



United Nations

ICCD/CRIC(17)/INF.3



Convention to Combat Desertification

Distr.: General
16 January 2019

English only

Committee for the Review of the Implementation of the Convention

Seventeenth session

Georgetown, Guyana, 28–30 January 2019

Item 2 of the provisional agenda

Assessment of implementation

Strategic objectives 1 to 5

Global analysis of financial data

Report by the Global Mechanism

Summary

This document contains an analysis of global financial flows related to the implementation of the United Nations Convention to Combat Desertification (UNCCD), providing complementary information to the preliminary analysis of strategic objective 5 during the UNCCD 2017–2018 reporting process. Monitoring financial flows for UNCCD related-activities requires the tracking of flows from multiple sources. This document mainly focuses on international public sources, consisting of bilateral Official Development Assistance (ODA), multilateral ODA, and multilateral-bilateral (multi-bi) ODA using the database of the Organization for Economic Co-operation and Development (OECD) and reports from multilateral organizations.

Overall, this document provides an overview of trends in global financial flows for UNCCD implementation. Improving methodologies and data quality for monitoring financial flows related to combating desertification/land degradation and drought may be an area of further work to enhance the understanding of global financial flows related to the implementation of the Convention.

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List of abbreviations

ADB	Asian Development Bank
AfDB	African Development Bank
CBD	Convention on Biological Diversity
CRIC	Committee for the Review of the Implementation of the Convention
CRS	Creditor Reporting System
DAC	Development Assistance Committee
DLDD	desertification/land degradation and drought
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
FAO	Food and Agriculture Organization
GCF	Green Climate Fund
GEF	Global Environment Facility
IADB	Inter-American Development Bank
IFAD	International Fund for Agricultural Development
MDB	Multilateral Development Bank
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
SDG	Sustainable Development Goal
SO	Strategic objective
UNCCD	United Nations Convention to Combat Desertification
UNFCCC	United Nations Framework Convention on Climate Change

I. Introduction

1. Country Parties to the United Nations Convention to Combat Desertification (UNCCD) are mandated to report every four years against five strategic objectives, including strategic objective (SO) 5. As defined in the UNCCD 2018–2030 Strategic Framework, SO5 is related to the mobilization of substantial financial and non-financial resources to support the implementation of the Convention by building effective partnerships at the global level. At the fifteenth session of the Committee for the Review of the Implementation of the Convention (CRIC 15) held in Nairobi in 2016, Parties suggested simplifying the UNCCD reporting process under SO 5. To complement the information shared by the country Parties, the Global Mechanism suggested conducting an analysis of global financial flows supporting the implementation of the Convention. Whereas a systematic and comprehensive approach to track desertification-related financial flows does not exist, this document compiles information from various available sources to present a picture of global financial flows for UNCCD implementation. It provides a non-exhaustive, general overview.

II. Objectives

2. The Global Mechanism developed this report with the following objectives in mind:

(a) Provide complementary information to the preliminary analysis of country reports on SO5 in the context of the UNCCD 2017–2018 reporting process;

(b) Present a broad overview on financing for the implementation of the Convention, drawing on multiple sources;

(c) Provide information to the Parties to facilitate the discussion during the interactive session on financing to be held at CRIC 17.

III. Overall picture: monitoring UNCCD-related financial flows

3. Finance for UNCCD-related activities refers to the mobilization and tracking of financial and non-financial resources for the implementation of the Convention. Monitoring these resources requires the tracking of flows from multiple sources and instruments supporting activities that combat desertification/land degradation and drought (DLDD). Figure 1 provides an overview of resource flows according to their source (public or private; international or domestic) and terms (concessional¹ or non-concessional). As discussed below, most of the analysis in this document focuses on flows related to the shaded area in figure 1. This document also discusses steps to be taken to improve the monitoring of financial flows across the broader range of sources presented.

¹ Concessional flows refer to loans that are extended at softer terms than those issued at market rates (OECD, *DAC High Level meeting*, <www.oecd.org/dac/OECD%20DAC%20HLM%20Communique.PDF>).

Figure 1
Schematic representation of the resource flows categorized according to sources, origin, concessionality, instruments and institutions

Sources\Origin	International		Domestic	
	ConcessionalFlows	Non-concessionalFlows	ConcessionalFlows	Non-concessionalFlows
Public	Official Development Assistance (ODA) Bilateral ODA Multi-lateral ODA <u>Institutions</u> E.g. GEF, FAD, World Bank, UN Multi-Bi ODA	Other Official Flows Official direct export credits I	Domestic Budget Revenues (e.g. Domestic public spending, grants, Subsidies, Loans) <u>Institutions</u> Governmental agencies II	
	Blended Finance Guarantees, Risk-based instruments, Loans. <u>Institutions</u> Public and Private Partnerships III			
Private	Charitable grants <u>Institutions</u> Philanthropic foundations & NGOs Households and Non-profit institutions Private corporations	Foreign Direct Investments Export credits Private Sector loans Project Level Equity Balance sheet Financing <u>Institutions</u> Commercial institutions Insurances Pension funds Sovereign wealth funds Private corporations	Charitable grants <u>Institutions</u> National Foundation Local NGOs IV	Bank loans Bonds Equities Derivatives <u>Institutions</u> Domestic commercial institutions Households Microfinance cooperations Pension funds

Source: UNCCD Global Mechanism based on OECD,² Schmidt-Traub and Sachs,³ United Nations.⁴

4. **Official public flows from international financing sources** (see quadrant I of figure 1): This category primarily tracks resource flows between countries (including South–South cooperation) in the form of Official Development Assistance (ODA) and Other Official Flows. These flows are mostly channelled through bilateral development agencies. The OECD uses the Rio markers to identify those activities targeting the global environmental objectives of the three Rio Conventions (Convention on Biological Diversity, UNCCD and the United Nations Framework Convention on Climate Change (UNFCCC)) through four markers: biodiversity, climate change adaptation, climate change mitigation and desertification. Rio markers were devised and adopted by the OECD to support the analysis of global environmental objectives related to ODA. Whereas the system ultimately depends on expert judgement to link activities to the aims of each Convention and therefore may have some imperfections, it provides an overview of ODA distribution to different thematic areas and sectors.

² OECD, *Development Co-operation Report 2014: Mobilising Resources for Sustainable Development* (OECD Publishing, 2014). Available at <<http://dx.doi.org/10.1787/dcr-2014-en>>.

³ Schmidt-Traub and Sachs *Financing Sustainable Development: Implementing the SDGs through Effective Investment Strategies and Partnerships*. Available at <<http://unsdsn.org/wp-content/uploads/2015/04/150408-SDSN-Financing-Sustainable-Development-Paper.pdf>>.

⁴ A/69/315.

5. This document uses data from the desertification marker to report on bilateral ODA from the members of the Development Assistance Committee (DAC).⁵ The OECD refers to desertification-related development finance as “activities that combat desertification or mitigate the effects of drought in arid, semi-arid and dry sub-humid areas through prevention and/or reduction of land degradation, rehabilitation of partly degraded land, or reclamation of desertified land” (Ref OECD). These activities/projects are additionally classified into (i) ‘principal’, featuring those activities that impact a specific marker as a primary objective; and (ii) ‘significant’, identifying activities that play a secondary role with respect to an environmental objective. Projects and programmes marked as a principal or significant for one Rio marker can simultaneously contribute to other markers.

