularly strong in this area, is now addressing 'climate proofing' of its entire project portfolio, not just environment and energy, inspired by similar work in the Armenia country office.

quality preparation work, mainly led by the Bratislava and Bangkok regional centres, and four projects had been approved by early 2008. UNDP has made considerable progress in building carbon finance capacity within its own organization as well as certain partner governments, while deepening staff understanding of the carbon markets and gaining valuable experience in collaborating with the private sector (Box 5).

The main justification for UNDP's participation in carbon markets—in other words the link to poverty reduction—appears to rest on the generation of local and national development benefits in the following areas: food security, education, biodiversity protection, community benefits, water purification, watershed protection, gender equality, health care, secure land tenure, improved sanitation, poverty alleviation and human rights. But the mechanisms for transferring resources to these areas will all need to be negotiated and established separately as part of each carbon 'deal'. This will be a complex institutional challenge, especially given the lack of capacity and relevant experience in the countries that UNDP is targeting. How and on what scale these 'development dividends' can be realized therefore remains to be seen. But unless these dividends can be realized on a significant scale and with clear welfare gains, UNDP may appear to be ignoring the interests of the countries, as well as the constituents within these countries, that are most in need of its support.

4.1.3 ADAPTATION

Very modest levels of international funding have so far been provided for climate change adaptation. GEF administers three small funds and on an interim basis will administer a new Adaptation Fund that will be governed directly by the UNFCCC.⁴¹ This fund will receive 2 percent of CDM projects plus direct contributions, although the scale of financial resources likely to become available is not yet clear. Most needs estimates

for the next decade or so are at least several billion dollars.

UNDP has helped over 100 countries prepare national climate change vulnerability assessments, national adaptation plans and national communications to the UNFCCC using GEF resources. Based on this experience, UNDP expects to be in a position to help countries access adaptation resources. The recently launched UNDP-Spain MDG Achievement Fund is also expected to provide direct support for climate change adaptation. UNDP has also recently formed climate change partnerships with the World Bank, regional development banks, UNEP and other UN agencies, although it is still unclear how these arrangements will develop. It is important to note, however, that the scale of financial and human resources dedicated to climate change adaptation within UNDP has so far been tiny.

A variety of studies indicate that the LDCs and SIDS will be hardest hit by climate change, and these are the countries most in need of adaptation support for awareness raising, capacity development and action on the ground. In many ways climate change adaptation therefore seems a more natural area for UNDP to engage in than mitigation, where the benefits are largely global. The adaptation challenge cannot be overstated, however. The countries most in need of support for climate change adaptation are UNDP's weakest constituents in terms of resources and capacity and have so far shown little sign of effectively integrating their development planning across multiple sectors, a prerequisite for adaptation to be effective. At a minimum, country offices in these countries will require significantly enhanced human and financial resources to be effective in this area.

While climate change is regarded within UNDP as an environmental issue, adaptation to its impacts is primarily a question of sustainable development and risk management. Climate

41. UNFCCC will approve Adaptation Fund projects on a one-country, one-vote basis, in contrast to GEF Council project approval voting on the size of donor contributions.

change impacts vary considerably from location to location, are harder to predict and cover a very wide range of impacts from sea-level rise and storms and floods, to shifts in growing seasons, vegetation cover and water resources depletion. Preparedness and responses must therefore cover a huge range of issues. The common denominator, as usual, is that poor people living in marginal areas are the most vulnerable and have the least resources to cope with and recover from a short-term disaster or longer term degradation. Capacity plays an important role in reducing people's vulnerability to climate change. Defining capacity, and UNDP's role in building it, in the context of climate change adaptation poses new challenges.

So far UNDP has had a very small team working on adaptation at headquarters, and this effort needs to increase dramatically. This team is helping raise awareness and train staff throughout the organization and also is working with some regional programmes to incorporate adaptation into their planning and strategy development. Reviews of country programmes are underway to assess the vulnerability of current and planned activities to climate change as a prelude to 'climate proofing'. This is a good start. Climate risk assessments of new projects are expected to become standard procedure in UNDP and throughout the international development community. Institutionally, the current arrangements for adaptation work, which have generated useful experience to date, do not appear sufficient as adaptation needs gather increasing momentum.

UNDP seems uniquely positioned within the UN system to take the lead on adaptation based on its broad range of responsibilities and competencies across a range of development sectors as well as its experience supporting national development planning and strategy development. The 2007/08 HDR on climate change is an excellent product. While it is unfortunate that the organization has waited so long to focus on this topic, the report gives UNDP a key opportunity to use its collective

power to help make the case for mainstreaming through adaptation, especially in poorer countries.

Continuing business as usual within UNDP, that is, treating adaptation as one more new environment programme, cannot be effective, however. Resource mobilization, country office capacities and mainstreaming within the organization all require major adjustment and realignment. Adaptation measures will certainly require integration with national development plans and programmes across a range of sectors. This seems unlikely to happen if adaptation continues to be perceived primarily as an environmental issue, which is very much the case at present, both within UNDP and outside. While the need to mainstream crisis prevention and recovery strategies seems obvious and has begun in a few cases, UNDP will have little credibility unless it can demonstrate that its own poverty reduction and democratic governance practices are also full participants.

4.1.4 UNDP CLIMATE CHANGE STRATEGY

UNDP is currently developing its first climate change strategy, hampered by considerable uncertainty over the course of negotiations towards the successor to the Kyoto Protocol. The arguments for UNDP to increasingly prioritize this area are clear: "Climate change threatens developing communities' economic, social and physical well-being, pervading all areas of human development. It could negate or reverse decades of progress and obliterate any hope of reaching the MDGs. And those most affected, and least responsible for its onset, are least able to cope. It is an issue of inequality and an issue of insecurity. It has the potential to widen the already yawning gap between the haves and have-nots. The way the world deals with climate change today will have a direct bearing on the human development prospects of a large section of humanity. Failure will consign the poorest 40% of the world's population—some 2.6 billion people—to a future of diminished opportunity."⁴² This argument seems irrefutable.

42. HDR 2007/08.

The new climate change strategy aims to defuse tensions between UNDP's GEF and core activities related to energy and climate change and to merge the objectives of the two groups. Achievement of this goal appears critical.

