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Resilient nations.*

DISCUSSION PAPER

STRENGTHENING LIVELIHOODS IN ENVIRONMENTAL ACTION:
SUSTAINABLE LIVELIHOODS APPROACH. A CONTRIBUTION TO AGENDA 2030

United Nations Development Programme



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ACRONYMS AND ABBREVIATIONS

BIOFIN	The Biodiversity Finance Initiative
DFID	Department for International Development
ECLAC	Economic Commission for Latin America and the Caribbean
FONAFIFO PSA	Costa Rica's Forestry Financing Fund - Payment for Ecosystem Services
MDGs	Millennium Development Goals
MINAE	Costa Rica's Environment and Energy Ministry
NGO	Non-Governmental Organization
PEI	UNDP-UNEP Poverty-Environment Initiative
PES	Payments for Ecosystem Services
SDGs	Sustainable Development Goals
SLF	Sustainable Livelihoods Framework
UN	United Nations
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNICEF	United Nations Children's Fund
WRI	World Resources Institute

1. Social and Environmental Links in Sustainable Development

Objective of this Discussion Paper

In 2015 UNDP undertook a review of the Environment and Energy Portfolio¹ of Latin America and the Caribbean to assess the influence that environmental programmes may have on changes that occur in the livelihoods of poor rural communities. The study examined how environmental programmes identify and respond to interlinkages between poverty and environment, in line with the expressed aims of UNDP's 2014-2017 Strategic Plan. **The assessment was structured around the Sustainable Livelihoods Framework (SLF) which was used as an analytical tool due to its effectiveness in examining these interlinkages between environmental actions and social change.**

The portfolio analysis inspired the current discussion paper which considers the effectiveness of the SLF as a methodological tool to help: 1) develop in-depth understanding of the complexities of a given local context where projects are implemented; 2) to illustrate the pertinence of revisiting the SLF to demonstrate how UNDP interventions on environment contribute to human development; and, 3) improve the monitoring and evaluation of ongoing UNDP environment projects and account for their long-term influence in social change. This is in line with the 2030 Agenda for Sustainable Development adopted in 2015 by the United Nations (UN), which requires applying an integrated and inclusive approach to development, targeting poor and vulnerable populations, and "leaving no-one behind".

For many rural populations in Latin America and the Caribbean natural ecosystems and the services they provide represent the main source of income and livelihoods. UNDP's environmental projects do not

always document how their interventions contribute to rural livelihoods and the effects they have on community and household wellbeing. This paper argues that the SLF can be a useful tool to address these limitations, if properly used in project and programme planning, in monitoring and review of ongoing projects, and as a proxy for impact assessments.

According to the Human Development Report for Latin America and the Caribbean (UNDP, 2016a), four critical factors contribute to building resilience in low-income communities: 1) social protection throughout the life cycle; 2) care systems for children, older persons, disabled and sick; 3) household access to physical and financial assets; and 4) the labor market and the quality of employment. The strength of the SLF methodology is its focus on asset strengthening at the household level, acknowledging the pertinence of these principles. It is therefore of relevance to the ongoing discussions on poverty-environment strategies and provides a basis for multidimensional poverty analysis.

This paper is structured in three sections. The first introduces the 2030 Agenda for Sustainable Development and how UNDP structures its strategies to mainstream environment in development processes. The second section reviews the core components and usefulness of the SLF and summarizes an analysis of UNDP's environmental portfolio. The third section presents the SLF as a valuable tool in the design, monitoring and evaluation of environmental programs and projects and highlights the existing links between environmental actions and changes in livelihoods and its policy-related implications.

¹ For ease of reading, from now on, UNDP's Environment and Energy Portfolio will be referred to as "UNDP's environmental portfolio" or "UNDP's environmental programmes and projects". UNDP's environmental portfolio has seven focus areas: Ecosystems and Biodiversity, Climate Strategies, Water and Ocean Governance, Sustainable Land Management, Sustainable Energy, Ozone and Climate, and Chemicals and Waste.

A new Development Paradigm: The 2030 Agenda for Sustainable Development

According to the 2015 Human Development Report (UNDP, 2015), considerable progress has been made over the past two decades in accomplishing the Millennium Development Goals (MDGs). *“Between 1990 and 2015 income poverty in developing country regions fell by more than two-thirds. The number of people living in extreme poverty fell from 1.9 billion to 836 million. The child mortality rate fell by more than a half, and mortality rates of children under five from 12.7 million to 6 million². More than 2.6 billion people gained access to improved sources of drinking water, and 2.1 billion gained access to improved sanitation facilities, even as the world’s population rose from 5.3 billion to 7.3 billion”* (UNDP, 2015, p. 4). Despite these impressive results, poverty remains widespread in many regions of the world. According to the Sustainable Development Goals Report 2016, 1 in every 8-people lived in extreme poverty in 2012 (United Nations, 2016).

Latin America and the Caribbean showed significant progress in achieving the MDGs, reaching the targets of reducing levels of extreme poverty by half and access to safe drinking water five years before 2015, amongst other goals. Between 2002 and 2012, around 62 million people were lifted out of poverty and around 70 million joined the middle classes. However, one in every four Latin Americans still live under conditions of poverty, and one in five under

A recent analysis by (ECLAC, 2016) emphasizes that the prevailing global economic and social trend is unsustainable, as evidenced by the unprecedented inequalities arising from the concentration of wealth and income, and the deepened environmental crisis from the intensive fossil fuel use and high levels of consumption

chronic poverty (World Bank, 2015). Today, 25 to 30 million people in the region risk falling back into poverty. This figure amounts to more than a third of the population that succeeded in lifting themselves out of poverty since 2003 (UNDP, 2016a). This affects particularly the most disadvantaged groups: the elderly, women, indigenous groups, and young people.

The challenges of how to address poverty are extremely complex. More comprehensive policies are needed to foster and sustain human development. Recent poverty analyses confirm that the way out of poverty has been determined by innovative public policies and strategic interventions in development processes, which look beyond income levels and economic growth (ECLAC, 2016; UNDP, 2015; World Bank, 2015). Along these lines, the new 2030 Agenda for Sustainable Development rethinks the path to eradicate poverty in 2030 and proposes a multidimensional approach to protect and support vulnerable populations.

The 2030 Agenda for Sustainable Development, adopted in September 2015 by the UN, unearths the paradigm that social, economic and environmental goals must be carefully intertwined to produce structural and long-term changes in development patterns. This Agenda will be implemented through the accomplishment of 17 Sustainable Development Goals (SDGs) and 169 targets classified in 5 categories, also known as the “5 Ps”: people, planet, prosperity, peace and governance, and partnerships for achieving the SDGs³.

SDG 5 calls for achieving gender equality and empowering all women and girls. Access to resources and inequalities in paid and unpaid work are two key variables in achieving established targets. Moreover, UN’s gender equality and Human Rights approach calls for a stronger integration of gender variables across development policies, programs and activities. It is therefore a crosscutting aspect involving all SDGs. Environmental sustainability is also a cross-cutting aspect in the

² Per year (UNICEF, 2014). Clarification added by author.

³ The 5 Ps Framework groups the 17 SDGs in 5 different clusters, attending to 5 different dimensions. The People dimension includes SDG 1, SDG 2, SDG 3, SDG 4, and SDG 5. The Prosperity dimension includes SDG 7, SDG 8, SDG 9, SDG 10, and SDG 11. The Planet dimension includes SDG 6, SDG 12, SDG 13, SDG 14, and SDG 15. The Peace dimension is comprised in SDG 16, and the Partnership dimension is comprised in SDG 17.



Figure 1. The Sustainable Development Goals (SDGs)

new development agenda. Apart from specific SDGs with an environmental focus (SDGs 6, 12, 13, 14, and 15), there are other SDGs with targets addressing environmental variables, such as SDG targets 2.4, 3.9, 9.4, or 11.6, among others.

Operational Challenges

The UNDP Strategic Plan 2014-2017 (UNDP, 2013) is centered on seven outcomes which support countries to eradicate poverty, reduce inequalities, and promote social and economic inclusion, grouped in three core areas: sustainable development, democratic governance and peace-building, and climate and disaster resilience.

The SDG Agenda was approved in 2015, and UNDP is currently in process of developing its new 2018-2021 strategic plan, aligning its goals to the 2030 Agenda.