6. Other ODA flows apart from bilateral ODA consist of multilateral aid and bi-multi aid. Multilateral aid represents core contributions from official (government) sources to multilateral agencies. Funding is used for supporting programmes of multilateral agencies. As there is no data reported by multilateral organizations on desertification in the OECD Creditor Reporting System (CRS),⁶ these flows are estimated using information from the following multilateral organizations (as reported in their budget and thematic reports): Global Environment Facility (GEF), multilateral development banks (MDBs), International Fund for Agricultural Development (IFAD); UNCCD; Food and Agriculture Organization of the United Nations (FAO); and the United Nations Environment Programme (UN Environment) (for further details see annex).

7. With regard to multi-bi ODA, also referred as earmarked or non-core funding, the OECD defines these flows as those resources directed by donor countries to multilateral agencies to deliver a specific programme or project on its behalf in a recipient country. Data on multi-bi flows are retrieved from the OECD CRS by selecting only those sectors that are relevant to UNCCD, in this case: agriculture, forestry and general environment protection.

8. The remaining resource flows across quadrants in figure 1 (for which there are only partial estimates available for some financial flow categories) include: (i) **Other Official Flows** (see quadrant I of figure 1), comprising public international flows that do not meet ODA criteria (primarily non-concessional resources²); (ii) **domestic and public resources** (see quadrant II of figure 1), consisting of public resources collected from tax and non-tax revenues that pass through government budgets, excluding loans and external financing that is spent according to various government priorities;³ (iii) **domestic and international private financial flows** (see quadrants III and IV of figure 1), containing concessional financial flows in the form of grants provided by institutions including philanthropic foundations, non-governmental organizations (NGOs) households and private corporations⁷ as well as non-concessional flows, consisting of financial resources at market terms financed out of private sector resources; and (iv) **blended finance** (see box V of figure 1), using development finance for the mobilization of additional finance towards sustainable

⁵ The 30 members of the DAC are: Australia, Austria, Belgium, Canada, Czechia, Denmark, the European Union, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Poland, Portugal, the Republic of Korea, Slovakia, Slovenia, Spain, Sweden, Switzerland, the United Kingdom of Great Britain and Northern Ireland and the United States of America. There are 13 non-DAC member countries who also report to the OECD. Figures on non-DAC member countries’ bilateral ODA are not included in the analysis because they are not available in the Rio markers database.

⁶ The Creditor Reporting System (CRS) is the central database for development co-operation compiled by the DAC. It is the official source of development co-operation statistics for all DAC member countries. (OECD, Creditor Reporting System (CRS), OECD.stat. Available at <<https://stats.oecd.org/index.aspx?DataSetCode=CRS1>>)

⁷ Organisation for Economic Co-operation and Development, Grants by private agencies and NGOs (indicator). Available at: <<https://data.oecd.org/df/grants-by-private-agencies-and-ngos.htm>>.

development in developing countries.⁸ These resources frequently play an important role in leveraging private capital with the support of the public sector by building public–private partnerships.

IV. Trends in global financial flows for implementing the UNCCD

9. This section presents information on trends in global financial flows supporting the implementation of the Convention according to the different sources described in the previous section. The section presents financial flows starting with international public sources (see quadrant I of figure 1), breaking them down into bilateral ODA, multilateral ODA and multi-bi ODA. The remaining subsections describe trends in international private resources (see quadrant III of figure 1) and blended finance (see box V of figure 1).

A. Trends in bilateral Official Development Assistance

10. The total annual bilateral desertification-related ODA from DAC members amounted to USD 2.4 billion (average from 2014–2016). This figure includes bilateral ODA activities targeting desertification as a principal objective or significant objective. Furthermore, most of the activities (91 per cent) target desertification as a significant objective for this particular period (2014–2016), while the remaining activities (9 per cent) target desertification as a principal objective.

11. Bilateral desertification-related ODA represents 2.4 per cent of the total bilateral ODA from OECD-DAC members. This share constitutes a small reduction with respect to previous periods (2011–2013 and 2008–2010), when the percentage of bilateral desertification-related ODA was 2.5 per cent and 2.8 per cent of total ODA, respectively. Bilateral ODA related to desertification is the lowest among the three Rio conventions and markers, whereas the major portion of the financing goes to climate change adaptation and mitigation (see box below for further details on finance across Rio conventions).

⁸ Organisation for Economic Co-operation and Development, *Making Blended Finance Work for the Sustainable Development Goals*, Available at: <https://read.oecd-ilibrary.org/development/making-blended-finance-work-for-the-sustainable-development-goals_9789264288768-en#page1>.

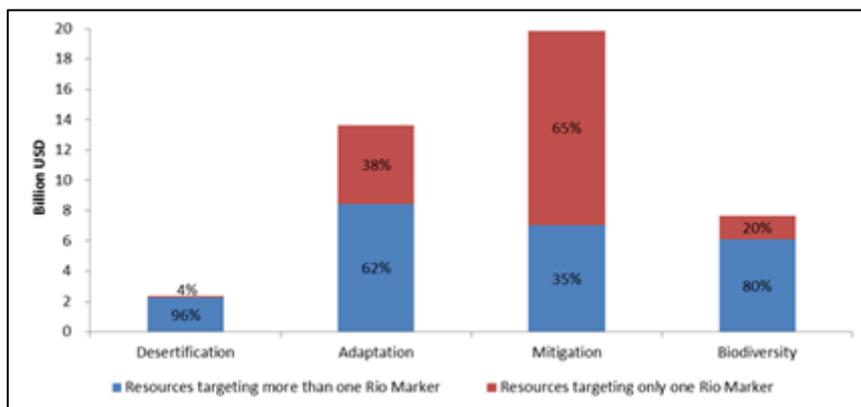
Box

Trends in bilateral Official Development Assistance for the Rio conventions

This box offers a brief overview of bilateral Official Development Assistance (ODA) from the members of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) across the three Rio conventions (Convention on Biological Diversity (CBD), United Nations Convention to Combat Desertification (UNCCD) and the United Nations Framework Convention on Climate Change (UNFCCC) and four Rio markers: mitigation, adaptation, biodiversity and desertification. Using the OECD Global Environmental Objectives database, it is estimated that projects and programmes targeting the three Rio conventions in the form of bilateral ODA amounted to USD 29.4 billion (annual average between 2014–2016). This equals 30 per cent of total bilateral ODA. A considerable share of these projects and programmes simultaneously target more than one Rio convention. For instance, USD 9.8 billion of the USD 29.4 billion (or 33 per cent) was contributed to more than one Rio convention either as a principal or significant, whereas the remaining USD 19.6 billion (67 per cent) impacted exclusively one marker.