4.2 ENERGY

Energy appears to be a prerequisite for lifting people and communities out of poverty. A large segment of the world's population still has inadequate access to energy: at least 1.6 billion people live without electricity in their homes and more than a third of humanity relies on wood, charcoal and dung as their main sources of energy for cooking and heating.⁴³ If UNDP cares about poverty, it must care about energy. In fact, EEG has undertaken some excellent analytical work on the relationship between energy and poverty, such as 'Energy Services for the Millennium Development Goals', the report on 'Energizing the Millennium Development Goals' cited above and a recent study on energy in the PRSPs.⁴⁴

The formulation 'environment and energy' used by UNDP presents some challenges. While clearly an important player in environment in developing countries, UNDP has a very small role in the overall energy picture and has miniscule resources available for energy. Most funding for UNDP 'energy' work has in fact been GEF support for mitigating greenhouse gas emissions, little of which flows to LDCs and SIDS. Based on resource allocations, there is little sign that supporting the provision of affordable energy services to the poor—arguably the principal energy challenge for development agencies—has been an institutional priority.

UNDP's niche in energy is specific and defined in the context of poverty reduction and sustainable

development. It works neither in the oil and natural gas sectors nor in large-scale infrastructure, which is in the purview of the development banks. MYFF-2 in 2004 defined the organization's energy goal in the following way:

“UNDP supports energy activities to reduce poverty and achieve sustainable development objectives at the local, national and global levels. Its work is focused on strengthening national policy frameworks to support energy for poverty reduction; promoting rural energy services to support growth and equity with specific focus on the situation of women; promoting clean energy technologies to mitigate climate change; and increasing access to investment financing for sustainable energy, including through the Clean Development Mechanism. Activities in these areas complement and help integrate GEF programmes in the field of climate change and support sustainable livelihoods.”

Promoting rural energy services for household and productive activities covers both non-renewable and renewable energy. It is intended to address social, economic and environmental considerations. The thrust of the work is on capacity development, studies and policy analysis and pilot projects. Priority is also given to energy efficiency and clean energy technologies that support the transition to lower emissions. In this context, the EEG energy work under the TTF is complementary to the UNDP-GEF programmes by supporting activities that are not eligible for GEF support and that address local sustainable development needs. Similarly complementary to GEF-funded climate change work is the energy programme supporting developing countries' access to new energy finance mechanisms, including CDM.

43. *Energizing the Millennium Development Goals: A Guide to Energy's Role in Reducing Poverty*. UNDP/BDP Energy and Environment Group. 2005.

44. *Energy Services for the Millennium Development Goals*. UNDP, UN Millennium Project, World Bank and ESMAP (2006); *Energizing Poverty Reduction: A Review of the Energy-Poverty Nexus in Poverty Reduction Strategy Papers*. UNDP (2006).

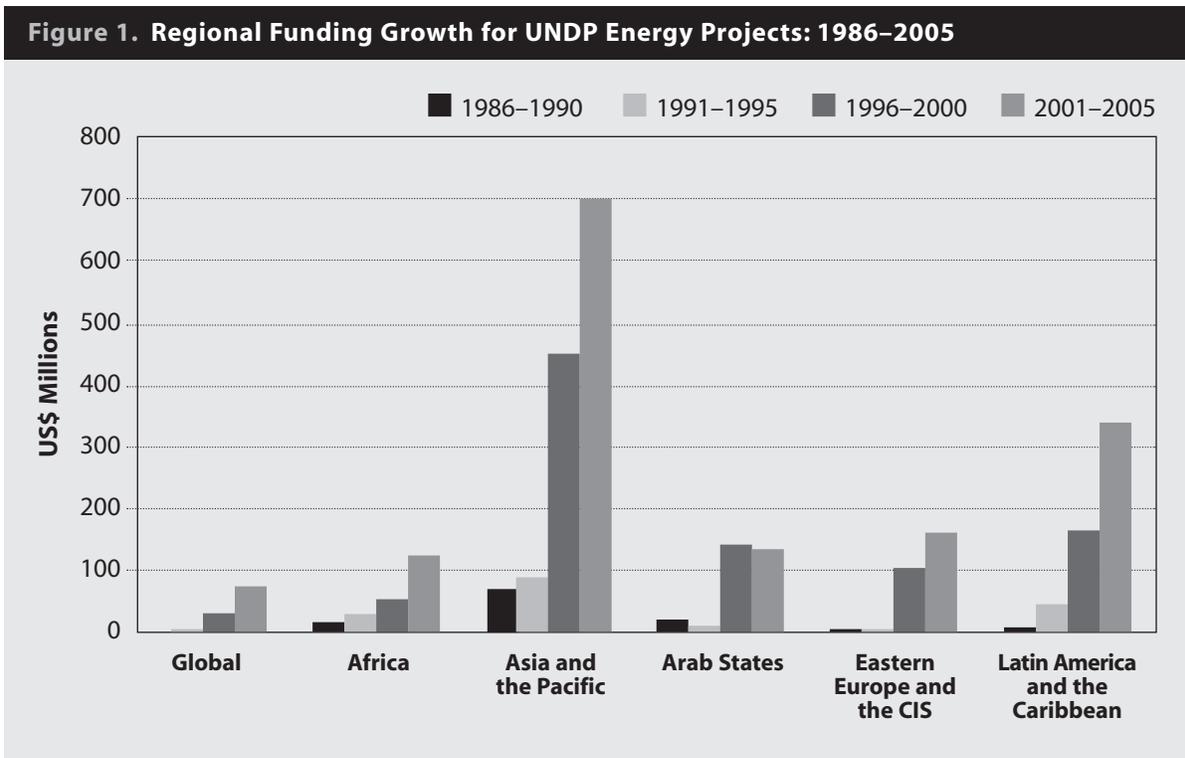
4.2.1 RESOURCES

UNDP’s energy-related portfolio has increased significantly since the 1990s. Apart from quantity, there has also been a distinct qualitative change from conventional energy sources to a focus on sustainable energy. This shift has coincided with the increased attention to sustainable development and climate change. The growth in funding has been marked in all regions, but particularly so in the Asia-Pacific and Latin America and Caribbean regions (Figure 1).