In the past, the integration of the three pillars of the Sustainable Development paradigm, in country plans and policies, has been difficult to achieve. Within countries, policies and programmes addressing these spheres of development seldom interconnect. More commonly, siloed policies and actions take place, leaving behind the

environmental components of the sustainability equation. In general terms, efforts to achieve MDG 7 (ensure environmental sustainability) failed to reflect links with poverty reduction and with other economic development strategies (UNDP-UNEP, 2015). The implementation of environment policies has been sector based and one-dimensional. Additionally, development efforts have largely ignored the tradeoffs and interrelation between the economic, social, and environmental dimensions.

Siloed policies and actions tend to neglect the mutual dependencies between the environment, society, and the economy. In development practice, mainstreaming gender in environmental policies, actions, and projects has also been difficult to achieve. To tackle this, UNDP's Gender Equality Strategy 2014-2017 (UNDP, 2014) has clearly reinforced a transformational approach to gender to address the underlying structures of power that exist in all societies. Aligning UNDP's work with national priorities and promoting multisector and interdisciplinary approaches with a gender perspective has been essential to UNDP's work. This is an area which requires political will at a high policy and institutional level.

THREE STAGES OF COSTA RICAN ENVIRONMENTAL PATH

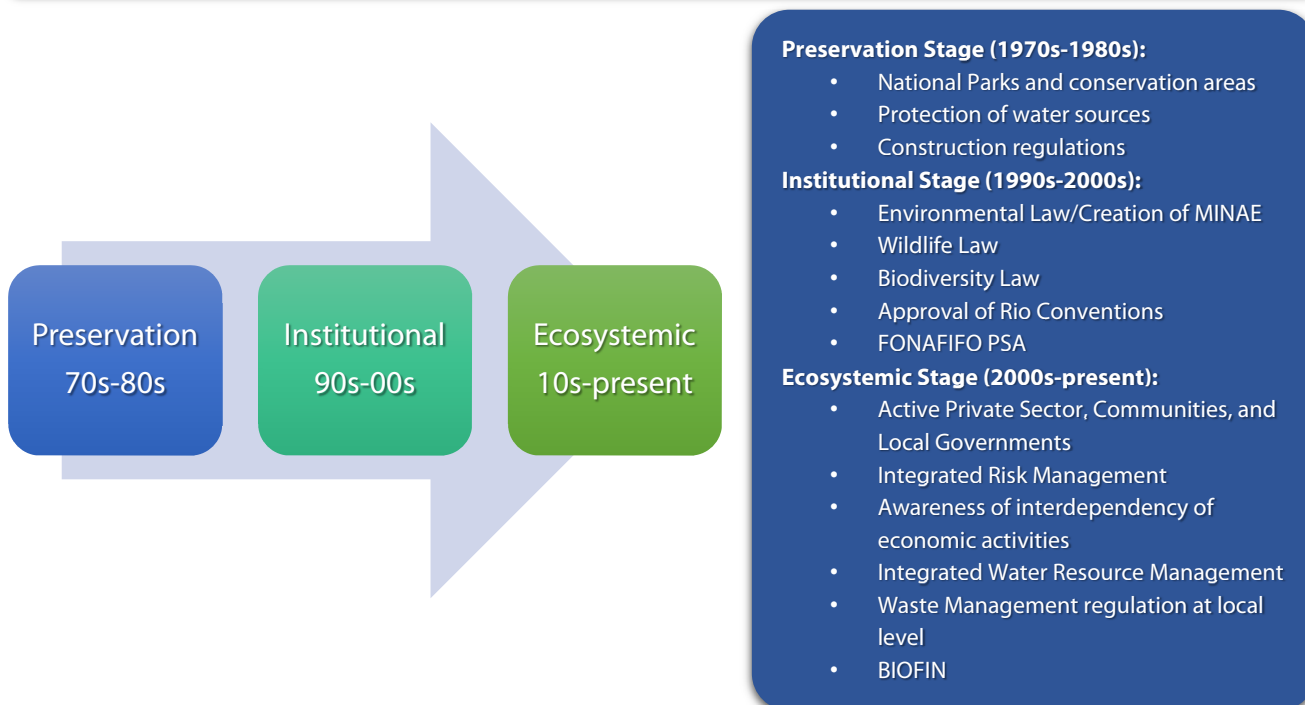


Figure 2. Three Stages of Costa Rican Environmental Path

The alignment of the UNDP's Strategic Plan with the 2030 Agenda, and the operationalization of integrated approaches to achieve integrated development interventions with gender and social equity is a challenge with high priority in the organization. Figure 1 shows the 17 SDGs, which are implemented following principles of universality, integrality, and inclusion ("leaving no-one behind")⁴. As with the MDGs, the challenge to find holistic operational responses to the complex set of problems is still present.

Another aspect of concern is the diversity of definitions given to the term sustainable development by different actors in countries. The amplitude in the use of the term can reflect an oversimplification of its definition and

interpretation. Private sector, academia, governments, and civil society use the term in different contexts and even in conflicting circumstances. For policy makers, the concept has gained widespread acceptance. Thus, it becomes difficult to construct an operational framework for concrete project implementation when the concept is understood in a broad sense.

From a wider perspective, environmental sustainability refers to the ability of ecosystems to maintain the integrity of the services they provide⁵, including the physical environment that sustains life. All social interactions with the environment and the economic and productive activities people conduct lead to changes in the surrounding environment; therefore, the goal of environmental policy is to

⁴ The principles of the 2030 Agenda are: "a) universality, as it deals with global challenges and should be implemented by all countries, b) integration, bringing together the three strands of sustainable development: social, economic and environmental; and c) "leaving no one behind", as it should reach those groups that are most disadvantaged" (UNDP, 2016b).

⁵ According to WRI (2003), ecosystem services can be classified in four categories: provisioning services ("the products obtained from ecosystems", p. 56); regulating services ("the benefits obtained from the regulation of ecosystem processes", p. 57); cultural services ("the nonmaterial benefits people obtain from ecosystems through spiritual enrichment, cognitive development, reflection, recreation, and aesthetic experiences", p. 58); and supporting services (the ones "necessary for the production of all other ecosystem services". p. 59).

enable to integrate sustainable practices in all dimensions of development policies, protecting the integrity and thus the sustainability of the environment, while improving the social and economic dimensions of people's lives.

Mainstreaming Environment in Policy Work

The core of UNDP's work in Latin America and the Caribbean on environment seeks to mainstream environmental sustainability in the planning, design, and implementation of national, sub-national and sectoral strategies, policies and development programs. This broader approach to environmental action, which promotes sustainability across sectors, has been the focus of UNDP's environment strategy since the development of the UN international agreements on the environment, especially the United Nations Conference on Environment and Development (also known as the "Earth Summit") held in 1992 with the Agenda 21 and the Rio Declaration on Environment and Development; the United Nations Framework Convention on Climate Change (UNFCCC); the Convention on Biological Diversity; and the United Nations Convention to Combat Desertification.

To date, all 33 countries in the region have signed multilateral environmental agreements on climate change, desertification, biodiversity, and chemicals, and most countries possess a framework of environmental policies to guide the legal and normative implementation of these international agreements.

In general terms, the main strategies within countries for environmental protection policies in the past have addressed the conservation of natural resources and habitats. In policy work, the use of regulatory and control mechanisms has focused on three principles: 1) conservation and protection of natural resources, both renewable and non-renewable; 2) control of pollution levels generated

by economic and urban development; and 3) prevention of environmental degradation.

Currently, as illustrated in Figure 2, which depicts the case of Costa Rica, environment policies have evolved from a strict conservation focus to one that fully integrates sustainable natural resource uses which are prioritized by local stakeholders. Figure 2 illustrates how environmental policy has evolved over time, where three differentiated stages in policy reflect the shift from a conservationist to an ecosystemic and economic approach⁶. This policy path also exemplifies the typology of strategies within UNDP's environmental portfolio and other development agencies over the years.

One barrier to mainstreaming environment within development policies, as highlighted in different studies (Dalal-Clayton & Bass, 2009), is not the lack of regulation, but rather the lack of policy implementation, or the "implementation gap". Countries have developed a broad range of environmental instruments⁷, but not many have been institutionalized within the planning and budgeting processes to enable actual mainstreaming of environment considerations within government actions.