The figure below shows bilateral ODA commitments for each of the four Rio markers. The desertification marker accounts for the smallest amount in relation to other markers: USD 2.4 billion, followed by biodiversity (USD 7.6 billion), adaptation (USD 13.6 billion) and mitigation (USD 19.9 billion). The figure also illustrates that resources allocated to projects and programmes combating desertification also have impacts on other Rio conventions and markers. For example, 96 per cent of the finance for desertification-related activities contributed simultaneously to others markers as well. This demonstrates that investing in land contributes to multiple environmental objectives, including biodiversity, climate change mitigation, climate change. Finance for climate change mitigation, on the other hand, offers the least synergetic effect across markers, as only 35 per cent of the resources allocated to the mitigation marker contributed to other environmental objectives (see figure 2 for further details on other markers).

Figure 2
Bilateral Official Development Assistance across Rio markers* (Annual average 2014–2016 with a constant 2016 price)



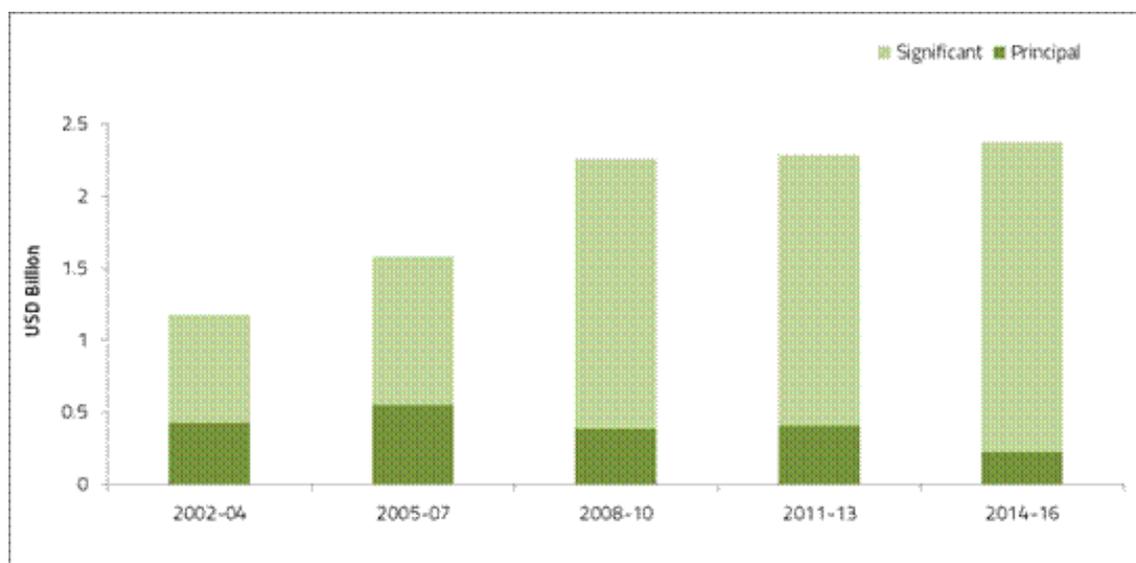
Source: The Global Mechanism analysis based on the OECD database.

*Figures displayed across markers present some degree of double-counting as some projects and programmes contribute to more than one Rio marker. Nonetheless, the total bilateral ODA across markers without double-counting is estimated at USD 29.4 billion.

12. Figure 3 illustrates that the desertification-related ODA remained on a stable level from 2008 onwards. However, the number of desertification-related projects varied by year. The majority of the projects targeted other environmental objectives that indirectly contributed to land restoration. The absolute amount of funding for desertification was stable over the last decade. Of total projects applicable to the desertification Rio marker, USD 0.2 billion (9 per cent) has desertification as the principal objective, while the remaining USD 2.15 billion (91 per cent) addresses desertification as a significant objective from 2002–2016. Projects grouped under ‘significant objective’ have other environmental objectives (climate change and/or biodiversity) as principal objectives, and at the same time address desertification issues through their activities, reflecting the synergies and co-benefits between the Rio conventions. It also emphasizes that investment in land issues cuts across sectors and Rio markers, making it difficult to measure. It is important to preserve the central and pivotal role of land restoration for both climate change and biodiversity conservation.

Figure 3

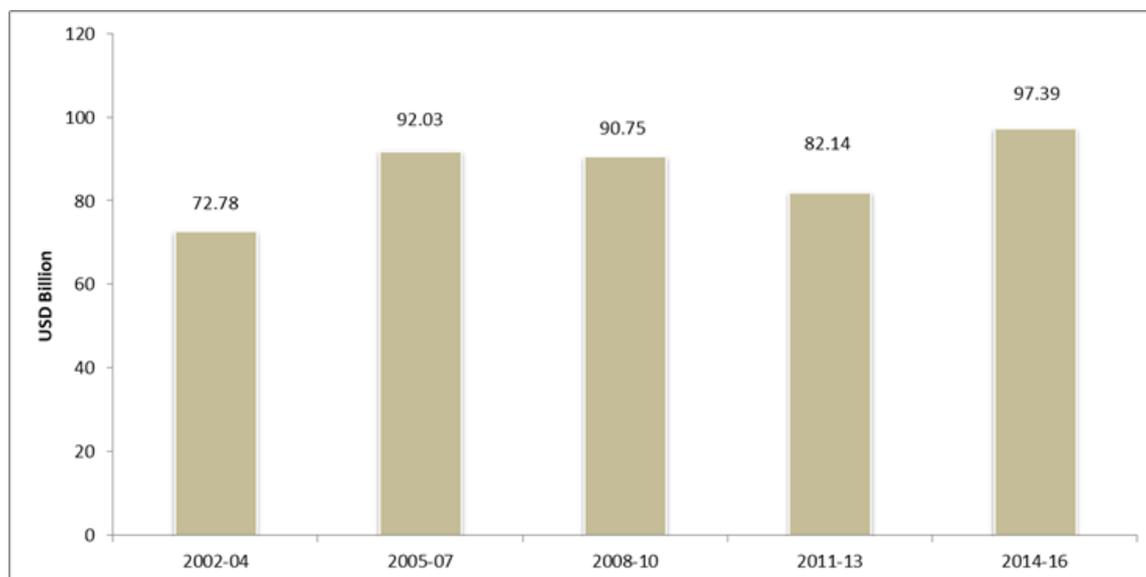
Trends in Official Development Assistance towards desertification (three-year averages, 2002–2016, bilateral commitments, USD billion, constant 2016 prices)



Source: The Global Mechanism analysis based on the OECD database

13. Figure 4 presents the trend of total bilateral ODA (three-year averages) for 2002–2016. It shows that the total ODA increased substantially since 2005 with a slight decline during 2011–2013, but overall it shows a rising trend. However, the land-related ODA remained stable over this period without a substantial increase.

