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REPORT OF GEF AGENCIES ON EFFORTS TO MAINSTREAM GLOBAL ENVIRONMENTAL CHALLENGES INTO CORE DEVELOPMENT WORK

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COVER NOTE

1. As part of the *Policy Recommendations for the Fourth Replenishment of the GEF Trust Fund* (GEF/R.4/32), the Participants at the Fourth Replenishment noted that: “Given the crucial link between global environmental protection, sustainable development, conflict prevention and human welfare, the GEF agencies should integrate global environmental challenges into their core development work and, as part of their country dialogues, into poverty reduction strategies and national sustainable development policies and programs” (GEF/R.4/32, paragraph 9). In line with this recommendation, Participants requested that GEF Agencies report to Council by 2007 on their efforts to mainstream global environmental challenges into their core development work.
2. As a response to this request, this Information Document provides a collected set of reports submitted by ADB, AfDB, FAO, IADB, IFAD, UNDP, UNEP, UNIDO, and the World Bank, using the following general outline for each report in a 3-5 page format:
 - (a) overall history of how mainstreaming has developed within the Agency;
 - (b) status and successes of current mainstreaming efforts; and
 - (c) future goals of mainstreaming within the Agency.
3. In addition to providing information about mainstreaming efforts within GEF Agencies, the Agencies’ report will contribute to the preparation of the development of focal area strategies and strategic programs for GEF-5, which will begin in 2008. It will also contribute to the next review and revision of comparative advantages of GEF Agencies.

ANNEX 1: ADB

I. Environmental Mainstreaming at ADB

The Asian Development Bank (ADB) has been actively assisting its developing member countries (DMCs) with their environmental management efforts for more than two decades. Early emphasis was on environmental policy support and capacity building, such as in the area of environmental impact assessment. This subsequently broadened to include policy, institutional and investment assistance across a spectrum of topics and working with a range of partners at the national and regional levels.

Environmental sustainability is a thematic priority in ADB's current Long Term Strategic Framework, and "managing the environment" is a strategic priority in the Medium Term Strategic Framework. Promoting the environmental sustainability of development in Asia and the Pacific was incorporated into ADB's core functions through its 2002 Environment Policy, which has five thrusts: (i) promoting environmental interventions to reduce poverty, (ii) mainstreaming the environment in economic growth, (iii) maintaining global and regional life-support systems for sustainable development, (iv) building partnerships to maximize impacts, and (v) integrating environmental safeguards across all ADB operations.

In addition to the Environment Policy, ADB has sector-specific policies or strategies on Forestry (1995), Fisheries (1997), Energy (2000), and Water (2001) that further spell out the scope of ADB's work in each of these sectors. Like the Environment Policy, these recognize and support DMC efforts to meet their obligations under relevant multilateral environmental agreements. Sector policies are periodically evaluated and updated.

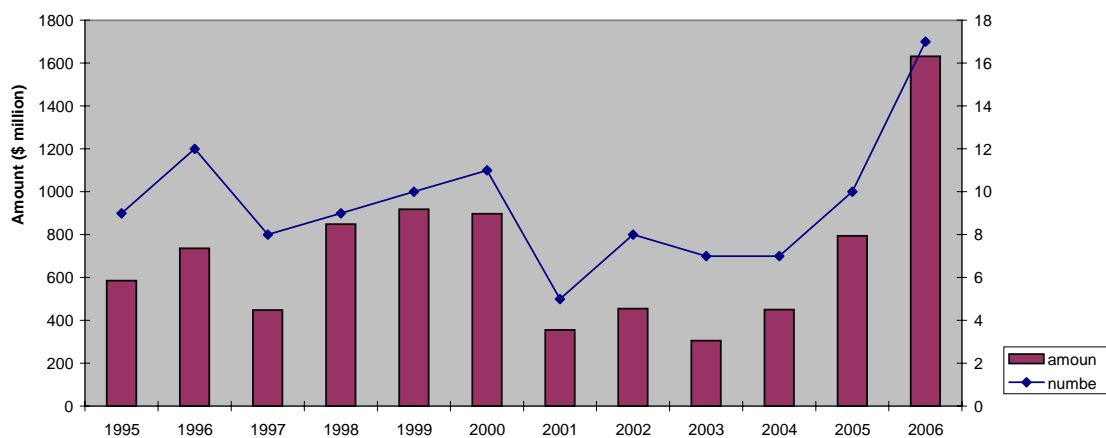
Country Environment Analyses were introduced as a requirement under the Environment Policy, and they have since become a principal mechanism for upstream consideration of environmental dimensions in ADB's Country Partnership Strategies, including consideration of global concerns. More than 20 country environment analyses have been prepared to date.

II. Environmental Mainstreaming in ADB Operations

Analysis of the past decade's investments by ADB shows the significant degree to which environmental dimensions have been mainstreamed into operations. From 1995 to 2006, there were 113 investment projects with environmental objectives or elements. The cumulative value of these projects reached \$8.4 billion, averaging \$720 million a year and representing about 12% annually of ADB's overall project commitments. Following a dip attributed to the impacts of the Asian financial crisis, such investments have been increasing of late – reaching 21% of the total in 2006, or \$163 million (Figure 1). ADB's environment-related grant-financed technical assistance activities have also averaged between 10 and 15% of such commitments in recent years (Figure 2).

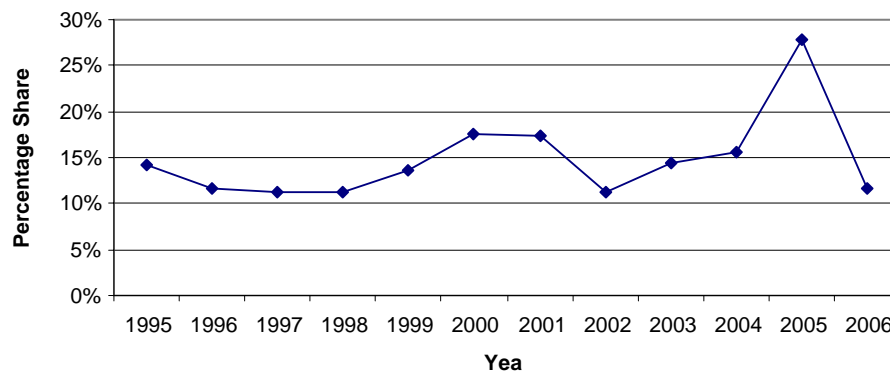
Recent project investments have been made primarily in two areas: urban environmental management and natural resources management (Figure 3). Together, these two categories accounted for more than 80% of the total. While some of this undoubtedly achieved global benefits – especially biodiversity conservation through natural resources projects – a further category covering clean energy (including energy efficiency and renewable energy investments relating to climate change mitigation) and global environmental objectives accounted for most of the remainder of the projects.

Fig. 1: Amount and Number of Projects with Environmental Objectives or Elements (1995 - 2006)



Source: Asian Development

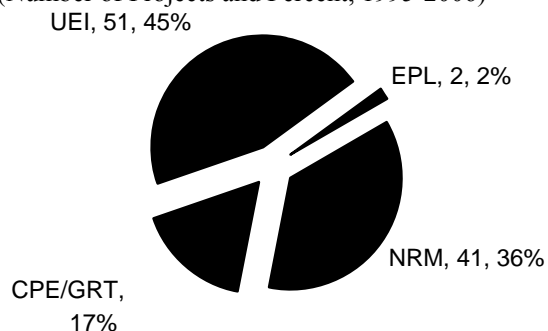
Fig. 2: Volume of TA Projects with Environmental Objectives or Elements as Percentage of ADB TA Projects (AOTA and RETA)



AOTA = advisory and operational technical assistance, RETA = regional technical assistance, and TA = Technical Assistance. Source: Asian Development Bank.

Fig. 3: Projects with Environmental Objectives or Elements by Sub-theme

(Number of Projects and Percent, 1995-2006)



NRM = natural resource management; CPE= cleaner production or energy efficient technologies; GRT= global and regional transborder environmental issues; UEI = urban environmental improvement; and EPL= environmental policy, legislative, regulatory and technical assistance. *Source: Asian Development Bank*

Box 1: ADB Water Financing Program

The Asian Development Bank's Water Financing Program, launched at the 4th World Water Forum in Mexico, will prioritize water investments over 2006–2010 as part of ADB's core business operations. Further, the program will ensure delivery of substantial investment, reform, and capacity development in three important areas: rural water, urban water, and basin water. Particularly, it aims to deliver

- sustainable access to safe drinking water and sanitation for 200 million people, a significant contribution to meeting the water Millennium Development Goals;
- higher productivity and efficiency of irrigation and drainage services for 40 million people;
- reduced flood risk for 100 million people in rural and urban areas, and reduced recurring damage to vital infrastructure;
- integrated water resources management to 25 river basins, including reduced wastewater pollution and improved river ecosystems; and
- improved water administration through national water sector reforms and capacity development.

The Program focuses on, but is not limited to: India, Indonesia, Pakistan, People's Republic of China, and Viet Nam, which together account for about 80% of ADB's water investments. Under the Program, ADB has set a dollar target for itself to increase the value of its water investments to more than \$2 billion per year.

To support the Program, ADB has developed a new Water Financing Partnership Facility. This \$100 million facility provides grant co-financing for water projects and quality support to the Program in knowledge, capacity, innovation, civil society collaboration and regional cooperation.

Though the figures show that ADB has been active in helping its DMCs address a range of environmental concerns, particular attention has been given in recent years to improving water resources management in response to rapidly growing demands across the region. ADB increasingly applies a river basin perspective to planning and investing in the water sector, including for improved agricultural water use, expanding the supply of safe drinking water and sanitation services and managing water pollution. About 700 million people in the Asia and Pacific region still lack access to safe water supplies, and some 2 billion have little or no sanitation facilities. It has been estimated that annual investments of at least \$8 billion will be needed over the next decade just to meet the Millennium Development Goal targets for safe drinking water and sanitation. In response, ADB has formulated its **Water Financing Program**, which seeks to expand annual investments in urban water, rural water, and river basin management to more than \$2 billion starting in 2007 (Box 1).

In cooperation with GEF, ADB also has been active lately in combating land degradation, helping the People's Republic of China (Box 2) and the countries of Central Asia formulate and implement 10-year partnerships to more systematically address the problems of desertification and land degradation.

In the Greater Mekong Subregion, ADB has for many years supported the efforts of the Environment Working Group to put in place measures to that will help to balance that subregion's rapid economic growth with attention to sustaining the environment. Under the Core Environment Program of the Greater Mekong Subregion, ADB has recently expanded such support through creation of the Biodiversity Corridors Initiative, wider application of strategic environmental assessment and other measures.

Box 2: PRC–GEF Partnership on Land Degradation in Dryland Ecosystems

The goal of the partnership is to reduce land degradation and restore dryland ecosystems in the western region of the People's Republic of China. The program is helping provincial governments establish integrated natural resource management systems to replace fragmented sector-by-sector approaches.

Activities financed are helping the participating governments to (i) strengthen the enabling environment; (ii) provide improved operational arrangements and approaches, and strengthen institutional capacity for integrated natural resources management; (iii) establish a monitoring and evaluation system; and (iv) implement pilot demonstration projects that test and demonstrate an integrated approach to land management.

Phase 1 of the program has focused on introducing a comprehensive approach to land degradation by overcoming key barriers: (i) lack of a comprehensive legislative framework, (ii) fragmented institutional and policy agenda, (iii) lack of application of lessons from previous experience, (iv) lack of participatory approaches to address the root causes, (v) absence of locality-specific land use planning, (vi) perverse incentives, and (vii) inadequate financial arrangements and incentives to address land degradation in the western region.

opportunities for Executing Agencies, which was further strengthened in 2006 with a GEF Council decision giving roughly equal treatment to 10 GEF agencies.

ADB's cooperation with the GEF began in 1994 with initiation of the seminal Asia Least-cost Greenhouse Gas Abatement Study (ALGAS), and since that time 20 projects have entered the GEF pipeline. Most GEF financing has been blended with ADB investments, generating a high cofinancing ratio. In the first phase of cooperation, the largest number of ADB/GEF projects were in the the Biodiversity focal area, but in recent years the programs in the People's Republic of China and Central Asia have expanded efforts under the Multi-focal and Land Degradation areas. Cooperation under the Climate Change focal area is expected to expand significantly in the years ahead, with more limited work in the International Waters focal area. Climate change adaptation efforts also are expanding (see below).

ADB is an active partner to its DMCs in helping them to address global environmental challenges, and access to GEF financing has facilitated these efforts in a number of cases. The partnership with GEF also strengthens ADB's active engagement with other international organizations working on environmental management as well as the secretariats of the global environmental conventions.

IV. Looking Ahead

There is growing demand for greater attention to environmental sustainability in ADB's development work – including global dimensions. ADB's strengths include infrastructure development and finance. Development of the energy, transport, agriculture and water sectors presents tremendous opportunities to address the important environmental concerns facing the region. This will require a qualitative shift in emphasis to further improve attention to environmental objectives within each sector. Energy investments in hydrocarbon-based power production must increasingly be replaced by development of less polluting energy options, including cleaner fuels, improved energy efficiency and the expansion of renewable energy production. Current transport and urban development emphases on roads, highways and stand-alone waste management projects need to shift towards integrated urban planning and investment in public transport systems, pedestrian-friendly urban development and mobility options. The agriculture and rural development sector must shift from a commodity orientation and an emphasis on man-made

rural infrastructure to enhancing the productivity of the natural resource base and provision of ecosystem services. And water sector attention must further shift from an emphasis on service provision to application of the integrated water resources management approach, especially in a river basin context. Innovative financing measures also are needed to support such shifts across all sectors.

A number of sectoral and thematic initiatives are underway at ADB to respond, especially to the growing appreciation of climate change threats to the region's development. The **Clean Energy and Environment Program**, including the *Energy Efficiency Initiative* (EEI) and the *Carbon Market Initiative* (CMI), is emphasizing environmental sustainability across the energy sector.

The EEI aims to expand ADB's clean energy portfolio to \$1 billion a year starting 2008. Under EEI, the Clean Energy Financing Partnership Facility (CEFPPF) was approved in April 2007 to provide additional resources to develop and implement innovative financing mechanisms to make new technologies commercially attractive. This facility, targeting \$250 million, is made up of a multilateral clean energy fund, series of bilateral clean energy trust funds, and framework agreements for co-financing, knowledge sharing and risk sharing.

The CMI provides upfront financing and technical support to developers and sponsors of Clean Development Mechanism projects. Moving forward with the launching of the Asia Pacific Carbon Fund in May 2007, CMI's first transaction was approved in September 2007 for the 50.5 MW run of river Erlongshan hydropower project. ADB is the trustee and manager of the \$152 million Fund on behalf of 7 European Government participants.

ADB's **Climate Change Adaptation Program** is helping its DMCs cope with the inevitable impacts of climate change, with the poorest people in the poorest countries at greatest risk. Building on work initiated in the Pacific, the emerging program now has three main thrusts:

- (i) *national adaptation planning* is being strengthened through better analysis of climate change consequences at the national and local levels and identification of cost-effective measures to improve the resilience of infrastructure and vulnerable populations to adverse impacts;
- (ii) *project-level "climate proofing"* of existing infrastructure and future designs, to ensure that physical and hydrological assumptions take account of predicted changes in precipitation patterns, the severity and frequency of storms, accelerated glacial melting, sea level rise and other impacts; and
- (iii) *specific adaptation investments* as defensive measures or other steps to reduce the risks from increased flooding, storm surge, drought, wind damage, head waves, dust storms, and other anticipated impacts of climate change.