A closer look at this positive trend reveals an important factor (Figure 2). Although UNDP’s energy-related activities as a whole have increased substantially, most of this increase has been in climate change projects funded by the GEF. In fact, the activities funded by UNDP’s regular resources have actually declined during the past decade, thus having a negative effect on LDCs and Africa, especially. In these places, energy is closely related to poverty reduction and

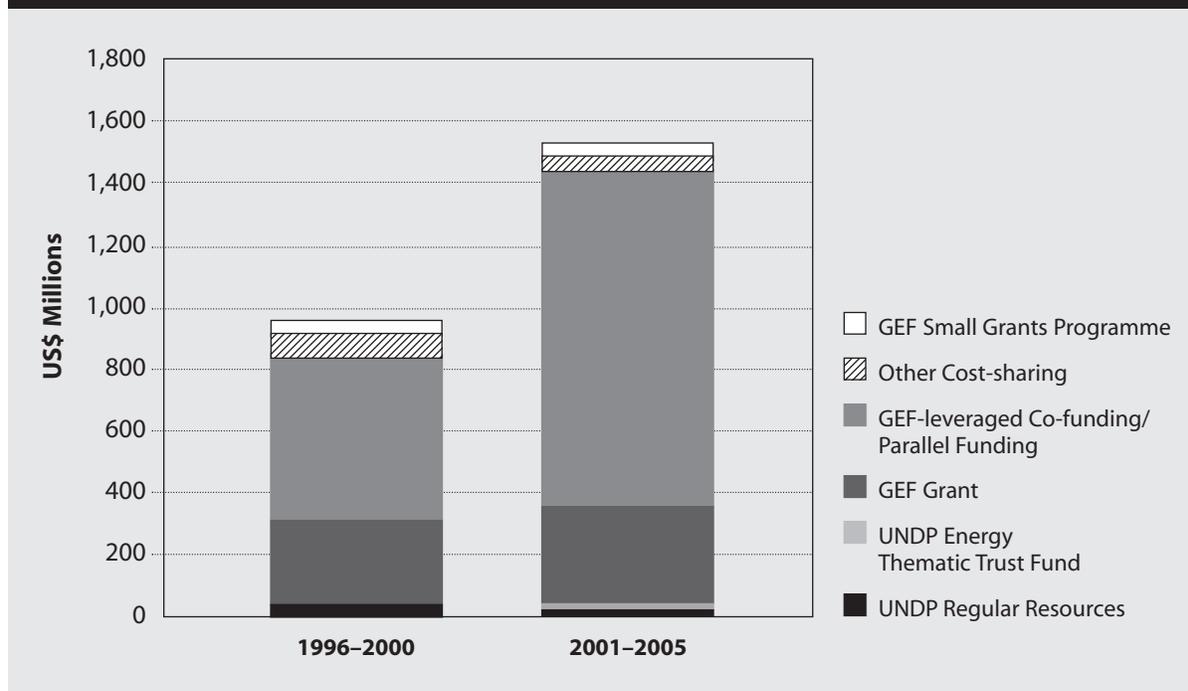
economic opportunities, but the options for achieving global environmental benefits through greenhouse gas emission reductions is minimal. One GEF initiative that has addressed such local issues is the SGP, albeit on a small, local scale.

In order to mobilize resources to address country demand in areas that are beyond the mandates of GEF, the Montreal Protocol and DDC, UNDP established and managed two TTFs: on energy for sustainable development and on environment. In late 2004, these funds were merged to form the TTF for Environment and Energy, managed by EEG, designed as a flexible co-financing modality for both country-level and global initiatives. Altogether, these TTFs, from their inception in 2001 to 2006, attracted \$26.8 million in funding from a number of bilateral donors, including Austria, Germany, Luxembourg, Norway and Sweden.⁴⁵ While commendable, these funds pale in comparison to those mobilized from the GEF, which has provided \$1.89 billion to UNDP



45. ‘Thematic Trust Fund on Environment and Energy: 2006 Interim Report’. UNDP/BDP 2007.

Figure 2. UNDP Energy Portfolio: 1996–2005



since 2002, of which climate change funding alone was \$306.8 million.

4.2.2 RESULTS

According to the MYFF Cumulative Report 2004–2006, a total of 51 countries reported outcomes under the ‘sustainable energy services’ service line in 2006 and about 22 percent (63 of 282) of all environmental outcomes reported by country offices were related to energy. Almost half of these outcomes (30 of 63) were related to low-emissions energy technologies, which would principally be GEF-funded projects.

The evaluation found examples of important country-level work introducing clean renewable energy and energy efficiency, largely through GEF funding. Most of this work was in larger middle-income countries. In China, the ‘Energy Conservation and Greenhouse Gas Emissions Reduction in TVEs (Township and Village Enterprises)’ project has achieved considerable success in promoting new technologies in this burgeoning sector. It is now leading to a new project focusing on the housing sector (including

the brick industry) in small towns. The ‘Capacity Development for China Green Lights Programme’ supported the country in setting the first efficiency standards for lighting products. Since then, the government has strategically expanded the programme with significant success.

Although over half of UNDP’s energy-related projects and financing have dealt with expanding energy access to the poor, according to the MYFF report, the evaluation did not find convincing evidence of such access in the countries visited. As evident from Figure 1 above, the share of Africa, where lack of access to energy services by poor people is widespread, is very low. There are a few successful small-scale projects, such as the ‘Multifunctional Platforms’ in Mali and Burkina Faso, which are addressing local communities’ demand for affordable energy, using a diesel motor to produce a variety of ‘goods’ in villages (see Box 6).

UNDP’s regional energy programmes were designed to enhance knowledge sharing between the various country programmes and help scale

Box 6. Multifunctional Platforms in Burkina Faso

The technology behind the project component 'Les Plateformes Multifonctionnelles' within the ARSA Programme ('Le Programme d'Amélioration des Revenus et de Sécurité Alimentaire') was originally developed by UNIDO. In Mali, a similar programme showed promising results and has now spread widely in the country.