Figure 4
Trends in total Official Development Assistance (three-year averages, USD billion, bilateral commitments)

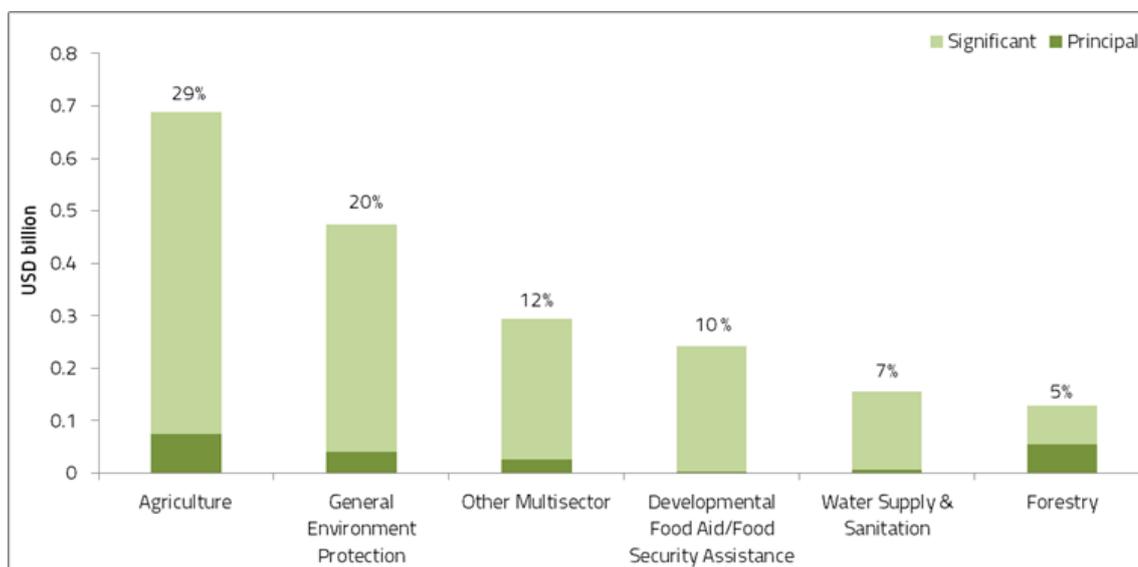


Source: The Global Mechanism analysis based on the OECD database.

Note: This figure shows bilateral commitments only. When other categories of ODA such as multilateral ODA are added to the bilateral commitment, the total ODA increases to USD 116 billion (annual average for 2014–2016).

14. This section looks into the six major sectors which make up 84 per cent of the total desertification-related ODA (see figure 5). The largest share of desertification-related ODA is concentrated in the agriculture sector (29 per cent). Sustainable agriculture practices not only improve cropping systems, water use and resilience, among other things; they also help the land withstand the effects of drought and desertification. The agriculture sector has been a centre of focus for the past few decades in the light of Millennium Development Goal 1: Eradicate extreme poverty and hunger (1999–2015) and Sustainable Development Goal 2: Zero Hunger. Therefore, development assistance agencies are providing funding and advocating for sustainable agriculture practices, which in turn protects land against desertification. In terms of desertification-related ODA, agriculture is followed by the general environment protection sector (20 per cent), multi-sector (12 per cent) and the developmental food aid/food security assistance sector (10 per cent). These sectors account for 84 per cent of the total desertification-related bilateral ODA commitments from 2010–2016 (see figure 5). The last two sectors out of the six sectors illustrated in figure 5 are water supply and sanitation (7 per cent) and forestry (5 per cent). The forestry sector, being less related to desertification, is an anomaly because trees control erosion and provide vegetation cover to the soil. Also, forests help in keeping the climate moist, which protects the soil from drying out, which leads to desertification. The low allocation to forest implies that overall bilateral ODA for the forestry sector decreased over the past few years.

Figure 5
Top sectors targeting desertification finance (average 2010–2016, bilateral commitments, USD million, constant 2016 prices)



Source: The Global Mechanism analysis based on the OECD database.

15. Figure 6 shows the top ten providers of bilateral ODA related to desertification in USD million. The European Union is at the top of the list followed by Germany. The average annual ODA allocated to desertification by the European Union exceeded USD 600 million during 2014–2016. The reason for this largest allocation is explained in the following paragraphs.

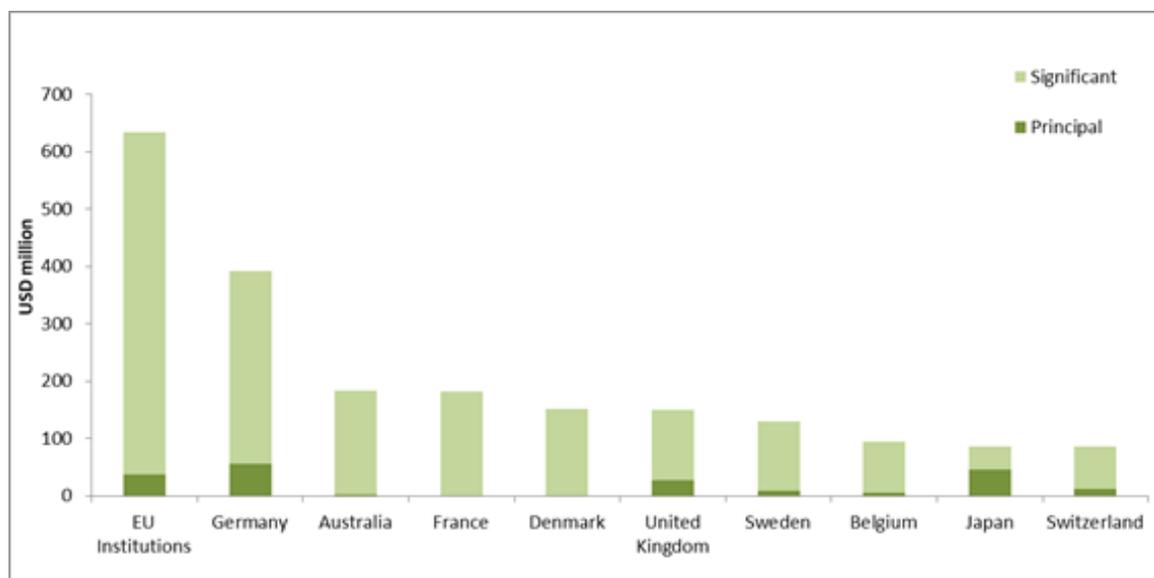
16. Drylands take up 41.3 per cent of the land surface, while Africa is considered to be the hardest hit by the impacts of desertification. The entire Sahel region in Africa is classified as severely degraded.⁹ Cooperation at the continental level between Africa and the European Union is guided by a strategic partnership. In 2007, the Joint Africa–EU Strategy was adopted by both partners to forge stronger links in key areas of cooperation. The strategy strives to bring Africa and Europe closer together through the strengthening of economic cooperation and the promotion of sustainable development. Large-scale programmes, such as the Pan–African Programme (EUR 845 million for 2014–2020), was developed with assistance from the European Union for African countries. The European Union provides the largest share (26 per cent) of bilateral ODA to address desertification across the world (see figure 6). The European Union provides financing for large-scale sustainable land management projects in Africa, such as Action against Desertification and the Great Green Wall. The contribution from the European Union is followed by Germany (16 per cent), Australia (8 per cent), France (8 per cent) and Denmark (6 per cent).

17. The Government of Germany has also placed land degradation as a priority on its agenda, which explains Germany’s contribution of 17 per cent of the total bilateral ODA. The top ten contributors in the graph above add up to 88 per cent of total desertification

⁹ European Commission Joint Research Centre (JRC), *World Atlas of Desertification, Re-thinking Land Degradation and Sustainable Land Management*, 3rd ed. (2018), (European Union, Luxembourg, 2018).

finance.¹⁰ Biodiversity also shows a similar result. The European Union, Germany and Japan are the top three providers, contributing 44 per cent of total biodiversity ODA.