A **Sustainable Transport Initiative** is exploring ways for ADB to help introduce cleaner fuels and more efficient vehicles and to expand construction of rail and public transport systems that will reduce GHG emissions while contributing to more livable urban environments. And an **Urban Services Initiative** complements this by more generally introducing attention to environmental sustainability in ADB's urban sector work, aiming toward developing cleaner and greener cities across the region.

In sum, three main areas of environmental mainstreaming show particular promise based on demands in the region and ADB's core competencies: (i) addressing climate change, (ii) building liveable cities, and (iii) maintaining healthy ecosystems. ADB can be expected to expand its promotion of and investment in these areas while capitalizing on its strengths, supporting environmentally sustainable economic growth in Asia and the Pacific.

ANNEX 2: AfDB

1. The Bank's mandate and its Role in the protection of the environment

Environmental protection, the sustainable use of natural resources and the maintenance of terrestrial and aquatic ecosystems services are at the core of the Bank's continuous fight against poverty. The Bank recognizes that African countries need to address both national and global environmental problems to achieve sustainable development. Accordingly, the Bank has committed itself to mainstream environmental management issues in its overall policy framework, including supporting specific investment operations that protect the global environment.

This approach is clearly articulated in the Bank's Vision statement, its 2003-2007 Strategic Plan, and its Environment Policy. The core objectives of the Bank's *Environmental Policy* approved in 2004 are to improve the quality of life of the people in Africa by helping them to preserve and enhance the ecological capital and life-support systems across the African continent. The *Policy* promotes a long-term view of development in its Regional Member Countries (RMCs) and aims at the following key goals: a) enhancing the regenerative and assimilative capacity of RMC's ecological capital; b) reverse the impoverishment process in Africa by improving access of the poor to environmental resources; c) help RMCs build their legal, regulatory and institutional capacity to achieve sustainable development; and d) strengthen partnerships with international and national agencies to promote information exchange, lessons learned and best practices.

The overall priority areas of the Policy's Implementation Plan (2005) include: (1) reversing land degradation and desertification; (2) protecting the coastal zones; (3) protecting global public goods, including activities to address climate change, desertification and biodiversity loss and protecting environmental resources of global significance, such international water bodies; (4) enhancing disaster risk management and climate change adaptation capabilities; (5) promoting environmentally sustainable industry; (6) increasing awareness, institutional and capacity building; (7) promoting environmental governance; (8) planning urban sustainable development and population growth; and (9) working with NGOs and civil society organizations.

In addition, in 2001 the Bank approved its Environmental and Social Assessment Procedures for the public sector investments. Depending of the screening process, selected Bank investment operations undergo Strategic Environmental Assessment (SEA) and/or EIA study process within which the Multilateral Environmental Agreements (MEA) are being addressed. At the sector level, the Bank is systematically preparing Economic and Sector Work (ESW) to ensure the mainstreaming of SEA at the policy, plan and program level.

2. The Bank's Commitment to Address Global Environmental Challenges

The AfDB is committed to mainstream global environmental activities in its operations and establish new and strengthen existing partnerships on the global environment with development partners, such as GEF, MDBs, UN agencies, bilateral agencies and international and national Non-Governmental Organizations (NGOs); and to promote regional integration and private sector initiatives in support of Africa's and the global environment. AfDB is particularly committed to broaden its engagement into GEF operations, including its participation in GEF's policy and strategic framework in order to help increase GEF effectiveness¹.

Specific areas of focus, in term of global environment activities, are currently the following:

¹ As expressed in a statement by Vice President Joseph Eichenberger at the 3rd GEF Assembly Meeting in Cape Town, South Africa in August 2006

- (1) *Climate change*, in terms of both climate adaptation (investment climate proofing) and GHG mitigation through promotion of renewable energy and energy efficiency's operations;
- (2) *Land degradation, desertification and sustainable agriculture (including POP issues)*, with emphasis on sustainable land management to address desertification as one key environmental challenge in Africa;
- (3) *Biodiversity and sustainable forestry*: through a series of forestry activities and projects to address deforestation and related degradation priorities in terms of soil erosion, biodiversity loss and watershed degradation, such as the current Bank's engagement in the Congo Basin Initiative; and
- (4) *International Water Management and fisheries*, with an emphasis on national and regional programs to maintain and improve access to and preservation of water and fishery resources.

However, AfDB's mandate and contributions are and will not be confined to these four areas of focus. Future activities will be determined in close consultation with the Bank's Regional Member Countries, in full respect of country ownership and priorities as well as in coordination with external partner's agencies working on global environmental issues.

3. Work on the Global Environment: Key Areas of Focus

Climate Change

In the area of climate change, the Bank is working on a dual approach, the promotion of GHG mitigation and adaptation. On adaptation, the Bank has started in 2006 an ambitious **climate adaptation and climate risk management program** with interventions at policy and project level. These are expected to generate significant synergies and benefits, both directly and indirectly, towards sustainable development and poverty reduction in the African continent. Key areas of intervention include:

(i) **Policy interventions:** AfDB is currently working on the preparation of its new Policy on climate risk management and adaptation. This Policy will guide AfDB's future work to "climate proof" its portfolio of operations (including projects in agriculture, natural resources, human development and infrastructure investments, among others) and will support African countries' early efforts to improve their resilience to climate variability and future climate change impacts; (ii) **Capacity building:** AfDB is active in supporting capacity building for adaptation at Bank and country level as well as development of new tools and approaches for "climate proofing" and climate resilience development, such as climate screening tools, climate assessments, and country and sector climate vulnerability profiles. All these tools will be used in the ensuing adaptation programs, both in agriculture, water and natural resources projects and in infrastructure interventions; (iii) **Project interventions:** AfDB has recently obtained approval by the GEF Secretariat of a Project Preparation Grant (PPG) for a climate adaptation proposal. The project (Malawi Climate Adaptation for Rural Livelihoods and Agriculture - CARLA)² is linked to a baseline agriculture and water irrigation project approved by AfDB in July 2006 and is one of the first projects to be approved by the GEF Secretariat under the Least Developed Countries Fund

² The CARLA project objective is to "improve resilience to current climate variability and future climate change by developing and implementing cost-effective adaptation strategies, policies and measures that will improve agricultural production and rural livelihoods". The adaptation components, financed by the GEF LDCF grant, will address the impacts of climate change by supporting: (i) Investments aimed at improving agricultural, land management and natural systems as well as rural livelihoods through targeted on the ground adaptation interventions, fostering adaptation of individuals, communities and the private sector; and (ii) Climate risk management, including plans, policies, legislation/regulations, and resource allocation; institutional coordination; generation and tailoring of knowledge on climate risk management for specific user groups (particularly in the context of the investment component); and awareness raising.

(LDCF) adaptation window. A number of additional GEF adaptation projects will be prepared in 2007-2008, including interventions in Mauritania, Burundi and Madagascar, in partnership respectively with UNEP, UNDP and the World Bank. All these projects will have strong linkages with sustainable land and water management; and (iv) **Climate information:** AfDB is also engaged in a number of activities relating to climate information for development, disaster risk reduction and improved natural resources management with various African institutions and bilateral agencies. AfDB is a partner, together with the African Union and UN ECA, of the Joint-Secretariat for Clim-Dev Africa (Climate for Development in Africa program)³ and is already contributing, both financially and technically, to a number of activities under this program.

In addition, the Bank has an ambitious program on **GHG mitigation** through its clean energy program, focusing on renewable energy and energy efficiency. In accordance with the G8 Gleneagles Summit Declaration of 2005, the Bank is participating in the preparation of the **Clean Energy and Development Investment Framework** process led by the World Bank and in collaboration with other Multilateral Development Banks. In line with the Summit's Declaration, the Bank's efforts aim at fostering a growing share of cleaner and more efficient energy investments in Africa while increasing energy access, especially for the poor. Specifically, the Bank is striving to widen rural energy access and that of the urban poor while supporting cleaner and more efficient energy technologies. As part of this process, the Bank's is revising its Energy Sector Policy and preparing a new **Bank's Energy Strategy** which will have two strategic investment pillars, namely renewable energy and energy efficiency.

Current activities include:

(i) Ongoing implementation of the **FINESSE Program** supported by the Netherlands Government and involving: (a) capacity building at both AfDB and RMC level (b) mainstreaming renewable energy and energy efficiency (RE/EE) in AfDB's operations, including identification and preparation of RE/EE projects and project components; and (c) support to the development of a new AfDB's Energy Strategy that strongly promote low carbon development orientation; (ii) In the Bank's **Public Sector**, the clean energy program assists the Operational Complex in project preparation/development, with the technical and financial assistance of the FINESSE Programme. It has recently supported work in Lesotho (rural electrification by means of different sources of renewable energy), Madagascar (rural water supply using solar water pumps), Ghana (energy sector review) and Uganda (solar PV for schools and boarding facilities) as well as on the development of the energy component of the Community Agricultural Infrastructure Improvement Program (CAIIP-Phase 1) in Uganda (solar PV, hydropower and grid extension), the Bank's initiative on bio-ethanol in Mozambique (including co-funding a recent bio fuels workshop in Maputo) and the AfDB's Country Strategy Paper review in Madagascar; (iii) The **Private Sector Department**, with the support of the Danish Renewable Energy Technical Assistance and FINESSE, has developed a project pipeline for 2007-2008 consisting of 921 MW wind energy projects, 283 MW of small hydropower, 410 MW of co-generation, 480 MW geothermal and over 150,000 kl/year of bio diesel projects; (iv) The AFDB is also engaged in a number of other initiatives, including (a) on-going discussion with the German Government for a Bio-fuel Support Facility to accelerate the uptake of bio-fuel projects in Africa; (b) collaboration with UNIDO on their bio fuels initiative; (c) enhancement of the partnership with the UN agencies within the "Nairobi Framework" on climate change for Africa, to set up a mechanism to support AfDB member countries access the Clean Development Mechanism (CDM) and/or other carbon financing opportunities (d) defining AfDB's role in the implementation of the Bio-Gas Initiative in Africa, which was launched in Nairobi in May 2007.

Land Degradation, Desertification and Sustainable Agriculture

The African Development Bank, especially in the last few years, has definitively become an important player in the fight against desertification. This is due to its new role in a number of partnerships, its

³ Clim-Dev Africa is a plan of action on climate information aiming at mainstreaming climate information into decision-making for African development, including activities relating to policy design; climate risk management; climate services; and climate data inventory as well as mobilizing funds for climate change strategies.

knowledge and technical inputs in policy and programs and, most importantly, its growing financial commitment in RMCs in relation to sustainable agriculture, land and water conservation, climate adaptation, forestry and natural resources management. Within this context, the Bank has significantly increased its efforts to support investments in sustainable land management (SLM). In particular, AfDB has participated in forging the **TerrAfrica Partnership** for Sustainable Land Management in sub-Saharan Africa with other key players, such as GEF, NEPAD, World Bank and a number of UN agencies. As a key partner in TerrAfrica, and its overall efforts to reduce land degradation, AfDB has developed a pipeline of operations addressing sustainable land management and forestry components. A number of these projects are now under preparation and will effectively support the implementation of the **new ten-year strategy** of the Desertification Convention.

Specifically, within the TerrAfrica partnership framework and as a GEF executing agency, AfDB is preparing two projects in Gambia and Zambia, with an expected GEF grant financing of 5 US \$ million each. These two projects have been included in the pipeline of GEF financed **Strategic Investment Program (SIP)** for sustainable land management in Sub-Saharan Africa. In addition, AfDB is also a partner in a number of GEF's financed Country Partnership Programs (CPPs) for sustainable land management (e.g. Ethiopia, Kenya, Ghana, etc.).

Since 1999, AfDB has hosted the **Regional Coordination Unit (RCU)** for Africa of the Desertification Convention in recognition of the increasing role that the Bank is playing in supporting the implementation of the Convention in the African continent. While RCU's key mandate, as a decentralized unit of the UNCCD, is to facilitate the formulation, implementation and follow-up to the Regional Action Programme (RAP) and the five Sub-regional Action Programmes (SRAPs) in Africa, its location within AfDB continues to offer good opportunities for an effective partnership with the AfDB and other stakeholders. In particular, it facilitates the mainstreaming of sustainable land management in AfDB operations, especially in the crop production, irrigation, water management, forestry and rural development sub-sectors. The current growing pipeline of investments in sustainable land management, including two projects in Burkina Faso and Niger, jointly prepared by AfDB and RCU, is a tangible sign of the good partnership progress made in this direction.

International Water Management

At the institutional level, AfDB established, in May 2004, the African Water Facility (AWF). Subsequently, the AWF's Secretariat developed key strategic and planning documents aiming at guiding its investments, including its operational procedures and its five-year Operational Program for 2005-2009. Three main domains of intervention have been identified: (i) Integrated Water Resource Management; (ii) International and regional cross-border water management; and (iii) Increase of investments in the water sector. In addition, the AfDB, as a key contributor of the NEPAD, is financing the short-term Action Plan of the major river basins in Africa.

At the operational level the AfDB is involved in several operations which have been designed by the Natural Resources and Environment Division of the Agriculture and Agro-Industry Department.

Fisheries Management

The AfDB is one of the first fund providers for fishery in Africa. From 2000 to 2005, the Bank mobilized 190,2 million UC to finance 25 projects for development of fishery and aquaculture. This amount represented 13,67 % of loans and grants allocated to agriculture projects (1389,09 million UC) for the same period.

The priority sectors that attracted financing are infrastructure for 39 %, institutional strengthening for 30,8 %, the fishery arrangement, environmental protection , aquaculture and surveillance for 13,5 %.

Most of financed operations are national ones. They mobilized 163,59 million UC, that is 86,1 % of the granted financings. Two multinational projects were financed at the level of 26,61 million UC, that is 13,9 %. It is the Project of support to the regional program for sustainable development of the Lake Tanganyika (PRODAP) and the pilot Project of development of the Lake Edward and Albert as part of the initiative of the Nile basin. The goal of these two operations is to allow rational management of shared resources and biodiversity protection. PRODAP was formulated and financed with the GEF.

In addition to operations relating to the management of aquatic resources and their environment, the ADB finances since 2004 the multinational project of integrated management of the aquatic plants proliferating in Western Africa (PGIPAP), the objective of which is to contribute to the control of the proliferation of aquatic vegetation in four fluvial networks shared in Western Africa and to reduce to a minimum the residual impacts of this vegetation. The Project constitutes a true protection action for the four concerned fluvial networks. Countries concerned by this fight are Benin, Gambia, Ghana, Mali, Niger, Nigeria, Senegal and Mauritania.

Important interventions are being prepared, among which, the multinational Program of sustainable development of the Lake Chad basin should be noted. Its objective is the rehabilitation and conservation of the productive capacities of the ecosystems of the Lake Chad and its Basin, and the adaptation of the systems of production to climatic changes. The concerned countries are Cameroon, Niger, Nigeria, the Central African Republic and Chad.

Biodiversity and Sustainable Forest Management:

With respect to **forestry** interventions, AfDB has, for a number of years now, shifted its focus from financing industrial forestry plantations to financing social and community based forestry projects. Most of recent projects are now broad-based and support an integrated approach to natural resources management. While forestry projects remain centered on the overarching goal of poverty reduction they are increasingly multi-sector based, bottom-up and participatory in nature. Projects are also increasingly designed with gender equality objectives. Women are now regularly becoming key stakeholders in the design (and implementation) of most Bank financed forestry projects.