The multifunctional platforms may provide electricity to parts of the surrounding community, recharge batteries, allow for TV or video presentations in the village, assist in pumping water from the local borehole, provide water to small-scale irrigation in the village or provide electricity for hand tools used by local artisans. But the critical goal may be cheap financial solutions for women who are situated at the lower end of the energy chain and struggle with heavy, cumbersome and time-consuming tasks, such as grinding and milling of agricultural produce. By using the diesel engine installed for a variety of purposes, women may be relieved of some heavy daily duties, like breaking shea nuts or husking and hulling the rice or maize manually. Now instead they can use time gained for attending literacy classes, participating more actively in public life, attending courts (for resolving conflicts over land access, for instance) or speaking at public meetings. They may even generate surpluses to eventually invest in small businesses. In general, the results may be improved livelihoods, greater income and an improved quality of life. Moreover, the involvement of women's associations in running the diesel engine may reduce inequality and establish a more equal gender balance in the local community. And the higher agricultural output and ability to invest in improved land management measures are also believed to benefit the environment.

The idea behind 'Les Plateformes' is simple but as always, when technological solutions to complex development problems are sought, the solution's potential is only realized where local complexities are seriously addressed. The potential exists to address pertinent energy challenges, in this case those faced by women heavily involved in manual agricultural tasks, but there is no single (and simple) 'technological fix'.

So far around 120 motors have been installed, and before the end of 2008 this will have doubled. The ambitious longer term task is to have a 'platform' established in each of Burkina Faso's 8,000 villages! Whether this will happen or not is highly dependent on a number of factors: that maintenance and repairs are regularly attended to, that the women's associations tasked with managing the motors are legitimate and recognized bodies within the local community structure and that a number of additional measures are evaluated (for example, marketing aspects, improved quality of produce and transport). Thus the platforms are seen primarily as one element in the much wider and complex chain of challenges that any good idea within the development sphere is faced with. If these broader considerations are dealt with, the platforms may build on their proven potential and multiply.

up successes. The recent evaluation of the Africa RCF⁴⁶ recognized that the programme had supported the development of an ECOWAS (Economic Community of West African States) Regional White Paper on increasing access to energy for rural and peri-urban populations, which had been ratified by the member states. The document was now being used to attract financing and donor interest. The member states also approved guidelines for developing and piloting MDG-based energy access strategies and costing methodologies. The TTF activities also included support for the Global Village

Energy Partnership to help countries develop national plans to expand access to energy services for the poor.

REP-PoR, started in mid-2005 by RCB as part of the Asia-Pacific RCF, is concerned with promoting an understanding of the relationship between poverty, energy and gender. The project is aimed at enabling countries to formulate their responses to energy security concerns. One of the main outputs of REP-PoR was a major oil pricing study publicly launched in October 2007.⁴⁷ The study contains an innovative

46. *Evaluation of the Second Regional Cooperation Framework for Africa*. UNDP Evaluation Office 2007.

47. *Fuel to Change—Overcoming Vulnerability to Rising Oil Prices: Options for Asia and the Pacific*. UNDP Regional Centre in Bangkok, 2007.

composite oil price vulnerability index. It provides policy prescriptions and options to countries based on their vulnerability to changes in oil prices. The study attracted considerable attention from the press and the public, along with governments in the region. In the Pacific SIDS, UNDP's role in energy has been recognized positively by stakeholders (Box 7).

4.2.3 ENERGY FOR POVERTY REDUCTION OR FOR CLIMATE MITIGATION?

Limited access to energy services remains a key constraint to the poor people in developing countries. Recognizing this, EEG has focused its energy work on mainstreaming energy considerations into national development strategies and developing local capacities to expand energy service

delivery. One of the key goals in the new UNDP strategic plan, 2008–2011, is 'Expanding access to environmental and energy services for the poor: developing national capacity for service delivery'.

Yet UNDP's work in energy tends to be dominated by climate change projects funded by GEF. These are hardly compatible with the focus on LDCs and SIDS, where climate change mitigation is not a national priority and even the potential gains for greenhouse gas emission reductions are minimal. Potential contradictions between UNDP and GEF priorities can be illustrated by the 'Barrier Removal to Renewable Energy Project' in Malawi, one of three large environment or energy projects implemented by UNDP in Malawi since 2002, and thus a major

Box 7. UNDP Energy Assistance in the Pacific

Virtually all stakeholders interviewed about UNDP's energy initiatives in the Pacific had positive responses. This comment from a knowledgeable observer was typical: "UNDP Apia has been unusually good about working in conjunction with others, particularly the Secretariat of the Pacific Geosciences Commission, the Economic and Social Commission for Asia and the Pacific and the Asian Development Bank (ADB). Most of their energy and environment projects ... have been multiple-donor ... or have specifically worked in cooperation with others. ... Energy projects have generally been very relevant and have been created in close cooperation and coordination with other agencies and the governments affected. The efficiency in use of resources [has been] the best I've seen for similar projects of UNDP and others in Asia and the Pacific over the past fifteen years." Many of the benefits appear attributable to having an outsourced energy officer from RCB based at UNDP in Fiji. Numerous informants referred specifically to the success of the multicountry 'Pacific Islands Energy Planning and Strategic Action Planning' project (PIEPSAP), which serves 14 Pacific Island countries and is financed through a \$2 million Danish grant to UNDP, less than \$50,000 per country served per year on average. There has been no GEF support.

Why has PIEPSAP been successful? Among the reasons given are the following:

- PIEPSAP has a wide menu of options, from which individual countries can select assistance that suits their needs. This built-in flexibility in design allows PIEPSAP to respond quickly to changing national priorities and needs.
- The project works directly with governments, power utilities and others, according to the need.
- The project was embedded within the energy section of a Pacific regional organization, the Secretariat of the Pacific Geoscience Commission (SOPAC), and could tap into wider SOPAC experience and skills.
- Project staff do not push pre-ordained solutions but listen well to country views.
- The service is demand-driven and practical.
- There has been genuine 'leveraging' with PIEPSAP advice linked directly to, or followed up by, related assistance from the ADB, European Commission, World Bank and others.
- International staff used personal networks to mobilize additional funding from their home countries.