Some successful experiences include Payment for Environmental Services (PES) in the forestry sector in Bolivia, Costa Rica, and Mexico, where these mechanisms are applied at national level using sustainable budget sources, protecting ecosystems while simultaneously generating income for the public and/or the private sector and communities. In these cases, institutionalized strategies have promoted changes in the economic behavior of stakeholders using market principles.

The poverty – environment nexus

The links between poverty and environment have been examined extensively in development literature. UNDP and UNEP have elaborated further on this framework that links poverty-environment

⁶ UNDP's Biodiversity and Finance Initiative (BIOFIN) provides a source of information on environmental policy and institutional reviews for biodiversity management and conservation. BIOFIN conducts country case studies and expenditure reviews to track environmental finances. Costa Rica is a partner country and the illustration was presented in the BIOFIN 2nd Global Workshop, Mexico April 12-14, 2016.

⁷ Including regulations and tools for assessing and managing environmental quality, land use and territorial planning, environmental impact assessments, disaster risk reduction plans, regulations for the management of wildlife, and renewable and non-renewable natural resources.

issues to high priority policy areas such as economic growth and job creation. The Poverty-Environment Initiative (PEI)⁸ is a joint programme that directs its attention to turning these linkages into concrete programmes. As the PEI literature asserts, “there is a profound connection between the poor and their reliance on environmental resources” (UNDP, 2009, p. 2).

Many studies have documented how poor communities depend on the use of natural resources to sustain their livelihoods. Access to productive land, environmental services, biodiversity, and other natural assets provides food security and the income required to keep families out of poverty. Consequently, a decline of the environmental quality or depletion of natural resources exacerbates poverty.

Poverty is a multidimensional concept, and income is only one of the many livelihood variables that determines human wellbeing (UNDP, 2015). Many scholars argue that the essential characteristics of poverty are not captured by incomes, consumption or production, but by the level of vulnerability. This shows the importance of other less tangible aspects of disempowerment and poverty, such as the lack of access to natural resources, justice, education, or health, gender discrimination, and poor working conditions. Robert Chambers defines vulnerability as “(...) *the exposure to contingencies and stress, and the difficulty to cope with them. Vulnerability thus has two sides: an external side of risks, shocks and stress to which an individual or household is subject; and an internal side which is defenselessness, meaning a lack of means to cope without damaging loss*” (Chambers, 1989, p. 1). According to this definition, vulnerability is a complex phenomenon, comprised of several contributing factors: external (shocks) and internal (response capacity, potentiality); objective as well as subjective; and individual as well as collective. This assertion has operational considerations for development practitioners. The application of integrated approaches to impact poor populations requires interactions and synergies seldom achieved

in country development programs across developing countries. The articulation of diverse sectors, policies, institutions, resources, capacities and timeframes, among other things, must take place in coordination with several other actors and sectors, and in response to well identified vulnerabilities, coping and adaptation capacities, strategies and local priorities, and the interests of local people.

The poverty-environment nexus in environmental programs and projects is often conceptually very strong. This relationship is well expressed in the formulation and resource mobilization phases of projects. However, many country environmental programs and projects rarely have explicit poverty reduction goals and outcomes, or targeted, budgeted activities. Environmental objectives and goals respond primarily to sectoral approaches and/or to a national policy, and the framework of priorities has often been constructed around international conventions and cooperation agreements, with insufficient attention to livelihoods in expressed outcomes, and monitoring and evaluation frameworks.

Project-based intervention strategies and higher policy levels of implementation are another aspect to consider. Policy interventions at the country level are less likely to have a direct impact on people’s livelihoods than specific projects targeting communities in a specific geographical area. However, project-level interventions usually have lower impacts since target groups and areas are smaller.

For the PEI, the poverty-environment link is an explicit objective in its design. A review of the PEI initiative points out that: “(...) *these higher-level policy objectives are mostly anchored in national development plans and the sectoral policy sphere. It is typically in sectors such as agriculture and energy where the strongest links between poverty-environment mainstreaming and economic growth exist. These linkages also exist with regards to climate*

⁸ The Poverty-Environment Initiative of the United Nations Development Programme (UNDP) and the United Nations Environment Programme (UN Environment) is a global programme that supports country-led efforts to put pro-poor, pro-environment objectives into the heart of government by mainstreaming poverty-environment objectives into national development and sub-national development planning, from policymaking to budgeting, implementation and monitoring, with the overall aim to bring about lasting institutional change and to catalyze key actors to increase investment in pro-poor environmental and natural resource management. More information on PEI at www.unpei.org.

change and management of natural resources" (UNDP-UNEP, 2015, p. 105). However, even in the most successful cases, reaching target populations with sustainable efforts to produce lasting changes and impacts has been difficult. After analyzing several PEI experiences, UNDP (2009) recommends focusing on implementing concrete programme and project based actions to reach the poor, with measurable indicators (UNDP-UNEP, 2017).

The positive outcomes of some environmental programs and projects on the livelihoods of local communities and their incidence on poverty reduction cannot be taken for granted. Designing projects and programs to maximize this positive influence on livelihoods and documenting the social changes and interactions that take place and designing the means to measure them requires improving project design and monitoring and evaluation frameworks and applying user-friendly tools and methodologies. To contribute to this discussion, the following section revisits the SLF and presents the results of a desk based analysis of UNDP environment programmes and projects⁹ that were implemented from 2008 to 2012. The review focused on assessing the impacts of UNDP's environmental portfolio on the broader livelihood base of communities in Latin America and the Caribbean.

⁹ The list of projects included in the scope of this analysis can be found in Annex 1.

2. Core Components of the Sustainable Livelihoods Framework

The sustainable livelihoods thinking has influenced the practice of development agencies and practitioners since the 1990s. UNDP was one of the early contributors to this conceptual framework by establishing in 1995 a Sustainable Livelihoods Unit in its former Poverty Division. The Sustainable Livelihoods Programme remained operational until the late 2000s and influenced UNDP's focus on livelihoods, which remains at the center of its Strategic Plan, with an emphasis on strengthening people's livelihood assets and their capacities to build resilience and reduce vulnerabilities.

Linking policy-level interventions with project-level actions is key when applying the SLF. The SL approach and framework, that was used in the

current analysis of the UNDP environment portfolio, builds on the work by Chambers & Conway (1991), as well as from other publications issued by the Institute of Development Studies (DFID, 1999; Scoones, 1998; Shankland, 2000).

The starting point of the SLF is conducting a participatory livelihood analysis which looks at the local context, based on people's views and understanding of poverty and focuses primarily on social, economic and environmental interlinkages that are relevant to local communities. The livelihood analysis is the basis for planning, prioritization, and monitoring. There is no designed sequence for livelihood analysis. The SLF provides an organizing structure for this analysis. A wide array of participatory and qualitative research tools and field methods, with support from available quantitative data¹⁰, should be used in applying this approach.

The basic concepts of the sustainable livelihoods approach are presented in Box 1.

Box 1. Core concepts of the Sustainable Livelihoods Approach

People-centred: People rather than the resources they use are the priority concern in the livelihoods approach, since problems associated to development often root in adverse institutional structures impossible to be overcome through simple asset creation.

Holistic: A holistic view is aspired in understanding the stakeholders' livelihoods as a whole, with all its facets, by a manageable model that helps to identify the most pressing constraints people have to face.

Dynamic: Just as people's livelihoods and the institutions that shape their life are highly dynamic, so is the approach in order to learn from changes and help mitigating negative impacts, whilst supporting positive effects.

Building on individual and community strengths: A central issue of the approach is the recognition of everyone's inherent potential for his/her removal of constraints and realisation of potentials. Identifying these strengths rather than the needs and problems is the starting point of this approach, in order to contribute to the stakeholders' robustness and ability to achieve their own objectives.

Macro-micro links: Development activity tends to focus at either the macro or the micro level, whereas the SLA tries to bridge this gap in stressing the links between the two levels. As people are often affected from decisions at the macro policy level and vice-versa, this relation needs to be considered in order to achieve sustainable development.

Sustainability: A livelihood can be classified as sustainable, if it is resilient in the face of external shocks and stresses, if it is independent from external support, if it is able to maintain the long-term productivity of natural resources and if it does not undermine the livelihood options of others.

From Kollmair & Gamper (2002)

¹⁰ Which should be selected based on the needs of each specific project.