The Bank has financed 31 forestry projects from 1978 in 21 Countries with a total commitment value of UA 458.47 million to date. As of December 2006, the Bank forestry portfolio is composed of twelve (12) projects of total value UA 189.59 million, all located in East, Central and West Africa regions. In 2005, the forestry projects accounted for 5% of the Bank's agricultural portfolio in volume and 8% in value. These projects comprised of industrial wood plantations, natural resource conservation, and rehabilitation of degraded indigenous forests, agro-forestry and institutional capacity building.

ANNEX 3: FAO

The Food and Agriculture Organization of the United Nations (FAO) was established for the purpose of:

- raising levels of nutrition and standards of living of the peoples under their respective jurisdictions;
- securing improvements in the efficiency of the production and distribution of all food and agricultural products;
- bettering the condition of the rural populations;
- and thus contributing towards and expanding world economy and ensuring humanity's freedom from hunger.

FAO acts as a neutral forum where all nations meet as equals to negotiate agreements and debate policy, a source of knowledge and information, and a provider of technical advice and assistance. FAO assists its member countries in developing and implementing sound natural resource management policies, programmes and projects, strengthening capacities, drafting effective legislation and creating national strategies to achieve rural development and hunger alleviation goals. The Organization is furthermore a prime source of data and information on food, agriculture, land, water, fisheries and forestry resources, and disseminates information through its member countries and field projects. FAO mobilizes and manages millions of dollars for field projects throughout the world in support of these objectives.

FAO builds databases to share knowledge

With the support of global networks of experts, FAO compiles and supports a range of world-class reference databases, standards and regulatory norms that make cutting edge and up-to-date information available online to all. FAO sponsors dozens of databases, including:

- the state of food and agriculture (FAOSTAT), land (TERRASAT), water (AQUASTAT) and aquatic (FISHSTAT) resources;
- water administration (FAOLEX);
- food safety and quality (WHO/FAO guidelines);
- the Global Forest Resources Assessment (FRA);
- Global Information and Early Warning System on Food and Agriculture (GIEWS);
- Global Information System on Forest Genetic Resources (REFORGEN);
- Domestic Animal Diversity Information System (DAD-IS);
- Database on Introductions of Aquatic Species (DIAS);
- Land Resource Information and Decision Support System (LRIS);
- Terrestrial Ecosystem Monitoring Sites (TEMS) of the Global Terrestrial Observing System (GTOS);
- Interactive Bioenergy Information System (i-BIS).

History of Mainstreaming Environmental Challenges into the Core Activities of FAO

While there was no explicit reference to environment and sustainable development in the Basic Texts of FAO when established in 1945, the Constitution stated, among the functions of the Organization, that:

« The Organization shall promote and, where appropriate, shall recommend national and international action with respect to the conservation of natural resources and the adoption of improved methods of agricultural production ... »

Agriculture, forestry and fisheries are the main users of the Earth's renewable natural resources, the sustainable use and improvement of their productive capacity have therefore been a major concern of FAO since its early beginnings. In the 1960s, FAO had already launched a number of activities in such fields as integrated land and water conservation, forest resources management and nature conservation, crop genetic resources, food contamination control, and trans-boundary pest and diseases.

By the end of the 1960s, the growing concern for the protection of the environment led FAO to establish an Interdepartmental Working Group on Natural Resources and the Environment. The task of the IDWG was to raise environmental awareness of the staff and to promote the integration of environmental considerations into the core activities and projects of FAO. The IDWG played a major role in coordinating FAO's contributions to the first United Nations Conference on the Human Environment

(UNCHE) in Stockholm in 1972 and was later upgraded to the level of a service in the Agriculture Department. A number of satellite groups worked with this IDWG on an *ad hoc* basis, on problems related to land degradation and desertification, biological diversity and climate change. A technical secretariat and later on a liaison office with UNEP were established. These technical activities continued through the 1980s, bringing in other areas of work, such as land use planning, small island developing states, bioenergy, environmental law and agricultural waste recycling. It was soon apparent, however, that, without a stronger mobilization of political will, their impact remained limited. To address this situation, work was therefore started in two directions: the development of international agreements and the intersectoral integration of economic, social and environmental aspects of rural development.

In preparation for the United Nations Conference on Environment and Development, which was held in Rio, Brazil, in 1991, FAO and the Government of the Netherlands jointly sponsored a Conference on Agriculture and the Environment. The result was the formulation of the concept of Sustainable Agriculture and Rural Development (SARD). This concept promoted the integration of the technical aspects of environmentally sound agriculture with the economic and social aspects of rural development. FAO has been very active in the post-UNCED follow-up and works towards achieving the Millennium Development Goals. FAO served as the Task Manager for Agenda 21 Chapters 10 (Integrated Planning and Management of Land Resources), 11 (Combating Deforestation), 13 (Sustainable Mountain Development), and 14 (Promoting Sustainable Agricultural and Rural Development) and has contributed significantly to follow-up activities stipulated under Chapters 17 (Oceans and Coastal Areas) and 18 (Freshwater Resources). FAO served as lead agency for the International Year of Mountains in 2002, and its work on conservation and management of fisheries resources within the ecosystem context has focused on the implementation of the internationally recognized FAO Code of Conduct for Responsible Fisheries and its associated International Plans of Action.

Growing Role of Environment in FAO Strategic and Programme Priorities

Priorities for reducing hunger cannot be separated from those for sustainable management of natural resources and ecosystems. The close causal linkages among hunger, poverty and environmental degradation underscore the need for multidimensional approaches to their reduction and have been important considerations in the development of FAO's strategic and programmatic priorities. In 1999, the Conference approved a *Strategic Framework for FAO 2000-2015* (<http://www.fao.org/strategicframework>), which highlights the twin objectives of sustainable production and natural resource conservation. The Strategic Framework sets out three interrelated global goals of that the Organization should help Members achieve:

- access of all people at all times to sufficient nutritionally adequate and safe food, ensuring that the number of chronically undernourished people is reduced by half by no later than 2015;
- the continued contribution of sustainable agriculture and rural development, including fisheries and forestry, to economic and social progress and the well-being of all; and
- the conservation, improvement and sustainable utilisation of natural resources, including land, water, forest, fisheries and genetic resources for food and agriculture.

The Strategic Framework is comprised of five corporate strategies to assist member countries in building a food-secure world for present and future generations. While environmental objectives are mainstreamed throughout the five strategies, corporate strategy D deals directly with the environment: Supporting the Conservation, Improvement and Sustainable use of Natural Resources for Food and Agriculture. The two sub-strategies in support of this objective are: Integrated Management of Land, Water, Fisheries, Forest and Genetic Resources; and Conservation, Rehabilitation and Development of Environments at the Greatest Risk.

In 1994, the newly appointed Director General, established the Sustainable Development Department which was responsible for coordinating and promoting FAO's environmental work and contributions to UNCED follow-up and the environmental Conventions. Subsequently, during FAO's recent reform

process, this Department was restructured and renamed in 2007 as the Natural Resources Management and Environment Department (NR). NR was established to address, in an integrated manner, environment, bioenergy, climate change, and the sustainable management and use of land, water, and genetic resources. Environmental considerations have furthermore been mainstreamed into the programmes of work of FAO's other seven departments: Agriculture and Consumer Protection; Economic and Social Development; Fisheries and Aquaculture; Forestry, Human, Financial and Physical Resources; Knowledge and Communication; Technical Cooperation.

FAO's broad in-house expertise brings the type of expertise needed to address the full range of environmental issues related to sustainable agricultural and rural development. Interdepartmental cooperation and processes within FAO's headquarters and decentralized regional and sub-regional offices allow FAO to link global natural resources management goals with local needs. FAO's commitment to interdisciplinarity and partnerships is furthermore put into action through **Inter-departmental Working Groups (IDWGs)**, such as those on biodiversity, bioenergy, biosecurity, biotechnology, climate change, desertification, and sustainable livelihoods – that bring together technical expertise from various departments on complex issues.

AT A GLANCE: INTEGRATION OF ENVIRONMENTAL ISSUES INTO FAO'S CORE WORK

Date	Recommendation, Decisions, Programmes
1951	International Plant Protection Convention (IPPC)
1960s	Integrated Pest Management
1975	Global Information and Early Warning System
1983	Creation of Commission on Genetic Resources for Food and Agriculture (CGRFA)
1985/ (revised version 2002)	Code of Conduct of Safe and Efficient Use of Pesticides/ International Code of Conduct on the Distribution and Use of Pesticides
1994	Sustainable Development Department established
1995	Code of Conduct for Responsible Fisheries
1996	Adoption of Global Plan of Action on the Conservation and Sustainable Utilization of Plant Genetic Resources for Food and Agriculture
1996	Global Terrestrial Observing System (GTOS)
1999	Strategic Framework for FAO (2000-2015) adopted
2001	International Treaty on Plant Genetic Resources for Food and Agriculture
2001	Collaboration Partnership on Forests (chaired by FAO)
2001	Interdepartmental Working Group on Biodiversity established
2002	Medium-term Plan 2002-2007- Priority Areas for Inter-disciplinary Action (PAIAs) established, such as Biosecurity for Agriculture and Food Production, Climate Change Issues in Agriculture, Integrated Management of Biological Diversity for Food and Agriculture, Strengthening Capacity for Integrated Ecosystem Management
2004	Joint FAO-UNEP Secretariat established for Rotterdam Convention on the Prior Informed Consent (PIC)
2005	Secretariat of the Rotterdam Convention on the Prior Informed Consent (PIC) Procedures for Certain Hazardous Chemicals and Pesticides established
2006	Global Platform on Bioenergy established
2007	Natural Resources Management and Environment Department established
2007	Programme of Work and Budget 2008-09 gives special attention to climate change and bioenergy
2007	Global Plan of Action for Animal Genetic Resources

FAO provides a forum and facilitates regular exchange and consensus-building on technical, policy and normative issues of sustainable use of resources for food production among and with government authorities of its members (i) through its globally recognized technical committees on agriculture (COAG), forestry (COFO) and Fisheries (COFI), and other bodies, and (ii) numerous regional organizations and thematic networks worldwide. These technical committees consider interactions between key environmental challenges and the agriculture (forestry and fisheries) sector (<http://www.fao.org/unfao/govbodies>).

At its meeting in April 2007, COAG noted the importance of biodiversity and bioenergy to environmental sustainability and food security and stressed the impact of climate change on agriculture. COAG

considered papers on Managing Livestock and Environment Interactions, Environment and Agriculture, the Bioenergy Platform and the Agriculture-Forest Interface. The Committee furthermore recommended that FAO conduct a study on possible elements of an FAO Strategic Framework for Agriculture and Environmental Challenges of the 21st Century (pending the outcome of the Independent External Evaluation of FAO). Subsequently, the FAO Council at its June 2007 session, concurred with FAO's key role with regard to environmental issues related to food and agriculture, recognized the importance of FAO providing technical assistance to countries on complex issues such as location-specific energy crops, adaptation options to climate change, management of the environment-livestock interface, and the provision of knowledge tools and advice. The Council furthermore endorsed that FAO strengthen its efforts to determine the consequences of climate change on water resources and for the agricultural sector and supported the proposal for a multi-disciplinary integrated framework to address water scarcity.

Key themes of the 2007 COFI meeting included the implementation of the Code of Conduct for Responsible Fisheries and its International Plans of Action (IPOAs) (on capacity; illegal, unreported and unregulated [IUU] fishing; sharks; and seabirds). COFI welcomed the proposed multi-year programme of work on genetic resource management in fisheries and aquaculture, and the Memorandum of Understanding between FAO and the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). It encouraged Members to join or cooperate with the voluntary International Monitoring, Control and Surveillance (MCS) Network and to develop a new legally binding instrument based on the Model Scheme on Port State Measures to Combat IUU Fishing and the IPO-IUU. The Committee also identified several areas for further work on issues related to the ecosystem approach to fisheries.

Environmental challenges facing forestry were also discussed at the 2007 meetings of COFO. Member countries recognized the increasing environmental threats to the forestry sector and requested FAO to assist them in capacity building to develop and implement climate change mitigation and adaptation measures, including the reduction of emissions from deforestation, the integration of bioenergy strategies, as well as to address increasing threats to forest ecosystems from wildfires, pests and invasive species.

The recommendations from these Committees are then discussed at the FAO Council and subsequently reflected in FAO's **Medium-term Plans** (<http://www.fao.org/mtp>) and **Programmes of Work and Budget (PWB)**. Regular Programme activities of the Fisheries Department, for example, as reflected in the PWB, include: Implementation of the Code of Conduct for Responsible Fisheries; Promotion and Strengthening of Regional Fisheries and Aquaculture Bodies; Provision of Fisheries Information and Statistics; Monitoring, Management and Conservation of Fishery Resources; and Impact of Fishing on the Environment. For the Forestry Department, Conservation of Forests and Fragile Ecosystems, Sustainable Management of Natural Forests and Woodlands, Forests and Water, Forests and Climate Change can be found as programme entities in the PWB 2006-2007. Among the priority programmes for the Agriculture are: Conservation and Sustainable Use of Plant Genetic Resources, including through Biotechnology, Biosafety and Seed Sector Development; Production and Biodiversity in Crop and Grassland Systems; Pesticide Management and hosting of the IPPC and Rotterdam Convention Secretariats; Environmental Management of Insect Borne Diseases; Mainstreaming IPM by Enhancing Essential Ecological Processes; Integrated Land, Water and Plant Nutrition Policies, Planning and Management; Livestock-Environment Interactions; and many more.

SOFA 2007 Payment for Environmental Services

The *State of Food and Agriculture Report 2007* focuses on the potential environmental and social benefits of paying farmers to provide enhanced levels of environmental services such as climate change mitigation, biodiversity conservation and improved watershed management. The report explores the potential for agriculture to provide enhanced levels of environmental benefits alongside the production of food and fibre. It concludes that demand for environmental services from agriculture is rapidly increasing, but better incentives to farmers are needed if agriculture is to meet this demand. As one among several other possible policy tools, payments to farmers for environmental services hold promise as a flexible approach to enhancing farmer incentives to sustain and improve the ecosystems on which we all depend. Nevertheless, challenges must be overcome if the potential of this approach is to be realized, especially in developing countries. By clarifying the challenges that need to be addressed in implementing such an approach, this report is intended to contribute to the realization of its potential.

Future Challenges of Mainstreaming Environmental Issues

Rapidly changing environmental conditions, increased competition over productive resources, climate change and the development of bioenergy are putting additional pressure on agriculture sector that is considered both as a problem and a solution to global environmental problems. The challenge for future agriculture fisheries and forestry sectors both in developing and developed countries is to identify win-win options whereby intensification or changes in land use, meet the demands of expanding population and economic development while reducing negative externalities of agricultural production and maintaining the goods and services provided by the environment. Mainstreaming environmental concerns into agriculture sector plans and policies have been given increased priority in FAO's Programmes of Work and Budget.

Given the state of global water scarcity and the technical scope for agriculture to meet rising demand for food and industrial goods, agriculture is under severe scrutiny to account for the water it uses. Getting agriculture to perform with progressively smaller allocations of renewable water resources will remain a challenge. FAO needs to be in a much stronger position to advocate for agricultural demand management while also defending the critical role of water in maintaining global agricultural productivity. The multidisciplinary integrated framework to address water scarcity that will be developed would contribute to accelerating the adjustments that the agriculture sectors of member countries will have to make in order to cope with their own water scarcity.