Figure 6
Top ten providers of desertification-related Official Development Assistance (annual average 2014–2016, bilateral commitments, USD million, constant 2016 prices)



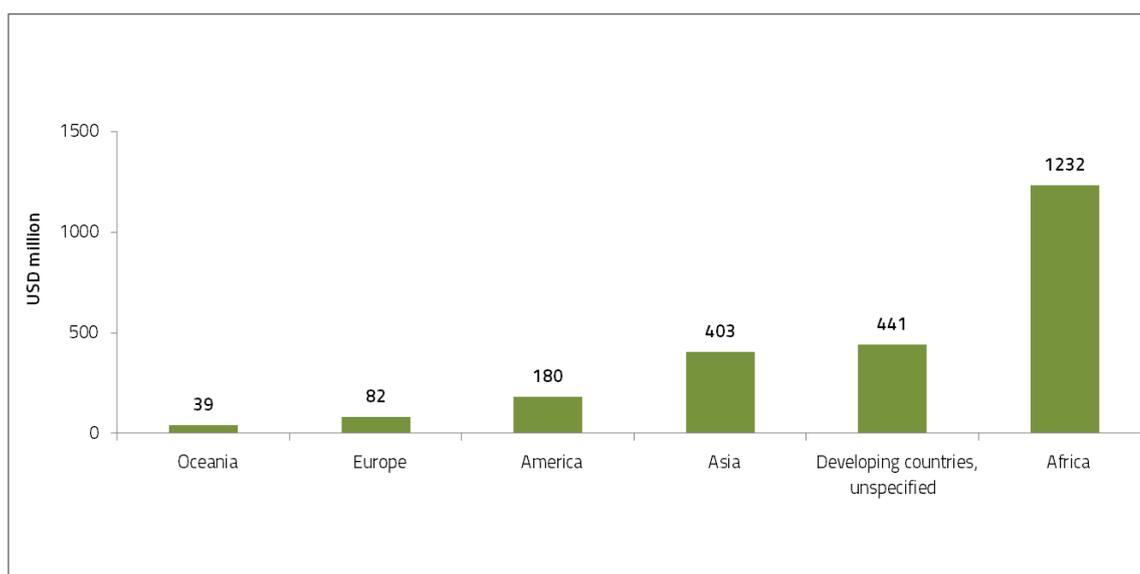
Source: The Global Mechanism analysis based on the OECD database.

18. As per the reports submitted by the country Parties to the UNCCD, 168 countries across the globe are facing severe challenges posed by DLDD. Africa and Asia are amongst the worst hit by the effects of desertification.¹¹ Globally, an area equal to 4.18 million km² is degraded annually, most of which is in Africa and Asia. Donor countries, especially the European Union, have allocated a large share of ODA to Africa (52 per cent) to combat desertification, followed by Asia (17 per cent) (see figure 7). Almost 19 per cent of the total desertification allocation is unspecified.

¹⁰ Germany, Federal Ministry for Economic Cooperation and Development (BMZ), *Combating Desertification, Germany's Commitment under United Nations Convention to Combat Desertification*, (Germany, Federal Ministry for Economic Cooperation and Development (BMZ), Bonn)
www.bmz.de/en/publications/archiv/type_of_publication/information_flyer/flyer/Desertification_en.pdf.

¹¹ European Commission Joint Research Centre (JRC), *World Atlas of Desertification, Re-thinking Land Degradation and Sustainable Land Management*, 3rd ed. (2018), (European Union, Luxembourg, 2018).

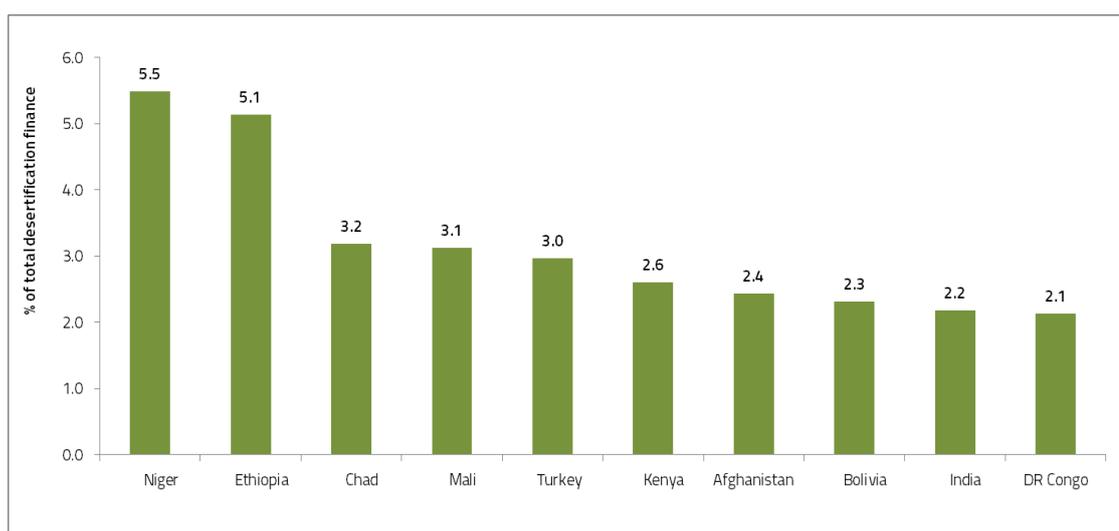
Figure 7
Geographical distribution of bilateral flows for desertification (average 2014–2016, bilateral commitments, USD million, constant 2016 prices)



Source: The Global Mechanism analysis based on the OECD database.

19. Niger and Ethiopia are amongst the top recipients of desertification-related finance in Africa. Niger receives 5.5 per cent of bilateral ODA for desertification, while Ethiopia receives 5.1 per cent. Due to increasing desertification and recurrent droughts, people living in African countries are vulnerable to impacts of desertification. Therefore, the largest share of bilateral ODA is directed towards them. Policies of the recipient country and government priorities also play a major role in this.

Figure 8
Top recipient countries of bilateral flows to desertification (annual average 2014–2016, bilateral commitments)



Source: The Global Mechanism analysis based on the OECD database.

B. Trends in multilateral Official Development Assistance

20. To expand the analysis beyond bilateral ODA provided by OECD-DAC members, this section analyses multilateral ODA based on different assumptions and data sources, including:

- The Global Environment Facility (GEF) as the financial mechanism of UNCCD;
- MDB reports on climate change, where it is assumed that investments in certain sectors are related to UNCCD implementation;
- Financial flows reported by United Nations agencies on land-related activities;
- Other emerging vehicles such as the Green Climate Fund (GCF).

21. The GEF is the only multilateral organization which maintains a database of projects and programmes under the land degradation focal area. For other multilateral agencies, the results for desertification-related finance are inferred by analysing their reports on climate change finance, taking into account the major sectors contributing to land restoration efforts. While this methodology presents some limitations, it provides a generic overview of multilateral financing trends toward land-based sectors.