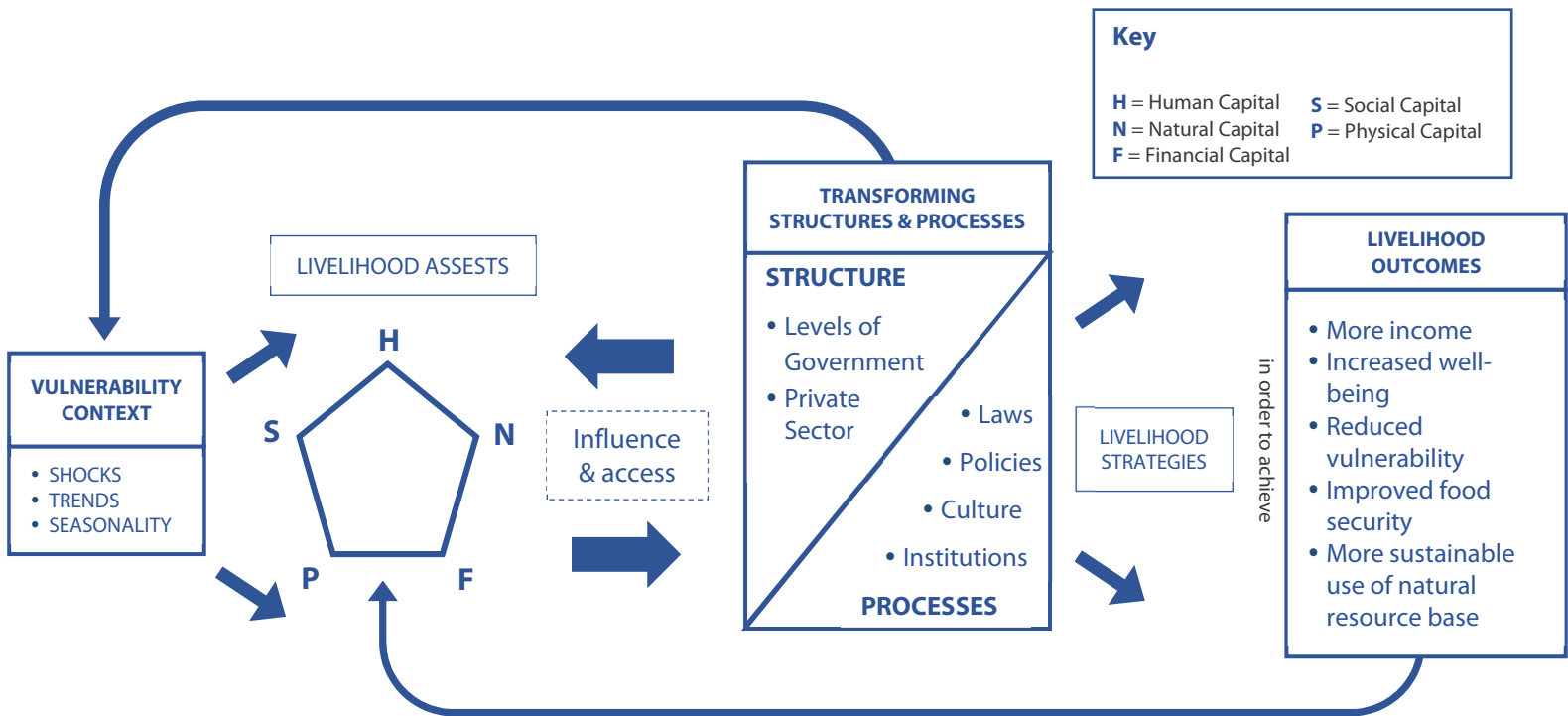


Figure 3. Sustainable Livelihoods Framework. Graph from DFID (1999)

The main components of the livelihoods framework are presented in Figure 3, along with key influential factors determining people’s livelihoods. The arrows represent a series of highly dynamic relationships. All arrows indicate a certain level of influence, with no direct causal link.

Environmental projects often interact at various levels and frequently develop actions that influence both institutional structures and social processes, where power relations and social interactions take place. The SLF allows for a comprehensive analysis emphasizing the strong interdependence between these levels where people’s capacities and vulnerabilities in each context are exposed, and the livelihood strategies are decided. It is people-centered and can be combined with practical field techniques (e.g. community workshops, focus group discussions for women and men, rapid rural appraisals, vulnerability assessments, tailored household surveys, socio-economic data available, etc.) enabling throughout the analysis to identify social dynamics, and account for intra-household disparities such as in gender relations, and

community power relations. Development organizations and practitioners use the SLF to gain an accurate account of the current and future state of a community before and after a project is implemented.

The SLF adopts a systems approach to understanding livelihoods, and provides a way of conceptualizing this through:

- ➔ The goods or assets people need;
- ➔ The means by which people earn a living;
- ➔ The context for which a particular support is designed;
- ➔ Any factors which could strengthen resilience in moments of stress and crisis.

Understanding power relations that are embedded in the “social relations of poverty” within a community is a central focus of the SLF. Unbalanced power relations maintain and reproduce poverty at the local level and influence people’s access to resources and livelihood opportunities. These power structures are also influenced by inequalities that exist between men and women within a community. Hence, the SLF highlights the need to give special

attention to groups in condition of vulnerability, when conducting regular sustainable livelihood analyses, such as women, different age groups, people with disabilities, indigenous groups, children and youth. Supplementary assessments with specific gender analyses that look more closely at the power relations inside households are recommended. Although the concept of livelihood tends to direct attention to the household as the decision-making unit, since it is at this level that various economic activities are combined into livelihood strategies, unequal social relations within communities, inequalities, interests, opportunities, and decision-making power, should rightly be noted and assessments should provide disaggregated data and analysis for different groups in condition of vulnerability (DFID, 2001).

Livelihoods are categorized as assets or capitals. The definitions used in this paper are those provided by DFID (1999) as follows:

- **Human capital:** this refers to the abilities, experience, work skills and health conditions which, when combined, allow populations to engage with different strategies and fulfil their own goals regarding livelihoods.
- **Natural capital:** this refers to the natural resource stocks that people can draw on for their livelihoods, such as land, forests, water, air, and genetic material, as well as ecosystem services and functions, such as protection against soil and coastal erosion, or nutrient cycling, among others.
- **Financial capital:** this refers to the financial resources that communities use to achieve their goals regarding livelihoods.
- **Physical capital:** this refers to the basic infrastructure and production inputs needed to support livelihoods.
- **Social capital:** this refers to the social resources on which populations rely when seeking their goals relating to livelihoods¹¹.

The focus on assets is important as they are key for promoting human development: assets strengthen the capabilities of populations and are also a basis

for strengthening resilience. *“The logic is that the starting point is to assess the assets with which rural people live and base their livelihood strategies. This is also the end point of the model as those strategies impact not only on their livelihoods in terms of outcomes (...) but also back on the assets themselves. Therefore, the changing asset base, measured for the five types of capital to which households have access, can be a useful proxy for impact on livelihoods”* (Bond & Mukherjee, 2002, p. 808).

The SLF, if used properly, can be a methodological tool for solving operational limitations in project design and monitoring. Thus, regardless of the project’s main strategy or focal area, whether environment or people focused, projects can combine interventions to enable sustainable livelihoods. By making these relationships explicit in project design, development practitioners using the SLF can have a basis to identify livelihood outcomes with measurable indicators, even if the main focal area of a project is environmental protection.

UNDP’s Environmental Portfolio: Contributions to Sustainable Livelihoods

UNDP’s environmental portfolio in Latin America and the Caribbean focuses on improving the management and conservation of natural resources and protecting ecosystems in general. Projects support replicable and scalable sustainable production initiatives that enable the conservation of natural capital. Projects in this portfolio use diverse strategies and tools on the ground, and have a strong emphasis on developing and strengthening policies and building institutional capacities.

While livelihoods approaches used to be absent from environment-focused projects, a gradual shift from strict environmental conservation to sustainable ecosystem management can be observed, resulting in increased integration of environmental and social variables in development projects (Dalal-Clayton & Bass, 2009).

¹¹ In this paper, social capital refers specifically to local social capital, such as networks, associations, local authorities, local officials, and broader population receiving program assistance.