Recent FAO reform proposals and FAO's Independent External Evaluation advocate for an FAO to fit for 21st century and recommend that high priority be given to integrated natural resources management and environment, climate change and bioenergy. FAO's governing bodies in 2007 approved to develop a FAO "Strategic Framework for Agriculture and Environmental Challenges of the 21st Century". Such a strategic framework would consider the main environmental challenges that influence food security globally. It will offer analysis of different sectors' interdependencies, bottlenecks, opportunities and trade-offs in different ecological zones and levels of development and propose options for ecologically and economically sound approaches, policy and regulatory adjustments and measures.

The FAO Programme of Work 2008-09 has been designed to respond to the challenges associated with the tremendous pressures on natural resources of a growing global population, the implications of climate change, the incidence of transboundary pests and diseases and the demand for higher food quality and safety challenges through programmes that focus on priority areas of FAO's comparative advantages, strengthen the linkages between global analytical work and the experience gained from local application, while emphasizing multidisciplinary action and taking maximum advantage of external alliances. Climate change (mitigation, adaptation policies and measures and climate-related disaster risk management) and bioenergy (including food security, socio-economic and environmental sustainability dimensions) have been given special emphasis in this PWB. FAO will host a High-level Summit Conference on World Food Security and the Challenges of Climate Change and Bioenergy in June 2008, and the next edition of the *State of Food and Agriculture*, FAO's flagship publication, will focus on bioenergy.

ANNEX 4: IADB

I. A history of environmental mainstreaming at IADB

In 2003 the IDB adopted a new Environment Strategy which recognized that sustainability outcomes would be achieved only to the extent that environment is treated as cross-sectoral dimension of economic and social development. This constituted a departure from a traditional approach that looked at environment in the context of mitigation measures (do no harm) or as “sector” in which to invest to conserve or enhance environmental attributes. Following the Environment Strategy, the Bank adopted a more proactive approach to mainstreaming environment into the Bank’s four strategic pillars to supporting sustainable economic growth: competitiveness, modernization of the state, social development, and regional integration.

In 2006 the Bank adopted a new Environment Policy, which made mandatory to mainstream environment, particularly at the level of country programming and country strategy development. This Policy indicates: *“ As part of its Programming process, the Bank will undertake country analytical work to identify the main potential environmental opportunities and risks associated with key areas of social and economic development, assess the state of enabling conditions for environmental management, and establish a set of strategic priorities for Bank action, if any. In particular, this country analytical work will be reflected in the development of Country Strategy Papers and will inform the programming process. Private sector development strategies and diagnosis will contribute to and to be part of this strategic and programmatic phase. Also, cross-sector dialogue with government, private sector, and other relevant interested parties should be an integral part of this process.”*

In this context Country-level environmental analysis (CEA) has become the principal tool to generate relevant information and to support the development of programming documents. The Guidelines of the Environment Policy indicates that the main expected outcomes of a successful implementation of the mainstreaming policy directive should be: (i) to enhance the process of policy dialogue with countries and improved cross-sectoral dialogue on environmental issues and priority setting; (ii) to improve leverage and opportunities for environmental financing across sectors; (iii) to improve opportunities to manage environmental risks upstream; (iv) to enhance donor coordination; and (v) to establish and monitor expected performance indicators;

CEAs are required to be carried out well in advance of Country Strategy Development to support the initial phases of policy dialogues with governments and to allow relevant consultations with interested parties, which may include representatives of the private sector, NGOs, and donor community. Regarding CEA work the policy guidelines explicitly state that this mainstreaming tool should:

- identify opportunities for greater IDB investments in environmental and natural resources operations, in any of the areas described in the policy. *This includes, fostering opportunities for GEF and leveraging other available lending and non-lending instruments;*
- identify and propose strategic lines of actions to mainstream environmental considerations in priority sectors and drivers, such as infrastructure, tourism, energy, agriculture; promote the use of new financing instruments, such as policy based loans, SWAPs or conditional lines of credit;
- identify the main regional and global initiatives and international agreements, as well as their status of implementation. Appropriate lines of action can be recommended, as well as *programming opportunities for GEF, the Regional Public Goods Fund and other lending-and non-lending instruments;*

- report on key relevant indicators, particularly those that define the Bank's environmental strategy or engagement with the country;
- identify potential risks in the context of sensitive sectors and/or IDB portfolio.

II The status of mainstreaming efforts

Through the approval and implementation of its Environment Policy, the Bank is committed to mainstreaming sustainability in country-level planning. To date, the Bank has collaborated with nine countries (Belize, Chile, Ecuador, El Salvador, Honduras, Jamaica, Nicaragua, Paraguay, and Suriname) to prepare CEAs, and four more CEAs are being prepared in 2007 (Argentina, Brazil, Guyana, and Peru). While the use of CEAs is too new to evaluate their effectiveness, early signs are hopeful. In all cases where CEAs were carried out, there was evidence of an improved policy dialogue between principal players in national development—one of the aims of the CEA process. CEAs are discussed and debated with representatives of the Ministries of Finance, Commerce, and Environment, as well as with the private sector and NGOs.

For instance, in the case of Chile the CEA has helped the Government and the Bank to address issues of environmental compliance and performance in the context of trade integration. Tourism and vulnerability to natural disasters were the focus of analysis in the case of Honduras and Jamaica. In general, CEAs assess the state of a country's environmental governance, including the nation's legal and regulatory framework, public access to environmental information, capacity for enforcement of environmental standards, and level of participation by civil society groups. All of these factors are relevant in identifying key sustainability issues and revealing the links between environment, governance, and development. In short, the CEA is meant to help countries view their development strategy through an environmental lens.

III Other mainstreaming efforts at IADB

While the implementation and compliance of Environment Policy has helped to strengthen environmental considerations across sectors, as evidenced by the use of strategic tools such as CEA and SEAs, another driving force for environmental mainstreaming has been the launching of the IDB's Sustainable *Energy and Climate Change Initiative (SECCI)*. The initiative's core objectives are to expand the development and use of renewable energy and energy efficiency technologies, advance climate change mitigation and access to carbon finance in the region, as well as to promote and finance climate change adaptation strategies that reduce the region's climate vulnerability. The Bank's work on these objectives fall into four focus areas:

- Renewable energy and energy efficiency. The Bank will support the development of new renewable energy technologies through innovation loans, and will also help countries identify regulatory reforms that could ensure full use of the potential of renewable energy and energy efficiency.
- Biofuel development. The Bank will assess the economic viability of fostering biofuels and support emerging biofuels technologies through loans to pilot projects and other financial mechanisms. It will also offer policy assistance to countries to remove regulatory and financial barriers to biofuel development, and to ensure that sustainability concerns are identified and addressed.
- Increasing access to carbon finance. The Bank will mainstream carbon finance in IDB operations and will work to incorporate components of the Clean Development Mechanism (a part of the United Nations Framework Convention on Climate Change,

which entered into force in 1994) into its sector lending. It will also work to build capacity in Latin America to participate in the growing market for carbon storage credits, helping interested parties to market and deliver so-called “Certified Emission Reductions.”

- Adaptation to climate change. The Bank will mainstream climate risk in country programming by financing country-level climate change vulnerability assessments and helping nations to identify adaptation measures. The Bank will also strive to make its investments in the region “climate-proof” by developing a screening tool to assess and mitigate climate risk in new Bank projects.

IV The future goals of mainstreaming within the IDB

It is clear that the information generated by the mainstreaming tools such as CEAs and SEAs provide one of the foundations of the Bank’s policy dialogue with borrowing countries and feeds directly into the formulation of the Country Strategy—the blueprint for the Bank’s investments in a given country. It not only helps countries prioritize their overall lending needs, but also identifies specific environment-related projects that the Bank can finance, ranging from investments to restore degraded environments, sustainably manage water and other natural resources, protect biodiversity, indigenous peoples, or cultural sites, combat climate change, promote renewable energy, address involuntary resettlement, or improve environmental governance. The result is a more focused and strategic role for Bank financing that incorporates environmental and social concerns from the start. Nevertheless, mainstreaming tools, such as CEAs are relatively new. In the future, the Bank will assess its effectiveness and will focus on improving its use, particularly to enhance addressing regional and global environmental benefits. In this context IDB will take advantage of its direct relationship with ministers of finance and line sector ministers in areas such as energy, transport, agriculture, tourism, water and sanitation and others, in which the national, regional, and global environmental agenda. Also, a more proactive role will be promoted in the Bank’s Private Sector Department, which should be aligned to GEF’s new private sector initiative (PPP) and IDB’s *Sustainable Energy and Climate Change Initiative (SECCI)*.

ANNEX 5: IFAD

1. Introduction

IFAD and the GEF work together to alleviate rural poverty and combat environmental degradation. They share a common understanding that it is difficult to achieve improvement in the global environment without sustainable management of natural resources and enhancement of the livelihoods of rural poor people. IFAD, an executing agency of the GEF, established its IFAD-GEF Unit in 2004 to play a catalytic role in addressing the links between poverty and global environmental degradation.

By reaching the poorest people living in the most vulnerable ecosystems, the IFAD-GEF partnership contributes to the global efforts that are bridging the gap between local development and the global environment. The IFAD-GEF partnership is central to achieving the Millennium Development Goals (MDGs) and supporting the implementation of the Paris Declaration. By addressing the environmental implications of poverty reduction, the partnership works to achieve MDG1 (eradicate extreme poverty and hunger), MDG3 (promote gender equity and empower women) and MDG7 (ensure environmental sustainability).

IFAD's experience in people-oriented participatory approaches is a strong comparative advantage in addressing sustainable environmental management issues and sustainable land management. IFAD's wide range of operations in remote rural settings, in diverse agroecological and socio-economic contexts provides an opportunity to further: (i) expand synergies among GEF focal areas such as biodiversity, climate change and international waters and (ii) mainstream Global environmental challenges in Development frameworks.

2. Harmonisation of Environment practices and Development effectiveness

IFAD as an MFI

IFAD is a member of the MFI and has participated in various events that are related to addressing the key environmental challenges that affect poor rural people. The members of the MFI Group are primarily heads of environmental units/divisions in multilateral and bilateral institutions and representatives from UN agencies. The main objective of the meetings is to share experiences on issues of global importance, as well as develop strategies for improved environmental management through the harmonisation of MFI processes and procedures. Key topics discussed relate to: (i) Revision/harmonisation of MFI EA Procedures; (ii) Environmental Markets; (iii) Clean Energy Programmes; (iv) Use of Country Systems; (v) Desertification; (vi) European Principles for the Environment; and (vii) Multilateral Environmental Agreements. The work of the Group is considered instrumental in contributing to meet the MDGs and to implement the Paris Declaration. In this context, the work of the Group is seen as pivotal in reducing transaction costs, strengthening capacity among Group members, and improving development effectiveness through the harmonisation of environmental practices. These meetings are proving useful, in terms of reaching a consensus on the application of common standards and practices. This is of pertinence to IFAD's Environmental Assessment Procedures, which, as mentioned below, are currently being updated to reflect current evolving context with a particular attention to Climate change.

IFAD as a U.N Agency

Another important networking and knowledge sharing endeavour undertaken by IFAD is participation in the High Level Forum of the Environment Management Group (EMG), held in Geneva, Switzerland, between the 3rd and the 4th of July 2006. The EMG is set up as a United Nations system-wide mechanism –but can strategically draw on non-United Nations views- for setting common approaches and priorities on environmental issues, and for undertaking joint action on identified areas. In this context, the EM Group is pivotal as it has the rare opportunity to contribute to the work of the Secretary General's

High-Level Panel on System-Wide Coherence. The EMG is a good demonstration of collaboration among UN agencies in seeking to address environmental issues in a coordinated manner.

On 29th June 2007 IFAD's President, Mr Lennart Båge, convened in its capacity of Chairman of the Chief Executive Board HLCP, a Consultation to which participated six Executive Heads of UN organizations directly concerned with climate change and senior representatives of 15 of other UN organizations. This Consultation was intended to be a preparatory discussion to the CEB meeting on climate change at its autumn session, organized in view of Bali's UN Framework Convention on Climate Change (UNFCCC) COP 13.

IFAD being at the same time an MFI and a U.N agency, it has a very broad impact on all actors from both categories.

IFAD as a GEF Agency

Despite its recent involvement in GEF project design and implementation, IFAD has gained impressive GEF capacity and experience and demonstrated a strong commitment at the corporate level through increasing and effective participation in GEF upstream consultations, thematic groups, task forces and various GEF events. Furthermore, IFAD brings added value to the GEF family through its diversified and innovative alliances with development partners, bi and multi-lateral development organisations NGOs and several international organisations. For IFAD, partnership means multiplier engagement at all levels and by focusing its development work on farmer's associations and other organizations maintained by the poor people themselves, IFAD supports partnerships at the grass-roots community level. These partnerships are essential for translating local efforts into global environmental benefits, seizing new opportunities for accessing innovative financing mechanisms in support of the rural poor and ensuring sustainability.

IFAD's wide range of operations in remote rural settings and diverse agro-ecological and socio-economic contexts provides an opportunity to further expand synergies in more integrated manner among GEF focal areas while targeting disadvantaged people and restoring marginal ecosystems of global significance.

3. Strategic mainstreaming

The Strategic Framework 2007-2010 is one of the key elements of IFAD's Action Plan for Improving its Development Effectiveness. It articulates how IFAD can best discharge its mandate and use the instruments at its disposal to maximize its contribution to reducing rural poverty. It recognizes, and responds to, the changing nature both of global poverty and of the international development architecture, presenting a number of important shifts in emphasis.

The new Strategic Framework explicitly recognises natural resource management and climate change as key factors determining rural poverty. The overarching goal is that rural women and men in developing countries are empowered to achieve higher incomes and improved food security at the household level. To achieve its overarching goal, six strategic objectives were formulated. The first of these objectives is to ensure that, at the national level, poor rural men and women have better and sustainable access to natural resources (land and water).

The strategic Framework specifies that IFAD will build upon its strong experience and success in targeting and engaging with indigenous peoples and ethnic minorities, who are not only among the poorest in their countries, but also play an important role as custodians of the world's biodiversity and providers of environmental services.

IFAD's operations are driven by the result-based country strategic opportunities paper (RB-COSOP), a guiding instrument that identifies the choices and opportunities through which IFAD investments can ensure positive impact on poverty. The COSOP is the core instrument for designing and managing

country programmes and has proven to be effective in mainstreaming environmental concerns in country programmes. The RB-COSOP is instrumental in streamlining country priorities through building synergies and alignment with relevant country planning frameworks. This offers further opportunities to integrate global issues of environmental aspects with poverty reduction efforts within national planning and strategic frameworks.

4. Mainstreaming in the Project cycle; *From Design to M&E: Design*

Within the scope of the new Quality Enhancement Process recently developed in IFAD, Key Success Factors (KSFs) aim to provide IFAD, and especially its programme management, with the operational tools needed to transform the principles of the Strategic Framework into specific financing proposals of assured quality, with optimum chances for successful implementation and development impact. The KSFs are aligned to IFAD's new Strategic Framework, described above. Projects/Programmes (including GEF projects) under design and undergoing a technical review need to demonstrate that the design is consistent with the best practice approaches embodied in the pillars of IFAD's Strategic Framework, including management of natural resources and the environment. Risk assessments need to give adequate attention to emerging issues, such as climate change, and propose measures to ensure sustainability of development outcomes, particularly concerning more rational use of natural resources.

