



UNITED
NATIONS



**Convention to Combat
Desertification**

Distr.
GENERAL

ICCD/CRIC(5)/7
7 December 2006

Original: ENGLISH

COMMITTEE FOR THE REVIEW OF THE IMPLEMENTATION OF THE CONVENTION
Fifth session
Buenos Aires, 12–21 March 2007
Item 5 of the provisional agenda

**REVIEW OF AVAILABLE INFORMATION REGARDING THE MOBILIZATION
AND USE OF FINANCIAL RESOURCES AND OTHER SUPPORT BY
MULTILATERAL AGENCIES AND INSTITUTIONS, WITH A VIEW
TO ENHANCING THEIR EFFECTIVENESS AND EFFICIENCY
TOWARDS THE ACHIEVEMENT OF THE OBJECTIVES OF THE
CONVENTION, INCLUDING INFORMATION ON THE ACTIVITIES
OF THE GLOBAL ENVIRONMENT FACILITY AND THE GLOBAL
MECHANISM AND ITS FACILITATION COMMITTEE**

Summary

1. The review of available information on the mobilization and use of financial resources and other support by multilateral agencies and institutions with a view to enhancing their effectiveness and efficiency towards the achievement of the objectives of the Convention, including information on the activities of the Global Environment Facility (GEF) and the Global Mechanism (GM) and its Facilitation Committee, was thoroughly conducted by the Committee for the Review of the Implementation of the Convention (CRIC) at its third session. At CRIC 4, Parties were updated on the matter with special focus on recent developments in the relationship between UNCCD and the GEF.
2. The present report was prepared in accordance with decision 9/COP.7 on the programme of work of the fifth session of the CRIC. It should be read in conjunction with document ICCD/CRIC(3)/6 which gathered all available information on mobilization and use of financial resources from agencies and institutions, including the members of the Facilitation Committee of the Global Mechanism. This document reports on the funding from the GEF and the GM.

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I. INTRODUCTION AND BACKGROUND

1. The Conference of the Parties (COP), by its decision 9/COP.7 on the programme of work of the fifth session of the Committee for the Review of the Implementation of the Convention (CRIC), decided to include on the agenda of the CRIC an item entitled “Review of available information regarding the mobilization and use of financial resources and other support by multilateral agencies and institutions with a view to enhancing their effectiveness and efficiency towards the achievement of the objectives of the Convention, including information on the activities of the Global Environment Facility, the Global Mechanism and its Facilitation Committee”.

2. A comprehensive report on that matter was submitted to CRIC 3 (ICCD/CRIC(3)/6). The CRIC at its fourth session also reviewed the same type of information (ICCD/CRIC(4)/4 and ICCD/CRIC(4)/5) and, upon recommendation of the Committee, the COP took decisions 5/COP.7 and 6/COP.6 on this matter. Each relevant multilateral agency and institution will submit its own report on activities to CRIC 5 (ICCD/CRIC(5)/7). The purpose of this report is to present the most salient developments on the subject matter since CRIC 4 and COP 7, particularly with regard to funding from the Global Environment Facility (GEF) and the Global Mechanism (GM).

II. FUNDING FROM THE GLOBAL ENVIRONMENT FACILITY

A. Policy review by the Council of the Global Environment Facility

3. Two GEF Council meetings have taken place since CRIC 4 (on 8–10 November 2005 and on 7–9 June 2006) both in Washington DC, USA.

4. At the November 2005 meeting, the Council reviewed its relationship with the conventions for which the GEF is serving as a financial mechanism. With regard to the United Nations Convention to Combat Desertification (UNCCD), the Council, heeding an invitation by the COP at its seventh session to the GEF to consider supporting activities, within its mandate, undertaken in the framework of the International Year of Deserts and Desertification (IYDD), adopted a decision on the support the GEF should provide to the celebration of the IYDD.

5. By that decision, the Council recognized that the IYDD offered a unique opportunity for the GEF to contribute to raising global awareness of the threats of land degradation and of the avenues available for addressing the challenges of land degradation and sustainable development. The Council approved an amount of USD 275,000 as a special initiative to support the following activities:

(a) A review of resource mobilization and status of funding for desertification to be prepared jointly by the GEF Secretariat, the implementing and executing agencies, and the GM

(b) A forum at the GEF Assembly in 2006 on sustainable land management

(c) A special session on indicators for sustainable land management at the United Nations Educational, Scientific and Cultural Organization (UNESCO) international scientific conference on the future of arid lands

(d) A contribution to the United Nations University Algiers final policy conference for the IYDD to facilitate participation of key stakeholders, including women and youth, from affected countries

(e) Presentation of GEF projects by developing country executing agencies at appropriate meetings and conferences organized as part of the IYDD.