PIEPSAP is a good example of how a regional UNDP project can respond effectively and efficiently to national demands in a geographically widespread region with widely differing needs. However, it never would have occurred, or succeeded, without an officer based at UNDP with good technical skills in the energy sector and the ability to locate and bring to the region extra-budgetary funding.

component of the national environment portfolio. This project has aimed to mitigate greenhouse gas emissions by encouraging increased use of photovoltaic panels by households, institutions, commercial entities and agro-industries. While the project has moved more slowly than anticipated, it does appear to have generated some momentum in encouraging banks to offer loans to off-grid households wishing to invest in solar panels. It also seems to have boosted the emergence of a new, albeit unregulated, industry in solar panel installation and maintenance. More households in poor communities are now receiving enough power for lighting. Although unquantified, this seems a notable welfare gain and a potentially significant contribution to poverty reduction that is environmentally neutral. However, the mid-term evaluation of this project rated its performance as unsatisfactory, largely because the emission reduction impacts were 'miniscule'.⁴⁸ While it is not clear why there was ever an expectation of more significant carbon savings from such a project in Africa, the reaction to this project does illustrate how hard it is to use GEF financing to expand the provision of affordable energy services to the poor, widely regarded as a prerequisite for off-grid communities to escape from poverty. Furthermore, had comparable funding been available for a project with the provision of affordable energy services to the poor as a principle objective, consistent with UNDP's poverty reduction mission, there can be little doubt that a totally different set of activities would have been undertaken.

Due to its key link to poverty, energy can be mainstreamed into the sustainable human development approach that is UNDP's main emphasis. The problems related to the energy-poverty linkages are fundamentally different from those related to climate change mitigation and cannot be addressed through the same means and mechanisms. Consequently, it is essential for

UNDP to organize its energy work differently and to mobilize funds for it separately. The ongoing dependence on GEF funding—or even on the emerging MDG Carbon Facility—will not encourage a meaningful energy programme that addresses poverty and sustainable development issues. There is also little geographical overlap between the two. Climate change mitigation is most effectively advanced by assisting middle-income countries to reduce greenhouse gas emissions from industry, traffic and the urban sector, while the greatest need for energy services for poverty reduction lies in LDCs, especially in Africa. This discrepancy in goals is concretely demonstrated by comparing the priority countries within GEF's RAF to those countries with the lowest access to electricity (Table 6).

A clear challenge for UNDP will be to ensure funding for programmatic activities in the poorest countries whose needs are related to enhancing the penetration of energy services and which are not eligible for significant funding from GEF. These countries are moreover at the heart of UNDP's poverty reduction and human development mandate, as recognized by the strategic plan, 2008–2011.

The Associate Administrator summarized UNDP's approach at the Commission for Sustainable Development meeting in May 2007, stating that UNDP aims to mainstream energy needs of the poor in national development plans and poverty reduction strategies in over 160 countries. Although energy's centrality to the MDGs is accepted conceptually, it has not been internalized at an operational level in the countries or in UNDP⁴⁹. Energy is still largely seen as a single sector, hardware-driven issue with limited linkages between energy service delivery and impacts on poverty reduction. Neither is there a single energy goal amongst the MDGs, as this was considered too political an issue. Yet, energy access is critical to the achievement of virtually all MDGs.

48. Project Mid-Term Evaluation 2007 and Climate Change Project Implementation Review 2006.

49. *Energizing Poverty Reduction: A Review of the Energy-Poverty Nexus in Poverty Reduction Strategy Papers*. UNDP 2007.

Table 6. Top 10 Countries with (a) Lowest Electrification Rates and (b) Highest GEF Resource Allocations for Climate Change

(a) Electrification Rate (%) 2000–2005	(b) GEF-4 Resource Allocations for Climate Change (US\$ million)
1. Congo DRC (6)	1. China (150)
2. Mozambique (6)	2. India (74.9)
3. Burkina Faso (7)	3. Russian Federation (72.5)
4. Malawi (7)	4. Brazil (38.1)
5. Uganda (9)	5. Poland (38.1)
6. Lesotho (11)	6. Mexico (28.3)
7. Myanmar (11)	7. South Africa (23.9)
8. Tanzania (11)	8. Ukraine (18.9)
9. Kenya (14)	9. Turkey (17.5)
10. Ethiopia (15)	10. Iran, Islamic Republic of (16.5)

Sources: (a) Human Development Report 2007/2008. UNDP. (b) GEF Resource Allocation Framework.

Energy is thus at the heart of UNDP’s poverty mandate. However, the energy agenda in the organization appears to have been largely displaced by climate change mitigation. There would be ample scope for UNDP to advance energy access in those regions and countries where access remains a key poverty issue by promoting cheap renewable and non-renewable energy sources for rural and productive electrification. It could do so with other UN agencies, such as UNIDO, but these partnerships have been clearly underutilized. Also, the interest from the UNDP country offices for energy work appears to be low.

To some extent senior UNDP management has recognized this issue. The strategic plan, 2008–2011, the Regional Programme Document for Asia and the Pacific (2008–2011), and the Asia-Pacific Climate Change, Energy and Ecosystems Project all highlight an intention to align energy for poverty reduction with climate change

mitigation and adaptation. There is, however, a need for corresponding resource allocations and more clarity on how carbon finance can be expected to benefit the poor in LDCs and SIDS.

Between EEG and the regional bureaux, notably in Africa, there already exist promising plans for programmatic development in energy services for the poor. It will be essential to ensure that such programmes receive adequate funding. It will also be important that similar programmes be developed in LDCs in other regions and integrated into the overall country programmes in the respective countries where they operate.

4.3 BIODIVERSITY

Biodiversity has been a very important thematic area for UNDP in terms of financial resources, with a cumulative total of \$820 million in GEF project approvals to date, including \$330 million since 2002, plus significant co-financing.

Table 7. GEF Biodiversity Portfolio Summary Impact

Regions	GEF expenditure to date (US\$ millions)	Cofinance to date (US\$ millions)	New PAs established (number)	PAs established (million ha)	PAs where management effectiveness improved (number)	PAs where management effectiveness improved (million ha)
SEA	38.95	125.59	11	3.46	80	0.96
ECIS	52.51	98.65	10	1.28	83	14.00
LAC	74.00	133.17	43	2.04	137	3.20
WCA	11.92	14.33	58	0.34	36	20.27
AP	48.91	77.19	28	2.80	75	8.30
AS	16.21	9.04	4	0.03	8	5.01
Total	242.50	457.97	154	9.95	419	51.74

Note: PA = Protected Area, SEA = Southern and Eastern Africa, ECIS = Europe and the Commonwealth of Independent States, LAC = Latin American and the Caribbean, WCA = West and Central Africa, AP = Asia and the Pacific, AS = Arab States.