Also closely related to enhancing the quality of IFAD's portfolio, IFAD prepares Learning Notes that provide concise reminders of key issues in the design, execution and evaluation of investments in rural development and of the main tasks required of teams addressing such issues. The overall aim is to promote effective implementation and success in reaching IFAD's targets for the reduction of rural poverty. Learning Notes are part of IFAD's wider framework for institutional learning and knowledge management. Learning Notes that are especially related to addressing environmental challenges are on (i) the Environment and natural resource management and (ii) Global Environment Facility Learning . IFAD highlights the role of harmonisation to reduce overlap through integration of different planning frameworks. IFAD, in close collaboration with the Global Mechanism (GM), has undertaken a portfolio review of IFAD's projects relevant to the UNCCD. The review comprised an analysis of project design documents relative to 185 loans and 708 grants approved between 1999 and 2005 and was based on the Rio Markers developed by the OECD. The purpose of this review was to refine and document a replicable, effective and efficient methodology for reporting IFAD's activities related to the UNCCD and to increase mainstreaming of UNCCD in IFAD programmes. Based on this portfolio review, IFAD has prepared a draft Learning Note on Mainstreaming UNCCD-objectives in IFAD Operations. As of reporting date, the draft LN is being developed in a thoroughly consultative process involving IFAD staff as well as relevant expertise from the Global Mechanism, UNDP, UNEP, CGIAR centres and government officials.

IFAD is currently updating its "Administrative Procedures for Environmental Assessment in the Project Cycle." This initiative builds on analytical work that spells out a broader vision of the links between environmental and developmental objectives and maps out options for increasing the benefits of economic development while reducing its adverse effects on the environment. The expected impact of the updated EA Procedures are: (a) enhanced quality of IFAD's projects and programmes, in consistency with the new Quality Enhancement and Assurance process; (b) improved design of the result-based COSOP through the use of Strategic Environmental Assessment (SEA); (c) effective mainstreaming and monitoring processes of environmental issues into IFAD's operations through the use of improved Operational Statements; and (d) enhanced capacity of staff on environmental issues through training sessions.

M&E

Mainstreaming environmental challenges in Monitoring and Evaluations (M&E) is mainly undertaken in two ways: through the Results and Impact Management System (RIMS) and independently by IFAD's Office of Evaluation, through the Methodological Framework for Project Evaluation.

RIMS includes a menu of indicators used to measure and report on the performance of IFAD projects – at activity, output and impact level. It provides the framework for systematic reporting by the projects to IFAD and by IFAD to its governing bodies. Although the range of indicators has been kept in sharp focus, a large proportion of the indicators is directly or indirectly related to addressing the poverty-environment nexus, as depicted in the box below.

Box 2: RIMS Indicators Related to the Environment and NRM

Smallholder agriculture development
➤ Number of farmers using purchased inputs
➤ Number of farmers adopting technology recommended by project (by gender)
➤ Number of farmers reporting production/yield increases
Small-scale fisheries development
➤ Number of fisherfolk with secure access to resource base
➤ Number of fisherfolk trained in new technologies
➤ Number of fishing ponds established/improved
Smallholder livestock development
➤ Number of animals distributed – restocking a/
➤ Number of animals vaccinated (by type) a/
➤ Number of dipping facilities constructed/rehabilitated
➤ Number of water points improved/constructed
➤ Number of small farmers reporting increased herd sizes
Research, extension and training for agricultural production
➤ Number of farmers participating in research trials
➤ Number of demonstrations held on farmers' land
➤ Number of people accessing technical advisory services facilitated by project
➤ Number of research-for-development extension/dissemination events attended by target HHs
Natural resources management
➤ Number of HHs provided with long-term security of tenure of natural resources, including land and water
➤ Number of people trained by gender and type
➤ Ha of common property resources (under improved management practices)
➤ Number of cisterns/water harvesting structures constructed
➤ Ha land improved through soil and water conservation measures
➤ Number of resource management plans enacted

The IFAD Methodological Framework for Project Evaluation (MFE) is done on the basis of three main evaluation criteria on which project achievements and impacts are to be assessed: (a) performance of the project; (b) impact on rural poverty; and (c) performance of the partners. The second criterion – **impact on rural poverty** – assesses the changes that have occurred by project completion.. Impact has been divided into six domains that are addressed by IFAD projects to varying degrees, and the overarching factors of sustainability, innovation and replicability/scaling up, and gender equality and women's empowerment. One of these six domains considers the impacts on the environment and communal resource base.

5. Innovation mainstreaming:

IFAD nurtures innovation by and for rural poor people by facilitating the emergence of local know-how and promoting the transfer of new technology and techniques that are adapted to local conditions. IFAD has for instance an innovative approach to nurture local innovations through the establishment of farmer's innovation funds. This concept could be promoted through GEF financing with specific focus on SLM or

conservation-related innovations and adaptation to climate change. IFAD aims also through its diversified portfolio to promote innovative market-based solutions to global environmental problems and further foster innovative partnerships with the private sector. IFAD is also engaged in many countries in promoting innovative solutions to policy reforms and dialogue that is articulate around environmental and natural resource management issues.

6. The way forward

Harmonization and aid effectiveness

Our future calls for greater reinforcement and harmonization of development efforts by the international community, leading to stronger national ownership and policy dialogue. In the spirit of the Paris Declaration on Aid Effectiveness, IFAD will continue to help improve national strategies and capacities towards further integration, coordination and mainstreaming of environmental dimensions in development. Harmonisation of interventions and alignment of results is crucial to achieve the MDGs.

Mainstreaming

The partnership between IFAD and the GEF enables countries to strengthen the mainstreaming of international instruments relating to the Rio Conventions. IFAD's diverse portfolio and experience, together with the GEF commitment to the Rio Conventions' guiding principles, will lead to the adoption of system-wide policy and institutional change and to the removal of existing barriers. The IFAD-GEF tandem is pivotal in bringing together poverty reduction and sustainable natural resource management as key items on the same international agenda. The Shift in the GEF approach from fragmented to programmatic frameworks for interventions is an opportunity to work towards more cost-effective and less-duplicative operations.

Strategic opportunities

IFAD's operations are driven by the country strategic opportunities paper (COSOP), which is the core instrument for designing and managing country programmes and has proven to be effective in identifying impact-oriented IFAD/GEF investment opportunities. Evolving under its own performance-based allocation system, IFAD is well placed to ensure optimum resource allocation predictability and harmonization with the GEF's resource allocation framework. Thanks to its flexible lending and non-lending instruments, IFAD can tailor its approach to a country's needs to respond more effectively to global environmental protection requirements while being consistent with consultative decision-making processes. Strategic opportunities with the CGIAR, CSOs and CBOs, *inter alia*, are also being pursued.

Result-based portfolio

The IFAD-GEF partnership is committed to enhancing the overall impact of its portfolio of programmes and projects by building on a strengthened Quality Enhancement system. By drawing on the experience of other international financial institutions, this quality enhancement system will capitalize on IFAD's strong technical capacities while mobilizing external complementary expertise. IFAD ensures high-quality project implementation by:

- designing high-achieving programmes and projects directed at delivering global environmental benefits as well as significant gains for rural poor people, particularly the poorest of the poor ;
- articulating a stronger role for partnerships, policy dialogue and community empowerment based on community-driven approaches and advocacy for rural poor people ;
- streamlining project cycle processes, with improvements in staff accountability and performance, and in self-evaluation and quality assurance systems ; and
- mainstreaming the links between poverty reduction and sustainable environmental management as part of the concerted global effort to achieve the Millennium Development Goals

ANNEX 6: UNDP

“Given the crucial link between global environmental protection, sustainable development, conflict prevention and human welfare, the GEF agencies should integrate global environmental challenges into their core development work and, as part of their country dialogues, into poverty reduction strategies and national sustainable development policies and programs. Participants request that GEF agencies report to the Council by 2007 on their mainstreaming efforts.”⁴

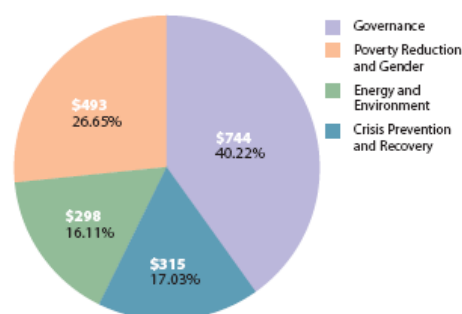
A. Background

This report provides an overview of UNDP’s efforts to help countries integrate environment, including global environmental challenges, into their national development plans and programmes. It was prepared for the November 2007 meeting of the GEF Council in response to the above request.

B. UNDP Mandate

UNDP’s overarching role in development is to support endogenous country change processes, a process known as capacity development, through its network of more than 140 country offices. Its four core focus areas are: poverty reduction, democratic governance, crisis prevention and recovery, and environment and energy. Poverty reduction programmes emphasize equitable growth, inclusive globalization and the achievement of the MDGs. Democratic governance programmes help strengthen governing institutions and increase civic participation. Crisis prevention and recovery programmes support risk reduction and aid in restoring the foundations of development. Environment and energy programmes help integrate environment and natural resource issues into development strategies. Annual programme expenditures in these areas have steadily grown from \$1.850 billion in 2002⁵ to \$3.162 billion in 2006⁶.

ESTIMATED TOTAL PROGRAMME EXPENDITURES
FOR 2002 (US\$ MILLIONS)



Note: Categories are based on the 2000-2003 Strategic Results Framework. Figures include UNDP regular, donor co-funding and government cost-sharing resources.
Source: Report on the Multi-Year Funding Framework 2002

UNDP also plays a key role in helping integrate and coordinate UN resources so that they are readily accessible to country partners, while offering its own programmes in areas where it has recognized expertise. With this in mind, UNDP chairs the UN Development Group, a body of the major UN agencies, funds and departments working on development issues. It also houses the UN Resident Coordinator system for managing UN country teams. It has modeled partnerships that marry the strengths of different but complementary agencies (such as the Poverty-Environment Initiative and the Partnership on Climate Change with UNEP), and spearheaded the creation of common UN development assistance strategies. The guiding principle is that development strategies must be nationally driven, backed by harmonized international assistance rather than a welter of individual

interests. This fundamental principle underpins UNDP’s approach to global environmental issues as well – that they should be addressed as part of nationally-driven development strategies.

C. Growing role of environment in UNDP programming

UNDP’s support to national environmental programmes and activities dates back to at least the 1960’s. Key landmarks since the Earth Summit that track the formal extension of UNDP’s activities to global environmental concerns are shown in Box 1.

⁴ GEF/C.29/3 August 25, 2006: Summary of Negotiations on the Fourth Replenishment of the GEF Trust Fund; Annex A: Policy Recommendations for the Fourth Replenishment of the GEF Trust Fund.

⁵ UNDP Annual Report 2003: A World of Development Experience

⁶ UNDP Annual Report 2007: Making Globalization Work for All

Box 1: Key dates marking integration of global environmental issues into UNDP's core development work

- 1992 UNDP demonstrates its commitment to fully incorporating global environment issues into its development work as one of the founding partners, alongside UNEP and the World Bank, of the GEF
- 1994 UNDP Executive Board re-affirms its commitment to the integration of environment and development by adopting the GEF Instrument
“Handbook and Guidelines for Environmental Management and Sustainable Development”; Green Procurement Guidelines; a network of environmental advisors is established in country offices
- 1998 UNDP Executive Board decides that sustainable energy, forest management, water resources, and food security/ sustainable agriculture should be key areas of focus for UNDP programming
- 1999 UNDP Executive Board notes the importance of environmental soundness and sustainability of UNDP activities⁷; UNDP Programming Manual – which provides prescriptive rules, regulations, and policies for the organization – incorporates environmental sustainability concerns and procedures. In response some UNDP Regional Bureaus and Country Offices developed environmental strategies with Environmental Governance as one of the major pillars
- 2003 Human Development Report published on “Millennium Development Goals: A compact among nations to end human poverty
- 2004 UNDP prepares an Environmental Mainstreaming Strategy
- 2006 Human Development Report published on “Beyond Scarcity: Power, poverty and the global water crisis”
Inclusion of the monitoring of projects’ Environmental Risk Factors in UNDP’s Enterprise Resource Platform and financial software system
- 2007 UNDP draft Strategic Plan for 2008-2011 identifies Environment and Sustainable Development as one of four substantive areas of support, alongside Poverty Reduction and achievement of the MDGs, Democratic Governance, and Crisis Prevention and Recovery
Human Development Report published on Fighting Climate Change: Human Solidarity in a Divided World (2007).

Mainstreaming Environment into Development is one of UNDP’s four priorities in Environment and Sustainable Development⁸ and UNDP is now one of the largest sources of technical assistance for environmental management, with a portfolio of ongoing environment projects amounting to about US\$7 billion⁹. Each of UNDP’s 140 country offices has at a minimum one Environment Focal Point, and depending on country demand, can have as many as 10 or more dedicated environment team members.

The priorities for UNDP support in each country are agreed with governments through the joint UN Common Country Assessment (CCA) and the UN Development Assistance Framework (UNDAF). UNDP’s specific work programme is then further defined by matching country priorities with the global focus of UNDP’s efforts (laid out in the UNDP Strategic Plan) in a Country Programme Action Plan (CPAP). Within the framework of the CPAP, UNDP pursues a dual approach to mainstreaming global environmental issues – first, support governments in developing and implementing sound environmental strategies and policies, and, second, support them in integrating environmental issues into other development strategies and policies.

⁷ UNDP/ UNFPA Executive Board. First regular session, 25-29 January 1999. DP/1999/8, p.26

⁸ UNDP Strategic Plan for 2008-2011.

⁹ UNDP, 2005, The Sustainable Difference: Energy and Environment to meet the MDGs

The experience of UNDP country offices is that almost all partner countries want to see global environmental issues directly integrated with other national development priorities such as poverty alleviation, food security, job creation, or greater energy security. While a number of countries directly include support to environmental policy development and institutional strengthening as a specific focus in the CPAP, others include it as a cross-cutting issue with poverty reduction, democratic governance, and crisis prevention and recovery, thereby reinforcing its centrality to sustainable development.

UNDP is seen as a trusted and neutral provider of technical support and thus it has frequently been asked to partner with governments in supporting national planning and policy-making processes. In Kenya, for example, UNDP has facilitated consultations between the Ministry of Energy, Parliamentarians (especially the Energy Committee), all relevant civil society organizations, and the private sector. This has led to the development of sustainable energy policies and strategies including the enactment of the Energy Act, development of a bio-fuel strategy, development of appropriate standards for solar and wind-based energy, and subsidiary legislation regarding charcoal.

Effective support to GEF-funded national planning and reporting processes – such as the Enabling Activities in Biodiversity and Climate Change, particularly the NAPAs, and the National Capacity Self-Assessments (NCSAs) – has, in turn, strengthened relationships with government counterparts leading in to new rounds of national planning such as the national MDG strategies that UNDP is directly supporting through its MDG support programme.