6. At its June 2006 meeting, the Council again reviewed its relationships with the conventions. It approved the Memorandum of Understanding between UNCCD and the GEF on enhanced collaboration.

7. The Council noted that the Executive Secretary of the UNCCD had raised with the Chief Executive Officer (CEO) of the GEF the issue of amending the GEF Instrument to reflect the designation of the GEF as a financial mechanism of the Convention, and the Memorandum of Understanding between UNCCD and the GEF. The CEO was requested to continue a dialogue with the Executive Secretary of the Convention and to bring any proposals emerging from such dialogue to the Council's attention. Several Council Members expressed their strong conviction that the Council should agree to amend the GEF Instrument to include appropriate language to reflect the decision of the Second GEF Assembly (October 2002) and decision 6/COP.6 that the GEF will serve as a financial mechanism of the UNCCD.

B. Policy review by the Conference of the Parties

8. The collaboration between UNCCD and the GEF was thoroughly reviewed at COP 7 at which, at the outset, the COP expressed its appreciation to the GEF Council for its continued support for the implementation of the Convention and its focus on enhancing sustainable land management policies and initiatives. More importantly, the COP decided to conclude with the Council, and adopt, the Memorandum of Understanding (MOU) as proposed by the GEF Council at its meeting in June 2005. It also invited the GEF and UNCCD secretariats to make appropriate arrangements to implement the MOU.

9. The COP clarified some of the working modalities with the Council, particularly as they relate to capacity-building and incremental costs. In this respect, the COP welcomed the GEF Council decision, taken at its May 2003 meeting, by which it recognized that in the framework of capacity-building projects to be funded under operational programme 15 (OP 15) on sustainable land management, the elaboration of national, subregional and regional action programmes and national reports are considered as components. It invited the GEF to implement that decision when assisting developing country Parties. It also invited the GEF to make financial resources available for capacity-building activities in affected country Parties implementing the Convention, and to facilitate coordination between the GEF and UNCCD focal points at country level to enable the GEF to better respond to the needs of the UNCCD process.

10. The COP welcomed the GEF Council decision, taken at its May 2003 meeting, by which it was agreed that in the implementation of OP 15, the process of determining incremental costs

should be made more transparent and its application more pragmatic. The GEF was invited to ensure appropriate application of the incremental cost principle.

11. Finally, the COP welcomed ongoing implementation of land degradation projects implemented by the GEF secretariat itself, the World Bank and the United Nations Development Programme (UNDP). It recommended coordination between these processes and consideration of their expansion if they are found to be successful.

C. Funding of operational programme 15

12. Parties may recall that the GEF OP 15 operationalizes the designation of land degradation as a focal area. It provides a framework for the development of activities, eligible for GEF incremental financing, to address the root causes and negative impacts of land degradation on ecosystem stability, functions, and services, as well as on people's livelihoods and economic well-being through sustainable land management practices.

13. GEF funding is allocated by focal areas. In most cases, projects have two interlinked parts: one focusing on the improvement of people's livelihoods (associated with baseline funding contributed by governments, non-governmental organizations (NGOs), bilateral institutions, private sector etc.), and the other contributing to the global environmental system (associated with incremental funding that is eligible for GEF support, but often shared between GEF and other contributors). Since the inception of the GEF, funding to combat land degradation has been provided for threat-reducing activities in other focal areas such as biodiversity, climate change and international waters. In 2002, the GEF Assembly approved a new focal area on Land Degradation (Desertification and Deforestation). In May 2003, the GEF Council approved OP 15.

14. The third replenishment of the GEF agreed to a proposed programming level totalling USD 500 million to support land degradation prevention and control activities. Of this amount, USD 250 million was programmed as new and additional funds to the focal area land degradation (desertification and deforestation) and the other USD 250 million was for land degradation activities was foreseen within the reference levels agreed for the other GEF focal areas.

15. Regarding resources allocated to land degradation as a cross-cutting issue in the GEF focal areas with biodiversity, international waters and climate change, a thorough analysis of the GEF Pilot Phase, GEF-1, GEF-2 and GEF-3 portfolios (1991 to June 2006) was conducted and showed a rapid increase in number of projects during GEF-3. This growth is an expression of the enhanced recognition of land degradation as an important global environmental issue because it poses a serious threat to global commons such as biodiversity, international water bodies and the global and regional climate patterns. In GEF-3, projects allocated a total of USD 197.3 million to activities addressing this area.

16. With regard to the funding for sustainable land management under the GEF focal area of Land Degradation (Desertification and Deforestation), it is worth noting that since the approval of the land degradation focal area, the demand for projects under the OP 15 has been overwhelming. All resources allocated to that focal area in GEF-3 (USD 250 million) have been approved and pipelined in the form of projects and programmes. The project pipeline for future

GEF-4 financing is strong and confirms the high demand for OP 15 resources also in future. Concerns are emerging on the availability of resources to meet such a demand.