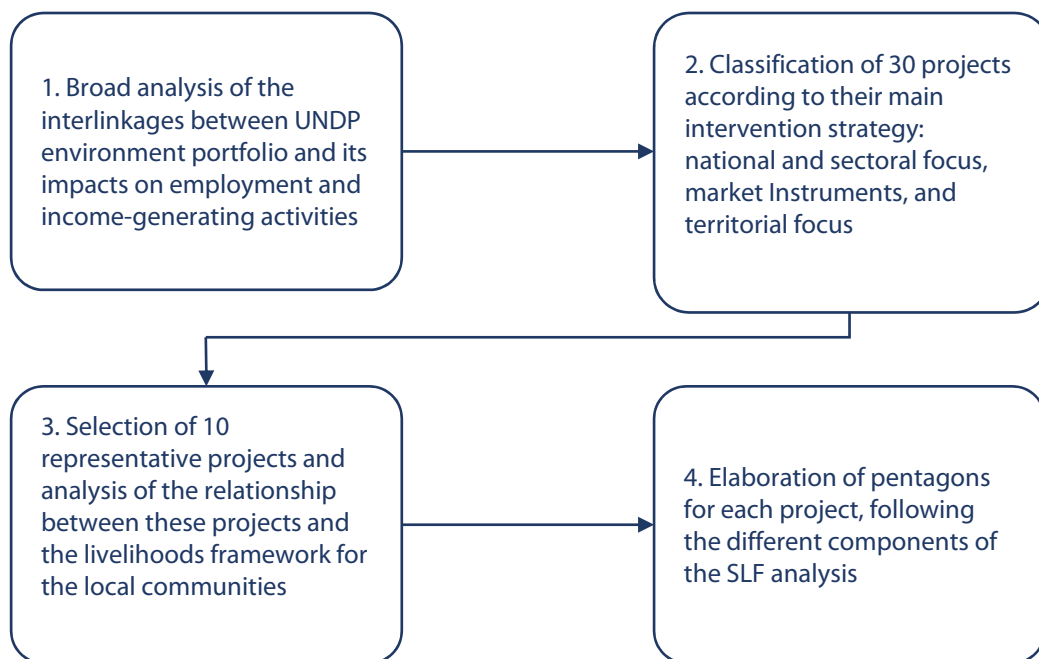


Figure 4. Four stages of the desk analysis of UNDP's environmental project portfolio

However, UNDP's environmental projects still lack proper integration within the design and in monitoring and evaluation frameworks of livelihood indicators and outcomes, and they do not usually pay sufficient attention in project documents to explaining the local socio-economic and institutional contexts. Consequently, projects lack information to enable adequate assessments of the influence that environmental projects may have in social change, local development and specific livelihoods contexts.

Some projects may contain economic valuations of ecosystem services, which enable deeper understanding of the interlinkages between environment and human wellbeing. Since these studies are time consuming and require considerable human and financial resources, it is unusual to conduct them during the design phase of a project. The lack of information at the outset leads to weak understanding of the linkages between the environmental components of projects and the potential benefits to the livelihoods of targeted communities.

SLF as an analytical tool

The analysis of UNDP's environment portfolio in Latin America and the Caribbean was conducted using the SLF as an analytical tool to better understand the interlinkages between the environment and poverty outcomes. The SLF was developed as a field based tool for rural development projects, and is a participatory method. For the current analysis, the SLF was adapted to enable a desk based assessment of secondary data, which included the review of project documents, progress reports, and evaluations. Interviews were conducted with project managers to fill in data gaps when needed. Figure 4 shows how the review was structured into four steps.

An initial review of 30 projects was conducted followed by an in-depth assessment of a selection of 10 projects. The 10 projects, were then classified into three main categories, based on the focus of their intervention strategy: 1) national/sectoral focus; 2) market/financial instrument focus; and 3) land/spatial based/community focus. Through a ranking and scoring exercise of the impact of the projects on different livelihood capitals, a value of 1

to 3 points was assigned to each capital¹². A high valued score indicates the predominance of the type of assets that the project enables and strengthens. A pentagon which represents the five capital assets was used to graphically present the results of each project.

Summary of the Findings of the Analysis¹³

The results of the analysis show that the selected projects with an environment focus have contributed positively to the sustainable livelihoods of local communities in Latin America and the Caribbean, especially to those that live in rural areas. In the selected projects for the study, three main types of content areas were identified within stated outcomes, which contribute directly to the improvement of livelihoods: 1) the development of enabling conditions for creating and implementing policies related to environmental protection and/or the sustainable use of natural resources; 2) the improvement in the working and production conditions and the access to jobs; and 3) strengthening human, financial, physical, natural, and social capital in communities through project activities. All the projects share the aim of strengthening environmental protection policies, improving regulatory frameworks, and integrating good environmental practices into national plans.

The analysis shows that these outcomes can foster change when they take place at a high enough level and with adequate focus on people's livelihoods. Next section explains how the assessed projects have strengthened community livelihoods, by focusing on each of the five livelihood capitals

Building resilience by strengthening the financial, physical, human, social, and natural assets of households

The analysis of the 30 projects from UNDP's regional environment portfolio shows that 64% of the projects include small-scale actions linked to productive activities of rural families and support activities to improve the natural environment in which communities live. Additionally, results indicate that the use of financial instruments, particularly credit, economic incentives, and other cash payments such as PES, produce immediate tangible improvements in the wellbeing of stakeholders. Even without detailed quantitative data, projects reported improved working conditions and increased investment in education, health, and the wellbeing of children in target families. All projects resulted in strengthened human capital (by providing training and technical assistance), strengthened institutional contexts, and improved opportunities for participatory community planning and engagement in project activities.

Under the SLF, the five types of capitals can be visually represented in the form of a pentagon¹⁴. The shape of the pentagon shows how projects, through intervention activities, may place more emphasis on actions that strengthen some livelihood assets over others. Discernible differences may be observed in the pentagon analysis for each project, although in general, projects show positive impacts on all five capitals¹⁵.

For example, the development of environmental protection policies has a strong positive impact on the five capitals, by enabling to strengthen both public and private organizations. The projects include activities that improve natural resource management and biodiversity conservation, working directly with community stakeholders at the local level, in addition to higher government

¹² Ideally, this assessment should be carried out by communities and involving institutions/project staff. It thus places people and their priorities at the center of the analysis. When carried out with communities on the ground, the scoring can differ from the one used here, with points up to 5 or 10, for example.

¹³ This section summarizes the results of the study, conducted in 2015. For further information, see UNDP (2017).

¹⁴ The shape of the pentagon shows variations in asset access experienced by different households or families. The central point of the pentagon represents zero access to assets, whilst the exterior edge represents maximum access (DFID, 1999). In the case of the pentagons presented in this paper, they represent the assessments made in the desk study, following the guidelines explained in UNDP (2017).

¹⁵ Pentagons of the UNDP projects included in the scope of this analysis can be found in Annex 3.

administrative and policy levels. These actions in turn enable environmentally sustainable productive activities and increase household income. As shown in the pentagons below, projects also contribute to the development of human capacities.

As expected, the projects that focus on providing market instruments primarily improve access to financial resources and product marketing. These improvements also strengthen social capital by developing capacity in labor organizations and businesses. In the selected projects, mainstreaming biodiversity conservation in financial schemes is also achieved.

The analysis shows how interventions in one capital can have an influence in changes on other capitals. CAMbio was a project in **Central America** that provided cash incentives to loan recipients for implementing sustainable management practices in their production enterprises. As seen in the pentagon for this example (Figure 5), the CAMbio project strengthened the financial capital of households, making working capital available to farms, which in turn generates employment, allows producers to purchase agricultural inputs, improves physical capital through improvements in productive infrastructure, and ensures that necessary agricultural tasks for developing and harvesting crops are enabled.

Further up in the value chain, this helps farmers sell their produce in markets and obtain the cash flows required to sustain their livelihoods. The different processes improve human capital, with activities

CENTRAL AMERICA

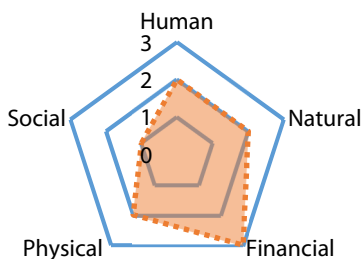


Figure 6. Pentagon representing the SLF assessment of the Central American Projects for Biodiversity (CAMBio)

that provide technical assistance. In turn, this also promotes: more sustainable practices; increased farm productivity; greater diversification of products; entry into markets of produce; and improvements in the natural capital of farms and the productive environment.