22. As per the joint report by MDBs,¹² it is estimated that the expenditures on land-based sectors relevant to UNCCD implementation have been increasing during the last years. The MDBs are scaling up their efforts in thematic areas related to the land sector, including climate-smart agriculture and food security. The annual average share of adaptation finance contributing to sectors relevant to UNCCD implementation (see annex for sector details) is estimated at USD 3.3 billion for 2012–2016. This is equivalent to 62 per cent of total adaptation finance by MDBs. Similarly, the annual average contribution for mitigation finance on land-related issues is calculated at USD 0.8 billion for the period 2012–2016, representing 4 per cent of total finance for mitigation.

23. The United Nations agencies included in the analysis due to their involvement in desertification-related issues are the UNCCD, FAO, UN Environment and International Fund for Agricultural Development (IFAD). These United Nations agencies are multilateral organizations with sustainable land management principles integrated into their core area of work. Therefore, the total contributions from these organizations are imputed to extrapolate desertification-related finance. The annual average contribution by these United Nations agencies is USD 347 million for the period 2012–2016. The analysis also indicates that the imputed share by these United Nations agencies has remained stable over the past years.

24. The GEF Trust Fund is the financial mechanism for the UNCCD. The GEF-7 Replenishment (2018–2022) has increased its allocation to the land degradation focal area from USD 431 million¹³ in GEF-6 to USD 473 million in GEF-7 (see figure 10). This represents a 10 per cent increase in comparison with the previous replenishment cycle. GEF funding shows an increasing trend under the land degradation focal area starting from GEF-3, whereas GEF-7 allocates the highest amount of funds to projects combating DLDD. The GEF allocated USD 935 million under the land degradation focal area over ten years

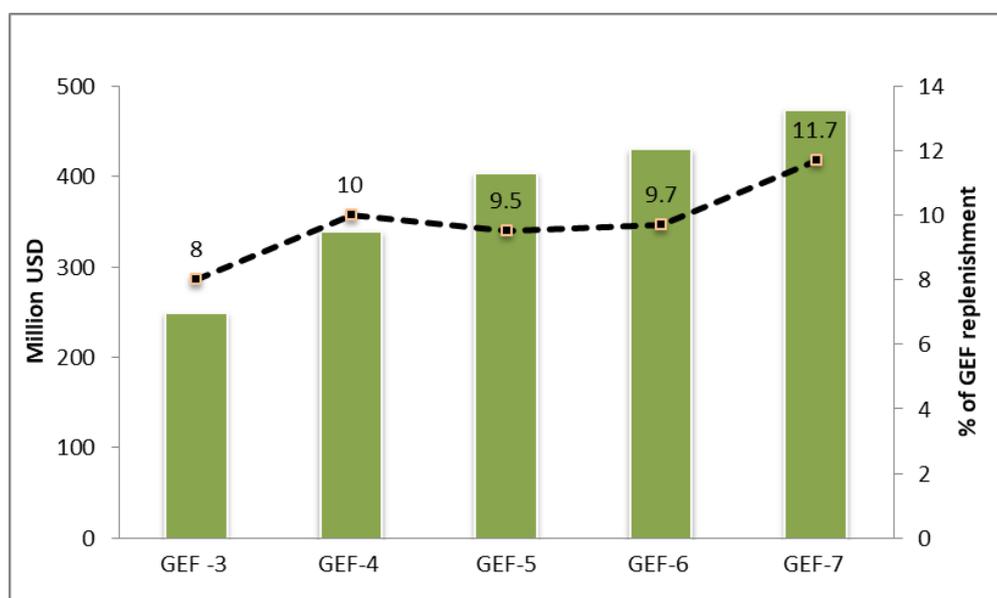
¹² The Multilateral Development Banks (MDBs), *Joint report on Multilateral Development Banks' Climate Finance*, (London, EBRD, (reports from 2012–2016)), Available at <https://www.ebrd.com/cs/Satellite?c=Content&cid=1395237690292&pagename=EBRD%2FCContent%2FCContentLayout>.

¹³ The Global Environment Facility, *Indicative GEF-7 Resource Allocation Framework Following the Conclusion of the Replenishment Negotiations in Stockholm*, GEF-7 Replenishment Fourth Meeting, 25 April, 2018.

(2002–2012) within three replenishment cycles starting from 2002. The average co-financing generated from this is USD 5.78 billion.¹⁴

Figure 9

Global Environment Facility allocation for the land degradation focal area (USD million)



Source: The Global Mechanism analysis based on the GEF publications.

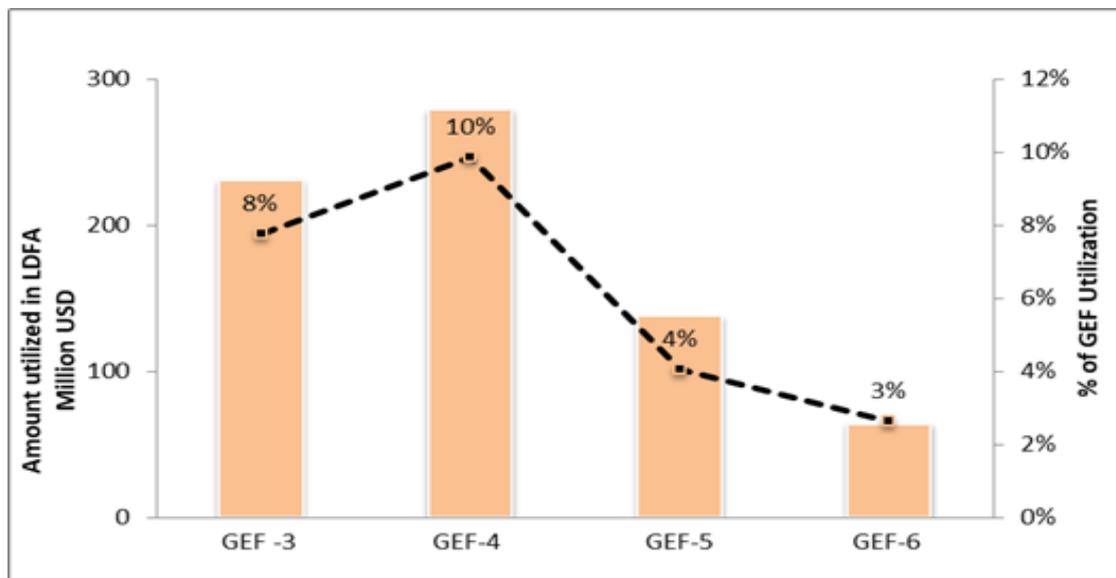
25. The GEF Trust Fund has disbursed USD 11.6 billion¹⁵ from GEF-3 to the GEF -6 replenishment cycles, contributing 6 per cent of the total disbursed GEF Trust Fund¹⁶ towards the land degradation focal area as at 30 June 2017 (see figure 10). During GEF-6, the GEF responded to UNCCD guidance on the land degradation focal area by increasing the emphasis on projects focused on achieving land degradation neutrality.

¹⁴ The co-financing requirement for third and fifth GEF replenishment was at a ratio of 1:6, i.e. The level of co-financing mobilized by the GEF through other resources is 6 to qualify for 1 dollar of GEF financing.

¹⁵ The Global Environment Facility Independent Evaluation Office (GEF IEO), *OPS6 Final Report: The GEF in the Changing Environmental Finance Landscape*. (Washington, DC: GEF IEO, 2018). Available at: www.gefio.org/evaluations/ops.