In many country offices, early engagement with the GEF has catalyzed substantive and structural changes to enable them to better support countries on environmental issues and how to integrate these into sustainable development strategies. Namibia is a case in point where global environmental issues are well integrated into the national MDG strategy. UNDP's first Environmental Needs Assessment Tool is being piloted in Namibia in October 2007, building on a strong foundation of UNDP environment support to Namibia consisting of GEF-funded processes of national reporting to the Multilateral Environmental Agreements and programmes such as the Namibia Renewable Energy Programme, Strengthening the System of Protected Areas Network, Country Pilot Partnership Programme Framework for Integrated Sustainable Land Management, and Integrated Management of the Benguela Current Large Marine Ecosystem Programme.

UNDP frequently acts as local coordinator of the various multilateral and bilateral development organizations in a country and uses this platform for advocacy related to mainstreaming global environmental challenges. In Pakistan, for example, such advocacy and information sharing among donors has led to the development of environmental mainstreaming platforms that other donors have incorporated into their programmes. Similarly, UNDP promotes coordination at the regional level through its regional programmes that help countries work together to address common and trans-border issues.

In addition to developing national strategies, policies and on-the-ground activities that directly address global environmental challenges through GEF and other donor funding, country offices are also integrating these issues into their work in UNDP's other focus areas namely, poverty reduction, democratic governance, and crisis prevention and recovery.

Poverty reduction: UNDP and UNEP have established a joint Poverty Environment Centre in Nairobi as a direct outcome of their Poverty Environment Initiative (PEI). A three step process for mainstreaming environment in poverty is in place consisting of: Assessment, Mainstreaming, and Monitoring and Evaluation. Tools and methodologies in support of each of these steps are being developed and tested in a number of countries including Kenya. Results of this work include the incorporation of environment as a key issue in both cause and effect of poverty in a variety of national development plans and processes, as well as in PRSP's.

Democratic Governance: Stable and transparent governance is critical for developing sustainable solutions to global environmental challenges. Initial support by the GEF, through UNDP, to assist the

Government of Liberia with the elaboration of its National Biodiversity Strategy and Action Plan led to direct UNDP assistance in the preparation of its first State of the Environment report, and also to biodiversity management issues being incorporated into UNDP broader policy dialogue with the government on land reform, legal reform and constitutional reform.

Crisis Prevention and Recovery: In post-disaster recovery or post-conflict rebuilding situations, a key entry point for environment is the role of environmental management in facilitating or speeding up rebuilding or recovery efforts. One example of efforts to mainstream global environmental challenges in post-crisis recovery is from Burundi where one of the first impacts of the long lasting conflict was the destruction and destabilization of the workforce, agro-industries, infrastructure, and management capacities at all levels. A UNDP survey of the impact of the crisis on the environment raised government awareness of the intensity of natural resource destruction which resulted in environmental considerations being built into all recovery, rehabilitation, reconciliation, peace building and development programmes and projects supported by United Nations agencies the World Bank, and the European Union. This was in addition to, and apart from, an updating of the National Environment Strategy for Burundi which highlighted some critical concerns relating to shared water resources such as Lake Tanganyika, the Nile Basin, and the Congo Basin – all of which already receive, or are seeking, GEF support.

Global policy dialogue: While primarily working at the country level, UNDP also supports advocacy efforts for the integration of environment into development at the global level, adding value to these efforts by bringing in its operational experience from countries. In the process leading up to the adoption of the UN Millennium declaration and the Millennium Development Goals (MDGs), UNDP played an important role in the definition of goal 7 (environmental sustainability), and in the development of agreed indicators to track progress on goal 7. Similarly, UNDP has played a leadership role within the OECD/DAC in the development of Strategic Environmental Assessment (SEA) tools and methodologies for application to all development work. UNDP continues to support the World Resources Institute's World Resources Report and was a key partner in the development, launch and implementation of the Millennium Ecosystem Assessment. Finally, UNDP's flagship annual publication – the Human Development Report - focuses global development attention on specific topics considered to be of critical importance. Over the last 5 years, three of these have specifically addressed the interface of development and global environmental issues (see Box 1).

D. Current and future challenges to mainstreaming environment

One of the principal challenges to human development in the coming years will be that of climate change. Failure to respond effectively raises the specter of significant reversals in human development, and the world's poorest countries and poorest people will bear the brunt. Therefore, a priority for UNDP is to mainstream climate change risk management into all development work. The draft UNDP strategy on climate change specifically calls for:

- Mainstreaming climate change into UNDP development assistance through an assessment of risks posed by climate change to the UNDP project portfolio, as well as identifying opportunities to leverage UNDP core assistance for climate change management. Internal mainstreaming capacity is being developed through a series of regional training courses on Climate Change for all UNDP senior staff and in particular UNDP Resident Representative/UN Resident Coordinators and UNDP Country Directors. The goal is to reach most UNDP senior managers by November 2007 and to pilot a resource kit to incorporate climate change into UNDP programme design and implementation oversight in 10-20 countries in 2008.
- Increasing the capacity of developing countries to embed resilience thinking into domestic policies and investment decision-making processes to mitigate and adapt to the inevitable consequences of climate change, leveraging the expertise of UNDP Bureau for Crisis Prevention and Recovery to achieve this goal.

- Building capacities in developing countries for a more effective global dialogue on climate change by ensuring that key national decision-makers (not just negotiating delegations) understand the science and the policy implications, and the options that are being discussed in the areas of mitigation, adaptation, technology and finance. The goal is to facilitate the development of an equitable and efficient post-2012 climate change regime. This will be conducted in close partnership with other concerned UN agencies.
- Developing the capacity of countries to combine GEF resources and new environmental commodity markets such as carbon finance to attract and drive direct investment towards lower carbon technologies with high development benefits.

ANNEX 7: UNEP

I. Ongoing work of UNEP in mainstreaming environmental issues into the development agenda

UNEP is the United Nations system's designated principal entity in the field of the environment that sets the global environmental agenda, keeps the state of the world under review, and promotes the coherent implementation of the environmental dimension of sustainable development. Its mandate, emanating from UN General Assembly resolution 2997 and further evolving since that time, is to serve as an authoritative advocate for the global environment, to achieve global consensus on environmental policy based upon sound science, and to bring emerging issues to the attention of governments and the international community for action. UNEP's mandate includes providing general policy guidance for the direction and coordination of environmental programmes in the UN and, through the Bali Strategic Plan of 2005, to aim at more coherent, coordinated and effective delivery of environmental capacity building and technology support at all levels and by all actors, including UNEP, in responding to well defined country priorities and need. UNEP's motto "*Environment for Development*" places human needs at the core of environmental concerns.

As the environmental pillar of sustainable development UNEP has a unique role in the GEF. While other GEF agencies are required to mainstream global environmental issues into their core development activities and investments, UNEP is expected to mainstream global environmental concerns into the development plans and activities of governments, other UN agencies, the private sector and the global community at large. The GEF funded portfolio of UNEP thus plays an incremental/additional, synergistic and complementary role in enhancing mainstreaming of global environmental concerns.

UNEP is principally known for its normative and scientific functions which includes the administration of 6 MEAs and 14 regional conventions. Through its divisions of Early Warning and Assessment, Environmental Law and Conventions, Industry, Technology and Economics, Environmental Policy Implementation, Communications and Public Information, Regional Cooperation, and GEF Coordination, UNEP employs a large array of skills, tools and methods ranging from upstream global environmental policy development, to assessments, stocktaking, standards and certification, and to local-level pilot testing of standards, tools and innovative approaches with tangible impacts on the ground. Engagement at all these three levels helps inform the policy and normative work of UNEP and is essential to ensure relevance of any proposed approaches for environmental sustainability. UNEP's engagement in the coordinated provision of capacity building and technology support at the country level is being enhanced in response to the Bali Strategic Plan.

Environment for Development at Global and Regional Levels

The UNEP GC/GMEF is **the United Nations high-level environment policy forum** that brings the world's environment ministers together to "review important and emerging policy issues in the field of the environment", including through instituting "a regular dialogue, to address the apparent disparity between policy and funding with multilateral financial institutions", recognising that "better coordination of decision-making on international environmental policy with decision-making on financing should benefit the funding of environmental aspects of sustainable development".

The GC/GMEF provides broad policy advice and guidance to, inter alia, "promote international cooperation in the field of environment" and in doing so it invites officials of United Nations agencies and heads of multilateral environmental agreement secretariats "to participate and interact with ministers at meetings" and also seeks to "promote the meaningful participation of representatives of major groups and non-governmental organizations including the private sector...".

The UN Environmental Management Group (EMG), established in 1999 by the General Assembly and chaired by the UNEP Executive Director, is an important avenue for cooperation and improved environmental mainstreaming. The EMG includes amongst its members the specialized agencies, funds

and programmes of the UN system and the secretariats of multilateral environmental agreements (MEAs). UNEP also participates in the UN Development Group chaired by UNDP providing a two-way avenue for considering the environment and development nexus across the UN system. Recent inter-governmental processes such as the Millennium Summit, the 2002 World Summit on Sustainable Development, the 2000 Malmo Ministerial declaration, and the 2005 Bali Strategic Plan for Technology Support and Capacity Building, have reaffirmed and in some cases expanded the role of UNEP in sustainable development.

UNEP provides the world community with timely, scientifically credible, policy-relevant environmental data, norms and standards, and information for decision-making and planning for sustainable human development. It monitors, analyses and reports on the state of the global environment, assesses global and regional environmental trends and provides early warning of emerging environmental threats. Incremental GEF funding has been used effectively in enhancing the scale and scope of such activities for greater impact. Among the most outstanding recent achievements is the *Millennium Ecosystem Assessment*, which demonstrated more comprehensively than ever before the important links between ecosystems, ecosystem services, and human well-being. Since the release of the study's findings a growing number of countries have sought to operationalize and implement the conceptual framework of the MA.

UNEP places significant emphasis on communicating its core messages to the wider public (with emphasis on major groups, including children and youth) to raise environmental awareness, influence attitudes, behaviour, and individual decisions. The messages are disseminated through the media, the Internet, audiovisual and printed products, events such as the World Environment day, and environmental prizes such as UNEP Sasakawa Prize, Champions of the Earth and the Focus on Your World photographic competition. GEF projects are able to leverage these outlets for greater replication and upscaling of impacts.

UNEP's environmental law and diplomacy activities provide an opportunity for complementarity with UNEP's substantive programs and GEF funded activities. In conjunction with UNEP's Water Policy and Strategy, these activities focus on scientific assessments of the transboundary concerns, confidence building, and renewed cooperation between parties using shared environmental resources. A good example among many, is UNEP's baseline work on the transboundary diagnostic analysis for the Iullemeden Aquifer – shared by Mali, Niger and Nigeria – which has been completed under a UNEP-GEF project resulting in a tripartite mechanism for conflict resolution and concerted action. UNEP GEF also helps to mainstream concerns for coastal and marine environments through the UNEP Regional Seas Programme and the Global Programme of Action for the Protection of the Marine Environment from Land-based Activities.

UNEP has forged multiple partnerships to advance biodiversity conservation and sustainable use. Most recently, UNEP's World Conservation Monitoring Centre, is working with a global network of partners and with GEF funding to develop and communicate a suite of indicators for measuring progress towards the CBD "2010 target", which aims to significantly reduce the rate of biodiversity loss by 2010. Such indicators will also assist the GEF to better monitor the impact of its interventions globally.

Environment for Development at National and Local Levels

GEF funding complements various UNEP programmes and projects that encourage decision makers in government, local authorities and industry to develop and implement policies, strategies and practices that are based on sound scientific principles, account for the true costs to the environment, and are carbon neutral, cleaner, safer, and protect and make efficient use of natural resources. As an inter-governmental organization UNEP works both directly with governments through UNDP country offices, other multi-lateral organizations, and networks of scientific and technical partners such as the CGIAR system organizations, international NGOs, and scientific international institutions.

UNEP plays a crucial role in supporting and strengthening the Environment Ministries and other public and private environmental organizations, its key constituency, so that they have a stronger voice and influence in mainstreaming environmental issues in national development strategies, plans and activities, including through the use of market-based incentives, subsidy reform and other types of economic instruments. It also seeks to engage directly with Ministers from other portfolio areas, including through its GC/GMEF and initiatives such as its Poverty and Environment Facility. The ecosystem services approach, for example, will help to forge the link between environment and development. UNEP's portfolio of GEF Enabling Activities and other capacity building measures, such as the UNFCCC and CBD national reporting cycles, the National Biosafety Frameworks, POPs, and NCSAs offer the opportunity to promote synergistic mainstreaming among the environment and other sectors.

UNEP conducts environmental assessments at different spatial scales to identify areas of environmental vulnerability. Complementing its work in the Inter-governmental Panel on Climate Change (IPCC) UNEP, in partnership with the START Secretariat and The Third World Academy of Sciences, has undertaken a global Assessment on Impacts and Adaptation to Climate Change in Multiple Regions and Sectors. This project – a pioneer GEF initiative in the area of climate change adaptation – has involved 350 scientists, experts and stakeholders from 150 institutions in 50 developing countries, and resulted in 24 regional assessments covering a wide variety of sectors such as health, biodiversity, agriculture and water. The project has had a major impact in raising the scientific capacity of developing countries for assessment, policy responses, and multi-lateral environmental negotiations. As the lead agency for the environment in UN inter-agency processes addressing disasters and conflicts, UNEP uses environmental assessments to integrate environmental risk reduction measures into reconstruction programmes through institution building, technical legal assistance, and environmental information management. A key UNEP initiative to improve responsiveness to environmental emergencies is the “*Awareness and Preparedness for Emergencies at the Local Level (APELL)*”. Such programmes offer opportunities for synergistic action with funding from the GEF for assisting countries to adapt to climate change.

In the area of chemicals, UNEP and its partners have focused on information systems (such as DDT, POP termiticides and dioxin/furan release inventories). UNEP has also developed technical guidelines and best practices, such as for termite management, and a dioxin/furan release inventory methodology. A UNEP administered Trust Fund (Quick Start Programme) will implement *The Strategic Approach to International Chemicals Management* in developing countries and countries with economies in transition so as to mainstream environmental concerns into production and consumption of chemicals. Building on the above work and on the results of National Implementations Plans for POPs financed by GEF, UNEP is implementing a strong portfolio of GEF funded projects. UNEP's Sustainable Mobility Programme aims to create a systemic shift towards less polluting mobility options. Use of information technology to reduce the need to travel, switching to less polluting transport modes and promoting new technologies and alternative fuels, are among some of the activities. UNEP has joined forces with the International Association for Public Transport (UITP) International Railway Union (UIC) to promote environmental and life-style benefits of public transport. A notable increment is where GEF funding has expanded the knowledge base on bus rapid transport systems, and this in turn is expected to lead to a significant decrease in the cost to developing countries. UNEP and UNEP Risø Centre run the Network for Environmentally Sustainable Transport in Latin America and the Caribbean with support from GEF, to *inter alia*, promote a switch to public and non-motorised transport.

As a partner of the Global Bioenergy Partnership (GBEP), created as a follow up to the Gleneagles G8 Summit, UNEP is taking the lead in developing a programme of work on the sustainability of bioenergy. Building on the broad range of expertise among GBEP partners and drawing on its ongoing work with Daimler Chrysler, WWF Germany, the Ministry of Agriculture of Baden Württemberg and other partners, UNEP is working on establishing criteria for sustainable cultivation of biomass for biofuels. Based on this and other work, UNEP has taken the lead on a project that is expected to inform GEF policy on biofuels.