17. This review suggests that during its third replenishment period, the GEF has allocated a total of USD 458 million to activities preventing and controlling land degradation and leveraged cofinancing in the amount of USD 1,757 million for activities primarily focusing on the improvement of people's livelihoods in the rural production landscape.

III. FUNDING THROUGH THE GLOBAL MECHANISM

18. The goal of the Global Mechanism (GM) is to leverage, through the provision of information, advice and catalytic resources, substantial investments in sustainable land management, in conformity with the principles of the UNCCD. Its role, as defined in article 21 of the Convention, is to promote actions leading to the mobilization and channelling of substantial financial resources, including for the transfer of technology, on a grant basis, and/or on concessional or other terms, to affected developing country Parties. The GM approach in fulfilling its institutional mandate in the past five years has been guided by its Operational Strategy endorsed by the COP at its fourth session (ICCD/COP(4)/Add.1(A)). This strategy highlighted the importance of aligning national action programmes (NAPs) with overarching national development frameworks and building partnerships between developed and developing country Parties. At COP 7 the GM presented its consolidated strategy and enhanced approach (CSEA) to resource mobilization. The CSEA aims at increasing the effectiveness of GM interventions by factoring in calls for aid effectiveness and the resulting aid policies and modalities in resource allocation.

19. The changing international financial architecture offers new opportunities for the UNCCD, which should be effectively explored, particularly at country level. Long-standing multilateral and bilateral funding instruments could increasingly support UNCCD implementation if combined and linked with innovative instruments. In this context, the GM strategy emphasizes the importance of country leadership and country-driven identification of development priorities, the importance of domestic public budget allocations, and the need for donors to align their priorities with those of recipient countries. Increasingly, the level of finance for UNCCD implementation will depend on the political will of governments to identify land rehabilitation and sustainable land management as a national priority and to translate this will into budget allocations.

20. To meet the challenges ahead, there is a need for a comprehensive approach to the mobilization of financial resources that takes into account the development of an enabling environment for investments and finance for sustainable land management. In this framework, the GM will no longer play just the role of a general broker or facilitator, but will assume that of a specialized provider of financial advisory services on strategic and thematic issues such as mainstreaming, economics and financing instruments, policy and financial analysis, compensation for ecosystem services, South-South cooperation, trade and market access, civil society and private sector engagement. GM interventions will be development-oriented, geared towards capacity-building rather than fundraising for individual projects or small-scale interventions. Its operations at country level will consist of longer-term support to partner

countries over three to four years, and would be complemented with targeted interventions at regional and international level to strengthen links and synergy with relevant policy processes.

21. Many Parties have also called for specific training programmes on resource mobilization, financing instruments and the new financial architecture of development cooperation. In response to this demand, the GM is establishing an international training programme geared to focal point institutions and their partners on financial resource mobilization, UNCCD mainstreaming and preparations for negotiations on budget allocations. The programme will be implemented in collaboration with partner institutions and organizations with relevant experience and expertise.

22. Central to the GM's CSEA is the promotion of national financing strategies, which have proven successful in other sectors. Such strategies, with a clear objective of resource mobilization, should be an integral part of NAPs and should lead to country financing partnerships. Such strategies, to be implemented under the leadership of countries, should analyse the investment climate, identify financing instruments and sources of finance, and increase the complementarities of finance from different sources, including domestic budgets.

23. The COP has also identified mainstreaming as a crucial instrument for achieving enhanced integration of NAPs into the development agendas of affected developing countries. Continued emphasis on effective mainstreaming remains the second pillar of the GM strategy. The GM has been revisiting the approach to mainstreaming so that it becomes a call not only for developing countries but also for their development partners. In this respect, the GM, in collaboration with the UNCCD secretariat, supports such initiatives as TerrAfrica, which carry a great potential for mainstreaming and should be replicated in other regions.

24. The GM CSEA, which is now under implementation, will guide the GM's long-term support to country partners, as well as its strategic interventions at national, regional and global level in support of UNCCD implementation. The strategy will be the foundation for the new GM business plan for 2007–2010.

25. In direct response to decision 5/COP.7, the future focus of the GM will continue to be the NAP process, but its business plan will tend to be increasingly strategic and focused, and will put more emphasis on more long-term interventions. Partnerships and links will be forged in a more creative manner in order, not only to tap into available financial resources, but also to mobilize those sectors that can contribute to UNCCD implementation.