¹⁶ As at 30 June 2017. The resource utilization figure for GEF-6 does not represent the final figure.

Figure 10
Global Environment Facility utilization for land degradation focal area (LDFA) (USD million)



Source: The Global Mechanism analysis based on the GEF publications.

26. GCF is an important funding source for the forestry and land-use sector, however its Secretariat does not currently offer specific data on the amount of GCF financing and co-financing leveraged, segregated by the results areas that are relevant to the UNCCD. It does analyse, however, the proportion of the funding requests by results area. According to its Board document GCF/B.20/Inf.07/Rev.01, approximately 14 per cent of funding requests had been submitted within the forestry and land-use window. Such an estimate is based on the simple attribution according to the number of results areas marked in each proposal. With regard to multi-bi or earmarked flows, the agriculture and forestry and general environment protection sectors are considered in the analysis as these sectors are closely related to desertification. An average of USD 0.9 billion was disbursed to the agricultural and forestry sector, and USD 0.7 billion was disbursed to the general environment protection sector between 2012–2016, which is approximately 9 per cent of total annual multi-bi contribution. These results indicate that in general, the funds under these sectors contribute indirectly to land restoration and combating land degradation, whereas a major focus of multi-bi funding is allocated to other ODA sectors.

C. Trends in private finance

27. This section provides information on private financing from available sources. As mentioned earlier, a database of private financing for environmental thematic areas is not available. However, there are surveys and analyses of private entity finance. Since private financing is focused on profit-oriented sectors, a small portion of these private investments is dedicated to desertification-related sectors such as agriculture and water supply. In the absence of a database and methodology for desertification-related private finance, funding allocated to relevant sectors is inferred as desertification-related finance. This method is not perfect, but it provides a general overview.

28. The OECD-DAC survey¹⁷ on resources mobilized from the private sector by official development finance intervention shows that a total of USD 81.1 billion was mobilized between 2012–2015. The survey additionally showed an increase in private sector financial flows from USD 15 billion in 2012 to USD 26.8 billion in 2015. The largest share of the resources mobilized (33 per cent) was allocated to the banking sector, however there is no tracking of how these funds are utilized. This is followed by 25 per cent in the energy sector, and 14 per cent in the industry sector. The share for the agriculture sector and the water and sanitation sector was only 3 per cent and 2 per cent, respectively. The guarantee remained the major mobilization financial instrument among these sectors. The largest share of private investment is mobilized in the African region (30 per cent), followed by Asia (26 per cent). The survey also highlighted 26 per cent of private investment contributed to the climate change sector.

29. Similarly, an OECD assessment¹⁸ on private foundation support to development shows USD 23.9 billion over 2013–2015 contributing significantly to the health sector. The assessment shows that the contribution of this concessional private finance is gradually increasing (USD 6.8 billion in 2013 to USD 9.6 billion in 2015). More than half (52 per cent) of the contribution by the foundation is in the health sector (including reproductive health), followed by education (9 per cent) and agriculture (8 per cent). The Bill and Melinda Gates Foundation is the major contributor (49 per cent) among the surveyed foundations.

30. The global finance landscape for the environment has been evolving rapidly beyond ODA after the adoption of Addis Ababa Action Agenda on financing for development, the SDGs and the UNFCCC Paris Agreement. The annual financing gap in key Sustainable Development Goal (SDG) sectors is estimated at USD 2.5 trillion for the period 2015–2030.¹⁹ The Addis Ababa Action Agenda called for an effort to engage the private sector and move from billions to a trillion to achieve the SDGs. Private funds such as the eco.business Fund and the Land Degradation Neutrality Fund have been established to support the business and consumption practices that contribute to the land restoration and ecosystem balance. However, there is currently no systematic mechanism to measure the finance from these private funds for different sectors. Further work on this will help for a more comprehensive analysis of the contribution of private finance to environment and desertification.

D. Trends in blended finance

31. The OECD-DAC survey on amounts mobilized from the private sector through official development finance shows that USD 81.1 billion was mobilized between 2012–2015 as mentioned in the previous section. However, this survey does not provide any information on whether any public finance was invested in private finance.

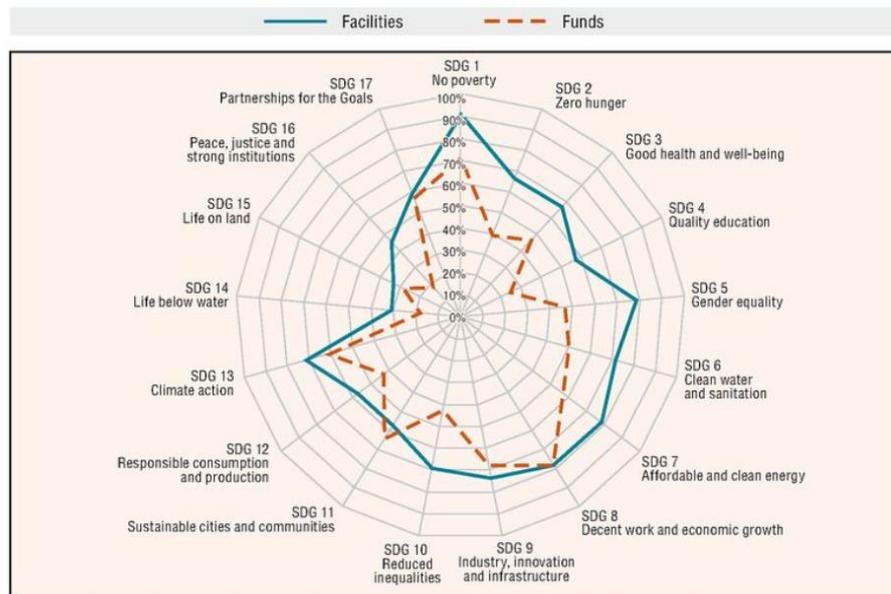
¹⁷ Julia Benn and others, “Amount mobilised from the private sector by official development finance interventions: Guarantees, syndicated loans and shares in collective investment vehicles”, OECD Development Co-operation Working Papers. (Paris, OECD, 2017).

¹⁸ Organisation for Economic Co-operation and Development, *Private Philanthropy for Development, the Development Dimension*, (OECD Publishing, Paris, 2018).

¹⁹ United Nations Conference on Trade and Development, *Scaling up financing for the Sustainable Development Goals*. Available at <https://unctad.org/en/PublicationsLibrary/gdsecidc2017d4_en.pdf>.

32. A recent report by the OECD-DAC²⁰ highlighted that blended finance is more aligned towards potential profit-making sectors. This finance category focuses on SDGs targeting economic growth (SDG 8), infrastructure (SDG 6, SDG 7, SDG 9, SDG 11), climate change (SDG 13), no poverty (SDG 1) and affordable and clean energy (SDG 7). SDGs related to biodiversity and natural resources (SDG 14 and SDG 15) appear to be of least concern to these funds (Figure 10).

Figure 11
Funds and facilities targeting different Sustainable Development Goals



Source: ‘Making Blended Finance Work for the Sustainable Development Goals,’ OECD 2018.

33. The report also found that various provider countries had set up 167 facilities by 2016 to pool public financing for blending different financial instruments and approaches.