UNEP's energy initiatives are designed to help remove market distortions, provide access to energy markets, and accelerate the development and dissemination of technologies and processes to increase energy efficiency. The UNEP Energy Branch works closely with its two Collaborating Centres, the UNEP Risø Centre on Energy, Climate and Sustainable Development and the Basel Agency for Sustainable Energy, as well as a wide range of partners. The *Sustainable Energy Finance Initiative (SEFI)* provides financiers with the tools, support and networks needed to drive financial innovation in the clean energy sector. A portfolio of UNEP GEF projects are building on and contribute to the work of SEFI.

Building on the above UNEP activities, *Financial Risk Management for Renewable Energy* is a GEF-funded study to assess financial risk management instruments for renewable energy projects. Involving the World Bank, UNDP, and representatives from the finance, insurance and renewable energy sectors, the study aims to generate new thinking about financial risk management for renewable energy in developing countries.

UNEP is supporting a cluster of strategically oriented projects that collectively advance developing countries' efforts to mitigate climate change. For example, the *Joint Geophysical Imaging for Geothermal Reservoir Assessment* project aims at reducing costs and risks associated with geothermal energy development in Africa. A recently submitted GEF project in conjunction with the World Bank, will develop harmonized and standardized measurement tools and modelling of carbon sequestration for use by GEF projects in the LULUCF sector. The *Carbon Finance for Sustainable Energy in Africa* project, jointly implemented by the World Bank's Community Development Carbon Fund, UNEP, and UNEP Risø Centre, is developing institutional capacity for carbon finance in Ghana, Zambia, Mali, Cameroon, and Mozambique (e.g. operational Designated National Authorities), sustainable development criteria and simple project appraisal and approval processes.

Environment for Development and the Business Sector

UNEP works with business and industry to protect the natural resource base of the planet, by underlining the business case for sustainable development. Some areas covered are corporate responsibility, sustainable production and consumption, environmentally sound technologies, integrated chemicals management, adoption of renewable energy and energy efficiency, and ozone friendly practices.

In early 2005, the UN Secretary-General invited institutional investors to develop a set of Principles for Responsible Investment. Coordinated by the UNEP Finance Initiative and the UN Global Compact, the drafting process resulted in the emergence of 6 Principles for Responsible Investment. These Principles were launched in 2006 at the New York Stock Exchange by UN Secretary-General Kofi Annan. The Principles, open for support from all institutional investors, investment managers and professional service partners, are now supported by over 90 institutions, representing over US\$5 trillion in assets.

UNEP helps to advance informed leadership by establishing and facilitating dialogue between high-level political leaders and those from business and civil society. With wide experience in pooling resources with leading centres of excellence, business organisations and fellow UN agencies, UNEP produces training materials and develops the capacities of both employees and management. Many of these initiatives have the potential to link up with incremental GEF financing. A few notable examples are : a) UNEP organized the Davos Conferences on Climate Change and Tourism, in collaboration with the UN World Tourism Organization, WMO, the World Economic Forum (WEF) and the Swiss Government; and b) UNEP recently released the "*Assessment of policy instruments for reducing greenhouse gas emissions from buildings*" which promotes a life cycle approach in design, construction and use of buildings. The UNEP Finance Initiative (UNEP FI) is a unique global partnership between the United Nations Environment Programme and the private financial sector. Over 160 institutions including banks, insurers and fund managers, work with UNEP to understand the impacts of environmental and social considerations on financial performance, and to recognize that identifying and quantifying environmental

risks should be part of the normal process of risk assessment and management (both in domestic and international operations). Majority of these institutions are signatories to the UNEP FI Statements, such as the 1992 UNEP "Statement by Financial Institutions on the Environment and Sustainable Development", and the "Statement of Environmental Commitment by the Insurance Industry". These normative principles and statements underpin UNEP GEF projects working with the private sector.

II. Looking Ahead: Enhancing UNEP's impact in mainstreaming environment into development

The *Action Plan on UNEP-GEF Complementarity* adopted by the 20th session of the UNEP Governing Council and endorsed by the GEF Council at its thirteenth meeting in May 1999 has since guided the development of the UNEP GEF portfolio vis-a-vis the UNEP programme of work. This planning tool served its purpose well, however, overtime it became a barrier for achieving synergies between the UNEP programme of work and UNEP-GEF funded interventions.

UNEP's Medium Term Strategy for 2010-2013, was called for by the UNEP Governing Council/Global Ministerial Environmental Forum in its decision 24/9/13 and it currently being prepared. It aims at improving programmatic coherence and synergies across UNEP's programmes and projects and at strengthening results-based management practices across the organization. There are six thematic priority areas under discussion with environmental mainstreaming is being addressed as an overarching issue. UNEP's Medium Term Strategy establishes an overarching planning framework for the entire organization to avoid potential fragmentation and at the same time to facilitate transparent accounting to its governing body for the totality of UNEP activities regardless of source of funds. The principles of incrementality and additionality of GEF resources will continue to be central to the programming of GEF interventions under the new Medium Term Strategy.

The High-Level Panel Report on *United Nations System-wide Coherence in the areas of development, humanitarian assistance and the environment* has provided an enhanced framework for a more coherent and effective delivery of the Millennium Development Goals at the national level. Through the Delivering as One UN initiative, UNEP and UNDP are adopting mutually supportive and complementary roles at the national level. UNDP and UNEP have recently joined their poverty and environment activities to form a global partnership, the *UNDP-UNEP Poverty and Environment Facility*, to support integration of environmental sustainability into national development processes to reduce poverty and achieve the MDGs. The recent UNDP/UNEP *Nairobi Framework* will help countries achieve sustainable development in the face of a changing climate, and will covering both adaptation and carbon finance issues based on the comparative advantages of each organization. The UNDP-UNEP Memorandum of Understanding, which comes up for renewal in late 2007, will focus on mechanisms to strengthen joint activities under the GEF.

UNEP is currently conducting an assessment of its strategic presence in different locations of the world to determine how it can best respond to the country needs for environmental capacity building and technology support in the context of the Bali Strategic Plan and the UN-wide Delivering as One initiative. The study is also assisting UNEP to better align its headquarters functions and regional offices to support global, regional and national stakeholders. Implementation of the recommendations of this study is expected to commence in March 2008.

ANNEX 8: UNIDO

I. History of how Mainstreaming has developed in UNIDO

As defined in its Constitution adopted in 1979, UNIDO's overall mandate is "the promotion and ACCELERATION of industrial development in the developing countries" and the promotion of "industrial development and co-operation on global, regional and national, as well as on sectoral levels."¹⁰

UNIDO began focusing on the environmental aspects of its mandate in the wake of the Brundtland report. In 1989, UNIDO's Industrial Development Board (IDB) included Environment and Energy as one of the priority areas in its 1990-95 Medium-Term Plan. In 1990, the IDB approved the first environment programme and the creation of its first environmental organizational unit. The scope of the unit was environmentally sound industrial development (ESID) and its initial remit was to train the professional staff of UNIDO on the role of environmental issues in industrial development, to assist project managers to integrate environmental concerns into their projects, and to coordinate UNIDO's preparations for the UN Conference on Environment and Development (UNCED). The unit prepared a comprehensive training programme and delivered it to all the professional staff of UNIDO. It put in place procedures to ensure that environmental considerations had been taken into consideration during the design of all of UNIDO's projects. Finally, in 1991 it organized UNIDO's Ministerial Conference on Ecologically Sustainable Industrial Development (ESID), which was held in Copenhagen, Denmark. In 1991, the General Conference of UNIDO directed the Organization to submit the conclusions and recommendations of the Conference to UNCED and in 1992, the IDB integrated these conclusions and recommendations into the Organization's environment programme.

With environment and energy as one of its priority areas, UNIDO began to offer specific environmental services to the developing countries and countries with transition economies. In 1992, UNIDO determined that cleaner production was a concept that integrated together well its traditional concerns for greater industrial productivity with reduction of industrially caused environmental impacts. Consequently, cleaner production was chosen as a focus area. Together with UNEP, UNIDO started up the National Cleaner Production Centre (NCPC) Programme. The objective of the Centres created by this Programme is to promote the adoption of cleaner production practices by industry, especially SMEs, which will bring both financial and environmental benefits to enterprises. To date, nearly 30 NCPCS have been created, along with a series of national CP programmes and national and regional networks. These centres will assist enterprises with any of their environmental problems, whether they are of a global, regional or local nature. In recent years, efforts have been made to engage them more explicitly in their countries' efforts to implement national plans of action under several Multilateral Environmental Agreements where there is a significant industrial component, especially the UN Framework Convention on Climate Change, the Stockholm Convention on Persistent Organic Chemicals, the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal, and the Montreal Protocol on Substances that Deplete the Ozone Layer. Most recently, UNIDO and UNEP are actively engaging the NCPCs in the Strategic Approach to International Chemicals Management.

In the wake of the Second Meeting in 1990 of the Parties of the Vienna Convention (the London Meeting), in which agreement was reached on total phasing out of CFCs and halons as well as on facilitating the transfer of new ozone-friendly technologies for Article 5 countries, UNIDO also became heavily involved in the implementation of the Montreal Protocol. The significant industrial component of ODS production and consumption, coupled with the strong technology transfer element of the work – a traditional area of expertise of UNIDO – made the Organization's work on the Montreal Protocol

¹⁰ UNIDO Constitution, Article 1 "Objectives"

integrate extremely well with its other work programmes. In 1992, it became one of the Protocol's four Implementing Agencies, and four of its implementing branches most closely linked with the industry sectors producing and using ODSs were heavily involved in the implementation of ODS elimination projects. To date, through its ODS projects, UNIDO has facilitated the elimination of 30 percent of the total ODSs in the Article 5 countries.

UNIDO also took an active part in the meetings of the International Negotiating Committee that led to the elaboration of the UN Framework Convention on Climate Change and then in the Conferences of Parties. Thereafter, it has consistently been promoting a stronger industrial involvement in the Cleaner Development Mechanism and Joint Implementation on the grounds that through energy efficiency and switches to renewable sources of energy industry in the developing countries and countries in transition can contribute significantly to the mitigation of climate change. During this period UNIDO also began to get involved in executing GEF projects, focusing initially on projects in the climate change focal area and then later in the international waters focal area.

These growing environmental activities were taking place in a context where the member countries were going through a fundamental re-evaluation of UNIDO's mission and mandate. Finally, in December 1997, the General Conference endorsed the Business Plan on the Future Role and Functions of UNIDO. The Business Plan updated the Organization's mandate, confirming that UNIDO should support and promote the sustainable industrial development of developing countries and countries with economies in transition. It grouped UNIDO's activities into two areas of concentration: Strengthening industrial capacities, including programmes in support of the global forum function and policy advice; and Cleaner and sustainable industrial development.

In 1999, in order to implement the Business Plan, UNIDO reviewed all its detailed technical cooperation activities and only maintained those that were in line with the Business Plan. These activities were grouped first into 16 and later into 8 service modules. These service modules define the services that UNIDO offers its client countries. Of these, three – Sustainable Energy and Climate Change, Montreal Protocol, and Environmental Management – are dedicated specifically to environmental services. In parallel, UNIDO instituted its Integrated Programmes. These nationally based programmes are based on the fundamental precept that UNIDO can offer maximum value if its services are offered as an integrated package. These programmes are an important mechanism for further mainstreaming UNIDO's environmental activities.

In 1995, recognizing the significant role that industry has in the production and use of Persistent Organic Pollutants (POPs), UNIDO became actively involved in process that eventually led, through meetings of the Intergovernmental Negotiation Committee, to the elaboration of the Stockholm Convention on POPs. With the GEF as the funding mechanism for the Convention, the GEF Council in 2000 agreed to give UNIDO the status of Executing Agency with Expanded Opportunities with respect to industrial POPs.

II. The Status of UNIDO's Current Mainstreaming Efforts

In 2005, UNIDO's Member States assessed once more the Organization's activities in light of the continuing evolutions in the global development agenda, and further refined its role and functions. These changes were articulated in the Strategic Long-Term Vision, which was adopted by the General Conference in December 2005. UNIDO now groups the services it offers within three thematic areas:

- *Poverty reduction through productive activities*, where UNIDO focuses on enabling the poor to earn a living and so concentrates on private sector development and agro-industrial development;
- *Trade capacity building*, where UNIDO builds up the technical infrastructure (standards regimes, metrology capacity, laboratory testing capacity, accreditation systems) required to participate in

international trade, but also offers support services in upgrading the productive and export capacities of key export sectors so that developing countries can enjoy the fruits of opened borders and markets.

- *Energy and environment*, where UNIDO helps its clients solve two fundamental problems: de-linking intensity of energy and material use from economic growth, and reducing the environmental damage that occurs with energy and material use.

UNIDO's Results Based Management system is keyed to these three themes. However, the system has been designed to explicitly recognize that many of the Organization's activities can give results under more than one theme, and to encourage project designers and implements to bring out multiple results. From the point of view of environmental mainstreaming, this encourages all professional staff to obtain environmental results from projects that are not classified within the Energy and Environment theme.

III. The Future Goals of Mainstreaming within UNIDO

In the thematic area of Energy and Environment, it is stated in the Strategic Long-Term Visions Statement that in the long run the focus of UNIDO's activities should be to help bring about fundamental changes in both product design and technology, which provide for resource sustainability by closing the loops of natural resources in our economies. Specifically, UNIDO should:

- (a) Continue its support to enterprises to reduce the amount of materials and energy they use through greater efficiency and productivity, and to eliminate the use of hazardous and toxic materials;
- (b) Continue its support to enterprises in their efforts to shift from non-renewable to renewable sources of energy and materials;
- (c) Promote moves by countries towards circular economies, where materials are used and continuously recycled;
- (d) Encourage enterprises to shift the focus of their business models from selling products to supplying services.

Building on these considerations, but also recognizing that many of the formally non-environmental services of UNIDO can have an important role to play in the environmental field, the Director-General has recently directed that an Organization-wide Green Industry Initiative be designed and implemented. This will have four platforms:

- The creation and dissemination of a Green Industry toolbox. The toolbox will bring together into one coherent package the tools and methodologies that UNIDO has created relating to cleaner production, energy efficiency, transfer of environmentally sound technology, environmental management, social responsibility, but also productivity and quality. This will build on, among other things, UNIDO's TEST methodology, which was successfully piloted in a GEF-funded project. The NCPC network, but also UNIDO's network of Investment and Technology Promotion Offices and other networks, will be used in the dissemination process.
- The promotion of the environmental services sector in the developing countries, recognizing that this sector is still weak in most developing countries. Given the stress in the Strategic Long-Term Vision Statement on promoting circular economies, the focus will be on promoting the creation of recycling industries. UNIDO's expertise in enterprise development, business services development, creation of investment partnerships, and other areas of enterprise development expertise will be brought to bear on this effort.
- Building on its successful pilot chemical leasing programme, the promotion in the developing countries of business models where enterprises offer services rather than products for sale, looking for cases where the business partners in such arrangements enjoy financial as well as environmental advantages.

- Assistance in the elaboration of industrial, trade and technology policies and standards that make it easier for enterprises in developing countries to adopt environmentally sustainable practices, building on UNIDO's traditional expertise in industrial policy.

Finally, the Director-General has begun focusing on how to mainstream environmental considerations into the Organization's own behaviour. To this end, he committed the Organization to the goal of carbon neutrality at the June 2007 Industrial Development Board meeting. As part of a broader UN-wide exercise coordinated by the Environment Management Group (EMG), UNIDO has made a first estimation of its carbon footprint, and will be elaborating an action plan to reduce it. UNIDO is also actively pursuing sustainable procurement activities.