A similar experience is found in **Colombia**. The project “Mainstreaming Biodiversity into the Colombian Coffee Sector” focused on sustaining environmental services to generate income for farmers and to improve the forest cover of sensitive ecosystems (Figure 6). Using certification schemes in conservation corridors, farmers placed commitments in the voluntary carbon trading market. Additionally, the project focused on human capital development, strengthening the extension service of the National Coffee Federation, and the planning skills in municipalities.

COLOMBIA

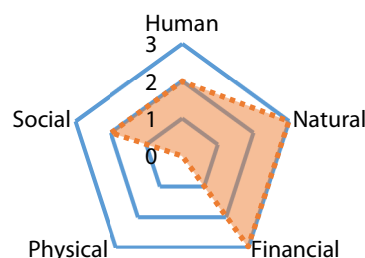


Figure 5. Pentagon representing the SLF assessment of the project “Mainstreaming Biodiversity into the Colombian Coffee Sector”

In **Chile**, the project “Removing Barriers to Rural Electricity Access using Renewable Energy Resources” (Figure 7) serves as an example of how the environmental focus of a project can contribute substantially to household well-being. The project focused on the electrification of households with a national/sectoral approach. The project’s main indicator is the reduction in carbon emissions resulting from electricity generation. Improving the access to electricity also provides significant household savings, with the elimination of expenditures on candles, kerosene or batteries. Additionally, the use of electricity allows the use of water pumps for irrigation and improved productive

infrastructure. Human development benefits are also observed in terms of opportunities for education and improved healthcare. Although the project focus and direct impacts are felt mainly on the physical and natural capitals, there are important indirect project effects on the financial and human capitals¹⁶.

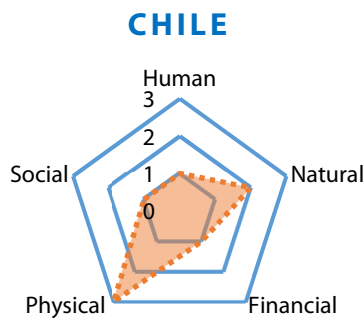


Figure 8. Pentagon representing the SLF assessment of the project “Removing Barriers to Rural Electricity Access using Renewable Energy Resources”

Projects with a spatial and land use planning focus that implement environmental practices to improve the status of biodiversity and natural resources require long-term approaches and skilled institutions to build natural assets and to show observable results. Therefore, project actions primarily focus their efforts on developing social and human capital by helping to set up policies and plans that enable sustainable natural resource use and develop institutional and human capacities.

The final evaluation of the project “Demonstrating Sustainable Land Management in the Upper Sabana Yegua Watershed System” in **Dominican Republic** shows that it is possible to reduce erosion while increasing the income of local farmers and enhancing livelihoods in pilot showcase farms where a series of sustainable land management techniques were applied (Figure 8). Implementing the management plan and scaling up sustainable productive practices to the watershed system level required commitments and a strong engagement by other public and private stakeholders that were out

DOMINICAN REPUBLIC

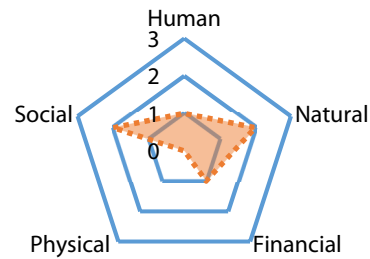


Figure 7. Pentagon representing the SLF assessment of the project “Demonstrating Sustainable Land Management in the Upper Sabana Yegua Watershed System”

of the reach of the NGO that was implementing the project. The project placed significant emphasis on carefully developing a series of technical publications and studies to determine the value of the ecosystem services for local farming. Unfortunately, the payment compensation system for the ecosystem services that was piloted, faced challenges in its establishment during the project and did not produce the expected income for the local population.

Improving the design and monitoring of livelihood outcomes

A common starting point for conducting livelihood assessments is the understanding of the capacities and vulnerabilities of communities within a specific local context or project site. As stated before, families and communities use different livelihood strategies to generate income, and these strategies are in turn influenced by institutional and organizational realities and power relations that can promote or hinder development processes.

The use of the SLF requires a participatory consultation with the active involvement of all project stakeholders (communities, government officials, women, men, etc.) to understand the perspectives of local social actors and their development priorities. However, the SLF may also be used as an analytical tool, as was the case for

¹⁶ It should be noted that a scoring made by a community could result in paying less attention to the natural capital (e.g. carbon emissions reduction being quite an abstract concept), whereas human and financial capital might get a higher score.

several ongoing projects reviewed from the UNDP environment portfolio.

As mentioned earlier, UNDP's environment projects often lack sufficient socio-economic data and specific analysis of the local institutional context. Hence, one of the main constraints of the current analysis was the lack of indicators in the project monitoring and evaluation frameworks to characterize the capital assets as prescribed by the SLF. The project portfolio analysis carried out was ex post so most commonly, no baselines were available to assess changes in the local context or to differentiate between project outputs and outcomes.

Ideally, the application of the SLF for project assessment and monitoring should use the methodology in the project scoping and formulation phase to identify key indicators as well as to enable the integration of community priorities as project intervention strategies. Indicators must reflect the capital assets, and be sensitive and pertinent to enable monitoring of social, environmental and economic changes in the local context that can be assumed to have a certain degree of correlation with project interventions.

In environmental projects, safeguarding natural assets is at the heart of the intervention. This is highly relevant and pertinent both from the ecosystem sustainability and human wellbeing perspectives. Activities such as agriculture, fishing, forestry, and resource extraction are a source of income for rural communities. Yet, a recurrent drawback in the monitoring frameworks of some UNDP environment projects is their unique focus on measuring how project outcomes contribute to delivering environmental benefits, with little attention to monitoring of livelihood outcomes and impacts on people, due to the limitations mentioned above.

An additional constraint to outcome monitoring is the limited project resources and timeframe available to support complex monitoring systems that collect longitudinal and spatial data. As a result, process or output indicators tend to be more commonly used in the project monitoring cycle to account for project progress and achievements. However, monitoring progress in improving

livelihoods by environment-focused projects requires a monitoring capacity better aligned with outcome measures. This is because the access and availability of natural resources is what ultimately matters for communities in terms of livelihoods, and this is measured in the long-term development impact level. For communities, the degree of accomplishment of activities or the successful operational implementation of project outputs is not necessarily an indication of results that relate to their needs. Consequently, there is a need to improve current monitoring frameworks developed for environmental projects to identify the appropriate links between environmental goals and the benefits for community livelihoods.

Another challenge is the development of indicators that measure power relations, including gender disparities, that account for how projects reduce intra-community and intra-household inequalities and mainstream gender in projects. UNDP has made significant improvements in developing gender frameworks conceptually, but operationally projects still face challenges in introducing relevant indicators to measure gender disparities. The application of the SLF constitutes an improvement, since it includes an analysis of power relations, directing attention to the need to use a variety of field tools to collect disaggregated data to account for all groups in condition of vulnerability such as disempowered community members, and women.

It is beyond the scope of this discussion paper to conduct an in-depth analysis of the monitoring limitations of environmental projects. The ideas presented above aim to highlight key challenges and gaps in current monitoring practices and suggest that the SLF can provide a practical solution to measuring changes in access to assets using appropriate indicators through their corresponding scores and ratings. The SLF can ultimately enable the development of more integrated approaches to project design by linking environment and livelihood goals of projects.

Livelihood indicators and measuring assets: implications for UNDP programming

According to the literature review, developing indicators and assigning scores to assets are two crucial aspects of the SLF. As previously mentioned, the methodology of capital analysis assigns point-based values to each capital. Different evaluation methods are available, all of which are based on qualitative judgment, which is turned into quantitative analytical data that can be aggregated in different levels of analysis. There are specific recommendations for the successful inclusion of these methodologies in environmental projects:

- 1) Develop indicators for the five capitals (disaggregated by gender, and including groups in conditions of vulnerability such as children, elderly, indigenous people, people with disabilities, etc.), and integrate the indicators in the project formulation phase¹⁷.

- 2) During the project formulation phase, organize community workshops to identify livelihood capitals and define livelihood outcomes to mainstream livelihoods within a given project. This can also be done during the mid-term review as an input for the final evaluation.
- 3) This process should ensure inclusive stakeholder participation and proper facilitation to define project outcomes. It should include separate focus groups with women and other groups in condition of vulnerability.