Biodiversity has been the number one recipient of UNDP-GEF funding to date in every region except Asia-Pacific (where it is number two). Remarkably, a large number of projects funded by these significant resources has been carried out in almost total isolation from any other UNDP activities (some notable exceptions are referred to below). This leads to two key questions: (i) what has been achieved and (ii) how does this support UNDP's overall mission?

The short-term achievements of individual biodiversity projects can usually be figured out, even in the frequent cases where baseline studies are absent. Tracking and reporting on the longer term impacts of projects is harder as few locations and fewer projects have mechanisms set up to do this. Aggregating the results of individual projects has not proven a very meaningful process so far for UNDP or for other organizations active in this field. UNDP has cooperated with continuing efforts by international conservation organizations to improve the effectiveness of biodiversity monitoring.

Biodiversity is the only UNDP-GEF focal area to have a Global Portfolio Performance Report,

the first of which was prepared in 2007. This valuable and refreshingly frank document makes a number of useful observations and provides an overall summary of performance data for projects focused on protected areas (Table 7).

However, while such data is useful, its limitations are well understood by practitioners: (i) the establishment of a protected area, although an important first step often reflecting a sustained effort over a long period of time, is not always a strong indicator of conservation progress as many such areas are under severe pressure or already degraded; (ii) the size of a protected area is not always a reliable indicator of its conservation value; (iii) management effectiveness is a critical variable, but it tends to be assessed in terms of inputs like budget, staff and equipment rather than outputs like how effectively a protected area is meeting its conservation goals and (iv) while protected areas are a cornerstone of conservation, they cannot substitute for the importance of conserving biodiversity in other types of managed landscapes, such as forests and agriculture, making the integration of biodiversity with other development sectors absolutely essential.

Despite these data limitations, there is no doubt that UNDP has made a major contribution to biodiversity conservation by supporting some extremely important protected area sites and systems in a variety of countries, often working very effectively with the entire set of stakeholders: governments, international conservation groups, local authorities and communities.

Although GEF funding represents the largest ever international investment in biodiversity conservation, its resources are insignificant compared to the challenges. At a global level the GEF Overall Performance Study of 2005 found that “the GEF biodiversity programme [in practice being implemented by UNDP, the World Bank and UNEP], as likely the world’s largest government-funded mechanism for biodiversity conservation in developing countries, has had notable impact on slowing or reducing the loss of biodiversity, although global trends in biodiversity loss continue to be downward.” But the situation remains bleak: “even though more areas are being protected, the proportion of species threatened with extinction continues to increase, and individual populations continue to decline. Unprecedented efforts will be required to conserve habitats and to manage ecosystems and species in a sustainable way if the rate of species loss is to be significantly reduced by 2010.”⁵⁰ Beyond existing challenges, climate change is likely to emerge as the single greatest threat to biodiversity, if it has not already done so, bringing about wholesale changes to ecosystems upon which humanity depends.

Several notable biodiversity initiatives have been launched within the case study countries. The China country office has overcome some less successful early initiatives by helping establish the new China Biodiversity Partnership Framework. This framework provides a coordination structure for all biodiversity work in the country. It is based on a diverse partnership that UNDP

played a key role in assembling (with \$12 million through GEF and \$30 million from the European Union). This initiative is said to have raised awareness in several provinces, ministries, universities and the media, despite a complex and challenging management structure. Bringing civil society partners into the project under terms acceptable to the government has been contentious. As in other sectors, China has a very clear idea of how it plans to use international development assistance and asserts strong and direct national ownership.

Two-thirds of UNDP’s environment and energy portfolio in Ecuador consists of activities in the Galapagos Islands, a World Heritage Site, continuing a long-standing UNDP commitment to this area (Box 8). GEF funds have been used for biodiversity conservation and renewable energy. UNDP is attempting to bridge the gap between conservation and socio-economic development—a major concern on the archipelago. By seeking institutional coordination and promoting sustainable development within regional development planning, UNDP has attracted funding from a variety of sources. However, the overall environmental situation in the Galapagos continues to decline, partly due to the pressures of uncontrolled migration and excessive tourism.

A recent global, scientific assessment of the state of the world’s ecosystems determined that in all regions, particularly in sub-Saharan Africa, the condition and management of ecosystems is a ‘dominant factor’ affecting the chances of success in fighting poverty. Many of the regions facing the greatest challenges in achieving the MDGs also face significant problems of ecosystem degradation.⁵¹ The Millennium Ecosystem Assessment, for which UNDP was a funding partner, also provided an articulate and compelling set of arguments showing how sustainable social and economic development depends on biodiversity conservation, and notably the maintenance of

50. ‘2007 Millennium Development Goals Report’ quoted in ‘UNDP-GEF Biodiversity Portfolio Performance Report’, p. 22.

51. Poverty-Environment Partnership. *Assessing Environment’s Contribution to Poverty Reduction: Environment for the MDGs*. UNDP, UNEP, IIED, IUCN and WRI for the Poverty-Environment Partnership. 2005.

Box 8. Galapagos Islands, Ecuador

UNDP Ecuador has dedicated over 70 percent of its environment and energy resources to the Galapagos Islands. Conservation of the archipelago's celebrated biodiversity is threatened by accelerated population growth, uncontrolled immigration, booming tourism and the spread of invasive plant and animal species. These factors are aggravated by institutional capacity limitations and a lack of coordination between donors, counterparts and projects. Local residents perceive a gap between conservation and development, with international assistance having largely focused on conserving protected areas despite the area's rapid population growth, basic service deficiencies and limited public investment. The islands have been host to a succession of environmental projects and research activities. Yet despite the scale of funding, technical expertise and studies, there has been relatively little sustained success. Good progress has been made in combating invasive species, and this is among the most tangible outcomes achieved.

UNDP is possibly the most consistent and high-profile development actor here, having implemented several projects using both GEF and other resources. UNDP has played a crucial role in supporting the institutional stability of key government organizations, including the Galapagos National Park Service. Two projects are very relevant but face constraints that have weakened their effectiveness. The Galapagos 20/20 initiative produced a strategy document (the 'Galapagos Blueprint') to build local governance capacities, control illegal immigration, develop a new tourism model and strengthen productive sectors through credit and public works programmes. Yet the initiative is little known on the archipelago and considered a missed opportunity by many due to the limited involvement and ownership of local stakeholders. The PROINGALA (Institutional Strengthening and Systematic Integration of Sustainable Development and Conservation in Galapagos) project is undermined by design flaws, slow implementation and weak capacities of local institutions, with a recent evaluation recommending major changes. UNDP also played a key role in creating the Galapagos Donor Roundtable, which although supported by stakeholders, has not so far improved coordination or impact on the ground. More successfully, a UNDP project targeting alien species eradication is considered a global best practice.