ANNEX 9: WORLD BANK

Introduction: The strategic context

The World Bank's Environment Strategy, issued in 2001, has three interrelated goals:

- To improve the quality of life, by enhancing incomes that are dependent on natural resources; preventing and reducing environmental health risks; and reducing people's vulnerability to environmental hazards.
- To improve the quality of economic growth by supporting policies, regulations, and institutions for sustainable environmental management.
- To protect the quality of the regional and global commons, and to help find equitable solutions to global challenges.

In this context, the World Bank's global environmental interventions build on the following five principles:

- Focus on the positive linkages between poverty reduction and environmental protection
- Focus first on local environmental benefits, and build on overlaps with regional and global benefits.
- Address the vulnerability and adaptation needs of developing countries.
- Facilitate transfer of financial resources to client countries to help them meet the costs of generating global environmental benefits not matched by national benefits.
- Stimulate markets for global environmental public goods.

The mainstreaming agenda

With the widespread adoption of Environmental Assessment laws, minimizing and mitigating negative environmental and social impacts of development projects has become generally accepted as a routine and legitimate cost of doing business. However, it is necessary to go beyond the project-based approach of "do no harm" and incorporate environmental considerations – including those related to the global environment – into policies and programs, influencing decisions at the highest level where broad directions are set for whole sectors and the economy in general. This can be a challenge because it often involves dealing with difficult trade-offs, for example between short-term benefits and long-term sustainability, between development goals of different sectors, and between the needs and aspirations of different groups of stakeholders. Trade-offs related to the global environment are particularly challenging given the economic growth and poverty reduction goals of developing countries. The GEF, and a range of other environmental partnerships, are essential instruments in the Bank's efforts to provide knowledge, strategic advice and finance to client countries to address global environmental concerns.

Indicative of the Bank's commitment to mainstreaming the global environment is its deepened engagement with the climate change agenda through the Clean Energy for Development Investment Framework, which has the goals of supporting energy for development, with a particular emphasis on access for Sub-Saharan Africa; transition to a low-carbon economy; and, adaptation to the impacts of climate change. The Bank has taken a lead role in ensuring that developing countries can benefit from international responses to climate change, including the emerging market for reductions in greenhouse gas emissions, with low-carbon projects of US\$1.4 billion in FY07 (including GEF grants), representing 40 percent of World Bank Group (WBG) energy lending (up from 28 percent in FY03–05, and 36 percent in FY06). With US\$682 million in new renewable energy and energy efficiency operations delivered in FY07, the WBG continued to exceed its Bonn commitment of an annual funding increase of 20 percent for renewable energy and energy efficiency. The WBG also catalyzed capital investments in gas-flaring reduction projects of US\$1.9 billion through carbon finance and partnerships with the private sector, keeping on track to deliver 22 million tons of CO₂ emission reductions by 2012.

Mainstreaming the global environment in the Bank's core development work requires progress on three fronts: (a) incorporating global environmental issues in the country policy dialogue; (b) integrating interventions for the protection of the global environment in investments in various economic sectors; and (c) integrating GEF operations into the Bank's country programming and regular operational policies, procedures and systems.

Incorporating global environmental issues in the country policy dialogue

Country Assistance Strategies. Environmental issues – including those related to the global environment – are increasingly being incorporated into country assistance strategies (CAS). In FY07, concerns about vulnerability to climate change were mainstreamed in 32 percent of the CASs, up from 15 percent in FY00–05 and 25 percent in FY06.

The Bank tailors its assistance to countries based on, *inter alia*, their level of economic development, the issues they face and their capacity to address these issues. Hence, the extent to which GEF supported initiatives have been integrated in to a CAS varies by country. At one end of the spectrum are the China and Vietnam Country Partnership Strategies, representing best practice. In both, environment is a CAS theme, environment is recognized in relation to other CAS themes, and the expected GEF support for individual projects is identified. CASs for most countries recognize the importance of environment, including regional and global commons, in relation to other themes, with only a few identifying expected GEF support for individual projects.

Box 1: GEF mainstreaming: the China example

The GEF is the first and most prominently referenced tool for implementing the Environmentally Sustainable Development pillar of the China CAS. It is so prominent because it has helped catalyze and implement (a) China's commitment to meet 10% of its power needs from renewable energy by 2020 (through passage of the Renewable Energy Law, which mandates a minimum purchase of renewable energy; (b) a major energy efficiency drive in the power, industry, transport and construction sectors (for example, through building heat reform, including introduction of heat metering and payment); and (c) an end to the cutting of natural forests (through socially responsible down-sizing of the natural forest products industry). Looking ahead, the GEF is a key strategic instrument for implementing the Clean Energy Investment Framework, expanding the Bank's urban transport assistance, and for accelerating China's water pollution reduction programs.

An analysis of CAS/CPSs for countries in the Danube/ Black Sea basin showed that all GEF-funded projects in preparation in those countries were anchored in the CAS/CPSs. In several cases, the CAS/CPSs made explicit reference to environmental sustainability and sustainable use of natural resources as one of the pillars of the country development program supported by the Bank and to the government's commitment to protect the environment (including the global environment) often with explicit references to compliance with international obligations and the GEF. In fact, initial analysis of mainstreaming indicators in the international waters focal area is showing that there is close to 90 percent reporting of trans-boundary international waters programs in CASs and/or PRSPs, and there is similarly 90 percent mention of single-country GEF projects.

Analytical and Advisory Activities. The Bank has also significantly expanded its analytic and advisory activities with environmental themes, many of which are essential for enhancing the knowledge base on the linkages between poverty reduction and the local and global environment. For example, Country Environmental Assessments (CEA) focus on systematically identifying environmental priorities and on assessing policies and institutions linked with those priorities. Several CEAs, including those in Belarus, Serbia and Montenegro, and Egypt, identified specific GEF co-financed follow-up investments. A new program to begin measuring and reporting on the greenhouse gas intensity of the Bank's lending portfolio has been initiated. Low-Carbon Country Growth Case Studies have been launched (India, China, Mexico, Brazil were started in FY07 and South Africa will be initiated in FY08). To evaluate the potential

vulnerability of Bank-funded projects to climate change, the Bank developed and launched a Climate Change Screening Tool in FY07.

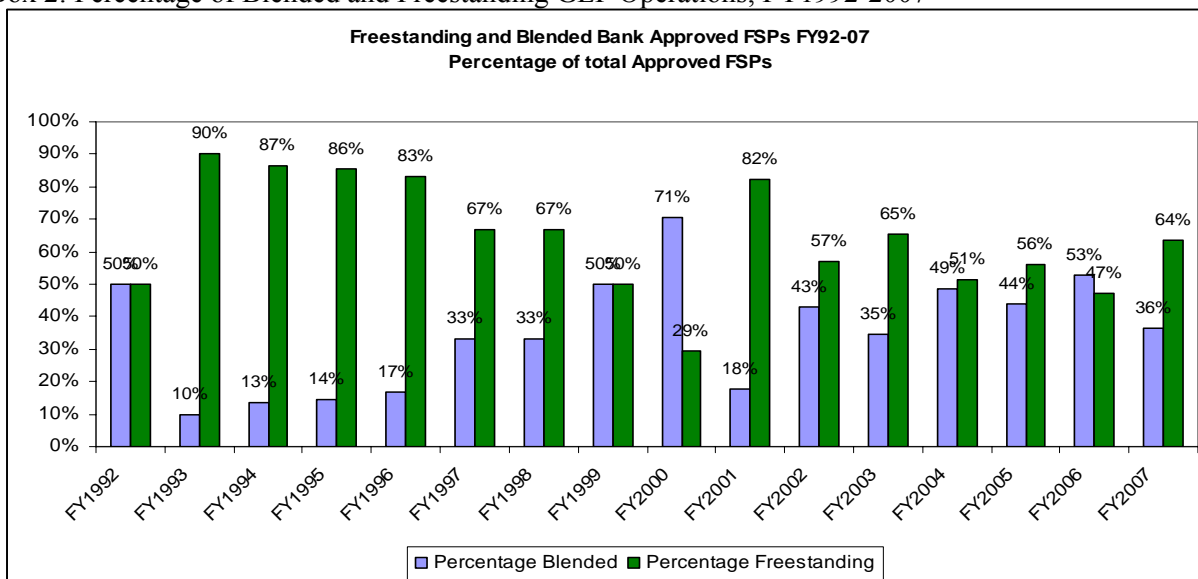
Integrating global environmental interventions in investments in economic sectors

Integration of GEF financing with Bank lending means that (a) GEF funded activities are processed as a component within a Bank operation or linked to an on-going or planned IBRD/IDA operation, and (b) significant functional linkages/dependencies exist between GEF and IBRD/IDA funded activities. There are two major categories of these functional linkages. First, GEF-supported removal of policy or institutional barriers facilitates investments supported by other financiers. Second, GEF funding for testing/piloting technologies or innovative institutional approaches enables or makes investments supported by IBRD/IDA and other financiers more effective.

This in turn means that projects support a close collaboration between environmental agencies and sector institutions or are implemented by ministries and agencies other than Ministry of Environment (typically Ministry of Agriculture, Forestry, Energy, Water, municipalities, forest enterprises, and water companies). There will always be a case for GEF-supported stand-alone activities arising out of country assistance or sectoral dialogues where no IBRD/IDA funding is needed, where GEF activities are integrated with those funded out of other sources, or where regional operations are involved.

The percentage of GEF projects blended with IBRD/IDA operations increased steadily until FY99 (see box 2). Since then, the share of blended projects has generally remained steady at just below 50%, with year-to-year variations. This “plateau” in blending is largely explained by the transaction costs and lack of predictability in GEF operations, resulting in a disconnect between the GEF cycle and the programming and budgeting cycle of the Bank.

Box 2: Percentage of Blended and Freestanding GEF Operations, FY1992-2007



In general, energy efficiency projects have been more successfully mainstreamed in the energy sector than renewable energy operations, reflecting its “win-win” nature, once barriers have been removed and broader investments catalyzed. Renewable energy investments have made less headway, given that they are more expensive and less accessible. Examples of progress (such as in Sri Lanka and India) indicate the importance of policies that provide economic incentives for widespread adoption.

There is considerable optimism that carbon finance can help to make alternative energy more competitive, and therefore more mainstreamed. Two new Carbon Facilities managed by the Bank have been designed to scale up the use of carbon finance for climate change mitigation. The Carbon Partnership Facility (CPF) will support the development of a programmatic and sectoral approach to scaling up carbon finance operations to integrate them more closely into the Bank's country assistance programs. The new Forestry Carbon Partnership Facility (FCPF) will pilot incentive mechanisms to reduce emissions from deforestation and land use changes, estimated to account for more than a third of total annual emissions from developing countries.

Several GEF operations coupled with Bank lending in agriculture, rural development, livestock, fisheries, and forestry have demonstrated how global environmental benefits of biodiversity conservation, international waters protection and sustainable land management frequently converge with local environmental and economic benefits. Romania represents an excellent example of the critical role of GEF for mainstreaming global environmental concerns in broader economic development and for replication and scale-up. GEF interventions on conservation of biodiversity in forests and meadows were linked to larger investments on sustainable forest management while GEF support for the protection of wetlands ecosystems and water pollution reduction were linked to broader investments in agriculture development, natural hazard mitigation and land use management. The GEF support provided under the Black Sea/Danube Investment Fund for Nutrient Reduction to demonstrate effective measures to control agricultural runoff from selected farms was instrumental in leveraging government commitment and financing, through an IBRD loan, for replicating and scaling-up these measures at national level.

There has also been a growing portfolio of Bank-financed operations with significant potential global environmental benefits. For example, the Mexico Programmatic Environment Development Policy Lending Program (ENVDP) directly supports strategic components of the Government of Mexico's environmental mainstreaming program, with a strong focus on climate change adaptation and mitigation actions across economic sectors. Several Bank infrastructure projects have explicitly mainstreamed conservation of natural habitats into project design. Bank experience demonstrates that integrating natural habitat issues into the design and operation of infrastructure projects can both substantially reduce the associated environmental costs and create win-win results for conservation and development. Specifically, infrastructure projects can provide and/or leverage important resources that might not be available for strictly "green" projects, resulting in significant conservation gains. For example, Bank support for the Nam Theun 2 dam project in Laos has led to protection of biologically important forests and the establishment of a financing mechanism for 30 years to cover protection costs. The Argentina flood protection project incorporates natural forests of high biodiversity value for flood control. The Bolivia-Brazil gas pipeline project provides financing for parks and indigenous communities living within them.

In Hungary, where the IFC Hungary Energy Efficiency Program (HEECP) was originally 100% GEF funded, a separate IFC facility was spun-off in 2006 with \$250 million of local bank funding (supported by \$125 million of IFC risk-sharing) to finance EE renovations of Hungarian schools and municipal buildings under a national modernization program. In China, the IFC/GEF CHUEE program's \$16.5 million GEF funding, which was designed to generate approximately \$100 million in EE financing over four years from IFC's parallel investment of \$30 million, will soon benefit from an additional IFC commitment of \$170 million, yielding bank lending totaling more than \$450 million over the life of the program. IFC now projects a \$500 million per annum line of business, translating into more than \$1 billion/year in commercial sustainable energy investment by IFC's partner banks and their clients.

Application of World Bank policies and procedures to GEF co-financed operations

The World Bank GEF portfolio follows the same policies, procedures and business practices as IBRD/IDA investment lending, in order to promote integration of GEF funded activities in the Bank's

core development work. Bank regional vice-presidencies are responsible for identification, development, appraisal and supervision of GEF co-financing, as part of their annual work programs. Bank management monitors the same indicators of portfolio performance for the GEF as the IBRD/IDA portfolio. GEF co-financed operations are subject to Bank quality at entry and quality of supervision assessments. Upon completion, ICRs for GEF grants are reviewed by IEG, which also conducts Project Performance Assessments for GEF grants.

Consistent with Bank investment lending policies and procedures, GEF co-financed grants require assessments of project financial management and procurement capacity of the recipient, a description of the financial management and disbursement arrangements, and a procurement plan.

Conclusions

The Bank has had significant achievements in mainstreaming the global environment in its country assistance programs over the past 15 years. However, further progress will depend on the following factors:

First, CAS reviews show that poverty-environment linkages continue to be challenges in CASs. Therefore, the Bank will need to increase the quantity and quality of analytical and advisory activities, so that client countries have reliable data and comprehensive analysis that clearly identifies the implications of alternative strategic choices and development directions. Issues need to be framed in economic and quality of life terms. As indicated in the Bank's Sector Strategy Implementation Update, the Bank will scale up work on institutions and governance, which remain important barriers to mainstreaming.

Second, the GEF's resource levels, and accompanying funding strategies, are not sufficient to meet the investment needs of global environmental objectives. For example, the Bank's Progress Report on "An Investment Framework for Clean Energy and Development" (September 2006) estimates that Bank-GEF commitments in the climate change mitigation focal area would need to increase by a factor of 2-3 to achieve significant and sustained market penetration of energy efficiency and renewable energy technologies.

Finally, even if financial resources were significantly increased, institutional barriers to mainstreaming assistance with such funds would need to be removed. For example, GEF funding would need to be more predictable, with strengthened pipeline management, to allow programming to be better aligned with the Bank's country dialogue. In particular, GEF and Bank project processing would need to be more closely aligned, as the review, approval and evaluation procedures are duplicative, adding to the transaction costs and processing times.