UNDP environmental projects are routinely monitored and evaluated during the project cycle. However, as mentioned above, livelihood outcomes and indicators are not always identified. Based on the review of the UNDP environmental portfolio a set of common indicators were identified.

Capital	Reference Indicators
Human Capital	<ul style="list-style-type: none"> • Level of education of each household member • Training on activities to strengthen income generation • State of health
Natural	<ul style="list-style-type: none"> • Access to natural resources • State of natural resources available to communities • Indicators for assessing biodiversity • Forest cover • Land productivity • Environmental quality
Financial Capital	<ul style="list-style-type: none"> • Income-generating activities • Access to vouchers or cash state programs • Access to credit • Level and form of savings (cash, liquid assets, jewelry) • Access to remittances
Physical Capital	<ul style="list-style-type: none"> • Distance of a home or business to a main road • Access to public/private transport • Access to basic services (water, communication, electricity, schools, health centers) • Availability of production equipment and infrastructure
Social Capital	<ul style="list-style-type: none"> • Membership in organizations (type of organization, services, activities) • Membership in committees or collectives related to management • Membership in local administration councils or town councils • Existence of public organizations and their level of influence • Rules, norms, or laws which positively or negatively impact on community development

Table 1. Reference indicators for livelihoods assessments

¹⁷ Note that indicators are project specific, and not all types of livelihood capitals have the same relevance in all projects.

Table 1 contains a set of reference indicators that illustrate the main typologies or root indicators for livelihood assessments. Each indicator should be disaggregated and adapted to the design of each individual project or during the evaluation process.

Since indicators for natural capital are not project-specific, each project should identify their own relevant, measurable, and achievable indicators per the project's time frame.

3. Implications for Policy Options and Actions

In the context of Agenda 2030, UNDP provides support to countries to strengthen the links and synergies between environment and poverty eradication actions. Developing local capacities and improving basic services is crucial for employment and income generation, as well as for promoting sustainable livelihoods. In this context, it is important to assess how environmental interventions, in addition to achieving environmental objectives, can better contribute to sustainable development, and more specifically account for and contribute to the wellbeing of target communities.

Conceptually and practically, the link between environment and poverty reduction is very strong. In order to improve how UNDP's environmental portfolio reaches communities and contributes to strengthening livelihoods, it is important to understand what enhances human development and reduces poverty and vulnerability from a multidimensional perspective. The social and environmental dimension of the sustainable development paradigm require systemic and integrated actions. In the SLF, these two dimensions are tightly interlinked with the economic dimension, and projects designed using the SLF often combine income-generating activities with actions to sustainably manage ecosystems and to increase resilience against disasters and unexpected negative events.

The improvement of the natural environment produces synergies across the various dimensions of sustainable development. Through the implementation of environmental projects with a strong livelihood focus, the fundamental nexus of poverty and environment can be strengthened. This helps overcome operational silos, demonstrate environment and poverty linkages, and accounts for mutual benefits, contributing to the Agenda 2030 implementation in an integrated manner.

Many environmental projects target isolated rural areas with high levels of poverty. However, usually

there is little information on how projects strengthen the existing human, natural, financial, physical, and social capital) on which livelihoods are based, or how they create opportunities, strengthen capacities, and improve human wellbeing for target populations. Project information systems usually lack proper baseline studies and indicators, and focus efforts on tracking project outputs and a myriad of activities, with little available information to evaluate project outcomes or to assess social change. The intra-community power relations and the socio-cultural barriers faced by women, the unequal access to assets and decision-making of the most disadvantaged groups, and the heavy reliance on natural resources to sustain household economies makes understanding the local context essential to policy, programming, or project development to enable ecosystem sustainability and to reduce and mitigate poverty.

The application of the SLF from the early phases of project conception and design offers important opportunities to improve performance of environmental projects, although this can present significant methodological challenges for project design. It might be costly and require community and household specific indicators to develop socio-economic and livelihood/asset based baselines and a thoughtful understanding of the context in which projects operate.

In environmental work, even projects that address high level policy and government institutions should identify and understand target populations, considering that it is also through the support from those communities that strengthening sustainable livelihoods is achievable. Environmental projects typically invest a considerable amount of effort in the preparation and design phases and in defining global environmental benefits. However, project documents often do not include sufficient knowledge and data on social aspects. Centering projects on people's needs requires a profound change in project design and management.

The SLF, as a project assessment tool, makes it possible to look at how a household or community is conditioned in a specific socio-environmental context. This includes understanding how families adapt to shocks, the kinds of strategies they use, how

to include environmental and human development in projects, how livelihood outcomes can be strengthened, and the measures to do so.

The application of the SLF conceptual framework and the focus on the five key assets or capitals – natural, human, physical, social and financial – is by no means a departure from environmental objectives. On the contrary, this framework enables the improvement of the quality of project proposals and increases the effectiveness of environmental projects while strengthening their capacity to achieve sustainable development.

Annexes

Annex 1: List of UNDP projects included in the scope of this analysis

This annex provides an account of asset strengthening, based on individual project results. The 10 projects analyzed are the following:

1. Chile: Removing Barriers to Rural Electricity Access using Renewable Energy Resources
2. Cuba: Mainstreaming and Sustaining Conservation Strategies for Biodiversity in Three Productive Sectors in the Camagüey Sabana Ecosystem
3. Colombia: Mainstreaming Biodiversity into the Colombian Coffee Sector
4. Haiti: Strengthening Adaptive Capacities to Respond to Threats from Climate Change within Sustainable Development Strategies for Coastal Communities in Haiti
5. El Salvador: Energy Efficiency in Public Buildings (EPPB)
6. Uruguay: Mainstreaming the Environment within National Development Processes
7. Central America: Central American Projects for Biodiversity (CAMBio)
8. Mexico: Transformation of the Management of Natural Biodiversity Wealth
9. Dominican Republic: Sustainable Soil Management in the Upper Basin of the Sabana Yegua system
10. Peru: Promoting Sustainable Land Management in Las Bambas

Annex 2: Example of project analysis and rating under the SLF

The following is an example of the card which was produced for each project, to achieve a comprehensive overview of project livelihood strengthening.

<p>Project name:</p> <p>Central American Markets for Biodiversity (CAMBio): Mainstreaming biodiversity conservation and sustainable use within micro-, small, and medium-sized enterprise development and financing.</p>	<p>Countries:</p> <p>Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama.</p>
<p>Context:</p> <p>The project contributes to the joint efforts in Central America for the protection and conservation of the Mesoamerican Biological Corridor, through a network of protected areas, biodiversity-friendly forestry plantations, agroforestral systems, and private reserves.</p>	<p>Strategies:</p> <ul style="list-style-type: none"> ✓ Promote the mainstreaming of sustainable biodiversity conservation practices of SMEs in 5 Central American countries. ✓ Set up cash incentives for SMEs with the most biodiversity-friendly practices.

<p>Actions to ensure sustainable livelihoods:</p> <p><u>Local Capacity Development</u></p> <ul style="list-style-type: none"> ➔ Training on biodiversity issues and the use of eligibility tools to 447 executives from 26 financial intermediaries from the project and the Central American Bank for Economic Integration (CABEI). ➔ Improvement of technical capacities of micro, small and medium-sized enterprises (SMEs) to develop business ideas that are compatible with biodiversity conservation through the Technical Capacities Assistance Program. ➔ Technical capacities strengthening on business planning and management in SMEs through the Business Capacities Assistance Program. 	<p>Target population livelihoods interventions:</p> <p><u>Financial Access</u></p> <p>CABEI and its financial intermediaries provide loans to SMEs for the development of biodiversity-friendly business activities.</p> <p>The cash from the “Bio Award” allowed for the repayment of credits, the capitalization of land lots, the coverage of certification costs, and the development of new market strategies.</p>
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Actions to ensure sustainable livelihoods (cont'd):

Financial Services Delivery

- ➔ 8,738 investment credits involving 56 protected areas and 11 ecoregions from the Mesoamerican Biological Corridor.
- ➔ “Bio Award” for sustainable business practices and innovative incentive models with additional technical assistance for cooperatives and SMEs.

Business Services Development (services and regulatory framework providers)

- ➔ Increase of demand for eco-friendly products and services.