34. Blended finance has the potential to amplify the impact of public resources by sharing the risk for the private investors and therefore increasing the amount of private finance to achieve SDGs. However, the blending should be contextual depending on the size and scope of the blended finance market as well as country’s priorities, economic conditions and SDGs.

V. Conclusions

35. **Monitoring the entirety of desertification-related financial and non-financial resources (including public, private, domestic, international, and blended finance) is challenging due to the cross-sectoral and cross-thematic nature of land-related issues as well as the multiple sources, institutions and instruments supporting activities that combat desertification/land degradation and drought. Due to data limitations, this**

²⁰ Organisation for Economic Co-operation and Development, *Making Blended Finance Work for the Sustainable Development Goals*, Available at: <https://read.oecd-ilibrary.org/development/making-blended-finance-work-for-the-sustainable-development-goals_9789264288768-en#page1>.

document has mainly focused on international public financial resources in the form of desertification-related bilateral and multilateral ODA.

36. The total estimates on Bilateral desertification-related Official Development Assistance (ODA) by members of the OECD Development Assistance Committee (DAC) amounted to USD 2.4 billion (annual average 2014–2016). These resources have remained relatively stable over the last decade, whereas its relative share with respect to total ODA has been declining. This suggests that the allocation of aid to desertification-related activities has been losing its relative importance with regard to other sectors and environmental objectives.

37. Other key trends in bilateral desertification-related ODA relates to (i) donor countries, the top 5 providers being the European Union, Germany, Australia, France and Denmark; (ii) sectors, with primary allocations made to the agriculture, general environment protection, food aid, other multi-sector, and water supply and sanitation sectors; (iii) recipient countries, the top 10 recipient being Niger, Ethiopia, Chad, Mali, Turkey, Kenya, Afghanistan, the Plurinational State of Bolivia, India and the Democratic Republic of Congo.

38. Multilateral flows have also played an important role with regard to international concessional public resources supporting UNCCD-related activities, with the following key trends: (i) the GEF allocated USD 473 million to the land degradation focal area during GEF-7 (2018–2022), representing an increase of 10 per cent with respect to the previous cycle (GEF-6); (ii) the imputed share from joint MDBs for UNCCD-related activities has been increasing, amounting to USD 4.1 billion annually during the time period 2012–2016; (iii) The imputed share of contributions by United Nations agencies working to combat desertification has been steady over the years, reaching about USD 300-400 million for the period of 2012–2016; and (iv) Overall desertification-related multi-bi funding has been growing over time, with an average allocation of USD 1.6 billion annually.

39. Given the lack of desertification markers for those financial flows beyond bilateral ODA, it is important to continue exploring methodological and data advances to develop a comprehensive and systematic approach to track financial flows for the implementation of the Convention.

Annex

Methodology to calculate multilateral flows

1. This document considers joint reports on climate finance from multilateral development banks (MDBs) to analyse the contribution of MDBs. These reports provide an overview of the financing committed by the African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank Group and the World Bank Group to climate change adaptation and mitigation over the years. This joint methodology for tracking climate finance describes the projects that are eligible for climate finance (both adaptation and mitigation). The sectors relevant to the implementation of the United Nations Convention to Combat Desertification (UNCCD) are mentioned below in the table with their respective activities. Hence, the contribution of MDBs to the following sectors relevant to UNCCD implementation is considered in the analysis. The joint MDB report of 2012–2016 is referred to in this document.

<i>Sector/topic</i>	<i>Mitigation</i>
Agriculture, forestry and land-use	<ul style="list-style-type: none"> - Reduction in energy use in traction (such as efficient tillage), irrigation, and other agricultural processes - Agricultural projects that improve existing carbon pools (such as rangeland management, collection and use of bagasse, rice husks, or other agricultural waste, reduced tillage techniques that increase carbon contents of soil, rehabilitation of degraded lands, peatland restoration, and so on) - Reduction of non-carbon dioxide greenhouse gas (GHG) emissions from agricultural practices and technologies (for example, paddy rice production, reduction in fertilizer use) - Afforestation (plantations) and agroforestry on non-forested land - Reforestation on previously forested land - Sustainable forest management activities that increase carbon stocks or reduce the impact of forestry activities - Biosphere conservation and restoration projects (including payments for ecosystem services) seeking to reduce emissions from the deforestation or degradation of ecosystems - Livestock projects that reduce methane or other GHG emissions (for example, manure management with bio digesters and improved feeding practices to reduce methane emissions) - Production of biofuels, including biodiesel and bioethanol (only if net emission reductions can be demonstrated)

<i>Sector/topic</i>	<i>Mitigation</i>
Other agricultural and ecological resources	<ul style="list-style-type: none"> - Supplemental irrigation, multi-cropping systems, drip irrigation, levelling, and other approaches and technologies that reduce the risk of large crop failure - Improved management of forest fires and pest or disease outbreaks - Increased production of adequate fodder crops to supplement rangeland foraging - Adoption of sustainable fisheries and aquaculture techniques to compensate for the reduction in local fish supplies - Establishment of core protected areas and buffer zones for the sustainable use of biodiversity and water to meet livelihood needs in more extreme droughts
Water and wastewater systems	<ul style="list-style-type: none"> - Well fields relocated away from floodplains and raised wellheads - Protection of wastewater infrastructure from increased flooding - Improved catchment management planning and regulation of water abstraction
Crop production and food production	<ul style="list-style-type: none"> - Investments in research and development of crops that are more resilient to climate extremes and change
Coastal and riverine infrastructure (including built flood-protection infrastructure)	<ul style="list-style-type: none"> - Physical or natural reinforcement of coastline and/or additional coastal structures or vegetation - Increased river dredging programmes, reinforcement of levees, re-establishment of natural flood plains and vegetation in upstream areas or river banks

2. The Global Environment Facility (GEF), as the financial mechanism of the UNCCD, reports regularly to the Conference of Parties (COP), which is held every two years. The GEF report to COP 13 provided progress on GEF activities during Financial Year 2016–Financial Year 2017 in the land degradation focal area and also provides a contribution under enabling activities for the GEF-6 1 July 2014 to 30 June 2018. In addition to this, the analysis also considers the report²¹ on the sixth replenishment of the GEF Trust Fund and the report by the GEF Independent Evaluation Office.²²

3. The OECD-DAC database on the multilateral system was used for the analysis of the contributions from United Nations agencies relevant to UNCCD implementation. The core multilateral flows from the UNCCD (including the Global Mechanism), International Fund for Agricultural Development, FAO and UNEP were included in the analysis presented in this document.

²¹ Global Environment Facility. *Report on the sixth replenishment of the GEF trust fund*. Available at: <https://www.thegef.org/sites/default/files/council-meeting-documents/GEF.A.5.07.Rev_.01_Report_on_the_Sixth_Replenishment_of_the_GEF_Trust_Fund_May_22_2014_1.pdf>.

²² Global Environment Facility Independent Evaluation Office (GEF IEO). *Land Degradation Focal Area Study, Evaluation Report No. 120* (Washington, DC: GEF IEO, 2018). Available at: <www.gefio.org/evaluations/land-degradation-focal-area-ldfa-study-2017>.