Among the lessons are the need to apply an integrated strategy that can link development and conservation visions in order to reverse current trends. For this to happen, support modalities must also be reconsidered. For example, instead of the standard project cycle of three to five years, medium-term processes that combine capacity development and technical support seem more likely to consolidate and sustain impacts. UNDP faces the challenge of generating enabling conditions that local institutions can appropriate. Once established, these conditions can be managed effectively and carried forward on the basis of a strategic vision that is understood and supported by the various Galapagos stakeholders, even as the country office considers redirecting its environmental portfolio to Ecuador's mainland.

ecosystem services such as provision of fresh water, flood control and local climate stabilization.

Such arguments appear to have done little to engage UNDP as a whole even though country offices have certainly supported biodiversity projects when UNDP-GEF has provided access to the funding. Links or exchanges of information—let alone collaboration—with the poverty and governance practices of UNDP have been rare. There is no evidence that UNDP at a corporate level has viewed biodiversity as a priority. EEG's limited biological diversity resources have been used at very local levels (such as the Equator Initiative) and at the global level for advocacy and participation in international conservation processes.

While the poverty and governance practices of UNDP have shown little interest in biodiversity, the UNDP biodiversity portfolio is showing signs of evolving away from site-specific protected area work towards an emphasis on poverty and governance. Even the earliest biodiversity projects had often set out to provide social and economic benefits from conservation to local communities, although the results were often mixed. UNDP's more recent biodiversity work has emphasized strengthening capacities and institutions to ensure effective governance of biodiversity resources, for example, by identifying the benefits from conservation for local communities. In a promising example, collaboration with PEI in Botswana has helped link poverty mitigation strategies directly with protected area

management. Such links should not be overemphasized, however, as the social and economic benefits from protected areas tend to be local, indirect and hard to quantify.

There is clearly a need for analogous conceptual breakthroughs on a larger scale if biodiversity is to become an influential and important, and not just a large, component of UNDP's programming. Unfortunately the dialogue appears to suffer from an abiding caricature of the biological diversity agenda as being driven by northern environmentalists more concerned about wildlife or plants than the welfare of poor people, which so far UNDP has not been able to overcome.

4.4 RELIANCE ON GEF

UNDP's reliance on GEF to support its environment and energy work has caused priority national environmental issues like environmental health and safety, sanitation, water resource management, soil management, energy management and so on to be passed over in favour of GEF priorities related to climate change mitigation, biodiversity conservation and sustainable use, and international waters. There was a concurrent loss of interest in issues related to desertification and land management, both of which became fully eligible for GEF funding only early in this decade. The lack of core budget resources for environment provided strong internal incentives to maximize UNDP's share of GEF resources. Staff were encouraged to identify and prepare the greatest possible number of projects likely to be approved by the GEF Secretariat and GEF Council, in what frequently became a fierce competition with the World Bank and UNEP. This emphasis continues today, as senior UNDP-GEF staff receive performance assessments based—up to 30 percent—on the value of new project money they generate.

Within EEG, the imbalance of financial and human resources between UNDP-GEF and the rest of EEG has been evident at all levels—at headquarters, the regional centres and the country offices. Very few policy advisers are

funded from the core budget, with negative implications for career prospects and institutional continuity. In areas such as biodiversity, where UNDP has secured GEF approval for projects worth over \$800 million since 1991, there is still very little core capacity to carry out relevant analytic studies or reviews. The separation of GEF from other activities in environment and energy sometimes even led to competition for funding from the same external donor, most often at the country level.

Planning documents from 2006 (the latest date for which such information was available) show that the GCF, all TTFs, and the Drylands Development Centre/Poverty Environment Centre were each expected to receive about one percent of the \$266 million anticipated to be available for environment and energy activities in 2007, while GEF and Montreal Protocol activities were expected to receive 92 percent.

Our case study countries' experiences suggest that this remains the situation. In a number of countries UNDP has become the spokesperson for the dwindling community of donors still active in environment. This reflects not so much the advance of UNDP as the retreat of other donors. UNDP has held its ground almost entirely as a result of its access to GEF funding. China is an important exception here, as in many other regards. China has used UNDP and GEF funding strategically to pilot initiatives that it has ample financial resources to replicate and scale up if they prove successful.

To many in UNDP, the well-resourced GEF programme, while widely recognized as professionally managed, innovative and effective, has been of limited relevance to UNDP's main mission of poverty reduction. A pattern became established in which the UNDP environment and energy teams working on GEF and other projects seldom coordinated or exchanged information, leading to a 'two-track world' of programme and project approval that rarely intersected. As GEF became more established, differences in both style and substance between UNDP's GEF and

core activities emerged. These differences were reinforced by specialized GEF terminology as well as unclear and frequently changing criteria for the allocation of GEF financial resources between countries and projects, all of which proved hard to communicate to outsiders. In particular, there was little sense that GEF resources came in response to a prioritization of overall environment and energy needs and opportunities at national levels. These factors led to a situation where comparatively few technical specialists within UNDP had deep insights into how GEF operated and how to access GEF resources (a circumstance mirrored in the other GEF implementing agencies). The emerging division between UNDP's GEF and core environment staff was reinforced by UNDP deemphasizing project implementation while GEF remained almost entirely project-driven.

While GEF has had a very strong influence on UNDP, it is fair to observe that UNDP has had some important influence on GEF policies and programmes, although this is not easy to document nor is it the focus of this evaluation. Certainly there are indications that UNDP staff have had some success in persuading the GEF Secretariat and the other implementing agencies to interpret their project selection priorities and criteria in ways that provided greater support for national benefits in partner countries. This has been most evident in biodiversity conservation and climate change and in capacity development for all GEF focal areas.