Market Development and Value Chain Update

- ➔ Improved market links throughout the value chain.

Assets, property, access, and productivity increase

- ➔ The “Bio Award” allowed partners to invest in alternative productive activities (small market stalls and shops), land acquisition, and to pay their employees.

Target population livelihoods interventions (cont'd):

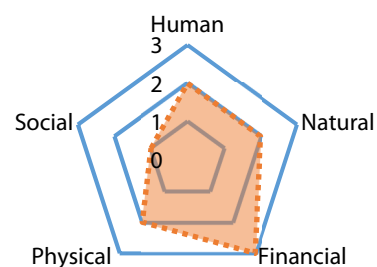
Sustainable Natural Resource Management

The project resulted in 996 certified land lots, from a total of 21,799 hectares and producing 30,000 tons of coffee. This enabled the protection of more than 200 tree species, integrated pest control management, and improved water and soil management, with an increase in the performance and competitiveness of the SMEs.

Economic Participants:

7,478 SMEs and 10 financial intermediaries benefited from the project.

Project pentagon:

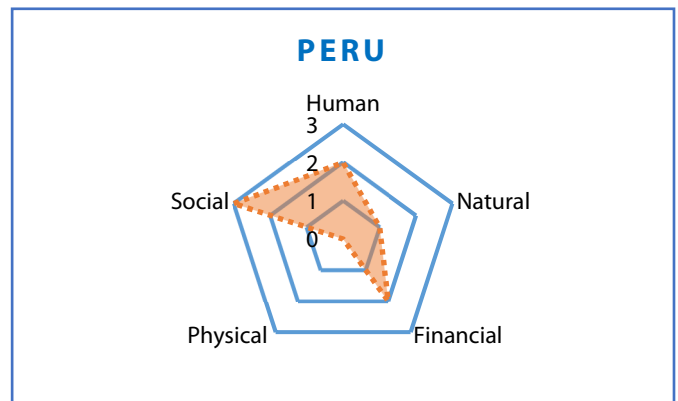
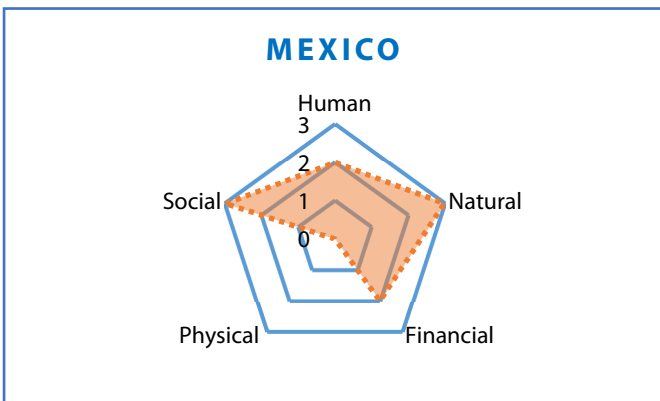
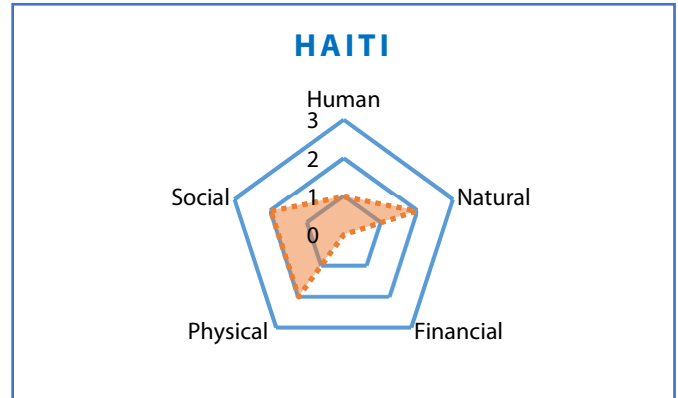
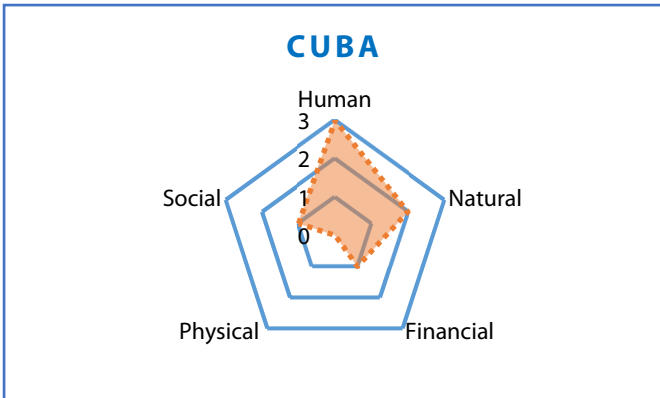
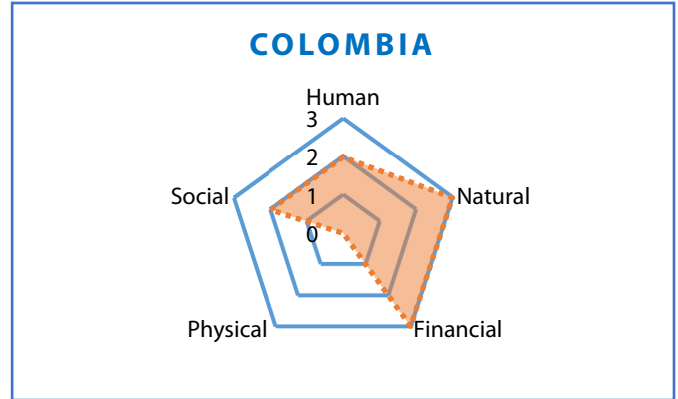
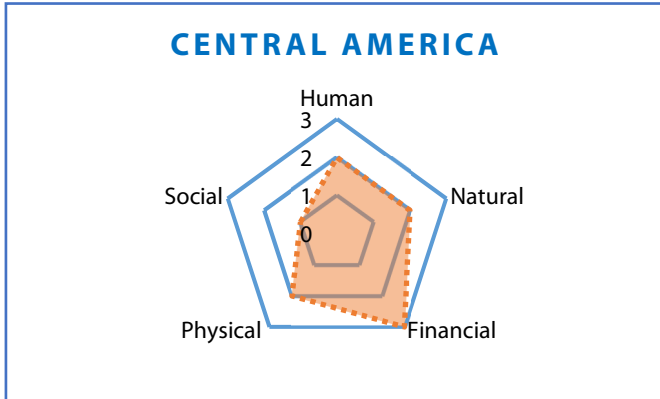


Capitals and assigned scores

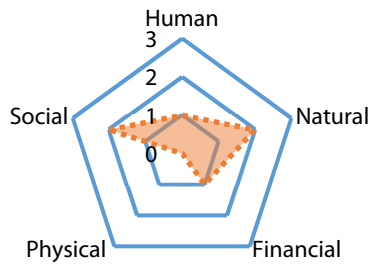
Human	2	Physical	2
Natural	2	Social	1
Financial	3		

Annex 3: Pentagons of the UNDP projects included in the scope of this analysis

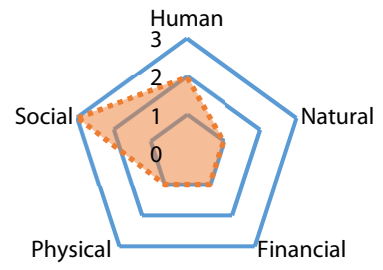
Below there are the pentagons of the 10 UNDP projects included in this analysis. Each pentagon shows the scores assigned to each capital.



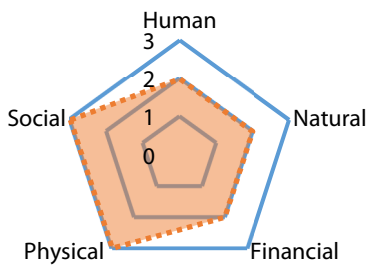
DOMINICAN REPUBLIC



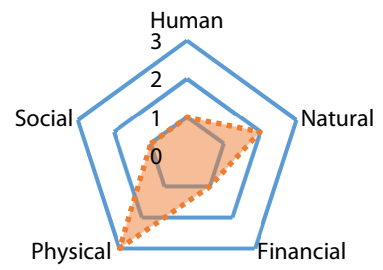
URUGUAY



EL SALVADOR



CHILE



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