26. Initiatives such as the Central Asian Country Initiative for Land Management (CACILM) in Central Asia, TerrAfrica in Sub-Saharan Africa, and the International Workshop on Decentralisation and Local Development in Arid Zones (SolArid) in the Sahel and Sahara of Africa regions are good examples of how the GM intends to develop its work in other regions. The GM's involvement in these initiatives will aim at addressing the barriers and disconnects between demand for investments in support of sustainable land management and the major financing mechanisms both at the domestic and international levels. The GM's role in TerrAfrica is threefold: to promote the mainstreaming of sustainable land management in national development policies and strategies; to conceptualize a country level engagement strategy; and to position GM's FIELD (Financial Information Engine on Land Degradation)

system as the reference database in support of decision-making on sustainable land management financing.

27. Under its previous business plan, covering the period 2003–2006, the GM assisted a total of 31 countries, supported the finalization of 18 NAPs and contributed to the formulation and financing of 9 subregional action programmes. In regions other than Africa, the GM's catalytic finance led to good results in the following countries: Jordan, Kazakhstan, Kyrgyzstan, Lebanon, the Syrian Arab Republic, Tajikistan, Turkmenistan and Uzbekistan in Asia; and Argentina, Brazil, the Dominican Republic, Haiti and Peru in Latin America and the Caribbean.

28. Since 2000, the GM has provided small grants for the elaboration of NAPs to 53 countries (4 in Africa, 25 in Asia-Pacific, and 24 in Latin America and the Caribbean), totalling about USD 1.2 million. In addition, the GM has provided another USD 2.8 million to national and subregional – governmental and non-governmental – organizations as catalytic resources to cofinance the implementation of activities included in existing NAPs.

29. In the light of COP decisions and the complementary role between the GM and the GEF in resource mobilization for cofinancing, the GM has facilitated the integration of GEF initiatives into national and subregional processes. These have resulted in the identification and formulation of 20 GEF OP 15 initiatives for which the GM has either provided cofinancing or facilitated the mobilization of cofinancing.

30. In order to broaden the basis for NAP finance, the GM initiated innovative resource mobilization actions from the private sector in a number of countries, such as Kenya and South Africa. In addition the GM has identified opportunities to leverage investments from foundations and private sector entities.

31. All the above initiatives were catalytic for the mobilization of substantive investments for sustainable land management activities from the governments of affected developing countries and their development partners. According to the information submitted to the COP/CRIC by Parties and on the basis of additional information provided by multilateral agencies and the Organisation for Economic Co-operation and Development/Development Assistance Committee (OECD/DAC), multilateral donors account for more than two thirds of total investment in UNCCD-related activities, whereas bilateral donors account for about one quarter. The recent portfolio reviews undertaken by the World Bank, the International Fund for Agricultural Development (IFAD), and the GEF, as well as the recent figures released by the OECD/DAC on aid activities targeting the UNCCD, seem to confirm this pattern.

32. Because the quality of these statistics depends on the accuracy and comparability of the reports on UNCCD implementation submitted by Parties, the work of the ad hoc working group (AHWG) established by decision 8/COP.7 to improve the procedures for communication of information, as well as the quality and format of reports on the implementation of the Convention, will be crucial to guide future assessments of progress in UNCCD implementation. The GM, which has been invited to provide advice to the AHWG, will provide inputs and recommendations on effective methodologies for reporting on UNCCD-related activities. Its experience in collecting, compiling and disseminating relevant financial information through its FIELD system, and its ongoing collaboration with various Facilitation Committee Members in

the analysis of relevant investment trends and portfolio reviews, will be of particular value in this process.

IV. CONCLUSION AND OBSERVATIONS

33. The COP at its seventh session reviewed the Joint Inspection Unit (JIU) report and decided to establish an ad-hoc intergovernmental intersessional working group with the mandate to review the report in full and, building on the results of that review and other inputs, to develop a draft 10-year strategic plan and framework to enhance the implementation of the UNCCD by addressing, inter alia, the recommendations of the JIU report. The working group would consider major issues such as how to enhance the capacities of Parties to integrate UNCCD objectives into regional, subregional and national development plans and strategies; how to engage the international community in setting benchmarks and defining indicators for progress; and how to make the Convention a centre of excellence in scientific and technical knowledge and best practices. The working group would also reflect on resource mobilization by reviewing how to ensure better targeting of existing resources and how to mobilize new resources for the implementation of the Convention; how to build capacities of affected developing country Parties to access financial resources, especially the GEF, for funding activities to combat desertification and land degradation; and how to improve resourcing for activities to combat desertification and land degradation, especially through the GEF.

34. In the early deliberations of the working group, it was recognized that the issue of financing the implementation of the UNCCD should be addressed through the outgoing process of strategic consensus building. It appears that the need for a more structured and predictable response of the developed country Parties under Article 6 of the Convention, already identified through the CRIC process, is being confirmed.