UNDP's adoption of the MDGs as an overarching priority had relatively little direct impact on the situation. GEF also embraced the MDGs, which may have contributed to a greater effort to design GEF projects with a more visible poverty and governance focus. Progress in monitoring MDG-7 appears to have been modest at best, and the measurement of progress has been severely hampered by insufficient monitoring capacity and systems, especially in LDCs and SIDS.⁵²

Our case studies generally found little or no systematic information available related to MDG-7 in the LDCs and SIDS.

There have been serious efforts to improve the collaboration between UNDP-GEF and the rest of EEG. This report documents some notable signs of progress amidst clearly enhanced willingness to work together. The availability of GEF funding continues to drive country-level environment and energy work. Since 2005, however, there have been more convincing, sustained efforts to find areas of common ground, share knowledge and undertake joint work programmes. Consistent with these efforts, all UNDP-GEF staff were recently instructed to start spending 10-20 percent of their time on non-GEF matters, which in practice means increasing the amount of time they spend responding to country office requests for support and information. More recently, convergence efforts have become more urgent because of increased awareness of the need to seek more diversified funding sources, apparently under the assumption that core budget support would remain very limited.

A unified approach to water governance within BDP has been the most striking example of convergence between GEF and non-GEF groups so far. Considerable impetus was provided by the 2006 HDR on water management issues and their importance for achieving the MDGs. The success of this HDR led senior management to support the preparation of UNDP's first Water Governance Strategy encompassing all UNDP activities related to water. A unified water team was launched in mid-2006, with the team's head spending 80 percent of his time on GEF and 20 percent on other matters. This is an interesting contrast to the situation twenty years earlier, when most UNDP resources for water were focused on issues of more obvious national and local concern such as potable water supply and sanitation. The unified water group has recognized this imbalance

52. *Making Progress on Environmental Sustainability: Lessons and Recommendations from a Review of over 150 MDG Country Reports*. UNDP 2006.

and aims to address it with a programme that focuses on developing capacities for sound water governance at national and international levels. There have been some promising early signs of progress. The Stockholm-based Water Governance Centre has now been fully integrated with the new UNDP Water Governance Strategy. There has also been support for integrated water resource management planning in SIDS supported by UNDP-GEF's international waters programmes, now operating in the Caribbean and soon to start elsewhere.

In another contribution to convergence, the entire EEG met, for only the second time, in 2006. The main outputs of this meeting were a set of papers on the opportunities and constraints facing the introduction of a unified work programme. Future priorities identified or re-emphasized here included (i) a renewed emphasis on environment and energy policy and governance and (ii) a strong focus on environmental finance,

especially the MDG Carbon Facility, climate change adaptation, and payments for ecosystem services. Such payments were recently highlighted by the Millennium Ecosystem Assessment as a promising mechanism for linking biodiversity conservation with economic development. This agenda of priorities was largely reflected in the environmental and energy sections of the UNDP strategic plan, 2008-2011, and in the preparation of joint work programmes that included all work in the sector.

Other notable convergence activities have taken place in the Bratislava and, more recently, Bangkok regional centres, as discussed elsewhere. In February 2008 EEG's Core Management Team Retreat took some further decisions to promote better integration. This included sharing the salary costs of the UNDP-GEF executive coordinator and principal technical advisors between GEF and BDP, thus allowing these individuals to spend more time on non-GEF work.

Key Points

- Climate change has been a major component of UNDP's environment and energy work and is central to the organization's future plans. Since 1992, UNDP has mobilized about \$3 billion from GEF and related co-financing, mostly for projects aimed at mitigating greenhouse gas emissions. UNDP has built a significant body of expertise and experience in this area, mostly in the headquarters and the regional centres, but not in the country offices. The fit between UNDP's poverty reduction mandate and the GEF objective of mitigating global climate change has been less than convincing, however, especially in the LDCs and SIDS.
- Through the establishment of the MDG Carbon Facility, UNDP has entered into the area of carbon finance, one of the most rapidly emerging global responses to climate change. UNDP's target market is countries and regions that have not benefited significantly from the CDM. The organization has started to put together a promising pipeline of projects mainly led by the Bratislava and Bangkok regional centres. However, it is too early to assess UNDP's effectiveness in this area, where some larger and more experienced organizations have already carved out significant roles. Ensuring that carbon finance benefits make genuine contributions to poverty reduction, especially in the LDCs and SIDS, will be a complex institutional challenge, especially given the lack of capacity and experience in the countries, both in the governments and UNDP country offices.
- UNDP seems uniquely positioned within the UN system to take the lead on adaptation to climate change based on its competencies across a range of development sectors. It will also present an opportunity to focus on the LDCs and SIDS that will be hardest hit by climate change. However, it will be important for UNDP not to continue treating adaptation solely as an environmental issue. Effective adaptation measures will require integration with national development plans and programmes across all sectors and will need to engage all of UNDP, not just EEG. There is little evidence so far that these requirements are being met.
- UNDP's energy-related portfolio has increased significantly since the 1990s. Most of this increase has been in climate change projects funded by GEF while UNDP's regular resources have declined. This has resulted in an emphasis on countries and sectors where the opportunities for GHG mitigation are greatest, with negative effects on work in Africa, and LDCs in general, and limited practical engagement in supporting the provision of affordable energy to the poor. The evaluation found examples of important country-level work introducing clean renewable energy and energy efficiency, mostly in larger middle-income countries.
- Energy would provide excellent opportunities for mainstreaming. There are promising plans for programmatic development in energy services for the poor, although current resource allocations are well below the levels that would be required for such work to become strategically significant.
- Biodiversity conservation and sustainable use has been a large thematic area for UNDP, with a cumulative total of \$820 million in GEF project funding to date. UNDP has made a major contribution to biodiversity conservation, often working effectively with a broad range of stakeholders from governments and international conservation groups to local communities.
- UNDP should continue to work in biodiversity because it is a critical determinant of the health of ecosystems, which in turn is important for poverty alleviation. While the UNDP-GEF biodiversity portfolio is moving towards an emphasis on poverty and governance, the poverty and governance practices of UNDP have shown little interest in biodiversity.
- Since 2005, serious steps have been taken to move towards an integrated environment and energy practice encompassing all groups irrespective of funding source. There has been emphasis on finding areas of common ground, sharing knowledge and undertaking joint work programmes. A unified approach to water governance within BDP has been the most striking example of this convergence so far.